

Department of
Industry, Innovation
and Science
ANNUAL REPORT 2015-16

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Australian Government

**Department of Industry,
Innovation and Science**

Secretary

The Hon Greg Hunt MP
Minister for Industry, Innovation
and Science
Parliament House
CANBERRA ACT 2600

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

Dear Ministers

I present to you the 2015-16 annual report of the Department of Industry, Innovation and Science for tabling before the parliament, as required by section 46 of the *Public Governance, Performance and Accountability Act 2013*.

The department's annual report includes the 2015-16 annual reports of Geoscience Australia and IP Australia, which are non-corporate Commonwealth entities within the Industry, Innovation and Science portfolio. The report includes information that meets the reporting requirements for legislation the department administers (Appendix A5 and Appendix A6).

I certify that the department, Geoscience Australia and IP Australia have prepared fraud risk assessments and fraud control plans; have in place fraud prevention, detection, investigation and reporting mechanisms that meet their needs; and have taken all reasonable measures to appropriately deal with fraud.

Yours sincerely

Glenys Beauchamp
14 September 2016

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

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 2015–16 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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Questions or feedback on the content of this report can be addressed to the listed contact officers.

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How to access this report

Annual reports are available from libraries around Australia under the Commonwealth library deposit and free issue schemes. A list of these libraries is available from the Department of Finance website (www.finance.gov.au).

This report is also available through the following websites:

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

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PART A:
DEPARTMENT OF INDUSTRY,
INNOVATION AND
SCIENCE



CHAPTER ONE

Secretary's review

The Department of Industry and Science became the Department of Industry, Innovation and Science as a result of the Administrative Arrangements Order made on 21 September 2015. That included responsibility for northern Australia policy and coordination and national issues relating to the digital economy being transferred to the department in September 2015.

The department's vision is to enable growth and productivity for globally competitive industries by supporting innovation, science and commercialisation; growing business investment and improving business capability; streamlining regulation; and building a high performance organisation. More information on these four strategic objectives is set out in the department's strategic plan.

Over the past year we increased our role in developing and delivering whole-of-government policies that are at the heart of the government's economic reform agenda, while placing our customers and stakeholders at the core of our business.

A great deal of strategic policy work was undertaken within a short time frame, culminating in the announcement of the National Innovation and Science Agenda in December 2015, with the department playing a critical role in coordinating its delivery across multiple portfolios. We are bringing together the blueprint for building a more innovative Australia that will position the country to seize the next wave of economic prosperity. The National Innovation and Science Agenda focuses on four pillars: culture and capital; collaboration; skills and talent; and government as an exemplar.

In its role as a policy influencer the department made a substantial contribution to obtaining state and territory government support for sweeping reforms to country of origin food labelling—reforms that will give Australian consumers clearer and more meaningful information about the products they buy.

The department coordinated the implementation of the White Paper on Developing Northern Australia, including the establishment of the Office of Northern Australia as a conduit between all levels of government, industry and the people of northern Australia.

To improve the experience of customers and streamline grants processing, we put in place a whole-of-government grants administration hub—the Business Grants Hub—to provide a consistent, customer-focused approach to the design, delivery, management and evaluation of business grants programmes.

During 2015–16, the department's work to support the government's economic agenda also included:

- implementing the Industry Growth Centres Initiative, which is increasing collaboration and commercialisation, building management and workforce skills, improving capabilities to engage with global supply chains and international markets, and addressing the regulatory cost on industry
- implementing the Automotive Diversification Programme to help innovative firms in the automotive supply chain diversify into new products and markets
- supporting regions undergoing structural change by assisting businesses to innovate and expand, invest in new technology and explore new avenues of competitive advantage to secure their sustainable growth in the future
- guiding major developments in Tasmania and northern Australia through regulatory approval processes via the Major Projects Approval Agency
- developing a National Energy Productivity Plan for the Council of Australian Governments' (COAG) Energy Council, to lift Australia's energy productivity by up to 40 per cent by 2030, help business and households manage their energy costs and contribute to meeting Australia's 2030 emissions target
- working with states and territories to develop the COAG Energy Council's Gas Supply Strategy, to improve collaborative efforts between jurisdictions on scientific and regulatory issues associated with onshore gas
- supporting the Independent Review of Governance Arrangements for Australia's Energy Markets, which identified opportunities for improvement in the way the COAG Energy Council, its officials and institutions operate
- implementing reforms to modernise Australia's anti-dumping system and level the playing field for Australian manufacturers and producers
- ensuring the ongoing operation of the Synchrotron and the Square Kilometre Array—critical research tools needed to advance cutting-edge science
- identifying a single site for a national radioactive waste management facility for further consideration and community consultations
- continuing Questacon's engaging formula of hands-on science discovery, which was recognised with a silver award in the Tourist Attraction category at the 2015 Australian Tourism Awards
- implementing changes to the Cooperative Research Centres (CRC) Programme, including creating the new CRC-Projects stream for short term activities with a focus on involving small and medium-sized enterprises
- focusing on innovation and entrepreneurship through the flagship Entrepreneurs' Programme.

Many of these programmes were facilitated and enhanced by continued efforts to make our services easier to find and understand, quicker and easier to access, and more tailored to business needs. Specifically, the department is enhancing its capability to deliver services to businesses through the Single Business Service programme of work. This includes the development of a new platform that enables more effective management of customer relationships and a new business.gov.au website with user-tested design and features.

Our people continue to be our greatest strength and we have built on our achievements to shape a workplace committed to attracting, developing and retaining the right people with the right skills. These efforts are supported by the Department of Industry, Innovation and Science Enterprise Agreement 2016–2019, which came into effect in April 2016.

To empower staff to innovate as we do our business, we have made high-value datasets accumulated in the department over many years openly available internally. We have also strengthened our evidence-base through use of the Business Longitudinal Analytical Data Environment (BLADE), which integrates administrative data on businesses from a range of government agencies and helps us to understand the economic drivers of business performance in Australia. We continued to produce key statistical and economic publications to support the department's work, including the Industry Monitor, Australian Industry Report, Australian Innovation System Report, Gas Market Report and Energy in Australia, which are available on the department's website.

In 2016–17 the department will continue to implement and consolidate many of the initiatives I have already mentioned, such as implementing the National Innovation and Science Agenda, including assisting the government's response to the review of the R&D Tax Incentive, and implementing the White Paper on Developing Northern Australia.

The Northern Australia Infrastructure Facility will begin offering concessional loans, partnering with the private sector to finance major economic projects for the long-term expansion of industry to benefit the population in northern Australia. We will also continue to work with the communities to secure a site for a national radioactive waste management facility.

In delivering the \$100.5 million Exploring for the Future programme, Geoscience Australia will work closely with communities during the course of their field work. They will engage contractors and work collaboratively with the geological state and Northern Territory survey organisations to utilise their extensive networks for working with local communities.

We will continue work we have started with the Business Grants Hub to deliver streamlined and simpler services and information to businesses and help them to get on with doing business.

We will also have an increased focus on delivering shared and common services to contribute to the government's aim of increasing their effectiveness, efficiency and value for money.

Through our new BizLab innovation hub we will be placing increased emphasis on design thinking and the 'Agile' methodology of delivery to develop better solutions for businesses and the department.

Following the Federal election, we will deliver and support the government's election commitments and priorities.

The department will continue to build its capability by implementing its People Plan 2016–2020.



CHAPTER TWO

Portfolio and departmental overview

Portfolio overview

Ministers

The Ministers for the Industry, Innovation and Science portfolio at 30 June 2016 were:

- the Hon Christopher Pyne MP, Minister for Industry, Innovation and Science
- the Hon Josh Frydenberg MP, Minister for Resources, Energy and Northern Australia
- Senator the Hon Matthew Canavan, Minister for Northern Australia
- the Hon Karen Andrews MP, Assistant Minister for Science
- the Hon Wyatt Roy MP, Assistant Minister for Innovation.

Portfolio agencies

At 30 June 2016, the Industry, Innovation and Science portfolio comprised the Department of Industry, Innovation and Science and the following agencies:

- 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.

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

Departmental overview

The Department of Industry, Innovation and Science works with Australian industry, businesses and other stakeholders to facilitate the growth and productivity of globally competitive industries. It also supports the building of a strong scientific capability, business innovation and the commercialisation of new ideas as critical requirements for productivity and economic growth.

Organisational structure

Figure 1 shows the organisational structure of the department at 30 June 2016.

Purposes

The department's 2015-16 Corporate Plan sets out three purposes for the reporting period:

- Supporting Science and Commercialisation
- Growing Business Investment and Improving Business Capability
- Streamlining Regulation.

Outcome and programme structure

The department had one outcome for the reporting period. Table 1 describes the outcome and its programmes and sub-programmes.

Table 1: Department of Industry, Innovation and Science outcome and programme structure, 2015-16

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

Figure 1: Departmental structure, 30 June 2016

SECRETARY <i>Ms Glenys Beauchamp</i>							CHIEF SCIENTIST <i>Dr Alan Finkel</i>	INNOVATION AND SCIENCE AUSTRALIA <i>Mr Bill Ferris</i>
ASSOCIATE SECRETARY <i>Mr John Ryan</i>	DEPUTY SECRETARY <i>Mr Rob Heferen</i>	ACTING DEPUTY SECRETARY <i>Mr Mike Lawson</i>	DEPUTY SECRETARY <i>Ms Sue Weston</i>	ACTING DEPUTY SECRETARY <i>Mr David Hazlehurst</i>	GEOSCIENCE AUSTRALIA Chief Executive Officer <i>Dr Chris Pigram</i>	IP AUSTRALIA Director General <i>Ms Patricia Kelly</i>		
Energy Security Office	Energy Resources Office of Northern Australia	Economic and Analytical Services Portfolio Strategic Policy Sectoral Growth Policy Anti-Dumping Commission COAG—Australian Building Codes Board	Science and Commercialisation Policy Questacon National Measurement Institute Australian Astronomical Observatory Corporate	Digital Strategy and Operations AusIndustry Business Services AusIndustry Innovation Programmes National Innovation and Science Agenda Delivery Unit				



CHAPTER THREE

Departmental report on performance

Annual performance statements

Introductory statement

I, Glenys Beauchamp, as the accountable authority of the Department of Industry, Innovation and Science, present the 2015-16 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, these annual performance statements accurately present the department's performance in the reporting period and comply with subsection 39(2) of the PGPA Act.

Glenys Beauchamp
14 September 2016

Vision and purposes

The department's vision is to enable growth and productivity for globally competitive industries. The department works towards the vision through three purposes:

- Purpose 1: Supporting Science and Commercialisation
- Purpose 2: Growing Business Investment and Improving Business Capability
- Purpose 3: Streamlining Regulation

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

Performance reporting structure

The department's annual performance statements use the purpose and activity structure set out in the 2015–16 Corporate Plan, with slight modifications. This is partly to reflect the machinery of government changes that affected the department in the reporting period, particularly the incorporation of responsibility for northern Australia policy and coordination.

The reporting structure is broadly consistent with the structure set out in the 2015–16 Portfolio Budget Statements (PBS) and the 2015–16 Portfolio Additional Estimates Statements (PAES), as shown in Table 2.

Table 2: Mapping of the 2015–16 Annual Performance Statements to the 2015–16 Portfolio Budget Statements, the 2015–16 Portfolio Additional Estimates Statements and the 2015–16 Corporate Plan

2015–16 Portfolio Budget Statements and 2015–16 Portfolio Additional Estimates Statements	2015–16 Annual Performance Statements	2015–16 Corporate Plan
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	Vision: Enabling growth and productivity for globally competitive industries	Vision: Enabling growth and productivity for globally competitive industries
Programme 1: Supporting Science and Commercialisation	Purpose 1: Supporting Science and Commercialisation	Purpose: Supporting Science and Commercialisation
Sub-programme 1.1: Science awareness, infrastructure and international engagement	Activity 1.1: Science awareness, infrastructure and international engagement	Activity: Science awareness, infrastructure and international engagement
Sub-programme 1.2: Business research, development and commercialisation	Activity 1.2: Business research, development and commercialisation	Activity: Business research, development and commercialisation
Programme 2: Growing Business Investment and Improving Business Capability	Purpose 2: Growing Business Investment and Improving Business Capability	Purpose: Growing Business Investment and Improving Business Capability
Sub-programme 2.1: Competitive marketplace	Activity 2.1: Competitive marketplace	Activity: Competitive marketplace
Sub-programme 2.2: Business and market development	Activity 2.2: Business and market development	Activity: Business and market development
Sub-programme 2.3: Economic transition	Activity 2.3: Economic transition	Activity: Economic transition

2015–16 Portfolio Budget Statements and 2015–16 Portfolio Additional Estimates Statements	2015–16 Annual Performance Statements	2015–16 Corporate Plan
Sub-programme 2.4: Resources	Activity 2.4: Resources	Activity: Science awareness, infrastructure and international engagement Activity: Business research, development and commercialisation Activity: Business and market development
Sub-programme 2.5: Energy	Activity 2.5: Energy	Activity: Business research, development and commercialisation Activity: Competitive marketplace Activity: Business and market development
Sub-programme 2.6: Northern Australia Infrastructure Facility	Activity 2.6: Northern Australia Infrastructure Facility	
Programme 3: Programme Support	Purpose 3: Streamlining Regulation	Purpose: Streamlining Regulation
Sub-programme 3.1: Streamlining regulation	Activity 3.1: Portfolio regulatory reform and functions	Activity: Portfolio regulatory reform and functions
Sub-programme 3.2: Building a high performance organisation	Capability Building a high performance organisation ¹	Capability Building a high performance organisation ¹

¹ Contributes to all three purposes.

Performance measurement framework

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

The department’s performance measurement framework is summarised in Table 3.

Table 3: 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 programmes	Measure and assess the department’s performance in achieving its purposes
Level 3	Immediate outcome and output	Measure and assess the effectiveness of the department’s sub-programmes and their components	Measure and assess the effectiveness of the department’s activities and their components

In accordance with the requirements of the PGPA Act and Rules, the annual performance statements assess and report on the department’s performance in 2015–16 against the three levels of performance criteria set out in the 2015–16 PBS, 2015–16 PAES and 2015–16 Corporate Plan.

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

The level 3 performance criteria are used to measure the effectiveness of the department’s activities and components, such as policy advice, initiatives, services, administered programmes, and projects. Through this level of performance criteria, we can assess and report on the department’s contributions to achieving the outcome, vision and purposes, attributable to specific activities and components.

Vision: Enabling Growth and Productivity for Globally Competitive Industries

Performance criteria for the three aspects of Australia's economy relevant to the department's vision are set out in the 2015–16 Corporate Plan. Table 4 assesses how aspects of the economy are performing, based on the latest available information. They provide context on the economic conditions in which the department operates and are not intended as direct measures of performance.

Table 4: Vision: Enabling Growth and Productivity for Globally Competitive Industries

Aspects of Australia's economy relevant to the department's vision	Performance criterion	Trends and analysis
Economic growth	Growth in real gross domestic product ²	Australia has a history of strong economic growth. Australia's real GDP grew by 3.3 per cent through the year to the June quarter 2016. The Australian economy has now recorded its 25th consecutive year of GDP growth without a recession.
	Growth in gross value added by industry ³	Mining; Rental, Hiring and Real Estate Services; Financial and Insurance Services; and Wholesale Trade were the standout industry performers during the year to the June quarter 2016. While demand for services is solid overall, there is significant variance between individual industries. Agriculture, Forestry and Fishing contracted by 3.3 per cent during the year, and Manufacturing and Administrative and Support Services also continued to decline in value.
Productivity	Growth in labour productivity ²	After several years of moderate growth in labour productivity, Australia's labour productivity has recently accelerated. This is partly a result of significant investment in the mining sector generating large volumes of output. Australia's labour productivity grew by 2.7 per cent through the year to the June quarter 2016.
	Growth in multifactor productivity ⁴	Australia's multifactor productivity growth has been flat. Multifactor productivity growth was negative in 2014–15, declining by 0.07 per cent from 2013–14.
Export competitiveness ¹	Exports of goods and services ⁵	Australian goods exports totalled \$244 billion and services exports totalled \$68 billion in the 12 months to June 2016. Growth in goods exports has declined over the last five years, with fluctuations in value over the period. In contrast, services exports have increased by 34 per cent since June 2011.

1 The department has rationalised the criterion for this aspect by removing 'share of global merchandise exports'.

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 tables 1 to 19.

5 Source: ABS cat. no. 5368.0 table 1.

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.

The department works to achieve this purpose through two activities:

- Activity 1.1: Science awareness, infrastructure and international engagement
- Activity 1.2: Business research, development and commercialisation.

Main achievements

The department's major contributions to fulfilling the purpose in 2015–16 included the following:

- The department led delivery of the Australian Government's National Innovation and Science Agenda, which was launched in December 2015. Strong progress was made on implementing many of the 24 measures under the agenda, including the Global Innovation Strategy, Innovation and Science Australia, and science, technology, engineering and mathematics (STEM) literacy.
- The department supported a comprehensive independent review of the R&D Tax Incentive—Australia's largest innovation programme.
- The department implemented the recommendations of the 2015 review of the Cooperative Research Centre (CRC) Programme through revised programme guidelines, which facilitated the first CRC-Projects funding round.
- The department continued to facilitate investment in national research facilities. In early 2016, the Australian Government secured the future of the Australian Synchrotron by agreeing that ownership should transfer to the Australian Nuclear Science and Technology Organisation. The government has provided \$519.8 million to operate the Synchrotron for the next decade. A total of \$293.7 million was secured to fund the construction of the first phase of the Square Kilometre Array Radio Telescope Project.
- The department took innovative approaches to bilateral international engagement on science, research and innovation, including piloting the Global Connections Fund and Australian French Entrepreneurial Challenge and developing the Global Innovation Strategy.
- The National Measurement Institute maintained and evolved Australia's measurement standards; provided leadership of the measurement system, including collaborating with researchers and industry and providing training; and responded to industry needs for high-quality measurement services.
- Questacon delivered National Science Week 2015 and implemented the Inspiring Australia initiative, the reach and impact of which translate to engagement activity and STEM capacity-building across Australia.
- The Australian Astronomical Observatory helped to establish remote observing stations in Western Australia and the Australian Capital Territory, allowing astronomers to use the Anglo-Australian Telescope without having to travel to Sydney or to the telescope site, saving time and money. In 2015–16, the Australian Astronomical Observatory published more than 150 research papers on its discoveries in the field of astronomy.

Performance criteria and results

Table 5: Purpose 1: Supporting Science and Commercialisation

Intended result ¹	Performance criterion	Trends and analysis
Growth in the proportions of small, medium and large firms engaging in innovative activity	Proportion of Australia's businesses engaged in innovation ^{2,4}	The proportion of Australian businesses engaged in innovation decreased from 48.3 per cent in 2013–14 to 45.0 per cent in 2014–15. While Australia's performance fluctuates across years, it remains higher than the OECD average when disaggregated into large and small to medium sized firms.
Increased investment by businesses in intangible assets—i.e. the knowledge assets of an organisation	Business R&D expenditure as a percentage of GDP ^{2,5}	<p>Business R&D as a percentage of GDP stood at 1.19 per cent in 2013–14, representing an increase over the last decade from 0.90 per cent in 2003–04, but a fall from the peak of 1.37 per cent recorded in 2008–09.</p> <p>Investment in intangible capital by the private sector generally increased as a share of total GDP over the past decade, from 1.75 per cent in 2005 to 2.28 per cent in 2015, although this trend stalled in the last three years.</p>
Growth in the value-added of knowledge-intensive industries	Gross value added and employment by knowledge-intensive industries ^{3,6}	<p>Gross value added of knowledge-intensive industries steadily increased by around 35.3 per cent over the decade from 2005 to 2015. Employment in the knowledge-intensive industries increased by 21.9 per cent over the same period.</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; information, media and telecommunications; manufacturing; and financial and insurance.</p>
Improved returns from the commercialisation of research	<ul style="list-style-type: none"> Australian publicly funded research organisations commercialisation indicators^{2,7} Proportion of innovation-active businesses collaborating with universities or other non-commercial institutions^{2,8} 	<p>The National Survey of Research Commercialisation found that Australian publicly funded research organisations entered into 15 463 research contracts, consultancies and collaborations in 2014, representing an increase of 26.5 per cent from the previous year. At the same time, the total value of the research contracts, consultancies and collaborations grew from \$1598 million in 2013 to \$1808 million in 2014.</p> <p>The proportion of innovation-active businesses collaborating with universities or other non-commercial institutions was fairly low by OECD standards, at 2.1 per cent for small and medium-sized enterprises and 3 per cent for large firms in 2011, compared with 14.4 per cent and 36.6 per cent, respectively, for the OECD average.</p>

Intended result ¹	Performance criterion	Trends and analysis
Improvement in Australia's performance in scientific research	Share of world's top 1 per cent of highly cited publications ^{2,9}	The share of Australia's natural science and engineering publications in the world's top 1 per cent of highly cited publications increased steadily over the past five years, from 5.0 per cent in 2010 to 6.9 per cent in 2015.

1 Performance measures set out in the 2015–16 PBS.

2 Performance measure set out in the 2015–16 Corporate Plan.

3 New performance measure.

4 Source: ABS cat.no. 8166.

5 Source: ABS cat.no. 8104.

6 Source: ABS cat. No. 5206.0, table 6 (see also Industry Monitor 2016).

7 Source: Department of Industry, Innovation and Science (2016) *National Survey of Research Commercialisation*, 2016.

8 Source: Department of industry, Innovation and Science (2015) *Australian Innovation System Report*, 2015.

9 Source: InCites (2016) Thomson Reuters subscription database.

Table 6: Activity 1.1: Science awareness, infrastructure and international engagement

Contributing component	Performance criterion	2015–16 target	2015–16 result	Criterion source
Australian Astronomical Observatory (AAO)	Number of research students supervised or funded by the AAO	39	39	2015–16 PBS
	Number of users accessing AAO research facilities to facilitate and support research activities:			
	AAO Telescope (Australian)	180	233	2015–16 PBS
	International 8 metre access (overseas)	65	53	2015–16 PBS
	Number of international visitors supported by the AAO Distinguished Visitor Scheme	5	5	2015–16 PBS
	Number of international conferences and workshops supported by the AAO	3	3	2015–16 PBS
Australia–China Science and Research Fund; Australia–India Strategic Research Fund	Number of collaborative research projects completed that reported strengthened international relationships	26	21 Five projects are still to be completed in 2016–17.	2015–16 PBS
Inspiring all Australians in STEM (Science for Australia's Future—Inspiring Australia)	Number of direct engagements supported by Inspiring Australia activities	1585	1722	2016–17 PBS ¹

Contributing component	Performance criterion	2015–16 target	2015–16 result	Criterion source
Square Kilometre Array Radio Telescope Project	Number of Australian companies/research institutions participating in the Square Kilometre Array Pre-Construction Work Programme	6	6	2015–16 PBS
Strategic investment in science	Supporting the delivery of a whole-of-government approach to science policy through the Commonwealth Science Council, including establishment of science and research priorities and a strategic approach to investment		The Commonwealth Science Council held its third meeting on 21 October 2015. National science and research priorities were announced in May 2015.	2015–16 Corporate Plan
Questacon	Number of admissions to the Questacon Centre	445 000	487 691	2015–16 Corporate Plan
	Number of participants in national programmes including the Questacon Technology Learning Centre	90 000	103 758	2015–16 Corporate Plan
National Measurement Institute	Number of measurement services offered by the National Measurement Institute	4500	6559	2015–16 Corporate Plan
	Percentage of reports, certificates and services delivered on time	85%	80%	2015–16 Corporate Plan
	Percentage of trade measurement compliance targets met	90%	73% Effort was redirected to emerging priority areas showing higher levels of non-compliance.	2015–16 Corporate Plan

¹ To address a data quality issue, the performance criterion and 2015–16 target for this component are sourced from the 2016–17 PBS instead of the 2015–16 PBS.

Table 7: Activity 1.2: Business research, development and commercialisation

Contributing component	Performance criterion	2015–16 target	2015–16 result	Criterion source
Cooperative Research Centres (CRCs) Programme	Number of commercialisation agreements reported by the CRCs	211	Results for 2015–16 will not be available until 31 October 2016.	2015–16 PBS
	Number of patents held/maintained by the CRCs	840	Results for 2015–16 will not be available until 31 October 2016.	2015–16 PBS
	Number of applications for patents filed by the CRCs	69	Results for 2015–16 will not be available until 31 October 2016.	2015–16 PBS
	Implementing the outcomes of the CRC programme review and ensuring ongoing future alignment with the government's agenda		Implementation of 16 of the 18 CRC Programme review recommendations was achieved through revised guidelines and CRC Advisory Committee activities.	2015–16 Corporate Plan
R&D Tax Incentive	R&D expenditure registered with AusIndustry in order to claim the tax incentive or tax concession through their annual tax returns (\$'000)	19 890 000	17 324 077 Data is as at 30 June 2016. The income period is still incomplete.	2015–16 PBS ¹
	Number of entities registering R&D expenditure with AusIndustry in order to claim the tax incentive or tax concession through their annual tax returns	14 000	14 866 Data is as at 30 June 2016. The income period is still incomplete.	2015–16 PBS ¹
Boosting Commercial Returns from Research	Facilitating better translation of research into commercial outcomes by leading the implementation of the Boosting the Commercial Returns from Research strategy		Recommendations for which the department is responsible have been completed, except for one that is awaiting approval.	2015–16 Corporate Plan

¹ The 2015–16 target for this criterion was published in the 2016–17 PBS rather than the 2015–16 PBS because it was not available at the time of the 2015–16 PBS.

Evaluation results

In 2015–16, the department completed a number of evaluations:

- The evaluation of the Australia–China Science and Research Fund found that 73 per cent, 93 per cent and 98 per cent of Joint Research Centre, Young Scientist and Group Mission participants, respectively, reported that the fund led to strengthened relationship with a Chinese research partner. Ten per cent of Group Mission and Joint Research Centre participants strongly agreed that their research led to a commercial development. One Joint Research Centre participant reported signing a memorandum of understanding with two Chinese hospitals on research, development and commercialisation of 3D printed biomedical devices.
- The Inspiring Australia programme aims to build a strong, open relationship between science and society, underpinned by effective communication of science and its benefits. A 2015 review of Inspiring Australia's Unlocking Australia's Potential grants programme found that the initiative reached an estimated 470 000 people, with grants attracting \$11 million in co-funding contributions from around 200 partner organisations.
- In September 2014, the government announced an independent review of the CRC Programme, led by Mr David Miles AM. The review found the programme is valuable and effective, but has scope for improvement. The report made 18 recommendations, all of which were accepted by the government. The recommendations are being implemented through revised programme guidelines, released in December 2015. Changes to the guidelines instil a strong industry focus and include a new CRC-Projects funding stream, which supports short-term industry-led collaborative research with a focus on small and medium-sized enterprises.

Analysis of performance against Purpose 1

Measured by the performance criteria set out against the intended results, appreciable progress has been made towards the achievement of the purpose in recent years, particularly in enhancing performance in scientific research, remaining higher than the OECD average in innovative activities and improving economic returns on investment in public sector research. However, evidence shows that weak demand has slowed down business investment in intellectual property and R&D in Australia over recent years.

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.

The department works to achieve this purpose through six activities:

- Activity 2.1: Competitive marketplace
- Activity 2.2: Business and market development
- Activity 2.3: Economic transition
- Activity 2.4: Resources
- Activity 2.5: Energy
- Activity 2.6: Northern Australia Infrastructure Facility.

Main achievements

The department's major contributions to fulfilling the purpose in 2015–16 included the following:

- The Entrepreneurs' Programme provided more than 5800 services to Australian businesses. The programme provided access to a national network of more than 100 experienced private sector advisers and facilitators, helping businesses improve their productivity and competitiveness.
- Legislation to establish the Northern Australia Infrastructure Facility was passed by parliament on 3 May 2016. The facility was established from 1 July 2016, offering up to \$5 billion in concessional financing to encourage and complement private sector investment in economic infrastructure in northern Australia.
- The Industry Growth Centres Initiative is increasing collaboration and commercialisation, building management and workforce skills, improving capabilities to engage with global supply chains and international markets, and addressing the regulatory cost on industry. The five original Industry Growth Centres are operational. The Cyber Security Growth Centre, announced as part of the National Innovation and Science Agenda in December 2015, is identifying priority areas for action and determining its operating model.
- The Anti-Dumping Commission reviewed its administration arrangements, putting in place a new investigation model to create efficiencies and improve the quality and timeliness of anti-dumping investigations.
- The department's whole-of-government SmartForms Service is driving digital transformation. The service facilitated more than 500 000 businesses-to-government (B2G) digital transactions in 2015–16.
- The Business Grants Hub has been streamlining the design and implementation of business grants programmes across government through a centre of excellence in grants administration, making it easier for businesses to access government services.
- As part of the department's efforts to make it easier for business to connect with government services, business.gov.au was redeveloped taking a user-centred approach. The new site was released on 9 May 2016.

- The Automotive Diversification Programme and Next Generation Manufacturing Investment Programme are key components of the \$155 million Growth Fund established to assist workers, businesses and regions affected by closures in the automotive industry. During 2015–16, the department awarded 46 new grants to businesses totalling \$67 million under these two programmes.
- The department led the development of the National Energy Productivity Plan, which sets out a policy framework and work plan to lift Australia's energy productivity by up to 40 per cent by 2030.
- The department commissioned an ACCC inquiry into the east coast wholesale gas markets in response to business concerns about gas prices and market transparency. The inquiry was completed in April 2016 and the findings will inform the Council of Australian Governments' (COAG) Energy Council's gas market reform agenda.
- The department provided significant secretariat support to the Independent Review of Governance Arrangements for Australia's Energy Markets. The COAG Energy Council agreed to improve the way the Council, its officials and institutions operate including reprioritising its reform agenda to four strategic themes: (i) emerging technologies; (ii) integration of energy and carbon policies; (iii) energy supply and development; (iv) modernisation of regulatory frameworks.
- The department developed a prioritisation plan for the Equipment Energy Efficiency (E3) Program Committee. The work plan targets the highest emission intensive appliances such as lighting, swimming pool pumps and air conditioning. The E3 Program is designed to increase the energy efficiency of new appliances and equipment sold in Australia and New Zealand, thereby reducing energy consumption (energyrating.gov.au/document/e3-prioritisation-plan).
- The department led the development of the COAG Energy Council Gas Supply Strategy that was agreed in December 2015. Through this Strategy jurisdictions have committed to improving collaborative efforts on scientific and regulatory issues associated with onshore gas.
- The \$100.5 million Exploring for the Future Programme will produce a minerals, energy and groundwater resources prospectus for selected regions of northern Australia and parts of South Australia. It will reduce the technical risk of exploration in areas that have resource potential but require new geoscience data. This new information will enable industry to explore and invest with confidence to identify major new gas, minerals, and groundwater resources.

Performance criteria and results

Table 8: Purpose 2: Growing Business Investment and Improving Business Capability

Intended result ¹	Performance criterion	Trends and analysis
Growth in new private sector investment	Private gross fixed capital formation ^{2,4}	<p>Annual business investment growth, measured by private gross fixed capital formation, has been negative since 2013, and fell by 2.90 per cent between June 2015 and June 2016.</p> <p>The recent fall in business investment is attributable to the winding back of mining investment, with other sectors and industries unable to make up the shortfall. This is inevitable given that mining investment reached record-high levels.</p>
Increased foreign direct investment in Australia	Foreign direct investment as a share of annual GDP ^{2,5}	<p>The flow of foreign direct investment to Australia was \$49 billion in 2015, which contributed to a year-end stock of foreign direct investment of \$735 billion. Growth in foreign direct investment was significant over the past 10 years in absolute terms and as a proportion of GDP. The stock of foreign direct investment increased from 27 per cent of GDP in 2005 to 45 per cent of GDP in 2015.</p>
Improvement in Australia's ranking in international performance indices	<ul style="list-style-type: none"> Australia's ranking in World Bank ease of doing business index^{3,6} Australia's ranking in Global Innovation Index^{3,7} Australia's ranking in the Global Entrepreneurship Monitor (GEM) indicator of total early-stage entrepreneurship activity^{3,8} 	<p>Australia recorded a slight improvement in its ranking in selected international performance indices over recent years.</p> <p>The World Bank ease of doing business index measures the quality and efficiency of business regulations that affect 11 areas of the life of a business. Australia ranked 13th out of 189 countries in 2016, compared with 15th out of 183 countries in 2012.</p> <p>The Global Innovation Index aims to capture the multi-dimensional facets of innovation and ranks economies' innovation capabilities. Australia ranked 17th out of 141 economies in 2015, an improvement from 23rd in 2012.</p> <p>The GEM indicator of total early-stage entrepreneurship activity provides a measure of the level of new enterprise creation in the economy. Australia ranked 24th out of 60 economies in 2015, an improvement from 31st out of 59 economies in 2010.</p>

1 Performance measures set out in the 2015–16 PBS.

2 Performance measure set out in the 2015–16 Corporate Plan.

3 New performance measure. Previous performance criterion 'Forward and backward participation in global value chains' has been replaced by a range of new criteria.

4 Source: ABS cat. no. 5206.0 table 6.

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

6 Source: World Bank Group (2015), Doing Business Indicators, 2012 and 2016, custom query, Viewed 1 January 2016, www.doingbusiness.org/custom-query.

7 Source: Cornell University (2015) INSEAD, the World Intellectual Property Organization, Global Innovation Index 2015, Viewed 9 September 2016, www.globalinnovationindex.org.

8 Source: Global Entrepreneurship Research Association (GERA) (2016) Global Entrepreneurship Monitor (GEM), 2015–16, Adult Population Survey.

Table 9: Activity 2.1: Competitive marketplace

Contributing component	Performance criterion	2015–16 target	2015–16 result	Criterion source
Certain Inputs to Manufacture; Enhanced Project By-law Scheme; Space Concession	Number of new duty and/or tax registrations for Certain Inputs to Manufacture, Enhanced Project By-law Scheme and Space Concession	13	14	2015–16 PBS
	Total value of duty and/or tax concessions to eligible firms (\$'000)	277 500	340 322	2015–16 PBS
Tradex	Number of active Tradex order users	615	633	2015–16 PBS
	Value of duty and/or tax concessions to eligible firms (\$'000)	195 000	220 635	2015–16 PBS
Textile Clothing and Footwear —Register of Approved Occupational Clothing	Proportion of registrations within 30 days of complete information being provided	90%	99%	2015–16 PBS
Support for Industry Service Organisations	Memberships of key international standardisation and conformity assessment bodies maintained		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.	2015–16 PBS
Trade Policy, Standards and Conformation	Supporting the internationalisation of Australian industry, encouraging Australia's multilateral and bilateral industry and trade cooperation, and managing the Commonwealth's relationships with standards and conformity assessment bodies		The department supported the internationalisation of Australian industry through the development and implementation of free trade agreements and through committees of the World Trade Organization and APEC. Standards Australia and the National Association of Testing Authorities met the activities and conditions of their respective memoranda of understanding and funding agreements. The Joint Accreditation System of Australia and New Zealand also met its performance requirements set out in its statement of corporate intent and annual report.	2015–16 Corporate Plan

Contributing component	Performance criterion	2015–16 target	2015–16 result	Criterion source
Anti-Dumping Commission	Completing and implementing the anti-dumping reviews to support Australian industries through more effective anti-dumping measures and reforms		The anti-dumping review was completed. The department is currently implementing the review's recommendations.	2015–16 Corporate Plan
	Proportion of appeals (to the Anti-Dumping Review Panel and Federal Court) that affirm the Anti-Dumping Commissioner's or relevant minister's findings	80%	Of the appeals heard, 42 per cent completely affirmed the findings and 33 per cent partially affirmed the findings.	2015–16 Corporate Plan
	Proportion of preliminary affirmative determinations, or status reports explaining that there is insufficient ground to issue a preliminary affirmative determination, made from day 60 of an anti-dumping /countervailing investigation	100%	100%	2015–16 Corporate Plan
	Proportion of anti-dumping inquiries to the business.gov.au hotline and the client support area responded to within client service standards	90%	95%	2015–16 Corporate Plan

Table 10: Activity 2.2: Business and market development

Contributing component	Performance criterion	2015–16 target	2015–16 result	Criterion source
Asialink Business	Number of courses run on Asia capability development	5	36	2015–16 PBS
	Number of events held promoting and building Asia capabilities	50	57	2015–16 PBS
Industry Growth Centres Initiative	Established Industry Growth Centres are undertaking strategic activities to improve the innovation, productivity and competitiveness of their respective sectors		<p>Industry Growth Centres undertook a range of activities aligned with their broad expected outcomes, including:</p> <ul style="list-style-type: none"> conducting 24 workshops (246 participants) that facilitated collaboration and innovation to tackle technical challenges, develop new products and find significant savings conducting 28 workshops (425 participants) to build knowledge and skills on key e-commerce and export capabilities supporting 11 collaborative research–industry projects generating products with potential sales of more than \$7 million; two of these companies have already made export sales of these products agreeing on two memoranda of understanding with Cooperative Research Centres developing an online searchable tool enabling international buyers to source Australian export-ready suppliers, with around 1100 international buyers registered from more than 50 countries establishing a hub to support skills sharing and development developing an online directory of capabilities to enable better intra-industry linkages helping more than 150 Australian brands promote their products at three international trade shows with CSIRO, running the Enterprise Solution Centre to connect companies to technical and research expertise—to date, 46 small and medium enterprises have generated products with potential sales of over \$50 million 	2015–16 PAES

Contributing component	Performance criterion	2015–16 target	2015–16 result	Criterion source
			<ul style="list-style-type: none"> forming a National Additive Manufacturing Collaboration Hub and a National Carbon Fibre Manufacturing Collaboration Hub with peak body Austmine, running the “Co-Lab” programme to enable industry participants to brainstorm opportunities. 	
Entrepreneurs' Programme	Number of services provided to strengthen business management and networks, enhance research collaborations and facilitate commercialisation of novel products, processes and services	5360	5896	2015–16 PBS
Expediting Clinical Trial Reform in Australia	Establishment of an interactive clinical trials web portal and a framework for education and training on governance for clinical trials		<p>The interactive portal was established and went live on 20 May 2016, International Clinical Trials Day. Since then, 3000 potential participants for clinical trials have subscribed to the web portal. Pharmaceutical companies sponsoring trials are actively promoting the website and its interactive portal. Overall, in 2015–16 the website had almost 100 000 visits.</p> <p>The department commissioned a nationally accredited vocational education and training course, which has been piloted.</p>	2015–16 PBS
Leveraging Australia's Global Expat Platform—Advance	Project milestones are achieved and appropriate reports are submitted		Biannual assessments of progress and financial reports were completed. All project milestones were achieved and appropriate reports submitted.	2015–16 PBS

Contributing component	Performance criterion	2015–16 target	2015–16 result	Criterion source
Sectoral Growth Policy	Providing sound advice on sectoral policy issues relating to manufacturing and services, and working with businesses and stakeholders across a number of different industry sectors to drive national economic growth, productivity and competitiveness		<p>Key achievements in 2015–16 included:</p> <ul style="list-style-type: none"> • extending the Major Projects Approval Agency into the Northern Territory • contributing to the establishment of five Industry Growth Centres • completing the review of the Disability (Building Access to Premises) Standards • implementing reforms to the Enhanced Project By-law Scheme to remove duplication • implementing and completing the Home Insulation Program Industry Payment Scheme. 	2015–16 Corporate Plan
Single Business Services	Number of business.gov.au website unique page views (million)	51.3	53.6	2015–16 Corporate Plan

Table 11: Activity 2.3: Economic transition

Contributing component	Performance criterion	2015–16 target	2015–16 result	Criterion source
Australian Government Innovation and Investment Fund (Tasmania)	Induced private sector investment in new or expanded business activity (\$'000)	5005	5005	2015–16 PBS
Tasmanian Jobs and Investment Fund	Induced private sector investment in new or expanded business activity (\$'000)	10 000	10 000	2015–16 PBS
Automotive Diversification Programme	Induced private sector investment in new or expanded activity by the Australian automotive supply chain (\$'000)	20 000	20 515	2015–16 PBS
Automotive Transformation Scheme	Total value of plant and equipment and innovation investment by Australian automotive industry induced by the Automotive Transformation Scheme (\$'000)	547 616	602 140	2015–16 PBS

Contributing component	Performance criterion	2015–16 target	2015–16 result	Criterion source
Manufacturing Transition Grants Programme	Induced private sector investment in new or expanded business activity (\$'000)	105 200	61 818 The result is lower than the target because a number of projects have been delayed.	2015–16 PBS
Next Generation Manufacturing Investment Programme	Induced private sector investment in new or expanded business activity	19 000	12 895 The result is lower than the target because a number of projects have been delayed.	2015–16 PBS
Regional Infrastructure Programme	Induced private sector investment in infrastructure to enhance economic activity in the region	–	Not applicable. Funding for the Regional Infrastructure Programme was reallocated to the Next Generation Manufacturing Investment Programme.	2015–16 PBS
Toyota Major Facelift Vehicle Grant; Toyota Supplier Development Programme Grant	Total amount of investment by Toyota induced by the grants (\$'000)	15 100	6998 Favourable exchange conditions and engineering efficiencies allowed Toyota to complete the project with an underspend.	2015–16 PBS
Victorian Innovation and Investment Fund—Ford assistance	Number of jobs created from projects	800	394 Targets were set before the extension of the programme. Also, a series of large grants have been terminated, while many grantees have struggled to create jobs as quickly as originally projected.	2015–16 PBS
	Amount of private sector investment induced by the Victorian Innovation and Investment Fund—Ford assistance (\$'000)	130 000	68 844 Targets were set before the extension of the programme. Also, a series of large grants have been terminated, while many grantees have struggled to create jobs as quickly as originally projected.	2015–16 PBS

Table 12: Activity 2.4: Resources

Contributing component	Performance criterion	2015–16 target	2015–16 result	Criterion source
<i>Offshore Minerals Act 1994</i>	Percentage of <i>Offshore Minerals Act 1994</i> fees received paid to states/ Northern Territory for administration	100%	Not applicable, No applications were lodged under the Act in 2015–16.	2015–16 PBS
Petroleum Royalties Administration	Timely and accurate delivery of audit and monthly administration and verification of royalties		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.	2015–16 PBS
NT Uranium Royalty (Ranger Project Area) Administration (including specific purpose payment)	Efficient and effective biannual collection, payment and reconciliation of uranium royalties		Biannual collection, payment and reconciliation of NT uranium royalties were completed.	2015–16 PBS
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		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.	2015–16 PBS
Maralinga Maintenance	Effective management of the Maralinga section 400 in line with obligations under the 2009 Handback Deed		A new standard operating procedure was put in place. One committee meeting was held and one site visit was undertaken to Maralinga.	2015–16 PBS
Radioactive Waste Management	Effective delivery of activities supporting the government's radioactive waste management strategy		The department reviewed 28 site nominations and announced six-shortlisted sites in November 2015. The department held 120 community consultation sessions between November 2015 and March 2016. A single site was identified for consideration and community consultations.	2015–16 PBS

Contributing component	Performance criterion	2015–16 target	2015–16 result	Criterion source
Rum Jungle Mine Site—Environmental Rehab (specific purpose payment)	Effective delivery of scheduled activities for the Rum Jungle Mine Site Rehabilitation Project		The target was partially achieved. The Northern Territory's outputs were delivered under the Project Agreement for the Management of the Former Rum Jungle Mine Site (Stage 2). A detailed business case is to be developed by late 2016 using Northern Territory inputs and work being conducted in the second half of 2016.	2015–16 PBS
Syntroleum Depreciation	The Syntroleum depreciation schedule is administered in accordance with the government agreement and no material errors are made		Syntroleum has been fully depreciated in accordance with the government agreement and no material errors were made.	2015–16 PBS
Low Emissions Technology Demonstration Fund	Number of companies investing in innovation supported through the Low Emissions Technology Demonstration Fund	1	1	2015–16 PBS
Carbon Capture and Storage Flagships	Number of companies supported for the development of carbon capture and storage technologies	5	12	2015–16 PBS
National Low Emissions Coal Initiative	Number of projects supported for the development and deployment of low emissions coal technologies	2	2	2015–16 PBS
Competitive and sustainable resource industries	Providing sound policy advice to support the growth of resources industries and ensure an adequate return to the Australian community through policies and analysis in the resource sector ¹		The department provided regular and timely advice on issues affecting the resources sector both domestically and internationally including the development of low emissions technologies, progress in Australia's mining sector and coal standards in China.	2015–16 Corporate Plan
National Offshore Petroleum Titles Administrator	Administering national offshore petroleum titles, undertaking data and resource management, and providing technical advice to the Joint Authority through the National Offshore Petroleum Titles Administrator (NOPTA)		The ministerial operational review of NOPTA found that NOPTA is effective in contributing to the efficiency of the decision-making by a Joint Authority for a state or the Northern Territory.	2015–16 Corporate Plan

¹ This criterion has been modified to remove the reference to the National Energy Productivity Plan, which is now reported under the component 'Efficient and sustainable energy market' in Activity 2.5.

