

TRADES RECOGNITION AUSTRALIA

Inspiring
AUSTRALIA

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The National Science and Technology Centre



Australian Government
**Department of Industry
Innovation, Science, Research
and Tertiary Education**

VET
FEE-HELP

ENTERPRISE
CONNECT

COMMERCIALISATION
AUSTRALIA

AU UB

Study Overseas

VANGUARD

anzska

AusIndustry

Building Business. Powering Productivity

IP
AUSTRALIA

square Kilometre Array -
Australia - New Zealand

IAN
SHIPS

Year Future

Australian
Education
International



AUSTRALIAN
RESEARCH
WORKFORCE
STRATEGY

2011-12

ANNUAL REPORT

Department of Industry, Innovation
Science, Research and Tertiary Education

IP Australia

AUSTRALIAN GOVERNMENT
SKILLS CONNECT

MEASUREMENT INSTITUTE

AXO

Australian
Space
Science

SCIENCE

**SMALL
BUSINESS**
support line

**CHIEF
SCIENTIST**

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SECRETARY



Australian Government

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and Tertiary Education**

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Dear Minister

I am pleased to present to you the 2011–12 annual report of the Department of Industry, Innovation, Science, Research and Tertiary Education's activities, for tabling before Parliament, as required by section 63 of the *Public Service Act 1999*.

The department's annual report also includes the 2011–12 annual report of IP Australia as it is a prescribed agency under the *Financial Management and Accountability Act 1997* and operates as a non-statutory agency with limited autonomy from the department.

The report has been prepared in accordance with the guidelines issued by the Department of the Prime Minister and Cabinet.

The annual report also includes information required by section 5 of the *Financial Management and Accountability Act 1997*, schedule 2 part 4 of the *Work Health and Safety Act 2011*, Part II of the *Freedom of Information Act 1982*, section 311A of the *Commonwealth Electoral Act 1918*, and section 516A of the *Environment Protection and Biodiversity Conservation Act 1999*.

Also, in accordance with the Commonwealth Fraud Control Guidelines, I certify that the department has prepared a fraud risk assessment and control plan, and has in place fraud prevention, detection and investigation procedures and has taken all reasonable measures to minimise the incidence of fraud. These meet the specific needs of the department.

Yours sincerely

A handwritten signature in cursive script that reads "Drussell".

Dr Don Russell

2 October 2012

CC: The Hon Greg Combet AM MP,
Minister for Industry and Innovation

CC: The Hon Brendan O'Connor MP,
Minister for Small Business

CC: Senator the Hon Kate Lundy,
Minister Assisting for Industry and Innovation

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About this report

The Department of Industry, Innovation, Science, Research and Tertiary Education has prepared this report according to the *Requirements for annual reports for departments, executive agencies and FMA Act bodies*, approved by the Joint Committee of Public Accounts and Audit in June 2012.

The department reported against three outcomes and associated programs for the 2011–12 financial year. Outcomes 1 and 2 were set out in the *2011–12 Innovation, Industry, Science and Research Portfolio Budget Statements*, and Outcome 3 was set out in the *2011–12 Industry, Innovation, Science, Research and Tertiary Education Portfolio Additional Estimates Statements*.

IP Australia, a prescribed agency within the department's organisational structure, reports against one outcome for the 2011–12 financial year.

The department and IP Australia have also provided information required by legislation on freedom of information, work health and safety, advertising and market research and ecologically sustainable development.

PARTS OF THIS REPORT

The report is divided into three parts, as follows:

PART A—DEPARTMENT OF INDUSTRY, INNOVATION, SCIENCE, RESEARCH AND TERTIARY EDUCATION

Chapters one through eight cover the Department of Industry, Innovation, Science, Research and Tertiary Education, including a review by the Secretary; a departmental and portfolio overview and structure information; a report on performance for Outcome 1, Outcome 2 and Outcome 3; corporate management and accountability information; appendices; and financial information, including audited financial statements.

PART B—IP AUSTRALIA

Chapters nine through fourteen cover IP Australia, including a review by the Director General; its role and functions; a report on performance for Outcome 1; corporate management and accountability information; appendices; and financial information, including audited financial statements.

PART C—REFERENCES

This section includes reference material to assist in the navigation and understanding of this report.

HOW TO ACCESS THIS REPORT

Annual reports are available from libraries around Australia under the Commonwealth library deposit and free issue schemes. A list of these libraries is available from the Australian Government Information Management Office at www.agimo.gov.au.

This report is also available on the department's website: www.innovation.gov.au.

Chapter 1: Secretary's review

OVERVIEW

The machinery-of-government changes announced by the Prime Minister on 12 December and the associated Administrative Arrangements Order have strengthened the department by joining the tertiary, skills and international education functions from the Department of Education, Employment and Workplace Relations (DEEWR) with the former Department of Innovation, Industry, Science and Research. Co-locating tertiary, skills and international education with industry, science and research functions has the potential to deliver significant synergies, which should strengthen Australia's economic capabilities.

As a result of this change, the department's responsibilities have widened, and administered program funding has increased from \$3.6 billion in 2011–12 to \$16.8 billion in 2012–13. More than 1000 staff from DEEWR have joined the department, bringing the total complement to more than 3300; we now have staff in a number of new locations across Australia and overseas. The magnitude of the change has presented a series of human resources, communications and logistical issues, but people have risen to the challenge. We have already come a long way towards harnessing the synergies between our old and new functions, but further work is needed.

The department now brings together many of the key drivers that will determine how successfully Australia navigates the challenges that lie ahead and has been placed firmly at the centre of the

government's agenda for strengthening national productivity and managing economic change. The Australian economy of the future will be very different from the Australian economy that we know today. Likewise, the jobs of tomorrow will be different from those of today.

The drivers of global economic growth are shifting from west to east, with the rise of rapidly emerging regional market economies, including those of China and India. Fast-paced development and a growing middle class in these economies have contributed to a boom in our resources sector and increasing demand for agricultural produce and services, including education and tourism.

The consequences of increased demand are higher terms of trade, the appreciation of the Australian dollar and unprecedented investment in the resources sector.

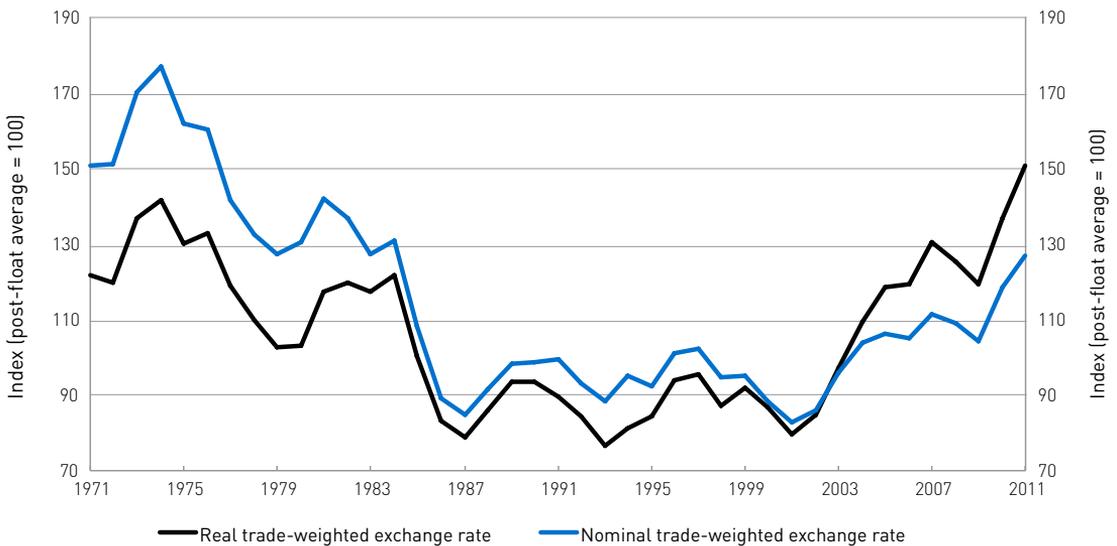
In an uncertain economic world, Australia's economy remains strong, with solid growth, contained inflation, low unemployment, a sound financial sector and low public debt. However, the very success of our economy and the continuing high dollar have put considerable competitive pressure on many industries, including our manufacturing sector. There have been global shifts in production platforms and supply chains.

The high-level Prime Minister's Taskforce on Manufacturing was announced by the Prime Minister at the Future Jobs Forum on 6 October 2011. The role of the taskforce was to report on what can be done to support jobs and a future for manufacturing in Australia. Its function was to

map out a shared vision for the future of Australia’s manufacturing sector and help strengthen local firms as they adapt to changes in our economy, including the rise of Asia. The department provided Secretariat support for the taskforce, supported by officials from the Department of the Prime Minister and Cabinet, the Treasury and Austrade. The non-government members of the taskforce provided their report, *Smarter manufacturing for a smarter Australia*, containing 41 recommendations, to the Prime Minister on 16 August 2012.

As Figure 1 shows, the real trade-weighted exchange rate calculated in terms of manufacturing unit labour costs has risen dramatically in recent years; in 2011, it was some 50 per cent higher than the post-float average. Such a sharp increase over a relatively short period has been challenging for many Australian industries. The challenge has been accentuated by the fact that in the 18-year period to 2003, Australian industry was very competitive internationally.

Figure 1: Real trade-weighted exchange rate (manufacturing unit labour costs)



Source: Treasury, 'The Australian Dollar and the Manufacturing Sector' (paper prepared for the Prime Minister’s Taskforce on Manufacturing).

To meet the challenges of these changing circumstances, government policy and programs are increasingly focused on encouraging innovation and increasing productivity and participation.

The key to an effective innovation system and increased productivity is transforming industry and creating better connections and collaboration across the entire economy. This requires lifting education standards; improving training and skills; encouraging better links between research and industry; providing better targeted support and advice for business; providing support for R&D and helping start-up businesses deal with the equity gap; updating ageing infrastructure; streamlining tax and business regulation; and encouraging greater competition.

The department is working with its stakeholders to create a successful collaboration between industry, science, research, higher education and vocational training sectors that boosts innovation and underpins Australia's productivity agenda.

During 2011–12 the department focused on seven key strategic priorities to deliver the government's agenda:

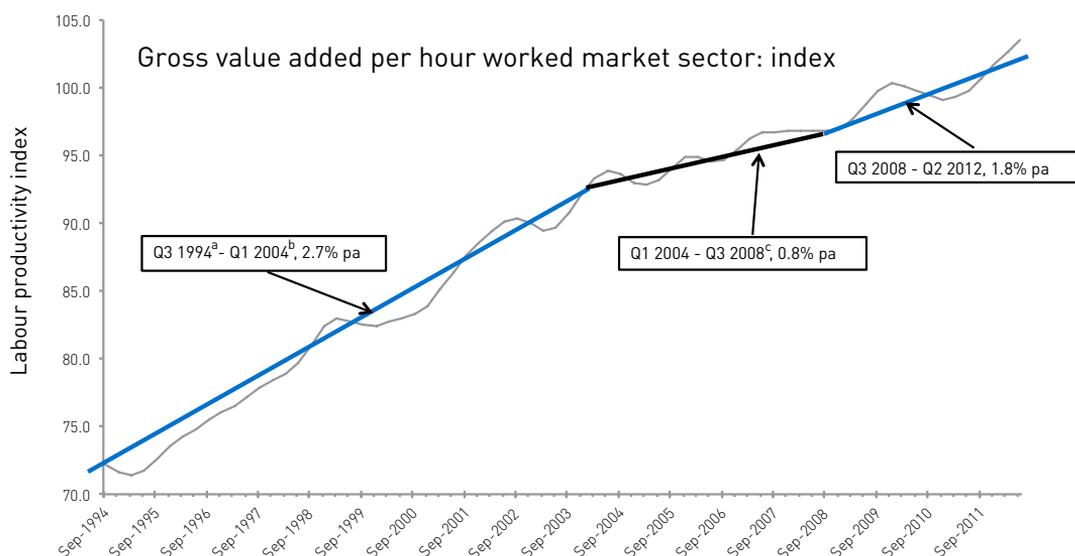
- **Investing in scientific engagement and awareness**—Encouraging engagement and building skills in science and technology, particularly the mathematical sciences, through better learning and teaching.
- **Strengthening and focusing Australia's research efforts**—Funding inventions and discoveries by researchers, universities and public sector research agencies and transferring them to industry to make our economy stronger and more globally competitive.
- **Developing a highly skilled, educated and productive workforce**—Working with the tertiary education sector to increase the number of highly skilled Australians, lifting the quality of higher education and vocational education and training to respond better to the demands of industry.

- **Driving productive, competitive and innovative business**—Assisting businesses of all sizes to build the capacity for innovation, helping them to improve business practices, develop new products, apply new ideas and undertake or access R&D.
- **Developing industries for the future**—Modernising existing industries and facilitating the growth of new ones by translating emerging technologies and research activities in order to create the competitive industries of the future.
- **Increasing participation and building capability**—Through a range of programs, helping firms to grow and capitalise on the skills of their employees and increasing access to tertiary education and training for all, particularly the disadvantaged.
- **Fostering a culture of collaboration**—Promoting economic prosperity by improving links nationally and globally and by promoting collaboration between groups and individuals, institutions and sectors; between education training and industry; between researchers and industry; and between businesses and their customers, suppliers and competitors.

There has been an encouraging lift in the growth of labour productivity over the past year but, given the challenges we face, more has to be done and there is no room for complacency.

As shown in Figure 2, market sector labour productivity has shown three distinct growth phases since the series began in September 1994. Labour productivity grew at a high rate of 2.7 per cent per annum between the September quarter 1994 and March quarter 2004, followed by a significantly slower rate of 0.8 per cent per annum up to the September quarter 2008. Since then productivity has been increasing at a faster rate of 1.8 per cent per annum.

Figure 2: Australian labour productivity index, Q3 1994 to Q2 2012



Q = quarter

Source: 2012 Australian national accounts: national income, expenditure and product, ABS cat. no. 5206.0.

a) Data prior to Q3 1994 contains concepts and a number of references to data sources and methods which are out of date

b) Terms of trade surge after Q1 2004

c) Q3 2008—Collapse of Lehman Brothers

INDUSTRY AND INNOVATION

To ensure Australia's prosperous and sustainable future, we need a diverse and broad economic base, where innovation, wealth creation and employment occur across the spectrum, and are not concentrated in any single sector.

Achieving this involves translating emerging technologies and research into real opportunities to create the industries and the economy of the future. We are working with existing industries to ensure they can compete and succeed in the new economy and we are facilitating the growth of new industries.

Innovation is one of the key drivers of this change and a core responsibility of the department. Innovation translates creativity into jobs, accelerates Australia's productivity growth and secures our economic wellbeing. We are assisting businesses of all sizes to build an innovation capacity. We help them improve the way they work, develop and apply new ideas and products and undertake or connect to valuable R&D.

SCIENCE AND RESEARCH

Harnessing the power and potential of science is critical to Australia's ongoing prosperity. Greater awareness and understanding of science equip our community to adapt to a changing world and help us to capitalise on the immense benefits science offers to business and the broader community.

This is why we are working to increase awareness of science in the Australian community, building skills in science and technology with quality learning and teaching, and supporting Australia's scientists to produce solutions to the challenges facing society.

World-class research holds the key to addressing some of the great challenges of our times, including climate change. Investing in and focusing Australia's research and research training efforts will yield long-term dividends for the Australian community.

Supporting researchers, universities and public sector research agencies to expand knowledge and understanding, and transferring that knowledge

to industry and the community, will accelerate invention and discovery, resulting in a stronger and globally competitive economy, a more inclusive society and a cleaner environment.

A range of programs across the department fund and support our world-class science and research sectors and help them work closely with Australian business.

SKILLS AND EDUCATION

Creating a highly skilled and flexible workforce is a key imperative for an economy in transition. A highly skilled workforce increases our ability to innovate and to achieve greater productivity as we build a new economy.

We are working with the tertiary education sector to increase the number of highly skilled Australians, lift the quality of both higher education and vocational education and training and improve the responsiveness of the sector to industry needs. These reforms will deliver a workforce with the skills needed to anticipate and respond to the range of complex challenges and opportunities we will face in a changing global economy.

To be truly prosperous Australia must make the most of the talents of its increasingly diverse population. Through world-class tertiary education and training, people can achieve their full potential and become productive participants in the modern labour market.

Our programs contribute to improved qualification levels across the population and increase access to tertiary education for all Australians, no matter what their background or where they are from.

Studies tell us that firms with higher levels of education and skills in both management and non-management positions perform better than others. Our programs help firms to grow and capitalise on the skills of their employees.

FINANCIAL PERFORMANCE

The department's financial performance for the 2011–12 financial year was impacted by the machinery-of-government (MoG) changes announced in December 2011. The department recorded an operating deficit of \$43.5 million for 2011–12. This result was based on total income of \$431.65 million (up 13 per cent on 2010–11), and total expenses of \$475.10 million (up 17 per cent from 2010–11). The deficit is due to the implementation of the government's Operation Sunlight initiative and the change in the funding arrangements for depreciation and amortisation expenses.

The department has seen an increase in departmental and administered income, expenses, assets and liabilities following the transfer of functions from the Department of Education, Employment, and Workplace Relations (DEEWR) as a result of the MoG changes.

The increase in total income was due to an increase in appropriation revenue (up 17 per cent) and expenses have increased due to an increase in staffing and associated activities (up 23 per cent).

Total assets of the department have increased by 29 per cent to \$413.1 million at 30 June 2012. This was mainly due to assets that transferred from DEEWR, plus an increase due to the revaluation of fixed assets. Employee provisions have also increased as a result of the increase in staff numbers and due to the significant movement in the 10 year government bond rate over the period. The increase in total assets, which was offset by an increase in liabilities, resulted in an increase in net equity from \$207.95 million to \$229.10 million at 30 June 2012.

For items administered by the department, total income was \$2.7 billion and represents a \$2.1 billion increase on 2010–11. Total expenses also increased by \$9.4 billion to \$13.4 billion (up 232 per cent). This increase reflects the transfer of significant expenses associated with the Higher Education Support Program,

Higher Education Loan Program, Tertiary Students Assistance Program and Vocational Education and Training National Support Program from DEEWR.

Total administered assets at 30 June 2012 amounted to \$26.2 billion, a \$23.0 billion increase from 30 June 2011. This was largely due to the Higher Education Loan Program loans and the addition of the Australian National University Investments that transferred from DEEWR. Total liabilities increased by \$7.5 billion, primarily due to the transfer of the Unfunded University Superannuation provision from DEEWR.



Part A

Chapter Two

Portfolio and departmental overview

- Portfolio overview
- Departmental overview
- Department outcome and program structure

Chapter 2: Portfolio and departmental overview

PORTFOLIO OVERVIEW

In December 2011, the portfolio was expanded to Industry, Innovation, Science, Research and Tertiary Education, and the department acquired the tertiary, skills and international education functions of the Department of Education, Employment and Workplace Relations. In accordance with the requirements for annual reports set out under the *Financial Management and Accountability Act 1997* (FMA Act), the department will report on the delivery of those functions throughout 2011–12.

MINISTERS AND THEIR PORTFOLIO RESPONSIBILITIES

The Industry, Innovation, Science, Research and Tertiary Education portfolio had the following ministers and parliamentary secretaries at 30 June 2012:

- Senator the Hon Chris Evans, Minister for Tertiary Education, Skills, Science and Research;
- the Hon Greg Combet AM MP, Minister for Industry and Innovation;
- the Hon Brendan O'Connor MP, Minister for Small Business;
- Senator the Hon Kate Lundy, Minister Assisting for Industry and Innovation;
- the Hon Mark Dreyfus QC MP, Parliamentary Secretary for Industry and Innovation; and
- the Hon Sharon Bird MP, Parliamentary Secretary for Higher Education and Skills.

PORTFOLIO AGENCIES

The portfolio's agencies at 30 June 2012 were:

- Department of Industry, Innovation, Science, Research and Tertiary Education (DIISRTE)—DIISRTE strives to create an environment where new ideas are nurtured and innovation drives productivity, economic growth and social wellbeing, by strengthening the links between science, research, industry and tertiary education.
- Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS)—AIATSIS is the world's premier institution for information and research about the cultures and lifestyles of Aboriginal and Torres Strait Islander peoples.
- Australian Institute of Marine Science (AIMS)—AIMS generates and transfers knowledge to support the sustainable use and protection of the marine environment through innovative, world-class research.
- Australian Nuclear Science and Technology Organisation (ANSTO)—ANSTO is Australia's national nuclear R&D organisation and the centre of Australia's nuclear expertise.
- Australian Research Council (ARC)—The ARC provides advice to government on research funding and policy with a view to keeping Australia at the forefront of global R&D.

- Australian Skills Quality Authority (ASQA)—ASQA is the national regulator for Australia’s vocational education and training (VET) sector. It regulates courses and training providers to make sure nationally approved quality standards are met.
- Commonwealth Scientific and Industrial Research Organisation (CSIRO)—CSIRO carries out scientific research to assist Australian industry and to further the interests of the Australian community and contribute to the national and international objectives and responsibilities of the Australian Government.
- IP Australia—IP Australia is the Australian Government agency responsible for granting patent, trade mark, industrial design and plant breeder’s rights.
- Skills Australia—Skills Australia advises the Minister on measures to address emerging and future workforce development and skills needs. From 1 July 2012 Skills Australia is to expand its role and will become the Australian Workforce and Productivity Agency.
- Tertiary Education Quality and Standards Agency (TEQSA)—TEQSA is Australia’s national higher education regulatory and quality assurance agency, which will maintain and enhance quality, diversity and innovation in the Australian higher education sector through nationally consistent regulation and quality assurance.

The structure of the portfolio as at 30 June 2012 is illustrated at Figure 3.

DEPARTMENTAL OVERVIEW

ROLES AND FUNCTIONS

The department works with its stakeholders to help shape the future economy, through skills, learning, discovery and innovation. The department, and the wider portfolio, are working to accelerate productivity growth and secure Australia’s prosperity in a competitive global economy.

Collaboration, education and a strong science and research base are keys to success. The department brings together business, research bodies, the tertiary education sectors, government and the broader community to discover, embrace and drive new ways of achieving economic and social benefits. The department’s focus is on promoting innovation across the economy and shaping the businesses, industries and workforce to turn these opportunities into outcomes.

Figure 3 shows the organisational structure of the department. Chapter 6 provides further information on the department’s corporate governance and management.

STRATEGIC PRIORITIES

As outlined in the Secretary’s review in Chapter 1, the work of the department falls into seven departmental strategic priorities:

- invest in scientific engagement and awareness;
- strengthen and focus Australia’s research efforts;
- develop a highly skilled, educated and productive workforce;
- drive productive, competitive and innovative business;
- develop industries for the future;
- increase participation and build capability; and
- foster a culture of collaboration.

DIVISIONS

At 30 June 2012, the department had 17 divisions. Each division has responsibilities for delivery of the department's strategic priorities. A brief description of each division's responsibilities follows.

AUSINDUSTRY

AusIndustry, a specialist program delivery division within the department, delivers programs to help existing and new Australian businesses innovate, grow and succeed.

AusIndustry's programs support businesses to facilitate the sustainable growth of venture capital, stimulate the commercialisation of research and emerging new technologies, and assist businesses and regions impacted by significant natural or economic events. AusIndustry strives to help businesses respond to the world's diverse challenges, including climate change, global competition and the rapid growth in technology.

AusIndustry has customer service managers in more than 20 offices across Australia, including 15 regional offices.

AUSTRALIAN ASTRONOMICAL OBSERVATORY

The Australian Astronomical Observatory (AAO) operates Australia's national observatory for optical astronomy. It operates the Anglo-Australian Telescope and the UK Schmidt Telescope on behalf of the astronomical community of Australia. The AAO manages Australia's participation in and access to major overseas telescopes (such as the Gemini and Magellan telescopes) and the next generation of future world-leading astronomical facilities (such as the Giant Magellan Telescope) for the Australian optical astronomy community.

The AAO's mission is to provide world-class optical and infrared observing facilities enabling Australian astronomers to do excellent science. It takes a leading role in the formulation of long-term plans for astronomy in Australia. It also maintains

a world-leading astronomical instrumentation program, designing and building instruments for its own facilities and for major international telescopes around the world.

CORPORATE DIVISION

Corporate Division provides a range of essential services and facilities to the department and its Ministers, including corporate governance advice, financial policy and budget coordination, ministerial coordination, legal and procurement services, human resource management, marketing and communications, employee and information services, and accounting and property services.

eBUSINESS DIVISION

eBusiness Division is responsible for a range of whole-of-government online services to support business activities and interactions with government through initiatives such as the business.gov.au website, SmartForms and VANguard. eBusiness aims for flexibility and innovation in its organisation, staffing and technology through providing ICT services to the department, Ministers and the Department of Resources, Energy and Tourism.

ENTERPRISE CONNECT DIVISION

The Enterprise Connect Division is responsible for policies and programs aimed at improving Australian productivity, global competitiveness and market access through business development, innovation advice and advocacy, trade and customs policy and support for technical infrastructure. The division supports the internationalisation of Australian industry in partnership with other divisions and other agencies and provides analysis and advice on international and trade-related issues to improve the competitiveness, market access and sustained growth of Australian industry. The division is responsible for Enterprise Connect, a program that provides support to eligible small and medium-sized Australian businesses. The objective is to help Australian businesses develop the skills, tools and knowledge

needed to improve their competitiveness and productivity and to maximise their growth potential.

HIGHER EDUCATION DIVISION

The Higher Education Division advises Ministers on higher education policy and programs. It provides over \$11 billion to universities and other higher education providers. This is primarily to support the provision of student places at universities through direct subsidies under the Commonwealth Grant Scheme and loans to assist students to make a contribution towards their higher education under the Higher Education Loan Program (HELP). The division also administers over 20 programs of support to improve the quality of teaching and learning, develop Australia's tertiary education infrastructure and improve the participation in higher education of people of low socioeconomic status, people with Aboriginal and Torres Strait Islander backgrounds and people with disabilities.

The division provides reporting and analysis on the state and performance of the higher education system. It is responsible for the development and maintenance of the Australian Government's higher education statistical collections and the MyUniversity website.

The Higher Education Division liaises with the universities, other higher education providers, students, peak representative bodies, other departments and other stakeholders to make sure the administration of higher education policy and programs is effective and efficient.

INDUSTRY SKILLS DIVISION

The Industry Skills Division oversees the Australian Government's scaling up of direct investment with Australian industry in the development of skills in the workforce. The division has responsibility for Australian Government Skills Connect, the National Workforce Development Fund (including the Critical Skills Investment Fund), and industry skills councils and accountability for the Productivity Places Program. The division also has

responsibility for the Australian Apprenticeships system, Trades Recognition Australia, VET recognition programs and the VET budgeting function.

INDUSTRY AND SMALL BUSINESS POLICY DIVISION

The Industry and Small Business Policy Division provides policy advice and analysis to portfolio Ministers on industry and small business policy issues to increase competitiveness and facilitate sustained growth for Australian businesses. It focuses on a range of issues affecting business, including broad economic conditions, business regulation, taxation, innovation, trade policy, competition policy, infrastructure, skills shortages, workplace relations and climate change, and cultivates effective links and consultation with the business community and their representative organisations. The division promotes small business interests within government, and fosters an understanding within government agencies of factors influencing small businesses.

INNOVATION DIVISION

The Innovation Division aims to contribute to the Australian Government's goal to create an environment where new ideas are nurtured and innovation drives productivity, economic growth and social wellbeing, by strengthening the links between science, research and industry. Innovation is the process by which ideas are transformed, through economic activity, into sustainable, value-creating outcomes—tradeable products, processes and services.

INTERNATIONAL EDUCATION DIVISION

The International Education Division, known as Australian Education International (AEI), provides leadership across government to support the sustainable development of a world-class and globally connected international education and training system in Australia. AEI works with other countries and the education sector to realise the intellectual, cultural and economic benefits of internationalisation for Australia. AEI's national office is located in Canberra, and is supported by 14 offices in Australian diplomatic missions across 11 economies. The division provides secretariat support for the International Education Advisory Council chaired by Dr Michael Chaney AO.

MANUFACTURING DIVISION

The Manufacturing Division provides policy analysis and advice on manufacturing, with policy responsibility for sector-specific policies for the automotive, textiles, clothing and footwear and steel sectors, and supports a number of industry innovation councils and industry working groups. The division facilitates Australian industry participation in major projects and in global supply chains through a range of programs, including the Buy Australian at Home and Abroad and Supplier Advocates initiatives and the Industry Capability Network. The Manufacturing Division also has policy responsibility for the Clean Technology Investment Program and for the Clean Technology Food and Foundries Investment Program. The division supports the Prime Minister's Taskforce on Manufacturing. It also has responsibility for civil space policy and building policy and supports the Australian Building Codes Board.

NATIONAL MEASUREMENT INSTITUTE

The National Measurement Institute (NMI) provides Australia with world-class measurement standards and services to facilitate trade and assist industry innovation. It develops and maintains Australia's primary standards for physical, chemical and biological measurement. The NMI also provides national leadership in legal

metrology, and administers Australia's national trade measurement system, which provides confidence in commercial transactions based on measurement.

QUESTACON

Questacon is Australia's National Science and Technology Centre. Since opening in 1988, it has become the national leader in developing and presenting world-class creative, interactive science exhibitions and programs.

Questacon encourages Australians to recognise that science, technology and innovation are essential to our national prosperity, and seeks to address the skill shortage in science and technology by striving to influence more students to pursue careers in the fields of maths, science, engineering, technology and innovation.

Questacon seeks to make its programs and exhibitions highly accessible to Australians and international visitors. In addition to the centre's eight themed exhibition galleries (and over 200 hands-on, interactive exhibits) in Canberra, it conducts a variety of exhibitions in Australia and overseas and delivers outreach programs in rural, regional and remote Indigenous communities.

Questacon has an annual audience reach of over two million people through centre visitation, outreach programs, travelling exhibitions and Questacon websites.

RESEARCH DIVISION

The Research Division advises Ministers on policy and programs relating to higher education research. It administers the research block grants and the Cooperative Research Centres (CRC) program. In addition, the division develops policy to help Australia achieve a strong research capacity and provides advice on major strategic research policy issues, including research training, quality, funding and accountability.

The Research Division liaises with the portfolio science agencies, universities and other departments and maintains effective relationships

with a wide range of stakeholders in the research, university, industry, science and general community sectors.

SCIENCE AND INFRASTRUCTURE DIVISION

The Science and Infrastructure Division advises Ministers on policy and programs in areas of national and international science and research infrastructure. It administers government science and research infrastructure funding programs and develops policy to help Australia achieve a strong science and research capacity and to contribute internationally on science and research issues of strategic importance.

The Science and Infrastructure Division liaises with the portfolio science agencies, universities and other departments and maintains effective relationships with a wide range of stakeholders in the science, higher education, industry and general community sectors.

