



Department of Mines and Petroleum  
ANNUAL REPORT  
**2015-16**

*Supporting a responsible resources future*



Government of **Western Australia**  
Department of **Mines and Petroleum**

## Contact

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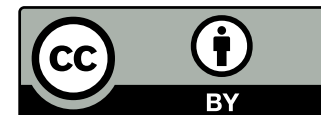
This report is available on request in other formats for people with special needs.

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# Welcome

This annual report summarises the activities and performance of the Department of Mines and Petroleum in 2015-16 against key objectives, strategies and targets. As well as reporting on the financial results for the financial year, the report looks to the year ahead. The annual report is available on our website at [www.dmp.wa.gov.au](http://www.dmp.wa.gov.au)

The website also contains a complete archive of departmental annual reports dating back to 1890, providing an opportunity for readers to explore the history of resources development in Western Australia.

## Statement of compliance

### To the Honourable Sean L'Estrange MLA

MEdLeadership; GradDipResourceMan; GradDipMan  
MINISTER FOR MINES AND PETROLEUM; SMALL BUSINESS

In accordance with section 63 of the *Financial Management Act 2006*, I hereby submit for your information and presentation to Parliament the Annual Report of the Department of Mines and Petroleum for the financial year ended 30 June 2016.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006*.



### Richard Sellers

Director General, Department of Mines and Petroleum

### Change of Minister

The Hon Sean L'Estrange MLA is responsible for Western Australia's mining and petroleum portfolio. He was appointed to the position in March 2016, taking over from the Hon Bill Marmion MLA.



Hon Sean L'Estrange MLA



Hon Bill Marmion MLA



The Department of Mines and Petroleum is responsible for ensuring the State's resources sector is developed and managed responsibly for the benefit of all Western Australians.

As the State's regulator for extractive industries and dangerous goods, the department works with other government agencies to ensure workers, the community and the environment are protected.

The department also provides geological data and an equitable and secure titles system to ensure the State continues to be an attractive destination for investment.

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*Gascoyne River*

"I am especially proud of the agency's ability to adapt and evolve in response to the priorities and interests of our many stakeholders. With dedicated and professional staff, the Department of Mines and Petroleum is well placed to fulfil its regulatory roles and support the responsible development of Western Australia's resources, regardless of the challenges the sector may face in the future."

– **Richard Sellers**, Director General, Department of Mines and Petroleum

# 1

## ABOUT THE DEPARTMENT



*Director General Richard Sellers and Minister for Mines and Petroleum Hon Sean L'Estrange MLA*

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## Director General's message



The resources industry is an important contributor to Western Australia's economy. Innovative and responsible regulation of the State's resources sector is critical to the benefits resources development brings to Western Australian communities.

In October 2015, the Department of Mines and Petroleum was recognised with a Premier's Award for its Mining Rehabilitation Fund (MRF). It was well-deserved recognition for everyone involved in developing and implementing the MRF. The project was just one example of the impressive work that is being done by the dedicated and talented staff we have at the department.

It is a privilege to lead such an organisation and have the opportunity to showcase some of the department's achievements over the past 12 months. The work the department does is critical to supporting the responsible development of Western Australia's resources.

The use of the MRF to make the abandoned Ellendale diamond mine safe, stable and non-polluting was an important milestone and demonstrated the MRF's effectiveness in helping address the safety and environmental risks associated with abandoned mines.

Compliance is one of the keys to ensuring Western Australia's resources are developed responsibly. Reforms to environmental approval processes have freed up resources and enabled a stronger focus on compliance activities. In 2015-16, the department increased the number of environmental audits and inspections by 320 per cent compared to three years ago. Continuing development of the department's online systems will present further opportunities to increase efficiency and improve compliance.

The development of online systems has continued over the past 12 months and will expand further over the coming years. It allows faster, more seamless ways to do business with the department, whether it's at one of the department's customer counters or using a computer, tablet or smartphone.



“I believe the department’s strong regulatory framework, combined with its innovative and adaptive management approach has contributed to the State being recognised as one of the world’s most attractive places to invest in mining.”

The release in October 2015 of the *Guide to the Regulatory Framework for Shale and Tight Gas in Western Australia* is one example of how inter-agency collaboration is resulting in more effective guidance and regulation. The guide was developed by nine State Government agencies with regulatory responsibilities for assessing shale and tight gas projects in Western Australia. The whole-of-government framework helps industry, other stakeholders and the public to understand the robust regulatory assessment, approval and compliance processes for shale and tight gas projects.

Maintaining community confidence in the regulation of Western Australia’s resources industry is an important driver for the department.

In February 2016, nominations opened for the department’s new Community Partnership Resources Sector Award, which recognises outstanding achievements and innovative partnerships between resource companies and communities. Eighteen of the 26 nominations received were shortlisted, with the awards to be presented in October 2016.

Following consultation with the Mining Industry Advisory Committee and expert psychologists, a psychosocial harm audit and guide for industry was released in 2016.

The department also reviewed how it was engaging with Western Australia’s prospecting community. Greater engagement has seen more involvement and feedback from prospectors, and an increase in the understanding of the department’s role, initiatives and reforms.

These initiatives, and more, aim to increase stakeholder confidence in how the industry operates and the department’s critical role as a regulator.

I believe the department’s strong regulatory framework, combined with its innovative and adaptive management approach has contributed to the State being recognised as one of the world’s most attractive places to invest in mining.

I am especially proud of the agency’s ability to adapt and evolve in response to the priorities and interests of our many stakeholders. With dedicated and professional staff, the department is well placed to fulfil its regulatory roles and support the responsible development of Western Australia’s resources, regardless of the challenges the sector may face in the future.



**Richard Sellers**

Director General, Department of Mines and Petroleum

## Department's profile

The Department of Mines and Petroleum is responsible for ensuring the State's resources sector is developed and managed responsibly for the benefit of all Western Australians.

As the State's regulator for extractive industries and dangerous goods, the department is the lead agency in administering Western Australia's multi-agency regulatory framework. It ensures the State's safety, health and environmental standards reflect good practice and are consistent with relevant State and Commonwealth legislation, regulations and policies.

The department is also responsible for the collection of royalties, and has a lead role in providing geoscientific information to encourage private investment in resources exploration and development. Its robust regulation, provision of geological data and innovative management of an equitable and secure titles system help Western Australia continue to be an attractive destination for investment.

The department will continue to promote the responsible development of the resources sector which underpins Western Australia's economy, and remains committed to engaging with the community about resource development and regulation in Western Australia.

## Legislation we administer

Many of the Minister's and department's roles and responsibilities are set out in legislation, including the following Acts:

- *Barrow Island Act 2003*
- *Dangerous Goods Safety Act 2004*
- *Mines Safety and Inspection Act 1994*
- *Mining Act 1978*
- *Mining Rehabilitation Fund Act 2012*
- *Petroleum (Submerged Lands) Act 1982*
- *Petroleum and Geothermal Energy Resources Act 1967*
- *Petroleum Pipelines Act 1969*
- *Petroleum Titles (Browse Basin) Act 2014*
- *Petroleum and Geothermal Energy Safety Levies Act 2011*
- *Offshore Petroleum and Greenhouse Gas Storage Act 2006 (Commonwealth)*
- *Offshore Petroleum (Royalty) Act 2006 (Commonwealth)*

and subsidiary legislation made under these and other Acts.

# Strategic direction

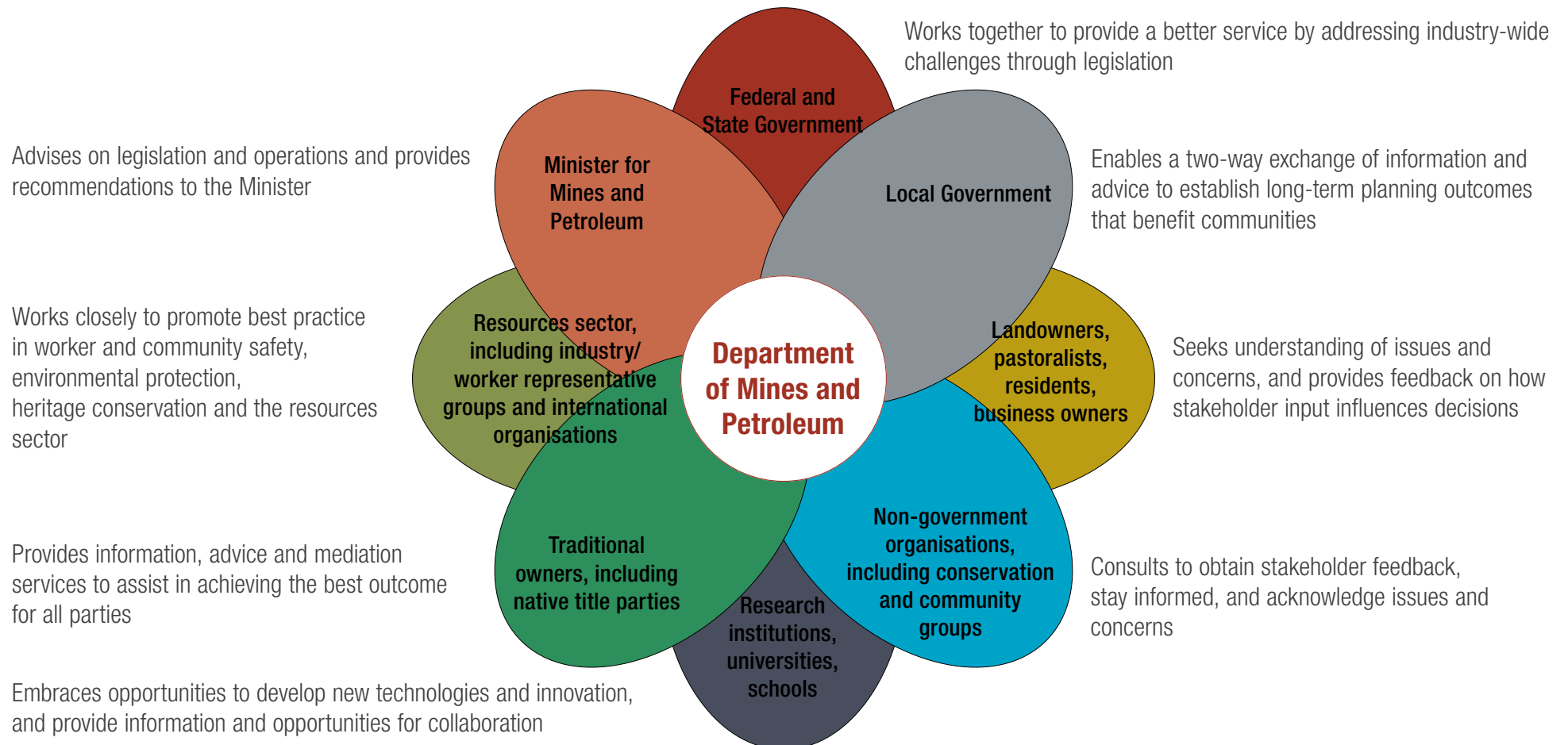


## Key results area

- 1 Building confidence with stakeholders and the community**  
Effective stakeholder engagement enables better planned and more informed policies, programs projects and services.
- 2 Developing capacity and capability across the resources sector**  
Skilled staff meet resource sector challenges resulting in an informed and capable industry.
- 3 Striving for operational excellence**  
Continuous improvement, operational excellence and innovation enhances service delivery.
- 4 Providing geoscience information and advice**  
Discovery and development of mineral and energy resources through geoscience information and multiple land use planning.
- 5 Driving resources access and operational safety**  
Responsible development of mineral and energy resources.

# Stakeholders

The department works with its stakeholders to make Western Australia the destination of choice for responsible resources exploration, development and operations for the benefit of all Western Australians. Its engagement strategies facilitate opportunities for stakeholders to provide input so the department can meet community expectations.



## Shared responsibilities with other agencies

Memoranda of understanding (MOUs) and administrative agreements signed in 2015-16, as well as the release of the whole-of-government *Guide to the Regulatory Framework for Shale and Tight Gas in Western Australia*, show how interagency collaboration is resulting in more effective guidance to industry and information for the community.

As the lead agency for responsible resources development, the department finalised several memoranda of understanding (MOU) and administrative agreements in 2015-16.

### MOU with Department of the Premier and Cabinet, and Department of the Attorney General

A three-year MOU was executed in 2015-16 between the department, Department of the Premier and Cabinet and Department of the Attorney General for the provision of mining and petroleum tenure information services for native title mediation and litigation.

The MOU aims to simplify native title and land access rights for explorers and producers, and remains in effect until 30 June 2018.



Port Hedland

## MOU for collaborative arrangements with Office of the Environmental Protection Authority

A revised MOU between the department and Office of the Environmental Protection Authority (OEPA) for the referral of mineral and petroleum (onshore and offshore) and geothermal proposals was signed in February 2016.

The revised MOU confirms the principles of a constructive working relationship between the department and OEPA to protect and conserve the environment, by engaging through consultation, open communication and collaboration at strategic and operational levels.

## Administrative agreements with Department of Water

Administrative agreements between the department and Department of Water covering mineral, petroleum and geothermal activities in water resource areas of Western Australia were revised in 2015-16 to streamline departmental interactions.

The revised agreements establish more efficient and flexible protocols for referral and assessment on resource activities, and align with the State Government's focus on reducing regulatory burden by improving assessment and approvals processes.



*Dampier Salt, Dampier*

# 2 YEAR IN REVIEW



*The Hon Premier Colin Barnett presenting the Deputy Director General Dr Tim Griffin with 2015 Premier's Award, recognising excellence in public sector management in the Developing in the economy category, for the Mining Rehabilitation Fund*

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## Significant issues impacting the department's work in 2015-16

Overall, the 2015-16 mineral and petroleum market conditions remained a challenge for Western Australian producers. The value of Western Australia's mineral and petroleum production fell 12 per cent to \$87.5 billion. This was attributable to steep price falls for many of the State's major commodities. As a result many companies restructured the cost base of their operations and made efforts to boost productivity. This contributed to an estimated three per cent fall in mining employment for 2015-16.

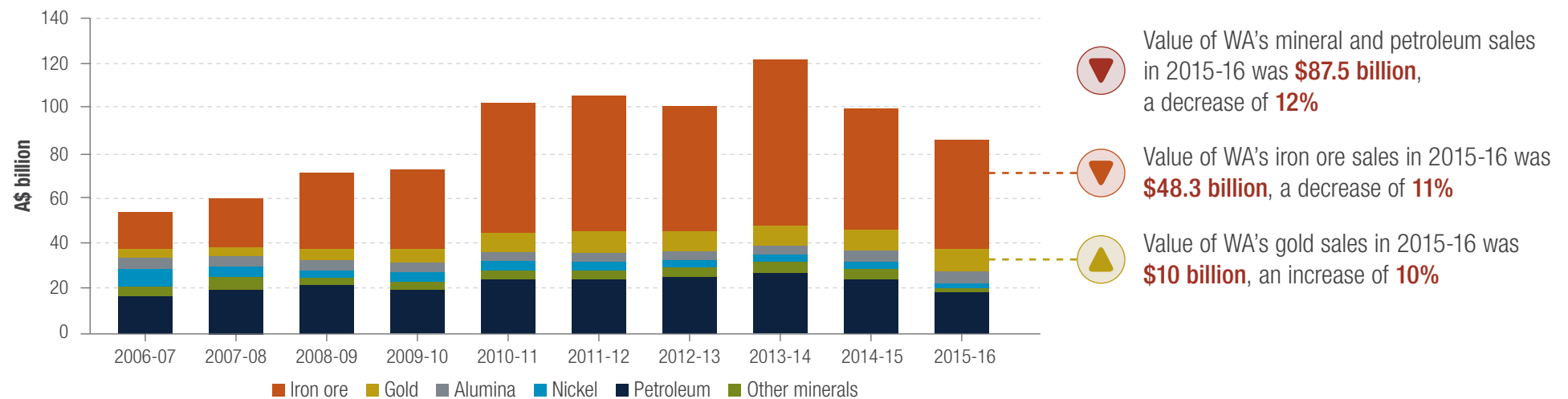
As the State's most valuable commodity, the iron ore market plays an important role in Western Australia's

economy, and the performance of this market affects the overall value of the resources industry. The value of iron ore sales decreased for the second year in a row, down 11 per cent to \$48.3 billion.

Despite the widespread downturn in commodity prices, the prospects for the Western Australian mineral and petroleum industry remain broadly positive. The gold sector forged forward with prices remaining strong compared to other commodities. The value of gold production rose ten per cent to a record \$10 billion in 2015-16, largely as a result of increased demand for gold as an investment asset.

In line with the stronger gold market, mineral exploration activities in Western Australia are increasingly targeting gold (\$275.3 million), outspending iron ore exploration for the third consecutive quarter.

The lithium market experienced a flurry of exploration activity in the first half of 2016. Expected demand for lithium-ion batteries for use in electric vehicles and for the storage of power in electrical grids is driving investment in the sector.

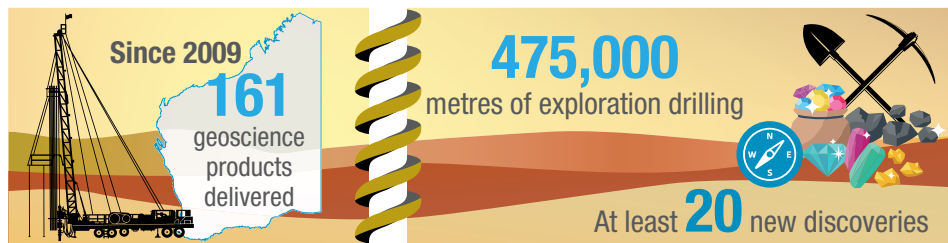


Value of Western Australia's resources sector  
Source: DMP statistic digest, [www.dmp.wa.gov.au/statisticsdigest](http://www.dmp.wa.gov.au/statisticsdigest)

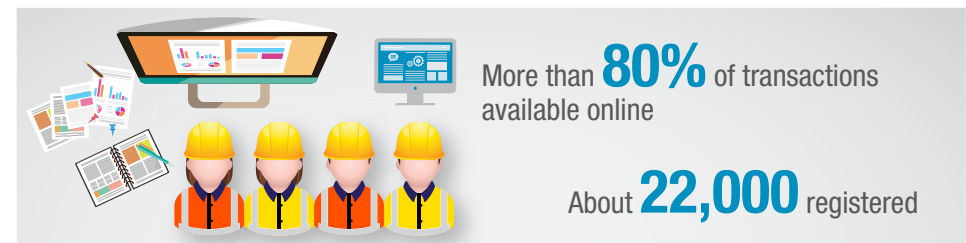


## Responding to changing conditions

In light of continued challenging economic conditions, it was critical for the department to provide a clear, consistent regulatory environment that addresses the needs of its stakeholders. Expanding the way customers can do business with the department, and increasing efficiency and transparency have been important. The department also continued to encourage investment in exploration and support the responsible development of emerging industries.



**Exploration Incentive Scheme (EIS)** – Since 2009 the EIS has delivered an increase in the coverage of Western Australia by aeromagnetic surveys from 55 per cent to 100 per cent, regional gravity coverage has increased from 8 per cent to 46.6 per cent, 35 major reports have been published and co-funding has supported more than 475,000 metres of exploration drilling contributing to at least 20 new discoveries including the Nova Bollinger mine and Gruyere, Dusk Til Dawn and Mt Fisher East deposits.



**Streamlining the approvals system** – More than 80 per cent of transactions available online. About 22,000 customers are registered to use online services. Increased use of online transactions has helped reduce the time taken for assessment and approvals processed (page 43-44).



**Safety compliance** – The high compliance rate demonstrates the effectiveness of the department's strong safety regulatory activities (page 64-67).



**Mining Rehabilitation Fund (MRF)** – This money will be used to help rehabilitate abandoned mines as and when required (page 40-41).

# Performance summary

The department directly contributes to responsible exploration and development of mineral and energy resources through its various regulatory functions.

It also interprets and publishes geological information to encourage exploration and development of these resources.

There are seven key performance indicators to measure the success of the delivery of these services.

The department's performance management framework and further details on the key performance indicators are provided in Part 6, from page 87.



## KPI 1 Environmental compliance

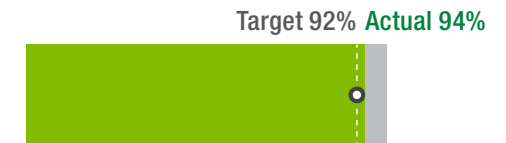


**Measure:** Percentage of compliance with regulated environment conditions

**Result:** Decreased compliance against regulated environment conditions was due to targeting regulatory activities to high risk operations.



## KPI 2 Approval timeline



**Measure:** Percentage of applications completed within agreed timeframes

**Result:** Maintained high level of approval timelines due to efficiency gained through online lodgement and system integrations.



## KPI 3 Safety compliance

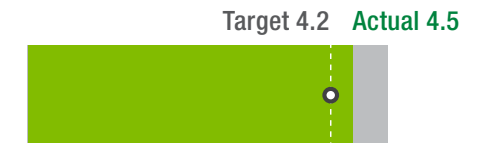


**Measure:** Percentage of compliance with regulated safety conditions

**Result:** Increased compliance due to ongoing education programs and targeted regulatory activities.



## KPI 4 Geoscience information



**Measure:** The extent to which stakeholders agree the department's geoscience information encourages exploration and discovery and informs planning

**Result:** Increased stakeholder rating confidence in geoscience products and services.



### KPI 5 Efficiency of regulatory services (excluding safety)

Actual \$1485 Target \$1620



**Measure:** Average cost of weighted resources access and management regulatory service

**Result:** Efficient resource regulatory service at a time of reduced expenditure due to saving measures required by the government.



### KPI 6 Efficiency of safety regulatory services

Actual \$1584 Target \$1654



**Measure:** Average cost of weighted safety regulatory service

**Result:** Regulatory services maintained at a time of reduced expenditure due to saving measures required by the government.



### KPI 7 Efficiency of geoscience information

Actual \$222,001 Target \$245,316



**Measure:** Average cost of weighted geoscience products and services

**Result:** Product output higher this year, benefiting from expenditure in previous year.



*The department is responsible for approving fireworks events, including the City of Perth Skyworks and Laser Show*

## Budget expenditure

Financial indicators	Target / result (\$000)		Comment
<b>Total cost of service</b>	Actual 2015-16	154,543	The total cost of services was less than target as during the year the department achieved its savings that were required by government. In addition further savings were made in response to revenue shortfalls as the department's revenue is volatile and reflects the upturns and downturns experienced by the resources sector.
	Target 2015-16	164,995	
	Actual 2014-15	159,798	
<b>Net cost of service</b>	Actual 2015-16	72,277	The net cost of services was higher than target due to a \$20 million reduction in the Budget for Mining Rehabilitation Fund levy collections during the year and lower than expected collections from regulatory fees. The downward adjustment to the MRF budgets will better align future collections to reflect industry expectations.
	Target 2015-16	39,490	
	Actual 2014-15	81,676	
<b>Total equity</b>	Actual 2015-16	188,241	In addition to the above explanations regarding total cost of services and net cost of services, the variation is also due to movements in value of land and buildings.
	Target 2015-16	257,125	
	Actual 2014-15	168,318	
<b>Net increase/(decrease) in cash held</b>	Actual 2015-16	19,959	The decrease in cash held is due to the same explanation for the increase in the net cost of services, a \$20 million reduction in the budget for Mining Rehabilitation Fund levy collections during the year.
	Target 2015-16	40,510	
	Actual 2014-15	(9,236)	

Further details are provided in Part 7, from page 98.

Full-time equivalent (FTE) staff	Target / result (FTE)		Comment
<b>Staff level</b>	Actual 2015-16	770	Actual FTE numbers were below the department's approved ceiling and last year's actual due to the continuing implementation of the Government's workforce renewal policy combined with a recruitment freeze initiated by the Government from December 2015 to May 2016 to generate additional savings.
	Ceiling 2015-16	844	
	Actual 2014-15	801	

# 3

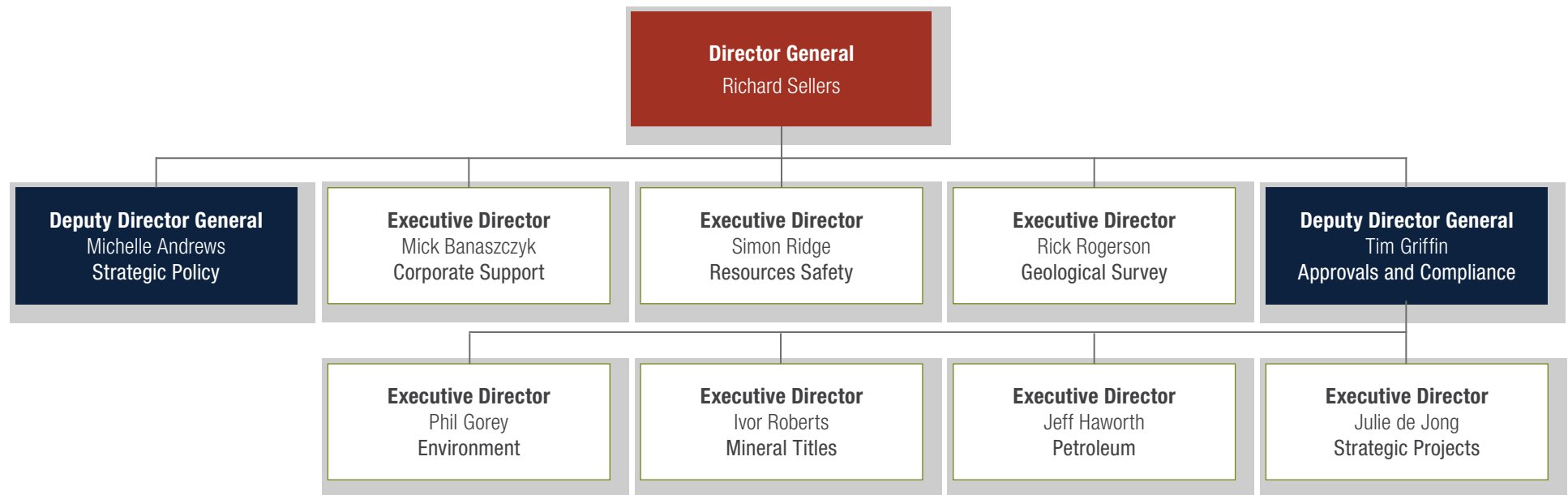
## THE ORGANISATION



*Deputy Director General Michelle Andrews and Executive Director Environment Phil Gorey*

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# Organisation structure



# Leadership



*Front (left to right)  
Michelle Andrews, Richard Sellers, Tim Griffin, Jeff Haworth*

*Back (left to right)  
Ivor Roberts, Don Frayne, Mick Banaszczyk, Simon Ridge, Phil Gorey,  
Julie de Jong, Rick Rogerson*



**Richard Sellers**  
Director General

Richard Sellers was appointed to the position of Director General of the Western Australian Department of Mines and Petroleum in 2009. Prior to this, he held the role of Executive Director of Minerals and Energy at the Department of Primary Industry, Fisheries and Mines in the Northern Territory.

In his current role, Richard has been instrumental in recent State Government reforms, including improvements to approval processes, environmental regulation and safety. He sets strategies to improve the department's effectiveness as the lead agency in regulating Western Australia's resources sector. Richard supports a wide range of activities to attract private investment for responsible resources exploration and development.



**Tim Griffin**  
Deputy Director General,  
Approvals and Compliance

Since his appointment to this role in May 2010, Tim Griffin has focused on a continuous program of innovative reforms. The aim is to improve efficiencies by using electronic systems to speed up the submission and assessment of applications for approval to develop resource projects. The reforms have resulted in higher levels of compliance with conditions, and better protection of environmental values.

Tim has more than 15 years' experience in senior management roles relating to the minerals and energy sector. He worked as a geologist prior to taking on the role as Executive Director, Geological Survey, which he held for 10 years.



**Michelle Andrews**  
Deputy Director General,  
Strategic Policy

Michelle Andrews commenced in the position of Deputy Director General, Strategic Policy in July 2011. Michelle has more than 20 years' experience in the public sector contributing to major project approvals. She has also worked on the State Government's approval process reforms, including establishing the new Office of the Environmental Protection Authority.

In her current role, Michelle is focused on improving the way the department works with other government agencies, industry and community groups, and is leading fundamental changes in the department's policy development and stakeholder engagement activities.





**Mick Banaszczyk**

Executive Director, Corporate Support

Mick Banaszczyk was appointed Executive Director, Corporate Services in July 2007, prior to which he was the General Manager, Finance and Human Resources. Mick has a wealth of experience in the areas of audit, industrial relations, finance, strategic planning and policy development. He has also held positions with various public service agencies, including the Water Corporation, Department of Justice and the Anti-Corruption Commission.



**Rick Rogerson**

Executive Director, Geological Survey

Rick Rogerson joined the department in late 1995 and was appointed Executive Director of the Geological Survey Division in 2010. Before returning to Australia in 1995, Rick held executive positions in the Papua New Guinea Department of Mines and Petroleum. He has more than 25 years' experience in geoscience, mineral policy advice and management, including consultancy work providing technical assistance, mainly in mineral policy and strategic management.



**Phil Gorey**

Executive Director, Environment

Phil Gorey joined the department in 2009. Phil has almost 20 years' experience in environmental assessment and regulation of mining and heavy industry. He also has experience in delivering contentious policy reform programs in areas such as water allocation and natural resource development. Phil has worked in state government departments in Victoria and South Australia, and, prior to joining the department, was a principal in a private sector consultancy.



**Ivor Roberts**

Executive Director, Mineral Titles

Ivor Roberts was appointed Executive Director of Mineral Titles in May 2010. Prior to this, he was the Manager Mineral Resources in the Geological Survey Division, where he gained extensive exposure to the activities of the mineral industry and high levels of government. Ivor joined the department in 1997, initially in the position of Regional Manager (Geological Survey) in Kalgoorlie. Previously, he held academic and research positions at several universities, including the University of New South Wales and the Western Australian School of Mines.



**Jeff Haworth**  
Executive Director, Petroleum

Jeff Haworth was appointed as Executive Director Petroleum Division in November 2013. Jeff has worked in both the mineral and petroleum industries for over 35 years. He joined the department in 1991 as the Petroleum Data Manager, and later worked in the Geological Survey managing research and basin studies into petroleum systems in Western Australia. In 2011, Jeff took up the role of Director

of Technology, Petroleum and Geothermal in the Petroleum Division, overseeing the regulatory management of Western Australia's upstream petroleum industry.



**Julie de Jong**  
Executive Director, Strategic Projects

Julie de Jong joined the department in September 2014 as the Executive Director of the Strategic Projects Division. Julie was previously the Executive Director for the Industry, Science and Innovation Division within the Department of Commerce.

In her current role, Julie is leading a number of transformation projects, including high-level integration across the department and increasing the capacity for online transactions with customers in line with the State Government's Digital WA strategy.



**Simon Ridge**  
Executive Director, Resources Safety

Simon Ridge was appointed to the position of Executive Director of the Resources Safety Division in 2012. Simon is a qualified geologist and mining engineer with over 40 years of experience in the resources sector. He has worked extensively in open pit and underground metalliferous mines in Africa and Australia including copper, nickel, iron and gold operations.