Table 13: Activity 2.5: Energy

Contributing component	Performance criterion	2015–16 target	2015–16 result	Criterion source
Greenhouse and Energy Minimum Standards National Legislative Framework	Number of regulatory services to improve energy efficiency and labelling standards for appliances and other products:			
	• Number of new product profiles published	5	2 Only two new products were released in the appliance market with an Australian and/or New Zealand energy efficiency standard or regulation in 2015–16. The department has profiled and published both of them.	2015–16 PBS
	• Number of new Consultation Regulatory Impact Statements published	5	1 Development of new Consultation Regulatory Impact Statements is contingent on agreement from all Australian states and territories and the New Zealand Government.	2015–16 PBS
	• Number of new products registered under the <i>Greenhouse and Energy Minimum Standards Act 2012</i>	4500	5027	2015–16 PBS
	Effective implementation of the Equipment Energy Efficiency Programme under the <i>Greenhouse and Energy Minimum Standards Act 2012</i>		77 per cent of survey respondents were satisfied with the level of service they received.	2015–16 PBS
Coal Mining Abatement Technology Support Package	Number of co-funded projects developing and demonstrating technologies funded under the Coal Mining Abatement Technology Support Package	6	6	2015–16 PBS

Contributing component	Performance criterion	2015–16 target	2015–16 result	Criterion source
Energy Efficiency Programmes	Effective delivery of activities to support improved energy productivity of Australia's residential and commercial building stock		<p>The department contributed to energy productivity improvements in the commercial and residential building stock through:</p> <ul style="list-style-type: none"> • changes to the Commercial Building Disclosure Program to include smaller commercial office spaces • launch of the Design for Place free 7-star house plans • improvements to the Nationwide House Energy Rating Scheme to improve consistency • progress on improving compliance with minimum building standards. <p>Commercial and residential activities have been integrated into the National Energy Productivity Plan.</p>	2015–16 PBS
	Maintain Commonwealth contribution to the ongoing development and improvement of the National Australian Built Environment Rating System (NABERS) which underpins the Commercial Building Disclosure Program		The department directly supported the development of new tools to improve energy efficiency of new shopping centres, data centres and hotels.	2015–16 PBS
Efficient and sustainable energy markets	Providing sound policy advice to support the safe and sustainable operations of energy markets to provide reliable and lowest cost outcomes for customers. Developing a National Energy Productivity Plan to deliver up to a 40 per cent increase in Australia's energy productivity by 2030.		<p>The department provided policy advice to support the Minister for Energy's role as chair of the Council of Australian Governments' Energy Council. The department led the development of the Energy Council's National Energy Productivity Plan, Equipment Energy Efficiency Prioritisation Plan and Gas Supply Strategy.</p> <p>The department is implementing the recommendations from the independent review of governance arrangements for Australia's energy markets, including reprioritising the Energy Council's agenda.</p> <p>The department also provided technical and policy advice to the West Australian and Northern Territory governments on adopting national energy laws to encourage consistency and harmonisation.</p>	2015–16 Corporate Plan

Contributing component	Performance criterion	2015–16 target	2015–16 result	Criterion source
National Energy Security Assessment	Effective management of electricity and gas emergency response arrangements, and transport fuel supply which is under the administration of the <i>Liquid Fuel Emergency Act 1984</i> ¹		The department worked with states and territories and industry on emergency response and preparedness to effectively manage electricity, gas and transport fuel supply by contributing to relevant emergency management, response and preparedness meetings.	2015–16 Corporate Plan

1 The performance criterion has been slightly reworded to improve clarity.

Table 14: Activity 2.6: Northern Australia Infrastructure Facility

Contributing component	Performance criterion	2015–16 target	2015–16 result	Criterion source
Northern Australia Infrastructure Facility	To be developed following finalisation of the programme design and consultation with stakeholders		Performance criteria are under development	2015–16 PAES

Evaluation results

In 2015–16, the department completed an evaluation of the Energy Efficiency Information Grants Program. The programme's objective was to empower small and medium-sized businesses and community organisations to make informed decisions about energy efficiency—and thereby reduce their operational costs. The evaluation found that the proportion of businesses and community organisations thinking they are well informed about 'the steps you can take to be smarter in your energy use and controlling energy costs' rose from 46 per cent before the start of the programme to 65 per cent post-programme—and those that had energy assessments (i.e. audits) achieved a higher result at 80 per cent.

Analysis of 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 the purpose, particularly in enhancing the quality and efficiency of business regulations and improving innovation capability. However, business investment has been falling since 2013, which is attributable to the winding back of mining investment, with other sectors and industries unable to make up the shortfall.

Purpose 3: Streamlining Regulation

Achieving this purpose involves reducing the cost of doing business, facilitating innovation and ensuring that the regulatory environment strikes the right balance between efficient markets and community expectations. It will boost productivity and enhance Australia's international competitiveness by reducing the burden on industry of inefficient regulation and improving the delivery of programmes.

The department works to achieve this purpose through one activity:

- Activity 3.1: Portfolio regulatory reform and functions.

Main achievements

The department's major contributions to fulfilling the purpose in 2015–16 included the following:

- Significant reforms to Australia's country of origin labelling laws were implemented to give consumers clearer information about the origin of food without imposing excessive regulatory costs on businesses. The reform package also delivered a national information campaign and an innovative online labelling tool for businesses.
- As part of the Australian Taxation Office-led small business fix-it squads, business.gov.au was updated to make it easier for small businesses to sell, close down, incorporate or take on employees. The website provides a single source for information on the processes businesses need to follow, making it easier to comply with the relevant regulations.
- The National Measurement Institute has progressed work to update Australia's legal metrology regulatory framework towards an outcome-focused, principles-based legislative structure where operational methodologies will be transparently underpinned by risk and harm analysis.

Performance criteria and results

Table 15: Purpose 3: Streamlining Regulation

Intended result ¹	Performance criterion	Trends and analysis
The quality of regulation (measured via domestic and international reviews)	<ul style="list-style-type: none"> • World Bank ease of doing business rankings for Australia^{2,4} • Australia's ranking by the OECD product market regulation index^{3,5} 	<p>Australia ranked 13th out of 189 countries in 2016, compared with 15th out of 183 countries in 2012, in the World Bank's ease of doing business index.</p> <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 worsened between 2003 and 2008 and then improved in 2013. The most recent ranking (8th) means that Australia is close to the world leaders.</p>
Business and government satisfaction with delivery of regulation reform	<ul style="list-style-type: none"> • Business reporting on the cost of compliance with certain activities² • Portfolio net regulatory reduction for business³ 	<p>The department has undertaken a range of initiatives to help ensure business and government satisfaction with the delivery of regulation reform. The portfolio achieved a net regulatory reduction for business of \$166.6 million in 2015.</p>

1 Performance measures set out in the 2015–16 Portfolio Budget Statements.

2 Performance measure set out in the 2015–16 Corporate Plan.

3 New performance measure.

4 Source: World Bank Group (2015), Doing Business Indicators, 2012 and 2016, custom query, Viewed 1 January 2016, www.doingbusiness.org/custom-query.

5 Source: OECD (2013) OECD statistics, Public Sector, Taxation and Market Regulation, Market Regulation, economy-wide regulation, Product Market Regulation, 2013, Viewed 1 December 2015, stats.oecd.org/Index.aspx?DataSetCode=PMR.

Table 16: Activity 3.1: Portfolio regulatory reform and functions

Contributing component	Performance criterion	2015–16 target	2015–16 result	Criterion source
Regulatory policy advice	Provision of high-quality, timely and strategic industry policy advice to support the government's deregulation agenda		<p>The department put in place a framework to support the implementation of the government's deregulation agenda. Key implementation tasks included: encouraging cultural change based on reduced reliance on regulation; improving communication with key portfolio stakeholders; providing advice and support to portfolio business areas; and providing the Department of the Prime Minister and Cabinet with regular reports on progress towards savings targets.</p> <p>The Australian National Audit Office report <i>Implementing the deregulation agenda: cutting red tape</i> (report 29 of 2015–16) noted that the department had clearly articulated roles and responsibilities consistent with the guidance issued by the Department of the Prime Minister and Cabinet and had established suitable internal governance and administrative arrangements to facilitate implementation of the government's deregulation agenda.</p>	2015–16 PBS
Portfolio regulatory reform	Successful implementation of portfolio regulatory reform		<p>The portfolio achieved a net regulatory reduction for business of \$166.6 million in 2015, significantly exceeding the allocated savings target. Additional performance information can be found in the Australian Government Annual Red Tape Reduction Report 2015 on the Department of the Prime Minister and Cabinet website.</p>	2015–16 PBS

Analysis of performance against Purpose 3

Measured by the performance criteria set out against the intended results, progress has been made towards the achievement of the purpose, 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 \$370 million in regulatory savings.

Capability: Building a high performance organisation

To achieve its purposes and realise its vision, the department invests in its people, processes and systems. Building a high performance organisation involves promoting and improving:

- staff understanding of the department's role
- stakeholder and peer recognition of the role the department plays in matters relevant to Australia's industries
- business satisfaction with the delivery of programme services
- satisfaction with the delivery of internal enabling and support services
- overall productivity.

Performance criteria and results

Table 17: Capability: Building a high performance organisation

Contributing component	Performance criterion	2015–16 target	2015–16 result	Criterion source
General policy advice on matters impacting on the industry	Provision of high-quality, timely and strategic industry policy advice to the Minister		<p>Most of the department's significant achievements in policy advice in 2015–16 have already been presented in various parts of these statements.</p> <p>In addition, the Office of the Chief Economist's paper <i>The employment dynamics of Australian entrepreneurship</i> was highly influential in the development of the National Innovation and Science Agenda. The paper showed the influence of start-ups on net job creation in Australia and helped create an evidence-based narrative about policy support for start-ups.</p>	2015–16 PBS
General programme delivery designed to have a positive impact on industry	Effective and efficient delivery of programmes that support government industry policy		<p>Most of the department's significant achievements in programme delivery in 2015–16 have already been presented in various parts of these statements.</p> <p>In addition:</p> <ul style="list-style-type: none"> • as part of a whole of Government initiative to streamline and simplify grant processes across agencies, the department was selected to operate one of two Australian government grants administration hubs, with the department's grants hub focusing on businesses • the Defence Industry Innovation Centre provided more than 180 services to Australian businesses in 2015–16. The centre will be significantly enhanced by the implementation of measures in the Defence White Paper and Defence Industry Policy Statement, including the implementation and launch of the Centre for Defence Industry Capability. 	2015–16 PBS

Contributing component	Performance criterion	2015–16 target	2015–16 result	Criterion source
Corporate, financial and ICT services	Effective and efficient provision of corporate, financial and ICT services		<p>Significant achievements included:</p> <ul style="list-style-type: none"> • implementation of the Corporate Network Reform Programme, including streamlining and process improvement across the network, which has delivered significant capability efficiencies and enhancements to corporate services • development and delivery of the department's strategy for shared and common services • approval and implementation of the department's new enterprise agreement • the establishment of BizLab—an internal innovation hub that will work to find better solutions for businesses and the department and, in doing so, build design thinking capability across the department • the ongoing provision of effective learning and development opportunities for staff. This was reflected in the 2016 State of the Service census results • the creation of the information management programme of work to address the transition to digital information governance and compliance with the Whole-of-Government Digital Continuity 2020 Policy • delivery of a new platform which gives the department a single view of its customer information. 	2015–16 PBS

Financial performance

Financial Performance – Departmental

Operating Result

Excluding depreciation and amortisation, the department recorded a loss of \$6.5 million in 2015–16.

After taking into account depreciation and amortisation of \$42.3 million, the department recorded a loss of \$48.8 million for 2015–16. This reflects the introduction of the 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 2016, the department reported net assets of \$243.2 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 (\$979 million), dividends issued by Snowy Hydro Limited (\$23.6 million), levy receipts generated by the National Offshore and Petroleum Safety and Environmental Management Authority (\$28.9 million) and registration fees generated by the National Offshore Petroleum Titles Administrator (\$9.1 million).

Expenses

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

- \$165.6 million to facilitate the development and commercialisation of new ideas and technology to deliver better scientific and economic outcomes for Australia
- \$213.1 million to contribute to building a diversified, flexible, resilient and dynamic economic business environment in which business can compete and grow
- \$18.5 million to support the sustainable development of the resources sector, attract private sector investment and encourage innovative technologies
- \$30.2 million to support the safe and sustainable operations of energy markets and improve Australia's energy performance and productivity
- \$991.0 million in payments to the portfolio's corporate Commonwealth entities: the Commonwealth Scientific and Industrial Research Organisation; the Australian Renewable Energy Agency; the Australian Nuclear Science and Technology Organisation; the Australian Institute of Marine Science; and the National Offshore Petroleum Safety and Environmental Management Authority.



CHAPTER FOUR

Departmental management and accountability

Corporate governance

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

During 2015–16, the department's governance structure comprised one board and four committees:

- Executive Board
- Assurance and Audit Committee
- ICT and Data Strategy Committee
- Programme Assurance Committee
- Security Committee.

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

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

The department used a quarterly traffic light reporting system to keep the Executive informed of the status of key deliverables and organisational health metrics.

Fraud control

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

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

Significant issues reported to ministers

No significant issues of non-compliance were reported to responsible Minister as part of the department's internal compliance reporting process for 2015–16.

External scrutiny

During 2015–16, the department appeared at several parliamentary committee hearings, including supplementary budget estimates hearings on 22 October 2015, additional estimates hearings on 10 and 11 February 2016, and budget estimates hearings on 6 May 2016.

During 2015–16, the department was directly involved in three audits by the Australian National Audit Office that resulted in the following reports being tabled:

- *Implementing the deregulation agenda: cutting red tape*
- *Delivery and evaluation of grant programmes*
- *Cyber resilience.*

The Commonwealth Ombudsman provided the department with a report in August 2015 on the department's handling of a fraud allegation. The Ombudsman made a number of findings including that the department acted in accordance with the Commonwealth Fraud Control Guidelines and its internal Fraud Control Plan. The Ombudsman also made a recommendation about the department's communication with complainants. The department accepted all of the Ombudsman's findings and recommendations. The Ombudsman did not make the report publicly available due to the nature of the matter.

Management of human resources

The department's *People Plan 2016–2020: Building a high performance organisation* incorporates strategies to manage resources and build capability. To further assist the Senior Executive Service to better lead and manage staff resources, a workforce plan on a page was developed that incorporates optimal management structures, capability needs now and into the future, and strategies to address any identified issues. The plan will be incorporated into the broader business and risk planning cycles and will inform the development of a department-wide workforce plan.

The department delivered a range of capability development programmes in 2015–16, with a focus on written communication and economic capability. In 2016, the department introduced a selection of two-hour master classes for all staff on a range of management and career development topics and a series of workshops on current leadership topics for Executive Level staff.

The department continued to deliver a range of management and leadership programmes, including the Management Action Programme. With a focus on building capability at the Australian Public Service (APS) 6 level, the department held its inaugural APS 6 conference and piloted an APS 6 development programme for high-potential APS 6s. The department also offered a range of opportunities for high-potential staff, including the Career Development Programme, the Scholarship Award Programme and an Economics Scholarship.

The department continued its two-year Graduate Development Programme. The programme is underpinned by formal and on-the-job learning and incorporates a graduate certificate in either economics or management in the second year. It is designed to give graduates the skills and capabilities required to meet the challenges of working in the Australian Public Service.

In October 2015, 48 staff were transferred to the Department of the Environment; 20 staff were transferred in from the Department of Communications and the Arts; and eight staff were transferred in from the Department of Infrastructure and Regional Development as a result of the Administrative Arrangements Order of 21 September 2015.

The One Innovation Enterprise Agreement 2011 nominally expired on 30 June 2014. A new Industry, Innovation and Science Enterprise Agreement 2016–2019 was negotiated and came into effect on 6 April 2016.

The department's workforce statistics tables are in Appendix A3.

Work health and safety

The department focused on maintaining its safe systems of work and improving its compensation and rehabilitation performance during 2015–16. The improved performance resulted in a substantial reduction in annual workers' compensation premiums and produced mutually beneficial rehabilitation outcomes for affected workers and the department.

Six incidents during the year 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.

Purchasing

During 2015–16, the department undertook its procurement in accordance with the Commonwealth Procurement Rules and the requirements of its Accountable Authority Instructions.

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

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

In accordance with paragraph 5.4 of the Commonwealth Procurement Rules, the department has procurement practices and internal policies in place to ensure 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 facilitating instant advice for procuring officers.

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

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

Consultants

During 2015–16, 232 new consultancy contracts were entered into, involving total actual expenses of \$10 473 572 (GST inclusive). In addition, 67 ongoing consultancies were active during the year, involving total actual expenses in 2015–16 of \$3 144 270 (GST inclusive). Consultancy expenses 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 the cost-effectiveness of these options. 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 programmes. 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. Information on the value of contracts and consultancies is available on the AusTender website (www.tenders.gov.au).

Grant programmes

Information on grants made by the department during 2015–16 is available on the department's website (www.industry.gov.au/AboutUs/LegalandLegislativeReporting/Grants).

Disability reporting mechanisms

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 will track progress against each of the six outcome areas of the strategy and present a picture of how people with disability are faring. These reports are available on the Department of Social Services website (www.dss.gov.au).

During 2015–16 the department contributed to the development of a National Disability Strategy Australian Government Action Plan, which seeks to identify department-specific actions that improve outcomes for people with disability.

Information Publication Scheme

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

Advertising and market research

During 2015–16, the department conducted the following advertising campaigns:

- Country of origin labelling for food
- National Innovation and Science Agenda.

Further information on the department's advertising campaigns is available on the department's website (www.industry.gov.au/AboutUs/CorporatePublications/Certifications) 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 (www.finance.gov.au).

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

Ecologically sustainable development and environmental performance

In accordance with section 516A of the *Environment Protection and Biodiversity Conservation Act 1999*, a report on how the department's activities accord with and contribute to the principles of ecologically sustainable development is available on the department's website (www.industry.gov.au/AboutUs/LegalandLegislativeReporting).



CHAPTER FIVE

Departmental financial statements



INDEPENDENT AUDITOR'S REPORT

To the Minister for Industry, Innovation and Science

I have audited the accompanying annual financial statements of the Department of Industry, Innovation and Science for the year ended 30 June 2016, which comprise a 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 Statement 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.

Opinion

In my opinion, the financial statements of the Department of Industry, Innovation and Science:

- (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 the Department of Industry, Innovation and Science as at 30 June 2016 and its financial performance and cash flows for the year then ended.

Accountable Authority's Responsibility for the Financial Statements

The Secretary of the Department of Industry, Innovation and Science 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 is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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

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entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

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

Independence

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

Australian National Audit Office

A handwritten signature in black ink, appearing to read 'Kristian Gage', is written over a faint, circular official stamp.

Kristian Gage
Executive Director

Delegate of the Auditor-General

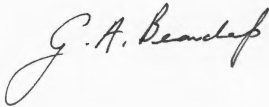
Canberra

7 September 2016

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 2016 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 the Department of Industry, Innovation and Science will be able to pay its debts as and when they fall due.



Glenys Beauchamp
Secretary

6 September 2016



Robert Twomey
Acting Chief Financial Officer

6 September 2016

Department of Industry, Innovation and Science
Statement of Comprehensive Income for not-for-profit Reporting Entities
for the year ended 30 June 2016

		2016	2015	Original Budget
	Notes	\$'000	\$'000	\$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1A	306,781	323,473	317,539
Suppliers	1.1B	167,058	192,476	152,202
Grants	1.1C	7,822	19,487	2,326
Depreciation and amortisation	3.2A	42,351	43,661	40,057
Finance costs		122	259	-
Write-down and impairment of assets		51	9,043	-
Losses from asset sales		14	38	-
Other expenses	1.1D	712	652	728
Total expenses		524,911	589,089	512,852
Own-Source Income				
Own-source revenue				
Sale of goods and rendering of services	1.2A	57,565	48,656	56,276
Interest		98	39	-
Rental income		700	796	-
Other revenue	1.2B	9,465	26,945	13,194
Total own-source revenue		67,828	76,436	69,470
Gains				
Foreign exchange gains		-	1	-
Reversals of previous asset write-downs and impairments		5,186	2	-
Other gains	1.2C	125	1,593	728
Total gains		5,311	1,596	728
Total own-source income		73,139	78,032	70,198
Net cost of services		(451,772)	(511,057)	(442,654)
Revenue from Government	1.2D	400,205	471,091	402,627
Deficit attributable to the Australian Government		(51,567)	(39,966)	(40,027)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation reserve		2,746	(1,301)	-
Total other comprehensive income/ (loss)		2,746	(1,301)	-
Total comprehensive loss attributable to the Australian Government		(48,821)	(41,267)	(40,027)

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 for not-for-profit Reporting Entities
as at 30 June 2016

		2016	2015	Original
	Notes	\$'000	\$'000	Budget \$'000
ASSETS				
Financial assets				
Cash and cash equivalents	3.1A	6,386	8,198	7,930
Trade and other receivables	3.1B	168,759	155,226	226,685
Accrued revenue		2,186	2,855	574
Total financial assets		177,331	166,279	235,189
Non-financial assets				
Land and buildings	3.2A	132,168	124,778	118,772
Property, plant and equipment	3.2A	52,934	57,871	45,897
Laboratory equipment	3.2A	25,013	28,495	32,155
Intangibles	3.2A	42,265	31,981	45,630
Inventories		2,468	2,198	2,146
Prepayments	3.2B	8,483	8,311	7,714
Total non-financial assets		263,331	253,634	252,314
Total assets		440,662	419,913	487,503
LIABILITIES				
Payables				
Suppliers	3.3A	20,040	24,531	33,041
Grants		1,177	1,983	894
Other payables	3.3B	56,531	62,619	72,165
Total payables		77,748	89,133	106,100
Provisions				
Employee provisions	6.1A	98,863	86,000	80,941
Other provisions	3.4A	20,825	16,557	3,116
Total provisions		119,688	102,557	84,057
Total liabilities		197,436	191,690	190,157
Net assets		243,226	228,223	297,346
EQUITY				
Contributed equity		452,029	388,205	500,083
Asset revaluation reserve		11,245	8,499	9,800
Accumulated deficit		(220,048)	(168,481)	(212,537)
Total equity		243,226	228,223	297,346

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 not-for-profit Reporting Entities
for the year ended 30 June 2016

	Retained earnings			Asset revaluation reserve		
	2016	2015	Original Budget	2016	2015	Original Budget
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance						
Balance carried forward from previous period	(168,481)	(128,515)	(172,510)	8,499	9,800	9,800
Adjusted opening balance	(168,481)	(128,515)	(172,510)	8,499	9,800	9,800
Comprehensive income						
Deficit for the year	(51,567)	(39,966)	(40,027)	-	-	-
Other comprehensive income	-	-	-	2,746	(1,301)	-
Total comprehensive income	(51,567)	(39,966)	(40,027)	2,746	(1,301)	-
Total comprehensive income attributable to						
Australian Government	(51,567)	(39,966)	(40,027)	2,746	(1,301)	-
Closing balance attributable to Australian Government	(220,048)	(168,481)	(212,537)	11,245	8,499	9,800

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 not-for-profit Reporting Entities
for the year ended 30 June 2016

	Contributed Equity			Total Equity		
	2016	2015	Original Budget	2016	2015	Original Budget
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance						
Balance carried forward from previous period	388,205	449,789	442,102	228,223	331,074	279,392
Adjusted opening balance	388,205	449,789	442,102	228,223	331,074	279,392
Comprehensive income						
Deficit for the year	-	-	-	(51,567)	(39,966)	(40,027)
Other comprehensive income	-	-	-	2,746	(1,301)	-
Total comprehensive income	-	-	-	(48,821)	(41,267)	(40,027)
Total comprehensive income attributable to						
Australian Government	-	-	-	(48,821)	(41,267)	(40,027)
Transactions with owners						
Distribution to owners						
Restructuring	(14)	(24,558)	-	(14)	(24,558)	-
Appropriation (equity return) ¹	-	(77,600)	-	-	(77,600)	-
Contributions by owners						
Equity injection - Appropriations	35,369	12,736	32,512	35,369	12,736	32,512
Departmental capital budget (DCB)	28,469	27,838	25,469	28,469	27,838	25,469
Total transactions with owners	63,824	(61,584)	57,981	63,824	(61,584)	57,981
Closing balance attributable to Australian Government	452,029	388,205	500,083	243,226	228,223	297,346

1. For 2015 comparatives - All unspent amounts in Appropriation Act 1 2010-11, Appropriation Act 4 2010-11, Appropriation Act 1 2011-12, Appropriation Act 2 2011-12, Appropriation Act 4 2011-12, Appropriation Act 5 2011-12 and Appropriation Act 6 2011-12 have been repealed in 2014-15 in accordance with the Omnibus Repeal Day (Autumn 2014) Act 2014 as per EM 2014/12, and PGPA Act section 51 determinations

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 not-for-profit Reporting Entities
for the year ended 30 June 2016

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 not-for-profit Reporting Entities
for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000	Original Budget \$'000
OPERATING ACTIVITIES				
Cash received				
Appropriations		454,751	523,818	384,393
Sale of goods and rendering of services		62,728	48,160	56,276
Net GST received		17,007	15,868	15,526
Rental income		781	730	-
Other		11,004	33,636	13,203
Total cash received		546,271	622,212	469,398
Cash used				
Employees		309,707	340,424	319,105
Suppliers		182,611	193,469	169,004
Grants		9,492	18,209	2,326
Section 74 receipts transferred to OPA		67,855	60,996	-
Other		1,866	4,775	728
Total cash used		571,531	617,873	491,163
Net cash from/(used by) operating activities	5.3A	(25,260)	4,339	(21,765)
INVESTING ACTIVITIES				
Cash received				
Proceeds on sales of property, plant and equipment		140	121	-
Total cash received		140	121	-
Cash used				
Purchase of property, plant and equipment		20,956	20,385	25,469
Purchase of intangibles		18,890	16,661	11,206
Total cash used		39,846	37,046	36,675
Net cash used by investing activities		(39,706)	(36,925)	(36,675)
FINANCING ACTIVITIES				
Cash received				
Appropriations - Contributed equity		34,288	4,107	23,482
Appropriations - Departmental Capital Budget		28,866	30,830	34,499
Total cash received		63,154	34,937	57,981
Net cash from financing activities		63,154	34,937	57,981
Net increase/(decrease) in cash held		(1,812)	2,351	(459)
Cash and cash equivalents at the beginning of the reporting period		8,198	5,847	8,389
Cash and cash equivalents at the end of the reporting period	3.1A	6,386	8,198	7,930

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 2016

Budget Variance Commentary

The variance in this commentary is the difference between the actual and the budgeted amounts for the 2015-16 original budgeted financial statements that were first presented to parliament in respect of the reporting period from the Department's 2015-16 Portfolio Budget Statements.

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 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 an 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'.

Statement of Comprehensive Income

The lower than budgeted **employee expenses** is due to an overall reduction in employee numbers as well as a result of the transfer of the Australian Renewable Energy Agency (ARENA) function to the Department of the Environment following the Administrative Arrangements Order (AAO) on 21 September 2015 (see Note 8.1A), which is partially offset by the increase in the employee provisions as explained below.

The provision for the onerous component of one of the Department's accommodation leases, first recorded at 30 June 2015, was reassessed in the current year. This resulted in an increase to **other provisions** (in the statement of financial position) and the reversal of the impairment of the associated fitout, the latter resulting in the higher than budgeted gain from the **reversal of previous asset write-down and impairments**.

Statement of Financial Position

Due to the timing of the original 2015-16 budget, the estimate for **trade & other receivables** did not account for \$78 million of appropriations that lapsed in accordance with the *Omnibus Repeal Day (Autumn 2014) Act 2014*. This reduction has been reflected in the 2015-16 Additional Estimates.

The original 2015-16 budget, due to the timing of its release, was set prior to a number of subsequent events occurring. This includes the transfer of functions out of the department and a review of accounting treatment for unearned revenue which happened after the budget was finalised. These adjustments have led to lower than budgeted payables. This reduction has been reflected in the 2015-16 Additional Estimates.

The higher than budgeted **employee provisions** is a result of a decrease in the rate used to discount long service leave provisions at 30 June 2016, which is based on the 10 year government bond rate (\$5.5 million), coupled with the impact of an all staff salary increase of up to a maximum of 3% following the finalisation of the department's 2016-19 Enterprise Agreement in April 2016, which is partially offset by the net reduction in employee numbers.

Cash Flow Statement

Lower than budgeted **employee payments** are due to the reduction in employee numbers following the transfer of the ARENA function.

The variance in **supplier expenses** is due to timing differences for payments to suppliers between financial years.

Budgeted **Section 74 receipts transferred to OPA** are not shown separately in the cash flow statement but are netted off against operating cash received from appropriations.

Statement of Changes in Equity

A higher than budgeted **deficit** is due to unforeseen events, including the change in bond rate on employee provisions and an increase in the onerous lease provision. This has been partly offset by a reversal in fitout impairment during the year.

Department of Industry, Innovation and Science
Administered Statement of Comprehensive Income for not-for-profit Reporting Entities
for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000	Original Budget \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	2.1A	6,352	4,946	6,250
Suppliers	2.1B	89,677	403,659	90,248
Fees		40	40	40
Subsidies	2.1C	221,917	696,573	245,911
Personal benefits	2.1D	-	79,011	-
Grants	2.1E	427,335	672,602	571,867
Depreciation and amortisation	4.2A	726	3,897	1,000
Write-down and impairment of assets		2,288	20	-
Payments to corporate Commonwealth entities	2.1F	991,012	1,222,164	1,170,542
Total expenses		1,739,347	3,082,912	2,085,858
Income				
Revenue				
Taxation revenue				
Snowy Hydro land tax		174	174	171
Tradex receipts		1,301	1,204	550
Total taxation revenue		1,475	1,378	721
Non-taxation revenue				
Fees from regulatory services	2.2A	37,936	46,617	48,075
Fees		4,473	4,455	2,508
Interest		6,656	6,708	6,744
Dividends	2.2B	23,595	20,151	24,700
Royalties		979,091	1,384,095	870,316
Other non-taxation revenue		19,734	14,420	65,114
Total non-taxation revenue		1,071,485	1,476,446	1,017,457
Total revenue		1,072,960	1,477,824	1,018,178
Gains				
Reversals of previous financial instruments impairments		-	6,084	-
Other gains		-	302	-
Total gains		-	6,386	-
Total income		1,072,960	1,484,210	1,018,178
Net cost of services		(666,387)	(1,598,702)	(1,067,680)
Deficit on continuing operations		(666,387)	(1,598,702)	(1,067,680)
OTHER COMPREHENSIVE INCOME				
Items subject to subsequent reclassification to net cost of services				
Changes in asset revaluation reserve		(38,159)	(70,027)	-
Total other comprehensive income		(38,159)	(70,027)	-
Total comprehensive loss		(704,546)	(1,668,729)	(1,067,680)

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 for not-for-profit Reporting Entities
as at 30 June 2016

		2016	2015	Original Budget
	Notes	\$'000	\$'000	\$'000
ASSETS				
Financial assets				
Cash and cash equivalents	4.1A	104,917	125,849	129,442
Trade and other receivables	4.1B	112,405	107,530	145,022
Other investments	4.1C	4,036,341	4,086,762	3,988,776
Accrued revenue		73,276	93,661	129,480
Total financial assets		4,326,939	4,413,802	4,392,720
Non-financial assets				
Leasehold improvements	4.2A	231	258	-
Property, plant and equipment	4.2A	324	488	1,330
Intangibles	4.2A	4,671	4,281	5,713
Total non-financial assets		5,226	5,027	7,043
Total assets administered on behalf of Government		4,332,165	4,418,829	4,399,763
LIABILITIES				
Payables				
Suppliers	4.3A	11,735	7,507	2,555
Subsidies	4.3B	53,419	67,787	64,913
Grants	4.3C	48,690	83,175	42,643
Total payables		113,844	158,469	110,111
Provisions				
Employee provisions	6.1B	1,519	1,113	1,278
Total provisions		1,519	1,113	1,278
Total liabilities administered on behalf of Government		115,363	159,582	111,389
Net assets		4,216,802	4,259,247	4,288,374

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 2016

Budget Variance Commentary

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 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 an entity.

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

Schedule of Comprehensive Income

The lower than budgeted **payments to corporate Commonwealth entities** (\$171 million) is a result of the transfer of the Australian Renewable Energy Agency (ARENA) function to the Department of the Environment following the Administrative Arrangements Order on 21 September 2015 (see Note 8.1B).

Lower than budgeted **subsidies** is a result of a greater than expected decline in activity within the automotive industry and supply chain against the original forecasts for the Automotive Transformation Scheme.

Lower than budgeted **grants** is primarily due to underspends in the programmes under the Clean Energy Initiative Special Account (\$96 million), and delays to the commencement of projects funded under the Low Emission Technology Demonstration Fund (\$40 million). Further, assistance provided under the Home Insulation Program Industry Payment Scheme was lower than expected. Higher than budgeted **royalty revenue** (\$109 million) is mainly attributable to North West Shelf (NWS) petroleum royalties. Higher prices than budgeted for Liquid Natural Gas (LNG), condensate, and domestic gas (Domgas) were realised, which contribute 94% of total royalty revenue. This more than offset the lower than budgeted production levels for all commodities.

Other non-taxation revenue: the original budget included \$45 million of the estimated proceeds from the auction of offshore petroleum exploration permits which were not realised.

Lower than budgeted **fees from regulatory services** (\$9 million) is due to a lower than expected number of operators planning and undertaking offshore oil and gas operations. These fees and levies are collected by the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) on behalf of the Commonwealth.

Schedule of Assets and Liabilities for not-for-profit Reporting Entities

Cash and cash equivalents: the variance is predominantly due to the timing of payments relating to the Clean Energy Initiative Special Account.

Trade and other receivables: the variance is attributable to the transfer of the Innovation Investment Fund loans to the Commonwealth as investments at 30 June 2015, which was not included in the original 2015-16 budget.

Other investments: the higher than budgeted balance is predominantly due to an increase in the valuation of Snowy Hydro Limited at 30 June 2016 (\$65 million), offset by the transfer of ARENA (\$35 million), and fall in the fair value of other investments.

Accrued revenue relates predominantly to amounts accrued in relation to the royalty revenue the department is entitled to collect at 30 June 2016 but due to timing differences has not yet been received. As outlined above, royalty revenues are subject to a number of variables which in turn are impacted by global market conditions. As such, the budgeted accrued revenue amount, which was determined over a year in advance, contains significant estimation uncertainty.

Higher than budgeted **suppliers payable** is predominantly due to \$7.3 million of Entrepreneurs' Programme not included in the original 2015-16 budget.

The cessation of the Ethanol Production Grants (EPG) programme at 30 June 2015 was not reflected in the original 2015-16 **subsidies payable** budget.

Department of Industry, Innovation and Science
Administered Reconciliation Schedule for not-for-profit Reporting Entities
for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
Opening assets less liabilities as at 1 July	4,259,247	4,264,624
Net (cost of)/contribution by services		
Income	1,072,960	1,484,210
Expenses		
Payments to entities other than corporate Commonwealth entities	(748,335)	(1,860,748)
Payments to corporate Commonwealth entities	(991,012)	(1,222,164)
Other comprehensive income		
Revaluations transferred to/(from) reserves	(38,159)	(70,027)
Transfers (to)/from the Australian Government		
Appropriation transfers from Official Public Account		
Administered assets and liabilities appropriations		
Payments to entities other than corporate Commonwealth entities	18,447	9,036
Payments to corporate Commonwealth entities	35,916	96,439
Annual appropriations		
Payments to entities other than corporate Commonwealth entities	507,955	1,601,520
Payments to corporate Commonwealth entities	947,464	941,478
Special appropriations (limited)		
Payments to entities other than corporate Commonwealth entities	228,671	276,008
Payments to corporate Commonwealth entities	14,671	244,493
Special appropriations (unlimited)		
Payments to entities other than corporate Commonwealth entities	-	22,049
Payments to corporate Commonwealth entities	28,918	36,193
Appropriation transfers to OPA		
Transfers to OPA	(1,088,498)	(1,587,422)
Appropriation from prior years	3,395	15,123
Restructuring	(34,838)	8,435
Closing assets less liabilities as at 30 June	4,216,802	4,259,247

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

Department of Industry, Innovation and Science
Administered Cash Flow Statement for not-for-profit Reporting Entities
for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
OPERATING ACTIVITIES			
Cash received			
Interest		124	1,550
Dividends		23,595	48,046
Fees		13,413	13,065
Royalties		999,476	1,450,560
Net GST received		50,526	80,900
Other		23,711	40,764
Levy receipts		28,878	36,234
Total cash received		1,139,723	1,671,119
Cash used			
Suppliers		93,111	455,635
Grants		499,917	690,537
Employees		7,142	4,309
Subsidies		236,321	716,970
Personal benefits		-	82,319
Payment to corporate Commonwealth Entities		991,053	1,222,164
Total cash used		1,827,544	3,171,934
Net cash from/(used by) operating activities	5.3B	(687,821)	(1,500,815)
INVESTING ACTIVITIES			
Cash received			
Repayments of advances and loans		31,911	15,220
Total cash received		31,911	15,220
Cash used			
Investments		18,435	21,444
Trade Support Loans paid		-	22,049
Purchase of intangibles		959	2,706
Purchase of property, plant and equipment		18	502
Corporate Commonwealth Entity investments		35,916	96,439
Total cash used		55,328	143,140
Net cash from/(used by) investing activities		(23,417)	(127,920)
Net increase/(decrease) in cash held		(711,238)	(1,628,735)

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

Department of Industry, Innovation and Science
Administered Cash Flow Statement for not-for-profit Reporting Entities
for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Cash and cash equivalents at the beginning of the reporting period		125,849	130,405
Cash from Official Public Account			
Appropriations		1,693,754	3,063,082
Appropriation - Administered assets and liabilities		18,447	9,036
Equity appropriation - corporate Commonwealth Entities		35,916	96,439
Special Accounts		33,925	58,659
GST appropriations		49,375	91,372
Total cash from official public account		1,831,417	3,318,588
Cash to Official Public Account			
Appropriations		(1,088,498)	(1,561,114)
Cash from restructuring - Special Accounts		-	(870)
GST appropriations		(52,613)	(106,117)
Special Accounts		-	(26,308)
Total cash to official public account		(1,141,111)	(1,694,409)
Cash and cash equivalents at the end of the reporting period	4.1A	104,917	125,849

Accounting Policy

Administered Cash Transfers to and from the Official Public Account

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

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 an agile economy, capitalising on Australia's commercial and scientific strengths by facilitating the growth and productivity of globally competitive industries. The Department also supports: scientific capability; strong science, technology, engineering and mathematics skills; and science literacy, as critical requirements for productivity and economic growth.

The Department was renamed from the Department of Industry and Science to the Department of Industry, Innovation and Science, as a result of Administrative Arrangements Order (AAO) of the 21 September 2015.

The functions that transferred to/from the Department as a result of the AAO were as follows:

- The Australian Renewable Energy Agency function to the Department of Environment;
- The Digital Economy function from the Department of Communications and the Arts; and
- The Office of Northern Australia function from the Department of Infrastructure and Regional Development.

During the year the Department was structured to meet the one outcome of facilitating growth and productivity for globally competitive industries through the delivery of a wide range of measures and activities under the following programmes:

1. Supporting Science and Commercialisation;
2. Growing Business Investment and Improving Business Capability; and
3. Programme Support.

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

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 Government, of items controlled or incurred by the 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:

- Australian Accounting Standards (AAS) and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period; and
- Financial Reporting Rule (FRR) for reporting periods ending on or after 1 July 2015.

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.

Unless an alternative treatment is specifically required by an accounting standard or the FRR:

- assets and liabilities are recognised in the statement of financial position when and only when it is probable that future economic benefits will flow to the Department or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executor contracts are not recognised unless required by an accounting standard; and
- income and expenses are recognised in the statement of comprehensive income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

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.

New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

All new and amending standards or interpretations applicable to the current financial year did not have a material effect on the Department's financial statements.

Future Australian Accounting Standard Requirements

All new and amending standards or interpretations (including AASB 124 *Related Party Disclosures*) that have been issued by the Australian Accounting Standards Board and are effective for future reporting periods will be adopted when effective if they are expected to have a material effect on the Department's financial statements for future reporting periods.

Taxation

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

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

Contingent Liabilities

The Department was involved in a number of legal actions on behalf of the Australian Government for a range of matters 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, and 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.

The Australian Government has responsibility for the *Liquid Fuel Emergency Act 1984* (the Act). In addition, the Commonwealth and State and Territory governments have entered into an inter-governmental agreement (IGA) in relation to a national liquid fuel emergency. Under the IGA, the Commonwealth agrees to consult IGA parties on a likely shortage and, if necessary after those consultations, to advise the Governor-General to declare a national emergency under the Act.

The IGA also contains areas where the Australian Government may incur expenses in the unlikely event of a national liquid fuel emergency. These relate to the direct costs of managing a liquid fuel emergency and include the possibility of the Australian Government reimbursing the State and Territory governments for costs arising from their responses, and potential compensation for industry arising from Australian Government directions under the Act.

The Australian, New South Wales and Victorian governments have indemnified Snowy Hydro Limited for liabilities arising from water releases in the Snowy River below Jindabyne Dam, where these releases are in accordance with the water licence and related regulatory arrangements agreed between the three governments. The indemnity applies to liabilities for which a claim is notified within 20 years from 28 June 2002.

An unlimited indemnity was given for the Australian Nuclear Science and Technology Organisation (ANSTO). ANSTO owns and operates nuclear plants, including the nuclear research reactor at Lucas Heights. The Australian Government has indemnified ANSTO and its officers from any liability arising from injury to persons or damage to property caused by ionising radiation.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Breach of Section 83 of the Constitution

In the current financial year, the Department updated the risk assessments for all its special appropriations and special accounts that have payment provisions, and confirmed the low risk rating for breaches of section 83 of the Constitution. There were no known breaches in 2015-16.

Events After the Reporting Period

As a result of the AAO of the 19 July 2016, the Energy function, which includes the Australian Government's 13% ownership of Snowy Hydro Ltd, was relinquished to the Department of Environment and Energy.

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 for the year ended 2016.