TERTIARY QUALITY AND PARTICIPATION DIVISION

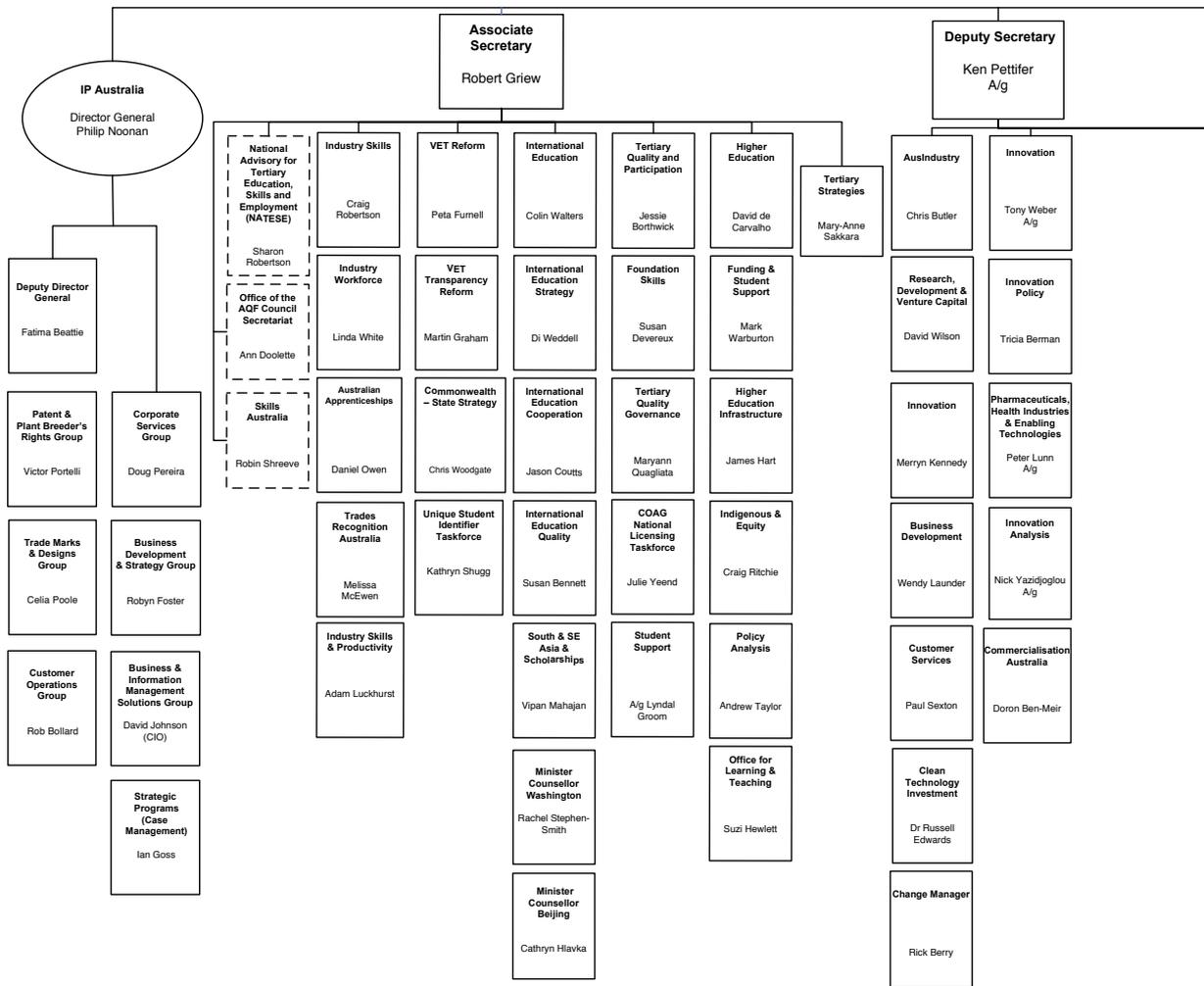
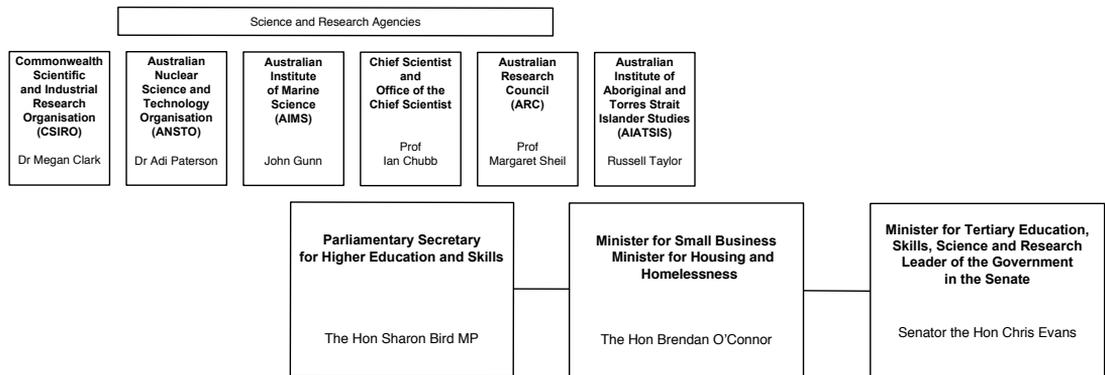
The Tertiary Quality and Participation Division provides policy advice with respect to higher education and VET quality and regulation and in relation to increasing access to vocational education through the provision of income-contingent loans and access to foundation skills. The division manages a range of major programs regarding adult literacy, adult learning and pre-vocational support, and administers the HELP programs in conjunction with the Higher Education Division, including the VET FEE-HELP assistance scheme. The division also supports the Council of Australian Governments (COAG) July 2007 decision to establish a national licensing system through the National Occupational Licensing Taskforce.

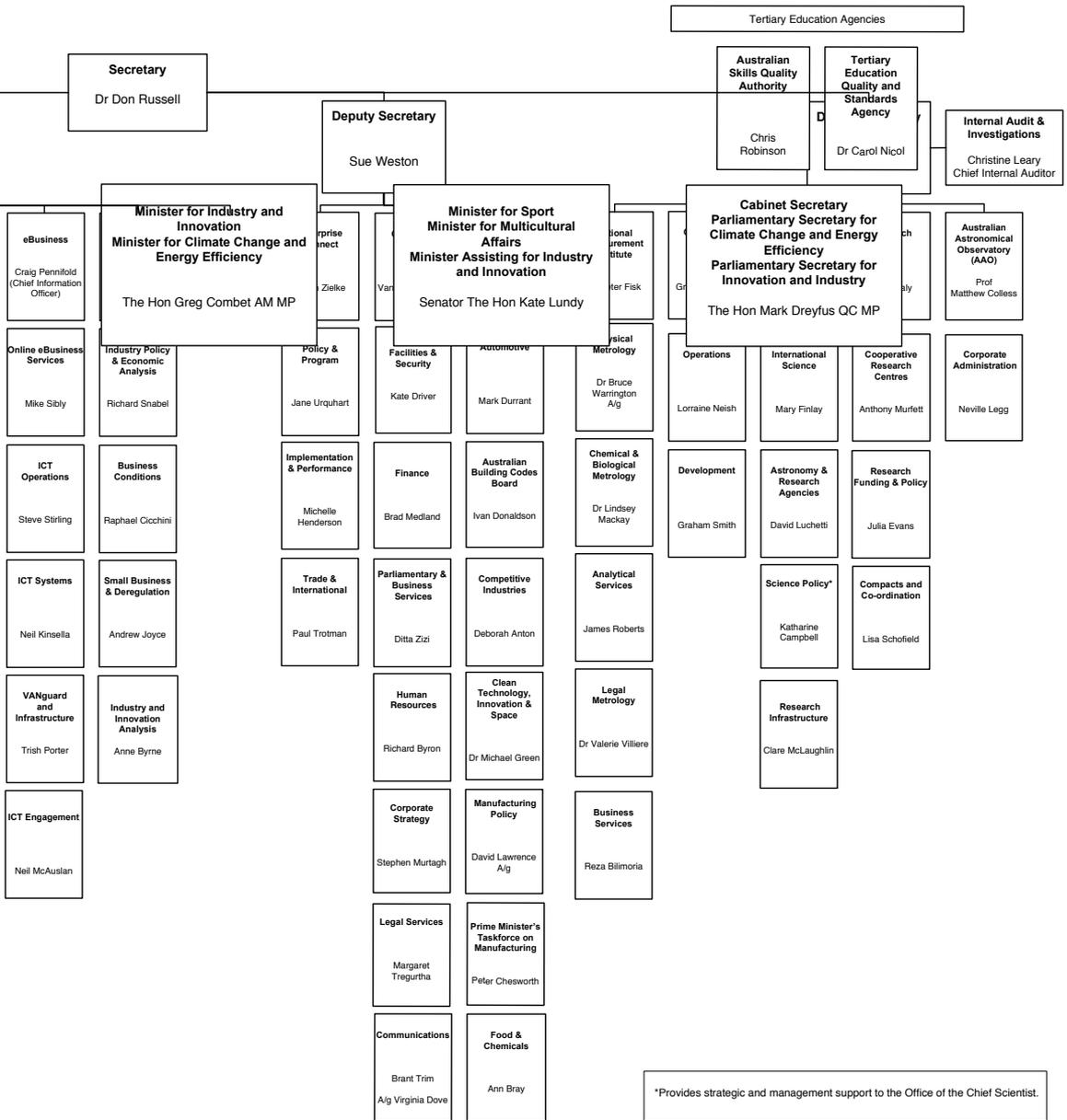
VET REFORM DIVISION

The VET Reform Division provides policy advice and has implementation responsibilities in areas of VET reform, largely around Commonwealth–state issues and the transparency agenda. In Commonwealth–state reform, this covers the overarching national agreement and two national reform partnership agreements. The division provides a VET policy focal point and strategic oversight of the work of the cross-jurisdictional Standing Council on Tertiary Education, Skills and Employment and its administrative arm, the National Senior Officials Committee.

PORTFOLIO ORGANISATIONAL STRUCTURE

Figure 3: Portfolio organisational structure at 30 June 2012





DEPARTMENT OUTCOME AND PROGRAM STRUCTURE

During 2011–12, the department’s performance reporting framework comprised three outcomes specified by government. Table 1 describes each outcome, together with its related programs and sub-programs.

Table 1: Department outcome and program structure, as at 30 June 2012

OUTCOME 1	OUTCOME 2	OUTCOME 3
<p>The sustainable development and growth of Australian industry—particularly the manufacturing, services and small business sectors—by encouraging businesses to innovate, collaborate and commercialise ideas, and by delivering business advice, assistance and services.</p> <p>Program 1.1: Industry Development and Investment</p> <p>SUB-PROGRAMS:</p> <ul style="list-style-type: none"> Manufacturing Services Structural Adjustment Small Business <p>Program 1.2: Innovative Industry</p> <p>SUB-PROGRAMS:</p> <ul style="list-style-type: none"> Business Innovation Commercialisation Research and Collaboration <p>Program 1.3: Program Support</p>	<p>Production, use and awareness of science and research knowledge, by supporting research activity; training and infrastructure; science communication; skill development; and collaboration, within the research sector and between researchers and industry, domestically and internationally.</p> <p>Program 2.1: Investment in Higher Education Research</p> <p>SUB-PROGRAMS:</p> <ul style="list-style-type: none"> Postgraduate Student Support Research <p>Program 2.2: Science and Research Capacity</p> <p>SUB-PROGRAMS:</p> <ul style="list-style-type: none"> Awareness Infrastructure International Networks <p>Program 2.3: Program Support</p>	<p>A growth in skills, qualifications and productivity through funding to improve teaching quality, learning, and tertiary sector infrastructure, international promotion of Australia’s education and training sectors, and partnerships with industry.</p> <p>Program 3.1: Higher Education Support</p> <p>Program 3.2: Higher Education Loan Program</p> <p>Program 3.3: Tertiary Student Assistance</p> <p>Program 3.4: Vocational Education and Training</p> <p>Program 3.5: VET National Support</p> <p>Program 3.6: International Education Support</p> <p>Program 3.7: Program Support</p>

REPORTING APPROACH

Part A of this annual report describes the performance of the Department of Industry, Innovation, Science, Research and Tertiary Education (DIISRTE) in delivering the components under each of its programs in 2011–12 against deliverables and key performance indicators (KPIs).

The deliverables and KPIs used for the assessment of programs under outcomes 1 and 2 were set out in the 2011–12 Portfolio Budget Statements (PBS) for the Innovation, Industry, Science and Research portfolio and the 2011–12 Portfolio Additional Estimates Statements (PAES) for the Industry, Innovation, Science, Research and Tertiary Education portfolio. While KPI estimates were not included in either the 2011–12 PBS or PAES, the department subsequently developed data sets and the information has been included in this report.

The deliverables and KPIs used for the assessment of programs under Outcome 3 were initially set out in the 2011–12 PBS for the Education, Employment and Workplace Relations portfolio, but subsequently refined and restructured in the process of integration into the DIISRTE performance reporting framework and 2012–13 PBS.

Final 2011–12 performance estimates for all the outcomes are based on the most recent information available to the department as published in the 2012–13 PBS.

The performance review sections in Part A specify the sources of the deliverables, KPIs and measures used for each program.



Part A

Chapter Three

Outcome 1—Report on performance

Outcome 1 overview

Program 1.1 Industry development and investment

Program 1.2 Innovative industry

Program 1.3 Program support

Purchaser-provider arrangements

Evaluations

Chapter 3: Outcome 1— Report on performance

OUTCOME 1: THE SUSTAINABLE DEVELOPMENT AND GROWTH OF AUSTRALIAN INDUSTRY—PARTICULARLY THE MANUFACTURING, SERVICES AND SMALL BUSINESS SECTORS—BY ENCOURAGING BUSINESSES TO INNOVATE, COLLABORATE AND COMMERCIALISE IDEAS, AND BY DELIVERING BUSINESS ADVICE, ASSISTANCE AND SERVICES.

OUTCOME 1 OVERVIEW

Industry and innovation policy and productivity are closely connected. The only way to increase productivity in the long run is to innovate.

Firms need the capacity, flexibility and networks to identify and apply new ideas and knowledge to create economic value. Competition is also a major spur to innovation. Ensuring that Australian ideas can be turned into new business opportunities, jobs and economic growth is a priority. Through its policies and programs the department is strengthening collaboration and linkages between firms and with the research base, promoting firms' competitiveness and helping firms to overcome barriers to securing opportunities in local and global supply chains.

The Australian economy is undergoing a major transition. The strong Australian dollar, rapid growth in competitiveness and incomes in regional market economies, and policies to reduce carbon emissions, are creating new opportunities. Firms will need to adapt and reorient. The department is working with industries and firms to support this transition, and to help managers and employees adjust and re-skill.

Small to medium enterprises (SMEs) have particular needs. The department's policies and programs recognise this and are focused on improving information flows, strengthening management and overcoming regulatory and other barriers to SME development and growth.

The department's progress towards the outcome is assessed and reported in this chapter under three programs:

- Program 1.1: Industry development and investment;
- Program 1.2: Innovative industry; and
- Program 1.3: Program support.

PROGRAM 1.1 INDUSTRY DEVELOPMENT AND INVESTMENT

Program 1.1 aims to increase the productivity, sustainability and growth of industry, including the manufacturing, services and small business sectors, through:

- working with the manufacturing sector to support its ongoing competitiveness, and helping to build industries which are

integrated into global markets and innovative in their business operations;

- supporting the accelerated take-up of new technology and knowledge, including encouraging collaboration and partnerships, so that Australian industry, including the services sector, can access the best ideas from around Australia and the rest of the world; and

- providing advisory and information services to assist in the development and growth of business, including small business.

COMPONENTS

Four subprograms of Program 1.1 contributed to achieving objectives during 2011-12: Manufacturing, Services, Structural adjustment and Small business. Table 2 lists the components of these subprograms.

Table 2: Components of Program 1.1

Subprogram	Program components
Manufacturing	<p>Australian Space Science Program <i>Australian Space Research</i></p> <p>Automotive Industry Structural Adjustment Program</p> <p>Automotive Market Access Program</p> <p>Automotive Supply Chain Development Program</p> <p>Automotive Transformation Scheme</p> <p>Buy Australian at Home and Abroad <i>Buy Australian at Home and Abroad</i></p> <p><i>Clean Technology Focus for Supply Chains Program</i></p> <p><i>Procurement Strategy: strengthening the Australian Industry Participation National Framework and streamlining AusTender</i></p> <p>Certain Inputs to Manufacture</p> <p>Clean Business Australia—Green Building Fund</p> <p>Clean Business Australia—Retooling for Climate Change</p> <p>Clean Technology Investment—Food and Foundries Program</p> <p>Clean Technology Investment—General Program</p> <p>Enhanced Project By-law Scheme</p> <p>Food Industry Policy</p> <p>Liquefied Petroleum Gas Vehicle Scheme</p> <p>Space Concession</p> <p>Steel Transformation Plan</p> <p>TCF Investment and Innovation Programs <i>Clothing and Household Textile (Building Innovative Capability) Scheme</i> <i>Textile, Clothing and Footwear Small Business Program</i></p> <p>Textile, Clothing and Footwear—Register of Approved Occupational Clothing</p> <p>Textile, Clothing and Footwear—Structural Adjustment Program</p> <p>Textile, Clothing and Footwear—Strategic Capability Program</p> <p>TRADEX</p>
Services	<p>Australian Business Number and Business Names Registration System</p> <p>Enhanced and amalgamated mediation services for the Franchising Code of Conduct, the Horticultural Code of Conduct, the Oilcode and the Produce and Grocery Industry Code of Conduct</p> <p>Enterprise Connect</p> <p>Leveraging Australia's Global Expat Platform—Advance</p> <p>Support for Industry Service Organisations Program</p>
Structural adjustment	<p>Assistance to upgrade Simplot's processing plants in Tasmania</p> <p>Ford Australia Environmental Innovation Grant</p> <p>Illawarra Region Innovation and Investment Fund</p> <p>South-East South Australian Innovation and Investment Fund</p> <p>Tasmanian Innovation and Investment Fund</p>
Small business	<p>Small Business Advisory Services</p> <p>Small Business Support Line</p>

PERFORMANCE REVIEW

This section provides a summary of the department's performance against the deliverables and key performance indicators for Program 1.1 as set out in the DIISR 2011-12 Portfolio Budget Statements and the DIISRTE 2011-12 Portfolio Additional Estimates Statements. The 2011-12 performance estimates are based on the most recent information available to the department as published in the DIISRTE 2012-13 Portfolio Budget Statements.

Table 3: Deliverables and results achieved for Program 1.1

Deliverable: Provision and management of grants, contracts and entitlements.			
Measure	2010-11 Actual	2011-12 Estimate	2011-12 Actual
Number of new grants, contracts and entitlements with payments in the relevant financial year	24,333	24,186	17,483 ⁽¹⁾
Total value of grants, contracts and entitlements (\$'000)	482,100	760,180	718,646 ⁽²⁾
Deliverable: Provision of duty and tax concessions to eligible firms.			
Measure	2010-11 Actual	2011-12 Estimate	2011-12 Actual
Number of new duty and tax registrations	590	500	465
Total value of duty and tax concessions to eligible firms (\$'000)	499,588	220,500	234,298
Deliverable: Provision of business advisory and information services.			
Measure	2010-11 Actual	2011-12 Estimate	2011-12 Actual
Number of services provided	116,014	92,750	106,590
Deliverable: An early intervention dispute resolution service for the franchising sector.			
Measure	2010-11 Actual	2011-12 Estimate	2011-12 Actual
Number of franchising disputes resolved prior to formal dispute resolution processes	n/a	Unavailable	13
Deliverable: Facilitating the representation and communication of Australian interests in international standards.			
Measure	2011-12 Actual		
Membership of key international standardisation and conformity assessment bodies maintained	Memberships of key international standardisation and conformity assessment bodies were maintained.		
(1)	The lower than estimated 2011-12 actual figure was largely attributed to a 30 per cent decline in demand for the Liquefied Petroleum Gas Vehicle Scheme between 2010-11 and 2011-12. The actual figure for the program was 15,954, compared to an early estimate of 22,414 for 2011-12.		
(2)	The 2011-12 actual figure was lower than estimated due to a number of factors: reduced demand for the Automotive Industry Structural Adjustment Program resulted in lower than forecast expenditure of around \$11.4 million; for the Automotive Transformation Scheme, the actual expenditure was lower than originally forecast, by around \$15.7 million, due to the lower than expected production of motor vehicles by the motor vehicle producers; and an underspend of approximately \$9.3 million due to the reduced demand for the Liquefied Petroleum Gas Vehicle Scheme.		

Table 4: Key performance indicators and results achieved for Program 1.1

Key performance indicator: Increased industry productivity, sustainability and growth through increasing expenditure on plant, equipment and innovation in assisted businesses

- Total value of investment by industry on plant, equipment and innovation through Automotive, Textile, Clothing and Footwear, Manufacturing and Structural Adjustment grants
- Number of reported reductions in greenhouse gas emissions from completed Green Building Fund projects
- Reduction in greenhouse gas emissions in kilotonnes of carbon dioxide (equivalent) per annum and megalitres per annum of water savings from completed Retooling for Climate Change grant projects
- Number of projects supported under the Australian Space Research Program.

Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Total value of plant and equipment and innovation investment by Australian automotive industry (\$'000)	875,638	1,011,480 ⁽¹⁾	1,010,898
Amount of eligible expenditure claimed for innovation by clothing and household textile entities (\$'000)	–	45,580	50,935
Amount of private sector investment induced by Structural Adjustment grants (\$'000)	84,904	43,750	36,866 ⁽²⁾
Reduction in greenhouse gas emissions from completed Green Building Fund projects expressed in kilotonnes of carbon dioxide (equivalent) per annum	40	104	113
Reduction in greenhouse gas emissions in kilotonnes of carbon dioxide (equivalent) per annum for completed Retooling for Climate Change grant projects	20	35	55
Water savings from completed Retooling for Climate Change grant projects, expressed in megalitres per annum	299	700	721
Number of projects supported under the Australian Space Research Program	14	14	14

Key performance indicator: Increased facilitation, advice, support and assistance provided to businesses and industry by: increasing the number of services utilised, increasing the number of SMEs developing new and sustainable capabilities (knowledge, tools, expertise), and an increase in assisted clients implementing advice

- Number of businesses assisted through provision of advice, referrals, and services to improve capabilities
- Number of stakeholders (clients) actively engaged in development and implementation of Supplier Advocate industry development strategies
- Proportion of SMEs assisted reporting improvement to business ⁽³⁾
- Number of clients accessing Enterprise Connect.

Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Number of clients accessing the Small Business Support Line	21,250	21,500	21,852
Number of services provided to small businesses	118,705	70,000	85,947 ⁽⁴⁾
Number of stakeholders (clients) actively engaged in development and implementation of Supplier Advocate industry development strategies	650	1,080	1,080
Proportion of SMEs in TCF Strategic Capability Program reporting improved capacity to innovate (%)	100	80	100
Number of clients accessing Enterprise Connect	3,945	5,000	5,624

SME = small and medium-sized enterprise; TCF = textile, clothing and footwear

- (1) An error has been identified at page 44 in the 2012–13 PBS. The correct figure should be \$1,011,480,000 for 2011–12, including \$16,841,000 from the Automotive Industry Structural Adjustment Program for the financial year. The figure published in the PBS only included \$994,638,000 from the Automotive Transformation Scheme for 2011–12.
- (2) The variation was due to two factors:
 (a) the estimate was based on funding for Rounds 1 and 2 of the Illawarra Region Innovation and Investment Fund being made available in 2011–12. As Round 2 was not completed until after 30 June 2012, the estimate was revised down by approximately \$3 million in 2011–12; and
 (b) with the Automotive Industry Structural Adjustment Program, there was reduced reported investment as some of the proposed projects did not proceed.
- (3) Newly introduced in the DIISRTE 2012–13 PBS.
- (4) Administered funding for one of the contributing programs—the Small Business Online Program—terminated in 2010–11.

AUTOMOTIVE TRANSFORMATION SCHEME

The Automotive Transformation Scheme (ATS) aims to encourage competitive investment and innovation in the Australian automotive industry to place it on an economically sustainable footing. This is to be achieved in a way that improves environmental outcomes and promotes the development of workforce skills.

Section 27A of the *Automotive Transformation Scheme Act 2009* requires the Secretary to report annually on assistance paid to ATS participants (Table 5) and progress of the Australian automotive industry towards achieving economic sustainability, environmental outcomes and workforce skills development (Table 6).

Table 5: Total assistance paid to ATS participants for the 12 month period ending 31 March 2012

	Capped assistance	Uncapped assistance	Total assistance
Motor vehicle producers	\$165,000,000	\$91,028,201	\$256,028,201
Automotive component producers	\$127,979,415	\$0	\$127,979,415
Automotive machine tool producers	\$2,896,529	\$0	\$2,896,529
Automotive service providers	\$302,387	\$0	\$302,387
Total	\$296,178,331	\$91,028,201	\$387,206,532

Table 6: Progress made by ATS participants in achieving economic sustainability, environmental outcomes, and workforce skills development

Economic sustainability	
Capability development	83 per cent of ATS participants reported increased capability through participation in change management processes.
Business performance	79 per cent of ATS participants reported improved business performance through increased productivity, while 63 per cent reported that they had found new customers.
Environmental outcomes	
Manufacturing process	81 per cent of ATS participants reported better environmental outcomes resulting from improved manufacturing processes.
Environmentally sustainable cars	53 per cent of ATS participants reported contributing to the manufacture of more environmentally sustainable cars.
Workforce skills development	
Applicable post school qualifications	ATS participants reported that 78 per cent of their workforce has applicable post school qualifications, 19 per cent being employees with bachelor degrees.

Source: ATS participants' updated business plans provided under Regulation 2.27 of the *ATS Regulations 2010*.

CASE STUDY: BIOFUEL PRODUCER SOARS

With support, connections and expert advice, Enterprise Connect client Licella Pty Ltd is taking its innovative new technology to the world.

Licella has developed a unique process to convert readily available, low-cost plant material into a stable bio-crude oil, which can be refined into fuel for the transport and aviation industries. A true alternative to fossil fuel, the process is quicker, cleaner and more cost effective than alternatives.

In 2011, Licella CEO Steve Rogers said, 'We were at the point where we needed to go to the next stage of commercialisation and raise funds, but we were finding it difficult.'

Mr Rogers was introduced to an Enterprise Connect Business Adviser who conducted a thorough business review, providing advice on conducting techno-economic analysis and market analysis to help Licella refine their approach to raising the funds needed to commercialise their cutting-edge technology.

'It's the advice and the connections that have been most valuable for our business. Through Enterprise Connect, we've been introduced to other government programs and resources we can tap into', Mr Rogers said.

Licella successfully applied for over \$2 million through the Second Generation Biofuels Research and Development Program to open a commercial demonstration plant and further develop their technology. The Minister for Resources and Energy, the Hon Martin Ferguson AM MP, officially opened the new facility on 14 December 2011.

Licella was given the unique opportunity to be part of the Clean Technology Showcase at Parliament House on 17 August 2011.

'We had the opportunity to discuss our technology with the Prime Minister, Julia Gillard, and network with other innovative businesses', Mr Rogers explained.

Focused on entering the global energy market, Licella successfully applied for a \$2 million early-stage commercialisation grant from Commercialisation Australia in March 2012. The grant further accelerated their commercialisation journey, helping transform this emerging technology into an economic reality that can create jobs, increase collaboration across the economy and drive productivity growth.

With the support and connections provided through integrated government services, Licella is well on the way to helping industry move closer to a clean energy future.

Licella has now formed a new joint venture company with global bio-feedstock provider Norske Skog (Australasia) and has signed agreements with Virgin Australia and Air New Zealand to create sustainable aviation fuels. Additional information can be found at www.enterpriseconnect.gov.au.



Licella CEO, Steve Rogers, Licella Business Development Manager Stuart Rayner, Enterprise Connect Business Adviser Mike Goodman, and Licella Project Manager John Gulbis, at Licella's new commercial demonstration plant in Somersby, NSW.

CASE STUDY: CHAMPIONING AUSTRALIAN SMALL BUSINESS

The department continued to demonstrate its commitment to maximising the growth potential and sustainable development of Australian small businesses through the newly integrated *Buy Australian at Home and Abroad (Buy Australian)* initiative.

The Hon Peter Beattie AC was appointed as the Resources Sector Supplier Envoy to provide leadership in promoting Australian business participation in the resources sector. In championing the capabilities of Australian small business, Mr Beattie and the broader *Buy Australian* initiative delivered positive and practical outcomes.



Peter Beattie promoting Australian products in South America.

In April 2012, Mr Beattie led a highly successful delegation of Australian mining suppliers to Latin America. Delegates were introduced to senior executives of Latin American and Australian mining companies operating in the region, and were able to learn firsthand about current and future mining projects in the region and gain a deeper understanding of accessing global markets and relevant business practices.

As a demonstration of the potential for forward-looking and innovative Australian small businesses to compete in global markets, the delegation identified an estimated \$45 million in new business opportunities, potential investment partners, and a range of joint venture and promotional activities.

Through peer networking and shared experiences, delegates identified opportunities to collaborate and enhance their capabilities to become more competitive in global markets. Moreover, the trade mission provided a unique opportunity for experienced and successful Australian firms operating in Latin America to mentor Australian small businesses wishing to grow into emerging markets. Mr Beattie noted that 'Australia enjoys a strong reputation in South America because Australian firms are innovative' and by 'doing their homework and using Australian Government services, Australian firms can grow their business both in Australia and abroad'.

Building on these successes, the Resources Sector Supplier Envoy and supplier advocates are looking to replicate the successful outcomes of the Australian mining suppliers' trade mission to Latin America, with future missions to lucrative Asian markets planned for 2012–13.

Further, the Resources Sector Supplier Advisory Forum will drive a series of work programs and report on practical strategies to help small businesses gain greater access to supply chains and to finance growth and innovate.

Other *Buy Australian* activities have leveraged the nationwide Enterprise Connect network to assist Australian small businesses to develop the skills and knowledge to integrate into global supply chains. Enterprise Connect has established projects with groups of firms in specific resources sub-sectors, employing tailored activities, supported by large resources firms in collaboration with potential supply chain small and medium-sized enterprises, to identify capability and assist firms to develop their knowledge of opportunities in the sector. Tailored activities have included panel sessions with procurement officers so that firms have the opportunity to learn more about the capability requirement of resources projects; and assessing the resources sector readiness of individual firms.

In the coming year, additional resource sector supplier advocates will be appointed. They will work with Enterprise Connect, through these projects, to continue to develop the competitiveness of Australian small businesses.

PROGRAM 1.2 INNOVATIVE INDUSTRY

Business innovation is a primary driver of sustainable productivity growth and social wellbeing. In *Powering ideas: an innovation agenda for the 21st century*, the Australian Government set out a 10-year vision for strengthening innovation, with the aim of increasing productivity.

To increase the proportion of businesses engaging in innovation by 25 per cent over the decade and lift the number of businesses investing in research and development, Program 1.2 aims to:

- provide incentives for business innovation and business R&D where they are likely to benefit the wider economy;
- facilitate the application of leading edge technologies and management capabilities;
- develop pathways for industry to access the knowledge and expertise in universities and research agencies;

- increase the ability of business to commercialise their ideas;
- cultivate public awareness and understanding of the scope and significance of innovation; and
- strengthen and streamline the administration of the national innovation system to make it better at targeting national priorities, coordinating the activities of different governments and measuring performance.

COMPONENTS

Three subprograms of Program 1.2 contributed to achieving objectives during 2011–12: Business innovation, Commercialisation, and Research and collaboration. Table 7 lists the components of these subprograms.

Table 7: Components of Program 1.2

Subprogram	Program components
Business innovation	Clean Business Australia—Climate Ready Program Commercial Ready Program Research and Development Tax Concession/Research and Development Tax Incentive
Commercialisation	Commercialisation Australia Early Stage Venture Capital Limited Partnerships Green Car Innovation Fund Innovation Investment Fund Innovation Investment Fund Follow-on Fund National Enabling Technologies Strategy Pooled Development Funds Pre-Seed Fund Small scale mammalian cell production facility Venture Capital Limited Partnerships
Research and collaboration	CSL—Commonwealth assistance Cooperative Research Centres Program

PERFORMANCE REVIEW

This section provides a summary of the department's performance against the deliverables and key performance indicators for Program 1.2 as set out in the DIISR 2011–12 Portfolio Budget Statements and the DIISRTE 2011–12 Portfolio

Additional Estimates Statements. The 2011–12 performance estimates are based on the most recent information available to the department as published in the DIISRTE 2012–13 Portfolio Budget Statements.