Simon has held various positions including supervisor, registered manager, consultant and regulator. For the last 26 years, Simon has worked as a regulator in Western Australia and South Australia. As a regulator, he has been involved in all aspects of mining and major hazard facilities.



**Don Frayne**  
General Counsel

Don Frayne joined the department in January 2012, having practised extensively for many years as a lawyer in the private sector for major and mid-level legal firms. He has worked for the Department of Premier and Cabinet in Victoria, and for line agencies such as the State Revenue Office and the office coordinating the Melbourne 2006 Commonwealth Games. His previous position before accepting the General Counsel role at the department was as

Manager of the Legal Services Branch in the Office of Energy.

# Divisions

## Environment

The Environment Division delivers environmental regulatory and policy services that support the responsible development of the State's mineral and petroleum resources. Environmental officers assess and make recommendations on the environmental regulation of mining and petroleum projects, liaise with stakeholders on the effectiveness of environmental regulatory practices, and monitor and address compliance with the environmental conditions set for mining and petroleum operations.

## Geological Survey

The Geological Survey Division produces books, maps and state-of-the-art databases for the benefit of the Western Australian community including prospectors, explorers, miners and investors. This information provides the building blocks for the design of exploration programs that attract investment to Western Australia. It is also critical to government when determining policy, and in decision making, particularly on economic and land-use issues.

## Mineral Titles

The Mineral Titles Division is responsible for the administration of mining titles and maintenance of title registry systems (Mineral Titles Online and Tengraph Online). It promotes secure, equitable and transparent tenure in Western Australia by providing current information on land availability and details on mining tenements.

## Petroleum

The responsible exploration, development and production of petroleum resources and geothermal energy sources are overseen by the Petroleum Division in accordance with petroleum legislation. The division manages the availability of areas for exploration through a permit and licensing system, evaluates technical matters, and engages with the petroleum industry to regulate the sector, from exploration through production to site rehabilitation.



*Kaye Smith and Karina Jonasson from Petroleum Division at the 2015 Petroleum Open Day*

## Resources Safety

The Resources Safety Division administers occupational safety and health legislation for mining and petroleum operations, and the licensing regime and safety legislation for dangerous goods, including regulation of the State's major hazard facilities. The division is committed to working with industry and workers to help reduce the number and severity of serious accidents and incidents, and provide support for positive workplace cultural change. This is achieved through education, enforcement and the provision of specialist advice to stakeholders.



*Resources Safety Dangerous Goods Officers*

## Corporate Support

The Corporate Support Division provides information technology, financial, human resources, records and facilities services to the department.

## Strategic Policy

The Strategic Policy Division has a lead role in working across the department and with other agencies and stakeholders on a broad range of strategic and policy issues that support responsible development of the State's resources. This includes the analysis of emerging issues, collection of royalties, investigation and prosecution of serious incidents, strategic and expert advice, and the South West Hub carbon capture and storage project.



*Staff from Royalties and Information Services Branches*

## Strategic Projects

The Strategic Projects Division has a lead role in managing projects that deliver benefits to staff, customers and the Government through improved accuracy and timeliness.

# Office locations

## Head office Perth

Mineral House  
100 Plain Street  
East Perth WA 6004

## Regional mining registrars – Mineral Titles

### Coolgardie

62 Bayley Street  
Coolgardie WA 6429

### Kalgoorlie

cnr Hunter and Broadwood Streets  
West Kalgoorlie WA 6430

### Karratha

cnr Welcome Road and Hedland Place  
Karratha WA 6714

### Leonora

Rochester Street  
Leonora WA 6438

### Meekatharra

cnr Main Street and Savage Street  
Meekatharra WA 6642

### Mount Magnet

51 Hepburn Street  
Mount Magnet WA 6638

### Norseman

Prinsep Street  
Norseman WA 6443

### Southern Cross

Canopus Street  
Southern Cross WA 6426

## Mines Inspectorates – Safety

### North Inspectorate

Level 2, 1 Adelaide Terrace  
East Perth WA 6004

### East Inspectorate

cnr Hunter and Broadwood Streets  
West Kalgoorlie WA 6430

### West Inspectorate

66 Wittenoom Street  
Collie WA 6225





*The department's Mining Rehabilitation Fund received the 2015 Premier's Award recognising excellence in public sector management in the category of developing the economy. (From left) Dr Mamie Leybourne, Chamber of Minerals and Energy of Western Australia CEO Reg Howard-Smith, Dr Phil Gorey, Premier Colin Barnett, Jane Hammond, Dr Tim Griffin and Sarah Bellamy*

# 4

## HIGHLIGHTS



*Executive Director Mineral Titles, Dr Ivor Roberts, Manager Office of the Director General, Edwina Piotto and Senior Geologist, Charlotte Hall promoting the new Community Partnership Resources Award at the Geological Survey's 2016 Open Day*

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- 42 Faster and better service
- 49 Increasing community confidence

## Ahead of the game

Whether it is world-leading geoscience, security of title, commitment to safety and environmental best practice, or global recognition for encouraging investment in the resources industry, the department aims to stay ahead of the game.



*Dangerous goods officers Mariola Cunningham and Lawry Lim promoting safe transport of dangerous goods at the 2015 Truck and Trailer Show*

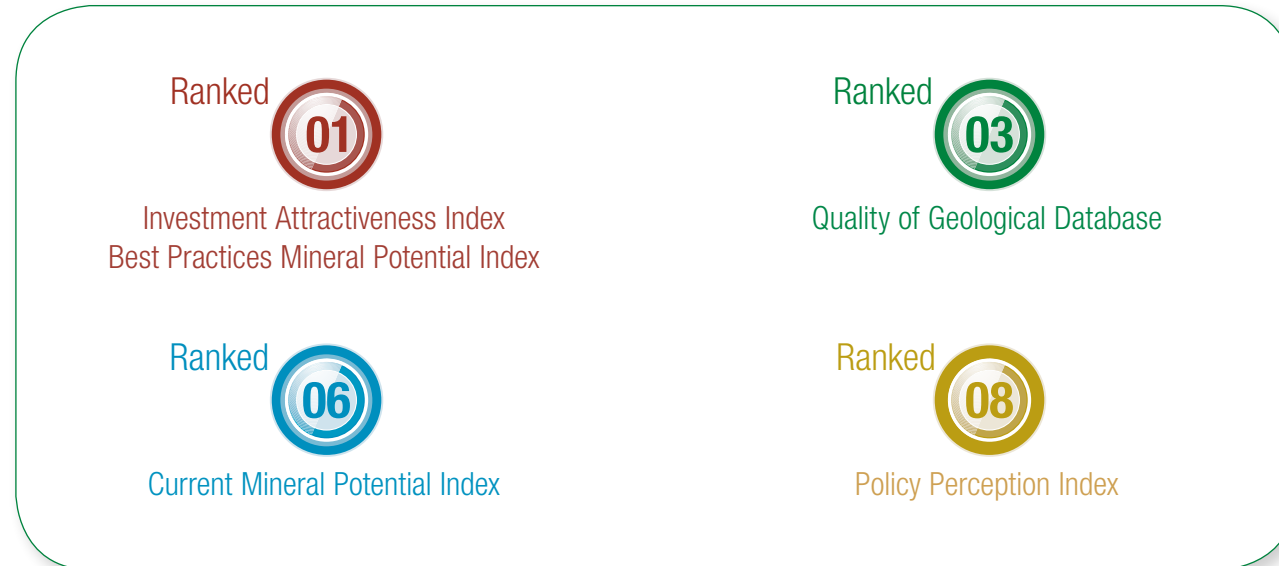


## Western Australia ranked world's top place to invest for mining

The department's program of reforms and world-class geoscience information were central to supporting Western Australia's ranking as a world-leading mining jurisdiction.

Western Australia was announced as the world's most attractive mining investment destination in the Fraser Institute's *Survey of Mining Companies 2015*. The Institute's Investment Attractiveness Index takes both mineral and policy perception into consideration. Western Australia also finished in the top ten across several other categories.

This was the State's best performance in this internationally respected survey. The department's program of reforms in regulation and compliance, and world-class geoscience information were central to supporting Western Australia's ranking as a world-leading mining jurisdiction.



## Controlling exposure to nano-sized diesel particulate matter

Diesel particulates are a harmful component of exhaust emissions and a known hazard for mining operations, especially in underground mines. Research is underway to investigate the potential link between exposure to nano-sized diesel particulate matter in diesel engine exhaust products and the risk of lung cancer in Western Australian mine workers.

In March 2016, the Resources Safety Division built on existing programs to address the hazard by establishing an expert working group under the Mining Industry Advisory Committee. Nano-sized diesel particulate matter can deeply penetrate lung tissue and be absorbed into the bloodstream, potentially also damaging human DNA.

The group will work with industry to evaluate exposures, using high-end laboratory instrumentation, and will commission health research with volunteer workers to measure the impact of the exposures. Its findings will assist the development of control measures to protect workers in underground mines and other environments where nano-sized diesel particulate matter could be generated.

## 3D modelling adds to State's geoscience knowledge

To counter perceptions that Western Australia is a mature, less-prospective area for mineral exploration, the department is promoting its innovative three-dimensional (3D) geoscience modelling for under-explored greenfields regions.

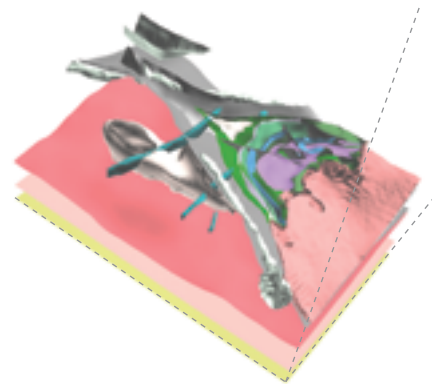
Launched at the 2016 Open Day hosted by the Geological Survey, the 3D models can "see" through the cover of soil, sand and sedimentary rocks that obscure 80 per cent of Western Australia's economic bedrock. The modelling's usefulness to industry has contributed to the State being ranked first for investment attractiveness in the Fraser Institute's 2015 survey of mining companies.

The first two 3D digital geological models released cover the Windimurra Igneous Complex and Sandstone greenstone belt in the prospective northeastern Yilgarn Craton. Making use of the extensive geological mapping, geophysical, geochemical, geochronological and isotopic data acquired by the Geological Survey as part of the Exploration Incentive Scheme (EIS), the 3D models show the geological structure of the Earth's crust to a depth of about 40 kilometres and potential pathways for mineralisation.

3D models are now under construction for the Murchison and Eastern Goldfields, and the Nullarbor Plain, east of Kalgoorlie to the South Australian border.

During the year, the Geological Survey also expanded its world-leading, seamless, interpreted bedrock geology digital map layers of the State with the addition of parts of the Gascoyne, Mid West, Goldfields–Esperance, Pilbara and Kimberley regions.

Products such as the 3D geological models and interpreted bedrock geology digital map layers help companies target their exploration activities by providing a better understanding of the Earth's crust.



*The Sandstone greenstone belt model surfaces were derived from surface geological mapping, gravity and magnetic potential field inversions and a deep seismic reflection survey*



*The Explanatory Notes System (ENS)*

### New map goes digital

In 2015-16, a new 1:2,500,000-scale State geology map was released in digital and printed format, and accompanied by the Explanatory Notes System (ENS) search tool on the Geological Survey's web application, GeoVIEW.WA.

The ENS search tool will build into an online 'virtual book', providing a scale-less, seamless, and continuously updated summary of Western Australia's geology.

## Thinking big with new 3D geomodels

The Geological Survey's senior 3D geophysicist Dr Ruth Murdie, who worked on the breakthrough Windimurra and Sandstone geomodels released during 2015-16, describes the techniques involved in the modelling as "thinking big".

"The whole point is to look for big structures," she said. "These models are designed to think big, so that we're looking at whole mineral systems.

"None of us are going to say 'X marks the spot', but what we can do is use 3D modelling to pick out the big structures. Mineral explorers can then get a better feel of the geometry to help them target areas for exploration."

Dr Murdie described the Geological Survey's 3D geomodels as the "full works".

"They include information such as geophysics, gravity, topology and magnetics, so if anyone wants to recreate our efforts at interpretation, the data is there," she said.

The 3D geomodels include the full 2D digital data suite of the Geological Survey's standard digital map packages.



*Dr Ruth Murdie with a packaged 3D geomodel*

## Eastern Goldfields pipeline extension turns on the gas

The future of the Eastern Goldfields as an emerging mineral province has been boosted by the completion of the APA Group gas pipeline extension which was supported by the department's role as a lead agency.

As lead agency, the department was responsible for providing approval coordination support across government.

This support enabled the project to be completed ahead of schedule. It also exceeded all safety and production targets.

The 293 kilometre pipeline extends from the current Murrin Murrin–Yarraloola terminus to AngloGold Ashanti's Sunrise Dam gold mine and on to the Tropicana gold mine.

The reliable supply of competitively priced energy is important to a region that already hosts gold, uranium and rare earth deposits. With this infrastructure, Tropicana is able to source gas from Karratha in the Pilbara region, more than 1800 kilometres away. With eight proposed or potential mining projects in the Eastern Goldfields, the pipeline has the potential to be expanded to service other mines.



The pipeline extension, which was completed ahead of schedule, was officially opened on 10 February 2016 by Mines and Petroleum Minister Hon Bill Marmion. The project is an example of how lead agency work by the department, together with industry collaboration, can help manage costs and deliver infrastructure ahead of schedule. The pipeline was completed in less than 12 months. Not only is the use of gas as feedstock more cost-effective for industry, but the pipeline also reduces truck movements on access roads.



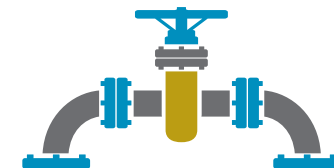
The department was the lead agency **responsible for providing approval coordination support across government**



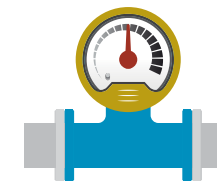
The extension project cost **A\$140 million**



The extension project was **completed ahead of schedule** in December 2015



The Eastern Goldfields pipeline extension is **293 km long** and comprises **16,500 x 18 metre lengths** of pipe



The **gas pipeline from Karratha** is now almost **1800 km** long



*Mines and Petroleum Minister Hon Bill Marmion with APA Group CEO Mick McCormack at AngloGold Ashanti and Independence Group's Tropicana gold mine for the commissioning of the Eastern Goldfields Pipeline extension in February 2016*

### Securing tenure key to pipeline progress

The department coordinated clearance and consent with other land interests to enable the granting of two miscellaneous licences for construction of the pipeline. Security of tenure was provided over a corridor of land from Murrin Murrin to the Tropicana mine site, located 330 kilometres east of Kalgoorlie.

The project has resulted in:

- a significant reduction in vehicle traffic transporting diesel fuel to the Tropicana mine site, with associated reduction in carbon emissions
- an opportunity for other remote mineral resource developers in the region to access gas supplies.

## Innovative and responsible management of the resources sector

The resources industry is an important contributor to Western Australia's economy. Innovative and responsible management of the State's resources sector is critical to its development and the benefits this sector brings to Western Australian communities.



*Black Diamond pit lake, Collie*

## Risk-based petroleum regulations strengthened

Two sets of resource management and administration regulations for petroleum and geothermal activities came into effect on 1 July 2015:

- the Petroleum and Geothermal Energy Resources (Resource Management and Administration) Regulations 2015
- the Petroleum (Submerged Lands) (Resource Management and Administration) Regulations 2015.

The new regulations strengthen the risk-based management framework for the exploration and production of petroleum and geothermal energy resources. Resource management and administration matters covered by the regulations include:

- well management plans for the approval of all drilling activities (including shale and tight gas)
- the notification and reporting of petroleum discoveries
- field management plans and petroleum recovery approvals.

The regulations require adequate information to be provided about all aspects of exploration, discovery, development, production and site rehabilitation and closure. They also outline confidentiality periods that apply to information submitted by title holders.

For operations relating to the exploration or recovery of petroleum, the regulations require work to be conducted in accordance with good oilfield practice and in a way that:

- reduces the risk of aquifer contamination
- is compatible with the optimal long-term recovery of petroleum and geothermal energy.



*Petroleum inspectors at the Praslin 1 exploration well in the Canning Basin*

## Collaboration on groundwater monitoring guidelines

The Department of Mines and Petroleum and Department of Water have collaborated over the past two years to draft guidelines for monitoring groundwater in the onshore petroleum and geothermal industry. Expected to be released in 2016-17, the guidelines cover:

- activities requiring groundwater monitoring
- reviewing existing information
- designing a monitoring program
- interpreting monitoring data
- information to be provided to both departments.

They will assist petroleum and geothermal operators in the development of effective groundwater monitoring programs, encourage industry best practice, and increase the transparency of the department's expectations for baseline groundwater monitoring by industry.

The guidelines will require the release of data into the public domain, which will help to assure local communities, stakeholders and landholders that their groundwater resources are being monitored.

An accompanying information sheet answers commonly asked questions about groundwater monitoring associated with onshore petroleum activities.



### Engaging stakeholders in the drafting process



August 2015

Department of Mines and Petroleum and Department of Water sign an Administrative Agreement for Petroleum Regulation

September 2015

Draft guidelines sent to representatives of the Interagency Working Group on Shale and Tight Gas and the Science Needs Working Group for review and comment

Groups' comments and recommendations considered and incorporated

January 2016

Draft guidelines available for public comment over an eight-week period

Public comments considered and incorporated

2016-17

Release guidelines



## Mining proposal reform supports responsible development while cutting red tape

A mine site in Western Australia now only needs to have one approved mining proposal.

The department's new *Guideline for Mining Proposals in Western Australia*, released in June 2016, details the move towards an activity-based approval system, and enables a rapid assessment by departmental officers.

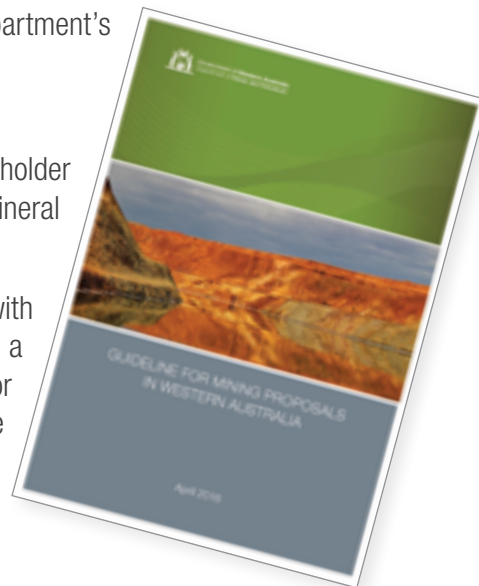
The guideline follows 18 months of consultation, including a discussion paper and draft guideline released for public comment, and briefing sessions held in October 2014 and November 2015.

The Mining Proposal Reform Industry Reference Group, with representation from industry peak bodies, industry, government and environmental consultancy representatives, played a strong role in drafting the guideline.

The new guideline supports the department's regulatory efforts to:

- protect environmental values
- fulfil community and stakeholder expectations for responsible mineral resources development.

For proponents of mining operations with existing approved mining proposals, a transition period of six years applies for resubmitting a proposal in accordance with the guideline.



Stockton Lake, Collie

## Safety legislation reform aims to improve consistency

The draft *Work Health and Safety (Resources and Major Hazards) Bill* will consolidate resources safety legislation into one Act and one set of regulations for mining, petroleum and major hazard facilities. While recognising industry-specific safety requirements, the Bill aims to improve consistency across the resources sector.

The new legislation will be less prescriptive and reflect a risk-based approach that encourages innovation and new technologies to improve work health and safety outcomes.

The Bill considered the national *Model Work Health and Safety Act* and WorkSafe's proposed work health and safety legislation. However, the accompanying regulations will be customised for Western Australia's resources sector, and supported by codes of practice and guidance material.

The department has maintained a full and open consultation process during development of the draft legislation, through a Ministerial Advisory Panel, stakeholder workshops and other forums. In October 2015, the *Decision Regulatory Impact Statement — Work Health and Safety (Resources) Bill* was released as the final report on public consultation about the Bill.



## Mental wellbeing the focus of psychosocial harm audit

In 2015-16, as part of the department's ongoing mental health strategy for the resources industry, the Resources Safety Division worked collaboratively with the Mining Industry Advisory Committee (MIAC) and psychologists to develop a psychosocial harm audit and guide for company use.

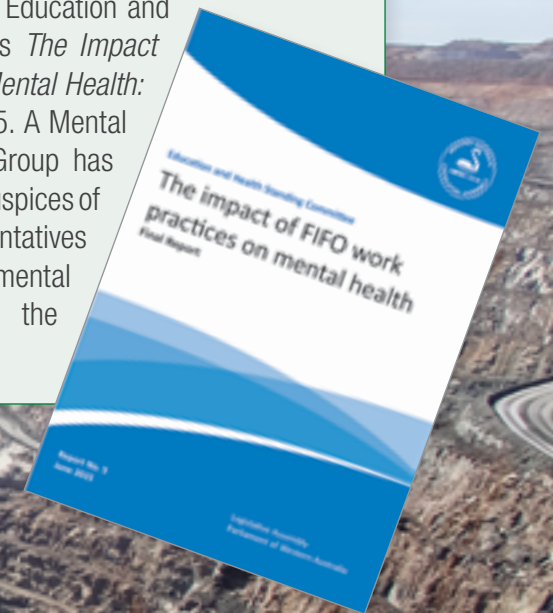
Training was also provided to the department's safety inspectors covering what constitutes psychosocial harm, and its potential health and safety effects.

Safety inspectors then began auditing a wide range of companies from the resources sector, with the audit program continuing into 2016-17. After the preliminary results of the baseline survey are released, the department will work with industry to raise awareness of identified issues so they can be addressed.

### Mental health matters

The department continues to work with industry and the Mining Industry Advisory Committee (MIAC) to raise awareness of mental health issues and help create safer work environments.

- The *Forum for accommodation providers in the minerals industry*, held in April 2016, attracted 80 stakeholders involved in the provision of accommodation. A draft checklist discussed at the forum considered mental health along with other factors affecting fitness for work. Feedback from the forum is being analysed and will inform departmental compliance and enforcement programs.
- The department is acting on the government's response to the recommendations of the Education and Health Standing Committee's *The Impact of FIFO Work Practices On Mental Health: Final Report* released in 2015. A Mental Health Strategies Working Group has been established under the auspices of MIAC, and comprises representatives from industry, unions, mental health organisations and the department.



Super Pit , Kalgoorlie

## Providing assurance of CO<sub>2</sub> storage integrity for the Gorgon Project

Before the world's largest carbon dioxide (CO<sub>2</sub>) injection project could be implemented, the department needed to be assured that the reservoir would perform as projected by its initial assessment, which used the proponent's modelling.

Between 2003 and 2013, the department used independent experts to conduct five due diligence studies of the Gorgon Project to verify that high standards could be achieved, and the modelling was robust and would work with best technical knowledge. These studies enabled the State Government to grant a CO<sub>2</sub> injection licence to the Gorgon Project joint venture, with Chevron as the operator.

Since then, the department has developed its own capability through a multi-disciplinary team of geoscientists and engineers from the Petroleum Division. Due diligence studies are now conducted in-house to assure stakeholders that risks are understood and maintained as low as reasonably practical.

The departmental team is reviewing the results of several studies conducted by the joint venturers to evaluate the injectivity, storage and containment of CO<sub>2</sub> in the Dupuy Formation reservoir. In 2015-16, there was a focus on:

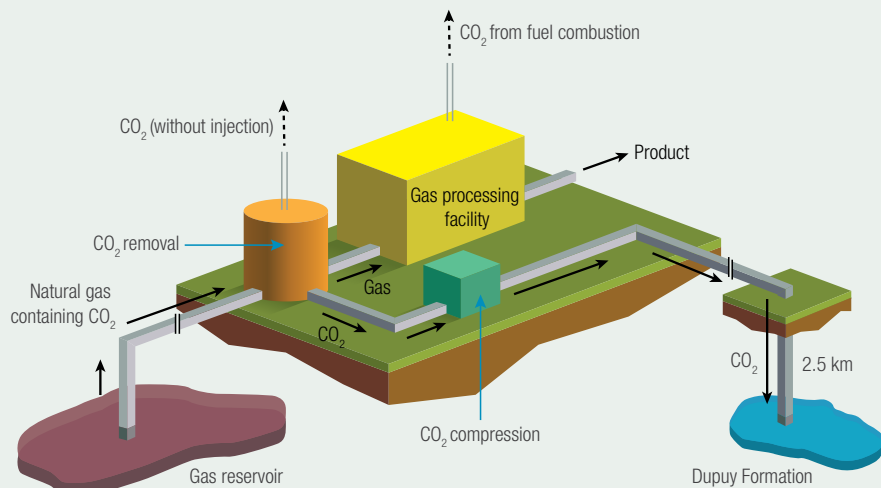
- the analysis and interpretation of geomechanical and geochemical data and modelling

- holistic containment
- the risk management approach
- the integration of monitoring data with the dynamic simulation models
- the construction and integrity of the nine injection, two reservoir surveillance and six pressure management wells
- reviewing the decommissioning plans for the legacy wells at the Barrow Island CO<sub>2</sub> storage site.

This will ensure the department has robust tools for first-hand understanding of the extent of the CO<sub>2</sub> plume at any given time in the life of the project.



*Inside one of the LNG storage tanks which will hold 180,000 cubic metres of LNG (photo courtesy Chevron Australia)*



*Gorgon CO2 injection project*

### What is the Gorgon Carbon Dioxide (CO<sub>2</sub>) Injection Project?

The Chevron-operated Gorgon Project is one of the world's largest natural gas projects and the largest single resource development in Australia's history.

The Gorgon CO<sub>2</sub> Injection Project, the world's largest carbon injection project, plans to store 100-120 million tonnes of CO<sub>2</sub> over a 40-year period. The CO<sub>2</sub>, which is sourced from the CO<sub>2</sub>-rich natural gas of the Gorgon field in Australia's North West Shelf, will be stored in the Dupuy Formation about two kilometres beneath Barrow Island, off the northwest coast of Western Australia.



*Map showing location of Barrow Island*

### Barrow Island Act 2003 amended

The *Barrow Island Act 2003*, created specifically to manage CO<sub>2</sub> sequestration beneath the island, was amended in 2015.

After the operator has finished injecting CO<sub>2</sub> into the reservoir beneath Barrow Island, it needs to use ongoing monitoring to demonstrate that there is no leakage for 15 years. The Western Australian Government, together with the Commonwealth Government, will then take on the post-closure, long-term common law liability of the CO<sub>2</sub> storage site.

## MRF keeps the Ellendale mine safe, stable and non-polluting

In December 2015, the department accessed the Mining Rehabilitation Fund (MRF) to help it address significant safety and environmental concerns at the Ellendale diamond mine after the operator went into administration in July 2015 and abandoned the mine.

Since July 2015, the department has been working to resolve issues related to the Ellendale mine, including:

- recovery of debts owed to the State by Kimberley Diamond Company NL (including royalties)
- undertaking inspections to assess the safety and environmental conditions of the mine site
- coordinating government agencies with responsibilities related to the site
- sourcing and retaining all valuable geological information.

In December 2015, the department protected existing mine assets and commenced on-ground works using funds from the MRF to keep the site safe, stable and non-polluting. Activities included:

- removing more than 20,000 litres of hydrocarbons from tanks, drums, intermediate bulk containers and other containers held on the site
- removing several tons of hydrocarbon contaminated soil from plant and workshop areas
- placing several tonnes of windblown rubbish into the domestic tip
- surveying the tailings storage facility and re-establishing internal walls within the tailings storage facility
- installing signage and barriers to restrict access across the site.



The MRF is strongly supported by industry and community with **98 per cent reporting obligations compliance over the 2015-16** period. **Monies in the fund** now total about **\$60 million**, with **\$1.95 million in interest**.



### What is the Mining Rehabilitation Fund?

2015-16 marked two years since the Mining Rehabilitation Fund (MRF), introduced under the *Mining Rehabilitation Fund Act 2012*, became compulsory for all *Mining Act 1978* tenements.

Developed after extensive stakeholder consultation, the MRF requires tenement holders to annually report disturbance data and contribute to a pooled fund.

In this world-first mine abandonment security model, money in the fund is available to rehabilitate abandoned mines when tenement holders fail to meet environmental obligations and all other avenues have been exhausted to recover costs from the operator.

Interest on monies in the fund is used to rehabilitate legacy abandoned mines.

Visit [www.dmp.wa.gov.au/MRF](http://www.dmp.wa.gov.au/MRF) for more information.

## Ellendale's story

Ellendale diamond mine is located about 100 kilometres northwest of Fitzroy Crossing and 120 kilometres east of Derby in the West Kimberley region of Western Australia. It is a renowned source of high-quality fancy yellow diamonds.

Mining started in 2002 and ceased in July 2015, when mining tenement holder Kimberley Diamond Company NL (KDC) entered into administration. Later that month, creditors voted for the company to be placed into liquidation and the site was abandoned.

The Ellendale operation includes two pits, waste rock landforms and tailings storage facilities. The operation was the first site to be gazetted under

the *Mining Rehabilitation Fund Act 2012*, and the first site in the department's Abandoned Mines Program.

The department's General Manager Administration and Reform, Karen Caple, said the immediate availability of funds from the MRF allowed the Western Australian Government to take swift action at Ellendale to prevent environmental harm.

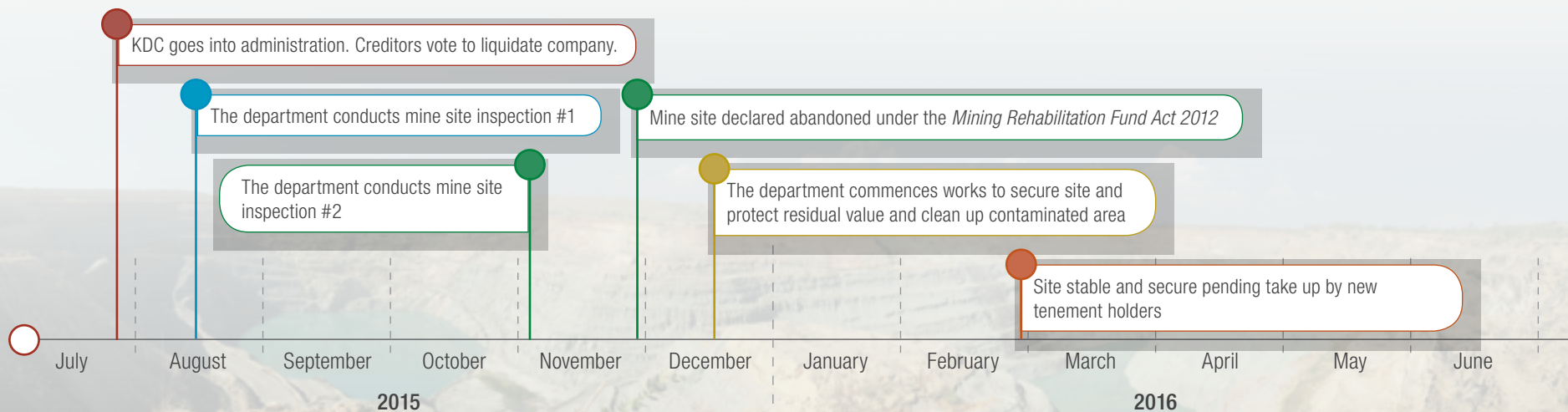
"This ensured that the State's communities have not, and will not, have to pay for the rehabilitation activities at Ellendale or any other abandoned mining operation in the future," Ms Caple said.