Expenses

	2016 \$'000	2015 \$'000
Note 1.1A: Employee Benefits		
Wages and salaries	216,208	235,866
Superannuation:		
Defined contribution plans	20,145	21,187
Defined benefit plans	21,222	23,187
Leave and other entitlements	39,354	34,561
Separation and redundancies	7,411	5,388
Other employee expenses	2,441	3,284
Total employee benefits	306,781	323,473
Note 1.1B: Suppliers		
Goods and services supplied or rendered		
Communication, marketing and freight	3,508	4,788
Contractors and consultants	34,232	32,085
Inventory related costs	8,755	7,025
Property operating expense	14,468	13,712
Rendering of services and maintenance	31,549	39,309
Travel	12,604	12,617
Other goods and services	13,585	13,862
Total goods and services supplied or rendered	118,701	123,398
Goods supplied	14,193	13,492
Services rendered	104,508	109,906
Total goods and services supplied or rendered	118,701	123,398
Other suppliers		
Operating lease rentals in connection with		
Minimum lease payments	46,452	62,223
Contingent rentals	158	569
Workers compensation expenses	1,747	6,286
Total other suppliers	48,357	69,078
Total suppliers	167,058	192,476
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	58,293	61,335
Between 1 to 5 years	153,365	148,932
More than 5 years	180,072	214,993
Total operating lease commitments	391,730	425,260

Leasing commitments

The Department's lease payment commitments are primarily for accommodation for its operation around the country. The three major leases are office space and laboratories in Sydney, as well as office spaces in Industry House and Nishi which are both in Canberra.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Accounting Policy

Leases

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

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

	2016 \$'000	2015 \$'000
Note 1.1C: Grants		
Australian Government entities	911	11,080
State and Territory Governments	498	392
Non-profit organisations	1,374	3,695
Other	5,039	4,320
Total grants	7,822	19,487
Note 1.1D: Other Expenses		
Audit fees	712	645
Other	-	7
Total other expenses	712	652

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Own-Source Revenue and Gains		
	2016	2015
Own-Source Revenue	\$'000	\$'000
<u>Note 1.2A: Sale of Goods and Rendering of Services</u>		
Sale of goods	3,780	3,454
Rendering of services	53,785	45,202
Total sale of goods and rendering of services	57,565	48,656
<u>Note 1.2B: Other Revenue</u>		
State receipts	4,248	11,677
Equipment Energy Efficiency receipts	379	1,710
Sponsorships	1,055	4,241
Other	2,677	8,435
Department of Foreign Affairs and Trade receipts	489	252
Resources received free of charge		
Remuneration of auditors	617	630
Total other revenue	9,465	26,945
Commitments for sublease rental income receivables are as follows:		
Within 1 year	420	508
Between 1 to 5 years	1,503	1,365
More than 5 years	-	360
Total sublease rental income commitments	1,923	2,233
The Department's sublease rental income commitments receivable relate to the sublease to the childcare centre and part of the Questacon building in Canberra.		
Gains		
<u>Note 1.2C: Other Gains</u>		
Reversal of makegood provision	125	1,214
Reversal of other provisions	-	379
Total other gains	125	1,593
<u>Note 1.2D: Revenue from Government</u>		
Appropriations		
Departmental appropriations	400,205	471,091
Total revenue from Government	400,205	471,091

Accounting Policy

Revenue from Government

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

Resources Received Free of Charge

Resources received free of charge are recorded as either revenue or gains depending on their nature. They are recognised when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

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

Administered - Expenses		
	2016	2015
	\$'000	\$'000
Note 2.1A: Employee benefits		
Wages and salaries	4,264	3,481
Superannuation		
Defined contribution plans	492	355
Defined benefit plans	316	297
Leave and other entitlements	1,280	813
Total employee benefits	6,352	4,946
Note 2.1B: Suppliers		
Services rendered		
Communication, marketing and freight	23,471	810
Consultants and contractors	14,389	13,391
Travel	609	903
Vocational and industry training	-	80,347
Fee for service	42,440	299,973
Other	6,977	6,497
Total services rendered	87,886	401,921
Other suppliers		
Operating lease rentals in connection with		
Minimum lease payments	1,791	1,738
Total other suppliers	1,791	1,738
Total suppliers	89,677	403,659
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	1,292	1,192
Between 1 to 5 years	4,180	4,455
More than 5 years	910	1,859
Total operating lease commitments	6,382	7,506

Leasing commitments

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

	2016 \$'000	2015 \$'000
Note 2.1C: Subsidies		
Subsidies in connection with external parties		
Assistance to industry	222,741	269,448
Vocational and industry training	-	331,718
Resources related initiatives	(824)	95,407
Total subsidies	221,917	696,573
Note 2.1D: Personal Benefits		
Vocational and industry training	-	79,776
Liquid petroleum gas vehicle scheme	-	(765)
Total personal benefits	-	79,011
Note 2.1E: Grants		
Australian Government entities (related parties)	4,611	25,808
State and Territory Governments	13,131	50,957
Local Governments	2,046	7,600
Non-profit organisations	10,469	76,213
External entities	375,903	454,825
Other	12,910	22,870
Grants through State and Territory Governments	6,632	33,939
Multi-jurisdictional sector	1,633	390
Total grants	427,335	672,602
Note 2.1F: Payments to Corporate Commonwealth Entities		
Commonwealth Scientific and Industrial Research Organisation	750,280	745,268
Australian Nuclear Science and Technology Organisation	156,700	157,414
Australian Institute of Marine Science	40,483	38,796
Australian Renewable Energy Agency	14,671	244,493
National Offshore Petroleum Safety and Environmental Management Authority	28,878	36,193
Total payments to corporate Commonwealth entities	991,012	1,222,164

Accounting Policy

Grants and Subsidies

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

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

Payments to Corporate Commonwealth Entities

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

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

Administered - Income		
	2016	2015
	\$'000	\$'000
Revenue		
<u>Note 2.2A: Fees from Regulatory Services</u>		
Petroleum fees	9,058	10,383
Levy receipts	28,878	36,234
Total fees from regulatory services	37,936	46,617
<u>Note 2.2B: Dividends</u>		
Commonwealth Scientific and Industrial Research Organisation (CSIRO)	-	1
Innovation and Investment Fund (IIF) loans (Rounds 1 & 2)	195	-
Snowy Hydro Ltd	23,400	20,150
Total dividends	23,595	20,151

Accounting Policy

Revenue

All administered revenues relate to the activities performed by the Department on behalf of the Australian Government. Administered revenues includes Petroleum and uranium royalties; Dividends from Snowy Hydro Ltd; and Levies collected by the National Offshore Petroleum Safety and Environmental Management (NOPSEMA).

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.

Financial Assets		
	2016	2015
	\$'000	\$'000
Note 3.1A: Cash and Cash Equivalents		
Cash in special accounts	3,803	5,693
Cash on hand	20	21
Cash at bank	2,563	2,484
Total cash and cash equivalents	6,386	8,198

Accounting Policy

Cash is recognised at its nominal amount.

Note 3.1B: Trade and Other Receivables

Good and services receivables

Goods and services	8,596	6,408
Total goods and services receivables	8,596	6,408

Appropriations receivables

Departmental appropriations	90,311	73,634
Departmental Capital Budget	2,269	2,666
Special accounts	24,346	26,878
Equity appropriations	40,968	41,340
Total appropriations receivables	157,894	144,518

Other receivables

GST receivable from the Australian Taxation Office	2,208	3,434
Other	320	1,145
Total other receivables	2,528	4,579
Total trade and other receivables (gross)	169,018	155,505

Less impairment allowance

Goods and services	(259)	(279)
Total impairment allowance	(259)	(279)
Total trade and other receivables (net)	168,759	155,226

All trade receivables are expected to be recovered within 12 months

Trade and other receivables (gross) aged as follows

Not overdue	166,785	153,125
Overdue by		
0 to 30 days	1,086	1,218
31 to 60 days	527	319
More than 60 days	620	843
Total trade and other receivables (net)	169,018	155,505

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

	2016 \$'000	2015 \$'000
Reconciliation of the Impairment Allowance		
As at 1 July	279	98
Amounts written off	(28)	170
Amounts recovered and reversed	8	(16)
Increase/(Decrease) recognised in net cost of services	-	27
Total as at 30 June	259	279

The impairment allowance relates to receivables overdue by more than 60 days.

All receivables and accrued revenue are expected to be recovered within 12 months except where indicated.

Accounting Policy

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

Credit terms were 30 days.

Acquisition of Assets

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

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

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

Non-Financial Assets

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

Reconciliation of the opening and closing balances of property, plant and equipment and intangibles for 2016

	Buildings \$'000	Leasehold improvements \$'000	Property, plant and equipment \$'000	Laboratory equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2015							
Gross book value	53,903	64,288	51,188	25,647	51,565	14,909	261,500
Work in Progress	2,212	4,375	6,683	2,848	13,509	-	29,627
Accumulated depreciation, amortisation and impairment	-	-	-	-	(35,428)	(12,574)	(48,002)
Total as at 1 July 2015	56,115	68,663	57,871	28,495	29,646	2,335	243,125
Additions:							
Purchase or internally developed	1,712	9,116	14,246	2,080	16,646	40	43,840
Reversals of impairment recognised through other comprehensive income	-	2,746	-	-	-	-	2,746
Impairments recognised in net cost of services	-	-	-	(11)	-	-	(11)
Reversals of impairments recognised in net cost of services ¹	-	5,185	-	-	-	-	5,185
Depreciation/ Amortisation	(2,425)	(8,944)	(19,029)	(5,551)	(5,174)	(1,228)	(42,351)
Disposals:							
Other	-	-	(154)	-	-	-	(154)
Total as at 30 June 2016	55,402	76,766	52,934	25,013	41,118	1,147	252,380
Total as at 30 June 2016 represented by							
Gross book value	56,703	75,297	65,799	29,278	58,956	14,949	300,982
Work in Progress	1,124	10,402	5,960	1,285	22,764	-	41,535
Accumulated depreciation, amortisation and impairment	(2,425)	(8,933)	(18,825)	(5,550)	(40,602)	(13,802)	(90,137)
Total as at 30 June 2016	55,402	76,766	52,934	25,013	41,118	1,147	252,380

1. The reversal of impairment for leasehold improvements relates to the Nishi Building. A reversal of \$7.9 million was recognised, \$2.7 million was accounted for as an adjustment to the revaluation reserve and \$5.2 million was recognised as a gain.

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

All capital commitments totaling \$15.0 million (2014-15: \$8.5 million) are payable within 12 months. The major projects include \$1.3 million for the flexible workplace leasehold improvements, \$1.5 million for data management and analytics, and information, communications and technology (ICT) contracts namely \$4.3 million for the single business service program, \$2.0 million for ICT infrastructure and equipment, \$1.3 million for the development of SharePoint facilities, and \$0.9 million for document management and collaboration.

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

Reconciliation of the opening and closing balances of property, plant and equipment and intangibles for 2015

	Buildings \$'000	Leasehold improvements \$'000	Property, plant and equipment \$'000	Laboratory equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2014							
Gross book value	62,250	100,840	97,708	45,159	104,083	13,384	423,424
Accumulated depreciation, amortisation and impairment	(4,926)	(19,353)	(32,601)	(13,004)	(64,456)	(11,160)	(145,500)
Total as at 1 July 2014	57,324	81,487	65,107	32,155	39,627	2,224	277,924
Additions:							
Purchase or internally developed	2,504	3,495	11,507	3,093	12,470	1,777	34,846
Revaluations recognised through other comprehensive income	(1,121)	143	(269)	(1,031)	-	-	(2,278)
Reversals of impairment recognised through other comprehensive income	-	977	-	-	-	-	977
Impairments recognised in net cost of services ¹	-	(8,095)	(82)	(10)	(740)	-	(8,927)
Depreciation/Amortisation	(2,592)	(9,344)	(17,347)	(5,712)	(7,000)	(1,666)	(43,661)
Disposals:							
From disposal of entities or operations (including restructuring) ²	-	-	(1)	-	(14,711)	-	(14,712)
Other ³	-	-	(159)	-	-	-	(159)
Other movements	-	-	(885)	-	-	-	(885)
Total as at 30 June 2015	56,115	68,663	57,871	28,495	29,646	2,335	243,125
Total as at 30 June 2015 represented by							
Gross book value	53,903	64,288	51,188	25,647	51,565	14,909	261,500
Work in Progress	2,212	4,375	6,683	2,848	13,509	-	29,627
Accumulated depreciation, amortisation and impairment	-	-	-	-	(35,428)	(12,574)	(48,002)
Total as at 30 June 2015	56,115	68,663	57,871	28,495	29,646	2,335	243,125

1. The Nishi Building was assessed as being impaired at 30 June 2015. A net impairment loss of \$4.8 million was recognised, \$2.9 million was accounted for as an adjustment to the revaluation reserve and \$1.9 million was recognised as an expense.

2. The assets were relinquished to the Department of Education and Training as a result of transferring the Skills and Vocational Education, and Training functions.

3. These assets did not meet the capitalisation threshold and were expensed in 2014-15.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Accounting Policy

Asset Recognition Threshold

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

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

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

Revaluations

Following initial recognition at cost, property, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets. All asset classes with the exception of software were revalued effective 30 June 2015 by an independent valuer, using a fair value basis.

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

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset is restated to the revalued amount.

Depreciation

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

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

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

	2016	2015
Buildings	8-40 years	8-40 years
Leasehold improvements	Lease term	Lease term
Laboratory equipment	3-10 years	3-10 years
Other property, plant and equipment	3-10 years	3-10 years

Impairment

All assets were assessed for impairment at 30 June 2016 and the result reported in note 3.2A and 4.2A. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount. The impairment adjustment is reflected in the gross carrying value of the asset.

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

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. No assets have been identified for sale or disposal within the next 12 months unless otherwise specified in the respective notes.

Intangibles

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

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

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

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Department's software are 3 to 15 years (2014-15: 3 to 15 years).

All software assets were assessed for indications of impairment as at 30 June 2016 and the result reported in note 3.2A and 4.2A.

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

	2016	2015
	\$'000	\$'000
<u>Note 3.2B: Prepayments</u>		
Prepayments expected to be recovered		
No more than 12 months	7,185	6,751
More than 12 months	<u>1,298</u>	<u>1,560</u>
Total other non-financial assets	<u><u>8,483</u></u>	<u><u>8,311</u></u>

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Payables		
	2016	2015
	\$'000	\$'000
Note 3.3A: Suppliers		
Trade creditors and accruals	19,600	22,899
Other creditors	440	1,632
Total suppliers	20,040	24,531

All suppliers are expected to be settled within 12 months. Settlement is usually made within 30 days.

Note 3.3B: Other Payables

Lease straight lining and incentives	39,105	41,040
Unearned revenue	13,236	9,362
Wages and salaries	2,677	9,956
Superannuation	170	1,345
Other	1,343	916
Total other payables	56,531	62,619

Other payables expected to be settled

No more than 12 months	18,523	22,629
More than 12 months	38,008	39,990
Total other payables	56,531	62,619

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.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Provisions		
	2016	2015
	\$'000	\$'000
Note 3.4A: Other Provisions		
Provisions for onerous lease	18,974	14,770
Provisions for restoration	1,851	1,787
Total provisions for restoration	20,825	16,557
Other provisions expected to be settled		
No more than 12 months	3,850	177
More than 12 months	16,975	16,380
Total other provisions	20,825	16,557

	Provision for Onerous Lease \$'000	Provision for restoration \$'000	Total \$'000
As at 1 July 2015	14,770	1,787	16,557
Additional provisions made	6,543	67	6,610
Amounts reversed	-	(125)	(125)
Amounts used	(2,339)	-	(2,339)
Unwinding of discount or change in discount rate	-	122	122
Total as at 30 June 2016	18,974	1,851	20,825

Accounting Judgements and Estimates

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

Provisions for onerous lease

An onerous contract is considered to exist where the unavoidable cost of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The Department has recognised a provision in relation to a contract that was identified as onerous during the reporting period. The provision relates to surplus floor space for one of the Department's leased premises following the restructuring as a result of the AAO in December 2014.

Provisions 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 but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

Administered – Financial Assets		
	2016	2015
	\$'000	\$'000
Note 4.1A: Cash and Cash Equivalents		
Cash in special accounts	104,917	125,849
Total cash and cash equivalents	104,917	125,849
Note 4.1B: Trade and Other Receivables		
Loans		
Amortised cost	99,722	94,501
Available for sale - Innovation and Investment Fund (IIF) loans (Rounds 1 & 2)	40,447	40,447
Total loans	140,169	134,948
Other receivables		
Grant recoveries and other receivables	17,666	13,061
Net GST receivable	9,902	12,743
Total other receivables	27,568	25,804
Total trade and other receivables (gross)	167,737	160,752
Less impairment allowance		
Loans - amortised cost	(975)	(1,001)
Loans - available for sale - IIF loans (Rounds 1 & 2)	(40,447)	(40,447)
Grant recoveries and other receivables	(13,910)	(11,774)
Total impairment allowance	(55,332)	(53,222)
Total trade and other receivables (net)	112,405	107,530
Trade and other receivables (net) expected to be recovered		
No more than 12 months	18,416	16,260
More than 12 months	93,989	91,270
Total trade and other receivables (net)	112,405	107,530
Trade and other receivables (gross) aged as follows		
Not overdue	151,966	147,012
Overdue by:		
0 to 30 days	10	895
31 to 60 days	1,136	16
More than 60 days	14,625	12,829
Total trade and other receivables (gross)	167,737	160,752
Impairment allowance aged as follows		
Not overdue	(40,935)	(40,447)
Overdue by:		
0 to 30 days	-	(575)
31 to 60 days	-	(1)
More than 60 days	(14,397)	(12,199)
Total impairment allowance	(55,332)	(53,222)

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Reconciliation of the Impairment Allowance			
Movements in relation to 2016			
	Advances and loans \$'000	Other receivables \$'000	Total \$'000
As at 1 July 2015	41,448	11,774	53,222
Amounts written off	-	(178)	(178)
Increase/(Decrease) recognised in net cost of services	(26)	2,314	2,288
Total as at 30 June 2016	41,422	13,910	55,332
Movements in relation to 2015			
	Advances and loans \$'000	Other receivables \$'000	Total \$'000
As at 1 July 2014	94,323	14,926	109,249
Amounts written off	(135)	(2,884)	(3,019)
Amounts recovered and reversed	-	(62)	(62)
Increase/(Decrease) recognised in net cost of services	(6,561)	449	(6,112)
Restructuring	-	(655)	(655)
Transfer to Investments	(46,179)	-	(46,179)
Total as at 30 June 2015	41,448	11,774	53,222

Accounting Policy

Loans and Receivables

Where loans and receivables are not subject to concessional treatment, they are carried at amortised cost using the effective interest method. Loans and receivables are assessed for indicators of impairment (including collectability) at each balance date. An allowance is made for loans which are assessed as being impaired. Interest is credited to income as it accrues. Gains and losses due to impairment, de-recognition and amortisation are recognised through profit or loss.

The Department's administered loans and receivables relating to a number of programmes that are delivered by the Department on behalf of the Australian Government 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.
- Australian Leather Holdings. 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. The total loan is due to be repaid in full by February 2022.
- Strategic Investment Coordination (SIC) – Rio Tinto Aluminium (Comalco). 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'.

Credit terms for receivables were net 30 days.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

	2016	2015
	\$'000	\$'000
Note 4.1C: Other Investments		
Australian Institute of Marine Science	178,025	182,453
Australian Nuclear Science and Technology Organisation	943,532	967,279
Commonwealth Scientific and Industrial Research Organisation	2,197,625	2,237,934
National Offshore Petroleum Safety and Environmental Management Authority	10,917	13,584
Pre-Seed Fund	25,323	25,375
Innovation Investment Fund Round 1	20,838	16,162
Innovation Investment Fund Round 3	100,271	109,878
Innovation Investment Follow-On Fund	19,810	24,259
Australian Renewable Energy Agency	-	34,838
Snowy Hydro Ltd	540,000	475,000
Total other investments	4,036,341	4,086,762

All investments are not expected to be recovered within 12 months

Administered investments in subsidiaries, joint ventures and associates are not consolidated because 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 2016. 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.

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.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Innovation and Investment Fund (IIF)

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

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

Australian Renewable Energy Agency

The activities undertaken aim to improve the competitiveness of renewable energy technologies and increase the supply of renewable energy in Australia. The Australian Government owns 100% of this investment. This investment was transferred to the Department of Environment during 2015-16 as a result of the AAO of the 21 September 2015.

National Offshore Petroleum Safety and Environmental Management Authority

The activities undertaken aim to promote the occupational health and safety (OHS) of persons engaged in offshore petroleum operations, and to develop and implement effective monitoring and enforcement strategies to secure compliance by persons with their OHS, structural integrity and environmental management obligations under the Offshore Petroleum and Greenhouse Gas Storage Act 2006. The Australian Government owns 100% of this investment.

Snowy Hydro Ltd

The Australian Government owns 13% of Snowy Hydro Ltd which was corporatised in 2002. The principal activities of Snowy Hydro Ltd are the collection, diversion and storage of water and the generation and transmission of electricity.

Accounting Judgements and Estimates

Snowy Hydro Ltd (SHL) has been valued using the Capitalisation of Future Maintainable Earnings method, with the valuation provided by an independent valuer. Capitalisation multiples for the valuation are selected from share market trading data of comparable listed companies and relevant market acquisition transactions. The capitalisation multiples chosen reflect a discount for lack of control (DLOC). A discount for lack of marketability (DLOM) is also applied as part of the valuation methodology for SHL. The value was determined to be in the range of \$510 million to \$570 million, with the midpoint of \$540 million selected as the value as reported in Notes 4.1C and 7.4A. The variables which may affect SHL's value include environmental markets, electricity demand and supply, electricity industry structure and rainfall.

Administered – Non-Financial Assets

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

	Leasehold improvements \$'000	Other property, plant & equipment \$'000	Computer software internally developed \$'000	Computer licence purchased \$'000	Total \$'000
As at 1 July 2015					
Gross book value	258	423	6,001	2,083	8,765
Work in Progress	-	65	683	-	748
Accumulated depreciation, amortisation and impairment	-	-	(2,482)	(2,004)	(4,486)
Total as at 1 July 2015	258	488	4,202	79	5,027
Additions	41	22	908	-	971
Depreciation/ Amortisation	(68)	(140)	(439)	(79)	(726)
Other movements ¹	-	(46)	-	-	(46)
Total as at 30 June 2016	231	324	4,671	-	5,226
Total as at 30 June 2016 represented by:					
Gross book value	299	445	7,157	2,083	9,984
Work in progress	-	19	435	-	454
Accumulated depreciation, amortisation and impairment	(68)	(140)	(2,921)	(2,083)	(5,212)
Total as at 30 June 2016	231	324	4,671	-	5,226

1. These assets did not meet the capitalisation threshold and were expensed in 2015-16.

Revaluations of non-financial assets

All revaluations were conducted in accordance with the revaluation policy. A revaluation was conducted as at 30 June 2015 by an independent valuer.

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

All capital commitments totaling \$1.4 million (2014-15:\$1.6 million) are payable within 12 months, of which \$1.1 million related to the development of the NOPTA-Continuation of National Electronic Approvals Tracking System (NEATS).

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

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

	Leasehold improvements \$'000	Other property, plant & equipment \$'000	Computer software internally developed \$'000	Computer licence purchased \$'000	Total \$'000
As at 1 July 2014					
Gross book value	-	912	2,345	2,083	5,340
Work in Progress	-	185	2,102	-	2,287
Accumulated depreciation, amortisation and impairment	-	(267)	(763)	(54)	(1,084)
Total as at 1 July 2014	-	830	3,684	2,029	6,543
 Additions	 331	 1	 2,237	 -	 2,569
Revaluations and impairments recognised in other comprehensive income	(126)	(62)	-	-	(188)
Depreciation/Amortisation	(8)	(220)	(1,719)	(1,950)	(3,897)
Other movements	61	(61)	-	-	-
Total as at 30 June 2015	258	488	4,202	79	5,027
 Total as at 30 June 2015 represented by:					
Gross book value	258	423	6,001	2,083	8,765
Work in Progress	-	65	683	-	748
Accumulated depreciation and impairment	-	-	(2,482)	(2,004)	(4,486)
Total as at 30 June 2015	258	488	4,202	79	5,027

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Accounting Policy

Administered Property, Plant and Equipment

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

Administered intangibles

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

- Syntroleum Technology – a licence utilising Gas-to-Liquids technology. This asset was recognised at cost and was amortised on a straight-line basis over the term of the licence (15 years). As at reporting date this asset is now fully amortised.
- The National Electronic Approvals Tracking System (NEATS) software – 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

Administered – Payables		
	2016	2015
	\$'000	\$'000
Note 4.3A: Suppliers		
Trade creditors and accruals	11,735	7,507
Total suppliers	11,735	7,507
Settlement is usually made within 30 days.		
Note 4.3B: Subsidies		
Subsidies in connection with		
Assistance to industry	53,419	63,418
Resources related initiatives	-	4,369
Total subsidies	53,419	67,787
All subsidies are payable to external parties.		
Settlement is usually made according to the terms and conditions of each grant. This is usually within 30 days of performance or eligibility.		
Note 4.3C: Grants		
Australian Government entities	-	293
Non-profit organisations	40,111	58,392
Other	8,579	24,490
Total grants	48,690	83,175
All suppliers, subsidies, personal benefits, grants and other payables are expected to be settled within 12 months.		

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.

Appropriations

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

Annual Appropriations for 2016

	Appropriation Act	PGPA Act		Total appropriation	Appropriation applied in 2016 (current and prior years)	Variance ²
	Annual Appropriation ¹ \$'000	Section 74 \$'000	Section 75 \$'000			
Departmental						
Ordinary annual services	399,627	67,855	578	468,060	452,218	15,842
Capital Budget	28,469	-	-	28,469	28,866	(397)
Other services						
Equity	35,369	-	-	35,369	34,288	1,081
Total departmental	463,465	67,855	578	531,898	515,372	16,526
Administered						
Ordinary annual services						
Administered items	848,124	-	(179,988)	668,136	507,955	160,181
Payments to corporate Commonwealth entities	947,464	-	-	947,464	947,464	-
Other services						
Administered assets and liabilities	30,938	-	-	30,938	18,447	12,491
Payments to corporate Commonwealth entities	35,916	-	-	35,916	35,916	-
Total administered	1,862,442	-	(179,988)	1,682,454	1,509,782	172,672

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 as a result of the payment of 2014-15 creditors in 2015-16 less any creditor payments due for 2015-16 which will be paid in 2016-17.
3. \$71.7m has been permanently quarantined against 2015-16 administered ordinary annual services appropriations under section 51 of the PGPA Act. They relate to government decisions and approved movements of funds.
4. No other entities spend money from the CRF on behalf of the department.

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

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

Annual Appropriations for 2015

	<i>Appropriation Act</i>		<i>PGPA Act</i>		Appropriation applied in 2015 (current and prior years)	Variance ²
	Annual Appropriation ¹	Section 74	Section 75	Total appropriation		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Departmental						
Ordinary annual services	509,130	60,996	(33,415)	536,711	524,729	11,982
Capital Budget	27,838	-	(944)	26,894	30,830	(3,936)
Other services						
Equity	12,736	-	-	12,736	4,107	8,629
Total departmental	549,704	60,996	(34,359)	576,341	559,666	16,675
Administered						
Ordinary annual services						
Administered items	2,557,861	-	(562,983)	1,994,878	1,601,520	393,358
Payments to corporate Commonwealth entities	943,177	-	-	943,177	941,478	1,699
Other services						
Administered assets and liabilities	-	-	-	-	9,036	(9,036)
Payments to corporate Commonwealth entities	96,439	-	-	96,439	96,439	-
Total administered	3,597,477	-	(562,983)	3,034,494	2,648,473	386,021

Notes:

1. 2014-15 Departmental annual appropriation includes supplementation funding which was recognised in 2013-14 financial year but appropriated in 2014-15.
2. Administered variances are as a result of the payment of 2013-14 creditors in 2014-15 less any creditor payments due for 2014-15 which will be paid in 2015-16.
3. \$0.4m of departmental appropriation and \$411.0m of administered appropriations have been permanently quarantined under section 51 of the PGPA Act. They relate to government decisions, reclassification of funding and approved movement of funds.
4. No other entities spend money from the CRF on behalf of the department

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

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

	2016	2015
	\$'000	\$'000
Departmental		
Appropriation Act 2 2012-13	224	224
Appropriation Act 1 2013-14	1,414	1,414
Appropriation Act 2 2013-14	-	2,676
Appropriation Act 4 2013-14	2,809	27,769
Appropriation Act 1 2014-15	422	70,256
Appropriation Act 1 2014-15 Cash	-	2,505
Appropriation Act 1 2014-15 DCB	-	2,666
Appropriation Act 2 2014-15	4,649	10,893
Appropriation Act 3 2014-15	-	2,386
Appropriation Act 1 2015-16	88,897	-
Appropriation Act 1 2015-16 DCB	2,269	-
Appropriation Act 2 2015-16	30,651	-
Appropriation Act 4 2015-16	2,857	-
Appropriation Act 1 2015-16 Cash	2,583	-
Total departmental	136,775	120,789
Administered		
Appropriation Act 1 2012-13	61,487	61,487
Appropriation Act 2 2012-13	13,191	13,191
Appropriation Act 3 2012-13	4	4
Appropriation Act 4 2012-13	3,450	3,450
Appropriation Act 1 2013-14	29,365	29,370
Appropriation Act 2 2013-14	12,308	29,131
Appropriation Act 4 2013-14	53,267	53,279
Appropriation Act 1 2014-15	425,371	518,233
Appropriation Act 1 2015-16	184,951	-
Appropriation Act 2 2015-16	29,326	-
Appropriation Act 3 2015-16	13,155	-
Total administered	825,875	708,145

Note: The above balances include appropriations withheld under section 51 of the PGPA Act that 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 2016.

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')

	ARENA	Department of Education and Training
	2016	2015
	\$'000	\$'000
Total receipts	-	45
Total payments	5,979	16,517

All the above transactions relate to payments made on behalf of the agencies listed during the transition of functions as a result of the AAO changes.

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

	Appropriation applied	
	2016	2015
Authority	\$'000	\$'000
<i>Textile, Clothing and Footwear Strategic Investment Program Act 1999</i>	21,325	24,251
<i>Automotive Transformation Scheme Act 2009</i>	207,346	251,757
<i>Offshore Minerals Act 1994 (Act No. 28 of 1994)</i>	-	-
<i>Australian Renewable Energy Agency Act 2011</i>	14,671	244,493
<i>Trade Support Loans Act 2014</i>	-	22,049
<i>Offshore Petroleum and Greenhouse Gas Storage Act 2006</i>	28,918	36,193
<i>Public Governance, Performance and Accountability Act 2013 s.77</i>	3,021	3,448
Total special appropriation applied	275,281	582,191

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

Special Accounts						
Note 5.2A: Special Accounts ('Recoverable GST exclusive')						
	Clean Energy Initiative Special Account¹		Services for Other Entities and Trust Moneys Account²		National Offshore Petroleum Titles Administrator Special Account³	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance brought forward from previous period	94,582	107,776	21,906	11,962	9,360	10,126
Total Increases	40,079	32,351	13,942	14,995	10,659	12,201
Available for payments	134,661	140,127	35,848	26,957	20,019	22,327
Total administered decreases	63,747	45,545	5,812	5,051	16,051	12,967
Total balance carried to the next period	70,914	94,582	30,036	21,906	3,968	9,360
	Science and Technology Donations/ Sponsorship Account⁴		Australian Building Codes Board Special Account⁵		Ranger Rehabilitation Special Account⁶	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance brought forward from previous period	5,299	698	10,319	11,693	68,293	66,163
Total increases	999	4,949	8,409	8,494	209,373	272,342
Available for payments	6,298	5,647	18,728	20,187	277,666	338,505
Decreases						
Total Departmental decreases	2,763	348	8,835	9,868	-	-
Total Administered special public money decreases	-	-	-	-	207,411	270,212
Total balance carried to the next period	3,535	5,299	9,893	10,319	70,255	68,293
	Energy 2015 Special Account⁷		Energy Special Account⁸		Climate Change Special Account⁹	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance brought forward from previous period	-	-	11,696	11,841	5,260	6,521
Total increases*	17,337	-	-	1,201	-	1,729
Available for payments	17,337	-	11,696	13,042	5,260	8,250
Total departmental decreases	2,614	-	11,696	1,346	5,260	2,990
Total balance carried to the next period	14,723	-	-	11,696	-	5,260

*The increase in the Energy 2015 Special Account includes the total transfer of \$16.956 million from the Energy Special Account and Climate Change Special Account abolished in 2015-16.

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

	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>Determination 2006/40 – Science and Technology Donations/Sponsorship Special Account Establishment 2006</i> , for the expenditure of donations/sponsorship received to support specific activities which promote greater understanding and awareness of science and technology within the community.	1 October 2016
5	78	<i>Determination 2006/68 – Australian Building Codes Board Special Account Establishment 2006</i> , for the expenditure for research, investigation and development and the dissemination of information directed towards the achievement and maintenance of uniform building regulation; development of a national system of accreditation; and development of comparable legislative control procedures in the building approval process among the State and Territories.	1 April 2017
6	78	<i>Determination 2006/70- Ranger Rehabilitation Special Account Establishment 2006</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.	1 April 2017
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 replaced both the Energy Special Account and the Climate Change Special Account.	1 October 2025
8	78	<i>Determination 2005/08- Energy Special Account Establishment 2005</i> as amended by <i>Financial Management and Accountability (Variation of the Energy Special Account) Determination 2012/01</i> , for activities that contribute to policy development in the national energy sector. This account was abolished in 2015-16 and the balance was transferred to the <i>Energy Special Account 2015</i> .	N/A
9	78	<i>Determination 2012/16- Establishment of the Climate Change Special Account</i> , for activities under the National Partnership Agreement on Energy Efficiency. This account was abolished in 2015-16 and the balance was transferred to the <i>Energy Special Account 2015</i> .	N/A

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

The Department has the following special accounts established under section 80 of the *Public Governance, Performance and Accountability Act 2013* which had nil balances and there no transactions debited or credited to it during the current or prior reporting period:

- (1) BAF Energy Portfolio Special Account to make payments in relation to the creation and development of energy; and
- (2) National Repository Capital Contribution Fund Special Account for the establishment and operation of a radioactive waste management facility. 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

Cash Flow Reconciliation		
	2016	2015
	\$'000	\$'000
Note 5.3A: Cash Flow Reconciliation		
Reconciliation of cash and cash equivalents as per statement of financial position to cash flow statement		
Cash and cash equivalents as per		
Cash flow statement	6,386	8,198
Statement of financial position	6,386	8,198
Discrepancy	-	-
Reconciliation of net cost of services to net cash from/(used by) operating activities		
Net cost of services	(451,772)	(511,057)
Revenue from Government	400,205	471,091
Adjustments for non-cash items		
Reversal of previous write down of non-financial assets	(5,186)	(2)
Reversal of provision	(125)	(1,593)
Depreciation / amortisation	42,351	43,661
Finance costs	122	259
Net write down of assets	51	9,043
Net losses/(gains) from sale of assets	14	38
Restructuring	(14)	(2,186)
Movement in assets and liabilities		
Assets		
(Increase) / decrease in net receivables	(13,990)	17,790
(Increase) / decrease in accrued revenue	669	(2,255)
(Increase) / decrease in prepayments	(172)	(572)
(Increase) / decrease in inventories	(270)	(51)
(Increase) / decrease in capital receivable	769	(16,695)
(Increase) / decrease in GST receivable	1,226	(742)
Liabilities		
Increase / (decrease) in employee provisions	12,863	(5,190)
Increase / (decrease) in suppliers payable	(4,491)	(5,902)
Increase / (decrease) in unearned revenue	3,874	(7,024)
Increase / (decrease) in capital payable	(4,883)	4,304
Increase / (decrease) in grants payable	(806)	1,089
Increase / (decrease) in other provisions and other payables	(5,695)	10,333
Net cash from/(used by) operating activities	(25,260)	4,339

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

	2016 \$'000	2015 \$'000
Note 5.3B: Administered Cash Flow Reconciliation		
Reconciliation of cash and cash equivalents as per administered schedule of assets and liabilities to administered cash flow statement		
Cash and cash equivalents as per		
Administered cash flow statement	104,917	125,849
Administered schedule of assets and liabilities	104,917	125,849
Discrepancy	-	-
Reconciliation of net cost of services to net cash from/(used by) operating activities		
Net (cost of)/contribution by services	(666,387)	(1,598,702)
Adjustments for non-cash items		
Net write down of non-financial assets	2,288	20
Indexation	(6,576)	(5,068)
Depreciation/amortisation	726	3,897
Other gains	-	(6,386)
Restructuring	-	33,154
Movements in assets and liabilities		
Assets		
(Increase)/Decrease in net receivables	2,683	30,070
(Increase)/Decrease in dividend receivables	-	27,895
(Increase)/Decrease in accrued revenue	20,385	66,465
Liabilities		
Increase/(Decrease) in grants payable	(34,485)	14,747
Increase/(Decrease) in subsidies payable	(14,368)	(28,687)
Increase/(Decrease) in suppliers payable	7,507	(31,460)
Increase/(Decrease) in personal benefits payable	-	(6,897)
Increase/(Decrease) in other employee provisions	406	137
Net cash from/(used by) operating activities	(687,821)	(1,500,815)

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.

Employee Provisions

	2016 \$'000	2015 \$'000
Note 6.1A: Employee Provisions		
Leave	94,039	84,738
Separations and redundancies	4,824	1,262
Total employee provisions	98,863	86,000
Employee provisions expected to be settled		
No more than 12 months	33,486	28,567
More than 12 months	65,377	57,433
Total employee provisions	98,863	86,000

Note 6.1B: Administered - Employee Provisions

Leave	1,519	1,113
Total employee provisions	1,519	1,113
Employee provisions expected to be settled		
No more than 12 months	471	290
More than 12 months	1,048	823
Total employee provisions	1,519	1,113

Accounting Policy

Liabilities for 'short-term employee benefits' and termination benefits expected to be wholly settled within twelve months of the end of reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period 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 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 2014 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.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

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 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 in the 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 Government. The Department accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June 2016 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

Senior Management Personnel Remuneration

Note 6.2A: Senior Management Personnel Remuneration

	2016	2015
	\$000	\$000
Short-term employee benefits		
Salary	17,988	17,058
Performance bonuses	95	48
Other ¹	811	880
Total short-term employee benefits	18,894	17,986
Post-employment benefits:		
Superannuation	3,016	2,848
Total post-employment benefits	3,016	2,848
Other long-term employee benefits		
Annual leave	1,314	1,359
Long-service leave	591	612
Total other long-term employee benefits	1,905	1,971
Termination benefits	229	735
Total senior executive remuneration expenses	24,044	23,540

The total number of senior management personnel that are included in the above table is 99 (2015: 100). Note that the comparability of the number of senior management personnel is impacted by part-year service.

1. Other short term employee benefits include motor vehicle running costs and car parking costs.

This note:

- includes long-term acting arrangements;
- includes part year service, which includes senior management personnel impacted by transfers as a result of AAO; and
- includes the impact of leave taken.

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.

Financial Instruments

	2016	2015
	\$'000	\$'000
Note 7.1A: Categories of Financial Instruments		
Financial Assets		
Cash and cash equivalents	6,386	8,198
Trade and other receivables	8,657	7,274
Accrued revenue	2,186	2,855
Total loans and receivables	17,229	18,327
Total financial assets	17,229	18,327
Financial Liabilities		
Suppliers	20,040	24,531
Grants payable	1,177	1,983
Other payables	14,579	10,278
Total financial liabilities measured at amortised cost	35,796	36,792
Total financial liabilities	35,796	36,792

Note 7.1B: Net Gains or Losses

The net gains/losses on financial instruments is immaterial.

Note 7.1C: Fair Value of Financial Instruments

The Department considers that the carrying amounts reported in the Statement of Financial Position 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 7.1D: Credit Risk

The Department's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position. This risk is minimal as most items are cash and trade receivables.

The Department manages its credit risk by undertaking background and credit checks prior to entering into a debtor relationship. In addition, the Department has policies and procedures for debt recovery actions. The Department analyses its credit risk based on 30+ days. As such, the ageing of financial instruments has been presented in the same format. The Department holds no collateral to mitigate against credit risk.

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

	Not past due nor impaired	Not past due nor impaired	Past due or impaired	Past due or impaired	Total	Total
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	6,386	8,198	-	-	6,386	8,198
Trade and other receivables	6,683	1,145	2,233	6,408	8,916	7,553
Other financial assets	2,186	2,855	-	-	2,186	2,855
Total	15,255	12,198	2,233	6,408	17,488	18,606

Ageing of trade and other receivables that were past due but not impaired

	0 to 30 days	31 to 60 days	60+ days	Total
	\$'000	\$'000	\$'000	\$'000
2016	1,086	527	361	1,974
2015	1,218	319	564	2,101

Note 7.1E: Liquidity Risk

The Department's financial liabilities are payables to suppliers. The exposure to liquidity risk is based on the notion that the Department will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to appropriation funding and other funding mechanisms available to the Department (e.g. Advance to the Finance Minister) and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

All non-derivative financial liabilities will mature within one year. The Department did not hold any derivative financial liabilities in the current or prior reporting period.

Note 7.1F: Market Risk

The Department holds financial instruments that do not materially expose it to significant market risks.

The Department has minor exposure to "Currency risk" through some international purchases of equipment (National Measurement Institute laboratory equipment) and provision of services or grants. No material exposures exist at year end.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Administered - Financial Instruments		
	2016 \$'000	2015 \$'000
Note 7.2A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	104,917	125,849
Grant recoveries and other receivables	3,756	1,287
Loans - amortised cost	98,747	93,500
Total loans and receivables	207,420	220,636
Available for sale		
Administered investments	4,036,341	4,086,762
Total available for sale	4,036,341	4,086,762
Total financial assets	4,243,761	4,307,398
Financial Liabilities		
Financial Liabilities measured at amortised cost		
Grants and subsidies payable	102,109	150,962
Suppliers payable	11,735	7,507
Total financial liabilities measured at amortised cost	113,844	158,469
Total financial liabilities	113,844	158,469
Note 7.2B: Net Gains or Losses on Financial Assets		
Loans and receivables		
Interest revenue	6,656	6,708
Dividends	23,595	20,151
Net gains on loans and receivables	30,251	26,859
Available-for sale financial assets		
Impairment - IIF Loans	-	6,649
Net losses on available-for-sale financial assets	-	6,649
Financial assets at fair value through profit or loss (designated)		
Write-down and impairment - Investments	-	(20)
Net losses on financial assets at fair value through profit or loss (designated)	-	(20)
Net gains/(losses) on financial assets	30,251	33,488
The net gains/losses on financial liabilities is immaterial.		
Note 7.2C: Fair Value of Financial Instruments		
The Department considers that the carrying amounts reported in the Administered Schedule of Assets and Liabilities are a reasonable approximation of the fair value of these financial assets and liabilities.		

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Note 7.2D: Credit Risk

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

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

	Not past due nor impaired	Not past due nor impaired	Past due or impaired	Past due or impaired	Total	Total
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Grant recoveries and other receivables	2,382	329	15,284	12,732	17,666	13,061
Loans - amortised cost	98,747	93,493	975	1,008	99,722	94,501
Loans - available for sale - IIF	-	-	40,447	40,447	40,447	40,447
Total	101,129	93,822	56,706	54,187	157,835	148,009

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

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

Ageing of financial assets that were past due but not impaired in 2015

	days	days	days	Total
	\$'000	\$'000	\$'000	\$'000
Grant recoveries and other receivables	320	16	622	958
Loans - amortised cost	-	-	7	7
Total	320	16	629	965

Note 7.2E: Liquidity Risk

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

All financial liabilities are expected to be settled within 12 months.

Note 7.2F: Market Risk

The Department's exposure to interest rate risk is primarily from its loans (at amortised cost). Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. However, the effect on profit and loss is assessed as immaterial given the low value of these financial instruments as at 30 June 2016.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Fair Value Measurement

The following tables provide an analysis of assets and liabilities that are measured at fair value.

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 Level 3 fair value measurements – valuation processes

The Department's assets are held for operational purposes and not held for the purposes of deriving a profit. The current use of the assets is considered the highest and best use.

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.

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 2016

	Fair value measurements at the end of the reporting period	
	2016	2015
	\$'000	\$'000
Non-financial assets:		
Buildings	55,402	53,903
Leasehold improvements	76,766	64,288
Property, plant and equipment ¹	18,207	34,883
Property, plant and equipment	34,727	16,305
Laboratory equipment	25,013	25,647
Total fair value measurements of assets in the statement of financial position	210,115	195,026

- Level 2 property, plant and equipment are measured at market cost. The inputs used are the prices derived from observed transactions of similar equipment.

The balance of the non-financial assets are categorised as Level 3, valued using depreciated replacement cost.

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

Administered - Fair Value Measurement				
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 Valuation technique(s)
	2016 \$'000	2015 \$'000		
Financial assets:				
Other investments - Snowy Hydro Ltd ¹	540,000	475,000	Level 2	Income Cost
Other investments - Other	3,496,341	3,611,762	Level 3	
Total financial assets	4,036,341	4,086,762		
Non-financial assets:				
Property, plant and equipment ²	324	423	Level 2	Market Approach Depreciated replacement cost
Leasehold Improvements	231	258	Level 3	
Total non-financial assets	555	681		
Total fair value measurements of assets in the administered schedule of assets and liabilities	4,036,896	4,087,443		
For the following level 2 measurements, the inputs used are as follows:				
1. Operating results to estimate future earnings; and				
2. Prices derived from observed transactions of similar equipment				
Note 7.4B: Administered Reconciliation for Recurring Level 3 Fair Value Measurements				
Recurring Level 3 fair value measurements - reconciliation				
	2016 \$'000	2015 \$'000		
Opening balance	3,611,762	3,438,014		
Total gains/(losses) recognised in other comprehensive income ¹	(103,158)	27,160		
(Disposals)/ Additions (including Restructuring)	(34,838)	41,538		
Issues	54,351	117,705		
Settlements	(31,776)	(12,655)		
Closing balance	3,496,341	3,611,762		
Changes in unrealised gains/(losses) recognised in net cost of services for assets held at the end of the reporting period	-	-		

1. These gains/losses are presented in the Administered Schedule of Comprehensive Income under changes in asset revaluation surplus.

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.

Restructuring

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

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

The following functions were relinquished during 2014-15 as a result of the AAO of the 23 December 2014:

1. The Skills and Vocational Education and Training functions to the Department of Education and Training.
2. The Small Business function to The Treasury, involving only the transfer of administered assets and liabilities.
3. The Office of Spatial Policy function to the Department of Communications, involving only the transfer of the administered special account.