Table 8: Deliverables and results achieved for Program 1.2

Deliverable: Provision and management of grants and contracts.			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Number of new grants and contracts in the financial year	121	185	197
Total value of grants and contracts (\$'000)	327,754	370,745	370,377
Deliverable: Provision of duty and tax incentives to eligible firms.			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Number of new duty and tax registrations	1,616	1,665	1,835
Deliverable: Provision of capital to investees.			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Number of investees	46	37	47
Total value of payments to investees (\$'000)	25,275	15,220	18,228
Deliverable: Commercialisation advisory services in conjunction with grants or capital.			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Number of commercialisation advisory services ⁽¹⁾	35	28	28
Total value of commercialisation advisory services provided (\$'000)	4,758	4,880	4,581

(1) This measure relates to the number of business advisers and case managers in relevant activities under Program 1.2.

Table 9: Key performance indicators and results achieved for Program 1.2

Key performance indicator: Increased number of supported businesses investing in innovation over time			
■ Number of supported businesses investing in innovation over time.			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Number of entities registering R&D expenditure with AusIndustry in order to claim the tax incentive or tax concession through their annual tax returns	8,753	9,000	9,118
Number of grantees in Clean Business Australia—Climate Ready Program	102	102	102
Number of companies engaged in innovation through new grants awarded under the Green Car Innovation Fund	9	2	2
Key performance indicator: Increased value of innovation investment by supported businesses over time			
■ Value of innovation invested by supported businesses over time.			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
R&D expenditure registered with AusIndustry in order to claim the tax incentive or tax concession through their annual tax returns (\$'000)	17,633,077	17,250,000	16,794,024 ⁽¹⁾
Total innovation investment by businesses receiving grants (\$'000)	232,400	554,600	485,653 ⁽²⁾

Key performance indicator: Increased number of products and services commercialised/patented

- Value of total investment in commercialisation of projects receiving Commercialisation Australia grants ⁽³⁾
- Number of grantees working towards successful commercialisation outcomes
- Number of commercialisation agreements
- Number of patents held or maintained
- Number of applications for patents filed.

	2010–11	2011–12	2011–12
Measure	Actual	Estimate	Actual
Value of total investment in commercialisation of projects receiving Commercialisation Australia grants (\$'000)	79,996	120,000	107,000 ⁽⁴⁾
Number of customers that report they are working towards successful commercialisation of supported projects	558	203	213
Number of respondents who met project milestones and who are achieving successful commercialisation outcomes	38	45	59
Number of commercialisation agreements reported by the Cooperative Research Centres (CRCs)	223	223	Unavailable ⁽⁵⁾
Number of patents held/maintained by CRCs	1,290	1,290	Unavailable ⁽⁵⁾
Number of applications for patents filed by CRCs	104	104	Unavailable ⁽⁵⁾

Key performance indicator: Increased number of businesses supported by licensed or registered government fund managers

- Number of new funds registered under departmental venture capital programs
- Number of investees supported by funded venture capital programs.

	2010–11	2011–12	2011–12
Measure	Actual	Estimate	Actual
Number of new funds registered under departmental venture capital programs	14	5	4
Number of investees supported by funded venture capital programs	98	109	109

(1) The 2011-12 actual figure will not be finalised until after 31 October 2012.

(2) Substantial delays in a number of projects supported by the Green Car Innovation Fund resulted in the need to rephase funding for this program into later years.

(3) Newly introduced in the DIISRTE 2012–13 PBS.

(4) The number of larger projects supported by Commercialisation Australia was lower than anticipated.

(5) The 2011–12 actual figures are not available until after 31 October 2012, when the CRC annual reports are due.

CASE STUDY: R&D TAX INCENTIVE

The R&D Tax Incentive is the biggest reform to government support for business R&D in over a decade. The incentive has two elements: a 45 per cent refundable R&D tax offset available to eligible companies with an aggregated turnover of less than \$20 million per annum and a 40 per cent non-refundable R&D tax offset for larger companies.

Replacing the R&D Tax Concession, the R&D Tax Incentive is more generous, is better targeted, provides greater certainty for businesses and increases access to foreign companies who wish to conduct R&D in Australia. The R&D Tax Incentive is a broad-based, market-driven entitlement program to encourage business investment in R&D.

The R&D Tax Incentive delivered by AusIndustry is the largest program supporting the government's goal of lifting the number of innovating and R&D-performing businesses. It will do this by providing an incentive to address market failures connected with undertaking R&D. The incentive provides financial support to encourage Australian companies to undertake additional R&D activities. This will deliver wider benefits to the economy and society.

The department worked closely with partners in the Treasury portfolio on the Australian Government's legislative changes for the R&D Tax Incentive, which were passed by parliament on 24 August 2011. To assist businesses to take advantage of the changes, AusIndustry held public information sessions in all capital cities in September and October 2011; over 3000 people attended these sessions. AusIndustry has also released a comprehensive set of guidance material, including a 70-page online *Customer Information Guide* (including case studies) and 16 AusIndustry and Australian Taxation Office information sheets. There has been a very positive response to the option for companies to seek an Advance Finding, which gives certainty about the eligibility of activities. Also, preliminary feedback indicates that there is strong international interest in the R&D Tax Incentive and that it is helping to attract international R&D investment into Australia.

As part of the changes, the government has committed to introducing quarterly credits for the R&D Tax Incentive by 1 January 2014 to allow eligible small to medium enterprises to access benefits during the income year, improving their cash flow. The department is working with the Treasury on the policy design for quarterly credits, in consultation with industry. The department is also providing support to an independent R&D Tax Incentive Advisory Committee tasked with monitoring implementation of the program and reporting to government to ensure the program is delivering its policy intent.

Additional information can be found at www.ausindustry.gov.au

CASE STUDY: COMMERCIALISATION AUSTRALIA

Commercialisation Australia was announced in the 2009–10 Budget and applications opened in January 2010. Its mission is to help early-stage entrepreneurs build sustainable businesses by converting innovative intellectual property into successful commercial outcomes.

Commercialisation Australia recognises that money is necessary for success but that entrepreneurs also need access to the right people at the right time. That is why all participants work with an experienced case manager and have access to a network of volunteer business mentors. Australian companies, researchers and entrepreneurs access the program through a competitive merit-based application process.

Commercialisation Australia is headed by a chief executive officer (CEO) and delivered in partnership with AusIndustry. An independent advisory board, a subcommittee of Innovation Australia, assists with the merit assessment of applications.

Commercialisation Australia is one element of the government's wider strategy to increase business innovation and capitalise on Australian research. It bridges the resource gap between R&D (supported by the R&D Tax Incentive) and early-stage venture or strategic investment (supported by the Innovation Investment Fund Program and venture capital programs). It is at this very early stage that entrepreneurs find it difficult to raise capital; Commercialisation Australia leverages the scarce resources available to better prepare business opportunities for downstream commercial interests.

Since January 2010 Commercialisation Australia has supported over 272 organisations and allocated more than \$106 million in grants. The success of the program is based on the three unique elements it offers:

- Grants of up to \$2 million are tailored to meet the needs of early stage businesses. For example, researchers and new entrepreneurs are able to access specialist advice through the Skills and Knowledge grant, and technology-based start-ups can boost their management capability by bringing in an experienced CEO through the Experienced Executives grant.
- A national network of 26 high-calibre case managers who work closely with each participant. All are experienced business builders and many have taken their own products to market. Participants increasingly report the value their case manager has added to both their commercialisation project and their business.
- The volunteer business mentor network extends the reach of the program, offering participants a wider source of expertise and opportunities to make important connections. Mentors have helped participants to find manufacturing partners, meet potential investors and identify experts in particular fields.

Commercialisation Australia aims to help build a stronger culture of entrepreneurship in Australia.

Additional information can be found at www.commercialisationaustralia.gov.au

PROGRAM 1.3 PROGRAM SUPPORT

Program 1.3 aims to improve the growth, performance and competitiveness of businesses through:

- providing policy advice on issues that impact the productivity, international competitiveness and growth of Australian businesses;
- developing and delivering specialised services to business and industry; and
- the effective and efficient development, implementation and delivery of measures and initiatives supporting the government's innovation and industry policy interventions.

PERFORMANCE REVIEW

This section provides a summary of the department's performance against the deliverables and key performance indicators for Program 1.3 as set out in the DIISR 2011–12 Portfolio Budget Statements and the DIISRTE 2011–12 Portfolio Additional Estimates Statements. The 2011–12 performance estimates are based on the most recent information available to the department as published in the DIISRTE 2012–13 Portfolio Budget Statements.

Table 10: Deliverables and results achieved for Program 1.3

Deliverable: Maintenance of business.gov.au website and services.	
Measure	2011–12 Actual
Maintenance of business.gov.au website and services	business.gov.au website and services were maintained, with new topics, applications and enhanced services.
Deliverable: Provision of online authentication services through VANguard. ⁽¹⁾	
Measure	2011–12 Actual
Provision of online authentication services through VANguard	Online authentication services were provided through VANguard.
Deliverable: Provision of measurement services and related training and representation of Australian measurement interests internationally.	
Measure	2011–12 Actual
Provision of measurement services and related training and representation of Australian measurement interests internationally	The National Measurement Institute provided measurement services and training, and successfully represented Australia's measurement interests internationally.
Deliverable: Administering the Commonwealth framework for a national trade measurement system. ⁽²⁾	
Measure	2011–12 Actual
Administering the national trade measurement system	The national trade measurement system operated effectively.
Deliverable: Strategic innovation and industry policy advice to the Minister.	
Measure	2011–12 Actual
Strategic innovation and industry policy advice to the Minister	The department provided high-quality and timely strategic innovation and industry policy advice to the Minister.
Deliverable: Efficient delivery of activities supporting government innovation and industry policy interventions.	
Measure	2011–12 Actual
Efficient delivery of activities supporting government innovation and industry policy interventions	The department delivered effective and efficient operational and administrative supports, including ICT services, policy advice and corporate services for programs and activities under Outcome 1.

(1) Newly introduced in the DIISRTE 2012–13 PBS.

(2) This deliverable appears as 'Completing the Commonwealth framework for a national trade measurement system' in the DIISRTE 2011–12 Portfolio Additional Estimates Statements. That wording was no longer appropriate due to the successful establishment of the national trade measurement system. The national trade measurement system commenced on 1 July 2010.

Table 11: Key performance indicators and results achieved for Program 1.3

Key performance indicator: Increased scope of national measurement services provided to the Australian economy and develop measurement infrastructure to support innovation, industry and government objectives

- Number and quality of measurement services, reference materials and methods available to the Australian community
- Uptake of services.

Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Number of measurement services by National Measurement Institute	4,500	4,500	4,500
Percentage of trade measurement compliance targets met (%)	n/a	90	80
Percentage of reports, certificates and services delivered on time (%)	70% target exceeded	85	85

Key performance indicator: Each Innovation Industry Council has at least one key council priority adopted and/or supported by key stakeholders annually

- Number of key Industry Innovation Councils with at least one priority adopted or supported by stakeholders.

Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Number of key Industry Innovation Councils with at least one priority adopted or supported by stakeholders	n/a	Unavailable	Each of the seven Industry Innovation Councils had at least one priority adopted and/or supported by key stakeholders.

Key performance indicator: Increased usage of eBusiness services by increasing usage of the business.gov.au websites; and new content, products and services

- Number of visits to business.gov.au website.

Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Number of visits to business.gov.au website	24,023,825	26,500,000	27,250,764

Key performance indicator: Increased usage of highly-available VANguard authentication services supporting business to government and government to government online transactions ⁽¹⁾

- Number of transactions
- System availability.

Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Number of VANguard transactions	32,131,243	32,800,000	36,997,852
System availability (%)	99.99	98.5	100

(1) Newly introduced in the DIISRTE 2012–13 PBS.

CASE STUDY: VANGUARD GOVERNMENT AUTHENTICATION SERVICES

VANguard is a whole-of-government program that enables business and government to interact securely online and, by doing so, increase the uptake of government online services.

Built on secure and highly reliable infrastructure, VANguard confirms the online identity of parties to business-to-government (B2G) or government-to-government (G2G) transactions. VANguard services are used by agencies to achieve greater efficiencies and to deliver better online services for business. VANguard services improve business practices and productivity by streamlining business and government interactions. They enable businesses to easily and securely transact with a broad range of government services online, using one form of identity, at a time and place convenient to them.

VANguard reduces the duplication of authentication solutions across government and dramatically reduces the infrastructure, support and maintenance costs associated with deploying traditional in-house authentication solutions. It enables agencies to focus less on implementing infrastructure and more on offering services to business online.

In 2011–12, VANguard continued to represent the department in its role as a lead agency in the provision of B2G and G2G authentication services. The program provided underpinning authentication services to multi-agency programs such as the Australian Business Number and Australian Business Name program and the Standard Business Reporting initiative, as well as a range of Australian Government and state government agencies. In the 12 months to June 2012, VANguard services supported around 37 million online transactions and achieved 100 per cent service availability.

VANguard's innovative identity brokerage model, together with its standard-based web services and high-grade infrastructure, provides opportunity for the program's continued application on a whole-of-government basis.

Cutting red tape and reducing the compliance burden on small business remain key drivers for the VANguard program.

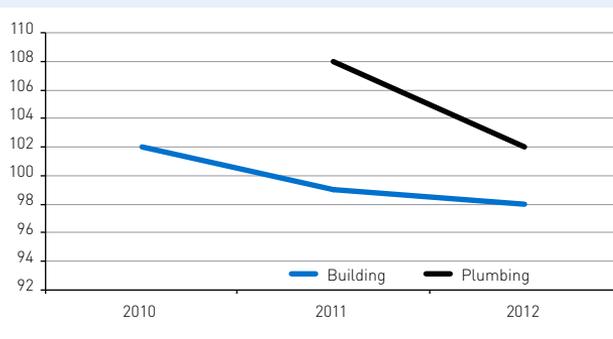


VANguard services enable secure and efficient online transactions (stock image).

CASE STUDY: NATIONAL CONSTRUCTION CODE

In December 2009, COAG agreed to integrate the Building Code of Australia and the Plumbing Code of Australia into a single National Construction Code (NCC). The reform reduces inconsistency and overlap between the codes, and streamlines regulatory approaches across jurisdictions. The first edition of the NCC was released by the Australian Building Codes Board (ABCB) on 1 May 2011.

Figure 4: National Construction Code variations



The NCC, when fully implemented, will deliver more consistency between building and plumbing regulations, and a more flexible compliance regime for plumbing, primarily due to the introduction of performance requirements rather than prescriptive regulatory requirements.

As a consequence of this reform process, the number of state-based plumbing variations was dramatically reduced in NCC 2011. Continuing to reduce variation will be an important ongoing activity for the ABCB.

The total value of building work done in Australia on dwelling and non-dwelling constructions was \$83 billion in 2010–11, equivalent to around 6 per cent of GDP. In its April 2012 report *Impacts of COAG reforms: business regulation and VET*, the Productivity Commission estimated that the NCC reform could lower construction costs by around 1 per cent. If achieved, this would translate to a cost saving of about \$1 billion per year (2010–11 dollars). These gains would accrue progressively as industry adapts to the integrated code.

The achievement of reform involves some one-off transition costs—estimated to amount to around \$30 million for industry and \$5 million for government (2010–11 dollars).

PURCHASER–PROVIDER ARRANGEMENTS

AusIndustry works closely with and, in some cases, delivers programs on behalf of other departments and agencies to deliver services and initiatives in a coordinated way to Australian businesses and the wider community. Partners include:

- the Australian Taxation Office;
- the Australian Customs and Border Protection Service;
- Austrade;
- the Department of Climate Change and Energy Efficiency;
- the Department of Defence;
- the Department of Health and Ageing;
- the Department of Human Services;
- the Department of Resources, Energy and Tourism;
- business enterprise centres and registered business organisations;
- local government bodies; and
- state government departments.

The VANguard service is a whole-of-government service offered to a range of departments as well as a number of state-based agencies. These services are currently offered free of charge.

Through the Cooperative Research Centres Program, the department administers the Defence Future Capability Technology Centre program in partnership with the Department of Defence. The successful centre under this program was the Defence Materials Technology Centre.

EVALUATIONS

The following evaluations for Outcome 1 were undertaken in 2011–12.

AUSTRALIAN SPACE RESEARCH PROGRAM

The Australian Space Research Program (ASRP) was announced in the 2009–10 Budget as part of the Australian Government's Australian Space Science Program. The ASRP will conclude on 30 June 2013.

An interim evaluation, completed in May 2012, assessed the extent to which the ASRP has been effective in meeting its objective of developing Australia's niche capabilities by supporting space-related research, innovation and skills in areas of national significance or excellence.

The evaluation found that the ASRP is regarded as an essential underpinning plank for a credible space policy in Australia and that stakeholders had a high level of satisfaction with the quality and effectiveness of the collaborations between researchers and industry.

Furthermore, the evaluation noted that the ASRP strongly aligns with the Australian Government's strategic policy framework for the Australian space-related industry and that it complements DIISRTE programs that support innovation, commercialisation, collaboration and research.

A full evaluation of the ASRP will take place at the conclusion of the program.

NATIONAL ENABLING TECHNOLOGIES STRATEGY

The \$38.2 million National Enabling Technologies Strategy supports the responsible uptake of enabling technologies such as nanotechnology and biotechnology.

A review of the strategy commenced in December 2011 and has involved considerable stakeholder consultation. The review was completed in September 2012.

INDUSTRY COOPERATIVE INNOVATION PROGRAM

The Industry Cooperative Innovation Program was announced in October 2004 and the final round closed in June 2007. It was a merit-based program to encourage business-to-business cooperation on innovation projects that enhanced productivity, growth and international competitiveness in Australian industries.

The evaluation of the program was rescheduled due to resourcing considerations. Preliminary research has commenced and the evaluation will be completed by December 2012.

Chapter 4: Outcome 2— Report on performance

OUTCOME 2: PRODUCTION, USE AND AWARENESS OF SCIENCE AND RESEARCH KNOWLEDGE, BY SUPPORTING RESEARCH ACTIVITY; TRAINING AND INFRASTRUCTURE; SCIENCE COMMUNICATION; SKILL DEVELOPMENT; AND COLLABORATION, WITHIN THE RESEARCH SECTOR AND BETWEEN RESEARCHERS AND INDUSTRY, DOMESTICALLY AND INTERNATIONALLY.

OUTCOME 2 OVERVIEW

Production, use and awareness of science and research knowledge are the key drivers of innovation and productivity, critical to Australia's future success. World-class research expands knowledge, accelerates discovery and invention and contributes to a stronger and more globally competitive economy. It also holds the key to addressing some of our great global and national challenges, including those posed by climate change. Harnessing the power and potential of science and research requires a strong science and research base that can generate and utilise cutting-edge knowledge. It requires better connections and collaboration between research and industry to help transfer knowledge to businesses. Greater awareness and understanding of science equips our community to adapt to a changing world and helps us capitalise on the immense benefits science offers to the economy and the broader community.

In 2011–12, the department continued to foster a strong science and research capacity through building skills in science and research, investing in research infrastructure, improving awareness of science in the Australian community, and promoting research collaboration both within Australia and internationally. The department

worked to help researchers, scientists, universities and public sector research agencies to expand knowledge and produce solutions to the challenges facing society. It also helped transfer knowledge and solutions to both industry and the wider community in pursuit of a stronger and more globally competitive economy, a more inclusive society and a cleaner environment.

The department's progress towards the outcome is assessed and reported in this chapter under three programs:

- Program 2.1: Investment in higher education Research;
- Program 2.2: Science and research capacity; and
- Program 2.3: Program support.

PROGRAM 2.1 INVESTMENT IN HIGHER EDUCATION RESEARCH

Program 2.1 aims to help Australia achieve a strong research capacity in the higher education sector through developing and implementing a policy framework and financial support arrangements for university research and research training that:

- expand the capacity of Australian universities;
- renew and expand the skilled research workforce;
- enhance the provision and maintenance of research infrastructure; and
- build the innovation potential of our workplaces and workforce.

COMPONENTS

Two subprograms of Program 2.1 contributed to achieving objectives in 2011–12: Postgraduate student support and Research. Table 12 lists the components of these subprograms.

Table 12: Components of Program 2.1

Subprogram	Program components
Postgraduate student support	Australian Postgraduate Awards International Postgraduate Research Scholarship Scheme
Research	Commercialisation Training Scheme Joint Research Engagement Program Research Infrastructure Block Grants Research Training Scheme Sustainable Research Excellence in Universities

PERFORMANCE REVIEW

This section provides a summary of the department's performance against the deliverables and key performance indicators for Program 2.1 as set out in the DIISR 2011–12 Portfolio Budget Statements and the DIISRTE 2011–12 Portfolio Additional Estimates Statements. The 2011–12 performance estimates are based on the most recent information available to the department as published in the DIISRTE 2012–13 Portfolio Budget Statements.

Table 13: Deliverables and results achieved for Program 2.1

Deliverable: Provision of support and funding to higher education providers for research and research training.			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Value of funds provided to higher education providers (\$'000)	1,487,196	1,596,360	1,596,360
Deliverable: Support for new and existing higher degree by research places. ⁽¹⁾			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Number of Australian Postgraduate Awards	3,270	3,500	3,500
Value of Australian Postgraduate Awards (\$'000)	182,958	218,860	218,866
Number of International Postgraduate Research Scholarships	330	330	330
Value of International Postgraduate Research Scholarship Scheme (\$'000)	20,179	20,720	20,726
Value of funds provided under Research Training Scheme (\$'000)	615,100	631,760	631,762

(1) Figures for 2011–12 relate to the 2011 calendar year and figures for 2010–11 relate to the 2010 calendar year.

Table 14: Key performance indicators and results achieved for Program 2.1

Key performance indicator: Increase the research performance, transparency and accountability of Australian higher education providers ⁽¹⁾			
<ul style="list-style-type: none"> ■ Ratio of funding for indirect costs of research ■ Total value of higher education providers' receipt of funds from sources other than competitive grants, including industry, community partners and public sector research agencies ■ Number of higher education providers participating in transparent costing through Sustainable Research Excellence in universities. 			
Measure	2010-11 Actual	2011-12 Estimate	2011-12 Actual
Ratio of funding for indirect costs of research (i.e. 2010 RIBG and SRE funding/2010 Australian Competitive Grants income)	0.23:1	0.24:1	0.23:1 ⁽²⁾
Total value of higher education providers' receipt of funds from sources other than competitive grants, including industry, community partners and public sector research agencies (\$'000)	1,759,435	1,888,940	1,759,440 ⁽³⁾
Number of higher education providers participating in transparent costing	41	41	41
Key performance indicator: Sustain the number of students completing higher degrees by research ⁽¹⁾			
<ul style="list-style-type: none"> ■ Number of higher degree by research student completions. 			
Measure	2010-11 Actual	2011-12 Estimate	2011-12 Actual
Number of higher degree by research student completions	7,390	7,471	7,871

RIBG = Research Infrastructure Block Grants; SRE = Sustainable Research Excellence

(1) Figures for 2011-12 relate to the 2011 calendar year and figures for 2010-11 relate to the 2010 calendar year.

(2) Australian Competitive Grants funding is not controlled by the department; this funding increased above trend at 11.46 per cent year on year.

(3) Total non-ACG income is not controlled by the department and increased below trend at 1.7 per cent year on year.

CASE STUDY: SUPPORTING AUSTRALIAN POSTGRADUATE RESEARCH TRAINING

Research students contribute significantly to the Australian economy, not only by the production of new knowledge during their studies, but also by becoming the next generation of academics and innovators.

The department delivers a range of programs, including block grant funding to Australian higher education providers, to support the research and research training costs of postgraduate students at Australian universities. This support improves the training environment, reduces attrition rates, and encourages timely completions for postgraduate students.

Australia needs to remain competitive internationally to attract high-quality research students to study in Australia. To achieve this, it offers competitive levels of study support.

The Research Training Scheme will provide more than \$645.3 million to universities to support the cost of research training for students undertaking postgraduate degrees.

Domestic and international postgraduate research students are able to source Australian Government funding allocated to universities to support the costs of research training and general living allowances. Through the Australian Postgraduate Awards scholarships, postgraduate students of exceptional research potential in Australia are able to receive an annual stipend to help meet the general costs of living and other expenses.

The International Postgraduate Research Scholarship Scheme aims to attract top-quality international students to undertake a postgraduate research qualification in Australia and gain experience with leading Australian researchers. From 2011, recipients of International Postgraduate Research Scholarships who were just starting their research were also eligible to apply for an Australian Postgraduate Award. This enables access to additional Australian Government support to help meet living expenses while studying in Australia, ensuring that Australia remains a competitive destination for international research students, and that support is available to both domestic and international postgraduate students.

Australia's research workforce skills will be enhanced by increasing the number of postgraduate research students completing higher degrees by research in Australian universities.

In 2012, 9,778 postgraduate research scholarship places will be supported—more than double the base of 4,798 in 2008. This meets the government's commitment to double the number of Australian Postgraduate Awards by 2012. The Australian Postgraduate Award stipend rate for 2012 is \$23,728, a 16.2 per cent increase on the 2009 stipend of \$20,427.

PROGRAM 2.2 SCIENCE AND RESEARCH CAPACITY

Science and research determine our potential for innovation and our capacity to access and benefit from advancing knowledge as it shapes economic competitiveness and social changes.

Program 2.2 aims to help Australia achieve a strong science and research capacity through:

- promoting a strong culture of collaboration and networking across and between universities, research institutes, government and industry;
- providing major research infrastructure in a framework that is strategic, national and collaborative;
- increasing participation in science-based careers;

- facilitating and supporting science and research cooperation and strategic alliances with international partners for the benefit of all Australians through increased participation in, and access to, leading scientific research globally; and
- strengthening and streamlining the administration of the national innovation system to make it better at targeting national priorities, coordinating the activities of different governments and measuring performance.

COMPONENTS

Four subprograms of Program 2.2 contributed to achieving objectives during 2011–12: Awareness, Infrastructure, International and Networks. Table 15 lists the components covered by these subprograms.

Table 15: Components of Program 2.2

Subprogram	Program components
Awareness	Higher Education Research Promotion Learned Academies supplementation Science for Australia’s Future—Inspiring Australia
Infrastructure	Australian Astronomical Observatory Cairns Institute Tropical Innovation Hub—Contribution Clean Energy Initiative (Education Investment Fund Component) Education Investment Fund Round 1 Education Investment Fund Round 2 Education Investment Fund Round 3 Education Investment Fund Sustainability Round Establishment of an ICT-enabled research laboratory—Commonwealth assistance European Molecular Biology Laboratory partner facility Giant Magellan Telescope Square Kilometre Array radio telescope—supporting the Australian-New Zealand bid Super Science—Future Industries Super Science—Marine and Climate Super Science—Space and Astronomy
International	Australia–China Science and Research Fund International Education and Training (Australia-India Strategic Research Fund)
Networks	Collaborative Research Networks program Commonwealth–Australian National University (ANU) Strategic Relationship

PERFORMANCE REVIEW

This section provides a summary of the department's performance against the deliverables and key performance indicators for Program 2.2 as set out in the DIISR 2011–12 Portfolio Budget

Statements and the DIISRTE 2011–12 Portfolio Additional Estimates Statements. The 2011–12 performance estimates are based on the most recent information available to the department as published in the DIISRTE 2012–13 Portfolio Budget Statements.

Table 16: Deliverables and results achieved for Program 2.2

Deliverable: Support for research infrastructure.			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Value of funding for research infrastructure (\$'000)	629,164	429,030	428,964
Deliverable: Support for research collaborations.			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Value of funding for Collaborative Research Networks (\$'000)	9,700	20,700	20,700
Deliverable: Support for research collaborations between the APS and the research community.			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Value of funding for Commonwealth–ANU Strategic Relationship (\$'000)	67,940	23,860	23,859
Deliverable: Support for international collaborative research projects and relationships.			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Value of funding for new grants in the reporting period related to international collaborative research projects and relationships (\$'000)	19,345	9,450	9,460
Deliverable: Support for increased awareness of science and research in the community.			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Value of funding to increase awareness of science and research in the community (\$'000)	9,178	10,725	10,723

Table 17: Key performance indicators and results achieved for Program 2.2

Key performance indicator: Improve the research performance of less research intensive universities			
<ul style="list-style-type: none"> ■ Number of research institutions supported by Collaborative Research Networks ■ Number of fields of researchers at or above world-class standard for these institutions. 			
Measure	2010-11 Actual	2011-12 Estimate	2011-12 Actual
Number of research institutions supported by Collaborative Research Networks	9	12	12
Number of fields of researchers at or above world class standard for these institutions	31	40	40
Key performance indicator: Expansion of partnerships between the Australian Public Service and the research community			
<ul style="list-style-type: none"> ■ Number of participants in courses and activities conducted under the banner of the Australian National Institute for Public Policy ■ Number of HC Coombs Policy Forum activities. 			
Measure	2010-11 Actual	2011-12 Estimate	2011-12 Actual
Number of participants in courses and activities conducted under the banner of the Australian National Institute for Public Policy	463	875	1,363
Number of HC Coombs Policy Forum activities	27	41	33
Key performance indicator: Increased participation in activities promoting science-based careers			
<ul style="list-style-type: none"> ■ Number of participants in activities promoting science-based careers. 			
Measure	2010-11 Actual	2011-12 Estimate	2011-12 Actual
Number of attendees at an event for promoting science-based careers (including STA, CHASS and ACOLA)	380	500	500
National Science Week registrations	1,073	1,000	1,000
Graduate research students supervised by Australian Astronomical Observatory (AAO) staff	30	30	32
Student fellowships and internships provided to undergraduate students by AAO	6	9	12
PhD top-up scholarships provided by AAO	3	4	4
Honours scholarships provided by AAO	3	4	3

Key performance indicator: Increased access to research infrastructure to facilitate and support collaborative research activities

- Number of research infrastructure projects established under the National Collaborative Research Infrastructure Strategy (NCRIS) or the Super Science Initiative to offer services to the research sector over time
- Number of institution-based research infrastructure projects supported through the Budget or Education Investment Fund competitive rounds over time
- Number of users accessing AAO research facilities to facilitate and support research activities. ⁽¹⁾

Measure	2010-11 Actual	2011-12 Estimate	2011-12 Actual
Number of research infrastructure projects established under NCRIS or the Super Science initiative to offer service to the research sector over time	58	58	58
Number of institution-based research infrastructure projects supported through the budget or Education Investment Fund competitive rounds over time	21	23	23
Users of the Anglo Australian Telescope (Australian)	144	135	160
Users of the UK Schmidt Telescope (Australian)	40	40	40
Users of the Gemini Telescopes (Overseas)	62	73	59
Users of the Magellan Telescope (Overseas)	20	20	20

Key performance indicator: Increased number of projects reporting strengthened international collaborative relationships and research outcomes

- Number of international collaboration reported
- Number of collaborative research projects that report strengthened international relationships
- Number of participants in activities strengthening international collaborative relationships and research outcomes.

Measure	2010-11 Actual	2011-12 Estimate	2011-12 Actual
Number of international collaborative relationships reported through the Commonwealth-ANU Strategic Relationship	2	9	18
Number of facilities collaborating in European Molecular Biology Laboratory partner facility	4	4	4
Number of collaborative research projects completed that reported strengthened international relationships	6	18	18
Number of international visitors supported by the AAO Distinguished Visitor scheme	4	5	5
Number of international conferences and workshops supported by AAO	9	6	6

STA = Science and Technology Australia; CHASS = Council for the Humanities, Arts and Social Sciences; ACOLA = Australian Council of Learned Academies

(1) Newly introduced in the DIISRTE 2012-13 PBS.

CASE STUDY: 2011 STRATEGIC ROADMAP FOR AUSTRALIAN RESEARCH INFRASTRUCTURE

Since 2004–05, Australian Government investment in national, collaborative research infrastructure has been shaped by the strategic road maps for research infrastructure investment that it developed in close consultation with the research community. This approach, pioneered in Australia, is increasingly becoming an international standard for deciding how to prioritise national research infrastructure facilities and, subsequently, how to allocate funding.