"The tenements associated with Ellendale have a substantial diamond potential. This means that

Ellendale will not be fully rehabilitated or closed by the department through the MRF process, as it remains a viable resource project.

"The management of Ellendale will focus on ensuring the resource value of the tenements is not diminished."

The department will work with parties interested in taking over the tenements. The future tenement holder will have access to the remaining mineral diamond resource, while assuming responsibility for the rehabilitation of existing and future disturbances.



Project timeline for Ellendale diamond mine

## Faster and better service

Improvements to the delivery of departmental services in 2015-16 have been driven by the desire to be inclusive, responsive and transparent in responding to the needs of stakeholders.





## Efficiency gains contribute to increased environmental compliance activity

The Environment Division's reforms are having a positive effect on environmental approvals processes, with significantly shorter timeframes and fewer applications being rejected or withdrawn. Productivity improvements have been driven by a shift to online lodgements, more streamlined processes and the provision of enhanced guidance material.



These efficiency gains have meant staff resources can be better utilised elsewhere, resulting in a 320 per cent increase in compliance audits and inspections since 2012-13.

In 2016-17, the department aims to further reduce the timeframes for environmental approval through ongoing development of its online systems.



**Programmes of Works** average number of total working days from submission to finalisation has decreased by **16 days** from **45 days in 2012-13** to **29 days in 2015-16**

## Tailings storage guides cover design and environmental requirements

Following release of the *Tailings storage facilities in Western Australia – code of practice*, the department's Resources Safety and Environment Divisions worked together to prepare two tailings storage facility guides to reduce duplication and minimise the regulatory burden on industry. The guides were released in August 2015 to complement the code of practice and help increase certainty in approvals and compliance activities.

The guides were prepared by a departmental working group including geotechnical mines inspectors and senior environmental officers to ensure a consistent approach. The *Guide to the preparation of a design report for tailings storage facilities* assists designers preparing the design report, while the *Guide to departmental requirements for the management and closure of tailings storage facilities* was developed to assist designers and operators preparing the reports required to manage a tailings storage facility.

The working group also consulted with industry geotechnical specialists on the content of the *Guide to the preparation of a design report for tailings storage facilities* and their feedback was incorporated.

These guides help to streamline application processes while ensuring environmental and safety standards remain high. Environmental and geotechnical assessment of hazardous structures, such as tailings storage facilities, can run concurrently to reduce end-to-end approval timeframes.

To expedite the environmental approval for design reports, registered managers and tenement holders may engage independent and technically competent third-party reviewers to verify the report.

As part of the department's commitment to continually improve safety and environmental management, the design may still be audited before, or subsequent to, environmental approval.



## Improving business with online transactions

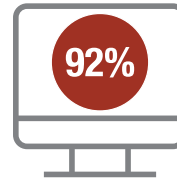
The department continued its roll out of online systems to provide faster more seamless ways to conduct business with the department. Driving online lodgements and phasing-out paper-based transactions is critical to realise efficiencies with the increasing levels of electronic processing.

Improvements in performance reflect the improved accuracy of information due to in-built validation for electronic lodgement, together with the ready accessibility and availability of the online systems.

The department recognises the need for continued quality customer service and has taken measures to ensure that customers can still transact at any of its front counters. Computers that have public access to the internet and departmental systems have been installed at front counters, and departmental officers provide support for customers conducting business online.

The department now accepts and processes online submissions for shotfiring licences, explosives driver licences, dangerous goods incident reports, freedom of information requests, mine closure plans and rehabilitation reports, among others.

The remaining few low-volume transaction types will be brought online in 2016-17.



**92%** of the department's annual volume of business can now be conducted online. This involves over 190,000 transactions for over 200 different transaction types.



### Programme of Work – Exploration (PoW-E)

Online lodgement saw the average time to get critical information from customers decrease by **4.5 days** from **11.3 business days (2012-13)** to **6.8 business days (2015-16)**



### Online petroleum applications and well management plans expected to cut process time by 40 days

- Decrease in average time with customers from 65 to 25 business days
- Customers able to lodge
  - complex survey data
  - reprocessed seismic data
  - information associated with a petroleum well

## Petro Scafidas earns accolade for work on online transactions

Principal Project Officer Petro Scafidas' coordination of an agency-wide Digital Transformation Reform Programme to bring all customer transactions online has resulted in a prestigious Western Australia Institute of Public Administration (IPAA WA) Achievement Award.

In June 2016, Petro was awarded the IPAA WA's Young Leader of the Year Achievement Award for his contribution and strategic thinking as an enthusiastic leader and team player in developing the digital project.



Director General Richard Sellers congratulating Petro Scafidas

## New website improves user experience

Launched in November 2015, the department's new website offers significant benefits to online visitors, including its improved user-friendly design and enhanced accessibility to information.

The new website has been designed with dynamic resizing, so it works with desktop and mobile platforms.

The way that people access information has changed in recent years, and the web content has been revamped to allow easier access to resources for both compliance and guidance purposes. The functionality of the website is becoming increasingly important with the department's transition to online transactions.

The website is also a critical tool for maintaining and further developing access to a wealth of digital geoscience and mining data.



The department's new website

## Reducing red tape

As part of the Government's efforts to reduce unnecessary rules and processes, three of the department's legislative initiatives were included in the *Licensing Provisions Amendment Bill 2015* introduced to Parliament in early 2016. These initiatives will amend the *Mining Act 1978* to:

- remove the requirement to obtain iron ore authorisations for new tenement applications
- introduce one dedicated contact for an applicant or holder of a mining tenement – the designated tenement contact
- allow companies, rather than just individuals, to apply for a Miner's Right.

Two of these legislative initiatives, aimed at streamlining assessment processes, have been reported in the State Government's 2015 *Red Tape Reduction Report Card*.

### Removal of iron ore authorisation

Iron ore authorisation was originally incorporated into the *Mining Act 1978* (the Act) due to Government policies that no longer exist. The Bill includes an amendment to section 111 of the Act that seeks to normalise the treatment of iron ore and reduce the compliance burden for industry.

The amendments will preserve all rights for existing tenement holders who already have iron ore authorisations, but streamline future tenement applications. In effect, all new tenements will have an automatic authorisation to explore for all minerals, including iron, and will no longer be required to seek permission and endorsement from the Minister.



*Banded iron formation*

### Designated tenement contact

*Mining Act 1978* amendments proposed through the *Licensing Provisions Amendment Bill 2015* provide a framework that requires each applicant or holder of a mining tenement to have a designated tenement contact.

This will create a single point of contact, allowing the department to communicate electronically with its customers, streamline its administrative processes, and efficiently deliver notices and other important information.

Under the new legislation, each tenement applicant and holder of a tenement will need to nominate a designated tenement contact, and provide an email address as part of their correspondence details.

A voluntary opt-in scheme was introduced in May 2016, until such time as the legislation is passed.

### Miner's Right extended to corporations

An amendment to Section 40C of the *Mining Act 1978* proposed in the *Licensing Provisions Amendment Bill 2015* will allow any person to be issued with a Miner's Right.

The amendment will permit a Miner's Right to be held by a corporation, reducing duplication and saving industry the time and expense of all individual employees needing to hold a Miner's Right prior to marking out tenements.



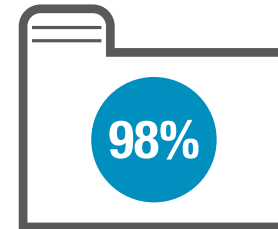
## Digital records ramping up

Much has been happening behind the scenes at the department to achieve productivity gains. In 2015-16, the storage and retention of digitised hard copy documents has been streamlined, and new modules to train staff developed for the department's electronic data and records management system.

Activities undertaken to improve access to records data and enhance the storage and management of paper records include:

- a comprehensive review of records data migration to ensure all migrated records are correct and intact
- implementing an updated data quality assurance procedure
- auditing of document storage and business folders
- establishing working groups to resolve operational database and records management integration issues
- increased rate of destruction of hard copy files that have been digitised, resulting in reduced storage needs and search times for active files.

The benefits of this work include more consistent and reliable information, and easier searching and identification of correct information, which allows better-informed decision making.



More than **98% of all records files** created during 2015-16 within the department were digital, with **86% of all departmental records stored automatically** within the Electronic Data and Records Management System (EDRMS).

## Increasing community confidence

Key drivers to increasing community confidence in the department's role in regulating the responsible development of resources in Western Australia are to:

- deliver a strong regulatory system that encourages, supports and demonstrates industry compliance
- effectively engage with stakeholders.



*Departmental staff with Department of Water staff and others attending AWE Field Day for regulators at Enerdrill Rig 3 at Waitsia 2, Perth Basin*

## Nine agencies collaborate to regulate shale and tight gas

The Western Australian Government agencies that regulate the development of the State's natural resources are united by a common and overarching responsibility to manage risk, whether to the natural environment, human health, or the amenity of communities. This responsibility applies at every stage of resource development, from the assessment and approval of development proposals, regulation of resource projects and monitoring for compliance, to decommissioning and rehabilitation.



As the lead agency for regulating the resources sector in Western Australia, the department led a collaborative effort across nine State Government agencies to provide a whole-of-government regulatory framework for shale and tight gas.

Released by the State Government in October 2015, the *Guide to the Regulatory Framework for Shale and Tight Gas in Western Australia* informs industry, other stakeholders and the public so they can better understand the robust regulatory assessment, approval and compliance processes for shale and tight gas projects.

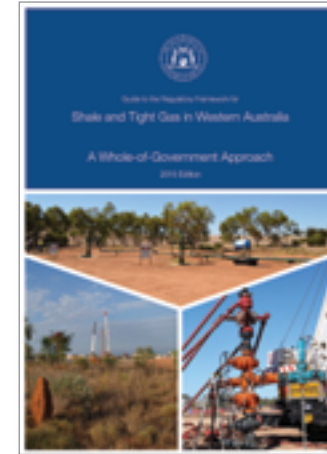
The guide describes the need for industry to consult and engage with the community in a timely and ongoing manner throughout the life of a project. It also outlines:

- land access rules
- water and air quality protection
- well integrity standards
- chemical disclosure, including the prevention of chemical use that poses unacceptable risks to public health, water supplies and the environment.



### Principles supporting the regulatory framework for shale and tight gas

- Transparent, risk-based regulation
- Whole-of-government approach
- Consistent State Government objectives
- Effective engagement with stakeholders, particularly local communities
- Compliance and enforcement



*Guide to the Regulatory Framework for Shale and Tight Gas in Western Australia*

Endorsed by

- Department of Mines and Petroleum [lead agency]
- Department of Water
- Department of Health
- Department of Environment Regulation
- Department of Aboriginal Affairs
- Department of Parks and Wildlife
- Department of Planning
- Environmental Protection Authority
- Office of the Environmental Protection Authority



## Regulatory changes to help protect public health, water supplies and the environment

The *Guide to the Regulatory Framework for Shale and Tight Gas in Western Australia* is underpinned by an administrative agreement with the Department of Water, and memoranda of understanding with the Environmental Protection Authority and the Departments of Environment Regulation, Parks and Wildlife, and Aboriginal Affairs.

The framework is also supported by new regulations mandating stringent well, field and environmental management plans and baseline water monitoring. In particular, the consideration of water-related issues early in the proposal process now allows the Department of Water to obtain sufficient scientific information about the risks to water resources before decisions are made by other agencies. The Department of Water's advice is then used by the department and the Environmental Protection Authority to determine the level of assessment needed for each proposal.



*The department's Petroleum Drilling Engineer Sandip Patel (right) during a well integrity inspection at the Dongara field*

## Standing Committee on Environment and Public Affairs report on the Implications for Western Australia of Hydraulic Fracturing for Unconventional Gas

In November 2015 the Standing Committee on Environment and Public Affairs tabled its report on the *Implications for Western Australia of Hydraulic Fracturing for Unconventional Gas*.

The report was the culmination of two years of evidence gathering, research and community engagement.

The committee made 51 findings and 12 recommendations as a part of its inquiry.

As part of its findings, the report noted improvements to regulations introduced by the department in 2015 and increased monitoring and compliance activities since 2011.

It also noted the increased interagency collaboration in regulating the industry and the international best-practice regulatory requirements that are already in place in Western Australia.

The report also found that Western Australia has a robust system in place for monitoring petroleum wells before, during and after production.

In response to the report's recommendations, the State Government supported, supported-in-principle or supported-in-part 10 of the 12 recommendations and noted the other two. The department started work on the recommendations supported by government, including the development of a land access working group and proposed amendments for consideration by Government and Parliament.



Parliament House, Perth

## Transparency policy improves access to information

In May 2016, the department released its *Transparency Policy* to provide confidence, awareness and clarity in the department's decision-making, and ensure the availability of departmental information that is current, relevant and easily accessible.

The policy was developed in response to a departmental report that identified legislative obstacles preventing the release of information to the public that would otherwise be available if sought under the *Freedom of Information Act 1992*.

Guided by freedom-of-information principles, the policy means the department will:

- release information to the public that it would release under the *Freedom of Information Act 1992*
- remove impediments to the release of information, except where there are sound reasons for not doing so.

The department's updated *Freedom of Information Statement* outlines the information that is currently publicly available at [www.dmp.wa.gov.au](http://www.dmp.wa.gov.au)

### Information management framework helps transparency and information search

The department understands the importance of transparency in its decision making, and the benefit of access to information for the community.



The department's *Information Management Framework*, which took effect in January 2016, provides a governance framework that supports record keeping in the digital environment. Its implementation allows departmental staff and stakeholders to more easily search and identify relevant, consistent and reliable information.

## Improving public access to environment plans for petroleum and geothermal activities

A new process was developed for the submission of environment plans for petroleum and geothermal activities. This supports the department's commitment to allow timely public access to environmental data it holds.

Previously, after an operator's environment plan had received approval from the department, a summary of the plan would be submitted and made publicly available. Since April 2016, operators have included a public disclosure document when submitting the environment plan to the department.

These documents have been made publicly available through the department's website, and enable the public to access information regarding petroleum and geothermal activities prior to departmental approval for that activity. This has the dual benefits of meeting the public disclosure requirements under legislation, but also providing the public with transparent, timely, consistent and accessible information.



Barrow Island (photo courtesy Chevron Australia)

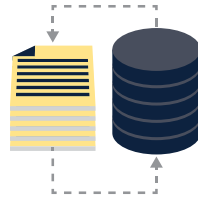
## Showcasing the South West Hub CCS project

Agricultural shows provide the department with an opportunity to share information and also find out what is happening in rural areas. In April 2016, for the fourth consecutive year, the South West Hub Carbon Capture and Storage (CCS) project was proudly 'on show at the show' in the Shire of Harvey, providing the latest updates on drilling, sampling, research and modelling being conducted in Harvey on behalf of the department.

The project team presented show-goers with a video of the virtual three-dimensional (3D) model of the ground beneath Harvey.

Since 2011, the potential of the underground formation Lesueur Sandstone as a carbon dioxide (CO<sub>2</sub>) storage reservoir has been confirmed by every stage of the project, including the drilling of four wells and a series of seismic surveys.

Work will continue in 2016-17 to investigate the stratigraphic rock sequences beneath the Harvey area, and undertake more 3D modelling work as well as CO<sub>2</sub> injection simulations.



**24 gigabytes of data added** to the 3D model of the ground beneath the Harvey area.

2015-16 data came from three wells drilled during the summer of 2014-15.



Since 2011, the department has undertaken a **2D seismic survey**, a **3D seismic survey**, drilled **one deep well (to a depth of 2945 m)** and **three "shallow" wells (to depths between 1350 m to 1800 m)**.

## Engaging with the international CCS community

In December 2015, the South West Hub project team welcomed a study group from the International Energy Agency Greenhouse Gas Research and Development Program CCS Summer School.



Harvey Shire President Tania Jackson spoke to the visitors about community issues and concerns, and the department's strong record of community engagement throughout the South West Hub project over the past four years.



From left to right: Dr Linda Stalker (CSIRO), Beth Ferguson (South West Hub project), Belinda Bloxsome (CarbonKids) and Dominique Van Gent (South West Hub project) in front of the 3D modelling video at the 2016 Harvey Show

## Commonwealth commits to new agreement following review

Under an agreement with the Commonwealth Government, the department has been responsible for the stratigraphic characterisation of the Southern Perth Basin in the Harvey-Waroona Shires for the purpose of carbon dioxide storage.

In May 2016, the department signed a new funding agreement that will enable the project to continue until June 2018.

The new agreement allows data and core analysis based on previous work to continue. On-ground activities are not envisaged for the next two years, but the agreement does allow the development of new project data acquisition activities for any future arrangement.

Research institutions such as CSIRO, The University of Western Australia and Curtin University of Technology will maintain their activities based around the Harvey Shire and the well sites.



A delegation of **50 Masters and PhD students and their mentors**, representing **14 countries**, inspected the South West Hub drilling program



Members of the IEAGHG International CCS Summer School inspect equipment at a Harvey drill site

## Adom goes international

*A Day in the Life of a Carbon Atom*: Starring Adom is a children's book about carbon capture and storage (CCS), written and illustrated in 2014 by students of St Michael's Catholic Primary School in Brunswick Junction. In September 2015, following its translation into Japanese, the Minister for Mines and Petroleum Hon Bill Marmion presented copies to the Japanese Weekend School in Perth. Copies were also sent to Japan through the Global CCS Institute.

The Adom book has proven popular with students in Western Australia's South West, as well as English-speaking students in Canada and Scotland. As a result of its popularity with both children and teachers, the Global CCS Institute is working with the South West Hub project team to translate the book into Chinese.



Mines and Petroleum Minister Hon Bill Marmion (centre) at the Japanese Weekend School in September 2015 to launch the Japanese translation of 'A Day in the Life of a Carbon Atom: Starring Adom' accompanied by some of the young authors

## Boosting regional engagement

Operating in a dynamic social and political environment, the department recognises the importance of community engagement that is inclusive, relevant and responsive.

Improving relationships with a broad range of stakeholders, including other State Government regulators, local councils and the community, has been critical to developing a strong regional stakeholder engagement program. In 2015-16, considerable progress in developing this approach included targeted engagement activities in relation to:

- shale and tight gas development in the Kimberley, Mid West and South West regions
- carbon capture and storage project in the South West
- Regional Engagement Project in the Mid West
- strengthening regional departmental liaison roles in the Kimberley, Pilbara and Goldfields regions.



*Stakeholder Engagement Working Group*

## Dongara hosts oil and gas expo

In October 2015, the department collaborated with the Shire of Irwin to present the first petroleum stakeholder information day in the Mid West town of Dongara. Hosted by the Shire, the Oil and Gas Expo was held to give the local community an opportunity to learn more about the oil and gas industry. Participants at the information day included industry and community groups, as well as the Department of Water, other Government departments and the CSIRO.

The Expo gave community members an opportunity to interact with industry and government at the one location.

The department provided information on the regulatory framework for shale and tight gas in Western Australia, and responded to local community concerns. As a result of very positive feedback, a similar event is planned for the South West, to be hosted by the Shire of Capel.



*Enerdrill Rig 3 at Waitsia 2, Perth Basin*

## Participating in petroleum roundtable

In December 2015, the department participated in a stakeholder workshop discussing the onshore petroleum industry in the State's Mid West.

The department's Deputy Director General Michelle Andrews and Petroleum Division Executive Director Jeff Haworth joined representatives from the Department of Water, Irwin Shire, Mid West Development Commission, Northern Agricultural Catchments Council, AWE Limited and Origin Energy Limited.

Ms Andrews congratulated the Mid West Development Commission for hosting the workshop, which focused on how industry, government and the community can work together to achieve positive outcomes for all stakeholders.

"It was an opportunity to look at how we can better identify and address concerns from the community and other stakeholders," Ms Andrews said. "Effective stakeholder engagement enables better

planned and more informed policies and projects to be delivered by the department and industry. It also ensures the department's responsibilities and expectations of industry are clear."

Mr Haworth provided the group with a summary of petroleum exploration and operations in the Mid West.

"The industry started in the Mid West in the 1960s with the discovery of gas at Dongara in the Perth Basin," he said. "To date, more than 200 wells have been drilled in the northern Perth Basin."

Mr Haworth said the figure included the eight wells that have been hydraulically fractured since 2005.

"The State combines its current regulations for oil and gas with international knowledge and technology, to ensure high safety and environmental standards are enforced, and are consistent with relevant State and Federal legislation, regulations and policies," Mr Haworth said.

## Brian Lloyd ranges far and wide in his Kimberley liaison role

Brian is the department's Liaison Officer in the Kimberley. Based in Broome, Brian spends considerable time in the field, visiting towns and communities throughout the Kimberley and engaging with a broad range of stakeholders.

Prior to taking on this role with the department, Brian worked for ten years with the pastoral industry, mainly in the Kimberley and Pilbara as the Liaison Officer for the Department of Regional Development and Lands. Before this, he was involved for 15 years in soil conservation and land-use planning with the Department of Agriculture based in Katanning, and spent ten years with the Commonwealth Government, including surveying remote areas of the State.



## Strengthening engagement with mining stakeholders

The department recognises the diverse nature of its stakeholders and the requirement to tailor its engagement strategies. For example, the department and Minister had several meetings and significant written communications with prospectors in Kalgoorlie on the proposed *Mining Legislation Amendment Bill 2015*, which covers:

- environmental regulatory reform
- investigations into claims of illegal mining and inadequate prospector safety
- implementation of online transactions to increase accessibility and timely interaction with the department, while recognising the need to maintain existing systems to ensure no stakeholders are disadvantaged
- proposed regulatory amendments requiring all tenement holders, where production has commenced, to lodge nil royalty returns if they expect to make no royalty payment for a quarter
- streamlining native vegetation clearing approvals.

The increased involvement with stakeholders during consultation has resulted in a better understanding of concerns, and raised awareness of the department's regulatory role, initiatives and reforms.

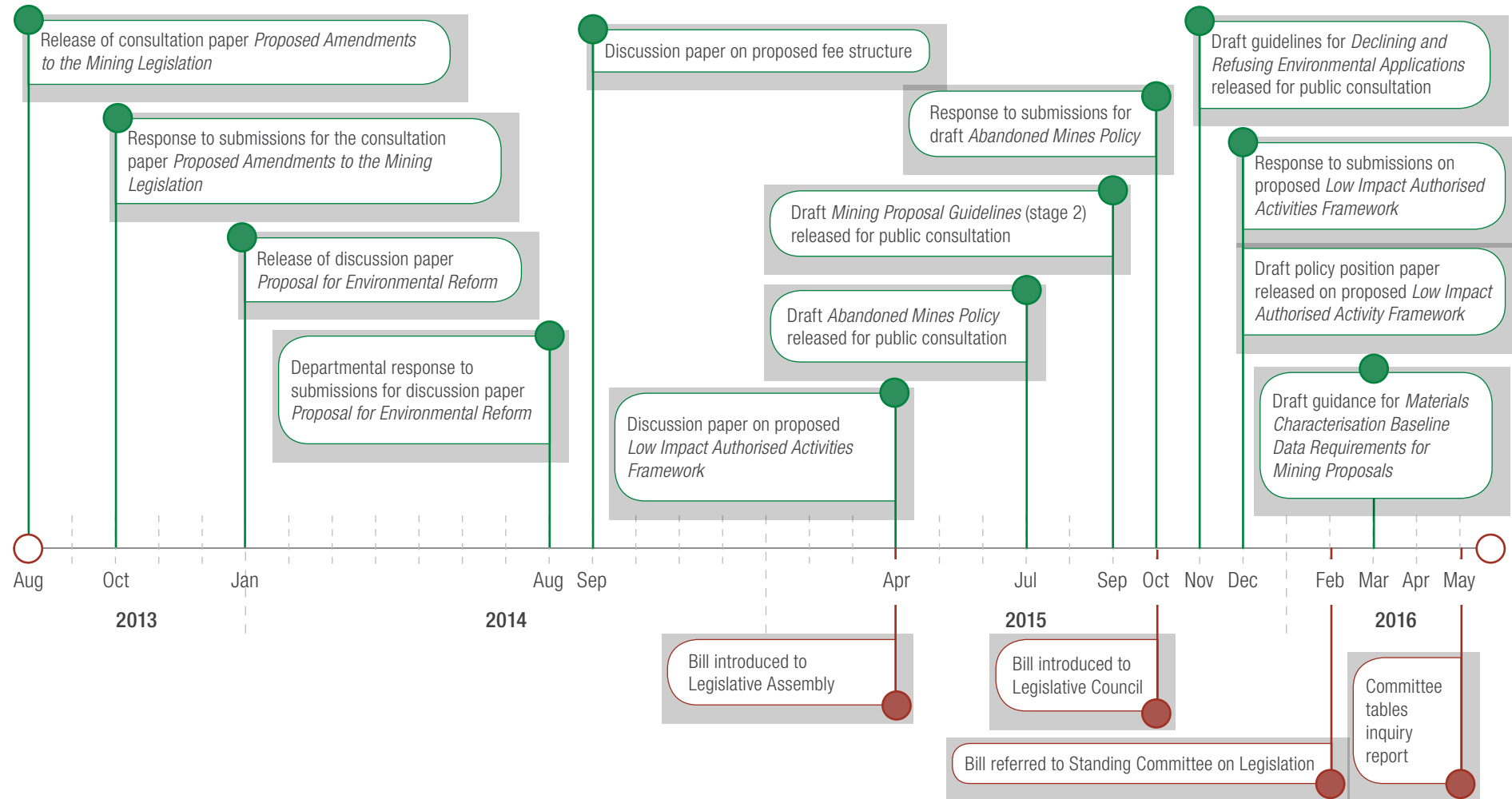
### What is the department doing to improve prospector engagement?

- The scope of the Geological Survey's online training sessions has been expanded to include information on other departmental initiatives.
- Regular meetings are held with the Amalgamated Prospectors and Leaseholders Association (APLA) President, departmental representative attended APLA's 2015 Annual General Meeting, and APLA distributes departmental information to its members.
- Initiatives are also being implemented to reach prospectors not represented by a group or organisation. For example, stakeholder briefing sessions in Perth and Kalgoorlie in November 2015 discussed the status of reforms to mining proposals and other environmental regulatory reform projects.





## The Mining Legislation Amendment Bill 2015 consultation timeline



## Legacy sites selected for rehabilitation

Four abandoned mine sites have been selected by the Mining Rehabilitation Advisory Panel as part of the Abandoned Mines Program:

- Black Diamond pit lake – Shire of Collie
- Pro-Force plant site – Shire of Coolgardie
- Bulong Nickel tailings storage facility – City of Kalgoorlie-Boulder
- Elverdton tailings storage facility – Shire of Ravensthorpe

The department's *Abandoned Mines Policy*, published in January 2016, provides a framework for prioritising the rehabilitation of abandoned mines, including legacy sites.

The funds to rehabilitate legacy sites are provided by the interest generated from the Mining Rehabilitation Fund.



Coolgardie

## Pro-Force plant site rehabilitation community workshop

The department will host a community workshop in Coolgardie in 2016-17 to inform stakeholders about rehabilitation plans for the former Pro-Force gold processing site, and provide an opportunity for community members to share their thoughts on the project.

An initial workshop was held in February 2016 in Coolgardie to begin the stakeholder identification process for future engagement.

During the Coolgardie visit, the department also undertook a preliminary site assessment to identify environmental and safety risks at the site to help prioritise environmental and safety concerns, including:

- the derelict processing plant
- an unsealed vertical shaft
- an excavated trench five metres deep next to the Coolgardie-Esperance Highway.

The next stage of the Pro-Force project involves a detailed site assessment and further consultation with the Shire and other stakeholders to collect information to be considered in the rehabilitation plan.



A mound of earth marks the site of the building and plant removed from the Pro-Force site

## Working group and forums focus on Black Diamond pit lake

Located within the Allanson town site boundary in the Shire of Collie, about five kilometres west of Collie, the former Black Diamond coal mine has been identified as a pilot site under the department's Abandoned Mines Program.

The Black Diamond site has become an unmanaged recreation area and the local community has raised a number of safety concerns. Environmental issues have also been highlighted, including illegal dumping, unauthorised camping and poor water quality in the pit.

A working group was formed in early 2016 to help address these concerns. Initial meetings discussed the department's proposed rehabilitation works for the legacy mine site. The primary focus of the proposed works is to manage the risks associated with the steep pit wall on the southern side of the site, and improve its safety and stability.

The working group will provide advice throughout the rehabilitation process so the department can respond appropriately to community safety and environmental concerns.

The working group's input will be supported by extensive ongoing community consultation.

In May 2016, the department held a community forum for key stakeholders on the proposed site rehabilitation including representatives of the Black Diamond Working Group, industry and residents of Allanson and Collie. Departmental staff outlined the possibility of funding being available through the Mining Rehabilitation Fund, and provided an overview of planned works as part of the third stage of the rehabilitation project. Based on this information, participants at the meeting indicated a managed recreational day-use area as the preferred end land-use for the site.

In 2016-17, the department and Black Diamond Working Group will work through the requirements for Stage 3 of the project. The Shire of Collie and Department of Lands will then be asked to approve the works. The Working Group will continue to consider end land-use design and opportunities for this highly valued site.



*Black Diamond pit Lake, Collie*

## Golden Gecko Awards recognise industry commitment to environmental excellence

The Golden Gecko Award for Environmental Excellence is awarded for commitment to environmental excellence, demonstrated excellent environmental outcomes, community engagement and innovation. The awards provide an opportunity to share experiences between government, industry and the community.

At the ceremony in October 2015, Mines and Petroleum Minister Hon Bill Marmion presented Chevron with the Golden Gecko Award for its Wheatstone micro-tunnel project.

Certificates of Merit were also presented to St Barbara Limited for the Gwalia Operation's absorption chiller

upgrade, and the Pilbara Mesquite Management Committee for its project entitled *Battling the Thorny Menace through Corporate Alliances*.

Award-winning projects such as these not only help raise the standard of environmental practices, but also demonstrate industry's commitment to developing and adopting advanced techniques and strategies. As the awards head into their 25<sup>th</sup> year in 2016, individuals and companies continue to develop innovative and remarkable solutions to address challenges and regulatory requirements.

### Nominating for the Golden Gecko Award

Nominations must clearly establish how innovation and leadership have resulted in demonstrated environmental outcomes. Efforts to communicate and share the project's findings with industry and the community are viewed favourably.

Projects must:

- be based in Western Australia (including State waters, but not Commonwealth waters)
- relate to a resource industry operation (i.e. mining, petroleum, geothermal or geosequestration)
- relate to environmental management
- be able to demonstrate how the project meets the criteria.