Note 8.1A: Departmental Restructuring

	ASSUMED		RELINQUISHED	
	2016 Digital Economy ¹	2016 Office of Northern Australia ²	2016 ARENA	2015 Skills and Vocational Education Training ¹
	Department of Communications and the Arts	Department of Infrastructure and Regional Development	Department of Environment	Department of Education and Training
	\$'000	\$'000	\$'000	\$'000
FUNCTIONS ASSUMED/RELINQUISHED				
Assets relinquished				
Appropriation receivables	540	296	1,453	24,100
Property, plant and equipment	-	-	-	1
Intangibles	-	-	-	14,711
Total assets assumed/relinquished	540	296	1,453	38,812
Liabilities assumed/relinquished				
Employee provisions	554	296	1,453	14,254
Total liabilities assumed/relinquished	554	296	1,453	14,254
Net assets/(liabilities) assumed/relinquished	(14)	-	-	24,558
Income assumed				
Recognised by the receiving entity	5,202	2,934		
Recognised by the losing entity	813	590		
Total income assumed	6,015	3,524		
Expenses assumed				
Recognised by the receiving entity	5,202	2,934		
Recognised by the losing entity	813	590		
Total expenses assumed	6,015	3,524		

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

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

Note 8.1B: Administered Restructuring					
	ASSUMED	RELINQUISHED			
	2016	2016	2015	2015	2015
	Digital Economy¹	ARENA	Skills and Vocational Education and Training functions¹	Small Business²	Office of Spatial Policy³
	Department of Communications and the Arts	Department of Environment	Department of Education and Training	The Treasury	Department of Communications
	\$'000	\$'000	\$'000	\$'000	\$'000
FUNCTIONS RELINQUISHED					
Assets relinquished					
Cash and cash equivalents	-	-	737	-	133
Trade receivables	-	-	-	1	-
Advances and loans	-	-	23,850	-	-
Other receivables	-	-	1,449	-	-
Investments	-	34,838	-	-	-
Total assets relinquished	-	34,838	26,036	1	133
Liabilities relinquished					
Payables	-	-	34,605	-	-
Total liabilities relinquished	-	-	34,605	-	-
Net assets/(liabilities) relinquished	-	34,838	(8,569)	1	133
Income assumed					
Recognised by the receiving entity	-				
Recognised by the losing entity	-				
Total income assumed	-				
Expenses assumed					
Recognised by the receiving entity	2,147				
Recognised by the losing entity	1,562				
Total expenses assumed	3,709				

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Reporting of Outcomes

Note 8.2A: Net Cost of Outcome Delivery

	Total 2016 \$'000	Total 2015 \$'000
Departmental		
Expenses	524,911	589,089
Own-source income	73,139	78,032
Administered		
Expenses	1,739,347	3,082,912
Own-source income	1,053,280	1,484,210
Net cost/(contribution) of outcome delivery	1,137,839	2,109,759

The Department has only one Outcome as described in the Objective of the Department on page 16. Refer to the Statement of Comprehensive Income, the Statement of Financial Position, the Administered Schedule of Comprehensive Income, and the Administered Schedule of Assets and Liabilities for details relating to this note.

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

9. Regulatory Charging

Regulatory Charging Summary

	2016 \$'000	2015 \$'000
Note 9.1A: Regulatory Charging Summary		
Amount applied		
Departmental		
Annual appropriations	3,081	4,690
Special appropriations (including special accounts)	-	-
Own source revenue	-	-
Administered		
Annual appropriations	2,307	3,261
Special appropriations (including special accounts)	-	-
Total amounts applied	5,388	7,951
Expenses		
Departmental	7,629	10,386
Administered	16,953	15,342
Total expenses	24,582	25,728
Revenue		
Departmental	4,549	6,495
Administered	13,052	13,250
Total revenue	17,601	19,745

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

Cost recovered activities:

Licensing and Appointment, Pattern Approval Laboratory, Certification of Licenses, Greenhouse and Energy Minimum Standards National Legislative Framework, and National Offshore Petroleum Titles Administrator

Documentation (Cost Recovery Impact Statement/s) for the above activities is available at www.industry.gov.au or www.measurement.gov.au or www.nopta.gov.au



CHAPTER SIX

Departmental appendices

Appendix A1: Entity resource statement

Table 18: Entity resource statement, 2015-16

	Actual available appropriations for 2015-16 ‘\$000	Payments made 2015-16 ‘\$000	Balance remaining 2015-16 ‘\$000
1/ Ordinary Annual Services			
Departmental appropriation			
Prior year departmental appropriation	76,300	75,722	578
Departmental appropriation	428,096	337,508	90,588
s. 75 adjustments	1,414	836	1,414
s. 74 receipts	67,855	67,855	-
Total	573,665	481,085	92,580
Administered expenses			
Outcome 1	848,124	507,955	
Payments to corporate Commonwealth entities	947,464	947,464	
Total	1,795,588	1,455,419	
Total ordinary annual services	2,369,253	1,936,504	

	Actual available appropriations for 2015-16 ‘\$000	Payments made 2015-16 ‘\$000	Balance remaining 2015-16 ‘\$000
2/ Other services			
Departmental non-operating			
Equity Injections	35,369	34,288	1,081
Total	35,369	34,288	1,081
Administered non-operating			
Administered Assets and Liabilities	30,938	18,447	
Payments to corporate Commonwealth entities - non-operating	35,916	35,916	
Total	66,854	54,363	
Total other services	102,223	88,651	
3/ Special Appropriations			
Special appropriation limited by amount			
<i>Textile, Clothing and Footwear Investment and Innovation Program Act 1999</i>		21,325	
<i>Automotive Transformation Scheme Act 2009</i>		207,346	
<i>Offshore Mineral Act 1994</i>		-	
<i>Australian Renewable Energy Agency Act 2011</i>		14,671	
<i>Offshore Petroleum and Greenhouse Gas Storage Act 2006</i>		28,918	
Total special appropriation		272,260	
Special Accounts			
Opening balance	158,422		
Appropriation receipts	37,975		
Non appropriated receipts to special accounts	36,494		
Payments made		99,822	
Closing balance			133,069
Total Resourcing and Payments	2,704,367	2,397,237	

Appendix A2: Expenses and resources for Outcome 1

Table 19: Expenses and resources for Outcome 1, 2015–16

Outcome 1: Enabling growth and productivity for globally competitive industries through building skills and capability, supporting science and innovation, encouraging investment and improving regulation.	Budget 2015–16 \$'000	Actual 2015–16 \$'000	Variation 2015–16 \$'000
Program 1: Supporting Science and Commercialisation			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1)	197,576	191,708	5,868
Special Appropriations	0	0	0
Special Accounts	0	0	0
Expenses not requiring appropriation in the Budget year	0	(26)	26
Total for Program 1	197,576	191,682	5,894
Program 2: Growing Business Investment and Improving Business Capability			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1)	304,400	294,041	10,359
Ordinary Annual Services (Appropriation Act No. 1) credited to special accounts	48,511	22,664	25,847
Special Appropriations	241,699	219,279	22,420
Special Accounts	30,741	21,950	8,791
Expenses not requiring appropriation in the Budget year	2,262	(1,281)	3,543
Total for Programme 2	627,613	556,652	70,961
Program 3: Program Support			
Departmental expenses			
Departmental appropriation	467,078	470,250	(3,172)
Special Appropriations	0	0	0
Special Accounts	14,305	11,598	2,707
Expenses not requiring appropriation in the Budget year	35,233	43,063	(7,830)
Total for Program 3	516,616	524,911	(8,295)

Outcome 1: Enabling growth and productivity for globally competitive industries through building skills and capability, supporting science and innovation, encouraging investment and improving regulation.			
	Budget 2015-16 \$'000	Actual 2015-16 \$'000	Variation 2015-16 \$'000
Outcome 1 Totals by Appropriation Type			
Administered Expenses			
Ordinary Annual Services (Appropriation Act No. 1)	501,976	485,749	16,227
Ordinary Annual Services (Appropriation Act No. 1) credited to special accounts	48,511	22,664	25,847
Special Appropriations	241,699	219,279	22,420
Special Accounts	30,741	21,950	8,791
Expenses not requiring appropriation in the Budget year	2,262	(1,307)	3,569
	825,189	748,335	76,854
Departmental Expenses			
Departmental appropriation	467,078	470,250	(3,172)
Special Appropriations	0	0	0
Special Accounts	14,305	11,598	2,707
Expenses not requiring appropriation in the Budget year	35,233	43,063	(7,830)
	516,616	524,911	(8,295)
Total expenses for Outcome 1	1,341,805	1,273,246	68,559

Appendix A3: Workforce statistics

Table 20: Employee coverage by classification at 30 June 2016, ongoing and non-ongoing employees, Department of Industry, Innovation and Science and IP Australia SES

Classification	Enterprise agreement coverage	Employment arrangement		Salary range	
		s. 24 determination	Common law agreement	Minimum (\$)	Maximum (\$)
APS 1	29	0	0	37 787	47 818
APS 2	17 (1)	0	0	48 098	57 346
APS 3	143 (2)	0	0	56 196	69 946
APS 4	253 (4)	0	0	62 241	81 190
APS 5	345 (11)	0	0	69 831	83 659
APS 6	805 (37)	0	0	76 422	110 000
EL 1	720 (134)	7	0	96 794	134 568
EL 2	333 (182)	10	0	115 027	218 361 ¹
CRS 1	10	0	0	128 315	153 549
CRS 2	3	0	0	147 754	180 936
SES Band 1	0	0	71	186 950	220 000
SES Band 2	0	0	19	251 416	284 960
SES Band 3	0	0	4	333 171	363 618
Total	2658	17	94		

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

¹ Recognition of specialist skills and knowledge.

Note: This table does not include casuals employed by the department at 30 June 2016. Numbers in brackets indicate employees whose salary is supplemented by an individual employment arrangement provided under the enterprise agreement. IP Australia's SES figures are included with the department's figures to ensure non-identification of individual recipients. Geoscience Australia's SES figures are included in Table 48 in Chapter 12.

Table 21: Performance payments from 1 July 2015 to 30 June 2016, Department of Industry, Innovation and Science and IP Australia SES

Classification	No. of recipients	Aggregate (\$)	Average (\$)	Bonus payment	
				Minimum (\$)	Maximum (\$)
APS 1–6	8	28 344	3453	2500	5460
EL 1	31	183 011	5904	2500	11 140
EL 2	48	485 454	10 114	1500	14 879
CRS 1–2 and SES Band 1–3	8	116 326	14 541	5000	35 000
Total	95	813 135			

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.

Table 22: Ongoing employees by classification and gender, 30 June 2015 and 30 June 2016, Department of Industry, Innovation and Science

Classification	Female		Male		Total	
	2015	2016	2015	2016	2015	2016
APS 1	7	9	5	16	12	25
APS 2	5	3	16	13	21	16
APS 3	59	69	51	61	110	130
APS 4	139	146	70	75	209	221
APS 5	197	181	150	144	347	325
APS 6	351	449	293	317	644	766
EL 1	350	345	349	351	699	696
EL 2	135	131	191	199	326	330
CRS 1	2	2	9	8	11	10
CRS 2	0	0	3	3	3	3
SES Band 1	20	26	35	36	55	62
SES Band 2	5	4	8	13	13	17
SES Band 3	1	1	2	2	3	3
Secretary	1	1	0	0	1	1
Total	1272	1367	1182	1238	2454	2605

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

Note: This table does not include 133 casuals employed by the department at 30 June 2015 and 159 casuals employed by the department at 30 June 2016.

Table 23: Non-ongoing employees by classification and gender, 30 June 2015 and 30 June 2016, Department of Industry, Innovation and Science

Classification	Female		Male		Total	
	2015	2016	2015	2016	2015	2016
APS 1	3	3	8	1	11	4
APS 2	1	0	1	1	2	1
APS 3	4	9	5	4	9	13
APS 4	30	19	11	13	41	32
APS 5	11	11	15	9	26	20
APS 6	33	16	23	23	56	39
EL 1	15	15	14	16	29	31
EL 2	5	3	20	10	25	13
CRS 1	0	0	0	0	0	0
CRS 2	0	0	0	0	0	0
SES Band 1	0	0	0	1	0	1
SES Band 2	0	0	0	0	0	0
SES Band 3	0	0	0	0	0	0
Secretary	0	0	0	0	0	0
Total	102	76	97	78	199	154

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

Note: This table does not include 133 casuals employed by the department at 30 June 2015 and 159 casuals employed by the department at 30 June 2016.

Table 24: Ongoing and non-ongoing employees by classification and gender, 30 June 2015 and 30 June 2016, Department of Industry, Innovation and Science

Classification	Female		Male		Total	
	2015	2016	2015	2016	2015	2016
APS 1	10	12	13	17	23	29
APS 2	6	3	17	14	23	17
APS 3	63	78	56	65	119	143
APS 4	169	165	81	88	250	253
APS 5	208	192	165	153	373	345
APS 6	384	465	316	340	700	805
EL 1	365	360	363	367	728	727
EL 2	140	134	211	209	351	343
CRS 1	2	2	9	8	11	10
CRS 2	0	0	3	3	3	3
SES Band 1	20	26	35	37	55	63
SES Band 2	5	4	8	13	13	17
SES Band 3	1	1	2	2	3	3
Secretary	1	1	0	0	1	1
Total	1374	1443	1279	1316	2653	2759

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

Note: This table does not include 133 casuals employed by the department at 30 June 2015 and 159 casuals employed by the department at 30 June 2016.

Table 25: Ongoing and non-ongoing employees by full-time or part-time status, 30 June 2015 and 30 June 2016, Department of Industry, Innovation and Science

Attendance type	Ongoing		Non-ongoing		Total	
	2015	2016	2015	2016	2015	2016
Full-time	2154	2295	179	132	2333	2427
Part-time	300	310	20	22	320	332
Total	2454	2605	199	154	2653	2759

Note: This table does not include 133 casuals employed by the department at 30 June 2015 and 159 casuals employed by the department at 30 June 2016.

Table 26: Ongoing and non-ongoing employees by location, 30 June 2015 and 30 June 2016, Department of Industry, Innovation and Science

Location	Ongoing		Non-ongoing		Total	
	2015	2016	2015	2016	2015	2016
ACT	1676	1748	112	98	1788	1846
NSW	365	389	51	40	416	429
Vic.	224	251	17	7	241	258
Qld	57	69	9	3	66	72
SA	33	34	6	2	39	36
WA	74	82	3	3	77	85
Tas.	21	20	1	0	22	20
NT	3	11	0	1	3	12
Overseas	1	1	0	0	1	1
Total	2454	2605	199	154	2653	2759

Note: This table does not include 133 casuals employed by the department at 30 June 2015 and 159 casuals employed by the department at 30 June 2016.

Table 27: Indigenous employees, 30 June 2015 and 30 June 2016, Department of Industry, Innovation and Science

Employment status	2015	2016
Ongoing	17	31
Non-ongoing	0	1
Total	17	32

Appendix A4: Advertising and market research

Appendix A4 sets out GST-inclusive payments the department made to external organisations for advertising and market research services in 2015–16. Payments of \$12 700 or less (GST inclusive) are not reported.

*Table 28: Payments for advertising and market research, 2015–16,
Department of Industry, Innovation and Science*

Name of recipient	Services	Total (\$)
Advertising agencies		
Clemenger BBDO Melbourne Pty Ltd	Development and production of advertising campaign for country of origin labelling for food	1 100 000.00
Dentsu Mitchell Media Australia Pty Ltd	Questacon branding—advertising in Better Homes and Gardens magazine	14 784.00
Embrace Society	Culturally and linguistically diverse and Indigenous services for the advertising campaign for country of origin labelling for food	76 549.00
Mediaheads	Promotion of National Science Week—production and distribution of radio and television ads	49 077.60
Mitchell & Partners Australia Pty Ltd	Marketing for 2016 Graduate Programme	12 965.92
Whybin/TBWA Group	Marketing of National Innovation and Science Agenda campaign	2 812 753.11
Direct mail		
Union Offset Printers	Mail-out to businesses affected by changes to country of origin labelling	34 903.00
Market research		
Sandwalk Partners	Science tourism—research market segments, develop products and conduct market surveys	33 396.00
National Capital Educational Tourism Project	Educational science tourism—research market segments, develop products and conduct market surveys	24 640.00
AMR Interactive Pty Ltd	National Innovation and Science Agenda campaign—developmental research and refinement	423 522.00
	National Innovation and Science Agenda campaign—refinement and concept testing	631 246.00
ORIMA Research	National Innovation and Science Agenda campaign—research and evaluation services	411 290.00
	Consumer preferences for measurement markings on fast moving consumer goods packages	70 828.00

Name of recipient	Services	Total (\$)
Colmar Brunton	Consumer market research on Australia's country of origin labelling framework	213 510.00
	Research to inform the development of the advertising campaign for country of origin labelling for food	615 225.00
Hall & Partners Open Mind	Evaluation of the effectiveness of the advertising campaign for country of origin labelling for food	136 473.00
Media advertising		
Dentsu Mitchell Media Australia Pty Ltd	Radioactive waste site press advertising	49 067.19
	National Radioactive Waste Management Facility public notices	45 930.41
	National Radioactive Waste Management Facility advertising	51 270.59
	Public notice for Home Insulation Program Industry Payment Scheme	537 331.00
Mitchell & Partners Australia Pty Ltd	Accelerating Commercialisation Director recruitment	17 555.89
	Advertising for Australian Business Licensing Information Service	46 212.00
	Advertising for the National Innovation and Science Agenda	16 280 460.81
	Google advertising for IP Toolkit	27 679.43
	Media placement for the country of origin labelling for food advertising campaign	4 737 278.00
Korn/Ferry International Pty Ltd	CEO, Office of Innovation and Science Australia executive search	28 065.10
Polling organisations		
Nil		

Appendix A5: Report on the operations of the Australian Industry Participation Authority

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.

A permanent Authority has not been appointed. As an interim measure the Australian Government has appointed officers from the department as the Acting Authority (in accordance with section 71 of the Jobs Act).

On 20 May 2015, the Hon Ian Macfarlane MP appointed Dr Gary Richards for a 12-month term as the Acting Authority. The Hon Christopher Pyne MP appointed Mr Mike Lawson as the Acting Authority for a 12-month term with effect from 20 May 2016. Dr Gary Richards is the Delegate of the Acting AIP Authority.

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 for the project's construction phase and two years into the operations phase.

The Authority approved seven AIP plans for projects with total capital expenditure of more than \$9.65 billion in 2015-16.

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 on national media.

In 2015-16, the Authority:

- wrote to 10 project proponents alerting them to their potential obligations under the Jobs Act and providing guidance on meeting their obligations
- received formal notification of 16 major projects with current or future obligations under the Jobs Act
- approved seven draft AIP plans and published the AIP plan summaries at www.industry.gov.au/aip within the prescribed one-day time frame in accordance with the Jobs Act

- agreed to the withdrawal of five approved AIP plans due to cancellation of projects, reduction in capital expenditure below the Jobs Act's threshold and amalgamation of projects
- agreed to two replacement AIP plans due to changes to projects
- accepted that one major project had met the requirements under the Australian Jobs (Australian Industry Participation) Rule 2014 for an exception to providing a draft AIP plan
- received, evaluated and accepted 18 AIP plan compliance reports.

Consultations

The Authority continued to work closely with major project proponents to help them better understand and meet their obligations under the Jobs Act. The Authority also engaged with state governments and Industry Capability Network stakeholders to discuss issues on the Jobs Act, exceptions or 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.

Regulator Performance Framework

As part of its commitment under the government's Regulator Performance Framework, the Authority must self-assess its performance once every 12 months. The Authority conducted a survey to obtain feedback and comments on its performance from 10 selected stakeholders, including those with AIP plans under the Jobs Act.

The Authority's performance is being assessed against the principles of good regulatory practice, including:

- administrative fairness, efficiency and effectiveness
- achievement of regulatory objectives
- opportunities for future improvement to reduce regulatory burden and costs.

The self-assessment process maps the Authority's current baseline regulatory practices and articulates a pathway to better practices. The 2015-16 self-assessment report, including evidence collection and analysis, will be included in the Authority's 2016-17 annual report.

Industry Capability Network Limited

An industry capability network supports the AIP National Framework by connecting potential suppliers to project opportunities through a national database of industry capability and project opportunities. The government has committed funding to the Industry Capability Network Limited to 30 June 2017 to ensure continuity of capability-matching services to supply chain participants that have paid subscriptions to the network.

Closure of the Enhanced Project By-law Scheme

The government announced the closure of the Enhanced Project By-law Scheme in the 2016-17 Federal Budget with immediate effect.

The requirement under the Jobs Act for major projects (\$500 million and above) to lodge and implement an AIP plan is unaffected by the closure of the scheme.

There are other ways in which suppliers can access opportunities to bid for work, including state and territory industry participation plans, procurement websites such as the Industry Capability Network Gateway, industry briefings, and social licence initiatives undertaken by project proponents.

As at 29 April 2016, 25 summaries for the AIP plans under the scheme have been published on the department's website.

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 over \$20 million 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, and on 1 July 2013 to selected Clean Energy Finance Corporation investment projects.

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. The Authority also published guidance in the Department of Finance's Procurement Bulletin in May 2016 to highlight that AIP policy is a procurement-connected policy.

AIP plans in Commonwealth funding

As at 30 June 2016, a total of 321 AIP plans had been approved for Commonwealth procurements and grants and Clean Energy Finance Corporation investments over \$20 million (Table 29).

Table 29: AIP statistics in Commonwealth funding, as at 30 June 2016

AIP plans in Commonwealth procurements (since 1 January 2010)	
No. of AIP plans approved	304
No. of released approaches to market with AIP plans	58
No. of approaches to market with executed contracts with AIP plans	56
Value of contracts with AIP plans	\$13.9 billion
No. of approaches to market exempted from AIP plans	110
AIP plans in Commonwealth grants and Commonwealth-funded infrastructure projects (since 1 July 2012)	
No. of AIP plans approved	12 ¹
No. of grants exempted from AIP plans	12 ²
AIP plans in Commonwealth investments—Clean Energy Finance Corporation (since 1 July 2013)	
No. of AIP plans approved	5
No. of investments exempted from AIP plans	4

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

2 Six grant programmes have been provided exemptions and six exemptions have been granted to individual grants under a programme allowing exemptions.

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 2016, 22 summaries have been published:

- 10 for Commonwealth procurements
- seven for Commonwealth grants
- five for Clean Energy Finance Corporation investments.

Service improvements

In December 2015, the AIP content on the departmental website (www.industry.gov.au/aip) was refreshed. This included:

- revising the content to make it easier to understand
- providing stronger encouragement to stakeholders to contact the AIP team directly before drafting an AIP plan
- providing a series of questions to assist stakeholders in determining which type of AIP plan might be applicable to their project
- removing outdated information
- adding a feedback and complaints section
- updating AIP templates to incorporate recent minor changes.

Appendix A6: Reports addressing other 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:

- *Automotive Transformation Scheme Act 2009*
- *Greenhouse and Energy Minimum Standards Act 2012*
- *Offshore Petroleum and Greenhouse Gas Storage Act 2006*.

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 30) and the Australian automotive industry's progress towards achieving economic sustainability, environmental outcomes and workforce skills development (Table 31).

Table 30: Total assistance paid to ATS participants for the 12-month period ending 31 March 2016

Participants	Capped assistance (\$)	Uncapped assistance (\$)	Total assistance (\$)
Motor vehicle producers	133 643 662	28 233 919	161 877 581
Automotive component producers	77 633 165	0	77 633 165
Automotive machine tool producers	1 560 061	0	1 560 061
Automotive service providers	398 274	0	398 274
Total	213 235 162	28 233 919	241 469 081

Table 31: Progress made by ATS participants in achieving economic sustainability, environmental outcomes, and workforce skills development during the 12-month period ending 31 March 2016

Economic sustainability	
Capability development	80 per cent of ATS participants reported increased capability through participation in change management processes, down from 81 per cent in the previous year.
Business performance	74 per cent of ATS participants reported improved business performance through increased productivity, a decrease from 83 per cent in the previous year; 67 per cent reported that they had found new customers, up from 63 per cent in the previous year.
Environmental outcomes	
Manufacturing process	82 per cent of ATS participants reported better environmental outcomes resulting from improved manufacturing processes, down from 84 per cent in the previous year.

Environmentally sustainable cars	51 per cent of ATS participants reported contributing to the manufacture of more environmentally sustainable cars, up from 48 per cent in the previous year.
Workforce skills development	
Applicable post-school qualifications	ATS participants reported either decreases or no changes in all post-school qualifications within their workforces. Specifically, 25 per cent reported that their workforces had certificate I and II qualifications (down 8 percentage points), 19 per cent had certificate III and IV qualifications (down 6 percentage points), 11 per cent had other trade qualifications (down 1 percentage point), 6 per cent had diplomas or advanced diplomas (no change), and 24 per cent had bachelor degrees or higher qualifications (no change).

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

Greenhouse and Energy Minimum Standards Act

This section is prepared in accordance with section 175 of the *Greenhouse and Energy Minimum Standards Act 2012* (GEMS Act). It covers the operation of the GEMS Act from 1 July 2015 to 30 June 2016.

The GEMS Act supports the development and adoption of appliances and equipment that use less energy and result in fewer greenhouse gas emissions than competing products. The Act commenced on 1 October 2012 and replaced seven overlapping pieces of state and territory legislation and four state regulators with one national regulator, simplifying the system for manufacturers and importers of regulated appliances and equipment. The department administers the GEMS Act through the Equipment Energy Efficiency (E3) programme and the GEMS Regulator.

The E3 programme promotes greater energy efficiency for regulated products by enabling consumers to make informed choices to improve energy efficiency and reduce greenhouse gas emissions. The main policy tools the programme uses are mandatory Minimum Energy Performance Standards and Energy Rating Labels for appliances and equipment.

At 30 June 2016, a total of 22 determinations were in effect under the GEMS Act. The determinations are legislative instruments that specify GEMS requirements, including requirements for Minimum Energy Performance Standards and Energy Rating Labels for products regulated under the GEMS Act. In the course of 2015–16, the GEMS Regulator approved 5027 applications and responded to 1186 enquiries. Registration applications were approved in 3.3 days on average. Two exemption requests were granted by the GEMS Regulator in 2015–16.

The department and the GEMS Regulator work cooperatively with state and territory agencies to administer the GEMS Act and develop the E3 programme under an Inter-Governmental Agreement. Australia also collaborates on energy efficiency standards with New Zealand under the E3 programme and the Inter-Governmental Agreement, ensuring the greatest net benefit for both countries.

Governance

The E3 programme is overseen by the Energy Efficiency Advisory Team, which reports to the Council of Australian Governments' Energy Council. The advisory team comprises representatives from Commonwealth, state and territory government agencies and from the New Zealand Government.

Achievements

The department commissioned a review of the Inter-Governmental Agreement, the GEMS Act and the E3 programme. The review found that significant energy cost savings are likely to be realised by the programme, and in a cost-effective manner. The review identified costs for consumers, including a narrower range of products in some categories, but concluded that, overall, the costs are outweighed by savings on energy bills for consumers and businesses.

The Energy Council accepted all but three of the recommendations from the review. The Energy Efficiency Advisory Team implemented the accepted recommendations, which included completing a review of the priorities for the E3 programme. The new priorities were accepted by the Energy Council.

The department surveyed stakeholders in 2015–16 to gauge the overall level of satisfaction with the GEMS product registration process. A total of 77 per cent of respondents were satisfied with the product registration process overall and 80 per cent agreed that registration applications were processed by the GEMS Regulator in a timely manner.

Compliance and enforcement

The GEMS Regulator monitors and enforces compliance with the GEMS Act by:

- conducting engagement and education activities
- verifying compliance
- investigating non-compliance
- responding to non-compliance.

The GEMS Regulator, assisted by GEMS inspectors, manages a risk-based, intelligence-driven compliance monitoring programme that oversees:

- check testing—to verify, through laboratory testing, whether models of GEMS products meet relevant GEMS-level requirements and the energy efficiency claims of manufacturers and suppliers
- market surveillance—to ensure GEMS products meet GEMS registration and labelling requirements.

During 2015–16, the GEMS Regulator completed check tests of 103 models of GEMS products. Of these, 76 met GEMS requirements, and 27 did not. In response, the GEMS Regulator cancelled 11 registrations and took alternative enforcement actions against 16 models.

Market surveillance activities revealed high levels of registration compliance for a range of household GEMS products. Labelling compliance results, however, revealed room for improvement for other products, notably in the industrial sector. GEMS inspectors are working closely with that sector and will conduct follow-up market surveillance to ensure compliance.

The GEMS Regulator received 45 allegations of suspected non-compliance with the GEMS Act from consumers, industry and government departments. The majority of these allegations related to the supply of unregistered GEMS products and labelling issues. The GEMS Regulator investigated each allegation and, where appropriate, engaged with the supplier to ensure compliance.

Revenue

In 2015–16, revenue from registration fees was \$2 349 140.

Communication

The GEMS Regulator assists responsible parties to comply with the GEMS Act. To achieve this, the GEMS Regulator:

- informs stakeholders about the E3 programme and the operation of the GEMS Act
- informs stakeholders about registration requirements under the GEMS Act, including through the energyrating.gov.au website
- responds to queries through emails to energyrating@industry.gov.au
- coordinates national marketing and communication projects to support new, and improve existing, energy efficiency programmes
- consults with industry and other interested parties on developing and implementing energy labelling and associated programmes
- monitors and reports on programme performance, achievements and enforcement.

Offshore Petroleum and Greenhouse Gas Storage Act

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

NOPTA was established on 1 January 2012 as part of the Australian Government's reform programme 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, collectively named the Joint Authority, in support of the regulation of Australia's offshore petroleum resources.

An independent statutory triennial ministerial review of NOPTA was completed on 30 June 2015. The review considered NOPTA's effectiveness in contributing to the efficiency of the decision-making by a Joint Authority for a state or the Northern Territory. The report was tabled in parliament on 16 September 2015 and found NOPTA to be effective. The government response to the review was tabled on 2 December 2015. The government examined each of the 12 recommendations and noted six, accepted five and agreed in principle with one.

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

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

In 2015–16, NOPTA:

- hosted International Upstream Forum 7 in Melbourne, which was attended by delegates representing 11 countries; the event was highly successful in forging strong links with overseas jurisdictions
- completed its annual stakeholder survey in May 2016, which indicated a very high level of satisfaction with NOPTA's staff, particularly their technical competence, approachability, responsiveness and professionalism
- completed a comprehensive review of its cost recovery arrangements in consultation with titleholders and stakeholders; the updated Cost Recovery Implementation Statement will come into force from 1 July 2016
- published its inaugural annual report of activities for 2014–15

- established the National Offshore Petroleum Data Integration Project with Geoscience Australia to replace state-based manual systems with a comprehensive digitised holding of offshore petroleum data
- increased geotechnical and reservoir engineering capacity and commenced audits of fields, including performance reviews and compliance monitoring
- continued to enhance its relationship with NOPSEMA to simplify and streamline processes for industry, including providing web-based services to NOPSEMA
- published the *Operating protocols for offshore petroleum Joint Authorities and supporting institutions* on the NOPTA website to enhance the level of transparency for industry and stakeholders in relation to application processing and decision-making time frames, and continued to publish monthly reports of performance statistics.

PART B: GEOSCIENCE AUSTRALIA



CHAPTER SEVEN

Geoscience Australia 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 2015-16.

To help build Australia's resource wealth, Geoscience Australia carried out targeted data acquisition and developed new information to highlight areas of enhanced mineral and energy potential. This included the release of a pre-competitive seismic reflection dataset of the northern Houtman Sub-basin, offshore Western Australia. This dataset supports a regional petroleum prospectivity assessment and future acreage releases, enabling industry to explore and invest in Australia with confidence. In October 2015, four permits, representing \$297 million in new investment, were granted in Commonwealth waters off Western Australia as part of the Offshore Petroleum Exploration Acreage Release programme.

To ensure community safety and to assist with preparedness for natural disasters, Geoscience Australia provided essential information to all levels of government, emergency managers and the community. It provided mapping services and support to Emergency Management Australia's Crisis Coordination Centre covering bushfire events in Western Australia, South Australia, on the Great Ocean Road in Victoria, and in world heritage areas in Tasmania. Enhancements to data and customised reporting capabilities implemented during the year were particularly useful for the Attorney-General's Department to support Australian Government responses to national disasters. Geoscience Australia issued a total of 269 earthquake alerts, 57 of which were alerted to the Joint Australian Tsunami Warning Centre as having the potential to generate tsunamis in the Australian region. Earthquake advice to the public was delivered through 300 credited media reports and Geoscience Australia's website.

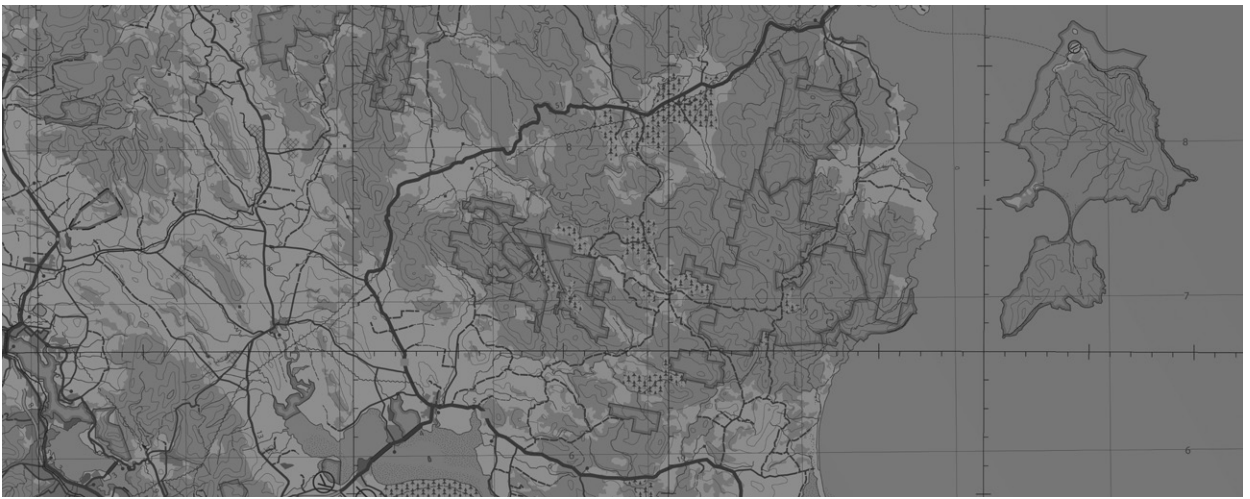
In securing Australia's water resources, Geoscience Australia continued to deliver components of the Australian Government's Bioregional Assessment Programme. This programme aims to better understand the potential impacts of coal mining and coal seam gas extraction on Australia's water resources. It provided expertise to bioregional assessments in New South Wales, Victoria and South Australia. This work supports responsible decision-making about groundwater and is fundamental to addressing the nation's critical water security challenges.

Contributing to the management of Australia's marine jurisdiction, Geoscience Australia released updated maritime boundaries data and continued work on determining the location of Australia's territorial sea baseline. It also released marine environmental data and interpretations for Casey Station (Antarctica), Darwin Harbour, and the North and Northwest Marine Regions. This will allow decision-makers to better understand these unique marine environments in high-use areas.

To advance the provision of fundamental geographic information, Geoscience Australia continued to lead the implementation of Australia's Foundation Spatial Data Framework on behalf of the Department of the Prime Minister and Cabinet and ANZLIC – the Spatial Information Council. This work will improve the coordination and use of geographic information. Efforts to develop the National Positioning Infrastructure will ensure that Australia will have access to improved, fit-for-purpose satellite positioning capabilities. In support of the search for missing flight MH370, it provided geospatial information and scientific advice to the Australian Transport and Safety Bureau for approximately 67 600 square kilometres of bathymetry survey data and 65 220 square kilometres of sonar data. These activities have significantly improved the use of fundamental geographic information by government, industry and the public to support planning, investment and emergency management.

In support of maintaining Australia's geoscience knowledge and capability, Geoscience Australia upgraded the Alice Springs observatory antenna in 2015–16. This upgrade enabled the Mission Operation Centre at NASA to use the antenna to send command and control signals to the US Landsat 8 satellite as well as receive spacecraft health and safety monitoring data from the satellite. The antenna continued to acquire data from the Landsat 7 and Landsat 8 satellites, which was made available through a high-performance data facility, the Australian Geoscience Data Cube. The facility was upgraded in 2015–16 to provide better data processing tools and to allow data input from multiple sources. As part of the National Offshore Petroleum Information Management System, Geoscience Australia developed an online data discovery and delivery system for Australian offshore petroleum wells and surveys. This was released to industry at the Australian Petroleum Production and Exploration Association Conference and Exhibition in June 2016.

Further details on Geoscience Australia's work and performance in 2015–16 are provided in the annual performance statements section in Chapter 9 of this report.



CHAPTER EIGHT

Geoscience Australia overview

Role and functions

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

Geoscience Australia applies science and technology to describe and understand the Earth for the benefit of Australia.

It also applies its diverse professional expertise, deep and trusted knowledge, national-scale Earth observation infrastructure and strong partnerships to the opportunities and challenges that face the nation.

Geoscience Australia contributes to six key strategic priority areas:

- building Australia's resource wealth
- ensuring Australia's community safety
- securing Australia's water resources
- managing Australia's marine jurisdictions
- providing fundamental geographic information
- maintaining geoscience knowledge and capability.

These six strategic priority areas form the foundation of the organisation's ongoing work programme.

Organisational structure

Figure 2 shows the organisational structure of Geoscience Australia. The department's organisational chart (Figure 1 in Chapter 2) shows how Geoscience Australia fits into the overall portfolio structure.

Figure 2: Geoscience Australia organisational structure, 30 June 2016

Chief Executive Officer Dr Chris Pigram					
Geoscience Australia Chief Scientist	Deputy Chief Executive Officer and Chief of Division	Chief of Division	Chief of Division	General Manager	Chief Information Officer
	Resources Division	Community Safety and Earth Monitoring Division	Environmental Geoscience Division	Corporate Services	ICT Innovation and Services
	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 Governance and Business Services People and Culture Products and Promotion	ICT Science First Programme Infrastructure Operations Scientific Computing and Systems Engineering Science Data Platforms and Strategy Service Delivery

Outcome and programme structure

Geoscience Australia has one outcome and one programme, as shown in Table 32.

Table 32: Geoscience Australia outcome and programme structure, 2015–16

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
Programme 1: Geoscientific and spatial information services

Programme 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 resilience to natural hazards and ensures sustainable Australian communities by managing precious water resources.



CHAPTER NINE

Geoscience Australia report on performance

Annual performance statements

Introductory statement

As the accountable authority of Geoscience Australia, I am pleased to present the annual performance statements of Geoscience Australia for 2015–16, as required under section 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In my opinion, these statements accurately reflect the performance of Geoscience Australia and comply with section 39(2) of the PGPA Act.

Dr Chris Pigram
14 September 2016

Purpose

Geoscience Australia is the geoscience adviser to the Australian Government on matters of national importance, and custodian of the geographical and geological data and knowledge of the nation.

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

Performance reporting structure

In this annual performance statement, Geoscience Australia reviews its performance based on the six key strategic priorities that deliver against the organisation's purpose:

- **building Australia's resource wealth**—maximise benefits from Australia's minerals and energy resources, now and into the future
- **ensuring Australia's community safety**—Australian communities are more resilient to natural hazards

- **securing Australia's water resources**—optimise and sustain the use of Australia's water resources
- **managing Australia's marine jurisdictions**—maximise benefits from the sustainable use of Australia's marine jurisdiction
- **providing fundamental geographic information**—understand the location and timing of processes, activities and changes across Australia to inform decision-making for both natural and built environments
- **maintaining geoscience knowledge and capability**—maintain an enduring and accessible knowledge base and capability to enable evidence-based policy and decision-making by government, industry and the community.

Performance measurement

Geoscience Australia uses a number of qualitative and quantitative measures to present a comprehensive view of performance. The performance report for each strategic priority area includes an assessment against the programme deliverables and key performance indicators set out in Geoscience Australia's 2015-16 Corporate Plan and 2015-16 Portfolio Budget Statements (PBS), as well as an analysis of performance evaluating overall achievement of, or progress towards, the purpose.

Entity-level performance

Performance criteria reviewing entity-level performance based on stakeholder satisfaction are provided in Table 33.

Table 33: Stakeholder satisfaction—key performance indicators

Performance criterion	Criterion source	2015-16 target	2015-16 result
Overall level of stakeholder satisfaction with Geoscience Australia	2015-16 PBS	80%	87% Geoscience Australia conducts a biennial stakeholder survey to measure the extent to which its products and services meet the needs of its stakeholders, and to identify organisational strengths and areas for improvement. The survey was last conducted in April 2015. Results of the survey showed that overall satisfaction with Geoscience Australia remains very high.
Stakeholder satisfaction with the quality of Geoscience Australia's products and services	2015-16 PBS	80%	89% Stakeholders reported that Geoscience Australia's products and services were accurate, reliable and of high quality.
Stakeholder satisfaction with the timeliness of Geoscience Australia in delivering its products and services	2015-16 PBS	80%	75% While stakeholders provided a favourable response, the result was slightly below the high rating for most other areas covered in the survey. The delivery of products and services is being reviewed to improve performance in this area.

Building Australia's resource wealth

Environment

Australia's mineral and energy resources are a major contributor to the nation's wealth, both economically and socially. Understanding the available resources is a prerequisite for formulating sound policies on resources and land access.

Australia has a significant advantage in the production of resource commodities over other nations. This advantage stems from the rich and diverse mineral and energy endowment, the high quality regional-scale geoscience information that lowers the risks of exploration, advanced exploration, mining and processing technologies, a skilled workforce, generally favourable physical environments, relatively stable economic conditions, enabling and robust legislative framework and low sovereign risk.

Objective

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

Role

To achieve this objective, Geoscience Australia's role is to attract exploration investment to Australia by building a prospectus of minerals and energy resource potential.

Performance criteria and results

Table 34: Building Australia's resource wealth—deliverables

Performance criterion	Criterion source	2015–16 result
Provision of information and advice to the Australian Government and other stakeholders on Australia's minerals and energy resources	2015–16 Corporate Plan 2015–16 PBS	Geoscience Australia responded to 178 requests from the Foreign Investment Review Board and nine requests from the Department of the Environment under the <i>Environment Protection and Biodiversity Conservation Act 1999</i> . Geoscience Australia also provided technical advice to the Department of Industry, Innovation and Science for the National Radioactive Waste Management Facility Project, including participating in community consultation meetings, and for the Offshore Petroleum Resource Management Review.
Provision of support to the Offshore Petroleum Acreage Release—gazetted areas	2015–16 Corporate Plan 2015–16 PBS	The 2016 Offshore Petroleum Exploration Acreage Release was delayed by the Minister for Resources, Energy and Northern Australia pending the outcome of the July 2016 federal election. In preparation for the release, Geoscience Australia finalised the geological components and populated the website with new documentation and information. In support of the geological information about the proposed release areas, Geoscience Australia presented a paper on the hydrocarbon prospectivity of the Browse Basin at the 2016 Australian Petroleum Production and Exploration Association Conference in June 2016. All data will be available through the National Offshore Petroleum Information Management System.

Performance criterion	Criterion source	2015–16 result
Release of pre-competitive offshore data on the Houtman Sub-basin	2015–16 Corporate Plan 2015–16 PBS	Geoscience Australia released a two-dimensional pre-competitive seismic reflection dataset in the northern Houtman Sub-basin (offshore Western Australia) in June 2016 at the 2016 Australian Petroleum Production and Exploration Association Conference. The dataset provides important information to support a petroleum prospectivity assessment of this region and will support future petroleum acreage releases.
Publish Australian Energy Resource Assessment	2015–16 Corporate Plan 2015–16 PBS	Geoscience Australia prepared a new website for the Australian Energy Resource Assessment with updates on oil, gas, coal, uranium and thorium resources. Delivery was postponed to 2016–17 due to the July 2016 federal election.
Publish a mineral explorer's guide for the Stavely Zone, western Victoria	2015–16 Corporate Plan 2015–16 PBS	At the request of the Victorian Government, Geoscience Australia postponed the release of the Stavely Zone explorer's guide to 2016–17 to align with the state's minerals acreage release timetable.
Publish final CO ₂ geological storage assessments for the National CO ₂ Infrastructure Plan	2015–16 Corporate Plan	Geoscience Australia published geological storage assessments for the offshore Browse Basin and Vlaming Sub-basin in Western Australia. A geological storage assessment was also published for the Darling Basin in New South Wales and a programme of well data acquisition continued in the Canning Basin Western Australia; both conducted in conjunction with the respective state governments.
Delivery of international promotional campaigns in collaboration with state and Northern Territory geological agencies in South East Asia and North America to attract investment for Australia's minerals and energy resources	2015–16 Corporate Plan	<p>Geoscience Australia undertook international minerals promotions events in China (China Mining, China–Australia Mineral Investment Seminar), Japan (Japan–Australia Mineral Investment Seminar), Korea (Korea–Australia Mineral Investment Seminar) and Canada (Prospectors and Developers Association of Canada Convention). These events were coordinated by Geoscience Australia on behalf of Australia Minerals.</p> <p>Geoscience Australia also undertook two international oil and gas related promotional activities. In September 2015, Australia Petroleum participated in the American Association of Petroleum Geologists International Conference and Exhibition in Melbourne. In February 2016, Australia Petroleum participated in the North America Petroleum Exhibition in Houston. Both exhibitions focused on promoting oil and gas investment opportunities in onshore and offshore areas of Australia, including the 2015 offshore petroleum acreage release areas. The latter also resulted in enhanced engagement and collaboration with the Australian American Chamber of Commerce.</p> <p>The 2016 Offshore Petroleum Exploration Acreage Release information dissemination tour to Asian capitals was postponed pending the formal release of the acreage after the July 2016 federal election.</p>

Performance criterion	Criterion source	2015–16 result
Release and delivery of onshore pre-competitive geophysical data	2015–16 Corporate Plan	<p>Geoscience Australia released five deep seismic reflection lines and associated gravity data for the Canning (WA), Eucla-Gawler (WA/SA), Darling (NSW), Boulia (Qld) and Gippsland (Vic) regions. Three magnetic and radiometric datasets were released for the Coompana (SA), Yalgoo (WA) and Delamere (NT) regions. The Coompana regional survey was the largest continuous survey collected in Australia to date. Four gravity datasets were released for the Gippsland (Vic), Yilgarn (WA), Wiso (NT) and Victoria Basin (NT) regions.</p> <p>Geoscience Australia also developed a web map services function to its deep seismic reflection archive, making this data more readily discoverable through the Australian Geoscience Information Network portal.</p>

Table 35: Building Australia's resource wealth—key performance indicators

Performance criterion	Criterion source	2015–16 target	2015–16 result
Stakeholder satisfaction with Geoscience Australia's acreage release products and services	2015–16 Corporate Plan 2015–16 PBS	80%	85% Geoscience Australia conducts a biennial stakeholder survey to measure the extent to which its products and services meet the needs of its stakeholders. The survey was last conducted in April 2015.
Geoscience Australia's data is used by companies that are successfully awarded offshore petroleum acreage release	2015–16 Corporate Plan 2015–16 PBS	80%	100% In October 2015 the Hon Josh Frydenberg, Minister for Resources, Energy and Northern Australia, announced that four offshore petroleum exploration permits, representing \$297 million in new investment, had been granted in Commonwealth waters off Western Australia as part of the second round of the 2014 Offshore Petroleum Exploration Acreage Release. Of the companies awarded the permits, all accessed Geoscience Australia's data.
Investment uptake by minerals exploration industry of tenement blocks released in 2015–16 by the Victorian Government in the greenfields Stavely Zone, western Victoria	2015–16 Corporate Plan	60%	0% Tenement blocks under the control of the State of Victoria were not made available. The expectation is that blocks will be released in 2016–17 following concerted marketing and promotion by the Victorian Government.