The *2011 Strategic Roadmap for Australian Research Infrastructure*, released in September 2011, is the latest of three road maps. It builds on the experience of developing and implementing the *2008 Strategic Roadmap for Australian Research Infrastructure* and the *2006 National Collaborative Research Infrastructure Strategy Strategic Roadmap*, and takes into account stakeholder feedback and the positive findings about the road mapping process in the 2010 National Collaborative Research Infrastructure Strategy evaluation.

The 2011 road map describes 19 research infrastructure capability areas requiring national-level investment and coordination over the next five to 10 years. These capabilities are divided into two areas: research outcome targeted capabilities and enabling capability areas.

Research outcome targeted capabilities focus on a particular research outcome, recognising that the complex nature of answering today's research questions requires linkages, interaction and collaboration with many other areas. An example is the marine environment capability, which describes what is needed to drive an integrated and coordinated approach to data collection, storage and management, and modelling and interpretation of this data, to support a greater understanding of the marine environment.

Enabling capability areas enable research across a breadth of disciplines and also support the outcome targeted capabilities. An example is e-research infrastructure which comprises the ICT assets, facilities and services which support research within institutions and across national innovation systems and which contribute to the capacity of researchers to undertake excellent research and deliver innovation outcomes.

The process of developing the 2011 road map included strategic oversight from the National Research Infrastructure Council and involved extensive consultation. It included:

- establishment of six expert working groups to provide specialist advice;
- broad dissemination of a discussion paper developed by the expert working groups and the department; and
- release of an exposure draft of the road map for further comment.

CASE STUDY: QUANTUM LEAP FOR SCIENCE RELATIONS WITH INDIA

The Australia–India Strategic Research Fund (AISRF) is a bilateral program to support world-leading research, improve Australia’s access to the global science system and build durable links between the Australian and Indian research communities. The Australian Government’s commitment of \$64 million over the life of the program supports the participation of Australian researchers in joint activities with their Indian counterparts. The Government of India funds the Indian teams’ participation.

Sixty-nine joint AISRF research projects were underway in 2011–12. Among these was a joint research effort on quantum computing led by the 2011 NSW Scientist of the Year, Professor Michelle Simmons, and Dr Arindam Ghosh at the Indian Institute of Science in Bangalore.

Quantum computers offer the possibility of solving complex problems far beyond the scope of conventional computers. Scientists have had some success building comparatively simple quantum computing devices but much work remains to scale these up and increase their capacity for computation.

As we approach the quantum scale, electrical ‘noise’ becomes an increasingly significant problem. Drawing on the complementary skills of the two teams—in Australia the ability to fabricate the world’s smallest transistors, the fundamental component of a silicon chip, with an extremely high degree of precision and in India techniques to accurately measure noise in such devices—the scientists working on this project were able to produce silicon devices that showed noise levels far lower than had ever been observed before.

This research points to exciting new phenomena in the silicon material system. Work is underway to investigate this discovery with the exchange of multiple samples and personnel between Australia and India.

The initial findings have been published and attracted significant international attention. The new results are being prepared for publication in prestigious journals.

The department provided \$260,000 over three years to Professor Simmons’ team through an AISRF grant, which supported travel to India for her and her team, salary costs for a postdoctoral researcher and laboratory consumables. The Government of India supported the Indian team’s participation in this joint project.

Additional information on the AISRF program can be found at www.innovation.gov.au/aisrf



Professor Michelle Simmons and researchers at the University of New South Wales (Credit: UNSW).

CASE STUDY: COLLABORATIVE RESEARCH NETWORKS

The Collaborative Research Networks program (CRN program) is designed to encourage smaller, less research-intensive and regional higher education institutions to develop their research capacity by teaming up with other institutions in areas of common interest.

The department sought CRN applications and ran a competitive process which culminated in funding of \$61.5 million for 12 universities to lead research projects from 2011 to 2014. The universities have partnered with other institutions to combat pressing issues like the future of the Murray–Darling Basin, mental health, environmental management and regional development.

Cross-institutional collaboration of this kind is mutually beneficial to all CRN project partners and makes it possible for institutions to reach critical mass in important areas of research. This contributes to enhanced research profiles for institutions and increases the quality and capacity of the research undertaken in these universities.

The CRN program is, however, more than an investment in the nation's intellectual capital. CRN delivers benefits to communities, businesses and industries, and to the nation as a whole, by meeting local and regional research priorities.

One example of the important research being undertaken through this initiative is the CRN for Mental Health and Well-being in Rural Regions project based at the University of New England (UNE). Since the establishment of this CRN, UNE has expanded its strength in rural health research. The project is feeding into the education of 1,400 health professionals annually and is building links with rural communities and health providers in northern inland New South Wales and Victoria, focusing on investigating mental health and wellbeing, including health workforce sustainability, self-care, suicide, disabilities, sexuality, inclusion and biomedical science supporting rural mental health.

Another example is the CRN in Excellence in Research in Early Years Education based at Charles Sturt University (CSU). CSU is collaborating with Monash University and the Queensland University of Technology to undertake landmark research on critical areas of childhood learning, and establish a cumulative base of knowledge to drive Australian and international policy programs.

There has been positive feedback on the CRN program from stakeholders; therefore, the department invited the four eligible institutions that did not receive funding through the first stage of the CRN program to submit new applications for funding. A competitive selection process resulted in additional funding of \$19.6 million in total being provided to three regional universities (the Australian Catholic University, Bond University and the University of Notre Dame Australia) for CRN projects.

More details on current CRN projects can be viewed at www.innovation.gov.au/Research/CollaborativeResearchNetworks

PROGRAM 2.3 PROGRAM SUPPORT

Program 2.3 aims to build a strong science and research capacity through:

- providing advice concerning key issues for science and research policy;
- raising science awareness in the Australian community over time;
- building Australia's international reputation as a leading research performing nation; and
- the effective and efficient development, implementation and delivery of measures

and initiatives supporting the government's science and research policy interventions.

PERFORMANCE REVIEW

This section provides a summary of the department's performance against the deliverables and key performance indicators for Program 2.3 as set out in the DIISR 2011–12 Portfolio Budget Statements and the DIISRTE 2011–12 Portfolio Additional Estimates Statements. The 2011–12 performance estimates are based on the most recent information available to the department as published in the DIISRTE 2012–13 Portfolio Budget Statements.

Table 18: Deliverables and results achieved for Program 2.3

Deliverable: Targeted science awareness exhibitions and outreach programs.	
Measure	2011–12 Actual
Targeted science awareness exhibitions and outreach programs	Questacon delivered targeted science awareness exhibitions (at the centre and travelling exhibitions) as well as a range of outreach programs (including digital media activities).
Deliverable: Participation in and influence on international SKA decisions.	
Measure	2011–12 Actual
Participation in and influence on international SKA decisions	In 2011–12 the department effectively influenced international decisions through appropriate representation at key SKA strategy meetings and relevant activities in the SKA selection process.
Deliverable: Administrative and secretariat support for the Chief Scientist.	
Measure	2011–12 Actual
Administrative and secretariat support for the Chief Scientist	The Chief Scientist was supported effectively in the delivery of science advice through revised PMSEIC arrangements as well as advisory committees and in a science advocacy role.
Deliverable: Development of mission based compacts with universities.	
Measure	2011–12 Actual
Development of mission based compacts with universities	All compacts were developed and signed for the period 2011–13.
Deliverable: Efficient delivery of activities supporting government science and research policy interventions.	
Measure	2011–12 Actual
Efficient delivery of activities supporting government science and research policy interventions	The department delivered effective and efficient operational and administrative supports, including ICT services, policy advice and corporate services for programs and activities under Outcome 2.

PMSEIC = Prime Minister's Science, Engineering and Innovation Council; SKA = Square Kilometre Array

Table 19: Key performance indicators and results achieved for Program 2.3

Key performance indicator: Maintain effective and efficient usage of Questacon, including outreach programs			
<ul style="list-style-type: none"> ■ Questacon open to the public 364 days per year ■ Number of admissions to Questacon ■ Number of outreach programs ■ Number of participants to Outreach programs ■ Number of Q Club memberships. ⁽¹⁾ 			
Measure	2010-11 Actual	2011-12 Estimate	2011-12 Actual
Number of days open per year	364	365	365
Number of admissions to Questacon	430,020	435,000	449,366
Number of outreach programs	8	8	7 ⁽²⁾
Number of participants in outreach programs	139,418	125,000	118,546
Number of Q Club memberships	4,999	5,100	5,069
Key performance indicator: Positive contribution to international efforts associated with SKA projects			
<ul style="list-style-type: none"> ■ Positive contribution to international efforts associated with SKA projects. 			
Measure	2011-12 Actual		
Positive contribution to international efforts associated with SKA projects	The department provided a positive contribution to international efforts associated with SKA projects.		
Key performance indicator: Maintain administrative and secretariat support for the Chief Scientist			
<ul style="list-style-type: none"> ■ Effective PMSEIC meeting and delivery of work program ■ Delivery of reports, papers and advice. 			
Measure	2011-12 Actual		
Effective PMSEIC meetings and delivery of work program	PMSEIC meetings and work program were delivered effectively.		
Delivery of reports, papers and advice	Reports, papers and advice were delivered as required.		
Key performance indicator: Increase the research performance, transparency and accountability of Australian universities			
<ul style="list-style-type: none"> ■ Number of mission based compacts negotiated and signed. 			
Measure	2010-11 Actual	2011-12 Estimate	2011-12 Actual
Number of Higher Education Providers that sign compacts	0	41	41

PMSEIC = Prime Minister's Science, Engineering and Innovation Council; SKA = Square Kilometre Array

(1) Newly introduced in the DIISRTE 2012-13 PBS.

(2) Delivery of one planned outreach program was postponed due to a change in the delivery arrangements with the external host organisations for the Starlab program.

CASE STUDY: SQUARE KILOMETRE ARRAY

In May 2012, the SKA Organisation announced that the world's largest radio telescope, the Square Kilometre Array (SKA), will be jointly hosted across two sites, with different parts of the telescope located in Australia and South Africa.

This collaborative dual-site outcome was the result of over six years of joint effort by Australian and New Zealand science and government institutions and offers great prospects for science, technology and industry benefits for Australia and New Zealand.

The department coordinated the preparation of the bid document by Australia and New Zealand and it was submitted on 15 September 2011. The strong collaborative effort involved work by CSIRO, the International Centre for Radio Astronomy Research in Perth and the Australian, New Zealand and Western Australian governments.

The Australian SKA Pathfinder (ASKAP) telescope and related SKA developments represent an Australian Government investment of over \$350 million in astronomy, a strategic priority in the *2011 Strategic Roadmap for Australian Research Infrastructure*.

The department represented Australia at the international SKA Organisation and coordinated domestic preparations for the SKA bid. Preparing for the SKA in Australia required the establishment of a world-class radioastronomy observatory in Western Australia, the Murchison Radio-astronomy Observatory (MRO). Radio-quiet measures have been put in place to ensure the MRO's scientific value to Australian and global astronomy into the future.

The SKA telescope will be the world's largest and most sensitive radio telescope. SKA phase 1, due for completion in 2020, will consist of thousands of antennas and utilise separate antenna types for different science objectives.

In Australia, SKA phase 1 will include a 100-dish survey telescope, built as an expansion of the 36-dish ASKAP telescope, currently nearing completion at the MRO. Revolutionary phased array feed receiver technology invented by Australia's CSIRO and tested on ASKAP is expected to be utilised for the SKA survey telescope, increasing its field of view and allowing it to survey the universe at unprecedented speeds.

Australia will also play host to the SKA low-frequency array, consisting of hundreds of thousands of antennas, which will be used to look back billions of years to the formation of the first stars and galaxies.

The SKA will drive innovation in many areas, including computing, ICT and green energy. The SKA will also help in the development of new technologies with potentially wide-reaching applications. An example is CSIRO's phased array feed receiver technology, which may have further applications in fields such as medical imaging and security.

CASE STUDY: OFFICE OF THE CHIEF SCIENTIST

Following the appointment of Professor Ian Chubb AC as Australia's Chief Scientist in May 2011, the Office of the Chief Scientist (OCS) has actively supported the Chief Scientist to deliver high-level science advice to government and as an advocate for science.

Under the leadership of the Chief Scientist, staff in the OCS completed extensive research examining the status of Australian science, culminating in the publication of the *Health of Australian Science* report in May 2012. The comprehensive report profiles the strengths and vulnerabilities of Australia's present science capabilities, Australia's capacity to capture the benefits of emerging science areas and the increasing internationalisation of science.

Responding to a request by the Prime Minister seeking the Chief Scientist's assistance, the OCS assisted in the preparation of the *Mathematics, Engineering & Science in the National Interest* report, which examined means to encourage greater student participation in mathematics, statistics and science courses at university. The government's response to the report came in the form of a \$54 million package of measures announced in the 2012 Budget. These included a new position of National Mathematics and Science Education and Industry Adviser, to be based within the OCS.

During the year, the OCS launched the publication of a series of occasional papers designed to highlight scientific issues that are important to Australia's future, by taking evidence from the research world and translating it for a general audience.

Supporting the Chief Scientist's role as executive officer of the Prime Minister's Science, Engineering and Innovation Council (PMSEIC), the OCS played a key role in implementing revised membership and operational arrangements. The changes, agreed to by the Prime Minister, aimed to provide a high-level, nimble and flexible scientific advisory capability to government. Under new arrangements announced in January 2012, the Australian Council of Learned Academies will work with the Chief Scientist to undertake essential research in support of the PMSEIC forward work program 'Securing Australia's Future', supported by \$10 million in funding from the Australian Research Council.

Additional information on the Office of the Chief Scientist can be found at www.chiefscientist.gov.au

PURCHASER-PROVIDER ARRANGEMENTS

There were no purchaser-provider arrangements for Outcome 2.

EVALUATIONS

The following evaluation for Outcome 2 was undertaken in 2011-12.

LEARNED ACADEMIES

The Learned Academies and the Australian Council of Learned Academies (ACOLA) are important national assets that provide advice to

government on issues of national and international significance. They play a distinctive role in promoting and fostering research and scholarship in all disciplines, enabling innovation.

In 2012 the department released *Pursuit of Excellence—2012 Review of government funding to the Learned Academies*. Australian Government funding to the Learned Academies and ACOLA is regularly reviewed. The latest review focused on 'Higher Education Support Act 2003—Higher Education Research Promotion (HESA-HERP)' and 'Learned Academies—supplementation funding' from 1 January 2006 to 31 December 2010.

The latest review concluded that the Learned Academies and ACOLA provide a unique and critical role in promoting and fostering

excellence in research which underpins the national innovation system. The value of the Learned Academies resides not only in their critical role in recognising, rewarding and promoting the pursuit of excellence per se, but also in their capacity to mobilise this talent to contribute independent, evidence-based advice on important issues. As such, the Learned Academies are a valuable resource for governments and for the nation.

Chapter 5: Outcome 3— Report on performance

OUTCOME 3: A GROWTH IN SKILLS, QUALIFICATIONS AND PRODUCTIVITY THROUGH FUNDING TO IMPROVE TEACHING QUALITY, LEARNING, AND TERTIARY SECTOR INFRASTRUCTURE, INTERNATIONAL PROMOTION OF AUSTRALIA'S EDUCATION AND TRAINING SECTORS, AND PARTNERSHIPS WITH INDUSTRY.

On 12 December 2011, the Prime Minister announced that the tertiary education, skills and international education functions of the Department of Education, Employment and Workplace Relations (DEEWR) would be transferred to the Department of Innovation, Industry, Science and Research to create better links between industry, innovation, science, research and tertiary education and recognise the importance of higher education and vocational education and training in industry, innovation, science and research. The machinery-of-government arrangements were announced on 15 December 2011.

Outcome 3 and its programs provide the framework in which DIISRTE organises the education and skills functions transferred to it from DEEWR.

OUTCOME 3 OVERVIEW

Australia's education and training system contributes to our quality of life and productivity by offering students opportunities to gain the knowledge, skills and attributes necessary for effective social and economic participation in a globally connected, diverse, flexible, creative and committed workforce.

To support the achievement of these goals, the department works closely with industry, education and training providers and state and territory governments to improve access to high-quality vocational and higher education, increase support for students from disadvantaged backgrounds to help them complete qualifications and support more businesses to train their employees for the skilled jobs needed by our future economy.

Income-contingent loans and student income support are important initiatives that reduce financial barriers for people who might not otherwise be able to participate in tertiary education. Strong partnerships and co-investment with industry are essential to improve the tertiary system's responsiveness to current and emerging needs of industry.

Internationally, the department's support for international education and engagement in government to government and multilateral forums ensures that Australia's education system is recognised as world class and globally connected.

The department's progress towards the outcome is assessed and reported in this chapter under seven programs:

- Program 3.1: Higher education support;
- Program 3.2: Higher Education Loan Program;
- Program 3.3: Tertiary student assistance;
- Program 3.4: Vocational education and training;
- Program 3.5: VET national support;
- Program 3.6: International education support; and
- Program 3.7: Program support.

PROGRAM 3.1 HIGHER EDUCATION SUPPORT

The Australian higher education system makes a fundamental contribution to Australia's intellectual, economic, cultural and social development. Through higher education we build the professional workforce, develop future leaders, drive much of our economic and regional success, and facilitate cultural and trade links with other countries. The Australian Government is the primary source of public funding for Australian universities under the *Higher Education Support Act 2003*.

To achieve growth in skills, qualifications and productivity, Program 3.1 is implementing funding reforms aimed at:

- increasing the number of domestic undergraduate Commonwealth supported places in bachelor level courses at public universities;
- ensuring greater participation by people from low socioeconomic status backgrounds and Aboriginal and Torres Strait Islander people;
- increasing participation in maths and science; and
- ensuring that a quality higher education system is maintained.

COMPONENTS

Sixteen components of Program 3.1 contribute to achieving objectives, as shown in Table 20.

Table 20: Components of Program 3.1

Program components
Capital Development Pool
Commonwealth Grant Scheme
<i>Commonwealth Grants Scheme</i>
<i>Enabling Loading</i>
<i>JCU Dental School Outreach Funding</i>
<i>Regional Loading</i>
<i>Transition Fund</i>
Commonwealth Scholarships Program
Disability Support Program
Diversity and Structural Adjustment Fund
Education Investment Fund
Higher Education Participation and Partnerships Program
Higher Education Special Projects
Indigenous Higher Education Advisory Council
Indigenous Support Program
MyUniversity website
National institutes
Open learning initiatives
Promotion of Excellence in Learning and Teaching in Higher Education
Quality initiatives
Superannuation program

JCU = James Cook University

PERFORMANCE REVIEW

This section provides a summary of the department's performance against the deliverables and key performance indicators for Program 3.1, which were initially set out in the DEEWR 2011–12 Portfolio Budget Statements but subsequently refined and restructured in the process of integration into the DIISRTE performance reporting framework and 2012–13 Portfolio Budget Statements. The 2011–12 performance estimates are based on the most recent information available to the department as published in the DIISRTE 2012–13 Portfolio Budget Statements.

Table 21: Deliverables and results achieved for Program 3.1

Deliverable: Provision of funding to higher education providers to support higher education student places.			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Number of Commonwealth supported domestic undergraduate places	469,206	486,500	485,694
Number of Commonwealth supported domestic postgraduate coursework places	30,104	32,500	32,082
Number of Commonwealth Grant Scheme (CGS) medical places	11,288	12,500	12,244
Number of regional campuses under the CGS for which regional loading is applied	85	85	85
Number of enabling CGS places	7,867	8,200	8,042
Number of CGS places for which Transitional Loading is provided	50,959	62,000	65,008
Deliverable: Provision of funding to support infrastructure projects at higher education institutions.			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Number of Capital Development Pool projects funded	39	1	1
Number of projects supported by the Structural Adjustment Fund	2	11	11
Number of projects supported by the Education Investment Fund	39	46	46
Deliverable: Provision of learning and teaching awards and funding to support learning and teaching projects. ⁽¹⁾			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Number of learning and teaching projects supported by the Promotion of Excellence in Learning and Teaching in Higher Education program	n/a	40	46
Deliverable: Provision of Commonwealth scholarships.			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Number of scholarships allocated to higher education providers	37,365	19,505	14,344
Deliverable: Provision of supplementary support—Indigenous and low SES.			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Number of Indigenous students supported (Indigenous Support Program)	10,965	11,000	11,391
Number of domestic undergraduate low SES enrolments (Higher Education Participation and Partnerships Program)	102,027	106,000	107,792

SES = socioeconomic status

(1) Newly introduced in the DIISRTE 2012–13 PBS.

Note: Figures for 2011–12 relate to the 2011 calendar year and figures for 2010–11 relate to the 2010 calendar year.

Table 22: Key performance indicators and results achieved for Program 3.1

Key performance indicator: Increased student participation in higher education			
<ul style="list-style-type: none"> ■ Total number of domestic student enrolments in higher education ■ Total number of student completions in higher education ■ Proportion of 25–34 year olds with bachelor degree of higher education. 			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Number of domestic enrolments (full-time equivalents)	608,522	632,000	627,673
Number of domestic postgraduate enrolments (full-time equivalents)	101,347	106,000	104,412
Number of undergraduate completions	175,809	185,000	182,544
Number of postgraduate coursework completions	103,390	108,000	106,929
Proportion of 25–34 year olds with bachelor degree of higher education (%)	34.0	35.0	35.0
Key performance indicator: Increased participation by previously under-represented groups			
<ul style="list-style-type: none"> ■ Total number of domestic undergraduate low SES enrolments ■ Interim composite measure of the number of domestic undergraduates in low SES ■ Total number of Indigenous student enrolments ■ Proportion of higher education undergraduate students from a low SES background. 			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Number of domestic undergraduate low SES enrolments (1)	102,027	106,000	107,792
Interim composite measure of the number of domestic undergraduates in low SES (2)	82,946	86,000	87,730
Number of Indigenous students by selected higher education course level categories	11,088	11,600	11,753
Proportion of higher education undergraduate students from a low SES background (%) (1)	16.5	16.5	16.8
Key performance indicator: Improved quality in higher education			
<ul style="list-style-type: none"> ■ Higher education graduates in full-time employment within four months of completion of degree as a proportion of those available for work ■ Graduate starting salaries as a proportion of Male Average Weekly Earnings. 			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Higher education graduates in full-time employment within four months of completion of degree as a proportion of those available for work (%)	76.2	76.6	76.3 (3)
Graduate starting salaries as a proportion of Male Average Weekly Earnings (%)	79.8	79.1	78.1 (3)

SES = socioeconomic status

(1) Based on the number of domestic onshore students attending all providers in low SES postcodes.

(2) Based on the number of students attending Table A universities.

(3) The graduate labour market has softened in response to the global financial crisis.

Note: Figures for 2011–12 relate to the 2011 calendar year and figures for 2010–11 relate to the 2010 calendar year.

CASE STUDY: EDUCATION INVESTMENT FUND

The Education Investment Fund (EIF) is building a modern, productive, internationally competitive Australian economy by supporting world-leading, strategic capital infrastructure investments that will transform Australian tertiary education and research. By investing in significant capital infrastructure, the EIF is transforming Australia's knowledge generation and teaching capabilities, boosting participation in tertiary education, positioning Australia to meet its skills needs, now and into the future, and enhancing Australia's innovation capacity.

The University of New South Wales received \$75 million from the EIF to develop a new, energy-efficient teaching and research facility for energy technologies. The recently completed Tyree Energy Technologies Building incorporates technology developed by the university which has helped the building achieve a six-star Green Star rating.

The building's laboratories support research in state-of-the-art solar photovoltaic technologies, sustainable clean fuels, smart grids, energy storage, energy economics and energy policy development. The building supports industry collaboration on matters critically important to Australia's energy security, as well as providing a formal learning space for 300 engineering students.

The building is described as a 'living laboratory' because occupants are able to monitor live energy consumption and productivity data, and adjust their behaviour and systems to improve the building's overall environmental performance.

The Tyree Energy Technologies Building is the focal point for the university's Centre for Energy Research and Policy Analysis and builds on 30 years of energy teaching and research leadership at the University of New South Wales.

Projects funded from the EIF build teaching capacity in the tertiary education sector, support the discoveries of researchers, and transfer knowledge to industry to make our economy stronger and more globally competitive.

To date, the Australian Government has committed \$4.554 billion for infrastructure projects in the higher education, vocational education and training, and research sectors. This funding includes \$500 million for the current EIF Regional Priorities Round, the outcomes of which will be announced later in 2012. The EIF has funded 61 large-scale infrastructure projects—42 in the higher education and vocational education and training sectors, and 19 in the research sector. Twenty projects had been fully completed at 30 June 2012.

The EIF has made a significant contribution to Australia's capacity to deliver world-class teaching, training and research. With further projects to be announced under the Regional Priorities Round, the EIF will continue to play an important role in building Australia's critical tertiary education and research infrastructure.



University of New South Wales Tyree Energy Technologies Building—photograph by Richard Drew, Slikpics

CASE STUDY: MYUNIVERSITY WEBSITE

The Australian Government's response to the Bradley review report, *Transforming Australia's higher education system*, emphasised the importance of putting students at the centre of the government reforms; providing clear information about what and where to study; and providing funding that meets student demand. The review coupled this with ambitious targets, rigorous quality assurance and full transparency to meet Australia's knowledge and skills challenges.

Launched by Senator the Hon Chris Evans in April 2012, the MyUniversity website is helping to fulfil these aims and underpins Australia's vision to be one of the most highly educated and skilled nations in the world. MyUniversity supports the move to a new, more student-centred and transparent higher education system. With students having more choice about what and where to study, they now have access to meaningful information about higher education providers.

For the first time MyUniversity provides information in a centrally accessible format that allows comparisons between Australian higher education providers. The website includes:

- a range of course information;
- information about student services and campus facilities;
- the results of student satisfaction surveys;
- the results of graduate outcomes; and
- information about research student numbers and scholarships.

Since the launch of the website, there have been more than 950,000 page views across the site. The department has received feedback from students and their parents welcoming the opportunity to be able to access this valuable information on a government website.

In future phases of the website, the department will work with higher education providers to enhance the information published on the site. This will ensure the website continues to assist students to make informed choices about their higher education studies.

The MyUniversity website, <http://myuniversity.gov.au/>, provides information in a centrally accessible format that allows comparisons between Australian higher education providers.



The Minister for Tertiary Education, Skills, Science and Research, Senator the Hon Chris Evans, at the official launch of the MyUniversity website at Narrabundah College in the Australian Capital Territory, in April 2012.

PROGRAM 3.2 HIGHER EDUCATION LOAN PROGRAM

The Australian Government supports access to and participation in higher education and vocational education and training through the provision of

income-contingent loans to assist students with the cost of their tuition.

Program 3.2 aims to increase access to and participation in higher education and vocational education and training through the provision of income-contingent loans that remove the upfront cost barriers to tertiary education and training.

COMPONENTS

Five components of Program 3.2 contributed to achieving objectives in 2011–12, as shown in Table 23.

Table 23: Components of Program 3.2

Program components
HECS-HELP
FEE-HELP
OS-HELP
SA-HELP
VET FEE-HELP

PERFORMANCE REVIEW

This section provides a summary of the department's performance against the deliverables and key performance indicators for Program 3.2, which were initially set out in the DEEWR 2011–12 Portfolio Budget Statements but subsequently refined and restructured in the process of integration into the DIISRTE performance reporting framework and 2012–13 Portfolio Budget Statements. The 2011–12 performance estimates are based on the most recent information available to the department as published in the DIISRTE 2012–13 Portfolio Budget Statements.

Table 24: Deliverables and results achieved for Program 3.2

Deliverable: Provision of HELP loans to higher education students.			
Measure	2010–11	2011–12	2011–12
	Actual	Estimate	Actual
Number of Commonwealth supported places for which HECS-HELP loans paid	395,177	398,000	414,709
Number of places for which FEE-HELP loans paid	64,766	82,000	70,849
Number of OS-HELP loans to assist students to undertake some of their course overseas	4,086	6,000	5,035
Number of SA-HELP loans to assist students to pay their services and amenities fees	n/a	0	0 ⁽¹⁾
Equivalent full-time students assisted to study diploma and above qualifications under the VET FEE-HELP scheme	20,108	43,700	28,570 ⁽²⁾

(1) No loans were provided in 2011 because the legislation did not pass until September 2011.

(2) The VET FEE-HELP Scheme is a demand driven student loan scheme. The actual result was lower than estimated due to lower than expected take-up rates by students.

Note: Figures for 2011–12 relate to the 2011 calendar year and figures for 2010–11 relate to the 2010 calendar year.

Table 25: Key performance indicators and results achieved for Program 3.2

Key performance indicator: Percentage of the relevant full-time higher education students (Table A provider only) population receiving support under			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
	<ul style="list-style-type: none"> ■ HECS-HELP ■ FEE-HELP.⁽¹⁾ 		
HECS-HELP (%)	88.6	88.7	88
FEE-HELP (%)	3.4	4.2	3.8
Key performance indicator: Students who are able to repay their HELP debts do so ⁽²⁾			
■ Trends in repayment patterns.			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Average amount of debt (\$)	14,402	15,200	Unavailable ⁽³⁾
Average number of years to repay debt	8.1	8.3	Unavailable ⁽³⁾
Proportion of new debt not expected to be repaid (%)	16	17	Unavailable ⁽³⁾

(1) The 2011–12 estimates were published in the DEEWR 2011–12 PBS. This key performance indicator was replaced with a new indicator introduced in the DIISRTE 2012–13 PBS 'Students who are able to pay their HELP debt do so'.

(2) Newly introduced in the DIISRTE 2012–13 PBS.

(3) The 2011–12 actual figure is not available from the Australian Taxation Office until approximately October 2012.

Note: Figures for 2011–12 relate to the 2011 calendar year and figures for 2010–11 relate to the 2010 calendar year.

CASE STUDY: VET FEE-HELP—INCREASING ACCESS TO TERTIARY EDUCATION AND TRAINING FOR ALL

VET FEE-HELP is part of the Higher Education Loan Program and assists eligible students undertaking VET diploma level and above courses by allowing them to access a loan, up to the FEE-HELP limit, to pay their tuition fees. In 2012, the general FEE-HELP limit is \$89,706. Students do not need to start repaying their loan to the government until their income exceeds a certain level, which is \$47,195 in the 2011–12 income year.

VET FEE-HELP delivers a specific benefit by allowing approved VET FEE-HELP providers to offer loans to eligible students. For students, VET FEE-HELP provides the chance to undertake higher level tertiary studies that they may not otherwise have undertaken because of the cost of tuition fees. As at 30 June 2012 there were 113 approved VET FEE-HELP providers across the country offering VET FEE-HELP assistance to their students.

VET FEE-HELP makes tertiary study an option for all Australians and permanent humanitarian visa holders. VET FEE-HELP is helping to boost the number of highly skilled Australians with improved qualification levels by removing the financial burden of upfront tuition fees for tertiary study.

In 2011, nearly 70,000 students were eligible for VET FEE-HELP assistance. Of these students, more than 39,000 accessed VET FEE-HELP, a 50 per cent increase in the number in 2010.

Between 2010 and 2011 there was a 53 per cent increase in the number of Indigenous Australians accessing a VET FEE-HELP loan and an increase of 86 per cent in the number of students from regional/remote areas accessing a VET FEE-HELP loan.

In 2011, a total of \$205 million of VET FEE-HELP assistance was provided to eligible students. VET FEE-HELP students were enrolled in 375 VET courses of study in 2011. The department must ensure that VET FEE-HELP continues to meet the needs of tertiary education providers and students, to provide access to the skills and qualifications that Australia needs.

Following an agreement reached between the Australian government and the state and territory governments at the COAG meeting in April 2012, VET FEE-HELP will progressively be extended to include loans for subsidised training places.