#### Assessment criteria

- Demonstrate excellent environmental outcomes
- Commitment to environmental excellence
- Demonstrate beyond regulatory compliance or set a new industry standard or innovation
- Community engagement and corporate social responsibility



Mines and Petroleum Minister Hon Bill Marmion presents the 2015 Golden Gecko to Tony Spencer and Tye Pope of Chevron Australia



Dr Phil Gorey, Executive Director, Environment

## Community partnerships celebrated

In February 2016, nominations opened for the department's new Community Partnership Resources Sector Award. This award is aimed at recognising outstanding achievements and innovative partnerships between resource companies and communities.

Information sessions to launch the new award and encourage nominations were held at 14 regional offices throughout the State.

Any community group, individual or company operating in Western Australia's mineral, energy resources or extractive industries, was eligible to enter a submission for the award. Twenty-six nominations had been received when entries for the inaugural award closed in April 2016.

Resources companies could submit either a joint nomination with a community organisation, or an individual nomination demonstrating collaboration with a community organisation. Companies providing services to the resources sector could also nominate a project.

The Minister for Mines and Petroleum will announce the winner in October 2016 at the department's annual Awards for Excellence night, which incorporates the Golden Gecko Awards for Environmental Excellence. By celebrating outstanding partnerships, the award promotes collaboration within the resources sector.



### Assessment criteria for Community Partnership Award

- leadership or innovation in engagement
- benefits of the collaboration
- commitment to providing sustainable and enduring outcomes



## Investigation and legal activities strengthen safety focus

The focus on safety in the resources industry has been strengthened with a significant increase in the number of investigations and successful prosecutions completed by the department's Investigation Services and Legal Services branches, working with the Resources Safety Division.

Since the Investigation Services branch was created in 2011, specialist investigators have been recruited, procedures formalised and more efficient working arrangements established with the State Solicitor's Office.

This change in approach has resulted in:

- an increased range and number of incidents investigated, including near misses
- reduced investigation completion times
- more effective and timely prosecutions
- more guilty pleas from the accused, without going to trial.

The completion of more investigations has enabled the department to increase the amount of critical safety information published, which helps the resources sector protect workers and safeguard the community.



Between **2011 and 2012**, only 5 out of 22 (**23%**) investigations were completed compared to 66 out of 67 (**98%**) between **2013 and 2015**

### Examples of successful prosecutions

#### Telfer mining fatality

Exact Mining Services was fined \$130,000 in Perth Magistrates Court in February 2016 for failing to provide a safe working environment following an incident that killed a worker in late 2013.

The worker died after being crushed by a section of pipe at a tailings storage facility at the Telfer Gold Mine on 4 December 2013.

Exact Mining Services pleaded guilty to charges under the *Mines Safety and Inspection Act 1994*.

#### Cloudbreak mining fatality

After pleading guilty to charges under the *Mines Safety and Inspection Act 1994*, BTP Equipment Pty Ltd was fined \$195,000 in December 2015 and ordered to pay \$100,000 in costs for its involvement in the death of a worker on 24 December 2010.

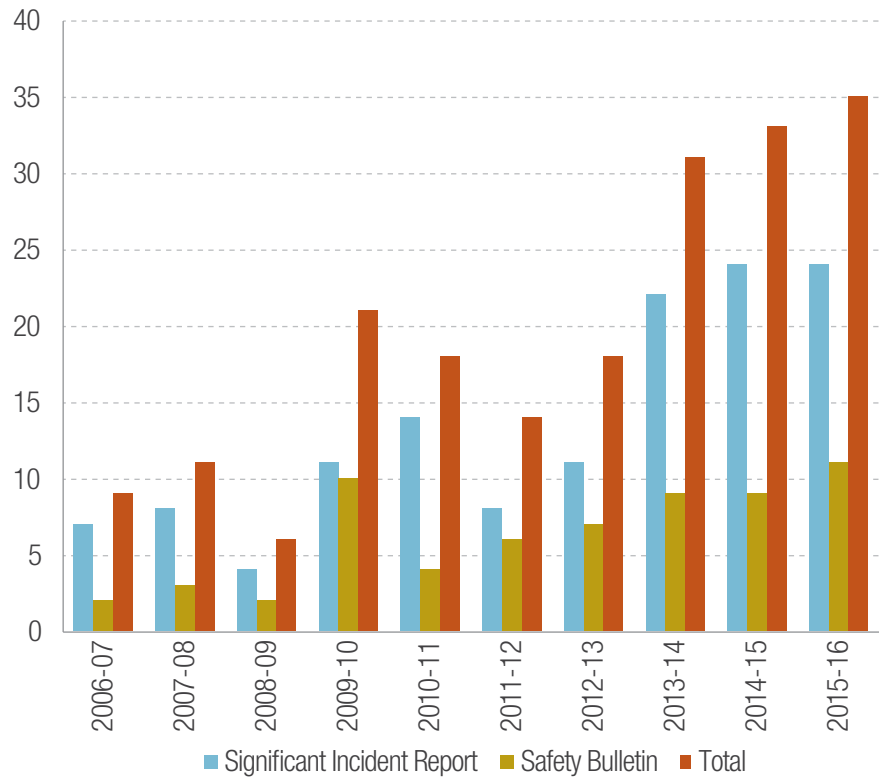
The worker was fatally injured during maintenance work on a haul truck in the mobile maintenance workshop at Fortescue Metal Group's Cloudbreak iron ore mine in the Pilbara.

The department's investigation found that a strut had not been depressurised as required by the original equipment manufacturer. An end plug ejected under pressure and hit the worker while working on the strut.



## Sharing the lessons learnt

In the past three years, the department has produced 99 Significant Incident Reports and Safety Bulletins. This is more than the number produced in the previous seven years (97 reports and bulletins).



## World-first safety guidance for autonomous mining

Western Australia continues to be at the forefront in the development of autonomous mining technology, with the State Government giving the tick of approval for the world's first code of practice for safe autonomous mining, which was gazetted in September 2015.

The code of practice was developed because autonomous mining systems are not specifically covered in the *Mines Safety and Inspection Act 1994* and its associated regulations. It describes the expected safety outcomes for new or existing mobile autonomous mining systems.

Developed by the department through a working group comprising representatives from equipment manufacturers, mining companies and technology experts, as well as the department, the code of practice also had input from technical experts from across the globe.

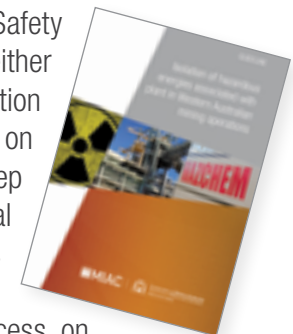
The code of practice, which took 18 months to develop, helps companies safely introduce and manage autonomous mobile mining systems in their operations. As for any operation in the resources industry, there is an expectation that the risks will be understood and minimised to ensure workers are protected.

### Isolation of hazardous energies

Worker exposure to hazardous energies associated with fixed and mobile plant continues to result in fatal and serious injuries in Western Australia's minerals industry.

To assist industry understand and address the associated risks, the department developed the *Isolation of hazardous energies associated with plant in Western Australian mining operations – guideline*, which was released in late 2015. The guideline is structured to support a risk management approach to the isolation of hazardous energies and will help mining operations to develop safe systems of work for fixed and mobile plant.

The guideline was developed using extensive input from attendees at the 2014 Mines Safety Roadshow, many either involved in isolation activities or reliant on such controls to keep them safe. Additional industry input was sought through a public comment process on the draft guideline, which helped clarify and enhance the content.



Autonomous truck (photo courtesy Rio Tinto)



## Sharing lessons learnt – they weren't free

Industry involvement in the development of safety resources is critical. Not only does the final information or tool benefit from the accumulated knowledge and practical experience of industry, but effective consultation maintains the relationship between the regulator and industry.

The collaboration process is an opportunity to:

- share the lessons learnt from previous incidents
- understand and raise awareness of the circumstances
- identify and promote more effective controls, or ways to eliminate or reduce exposure to the hazard
- encourage mutual respect and trust.

The lessons learnt from serious incidents were not free — either someone was hurt or there was the potential for harm (i.e. “near-miss”).



## Tyre safety for earth-moving equipment

Over the past decade, there have been several tyre-related fatalities and serious incidents at Australian mining operations. Working with tyre-handling equipment was identified as one of the critical activities in the department's report on fatal accidents in the Western Australian mining industry from 2000 to 2012.

The Resources Safety Division, in conjunction with an industry working group and several tyre experts, developed a new guideline on tyre safety for earth-moving machinery. The final content and structure reflect industry feedback at various stages of drafting. Such input is critical to ensure that departmental guidance not only satisfies the regulatory intent, but is considered by industry to be a valuable and practical resource.

Released in September 2015, the guideline replaces the 2005 guideline on tyre safety, fires and explosions. It describes the hazards and types of controls expected during the lifecycle of an off-the-road tyre (and its rim or wheel assembly), and highlights the risks of working with tyres in the mining industry.

## Telling stories to raise safety awareness

*Know Your Hazards* is a video series produced by the department for the Western Australian resources sector. The series aims to help supervisors and workers recognise common workplace hazards that have injured or killed people. Being able to correctly identify hazards is the first step towards reducing the risk of accidents in the workplace.

Launched at the 2015 Mines Safety Roadshow in October, *Down to Earth* is the second instalment in the series, and tackles falls from height, which remains the number one cause of injuries in the mining industry.

In the first video, the perception of what heights are “safe” is challenged and the effect on the human body is explained.

In the second video, three people affected by the consequences of a fall from height share their experiences to raise awareness of the impact of workplace accidents.

The videos are a sought-after tool to raise awareness and assist in training. They are freely available for sharing or download for educational purposes.



Down to Earth downloads in November 2015 to June 2016

**Falling from height = 4,070**

**Impact of falling = 2,143**



2015 Mines Safety Roadshow in Newman

# 5

## DISCLOSURE AND LEGAL COMPLIANCE



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- 77 Occupational safety, health and injury management
- 79 Customer feedback
- 79 Substantive equality
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## Ministerial Directives

The department did not receive any Ministerial Directives during the 2015-16 financial year.

## Other financial disclosures

### Pricing policies of services provided

The department's user charges and fees are reviewed annually in accordance with the government's policy on the costing and pricing of government services. A robust costing methodology is used to determine the projected costs of service delivery, with particular attention to the level of cost recovery being achieved. Any increases in user fees and charges are limited to the extent of cost recovery.

### Major capital/capital works

In 2015-16, the department completed the refurbishment of 1 Adelaide Terrace, East Perth, and construction commenced for the \$7 million expansion of the Perth Core Library storage and viewing areas. The tender to upgrade the lifts in Mineral House was awarded, with work commencing in 2016-17.

### Act of grace payments

During the 2015-16 period, seven act of grace payments totalling \$41,834.88 were made.

## Unauthorised use of credit cards

In response to gazettal of the amended Treasurer's instructions TI 321 *Credit Cards – Authorised Use* and TI 903 *Agency Annual Reports*, agencies are required to publish details of instances in their annual report where a Western Australian Government Purchasing Card (a 'credit card') is utilised for personal use. The new requirement applies to financial reporting on or after 31 December 2015.

(a)	The number of instances the Western Australian Government Purchasing Card has been used for a personal purpose	65
(b)	The aggregate amount of personal use expenditure for the reporting period	\$3898.91
(c)	The aggregate amount of personal use expenditure settled by the due date	\$2953.86
(d)	The aggregate amount of personal use expenditure settled after the period required by paragraph (c)	\$935.45
(e)	The aggregate amount of personal use expenditure outstanding at the end of the reporting period	\$9.60
(f)	The number of referrals for disciplinary action instigated by the notifiable authority during the reporting period	1
<i>Refer to Treasurer's Instruction 903(13)(iv)</i>		

## Governance disclosures

The department did not have any governance disclosures during the 2015-16 financial year.

## Boards and committees remuneration

Departments are required to report on the individual and aggregate costs of remunerating all positions on boards and committees as defined in the Premier's Circular 2010/02 – *State Government Boards and Committees*, and which appear in the register published by the Department of Premier and Cabinet.

The department has nothing to report for the 2015-16 financial year.

## Compliance with public sector standards and ethical codes

The department administers its business in accordance with the Public Sector Standards, the Western Australian Public Sector Code of Ethics and its own Code of Conduct. The department is committed to fostering an organisational culture based on ethical, transparent and accountable behaviour, and actively encourages employees to demonstrate high standards of conduct and integrity at all times.

## Code of conduct

The department's Code of Conduct is aligned with the Public Sector Commissioner's Instructions No. 7 – *Code of ethics* and No. 8 – *Codes of conduct* and integrity training. The Code of Conduct guides employees' behaviour in line with the standards of conduct and integrity required as a public officer, and outlines detailed processes on reporting misconduct or suspected breaches of the code.

All employees are provided with a copy of the Code of Conduct and are required to acknowledge their understanding of its intent annually through the department's performance management process.

New employees must attend induction sessions that detail their responsibility to comply with the Code of Conduct, and emphasise an employee's obligation to report suspected unethical behaviours or actions.



As at 30 June 2016, 99 per cent of employees had confirmed they have received and read the Code of Conduct and sought explanation where necessary from their manager.

## Conflict of interest

To assist staff to identify and manage conflicts of interest, the department has an integrated Conflict of Interest Framework comprising policies, procedures, decision-making tools and an online declaration and approval system. As part of their annual performance review, all employees must confirm they have an up-to-date knowledge of the department's conflict of interest policy and have completed the associated declaration, if required. All departmental positions are assessed for the risk of conflict of interest. Positions with a higher risk have been assessed and recorded in the Human Resources Management System and are subject to annual review.

## Corruption prevention

Training in accountable and ethical decision-making (AEDM) is compulsory for all new employees, and is delivered face to face. Refresher training is delivered online.

In 2015-16, the department rolled out AEDM training online for contractors and short-term agency staff providing a service for three months or longer.

To ensure employees are provided with up-to-date information, the department regularly reviews the contents of its online training program.



As at 30 June 2016:

- 92 per cent of employees had completed the AEDM training
- 94 per cent of employees had completed refresher training
- 74 per cent of contractors had completed AEDM training

In 2015-16 there was one breach claim lodged against the employment standard. This claim was reviewed by the Public Sector Commissioner with no breach found. A breach claim was also lodged against the performance management standard. This claim was submitted to the Public Sector Commission and declined.

The department completed three disciplinary processes into alleged breaches of the code of conduct. All three processes led to actions being taken.

## Information management and record keeping plans

The department's amended Record Keeping Plan (RKP) (RKP 2015034) was approved by the State Records Commission (SRC) on 26 November 2015.

The department's Retention and Disposal (R&D) Schedule (DA 2013-061), approved by the SRC on 1 August 2014, continued in active use over the past year.

Information management and record keeping governance was developed or updated.

### Record keeping systems review and online transactions

The department monitors the performance of the Electronic Document and Records Management System (EDRMS) on an ongoing basis, including integration with other departmental record keeping systems. During the year, specifications and functional requirements were developed to be used for future EDRMS development.

The transition to online lodgement and electronic processing of customer transactions triggered a number of activities, including:

- a comprehensive review of migrated records data to ensure all records remained correct and intact
- an ongoing data quality review and reporting program
- a document storage and business folder audit program
- the establishment of working groups to resolve operational database and EDRMS system integration issues
- increased activity in authorised file destruction to reduce storage needs and improve system performance
- specially designed training modules.

Business system integration with the EDRMS continued during the year with the implementation of new online functionality and e-Forms. Overall, over 98 per cent of new departmental files were digital, with 86 per cent created automatically through system integration.

## Training

All new employees at the department complete an online self-paced Record Keeping Awareness Training package covering:

- government accountability and compliance
- benefits of good practice in record keeping
- consequences of inadequate record keeping
- the creation, access, storage and disposition of government records.

All staff complete refresher training every three years.

Description	Staff trained
Record keeping awareness – online training	274
Records management principles, including document management (OurDocs), workflow, online transactions, records management	288
EDRMS – basics (mandatory)	160
EDRMS – refresher and coaching	113
Business folders – owner training (mandatory)	8
Specific functions and actions, including search and find, OurDocs folders, editing and locking, eSignatures, email records	134
EDRMS – basics, for Department of State Development	10
Business folder – owner training, for Department of State Development	16
<b>Total</b>	<b>1003</b>

## Government Building Training Policy

The Government Building Training (GBT) Policy aims to increase the number of apprentices and trainees in the building and construction industry by requiring contractors awarded State Government building, construction and maintenance contracts to commit to meeting a target training rate through employing construction apprentices and trainees.

All departmental building and construction, and maintenance contracts with an estimated value of \$2 million dollars or more are managed by the Building Management and Works in the Department of Finance, which oversees general building requirements as part of the tender process and reports on performance against GBT targets. The department does not let contracts of this magnitude either for construction or maintenance in its own right.

## Audit and risk management

The department's Audit Committee acts as an advisory body to the Director General. Its principal aim is to help the Director General promote a workplace environment where the application of good corporate governance is expected while achieving the department's strategic priorities and business.

The committee comprises:

- Director General (Chair of the committee)
- the department's General Counsel
- two independent external members (appointed by the Director General)
- General Manager, Internal Audit Services (Executive Officer) [non-voting].

The Committee met three times in 2015-16.

## Advertising, market research, polling and direct mail

In accordance with s. 175ZE of the *Electoral Act 1907*, the department is required to publish a statement detailing all expenditure incurred by, or on behalf of, the agency during the reporting period for advertising and direct mail.

### Direct mail charges

Category	Publication	Amount
<b>Email marketing</b>	Mail Chimp	\$1,493.75
<b>Mail house</b>	Active <i>Prospect</i> magazine	\$2,990.50
	Vanguard Press <i>Prospect</i> magazine	\$1,122.96
	<i>Resources Safety Matters</i> magazine	\$8,226.95
	<i>Field Notes</i> (includes postage)	\$7,989.45
	Watway (trades as Northside) Resources Safety – various publications	\$3,930.45
<b>Postage charges</b>	Australia Post <i>Prospect</i> magazine	\$17,302.74
	Resources Safety	\$34,456.25
	<b>Total</b>	<b>\$77,513.05</b>

### Media advertising

Company	Amount
<b>Adcorp</b> – non campaign, departmental events	\$13,149.68
<b>Adcorp</b> – regulation	\$402,966.99
<b>Adcorp</b> – recruitment	\$12,916.80
<b>OMD WA</b> – campaign	\$0
<b>Total</b>	<b>\$429,033.47</b>

### Market research

Company	Amount
<b>Survey Monkey</b>	\$960.00
<b>EY Sweeny</b> – stakeholder satisfaction (input KPI)	\$35,610.00
<b>Total</b>	<b>\$36,570.00</b>

### Polling organisations and advertising agencies

Company	Amount
<b>Polling organisations</b>	\$0
<b>Advertising agencies</b>	\$0
<b>Total</b>	<b>\$0</b>



## Workforce development (training and development, attraction and retention)

The department is committed to the continuous learning and development of its staff and relaunched its Leadership Development Framework, which aims to promote leadership at every level.

The framework is a critical development tool for those staff identified in workforce planning. It is underpinned by the department's Capability Framework and Values, and is formalised through the performance management process.

Development opportunities include the Management Excellence Development Program (MEDP), which entered its sixth consecutive year in 2015.

Staff can participate in the department's mentoring program, as well as coaching and customised training courses on topics such as change management, dealing with difficult situations and managing mental health.



### MEDP

2015 – 17 staff graduated  
2016 – 14 staff enrolled

## Reconciliation Action Plan (RAP)

In April 2016, the department launched its new Reconciliation Action Plan 2016-2018, which was endorsed by Reconciliation Australia in the innovate category.

The plan aims to achieve the department's vision of a workforce that understands and respects Aboriginal and Torres Strait Islander histories and cultures, allowing the department to work effectively with these communities.

Key initiatives within the plan include the Aboriginal Employment Strategy, celebration of National Reconciliation Week and NAIDOC Week, and the rollout of cultural awareness training across the department.



Over **90% of employees** have  
**attended cultural awareness training**

## Launching the new RAP

The department celebrated its new reconciliation action plan on 4 April 2016 with a very inspiring Welcome to Country by Barry McGuire, Aboriginal Elder. The audience was also treated to an Aboriginal dance and didgeridoo performance by Guildford Grammar School students.

The Noongar-inspired names of the department's new conference rooms at 1 Adelaide Terrace, East Perth, were also unveiled:

- Wandju – welcome
- Kaartdijin – knowledge
- Koorling Dandjoo – coming together.



Members of the RAP Committee with Barry McGuire (right) at the launch of the department's conference rooms

## Disability access and inclusion plan

In accordance with s. 29 of the *Disability Services Act 1993* and Schedule 3 of the *Disability Services Regulations 2004*, the department is required to implement strategies and initiatives identified in its Disability Access and Inclusion Plan.

The department's progress on implementing the plan is reported to the Disability Services Commission. Most of the planned strategies in 2015-16 were completed against the following outcomes:

- Outcome 1** People with disabilities have the same opportunities as other people to access the services of, and any events organised by, the department
- Outcome 2** People with disabilities have the same opportunities as other people to access the buildings and other facilities of the department
- Outcome 3** People with disabilities receive information from the department in a format that will enable them to access the information as readily as other people are able to access it
- Outcome 4** People with disabilities receive the same level and quality of service from the staff of the department as other people receive
- Outcome 5** People with disabilities have the same opportunities as other people to make complaints to the department
- Outcome 6** People with disabilities have the same opportunities as other people to participate in any public consultation by the department
- Outcome 7** People with disabilities have the same opportunities as other people to obtain and maintain employment within the department

The department's 2015-2020 Disability Access and Inclusion Plan has been submitted to the Disability Services Commission.

### Disabled access part of new fitout

During the year, the department completed the new office fitout for the Resources Safety Division at 1 Adelaide Terrace, East Perth. This included disability facilities such as location placement for light switches, and iPads that control the booking system for meeting and quiet rooms.



### Delivering diversity in recruitment and selection

Recruitment and selection processes in the department now include reasonable adjustments for people with disabilities. Training for recruitment and selection has also been updated, and appointments are based on diversity outcomes that include disabilities.

The department promotes inclusiveness through youth employment programs, such as its graduate program and traineeships, using the Public Sector Commission's Recruitment Advertising Management System (RAMS).

## Occupational safety, health and injury management

The department is committed to providing and maintaining a safe and healthy work environment in its workplaces. Its *Occupational Safety and Health Policy* and accompanying safety management system aim to meet or exceed the requirements of the *Occupational Safety and Health Act 1984*. The Occupational Safety and Health Committee comprises management staff and elected safety and health representatives, and meets quarterly.

Workers' compensation claims are managed in a fair and equitable manner in accordance with the *Workers' Compensation and Injury Management Act 1981*. This includes assisting the prompt return of employees to meaningful and productive work following work-related injury, illness or disability, through sound injury management and occupational rehabilitation.

The department's safety management system is based on the WorkSafe WA plan, and is a documented and verifiable set of plans, actions, policies and procedures that help staff to clearly identify their responsibilities and manage them in an organised manner. The goal is to continuously improve safety and health outcomes and prevent workplace injuries and illnesses.

## Continuous improvement of the safety management system

The occupational safety and health focus was on management commitment, consultation and planning.

Policies and procedures were reviewed, and a new 'traffic light' report format for key performance indicators was introduced.

Training improvements included:

- comprehensive online induction and face-to-face induction sessions
- mandatory occupational safety and health and injury management training for managers, including an online component and face-to-face session
- quarterly in-house training for safety and health representatives
- the introduction of online refresher training every three years.

## Workers' compensation and injury management

Compared to industry rates, the department consistently reports lower claims costs and overall workers' compensation contributions. The following table shows the department's performance against targets set by the Public Sector Commission.

Measure	Actual results		Comment
	2014-15 <sup>(1)</sup>	2015-16 <sup>(2)</sup>	
Number of fatalities	0	0	
Number of workers compensation claims lodged	3	9	Increase of 6 claims (still low for the organisational size)
Number of lost time injuries	2	5	Increase of 3 injuries (still low for the organisational size)
Lost time injury and/or disease incidence rate	0.25	0.65	0.4 increase in incidence rate (still low for the organisational size)
Lost time injury and/or disease severity rate	0	0	
Percentage of injured workers returned to work:			Greater than target of 80%
(i) within 13 weeks	100%	100%	
(ii) within 26 weeks	100%	100%	
Percentage of managers trained in occupational safety, health and injury management responsibilities	99%	97.5%	Greater than the target of 80%

<sup>(1)</sup> The year is to be three years prior to current reporting year; that is, current year is 2015-16 and comparison year is 2013-14, as the trend is over a period of three years.

<sup>(2)</sup> The current year; that is, 2015-16.

<sup>(3)</sup> The reduction may be calculated over a three-year period.

## Customer feedback

The department is committed to providing high quality services that meet customers' needs. The department respects customers' right to complain if they are not happy with the services provided, or the way in which they are provided. Compliments and suggestions are also welcomed.

The following figures are compiled from the online Feedback and Complaint Management System.

Contact method	Number of complaints	Number of compliments	Number of suggestions	Total
Email, mail or fax	4	7	0	11
Internet	27	0	15	42
Telephone	11	0	1	12
<b>Total</b>	<b>42</b>	<b>7</b>	<b>16</b>	<b>65</b>

## Substantive equality

The department recognises the diversity of the Western Australian community and is committed to providing services to meet its customers' needs. All service delivery areas have been assessed to ensure compliance with the department's Policy Framework for Substantive Equality and the *Equal Opportunity Act 1984*.

## Equal employment opportunity and diversity plan

The department is working towards a workforce as diverse as the community it serves. Workforce diversity is supported by the department's Equal Employment Opportunity (EEO) and Diversity Plan.

In 2015-16, the department finalised the remaining initiatives in the plan for 2014-2016, which focused on increasing the workforce representation of women in leadership, youth and Aboriginal and Torres Strait Islander people.

### Youth employment programs

The department coordinates an Interagency Graduate Program, which focuses on attracting talented university graduates to a career in the public sector. The program rotates graduates across multiple business areas to gain experience, build their networks and improve their understanding of State Government as a whole.

The department also participated in the Public Sector School-Based Traineeship program in 2015-16, providing three trainees with the opportunity to work towards a Certificate II in Government.



#### Interagency Graduate Program

2015 – 5 graduates completed program  
2016 – 5 graduates recruited into program

**Ranked top graduate program** in the State's public sector

**Ranked 14<sup>th</sup>** in **nation-wide survey of graduates** conducted by the Australian Association of Graduate Employers

## Graduate Program – James Kerrigan

James Kerrigan joined the department's Graduate Program in January 2015 after completing a degree in Accounting and Business Information Systems.

James undertook three-month rotations in four departmental areas as well as an external rotation at the Department of Treasury. During his time as a graduate, James played a key role developing concepts in preparation for the utilisation of analytical and reporting software, Qlik Sense. This will be used

to better manage and present data, improving the alignment of policy objectives and encouraging corporate accountability.

As part of the team project run through the State Government's graduate program, James developed an innovative Qlik report that offers great detail about the Mining Rehabilitation Fund. James also set up a range of Qlik reports for the Environment Division that has facilitated workload monitoring.



## Youngest mines inspectors come through Graduate Program

About four years ago, two young students were swotting their way towards degrees at Edith Cowan University. They may have been on the same campus, studying similar subjects, but their paths never crossed until they began the 18-month Graduate Program at the department in 2012.

Now Jessica Crow and Quinn Kearney are the best of mates. They're also the department's youngest mines inspectors.

"If someone had told me four years ago that I would be a mines inspector, I would have been pretty impressed," Jessica said. "It's odd that we didn't know each other at uni, but it's been so good to be friends and to be able to help each other as we went

through our training at the department."

Twenty-four year-old Jessica and 27 year-old Quinn started their new roles with Resources Safety in January 2016.

Simon Ridge, Executive Director Resources Safety, said the decision to recruit Jessica and Quinn as graduates with occupational health and safety (OHS) qualifications had paid off handsomely.

"Because OHS is very much systems-based, it was easy to train them up on the various soft and hard skills around activities such as auditing and investigations," he said. "We now have two professional and highly motivated inspectors who are an asset to the department."



*Quinn Kearney (left) and Jessica Crow (right)*

## Aboriginal Employment Strategy

The Aboriginal Employment Strategy (AES) aims to increase representation of Aboriginal and Torres Strait Islander people in the department through a structured employment program, which includes development opportunities and a mentor.



Five employees participated in the AES  
in 2015-16

### Aboriginal Employment Strategy (AES) – Alex Blackman

In July 2015, the Resources Safety Division welcomed its latest dangerous goods staff member, recruited through the department's Aboriginal Employment Strategy (AES). After an initial three-month induction period, Alex Blackman, who has a Bachelor of Science (Biology), began his dangerous goods safety training.

Now gazetted as a dangerous goods officer, Alex inspects dangerous goods in Aboriginal communities across Western Australia, ranging from the Tjuntjuntjara Community near the South Australian border to Kalumburu in the north of Western Australia. His role is to confirm the communities' dangerous goods storages (typically diesel, with petrol, gas and chlorine also common) comply with the safety legislation. He checks that the dangerous goods are stored and handled safely, and provides education for the communities on how they can be safe around dangerous goods.

Alex loves his job because he provides essential information to places and people who often have little positive contact with any outside agencies. Dangerous goods safety education is extremely important, and may be lacking in the remote places Alex visits. He provides the communities with information that will help keep them safe.



*Alex (right) on inspection at Jigalong*



The department's interagency graduate program has been named as the top ranking graduate employer for State Government departments in Western Australia for the second year in a row.



# Independent audit opinion

**INDEPENDENT AUDITOR'S REPORT**  
**To the Parliament of Western Australia**  
**Department of Mines and Petroleum**



**Auditor General**

7th Floor Albert Facey House, 469 Wellington Street, Perth  
MAIL TO: Perth BC, PO Box 8489, Perth WA 6849  
TEL: 08 6557 7500 FAX: 08 6557 7600

## Report on the Financial Statements

I have audited the accounts and financial statements of the Department of Mines and Petroleum.

The financial statements comprise the Statement of Financial Position as at 30 June 2016, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, Schedule of Income and Expenses by Service, Schedule of Assets and Liabilities by Service, and Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information, including Administered transactions and balances.

### Opinion

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Department of Mines and Petroleum at 30 June 2016 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

### Director General's Responsibility for the Financial Statements

The Director General is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and for such internal control as the Director General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

## Independent audit opinion (continued)

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 department's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Director General, as well as evaluating the overall presentation of the financial statements.

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

### Report on Controls

I have audited the controls exercised by the Department of Mines and Petroleum during the year ended 30 June 2016.

Controls exercised by the Department of Mines and Petroleum are those policies and procedures established by the Director General to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions .

### Opinion

In my opinion, in all material respects, the controls exercised by the Department of Mines and Petroleum are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2016.

### Director General's Responsibility for Controls

The Director General is responsible for maintaining an adequate system of internal control to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities are in accordance with the *Financial Management Act 2006* and the Treasurer's Instructions, and other relevant written law.

### Auditor's Responsibility for the Audit of Controls

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the controls exercised by the Department of Mines and Petroleum based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

## Independent audit opinion (continued)

An audit involves performing procedures to obtain audit evidence about the adequacy of controls to ensure that the department complies with the legislative provisions. The procedures selected depend on the auditor's judgement and include an evaluation of the design and implementation of relevant controls.

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

### Report on the Key Performance Indicators

I have audited the key performance indicators of the Department of Mines and Petroleum for the year ended 30 June 2016.