Performance criterion	Criterion source	2015–16 target	2015–16 result
Number of new investors attracted to minerals and energy exploration in Australia through domestic and international promotional events	2015–16 Corporate Plan	5	<p>Information not yet available.</p> <p>Promotion of Geoscience Australia's work at the American Association of Petroleum Geologists International Conference and Exhibition in Melbourne and the Australian Petroleum Production and Exploration Association Conference in Brisbane resulted in 10 industry stakeholder requests for data and reports for the onshore Cooper Basin (SA–Qld), four requests for seismic data and reports for the offshore Houtman Sub-basin and Browse Basin (WA), and one request for seismic data for the offshore Gippsland Basin (Vic.).</p> <p>Australia Minerals events in Japan and China attracted several potential new investors to Australia, with inquiries related to opportunities for sand mining in Western Australia from Japan, and Chinese investors seeking mine-ready iron-ore and manganese projects. Inquiries were received after these events, including follow-up inquiries from Chinese companies seeking to invest in lithium exploration projects.</p>
Number of requests for Geoscience Australia data received from new entrants to exploration in Australia	2015–16 Corporate Plan	10	<p>7</p> <p>Several requests from potential new entrants to Australia were received at each of the Australia Minerals promotional events. Interest in Geoscience Australia's pre-competitive data was strong. Requests for recently completed datasets and geoscientific modelling—as well as presentations and advice on where the next data will be acquired—were received from potential explorers during and after all events.</p> <p>Geoscience Australia data and reports were used in several applications for mineral exploration licences or increased exploration during 2015–16.</p>

Analysis of performance

During 2015–16, Geoscience Australia continued to deliver world-class pre-competitive data to industry to attract exploration investment to Australia. The organisation is well regarded for its data holdings, their quality and diversity, and their ease and cost of access. This is evidenced by the number of requests for data and associated products.

The negative state of the market in both minerals and energy has resulted in a dramatic reduction in exploration. The reduction has been most pronounced in the greenfields mineral provinces and frontier basins where Geoscience Australia mainly works. Geoscience Australia continued to promote exploration investment opportunities, commensurate with its work programme and collaborations with the state and Northern Territory governments, given the cyclical nature of the resources industry.

Based on written feedback and stakeholder survey results, Geoscience Australia is extremely well regarded across government at the Commonwealth, state and territory levels, as well as in industry.

Ensuring Australia's community safety

Environment

Natural hazards, particularly floods, cyclones, bushfires and earthquakes, have a significant impact on the economy, the environment and society. The direct costs of property and infrastructure damage and business losses are significant, as are the Australian Government's outlays in relief and recovery payments.

Australia's ability to effectively mitigate the impacts of natural hazards and disasters is contingent upon the availability of information on the incidence and impact of specific hazards and on early warning and advice.

Objective

Australian communities are more resilient to natural hazards.

Role

To achieve this objective, Geoscience Australia's role is to support Australia's capability to manage the impact of natural hazards.

Performance criteria and results

Table 36: Ensuring Australia's community safety—deliverables

Performance criterion	Criterion source	2015–16 result
Provision of information, advice, data and tools to the Australian Government to mitigate against and respond to natural hazards	2015–16 Corporate Plan 2015–16 PBS	Timely information and advice was provided to the Australian Government as requested. In September 2015, Geoscience Australia gave evidence to the South Australian Nuclear Fuel Cycle Royal Commission in public session. The evidence addressed Geoscience Australia's role in gathering and analysing seismic data, the understanding of Australia's seismicity, and strategies to mitigate the risk of damage from earthquakes. Geoscience Australia provided technical advice following the series of earthquakes that struck off the Queensland coast in August 2015, and on the levels of seismic activity that present risks to infrastructure and facilities.
Completion of the Australian Flood Risk Information Portal	2015–16 Corporate Plan 2015–16 PBS	The Australian Flood Risk Information Portal was completed, although flood studies are not yet available through the portal due to copyright and intellectual property issues. It is anticipated that these issues will be resolved in key states by December 2016, enabling flood studies to be accessible and available for re-use.

Performance criterion	Criterion source	2015–16 result
Provision of an earthquake alert and tsunami warning service	2015–16 Corporate Plan 2015–16 PBS	<p>A total of 269 rapid earthquake alerts, including 96 alerts of Australian earthquakes, were provided directly to 23 government, emergency sector and infrastructure management organisations. Of these, 57 were alerted to the Joint Australian Tsunami Warning Centre as having the potential to generate tsunami in the Australian region, 14 generated observable tsunami in the Pacific Ocean and two generated observable tsunami in the Indian Ocean.</p> <p>A total of 1279 earthquakes of regional significance were analysed and added to the national earthquake catalogue, including 487 Australian earthquakes. More than 6000 reports of earthquakes felt in Australia and requests for information were received from the public. Earthquake advice to the public was also provided via approximately 300 credited media reports and Geoscience Australia's website.</p>
Delivery of satellite derived bushfire hotspot information via the national bushfire monitoring system (Sentinel)	2015–16 Corporate Plan 2015–16 PBS	<p>The reliability of the Sentinel Hotspots system was improved during 2015–16 and the system was deployed at Geoscience Australia's backup data centre. Geoscience Australia was awarded a grant through the National Emergency Management Projects programme to implement a new data feed, from the Himawari-8 satellite, for the 2016–17 disaster season. Geoscience Australia is migrating the Sentinel application into a cloud based system to further increase availability and scalability for the 2016–17 disaster season.</p>
Release the 2015–16 edition of building exposure and agricultural exposure products from the National Exposure Information System	2015–16 Corporate Plan 2015–16 PBS	<p>The 2015–16 edition of exposure information products was delivered via downloadable datasets and web services released in February 2016. The new edition included updates to information describing the exposure of residential, commercial and industrial buildings and agricultural assets to hazards. Population densities were also included.</p> <p>Institutional and infrastructure datasets were also updated.</p>
Delivery of the final built environment exposure framework report to the Bushfire and Natural Hazards Cooperative Research Centre	2015–16 Corporate Plan 2015–16 PBS	<p>The completed framework report was delivered to the Bushfire and Natural Hazards Cooperative Research Centre in October 2015. The report seeks to address complex multi-user requirements through findings from literature reviews, stakeholder engagement workshops, and online surveys of existing information capabilities. Further stakeholder meetings are being conducted to assist in prioritising the implementation of the framework.</p>
Provide mapping services and support to the Australian Government's Crisis Coordination Centre	2015–16 Corporate Plan	<p>Geoscience Australia continued to provide mapping services and support to the Crisis Coordination Centre throughout the year. Significant support and advice was provided for:</p> <ul style="list-style-type: none"> • bushfires during December and January in south-west Western Australia, in South Australia, on the Great Ocean Road in Victoria, and in world heritage areas in Tasmania • the east coast low severe weather event in May and June • the Brussels train bombings in February. <p>Enhancements were implemented to improve the generation of customised exposure information on request, particularly for the Attorney-General's Department to support Australian Government responses to national disasters.</p>

Performance criterion	Criterion source	2015–16 result
Delivery of final reports for the Papua New Guinea Risk and Volcano Monitoring programmes	2015–16 Corporate Plan	The final report for the Papua New Guinea Volcano Monitoring programme was delivered to the Department of Foreign Affairs and Trade in December 2015. The Papua New Guinea Risk programme has been extended to August 2016.
Delivery of the Australia–Indonesia Facility for Disaster Reduction work programme	2015–16 Corporate Plan	The work programme was completed in 2015. A follow-up three-year science programme called DMInnovation commenced in 2015. DMInnovation is being implemented by Geoscience Australia and funded by the Department of Foreign Affairs and Trade.

Table 37: Ensuring Australia's community safety—key performance indicators

Performance criterion	Criterion source	2015–16 target	2015–16 result
Availability of national bushfire monitoring system, Sentinel, between October and March	2015–16 Corporate Plan 2015–16 PBS	90%	96% The Sentinel Hotspots met its target for the 2015–16 disaster season. The availability measure was broadened to include data loss in addition to system uptime, and with this more difficult metric availability of 96.3 per cent was achieved.
Respond to requests to activate the International Charter for Space and Major Disasters within 24 hours	2015–16 Corporate Plan 2015–16 PBS	90%	Not applicable The International Charter for Space and Major Disasters was not activated during 2015–16.
Number of flood study entries accessible to the public through the Australian Flood Risk Information Portal	2015–16 Corporate Plan 2015–16 PBS	1750	Nil The Australian Flood Risk Information Portal was completed, but flood studies are not yet available through the portal due to copyright and intellectual property issues.
Earthquake alerts and tsunami warnings issued within agreed timeframes	2015–16 Corporate Plan 2015–16 PBS	100%	100% During 2015–16, Geoscience Australia analysed and catalogued 1387 earthquakes from around the world. A total of 1279 earthquakes occurred in the Australian region and 487 occurred in Australia; 269 earthquakes were alerted to the Australian Government's Crisis Coordination Centre. The largest Australian earthquake during 2015–16 had a magnitude of 6.1 and occurred in the Petermann Ranges, Northern Territory, on 21 May 2016.

Performance criterion	Criterion source	2015–16 target	2015–16 result
Nuclear events detected within agreed timeframes	2015–16 Corporate Plan 2015–16 PBS	100%	100% During 2015–16, Geoscience Australia analysed continuous seismic data to identify clandestine nuclear weapon detonations. Geoscience Australia detected and provided the first notification of North Korea's fourth nuclear detonation, which occurred on 6 January 2016, to the Australian Safeguards and Non-proliferation Office and the Defence Intelligence Organisation.

Analysis of performance

During 2015–16, Geoscience Australia continued to develop the accuracy of publicly available exposure information and deliver essential hazard alert and information services.

Advances in data content and customised reports for the Attorney-General's Department, and more broadly for the emergency management sector, improved the delivery of exposure information. This supported natural hazard and vulnerability modelling for impact analysis. The publication of the built environment exposure framework under the Bushfire and Natural Hazards Cooperative Research Centre will provide a roadmap for continued development of Geoscience Australia's exposure information capability in 2016–17.

The four-year, \$12 million National Flood Risk Information Project finished on 30 June 2016. The objective of the project was to improve the quality, availability and accessibility of flood information across Australia through three core activities:

- Water Observations from Space—an analysis of Australia's archive of satellite imagery to derive water observations to inform our understanding of past flood events
- Australian Rainfall and Runoff Guidelines—a revision of the national guidelines for flood modelling to improve the quality and consistency of future flood studies
- Australian Flood Risk Information Portal—a central online location that provides access to an archive of Australian flood studies.

Geoscience Australia and the Attorney-General's Department are currently developing a strategy for addressing the copyright and intellectual property barriers to enable the flood studies to be freely available to the Australian community.

For the Department of Foreign Affairs and Trade, Geoscience Australia successfully completed the aid-funded Papua New Guinea Volcano Monitoring and Natural Hazard Risk programmes, and provided remote sensing and geospatial support. This enabled informed decisions to be made on the Australian Government's involvement and assistance to Papua New Guinea during the 2015 drought event.

Geoscience Australia commenced an upgrade of the national seismic hazard assessment. This work is a key input into the national building standards.

Securing Australia's water resources

Environment

Australia is the driest inhabited continent by land area, which makes the use and management of water a key challenge. There is, however, a sparse understanding of our water resources in much of the continent.

Groundwater and surface water systems are fundamentally linked and an adequate understanding of groundwater in particular is critical for optimised and holistic management of water resources. In many parts of Australia, groundwater underpins minerals and energy resource development, agriculture and regional communities, and the environment. Understanding groundwater systems and minimising the impacts of development on groundwater supply and quality are thus critical to Australia's ongoing water security and regional development.

Objective

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

Role

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

Performance criteria and results

Table 38: Securing Australia's water resources—deliverables

Performance criterion	Criterion source	2015–16 result
Provision of information and advice to the Australian Government and other stakeholders on groundwater resources, processes and impacts	2015–16 Corporate Plan 2015–16 PBS	Geoscience Australia delivered 32 advice products on impacts to groundwater from extractive industries; 22 related to coal and coal seam gas and 10 related to uranium exploration or mining activities.
Delivery of Geoscience Australia's components of the Australian Government's Bioregional Assessments Technical Programme	2015–16 Corporate Plan 2015–16 PBS	Geoscience Australia delivered six final products for the Lake Eyre Basin bioregion to the Department of the Environment (including reports, maps and datasets), comprising four products for the Cooper subregion and two products for the Galilee subregion. Ongoing work for the Galilee subregion resulted in a further five products (focused on model-data analysis) being delivered to the internal review stage, as well as two successful external stakeholder workshops being completed. Geoscience Australia also provided cross-cutting technical and scientific input in the disciplines of geology and hydrogeology for other bioregions, including the Namoi and Maranoa–Balonne–Condamine subregions of the Northern Inland Catchments bioregion.
Release the 2015–16 edition of the national surface water product to support water forecasting by the Bureau of Meteorology	2015–16 Corporate Plan 2015–16 PBS	Geoscience Australia provided updates for surface water and catchment boundaries in the western two-thirds of Australia to support the Bureau of Meteorology's water forecasting programmes.

Table 39: Securing Australia's water resources—key performance indicators

Performance criterion	Criterion source	2015–16 target	2015–16 result
Requests for groundwater resource management advice on <i>Environment Protection and Biodiversity Conservation Act 1999</i> —Water Trigger Amendment 2013 referrals and approval conditions responded to within agreed time frames	2015–16 Corporate Plan 2015–16 PBS	95%	100% Geoscience Australia delivered 22 advice products on impacts to groundwater in relation to referrals and approvals under the Water Trigger Amendment. All were delivered within agreed time frames.
Surface water foundation spatial datasets meet legal and policy needs of the <i>Water Act 2007</i> and the National Climate Change Adaptation Framework	2015–16 Corporate Plan 2015–16 PBS	100%	100% Geoscience Australia's surface water and elevation products were adopted by entities operating under the Water Act and the National Climate Change Adaptation Framework, in particular the Bureau of Meteorology for national water forecasting and the Murray–Darling Basin Authority for environmental flow modelling.

Analysis of performance

Geoscience Australia is recognised as a provider of science-based advice to government on potential impacts to groundwater from specific minerals and energy resource development activities, and custodian of national surface water and catchment datasets.

During 2015–16, Geoscience Australia delivered components of the Australian Government's Bioregional Assessment Programme for the Lake Eyre Basin bioregion and provided geoscience expertise to bioregional assessments in New South Wales, Victoria and South Australia, in partnership with the Department of the Environment, the Bureau of Meteorology, the Commonwealth Scientific and Industrial Research Organisation and state governments. The aim of the programme is to better understand the potential impacts of coal mining and coal seam gas extraction on Australia's water resources and water-dependent assets to support sustainable use of water in these regions. The Bioregional Assessment Programme will be completed in 2016–17.

Geoscience Australia also provided critical advice to government on groundwater resource prospectivity and key foundation location information used to underpin effective national water resource management by Australian Government entities.

Managing Australia's marine jurisdictions

Environment

Australia's marine jurisdiction is large, at 1.8 times the size of Australia's land mass and 4 per cent of the global ocean. With increasing global demand for energy, food and security, activity within the marine jurisdiction is becoming increasingly important to the Australian economy. Effective and efficient management of the marine jurisdiction relies on baseline mapping, definition of boundaries and characterisation of marine resources and assets, and the ability to measure change over time.

Objective

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

Role

To achieve this objective, Geoscience Australia's role is to contribute to the sustainable development of marine resources and conservation of key ecosystems.

Performance criteria and results

Table 40: Managing Australia's marine jurisdictions—deliverables

Performance criterion	Criterion source	2015–16 result
Provision of information and advice to the Australian Government and other stakeholders on marine environmental assets and Australia's Antarctic Territory	2015–16 Corporate Plan 2015–16 PBS	<p>Geoscience Australia provided expert technical advice and critical review to the Australian Antarctic Division on the marine geoscience capabilities and functional performance of the Australian Government's replacement icebreaker.</p> <p>Geoscience Australia also provided geoscience advice to the Australian Antarctic Division on a range of marine and terrestrial environmental themes, including:</p> <ul style="list-style-type: none"> • implementation of a marine seafloor mapping programme • Australia's case for a proposed system of Marine Protected Areas along the Australian Antarctic Territory coast • identification, protection and management of sites of special geoscientific significance • the potential impact of human activities on the fragile Antarctic landscape and options for mitigation.
Release the 2015–16 edition of Australia's maritime boundaries	2015–16 Corporate Plan 2015–16 PBS	<p>Geoscience Australia released its maritime boundaries data to the public, covered under:</p> <ul style="list-style-type: none"> • the <i>Seas and Submerged Lands Act 1973</i>, including territorial sea baselines, territorial seas, the contiguous zone, the exclusive economic zone and the extended continental shelf • the <i>Offshore Petroleum and Greenhouse Gas Storage Act 2006</i>, including petroleum exploration blocks and offshore areas • treaties between Australia and its neighbours: East Timor, France, Indonesia, New Zealand, Papua New Guinea and Solomon Islands. <p>Work continued on updating the location of Australia's territorial sea baseline, in collaboration with the land information agencies in each state and territory.</p>
Delivery of the Casey Station seabed bathymetry dataset and marine survey report on the Australian Antarctic Territory	2015–16 Corporate Plan 2015–16 PBS	<p>Geoscience Australia publicly released a high-resolution seabed bathymetry dataset of the Casey Station region and an accompanying marine survey report. The survey was a collaborative programme with the Australian Antarctic Division and the Royal Australian Navy. A new navigational chart of the Casey area, based on the survey, was published by the Australian Hydrographic Office (AUS 601).</p>

Performance criterion	Criterion source	2015–16 result
Delivery of research products describing marine biodiversity assets in key areas of the marine estate as part of the National Environmental Science Programme Marine Biodiversity Hub	2015–16 Corporate Plan	Geoscience Australia delivered digital datasets and derived products (maps and publications) to partners and stakeholders in the Marine Biodiversity Hub for priority areas in the Northwest Marine Region and broader Commonwealth Marine Area. Priority areas include Oceanic Shoals and Kimberley Commonwealth marine reserves for which high-resolution bathymetry datasets, geomorphology maps and seabed sample data are integrated into the online Northwest Atlas (www.northwestatlas.org). Geoscience Australia also collaborated with Marine Biodiversity Hub partners on a national map of reef habitats on the continental shelf and led the development of a national standard for defining and classifying reef geomorphology. Stakeholder workshops were held to ensure that these datasets and products are aligned to users' needs.
Provision of high-resolution seabed mapping datasets and post-survey report to the Australian Government and other stakeholders for the Darwin Harbour marine survey	2015–16 Corporate Plan	Geoscience Australia, the Australian Institute of Marine Science and the Northern Territory Government completed a seabed mapping and sampling survey of outer Darwin Harbour. The survey was conducted under the Northern Territory Government's marine habitat mapping programme (part of the INPEX Environmental Offsets Project). Data acquired in the survey included 720 square kilometres of multibeam sonar data, 105 underwater video transects and seabed sediment collected from 96 stations.

Table 41: Managing Australia's marine jurisdictions—key performance indicators

Performance criterion	Criterion source	2015–16 target	2015–16 result
Authoritative representations of Australia's maritime boundaries are accessible via the interactive mapping platform	2015–16 Corporate Plan 2015–16 PBS	90%	90% The data released by Geoscience Australia is available in the Australian Marine Spatial Information System theme of Geoscience Australia's Interactive Maps online mapping tool at www.ga.gov.au/interactive-maps/#/theme/amsis . The final remaining dataset for which Geoscience Australia is custodian, mineral blocks, will be made available in 2016–17. The approach and process used to generate Australia's maritime boundaries and treaties have been used by other Pacific island nations in the negotiation of their maritime boundaries under the United Nations Convention on the Law of the Sea. This work was led by Geoscience Australia in collaboration with the Department of Foreign Affairs and Trade, the Attorney-General's Department, the University of Sydney, the South Pacific Community and other national and international agencies.
Public availability of the Darwin Harbour bathymetry dataset and marine survey report via Geoscience Australia's website	2015–16 Corporate Plan	100%	100% The Darwin Harbour bathymetry dataset is available online at www.ga.gov.au/metadata-gateway/metadata/record/100093 . The Darwin Harbour marine survey report is available at dx.doi.org/10.11636/Record.2016.008 .
Public availability of the Casey Station bathymetry dataset and marine survey report via Geoscience Australia's website	2015–16 Corporate Plan	100%	100% The Casey Station bathymetry dataset and marine survey report were published in May 2016 and are available at www.ga.gov.au/metadata-gateway/metadata/record/83224 .

Analysis of performance

In 2015–16, updated maritime boundary and marine management data was released through the Australian Marine Spatial Information System. This is a web-based interactive mapping system that enhances government access to accurate and current information to directly support evidence-based decision-making.

During the year, marine environmental data and interpretations for Casey Station (Antarctica), Darwin Harbour and the North and Northwest Marine Regions were acquired and made available. This vastly increased the available baseline information and will inform decision-makers of these unique marine environments that are in high-use areas. The bathymetric data from Casey Station will also contribute to improved navigation in Antarctica once the information is integrated into new hydrographic charts.

Providing fundamental geographic information

Environment

Australia has a vast and rich landscape and geographic data provides the nation with a multifaceted view of Australia’s landscape through time.

Geoscience data and information is a significant national resource with enduring value for the Australian community. Understanding and analysing when and where things are happening is essential for government, industry and researchers to make decisions and improve national economic, environmental and social outcomes for the nation.

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’s role is to provide reliable national fundamental information about the geographies of the nation.

Performance criteria and results

Table 42: Providing fundamental geographic information—deliverables

Performance criterion	Criterion source	2015–16 result
Delivery of updated water observations providing a multi-temporal coverage of Australia from 1987 to 2015	2015–16 Corporate Plan 2015–16 PBS	<p>The Water Observations from Space product was updated with all available data from 1987 to January 2016 and delivered via newly developed, production-level web services hosted at the National Computational Infrastructure in February 2016.</p> <p>The online mapping system was transitioned to Interactive Maps, providing an interface consistent with other Geoscience Australia web mapping products. The system is now being updated for use in Australian Geoscience Data Cube version 2. The next release is expected once the underlying data has been updated to the version 2 standard in the first quarter of 2016–17.</p> <p>The Murray–Darling Basin Authority is using the product to determine the environmental flow volumes required to provide water to significant ecosystems.</p>

Performance criterion	Criterion source	2015–16 result
Population of National Map and interactive mapping platforms with updated digital topographic maps, base maps, and foundation spatial data products	2015–16 Corporate Plan 2015–16 PBS	<p>The Interactive Maps online mapping tool was launched in September 2015, showcasing Geoscience Australia's surface water, hazards, geology and geophysics, topography, Earth observation, maritime boundaries, and marine and coastal information. See www.ga.gov.au/interactive-maps/#/.</p> <p>Geoscience Australia oversaw the testing and implementation of 19 software updates to the NationalMap tool to improve functionality, content and user experience.</p> <p>Geoscience Australia led and supported collaborations to extend the application of the TerriaJS mapping platform used in NationalMap to assist in industry investment decisions for renewable energy (with the Australian Renewable Energy Agency and the Clean Energy Council) and in northern Australia (with Austrade).</p> <p>The national base map (released as colour and Greyscale maps) used in both Interactive Maps and NationalMap was improved by including information on Australia's external territories. Maps of the national digital elevation model, the revised national surface water data product, and northern Australia land tenure were also included. The reliability and performance of all base maps were improved as a result of server infrastructure upgrades.</p> <p>Caches of base maps were made available to other government entities to meet their specific needs.</p> <p>Geoscience Australia continued to lead the implementation of Australia's Foundation Spatial Data Framework on behalf of the Department of the Prime Minister and Cabinet and ANZLIC – the Spatial Information Council. Geoscience Australia led workshops with custodians of Australia's various foundation spatial datasets during 2015, which uncovered nearly 1000 individual datasets that contribute to the Foundation Spatial Data Framework. Geoscience Australia is now in the process of organising these datasets to make it easy for users to discover information that meets their needs.</p>
Release of the 2015–16 edition of Australia's national digital elevation model	2015–16 Corporate Plan 2015–16 PBS	<p>The suite of Australia's national digital elevation models now includes improved information covering populated coastal areas and riverine floodplains in the Murray–Darling Basin.</p> <p>All national digital elevation products are now available for direct download via Geoscience Australia's Elevation Information System at www.ga.gov.au/elvis. The new system has reduced staffing and infrastructure costs to around 20 per cent of previous expenditure, and has improved time to market from two days to five minutes. Since January 2016 the demand for these products has increased tenfold.</p>
Delivery of updated aeronautical navigation charts and vertical obstacles information to Airservices Australia	2015–16 Corporate Plan 2015–16 PBS	<p>All 15 visual navigation charts (for flight planning and operations when nearing controlled airspace or restricted areas), 22 visual terminal charts (for aeronautical operations in the vicinity of major aerodromes) and 21 world aeronautical charts (for pre-flight planning and pilotage) were delivered to Airservices Australia on time.</p> <p>Geoscience Australia made several improvements to the content of Airservices Australia's vertical obstacle database. Of the 36 796 vertical obstacles in the database, all 3000 vertical obstacles with a height above the landscape greater than 100 metres had their existence and position verified. A further 4700 vertical obstacles were updated and verified, and 487 new vertical obstacles were added.</p>

Performance criterion	Criterion source	2015–16 result
Development of a new national time-dependent coordinate reference frame	2015–16 Corporate Plan 2015–16 PBS	Significant progress was made towards the development of a time-dependent coordinate reference frame. A new national tectonic plate model was developed and tested. A continuously updating national geodetic adjustment was implemented at the National Computational Infrastructure that seamlessly integrates geodetic data from the Commonwealth and all states and territories. Algorithms for transforming legacy geospatial data to the new reference frame were defined.
Provision of ocean floor mapping, data and advice to the Australian Transport Safety Bureau to support the search for missing aeroplane MH370	2015–16 Corporate Plan	Geoscience Australia provided geospatial information skills and support, contract services support, processing, and scientific advice on approximately 67 600 square kilometres of bathymetry survey data and reviewed 65 220 square kilometres of sonar data from the underwater search for missing flight MH370 to the Australian Transport and Safety Bureau. In addition, Geoscience Australia archived all data acquired during sea floor surveying and the underwater search including multibeam shipboard bathymetry, towed and autonomous multibeam echo sounder data, and side scan and synthetic aperture side scan sonar data totalling 150 terabytes. Geoscience Australia also managed marine ecological analysis of recovered aircraft parts identified from missing flight MH370.

Table 43: Providing fundamental geographic information—key performance indicators

Performance criterion	Criterion source	2015–15 target	2015–16 result
Respond to requests for geospatial information to the Australian Government Crisis Coordination Centre within two hours between October and March	2015–16 Corporate Plan 2015–16 PBS	90%	100% Geoscience Australia responded to all requests within two hours for geospatial information and support to the Australian Government Crisis Coordination Centre. Geoscience Australia provided continuous on-site business hours support to the centre and after-hours phone support at all other times between October and March.
National elevation and vertical obstacle products comply with Civil Aviation Regulations	2015–16 Corporate Plan 2015–16 PBS	100%	100% Geoscience Australia's national elevation and vertical obstacle products complied with Civil Aviation Regulations.

Performance criterion	Criterion source	2015–15 target	2015–16 result
Foundation Spatial Data Framework products are accessible through National Map and interactive mapping platforms	2015–16 Corporate Plan 2015–16 PBS	60%	60% The foundation spatial data products registered in the Foundation Spatial Data Framework at www.anzlic.gov.au of which Geoscience Australia is the custodian are accessible from NationalMap and/or Interactive Maps. These include the 1" Digital Elevation Model, the 50 m Multibeam Dataset, Hydrological Obstacles, the Water Observations from Space, the National Gazetteer, National Topographic Data, Navigation Aids and Obstacles, Catchment Boundaries, Dynamic Land Cover, and Maritime Boundaries. Geoscience Australia data products are accessible at data.gov.au .

Analysis of performance

During 2015–16, Geoscience Australia contributed to the release of three major new information delivery systems; made improvements to the content and accuracy of elevation and bathymetry data; and provided critical mapping support for public safety.

The capabilities and services developed for the upgraded coordinate reference frame ensured that Australia's fundamental spatial data continued to be compatible with existing and emerging satellite positioning capabilities. Efforts to develop the National Positioning Infrastructure will contribute to ensuring that Australia will have access to satellite positioning capabilities found in other developed countries.

The release of an updated Water Observations from Space product directly supported the Murray–Darling Basin Authority to undertake its most comprehensive study to date of historical flood inundation in the Northern Basin. The high-resolution digital elevation models generated from the completion of the multi-year, multi-agency acquisition will provide essential tools for modelling the impact of planned environmental water flows on vegetation and agricultural areas in the Basin.

These activities have significantly improved the use of fundamental geographic information by government, industry and the public to support decision-making for planning, investment and emergency management. Building upon these efforts, Geoscience Australia will continue to lead the implementation of Australia's Foundation Spatial Data Framework to improve the coordination and use of geographic information nationally in 2016–17.

Maintaining geoscience knowledge and capability

Environment

Properly collected and archived data has an enduring value. It is essential this data is collected through appropriate means and is available in a format that is understandable and accessible.

This data is acquired from a range of platforms including satellites, observatories and laboratory instruments. Data from individual observatories or individual samples can be integrated to build models of our continent, Antarctica, island territories and surrounding oceans.

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's role is to ensure 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 44: Maintaining geoscience knowledge and capability—deliverables

Performance criterion	Criterion source	2015–16 result
Delivery of land surface observations from Landsat 7 and Landsat 8 satellites	2015–16 Corporate Plan 2015–16 PBS	Geoscience Australia continued to acquire Landsat 7 and Landsat 8 data, and processed the data to a level where it is ready for analysis by end users. The data is available through the Australian Geoscience Data Cube and via web services on the National Computational Infrastructure, usually within 10 days of acquisition by the satellites. Recent innovations resulted in improved quality and accuracy in the processing of the Landsat data. The entire archive is currently being updated to the new standards and will be available by the end of the first quarter of 2016–17.
Delivery of enhanced capability of the Australian Geoscience Data Cube to support additional streams of satellite data	2015–16 Corporate Plan 2015–16 PBS	<p>The Australian Geoscience Data Cube was upgraded to provide better tools for data access and processing, and allow for the ingestion of data from multiple sources, including MODIS and the Copernicus satellites.</p> <p>Ingestion of synthetic aperture radar data from the Sentinel-1 satellites was successfully demonstrated through a collaborative project with the UK Satellite Applications Catapult agency, resulting in the creation of a synthetic aperture radar cube in the United Kingdom to Australian Geoscience Data Cube specifications.</p> <p>Geoscience Australia also signed a comprehensive strategic partnership with the European Commission to promote exploitation of data from Europe's Sentinel satellites. The Sentinel satellites will provide comprehensive data about Australia and the surrounding region, and through this agreement Australia will have dedicated high-speed access to this crucial operational stream of data. Geoscience Australia is also working with the Commonwealth Scientific and Industrial Research Organisation and the governments of Queensland, New South Wales and Western Australia to establish a regional hub to distribute this data in the South-East Asian and South Pacific region.</p>

Performance criterion	Criterion source	2015–16 result
Upgrade of the Alice Springs observatory antenna	2015–16 Corporate Plan 2015–16 PBS	<p>Geoscience Australia upgraded the Alice Springs antenna to enhance its capability. The antenna was originally installed in 1979. The upgrade provides a fully redundant X-Band data acquisition system and S-Band telemetry tracking and control system for Landsat 7 and 8 missions. This has extended the economic life of the Alice Springs ground station through to the year 2035, and facilitated Geoscience Australia's membership in the Landsat Ground Network. Membership of the network strengthens Australia's relationship with the United States for Earth observation satellite programmes and provides a platform for Australia to participate in a global network that includes the United States and Germany.</p> <p>The successful delivery of this programme elevates the Alice Springs antenna to a Tier 1 ground station, fulfilling the Australian Government agenda as defined in the National Earth Observations from Space Infrastructure Plan.</p>
Delivery of the National Science Week and Earth Science Week programmes, to raise awareness of geoscience in the Australian community	2015–16 Corporate Plan 2015–16 PBS	<p>Geoscience Australia delivered a series of activities to promote National Science Week, including building tours, public talks and a career market day, and hosted a major public outreach event—Open Day—which attracted more than 5000 visitors. Earth Science Week was promoted with staff activities, an online quiz, and a photographic competition that attracted 317 entries from across Australia.</p>
Delivery of geoscience education services through Geoscience Australia's Education Centre and website	2015–16 Corporate Plan 2015–16 PBS	<p>Geoscience Australia continued to deliver a well-regarded education programme. In January 2016, Geoscience Australia welcomed the 100 000th visitor to the Geoscience Australia Education Centre. Satisfaction with the education programme continued to be very high. In 2015–16, the programme achieved a satisfaction level of 98 per cent from visiting teachers.</p> <p>During 2015–16, 9256 students visited the centre for educator-facilitated visits, 413 students attended under a newly introduced self-guided model and 169 students engaged with Geoscience Australia using videoconferencing sessions. More than 90 per cent of onsite visitors travelled from interstate and approximately 75 per cent of schools were return visitors.</p> <p>The programme also provided professional development to 187 teachers through onsite training in Earth science related topics. Geoscience Australia continued to expand its online resource offerings, adding new curriculum-aligned resources to its website.</p>
Full implementation of the National Offshore Petroleum Information Management System	2015–16 Corporate Plan 2015–16 PBS	<p>Geoscience Australia developed the National Offshore Petroleum Information Management System (NOPIMS) as an online data discovery and delivery system for Australian offshore petroleum wells and surveys. The fully implemented NOPIMS was released to industry at the Australian Petroleum Production and Exploration Association Conference and Exhibition in June 2016.</p> <p>The NOPIMS now contains 95 per cent of the petroleum wells and 85 per cent of the surveys of the total offshore petroleum collection. The current data holding on the NOPIMS is 34 terabytes. There are 513 registered NOPIMS users who have downloaded 4 terabytes of data since June 2015.</p>

Table 45: Maintaining geoscience knowledge and capability—key performance indicators

Performance criterion	Criterion source	2015–16 target	2015–16 result
Scheduled satellite passes acquired	2015–16 Corporate Plan 2015–16 PBS	98%	94% The scheduled upgrade of the Alice Springs primary antenna from January to May 2016 adversely affected the success rate of acquiring scheduled satellite passes, resulting in the failure to achieve the 98 per cent target. This was a known issue before the upgrade commenced, but the upgrade was necessary to support ongoing capability.
Data availability from geodetic observatory networks	2015–16 Corporate Plan 2015–16 PBS	95%	98% The Australian Regional Global Navigation Satellite System network achieved 97 per cent data availability. The Pacific Global Navigation Satellite System network achieved 98 per cent data availability. The number of satellite laser ranging passes for geodetic reference frame purposes and rankings in the global network of stations were world-class: <ul style="list-style-type: none"> • Yarragadee (WA)—24 008 passes (number 1 in the world) • Mt Stromlo (ACT)—11 057 passes (number 3 in the world).
Data availability from infrasound and hydro-acoustic networks	2015–16 Corporate Plan 2015–16 PBS	98%	88% During May and June 2016 a number of natural disasters negatively impacted the infrasound and hydro-acoustic network, disrupting data collection.
Data availability from the Australian Seismic Network	2015–16 Corporate Plan 2015–16 PBS	90%	91% The Australian Seismic Network provided continuous data in excess of the targeted rate. Data was also collected from temporary seismometers installed in locations of significant earthquake activity in the Petermann Ranges (NT) and Orange (NSW).
Geomagnetism data collected and added to archive	2015–16 Corporate Plan 2015–16 PBS	98%	98% Six of the seven observatories positioned around Australia collecting geomagnetism data performed well with minimal data interruptions. While the overall target of 98 per cent was met, data collection from one observatory was significantly disrupted due to technical issues as a result of a tunnel collapse.
Stakeholder satisfaction with the information available from Geoscience Australia's website	2015–16 Corporate Plan 2015–16 PBS	80%	81% This result indicates that the organisation's stakeholders are highly satisfied that the information on the website is relevant and useful.

Analysis of performance

The successful upgrade of the Alice Springs observatory antenna in 2015–16 facilitated Australia's membership of a global Earth observation network. This strengthened Geoscience Australia's relationship with the United States and Europe for Earth observation satellite programmes. The upgrade of the Magnetometer Calibration Facility was also completed during the year. The facility forms an essential service to calibrate magnetic instrumentation used not only by Geoscience Australia, but also by Australian Government departments, universities and industry organisations, especially the aeronautical industry.

Financial performance

Operating result

In 2015–16, Geoscience Australia had an operating deficit of \$14.2 million, before adjusting for unfunded depreciation of \$8.5 million.

Geoscience Australia's total income for the year was \$163.2 million, comprising \$121.3 million in appropriations from government and \$41.9 million from the sale of goods and services to related and external entities.

Geoscience Australia's expenses were \$177.4 million. The major expense categories were employee expenses of \$75.7 million, supplier expenses of \$93.0 million and depreciation of \$8.5 million.

The note on departmental budget variances in the financial statements compares the actual results to the original budget disclosed in the 2015–16 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 2016 was \$14.4 million. Total assets were \$124.2 million. Total liabilities were \$109.80 million. Geoscience Australia has sufficient financial assets to pay its suppliers and other payables as and when they fall due. Non-financial assets consist mainly of plant and equipment and property (land and buildings) owned by Geoscience Australia.

Administered items

Geoscience Australia administered one grant on behalf of government in 2015–16. 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 Programme.



CHAPTER TEN

Geoscience Australia management and accountability

Corporate governance

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

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

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

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

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

Fraud control

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

Significant issues reported to ministers

In 2015–16, Geoscience Australia breached section 21 of the *Public Governance, Performance and Accountability Act 2013* by not informing the Finance Minister of a proposed major commitment of relevant money exceeding \$5 million.

Geoscience Australia has revised its administrative processes to ensure that future breaches of this nature do not occur.

External scrutiny

In 2015–16, no judicial or administrative tribunal decisions were relevant to Geoscience Australia. No investigations into the organisation's operations were conducted by the Commonwealth Ombudsman or by any parliamentary committee.

Geoscience Australia appeared before the Senate Standing Committee on Economics for Senate estimates hearings once in 2015–16, on 22 October 2015. Geoscience Australia was not required by the Committee to attend the February 2016 additional estimates hearing and the re-scheduled budget estimates hearing on 6 May 2016.

Management of human resources

Key people management activities undertaken during 2015–16 included the negotiation and implementation of a new enterprise agreement, which commenced operation in April 2016. A new mentoring programme was introduced in February 2016 to assist employees with their personal and professional development. The Geoscience Australia Cultural Reference Group continued to drive the Inclusive Culture Programme to improve opportunities for employee diversity and inclusiveness. The Geoscience Australia Gender Strategy was implemented and an Indigenous Employment Strategy was launched to encourage increased opportunity for Aboriginal and Torres Strait Islander employees.

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 programmes. The Geoscience Australia graduate programme continued. Eight graduates successfully completed the 2015 programme and moved into employment positions in January 2016. Nine new graduates commenced the 2016 programme, six in science disciplines and three in ICT.

No performance payments were made by Geoscience Australia in 2015–16.

Geoscience Australia's workforce statistics tables are 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 through all levels of the organisation.

During 2015–16, a new wellbeing programme commenced, increasing Geoscience Australia's investment in employee health and wellness. Key initiatives undertaken included:

- restructuring the Work Health and Safety Committee to include a balanced representation of health and safety representatives and management
- establishing an operational health and safety representative committee

- offering influenza virus vaccinations to all employees, resulting in 43 per cent of employees being vaccinated
- promoting the Employee Assistance Programme, including specific onsite consultations during a significant change process.

During 2015–16, Geoscience Australia reported two notifiable incidents to Comcare, which required no further action, and received no Comcare statutory notices. Both notifications were for electrical-related incidents.

Disability reporting mechanisms

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 will track progress against each of the six outcome areas of the strategy and present a picture of how people with disability are faring. These reports are available on the Department of Social Services website (www.dss.gov.au).

Purchasing

During 2015–16, Geoscience Australia undertook its procurements in accordance with the Commonwealth Procurement Rules and the requirements of its Accountable Authority Instructions.

Consultants

During 2015–16, Geoscience Australia entered into five new consultancy contracts involving total actual expenditure of \$0.079 million (GST inclusive). No ongoing consultancy contracts were active during 2015–16.

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).

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

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

The Chief Executive Officer did not exempt any contract let during 2015–16 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 2015–16 allowed for the Auditor-General to have access to the contractor's premises.

Grant programmes

Information on grants awarded by Geoscience Australia during 2015–16 is available on the organisation's website (www.ga.gov.au/about/corporate-documents/grants-awarded).

Procurement initiatives to support small business

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/procurement/statistics-on-commonwealth-purchasing-contracts).

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

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).

Advertising and market research

During 2015–16, Geoscience Australia did not pay advertising agencies or marketing, polling or direct mail organisations above the reporting threshold of \$12 700 per payment (GST inclusive).

Ecologically sustainable development and environmental performance

In accordance with section 516A of the *Environment Protection and Biodiversity Conservation Act 1999*, a report on how Geoscience Australia's activities accord with and contribute to the principles of ecologically sustainable development is in Appendix B4.

Service charter

Geoscience Australia's service charter sets out standards of client service, client rights and responsibilities, and ways to obtain more information about the organisation's products and services. It contains specific metrics for the provision of products and services related to the website and library. The charter applies to all clients, including other government agencies, community organisations, industry bodies and members of the public.

The charter is available on the Geoscience Australia website (www.ga.gov.au/about/corporate-documents/service-charter).



CHAPTER ELEVEN

Geoscience Australia financial statements



INDEPENDENT AUDITOR'S REPORT

To the Minister for Resources and Northern Australia

I have audited the accompanying annual financial statements of Geoscience Australia for the year ended 30 June 2016, which comprise:

- Statement by the Accountable Authority and Chief Finance 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.

Opinion

In my opinion, the financial statements of Geoscience Australia:

- (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 Geoscience Australia as at 30 June 2016 and its financial performance and cash flows for the year then ended.