Additional information on VET FEE-HELP can be found at: studyassist.gov.au/sites/studyassist/help-payingmyfees/vet-fee-help

PROGRAM 3.3 TERTIARY STUDENT ASSISTANCE

An important part of the government's strategy to achieve its tertiary education targets is to encourage and assist young people to remain in education and training through student income support programs such as 'Youth Allowance (student)' and Austudy.

Through the provision of student income support, Program 3.3 aims to increase:

- the proportion of Australians with tertiary qualifications; and
- access and participation by Indigenous Australian students in vocational education and training and higher education and accelerate their educational outcomes.

COMPONENTS

Three components of Program 3.3 contributed to achieving objectives in 2011–12, as shown in Table 26.

Table 26: Components of Program 3.3

Program components
Austudy
Fares Allowance
Youth Allowance (student)

PERFORMANCE REVIEW

This section provides a summary of the department's performance against the key performance indicators for Program 3.3, which

were initially set out in the DEEWR 2011–12 Portfolio Budget Statements but subsequently refined and restructured in the process of integration into the DIISRTE performance reporting framework and 2012–13 Portfolio Budget Statements. The 2011–12 performance estimates are based on the most recent information available to the department as published in the DIISRTE 2012–13 Portfolio Budget Statements.

Table 27: Key performance indicators and results achieved for Program 3.3

Key performance indicator: Increased take-up of student income support through Austudy			
■ Number of students in receipt of Austudy.			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Average number of higher education students in receipt of Austudy during the year	26,732	27,810	28,302
Average number of Australian Apprentices and students attending a TAFE college or private training institution in receipt of Austudy during the year	8,962	9,270	8,949
Average number of higher education and VET students in receipt of Austudy during the year (total)	35,694	37,080	37,251
Key performance indicator: Increased take-up of student income support through Youth Allowance (student)			
■ Number of students in receipt of Youth Allowance (student).			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Average number of higher education students in receipt of Youth Allowance (student) during the year	151,416	180,000	155,810 ⁽¹⁾
Average number of Australian Apprentices and students attending a TAFE college or private training institution (VET students) in receipt of Youth Allowance (student) during the year	35,023	40,000	32,694 ⁽¹⁾
Average number of higher education and VET students in receipt of Youth Allowance (student) during the year (total)	186,439	220,000	188,505 ⁽¹⁾
Average number of secondary students in receipt of Youth Allowance (student) during the year	120,710	80,000	101,331 ⁽²⁾
Key performance indicator: Provide targeted assistance for Indigenous education			
■ Number of institutions in receipt of funding support.			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Number of eligible institutions in receipt of Away from Base for mixed-mode delivery funding during the year	29	28	28
Number of eligible institutions in receipt of Indigenous Tutorial Assistance Scheme—Tertiary Tuition funding during the year	40	40	40
Number of eligible institutions in receipt of Indigenous Tutorial Assistance Scheme for non-government VET funding during the year	10	11	11
Number of eligible institutions in receipt of Supplementary Recurrent Assistance for non-government VET funding during the year	27	26	25

(1) The forecasting methodology for this program is being reviewed to improve the accuracy of future estimates.

(2) The actual result was greater than expected due to fewer families than expected accessing Family Tax Benefit instead of Youth Allowance following increases to the Family Tax Benefit scheme from January 2012.

CASE STUDY: YOUTH ALLOWANCE (STUDENT)

Since 2010, the Australian Government has been progressively implementing a package of reforms to student income support in response to the recommendations of the Bradley Review of Australian Higher Education.

The reforms have resulted in more students receiving the financial support they need to pursue a university education.

In the two years since the start of the reforms, an additional 29,000 university students have received Youth Allowance—a 21 per cent increase in general and a 32 per cent increase for regional students.

With the changes to the parental income test arrangements, over 137,000 students have benefited by receiving the maximum rate, a higher rate or a payment of Youth Allowance for the first time. Around 45,000 of these were from regional areas.

Over 39,000 students, including 31,500 university students, have received Youth Allowance as a result of the lowering of the age of independence from 25 years to 22 years.

With the introduction of the Student Start-Up Scholarship and Relocation Scholarship, around 337,000 university students (including ABSTUDY recipients) have received at least one scholarship payment.

The government undertook a comprehensive review of its student income support reforms. The review, which was headed by Professor Kwong Lee Dow AO, reported to the government on 8 July 2011. The report was tabled in parliament on 14 September 2011.

As a result of the government's response to the review, new eligibility arrangements were implemented from 1 January 2012. These arrangements enabled students from inner regional areas to be assessed as independent under the concessional workforce participation arrangements applying to students from outer regional, remote and very remote locations. This is expected to benefit around 5,500 inner regional students each year. Eligible regional university students receiving Youth Allowance now receive a higher Relocation Scholarship payment in their second and third years of living away from home to study. This is expected to benefit over 15,000 regional university students each year.

PROGRAM 3.4 VOCATIONAL EDUCATION AND TRAINING

The objectives of Program 3.4 are to negotiate, implement and monitor the National Agreement for Skills and Workforce Development and the associated National Partnership Agreement on Skills Reform, in accordance with the agreed COAG principles and the framework of the Intergovernmental Agreement on Federal Financial Relations.

PERFORMANCE REVIEW

The DEEWR 2011–12 Portfolio Budget Statements did not set out any deliverables and key performance indicators for Program 3.4. This section provides a summary of the department's performance against the deliverables for this program as newly developed in the process of integration into the DIISRTE performance reporting framework and 2012–13 Portfolio Budget Statements.

Table 28: Deliverables and results achieved for Program 3.4

Deliverable: A National Agreement for Skills and Workforce Development agreed by COAG for implementation from 1 July 2012. ⁽¹⁾	
Measure	2011–12 Actual
A National Agreement for Skills and Workforce Development agreed for implementation by COAG from 1 July 2012	The agreement was signed on 13 April 2012.
Deliverable: National Partnership Agreement on Skills Reform agreed by COAG for implementation from 1 July 2012. ⁽¹⁾	
Measure	2011–12 Actual
National Partnership Agreement on Skills Reform agreed by COAG for implementation from 1 July 2012	The agreement was signed on 13 April 2012.

(1) Newly introduced in the DIISRTE 2012–13 PBS.

CASE STUDY: NATIONAL PARTNERSHIP AGREEMENT ON SKILLS REFORM

COAG agreed to the National Partnership Agreement on Skills Reform on 13 April 2012. Through the agreement, all states and territories agreed a range of reforms to create a more accessible and equitable training system; a more transparent VET sector; a higher quality training sector; and a more efficient VET sector that responds to the needs of students, employers and industry.

The key reforms to be delivered under the new agreement include:

- ensuring working-age Australians without qualifications can get the skills they need, by introducing a national training entitlement for a government-subsidised training place to at least the first Certificate III qualification;
- reducing upfront costs for students undertaking higher level qualifications, by offering income-contingent loans for government-subsidised diplomas and advanced diplomas;
- improving the confidence of employers and students in the quality of training courses, by developing and piloting independent validation of training provider assessments;
- developing and implementing strategies which enable TAFEs to operate effectively in an environment of greater competition, recognising their important function in delivering training for industry, regions, communities and disadvantaged learners;
- improving access to information over time, about training options, training providers and provider quality on a new My Skills website, so students and employers can make better choices about the training they need; and
- over five years, helping an additional 375,000 students to complete their qualifications, and improving training outcomes for higher level skills, Indigenous Australians and other priority areas.

To support the VET reforms, the Australian Government has committed \$1.75 billion over five years under the national partnership. This is in addition to the \$1.4 billion per year it provides to states and territories for their VET system under the Intergovernmental Agreement on Federal Financial Relations and in line with the objectives of the National Agreement for Skills and Workforce Development.

The Australian Government and the States will agree Implementation Plans under the National Partnership Agreement on Skills Reform that set out each jurisdiction's strategies and actions for delivering the VET reforms. According to a COAG meeting communique of 13 April 2012:

These reforms will support Australian businesses and drive improvements in productivity by growing the pool of skilled workers, encouraging existing workers to up-skill and supporting higher levels of workforce participation.

In this way, the National Partnership will generally contribute to Outcome 3 of the portfolio budget statements. The National Partnership particularly relates to Program 3.4, Vocational Education and Training, as outlined in the DIISRTE Portfolio Budget Statements 2012–13:

The National Agreement for Skills and Workforce Development sets out the commitment between the Commonwealth and states and territories to work toward increasing the skill levels of all Australians, including Aboriginal and Torres Strait Islander people.

The National Partnership Agreement on Skills Reform can be viewed at www.federalfinancialrelations.gov.au/content/national_partnership_agreements/Other/COAG/Skills%20Reform.pdf

PROGRAM 3.5 VET NATIONAL SUPPORT

VET is an important part of Australia's post-school education and training system. It provides training to enable Australians to enter the workforce for the first time, re-enter the workforce, retrain for a new job and obtain new work-related skills. It delivers the vocational skills needed by growing sectors of the economy and provides pathways for the development of higher level skills, contributing directly to productivity growth.

Program 3.5 aims to raise skill levels of the Australian workforce by providing national support for VET through funding for skill development, including:

- placing industry at the heart of the training effort;
- supporting the development of skills for new roles and emerging industries and

encouraging innovation and the deployment of new technologies across Australian industry;

- reforming the apprenticeship system to make it modern and flexible with a focus on improving completion;
- increasing workforce participation by giving disadvantaged Australians the skills they need to get a job; and
- supporting individuals affected by structural change in the Australian economy to develop new skills.

COMPONENTS

The components of Program 3.5 that contributed to achieving objectives in 2011–12 are listed in Table 29.

Table 29: Components of Program 3.5

Program components

Australian Apprenticeships Access

Australian Apprenticeship Centres

Australian Apprenticeships Workforce Skills Development

- Clean Sustainable Skills Package—Green Skills Agreement*
- Group Training in the Trades*
- Implementing the Federal Financial Relations Reporting Framework*
- Industry Training Strategy*
- My Skills website*
- National Training System—Commonwealth Own-Purpose Grants*
- Productivity Places—combines re-entrants (job seekers) and existing workers*
- Skills for the Carbon Challenge*
- Strengthened Role of Industry Skills Councils*
- Training Initiatives for Indigenous Adults in Regional and Remote Communities (COAG Work Skills Vouchers)*
- Vocational Education Network*
- Workforce Innovation (formerly Strategic Intervention, including National Skills Shortages Strategy)*

Critical Skills Investment Fund

Education Investment Fund

Language, Literacy and Numeracy Program

More Help for Mature Age Workers (Investing in Experience-Skills Recognition and Training)

National Centre for Vocational Education Research

National Foundation Skills Strategy

National training programs

- Incentives for Higher Technical Skills (non-Australian Apprenticeship)*
- Job Ready Program—Trades Recognition Australia*
- National Disability Coordination Officer Program*
- National Programs*
- National Standards Councils (National VET Regulator)*

National Workforce Development Fund

Support for Australian Apprenticeships (the Australian Apprenticeships Incentives Program)

- Apprentice Work Team*
- Apprenticeships—Queensland Disaster Recovery*
- Support for Australian Apprenticeships*

Support for competency-based progression

The Right Trade for You

Trade Apprentice Mentoring Initiative

Workplace English Language and Literacy

PERFORMANCE REVIEW

This section provides a summary of the department's performance against the deliverables for Program 3.5, which were initially set out in the DEEWR 2011–12 Portfolio Budget Statements but subsequently refined and restructured in the process of integration into the DIISRTE performance reporting framework and 2012–13 Portfolio Budget Statements. The 2011–12 performance estimates are based on the most

recent information available to the department as published in the DIISRTE 2012–13 Portfolio Budget Statements.

Table 30: Deliverables and results achieved for Program 3.5

Deliverable: Provision of assistance through the support for Australian Apprenticeships program (the Australian Apprenticeships Incentives Program).			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Number of organisations contracted to provide services by Australian Apprenticeship Centres	28	28	28
Total number of employers assisted nationally	106,951	103,313	107,180
Total number of Australian Apprentices assisted nationally through Personal Benefits	160,397	164,437	190,400
Deliverable: Provision of assistance through the Australian Apprenticeships Workforce Skills Development program.			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Total number of job seekers assisted by the Productivity Places Program	71,893	70,373	113,821 ⁽¹⁾
Total number of Existing Workers assisted by the Productivity Places Program	107,463	109,628	124,650 ⁽¹⁾
Number of pre-vocational places supported in trade areas by the Group Training in the Trades Program	687	832	586 ⁽²⁾
Deliverable: Provision of assistance through the Australian Apprenticeships Access Program.			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Number of eligible job seekers assisted through the Australian Apprenticeships Access Program	8,168	9,500	8,538 ⁽³⁾
Deliverable: Provision of assistance through the Workplace English Language and Literacy Program.			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Number of individuals assisted through the Workplace English Language and Literacy Program	14,219	17,240	11,911 ⁽⁴⁾
Deliverable: Provision of assistance through the Language, Literacy and Numeracy Program.			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Number of individuals assisted through the Language, Literacy and Numeracy Program	20,461	21,000	21,121
Deliverable: Provision of support through the Incentives for Higher Technical Skills Program.			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Number of employment-based vocational diploma or above training places created by the Incentives for Higher Technical Skills Program	102	201	228
Deliverable: Provision of support through the National Disability Coordination Officer Program.			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Number of National Disability Officers funded (Full-time Equivalent)	42	31	31
Deliverable: Provision of support through the National Workforce Development Fund. ⁽⁵⁾			
Measure	2010–11 Actual	2011–12 Estimate	2011–12 Actual
Number of existing and new workers trained	n/a	Unavailable	52,767

(1) Data was derived from jurisdictions' 2011 Annual Reports and June 2012 Quarterly Reports (under National Partnership and COPE arrangements). The program ceased on 30 June 2012.

(2) The program ceased on 30 June 2012. The funding from this program will be redirected to support other apprenticeship measures within the Building Australia's Future Workforce package.

(3) The program successfully utilised 90 per cent of its commencement places despite the impacts on performance by external factors.

(4) Commencement data is collected from final reports at project end. The low 2011–12 figures reflect the tail end of the impact of the global economic downturn in 2010–11. There has also been a significant slowing of Indigenous Employment Program (IEP) commencements in anticipation of the integrated arrangements under the new Remote Jobs and Communities Program.

(5) Newly introduced in the DIISRTE 2012–13 PBS.

CASE STUDY: AUSTRALIAN GOVERNMENT SKILLS CONNECT

Australian Government Skills Connect was announced in September 2011. It targets pressures emerging in the economy and aims to ensure employers and workers are better able to access training support. The initiative was developed because the government wanted to introduce flexibility so that employers could bring forward whole-of-workforce proposals.

Australian Government Skills Connect was established as an employer's gateway to information and support, connecting Australian Government services and funding to meet the unique needs of business and industry for training and workforce development. It has enabled employers with whole-of-workforce proposals to draw on a number of funding programs, including the National Workforce Development Fund, the Workplace English Language and Literacy Program, the Accelerated Australian Apprenticeships initiative (formerly Support for Competency Based Progression), the Australian Apprenticeships Mentoring Program (formerly Trade Apprentice Mentoring Initiative), and Investing in Experience – Skills Recognition and training (formerly More Help for Mature Age Workers).

The National Australian Government Skills Connect Workshop, in February 2012, launched a cross-organisation network of regional and industry experts to assist and advise employers on business and workforce planning, which are drivers for workforce development and productivity. The experts include industry skills councils; Enterprise Connect business advisers; education and training advisers; regional education, skills and jobs coordinators; and local employment coordinators.

The Barangaroo South project, an expansive new development in Sydney's central business district, illustrates what can be achieved through Australian Government Skills Connect. Through the Construction and Property Services Industry Skills Council, the Australian Government is providing funding to Lend Lease to support a whole-of-workforce planning and development initiative. The project draws on funding from four Australian Government Skills Connect programs and advances the government's commitment to improving outcomes for priority groups, such as Indigenous Australians and adults with low language, literacy and numeracy skills. It is an example of industry leadership and engagement to develop, harness and utilise and retain the skills and abilities of a vast workforce, including mature-age workers.

More information can be found on the Australian Government Skills Connect website at www.skillsconnect.gov.au

CASE STUDY: THE RIGHT TRADE FOR YOU

The Right Trade for You program funds advisers to provide industry or occupation specific information to potential Australian Apprenticeship candidates to help them choose the right apprenticeship pathway.

In 2012, Master Builders Australia (MBA) received funding for its project 'Your Pathway into Building and Construction'. The project employs 10 apprenticeship engagement officers operating throughout the network of MBA offices. The apprenticeship engagement officers provide direct support to potential Australian Apprenticeship candidates, providing them with up-to-date information on employment demand and conditions across all occupations in the building and construction industries. The apprenticeship engagement officers also provide training to front-line staff to assist them to further support potential Australian Apprentices. Throughout the life of the project, apprenticeship engagement officers will visit over 600 schools and community events. They will also develop a range of resource materials for potential Australian Apprenticeship candidates and a series of fact sheets that provide realistic industry-specific information regarding work in the building and construction industries.

The building and construction industries are a key driver of the Australian economy and have been among the fastest growing industry sectors. They are also industries where many existing workers left the formal education system early, and while they have strong industry experience, they hold no post-school qualifications. The MBA project is one approach to improve the skill levels of those working in the industries, by providing potential Australian Apprenticeship candidates with accurate, timely and industry-specific advice. This will help increase the retention rates of those undertaking Australian Apprenticeships in the building and construction industry as they make more informed decisions.

Interest in the MBA project, particularly from schools, school leavers and job seekers, has far exceeded the expected demand. There has been real value in having dedicated staff working on the project, which has allowed engagement with schools and the community on a much larger scale than would otherwise have been possible. The project has demonstrated that there is a need for services which provide industry-specific information to people interested in undertaking an Australian Apprenticeship.

A key challenge for the project is to promote Australian Apprenticeships in the industries while being aware of the current soft industry conditions. It is important not to create unrealistic expectations of the industries to potential Australian Apprenticeship candidates. Another challenge for the project will be keeping up with demands to attend school and career fairs. The program is not funded beyond 2012–13; the challenge will be to take what has been learnt and use that to help ensure that future potential Australian Apprenticeship candidates have access to high-quality, industry-specific advice that will help them make the right decisions and improve their retention in their chosen Australian Apprenticeship.

Further information can be found at www.australianapprenticeships.gov.au/MentoringPackage/AdvisersProgram.asp

PROGRAM 3.6 INTERNATIONAL EDUCATION SUPPORT

International education and training build linkages between Australian and international students, institutions and governments, and play a role in preparing productive global citizens.

Program 3.6 aims to advance the sustainable development of Australia's international education and training engagement, including through the development of a five-year national strategy for international education, and to ensure that Australia's education system is recognised as world class and globally connected.

COMPONENTS

Three components of Program 3.6 contribute to achieving objectives in 2011–12, as shown in Table 31.

Table 31: Components of Program 3.6

Program components
Assessment Subsidy for Overseas Trained Professionals
Education Services for Overseas Student Assurance Fund
International education and training

PERFORMANCE REVIEW

This section provides a summary of the department's performance against the deliverables and key performance indicators for Program 3.6, which were initially set out in the DEEWR 2011–12 Portfolio Budget Statements but subsequently refined and restructured in the process of integration into the DIISRTE performance reporting framework and 2012–13 Portfolio Budget Statements. The 2011–12 performance estimates are based on the most recent information available to the department as published in the DIISRTE 2012–13 Portfolio Budget Statements.

Table 32: Deliverables and results achieved for Program 3.6

Deliverable: Provision of international education support.			
Measure	2010-11 Actual	2011-12 Estimate	2011-12 Actual
Number of funding recipients supported by the Professional Services Development Program	10	6	5
Number of projects and/or activities funded by Regional Links	16	12	21 ⁽¹⁾
Number of projects and/or activities funded by the Increased profile of Australian International Education Sector program	16	15	15
Number of international scholarships, fellowships and exchange opportunities supported (Endeavour program)	3,894	3,200	3,232
Number of eligible clients supported through the Assessment Subsidy for Overseas Trained Professionals Program	516	500	450

(1) The actual number of projects exceeded the estimate due to an increase in the number of smaller scale projects completed in the period.

Table 33: Key performance indicators and results achieved for Program 3.6

Key performance indicator: International students' satisfaction with studying and living in Australia ⁽¹⁾			
Proportion of international student survey respondents who are satisfied or very satisfied with studying in Australia			
Proportion of international student survey respondents who are satisfied or very satisfied with living in Australia.			
Measure	2010-11 Actual	2011-12 Estimate	2011-12 Actual
Proportion of international student survey respondents who are satisfied or very satisfied with studying in Australia (%)	>80	>80	84
Proportion of international student survey respondents who are satisfied or very satisfied with living in Australia (%)	>80	>80	86

(1) Newly introduced in the DIISRTE 2012-13 PBS.

CASE STUDY: PRIME MINISTER'S AUSTRALIA ASIA AWARDS

The Prime Minister's Australia Asia Awards are a prestigious category of the Endeavour Awards. Each year they provide scholarships for study, research and internship opportunities in Asia to 40 high-achieving Australian university students. Awards are also provided to the top 20 Endeavour Postgraduate Award holders from Asia to help them come to Australia.



2012 Prime Minister's Australia Asia Outgoing Undergraduate Award holders with the Minister for Tertiary Education, Skills, Science and Research, Senator the Hon Chris Evans, and Prime Minister, the Hon Julia Gillard MP.

2012 AWARD HOLDER CASE STUDY

Nicola Banwell is a 2012 Prime Minister's Australia Asia Outgoing Undergraduate Award holder. Nicola is currently undertaking a Bachelor of Public Health at Griffith University. Nicola's high level

of academic achievement and personal attributes identify her as a potential future leader. She has twice received the Griffith University Award for Academic Excellence and is a volunteer with the Riding for the Disabled Association Australia.

At Peking University, Nicola will undertake research towards her honours degree, investigating natural disaster resilience amongst individuals and communities in China. Nicola plans to use the internship component of the award to broaden her knowledge and understanding of disaster management on an administrative level. She is seeking a placement with a host organisation such as the China United Nations Disaster Management Team or the Chinese Ministry of Civil Affairs. Nicola aims to learn Mandarin during her time in China.

AWARD OUTCOMES

The awards build capability and promote economic prosperity by building ongoing education, research and professional linkages. Recipients of the award can combine their study or research with an internship or work placement, developing internationally aware, skilled future leaders who can contribute to Australia's productivity agenda. Through providing opportunities for study and work, the program develops Asian literacy amongst Australia's future leaders.

The awards foster a culture of collaboration, with award holders forging linkages between their home and host institutions and developing personal and professional networks that strengthen the ties between Australia and Asia.

PROGRAM 3.7 PROGRAM SUPPORT

Program 3.7 aims to achieve growth in skills, quality and productivity through:

- providing policy advice on issues that affect the skills, qualifications and productivity of the Australian workforce;
- supporting initiatives to enhance the recognition of Australia's education system and qualifications;
- engaging in international education and training development;
- the effective and efficient development, implementation and delivery of measures and initiatives supporting Australia's higher education, training and skills sectors; and

- developing effective working relationships with state and territory governments, industry, education and training providers, and other stakeholders.

PERFORMANCE REVIEW

This section provides a summary of the department's performance against the deliverables for Program 3.7, which were initially set out in the DEEWR 2011–12 Portfolio Budget Statements but subsequently refined and restructured in the process of integration into the DIISRTE performance reporting framework and 2012–13 Portfolio Budget Statements.

Table 34: Deliverables and results achieved for Program 3.7

Deliverable: Efficient delivery of activities supporting government tertiary education, skills and international education policy interventions. ⁽¹⁾	
Measure	2011–12 Actual
Efficient delivery of activities supporting government tertiary education, skills and international education policy interventions	The department delivered effective and efficient operational and administrative supports, including ICT services, policy advice and corporate services for programs and activities under Outcome 3.

(1) Newly introduced in the DIISRTE 2012–13 PBS.

PURCHASER-PROVIDER ARRANGEMENTS

The department works closely with other departments and agencies to deliver services and initiatives in a coordinated way. Our partners include:

- AusAID;
- the Department of Foreign Affairs and Trade; and
- the Department of Education, Employment and Workplace Relations (DEEWR).

Following the transfer of tertiary, skills and international education functions to the department, a memorandum of understanding

is being developed with DEEWR for the provision of ICT services. However, the facilities to enable payments are still delivered by DEEWR.

EVALUATIONS

No relevant evaluations were carried out during 2011–12. An evaluation of the Language, Literacy and Numeracy Program is planned for 2012–13.



Part A

Chapter Six

Corporate management and accountability

- Corporate governance
- Quality service delivery
- Accountability and financial management
- External scrutiny
- Management of human resources

Chapter 6: Corporate management and accountability

CORPORATE GOVERNANCE

The department's governance framework encompasses decision-making bodies; documented directions, such as the chief executive instructions (CEIs) and procedural rules; and an organisational culture that encourages accountability.

LEADERSHIP

The senior decision-making body is the Executive Committee, which consists of the Secretary, Associate Secretary and Deputy Secretaries. The organisation chart (Chapter 2, Figure 3) shows the divisional responsibilities of the Associate Secretary and Deputy Secretaries.

The Audit Committee reports to the Secretary. It has been established in compliance with section 46 of the *Financial Management and Accountability Act 1997* (FMA Act). The committee provides independent assurance that risk, control and compliance frameworks are in place within the department and that they are working effectively. The committee provides an independent opinion to the Secretary on the published financial statements and the certificate of compliance. It is chaired by Deputy Secretary Patricia Kelly and has two external members.

The Security Committee reports to the Executive Committee. It oversees protective security matters to ensure compliance with the Australian Government's Protective Security Manual and Information Security Manual. The committee also

facilitates a systematic, coordinated approach to security risk management and planning. It is chaired by Vanessa Graham, head of Corporate Division.

The ICT Strategy Committee is chaired by Acting Deputy Secretary Ken Pettifer. It reports to the Executive Committee and provides a strategic approach to ICT governance across the department. It provides direction and makes decisions in relation to ICT strategy, capability, sourcing and whole-of-government obligations. ICT management boards are established in each key business area to monitor the progress of ICT projects and to provide progress and performance reports to the ICT Strategy Committee. The department has representation on one whole-of-government ICT management committee. The Chief Information Officer, Craig Pennifold, is a member of the Chief Information Officer Committee.

The Innovation Strategic Property Committee is chaired by Deputy Secretary Sue Weston. It reports to the Executive Committee and is responsible for the strategic oversight of property operations and key projects within the department. The committee develops and implements the Innovation Strategic Property Plan. It also reviews bids and reports on the capital budget for property projects.

The Program Strategy Committee is chaired by Vanessa Graham, head of Corporate Division. It reports to the Executive Committee and provides a strategic oversight of programs across the department, including development,

implementation, management and evaluation. The committee is also responsible for the continuing development and maintenance of a department-wide Program Management Framework; discussing strategic departmental and whole-of-government issues associated with effective program design and delivery; and considering how the department can build upon its competitive advantage in business-related program delivery to share expertise with other Australian Public Service (APS) agencies.

As part of the governance framework, there are two main information-sharing forums: the Portfolio Managers' Meeting at the senior level and the Executive Officers' Forum at the operational level. These forums inform portfolio managers and executive officers of key issues affecting the department.

SENIOR EXECUTIVE REMUNERATION

Senior executive remuneration during 2011–12 was administered in accordance with the department's Senior Executive Service (SES) employment conditions and each individual's employment agreement.

Details of SES remuneration can be found in Table 35 at the end of this chapter.

STRATEGIC AND BUSINESS PLANS

The department has a planning framework that integrates its outcome statements, risk management, resource allocation and key performance measurement. The department has developed a strategic plan outlining its future direction and describing the department's key priorities, defined by the department's Ministers as the focus of the department's activities. The department's priorities were updated in early 2012, to reflect the integration of tertiary, skills and international education activities into the department. These priorities directly inform planning processes, from the divisional business plans to the performance plans of individual officers.

The department uses business performance measures to evaluate its progress towards achieving objectives and key priorities. The divisions report their performance through a monthly traffic light report, which assigns a green, amber or red light indicating whether the performance in the relevant area is on track, experiencing difficulty or requires immediate corrective action. The department also uses a quarterly performance report to assess its organisational health. The quarterly report covers issues relating to finance, human resources, strategic priorities and stakeholder satisfaction. This permits the ongoing assessment of performance and the identification of areas requiring particular attention.

BUSINESS RISK AND FRAUD MANAGEMENT

The department has an integrated approach to its strategic and business planning processes. The department uses its performance reporting process to help identify emerging risks and to provide the senior management with appropriate risk management assurance. Divisions undertake a quarterly risk review process to identify changes to significant strategic, operational and financial risks. This process augments existing operational risk management practices and controls within the project, program, procurement, and finance functions.

The department's risk management approach and framework incorporate both the 2008 Comcover *Better practice guide: risk management* and the International Risk Management Standard AS/NZS ISO 31000:2009 principles and guidelines. During 2011–12, as a result of machinery-of-government changes, the department incorporated the tertiary, skills and international education areas into the department's risk management and insurance methodologies.

In 2012 the department participated in Comcover's annual risk management benchmarking program, and its performance was assessed as above average. The results of the Comcover

benchmarking program confirmed that the department has implemented an enterprise-wide risk management framework and developed a positive risk culture integrating appropriate mechanisms to identify, rate, treat and report risks.

The department's business continuity arrangements include a business impact analysis process and an annual review of the criticality of business functions, resource dependencies and contingency requirements. As a result the department has prioritised its business continuity planning and recovery procedures.

Ongoing crisis exercises ensure that the department can effectively manage business disruption events.

The department has a three-year Strategic Internal Audit Plan, which is updated annually to reflect changes in its strategic risks. The annual Internal Audit Work Program, which is drawn from the Strategic Internal Audit Plan, comprises a series of internal audits endorsed to by the Audit Committee. When setting the annual Internal Audit Work Program, the Audit Committee takes into account risks inherent in departmental activities, changes in the department's external environment, and previous internal and external audit findings. Internal audits are undertaken using a risk-based approach and a mixture of internal resources and external service providers. The Chief Internal Auditor is responsible for managing the resource mix and for reporting the outcomes of this process to the Audit Committee.

ETHICAL STANDARDS

The department promulgates information about the importance of ethical standards through the CEIs and human resource policies and procedures. Awareness of the APS Values and Code of Conduct is reinforced among employees through the department's induction process, staff development programs and the terms and conditions of the department's enterprise agreement. All new appointees to the department are required to complete online APS Values and Code of Conduct modules as part of their probation. The Ethics

Contact Officer is responsible for the promotion of the work of the Ethics Advisory Service and is the liaison point for the dissemination of advice to employees and managers on ethical decision making.

The department's conflict of interest guidelines require employees, as a minimum, to make specific annual declarations relating to conflicts of interest. Employees are also required to update their declarations if their circumstances change during the year. This procedure ensures that employees maintain their understanding of the guidelines and enhances processes for proactive management of potential, real, or perceived conflicts of interest.

QUALITY SERVICE DELIVERY

BUSINESS IMPROVEMENT

Commencing in May 2012, the department conducted its annual survey of its stakeholders and customers to determine their level of satisfaction with the way the department interacts with them in undertaking its policy development, program implementation and administration and business service delivery activities. This survey is used to report on the improvements to service delivery and overall outcome performance, and provides a basis for process reforms.

The survey continued to show strong results across the board: 88.2 per cent of stakeholders indicated overall satisfaction with their interactions in 2012, compared with 89 per cent in 2011.

SERVICE CHARTER

The department's Service Charter, available on the department's website, provides information on the department's complaints and grievances mechanism and is reviewed and updated as necessary. During 2011–12, the department received two formal complaints through various feedback channels. To resolve the issues raised in

a timely manner, the department addressed the complaints directly with each complainant.