The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide information on outcome achievement and service provision.

### Opinion

In my opinion, in all material respects, the key performance indicators of the Department of Mines and Petroleum are relevant and appropriate to assist users to assess the department's performance and fairly represent indicated performance for the year ended 30 June 2016.

### Director General's Responsibility for the Key Performance Indicators

The Director General is responsible for the preparation and fair presentation of the key performance indicators in accordance with the *Financial Management Act 2006* and the Treasurer's Instructions and for such controls as the Director General determines necessary to ensure that the key performance indicators fairly represent indicated performance.

### Auditor's Responsibility for the Audit of Key Performance Indicators

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the key performance indicators based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the key performance indicators. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments the auditor considers internal control relevant to the Director General's preparation and fair presentation of the key performance indicators in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the relevance and appropriateness of the key performance indicators for measuring the extent of outcome achievement and service provision.

## Independent audit opinion (continued)

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

### Independence

In conducting the above audits, I have complied with the independence requirements of the *Auditor General Act 2006* and Australian Auditing and Assurance Standards, and other relevant ethical requirements.

### Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators

This auditor's report relates to the financial statements and key performance indicators of the Department of Mines and Petroleum for the year ended 30 June 2016 included on the department's website. The department's management is responsible for the integrity of the department's website. This audit does not provide assurance on the integrity of the department's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



**COLIN MURPHY**  
AUDITOR GENERAL  
FOR WESTERN AUSTRALIA

Perth, Western Australia

29 August 2016

# 6

## KEY PERFORMANCE INDICATORS



- 88 Certification of key performance indicators
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# Certification of key performance indicators

DEPARTMENT OF MINES AND PETROLEUM  
DISCLOSURES AND LEGAL COMPLIANCE  
FOR THE YEAR ENDED 30 JUNE 2016

## **KEY PERFORMANCE INDICATORS**

### **Certification of key performance indicators**

I hereby certify that the key performance indicators are based on proper records, and are relevant and appropriate in assisting users to assess the Department of Mines and Petroleum's performance, and fairly represent the performance of the Department of Mines and Petroleum for the financial year ended 30 June 2016.



**Richard Sellers**

Director General

25 August 2016

# Performance management framework



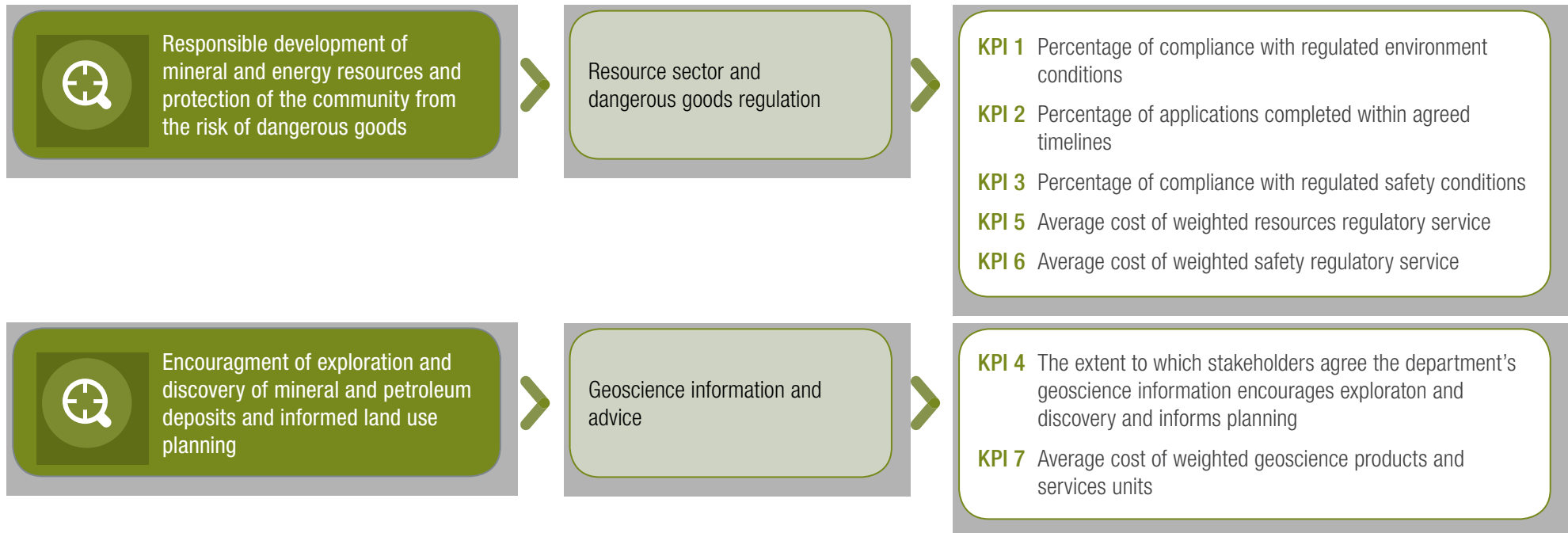
## Government goal: Financial and economic responsibility

Responsibly managing the State's finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector.

### Agency outcome

### Service

### Key performance indicators



## Departmental outcome



### Responsible development of mineral and energy resources and protection of the community from the risk of dangerous goods

The department directly contributes to responsible exploration and development of mineral and energy resources through its various regulatory functions. The department defines “responsible exploration and development” as that which is undertaken in a manner considerate of the following elements:

- **Timely approvals processes**, which require applicants to give undertakings in relation to activity, expenditure, and environmental rehabilitation, amongst other aspects.
- **Compliance with relevant regulations** relating to the management of equitable and secure titles systems for the mining, petroleum and geothermal industries, worker and community safety, the environment, and collection of revenues from royalties.

These elements of responsibility are measured through our key effectiveness and efficiency indicators.



### Encouragement of exploration and discovery of mineral and petroleum deposits and informed land use planning

The department works to interpret the geological framework of Western Australia and reveal the potential for mineral and petroleum resources, consequently encouraging continued exploration and development of these resources. The department's assessments of mineral and petroleum resources and resource potential supports government decision-making and assists and advises on a range of community needs, including urban development planning and land use. The department measures its success towards achieving this outcome against the following performance indicator:








#### **Service: Geoscience information and advice**

The department achieves this outcome through the maintenance and provision of up-to-date information on geological resources, with products and services including:

- Acquiring new geoscience and mineral and energy resource information
- Providing access to an expanding archive of geo-scientific and resource exploration information
- Assessment of mineral and petroleum resources and resource potential as a basis for decision making by government
- Assistance and advice on land use matters.



## Key performance indicator results 2013-14 to 2015-16

Key performance indicator	2013-14	2014-15	2015-16	2015-16 target
 <b>KPI 1 Environmental compliance</b> Percentage of compliance with regulated environment conditions	97%	99%	<b>86%</b>	95%
 <b>KPI 2 Approval timeline</b> Percentage of applications completed within agreed timelines	93%	94%	<b>94%</b>	92%
 <b>KPI 3 Safety compliance</b> Percentage of compliance with regulated safety conditions	96%	96%	<b>98%</b>	94%
 <b>KPI 4 Geoscience information</b> The extent to which stakeholders agree the department's geosciences information encourages exploration and discovery and informs planning	(4.1) 4.2*	(4.2) 4.3*	<b>4.5</b>	4.2
 <b>KPI 5 Efficiency of regulatory services (excluding safety)</b> Average cost of weighted resources access and management regulatory service	\$1250	\$1440	<b>\$1485</b>	\$1620
 <b>KPI 6 Efficiency of safety regulatory services</b> Average cost of weighted safety regulatory service	\$1170	\$1393	<b>\$1584</b>	\$1654
 <b>KPI 7 Efficiency of geoscience information</b> Average cost of weighted geoscience products and services	\$261,292	\$360,964	<b>\$222,001</b>	\$245,316

\* Note: The KPI 4 figures have been recalculated in 2015-16 to align with the documented calculation methodology and reported here. Previously reported figures are presented in parenthesis.

## KPI 1: Percentage of compliance with regulated environment conditions

### Measure

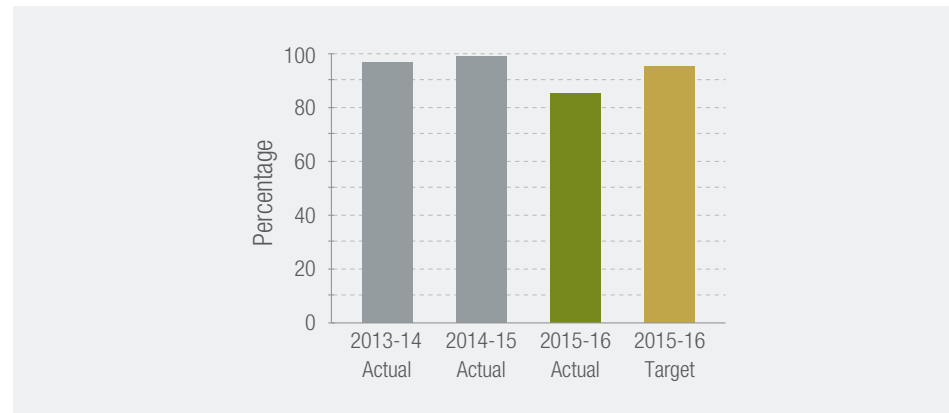
Percentage of regulatory activities where no major environmental non-compliance action was necessary or issued.

This indicator is a measure of the department's capacity to effectively administer and enforce the environmental management legislation for environment audits, inspections and investigations for mineral and petroleum exploration and production.

### Explanation

Environmental audits, inspections and investigations for both mineral and petroleum exploration and production are regulatory activities of the Environment Division of the department.

Mineral and petroleum environment regulatory activities are planned based on a risk framework, following an environment incident, or a notification of an environment incident by stakeholders including the general public.



	Target	Actual
<b>Overall results</b>	95%	<b>86%</b>

- The department has been increasingly targeting its regulatory activities to high risk operations as the agency continues to implement the risk-based regulatory approach arising from the Reforming Environmental Regulation program.
- A total of 438 mineral and petroleum regulatory activities were undertaken in 2015-16; of these 378 (86 per cent) met all regulatory environmental requirements.
- A total of 60 sites required major compliance actions; compared with only three sites for the previous year.
- In these instances, one Stop Work Order; six Directions to Modify; four Penalty in Lieu of Forfeiture; 41 Mining Rehabilitation Fund (MRF) Directions; eight warning letters were issued.
- The significant variation is due to MRF Directions causing a reduction in compliance result.

### Results by regulatory area

Minerals	Petroleum
<ul style="list-style-type: none"> <li>• Total regulatory activity:                             <ul style="list-style-type: none"> <li>– Annual Environmental Inspection: 233</li> <li>– Annual Environmental Review: 60</li> <li>– Mining Rehabilitation Fund: 123</li> <li>– 60 sites required major compliance actions</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Total audits, investigations and inspections: 22</li> <li>• No site required major compliance actions</li> </ul>

## KPI 2 : Percentage of applications completed within agreed timeframes

### Measure

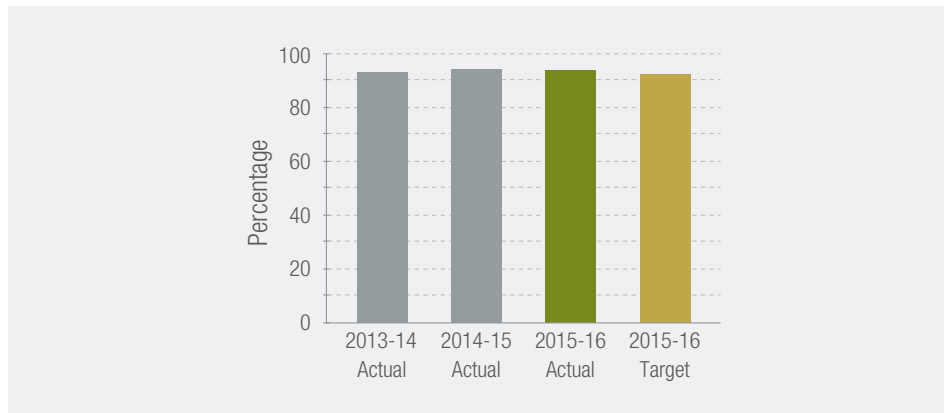
This indicator measures how well the department meets agreed times when processing approvals.

*Note: The timeline targets apply to assessment processes for approvals completed by the department, and do not include, for example, the time taken for assessment by other government agencies, or where the assessment process is put on hold while additional information is being sought from applicants.*

### Explanation

The department is a designated lead agency under the Government's Lead Agency Framework and is responsible for administering the respective mineral and energy resources legislation, with emphasis on the timely processing and management of approvals performance.

The department recognises the importance of consistent and transparent approvals and compliance process.



	Target	Actual
<b>Overall results</b>	92%	<b>94%</b>

- Of the 6455 approval applications finalised in 2015-16, the department processed 6079 (94 per cent) within the agreed timeframes.
- A number of the department's initiatives, in particular increased focus on online lodgement, streamlining the approval process and regulation reform programs, has resulted in continued strong performance against this KPI.

### Results by regulatory area

- 98 per cent of mining titles were finalised within agreed timeframe of 65 business days.
- 98 per cent of environment program of works were finalised within agreed timeframe of 30 business days.
- 94 per cent of environment mining proposals were finalised within agreed timeframe of 30 business days.
- 99 per cent of petroleum environment plans were finalised within agreed timeframe of 30 business days.
- 95 per cent of petroleum well applications were finalised within agreed timeframe of 40 business days
- 100 per cent of petroleum survey applications were finalised within agreed timeframe of 40 business days
- 100 per cent of mining project management plans and 90 per cent of radiation management plans were finalised within 30 days.

*The table discloses information for the most common applications received.*

## KPI 3 : Percentage of compliance with regulated safety conditions

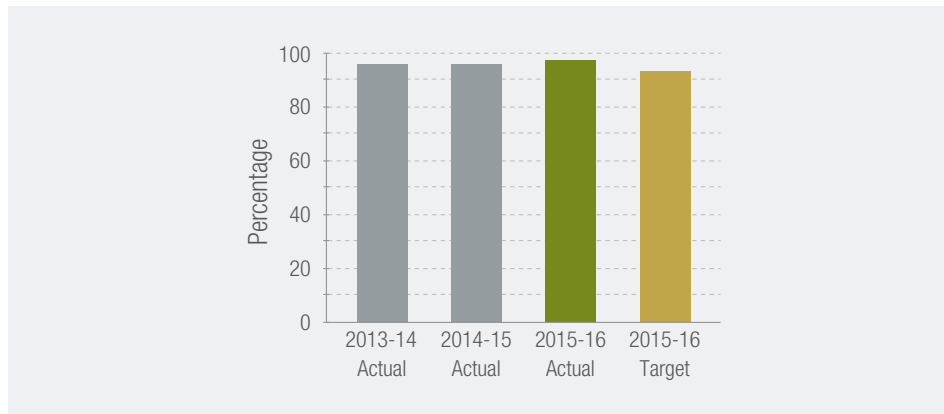
### Measure

This indicator is a measure of the department's capacity to effectively administer and enforce safety in occupational safety and health areas.

### Explanation

The department is the State's regulator for occupational safety and health in the minerals, petroleum and geothermal energy sectors, and the safe use and handling of dangerous goods. In this capacity, it aims to promote best practice in these areas of occupational safety and health to protect employees working in the industry and the community.

Safety regulatory activities are planned based on a risk framework. Regulatory activities are also undertaken on sites following an occupational safety and health incident, or notification of such incident by stakeholders including the general public.



	Target	Actual
<b>Overall results</b>	94%	<b>98%</b>

- The department undertook 3368 safety inspections and audits in 2015-16, of which 98 per cent (3298) were compliant.
- The high compliance rate demonstrates the effectiveness of the department's strong safety regulatory activities.

### Results by regulatory area

#### Mines Safety

- The department conducted 2625 audit and inspections of mine sites, of which 97 per cent (2556) were compliant.

#### Petroleum Safety

- The department conducted 40 audit and inspection of petroleum facilities. All sites (100 per cent) inspected were found to be compliant.

#### Dangerous Goods Safety

- The department conducted 703 audits and inspection of high risk dangerous goods storage and handling sites of which 702 (99.86 per cent) were found to be compliant. (608 dangerous goods inspections [99.84 per cent compliant] / 95 critical risks audits and inspections [100 per cent compliant])

## KPI 4: The extent to which stakeholders agree the department’s geoscience information encourages exploration and discovery and informs planning

### Measure

This indicator is a weighted average customer rating given by industry based mineral and petroleum technical advisory subcommittees tabled through the Geological Survey Liaison Committee.

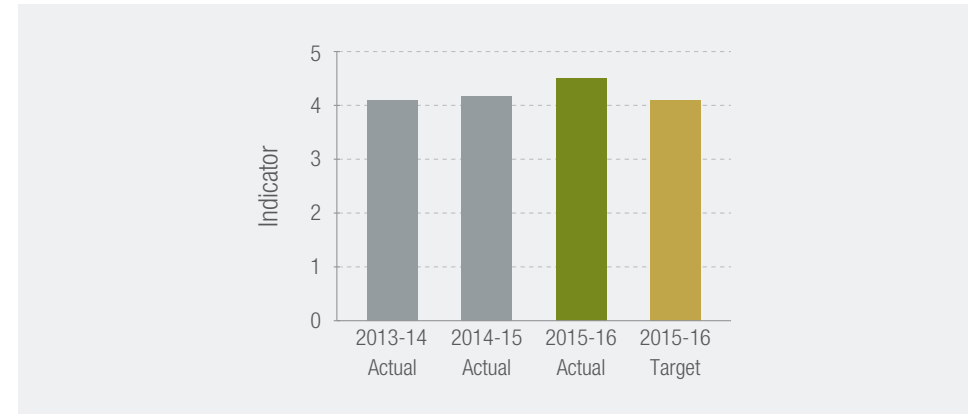
### Explanation

The Liaison Committee comprises industry representatives nominated by the Australian Petroleum Production and Exploration Association, the Chamber of Minerals and Energy of Western Australia, the Association of Mining and Exploration Companies, and other geoscience customers, such as Geoscience Australia, CSIRO and Western Australian Universities. The committee meets twice yearly to consider reports by its technical advisory subcommittees and to provide guidance for future programs and feedback on past performance. Products and services are rated against a five point scale by the technical subcommittees.

Products are assessed for geoscience quality, editorial quality and product useability. Exploration information services are assessed for exploration reporting guidelines, archival services, useability of open file data, and database systems

The technical subcommittees give ratings for the geoscience products (maps, manuscripts and data sets) and exploration information service functions (exploration information and samples submitted by mineral and petroleum licence holders).

The two ratings are combined and averaged, resulting in one averaged rating per year.



	Target	Actual
<b>Overall results</b>	4.2	<b>4.5</b>

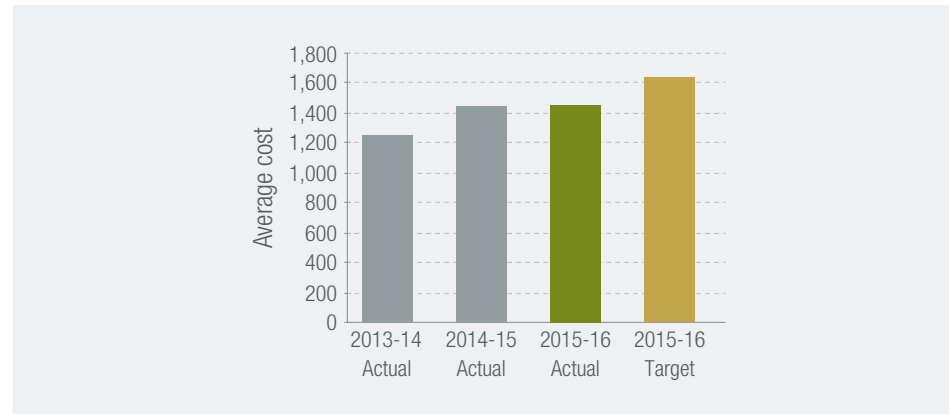
- The department continued to achieve a high level of stakeholder satisfaction with the geoscience information provided.

The department measures its overall efficiency in delivery of these services through the following efficiency indicators.

### KPI 5: Average cost of weighted resources access and management regulatory service

#### Measure

This measure combines the average costs of mineral titles, petroleum titles, royalty collection services, and environmental regulation activities into one indicator.



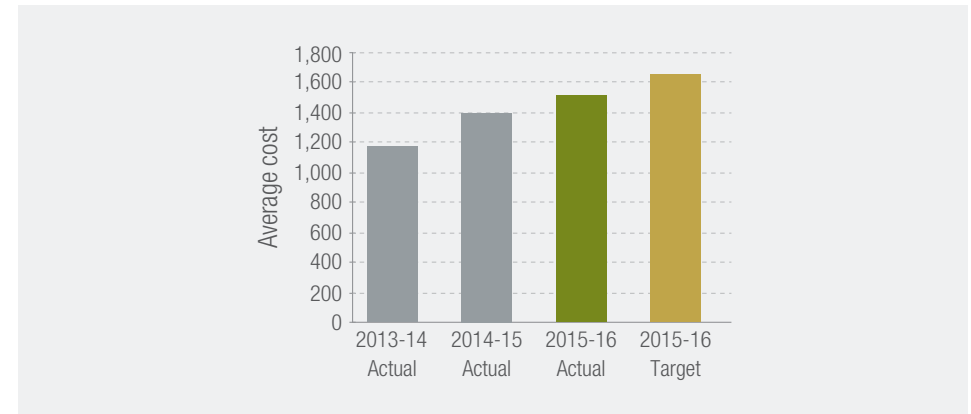
	Target	Actual
<b>Overall results</b>	\$1620	<b>\$1485</b>

- The average Actual cost of this measure was less than the original Budget mainly due to reduction in costs. During the year the department achieved its savings that were required by the government.
- In addition further savings were made in response to revenue shortfalls as the department's revenue is volatile and reflects the upturns and downturns experienced by the resources sector.

### KPI 6: Average cost of weighted safety regulatory service

#### Measure

This measure combines the average costs of the safety regulatory services for minerals, petroleum and dangerous goods.



	Target	Actual
<b>Overall results</b>	\$1654	<b>\$1584</b>

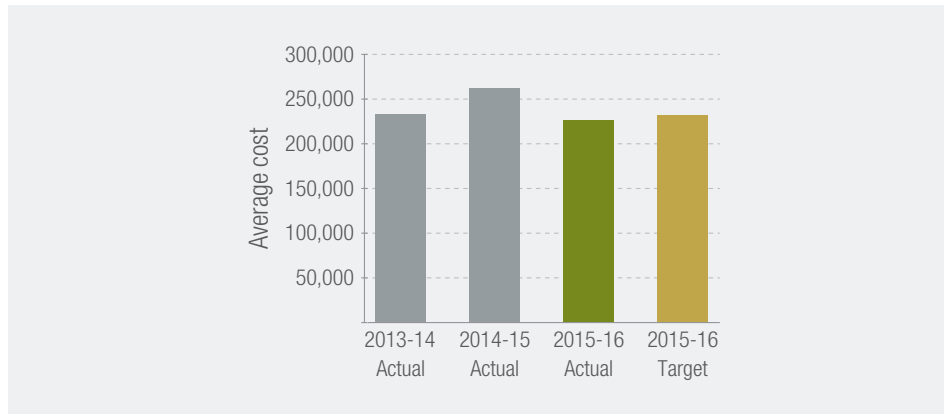
- Safety regulatory services were maintained at a time of reduced expenditure due to savings measures required by the government.

The department measures its overall efficiency in delivery of its geoscience information and advice through the following efficiency indicator.

## KPI 7: Average cost of weighted geoscience product and service units

### Measure

This measure is an average cost per unit of Weighted Total Product Published (WTPP) by the department's Geological Survey Division.



	Target	Actual
<b>Overall results</b>	\$245,316	<b>\$222,001</b>

- The Geological Survey's average cost per unit of Weighted Total Published Product (WTPP) when assessed on a yearly basis may be inconsistent due to a mismatch in timing between the expenditure incurred and when products are released — 'published product' is only claimed when the product is publicly released.
- For 2015–16, some of the product released benefited from expenditure incurred in previous years. In addition, the 'service' component of the WTPP was higher than usual as the petroleum sector provided a very large number of samples to the Geological Survey and all needed to be processed into departmental systems.

# 7

## FINANCIAL STATEMENTS



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# Certification of financial statements

For the year ended 30 June 2016

## Department of Mines and Petroleum

The accompanying financial statements of the Department of Mines and Petroleum have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2016 and the financial position as at 30 June 2016.

At the date of signing we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



**Richard Sellers**  
Director General

25 August 2016



**Ralph De Giorgio**  
Chief Finance Officer

25 August 2016

# Statement of Comprehensive Income

For the year ended 30 June 2016

		2016	2015
	Note	\$000	\$000
<b>COST OF SERVICES</b>			
<b>Expenses</b>			
Employee benefits expense	6	94,760	95,764
Supplies and services	7	43,927	42,194
Depreciation and amortisation expense	8	2,831	3,278
Accommodation expenses	9	5,139	5,536
Grants and subsidies	10	5,806	11,191
Other expenses	11	2,080	1,090
Loss on disposal of non-current assets	16	-	745
<b>Total cost of services</b>		<b>154,543</b>	<b>159,798</b>
<b>Income</b>			
<i>Revenue</i>			
User charges and fees	12	76,535	74,578
Interest revenue	13	1,336	976
Other revenue	14	3,267	2,467
Commonwealth Grants and contributions	15	1,100	100
<b>Total Revenue</b>		<b>82,238</b>	<b>78,121</b>

		2016	2015
	Note	\$000	\$000
<i>Gains</i>			
Gain on disposal of non-current assets	16	28	-
<b>Total Gains</b>		<b>28</b>	<b>-</b>
<b>Total income other than income from State Government</b>		<b>82,266</b>	<b>78,121</b>
<b>NET COST OF SERVICES</b>		<b>72,277</b>	<b>81,677</b>
<b>Income from State Government</b>			
Service appropriation	17	91,568	68,937
Services received free of charge		2,295	1,983
Royalties for Regions Fund		80	127
<b>Total income from State Government</b>		<b>93,943</b>	<b>71,047</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>21,666</b>	<b>(10,630)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items not reclassified subsequently to profit or loss</b>			
Changes in asset revaluation surplus	30	(2,243)	2,031
Gains/(losses) recognised directly in equity		-	(3,031)
<b>Total other comprehensive income</b>		<b>(2,243)</b>	<b>(1,000)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>19,423</b>	<b>(11,630)</b>

See also the 'Schedule of Income and Expenses by Service'.  
The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# Statement of Financial Position

For the year ended 30 June 2016

		2016	2015
	Note	\$000	\$000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	31	8,334	6,972
Restricted cash and cash equivalents	18	52,964	34,367
Receivables	19	9,212	10,164
Amounts receivable for services	20	962	982
Other current assets	21	1,570	2,498
<b>Total Current Assets</b>		<b>73,042</b>	<b>54,983</b>
<b>Non-Current Assets</b>			
Amounts receivable for services	20	16,413	15,568
Property, plant and equipment	22	134,731	134,606
Intangible assets	23	636	899
<b>Total Non-Current Assets</b>		<b>151,780</b>	<b>151,073</b>
<b>TOTAL ASSETS</b>		<b>224,822</b>	<b>206,056</b>

		2016	2015
	Note	\$000	\$000
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	25	4,089	5,364
Other current liabilities	26	1,799	2,103
Revenue received in advance	27	2,085	2,100
Provisions	29	18,875	19,790
<b>Total Current Liabilities</b>		<b>26,848</b>	<b>29,357</b>
<b>Non-Current Liabilities</b>			
Amounts due to the Treasurer	28	5,330	4,530
Provisions	29	4,403	3,851
<b>Total Non-Current Liabilities</b>		<b>9,733</b>	<b>8,381</b>
<b>TOTAL LIABILITIES</b>		<b>36,581</b>	<b>37,738</b>
<b>NET ASSETS</b>			
		<b>188,241</b>	<b>168,318</b>
<b>EQUITY</b>			
Contributed equity	30	43,287	42,787
Reserves		114,037	116,280
Accumulated surplus/(deficit)		30,917	9,251
<b>TOTAL EQUITY</b>		<b>188,241</b>	<b>168,318</b>

See also the 'Schedule of Assets and Liabilities by Service'.

The Statement of Financial Position should be read in conjunction with the accompanying notes.