Accountable Authority's Responsibility for the Financial Statements

The Chief Executive Officer of Geoscience Australia is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act and 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

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

Independence

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

Australian National Audit Office



Peter Kerr
Executive Director
Delegate of the Auditor-General
Canberra
14 September 2016

STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCE OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2016 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 Chris Pigram
Chief Executive Officer

14 September 2016

Signed

Vanessa Graham
Chief Finance Officer

14 September 2016

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Statement of Comprehensive Income
for the period ended 30 June 2016

		2016	2015	2016 Original
	Notes	\$'000	\$'000	Budget
				\$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1A	75,719	78,480	75,318
Suppliers	1.1B	93,047	108,606	91,234
Depreciation and amortisation	3.2A	8,525	11,266	9,062
Finance costs - unwinding of discount	3.4A	17	23	50
Write-down and impairment of assets	1.1C	10	408	-
Foreign exchange losses		10	-	-
Losses from asset sales		114	15	-
Total expenses		177,442	198,798	175,664
Own-Source Income				
Own-source revenue				
Sale of goods and rendering of services	1.2A	41,236	59,106	39,900
Interest		9	-	-
Other revenue	1.2B	702	124	90
Total own-source revenue		41,947	59,230	39,990
Gains				
Foreign exchange gains		-	4	-
Reversal of write-downs and impairment		5	7	-
Other gains	1.2C	-	5,956	-
Total gains		5	5,967	-
Total own-source income		41,952	65,197	39,990
Net cost of services		(135,490)	(133,601)	(135,674)
Revenue from Government	1.2D	121,258	126,805	121,258
Deficit attributable to the Australian Government		(14,232)	(6,796)	(14,416)
OTHER COMPREHENSIVE INCOME				
Changes in asset revaluation surplus		(315)	(194)	-
Total comprehensive loss attributed to the Australian Government		(14,547)	(6,990)	(14,416)

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

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

Statement of Financial Position
as at 30 June 2016

		2016	2015	2016 Original
	Notes	\$'000	\$'000	Budget
				\$'000
ASSETS				
Financial assets				
Cash and cash equivalents		2,447	2,671	2,500
Trade and other receivables	3.1A	82,049	87,125	49,822
Accrued revenue		1,441	528	1,364
Total financial assets		85,937	90,324	53,686
Non-financial assets				
Land	3.2A	1,240	765	765
Buildings	3.2A	365	361	342
Leasehold improvements	3.2A	2,737	3,296	6,102
Heritage and cultural	3.2A	2,254	2,365	2,365
Plant and equipment	3.2A	26,323	28,525	23,520
Computer software	3.2A	1,306	3,244	3,109
Prepayments	3.2B	4,449	4,896	2,705
Total non-financial assets		38,674	43,452	38,908
Total assets		124,611	133,776	92,594
LIABILITIES				
Payables				
Suppliers	3.3A	23,613	20,747	25,482
Other payables	3.3B	57,882	61,759	36,484
Total payables		81,495	82,506	61,966
Provisions				
Employee provisions	5.1A	27,635	25,936	26,283
Other provisions	3.4A	728	600	652
Total provisions		28,363	26,536	26,935
Total liabilities		109,858	109,042	88,901
Net assets		14,753	24,734	3,693
EQUITY				
Contributed equity		37,492	32,926	37,492
Reserves		7,813	8,128	8,322
Retained surplus/(Accumulated deficit)		(30,552)	(16,320)	(42,121)
Total equity		14,753	24,734	3,693

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

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

Statement of Changes in Equity
for the period ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000	2016 Original Budget \$'000
CONTRIBUTED EQUITY				
Opening balance		32,926	28,314	32,926
Comprehensive income				
Other comprehensive income		-	-	-
Total comprehensive income		-	-	-
Transactions with owners				
Contributions by owners				
Equity injection - Appropriations		10	10	10
Departmental capital budget		4,556	4,602	4,556
Total transactions with owners		4,566	4,612	4,566
Closing balance as at 30 June		37,492	32,926	4,566
RETAINED EARNINGS				
Opening balance		(16,320)	(9,524)	(27,705)
Comprehensive income				
Surplus/(Deficit) for the period		(14,232)	(6,796)	(14,416)
Other comprehensive income		-	-	-
Total comprehensive income		(14,232)	(6,796)	(14,416)
Closing balance as at 30 June		(30,552)	(16,320)	(42,121)
ASSET REVALUATION RESERVE				
Opening balance		8,128	8,322	8,322
Comprehensive income				
Other comprehensive income				
Changed in make good provisions	3.4A	(111)	(26)	-
Revaluations and impairments	3.2A	(204)	(168)	-
Total comprehensive income		(315)	(194)	-
Closing balance as at 30 June		7,813	8,128	8,322
TOTAL EQUITY				
Opening balance		24,734	27,112	13,543
Comprehensive income				
Surplus/(Deficit) for the period		(14,232)	(6,796)	(14,416)
Other comprehensive income				
Changed in make good provisions		(111)	(26)	-
Revaluations and impairments		(204)	(168)	-
Total comprehensive income		(14,547)	(6,990)	(873)
Transactions with owners				
Contributions by owners				
Equity injection - Appropriations		10	10	10
Departmental capital budget		4,556	4,602	4,556
Total transactions with owners		4,566	4,612	4,566
Closing balance as at 30 June		14,753	24,734	17,236

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.

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

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

Cash Flow Statement
for the period ended 30 June 2016

		2016	2015	2016 Original
	Notes	\$'000	\$'000	Budget \$'000
OPERATING ACTIVITIES				
Cash received				
Appropriations		167,032	193,056	180,305
Sale of goods and rendering of services		39,974	42,135	39,900
Interest		9	-	-
Net GST received		7,281	9,345	-
Other		612	-	-
Total cash received		214,908	244,536	220,205
Cash used				
Employees		77,610	81,182	77,086
Suppliers		97,742	111,563	96,699
Section 74 receipts transferred to OPA		39,934	52,484	39,900
Total cash used		215,286	245,229	213,685
Net cash used by operating activities	4.2A	(378)	(693)	6,520
INVESTING ACTIVITIES				
Cash received				
Proceeds from sales of property, plant and equipment		1	-	-
Total cash received		1	-	-
Cash used				
Purchase of property, plant and equipment		4,146	5,394	11,086
Purchase of intangibles		267	1,066	-
Total cash used		4,413	6,460	11,086
Net cash used by investing activities		(4,412)	(6,460)	(11,086)
FINANCING ACTIVITIES				
Cash received				
Appropriations - Contributed equity		10	10	-
Appropriations - Departmental capital budget		4,556	4,602	4,566
Total cash received		4,566	4,612	4,566
Net cash from financing activities		4,566	4,612	4,566
Net increase/(decrease) in cash held		(224)	(2,541)	-
Cash and cash equivalents at the beginning of the reporting period		2,671	5,212	2,500
Cash and cash equivalents at the end of the reporting period	4.2A	2,447	2,671	2,500

The above statement should be read in conjunction with the accompanying note.
Variance commentary is consolidated in the Departmental Budget Variance Commentary note.

Administered Schedule of Comprehensive Income*for the period ended 30 June 2016*

		2016	2015	2016 Original
	Notes	\$'000	\$'000	Budget \$'000
NET COST OF SERVICES				
Expenses				
Grants	2.1A	20	20	20
Total expenses		20	20	20
Net cost of services		(20)	(20)	(20)
Total comprehensive loss		(20)	(20)	(20)

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

Administered Reconciliation Schedule				
	Notes	2016 \$'000	2015 \$'000	2016 Original Budget \$'000
Opening assets less liabilities as at 1 July		-	-	-
Net (cost of)/contribution by services				
Expenses				
Payments to entities other than corporate Commonwealth entities		20	20	20
Transfers (to)/from the Australian Government				
Appropriation transfers from Official Public Account				
Annual appropriations				
Payments to entities other than corporate Commonwealth entities		(20)	(20)	(20)
Closing assets less liabilities as at 30 June		-	-	-
Accounting Policy <u>Administered Cash Transfers to and from the Official Public Account</u> Revenue collected by GA for use by the Government rather than GA is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by GA 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 2016

		2016	2015	2016 Original
	Notes	\$'000	\$'000	Budget \$'000
OPERATING ACTIVITIES				
Cash used				
Grants		20	20	20
Total cash used		20	20	20
Net cash used by operating activities		(20)	(20)	(20)
Cash from Official Public Account				
Appropriations		20	20	20
Total cash from official public account		20	20	20
Cash and cash equivalents at the end of the reporting period		-	-	-

Overview

Objectives of Geoscience Australia

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

GA is structured to meet one 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 GA in its present form and with its present programmes is dependent on Government policy and on continuing funding by Parliament for GA's administration and programmes.

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

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

The Basis of Preparation

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

The financial statements have been prepared in accordance with:

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

The financial statements have been prepared on an accrual basis and 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 dollars unless otherwise specified.

Significant Accounting Judgements and Estimates

In the process of applying the accounting policies, GA has made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

Land and buildings

The fair value of land and buildings has been taken to be the market value of similar properties as determined by an independent valuer (Australian Valuation Solutions). It is estimated that the land will continue to be used for research activities and buildings held for specialised purposes.

Property, plant and equipment

The fair value of property, plant and equipment has been assessed by the independent valuer (Australian Valuation Solutions). In some cases, there is insufficient observable market evidence and non-market approaches are utilised.

Employee entitlements

In calculating the long service leave liability, GA used 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 3% salary growth rate and a 2% Government bond rate.

In calculating the non-current component of the recreation leave liability, GA has taken into account pay increases in the future two years, and calculated the net present value using the 2-year Government bond rate.

New Accounting Standards

Adoption of New Australian Accounting Standard Requirements

All new and amending standards or interpretations applicable to the current financial year did not have a material effect on GA's financial statements.

Future Australian Accounting Standard Requirements

The following new standards, revised standards, interpretations or amending standards were issued by the Australian Accounting Standards Board prior to the signing of the statement by GA's Chief Executive Officer and Chief Finance Officer, which are expected to have a material impact on GA's financial statements for the future reporting periods.

AASB 124 Related Party Disclosures (effective date 1 July 2016)

AASB 9 Financial Instruments (effective date 1 January 2018)

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

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

AASB 16 Leases (effective date 1 January 2019)

All other new standards, revised standards, interpretations or amending standards that were issued prior to the sign-off date and are applicable to future reporting periods are not expected to have a future material impact on GA's financial statements.

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 receivable 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.

Other Disclosures

A variation of the Symonston Canberra Office lease was signed on 3 June 2014 which provides for a lessor contribution of a maximum of \$3 million (GST exclusive) towards the installation of the Childcare Facility on the land. The variation also provides that, if for any reason, the lessor does not install a Childcare Facility on the land, the lessor will provide GA free rent to the value of \$3 million (GST exclusive). Construction of the new Childcare Facility officially commenced on 19 July 2016 and is expected to be completed by February 2017. Once the completed Childcare Facility is handed over to GA, the \$3 million receivable and lease incentive currently reported in GA's financial statements will be derecognised in the 2016/17 financial year.

Events After the Reporting Period

There were no events occurring after 30 June 2016 that would have material impact on both departmental and administered financial statements.

Departmental Budget Variances Commentary

The financial statements provide a comparison of the original budget as presented in the 2015-16 Portfolio Budget Statements (PBS) to the 2015-16 final outcome as presented in accordance with Australian Accounting Standards for Geoscience Australia. The Budget is not audited.

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

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

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

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

Statement of Comprehensive Income

Depreciation and amortisation expenses are lower than budget (6%) as a result of lower than anticipated capital expenditure on building refurbishment and a prior year payment for the L-3 Datron antenna upgrade.

Sale of goods and rendering of services income is recognised progressively in alignment with anticipated supplier expenses and is only marginally higher than budget.

Other revenue largely reflects salary sacrifice/contributions from employees which were not included in the budget.

Statement of Financial Position

Trade & Other Receivables reflect increases in unearned revenue of \$18 million from new Commonwealth and State & Territory income streams and increases in prepayments of \$1.7 million recognised in 2014-15 which were not anticipated in the 2015-16 budget. Similarly, an increase in the appropriation receivable of \$11.8 million in 2014-15 result was not anticipated in the 2015-16 budget.

Land at 30 June 2016 was revalued upwards (38%) due to the rezoning to community purpose. The revaluation was not anticipated in the budget.

Leasehold improvements are lower than budget (123%) due to significant delays with the planned refurbishment of the building (\$3.4 million), and the impairment of leasehold improvements due to parts of the building becoming vacant.

Plant and Equipment is higher than budget (11%) as a result of the purchase of the L-3 Datron antenna upgrade, which was funded internally in the prior year but not reflected in the budget.

Computer software is lower than budget (138%) predominately as a result of lower than anticipated capital expenditure in 2015-16.

Prepayments are higher than budget (39%) as a result of unanticipated payments made in advance in 2015-16.

Supplier's payables are lower than budget (8%) as a result of an unanticipated decrease in accrued expenses (\$2.3 million). The budget for accrued expenses is based on an average over the 3 prior years.

The 2015-16 budget for **other payables** did not reflect the \$3m lease incentive for the future Childcare Facility and the introduction of a significant number of new Commonwealth and State & Territory income streams (generating around \$18 million in unearned income).

Other provisions are higher than budget (10%) due to unanticipated bond and Building & Property Index rate changes for the Canberra, Alice Springs and Stromlo makegood.

Cash Flow Statement

Appropriation cash received is lower than budget as a result of unanticipated delays in capital purchases, such as the building refurbishment, and a prior year payment for the L-3 Datron antenna upgrade. The variance also reflects a change in cash received from appropriations in 2014-15 (\$5.6 million) which was not anticipated in the 2015-16 budget.

Net GST received was not separately reflected in the budget.

Purchase of Property, Plant and Equipment is lower than budget as a result of unanticipated delays the building refurbishment and a prior year payment for the L-3 Datron antenna upgrade.

Statement of Changes in Equity

The **Accumulated Deficit** is better than projected at budget largely as a result of the improvement in the net asset position. However, it also reflects a marginally higher loss (excluding depreciation and amortisation) than the \$5.4 million reported in the budget, predominantly as a result of increases in provisions compared to the budget.

The Asset Revaluation **Reserve** is lower than budget as a result the impairment of revaluated assets not being reflected in the budget as they were not foreseen.

Financial Performance

This section analyses the financial performance of Geoscience Australia for the year ended 2016.

1.1 Expenses

	2016 \$'000	2015 \$'000
1.1A: Employee benefits		
Wages and salaries	55,103	56,584
Superannuation:		
Defined contribution plans	4,497	4,241
Defined benefit plans	7,704	7,735
Leave and other entitlements	6,924	8,365
Separation and redundancies	1,491	1,555
Total employee benefits	75,719	78,480
1.1B: Suppliers		
Goods and services supplied or rendered		
Consultants	628	689
Contractors	22,927	28,575
Travel	3,846	4,092
IT services	16,962	14,740
Property operating	6,495	5,600
Office supplies	972	1,113
Direct operational costs	8,779	21,885
Other	5,979	4,462
Total goods and services supplied or rendered	66,588	81,156
Goods supplied	3,687	1,483
Services rendered	62,901	79,673
Total goods and services supplied or rendered	66,588	81,156
Other suppliers		
Operating lease rentals in connection with		
Minimum lease payments	26,124	27,014
Workers compensation expenses	335	436
Total other suppliers	26,459	27,450
Total suppliers	93,047	108,606

Leasing commitments

GA's lease payment commitments are primarily for accommodation for its operations. The major lease is the Symonston Office in Canberra with a lease expiry date on 31 May 2032.

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

Within 1 year	25,264	24,481
Between 1 to 5 years	106,777	103,952
More than 5 years	364,064	391,936
Total operating lease commitments	496,105	520,369

Accounting Policy

All leases in GA are operating leases, as the risks and benefits are substantially retained with the lessor. Operating lease payments are expensed on a straight line basis which is representative of the pattern of benefits derived from the leased assets. Lease incentives are recognised as other payables and amortised over the life of the lease on a straight line basis.

1.1C: Write-down and impairment of assets

Impairment on financial instruments	2	19
Impairment on intangible assets	8	389
Total write-down and impairment of assets	10	408

1.2 Own-Source Revenue and Gains

2016	2015
\$'000	\$'000

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

Sale of goods	492	956
Rendering of services	40,744	58,150
Total sale of goods and rendering of services	41,236	59,106

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 will 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 benefits 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 that costs incurred to date bear 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 impairment allowance account. Collectability of debts is reviewed at end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

1.2B: Other revenue

Resources received free of charge - audit fees	90	89
Employee Contributions - salary sacrifice arrangement	538	-
Other	74	35
Total other revenue	702	124

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.

Gains

	2016 \$'000	2015 \$'000
1.2C: Other gains		
Resources received free of charge - property, plant and equipment	-	5,956
Total other gains	-	5,956

Accounting PolicyResources Received Free of Charge

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

1.2D: Revenue from Government

Appropriations		
Departmental appropriations	121,258	126,805
Total revenue from Government	121,258	126,805

Accounting PolicyRevenue from Government

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

Income and Expenses Administered on Behalf of Government

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

2.1 Administered - Expenses

	2016 \$'000	2015 \$'000
2.1A: Grants		
Private sector		
Australian UNESCO Committee for the International Geological Correlation Programme	20	20
Total grants	20	20

Accounting Policy

GA administers one grant scheme on behalf of the Government which represents UN Grants-In-Aid to individuals.

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

	2016 \$'000	2015 \$'000
3.1A: Trade and other receivables		
Goods and services receivables		
Goods and services	9,403	6,202
Total goods and services receivables	9,403	6,202
Appropriations receivables		
Appropriation receivable - Departmental Operating	68,084	73,924
Total appropriations receivables	68,084	73,924
Other receivables		
Statutory receivables	1,295	1,048
Other	3,269	5,975
Total other receivables	4,564	7,023
Total trade and other receivables (gross)	82,051	87,149
Less impairment allowance		
Goods and service	(2)	(24)
Total trade and other receivables (net)	82,049	87,125
Trade and other receivables (net) expected to be		
No more than 12 months	82,049	87,094
More than 12 months	-	31
Total trade and other receivables (net)	82,049	87,125
Trade and other receivables (gross) aged as follows		
Not overdue	81,762	85,393
Overdue by		
0 to 30 days	214	1,643
31 to 60 days	34	23
61 to 90 days	4	5
More than 90 days	37	85
Total trade and other receivables (gross)	82,051	87,149
Impairment allowance aged as follows		
Overdue by		
61 to 90 days	-	(2)
More than 90 days	(2)	(22)
Total impairment allowance	(2)	(24)

Credit terms for goods and services were net 30 days (2015: 30 days).

Accounting Policy

Loans and Receivables

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

Reconciliation of the Impairment Allowance

Movements in relation to 2016

	Goods and services \$'000
As at 1 July 2015	(24)
Amounts written off	16
Amounts recovered and reversed	8
Increase/(Decrease) recognised in net cost of services	(2)
Total as at 30 June 2016	(2)

Movements in relation to 2015

	Goods and services \$'000
As at 1 July 2014	(12)
Amounts recovered and reversed	7
Increase/(Decrease) recognised in net cost of services	(19)
Total as at 30 June 2015	(24)

Accounting Policy

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

3.2 Non-Financial Assets**3.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles****Reconciliation of the opening and closing balances of property, plant and equipment and intangibles for 2016**

	Land \$'000	Buildings \$'000	Leasehold improvements \$'000	Heritage and cultural ¹ \$'000	Plant and equipment \$'000	Computer Software ² \$'000	Total \$'000
As at 1 July 2015							
Gross book value	765	379	3,894	2,365	36,357	8,902	52,662
Accumulated depreciation, amortisation and impairment	-	(18)	(598)	-	(7,832)	(5,658)	(14,106)
Total as at 1 July 2015	765	361	3,296	2,365	28,525	3,244	38,556
Additions:							
Purchase	-	-	534	-	3,786	201	4,521
Revaluations and impairments recognised in other comprehensive income	475	22	(481)	(111)	(109)	-	(204)
Impairments recognised in net cost of services	-	-	-	-	-	(8)	(8)
Depreciation and amortisation	-	(18)	(612)	-	(5,771)	(2,124)	(8,525)
Disposals - Other	-	-	-	-	(108)	(7)	(115)
Total as at 30 June 2016	1,240	365	2,737	2,254	26,323	1,306	34,225
Total as at 30 June 2016 represented by							
Gross book value	1,240	365	4,428	2,254	39,601	9,059	56,947
Accumulated depreciation, amortisation and impairment	-	-	(1,691)	-	(13,278)	(7,753)	(22,722)
Total as at 30 June 2016	1,240	365	2,737	2,254	26,323	1,306	34,225

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.

2. The carrying amount of computer software are all purchased software.

Indications of impairments have been reflected in the above balance for intangibles.

No property, plant and equipment and 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 at Note 6.3. Geoscience Australia engaged Australian Valuation Solutions (AVS) to conduct desktop revaluation of all non-financial assets at 30 June 2016. Land, Buildings and Heritage assets have been re-valued due to material differences from the fair value.

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

There were no contractual commitments for the acquisition of property, plant and equipment and intangible assets.

Reconciliation of the opening and closing balances of property, plant and equipment and intangibles for 2015

	Land \$'000	Buildings \$'000	Leasehold improvements \$'000	Heritage and cultural ¹ \$'000	Plant and equipment \$'000	Computer Software \$'000	Total \$'000
As at 1 July 2014							
Gross book value	765	379	3,888	2,365	25,361	8,560	41,318
Accumulated depreciation, amortisation and impairment	-	-	-	-	(282)	(3,057)	(3,339)
Total as at 1 July 2014	765	379	3,888	2,365	25,079	5,503	37,979
Additions							
Purchase	-	-	6	-	5,388	1,066	6,460
Donation/Gift	-	-	-	-	5,956	-	5,956
Revaluations and impairments recognised in other comprehensive income	-	-	-	-	(169)	-	(169)
Impairments recognised in net cost of services	-	-	-	-	-	(389)	(389)
Depreciation and amortisation	-	(18)	(598)	-	(7,714)	(2,936)	(11,266)
Disposals - Other	-	-	-	-	(15)	-	(15)
Total as at 30 June 2015	765	361	3,296	2,365	28,525	3,244	38,556
Total as at 30 June 2015 represented by							
Gross book value	765	379	3,894	2,365	36,357	8,902	52,662
Accumulated depreciation, amortisation and impairment	-	(18)	(598)	-	(7,832)	(5,658)	(14,106)
Total as at 30 June 2015	765	361	3,296	2,365	28,525	3,244	38,556

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.

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. 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 property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$2,500, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

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

Revaluations

Following initial recognition at cost, property, plant and equipment are carried at fair value. Valuations are 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 depended upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it 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 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 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:

	2016	2015
Buildings on freehold land	40 years	40 years
Leasehold improvements	7 years or lease term	7 years or lease term
Plant and equipment	4 to 25 years	4 to 25 years
Heritage and Cultural	Indefinite	Indefinite

Impairment

All assets were assessed for impairment at 30 June 2016. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs 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.

Heritage and Cultural Assets

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.

Intangibles

GA's intangibles comprise purchased software. These assets, except for purchases costing less than \$2,500 which are expensed in the year of acquisition, are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of GA's software are 2 to 6 years (2015: 2 to 6 years).

All software assets were assessed for indications of impairment as at 30 June 2016.

	2016	2015
	\$'000	\$'000
<u>3.2B: Prepayments</u>		
Prepayments expected to be recovered		
No more than 12 months	4,310	4,760
More than 12 months	139	136
Total prepayments	4,449	4,896

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

3.3 Payables

	2016	2015
	\$'000	\$'000

3.3A: Suppliers

Trade creditors	75	151
Accruals - suppliers	6,115	8,536
Operating lease rentals - straight lining	17,423	12,060
Total suppliers	23,613	20,747

Suppliers expected to be settled

No more than 12 months	6,190	8,687
More than 12 months	17,423	12,060
Total suppliers	23,613	20,747

Supplier payables are settled within 30 days.

3.3B: Other payables

Salaries and wages	397	2,583
Superannuation	44	409
Separations and redundancies	78	1,108
Lease incentive	19,556	20,784
Unearned revenue	37,704	36,796
Other	103	79
Total other payables	57,882	61,759

Other payables to be settled

No more than 12 months	25,647	29,945
More than 12 months	32,235	31,814
Total other payables	57,882	61,759

3.4 Other Provisions**3.4A: Other provisions**

	Provision for restoration
	\$'000
As at 1 July 2015	600
Change in discount rate	111
Unwinding of discount	17
Total as at 30 June 2016	728
 Other provisions expected to be settled	
More than 12 months	728
Total other provisions	728

GA currently has three (2015: 3) agreements for the leasing of premises which have provisions requiring GA to restore the premises to their original condition at the conclusion of the lease. GA has made a provision to reflect the present value of this obligation.

4.1 Appropriations**4.1A: Annual appropriations ('Recoverable GST exclusive')****Annual Appropriations for 2016**

	<i>Appropriation</i> Annual Appropriation \$'000	<i>PGPA Act</i> Section 74 Receipts \$'000	Total appropriation \$'000	Appropriation applied in 2016 (current and prior years) \$'000	Variance ¹ \$'000
Departmental					
Ordinary annual services	121,258	39,934	161,192	167,009	(5,817)
Capital Budget ²	4,556	-	4,556	4,556	-
Other services					
Equity Injections	10	-	10	10	-
Total departmental	125,824	39,934	165,758	171,575	(5,817)
Administered					
Ordinary annual services					
Administered items	20	-	20	20	-
Total administered	20	-	20	20	-

1. In 2015-16, the departmental variance was predominantly driven by Section 74 program spending for which receipts were received in previous years.

2. 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.

Annual Appropriations for 2015

	<i>Appropriation Act</i> Annual Appropriation ¹ \$'000	<i>PGPA Act</i> Section 74 Receipts \$'000	Total appropriation \$'000	Appropriation applied in 2015 (current and prior years) \$'000	Variance ² \$'000
Departmental					
Ordinary annual services	126,805	42,818	169,623	184,104	(14,481)
Capital Budget ³	4,602	-	4,602	6,629	(2,027)
Other services					
Equity Injections	10	-	10	10	-
Total departmental	131,417	42,818	174,235	190,743	(16,508)
Administered					
Ordinary annual services					
Administered items	20	-	20	20	-
Total administered	20	-	20	20	-

1. GA received \$1.829m in supplementation for the 2014-15 financial year through Appropriation Act No. 5.

2. In 2014-15, 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')

	2016 \$'000	2015 \$'000
Departmental		
Appropriation Act (No. 1) 2014-15	-	72,856
Appropriation Act (No. 5) 2014-15	-	1,068
Appropriation Act (No. 1) 2014-15 - Cash	-	2,671
Appropriation Act (No. 1) 2015-16	68,084	-
Appropriation Act (No. 1) 2015-16 - Cash	2,447	-
Total departmental	70,531	76,595

4.2 Cash Flow Reconciliation**4.2A: Cash flow reconciliation**

	2016 \$'000	2015 \$'000
Reconciliation of cash and cash equivalents as per statement of financial position and cash flow statement		
Cash and cash equivalents as per		
Cash flow statement	2,447	2,671
Statement of financial position	2,447	2,671
Discrepancy	-	-
Reconciliation of net cost of services to net cash from/(used by) operating activities		
Net(cost of)/contribution by services	(135,490)	(133,601)
Revenue from Government	121,258	126,805
Adjustments for non-cash items		
Depreciation/amortisation	8,525	11,266
Net write down of non-financial assets	8	389
Loss on disposal of assets	114	15
Unwinding of discount	17	23
Resources received free of charge (net)	-	(5,956)
Movement in assets and liabilities		
Assets		
(Increase)/Decrease in net receivables	5,076	7,442
(Increase)/Decrease in other financial assets	(913)	1,708
(Increase)/Decrease in prepayments	447	309
Liabilities		
Increase/(Decrease) in employee provisions	1,699	1,481
Increase/(Decrease) in suppliers payables	2,866	7,389
Increase/(Decrease) in other payables	(3,985)	(17,963)
Net cash from/(used by) operating activities	(378)	(693)

4.2B: Administered - cash flow reconciliation

	2016 \$'000	2015 \$'000
Reconciliation of cash and cash equivalents as per statement of financial position and cash flow statement		
Cash and cash equivalents as per		
Administered cash flow statement	-	-
Administered schedule of assets and liabilities	-	-
Discrepancy	-	-
Reconciliation of net cost of services to net cash from/(used by) operating activities		
Net(cost of)/contribution by services	(20)	(20)
Movement in assets and liabilities		
Assets		
(Increase)/Decrease in net receivables	-	-
Liabilities		
Increase/(Decrease) in other payables	-	-
Net cash from/(used by) operating activities	(20)	(20)

People and relationships

This section describes a range of employment and post employment benefits provided to Geoscience Australia's employees and their relationships with other key people.

5.1 Employee Provisions

	2016 \$'000	2015 \$'000
5.1A: Employee provisions		
Leave	26,026	25,936
Separations and redundancies	805	-
Superannuation	804	-
Total employee provisions	27,635	25,936
Employee provisions expected to be settled		
No more than 12 months	8,093	7,808
More than 12 months	19,542	18,128
Total employee provisions	27,635	25,936

Accounting policy

Liabilities for 'short-term employee benefits and termination benefits expected within twelve months of the end of reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

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

Leave

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

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

The liability for long service leave has been determined by the short-hand method prescribed by *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* and management assessments relating to salary growth rates. The liabilities for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 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

Provision is made for separation and redundancy benefit payments. GA 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

GA's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), or the PSS accumulation plan (PSSap), or other superannuation funds held outside the Australian Government.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

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

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

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

5.2 Senior Management Personnel Remuneration

	2016	2015
	\$'000	\$'000
Short-term employee benefits		
Salary	1,900	1,858
Motor vehicle and other allowances	5	11
Total short-term employee benefits	1,905	1,869
Post-employment benefits		
Superannuation	390	407
Total post-employment benefits	390	407
Other long-term employee benefits		
Annual leave	204	183
Long-service leave	68	59
Total other long-term employee benefits	272	242
Termination benefits		
Early termination benefit	-	93
Total termination benefits	-	93
Total senior executive remuneration expenses	2,567	2,611

Nine senior management personnel are included in the above table for 7 substantive positions (2015:13 personnel, 7 substantive positions).

Managing uncertainties

This section analyses how Geoscience Australia manages financial risks within its operating environment.

6.1 Contingent Assets and Liabilities

There are no contingent assets and liabilities in either current or previous year.

6.2 Financial Instruments

	2016 \$'000	2015 \$'000
6.2A: Categories of Financial Instruments		
Loans and receivables		
Cash and cash equivalents	2,447	2,671
Goods and services receivables (net)	9,401	6,178
Total loans and receivables	11,848	8,849
Total financial assets	11,848	8,849
Financial Liabilities		
Financial liabilities measured at amortised cost		
Trade creditors	75	151
Unearned revenue	37,704	36,796
Total financial liabilities measured at amortised cost	37,779	36,947
Total financial liabilities	37,779	36,947

Accounting Policy**Financial assets**

GA classifies its financial assets as 'loans and receivables'.

The classification depends 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. Assets held in this category are classified as current assets.

Effective Interest Method

Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit or loss.

Impairment of Financial Assets

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

Financial assets held at amortised cost - if there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the

present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

Financial assets held at cost - if there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

Financial liabilities

GA classifies its financial liabilities as 'other financial liabilities'. Financial liabilities are recognised and derecognised upon 'trade date'.

Other Financial Liabilities

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).

6.2B: 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 its late BAS refund. The amounts are immaterial.

6.2C: Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The maximum credit risk on financial assets of which GA is exposed is the carrying amount net of any impairment loss as indicated in the balance sheet. Due to the majority of GA's receivables being from Government entities such risk is considered to be low. GA held no collateral to mitigate against credit risk. The maximum exposure to credit risk is equal to the total amount of trade receivables and other receivables \$12,672,000 (2015: \$12,173,000). GA has assessed the risk of the default on payment and had allocated \$2,000 in 2015-16 (2014-15: 24,000) towards an allowance for the impairment of receivables.

6.2 Financial Instruments**6.2D: Liquidity Risk**

GA is appropriated funded from the Australian Government and has policies in place to ensure adequate funds are available to meet payments as they fall due, it is highly unlikely that GA will encounter difficulty in meeting its obligations associated with financial liabilities. GA has sufficient assets to meet its financial liabilities at 30 June 2016.

6.2E: Market Risk**Currency risk**

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. GA was exposed to \$10,000 foreign exchange currency losses in 2016 (2015: \$4,000 gain) primarily through undertaking certain transactions denominated in foreign currency. The currency risk to GA is minimal.

6.3 Fair Value Measurement

The following tables provide an analysis of assets and liabilities that are measured at fair value. The remaining assets and liabilities disclosed 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: Unobservable inputs for the asset or liability.

Accounting Policy

Geoscience Australia engaged the service of the Australian Valuation Solutions (AVS) to conduct desktop revaluation of all non-financial assets at 30 June 2016 and has relied upon those outcomes to establish carrying amounts. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. Comprehensive valuations are carried out at least once every three years. AVS has provided written assurance to Geoscience Australia 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 the Depreciated Replacement Cost approach the estimated cost to replace the asset is calculated and then adjusted to take into 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		
	2016 \$'000	2015 \$'000	Category (Level 1, 2 or 3) Valuation Technique(s) and Inputs Used
Non-financial assets			
Land	1,240	765	Level 3 Market Approach: This approach seeks to estimate the fair value of an asset with reference to recent market transactions involving identical or comparable assets. Inputs: Prices and other relevant information generated by market transactions involving plant and equipment assets were considered.
Building	365	361	Level 3 Depreciated Replacement Cost: The amount a market participant would be prepared to pay to acquire or construct a substitute asset of comparable utility, adjusted for physical depreciation and obsolescence. Inputs: Price per square metre of floor area relevant to the location of the asset.

Fair value measurements at the end of the reporting period			
	2016 \$'000	2015 \$'000	Category (Level 1, 2 or 3) Valuation Technique(s) and Inputs Used
Leasehold Improvements	2,618	3,296	Level 3 Depreciated Replacement Cost: The amount a market participant would be prepared to pay to acquire or construct a substitute asset of comparable utility, adjusted for physical depreciation and obsolescence. Inputs: Current costs per square metre of floor area relevant to the location of the asset. Physical depreciation and obsolescence has been determined based on the term of the associated lease.
Infrastructure, Plant and Equipment (1)	1,899	2,129	Level 2 Market Approach: This approach seeks to estimate the fair value of an asset with reference to recent market transactions involving identical or comparable assets. Inputs: Prices and other relevant information generated by market transactions involving plant and equipment assets were considered.
Infrastructure, Plant and Equipment (2)	23,763	26,395	Level 3 Depreciated Replacement Cost: The amount a market participant would be prepared to pay to acquire or construct a substitute asset of comparable utility, adjusted for physical depreciation and obsolescence. Inputs: Current costs per square metre of floor area relevant to the location of the asset. Physical depreciation and obsolescence has been determined based on the term of the associated lease.
Heritage and Culture Collection	2,054	2,165	Level 2 Market Approach: This approach seeks to estimate the fair value of an asset with reference to recent market transactions involving identical or comparable assets. Inputs: Prices and other relevant information generated by market transactions involving plant and equipment assets were considered.
Heritage and Culture Collection (CPC Collection)	200	200	Level 2 Market Approach: This approach seeks to estimate the fair value of an asset with reference to recent market transactions involving identical or comparable assets. Inputs: Prices and other relevant information generated by market transactions involving plant and equipment assets were considered.
Work in Progress - Leasehold Improvements	119	-	Level 2 Replacement Cost: The amount a market participant would be prepared to pay to acquire or construct a substitute asset of comparable utility without adjustment Inputs: Current prices for substitute assets.
Work in Progress - Infrastructure, Plant & Equipment	661	-	Level 2 Replacement Cost: The amount a market participant would be prepared to pay to acquire or construct a substitute asset of comparable utility without adjustment Inputs: Current prices for substitute assets.
Total fair value measurements of assets in the statement of financial position	32,919	35,311	

6.3 Fair Value Measurement

6.3B: Reconciliation for Recurring Level 3 Fair Value Measurements

	Non-financial assets							
	Land & Buildings		Leasehold improvements		Other property, plant & equipment		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
As at 1 July	1,126	1,144	3,296	3,888	26,395	22,578	30,817	27,610
Total gains/(losses) recognised in net cost of services ¹	(18)	(18)	(612)	(598)	(5,054)	(6,577)	(5,684)	(7,193)
Total gains/(losses) recognised in other comprehensive income ²	497	-	(481)	-	-	(59)	16	(59)
Purchases	-	-	415	6	2,478	10,933	2,893	10,939
Settlements	-	-	-	-	(315)	-	(315)	-
Other movements	-	-	-	-	-	(480)	-	(480)
Transfers into Level 3 ³	-	-	-	-	538	-	538	-
Transfers out of Level 3 ⁴	-	-	-	-	(279)	-	(279)	-
Total as at 30 June	1,605	1,126	2,618	3,296	23,763	26,395	27,987	30,817
Changes in unrealised gains/(losses) recognised in net cost of services for assets held at the end of the reporting period	-	-	-	-	-	-	-	-

1. These gains/ (losses) are presented in the Statement of Comprehensive Income under Depreciation and amortisation and Write Down and impairment of assets.

2. These gains/ (losses) are presented in the Statement of Comprehensive Income under Other Changes in Asset Revaluation Reserves.

3. For the period ending 30 June 2016, AVS identified 82 assets in Observatories and Antennas and Plant and Equipment without market evidence. Fair value measurements for these assets are to be moved from Level 2 into Level 3.

4. For the period ending 30 June 2016, market evidence were identified for 16 assets within the Computer Equipment and Plant and Equipment asset classes, leading to a move of fair value measurements from Level 3 into Level 2. These assets had previously been valued on the basis of no available market evidence and considered level 3 measurements.

Other information

7.1 Cooperative Research Centres (CRCs)

7.1A: Cooperative Research Centres (CRCs)

All CRCs 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 CRCs.

GA's total cash and in-kind contribution (e.g. staff and use of assets) to CRCs from its own resources was \$4.077 million for the year (2015: \$2.481 million). Contributions made by GA are expensed as incurred and these are included in the Statement of Comprehensive Income.

No contingent liabilities were reported by the CRC's in which GA is a participant.

GA is a participant in the following CRCs as at 30 June 2016:

Name of the CRC	Expected Termination Date¹
CRC Spatial Information	30/06/2018
Bushfire and Natural Hazards CRC	30/06/2017
CO2CRC	30/06/2017
National Environment Research Program	30/06/2021

¹ Expected termination date for GA participation.



CHAPTER TWELVE

Geoscience Australia appendices

Appendix B1: Entity resource statement

Table 46 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 2015–16.

Table 46: Entity resource statement, 2015–16

	Actual available appropriation for 2015–16 \$'000 (a)	Payments made 2015–16 \$'000 (b)	Balance remaining 2015–16 \$'000 (a) – (b)
Ordinary annual services¹			
Departmental appropriation ²	242 343	171 812	70 531
Total	242 343	171 812	70 531
Administered expenses			
UN grants-in-aid	20	20	–
Total	20	20	–
Total ordinary annual services	242 363	171 832	70 531
Departmental non-operating			
Equity injections ³	10	10	–
Total	10	10	–
Total available annual appropriations and payments	242 373	171 842	70 531
Total resourcing and payments for Geoscience Australia	242 373	171 842	70 531

1 Includes Appropriation Act (No. 1) 2015–16, section 74 retained revenue receipts of \$40m and \$77m carried forward from Appropriation Act (Nos. 1 and 5) 2014–15.

2 Includes an amount of \$4.6m in 2015–16 for the departmental capital budget. For accounting purposes this amount has been designated as 'contributions by owners'.

3 Includes Appropriation Act (No. 2) 2015–16.

Appendix B2: Expenses and resources for Outcome 1

Table 47 shows the total expenses and resources for Geoscience Australia's outcome in 2015–16.

Table 47: Expenses and resources for Outcome 1, 2015–16

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	Budget¹ 2015–16 \$'000 (a)	Actual expenses 2015–16 \$'000 (b)	Variation 2015–16 \$'000 (a) – (b)
Programme 1: Geoscientific and spatial information services			
Administered expenses			
Ordinary annual services (Appropriation Act No. 1)	20	20	–
Departmental expenses			
Departmental appropriation ²	166 602	168 917	–2315
Expenses not requiring appropriation in the budget year	9062	8525	537
Total for Programme 1	175 684	177 462	–1778
Total expenses for Outcome 1			
	2014–15	2015–16	
Average staffing level (number)	601	573	

1 Full-year budget, including any subsequent adjustment made to the 2015–16 Budget at Additional Estimates.

2 Departmental appropriation combines ordinary annual services (Appropriation Act Nos. 1 and 5) and section 74 retained revenue receipts.

Appendix B3: Workforce statistics

Geoscience Australia's employee statistics are shown in tables 48 to 54.

Table 48: Workplace agreement coverage by classification, 30 June 2016, Geoscience Australia

APS classification	Enterprise agreement	Common law contract	Salary range	
			Minimum (\$)	Maximum (\$)
APS 1 (cadets)	0	0	38 935	42 240
APS 2	1	0	48 274	51 582
APS 3	2	0	54 994	58 466
APS 4 (including graduates)	46	0	61 939	73 288
APS 5	103	0	68 995	79 104
APS 6	149	0	80 022	100 000
EL 1	186	0	96 323	142 578
EL 2	107	0	114 469	204 458
SES Band 1	0	2	200 000	220 000
SES Band 2	0	4	250 000	275 000
SES Band 3	0	1	330 000	360 000 ¹
Total	594	7		

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

¹ Indicative range used to protect privacy of individual occupant.

Table 49: Ongoing employees by classification and gender, 30 June 2015 and 30 June 2016, Geoscience Australia

APS classification	Female		Male		Total	
	2015	2016	2015	2016	2015	2016
APS 2	0	0	1	1	1	1
APS 3	1	1	1	1	2	2
APS 4	18	20	18	16	36	36
APS 5	50	47	61	55	111	102
APS 6	56	61	76	83	132	144
EL 1	51	56	117	117	168	173
EL 2	23	21	87	84	110	105
SES Band 1	0	0	2	2	2	2
SES Band 2	0	1	4	3	4	4
SES Band 3	0	0	1	1	1	1
Total	199	207	368	363	567	570

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

Table 50: Non-ongoing employees by classification and gender, 30 June 2015 and 30 June 2016, Geoscience Australia

APS classification	Female		Male		Total	
	2015	2016	2015	2016	2015	2016
APS 1	0	0	1	0	1	0
APS 2	0	0	0	0	0	0
APS 3	1	0	0	0	1	0
APS 4	1	3	8	7	9	10
APS 5	3	0	1	1	4	1
APS 6	3	5	5	0	8	5
EL 1	1	6	11	7	12	13
EL 2	0	0	5	2	5	2
SES Band 1	0	0	0	0	0	0
SES Band 2	0	0	0	0	0	0
SES Band 3	0	0	0	0	0	0
Total	9	14	31	17	40	31

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

Table 51: Ongoing and non-ongoing employees by classification and gender, 30 June 2015 and 30 June 2016, Geoscience Australia

APS classification	Female		Male		Total	
	2015	2016	2015	2016	2015	2016
APS 1	0	0	1	0	1	0
APS 2	0	0	1	1	1	1
APS 3	2	1	1	1	3	2
APS 4	19	23	26	23	45	46
APS 5	53	47	62	56	115	103
APS 6	59	66	81	83	140	149
EL 1	52	62	128	124	180	186
EL 2	23	21	92	86	115	107
SES Band 1	0	0	2	2	2	2
SES Band 2	0	1	4	3	4	4
SES Band 3	0	0	1	1	1	1
Total	208	221	399	380	607	601

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

Table 52: Ongoing and non-ongoing employees by full-time and part-time status, 30 June 2015 and 30 June 2016, Geoscience Australia

Attendance type	Ongoing		Non-ongoing		Total	
	2015	2016	2015	2016	2015	2016
Full-time	528	520	33	24	561	544
Part-time	39	50	7	7	46	57
Total	567	570	40	31	607	601

Table 53: Ongoing and non-ongoing employees by location, 30 June 2015 and 30 June 2016, Geoscience Australia

Employee location	Ongoing		Non-ongoing		Total	
	2015	2016	2015	2016	2015	2016
ACT	563	565	35	26	598	591
WA	1	1	5	5	6	6
NT	1	2	0	0	1	2
Indonesia	2	2	0	0	2	2
Total	567	570	40	31	607	601

Table 54: Indigenous employees, 30 June 2015 and 30 June 2016, Geoscience Australia

Employment status	2015	2016
Ongoing	3	3
Non-ongoing	0	0
Total	3	3

Appendix B4: Ecologically sustainable development and environmental performance

Many of Geoscience Australia's activities contribute to an improved understanding of the physical nature and health of the natural environment. See the annual performance statement in Chapter 9 for more details of specific activities.

Beyond its programme activities, Geoscience Australia pursued ecologically sustainable development initiatives in its property and facilities management during 2015–16. The Geoscience Australia building has many ecologically sustainable features, including:

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

Geoscience Australia uses an environmental management system to identify, modify and control environmental impacts in areas such as waste management, recycling and chemical disposal. Monitoring and reporting on water and energy consumption are also incorporated into this system. A voluntary staff committee, the Green Team, assists the organisation to develop a more environmentally friendly workplace by implementing environmentally friendly procedures and practices. The outsourced facilities management contract also focuses on responsible environmental management of the building and facilities.

Environmental initiatives at the Geoscience Australia building during 2015–16 included replacing 190 individual geothermal heat pump units with more modern energy-efficient models. Other property management initiatives included:

- an ongoing commitment in the negotiated lease extension for the lessor to use its best endeavours to upgrade the building to achieve at least a 4-star base building National Australian Built Environment Rating System (NABERS) energy rating
- the use of recycled paper (rated at 80 per cent recycled) for printing, and use of default settings for double-sided printing
- a full audit and report of all material leaving the site (including landfill waste and recycling)
- investigation and initial scoping for a new smart building control management system.

PART C: IP AUSTRALIA



CHAPTER THIRTEEN

IP Australia Director General's review

IP Australia's vision is to create a world-leading intellectual property (IP) system building prosperity for Australia. The vision is supported by our corporate plan, which outlines the steps we will take to ensure we deliver on our commitments to customers and stakeholders.

Our primary objective is to continue to administer the IP system efficiently and optimise its operation to support Australia's economic growth. 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 provides policy advice to government on IP issues, undertakes IP education and awareness-building initiatives and represents Australian interests in international IP activities. Highlights of our work in 2015-16 include supporting the Productivity Commission's inquiry into Australia's IP arrangements; focusing on IP measures to support the Australian Government's National Innovation and Science Agenda; supporting Australian businesses seeking to enter the Chinese market; and continuing to upgrade and renew both our rights management processing and customer-focused ICT systems.