Although the department measures customer satisfaction against a broad service charter, some divisions have their own service charters to meet the specific needs of their respective divisions. The following paragraphs provide summary information about the satisfaction results for these individual divisions.

AUSINDUSTRY

AusIndustry monitors its performance against its Customer Service Charter (CSC) on a monthly basis. Overall, in 2011–12 performance measures against the CSC indicated that AusIndustry performed well. It achieved 100 per cent compliance on 34 standards; 90 to 99 per cent on seven standards; 80 to 89 per cent on four standards; and 70 to 79 per cent on one standard.

During 2011–12, AusIndustry received two formal complaints about customer service, both of which were satisfactorily resolved.

ENTERPRISE CONNECT

In 2011–12, Enterprise Connect was subject to an independent review and survey. The review found that 85 per cent of Enterprise Connect stakeholders were very satisfied with their interactions with the program and over 94 per cent rated the professionalism of Enterprise Connect staff as very good, including their ability to assist them in a prompt and courteous manner. This is further supported by client survey results which found that overall satisfaction with Enterprise Connect services was very high, with 86 per cent of clients indicating that they were satisfied with the program.

QUESTACON

During 2011–12, Questacon installed kiosks at multiple locations around the centre to allow visitors to provide feedback electronically. Data from the automated feedback kiosks will enable Questacon to monitor its performance in specific

areas of service over time and will help it to gather feedback on specific or topical events.

Questacon follows Australian standards for excellence in logging, processing and responding to customer complaints. Performance against the customer service charter is monitored monthly and Questacon responds to incidents and issues raised. During the 2011–12 financial year, of the 3641 people who completed the feedback forms and answered the question on satisfaction, 86 per cent answered that they were satisfied.

ACCOUNTABILITY AND FINANCIAL MANAGEMENT

During 2011–12, the department continued to review and improve its accountability and financial management structures and processes in the context that they are both effective and efficient. The department implemented key recommendations from these reviews including:

- regular revisions of delegations and authorisations;
- upgrades of corporate systems;
- adoption of the Department of Finance and Deregulation model CEIs; and
- revised the associated departmental policies.

The department also conducted regular training on the financial management framework, encompassing the whole-of-government financial management framework and the department's internal policies and procedures. Additional training was also provided following the machinery-of-government changes announced in December 2011.

In addition, the department continued to emphasise capital management as an ongoing priority. To emphasise the importance of accountability and financial management, the department continued to maintain a competency-based accreditation assessment. The aim of the assessment is to ensure that officials exercising the power to approve proposals to spend public money understand their obligations under the

whole-of-government financial management framework and internal policies and procedures.

The department's financial reporting framework provides relevant and timely information to support decision making. The reporting framework includes regular financial reporting combined with a monthly 'traffic light' reporting tool and quarterly management reports that enable the department to monitor overall performance against outputs.

ASSET MANAGEMENT

Assets managed by the department include:

- buildings, including fit-outs;
- infrastructure, plant and equipment, including office equipment, exhibits, furniture and fittings, computer equipment, telescopes and other scientific equipment;
- laboratory equipment; and
- intangibles, including computer software.

The department maintains an Asset Management Manual to ensure that staff comply with the FMA Act, the Finance Minister's Orders, accounting standards, best practice guidelines and CEIs when undertaking asset management. A stocktake of departmental assets and a revaluation of assets occurred during 2011–12.

PURCHASING

During 2011–12, the department undertook its procurement in accordance with the Commonwealth Procurement Guidelines (CPGs), and the requirements of its CEIs. The CEIs ensure that the department's statutory obligations are met and there is compliance with the guidance on ethics and probity in Australian Government procurement. The department ensures guidance is readily available and training is easily accessible to staff on procurement policies and procedures.

The department published its Annual Procurement Plan on AusTender in accordance with the CPGs to give prospective suppliers the opportunity to prepare for potential work with the department.

The department aims not to discriminate against small and medium enterprises.

As required by a Senate order, the department published on its website (www.innovation.gov.au) a list of all contracts valued at \$100,000 and above that were not fully performed or that had been entered into in the previous 12 months.

CONSULTANTS AND CONTRACTS

During 2011–12, 193 new consultancy contracts were entered into involving total actual expenditure of \$9,449,953 (GST inclusive). In addition, 104 ongoing consultancy contracts were active during the year, involving total actual expenses of \$6,212,747 (GST inclusive).

The department engages consultants where it lacks specialist expertise or when independent research, review or assessment is required. Consultants are typically engaged to investigate or diagnose a defined issue or problem; carry out defined reviews or evaluations; or provide independent advice, information or creative solutions to assist in the department's decision making.

Prior to engaging consultants, the department takes into account the skills and resources required for the task, the skills available internally, and the cost-effectiveness of engaging external expertise. The decision to engage a consultant is made in accordance with the FMA Act and related regulations, including the CPGs and the department's CEIs.

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

Consultancy expenses for 2011–12 have been derived on an accrual basis. Expenditure figures include contracts valued at less than \$10,000 with the exception of the Tertiary, Skills and International Education Divisions. All consultant and contracting figures refer to the responsibilities

of the department. The figures for Tertiary, Skills and International divisions prior to 1 April 2012 have been sourced from records transferred from the Department of Education, Employment and Workplace Relations (DEEWR).

GRANT PROGRAMS

Information on grants made by the department during the period 1 July 2011 to 30 June 2012 is available at www.innovation.gov.au. Information on grants made in the areas of vocational education and training (VET), higher education and international education by DEEWR during the period is available at www.deewr.gov.au.

EXTERNAL SCRUTINY

The department is subject to external scrutiny by the Office of the Commonwealth Ombudsman, the Australian National Audit Office (ANAO), the Administrative Appeals Tribunal, the Attorney-General's Department, the Office of the Australian Information Commissioner, and parliamentary committees.

During 2011–12, the department appeared at several parliamentary committee hearings, including budget supplementary estimates hearings on 19 October 2011, additional estimates hearings on 15 February 2012 and budget estimates hearings on 28 and 29 May 2012.

The department was directly involved in five cross-portfolio ANAO performance audits during 2011–12, as outlined below. The department is considering the applicable recommendations from these audits and taking action to ensure that the recommendations are implemented as appropriate.

- Audit Report No. 5: *Development and implementation of key performance indicators to support the outcomes and programs framework*. The report assessed how effectively entities had developed and implemented appropriate key performance indicators (KPIs) to support stated program objectives. The ANAO made three recommendations in relation to departments developing more meaningful and measurable KPIs and clearly identifying and allocating program support costs.
- Audit Report No. 18: *Information and communications technology security: management of portable storage devices*. The report assessed the effectiveness of the management of risks arising from the use of portable storage devices in selected Australian Government agencies. The ANAO made five recommendations in relation to improving risk management practices, implementing controls and conducting training and awareness programs on the use of the devices.
- Audit Report No. 21: *Administration of grant reporting obligations*. The report assessed the implementation and effectiveness of the enhanced grants administration requirements in relation to grant reporting. The ANAO made three recommendations in relation to ministerial briefing practices and improvements to the grants administration and reporting framework.
- Audit Report No. 24: *Administration of government advertising arrangements: March 2010 to August 2011*. The report assessed the effectiveness of the administration of the *Guidelines on information and advertising campaigns by Australian Government departments and agencies*. The ANAO made five recommendations in relation to agencies effectively implementing and complying with the guidelines.
- Audit Report No. 36: *Development and approval of grant program guidelines*. The report assessed the implementation and effectiveness of the enhanced grant administration requirements relating to the development and approval of new grant guidelines and revision of existing grant guidelines. The ANAO made four recommendations in relation to the treatment of one-off grants, the management of risk assessments and the promotion of clarity

and transparency in grant administration processes and documentation.

During 2011–12, the Commonwealth Ombudsman did not issue any reports on the operations of the department.

No judicial decisions or decisions of administrative tribunals in 2011–12 had, or may have, a significant impact on the operations of the department.

MANAGEMENT OF HUMAN RESOURCES

EMPLOYMENT FRAMEWORK

The One Innovation Enterprise Agreement 2011 came into effect on 1 July 2011 and covers all non-SES employees of DIISRTE, excluding those in IP Australia.

Additional terms and conditions of employment are provided to high-performing non-SES employees by way of individual employment arrangements made in accordance with the flexibility provision of the One Innovation Enterprise Agreement 2011.

Terms and conditions of employment for senior executives, excluding those transferred from DEEWR with the tertiary education function, continued to be delivered by way of common law agreements. Those agreements were due for renewal on 1 July 2012.

Terms and conditions of employment for senior executives transferred from DEEWR were delivered by way of a collective determination made by the Secretary under section 24(1) of the *Public Service Act 1999*. That determination maintained the terms and conditions of those senior executives previously delivered by way of individual determinations made by the DEEWR Secretary under section 24(1) of the *Public Service Act 1999*.

The terms and conditions of all senior executives are to be harmonised under common law agreements from 1 July 2012.

WORKFORCE PLANNING, STAFF RETENTION AND TURNOVER

The department's Workforce Planning Model continues to drive the collection and analysis of data, which in turn informs the development of strategies and initiatives. Our Human Resource Strategic Development Framework identifies our major strategies, which include the Recruitment Strategy; Orientation Strategy; Learning and Development Strategy, including a Management and Leadership Framework; Absence Management Strategy; and Succession Management Strategy.

In 2011–12, the department began to define its critical roles to enable strategic workforce plans to be developed. As part of this, the department conducted a labour market scan and review of economic skills within the department, which provide the information required to develop risk mitigation strategies to ensure that the department has the skills it needs into the future.

The department recognises its employees through its People Recognition Framework. The framework comprises four departmental-level awards, for recognition of service, leadership, people management and Australia Day. A new Innovation Award has been developed and will be introduced later in 2012.

LEARNING AND DEVELOPMENT

Through the learning and development (L&D) strategy, the department continued to maintain and enhance a range of learning and development opportunities and initiatives to assist staff in building and further developing their skills and capabilities. In 2011–12, the department conducted its annual training needs analysis, which, coupled with the results from departmental workforce planning, continues to drive the learning opportunities offered to employees. The L&D strategy has resulted in tailored, needs-driven, cost-effective training solutions for the department, and continues to rate well with employees.

In October 2011 the department undertook a tender process to establish a new Panel of

Providers for Learning and Development. It has identified 110 providers capable of meeting the department's needs, and other departments regularly access the panel.

With the continuation of the Diploma of Project Management program, the department continued to focus on project management skills. The program includes work-based study, five days of formal training, ongoing coaching and mentoring and competency assessments.

A new mental health initiative was launched in 2012. It provides training for human resource practitioners, managers and employees, as well as guides and support material.

The department's Graduate Development Program continues to be successful, with 30 generalist graduates, one accounting graduate and four ICT graduates completing the program in December 2011. The program included three work placements across the department, a major project and a range of learning and development activities culminating in a Certificate IV in Government.

With the machinery-of-government changes, orientation sessions were held for several hundred employees transitioning from DEEWR to the expanded department. Sessions were also held on change management and specific internal processes.

The department continued to provide assistance to staff undertaking study by paying a bursary and providing leave to study.

WORK HEALTH AND SAFETY

The department remains committed to providing a safe working environment for staff.

With the commencement of the *Work Health and Safety Act 2011* on 1 January 2012, the department published a guide, produced a number of fact sheets and provided SES briefing sessions to inform staff of the changes with the new legislation.

The Management Health and Safety Committee was established to assist in providing a strategic outlook and consistency across the broader department and support matters that arise from the consultative work health and safety committees (including those of the Australian Astronomical Observatory, the National Measurement Institute and Questacon).

The health and safety representative, first aid and workplace contact officer networks met regularly during the year. Regular training was provided to members of these networks to ensure qualifications remained current.

The department delivered a number of health and wellbeing initiatives, including annual flu vaccinations, lunchtime health and wellbeing seminars, support for lunchtime activities as part of the 'FITTER' program and individual health assessments.

A \$275 subsidy was available to encourage staff participation in activities that lead to a healthy lifestyle. The subsidy was administered in accordance with the department's Health Related Lifestyle Expenses Policy.

Financial assistance is provided to staff seeking to quit smoking in accordance with the department's Smoke-free Workplace Policy.

Through the Employee Assistance Program, the department continued to provide a free counselling service for all employees and their families.

Seventeen incidents were reported to Comcare as they were deemed notifiable under section 38 of the *Work Health and Safety Act 2011* or section 68 of the former *Occupational Health and Safety Act 1991*. No investigations or notices (improvement and/or prohibition) were undertaken or issued under section 191 of the *Work Health and Safety Act 2011* or section 47 of the former *Occupational Health and Safety Act 1991*.

WORKFORCE STATISTICS

Table 35: Employee coverage by classification at 30 June 2012, ongoing and non-ongoing employees, DIISRTE and IP Australia SES

Classification	Employment arrangement				Salary range	
	Enterprise agreement coverage	s. 24 determinations	CLA coverage	AWA coverage	Min (\$)	Max (\$)
APS 1	20 (1)	0	0	0	34,753	45,615
APS 2	79 (1)	0	0	0	44,619	53,595
APS 3	159 (1)	0	0	0	50,818	61,030
APS 4	299 (6)	0	0	0	56,959	72,989
APS 5	480 (15)	0	0	0	63,448	75,900
APS 6	890 (22)	0	0	0	69,937	92,466
EL 1	1,011 (94)	0	0	0	88,580	112,648
EL 2	477 (177)	0	0	0	105,266	168,289
CRS 1	0	0	15	0	117,596	164,627
CRS 2	0	0	3	0	135,215	165,587
SES Band 1	0	29	50	1	138,000	258,896
SES Band 2	0	6	15	0	195,292	233,387
SES Band 3	0	1	3	0	273,383	320,772
Total	3,415 (317)	36	86	1		

APS = Australian Public Service; EL = Executive Level; CRS = Chief Research Scientist; SES = Senior Executive Service, CLA = common law agreement, AWA = Australian workplace agreement

Note: Numbers in brackets indicate employees whose salary is supplemented by an Individual Employment Arrangement provided under the enterprise agreement; IP Australia SES figures are included with the DIISRTE figures to ensure non-identification of individual recipients.

Table 36: Performance payments from 1 July 2011 to 30 June 2012, DIISRTE and IP Australia SES

Classification	No. of recipients	Aggregate (\$)	Average (\$)	Bonus payment	
				Minimum (\$)	Maximum (\$)
APS 1–6	10	37,836	3,783	2,000	7,154
EL 1	33	163,630	4,933	1,066	10,195
EL 2	88	748,469	8,505	1,071	19,541
CRS 1–2	3	32,679	10,893	10,409	11,710
SES Band 1	10	118,772	11,877	7,418	37,703
SES Band 2–3	6	62,277	10,379	9,480	11,085

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

Note: APS 1–6 figures are combined to ensure non-identification of individual recipients; IP Australia SES figures are included with the DIISRTE figures to ensure non-identification of individual recipients.

Table 37: Ongoing employees by classification and gender, 30 June 2011 and 30 June 2012, DIISRTE

Classification	Female		Male		Total	
	2011	2012	2011	2012	2011	2012
APS 1	3	4	2	4	5	8
APS 2	37	33	38	37	75	70
APS 3	50	65	34	67	84	132
APS 4	120	180	53	66	173	246
APS 5	150	252	124	179	274	431
APS 6	268	476	267	366	535	842
EL 1	306	499	324	452	630	951
EL 2	99	170	175	231	274	401
CRS 1	2	2	13	13	15	15
CRS 2	0	0	3	3	3	3
SES Band 1	15	33	24	37	39	70
SES Band 2	6	8	8	12	14	20
SES Band 3	2	2	0	1	2	3
Secretary	0	0	0	0	0	0
Total	1,058	1,724	1,065	1,468	2,123	3,192

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

Table 38: Non-ongoing employees by classification and gender, 30 June 2011 and 30 June 2012, DIISRTE

Classification	Female		Male		Total	
	2011	2012	2011	2012	2011	2012
APS 1	36	5	36	7	72	12
APS 2	9	3	6	6	15	9
APS 3	16	15	13	12	29	27
APS 4	22	36	16	17	38	53
APS 5	16	32	12	17	28	49
APS 6	16	29	15	19	31	48
EL 1	22	32	25	28	47	60
EL 2	9	13	59	63	68	76
CRS 1	0	0	1	0	1	0
CRS 2	0	0	1	0	1	0
SES Band 1	0	2	1	2	1	4
SES Band 2	0	0	0	0	0	0
SES Band 3	0	0	0	0	0	0
Secretary	0	0	1	1	1	1
Total	146	167	186	172	332	339

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

Note: This table does not include 131 casuals employed by the department at 30 June 2012.

Table 39: Number of full-time and part-time ongoing and non-ongoing employees by classification, 30 June 2011 and 30 June 2012, DIISRTE

Classification	Full-time		Part-time		Total	
	2011	2012	2011	2012	2011	2012
APS 1	73	15	4	5	77	20
APS 2	83	71	7	8	90	79
APS 3	102	147	11	12	113	159
APS 4	184	262	27	37	211	299
APS 5	271	434	31	46	302	480
APS 6	500	782	66	108	566	890
EL 1	588	872	89	139	677	1011
EL 2	318	447	24	30	342	477
CRS 1	15	15	1	0	16	15
CRS 2	3	3	1	0	4	3
SES Band 1	39	74	1	0	40	74
SES Band 2	14	20	0	0	14	20
SES Band 3	2	3	0	0	2	3
Secretary	1	1	0	0	1	1
Total	2,193	3,146	262	385	2,455	3,531

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

Note: This table does not include 131 casuals employed by the department at 30 June 2012.

Table 40: Number of full-time and part-time ongoing and non-ongoing employees by gender, 30 June 2011 and 30 June 2012, DIISRTE

Classification	Full-time		Part-time		Total	
	2011	2012	2011	2012	2011	2012
Male	1,195	1,573	56	67	1,251	1,640
Female	998	1,573	206	318	1,204	1,891
Total	2,193	3,146	262	385	2,455	3,531

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

Note: This table does not include 131 casuals employed by the department at 30 June 2012.

Table 41: Ongoing and non-ongoing employees by classification level and location, 30 June 2012, DIISRTE

Classification	ACT	NSW	Vic.	Qld	SA	WA	Tas.	NT	Overseas	Total
APS 1	9	9	0	1	0	1	0	0	0	20
APS 2	58	10	8	0	1	2	0	0	0	79
APS 3	77	37	23	6	5	4	4	3	0	159
APS 4	206	57	13	6	3	11	3	0	0	299
APS 5	309	96	41	13	8	9	3	1	0	480
APS 6	560	123	108	38	18	30	8	5	0	890
EL 1	798	117	46	17	10	9	9	3	2	1,011
EL 2	303	85	38	16	9	10	6	1	9	477
CRS 1	1	12	1	0	0	1	0	0	0	15
CRS 2	0	3	0	0	0	0	0	0	0	3
SES Band 1	60	8	3	0	0	0	0	0	3	74
SES Band 2	17	2	1	0	0	0	0	0	0	20
SES Band 3	3	0	0	0	0	0	0	0	0	3
Secretary	1	0	0	0	0	0	0	0	0	1
Total	2,402	559	282	97	54	77	33	13	14	3,531

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

Note: This table does not include 131 casuals employed by the department at 30 June 2012.



Part A

Chapter Seven

Appendices

- Appendix A1: Agency resource statement
- Appendix A2: Expenses and resources for Outcome 1
- Appendix A3: Expenses and resources for Outcome 2
- Appendix A4: Expenses and resources for Outcome 3
- Appendix A5: Freedom of information
- Appendix A6: Advertising and market research
- Appendix A7: Ecologically sustainable development and environmental performance
- Appendix A8: Disability reporting
- Appendix A9: Corrections to the 2010–11 Annual report
- Appendix A10: Office locations

Appendix A1: Agency resource statement

Department of Industry, Innovation, Science, Research and Tertiary Education Agency Resource Statement 2011–12

	Actual Available Appropriations for 2011–12 \$'000	Payments Made 2011–12 \$'000	Balance Remaining 2011–12 \$'000
1/ Ordinary Annual Services			
Departmental appropriation			
Prior year departmental appropriation	72,107	72,107	
Departmental appropriations 32 Adjustments	361,126	313,887	47,239
s.31 Relevant agency receipts	27,539		27,539
Total	516,891	442,113	74,778
Administered expenses			
Outcome 1	869,127	733,382	
Outcome 2	74,871	68,273	
Outcome 3	1,159,885	977,736	
Payments to CAC Act Bodies	923,311	923,311	
Total	3,027,194	2,702,702	
Total ordinary annual services	3,544,085	3,144,815	
2/ Other services			
Administered expenses			
Specific payments to States, Act, NT and local government	–		
Total			
Departmental non-operating			
Equity Injections	7,682	5,156	2,526
Previous years' outputs			
Total	7,682	5,156	2,526

	Actual Available Appropriations for 2011-12 \$'000	Payments Made 2011-12 \$'000	Balance Remaining 2011-12 \$'000
Administered non-operating			
Administered Assets and Liabilities	211,417	48,092	
Payments to CAC Act Bodies -non-operating	1,471	1,471	
Total	212,888	49,563	
Total other services	220,570	54,719	
3/ Special Appropriations			
Special appropriations limited by criteria/ entitlement			
<i>Higher Education Support Act 2003</i>		7,652,746	
Special appropriation limited by amount			
<i>Textile, Clothing and Footwear Investment and Innovation Program Act 1999</i>		24,770	
<i>Automotive Transformation Scheme Act 2009</i>		296,204	
<i>Steel Transformation Scheme Act 2011</i>		164,000	
<i>Social Security (Administration) Act 1999</i>		1,740,792	
Total special appropriation		9,878,512	
Special Accounts			
Opening balance	7,954		
Appropriation receipts	2,750		
Non appropriated receipts to special accounts	781,504		
Payments made		782,980	
Closing balance			9,228
Total Resourcing and Payments	4,556,863	13,861,026	

Appendix A2: Expenses and resources for Outcome 1

Department of Industry, Innovation, Science, Research and Tertiary Education Resource
Table for Outcome 1, 2011–12

	Budget 2011–12 \$'000	Actual 2011–12 \$'000	Variation 2011–12 \$'000
OUTCOME 1			
Program 1.1: Industry Development and Investment			
Administered expenses			
Ordinary Annual Services (Appropriation Bill 1)	322,008	345,246	(23,238)
Other services (Appropriation Bill 2)	0	0	0
Special appropriations	490,337	485,125	5,212
<i>Automotive Transformation Scheme Act 2009</i>	301,066	296,205	4,861
<i>Steel Transformation Scheme Plan Act 2011</i>	164,000	164,000	0
<i>Textile, Clothing and Footwear Strategic Investment Program Act 1999</i>	25,271	24,920	351
Special Accounts			
Services for other entities and trust monies — s20 Special Account	2,050	298	1,752
Expenses not requiring appropriation in the Budget year			
Loan expense	1,774	2,137	(363)
Total for Program 1.1	816,169	832,806	(16,637)

	Budget 2011-12 \$'000	Actual 2011-12 \$'000	Variation 2011-12 \$'000
Program 1.2: Innovative Industry			
Administered expenses			
Ordinary Annual Services (Appropriation Bill 1)	378,840	376,489	2,351
Other Services (Appropriation Bill 2)	0	0	0
Special appropriations	0	0	0
Special Accounts	0	0	0
Expenses not requiring appropriation in the Budget year	0	12,370	(12,370)
Total for Program 1.2	378,840	388,860	(10,020)
Program 1.3: Program Support Departmental Funding			
Departmental expenses			
Departmental Appropriation	314,665	316,255	(1,590)
Special Appropriations	0	0	0
Special Accounts	7,250	9,322	(2,072)
Expenses not requiring appropriation in the Budget year	29,705	27,075	2,630
Total for Program 1.3	351,620	352,652	(1,032)
Outcome 1 Totals by Appropriation type			
Administered expenses			
Ordinary Annual Services (Appropriation Bill 1)	700,848	721,735	(20,887)
Other services (Appropriation Bill 2)	0	0	0
Special appropriations	490,337	485,125	5,212
Special Accounts	2,050	298	1,752
Expenses not requiring appropriation in the Budget year	1,774	14,508	(12,734)
	1,195,009	1,221,665	(26,656)
Departmental expenses			
Departmental appropriation	314,665	316,255	(1,590)
Special appropriations	0	0	0
Special Accounts	7,250	9,322	(2,072)
Expenses not requiring appropriation in the Budget year	29,705	27,075	2,630
	351,620	352,652	(1,032)
TOTAL expenses for Outcome 1	1,546,629	1,574,317	(27,688)

Appendix A3: Expenses and resources for Outcome 2

Department of Industry, Innovation, Science, Research and Tertiary Education Resource Table for Outcome 2, 2011–12

	Budget 2011–12 \$'000	Actual 2011–12 \$'000	Variation 2011–12 \$'000
OUTCOME 2			
Program 2.1: Investment in Higher Education Research			
Administered expenses			
Ordinary Annual Services (Appropriation Bill 1)	0	0	0
Other services (Appropriation Bill 2)	0	0	0
Expenses not requiring appropriation in the Budget year	0	0	0
Special appropriations			
<i>Higher Education Support Act 2003</i>	1,596,369	1,596,360	9
Special Accounts			
Services for other government and non-agency bodies	0	0	0
Total for Program 2.1	1,596,369	1,596,360	9

	Budget 2011-12 \$'000	Actual 2011-12 \$'000	Variation 2011-12 \$'000
Program 2.2: Science and Research Capacity			
Administered expenses			
Ordinary Annual Services (Appropriation Bill 1)	72,290	72,276	14
Other services (Appropriation Bill 2)	0	0	0
Expenses not requiring appropriation in the Budget year	0	0	0
Special appropriations			
<i>Higher Education Support Act 2003</i> — Higher Education Research Promotion	4,479	4,477	2
Special Accounts			
EIF Research Portfolio Special Account: <i>Nation-building Funds Act 2008</i> — s21 Special Account	386,929	386,929	0
Total for Program 2.2	463,698	463,682	16
Program 2.3: Program Support Departmental Funding			
Departmental expenses			
Departmental appropriation	70,891	73,195	(2,304)
Special appropriation	0	0	0
Special Accounts	1,998	1,984	14
Expenses not requiring appropriation in the Budget year	5,773	12,850	(7,077)
Total for Program 2.3	78,662	88,029	(9,367)
Outcome 2 Totals by Appropriation type			
Administered expenses			
Ordinary Annual Services (Appropriation Bill 1)	72,290	72,276	14
Other services (Appropriation Bill 2)	0	0	0
Special appropriations	1,600,848	1,600,837	11
Special Accounts	386,929	386,929	0
Expenses not requiring appropriation in the Budget year	0	0	0
	2,060,067	2,060,042	25
Departmental expenses			
Departmental appropriation	70,891	73,195	(2,304)
Special appropriations	0	0	0
Special Accounts	1,998	1,984	14
Expenses not requiring appropriation in the Budget year	5,773	12,850	(7,077)
	78,662	88,029	(9,367)
TOTAL for Outcome 2	2,138,729	2,148,071	(9,342)

Appendix A4: Expenses and resources for Outcome 3

Department of Industry, Innovation, Science, Research and Tertiary Education Resource Table for Outcome 3, 2011–12

	Budget 2011–12 \$'000	Actual 2011–12 \$'000	Variation 2011–12 \$'000
OUTCOME 3			
Program 3.1: Higher Education Support			
Administered expenses			
Ordinary Annual Services (Appropriation Bill 1)	14,042	19,200	(5,158)
Other services (Appropriation Bill 2)	0	0	0
Special appropriations			
<i>Higher Education Support Act 2003</i>	3,639,960	3,563,884	76,076
Special accounts			
EIF Research Portfolio Special Account: <i>Nation-building Funds Act 2008</i> – s21 Special Account	313,404	313,405	(1)
Services for other entities and trust monies – s20 Special Account	8,925	2,544	6,381
Expenses not requiring appropriation in the Budget year			
<i>Higher Education Support Act 2003</i>	51,198	1,784,184	(1,732,986)
Total for Program 3.1	4,027,529	5,683,217	(1,655,688)

	Budget 2011–12 \$'000	Actual 2011–12 \$'000	Variation 2011–12 \$'000
Program 3.2: Higher Education Loan Program			
Administered expenses			
Ordinary Annual Services (Appropriation Bill 1)	0	0	0
Other services (Appropriation Bill 2)	0	0	0
Special appropriations			
<i>Higher Education Support Act 2003</i>	758,283	619,260	139,023
Special Accounts	0	0	0
Expenses not requiring appropriation in the Budget year	0	0	0
Total for Program 3.2	758,283	619,260	139,023
Program 3.3: Tertiary Student Assistance			
Administered expenses			
Ordinary Annual Services (Appropriation Bill 1)	0	2,166	(2,166)
Other services (Appropriation Bill 2)	0	0	0
Special appropriations			
<i>Social Security (Administration) Act 1999</i>	1,451,079	1,754,690	(303,611)
Special Accounts	0	0	0
Expenses not requiring appropriation in the Budget year	0	0	0
Total for Program 3.3	1,451,079	1,756,856	(305,777)
Program 3.4: Vocational education and training			
Note: Expenditure for this program is provided through Treasury's Specific Purpose Payments. For further information see Budget Paper No. 3 – <i>Australia's Federal Relations</i> – Skills & Workforce Development			
Program 3.5: VET National Support			
Administered expenses			
Ordinary Annual Services (Appropriation Bill 1)	971,287	1,050,585	(79,298)
Other services (Appropriation Bill 2)	0		0
Special appropriations	0	0	0
Special Accounts			
EIF Research Portfolio Special Account: <i>Nation Building Funds Act 2008</i> – s21 Special Account	8,687	8,687	0
Services for other entities and trust monies – s20 Special Account	3,807	2,375	1,432
Expenses not requiring appropriation in the Budget year	0	0	0
Total for Program 3.5	983,781	1,061,647	(77,866)

	Budget 2011-12 \$'000	Actual 2011-12 \$'000	Variation 2011-12 \$'000
Program 3.6: VET International Education Support			
Administered expenses			
Ordinary Annual Services (Appropriation Bill 1)	48,480	51,282	(2,802)
Other services (Appropriation Bill 2)	0		0
Special appropriations	0	0	0
Special Accounts			
Overseas Students Tuition Fund — s21 Special Account	0	0	0
Services for other entities and trust monies — s20 Special Account	740	619	121
Expenses not requiring appropriation in the Budget year	0	0	0
Total for Program 3.6	49,220	51,901	(2,681)
Program 3.7: Program Support Departmental Funding			
Departmental expenses			
Departmental appropriation	3,852	33,987	(30,135)
Special appropriations	0	0	0
Special Accounts	0	0	0
Expenses not requiring appropriation in the Budget year	0	433	(433)
Total for Program 3.7	3,852	34,420	(30,568)
Outcome 3 Totals by Appropriation type			
Administered Expenses			
Ordinary Annual Services (Appropriation Bill 1)	1,033,809	1,123,234	(89,425)
Other services (Appropriation Bill 2)	0	0	0
Special appropriations	5,849,322	5,937,834	(88,512)
Special Accounts	335,563	327,629	7,934
Expenses not requiring appropriation in the Budget year	51,198	1,784,184	(1,732,986)
	7,269,892	9,172,881	(1,902,989)
Departmental Expenses			
Departmental appropriation	3,852	33,987	(30,135)
Special appropriations	0	0	0
Special Accounts	0	0	0
Expenses not requiring appropriation in the Budget year	0	433	(433)
	3,852	34,420	(30,568)
TOTAL expenses for Outcome 3	7,273,744	9,207,301	(1,933,557)

Appendix A5: Freedom of information

The Information Publication Scheme (IPS) commenced on 1 May 2011. The requirement to publish information under the IPS is found in Part II of the *Freedom of Information Act 1982* and replaces the former requirement to publish a section 8 statement in the annual report. Under the IPS, the department has published on its website information and documents concerning the functions of the department and identifying information disclosed in response to freedom of information requests.