# Statement of Changes in Equity

For the year ended 30 June 2016

		Contributed equity	Reserves	Accumulated surplus/(deficit)	Total equity
	Note	\$000	\$000	\$000	\$000
<b>BALANCE AT 1 JULY 2014</b>	30	59,018	114,249	19,881	193,148
Surplus/(deficit)		-	-	(10,630)	(10,630)
Other comprehensive income		-	2,031	-	2,031
Total comprehensive income for the period		-	2,031	(10,630)	(8,599)
Transactions with owners in their capacity as owners:					
Capital appropriations		-	-	-	-
Other contributions by owners		(3,031)	-	-	(3,031)
Distributions to owners		(13,200)	-	-	(13,200)
Total		(16,231)	-	-	(16,231)
<b>BALANCE AT 30 JUNE 2015</b>		<b>42,787</b>	<b>116,280</b>	<b>9,251</b>	<b>168,318</b>
<b>BALANCE AT 1 JULY 2015</b>	30	42,787	116,280	9,251	168,318
Surplus/(deficit)		-	-	21,666	21,666
Other comprehensive income		-	(2,243)	-	(2,243)
Total comprehensive income for the period		-	(2,243)	21,666	19,423
Transactions with owners in their capacity as owners:					
Capital appropriations		500	-	-	500
Other contributions by owners		-	-	-	-
Distributions to owners		-	-	-	-
Total		<b>500</b>	-	-	<b>500</b>
<b>BALANCE AT 30 JUNE 2016</b>		<b>43,287</b>	<b>114,037</b>	<b>30,917</b>	<b>188,241</b>

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# Statement of Cash Flows

For the year ended 30 June 2016

	2016	2015
Note	\$000	\$000
<b>CASH FLOWS FROM STATE GOVERNMENT</b>		
Service appropriation	90,943	67,150
Capital appropriations	500	-
Holding account drawdowns	962	937
Royalties for Regions Fund	80	127
<b>Net cash provided by State Government</b>	<b>92,485</b>	<b>68,214</b>
Utilised as follows:		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Payments</b>		
Employee benefits	(99,393)	(95,096)
Supplies and services	(39,473)	(40,761)
Accommodation	(7,839)	(7,063)
Grants and subsidies	(5,517)	(11,244)
Other payments	(48)	-
GST payments on purchases	(5,950)	(5,775)
<b>Receipts</b>		
User charges and fees	77,625	74,333
Grants and contributions	-	100
GST receipts on user charges and fees	215	582
GST receipts from taxation authority	7,522	5,511
Other receipts	3,544	2,105
<b>Net cash provided by/(used in) operating activities</b>	<b>(69,314)</b>	<b>(77,308)</b>
31		

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

	2016	2015
Note	\$000	\$000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Receipts</b>		
Proceeds from sale of non-current assets	28	-
<b>Payments</b>		
Purchase of non-current physical assets	(4,040)	(2,086)
<b>Net cash provided by/(used in) investing activities</b>	<b>(4,012)</b>	<b>(2,086)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	800	1,944
<b>Net cash provided by/(used in) financing activities</b>	<b>800</b>	<b>1,944</b>
Net increase in cash and cash equivalents	19,959	(9,236)
Cash balances transferred in	-	-
Cash balances transferred out	-	(3,031)
Cash and cash equivalents at the beginning of the period	41,339	53,606
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>61,298</b>	<b>41,339</b>
31		

# Schedule of Income and Expenses by Services

For the year ended 30 June 2016

	Resource Access		Resources Safety		Geoscience Information and Advice		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>COST OF SERVICES</b>								
<u>Expenses</u>								
Employee benefits expenses	42,659	43,194	33,489	32,811	18,612	19,759	94,760	95,764
Supplies and services	17,151	15,669	12,635	11,569	14,141	14,956	43,927	42,194
Depreciation and amortisation expense	1,506	1,782	546	518	779	978	2,831	3,278
Accommodation expenses	1,347	2,084	3,190	2,518	602	934	5,139	5,536
Grants and subsidies	386	2,495	65	808	5,355	7,888	5,806	11,191
Other expenses	1,276	740	494	132	310	218	2,080	1,088
Loss on disposal of other assets	-	-	-	745	-	-	-	745
<b>Total cost of services</b>	<b>64,325</b>	<b>65,964</b>	<b>50,419</b>	<b>49,101</b>	<b>39,799</b>	<b>44,733</b>	<b>154,543</b>	<b>159,798</b>
<u>Income</u>								
User charges and fees	41,792	39,828	36,144	34,811	1,035	1,015	78,971	75,654
Other revenue	1,287	2,044	138	80	1,842	343	3,267	2,467
Gain on disposal of non-current assets	28	-	-	-	-	-	28	-
<b>Total income other than income from State Government</b>	<b>43,107</b>	<b>41,872</b>	<b>36,282</b>	<b>34,891</b>	<b>2,877</b>	<b>1,358</b>	<b>82,266</b>	<b>78,121</b>
<b>NET COST OF SERVICES</b>	<b>21,218</b>	<b>24,092</b>	<b>14,137</b>	<b>14,210</b>	<b>36,922</b>	<b>43,375</b>	<b>72,277</b>	<b>81,677</b>
<u>Income from State Government</u>								
Service appropriation	48,352	41,059	6,052	4,827	37,164	23,051	91,568	68,937
Resources received free of charge	1,343	1,237	775	655	177	91	2,295	1,983
Royalties for Regions Fund	52	76	22	41	6	10	80	127
<b>Total income from State Government</b>	<b>49,747</b>	<b>42,372</b>	<b>6,849</b>	<b>5,523</b>	<b>37,347</b>	<b>23,152</b>	<b>93,943</b>	<b>71,047</b>
<b>SURPLUS/DEFICIT FOR THE PERIOD</b>	<b>28,529</b>	<b>18,280</b>	<b>(7,288)</b>	<b>(8,687)</b>	<b>425</b>	<b>(20,223)</b>	<b>21,666</b>	<b>(10,630)</b>

The Schedule of Income and Expenses by Services should be read in conjunction with the accompanying notes.

# Schedule of Assets and Liabilities by Services

For the year ended 30 June 2016

	Resource Access		Resources Safety		Geoscience Information and Advice		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<u>Assets</u>								
Current Assets	63,073	39,429	8,122	11,009	1,847	4,545	73,042	54,983
Non-Current Assets	55,818	60,109	54,568	51,587	41,394	39,377	151,780	151,073
<b>Total assets</b>	<b>118,891</b>	<b>99,538</b>	<b>62,690</b>	<b>62,596</b>	<b>43,241</b>	<b>43,922</b>	<b>224,822</b>	<b>206,056</b>
<u>Liabilities</u>								
Current Liabilities	11,532	13,262	9,841	10,295	5,475	5,800	26,848	29,357
Non-Current Liabilities	7,181	6,098	1,701	1,443	851	840	9,733	8,381
<b>Total liabilities</b>	<b>18,713</b>	<b>19,360</b>	<b>11,542</b>	<b>11,738</b>	<b>6,326</b>	<b>6,640</b>	<b>36,581</b>	<b>37,738</b>
<b>NET ASSETS</b>	<b>100,178</b>	<b>80,178</b>	<b>51,148</b>	<b>50,858</b>	<b>36,915</b>	<b>37,282</b>	<b>188,241</b>	<b>168,318</b>

The Schedule of Assets and Liabilities by Services should be read in conjunction with the accompanying notes.

# Schedule of Consolidated Account Appropriations and Income Estimates

For the year ended 30 June 2016

	2016 Estimate	2016 Actual	Variance	2016 Actual	2015 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
<u>Delivery Services</u>						
Item 86 Net amount appropriated to deliver services	82,821	91,567	7,848	90,669	68,052	22,617
Amount authorised by Other Statutes						
– <i>Salaries and Allowances Act 1975</i>	915	899	(16)	899	885	14
<b>Total appropriations provided to deliver services</b>	<b>83,736</b>	<b>91,568</b>	<b>7,832</b>	<b>91,568</b>	<b>68,937</b>	<b>22,631</b>
<u>Capital</u>						
Capital appropriation	500	500	500	500	-	500
<u>Administered Transactions</u>						
Item 87 Administered grants, subsidies and other transfer payments	31,260	31,261	1	31,261	12,044	19,217
Amount authorised by other statutes						
– <i>Petroleum (Submerged Lands) Act 1982</i>	124	1,293	1,169	1,293	550	743
<b>Total Administered Transactions</b>	<b>31,384</b>	<b>32,554</b>	<b>1,170</b>	<b>32,554</b>	<b>12,594</b>	<b>19,960</b>
<b>GRAND TOTAL</b>	<b>115,120</b>	<b>124,122</b>	<b>9,002</b>	<b>124,122</b>	<b>81,531</b>	<b>42,591</b>
<u>Details of Expenses by Service</u>						
Resource Access	74,273	64,325	(9,948)	64,325	65,964	(1,639)
Resources Safety	52,698	50,419	(2,279)	50,419	49,101	1,318
Geoscience Information and Advice	38,024	39,799	1,775	39,799	44,733	(4,934)
Total Cost of Services	164,995	154,543	(10,452)	154,543	159,798	(5,255)
Less total income	125,505	82,266	(43,239)	82,266	78,121	4,145
Net Cost of Services	39,490	72,277	32,787	72,277	81,677	(9,400)
Adjustments	44,246	19,291	(24,955)	19,291	(12,740)	32,031
<b>Total appropriations provided to deliver services</b>	<b>83,736</b>	<b>91,568</b>	<b>7,832</b>	<b>91,568</b>	<b>68,937</b>	<b>22,631</b>

Continued next page...



# Schedule of Consolidated Account Appropriations and Income Estimates

For the year ended 30 June 2016

	2016 Estimate	2016 Actual	Variance	2016 Actual	2015 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
<u>Capital Expenditure</u>						
Purchase of non-current physical assets	-	-	-	-	-	-
Repayment of borrowings	-	-	-	-	-	-
Adjustment for other funding sources	500	500	0	500	-	500
Adjustment for section 25 transfer of capital appropriation	-	-	-	-	-	-
<b>Capital appropriations</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>-</b>	<b>500</b>

Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation.

Continued next page...

# Schedule of Consolidated Account Appropriations and Income Estimates

For the year ended 30 June 2016

	2016 Estimate	2016 Actual	Variance	2016 Actual	2015 Actual	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
<u>Details of Income Estimates</u>						
<b>Income disclosed as Administered Income</b>						
<b>Commonwealth Grants</b>						
South West Hub	-	647	647	647	13,300	(12,653)
<b>Royalties</b>						
Petroleum – State	5,400	4,674	(726)	4,674	10,739	(6,065)
Iron Ore	3,036,100	3,600,301	564,201	3,600,301	4,026,205	(425,904)
Diamonds	27,200	17,382	(9,818)	17,382	17,639	(257)
Alumina	109,100	80,806	(28,294)	80,806	82,478	(1,672)
Mineral sands	15,300	16,627	1,327	16,627	12,904	3,723
Nickel	77,300	45,906	(31,394)	45,906	79,174	(33,268)
Gold	232,600	250,055	17,455	250,055	225,244	24,811
Other	167,400	109,895	(57,505)	109,895	154,748	(44,853)
Lease rentals	88,200	91,644	3,444	91,644	88,916	2,728
<b>Total Royalties</b>	<b>3,758,600</b>	<b>4,217,290</b>	<b>458,690</b>	<b>4,217,290</b>	<b>4,698,047</b>	<b>(480,757)</b>
<b>Regulatory Fees</b>						
Regulatory Fees and Fines	4	2,218	2,214	2,218	455	1,763
	<b>4</b>	<b>2,218</b>	<b>2,214</b>	<b>2,218</b>	<b>455</b>	<b>1,763</b>
<b>Other</b>						
Appropriations	31,384	32,554	1,170	32,554	12,594	19,960
Other Revenue	434	427	(7)	427	2,368	(1,941)
<b>GRAND TOTAL</b>	<b>3,790,422</b>	<b>4,253,136</b>	<b>462,714</b>	<b>4,253,136</b>	<b>4,726,764</b>	<b>(473,628)</b>

Note 45 'Explanatory Statement for Administered Items' provides details of any significant variations between estimates and actual results for 2016 and between the actual results for 2016 and 2015.

# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 1. Australian Accounting Standards

### General

The department's financial statements for the year ended 30 June 2016 have been prepared in accordance with *Australian Accounting Standards*. The term *Australian Accounting Standards* includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

The department has adopted any applicable new and revised *Australian Accounting Standards* from their operative dates.

### Early adoption of standards

The department cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by the department for the annual reporting period ended 30 June 2016.

## Note 2. Summary of significant accounting policies

### (a) General statement

The department is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with *Australian Accounting Standards*, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's instructions to vary application, disclosure, format and wording.

The *Financial Management Act 2006* and the Treasurer's instructions impose legislative provisions that govern the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the Notes to the Financial Statements.

### (b) Basis of preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, except for land and buildings which have been measured at fair value.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000).

Note 3 'Judgements made by management in applying accounting policies' discloses judgements that have been made in the process of applying the department's accounting policies resulting in the most significant effect on the amounts recognised in the financial statements.

Note 4 'Key sources of estimation uncertainty' discloses key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### (c) Reporting entity

The reporting entity comprises the department.

#### Mission

The department's mission is to facilitate sustainable resource sector development and responsible operations management for the long-term benefit of Western Australia.

The department is predominantly funded by Parliamentary appropriation. A net appropriation agreement between the Treasurer and the Accountable Authority is in place to allow the department to retain its operating revenue. Details of expenditure and revenues retained as per the agreement are disclosed in Note 2(e).

# Notes to the Financial Statements

For the year ended 30 June 2016

## *Note 2. Summary of significant accounting policies (continued)*

### **Services**

The department provides the following services:

#### **Service 1: Resource Access**

The department is charged with ensuring that the resources industry conducts its business in a responsible manner and that the community receives a fair return for its resources. The department contributes to responsible development through effective regulation of the resources sector, including the timely processing of applications, and mining and petroleum safety regulation. It also facilitates and manages access to land and offshore areas for the exploration and development of mineral and energy deposits.

#### **Service 2: Resources Safety**

The department is committed to protecting employees and the community. The services provided by Resources Safety are aimed at promoting best practice in the areas of occupational safety and health with companies (and their employees) involved in the dangerous goods, mining and onshore petroleum industries.

The department administers the *Dangerous Goods Safety Act 2004*, covering the manufacture, storage, handling, transport and use of dangerous goods, including the operations of major hazard facilities.

#### **Service 3: Geoscience Information and Advice**

The department provides benefits to the Western Australian community through the provision of public geological information to encourage exploration, and the promotion of opportunities for high risk private sector investment in mineral and energy exploration and development, thereby sustaining investment in the industry for future generations.

The department maintains an up-to-date geological archive of the State and its mineral and petroleum resources, with products and services including:

- Acquiring new geoscience and mineral and energy resource information;
- Providing access to a developing archive of geoscientific and resource exploration information;
- Assessment of mineral and petroleum resources and resource potential as a basis for decision making by Government; and
- Assistance and advice on land use matters.

The department administers assets, liabilities, income and expenses on behalf of Government which are not controlled by, nor integral to the function of the department. These administered balances and transactions are not recognised in the principal financial statements of the department but schedules are prepared using the same basis as the financial statements and are presented at Note 44 'Disclosure of administered income and expenses by service' and Note 46 'Administered assets and liabilities'.

### **(d) Contributed equity**

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI 955 *Contributions by Owners made to Wholly Owned Public Sector Entities* and have been credited directly to Contributed Equity.

The transfers of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal.

# Notes to the Financial Statements

For the year ended 30 June 2016

## *Note 2. Summary of significant accounting policies (continued)*

### **(e) Income**

#### **Revenue recognition**

Revenue is recognised and measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

#### *User Charges and Fees*

Revenue from licences and other regulatory fees are recognised at the time the money is received. Where a licence fee extends over multiple years then future year revenue is treated as prepaid revenue.

Mines Safety, Mining Rehabilitation Fund and Petroleum and Geothermal Energy Safety Levy revenues are recognised in the period to which the levy relates.

#### *Sale of goods*

Revenue is recognised from the sale of goods and disposal of other assets when the significant risks and rewards of ownership transfer to the purchaser and can be measured reliably.

#### *Provision of services*

Revenue is recognised by reference to the stage of completion of the transaction.

#### *Interest*

Revenue is recognised as the interest accrues.

#### *Service Appropriation*

Service Appropriations are recognised as revenues at fair value in the period in which the department gains control of the appropriated funds. The department gains control of appropriated funds at the time those funds are deposited to the bank account or credited to the 'Amounts receivable for services' (holding account) held at Treasury.

#### *Net Appropriation Determination*

The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the department. In accordance with the most recent determination as quantified in the 2015-16 Budget statements, the department retained \$82.27 million in 2016 (\$78.12 million in 2015) from the following:

- Proceeds from user fees, charges and levies
- Other departmental revenue, and
- Commonwealth special purpose grants and contributions

#### *Grants, donations, gifts and other non-reciprocal contributions*

Revenue is recognised at fair value when the department obtains control over the assets comprising the contributions, usually when cash is received.

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

Royalties for Regions funds are recognised as revenue at fair value in the period in which the department obtains control over the funds. The department obtains control of the funds at the time the funds are deposited into the department's bank account.

#### *Gains*

Realised or unrealised gains are usually recognised on a net basis. These include gains arising on the disposal of non-current assets and some revaluations of non-current assets.

# Notes to the Financial Statements

For the year ended 30 June 2016

## *Note 2. Summary of significant accounting policies (continued)*

### **Administered revenue recognition**

#### ***Royalties***

Royalty revenue is recognised on an accrual basis in accordance with the relevant legislation and agreements. A liability to pay a royalty arises upon receipt of a declaration and/or payment based on the self-assessment method and also upon issue of an amended assessment resulting from a verification process.

Royalties include:

- Mineral Royalties payable under the *Mining Act 1978* and various State Agreements
- Petroleum Royalties payable under various Acts and Agreements.

#### ***Mining Leases and Licences***

Mining leases and license applications are recognised at the time the money is received.

#### **(f) Translation of foreign currency transactions**

Foreign currency transactions are translated at the exchange rate applicable on the date the transactions occur. Exchange gains and losses are brought to account in determining the result for the year.

#### **(g) Property, plant and equipment**

##### ***Capitalisation/expensing of assets***

Items of property, plant and equipment costing \$5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

##### ***Initial recognition and measurement***

Property, plant and equipment are initially recognised at cost.

For items of property, plant and equipment acquired at no cost or for nominal cost, the cost is the fair value at the date of acquisition.

##### ***Subsequent measurement***

Subsequent to initial recognition of an asset, the revaluation model is used for the measurement of land and buildings and historical cost for all other property, plant and equipment. Land and buildings are carried at fair value less accumulated depreciation (buildings only) and accumulated impairment losses. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Where market-based evidence is available, the fair value of land and buildings is determined on the basis of current market buying values determined by reference to recent market transactions. When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

In the absence of market-based evidence, the fair value of land and buildings is determined on the basis of existing use. This normally applies where buildings are specialised or where land use is restricted. Fair value for existing use assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the depreciated replacement cost. Where the fair value of buildings is determined on the depreciated replacement cost basis, the gross carrying amount and the accumulated depreciation are restated proportionately. Fair value for restricted use land is determined by comparison with market evidence for land with similar approximate utility (high restricted use land) or market value of comparable unrestricted land (low restricted use land).

Land and buildings are independently valued annually by the Western Australian Land Information Authority (Valuation Services) and recognised annually to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period.

# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 2. Summary of significant accounting policies (continued)

### De-recognition

Upon disposal or de-recognition of an item of property, plant and equipment and infrastructure, any revaluation surplus relating to that asset is retained in the asset revaluation surplus.

### Asset Revaluation Surplus

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets as described in Note 22 'Property, plant and equipment'.

### Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Buildings	33 to 50	years
Furniture	5	years
Office equipment	3 to 5	years
Computer servers	3	years
Software <sup>(a)</sup>	3 to 5	years
Scientific equipment	7	years
Motor vehicles	3 to 5	years
Plant and equipment	5 to 25	years

<sup>(a)</sup> Software that is integral to the operation of related hardware.

Land is not depreciated.

## (h) Intangible assets

### Capitalisation/expensing of assets

Acquisitions of intangible assets over \$200,000 or more and internally generated intangible assets costing \$200,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful lives. Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life which is reviewed annually) on the straight line basis. All intangible assets controlled by the department have a finite useful life and zero residual value.

The expected useful life for each class of intangible asset is:

Software <sup>(a)</sup>	3 to 10	years
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<sup>(a)</sup> Software that is not integral to the operation of related hardware.

### Computer software

Software that is an integral part of the related hardware is recognised as property, plant and equipment. Software that is not an integral part of the related hardware is treated as an intangible asset. Software costing less than \$200,000 is expensed in the year of acquisition.

# Notes to the Financial Statements

For the year ended 30 June 2016

## *Note 2. Summary of significant accounting policies (continued)*

### **Web site costs**

Web site costs are charged as expenses when they are incurred unless they relate to the acquisition or development of an asset when they may be capitalised and amortised. Generally, costs in relation to feasibility studies during the planning phase of a web site, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a website that can be reliably measured, are capitalised to the extent that they represent probable future economic benefits.

### **(i) Impairment of assets**

Property, plant and equipment and intangible assets are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised in profit or loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income. As the department is a not-for-profit entity, unless a specialised asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at the end of each reporting period irrespective of whether there is any indication of impairment.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at the end of each reporting period.

### **(j) Leases**

Finance lease rights and obligations are initially recognised, at the commencement of the lease term, as assets and liabilities equal in amount to the fair value of the leased item or, if lower, the present value of the minimum lease payments, determined at the inception of the lease. The assets are disclosed as plant, equipment and vehicles under lease, and are depreciated over the period during which the department is expected to benefit from their use. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability, according to the interest rate implicit in the lease.

Operating leases are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties.



# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 2. Summary of significant accounting policies (continued)

### (k) Financial instruments

In addition to cash, the department has two categories of financial instrument:

- Loans and receivables; and
- Financial liabilities measured at amortised cost.

Financial instruments have been disaggregated into the following classes:

- Financial Assets
  - Cash and cash equivalents
  - Restricted cash and cash equivalents
  - Receivables
  - Amounts receivable for services
- Financial Liabilities
  - Payables
  - Amounts due to the Treasurer

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

### (l) Cash and cash equivalents

For the purpose of the Statement of cash flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

### (m) Accrued salaries

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The department considers the carrying amount of accrued salaries to be equivalent to its net fair value.

The accrued salaries suspense account (refer Note 18 *Restricted cash and cash equivalents*) consists of amounts paid annually into a suspense account over a period of 10 financial years to largely meet the additional cash outflow in each eleventh year when 27 pay days occur instead of the normal 26. No interest is received on this account. This amount was returned from the Department of Treasury on 30 June as the 27th pay day occurred in 2016.

### (n) Amounts receivable for services (holding account)

The department receives funding on an accrual basis. The appropriations are paid partly in cash and partly as an asset (holding account receivable). The accrued amount receivable is accessible on the emergence of the cash funding requirement to cover leave entitlements and asset replacement.

### (o) Receivables

Receivables are recognised at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the department will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

# Notes to the Financial Statements

For the year ended 30 June 2016

## *Note 2 Summary of significant accounting policies (continued)*

### **(p) Payables**

Payables are recognised at the amounts payable when the department becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 30 days.

### **(q) Provisions**

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period.

#### ***Provisions – employee benefits***

All annual leave and long service leave provisions are in respect of employees' services up to the end of the reporting period.

#### ***Annual Leave***

Annual leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore considered to be 'other long-term employee benefits'. The annual leave liability is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The provision for annual leave is classified as a current liability as the department does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

#### ***Long Service Leave***

Long service leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Unconditional long service leave provisions are classified as current liabilities as the department does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the department has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

#### ***Deferred Leave***

The provision for deferred leave relates to Public Service employees who have entered into an agreement to self-fund an additional 12 months leave in the fifth year of the agreement. The provision recognises the value of salary set aside for employees to be used in the fifth year. This liability is measured on the same basis as annual leave. Deferred leave is reported as a current provision as employees can leave the scheme at their discretion at any time.

# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 2. Summary of significant accounting policies (continued)

### Superannuation

The Government Employees Superannuation Board (GESB) and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees, varies according to commencement and implementation dates.

Eligible employees contribute to the Pension Scheme, a defined benefit pension scheme closed to new members since 1987, or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme also closed to new members since 1995.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension Scheme or the GSS became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). From 30 March 2012, existing members of the WSS or GESBS and new employees have been able to choose their preferred superannuation fund provider. The department makes contributions to GESB or other fund providers on behalf of employees in compliance with the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992*. Contributions to these accumulation schemes extinguish the Department's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

The GSS is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, it is a defined contribution plan for agency purposes because the concurrent contributions (defined contributions) made by the department to GESB extinguishes the agency's obligation to the related superannuation liability.

The department has no liabilities under the Pension Scheme or the GSS. The liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the department to the GESB.

The GESB makes all benefit payments in respect of the Pension Scheme and GSS, and is recouped from the Treasurer for the employer's share.

### Provisions – other

#### Employment on-costs

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of Other expenses and are not included as part of the department's Employee benefits expense. The related liability is included in Employment on-costs provision.

#### (r) Superannuation expense

The superannuation expense is recognised in the Statement of Comprehensive Income and comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBS, or other superannuation funds. The employer contribution paid to the GESB in respect of the GSS is paid back into the Consolidated Account by the GESB.

#### (s) Assets and services received free of charge or for nominal value

Assets or services received free of charge or for nominal cost that the Department would otherwise purchase if not donated, are recognised as income at the fair value of the assets or services where they can be reliably measured. A corresponding expense is recognised for services received. Receipts of assets are recognised in the Statement of financial position.

Assets or services received from other State Government agencies are separately disclosed under Income from State Government in the Statement of Comprehensive Income.

#### (t) Comparative figures

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

# Notes to the Financial Statements

For the year ended 30 June 2016

## *Note 2. Summary of significant accounting policies (continued)*

### **(u) Amounts due to the Treasurer**

The amount due to the Treasurer is in respect of a Treasurer's Advance. Initial recognition and measurement, and subsequent measurement, are at the amount repayable. Although there is no interest charged, the amount repayable is equivalent to fair value as the period of the borrowing is for less than 12 months with the effect of discounting not being material.

## *Note 3. Judgements made by management in applying accounting policies*

The preparation of financial statements requires management to make judgements about the application of accounting policies that have a significant effect on the amounts recognised in the financial statements. The department evaluates these judgements regularly.

### **Operating lease commitments**

The department has entered into a number of leases for buildings for branch office accommodation. Some of these leases relate to buildings of a temporary nature and it has been determined that the lessor retains substantially all the risks and rewards incidental to ownership. Accordingly, these leases have been classified as operating leases.

## *Note 4. Key sources of estimation uncertainty*

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

### **Long Service Leave**

Several estimations and assumptions used in calculating the department's long service leave provision include expected future salary rates, discount rates, employee retention rates and expected future payments. Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

### **Valuation of land and buildings**

The most significant assumptions in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated useful life. Professional judgement by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.

# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 5. Disclosure of changes in accounting policy and estimates

### Initial application of an Australian Accounting Standard

The department has applied the following Australian Accounting Standards effective, or adopted, for annual reporting periods beginning on or after 1 July 2015 that impacted on the department.

<i>AASB 2013-9</i>	<i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i> Part C of this Standard defers the application of <i>AASB 9</i> to 1 January 2017. The application date of <i>AASB 9</i> was subsequently deferred to 1 January 2018 by <i>AASB 2014-1</i> . The department has not yet determined the application or the potential impact of <i>AASB 9</i> .
<i>AASB 2014-8</i>	Amendments to Australian Accounting Standards arising from <i>AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 &amp; 2010)]</i> This Standard makes amendments to <i>AASB 9 Financial Instruments (December 2009)</i> and <i>AASB 9 Financial Instruments (December 2010)</i> , arising from the issuance of <i>AASB 9 Financial Instruments</i> in December 2014. The department has not yet determined the application or the potential impact of <i>AASB 9</i> .
<i>AASB 2015-3</i>	<i>Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality</i> This Standard completes the withdrawal of references to <i>AASB 1031</i> in all <i>Australian Accounting Standards</i> and interpretations, allowing that Standard to effectively be withdrawn. There is no financial impact.
<i>AASB 2015-7</i>	<i>Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities [AASB 13]</i> This Standard relieves not-for-profit public sector entities from the reporting burden associated with various disclosures required by <i>AASB 13</i> for assets within the scope of <i>AASB 116</i> that are held primarily for their current service potential rather than to generate future net cash inflows. It has no financial impact.

### Future impact of Australian Accounting Standards not yet operative

The department cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements* or by an exemption from TI 1101. Consequently, the department has not applied early any of the following Australian Accounting Standards that have been issued that may impact the department. Where applicable, the department plans to apply these Australian Accounting Standards from their application date.

		Operative for reporting periods beginning on/after
<i>AASB 9</i>	<i>Financial Instruments</i> This Standard supersedes <i>AASB 139 Financial Instruments: Recognition and Measurement</i> , introducing a number of changes to accounting treatments. The mandatory application date of this Standard is currently 1 January 2018 after being amended by <i>AASB 2012-6</i> , <i>AASB 2013-9</i> and <i>AASB 2014-1 Amendments to Australian Accounting Standards</i> . The department has not yet determined the application or the potential impact of the Standard.	1 January 2018
<i>AASB 15</i>	<i>Revenue from Contracts with Customers</i> This Standard establishes the principles that the department shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The department has not yet determined the application or the potential impact of the Standard.	1 January 2018

# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 5. Disclosure of changes in accounting policy and estimates (continued)

		Operative for reporting periods beginning on/after			Operative for reporting periods beginning on/after
AASB 16	<i>Leases</i>	1 January 2019	AASB 2014-1	<i>Amendments to Australian Accounting Standards</i> Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. It has not yet been assessed by the department to determine the application or the potential impact of the Standard.	1 January 2018
AASB 1057	<i>Application of Australian Accounting Standards</i>	1 January 2016	AASB 2014-3	<i>Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 &amp; 11]</i>	1 January 2016
AASB 2010-7	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 &amp; 1038 and Int 2, 5, 10, 12, 19 &amp; 127]</i>	1 January 2018	AASB 2014-4	<i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 &amp; 138]</i>	1 January 2016

# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 5. Disclosure of changes in accounting policy and estimates (continued)

		Operative for reporting periods beginning on/after			Operative for reporting periods beginning on/after
AASB 2014-5	<i>Amendments to Australian Accounting Standards arising from AASB 15</i>	1 January 2018	<p>This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of <i>AASB 15</i>. The mandatory application date of this Standard has been amended by <i>AASB 2015-8</i> to 1 January 2018. The department has not yet determined the application or the potential impact of the Standard.</p>	AASB 2014-9	<p><i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements</i> [AASB 1,127 &amp; 128]</p> <p>This Standard amends <i>AASB 127</i>, and consequentially amends <i>AASB 1</i> and <i>AASB 128</i>, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. The department has not yet determined the application or the potential impact of the Standard.</p>
AASB 2014-7	<i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2014)	1 January 2018	<p>This Standard gives effect to the consequential amendments to <i>Australian Accounting Standards</i> (including Interpretations) arising from the issuance of <i>AASB 9</i> (December 2014). The department has not yet determined the application or the potential impact of the Standard.</p>	AASB 2014-10	<p><i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> [AASB 10 &amp; 128]</p> <p>This Standard amends <i>AASB 10</i> and <i>AASB 128</i> to address an inconsistency between the requirements in <i>AASB 10</i> and those in <i>AASB 128</i> (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The department has not yet determined the application or the potential impact of the Standard.</p>

# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 5. Disclosure of changes in accounting policy and estimates (continued)

	Operative for reporting periods beginning on/after		Operative for reporting periods beginning on/after
AASB 2015-1	<i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 &amp; 140]</i>	1 January 2016	
	These amendments arise from the issuance of <i>International Financial Reporting Standard Annual Improvements to IFRSs 2012-2014 Cycle</i> in September 2014, and editorial corrections. The department has determined that the application of the Standard has no financial impact.		
AASB 2015-2	<i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 &amp; 1049]</i>	1 January 2016	
	This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in <i>AASB 101</i> . Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. There is no financial impact.		
AASB 2015-6	<i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 &amp; 1049]</i>	1 January 2016	
	The amendments extend the scope of <i>AASB 124</i> to include application by not-for-profit public sector entities. Implementation guidance is included to assist application of the Standard by not-for-profit public sector entities. There is no financial impact.		
AASB 2015-8	<i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i>	1 January 2017	
	This Standard amends the mandatory effective date (application date) of <i>AASB 15 Revenue from Contracts with Customers</i> so that <i>AASB 15</i> is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. The department has not yet determined the application or the potential impact of <i>AASB 15</i> .		



# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 5. Disclosure of changes in accounting policy and estimates (continued)

	Operative for reporting periods beginning on/after		Operative for reporting periods beginning on/after
AASB 2015-10	<i>Amendments to Australian Accounting Standards – Effective date of Amendments to AASB 10 &amp; 128</i>	1 January 2016	AASB 2016-4
	This Standard defers the mandatory effective date (application date) of amendments to AASB 10 & 128 that were originally made in AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016. The department has not yet determined the application or the potential impact of AASB 2014-10.		<i>Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities</i>
			This Standard clarifies that the recoverable amount of primarily non-cash-generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 Fair Value Measurement. The department has not yet determined the application or the potential impact.
AASB 2016-2	<i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i>	1 January 2017	
	This Standard amends AASB 107 Statement of Cash Flows (August 2015) to require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. There is no financial impact.		
AASB 2016-3	<i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	1 January 2018	
	This Standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a licence, and, provides further transitional provisions to AASB 15. The department has not yet determined the application or the potential impact.		