Key achievements

Policy

In 2015-16, IP Australia provided substantial input to the Productivity Commission's inquiry into IP arrangements in Australia. The commission is considering the impact of the IP system on trade, investment, innovation and competition in the economy. In particular, it is examining whether Australia's current IP arrangements provide an appropriate balance between facilitating access to ideas and products on the one hand, and encouraging innovation, investment and the production of creative works on the other. The final report of the inquiry is expected to be handed to the Australian Government in September 2016 and will undoubtedly make recommendations that affect aspects of the work we undertake.

In response to the High Court's decision in *D'Arcy v Myriad Genetics Inc.*, in October 2015, IP Australia revised its patent examination guidelines in consultation with customers and stakeholders. The revised guidelines implement the High Court's decision that isolated gene sequences are not patentable. Another relevant court decision during the year was the Federal Court's ruling in *Commissioner of Patents v RPL Central Pty Ltd*, which upheld the decision of the Commissioner of Patents and provided further clarification of the law for assessing the patentability of business methods.

Progress with the Single Economic Market initiative with New Zealand during the year included work on the necessary regulations to implement a single trans-Tasman regulatory regime for patent attorneys. The new regime is schedule to come into effect in early 2017.

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.

National Innovation and Science Agenda

In 2015–16, we supported the National Innovation and Science Agenda with a number of projects. Our contribution included an IP Toolkit for Collaboration (ipaaustralia.gov.au/understanding-ip/commercialise-your-ip/ip-toolkit-collaboration), which we developed with the Department of Industry, Innovation and Science and launched on 10 September 2015. The IP Toolkit is an online resource intended to facilitate collaboration between researchers and the business community. We also launched Source IP (sourceip.ipaustralia.gov.au) on 23 November 2015, an online marketplace designed to connect the business community with IP generated from public sector research agencies and universities.

During 2015–16, we also continued to seek ways to use data to the benefit of our customers and other stakeholders. We recently expanded the range of some of our current services to provide increased support, particularly for universities and publicly funded research organisations. In particular, our Patent Analytics Hub and IP Government Open Data (IPGOD) projects seek to make our IP data accessible, promoting the creation of new and innovative products and services, and better use of publicly funded resources.

International engagement

In 2015–16, IP Australia was active in multilateral and bilateral IP forums and continued to undertake capacity-building activities with other IP offices, especially those in our region. Our Regional Patent Examination Training programme won a silver award overall and took out the innovation award at the annual Institute of Public Administration Australia Prime Minister's awards for Public Sector Excellence.

At the World Intellectual Property Organization, Australia took over the chairing role of the Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Traditional Cultural Expressions.

IP Counsellor to China

In 2015–16, IP Australia announced the appointment of an Australian IP Counsellor to China to support Australian businesses seeking to operate in China. This was a new venture for us and is the first time we will post a staff member overseas as part of a diplomatic mission. The intention of the posting, to be based at the Australian Embassy in Beijing, is to provide IP expertise and support to Australian businesses in China or those seeking to enter the Chinese market. The IP Counsellor will work with Austrade and the Australian Business Chamber in China and will liaise with Chinese IP agencies, including the Chinese Patent Office and the Chinese Trade Mark Office.

Data strategy

In 2015–16, IP Australia conducted a review of its data holdings and controls, and launched its first comprehensive data strategy—*Data matters*. The strategy aims to strengthen our approach as an agency to the governance, quality management, warehousing and development of more than 100 years of IP data. Actions have been mapped over the coming two years to use our data holdings to better understand our productivity, staff and stakeholders, support well-informed and timely decision-making and keep pace with a dynamic technology landscape.

Technology

ICT systems are central to our IP rights management work and to customer engagement, as online transactions now account for around 97 per cent of all our customer transactions. In 2015–16, IP Australia continued to modernise and improve its business systems and processing environment in line with the Digital Transformation Office agenda. Based on extensive customer research, we redesigned and relaunched our website and began the staged introduction of an online 'virtual assistant' using cognitive computing technology to better assist our customers 24/7. This work will progressively deliver a more agile business environment that captures efficiencies and improves service delivery.

Of particular note in 2016, we completed the build of the first component of a large, multi-year information technology project called the Rights In One (RIO) Program. This work is a major undertaking to build a new system, which will ultimately manage our rights administration workflow across patents, trade marks, designs and plant breeder's rights. It will allow us to streamline our ICT operations and retire a range of outdated legacy systems, thus delivering efficiencies and enhancing productivity.



CHAPTER FOURTEEN

IP Australia overview

Role and functions

IP Australia is the agency responsible for administering Australia's IP rights system—specifically, patents, trade marks, designs and plant breeder's rights.

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 programmes to promote a more 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 independently of the Department of Industry, Innovation and Science 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 3 shows the organisational structure of IP Australia. The department's organisational chart (Figure 1 in Chapter 2) shows how IP Australia fits into the overall departmental structure.

In addition to helping the Director General to manage IP Australia, the Deputy Director General, IP Rights Division holds the offices of Commissioner of Patents, Registrar of Trade Marks,

Registrar of Designs and Registrar of Plant Breeder’s Rights. These functions and powers are exercised under the legislation IP Australia administers, including the *Patents Act 1990*, the *Plant Breeder’s Rights Act 1994*, the *Trade Marks Act 1995*, the *Designs Act 2003* and the *Olympic Insignia Protection Act 1987*.

In 2015–16, the role of Deputy Director General, Policy and Corporate Division was created. This role strengthens the separation between policy advice and operational issues and supports a stronger focus on organisational improvement.

Figure 3: IP Australia organisational structure, 30 June 2016

Director General Ms Patricia Kelly	
Deputy Director General, IP Rights Division	Deputy Director General, Policy and Corporate Division
General manager, Trade Marks & Designs	General manager, People and Communications
General manager, Patents Chemical, Plant Breeder’s Rights, and Electrical	General manager, Finance, Quality, Reporting and Property
General manager, Patents Mechanical and Oppositions	General manager, Policy and Governance
	General manager, Business and Information Management Solutions
	General manager, RIO Program and Business Futures

RIO = Rights In One

Outcome and programme structure

IP Australia has one outcome and three programmes that contribute to that outcome, as shown in Table 55.

Table 55: IP Australia outcome and programme structure, 2015–16

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
Programme
1.1: Rights Administration and Professional Registration
1.2: Education, Awareness and International Engagement
1.3: Advice to Government



CHAPTER FIFTEEN

IP Australia report on performance

Annual performance statements

Statement by the Director General

I, Patricia Kelly, as the accountable authority of IP Australia, present the annual performance statements of IP Australia for 2015–16, as required under section 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In my opinion, these statements accurately present IP Australia's performance in the reporting period and comply with section 39(2) of the PGPA Act.

Patricia Kelly
13 September 2016

Overview

IP Australia is the agency responsible for administering Australia's IP rights system—specifically, patents, trade marks, designs and plant breeder's rights.

IP Australia's vision is to create a world-leading IP system building prosperity for Australia. It works towards this vision by achieving five purposes:

- deliver robust IP rights and satisfy its customers in terms of timeliness and value for money
- successfully undertake functions associated with persons wishing to qualify for registration as Patent and/or Trade Mark Attorneys and provide effective support to the Professional Standards Board
- facilitate access to the domestic and international intellectual property system and promote understanding of their value in line with Australia's interests
- influence the development of effective intellectual property systems in line with Australia's interests
- policy and legislative input to foster Australian innovation by shaping the development of the IP system both domestically and abroad.

IP Australia operates independently of the Department of Industry, Innovation and Science on financial matters, and with delegated authority on other matters, and recovers more than 98 per cent of its costs by charging fees for its IP rights services.

Performance reporting structure

The IP Australia Annual Performance Statement reports performance in line with the 2015-16 Portfolio Budget Statements (PBS) programmes, key performance indicators, and commitments in the 2015-16 Corporate Plan.

Table 56: Mapping of the 2015-16 Annual Performance Statement to the 2015-16 Portfolio Budget Statements and the 2015-16 Corporate Plan

2015-16 Portfolio Budget Statements	2015-16 Annual Performance Statement	2015-16 Corporate Plan
Programme 1.1: Rights Administration and Professional Registration	Purpose 1: Rights administration	IP Australia will deliver robust IP rights and satisfy its customers in terms of timeliness and value for money
Programme 1.1: Rights Administration and Professional Registration	Purpose 2: Professional registration	IP Australia will successfully undertake its functions associated with persons wishing to qualify for registration as Patent and/or Trade Mark Attorneys and will provide effective support to the Professional Standards Board
Programme 1.2: Education, Awareness and International Engagement	Purpose 3: Access and promotion	IP Australia will facilitate access to the domestic and international intellectual property system and promote understanding of their value among its stakeholders in line with Australia's interests
Programme 1.2: Education, Awareness and International Engagement	Purpose 4: International engagement	IP Australia will influence the development of effective IP systems in line with Australia's interests
Programme 1.3: Advice to Government	Purpose 5: Development of the IP system	IP Australia's programme of policy and legislative input will foster Australian innovation by shaping the development of the IP system both domestically and abroad

Purpose 1: Rights administration

Objectives

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.

Main achievements

IP Australia's key achievements that contributed to fulfilling the purpose in 2015–16 included:

- exceeding the quality and timeliness service commitments for all IP rights
- extending ISO 9001 certification to cover the Business Improvement and Support Centre (ICT enabling service)
- delivering the Rights In One (RIO) IP administration system for designs.

Performance criteria and results

Table 57: Purpose 1—results for qualitative measures

Performance criterion	Result
The level of customer satisfaction with the consistency of IP Australia's work as measured by surveys and ongoing feedback channels ¹	<p>In order to provide valued, consistent services to its customers and understand their level of satisfaction with its products and services, IP Australia conducted a customer satisfaction survey in May 2016.</p> <p>Results from the survey indicated high levels of satisfaction across a range of measures, including accuracy of information and satisfaction with IP Australia's key channels and services (the website, search systems and the call centre). Our customers told us that the following aspects of our examination reports and products are the most important:</p> <ul style="list-style-type: none"> • Searches are accurate. • All significant objections and deficiencies are raised at first report. • Correct application of law is provided in reports. <p>Customers' overall satisfaction with IP Australia was 89%. This is in comparison to our previous satisfaction surveys conducted in 2014 and 2015, which showed 71% and 73% respectively. The increase in our satisfaction rate is partly due to the introduction of an improved customer research methodology. We will continue to improve our stakeholder satisfaction processes as part of our stakeholder engagement strategies.</p>
IP Australia's performance in benchmarking against quality standards ¹	<p>In association with the IP offices of Canada and the United Kingdom, IP Australia continued its involvement with the Vancouver Group. Each office conducted audits on a number of each other's granted/allowed patents. The aim was to develop trust and confidence in one another's work and validate quality. This work is part of our commitment to benchmarking the quality of our services against international offices.</p>
The level of maturity of quality assurance systems ¹	<p>During 2015–16, IP Australia maintained its compliance with the ISO 9001 quality standard while expanding its scope of certification to include the Business Improvement and Support Centre. The outcomes of the quality review system continued to exceed prescribed product and service quality standards.</p>

Performance criterion	Result
The level of work on hand for each IP right reduced ¹	<p>In 2015–16, IP Australia reduced inventories to levels within planning tolerances.</p> <ul style="list-style-type: none"> Patent applications stock level reduced by 2675 applications although the stockpile is 33% above the optimal operating tolerance (i.e. steady state). The plant breeder's right stockpile was at the optimal operating tolerance (i.e. steady state). Trade mark applications stock level reduced by 5508 classes and was maintained at the optimal operating tolerance (i.e. steady state). Designs request for examination stock level was maintained at the optimal operating tolerance (i.e. steady state).

¹ Performance measures set out in the 2015–16 PBS.

Table 58: Purpose 1—results for quantitative measures

Performance criterion	2015–16 target	2015–16 result	Criterion source
Tier 1—Correct search and research	93.5%	Patents—96.5% Plant breeder's rights—95.8% Trade marks—94.9% Designs—98.6%	2015–16 Corporate Plan
Tier 2—Reports are comprehensive and informative and free of invalid objections/considerations	90%	Patents—96% Plant breeder's rights—100% Trade marks—96% Designs—97%	2015–16 Corporate Plan
Tier 3—Written formalities are complete and correct	85%	Patents—87% Plant breeder's rights—96% Trade marks—94% Designs—96%	2015–16 Corporate Plan
Examine and issue first reports on applications for standard patents	Within 12 months of receiving the request for examination	Patent first reports were issued within an average of 7.6 months from examination request.	2015–16 Corporate Plan
Conduct a prima facie examination on an application for plant breeder's rights	Within 8 weeks of receiving the application	Plant Breeder's Rights examination reports were issued within an average of 3 weeks.	2015–16 Corporate Plan
Examine and issue a report on an application for a trade mark	Within 13 weeks of receiving the application	Trade mark applications were examined and reports were issued within an average of 10.1 weeks.	2015–16 Corporate Plan
Examine and issue a report on a registered design	Within 13 weeks of receiving the request for examination	Designs were examined and reports were issued within an average of 7.7 weeks.	2015–16 Corporate Plan

Performance criterion	2015–16 target	2015–16 result	Criterion source
Respond to correspondence relating to the examination of an application	Within 20 working days of receiving the correspondence	Correspondence relating to patents was responded to within an average of 12 working days. Correspondence relating to trade marks was responded to within an average of 9.6 working days. Correspondence relating to designs was responded to within an average of 11.6 working days. Data was not available for plant breeder's rights correspondence.	2015–16 Corporate Plan
Issue a hearing decision (unless further submissions or evidence is received)	Within 12 weeks of holding a hearing	Decisions were issued for hearings relating to patents within an average of 9.5 weeks. Decisions were issued for hearings relating to trade marks within an average of 10.6 weeks. No decisions related to designs matters were issued in 2015–16.	2015–16 Corporate Plan
Period of notice given before implementing a change in fees	At least 8 weeks for fee changes More than 8 weeks for new fees	No major fee changes occurred in 2015–16.	2015–16 Corporate Plan

Table 59: Purpose 1—results for deliverables

Deliverable ¹	2015–16 estimate	2015–16 actual
Receipt of patent applications	28 145	31 292
Receipt of Patent Cooperation Treaty applications	3 015	3 485
Provision of patent examination services	28 748	28 658
Receipt of trade mark applications	120 700	134 557
Provision of trade mark registration services	61 810	68 066
Receipt of design applications	6 305	7 873
Provision of design examination services	1 400	1 109
Receipt of plant breeder's rights applications	345	336
Provision of plant breeder's rights examination services	275	211
Receipt of Professional Standards Board for Patent and Trade Marks Attorneys applications	105	95
Provision of Professional Standards Board for Patent and Trade Marks Attorneys registration services	1 130	1 295

1 Performance measures set out in the 2015–16 PBS.

Evaluation and review results

IP Australia undertook an evaluation of its fees in 2015–16 under the Australian Governments Cost Recovery Guidelines. Under these guidelines, the agency must publish a Cost Recovery Implementation Statement (CRIS) providing key information on how cost recovery for a specific government activity is implemented. IP Australia undertakes regulatory activity through issuing exclusive rights and privileges to IP rights holders. Efficiency and cost effectiveness are maximised by charging discrete fees on individuals and organisations, rather than imposing broader based levies. The charging of fees is directly aligned to IP Australia's innovation policy objectives. In order for IP Australia to change its regulated fees under legislative requirements, IP Australia must update the CRIS. In the 2015–16 Fee Review, IP Australia proposed fee changes to simplify and streamline the fee structure, minimise the touch points for customers and align IP Australia with prevailing international practice. The proposed fees will see trade marks customers pay less under the new fee structure and patent customers pay more, but only after they have held their right for 10 years. There were changes to administrative and opposition fees proposed in designs and plant breeder's rights and no fee changes proposed under the Professional Standards Board. The CRIS was approved by the Minister for Industry, Innovation and Science in May 2016 and regulation changes received the Royal Assent on 17 August 2016. The fee changes will come into effect on 10 October 2016.

Analysis of performance against Purpose 1

IP Australia continued to improve the way IP rights are administered while maintaining its ability to meet performance criteria. In 2015–16, IP Australia completed digitisation of trade marks and designs files, increased volumes of correspondence sent electronically and started including metadata, and implemented a trade marks virtual assistant on our website. These process improvements assist staff with their ongoing work by providing better access to records, more efficient correspondence delivery and fewer telephone enquiries. This work will continue to progressively deliver a more agile business environment that captures efficiencies and improves service delivery. The cost efficiencies created by these projects are passed on to customers in the context of the periodic fee review.

In 2015–16, IP Australia continued to deliver an effective framework for the protection of IP rights through competency-based training across all IP rights operations. In particular, the introduction of the IP Rights Administration Program for IP rights administrative support staff was an important initiative because the quality of our training and the way we train our staff are critical to our capability to provide world-class services in a timely manner.

Of particular note in 2015–16, IP Australia delivered the Rights In One (RIO) IP administration system for designs. The first component of a large multi-year information technology project, RIO for designs provides IP Australia staff with a streamlined case management process to ensure efficient and timely delivery of IP rights administration. When complete, this system will manage the administration workflow across all IP rights. It will allow IP Australia to streamline its ICT operations and retire a range of outdated legacy systems, thus delivering efficiencies and enhancing productivity.

Purpose 2: Professional registration

Objective

IP Australia will successfully undertake its functions associated with persons wishing to qualify for registration as Patent and/or Trade Mark Attorneys and will provide effective support to the Professional Standards Board.

Main achievements

IP Australia's key achievements that contributed to fulfilling the purpose in 2015–16 included:

- meeting the service commitments for all professional registration correspondence
- maintaining customer satisfaction with secretariat services.

Performance criteria and results

Table 60: Purpose 2—results for qualitative measures

Performance criterion	Result
Stakeholder satisfaction with secretariat support ¹	The Professional Standards Board was satisfied with the secretariat support provided during the year.

¹ Performance measures set out in the 2015–16 PBS.

Table 61: Purpose 2—results for quantitative measures

Performance criterion	2015–16 target	2015–16 result	Criterion source
The Professional Standards Board will complete final registration within 15 working days of receipt of applications for either individual or incorporated attorney registration, that are compliant with legislative requirements	15 working days	100% of final registrations were completed within 15 days of receipt of applications.	2015–16 Corporate Plan
The Professional Standards Board will notify the person in writing of its decision within 42 working days of deciding whether or not it is satisfied that the person has the qualification	42 working days	100% of applicants were notified within 42 working days.	2015–16 Corporate Plan
Annual audit of compliance with Continuing Professional Education (CPE) requirements for Patent and Trade Marks Attorneys is undertaken based on an appropriate sample. Action is taken on non-compliance	Annual audit undertaken	The annual audit of compliance with CPE requirements for Patent and Trade Mark Attorneys was conducted in 2015–16 and 98% were found to be compliant. One instance of non-compliance was found and action was taken on it.	2015–16 Corporate Plan

Analysis of performance against Purpose 2

IP Australia exceeded all benchmarks by maintaining Professional Standards Board registrations and delivered on commitments in a timely manner.

Purpose 3: Access and promotion

Objective

IP Australia will facilitate access to the domestic and international intellectual property system and promote understanding of their value among its stakeholders in line with Australia's interests.

Main achievements

IP Australia's key achievements that contributed to fulfilling the purpose in 2015–16 included:

- launching Source IP, an online tool that facilitates collaboration between business and researchers
- winning a silver award and the award for innovation for the Regional Patent Examination Training programme at the annual Institute of Public Administration Australia Prime Minister's awards for Public Sector Excellence
- appointing an Australian IP Counsellor to China, who will provide IP expertise and support specifically targeted to assist Australian businesses in China.

Table 62: Purpose 3—results for qualitative measures

Performance criterion	Result
Increased public awareness of intellectual property rights ¹	<p>In 2015–16, IP Australia launched Source IP, an online tool to facilitate connections between business and public sector researchers. Source IP is aimed specifically at making it easier for Australian businesses, including small and medium-sized enterprises, to access public-sector innovation and technology. It focuses on boosting collaboration between business and researchers by providing a single site to showcase the expertise of individual Australian research organisations and facilitating easy, one-click contact. In addition to promoting collaboration within Australia, Source IP aims to drive the global promotion of Australian research by providing easy access to IP data. This is done using application programming interfaces, which will allow the integration of Source IP data into global marketplaces. By highlighting Australian research on global platforms, Source IP maximises the visibility of Australian research organisations and enhances the process of knowledge transfer and the opportunity for technology commercialisation internationally.</p> <p>In 2015–16, IP Australia also launched the Australian IP Toolkit for Collaboration. This joint project with the Department of Industry, Innovation and Science is designed to facilitate, simplify and improve collaboration between researchers and industry.</p> <p>IP Australia continued to raise public awareness through the delivery of relevant and timely information to stakeholders and customers. Website content is a primary vehicle for this, alongside forums, subscription lists and social media channels. Other initiatives included Dream Shield, a suite of products for Indigenous IP owners, and IP Workshops for Start-ups, which educate small businesses and start-ups on the importance of IP. IP Australia also delivered TEDex events targeted at the university sector.</p> <p>Public education and awareness programmes delivered by IP Australia included communication activities targeted to start-up businesses and entrepreneurs, accountants, engineers, exporters, Indigenous business owners, and secondary students through support to Questacon's Smart Skills Initiative.</p> <p>IP Australia continued its formal relationships with CPA Australia, Engineers Australia and the Export Council of Australia to promote IP messages to their membership bases. Under these arrangements, IP Australia works closely with these groups to provide information on the benefits of the IP rights system.</p>

Performance criterion	Result
The level of satisfaction with information services ¹	<p>Results from the annual customer satisfaction survey showed 87% of respondents were satisfied with the accuracy of the information provided to them, 76% were satisfied with how easy it was to find relevant information and 79% were satisfied with how easy IP Australia's information was to understand.</p> <p>In addition, 78% of respondents were satisfied with IP Australia's website, 78% were satisfied with IP search systems and 79% were satisfied with call centre services.</p>
Attract participation from target country IP offices and proportion of students that meet required standards ²	<p>IP Australia's Regional Patent Examination Training programme won both the Silver Award for Excellence and the award for innovation at the annual Institute of Public Administration Australia Prime Minister's awards for Public Sector Excellence.</p> <p>To date, participants from seven countries have successfully completed the programme. These countries are Malaysia, Indonesia, Philippines, Vietnam, Thailand, Kenya and ARIPO (African Regional IP Office). These countries continue to take advantage of the programme's practice of enrolling additional examiners as course participants.</p>
Increased public awareness of intellectual property rights ¹	<p>Results from the annual customer satisfaction survey showed 52% of respondents consider that they have adequate or extensive knowledge of the IP system. As expected, attorneys reported higher levels of knowledge (90% adequate or extensive) than those filing on their own behalf (41% adequate or extensive).</p> <p>The communication campaigns reported a 200% increase in social media followers, compared with non-advertising campaign months.</p> <p>IP Australia sends out a fortnightly 'What's New' e-newsletter to 2835 contacts with an open rate and click-through of just over 30%.</p>
Twice annual consultation with IP Stakeholder Forum ²	The IP Stakeholder Forum met twice in 2015–16.

1 Performance measures set out in the 2015–16 PBS.

2 Performance measures set out in the 2015–16 Corporate Plan.

Performance criteria and results

Table 63: Purpose 3—results for quantitative measures

Performance criterion	2015–16 target	2015–16 result	Criterion source
The number of visitors to the IP Australia website	2% increase on 2014–15 figures	The number of visits to the website in 2015–16 was 2.09 million. This is an increase of more than 55 000 visits (2.75%) on 2014–15.	2015–16 Corporate Plan
Attract participation from target country IP offices and proportion of students that meet required standards	Evaluation in 2015–16	The Regional Patent Examination Training programme was externally evaluated by PwC. The evaluation found that the programme is delivering on the benefits it set out to achieve and has moved from project to business as usual as intended. The programme has been identified as an example of better practice patent examination training as it focuses on building and assessing the competency of participating examiners.	2015–16 Corporate Plan

Analysis of performance against Purpose 3

IP Australia continued to seek ways to use data to the benefit of customers and other stakeholders. We expanded the range of some of our services to provide increased support, particularly for universities and publicly funded research organisations. In particular, our Patent Analytics Hub and IP Government Open Data projects seek to make our IP data accessible, promoting the creation of new and innovative products and services, and better use of publicly funded resources.

IP Australia is adding value to customer communication and building more meaningful relationships with stakeholders through its social media accounts. 2015–16 saw an increase in online engagement with more than 9500 followers across Facebook, YouTube, LinkedIn and Twitter.

IP Australia ran a number of external communication campaigns in 2015–16 on research report releases, legislative changes, consultations, events and general IP awareness.

Feedback from events and workshops was positive. IP Australia hosted a range of these activities, targeted at business and research audiences. Events and workshops provide IP Australia with a strong platform to deliver public education and awareness messages on the IP system.

As part of IP Australia's continued efforts to improve and increase its presence on social media, a series of advertising campaigns were undertaken to help educate the public on IP. Results from the campaigns show stronger post engagement and sharing of our online content. Each of these posts reached an average of 30 000, compared to non-advertised campaigns which have an average reach of 175.

The IP Stakeholder Forum oversees IP Australia's regulatory performance, provides advice on regulation reform and input more generally on our priorities and performance. Measures of success were developed in consultation with the IP Stakeholder Forum in late 2015, to ensure an accurate reflection of performance. The self-assessment of IP Australia's contribution to the deregulation agenda under the Regulatory Performance Framework was developed with the Stakeholder Forum in September 2016. This assessment includes planned efforts to build on stakeholder feedback and improve the way IP Australia works in 2016–17. IP Australia will continue to review measures in 2016–17 to ensure that performance criteria remain relevant and provide timely insight into how we can drive reform and improvements in our business. Areas identified for specific improvement in 2016–17 include investigation into the availability of timeliness data for plant breeder's rights, benchmarking trade mark demand forecasting against other IP offices, and delivering improved trade mark and designs search capability to ensure a full suite of measures.

The creation of the role of Australian IP Counsellor to China was a new venture for IP Australia in 2015–16, and was the first time a staff member was posted overseas as part of a diplomatic mission. The posting to the Australian Embassy in Beijing is intended to provide IP expertise and support specifically targeted to assist Australian businesses in China. The IP Counsellor will work with Austrade and the Australian Business Chamber in China and will liaise with Chinese IP agencies including the Chinese Trade Mark Office (SIPO).

Purpose 4: International engagement

Objective

Influence the development of effective IP systems in line with Australia's interests.

Main achievements

IP Australia's key achievements that contributed to fulfilling the purpose in 2015–16 included:

- establishing a memorandum of understanding with the Japanese Patent Office to facilitate bilateral sharing of IP Australia's plant breeder's rights examination results
- continuing participation in and awareness-raising for World Intellectual Property Organization (WIPO) Centralized Access to Search and Examination (CASE).

Performance criteria and results

Table 64: Purpose 4—results for qualitative measures

Performance criterion	Result
The amount and quality of international work sharing ¹	<p>IP Australia conducted a number of international work sharing activities in 2015–16 including:</p> <ul style="list-style-type: none"> • Contributed to the development of a single application and examination process for patents in both Australia and New Zealand. Australian legislation supporting the single application and examination process received royal assent in February 2015. • Established a memorandum of understanding with the Japanese Patent Office to facilitate bilateral sharing of IP Australia's plant breeder's rights examination results in the future. • Promoted the expansion of WIPO CASE, an IT platform that enables IP offices to share their search and examination results. The membership of WIPO CASE has now increased to 23 international IP offices.

¹ Performance measures set out in the 2015–16 PBS.

Analysis of performance against Purpose 4

IP Australia met all performance targets in 2015–16.

IP Australia conducted extensive international engagement initiatives in 2015–16. Initiatives that allow IP offices to share examination work aim to increase the efficiency and quality of patent examinations and reduce time and costs for applicants. Additional work-sharing opportunities will be realised in 2016–17 with the European Patent Office through the signing of a memorandum of understanding, which includes a Patent Prosecution Highway initiative commencing 1 July 2016.

Purpose 5: Development of the IP system

Objective

Foster Australian innovation by shaping the development of the IP system both domestically and abroad.

Main achievements

IP Australia's key achievements that contributed to fulfilling the purpose in 2015–16 included:

- finalising the legislative proposals and producing drafts of the Rights In One (RIO) Bill and supporting regulations
- releasing expanded versions of IP Government Open Data and the weekly-updated IP Government Open Live Data
- contributing to the Productivity Commission inquiry into Australia's IP arrangements, including making two public submissions and providing substantial input to the inquiry in response to requests for information, data and analysis
- beginning cooperation on a new Australian Research Council research project that will examine the role of brands and trade marks in a global marketplace and help Australian businesses extend their international reach.

Performance criteria and results

Table 65: Purpose 5—results for qualitative measures

Performance criteria	Results
Provision of policy advice across government and internationally ¹	<p>IP Australia provided a range of policy advice on IP issues across government, including in relation to the government's regulatory reform agenda, the National Innovation and Science Agenda, and the High Court decision in <i>D'Arcy v Myriad Genetics Inc.</i> (October 2015), relating to patentability of isolated gene sequences.</p> <p>IP Australia consulted stakeholders on a range of matters, including ideas for regulatory reform, proposed changes to IP Australia's fees, the innovation patent system and proposed regulations to implement a trans-Tasman patent attorney regime. IP Australia continued to work with stakeholders on drafting a significant package of legislative proposals to further streamline IP processes and support small business.</p> <p>In August 2015, the jurisdiction of the Federal Circuit Court was expanded to include plant breeder's rights matters, and a scheme was introduced to enable the granting of compulsory licences to allow Australian medicine producers to manufacture and export patented pharmaceuticals to countries experiencing health crises.</p> <p>As a joint project with the Department of Industry, Innovation and Science, IP Australia commissioned research on IP financing. The initiative is intended to help businesses, particularly small and medium-sized businesses, to use their IP to secure finance and grow their businesses. IP Australia also investigated innovative insurance methods that may assist Australian small and medium-sized enterprises through the IP lifecycle. The outcome of this work will be considered in light of the recommendations in the Productivity Commission's IP inquiry final report.</p> <p>IP Australia continued to represent Australia's interests in the World Intellectual Property Organization and assisted the Department of Foreign Affairs and Trade in negotiating IP chapters in free trade agreements, including negotiations on the Trans-Pacific Partnership, which concluded in October 2015, and the Regional Comprehensive Economic Partnership.</p>

Performance criteria	Results
Satisfaction of stakeholders with quality and timeliness of advice on policy and legislation, and ministerial correspondence, speeches and briefings, submissions to reviews and Government responses ²	<p>IP Australia consistently delivered advice on time, including briefings to the Minister and Assistant Minister on policy and legislation issues.</p> <p>IP Australia provided data and submissions to the Productivity Commission inquiry into Australia's IP arrangements and coordinated the government responses to the Advisory Council on Intellectual Property's review of the designs system and review of the role of intellectual property in collaborations between the public and private sectors.</p>
The number of ministerial briefs and responses ¹	142 ministerial briefs and responses were prepared.
The number of IP research initiatives ¹	<p>Following the research programme published in the 2015 IP Report, IP Australia released a significant number of outputs in 2015–16, the most important of which were the releases of the expanded IP Government Open Data (IPGOD), the weekly-updated IP Government Open Live Data (IPGOLD) and beta versions of the IP Neural Open-data Visualisation and Analysis tool (IPNOVA). The Patent Analytics Hub delivered six targeted technology reports for universities and three broad technology landscape reports for government, while also delivering online interactive reports.</p> <p>IP Australia contributed substantial economic analysis to the Productivity Commission inquiry into Australia's IP arrangements in 2015–16. In addition, IP Australia began cooperation on a new Australian Research Council co-funded linkage grant project that will examine the role of brands and trade marks in global value chains, develop a machine learning algorithm to identify international trade mark families and extend a novel global trade mark family dataset. This research should help Australian businesses extend their international reach and policy-makers increase domestic gains from global value chains.</p> <p>Working papers on geographical indications, pharmaceutical evergreening, university–industry collaboration, pharmaceutical technology diffusion and grace periods, and papers to inform operational improvements, were delivered.</p> <p>IP Australia undertook market research to inform the redevelopment of its corporate website and to better understand the needs of its customers. This research will inform new products and services that will help increase the understanding of the importance of IP rights to Australian businesses. The refreshed IP Australia website was launched in April 2016 following extensive consultation.</p>

1 Performance measures set out in the 2015–16 PBS.

2 Performance measures set out in the 2015–16 Corporate Plan.

Table 66: Purpose 5—results for quantitative measures

Performance criterion	2015–16 target	2015–16 result	Criterion source
Ministerial briefing			
Ministerial briefs delivered on time	Within 5 working days	97% of briefings were provided within the initial timeframes stipulated by the respective requesters. The remaining briefs were delayed due to factors beyond IP Australia's control and were provided to the relevant ministerial office within agreed timeframes.	2015–16 Corporate Plan
Ministerial briefs delivered with high quality	95% of briefings accepted without requests for revision	Of the 71 ministerial briefs delivered in 2015–16, 97% were accepted without requests for revision. This is 2% above the target.	2015–16 Corporate Plan
IP research			
Evidence and data to inform debate and policy formulation through the release of the annual Australian IP Report and dissemination of IP Australia open data (all IP Australia public data updated annually)	Annual production and release of open data	IP Australia updated all public data on 1 February 2016. The annual Australian IP Report was released on 14 April 2016.	2015–16 Corporate Plan
Legislative change			
Rights In One (RIO) Bill achieves stated goals to improve IP system	Evaluation of efforts	IP Australia worked with key stakeholders and the Office of Parliamentary Counsel to finalise the legislative proposals and produce drafts of the Bill and supporting regulations. The impact of the Bill will not be known until after it has been passed by parliament and implemented (expected to be 2018 onwards). IP Australia has committed to conducting a full evaluation of its RIO Program five years after commencement.	2015–16 Corporate Plan

Analysis of performance against Purpose 5

Overall performance against the purpose was positive. The details of supporting policy proposals were determined and drafts of the RIO Bill and regulations were produced. The majority of key stakeholders supported the revised proposals.

In 2016–17, the development of the RIO Bill will enter its next stage. The legislative amendments will be finalised and exposure drafts of the Bill and regulations are proposed to be released for public comment. Subject to government priorities, a Bill implementing the majority of the proposals will be introduced into parliament. IP Australia will commence work on implementing the changes in its systems.

IP Australia's research activities sought to better understand the tasks and information searches that customers were undertaking via the IP Australia website and identify barriers or improvement opportunities. To inform the development of the annual customer satisfaction survey, IP Australia conducted qualitative research to better understand the drivers of satisfaction of our customers. Learnings from these initiatives have informed ongoing enhancements to customer information and services.

Financial performance

IP Australia recorded an operating surplus of \$4.4 million for 2015–16 against an initial planned surplus of \$0.1 million, as published in the 2015–16 PBS. Revenue was \$9.9million (5.2%) above plan due to higher than anticipated IP rights filings and renewals. Expenses were \$5.6 million (3.0%) above budget predominantly due to increased supplier costs which reflect activity in the second half of the financial year 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 SIXTEEN

IP Australia management and accountability

Corporate governance

IP Australia has a well-defined governance framework in place. This structured framework serves to foster strategic decision-making and accountability. The Executive Board is the key governing body and is supported by a number of operational committees and project boards. Examination staff operate under a range of legislative powers as delegated to them by the Commissioner of Patents and the Registrars of Trade Marks, Designs and Plant Breeder's Rights.

IP Australia's governance structure at 30 June 2016 included the following committees that provided advice and assurance to the Director General and fostered strategic decision-making and accountability:

- Executive Board
- Business Investment Committee
- Corporate Projects Board
- RIO Program Board
- Finance and Planning Committee
- People and Communication Committee
- Audit Committee.

IP Australia's Audit Committee provides independent advice to the Director General (IP Australia's accountable authority) on key aspects of IP Australia's operations, including in the areas of financial and performance reports, risk oversight and internal control frameworks. The Audit Committee is chaired independently and includes three other independent members and three internal senior managers.

IP Australia has in place a robust risk management framework that protects its customers, employees and assets, and ensures it meets statutory obligations. An overarching risk management policy outlines IP Australia's approach to managing risk and articulates the agency's appetite for risk across various areas of operation. IP Australia uses risk management

as a key decision-making tool. This work includes quarterly reviews of the corporate risk register and treatment strategies by the Executive Board and the Audit Committee to ensure the appropriate management of high-risk areas. A key focus in 2015–16 was strengthening the use of risk management across the agency by improving the linkage of risk registers to operational plans and increasing risk management knowledge through regular staff forums. IP Australia also reviewed the business continuity plan and the disaster recovery plan to ensure better alignment of critical functions.

Fraud control

IP Australia is committed to minimising the incidence of fraud against its operations. IP Australia's fraud control framework includes prevention, detection, investigation and reporting strategies as required by the *Public Governance Performance and Accountability Act 2013* and the Commonwealth Fraud Control Framework.

Significant issues reported to ministers

There were no significant issues of non-compliance reported to portfolio ministers as part of IP Australia's internal compliance reporting process in 2015–16.

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 2015–16 is in Appendix C1.

Management of human resources

In 2015–16, IP Australia continued to implement activities under its 10-point capability action plan, culminating in an evaluation of the activities to determine the ongoing areas of focus. The evaluation report will be finalised in 2016–17. Key recommendations of the evaluation will be considered to determine future organisational reform activities. Achievements during the reporting period included delivery of a new strategic plan, IP Australia's first strategic workforce plan, and a new learning and development strategy.

A new performance management framework was developed and implemented, complete with a comprehensive capability development campaign to ensure managers and staff were prepared and able to participate effectively in the new system. The agency continues to build and consolidate leadership capability and will focus on identifying and building talent through a formal programme over the next 12 months.

IP Australia's Enterprise Agreement 2011–2014 nominally expired on 30 June 2014. Negotiations on a new enterprise agreement formally commenced in May 2014 and are continuing. The terms and conditions prescribed in the 2011–2014 agreement will continue to apply until a new agreement is established.

IP Australia's workforce statistics are in Appendix C4.

Work health and safety

In 2015–16, IP Australia continued to prioritise matters related to work health and safety (WHS) and remained committed to providing a safe working environment for all workers (employees, contactors and others) and visitors. The agency has a strong commitment to meeting its obligations under the *Work Health and Safety Act 2011* and the *Safety, Rehabilitation and Compensation Act 1988*.

The First Aid Officers Committee, the Health and Safety Representative Committee and the WHS Committee facilitated effective communication on WHS matters. Recommendations from the WHS management system audit conducted in 2014–15 were a focus for WHS in 2015–16. To ensure the WHS management system continues to improve, IP Australia conducted an internal review using the Comcare National Audit Tool. The results from the review will set the WHS programme for 2016–17.

The agency delivered a number of health and wellbeing initiatives, including annual flu vaccinations, annual skin checks, annual health assessments, lunchtime health and wellbeing seminars, and awareness campaigns that aligned with national awareness days.

IP Australia continued to contribute to eye testing and optical correction services for eligible employees who perform significant screen-based work. Administration of the subsidy was in accordance with the agency's guide to allowances.

IP Australia also offered free counselling services to all employees and their immediate families through the Employee Assistance Programme. This service was also available to managers to assist them in supporting their employees.

Disability reporting mechanisms

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 will track progress against each of the six outcome areas of the strategy and present a picture of how people with disability are faring. These reports are available on the Department of Social Services website (www.dss.gov.au).

Purchasing

During 2015–16, IP Australia's centralised procurement and contracts team continued to ensure that all commitments entered into were consistent with the Commonwealth Procurement Rules and represented value for money for the Australian Government.

IP Australia's Accountable Authority Instructions require the use of purchase orders for all purchases of more than \$10 000. This assists in tracking commitments and meeting accountability requirements.

IP Australia's annual procurement plan is published on AusTender to provide prospective suppliers with advance knowledge of anticipated procurement opportunities for the next 12 months.

IP Australia supports small business participation in the Australian Government procurement market. Participation statistics are available on the Department of Finance website (www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts/).

From 2015–16, the information contained in the Senate Order report is available on AusTender (www.tenders.gov.au). The Senate Order report includes a list of all contracts valued at \$100 000 and above that were not fully performed or were entered into in the previous 12 months. All non-procurement contracts entered into during the relevant 12-month reporting period are published on the IP Australia website (www.ipaustralia.gov.au).

Consultants

During 2015–16, IP Australia entered into 38 new consultancy contracts with a total expenditure of \$3.4m (GST inclusive), and six ongoing consultancy contracts were active during the period with a total expenditure value of \$0.4m (GST inclusive).

IP Australia's policy on selecting and engaging consultants and approving expenditure takes into account all relevant legislation, the Commonwealth Procurement Rules and IP Australia's Accountable Authority Instructions. The procurement method is determined having regard to the cost, value for money and nature of the work involved.

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

The Director General did not exempt any contract let during 2015–16 from publication on AusTender on the basis that it would disclose exempt matters under the *Freedom of Information Act 1982*.

Grant programmes

Information on grants made by IP Australia during 2015–16 is available on the agency's website (www.ipaustralia.gov.au/about-us/accountability-and-reporting).

Information Publication Scheme

Under Part II of the *Freedom of Information Act 1982*, IP Australia is required to publish information to the public as part of the Information Publication Scheme. A plan showing the information IP Australia publishes in accordance with the scheme is available on the agency's website (www.ipaustralia.gov.au/about-us/accountability-and-reporting/freedom-information/information-publication-scheme).

Advertising and market research

IP Australia commissioned user research to inform the redevelopment of the agency's corporate website. This research sought to better understand the tasks and information searches that customers were undertaking via the IP Australia website and identify barriers or improvement opportunities. The research was conducted by Wunderman Bientalto from July to December 2015, and the payment was \$93 500 (GST inclusive).

To inform the development of the annual customer satisfaction survey, IP Australia commissioned qualitative research to better understand the drivers of satisfaction of its customers. The research was conducted by Colmar Brunton from April to May 2016, and the payment was \$49 258 (GST inclusive).

During 2015–16, IP Australia did not conduct any advertising campaigns.

Ecologically sustainable development and environmental performance

In accordance with section 516A of the *Environment Protection and Biodiversity Conservation Act 1999*, a detailed report on how IP Australia's activities accord with and contribute to the principles of ecologically sustainable development is in Appendix C5.



CHAPTER SEVENTEEN

IP Australia financial statements



INDEPENDENT AUDITOR'S REPORT

To the Minister for Industry, Innovation and Science

I have audited the accompanying annual financial statements of IP Australia for the year ended 30 June 2016, which comprise:

- 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 and forming part of the Financial Statements, including significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements of IP Australia:

- (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 IP Australia as at 30 June 2016 and its financial performance and cash flows for the year then ended.

Accountable Authority's Responsibility for the Financial Statements

The Director General of IP Australia is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act and 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

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

Independence

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

Australian National Audit Office

A handwritten signature in black ink, appearing to read 'Ron Wah', with a stylized, cursive script.

Ron Wah
Audit Principal

Delegate of the Auditor-General

Canberra
29 September 2016

IP Australia

STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2016 comply with subsection 42(2) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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



Fatima Beattie
Accountable Authority

28 September 2016



Doug Pereira
Chief Financial Officer

28 September 2016

IP AUSTRALIA

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IP AUSTRALIA
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2016

		2016	2015	Original Budget ¹
		\$'000	\$'000	\$'000
NET COST OF SERVICES				
Expenses				
Employee Benefits	1.1A	124,973	116,086	124,357
Suppliers	1.1B	53,898	48,717	49,245
Depreciation and amortisation	2.2B	16,242	14,778	16,045
Finance costs - Unwinding of discount	2.5B	5	7	-
Write-down and impairment of assets - Intangibles	2.2B	8	6	-
Losses from asset sales		118	-	-
Total expenses		195,244	179,594	189,647
Own-Source Income				
Own-source revenue				
Sale of goods and rendering of services	1.2A	197,390	188,801	187,381
Resources received free of charge - Remuneration of auditors		140	140	174
Total own-source revenue		197,530	188,941	187,555
Gains				
Gains from sales of assets		-	38	-
Total gains		-	38	-
Total own-source income		197,530	188,979	187,555
Net contribution by (cost) / services		2,286	9,385	(2 092)
Revenue from Government		2,111	2,302	2,192
Surplus attributable to the Australian Government		4,397	11,687	100
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation reserve		(32)	-	-
Total other comprehensive income		(32)	-	-
Total comprehensive income attributable to the Australian Government		4,365	11,687	100

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

1. Budget reported in the 2015-16 Portfolio Budget Statements published in May 2015.
 Explanations of major variances are provided in Note 1.