The department's IPS can be found at www.innovation.gov.au/AboutUs/InformationPublicationScheme.

Appendix A6: Advertising and market research

During 2011–12, the department conducted the following advertising campaigns: Clean Technology Programs; and Regional Student Income Support. Further information on those advertising campaigns is available at www.ausindustry.gov.au and www.deewr.gov.au/HigherEducation/Programs/StudentSupport/Pages/CampaignMaterials.aspx respectively and in the reports on Australian Government advertising prepared by the Department of Finance and Deregulation. Those reports are available at www.finance.gov.au/advertising/index.html.

Table 42 sets out payments the department made to external organisations for advertising or market research services in 2011–12. Payments of \$11,900 or less (GST inclusive) are not reported.

Table 42: Payments the department made to external organisations for advertising or market research services in 2011–12

Advertising		
Name of recipient	Services	TOTAL (\$) (GST incl.)
APN Outdoor Trading	National Science Week media activities, Questacon	\$31,900.00
Australian National University	Advertising for the Shell Questacon Science Circus	\$13,541.21
Balloon Aloft	Design and production of Questacon balloon advertising	\$103,950.00
Bearcage Pty Ltd	Provision of multimedia services for AusIndustry	\$57,749.00
Cre8ive	Square Kilometre Array, marketing collateral and communication materials, Science and Infrastructure Division	\$25,188.75
Eardrum	Provision of creative materials for the Regional Student Income Support campaign advertising for Tertiary Strategies	\$98,458.00
Fran Haarsma Productions	Update of Workplace English Language and Literacy DVD to include additional, indigenous vignette, Tertiary Quality and Participation Division	\$19,341.00
Ogilvy Public Relations Worldwide	Square Kilometre Array, domestic media outreach and management, Science and Infrastructure Division	\$190,836.00
National Library of Australia	Digitisation services (Canberra Times 1988), Questacon	\$16,500.00
Republic of Everyone Pty Ltd	Provision of creative advertising services for the Clean Technology Program campaign in AusIndustry	\$117,705.50
Science in Public Pty Ltd	Provision of media strategy services for the Prime Minister's Prizes for Science in Questacon	\$16,200.80

Voodoo Creative web consultancy	Development and promotion of Study Assist website, Tertiary Quality and Participation Division	\$18,290.00
Zoo Advertising Pty Ltd	Provision of branding services for the Office of the Chief Scientist, Science and Infrastructure Division	\$25,255.00

Market research

Name of recipient	Services	TOTAL (\$) (GST incl.)
AIM Overseas	Market research to inform Outbound Mobility Best Practice Guide for Australian Universities, International Education Division	\$14,261.00
Australian Market Research trading as AMR Interactive Pty Ltd	Concept testing for the Clean Technology Program campaign, AusIndustry	\$75,999.00
Colmar Brunton Social Research Pty Ltd	Market testing of the Look before you lease and Working with contracts publications, Industry and Small Business Policy Division	\$56,096.00
Di Marzio Research Pty Ltd	Quantative market research, Manufacturing Division	\$16,500.00
GfK Bluemoon	Developmental and concept testing research, including benchmarking and evaluation research, to determine the effectiveness of the Regional Student Income Support campaign, Tertiary Strategies	\$110,000.00
Orima Research Pty Ltd	Market research for Job Ready Program evaluation, Industry Skills Division	\$56,176.00

Polling organisations

Name of recipient	Services	TOTAL (\$) (GST incl.)
Nil	Nil	Nil

Direct mail

Name of recipient	Services	TOTAL (\$) (GST incl.)
Pro Visual Publishing Pty Ltd	Mail-out of the Warehouse and Distribution Guide to Workplace Safety 2012, National Measurement Institute	\$16,973.00
Pro Visual Publishing Pty Ltd	Mail out of the Guides to food packaging, National Measurement Institute	\$15,792.00

Media advertising

Name of recipient	Services	TOTAL (\$) (GST incl.)
Adcorp Australia Ltd	Recruitment advertising—Senior Executive Service, general and graduate, for the department	\$626,446.94
Adcorp Australia Ltd	Non-campaign advertising—includes requests for tender (RFTs), and print and online advertising placements, AusIndustry, Enterprise Connect, Tertiary Quality and Participation and Higher Education divisions	\$438,829.69
Sensis Pty Ltd	Advertising placement in the White Pages – includes print and online entries, Australian Astronomical Observatory, AusIndustry, Corporate Division and Enterprise Connect	\$264,664.50
Universal McCann	Advertising placement, including print, online and radio, for eBusiness, Tertiary Strategies, AusIndustry, Higher Education and Innovation divisions	\$1,348,916.27

Appendix A7: Ecologically sustainable development and environmental performance

Section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* requires Commonwealth agencies to report annually on their environmental performance and how they accord with and contribute to the principles of ecologically sustainable development (ESD).

CONTRIBUTION TO ECOLOGICALLY SUSTAINABLE DEVELOPMENT

DIISRTE upholds the principles of ESD through its operations and the development and delivery of plans, programs and legislation.

Table 43: Examples of DIISRTE’s contribution to ESD principles

Activity	How the activity accords with the principles of ESD
Strategic plan <i>Powering ideas: an innovation agenda for the 21st century</i>	We work with business, the research sector, the tertiary education sectors, the community and other governments to discover, promote and drive new ways of achieving economic and social benefits that will keep our economy and society strong for today and into the future. <i>Powering ideas</i> is helping to build and maintain a world-class innovation system that promotes technological, social and environmental innovation.
Clean Energy Future package	Implementation of parts of the Clean Energy Future package will help to secure a sustainable future for Australian industry by helping business to invest in new, clean technologies.
Key strategic priority 1: Invest in scientific engagement and awareness Key strategic priority 2: Strengthen and focus Australia’s research efforts	Research facilitated through these strategic priorities will support economic growth, environmental protection and community wellbeing.
Key strategic priority 5: Develop industries for the future	This strategic priority will help industry to transition towards more sustainable operations.
Research by the AuScope project, funded through National Collaborative Research Infrastructure Strategy (NCRIS) (Structure and Evolution of the Australian Continent) Bushfire Cooperative Research Centre (CRC) Invasive Animals CRC Terrestrial Ecosystem Research Network	Research enabled by these projects will help anticipation and response to natural disasters; and support the sustainable development and management of resources.

Activity	How the activity accords with the principles of ESD
<p>Major research infrastructure and projects funded through the NCRIS:</p> <ul style="list-style-type: none"> ■ Australian Plant Phenomics Facility (Integrated Biological Systems) ■ Atlas of Living Australia project (Integrated Biological Systems) ■ Integrated Marine Observing System project ■ Antarctic Climate and Ecosystems CRC 	<p>These projects will help to maintain and enhance the health, diversity and productivity of the environment. Through projects such as these, the department aims to deliver long-term benefits for future generations in ecosystem and climate change research; the development of sustainable practices in agriculture; the development of advanced technologies; the maintenance and regeneration of biodiversity; a reduction of the impact of environmental degradation and water salinity; and a reversal of biodiversity decline.</p>
<p>Project on sustainable energy for the Square Kilometre Array National Plasma Fusion Research Facility (sustainable energy project) Clean Energy Future initiative and Education Investment Fund Retrofitting for Resilient and Sustainable Buildings project CRC for Greenhouse Gas Technologies CRC for Low Carbon Living</p>	<p>These projects will facilitate the development of clean energy generation systems; the advancement of renewable energy technologies; research on ecologically sustainable electricity generation and low-emission energy technologies such as solar electricity generation; and the reduction of greenhouse emissions.</p>
<p>Clean21 sustainability diagnostic tool through Enterprise Connect business reviews Green Building Fund part of the Clean Business Australia initiative. Clean Technology Innovation Program Clean Technology Investment Program Clean Technology Food and Foundries Investment Program Steel Transformation Plan</p>	<p>Through these grants, tools and incentives, the department encourages businesses and industry to reduce their environmental footprints, particularly by supporting the use of clean energy and low pollution technologies.</p>
<p>Green Skills Agreement Clean Energy and Other Skills Package Skills for the Carbon Challenge</p>	<p>These initiatives aim to equip the Australian workforce with the skills and knowledge required for Australia to transition successfully to a sustainable, low carbon economy.</p>
<p>LPG Vehicle Scheme Green Car Innovation Fund</p>	<p>Funding through these projects offer incentives for motorists and companies to significantly reduce fuel consumption and greenhouse gas emissions of motor vehicles.</p>

OPERATIONAL ENVIRONMENTAL PERFORMANCE

The department operates under the Energy Efficiency in Government Operations (EEGO) policy and reports annual levels of energy use and emissions to meet the requirements of the policy via the Department of Climate Change and Energy Efficiency's Online System for Comprehensive Activity Reporting. The department continues to meet the EEGO policy energy intensity portfolio target of 7,500 megajoules per person per annum for office tenant light and power. A small rise in energy intensity in 2010–11 was due to the inclusion of National Trade Measurement and the Australian Astronomical Observatory in the department's reporting requirements, resulting in the addition of 24 new properties and a subsequent expansion in the number of leased vehicles and fuel used by the department.

Table 44: Energy performance data

Performance measure	2010–11 ⁽¹⁾	2009–10	2008–09	2007–08
Total energy consumption (GJ)	88,590	79,114	77,981	79,634
Total green energy consumption (GJ)	1,696	1,653	1,665	1,768
Energy intensity TLP (MJ/pp/annum)	5,347	4,970	4,597	5,680
Target = 7,500				

GJ = gigajoule, MJ = megajoule, TLP = tenant light and power, pp = per person

Sources: Energy Use in the Australian Government's Operations reports and the Online System for Comprehensive Activity Reporting (OSCAR) database.

(1) 2010–11 is the latest financial year for which data is available in OSCAR. Energy data for 2011–12 will be submitted in OSCAR to the Department of Climate Change and Energy Efficiency on 31 October 2012.

The department has limited its energy use and associated emissions through various initiatives that focus on benchmarking and improving the energy efficiency of the property portfolio—for example, National Australian Built Environment Rating System (NABERS) assessments, and the use of sensor lighting and energy efficient appliances—and by using awareness campaigns to encourage staff to use more sustainable energy practices. Energy saving initiatives resulted in the NABERS tenancy rating for the department's main office, Industry House, Canberra, increasing from four to 4.5 stars, which represents a good to excellent performance. Other initiatives are underway to improve energy efficiency in other locations. The department participates in Earth Hour each year and purchases 10 per cent accredited green power at sites in the ACT and in the Sydney state office.

The department's ICT Sustainability Plan supports the goal of lowering the department's carbon

emissions by providing a framework to review and report on our ICT practices, ensure efficient use of energy, and drive more sustainable ICT-related procurements and operations. The department is meeting its commitments by adopting technologies and measures such as server virtualisation; optimising energy efficiency in data centres; implementing voice over internet protocol telecommunications; using environmental criteria in the procurement of ICT equipment; meeting targets for reducing the number of computers and printers per user; and reducing paper and energy consumption through the use of modern efficient multifunction devices and practices such as follow-me printing and defaulting to double-sided and black and white printing. The department recycles mobile phones and ICT equipment once they have reached the end of life. It regularly reports to the Australian Government Information Management Office on progress in ICT sustainability.

The Australian Government is a signatory to the Australian Packaging Covenant and aims to minimise the impact of packaging on the environment by making its operations more sustainable. The department is committed to the reduction of waste sent to landfill and meets the requirements of the packaging covenant by providing annual reports on waste management to the Department of Sustainability, Environment, Water, Population and Communities. A formal NABERS waste audit conducted in 2011 at Industry House confirmed a rating of 3.5 stars. To further improve the sustainability of the department's offices, the department has developed a Waste Management Plan based on the relevant Australian standards. The plan is currently operating in six buildings and is being progressively implemented in other departmental buildings.

The department regularly reviews the effectiveness of its office-based environmental initiatives to determine environmental performance, explore the need for future initiatives and monitor measures and targets. The department collaborates with other agencies in the area of environmental management through the Government Agency Environmental Network. For example, Questacon manages the impacts of its operational activities through an environmental management system certified to ISO14001:2004 standard. This management tool enables environmental performance improvements by reducing energy costs and greenhouse gas emissions for tenancies and properties.

Appendix A8: Disability reporting

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

The Commonwealth Disability Strategy has been overtaken by a new National Disability Strategy which sets out a 10-year national policy framework

for improving life for Australians with disability, their families and their carers. The Standing Council on Community, Housing and Disability Services will provide the Council of Australian Governments with a high-level report to track progress for people with disability at a national level, which will be available at www.fahcsia.gov.au. The Social Inclusion Measurement and Reporting Strategy, agreed by the government in December 2009, will also include some reporting on disability matters in its regular *How Australia is faring* report and, if appropriate, in strategic change indicators in agency annual reports. More detail on social inclusion matters can be found at www.socialinclusion.gov.au.

Appendix A9: Corrections to the 2010–11 Annual report

On page 25, the section 'Subprogram: Structural Adjustment' was in the second column under 'Program 1.2: Innovative Industry'. It should have been in the first column under 'Program 1.1: Industry Development and Investment'.

On page 71, under 'Purchaser–Provider Arrangements for Outcome 1', a paragraph was omitted following the list of partners. This section should have read as follows:

PURCHASER–PROVIDER ARRANGEMENTS FOR OUTCOME 1

AusIndustry works closely with, and in some cases delivers programs on behalf of, other departments and agencies to deliver services and initiatives in a coordinated way to Australian businesses and the wider community. Our partners include:

- Department of Resources, Energy and Tourism (RET)
- Department of Defence
- Australian Customs and Border Protection Service
- Australian Taxation Office
- Austrade
- Centrelink
- Medicare Australia

The department, through the Cooperative Research Centres Branch, also administers the Defence Future Capability Technology Centre program in partnership with the Department of Defence. The successful centre under this program was the Defence Materials Technology Centre.

Appendix A10: Office locations

The department has its headquarters in Canberra; state offices in Adelaide, Brisbane, Hobart, Melbourne, Perth and Sydney; and a presence in a number of regional areas throughout Australia in the form of AusIndustry regional offices, Enterprise Connect centres, and tertiary education and National Measurement Institute (NMI) offices. NMI has its headquarters in Sydney and operates major laboratories in Sydney, Melbourne and Perth. The Australian Astronomical Observatory has its headquarters and laboratories in Sydney and operates telescopes at the Siding Spring Observatory near Coonabarabran in New South Wales. The department maintains a presence in Australia's embassies in a number of overseas cities.

As a result of the machinery-of-government changes announced in December 2011, staff and associated property obligations have transferred from DEEWR to DIISRTE. The department is currently reviewing the property obligations associated with accommodating the transferred staff and where possible properties will be consolidated.

AUSTRALIAN CAPITAL TERRITORY

DIISRTE Central Office	Industry House, 10 Binara Street Canberra ACT 2601
DIISRTE Central Office	16 Mort Street, Canberra ACT 2601
DIISRTE Central Office	Level 4, 20 Allara Street, Canberra ACT 2601
DIISRTE Central Office	Level 2, 15 Moore Street, Canberra ACT 2601
DIISRTE Central Office	Level 12, SAP House, Canberra City ACT 2601
DIISRTE Central Office	Unit 1, 28 Essington Street, Mitchell ACT 2611
DIISRTE Central Office	Unit 2, 28 Essington Street, Mitchell ACT 2611
Questacon	King Edward Terrace, Parkes ACT 2600
Questacon Exhibitions	95–97 Wollongong Street, Fyshwick ACT 2609
Questacon Exhibitions	60 Denison Street, Deakin ACT 2600

NEW SOUTH WALES

DIISRTE State Office	Levels 4 & 5, 341 George Street, Sydney NSW 2000
AusIndustry & South Coast Region Office	Suite 1, Terrace Level, Crown Tower, 200 Crown Street, Wollongong NSW 2520
AusIndustry Hunter Region Office	Room 2.17, 1st Floor, Industry & Development Centre, University Drive, Newcastle NSW 2300
AusIndustry New England Region Office	Level 1, 345 Peel Street, Tamworth NSW 2340
AusIndustry South West NSW Region Office	48 Fitzmaurice Street, Wagga Wagga NSW 2650
Australian Astronomical Observatory Headquarters	167 Vimiera Road, Eastwood NSW 2122
Australian Astronomical Observatory Telescopes	Siding Spring Observatory, Coonabarabran NSW 2357
Enterprise Connect Clean Technology Innovation Centre	1st Floor, Industry & Development Centre, University Drive, Newcastle University, Callaghan NSW 2308
Enterprise Connect Creative Industries Innovation Centre	University of Technology Sydney, Building 6, Level 4, 702–730 Harris Street, Ultimo NSW 2007
Enterprise Connect Innovative Regions Centre	Ground Floor, 87–89 Market Street, Wollongong NSW 2520
National Measurement Institute Flow Measurement Facility	919 Londonderry Road, Londonderry NSW 2753
National Measurement Institute Lindfield Laboratory (Headquarters)	2 Bradfield Road, West Lindfield NSW 2070
National Measurement Institute Office	105 Delhi Road, North Ryde NSW 2113
National Measurement Institute Office	Unit 6/84–92 Barnes Street, Tamworth NSW 2340
National Measurement Institute Office	Unit 9/4 Carboni Court, Dubbo NSW 2830
National Measurement Institute Office	Unit 4/5 Forge Drive, Coffs Harbour NSW 2450
National Measurement Institute Office	Unit 4/22 Portside Crescent, Maryville NSW 2293
National Measurement Institute Office	35 Holland Street, Goonellabah NSW 2480
National Measurement Institute Office	1/18 Janola Circuit, Port Macquarie NSW 2444
National Measurement Institute Office	Unit 12/108–112 Princes Hwy, Albion Park Rail NSW 2527
National Measurement Institute Office	43 Gordon Avenue (Cnr Daly Road), Queanbeyan NSW 2620
National Measurement Institute Office	Unit 2/81 Copland Street, Wagga Wagga NSW 2650
National Measurement Institute Pymble Laboratory	1 Suakin Street, Pymble NSW 2073
Questacon Outreach Sydney	Australian Technology Park, Locomotive Workshop, Suite 13001, 2 Locomotion Street, Eveleigh NSW 2015
Tertiary Education	255 Elizabeth Street, Sydney NSW 2000
Tertiary Education	Level 3, 3 Hopetoun Street, Charlestown NSW 2290

NORTHERN TERRITORY

AusIndustry NT Office	Ground Floor, Development House, 76 The Esplanade, Darwin NT 0800
Enterprise Connect Remote Enterprise Centre	Mezzanine Level, Alice Plaza, 36 Todd Mall, Alice Springs NT 0870
National Measurement Institute Office	106 Reichardt Road, Winnellie NT 0870
Tertiary Education	L2 & L3 39–41 Woods Street, Darwin NT 0800

QUEENSLAND

DIISRTE State Office	Level 12, 100 Creek Street, Brisbane QLD 4001
AusIndustry Central Queensland Region Office	205 Bourbong Street, Bundaberg QLD 4670
AusIndustry Northern Queensland Region Office	Level 1, Enterprise House, Cnr The Strand and Sir Leslie Thies Drive, Townsville QLD 4810
AusIndustry South Queensland and Northern Coastal NSW Region Office	Level 1, 26 Marine Parade, Southport QLD 4215
Enterprise Connect	Building B, 25 Yeppoon Rd, Parkhurst QLD 4702
Enterprise Connect Queensland State Centre	Brisbane Technology Park, 33 McKechnie Drive, Eight Mile Plains QLD 4113
Enterprise Connect Resource Technology Innovation Centre	Ground Floor, 45 Victoria Street, Mackay QLD 4740
National Measurement Institute Office	Unit 11, Tingira Street (Cnr Cook street), Cairns QLD 4870
National Measurement Institute Office	Unit 3/355 Bayswater Road, Garbutt, Townsville QLD 4810
National Measurement Institute Office	Unit 12/ 92–98 McLaughlin Street, Rockhampton QLD 4700
National Measurement Institute Office	Unit 6/40 Kerryl St, Kunda Park QLD 4560
National Measurement Institute Office	Unit 5/11–15 Gardner Court, Toowoomba QLD 4350
National Measurement Institute Office	33 Kingtel Place, Geebung QLD 4034
Tertiary Education	215 Adelaide Street, Brisbane QLD 4000

SOUTH AUSTRALIA

DIISRTE State Office	Level 11, Myer Centre, 170–178 North Terrace, Adelaide SA 5000
AusIndustry Northern South Australia Region Office	38–40 Stirling Road, Port Augusta SA 5700
AusIndustry Southern South Australia Region Office	Old Town Hall, Commercial Street, Mount Gambier SA 5290
Enterprise Connect	East Wing, Innovation House, Technology Park, Mawson Lakes Boulevard, Mawson Lakes, SA 5095

National Measurement Institute Office	8 West Thebarton Road, Thebarton SA 5031
Tertiary Education	115 Grenfell Street, Adelaide SA 5000

TASMANIA

DIISRTE State Office	Level 4, 27 Elizabeth Street, Hobart TAS 7000
AusIndustry Northern Tasmania Region Office	Level 1, Cornwall Square, 12–16 St John Street, Launceston TAS 7250
Enterprise Connect Tasmania State Centre	Shop 9, Columar Court, 4–22 Wilmot Street, Burnie TAS 7320
National Measurement Institute Office	56A Gormanston Road, Moonah TAS 7009
National Measurement Institute Office	12–16 Short Street, Ulverstone TAS 7315
National Measurement Institute Office	287 Wellington Street, Launceston TAS 7250
Tertiary Education	188 Collins Street, Hobart TAS 7000

VICTORIA

DIISRTE State Office	Level 5, 111 Bourke Street, Melbourne VIC 3000
AusIndustry	1st Floor, 56–60 King Street, Bendigo VIC 3550
AusIndustry Gippsland Region Office	Baw Baw Technology Centre, 107 Princes Highway, Traralgon VIC 3824
AusIndustry Western and South Western Victoria Region Office	48 Sturt Street, Ballarat VIC 3350
Enterprise Connect Innovative Regions Centre	The Management Centre, Deakin University, Nicol Drive South, Warrnambool VIC 3216
Enterprise Connect Victoria State Centre	Level 5, 329 Thomas Street, Dandenong VIC 3175
National Measurement Institute Office	1/153 Bertie Street, Port Melbourne VIC 3207
National Measurement Institute Office	Unit 3/36–38 Saunders Street, North Geelong VIC 3215
National Measurement Institute Office	35a Breen Street, Bendigo VIC 3550
National Measurement Institute Office	Unit 6/1071 Raglan Parade, Warrnambool VIC 3280
National Measurement Institute Office	Unit 2/ 25–27 Olive Grove, Keysborough VIC 3173
National Measurement Institute Office	108 Bosworth Road, Bairnsdale VIC 3875
Tertiary Education	414 La Trobe Street, Melbourne VIC 3000
Tertiary Education	23 Hazelwood Road, Morwell VIC 3840

WESTERN AUSTRALIA

DIISRTE State Office	Level 25, 44 St Georges Terrace, Perth WA 6000
AusIndustry Southern Western Australia Region Office	Level 10, Bunbury Tower, 61 Victoria Street, Bunbury WA 6230
Enterprise Connect Western Australia State Office	Suite 8, 16 Brodie Hall Drive, Technology Park, Bentley WA 6102
National Measurement Institute Kensington Laboratory	26 Dick Perry Avenue, Kensington WA 6151
National Measurement Institute Office	Suite 3, 11–13 Victoria Street, Bunbury WA 6230
National Measurement Institute Office	321 Selby St, Osborne Park WA 6017
Tertiary Education	Level 12, 250 St Georges Terrace, Perth WA 6000

OVERSEAS

Australian Embassy, Bangkok	37 South Sathorn Road, Bangkok 10120, Thailand
Australian Embassy and Mission to the European Union	7th Floor Guimard Centre, Rue Guimardstraat 6–8, 1040 Brussels Belgium
Australia Embassy, Beijing	21 Dongzhimenwai Dajie, Sanlitun Beijing, China 100600
Australian Consulate-General, Shanghai	Level 22, CITIC Square, 1168 Nanjiing West Road, Shanghai 200041, China
Australian Embassy, Hanoi	8 Dao Tan Street, Ba Dinh District, Hanoi Vietnam
Australian Consulate-General, Hong Kong	23rd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong
Australian High Commission, India	No1–50 G Shantipath, Chanakyapuri, New Delhi 110–021
Australian Embassy Jakarta	Jalan HR Rasuna Said Kav C15–16, Jakarta Selatan 12940 Indonesia
Australian Embassy, Seoul	19th Floor, Kyobo Building, Jongno 1 Ga, 166 Sejongdaero, Jongno-Gu, Seoul 110–714 Republic of Korea
Australian High Commission, Kuala Lumpur	6 Jalan Yap Kwan Seng, Kuala Lumpur 50450 Malaysia
Australian High Commission, Singapore	25 Napier Road, Singapore 258507
Australian Commerce and Industry Office Taiwan	27th Floor, President International Tower, 9–11 Songgao Road, Taipei 110 Taiwan
Australian Embassy, Tokyo	2–1–14 Mita, Minato-ku, Tokyo Japan 108-8361
Australian Embassy, Washington	1601 Massachusetts Avenue, Washington DC USA 20036



Part A

Chapter Eight

Financial performance

Independent auditor's report
Statement by the Secretary and Chief Financial Officer
Financial statements



INDEPENDENT AUDITOR'S REPORT

To the Minister for Tertiary Education, Skills, Science and Research

Report on the Financial Statements

I have audited the accompanying financial statements of the Department of Industry, Innovation, Science, Research and Tertiary Education for the year ended 30 June 2012, which comprise: a Statement by the Secretary and Chief Financial Officer; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Administered Schedule of Comprehensive Income; Administered Schedule of Assets and Liabilities; Administered Reconciliation Schedule; Administered Cash Flow Statement; Schedule of Administered Commitments; Schedule of Administered Contingencies; and Notes comprising Significant Accounting Policies and other explanatory information.

Secretary's Responsibility for the Financial Statements

The Secretary of the department is responsible for the preparation of financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to department's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Secretary of the department, as well as evaluating the overall presentation of the financial statements.

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

Independence

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

Opinion

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

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Department of Industry, Innovation, Science, Research and Tertiary Education's financial position as at 30 June 2012 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

Note 28 *Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund* discloses information on the Department of Industry, Innovation, Science, Research and Tertiary Education's review of its exposure to risks of not complying with statutory conditions on payments from special appropriations and special accounts. Non-compliance with statutory conditions may lead to a contravention of section 83 of the *Constitution*, which requires that no money shall be drawn from the Treasury of the Commonwealth except under an appropriation made by law.

As disclosed in Note 28, debts raised totalling \$43,272,172 under the *Social Security (Administration) Act 1999* have been identified in 2011-12 as potential breaches of section 83 of the *Constitution*.

Australian National Audit Office



Ian Goodwin
Group Executive Director

Delegate of the Auditor-General

Canberra

13 September 2012



Australian Government
Department of Industry
Innovation, Science, Research
and Tertiary Education

Industry House
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**DEPARTMENT OF INDUSTRY, INNOVATION, SCIENCE, RESEARCH AND
TERTIARY EDUCATION**

STATEMENT BY THE SECRETARY AND THE CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2012 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997* as amended.

Dr Don Russell
Secretary

13 September 2012

Brad Medland
Chief Financial Officer

13 September 2012

Department of Industry, Innovation, Science, Research and Tertiary Education
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
EXPENSES			
Employee benefits	3A	285,070	231,044
Supplier expenses	3B	141,987	131,208
Grants	3C	7,580	8,312
Depreciation and amortisation	3D	39,808	34,859
Finance costs	3E	49	72
Write-down and impairment of assets	3F	46	207
Foreign exchange losses	3G	7	4
Losses from asset sales	3H	-	13
Other expenses	3I	554	626
Total expenses		475,101	406,345
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	4A	58,300	57,733
Interest	4B	62	92
Rental income	4C	285	1,377
Other revenue	4D	8,300	9,368
Total own-source revenue		66,947	68,570
Gains			
Sale of assets	4E	9	-
Reversals of previous asset write-downs and impairment	4F	191	1
Other gains	4G	5,621	7,501
Total gains		5,821	7,502
Total own-source income		72,768	76,072
Net cost of services		402,333	330,273
Revenue from Government	4H	358,878	306,060
Deficit attributable to the Australian Government		(43,455)	(24,213)
OTHER COMPREHENSIVE INCOME			
Changes in asset revaluation surplus		1,800	-
Total comprehensive income		1,800	-
Total comprehensive loss attributable to the Australian Government		(41,655)	(24,213)

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

The comparative figures for the 2010-11 financial year contained in these financial statements are those of the then Department of Innovation, Industry, Science and Research.

Department of Industry, Innovation, Science, Research and Tertiary Education
BALANCE SHEET
as at 30 June 2012

	Notes	2012 \$'000	2011 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	5A	3,781	3,236
Trade and other receivables	5B	128,454	89,802
Other financial assets	5C	238	631
Total financial assets		132,473	93,669
Non-Financial Assets			
Land and buildings	6A	123,424	97,835
Property, plant and equipment	6B	63,419	60,533
Laboratory equipment	6C	38,194	40,895
Intangibles	6E	49,062	21,989
Inventories	6G	1,881	1,826
Other non-financial assets	6H	4,642	4,308
Total non-financial assets		280,622	227,386
Total assets		413,095	321,055
LIABILITIES			
Payables			
Suppliers	7A	27,158	17,348
Grants	7B	628	93
Other payables	7C	46,765	30,747
Total payables		74,551	48,188
Provisions			
Employee provisions	8A	104,381	60,849
Other provisions	8B	5,060	4,066
Total provisions		109,441	64,915
Total liabilities		183,992	113,103
Net assets		229,103	207,952
EQUITY			
Contributed equity		266,334	203,528
Asset revaluation surplus		13,679	11,879
Accumulated deficit		(50,910)	(7,455)
Total equity		229,103	207,952

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

The comparative figures for the 2010-11 financial year contained in these financial statements are those of the then Department of Innovation, Industry, Science and Research.

Department of Industry, Innovation, Science, Research and Tertiary Education
STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2012

	Retained earnings		Asset revaluation surplus		Contributed equity/capital		Total equity	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance								
Balance carried forward from previous period	(7,455)	16,758	11,879	11,879	203,528	117,737	207,952	146,374
Adjusted opening balance	(7,455)	16,758	11,879	11,879	203,528	117,737	207,952	146,374
Comprehensive income								
Other comprehensive income - Changes in asset revaluation surplus	-	-	1,800	-	-	-	1,800	-
Deficit for the year	(43,455)	(24,213)	-	-	-	-	(43,455)	(24,213)
Total comprehensive income	(43,455)	(24,213)	1,800	-	-	-	(41,655)	(24,213)
of which:								
Attributable to the Australian Government	(43,455)	(24,213)	1,800	-	-	-	(41,655)	(24,213)
Transactions with owners								
Distributions to owners								
Appropriation (equity return)	-	-	-	-	-	(2,580)	-	(2,580)
Contributions by owners								
Restructuring	-	-	-	-	29,779	50,911	29,779	50,911
Appropriation (equity injection)	-	-	-	-	3,610	8,966	3,610	8,966
Departmental Capital Budget (DCB)	-	-	-	-	29,417	28,494	29,417	28,494
Sub-total transactions with owners	-	-	-	-	62,806	85,791	62,806	85,791
Closing balance attributable to the Australian Government	(50,910)	(7,455)	13,679	11,879	266,334	203,528	229,103	207,952

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

The comparative figures for the 2010-11 financial year contained in these financial statements are those of the then Department of Innovation, Industry, Science and Research.