# Notes to the Financial Statements

For the year ended 30 June 2016

	2016	2015
	\$000	\$000
<b>Note 6. Employee benefits expense</b>		
Wages and salaries <sup>(a)</sup>	86,073	87,372
Superannuation – defined contribution plans <sup>(b)</sup>	8,687	8,392
	<b>94,760</b>	<b>95,764</b>
<p><sup>(a)</sup> Includes the value of the fringe benefit to the employee plus the fringe benefits tax component, leave entitlements including superannuation contribution component.</p> <p><sup>(b)</sup> Defined contribution plans include West State, Gold State and GESB Super Scheme (contributions paid).</p> <p>Employment on-costs expenses, such as workers' compensation insurance, are included at Note 11 'Other Expenses'.</p> <p>Employment on-costs liability is included at Note 29 'Provisions'.</p>		
<b>Note 7. Supplies and services</b>		
Consultants and contractors	31,324	29,995
Advertising and promotion	692	739
Travel	1,767	1,891
Communication	517	487
Consumables	865	1,075
Maintenance	1,312	716
Insurance	546	565
Lease rent and hire costs	2,089	2,206
Utilities	1,072	1,060

	2016	2015
	\$000	\$000
Other	3,743	3,460
	<b>43,927</b>	<b>42,194</b>
<b>Note 8. Depreciation and amortisation expense</b>		
<u>Depreciation</u>		
Buildings	1,117	1,675
Furniture, plant, equipment and vehicles	390	381
Computer hardware and software	1,024	927
Scientific equipment	37	32
<b>Total depreciation</b>	<b>2,568</b>	<b>3,015</b>
<u>Amortisation</u>		
Intangible assets	263	263
<b>Total amortisation</b>	<b>263</b>	<b>263</b>
<b>TOTAL DEPRECIATION AND AMORTISATION</b>	<b>2,831</b>	<b>3,278</b>
<b>Note 9. Accommodation expenses</b>		
Lease rentals	3,144	3,167
Repairs and maintenance	1,327	1,723
Cleaning	668	646
	<b>5,139</b>	<b>5,536</b>
<b>Note 10. Grants and subsidies</b>		
Co-Funded Drilling Scheme (Exploration Incentive Scheme)	3,757	4,258
Mineral and Petroleum Industry Research	2,049	6,933
	<b>5,806</b>	<b>11,191</b>

# Notes to the Financial Statements

For the year ended 30 June 2016

	2016	2015
	\$000	\$000
<i>Note 11. Other expenses</i>		
Doubtful debts expense	505	69
Audit Fees	319	385
Minor Plant and Equipment	1,021	637
Employment On Costs	25	(56)
Refunds of prior years revenues	177	55
Other expenses	33	-
	<b>2,080</b>	<b>1,090</b>
<i>Note 12. User charges and fees</i>		
Petroleum annual licenses	6,014	5,003
Mining, prospecting and exploration licenses	5,732	6,544
Explosives and dangerous goods licenses and fees	6,453	7,610
Mines Safety Levy	25,036	22,903
Petroleum Safety	4,592	4,663
Mining Rehabilitation Fund	27,832	26,974
Other fees	876	881
	<b>76,535</b>	<b>74,578</b>
<i>Note 13. Interest revenue</i>		
Mining Rehabilitation Fund interest	1,336	976
	<b>1,336</b>	<b>976</b>

	2016	2015
	\$000	\$000
<i>Note 14. Other revenue</i>		
Miscellaneous revenue	835	473
Other revenue – recoups	2,432	1,994
	<b>3,267</b>	<b>2,467</b>
<i>Note 15. Commonwealth grants and contributions</i>		
Other funding contributions	1,100	100
	<b>1,100</b>	<b>100</b>
<i>Note 16. Net gain/(loss) on disposal of non-current assets</i>		
<u>Proceeds from disposal of non-current assets</u>		
Plant equipment and vehicles	28	-
<u>Costs of disposal of non-current assets</u>		
Plant equipment and vehicles	-	(745)
<b>Net gain/(loss)</b>	<b>28</b>	<b>(745)</b>

# Notes to the Financial Statements

For the year ended 30 June 2016

	2016	2015
	\$000	\$000
<b>Note 17. Income from State Government</b>		
Appropriation received during the period:		
Service appropriation <sup>(a)</sup>	91,568	68,937
	<b>91,568</b>	<b>68,937</b>
Services received free of charge <sup>(b)</sup>		
Determined on the basis of the following estimates provided by agencies:		
State Solicitors Office		
– legal services	1,632	1,266
Department of Treasury and Finance		
– procurement and accommodation services	322	346
Landgate		
– land dealings, land information, valuation services and products	133	371
Department of Water		
– land dealings and provision of data services and products	208	-
	<b>2,295</b>	<b>1,983</b>
Royalties for Regions Fund:		
District Allowance <sup>(c)</sup>	80	127
	<b>80</b>	<b>127</b>
	<b>93,943</b>	<b>71,047</b>

	2016	2015
	\$000	\$000
<p><sup>(a)</sup> Service appropriations fund the net cost of services delivered. Appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the budgeted depreciation expense for the year and any agreed increase in leave liabilities during the year.</p> <p><sup>(b)</sup> Assets or services received free of charge or for nominal cost are recognised as revenue at fair value of the assets and/or services that can be reliably measured and which would have been purchased if they were not donated.</p> <p><sup>(c)</sup> This is a sub-fund within the over-arching 'Royalties for Regions Fund'. District Allowances, funded by Royalties for Regions Regional Community Services fund, are paid to employees based in regional areas of the state.</p>		

# Notes to the Financial Statements

For the year ended 30 June 2016

	2016	2015
	\$000	\$000
<b>Note 18. Restricted cash and cash equivalents</b>		
<u>Current</u>		
Royalties for Regions Fund (Exploration Incentive Scheme) <sup>(a)</sup>	-	-
Safety Levies <sup>(a)</sup>	(10,413)	(4,098)
Mining Rehabilitation Fund <sup>(b)</sup>	63,377	35,141
Accrued salaries suspense account <sup>(c)</sup>	-	3,324
	<b>52,964</b>	<b>34,367</b>

<sup>(a)</sup> The recoup of the costs of administering the Safety reforms cannot be invoiced until after the end of the financial year. Treasury approval is obtained for any overdrawn accounts. (Refer Note 42)

<sup>(b)</sup> These funds are applied for regulatory services under the *Mining Rehabilitation Fund Act 2012*. (Refer to Note 42)

<sup>(c)</sup> Funds held in the suspense account used only for the purpose of meeting the 27<sup>th</sup> pay in a financial year that occurs every 11 years. This is not applicable in 2015-16 as the 27<sup>th</sup> pay occurred on 30 June 2016.

	2016	2015
	\$000	\$000
<b>Note 19. Receivables</b>		
<u>Current</u>		
Receivables	9,160	9,148
Allowance for impairment of receivables	(751)	(245)
Accrued interest revenue	360	199
GST receivable	443	1,062
	<b>9,212</b>	<b>10,164</b>
<b>Total Current</b>		

## Reconciliation of changes in the allowance for impairment of receivables:

Balance at start of period	245	177
Doubtful debts expense	483	106
Amounts written off during the year	32	-
Amount recovered during the year	(9)	(38)
	<b>751</b>	<b>245</b>
<b>Balance at end of period</b>		

The department does not hold any collateral or other credit enhancements as security for receivables.

# Notes to the Financial Statements

For the year ended 30 June 2016

	2016	2015
	\$000	\$000
<i>Note 20. Amounts receivable for services (holding account)</i>		
Current	962	982
Non-current	16,413	15,568
	<b>17,375</b>	<b>16,550</b>
Represents the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement or payment of leave liability.		
<i>Note 21. Other assets</i>		
<u>Current</u>		
Prepayments	1,570	2,498
<b>Total current</b>	<b>1,570</b>	<b>2,498</b>
<i>Note 22. Property, plant and equipment</i>		
<u>Land</u>		
At fair value <sup>(a)</sup>	70,211	72,873
<u>Buildings</u>		
At fair value <sup>(a)</sup>	54,934	55,632
<u>Furniture, plant, equipment and vehicles</u>		
At cost	7,701	7,427
Accumulated depreciation	(3,931)	(3,541)
	3,770	3,886

	2016	2015
	\$000	\$000
<u>Computer hardware and software</u>		
At cost	6,343	6,086
Accumulated depreciation	(4,995)	(4,545)
	1,348	1,541
<u>Scientific equipment</u>		
At cost	289	269
Accumulated depreciation	(121)	(85)
	168	184
<u>Works in progress</u>		
At cost	4,300	490
	<b>134,731</b>	<b>134,606</b>

<sup>(a)</sup> Land and buildings were revalued as at 1 July 2015 by the Western Australian Land Information Authority (Valuation Services). The valuations were performed during the year and recognised at 30 June 2016. In undertaking the revaluation, fair value was determined by reference to market values for land: \$33,741,600 (2015: \$34,901,150) and buildings: \$38,850,300 (2015: \$38,350,000). For the remaining balance, fair value of land and buildings was determined on the basis of depreciated replacement cost and fair value of land was determined on the basis of comparison with market evidence for land with low level utility (high restricted use land).

# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 22. Property, plant and equipment (continued)

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the reporting period are set out in the table below:

	Land	Buildings	Furniture, plant, equipment and vehicles	Computer hardware and software	Specific equipment	Works in progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>2016</b>							
Carrying amount at the start of year	72,873	55,632	3,886	1,541	184	490	134,606
Additions	-	-	274	831	21	3,810	4,936
Transfers from work in progress	-	-	-	-	-	-	-
Other Disposals	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-
Revaluation increments/(decrements)	(2,662)	419	-	-	-	-	(2,243)
Depreciation	-	(1,117)	(390)	(1,024)	(37)	-	(2,568)
<b>Carrying amount at end of year</b>	<b>70,211</b>	<b>54,934</b>	<b>3,770</b>	<b>1,348</b>	<b>168</b>	<b>4,300</b>	<b>134,731</b>
<b>2015</b>							
Carrying amount at the start of year	72,847	54,576	4,984	1,333	198	339	134,277
Additions	-	727	45	1,135	27	151	2,085
Transfers from work in progress	-	-	-	-	-	-	-
Other Disposals	-	-	(762)	-	(9)	-	(771)
Reclassification	-	-	-	-	-	-	-
Revaluation increments	27	2,004	-	-	-	-	2,031
Depreciation	-	(1,675)	(381)	(927)	(32)	-	(3,015)
<b>Carrying amount at end of year</b>	<b>72,873</b>	<b>55,632</b>	<b>3,886</b>	<b>1,541</b>	<b>184</b>	<b>490</b>	<b>134,606</b>

# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 22. Property, plant and equipment (continued)

### Fair Value Measurements

Reconciliations of the fair value measurements of property, plant and equipment at the end of the reporting period are set out in the table below:

Assets measured at fair value	Level 1	Level 2	Level 3	Fair Value At end of period
	\$000	\$000	\$000	\$000
<b>2016</b>				
Land (Note 22)	-	33,742	36,469	70,211
Buildings (Note 22)	-	38,850	16,084	54,934
<b>Carrying amount at end of year</b>	<b>-</b>	<b>72,592</b>	<b>52,553</b>	<b>125,145</b>
<b>2015</b>				
Land (Note 22)	-	34,901	37,972	72,873
Buildings (Note 22)	-	38,350	17,282	55,632
<b>Carrying amount at end of year</b>	<b>-</b>	<b>73,251</b>	<b>55,254</b>	<b>128,505</b>

There were transfers between Levels 2 and 3 during the current and previous periods.

Continued next page...



# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 22. Property, plant and equipment (continued)

### Fair value measurements using significant unobservable inputs (Level 3)

	Land	Buildings
	\$000	\$000
<b>2016</b>		
Fair Value at start of period	37,972	17,282
Additions	-	-
Revaluation increments/(decrements) recognised in Other comprehensive income	(1,690)	(140)
Transfers (from/(to) Level 2)	187	(727)
Disposals	-	-
Depreciation expense	-	(331)
Fair Value at end of period	36,469	16,084
<b>2015</b>		
Fair Value at start of period	38,320	15,844
Additions	-	727
Revaluation increments/(decrements) recognised in Other comprehensive income	(408)	1,160
Transfers (from/(to) Level 2)	60	-
Disposals	-	-
Depreciation expense	-	(449)
Fair Value at end of period	37,972	17,282

### Valuation processes

There were no changes in valuation techniques during the period.

Transfers in and out of a fair value level are recognised on the date of the event or change in circumstances that caused the transfer. Transfers are generally limited to assets newly classified as non-current assets held for sale as Treasurer's instructions require valuations of land, buildings and infrastructure to be categorised within Level 3 where the valuations will utilise significant Level 3 inputs on a recurring basis.

#### Land (Level 3 fair values)

Fair value for restricted use land is based on comparison with market evidence for land with low level utility (high restricted use land). The relevant comparators of land with low level utility is selected by the Western Australian Land Information Authority (valuation services) and represents the application of a significant Level 3 input in this valuation methodology. The fair value measurement is sensitive to values of comparator land, with higher values of comparator land correlating with higher estimated fair values of land.

#### Buildings and infrastructure (Level 3 fair values)

Fair value for existing use specialised buildings and infrastructure assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the depreciated replacement cost. Depreciated replacement cost is the current replacement cost of an asset less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired economic benefit, or obsolescence, and optimisation (where applicable) of the asset. Current replacement cost is generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and the gross project size specifications.

Valuation using depreciated replacement cost utilises the significant Level 3 input, consumed economic benefit/obsolescence of asset which is estimated by the Western Australian Land Information Authority (valuation services). The fair value measurement is sensitive to the estimate of consumption/obsolescence, with higher values of the estimate correlating with lower estimated fair values of buildings and infrastructure.

# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 22. Property, plant and equipment (continued)

Significant Level 3 inputs are derived and evaluated as follows:

### Historical cost per square metre floor area (m<sup>2</sup>)

The costs of constructing specialised buildings with similar utility are extracted from financial records, then indexed by movements in CPI.

### Consumed economic benefit/obsolescence of asset

These are estimated by the Western Australian Land Information Authority (valuation services).

### Selection of land with restricted utility

Fair value for restricted use land is determined by comparison with market evidence for land with low level utility. Relevant comparators of land with low level utility are selected by the Western Australian Land Information Authority (Valuation Services).

### Basis of valuation

In the absence of market-based evidence, due to the specialised nature of some non-financial assets, these assets are valued at Level 3 of the fair value hierarchy on an existing use basis. The existing use basis recognises that restrictions or limitations have been placed on their use and disposal when they are not determined to be surplus to requirements. These restrictions are imposed by virtue of the assets being held to deliver a specific community service.

### Information about significant unobservable inputs (Level 3) in fair value measurements

Description	Fair value as at 30 June 2016 (30 June 2015)	Valuation techniques	Unobservable inputs	Relationship to unobservable inputs to fair value
Land	(2015 Fair Value: \$37,972)	Selection of land with similar approximate utility	Selection of land with similar approximate utility	Higher value of similar land increases estimated fair value
	2016 Fair Value: \$36,469			
Buildings	(2015 Fair Value: \$17,282)	Depreciated Replacement Cost	Consumed economic benefit/obsolescence of asset	Greater consumption of economic benefit or increased obsolescence lowers fair value
	2016 Fair Value: \$16,084		Historical cost per square metre floor area (m <sup>2</sup> )	Higher historical cost per m <sup>2</sup> increases fair value

Reconciliations of the opening and closing balances are provided in Note 22.

# Notes to the Financial Statements

For the year ended 30 June 2016

	2016	2015
	\$000	\$000
<i>Note 23. Intangible assets</i>		
<u>Computer software</u>		
At cost	4,144	4,450
Accumulated amortisation	(3,508)	(3,551)
<b>Total intangible assets</b>	<b>636</b>	<b>899</b>
<b>Reconciliation</b>		
<u>Computer software</u>		
Carrying amount at start of period	899	1,162
Amortisation expense	(263)	(263)
<b>Carrying amount at end of period</b>	<b>636</b>	<b>899</b>

## *Note 24. Impairment of assets*

There were no indications of impairment to property, plant and equipment, infrastructure or intangible assets at 30 June 2016.

The department held no goodwill or intangible assets with an indefinite useful life during the reporting period. At the end of the reporting period there were no intangible assets not yet available for use.

All surplus assets at 30 June 2016 have been written-off.

	2016	2015
	\$000	\$000
<i>Note 25. Payables</i>		
<u>Current</u>		
Trade payables	3,326	2,700
Other payables	763	-
Accrued salaries	-	2,664
<b>Total current</b>	<b>4,089</b>	<b>5,364</b>
<i>Note 26. Other current liabilities</i>		
Unclaimed monies	1,799	2,103
	<b>1,799</b>	<b>2,103</b>
<i>Note 27. Revenue received in advance</i>		
Licences and fees	2,085	2,100
	<b>2,085</b>	<b>2,100</b>
<i>Note 28. Amounts due to the Treasurer</i>		
<u>Non-current</u>		
Amounts due to the Treasurer – Mining Rehabilitation Fund	5,330	4,530
	<b>5,330</b>	<b>4,530</b>

# Notes to the Financial Statements

For the year ended 30 June 2016

	2016	2015
	\$000	\$000
<b>Note 29. Provisions</b>		
<u>Current</u>		
<i>Employee benefits provision</i>		
Annual leave <sup>(a)</sup>	7,897	8,483
Long service leave <sup>(b)</sup>	10,793	11,198
Deferred salary scheme <sup>(d)</sup>	59	-
	<b>18,749</b>	<b>19,681</b>
 <i>Other provisions</i>		
Employment on-costs provision <sup>(c)</sup>	126	109
	<b>126</b>	<b>109</b>
	<b>18,875</b>	<b>19,790</b>
 <u>Non-current</u>		
<i>Employee benefits provision</i>		
Long service leave <sup>(b)</sup>	4,374	3,784
Deferred salary scheme <sup>(d)</sup>	-	46
	<b>4,374</b>	<b>3,830</b>
 <i>Other provisions</i>		
Employment on-costs provision <sup>(c)</sup>	29	21
	<b>29</b>	<b>21</b>
	<b>4,403</b>	<b>3,851</b>

	2016	2015
	\$000	\$000
<sup>(a)</sup> Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of end of reporting period	5,777	5,856
More than 12 months after the end of the reporting period	2,120	2,627
	<b>7,897</b>	<b>8,483</b>
 <sup>(b)</sup> Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities will occur as follows:		
Within 12 months of the end of the reporting period	4,443	4,003
More than 12 months after the end of the reporting period	10,724	10,979
	<b>15,167</b>	<b>14,982</b>
 <sup>(c)</sup> The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers compensation insurance. The provision is the present value of expected future payments. The associated expense, apart from the unwinding of the discount (finance cost), is disclosed in Note 11 'Other expenses'.		

Continued next page...

# Notes to the Financial Statements

For the year ended 30 June 2016

	2016	2015
	\$000	\$000
(d) Deferred salary scheme liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the reporting period. Actual settlement of the liabilities will occur as follows:		
Within 12 months of the end of the reporting period	59	-
More than 12 months after the end of the reporting period	-	46
	<b>59</b>	<b>46</b>
<b>Movements in other provisions</b>		
<u>Employment on-cost provision</u>		
Carrying amount at start of period	130	186
Additional provisions recognised	155	131
Payments/other sacrifices of economic benefits	(129)	(187)
<b>Carrying amount at end of period</b>	<b>156</b>	<b>130</b>

	2016	2015
	\$000	\$000
<b>Note 30. Equity</b>		
The Western Australian Government holds the equity interest in the department on behalf of the community. Equity represents the residual interest in the net assets of the department. The asset revaluation surplus represents that portion of equity resulting from the revaluation of non-current assets.		
<b>Contributed equity</b>		
Balance at start of period	42,787	59,018
<u>Contributions by owners</u>		
Capital appropriation	500	-
Other contributions by owners:		
Mining Rehabilitation Fund	-	(3,031)
<b>Total contributions by owners</b>	<b>500</b>	<b>(3,031)</b>
<u>Distributions to owners</u>		
Transfer of land	-	(13,200)
<b>Total distributions to owners</b>	<b>-</b>	<b>(13,200)</b>
<b>Balance at end of period</b>	<b>43,287</b>	<b>42,787</b>

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# Notes to the Financial Statements

For the year ended 30 June 2016

	2016	2015
	\$000	\$000
<b>Reserves</b>		
<u>Asset revaluation surplus</u>		
Balance at start of period	116,280	114,249
Net revaluation increments/(decrements)		
Land	(2,662)	27
Buildings	419	2,004
<b>Balance at end of period</b>	<b>114,037</b>	<b>116,280</b>
<b>Accumulated Surplus</b>		
Balance at start of period	9,251	19,881
Result for the period	21,666	(10,630)
<b>Balance at the end of period</b>	<b>30,917</b>	<b>9,251</b>
<b>Total Equity at the end of period</b>	<b>188,241</b>	<b>168,318</b>

	2016	2015
	\$000	\$000
<i>Note 31. Notes to the Statement of cash flows</i>		
<b>Reconciliation of cash</b>		
Cash at the end of the financial year as shown in the Statement of cash flows is reconciled to the related items in the Statement of financial position as follows:		
Cash on hand	5	10
Operating account	8,329	6,962
Cash and cash equivalents	8,334	6,972
Restricted cash assets (refer Note 18)	52,964	34,367
	61,298	41,339
<b>Reconciliation of net cost of services to net cash flows provided by/ (used in) operating activities</b>		
Net cost of service	(72,277)	(81,677)
<u>Non-cash items</u>		
Depreciation and amortisation expense	2,831	3,278
Resources received free of charge	2,295	1,983
Net (gain)/loss on disposal of non-current assets	(28)	771
<u>(Increase)/Decrease in assets</u>		
Current Receivables <sup>(a)</sup>	332	(1,227)
Other assets	928	(1,268)

Continued next page...

# Notes to the Financial Statements

For the year ended 30 June 2016

	2016	2015
	\$000	\$000
<u>Increase/(decrease) in liabilities</u>		
Current payables <sup>(a)</sup>	(1,276)	(1,596)
Other liabilities	(304)	(75)
Revenue received in advance	(15)	431
Provisions – employee benefits	(363)	2,144
Net GST payments <sup>(b)</sup>	(818)	318
Change in GST in receivables/payables <sup>(c)</sup>	(619)	(390)
<b>Net cash used in operating activities</b>	<b>(69,314)</b>	<b>(77,308)</b>

<sup>(a)</sup> Note that the Australian Taxation Office (ATO) receivable/payable in respect of GST and the receivable/payable in respect of sale/purchase of non-current assets are not included in these items as they do not form part of the reconciling items.

<sup>(b)</sup> This is the net GST paid/received, i.e. cash transactions.

<sup>(c)</sup> This reverses out the GST in receivables and payables.

**Note 32. Services provided free of charge**

During the period the following services were provided to other agencies free of charge for functions outside the normal operations of the department:

MRIWA (Building services, parking, conferences)  
[previously known as MERIWA]

	2016	2015
	47	47

	2016	2015
	\$000	\$000
<b>Note 33. Commitments</b>		
<b>Capital expenditure commitments</b>		
Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	7,070	6,584
Later than 1 year and not later than 5 years	3,122	7,766
	<b>10,192</b>	<b>14,350</b>
The capital commitments include amounts for:		
Computer hardware, software and buildings	10,192	14,350
	<b>10,192</b>	<b>14,350</b>
<b>Lease commitment</b>		
Commitments in relation to leases contracted for at the end of the reporting period but not recognised in the financial statements are payable as follows:		
Within 1 year	3,001	3,639
Later than 1 year and not later than 5 years	12,425	12,948
Later than 5 years	17,627	20,161
	<b>33,053</b>	<b>36,748</b>
Representing:		
Non-cancellable operating leases	<b>33,053</b>	<b>36,748</b>
These commitments are exclusive of GST.		

# Notes to the Financial Statements

For the year ended 30 June 2016

## *Note 34. Contingent liabilities and contingent assets*

### **Contingent liabilities**

The following contingent liabilities are additional to the liabilities included in the financial statements:

#### **Contaminated sites**

Under the *Contaminated Sites Act 2003*, the department is required to report known and suspected contaminated sites to the Department of Environment and Conservation (DEC). In accordance with the Act, DEC classifies these sites on the basis of the risk to human health, the environment and environmental values. Where sites are classified as contaminated – remediation required or possibly contaminated – investigation required, the department may have a liability in respect of investigation or remediation expenses. During the year the department did not identify any further potential contaminated sites.

Of the 13 identified as at 30 June 2016, three are still identified as “suspected” as opposed to “potential”. These three sites are still yet to be classified by the Department of Environment and Conservation. The department is unable to assess the likely outcome of the classification process, and accordingly, it is not practicable to estimate the potential financial effect or to identify the uncertainties relating to the amount or timing of any outflows.

Whilst there is no possibility of reimbursement of any future expenses that may be incurred in the remediation of these sites, the department may apply for funding from the *Contaminated Sites Management Guidelines* (2015) to undertake further investigative work or to meet remediation costs that may be required.

### **Other matters of uncertainty**

The Minister has granted authority to make a contribution to a settlement to a maximum of \$250,000 with the expectation that the actual contribution will be much lower. Risk cover has confirmed that they do not hold a public liability insurance policy for the Department of Mines and Petroleum for the relevant period. Settlement is expected to occur in 2016-17.

## *Note 35. Events occurring after the end of the reporting period*

No known event occurred after the balance sheet date which materially affects the results reflected in these financial statements.



# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 36. Explanatory Statement

All variances between estimates (original budget) and actual results for 2016, and between the actual results for 2016 and 2015 are shown below. Narratives are provided for key variations selected from observed major variances, which are generally greater than:

- 10% and \$10.0 million for the Statements of comprehensive income and cash flows; and
- 10% and \$10.0 million for the Statement of financial position.

	Variance Note	2016 Original Budget	2016 Actual	2015 Actual	Variance between estimate and actual	Variance between actuals for 2016 and 2015
		\$000	\$000	\$000	\$000	\$000
<b>Statement of Comprehensive Income (Controlled Operations)</b>						
Employee benefits expenses		98,470	94,760	95,764	3,710	(1,004)
Supplies and services	1	36,651	43,927	42,194	(7,276)	1,733
Depreciation and amortisation expense		1,787	2,831	3,278	(1,044)	(447)
Accommodation expenses	2	7,585	5,139	5,536	2,446	(397)
Grants and subsidies	A	9,198	5,806	11,191	3,392	(5,385)
Other expenses	3	11,304	2,080	1,090	9,224	990
Loss on disposal of other assets		-	-	745	-	(745)
<b>Total cost of services</b>		<b>164,995</b>	<b>154,543</b>	<b>159,798</b>	<b>10,452</b>	<b>(5,255)</b>
<b>Revenue</b>						
User charges and fees	4	117,942	76,535	74,578	41,407	1,957
Commonwealth Grants received		100	1,100	100	(1,000)	1,000
Interest revenue	5	5,080	1,336	976	3,744	360
Other revenue		2,383	3,267	2,467	(884)	800
<b>Total Revenue</b>		<b>125,505</b>	<b>82,238</b>	<b>78,121</b>	<b>43,267</b>	<b>4,117</b>

# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 36. Explanatory Statement (continued)

	Variance Note	2016 Original Budget	2016 Actual	2015 Actual	Variance between estimate and actual	Variance between actuals for 2016 and 2015
		\$000	\$000	\$000	\$000	\$000
Gain on disposal of non-current assets		-	28	-	(28)	28
<b>Total Gains</b>		-	<b>28</b>	-	<b>(28)</b>	<b>28</b>
<b>Total income other than income from State Government</b>		<b>125,505</b>	<b>82,266</b>	<b>78,121</b>	<b>43,239</b>	<b>4,145</b>
<b>NET COST OF SERVICES</b>		<b>(39,490)</b>	<b>(72,277)</b>	<b>(81,677)</b>	<b>(32,787)</b>	<b>(9,400)</b>
<b>Income from State Government</b>						
Service appropriation	6 B	83,736	91,568	68,937	(7,832)	22,631
Services received free of charge		1,490	2,295	1,983	(805)	312
Royalties for Regions Fund		91	80	127	11	(47)
<b>Total income from State Government</b>		<b>85,317</b>	<b>93,943</b>	<b>71,047</b>	<b>(8,626)</b>	<b>22,896</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>45,827</b>	<b>21,666</b>	<b>(10,630)</b>	<b>24,161</b>	<b>32,296</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
<b>Items not reclassified subsequently to profit or loss</b>						
Changes in asset revaluation surplus	C	-	(2,243)	2,031	2,243	(4,274)
Gains recognised directly in equity		-	-	(3,031)	-	3,031
<b>Total other comprehensive income</b>		<b>-</b>	<b>(2,243)</b>	<b>(1,000)</b>	<b>2,243</b>	<b>(1,243)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>45,827</b>	<b>19,423</b>	<b>(11,630)</b>	<b>26,404</b>	<b>31,053</b>

# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 36. Explanatory Statement (continued)

	Variance Note	2016 Original Budget	2016 Actual	2015 Actual	Variance between estimate and actual	Variance between actuals for 2016 and 2015
		\$000	\$000	\$000	\$000	\$000
<b>Statement of Financial Position (Controlled Operations)</b>						
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	7	13,584	8,334	6,972	5,250	1,362
Restricted cash and cash equivalents	8 D	89,871	52,964	34,367	36,907	18,597
Receivables		8,865	9,212	10,164	(347)	(952)
Amount receivable for services		962	962	982	-	(20)
Other current assets		1,230	1,570	2,498	(340)	(928)
Land held for distribution to owners		-	-	-	-	-
<b>Total Current Assets</b>		<b>114,512</b>	<b>73,042</b>	<b>54,983</b>	<b>41,470</b>	<b>18,059</b>
<b>Non-Current Assets</b>						
Restricted cash and cash equivalents		3,097	-	-	3,097	-
Amounts receivable for services		16,413	16,413	15,568	(0)	845
Property, plant and equipment	9	153,857	134,731	134,606	19,126	125
Intangible assets		1,161	636	899	525	(263)
<b>Total Non-Current Assets</b>		<b>174,528</b>	<b>151,780</b>	<b>151,073</b>	<b>22,748</b>	<b>707</b>
<b>TOTAL ASSETS</b>		<b>289,040</b>	<b>224,822</b>	<b>206,056</b>	<b>64,218</b>	<b>18,766</b>

# Notes to the Financial Statements

For the year ended 30 June 2016

Note 36. Explanatory Statement (continued)