IP AUSTRALIA
STATEMENT OF FINANCIAL POSITION
as at 30 June 2016

		2016	2015	Original Budget ¹
		\$'000	\$'000	\$'000
ASSETS				
Financial assets				
Cash and cash equivalents - Special account		1,317	710	1,500
Trade and other receivables	2.1A	101,151	99,416	85,228
Total financial assets		102,468	100,126	86,728
Non-financial assets				
Prepayments	2.2A	3,853	4,606	3,951
Leasehold improvements	2.2B	13,277	15,258	12,480
Property, plant and equipment	2.2B	8,859	8,579	5,526
Intangibles	2.2B	68,252	60,055	70,413
Total non-financial assets		94,241	88,498	92,370
Total assets		196,709	188,624	179,098
LIABILITIES				
Payables				
Suppliers	2.4A	21,424	18,660	17,880
Other payables	2.4B	19,570	23,243	22,300
Total payables		40,994	41,903	40,180
Provisions				
Employee provisions	2.5A	40,344	35,752	37,327
Provision for restoration obligation	2.5B	246	209	218
Total provisions		40,590	35,961	37,545
Total liabilities		81,584	77,864	77,725
Net assets		115,125	110,760	101,373
EQUITY				
Contributed equity		5,608	5,608	5,608
Reserves		9,099	9,131	9,131
Retained surplus		100,418	96,021	86,634
Total equity		115,125	110,760	101,373

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

1. Budget reported in the 2015-16 Portfolio Budget Statements published in May 2015.
 Explanations of major variances are provided in Note 1.

IP AUSTRALIA
STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2016

	Retained earnings			Asset revaluation reserve			Contributed equity			Total equity		
	2016	2015	Original Budget ¹	2016	2015	Original Budget ¹	2016	2015	Original Budget ¹	2016	2015	Original Budget ¹
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	96,021	84,334	86,534	9,131	9,131	9,131	5,608	5,608	5,608	110,760	99,073	101,273
Comprehensive income												
Surplus for the period	4,397	11,687	100	-	-	-	-	-	-	4,397	11,687	100
Other comprehensive income - changes in asset revaluation surplus	-	-	-	(32)	-	-	-	-	-	(32)	-	-
Total comprehensive income	4,397	11,687	86,634	(32)	-	-	-	-	-	4,365	11,687	100
Closing balance as at 30 June	100,418	96,021	86,634	9,099	9,131	9,131	5,608	5,608	5,608	115,125	110,760	101,373

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

1. Budget reported in the 2015-16 Portfolio Budget Statements published in May 2015.
 Explanations of major variances are provided in Note 1.

IP AUSTRALIA
CASH FLOW STATEMENT
for the period ended 30 June 2016

		2016	2015	Original Budget ¹
		\$'000	\$'000	\$'000
OPERATING ACTIVITIES				
Cash received				
Appropriations		2,111	2,302	2,192
Sales of good and rendering of services		197,050	186,710	186,676
Net GST received		5,837	5,550	5,410
Cash from Official Public Account		-	-	6,210
Total cash received		204,998	194,562	200,488
Cash used				
Employees		(123,094)	(114,810)	(122,855)
Suppliers		(57,233)	(57,889)	(55,083)
Cash transferred to the Official Public Account		(1,200)	(1,000)	-
Total cash used		(181,527)	(173,699)	(177,938)
Net cash from operating activities	3.4	23,471	20,863	22,550
INVESTING ACTIVITIES				
Cash received				
Proceeds from sales of property, plant and equipment		61	42	30
Total cash received		61	42	30
Cash used				
Purchase of property, plant and equipment	2.2B	(3,804)	(5,921)	(22,580)
Purchase of intangibles	2.2B	(19,121)	(15,361)	-
Total cash used		(22,925)	(21,282)	(22,580)
Net cash used by investing activities		(22,864)	(21,240)	(22,550)
FINANCING ACTIVITIES				
Net cash from financing activities		-	-	-
Net decrease in cash held		607	(377)	-
Cash and cash equivalents at the beginning of the reporting period		710	1,087	1,500
Cash and cash equivalents at the end of the reporting period		1,317	710	1,500

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

1. Budget reported in the 2015-16 Portfolio Budget Statements published in May 2015.
 Explanations of major variances are provided in Note 1.

IP AUSTRALIA

Overview

Objectives of IP Australia

IP Australia is an Australian Government controlled entity. It is a not-for-profit entity. The objective of IP Australia is to contribute to the improvement of Australian and international IP systems and thereby support Australia's economic development through the provision and administration of intellectual property rights.

IP Australia is structured to meet one outcome: increased innovation, investment and trade in Australia, and by Australians overseas, through the administration of the registrable intellectual property rights system, promoting public awareness and industry engagement, and advising government.

IP Australia's activities contributing toward the outcome are classified as departmental. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by IP Australia in its own right.

Departmental activities are identified under three programs:

- Program 1.1 - IP Rights Administration and Professional Registration;
- Program 1.2 - Awareness, Education and International Engagement; and
- Program 1.3 - Advice to Government.

IP Australia operates on a cost recovery basis, funding its operations almost entirely through revenues raised from charges for intellectual property services. Appropriation is received in relation to notional interest paid against the balance of the IP Australia Special Account. The use of a Special Account, established under the *Public Governance, Performance and Accountability Act 2013*, enables IP Australia to fund its operations from the revenue received from charges for intellectual property services.

The Basis of Preparation of the Financial Statements

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

The financial statements have been prepared in accordance with:

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

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

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

New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

All new and amending standards or interpretations applicable to the current financial year did not have a material effect on IP Australia's financial statements.

IP Australia has adopted AASB 2015-7 earlier than the application date as stated in the standard in 2014-15 financial year. This standard exempts not-for-profit public sector entities from disclosing the fair value measurement of property, plant and equipment assets which are primarily held for internal or policy use, rather than to generate future net cash flows.

IP AUSTRALIA

Overview

Future Australian Accounting Standard Requirements

All new and amending standards or interpretations (including AASB 124 Related Party Disclosures and AASB 16 Leases) that have been issued by the Australian Accounting Standards Board and are effective for future reporting periods will be adopted when effective if they are expected to have a material effect on IP Australia's financial statements for future reporting periods.

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.

Contingent Liabilities and Contingent Assets

IP Australia had no quantifiable or unquantifiable contingent liabilities or assets at 30 June 2016 (2014-15: nil).

Reporting of Outcomes

All IP Australia's expenses, revenues, assets and liabilities are for the one outcome and are reflected in the financial statements.

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 2016*

IP Australia considers that major variances are those:

- Variance between budget and actuals is greater than 10% of the original estimate or
- An item below this threshold but is considered important for the reader's understanding or is relevant to an assessment of the discharge of accountability and to an analysis of performance of IP Australia.

Where a budget has not been provided for in the PBS, for example non-cash items such as sale of asset adjustments and finance cost, for these items no explanation has been provided unless the variance is considered to be 'major'.

The Budget is not audited.

STATEMENT OF COMPREHENSIVE INCOME**Sale of goods and rendering of services**

Variance to budget is primarily due to greater than expected Trade Mark Madrid applications, registrations & renewals. Patent application & international patent application revenue was also above budget.

Suppliers

With increased revenue, IP Australia took the opportunity to complete a number of initiatives including the digitisation of IP Right's journals, the development of online training modules for trade mark examiners, undertake a review into the Trade Mark head start service and the roll out of a number of learning and development programs.

STATEMENT OF FINANCIAL POSITION**Trade and other receivables**

Special Account Receivable ended the year above budget as a result of the growth in sale of goods and rendering of services.

Property, plant and equipment

Variance reflects increased investment in computer and office equipment not budgeted.

Suppliers

The supplier estimate for 2015-16 was established before the end of the 2014-15 financial year. The variance to budget is primarily the result of unanticipated movements at the end of last financial year.

Other payables

The variance is primarily related to unearned revenue liability which ended the year below plan as a result of reduction in Trademark registration combined with accrual salary at the end of the financial year is lower than budgeted amount.

Employee provision

Employee provision is higher than budget due to a decrease in the discount rate for long service leave at 30 June 2016, coupled with ending the financial year with more average staffing level than planned.

CASHFLOW STATEMENT**Cash from/transferred to Official Public Account**

The variance reflects the net movement of cash from/transferred to Official Public Account. This was a result of an increase in sales of goods and rendering of services revenue, thus drawdown was not required as budgeted.

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Financial Performance

Note 1.1: Expenses	2016	2015
	\$'000	\$'000
Note 1.1A: Employee Benefits		
Wages and salaries	93,612	88,450
Superannuation:		
Defined contribution plans	9,061	7,831
Defined benefit plans	8,357	8,142
Leave and other entitlements	13,164	10,859
Separation and redundancies	779	804
Total employee benefits	124,973	116,086

Accounting Policy

Accounting policies for employee related expenses is contained in note 2.5.

Note 1.1B: Suppliers

Goods and services supplied or rendered		
Contractors & Consultants	12,450	8,704
Travel	1,817	1,614
Communication & IT Services	15,001	13,639
Administrative Services	10,754	10,678
Subscription to World Intellectual Property Organisation	942	964
Total goods and services supplied or rendered	40,964	35,599
Goods supplied	516	439
Services rendered	40,448	35,160
Total goods and services supplied or rendered	40,964	35,599
Other suppliers		
Operating lease rentals in connection with		
Minimum lease payments	10,799	10,806
Workers compensation expenses	2,135	2,312
Total other suppliers	12,934	13,118
Total suppliers	53,898	48,717

Leasing commitments

IP Australia's lease payment commitments are primarily for accommodation of office space in Canberra and Melbourne.

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

Within 1 year	12,952	12,554
Between 1 to 5 years	54,062	53,381
More than 5 years	17,101	30,805
Total operating lease commitments	84,115	96,740

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

	2016	2015
	\$'000	\$'000

Note 1.2A: Sale of Goods and Rendering of Services**Sale of goods and rendering of services**

Patent fees	122,149	118,603
Trade Mark fees	69,099	64,245
Design fees	3,477	3,537
Plant Breeders Rights fees	1,306	1,319
Other goods and services	1,359	1,097
Total sale of goods and rendering of services	197,390	188,801

Sale of goods and rendering of services are made up of

Provision of goods	542	590
Rendering of services	196,848	188,211
Total sale of goods and rendering services	197,390	188,801

Accounting Policy

Revenue from the sale of goods is recognised when:

- a) the risks and rewards of ownership have been transferred to the buyer;
- b) IP Australia retains no managerial involvement nor effective control over the goods;
- c) the revenue and transaction costs incurred for the transaction can be reliably measured; and
- d) it is probable that the economic benefits associated with the transaction will flow to IP Australia.

Revenue from rendering of services is recognised by reference to the stage of completion of 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 benefits associated with the transaction will flow to the entity.

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. (Refer Note 2.4B)

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Financial Position

Note 2.1: Financial Assets

	2016	2015
	\$'000	\$'000

Note 2.1A: Trade and Other Receivables

Trade receivable	733	471
Special Account receivables (held as cash in OPA)	98,975	97,775
GST receivable from the Australian Taxation Office	1,443	1,141
Other receivables	-	29
Total trade and other receivables	101,151	99,416

Trade and other receivables are expected to be recovered

No more than 12 months	26,842	22,641
More than 12 months	74,309	76,775
Total trade and other receivables	101,151	99,416

Trade and other receivables aged as follows

Not overdue	101,116	99,407
Overdue by:		
0 to 30 days	35	7
31 to 60 days	-	2
61 to 90 days	-	-
More than 90 days	-	-
Total trade and other receivables	101,151	99,416

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 (2014-15: 30 days).

Note 2.2: Non- Financial Assets

	2016	2015
	\$'000	\$'000

Note 2.2A: Prepayments

Expected to be recovered no more than 12 months	3,671	4,259
Expected to be recovered more than 12 months	182	347
Total Prepayments	3,853	4,606

No indicators of impairment were found for prepayments.

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 2.2: Non- Financial Assets

Note 2.2B: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles 2016

	Leasehold Improvements \$'000	Property, plant & equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total Intangibles \$'000	Total \$'000
As at 1 July 2015						
Gross book value	19,477	13,839	106,563	15,535	122,098	155,414
Accumulated depreciation and impairment	(4,219)	(5,260)	(52,198)	(9,845)	(62,043)	(71,522)
Net book value 1 July 2015	15,258	8,579	54,365	5,690	60,055	83,892
Additions - by purchase or Internally developed	235	3,569	18,672	449	19,121	22,925
Depreciation/Amortisation expense	(2,216)	(3,110)	(9,321)	(1,595)	(10,916)	(16,242)
Disposals and write down of intangibles	-	(179)	(8)	-	(8)	(187)
Total as at 30 June 2016	13,277	8,859	63,708	4,544	68,252	90,388
Total as at 30 June 2016 represented by:						
Gross book value	19,712	16,318	122,183	15,504	137,687	173,717
Accumulated depreciation and impairment	(6,435)	(7,459)	(58,475)	(10,960)	(69,435)	(83,329)
Total as at 30 June 2016	13,277	8,859	63,708	4,544	68,252	90,388

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

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

All revaluations were conducted in accordance with the revaluation policy.

Reconciliation of the opening and closing balances of property, plant and equipment and intangibles 2015

	Leasehold Improvements \$'000	Property, plant & equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total Intangibles \$'000	Total \$'000
As at 1 July 2014						
Gross book value	18,349	9,829	93,847	13,451	107,298	135,476
Accumulated depreciation and impairment	(2,252)	(3,351)	(44,122)	(8,354)	(52,476)	(58,079)
Net book value 1 July 2014	16,097	6,478	49,725	5,097	54,822	77,397
Additions - by purchase or Internally developed	1,223	4,698	14,755	606	15,361	21,282
Depreciation/Amortisation expense	(2,062)	(2,594)	(8,464)	(1,658)	(10,122)	(14,778)
Other movements:						
transfers	-	-	(1,651)	1,651	-	-
Disposals and write down of intangibles	-	(3)	-	(6)	(6)	(9)
Total as at 30 June 2015	15,258	8,579	54,365	5,690	60,055	83,892
Total as at 30 June 2015 represented by:						
Gross book value	19,477	13,839	106,563	15,535	122,098	155,414
Accumulated depreciation and impairment	(4,219)	(5,260)	(52,198)	(9,845)	(62,043)	(71,522)
Total as at 30 June 2015	15,258	8,579	54,365	5,690	60,055	83,892

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 (2014-15: \$20,000) and computer equipment costing less than \$1,000 (2014-15: \$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 (2014-15: \$5,000).

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

Revaluations

Following initial recognition at cost, property, plant and equipment were carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations were conducted with sufficient frequency to ensure that the carrying amounts of assets did not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets. The most recent formal independent valuation was conducted by the former Australian Valuation Office as at 30 June 2013. Desktop materiality assessment was conducted as at 30 June 2016.

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

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to IP Australia using, in all cases, the straight-line method of depreciation. Leasehold improvements are depreciated on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

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

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

	2016	2015
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 2016. 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 (2014-15: 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 (2014-15: \$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 (2014-15: \$200,000).

All software assets were assessed for indications of impairment as at 30 June 2016.

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 2.3: Fair Value Measurements

The following tables provide an analysis of assets and liabilities that are measured at fair value. The remaining assets and liabilities disclosed 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 IP Australia 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: Unobservable inputs for the asset or liability.

Note 2.3A: 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 2016

	Fair value measurements at the end of the reporting period			For Levels 2 and 3 fair value
	2016 \$'000	2015 \$'000	Category (Level 1, 2 or 3)	Valuation technique(s)
Non-financial assets				
Recurring				
Leasehold improvements	13,277	15,258	3	Depreciated Replacement Cost (DRC)
Property, plant and equipment	4,258	2,810	2	Market Approach
Property, plant and equipment	4,601	5,505	3	Depreciated Replacement Cost (DRC)
Total fair value measurements of assets in the statement of financial position	22,136	23,573		

Accounting Policy

IP Australia's assets are held for operational purposes and not held for the purpose of deriving a profit. The highest and best assets are the same as their current use.

IP Australia's valuation methodologies for its non-financial assets are provided by its independent valuer Australian Valuation Solutions (AVS) which have been developed in accordance with AASB 13 Fair Value Measurement.

IP Australia tests the procedures of the valuation model as an internal asset materiality review at least once every 12 months (with a formal revaluation undertaken once every four 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 the timing of the last valuation.

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, IP Australia's leasehold improvements that were purposed-built and some specialised plant and equipment may in fact realise more or less in the market.

Note 2.3B: Reconciliation for Recurring Level 3 Fair Value Measurements**Recurring Level 3 fair value measurements - reconciliation for assets**

	Non-financial assets	
	Property, Plant and Equipment	
	2016	2015
	\$'000	\$'000
As at 1 July¹	5,505	3,601
Total gains/(losses) recognised in net cost of services ²	(1,729)	(1,377)
Purchases	1,013	3,021
Disposals	(149)	-
Transfers into Level 3 ³	117	269
Transfers out of Level 3 ⁴	(156)	(9)
Total as at 30 June	4,601	5,505

1. Open balance as determined in accordance with AASB 13.

2. These gains/(losses) are presented in the Statement of Comprehensive Income under Depreciation and Amortisation in Note 2.2B.

3. There have been eight transfers of property, plant and equipment asset fair value measurements into level 3 due to changes in the valuation technique from a market approach to DRC.

4. There has been five transfer out of level 3.

Accounting policy

IP Australia deems transfers between the levels of the fair value hierarchy to have occurred at the end of the reporting period.

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 2.4: Payables

	2016	2015
	\$'000	\$'000
Note 2.4A: Suppliers		
Trade creditors and accruals	12,353	9,405
Operating lease rentals	9,071	9,255
Total suppliers	21,424	18,660
Suppliers expected to be settled		
No more than 12 months	12,885	9,609
More than 12 months	8,539	9,051
Total Suppliers	21,424	18,660

Settlement is usually made within 30 days.

	2016	2015
	\$'000	\$'000
Note 2.4B: Other Payables		
Unearned revenues		
Patents fees	7,823	8,187
Trade Marks fees	6,570	6,500
Designs fees	113	179
Plant Breeders Rights fees	1,077	1,062
Total unearned revenues	15,583	15,928
Other unearned income	494	298
Lease incentives	2,293	2,660
Salary and wages	533	3,656
Superannuation	65	544
Separations and redundancies	589	157
Other	13	-
Total other payables	19,570	23,243
Other payables expected to be settled		
No more than 12 months	14,039	18,170
More than 12 months	5,531	5,073
Total other payables	19,570	23,243

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 2.5: Provisions

	2016	2015
	\$'000	\$'000

Note 2.5A: Employee Provisions

Leave	36,692	32,810
Superannuation on-cost	3,652	2,942
Total employee provisions	40,344	35,752

Employee provisions are expected to be settled

No more than 12 months	12,454	11,224
More than 12 months	27,890	24,528
Total employee provisions	40,344	35,752

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 for the final fortnight of the year.

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 2.5B: Provision for Restoration Obligation

	Provision for restoration obligations \$'000
As at 1 July 2015	209
Additional provisions made	32
Unwinding of discount	5
Total as at 30 June 2016	246

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

Provision for restoration obligation is expected to be settled in more than 12 months.

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 2.6: Financial Instruments

	Notes	2016 \$'000	2015 \$'000
Note 2.6A: Categories of Financial Instruments			
Financial Assets			
Loans and receivables			
Cash and cash equivalents		1,317	710
Trade and other receivables	2.1A	733	471
Total financial assets		2,050	1,181
Financial Liabilities			
Financial liabilities measured at amortised cost			
Trade creditors	2.4A	12,353	9,405
Total financial liabilities		12,353	9,405

There was no income and expense from financial assets and financial liabilities in the year ending 2016 (2014-15: nil).

Note 2.6B: Credit Risk

IP Australia is exposed to minimal credit risk in relation to potential debtor default. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables (2016: \$732,698 and 2015: \$471,249). IP Australia has assessed the risk of the default on payment and provides for this risk through the recognition of an impairment allowance where necessary. The value of financial assets considered impaired in 2016 was nil (2014-15: nil).

IP Australia manages its debtors by undertaking recovery processes for those receivables which are considered to be overdue. The risk of overdue debts arising is negated through the implementation of credit assessments on potential customers. IP Australia holds no collateral to mitigate against credit risk. IP Australia's credit risk profile has not changed from the prior financial year.

Note 2.6C: Liquidity Risk

IP Australia analyses measures of liquidity such as the relationship between current assets and current liabilities. Such processes, together with the application of full cost recovery, ensures that at any point in time IP Australia has appropriate resources available to meet its financial obligations as and when they fall due. IP Australia manages liquidity risk by ensuring all financial liabilities are paid in accordance with terms and conditions on demand. IP Australia's liquidity risk profile has not changed from the prior financial year.

Note 2.6D: Market Risk

IP Australia holds basic financial instruments that do not expose the Entity to certain market risks. IP Australia's market risk profile has not changed from the prior financial year. IP Australia is exposed to 'Currency risk' however this risk is managed through regular fee reviews. IP Australia is not exposed to 'Other price risk'.

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 2016

	Appropriation Act		PGPA Act		Total appropriation \$'000	Appropriation applied in 2016 (current and prior years) \$'000	Variance ² \$'000
	Annual Appropriation ¹	AFM	Section 74	Section 75			
	\$'000	\$'000	\$'000	\$'000			
DEPARTMENTAL							
Ordinary annual services	2,111	-	-	-	2,111	2,111	-
Total departmental	2,111	-	-	-	2,111	2,111	-

Annual Appropriations for 2015

	Appropriation Act		FMA Act		Total appropriation \$'000	Appropriation applied in 2015 (current and prior years) \$'000	Variance \$'000
	Annual Appropriation ¹	AFM	Section 74	Section 75			
	\$'000	\$'000	\$'000	\$'000			
DEPARTMENTAL							
Ordinary annual services	2,302	-	-	-	2,302	2,302	-
Total departmental	2,302	-	-	-	2,302	2,302	-

Appropriations received under ordinary annual services are sourced from Appropriation Acts (Nos. 1 & 3)

1. Departmental appropriation amount of \$81,076 relating Public Sector Superannuation Accumulation Plan (PSSAP) administration fees, has been withheld as a result of a formal reduction in accordance with section 51 of the Public Governance, Performance and Accountability Act 2013 (PGPA Act).

2. In 2015-16, there were no variances.

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 3.2: Special Accounts

	Intellectual Property Special Account ¹		Services for Other Entities and Trust Moneys World Intellectual Property Organisation ²		Services for Other Entities and Trust Moneys - Security of Costs ²		Service for Other Entities and Trust Moneys - Comcare ²	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance brought forward from previous period	98,485	97,862	360	551	56	63	-	8
Increases:								
Appropriation credited to special account	2,111	2,302	-	-	-	-	-	-
Costs recovered	196,960	186,633	-	-	-	-	-	-
Receipts on behalf of WIPO	-	-	6,010	8,432	-	-	-	-
Other receipts	61	42	-	-	4	10	409	416
Total increases	199,132	188,977	6,010	8,432	4	10	409	416
Available for payments	297,617	286,839	6,370	8,983	60	73	409	424
Decreases:								
Departmental								
Payments made to suppliers	(74,231)	(73,544)	-	-	-	-	-	-
Payments made to employees	(123,094)	(114,810)	-	-	-	-	-	-
Money held for non-Commonwealth Party	-	-	(5,945)	(8,623)	(12)	(17)	(409)	(424)
Total departmental decreases	(197,325)	(188,354)	(5,945)	(8,623)	(12)	(17)	(409)	(424)
Total balance carried to the next period	100,292	98,485	425	360	48	56	0	-

1. Appropriation: Public Governance and Performance and Accountability Act 2013: s78

Establishing Instrument: Financial Management and Accountability Determination 2006/66

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 and 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

	2016 \$'000	2015 \$'000
Amounts applied		
Departmental		
Annual appropriations	2,111	2,302
Own source revenue	196,960	186,633
Total amounts applied	199,071	188,935
Expenses		
Departmental	195,244	179,594
Total Expenses	195,244	179,594
External Revenue		
Departmental	197,390	188,801
Total External Revenues	197,390	188,801

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 Impact Statement/s) for the above activities is available at
www.ipaustralia.gov.au/about-us/what-we-do/reports/cost-recovery-impact

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 3.4: Cash Flow Reconciliation

	2016	2015
	\$'000	\$'000
Reconciliation of cash and cash equivalents as per statement of financial position to cash flow statement		
Reconciliation of net cost of services to net cash from / (used by) operating activities		
Net contribution of services	2,286	9,385
Revenue from Government	2,111	2,302
Cash transferred to the Official Public Account	(1,200)	(1,000)
Adjustments for non-cash items		
Depreciation / amortisation	16,242	14,778
Net write down of non-financial assets	8	6
Loss/(Gain) on disposal of assets	118	(38)
Finance Cost	5	7
Movements in assets / liabilities		
Assets		
(Increase) in net receivables	(534)	(151)
Decrease/ (Increase) in other non-financial assets	752	(444)
Liabilities		
Increase in employee provisions	4,592	1,356
Increase/ (Decrease) in suppliers payables	2,764	(2,887)
(Decrease) in other payables	(3,673)	(2,451)
Net cash from operating activities	23,471	20,863

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Other Items

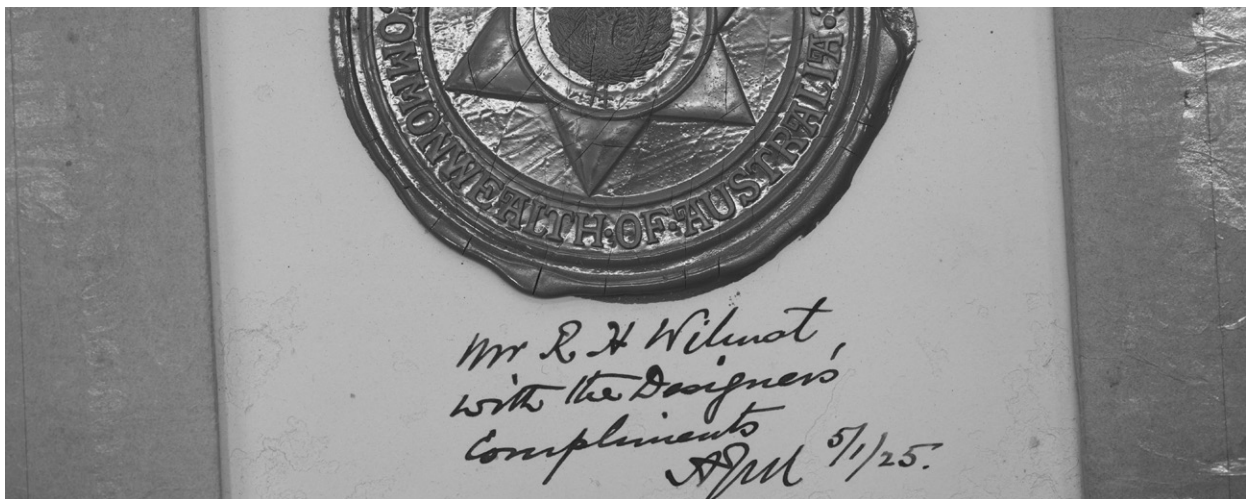
Note 4.1: Senior Management Personnel Remuneration

	2016	2015
	\$	\$
Short-term employee benefits		
Salary	2,557,522	1,750,575
Performance bonuses	35,350	32,000
Motor vehicle and other allowances ¹	33,172	237,556
Total short-term employee benefits	<u>2,626,044</u>	<u>2,020,131</u>
Post-employment benefits		
Superannuation	443,417	310,826
Total post-employment benefits	<u>443,417</u>	<u>310,826</u>
Other long-term employee benefits		
Annual leave	213,313	146,545
Long-service leave	69,967	48,257
Total other long-term employee benefits	<u>283,280</u>	<u>194,802</u>
Total senior executive remuneration expenses	<u>3,352,741</u>	<u>2,525,759</u>

Notes:

1. Includes motor vehicles and parking.

The total number of senior management personnel that are included 13 individuals. (2015: There were 11 senior management personnel).



CHAPTER EIGHTEEN

IP Australia appendices

Appendix C1: Appeals of decisions

Commissioner of Patents

Commissioner of Patents v RPL Central Pty Ltd [2015] FCAFC 177; *RPL Central Pty Ltd v Commissioner of Patents* [2016] HCASL 84: IP Australia found that claims to an online method for collecting evidence of skills and knowledge to meet a recognised qualification standard were not patent eligible. RPL's appeal was successful in the first instance, but the Full Federal Court upheld IP Australia's decision and special leave to appeal was refused by the High Court.

Alphapharm Pty Ltd v H Lundbeck A/S [2015] FCAFC 138; *Alphapharm Pty Ltd & Ors v H Lundbeck A/S* [2016] HCATrans 52: IP Australia granted Lundbeck a pharmaceutical extension of term for its Escitalopram patent 623144. The Full Federal Court upheld IP Australia's decision and the High Court refused special leave to appeal.

Other significant decisions in 2015–16 included *D'Arcy v Myriad Genetics Inc.* [2015] HCA 35: The High Court found, contrary to the decision of the Full Federal Court, that claims directed to isolated nucleic acid coding for a mutant or polymorphic BRCA1 polypeptide were not patent eligible.

Registrar of Trade Marks

In 2015–16, there were 24 appeals from decisions of the Registrar of Trade Marks (involving 38 trade marks). Of those, 22 were to the Federal Court, one to the Federal Circuit Court and one to the Administrative Appeals Tribunal. Twelve of the appeals were finalised during the year, including the matters before the Federal Circuit Court and the Administrative Appeals Tribunal. A further 10 initiated prior to July 2015 were also finalised in 2015–16.

The decisions of the courts validated the decisions made by the Australian Trade Marks Office and provided further clarification of the law. In *Qantas Airways Limited v Edwards* [2016] FCA 729, the Federal Court dismissed an appeal by Qantas Airways Limited against the decision of the Registrar, because the applicant's trade mark was not so closely similar to Qantas' trademarks that it was likely to deceive or confuse the consumer.

In *Buchanan Turf Supplies Pty Ltd v Registrar of Trade Marks* [2015] FCA 756, the Federal Court affirmed the Registrar's decision that the trade mark could not proceed to acceptance unless the applicant applied for a deletion of the class for plants from the application because 'Sir Walter' was also the name of a registered plant variety (a type of buffalo grass) that held a plant breeder's rights grant at the date of filing. As a result, the court concluded that the 'Sir Walter' trade mark was incapable of distinguishing the designated goods from the goods of other traders.

Appendix C2: Entity resource statement

Table 67: Entity resource statement, 2015–16

		Actual available appropriation for 2015–16 \$'000	Payments made 2015–16 \$'000	Balance remaining 2015–16 \$'000
<i>1. Ordinary annual services</i>				
Departmental appropriation				
• Departmental appropriation ¹		2111	2111	-
• Total		2111	2111	-
Total ordinary annual services	A	2111	2111	-
<i>2. Other services</i>				
Departmental non-operating				
• Equity injections				
• Total				
Total other services	B			
Total available annual appropriations		2111	2111	-
<i>3. Special appropriations</i>				
• Total special appropriations	C			
• Total appropriations excluding Special Accounts		2111	2111	-
<i>Special Accounts</i>				
• Opening balance		98 485		
• Appropriation receipts ²		2111		
• Non-appropriation receipts to Special Accounts		197 021		
• Payments made			197 325	
Total Special Account	D	297 617	197 325	100 292
<i>Total resourcing</i>				
• A+B+C+D		299 728	199 436	
• Less appropriations drawn from annual or special appropriations above and credited to special accounts		2111	2111	-
Total net resourcing for IP Australia		297 617	197 325	

1 Appropriation Act (No. 1) 2015–16.

2 Appropriation receipts from IP Australia annual appropriations for 2015–16 included above.

Appendix C3: Expenses and resources for Outcome 1

Table 68: Expenses and resources for 2015–16

Outcome 1: Increased innovation, investment and trade in Australia, and by Australians overseas, through the administration of the registrable intellectual property rights system, promoting public awareness and industry engagement, and advising government	Budget 2015–16 \$'000	Actual 2015–16 \$'000	Variation 2015–16 \$'000
<i>Programme 1.1: IP Rights Administration and Professional Registration</i>			
• Departmental expenses			
• Departmental appropriation			
• Special appropriations			
• Special accounts	177 352	179 998	2646
• Expenses not requiring appropriation in the budget year	174	140	-34
Total for Programme 1.1	177 526	180 138	2612
<i>Programme 1.2: Awareness, Education and International Engagement</i>			
• Departmental expenses			
• Departmental appropriation			
• Special appropriations			
• Special accounts	6034	8407	2373
• Expenses not requiring appropriation in the budget year			
Total for Programme 1.2	6034	8407	2373
• Programme 1.3: Advice to Government			
• Departmental expenses			
• Departmental appropriation	2192	2111	-81
• Special appropriations			
• Special accounts	3895	4588	693
• Expenses not requiring appropriation in the budget year			
Total for Programme 1.3	6087	6699	612
<i>Outcome 1 totals by appropriation type</i>			
• Departmental expenses			
• Departmental appropriation	2192	2111	-81
• Special appropriations			
• Special accounts	187 281	192 993	5712
• Expenses not requiring appropriation in the budget year	174	140	-34
Total expenses for Outcome 1	189 647	195 244	5597
Average staffing level (number)	1054	1038	-16

Appendix C4: Workforce statistics

Table 69: Employment arrangements for ongoing and non-ongoing employees, by classification, 30 June 2016, IP Australia

Classification	Employment arrangement		Salary range	
	Enterprise agreement	Individual flexibility arrangement	Minimum (\$)	Maximum (\$)
APS 1	0	0	43 549	48 312
APS 2	1	0	50 087	54 841
APS 3	8	0	56 307	61 105
APS 4	168	1	62 653	67 909
APS 5	86	9	69 764	74 761
APS 6	571	166	76 189	86 548
EL 1	256	80	95 631	107 632
EL 2	75	25	113 086	131 830
Total	1165	281		

APS = Australian Public Service; EL = Executive Level

Note: Senior Executive Service employment arrangements are included in Department of Industry, Innovation and Science data (Table 20 in Chapter 6) to ensure non-identification of individual recipients.

Table 70: Performance payments from 1 July 2015 to 30 June 2016, non-SES, IP Australia

Classification	No. of recipients	Aggregate (\$)	Average (\$)	Bonus payment	
				Minimum (\$)	Maximum (\$)
APS 1–6	42	291 984	6952	20	28 700
EL 1	13	101 975	7844	2012	12 124
EL 2	72	562 586	7814	1492	14 501
Total	127	956 545			

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 21 in Chapter 6) to ensure non-identification of individual recipients.

Table 71: Ongoing employees, by classification and gender, 30 June 2015 and 30 June 2016, IP Australia

Classification	Female		Male		Total	
	2015	2016	2015	2016	2015	2016
APS 2	1	1	0	0	1	1
APS 3	0	0	6	3	6	3
APS 4	99	97	48	57	147	154
APS 5	57	57	25	23	82	80
APS 6	201	223	340	343	541	566
EL 1	96	97	139	153	235	250
EL 2	28	27	46	48	74	75
SES Band 1	3	3	5	5	8	8
SES Band 2	1	2	0	0	1	2
SES Band 3	1	1	0	0	1	1
Total	487	508	609	632	1096	1140

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

Table 72: Non-ongoing employees, by classification and gender, 30 June 2015 and 30 June 2016, IP Australia

Classification	Female		Male		Total	
	2015	2016	2015	2016	2015	2016
APS 3	1	2	0	3	1	5
APS 4	0	7	0	7	0	14
APS 5	0	3	0	3	0	6
APS 6	2	3	2	2	4	5
EL 1	1	2	3	4	4	6
EL 2	0	0	1	0	1	0
SES Band 1	0	0	0	0	0	0
SES Band 2	0	0	0	0	0	0
SES Band 3	0	0	0	0	0	0
Total	4	17	6	19	10	36

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

Table 73: Ongoing and non-ongoing employees, by classification and gender, 30 June 2015 and 30 June 2016, IP Australia

Classification	Female		Male		Total	
	2015	2016	2015	2016	2015	2016
APS 2	1	1	0	0	1	1
APS 3	1	2	6	6	7	8
APS 4	99	104	48	64	147	168
APS 5	57	60	25	26	82	86
APS 6	203	226	342	345	545	571
EL 1	97	99	142	157	239	256
EL 2	28	27	47	48	75	75
SES Band 1	3	3	5	5	8	8
SES Band 2	1	2	0	0	1	2
SES Band 3	1	1	0	0	1	1
Total	491	525	615	651	1106	1176

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

Table 74: Ongoing and non-ongoing employees, by full-time or part-time status, 30 June 2015 and 30 June 2016, IP Australia

Attendance type	Ongoing		Non-ongoing		Total	
	2015	2016	2015	2016	2015	2016
Full-time	965	1010	7	32	972	1042
Part-time	131	130	3	4	134	134
Total	1096	1140	10	36	1106	1176

Table 75: Ongoing and non-ongoing employees, by location, 30 June 2015 and 30 June 2016, IP Australia

Location	Ongoing		Non-ongoing		Total	
	2015	2016	2015	2016	2015	2016
ACT	1004	1042	10	36	1014	1078
NSW	23	25	0	0	23	25
Vic.	50	53	0	0	50	53
Qld	10	10	0	0	10	10
SA	6	6	0	0	6	6
WA	2	2	0	0	2	2
Tas.	1	1	0	0	1	1
NT	0	1	0	0	0	1
Total	1096	1140	10	36	1106	1176

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

Table 76: Indigenous employees, 30 June 2015 and 30 June 2016, IP Australia

Employment status	30 June 2015	30 June 2016
Ongoing	10	5
Non-ongoing	0	0
Total	10	5

Appendix C5: Ecologically sustainable development and environmental performance

In 2015–16, IP Australia maintained its commitment to minimise the impact of its operations on the environment. Through processes identified in the IP Australia Environmental Management System, the organisation continued to reduce its energy consumption and waste, increase recycling and promote the efficient use of resources.

In 2015–16, IP Australia reported a significant reduction in paper usage and the lowest paper usage level to date. IP Australia's environmental policies and programmes continue to evolve in response to short- and long-term economic, environmental and social drivers.

IP Australia retained ISO 14001:2004 accreditation for its environmental management system in 2015–16.

The organisation's main office building, Discovery House in Canberra, incorporates a number of energy-efficient design measures, including lighting control, air-conditioning control systems, double glazing, efficient heating and cooling, and the reuse of captured rainwater and groundwater. The west wing of Discovery House has a 5-star National Australian Built Environment Rating System (NABERS) energy base building rating, and the original elements of the building have a 4.5-star NABERS rating.

A range of environmental strategies designed to contribute to ecologically sustainable best practice have been developed and implemented at IP Australia. They continued to be monitored throughout 2015–16, and performance results met expectations.

PART D: REFERENCES

Abbreviations and acronyms

AAO	Australian Astronomical Observatory
AIP plan	Australian Industry Participation plan
APS	Australian Public Service
ATS	Automotive Transformation Scheme
CRC	Cooperative Research Centre
E3 programme	Equipment Energy Efficiency programme
GDP	gross domestic product
GEMS Act	<i>Greenhouse and Energy Minimum Standards Act 2012</i>
GST	goods and services tax
ICT	information and communications technology
IP	intellectual property
NABERS	National Australian Built Environment Rating System
NOPIMS	National Offshore Petroleum Information Management System
NOPSEMA	National Offshore Petroleum Safety and Environmental Management Authority
NOPTA	National Offshore Petroleum Titles Administrator
OECD	Organisation for Economic Co-operation and Development
PAES	Portfolio Additional Estimates Statements
PBS	Portfolio Budget Statements
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
R&D	research and development
RIO Program	Rights In One Program
SES	Senior Executive Service
STEM	science, technology, engineering and mathematics
WHS	work health and safety
WIPO CASE	World Intellectual Property Organization Centralized Access to Search and Examination

List of requirements

Requirement	Location		
	Department of Industry, Innovation and Science	Geoscience Australia	IP Australia
Letter of transmittal			
• Letter of transmittal signed and dated by accountable authority on date final text approved	iii	iii	iii
Aids to access			
• Table of contents	v-viii	v-viii	v-viii
• Alphabetical index	286-295	286-295	286-295
• Glossary of abbreviations and acronyms	280	280	280
• List of requirements	281-285	281-285	281-285
• Details of contact officer	iv	iv	iv
• Entity's website address	iv	iv	iv
• Electronic address of report	iv	iv	iv
Review by accountable authority			
• A review by the accountable authority of the entity	3-5	135-136	215-217
Overview of the entity			
• A description of the role and functions of the entity	8	137	219
• A description of the organisational structure of the entity	9	137-138	219-220
• A description of the outcomes and programmes administered by the entity	8	138	220
• A description of the purposes of the entity as included in corporate plan	8, 11, 12-13	139	222
• An outline of the structure of the portfolio of the entity	7	Not applicable	Not applicable
• Where the outcomes and programmes 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	None to report	None to report	None to report
Report on the performance of the entity			
Annual performance statements			
• Annual performance statements	11-39	139-161	221-235
Report on financial performance			
• A discussion and analysis of the entity's financial performance	40	161	235
• A table summarising the total resources and total payments of the entity	113-114	205	271

Requirement	Location		
	Department of Industry, Innovation and Science	Geoscience Australia	IP Australia
<ul style="list-style-type: none"> Information on significant changes in the financial results during or after the previous or current reporting period 	40	161	235
Management and accountability			
Corporate governance			
<ul style="list-style-type: none"> Information on compliance with section 10 (fraud systems) 	41-42	163	238
<ul style="list-style-type: none"> A certification by the accountable authority that fraud risk assessments and fraud control plans have been prepared 	iii	iii	iii
<ul style="list-style-type: none"> 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 	iii	iii	iii
<ul style="list-style-type: none"> A certification by the accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity 	iii	iii	iii
<ul style="list-style-type: none"> An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance 	41	163	237-238
<ul style="list-style-type: none"> A statement of significant issues reported to minister that relate to non-compliance with the finance law and action taken to remedy non-compliance 	42	164	238
External scrutiny			
<ul style="list-style-type: none"> Information on the most significant developments in external scrutiny and the entity's response to the scrutiny 	42	164	238
<ul style="list-style-type: none"> 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	269-270
<ul style="list-style-type: none"> Information on any reports on operations of the entity by the Auditor-General, a parliamentary committee or the Commonwealth Ombudsman 	42	164	None to report
<ul style="list-style-type: none"> Information on any capability reviews on the entity that were released during the period 	None to report	None to report	None to report
Management of human resources			
<ul style="list-style-type: none"> An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives 	42-43	164	238
<ul style="list-style-type: none"> Statistics on the entity's APS employees on an ongoing and non-ongoing basis, including in relation to classification level, full-time employees, part-time employees, gender, location, and employees who identify as Indigenous 	118-121	208-210	273-276

Requirement	Location		
	Department of Industry, Innovation and Science	Geoscience Australia	IP Australia
<ul style="list-style-type: none"> 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> 	43	164	238
<ul style="list-style-type: none"> Information on the number of SES and non-SES employees covered by any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under section 24(1) of the <i>Public Service Act 1999</i> 	117	207	273
<ul style="list-style-type: none"> The salary ranges available for APS employees by classification level 	117	207	273
<ul style="list-style-type: none"> A description of non-salary benefits provided to employees 	42-43	164	238
<ul style="list-style-type: none"> Information on the number of employees at each classification level who received performance pay 	118	None to report	273
<ul style="list-style-type: none"> Information on aggregate amounts of performance pay at each classification level 	118	None to report	273
<ul style="list-style-type: none"> Information on the average amount of performance payment, and range of such payments, at each classification level 	118	None to report	273
<ul style="list-style-type: none"> Information on aggregate amount of performance payments 	118	None to report	273
Assets management			
<ul style="list-style-type: none"> An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities 	Not applicable	Not applicable	Not applicable
Purchasing			
<ul style="list-style-type: none"> An assessment of entity performance against the Commonwealth Procurement Rules 	43	165	239
Consultants			
<ul style="list-style-type: none"> 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) 	44	165	240
<ul style="list-style-type: none"> 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> 	44	165	240

Requirement	Location		
	Department of Industry, Innovation and Science	Geoscience Australia	IP Australia
<ul style="list-style-type: none"> 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 	44	165	240
<ul style="list-style-type: none"> 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> 	44	165	240
Australian National Audit Office access clauses			
<ul style="list-style-type: none"> If an entity entered into a contract with a value of more than \$100 000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor's premises, the name of the contractor, the purpose and value of the contract, and the reason why a clause allowing access was not included in the contract 	None to report	None to report	None to report
Exempt contracts			
<ul style="list-style-type: none"> 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 	None to report	None to report	None to report
Small business			
<ul style="list-style-type: none"> 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> 	43	166	239
<ul style="list-style-type: none"> An outline of the ways in which the procurement practices of the entity support small and medium enterprises 	43	166	239
<ul style="list-style-type: none"> 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> 	44	166	Not applicable

Requirement	Location		
	Department of Industry, Innovation and Science	Geoscience Australia	IP Australia
Financial statements			
• Annual financial statements	47-111	167-203	241-267
Other mandatory information			
• If the entity conducted advertising campaigns, a statement that <i>'During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity's website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website.'</i>	45	None to report	None to report
• If the entity did not conduct advertising campaigns, a statement to that effect	Not applicable	166	240
• A statement that <i>'Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity's website].'</i>	44	165	240
• Outline of mechanisms of disability reporting, including reference to website for further information	44	165	239
• Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of the <i>Freedom of Information Act 1982</i> can be found	45	166	240
• Correction of material errors in previous annual report	None to report	None to report	None to report
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