	Variance Note	2016 Original Budget	2016 Actual	2015 Actual	Variance between estimate and actual	Variance between actuals for 2016 and 2015
		\$000	\$000	\$000	\$000	\$000
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Payables		5,201	4,089	5,364	1,112	(1,275)
Other current liabilities		6,766	1,799	2,103	4,967	(304)
Revenue received in advance		-	2,085	2,100	(2,085)	(15)
Provisions		16,452	18,875	19,790	(2,423)	(915)
<b>Total Current Liabilities</b>		<b>28,419</b>	<b>26,848</b>	<b>29,357</b>	<b>1,571</b>	<b>(2,509)</b>
<b>Non-Current Liabilities</b>						
Amounts due to the Treasurer	E	-	5,330	4,530	(5,330)	800
Provisions		3,496	4,403	3,851	(907)	552
<b>Total Non-Current liabilities</b>		<b>3,496</b>	<b>9,733</b>	<b>8,381</b>	<b>(6,237)</b>	<b>1,352</b>
<b>TOTAL LIABILITIES</b>		<b>31,915</b>	<b>36,581</b>	<b>37,738</b>	<b>(4,666)</b>	<b>(1,157)</b>
<b>NET ASSETS</b>		<b>257,125</b>	<b>188,241</b>	<b>168,318</b>	<b>68,884</b>	<b>19,923</b>
<b>EQUITY</b>						
Contributed equity	10	59,517	43,287	42,787	16,230	500
Reserves		114,249	114,037	116,280	212	(2,243)
Accumulated surplus/(deficit)		83,359	30,917	9,251	52,442	21,666
<b>TOTAL EQUITY</b>		<b>257,125</b>	<b>188,241</b>	<b>168,318</b>	<b>68,884</b>	<b>19,923</b>

# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 36. Explanatory Statement (continued)

	Variance Note	2016 Original Budget	2016 Actual	2015 Actual	Variance between estimate and actual	Variance between actuals for 2016 and 2015
		\$000	\$000	\$000	\$000	\$000
<b>Statement of Cash Flows</b>						
<b>(Controlled Operations)</b>						
<b>CASH FLOWS FROM STATE GOVERNMENT</b>						
Service appropriation	11	81,949	90,943	67,150	(8,994)	23,793
Capital appropriations		500	500	-	-	500
Holding account drawdown		962	962	937	-	25
Royalties for Regions Fund		91	80	127	11	(47)
<b>Net cash provided by State Government</b>		<b>83,502</b>	<b>92,485</b>	<b>68,214</b>	<b>(8,983)</b>	<b>24,271</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<b>Payments</b>						
Employee benefits		(98,718)	(99,393)	(95,096)	675	(4,297)
Supplies and services	12	(34,004)	(39,473)	(40,761)	5,469	1,288
Accommodation		(7,515)	(7,839)	(7,063)	324	(776)
Grants and subsidies		(9,198)	(5,517)	(11,244)	(3,681)	5,727
Other payments	13	(12,478)	(48)	-	(12,430)	(48)
GST payments on purchases		(4,937)	(5,950)	(5,775)	1,013	(175)

# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 36. Explanatory Statement (continued)

	Variance Note	2016 Original Budget	2016 Actual	2015 Actual	Variance between estimate and actual	Variance between actuals for 2016 and 2015
		\$000	\$000	\$000	\$000	\$000
<b>Receipts</b>						
User charges and fees	14	117,942	77,625	74,333	40,317	3,292
Grants and contributions		100	-	100	100	(100)
Interest received		-	-	-	-	-
GST receipts on sales		99	215	582	(116)	(367)
GST receipts from ATO		4,838	7,522	5,511	(2,684)	2,011
Other receipts	15	7,463	3,544	2,105	3,919	1,439
<b>Net cash provided by/(used in) operating activities</b>		<b>(36,408)</b>	<b>(69,314)</b>	<b>(77,308)</b>	<b>32,906</b>	<b>7,994</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<b>Payments</b>						
Proceeds from sale of non-current assets		-	28	-	(28)	28
<b>Receipts</b>						
Purchase of non-current physical assets		(6,584)	(4,040)	(2,086)	(2,544)	(1,954)
<b>Net cash provided by/(used in) investing activities</b>		<b>(6,584)</b>	<b>(4,012)</b>	<b>(2,086)</b>	<b>(2,572)</b>	<b>(1,926)</b>

# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 36. Explanatory Statement (continued)

	Variance Note	2016 Original Budget	2016 Actual	2015 Actual	Variance between estimate and actual	Variance between actuals for 2016 and 2015
		\$000	\$000	\$000	\$000	\$000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
<b>Payments</b>						
Repayment of borrowings		-	-	-	-	-
<b>Receipts</b>						
Proceeds from borrowings		-	800	1,944	(800)	(1,144)
<b>Net cash provided by/(used in) financing activities</b>		<b>-</b>	<b>800</b>	<b>1,944</b>	<b>(800)</b>	<b>(1,144)</b>
Net increase/(decrease) in cash and cash equivalents		40,510	19,959	(9,236)	20,551	29,195
Cash balances transferred in		-	-	-	-	-
Cash balances transferred out		-	-	(3,031)	-	3,031
Cash and cash equivalents at the beginning of the period	G	66,042	41,339	53,606	24,703	(12,267)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>106,552</b>	<b>61,298</b>	<b>41,339</b>	<b>45,254</b>	<b>19,959</b>

# Notes to the Financial Statements

For the year ended 30 June 2016

## *Note 36. Explanatory Statement (continued)*

### **Major Variance Narratives (Controlled Operations)**

#### **Variances between estimate and actual**

1. Supplies and services were over the original budget by \$7.2 million (3.77%) due to the reclassification of costs with the upgrade of the Departments financial management system. Cost were reallocated between Supplies and Services expenses and Other expenses.
2. Accommodation expenses such as Building maintenance were reduced by \$2.4 million (32.25%) due to additional repair expenses in the previous financial year. In addition to these, savings measure as required to be undertaken by whole of government have been implemented this year to further reduce non-essential repairs.
3. Other expenses were under the original budget by \$9.2 million (81.6%) due to the reclassification of costs between Other Expenses to Supplies and Services. Refer to point (1) above.
4. User charges and fees were under by \$41.4 million (35.11%) due to a \$20 million reduction in Mining Rehabilitation Fund levy collections and lower than expected collections from Mine Safety levies. The downward adjustments to the MRF budgets will better align in future years collections to better reflect industry expectations.
5. Interest revenue is \$3.7 million (73.7%) under due to a \$3.5 million reduction in Mining Rehabilitation Fund levy interest collections. This reduction to the budget figure was approved during the year. Refer to point (4) above.
6. Service appropriations were \$7.8 million (9.35%) more than the original budget as appropriations were reduced by \$15.6 million as part of whole of government savings in the 2015 financial year. This reduction required an \$8 million increase in 2015-16 to offset reduced budgeted revenue in the 2016 financial year.
7. Cash and cash equivalents are under by \$6.9 million (45.7%) as a result of overall revenue shortfalls during the 2015 financial year. The reduced revenue was the result of the downturn experienced across the resources sector.
8. Restricted cash and cash equivalents were under by \$34.4 million (40%) due to the lower than forecast Mining Rehabilitation Fund levy contributions and reduced Safety Levy collections. Refer to points (4) and (5) above.
9. The reduction of \$19.1 million of property, plant and equipment was partially addressed by a post budget adjustment of \$13m for the sale of the Chemistry Centre land held by the department during the 2015 financial year. Additionally, the revaluation down by \$3 million for land and buildings held by the department also contributed to the reduction in property, plant and equipment held by the department.
10. Contributed equity is less than the original budget as appropriations were reduced by \$15.6 million as part of whole of government savings in the 2015 financial year. This figure will align in future budget years due to an increased appropriations due to lower than expected revenue collections.
11. Service appropriation is \$9 million more than the original budget as a result of reduced appropriations in the 2015 financial year of \$15.6 million, which required an increase in 2016 due to lower than expected revenue collections. Refer point (6) above.
12. Supplies and services were over the budget by \$5.5 million (16.08%) due to a reallocation of costs from Other expenses to Supplies and Services expenses. Refer to points (1) and (3) above.
13. Other payments were under budget by \$12.4 million (99.62%) which is as a result of realignment of costs from Other expense to Supplies and Services expenses. Refer to points (1), (3) and (12) above.
14. User charges and fees is under by \$40.3 million (34.18%) due to a \$20 million reduction in Mining Rehabilitation Fund levy collections, as well as reduced collections of Safety Levies for the 2016 financial year. This revenue shortfall is due to the downturn experienced across the resources sector.
15. Other receipts is under by \$3.9 million (52.51%) mainly due to a \$3.5 million reduction in Mining Rehabilitation Fund levy interest that was approved during the year. Refer to point (5) above.



# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 36. Explanatory Statement (continued)

### Major Variance Narratives (Controlled Operations)

#### Variations between actual results for 2016 and 2015

- A. Grants and subsidies decreased by \$5.4 million (92.8%) due to the completion of assistance payments to MRIWA. In 2014-15 there was a one-off payment for the future Baldivis explosive reserves relocation.
- B. Service appropriation increased by \$22.6 million (24.71%) due to reduced appropriations of \$15.6 million for whole of government savings in 2015. In 2016 the department required an \$8 million increase in appropriations to offset an unexpected shortfall in revenue. Refer point (6) above.
- C. The variance in asset revaluation of \$4.3 million (190.5%) was mainly due to a reduction in building valuations of \$2.2 million which reflect the current downturn in the property market valuations.
- D. Restricted cash and cash equivalents increased by \$19.5 million (36.3%) due to \$30m in Mining Rehabilitation Fund levy contributions offset by the reduction in Safety levy collections.
- E. Amounts due to the Treasurer increased by \$0.8 million (15%) due to administration and systems cost associated with the Mining Rehabilitation Fund being funded until the Fund becomes self sufficient.
- F. Service appropriations have increased on actual amounts from 2015 due to reduced appropriations of \$15.6 million for whole of government savings in 2015. In 2016 the department required an \$8 million increase to offset an unexpected shortfall in revenue. Refer point (6) above.
- G. Cash and cash equivalents at the beginning of the period is \$12.3 million (29.7%) lower than last year due to the return of \$15.6 million cash to the Department of Treasury for a whole of government savings measures that was implemented in the 2015 financial year.

## Note 37. Remuneration of senior officers

The number of senior officers whose total fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:

Remuneration Band (\$)	2016	2015
90,001 to 100,000	-	1*
130,001 to 140,000	-	1*
170,001 to 180,000	1	1
180,001 to 190,000	1	4
190,001 to 200,000	2	3
200,001 to 210,000	4	-
210,001 to 220,000	1	-
220,001 to 230,000	1	-
230,001 to 240,000	1	3
240,001 to 250,000	2	1
250,001 to 260,000	-	1
260,001 to 270,000	1	-
270,001 to 280,000	-	2
280,001 to 290,000	3	-
380,001 to 390,000	-	1
390,001 to 400,000	1	-

\* The current period saw all senior officers employed for the whole financial year. This is an increase on the prior period where two senior officers were recruited and employed for a period less than the full 12 months.

# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 37. Remuneration of senior officers (continued)

	2016	2015
	\$000	\$000
Base remuneration and superannuation	3,188	2,951
Annual leave and long service leave accruals	394	312
Other benefits	666	608
<b>Total remuneration of senior officers</b>	<b>4,248</b>	<b>3,871</b>

The total remuneration includes the superannuation expense incurred by the department in respect of senior officers.

## Note 38. Remuneration of Auditor

Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:

	2016	2015
	\$000	\$000
Auditing the accounts, financial statements and performance indicators	167	161

## Note 39. Financial instruments

### (a) Financial risk management objectives and policies

Financial instruments held by the department are cash and cash equivalents, restricted cash and cash equivalents, loans and receivables, payables, WATC/Bank borrowings, finance leases and Treasurer's advances. The department has limited exposure to financial risks. The department's overall risk management program focuses on managing the risks identified below.

#### Credit risk

Credit risk arises when there is the possibility of the department's receivables defaulting on their contractual obligations resulting in financial loss to the department.

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment, as shown in the table at Note 39 (c) and Note 19 Receivables.

Credit risk associated with the department's financial assets is minimal because the main receivable is the amounts receivable for services (holding account) and safety levies. For receivables other than government, the department trades only with recognised, creditworthy third parties. The department has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the department's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

#### Liquidity risk

Liquidity risk arises when the department is unable to meet its financial obligations as they fall due. The department is exposed to liquidity risk through its trading in the normal course of business.

The department has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 39. Financial instruments (continued)

### Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the department's income or the value of its holdings of financial instruments. The department does not trade in foreign currency and is not materially exposed to other price risks. Other than as detailed in the interest rate sensitivity analysis table at Note 39 (c), the department is not exposed to interest rate risk because the majority of cash and cash equivalents and restricted cash are non-interest bearing and it has no borrowings other than the Treasurer's advance (non-interest bearing).

### (b) Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

	2016	2015
	\$000	\$000
<u>Financial Assets</u>		
Cash and cash equivalents	8,334	6,972
Restricted cash and cash equivalents	52,964	34,367
Loans and receivables <sup>(a)</sup>	26,145	25,652
<u>Financial Liabilities</u>		
Financial liabilities measured at amortised cost	11,219	11,997

<sup>(a)</sup> The amount of loans and receivables excludes GST recoverable from the ATO (statutory receivable)

# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 39. Financial instruments (continued)

### (c) Financial instrument disclosures

#### Credit risk

The following table details the department's maximum exposure to credit risk and the ageing analysis of financial assets. The department's maximum exposure to credit risk at the end of the reporting period is the carrying amount of the financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of the department.

The department does not hold any collateral as security or other credit enhancements relating to the financial assets it holds.

	Carrying Amount	Not past due and not impaired	Past due but not impaired				Impaired financial assets <sup>(b)</sup>
			Up to 1 month	1-3 months	3 months to 1 year	1-5 years	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>2016</b>							
Cash and cash equivalents	8,334	8,334	-	-	-	-	-
Restricted cash and cash equivalents	52,964	52,964	-	-	-	-	-
Receivables <sup>(a)</sup>	8,769	6,024	62	341	1,148	443	751
Amounts receivable for services	17,376	17,376	-	-	-	-	-
	<b>87,443</b>	<b>84,698</b>	<b>62</b>	<b>341</b>	<b>1,148</b>	<b>443</b>	<b>751</b>
<b>2015</b>							
Cash and cash equivalents	6,972	6,972	-	-	-	-	-
Restricted cash and cash equivalents	34,367	34,367	-	-	-	-	-
Receivables (a)	9,102	8,670	2	120	65	-	245
Amounts receivable for services	16,550	16,550	-	-	-	-	-
	<b>66,991</b>	<b>66,559</b>	<b>2</b>	<b>120</b>	<b>65</b>	<b>-</b>	<b>245</b>

<sup>(a)</sup> The amount of receivables excludes GST recoverable from the ATO (statutory receivable).

# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 39. Financial instruments (continued)

### (c) Financial instrument disclosures

#### Liquidity risk and interest rate exposure

The following table discloses the department's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

#### Interest rate exposure and maturity analysis of financial assets and financial liabilities<sup>(a)</sup>

	Weighted Average Effective Interest Rate	Carrying Amount	Interest rate exposure			Nominal Amount	Maturity dates			
			Fixed Interest Rate	Variable Interest Rate	Non-Interest Bearing		Up to 1 month	1-3 months	3 months to 1 year	1-5 years
			\$000	\$000	\$000		\$000	\$000	\$000	\$000
<b>2016</b>										
<u>Financial Assets</u>										
Cash and cash equivalents	-	8,334	-	-	8,334	8,334	-	-	-	-
Restricted cash and cash equivalents	2.30	52,964	-	63,378	(10,414)	52,964	-	-	-	-
Receivables <sup>(a)</sup>	-	8,769	-	-	8,769	8,769	6,837	341	1,148	443
Amounts receivable for services	-	17,376	-	-	17,376	17,376	-	-	963	16,413
		<b>87,443</b>	<b>-</b>	<b>63,378</b>	<b>24,065</b>	<b>87,443</b>	<b>6,837</b>	<b>341</b>	<b>2,111</b>	<b>16,856</b>
<u>Financial Liabilities</u>										
Payables	-	4,089	-	-	4,089	4,089	4,088	-	-	-
Unclaimed monies	-	1,799	-	-	1,799	1,799	1,799	-	-	-
Amounts due to the Treasurer	-	5,330	-	-	5,330	5,330	-	-	-	5,330
		<b>11,218</b>	<b>-</b>	<b>-</b>	<b>11,218</b>	<b>11,218</b>	<b>5,887</b>	<b>-</b>	<b>-</b>	<b>5,330</b>

<sup>(a)</sup> The amount of receivables excludes GST recoverable from the ATO (statutory receivable).

# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 39. Financial instruments (continued)

### (c) Financial instrument disclosures

#### Interest rate exposure and maturity analysis of financial assets and financial liabilities<sup>(a)</sup>

	Weighted Average Effective Interest Rate	Carrying Amount	Interest rate exposure			Nominal Amount	Maturity dates			
			Fixed Interest Rate	Variable Interest Rate	Non- Interest Bearing		Up to 1 month	1-3 months	3 months to 1 year	1-5 years
			\$000	\$000	\$000		\$000	\$000	\$000	\$000
<b>2015</b>										
<b>Financial Assets</b>										
Cash and cash equivalents	-	6,972	-	-	6,972	6,972	-	-	-	-
Restricted cash and cash equivalents	2.64	34,367	-	35,141	(774)	34,367	-	-	-	-
Receivables <sup>(a)</sup>	-	9,102	-	-	9,102	9,102	8,917	120	65	-
Amounts receivable for services	-	16,550	-	-	16,550	16,550	-	-	982	15,568
		<b>66,991</b>	<b>-</b>	<b>35,141</b>	<b>31,850</b>	<b>66,991</b>	<b>8,917</b>	<b>120</b>	<b>1,047</b>	<b>15,568</b>
<b>Financial Liabilities</b>										
Payables	-	5,364	-	-	5,364	5,364	5,364	-	-	-
Unclaimed monies	-	2,103	-	-	2,103	2,103	2,103	-	-	-
Amounts due to the Treasurer	-	4,530	-	-	4,530	4,530	-	-	-	4,530
		<b>11,997</b>	<b>-</b>	<b>-</b>	<b>11,997</b>	<b>11,997</b>	<b>7,467</b>	<b>-</b>	<b>-</b>	<b>4,530</b>

<sup>(a)</sup> The amount of receivables excludes GST recoverable from the ATO (statutory receivable).

#### Fair Values

All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 40. Related bodies

The department had no related bodies as defined in the *Financial Management Act 2006* and Treasurer's Instruction 951.

## Note 41. Affiliated bodies

The department had no affiliated bodies as defined in the *Financial Management Act 2006* and Treasurer's Instruction 951.

## Note 42. Special Purpose Accounts

### Special Purpose Accounts – section 16 (1)(c) of *Financial Management Act 2006*.

	2016	2015
	\$000	\$000
<u>Survey of Leases under the <i>Mining Act 1978</i> fund</u>		
Survey fees collected under the <i>Mining Act 1978</i> are paid into this account. The actual cost of surveys is charged to the Consolidated Account, and fees previously collected are transferred to the Consolidated Account. If the applicant decides not to proceed with the survey, the fee collected is refunded.		
Balance at start of period	123	178
<u>Add Receipts</u>	-	-
<u>Less Payments</u>	-	55
<b>Balance at end of period</b>	<b>123</b>	<b>123</b>
<u>Departmental receipts in suspense fund</u>		
This account is to hold monies temporarily, pending identification of the purpose for which the funds were received.	-	-

# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 42. Special Purpose Accounts (continued)

	2016	2015
	\$000	\$000
<u>Environmental called-in performance bond money fund</u>		
The account is to hold called-in performance bond monies received in respect to section 126 of the <i>Mining Act 1978</i> . Funds are to be used to provide for the rehabilitation of mining sites.		
Balance at start of period	4,748	643
<u>Add Receipts</u>		
Bonds, Securities	-	1,226
Transfer from Mine Rehabilitation Fund	-	3,031
	-	4,257
<u>Less Payments</u>		
Operational Expenses	-	152
Transfer to Mine Rehabilitation Fund	-	-
	-	152
<b>Balance at end of period</b>	<b>4,748</b>	<b>4,748</b>

	2016	2015
	\$000	\$000
<u>Special Projects Fund</u>		
The account was created to hold funds for the purpose of participating in significant projects with other countries, the Commonwealth and the private sector to the mutual benefit of the other participants and the State of Western Australia.		
This account includes an agreement between the Commonwealth and the department to carry out inspection services at Christmas Island. With an opening balance of \$103,503, \$20,420 receipts and \$78,743 payments, giving a closing balance of \$45,180.		
Balance at start of period	10,793	4,372
<u>Add Receipts</u>		
Contribution from Government and industry	563	14,140
	563	14,140
<u>Less Payments</u>		
Salaries	63	69
Travel	-	20
Consultants	2,501	7,615
Grants	306	15
Refund of contributions	5,273	-
Other	39	-
	8,182	7,719
<b>Balance at end of period</b>	<b>3,174</b>	<b>10,793</b>



# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 42. Special Purpose Accounts (continued)

	2016	2015
	\$000	\$000
<u>Mines Safety Levy</u>		
This fund is to hold all levies received from mining companies and is to be applied to the cost of administering the <i>Mines Safety and Inspection Act 1994</i> .		
Balance at start of period	(3,461)	2,367
<u>Add Receipts</u>		
Contribution from industry	24,425	23,412
	24,425	23,412
<u>Less payments</u>		
Salaries	12,700	11,202
Operational Expenditure	18,109	18,038
	30,809	29,240
<b>Balance at end of period</b>	<b>(9,845)</b>	<b>(3,461)</b>
Treasury approval was obtained for the account to be overdrawn in the 2016 Financial year.		

	2016	2015
	\$000	\$000
<u>Petroleum and Geothermal Energy Safety Levy</u>		
This fund is to hold all levies which are applied to the cost of administering the Petroleum and Geothermal Energy Safety Levies for regulatory services under the <i>Petroleum and Geothermal Energy Resource Act 1967</i> and the <i>Petroleum Pipelines Act 1969</i> .		
Balance at start of period	(637)	96
<u>Add Receipts</u>		
Contribution from industry	4,743	4,618
	4,743	4,618
<u>Less Payments</u>		
Salaries	2,142	3,415
Operational Expenditure	2,532	1,936
	4,674	5,351
<b>Balance at end of period</b>	<b>(568)</b>	<b>(637)</b>
The Levy invoices are not collected until after the end of the financial year. Treasury approval was obtained for the overdrawn account.		

# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 42. Special Purpose Accounts (continued)

	2016	2015
	\$000	\$000
<u>Mining Rehabilitation Fund Levy</u>		
This fund is to hold all levies which are applied to the cost of administering the Mining Rehabilitation Fund Levies for regulatory services under the <i>Mining Rehabilitation Fund Act 2012</i> .		
Balance at start of period	35,141	9,855
<u>Add Receipts</u>		
Contribution from industry	27,098	26,667
Treasurer's Advance	800	1,944
Interest	1,175	777
Transfer of Called in Performance Bonds	-	(3,031)
	29,073	26,358
<u>Less Payments</u>		
Salaries	-	-
Operational Expenditure	837	1,072
	837	1,072
<b>Balance at end of period</b>	<b>63,377</b>	<b>35,141</b>

## Note 43. Supplementary financial information

	2016	2015
	\$000	\$000
<b>(a) Write Offs</b>		
During the financial year the following amounts were written off under the authority of:		
The department	32	-
The minister	-	-
Executive Council	-	-
	<b>32</b>	-
<b>(b) Losses through theft, defaults and other causes</b>		
Losses of public money and public and other property through theft or default		
Amount recovered	-	-
	-	-
<b>(c) Gifts of Public Property</b>		
Gifts of public property provided by the department	-	-
	-	-

# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 44. Disclosure of administered income and expenses by service

	Resource Sector and Dangerous Goods Regulation		Resources Safety		Geoscience information and advice		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>COST OF SERVICES</b>								
<u>Expenses</u>								
<i>Petroleum (Submerged Lands) Act 1982</i>	1,293	550	-	-	-	-	1,293	550
Refunds of previous years' revenue	25,288	11,021	-	-	-	-	25,288	11,021
Services and contracts	2,881	8,758	59	70	-	278	2,940	9,106
Receipts paid into Consolidated Account	4,122,446	5,037,192	-	-	-	-	4,122,446	5,037,192
Grants and subsidies	668	820	-	-	362	356	1,030	1,176
<b>Total administered expenses</b>	<b>4,152,576</b>	<b>5,058,341</b>	<b>59</b>	<b>70</b>	<b>362</b>	<b>634</b>	<b>4,152,997</b>	<b>5,059,045</b>
<u>Income</u>								
For transfer:								
Royalties and rentals <sup>(a)</sup>	4,217,290	4,698,047	-	-	-	-	4,217,290	4,698,047
Regulatory fees	2,203	427	15	28	-	-	2,218	455
Commonwealth Grants	136	13,300	6	-	505	-	647	13,300
Appropriations	32,192	12,238	-	-	362	356	32,554	12,594
Other revenue	410	1,823	17	25	-	520	427	2,368
<b>Total administered income</b>	<b>4,252,231</b>	<b>4,725,835</b>	<b>38</b>	<b>53</b>	<b>867</b>	<b>876</b>	<b>4,253,136</b>	<b>4,726,764</b>

Continued next page...

# Notes to the Financial Statements

For the year ended 30 June 2016

*Note 44. Disclosure of administered income and expenses by service (continued)*

	2016	2015
	\$000	\$000
<sup>(a)</sup> Royalties		
Petroleum – State	4,674	10,739
Iron Ore	3,600,301	4,026,205
Diamonds	17,382	17,639
Alumina	80,806	82,478
Mineral sands	16,627	12,904
Nickel	45,906	79,174
Gold	250,055	225,244
Other	109,895	154,748
Lease rentals	91,644	88,916
<b>Total</b>	<b>4,217,290</b>	<b>4,698,047</b>

# Notes to the Financial Statements

For the year ended 30 June 2016

## Note 45. Explanatory Statement for Administered Items

All variances between estimates (original budget) and actual results for 2016, and between the actual results for 2016 and 2015 are shown below. Narratives are provided for key major variances, which are generally greater than 10% or \$10m.

	Variance Note	2016 Original Budget	2016 Actual	2015 Actual	Variance between estimate and actual	Variance between actuals for 2016 and 2015
		\$000	\$000	\$000	\$000	\$000
<b>INCOME FROM ADMINISTERED ITEMS</b>						
<b>INCOME</b>						
For transfer:						
Royalties and Rentals	1 A	3,758,600	4,217,290	4,698,047	(458,690)	(480,757)
Regulatory fees	2 B	4	2 218	455	(2,214)	1,763
Commonwealth Grants		-	647	13,300	( 647)	(12,653)
Appropriations	C	31,384	32,554	12,594	(1,170)	19,960
Other revenue		434	427	2,368	7	(1,941)
<b>Total Administered Income</b>		<b>3,790,422</b>	<b>4,253,136</b>	<b>4,726,764</b>	<b>(462,714)</b>	<b>(473,628)</b>
<b>EXPENSES</b>						
<i>Petroleum (Submerged Lands) Act 1982</i>		124	1,293	550	(1,169)	743
Refunds of previous years' revenue	3 D	10,960	25,288	11,021	(14,328)	14,267
Services and contracts	4 E	564	2,940	9,106	(2,376)	(6,166)
Receipts paid into consolidated account	5 F	3,779,231	4,122,446	5,037,192	(343,215)	(914,746)
Grants and subsidies		723	1,030	1,176	(307)	(146)
<b>Total Administered Expenses</b>		<b>3,791,602</b>	<b>4,152,997</b>	<b>5,059,045</b>	<b>(361,395)</b>	<b>(906,048)</b>
<b>NET INCOME FROM ADMINISTERED ITEMS</b>		<b>(1,180)</b>	<b>100,139</b>	<b>(332,281)</b>	<b>(101,319)</b>	<b>(432,420)</b>

# Notes to the Financial Statements

For the year ended 30 June 2016

## *Note 45. Explanatory statement for administered items (continued)*

### **Major Variance Narratives (Administered Items)**

#### **Variations between estimate and actual**

1. Royalties and Rentals increased by \$459 million (12%) mainly due to the actual price of iron ore being, for the majority of the year, above the price assumed in the original budget and higher than forecast volumes.
2. Regulatory Fees increased by \$2 million due to the collection of ad valorem fees for onshore petroleum registrations. As these fees are totally dependent on the commercial trading interests of companies they are treated as a windfall to the State.
3. Refunds of previous years revenue increased by \$14 million (130%) due to approved increases for Magnetite Royalty Assistance repayments and the return of funds to the Commonwealth for the South West Hub Carbon Capture project.
4. Services and contracts increased by \$2 million (367%) due to drilling reports and wireline logs from three stratigraphic wells as part of the South West Hub Carbon Capture project. The data has been used by the projects research partner's to further their knowledge of the stratigraphy in the South West of the state.
5. Receipts paid into Consolidated Account increased by \$343 million (9%) mainly due to the actual price of iron ore being, for the majority of the year, above the price assumed in the original budget and higher than forecast volumes.

#### **Variations between actual results for 2016 and 2015**

- A. Royalties and Rentals decreased by \$481 million (-10%) mainly due to the price of iron ore continuing to fall from its peak in 2013-14 as well as a higher than forecast \$US to \$A exchange rate.
- B. Regulatory Fees increased by \$2 million due to the collection of ad valorem fees for onshore petroleum registrations. As these fees are totally dependent on the commercial trading interests of companies they are treated as a windfall to the State.
- C. Appropriations increased by \$20 million (158%) due to the Government providing temporary financial assistance to junior iron ore miners as they restructured operations in challenging market conditions.
- D. Refunds of previous years revenue increased by \$14 million (130%) due to approved increases for Magnetite Royalty Assistance repayments and the return of funds to the Commonwealth for the South West Hub Carbon Capture project.
- E. Services and contracts decreased by \$6 million (71%) as the South West Hub Carbon Capture project completed the drilling of three stratigraphic wells and moved onto the data analysis of drilling reports and wireline logs.

# Notes to the Financial Statements

For the year ended 30 June 2016

	2016	2015
	\$000	\$000
<i>Note 46. Administered assets and liabilities</i>		
<u>Current Assets</u>		
Cash and cash equivalents	21,402	48,471
Restricted cash and cash equivalents	8,242	5,554
Receivables <sup>(a)</sup>	1,172,586	1,068,424
Finance Lease Receivable	24,130	549
Other Current Assets	25	-
<b>Total Administered Current Assets</b>	<b>1,226,385</b>	<b>1,122,998</b>
<u>Non-Current Assets</u>		
Finance Leave Receivables	4,361	11,322
<b>Total Administered Non-Current Assets</b>	<b>32,270</b>	<b>11,322</b>
<b>TOTAL ADMINISTRATIVE ASSETS</b>	<b>1,230,746</b>	<b>1,134,320</b>
<u>Current Liabilities</u>		
Payables	2,493	6,208
Other liabilities	-	-
Payments received in advance	123	123
GST Payable	-	-
<b>Total Current Liabilities</b>	<b>2,616</b>	<b>6,331</b>
<b>TOTAL LIABILITIES</b>	<b>2,616</b>	<b>6,331</b>

<sup>(a)</sup> This mainly represents royalties not collected as at 30 June 2016 on production which occurred prior to balance date.

## Other matters of uncertainty

Mining companies owing royalties of approximately \$5.842 million are currently under administration and action is being taken to recover the funds that were due in the quarter that they went into administration. Mining companies owing royalties as a result of disputes over royalty calculations is approximately \$9.116 million. In the event that these funds are not collected, a bad debt may arise.



Government of **Western Australia**  
Department of **Mines and Petroleum**

**Department of Mines and Petroleum**

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