Department of Industry, Innovation, Science, Research and Tertiary Education
CASH FLOW STATEMENT
for the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations		405,599	354,685
Goods and services		60,057	60,862
Net GST received		12,238	10,805
Rental income		240	1,483
Other		11,313	12,147
Total cash received		<u>489,447</u>	<u>439,982</u>
Cash used			
Employees		272,974	229,878
Suppliers		142,505	143,060
Grants		8,555	9,287
Section 31 receipts transferred to OPA		56,119	58,468
Other		2,955	1,070
Total cash used		<u>483,108</u>	<u>441,763</u>
Net cash from operating activities	10	<u>6,339</u>	<u>(1,781)</u>
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment		12	45
Total cash received		<u>12</u>	<u>45</u>
Cash used			
Purchase of property, plant and equipment		39,627	26,258
Purchase of intangibles		6,700	9,269
Total cash used		<u>46,327</u>	<u>35,527</u>
Net cash used by investing activities		<u>(46,315)</u>	<u>(35,482)</u>
FINANCING ACTIVITIES			
Cash received			
Appropriations - contributed equity		5,156	9,567
Appropriations - Departmental Capital Budget		35,365	20,675
Restructuring - transferred in from AAO operations		-	7,580
Total cash received		<u>40,521</u>	<u>37,822</u>
Net cash from financing activities		<u>40,521</u>	<u>37,822</u>
Net increase in cash held		<u>545</u>	<u>559</u>
Cash and cash equivalents at the beginning of the reporting period		<u>3,236</u>	<u>2,677</u>
Cash and cash equivalents at the end of the reporting period	5A	<u>3,781</u>	<u>3,236</u>

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

The comparative figures for the 2010-11 financial year contained in these financial statements are those of the then Department of Innovation, Industry, Science and Research.

Department of Industry, Innovation, Science, Research and Tertiary Education
SCHEDULE OF COMMITMENTS
as at 30 June 2012

	2012	2011
	\$'000	\$'000
BY TYPE		
Commitments receivable		
National Science and Technology Centre sponsorship	(990)	(320)
GST recoverable on commitments	(40,988)	(37,094)
Other commitments receivable	(798)	(1,095)
Total commitments receivable	(42,776)	(38,509)
Commitments payable		
Capital commitments		
Land and buildings	904	6
Property, plant and equipment	6,663	7,850
Intangibles	112	885
Total capital commitments	7,679	8,741
Other commitments		
Operating leases	351,006	304,315
Industry assistance	73	1,169
Science and research grants	280	77
Tertiary education skills and Vocational Education and Training	2,038	-
Other	90,349	80,094
Total other commitments	443,746	385,655
Net commitments by type	408,649	355,887
BY MATURITY		
Commitments receivable		
Sponsorship receivable		
One year or less	(990)	(320)
From one to five years	-	-
Over five years	-	-
Total sponsorship receivable	(990)	(320)
GST & other commitments receivable		
One year or less	(8,192)	(7,098)
From one to five years	(11,874)	(12,423)
Over five years	(21,720)	(18,668)
Total other commitments receivable	(41,786)	(38,189)
Commitments payable		
Capital commitments		
One year or less	7,679	8,741
From one to five years	-	-
Over five years	-	-
Total capital commitments	7,679	8,741

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

The comparative figures for the 2010-11 financial year contained in these financial statements are those of the then Department of Innovation, Industry, Science and Research.

Department of Industry, Innovation, Science, Research and Tertiary Education
SCHEDULE OF COMMITMENTS
as at 30 June 2012

	2012	2011
	\$'000	\$'000
Operating lease commitments		
One year or less	33,924	27,319
From one to five years	108,589	111,405
Over five years	<u>208,493</u>	<u>165,591</u>
Total operating lease commitments	<u>351,006</u>	<u>304,315</u>
Other commitments		
One year or less	44,528	41,964
From one to five years	17,782	13,006
Over five years	<u>30,430</u>	<u>26,370</u>
Total other commitments	<u>92,740</u>	<u>81,340</u>
Net commitments by maturity	<u>408,649</u>	<u>355,887</u>

NOTE:

Commitments are GST inclusive where relevant.

Operating leases included are effectively non-cancellable and comprise of leases for office accommodation.

Lease payments are subject to fixed annual percentage increases, together with reviews based on market values. Initial periods of some office accommodation are still current and some properties have the option to renew for a given period.

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

The comparative figures for the 2010-11 financial year contained in these financial statements are those of the then Department of Innovation, Industry, Science and Research.

Department of Industry, Innovation, Science, Research and Tertiary Education
ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME
for the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
EXPENSES			
Supplier expenses	16A	222,182	17,065
Subsidies	16B	902,542	393,302
Personal benefits	16C	1,924,587	-
Finance costs	16D	862,847	-
Grants	16E	6,745,055	2,683,795
Write-down and impairment of assets	16F	232,188	1,600
Payments to CAC Act Bodies	16G	923,311	930,062
Fair value losses	16H	1,565,184	-
Total expenses administered on behalf of Government		13,377,896	4,025,824
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Taxation revenue			
Indirect tax	17A	1,076	1,169
Total taxation revenue		1,076	1,169
Non-taxation revenue			
Interest	17B	807,532	2,940
Nation-Building Fund	17C	741,506	501,532
Other non-taxation revenue	17D	14,915	388
Total non-taxation revenue		1,563,953	504,860
Total own-source revenue administered on behalf of Government		1,565,029	506,029
Gains			
Other gains	17E	1,400	33,622
Fair value gains	17F	1,096,634	-
Total gains administered on behalf of Government		1,098,034	33,622
Total own-source income administered on behalf of Government		2,663,063	539,651
Net cost of services		10,714,833	3,486,173
Deficit		(10,714,833)	(3,486,173)
OTHER COMPREHENSIVE INCOME			
Changes in asset revaluation surplus		254,066	80,646
Reclassification adjustments		-	(5,530)
Total other comprehensive income		254,066	75,116
Total comprehensive loss		(10,460,767)	(3,411,057)

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

The comparative figures for the 2010-11 financial year contained in these financial statements are those of the then Department of Innovation, Industry, Science and Research.

Department of Industry, Innovation, Science, Research and Tertiary Education
ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES
as at 30 June 2012

	Notes	2012 \$'000	2011 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	18A	53	-
Trade and other receivables	18B	20,919,981	85,095
Other investments	18C	5,240,224	3,037,894
Total financial assets		26,160,258	3,122,989
Total assets administered on behalf of Government		26,160,258	3,122,989
LIABILITIES			
Payables			
Suppliers	19A	35,499	4,983
Subsidies	19B	108,337	203,673
Personal benefits	19C	84,905	-
Grants	19D	160,236	23,130
Other payables	19E	31,085	5,484
Total payables		420,062	237,270
Provisions			
Provision for grants	20A	7,320,000	-
Other provisions	20B	778	2,092
Total provisions		7,320,778	2,092
Total liabilities administered on behalf of Government		7,740,840	239,362
Net assets		18,419,418	2,883,627

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

The comparative figures for the 2010-11 financial year contained in these financial statements are those of the then Department of Innovation, Industry, Science and Research.

Department of Industry, Innovation, Science, Research and Tertiary Education
ADMINISTERED RECONCILIATION SCHEDULE
for the year ended 30 June 2012

	2012	2011
	\$'000	\$'000
Opening administered assets less administered liabilities as at 1 July	2,883,627	2,600,147
Surplus (deficit) items:		
Plus: Administered income	2,663,063	539,651
Less: Administered expenses (non CAC)	(12,454,585)	(3,095,762)
Less: Payments to CAC Act bodies	(923,311)	(930,062)
Other comprehensive income:		
Administered revaluations taken to/from reserves	254,066	80,646
Reclassification adjustments taken to/from reserves	-	(5,530)
Administered transfers to/from Australian Government:		
Appropriation transfers from OPA		
Annual appropriations for administered expenses (non CAC)	1,779,392	744,087
Administered assets and liabilities appropriations	48,092	29,495
Administered assets and liabilities appropriations (for payment to CAC Act bodies)	1,471	14,070
Annual appropriations for payment to CAC Act bodies	923,311	930,062
Special appropriations (limited)	484,974	173,927
Special appropriations (unlimited)	9,393,535	1,492,949
Transfers to OPA	(652,495)	(45,247)
Automotive Competitiveness and Investment Scheme (ACIS) credits applied against import duties payable to Customs	98,587	393,437
Product Diversification Scheme (PDS) credits applied against import duties payable to Customs	-	4,236
EIF Capital payments to CAC Act bodies	30,168	
Appropriation from prior years	5,681	8,622
Transfers due to restructuring	13,883,842	(51,101)
Closing administered assets less administered liabilities as at 30 June	18,419,418	2,883,627

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

The comparative figures for the 2010-11 financial year contained in these financial statements are those of the then Department of Innovation, Industry, Science and Research.

Department of Industry, Innovation, Science, Research and Tertiary Education
ADMINISTERED CASH FLOW STATEMENT
for the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
OPERATING ACTIVITIES			
Cash received			
Interest		2,046	2,442
Dividends		-	-
Nation-Building Fund receipts		741,506	378,532
Net GST received		70,935	67,316
Other		64,712	10,836
Total cash received		<u>879,199</u>	<u>459,126</u>
Cash used			
Suppliers		301,569	16,834
Grants		6,924,401	2,747,511
Subsidies paid		917,374	93,301
Personal benefits		1,896,357	-
Payment to CAC Bodies		923,311	930,062
Total cash used		<u>10,963,012</u>	<u>3,787,708</u>
Net cash used by operating activities	21	<u>(10,083,813)</u>	<u>(3,328,582)</u>
INVESTING ACTIVITIES			
Cash received			
Nation-Building Fund receipts - Education Investment Fund		30,168	123,000
Higher Education Loan Program (HELP) & Student Financial Supplement Scheme (SFSS) loans repaid		543,011	-
Repayments of advances and loans		44,488	33,216
Total cash received		<u>617,667</u>	<u>156,216</u>
Cash used			
Investments		20,239	25,339
Advances and loans made		27,853	4,157
Higher Education Loan Program (HELP) Loans paid		2,458,198	-
CAC Act Bodies investments		1,471	14,070
Payments to CAC Act Bodies - capital payments to EIF		30,168	123,000
Total cash used		<u>2,537,929</u>	<u>166,566</u>
Net cash used by investing activities		<u>(1,920,262)</u>	<u>(10,350)</u>
Net decrease in cash held		<u>(12,004,075)</u>	<u>(3,338,932)</u>
Cash and cash equivalents at the beginning of the reporting period		-	-

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

The comparative figures for the 2010-11 financial year contained in these financial statements are those of the then Department of Innovation, Industry, Science and Research.

Department of Industry, Innovation, Science, Research and Tertiary Education
ADMINISTERED CASH FLOW STATEMENT
for the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
Cash from Official Public Account for:			
Appropriations		12,581,212	3,341,025
Appropriation - Administered assets and liabilities		48,092	29,495
Nation-Building Fund - EIF		30,168	-
Equity appropriation - CAC Act Bodies		1,471	14,070
Special accounts		5,711	3,723
GST appropriations		93,325	64,079
		<u>12,759,979</u>	<u>3,452,392</u>
Cash to Official Public Account for:			
Appropriations		(652,495)	(45,247)
Nation-Building Fund - EIF		(30,168)	-
GST appropriations		(68,895)	(68,213)
Special accounts		(4,293)	-
		<u>(755,851)</u>	<u>(113,460)</u>
Cash and cash equivalents at the end of the reporting period	18A	<u>53</u>	<u>-</u>

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

The comparative figures for the 2010-11 financial year contained in these financial statements are those of the then Department of Innovation, Industry, Science and Research.

Department of Industry, Innovation, Science, Research and Tertiary Education
SCHEDULE OF ADMINISTERED COMMITMENTS
as at 30 June 2012

	2012	2011
	\$'000	\$'000
BY TYPE		
Commitments receivable		
GST recoverable on commitments	(166,887)	(118,802)
Total commitments receivable	<u>(166,887)</u>	<u>(118,802)</u>
Commitments payable		
Capital commitments		
Capital investment	240,856	126,525
Other	4,562	7,415
Total capital commitments	<u>245,418</u>	<u>133,940</u>
Other commitments		
Operating leases	173	-
Industry assistance	349,632	468,173
Science and research	1,159,222	2,218,319
Research and development	780,897	56,956
Tertiary education skills and VET	8,412,214	-
Other	12,563	17,830
Total other commitments	<u>10,714,701</u>	<u>2,761,278</u>
Net commitments by type	<u>10,793,232</u>	<u>2,776,416</u>
BY MATURITY		
Commitments receivable		
One year or less	(76,305)	(52,016)
From one to five years	(86,099)	(64,263)
Over five years	(4,483)	(2,523)
Total commitments receivable	<u>(166,887)</u>	<u>(118,802)</u>
Commitments payable		
Capital commitments		
One year or less	194,355	61,331
From one to five years	41,313	62,859
Over five years	9,750	9,750
Total capital commitments	<u>245,418</u>	<u>133,940</u>
Operating lease commitments		
One year or less	93	-
From one to five years	80	-
Total operating lease commitments	<u>173</u>	<u>-</u>

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

The comparative figures for the 2010-11 financial year contained in these financial statements are those of the then Department of Innovation, Industry, Science and Research.

Department of Industry, Innovation, Science, Research and Tertiary Education
SCHEDULE OF ADMINISTERED COMMITMENTS
as at 30 June 2012

	2012	2011
	\$'000	\$'000
Other commitments		
One year or less	7,827,538	1,770,175
From one to five years	2,837,682	963,354
Over five years	49,308	27,749
Total other commitments	<u>10,714,528</u>	<u>2,761,278</u>
Net commitments by maturity	<u>10,793,232</u>	<u>2,776,416</u>

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

The comparative figures for the 2010-11 financial year contained in these financial statements are those of the then Department of Innovation, Industry, Science and Research.

Department of Industry, Innovation, Science, Research and Tertiary Education
SCHEDULE OF ADMINISTERED CONTINGENCIES
as at 30 June 2012

	2012	2011
	\$'000	\$'000
Administered contingent liabilities		
Claims for damages or costs	6,751	6,751
Total administered contingent liabilities	<u>6,751</u>	<u>6,751</u>
Net administered contingent liabilities	<u>6,751</u>	<u>6,751</u>

Details of each class of contingent liabilities and contingent assets in the above table are disclosed in Note 22, together with administered contingent assets and liabilities, significant remote contingencies and contingencies that cannot be quantified.

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

The comparative figures for the 2010-11 financial year contained in these financial statements are those of the then Department of Innovation, Industry, Science and Research.

**Department of Industry, Innovation, Science, Research and Tertiary Education
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Department of Industry, Innovation, Science, Research and Tertiary Education

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

1.1 Objective of the Department of Industry, Innovation, Science, Research and Tertiary Education

The Department of Industry, Innovation, Science, Research and Tertiary Education (the Department) is an Australian Government controlled entity. The objectives of the Department are to:

- Improve the social and economic viability, competitive advantage and international engagement of Australian industries, reduce impediments to doing business and increase competition and sustainability with a particular focus on the manufacturing, small business and service sectors;
- Maintain a strong science and research capacity required to generate and utilise knowledge within the science and research, higher education and industry sectors through investment in research infrastructure, skill development and promoting collaboration both within Australia and internationally; and
- Improve the quality, transparency, efficiency and equity of tertiary education.

In December 2011, following the release of a new Administrative Arrangements Order (AAO), the roles and responsibilities of the Department of Innovation, Industry, Science and Research (DIISR) were expanded to incorporate the Tertiary, Skills and International functions from the Department of Education, Employment and Workplace Relations (DEEWR). DIISR's name was changed to the Department of Industry, Innovation, Science, Research and Tertiary Education (DIIS RTE).

The Department is now structured to meet three outcomes:

Outcome 1: The sustainable development and growth of Australian industry – particularly in the manufacturing, services and small business sectors – by encouraging businesses to innovate, collaborate and commercialise ideas, and by delivering business advice, assistance and services.

Outcome 2: Production, use and awareness of science and research knowledge, by supporting research activity, training and infrastructure, science communication, skill development, and collaboration within the research sector and between researchers and industry, domestically and internationally.

Outcome 3: A growth in skills, qualifications and productivity through funding to improve teaching quality, learning, and tertiary sector infrastructure, international promotion of Australia's education and training sectors, and partnerships with industry.

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

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

1.2 Basis of Preparation of the Financial Statements

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

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

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

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

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

Department of Industry, Innovation, Science, Research and Tertiary Education NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

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

Administered revenues, expenses, assets, liabilities and cash flows reported in the Schedule of Administered Items and related notes are accounted for on the same basis and using the same policies as for departmental items, except as otherwise stated in Note 1.20.

1.3 Significant Accounting Judgements and Estimates

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

- The value of the Higher Education Loan Program (HELP) receivable is calculated each year by actuarial assessment. The two main measures impacting on the calculation of the HELP asset are the face value of the debt not expected to be repaid and the fair value of the remaining receivable, calculated as the present value of projected future cash flows.
- The fair value of the Provision for Unfunded University Superannuation (2011-12 \$7.320 billion) is calculated annually by actuarial assessment. The provision is valued in accordance with the requirements of *AASB 119 Employee Benefits*. The discount rate used is the 10 year Government bond rate as at the reporting date. The prevailing rate as at 30 June 2012 is 3.04% (2011: 5.3%).
- The fair value of the remaining Innovation Investment Fund (IIF) loans (IIF loans) (including the Pre-Seed program) has been assessed to be the amount expected to be received by IIF Investments Pty Ltd and returned to the Australian Government.

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

1.4 New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. Other new standards and amendments are considered to have no impact for the current period.

Future Australian Accounting Standard Requirements

All new standards, amendments to standards or interpretations that have been issued by the Accounting Standards Board and are effective for future reporting periods will be adopted when effective and it is estimated that in doing this there will be no material financial impact for the current period.

1.5 Revenue

Revenue from the sale of goods is recognised when:

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

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

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- the probable economic benefits associated with the transaction will flow to the Department.

Department of Industry, Innovation, Science, Research and Tertiary Education NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

Revenue from Government

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

Funding received or receivable from agencies (appropriated to the agency as a CAC Act body payment item for a payment to this entity) is recognised as a Revenue from Government by the CAC Act Body unless the funding is in the nature of an equity injection or a loan.

Parental Leave Payments Scheme

Amounts received by the Department and not yet paid to employees are presented on a gross basis, as cash and a liability payable. The total amount received under this scheme is disclosed as a footnote to Note 7C: Other Payables.

1.6 Gains

Resources Received Free of Charge

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

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

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government agency or authority as a consequence of a restructuring of administrative arrangements (Refer to Note 1.7).

Sale of Assets

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

Reversal of Previous Impairment Write-Downs

Reversals of impairment write-downs that were recognised in a prior period are recognised as gains when an event occurring after the impairment write-down can be objectively related to the decrease in the impairment loss.

1.7 Transactions with the Australian Government as Owner

Equity Injections

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

Restructuring of Administrative Arrangements

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

Other Distributions to Owners

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

1.8 Employee Benefits

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

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

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

Department of Industry, Innovation, Science, Research and Tertiary Education NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Leave

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

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

The liability for long service leave has been determined by reference to the work of an actuary as at 30 June 2012 and management assessments relating to salary growth rates. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

Provision is made for separation and redundancy benefit payments. The Department recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

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

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap and AGEST are defined contribution schemes.

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

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

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

1.9 Leases

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

The Department does not have any finance leases.

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

Lease incentives are initially recorded as a liability and are amortised over the life of the lease (refer to Note 7C).

1.10 Borrowing Costs

All borrowing costs are expensed as incurred.

1.11 Cash

Cash is recognised at its nominal amount. Cash and cash equivalents include:

- cash on hand;
- demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value;
- cash held by outsiders; and
- cash in special accounts.

Department of Industry, Innovation, Science, Research and Tertiary Education

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.12 Financial Assets

The Department classifies its financial assets in the following categories:

- financial assets at fair value through profit and loss;
- available-for-sale financial assets; and
- loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

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

Financial Assets at Fair Value through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial assets:

- have been acquired principally for the purpose of selling in the near future;
- are derivatives that are not designated and effective as a hedging instrument; or
- are a part of an identified portfolio of financial instruments that the Department manages together and has a recent actual pattern of short-term profit-taking.

Assets in this category are classified as current assets.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest earned on the financial asset.

Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the asset within 12 months of the balance sheet date.

Available-for-sale financial assets are recorded at fair value. Gains and losses arising from changes in fair value are recognised directly in the reserves (equity) with the exception of impairment losses. Interest is calculated using the effective interest method and foreign exchange gains and losses on monetary assets are recognised directly in profit or loss. Where the asset is disposed of or is determined to be impaired, part (or all) of the cumulative gain or loss previously recognised in the reserve is included in profit and loss for the period.

Where a reliable fair value cannot be established for unlisted investments in equity instruments, these instruments are valued at cost. The Department has no such instruments.

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of Financial Assets

Financial assets are assessed for impairment at each balance date.

Financial assets held at amortised cost – If there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

Available-for-sale financial assets – If there is objective evidence that an impairment loss on an available-for-sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the Statement of Comprehensive Income.

Department of Industry, Innovation, Science, Research and Tertiary Education NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.13 Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

1.14 Contingent Liabilities and Contingent Assets

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

1.15 Acquisition of Assets

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

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

1.16 Property, Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the balance sheet, except for:

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

Computer equipment is capitalised irrespective of its purchase price.

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

Department of Industry, Innovation, Science, Research and Tertiary Education NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Revaluations

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

Asset class	Fair value measured at
Land	Market selling price
Buildings (excluding leasehold improvements)	Depreciated replacement cost
Leasehold improvements	Depreciated replacement cost
Laboratory equipment	Market selling price and depreciated replacement cost
Other property, plant and equipment	Market selling price and depreciated replacement cost

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

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

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

Frequency

Independent valuations are performed every three years or sooner as may be required, which ensures that the fair value reported in the balance sheet does not differ materially from the asset's fair value at balance sheet date and that the asset is not impaired. All asset classes with the exception of software (See note 1.17) were re-valued effective 30 June 2012 by an independent valuer, Pickles Auctions Pty Ltd, using a fair value basis.

Depreciation

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

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

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

	2012	2011
Buildings	8-70 years	8-70 years
Leasehold improvements	Lease term	Lease term
Laboratory equipment	3-10 years	3-10 years
Other property, plant and equipment	3-10 years	3-10 years

Impairment

All assets were assessed for impairment at 30 June 2012. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount. The impairment adjustment is reflected in the gross carrying value of the asset.

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

Department of Industry, Innovation, Science, Research and Tertiary Education NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Derecognition

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

1.17 Intangibles

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

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Department's software are 3 to 15 years (2010-11: 3 to 15 years).

All software assets were assessed for indications of impairment as at 30 June 2012.

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

Bulk purchases of software that individually cost less than \$50,000 but as a group cost \$50,000 or more are recognised in the balance sheet as "grouped" assets under the grouping of assets provisions.

1.18 Inventories

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

Costs incurred in bringing each item of inventory to its present location and condition are assigned as follows:

- raw materials and stores – purchase cost on a first-in-first-out basis; and
- finished goods and work-in-progress – cost of direct materials and labour plus attributable costs that can be allocated on a reasonable basis.

Inventories acquired at no cost or nominal considerations are initially measured at current replacement cost at the date of acquisition.

1.19 Taxation

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

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

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

1.20 Reporting of Administered Activities

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

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

Administered Cash Transfers to and from Official Public Account

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

Revenue

All administered revenues are revenues relating to the course of ordinary activities performed by the Department on behalf of the Australian Government. Administered revenues include revenues from Education Investment Fund receipts as part of the Government's Nation Building Fund. Administered fee revenue is recognised only when it has been earned.

Gains and Losses

Administered gains or losses under the Higher Education Loan Program (HELP), the Student Loan Supplement Scheme

Department of Industry, Innovation, Science, Research and Tertiary Education NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

and Unfunded University Superannuation are recognised at 30 June each year based on an actuarial assessment of the fair value.

Loans and Receivables

Where loans and receivables are not subject to concessional treatment, they are carried at amortised cost using the effective interest method. Gains and losses due to impairment de-recognition and amortisation are recognised through profit or loss.

The Department classifies its loans and receivables into two categories of financial instruments: loans and receivables at "amortised cost" and loans and receivables at "available for sale". All loans and receivables are recognised initially at fair value. Subsequent to initial measurement, loans and receivables, other than Innovation Investment Fund (IIF) loans, are measured at amortised cost. IIF loans are classified as "available for sale" debt instruments and are measured at fair value with changes in fair value (other than due to impairment) being recognised directly in equity. Loans and receivables are assessed for indicators of impairment (including collectability) at each balance date. An allowance (expense) is made for loans which are assessed as being impaired. Interest is credited to income as it accrues.

The Department's administered loans and receivables relating to a number of programs that are delivered by the Department on behalf of the Australian Government are classified as follows:

1. Loans and receivables – Amortised cost:

- R&D Start Program loans. Loans with varying rates of interest, including interest free, which are repaid over a number of years.

- Australian Leather Holdings. A loan of \$25.0 million has been made to Australian Leather Holdings. This loan attracts interest at a rate of 4.25% above the 10 year Australian Government bond rate. The total loan is due to be repaid in full by February 2022.

2. Loans and receivables – Available for sale

- IIF loans – IIF Investments Pty Ltd (portion of IIF Program Rounds 1 & 2 and the Pre-Seed program). The Australian Government provides interest free, limited recourse loans to IIF Investments Pty Ltd (100% Commonwealth owned). The loans are to finance investments in five of the investment funds that are operating under the IIF program, and the four investment funds that are operating under the Pre-Seed program. IIF Investments Pty Ltd is obliged to repay loan(s) to the extent that it receives a distribution on its investment(s) in the funds.

3. Loans and receivables – Fair value through profit and loss (designated)

- Higher Education Contribution Scheme (HECS)/ Higher Education Loan Program (HELP) loans - The HELP scheme is administered under the *Higher Education Support Act 2003*. HELP consists of HECS-HELP, FEE-HELP, OS-HELP, and VET FEE HELP, and any resulting debts are called a HELP debt.

The HELP debts are reflected as a receivable in the Schedule of Administered Items. The Australian Taxation Office (ATO) collects repayments of the debts through the Pay As You Go (PAYG) income tax system and voluntary repayments.

The Department has recorded the total accumulated HECS and/or HELP debt in its financial statements at fair value in accordance with *AASB 139 Financial Instruments: Recognition and Measurement*. This varies from the debt level shown on the ATO Certificate.

- The Department reviews for indicators of impairment on an annual basis.

Administered Investments

Administered investments in subsidiaries, joint ventures and associates are not consolidated because their consolidation is relevant only at the Whole-of-Government level.

Administered investments, other than those held for sale, are classified as "available for sale" and are measured at their fair value as at 30 June 2012. Fair value has been taken to be the Australian Government's proportional interest in the net assets of the entities as at balance date.

Grants and Subsidies

The Department administers a number of grant and subsidy schemes on behalf of the Government. Grant and subsidy liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed, or (ii) the grant eligibility criteria have been satisfied, but payments due have not been made.

A commitment is recorded when the Government enters into an agreement to make these grants but services have not been performed or criteria satisfied.

Voluntary Disclosure

The Department administers a number of personal benefit programs on behalf of the Government that provide income support, family assistance and other entitlements to individuals. Payments are determined in accordance with provisions

Department of Industry, Innovation, Science, Research and Tertiary Education NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

under social security law and other legislation. Payments made under the *Social Security (Administration) Act 1999* legislation are assessed, determined and paid by officers of the Department of Human Services (DHS) under delegation from the Department.

Payments made by DHS appear in the financial statements of the Department, which receives appropriations for the payments.

The *Social Security (Administration) Act 1999* imposes obligations on payment recipients to disclose to DHS information about financial and personal circumstances that affect entitlement to payment. Unreported changes in circumstances can lead to incorrect payment, even if no deliberate fraud is intended. However, risks associated with relying on voluntary disclosure are mitigated by a risk management strategy which focuses on prevention, detection and deterrence.

In addition, DHS conducts a comprehensive program of reviews. Compliance reviews of payment recipients' circumstances contribute to the detection of overpayment and benefit fraud. Recipients are generally selected for compliance reviews based on risk categories and inconsistencies in income, assets or other data across DHS systems, or between DHS and data gathered through Job Services Australia, universities, or held by other agencies such as the Australian Taxation Office (ATO) and financial institutions.

Payments to CAC Act Bodies

From 2011-12, payments to CAC Act bodies from amounts appropriated for that purpose are classified as either administered expenses, equity injections or loans of the relevant portfolio Department. The appropriation to the Department is disclosed in Note 27A.

1.21 Comparative Figures

The comparative figures for the 2010-11 financial year contained in these financial statements are those of the then Department of Innovation, Industry, Science and Research. Current year figures include the Tertiary Education function, assumed from the Department of Education, Employment and Workplace Relations during 2012 (refer to Note 9B).

**Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 2. Events After Balance Sheet Date

There were no other events occurring after 30 June 2012 that would have a material impact on these financial statements.

Department of Industry, Innovation, Science, Research and Tertiary Education NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 3. Expenses

	2012 \$'000	2011 \$'000
Note 3A. Employee Benefits		
Wages and salaries	206,529	174,452
Superannuation:		
Defined contribution plans	16,273	12,392
Defined benefit plans	20,617	19,113
Leave and other entitlements	38,171	22,722
Separations and redundancies	2,324	1,458
Other employee expenses	1,156	907
Total employee benefits	285,070	231,044
Note 3B. Supplier Expenses		
Goods and services		
Communication, marketing & freight	5,414	4,915
Contractors and consultants	25,607	22,320
Inventory related costs	5,873	6,303
Property operating expense	11,579	10,750
Processing costs for HECS/HELP receipts provided free of charge	4,350	-
Services & maintenance	29,979	33,264
Travel	14,905	12,302
Other	13,679	12,716
Total goods and services	111,386	102,570
Goods and services are made up of:		
Provision of goods - external parties	11,759	12,665
Rendering of services - related entities	4,861	132
Rendering of services - external parties	94,766	89,773
Total goods and services	111,386	102,570
Other supplier expenses		
Operating lease rentals – external parties:		
Minimum lease payments	28,464	26,322
Contingent rentals	326	542
Workers compensation expenses	1,811	1,774
Total other supplier expenses	30,601	28,638
Total supplier expenses	141,987	131,208
Note 3C. Grants		
Public sector:		
Australian Government entities (related entities)	195	524
State and Territory Governments	15	1,215
Private sector:		
Non-profit organisations	2,012	519
Other	5,358	6,054
Total grants	7,580	8,312

Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2012 \$'000	2011 \$'000
Note 3D. Depreciation and Amortisation		
Depreciation:		
Property, plant and equipment	13,090	13,535
Buildings	3,405	2,242
Laboratory equipment	6,312	6,398
Total depreciation	22,807	22,175
Amortisation:		
Leasehold improvements	9,037	6,862
Intangibles:		
Computer software	7,964	5,822
Total amortisation	17,001	12,684
Total depreciation and amortisation	39,808	34,859
Note 3E. Finance Costs		
Unwinding of discount	49	72
Total finance costs	49	72
Note 3F. Write-Down and Impairment of Assets		
Asset write-downs and impairments from:		
Financial instruments	31	14
Property, plant and equipment	38	150
Intangible assets	-	2
Inventories	(33)	(35)
Laboratory equipment	10	76
Total write-down and impairment of assets	46	207
Note 3G. Foreign Exchange Losses		
Non-speculative	7	4
Total foreign exchange losses	7	4
Note 3H. Losses from Asset Sales		
Property, plant and equipment:		
Proceeds from sale	-	(45)
Carrying value of assets sold	-	58
Total losses from asset sales	-	13
Note 3I. Other Expenses		
Audit fees	550	623
Other	4	3
Total other expenses	554	626

Department of Industry, Innovation, Science, Research and Tertiary Education NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 4. Income

OWN-SOURCE REVENUE	2012	2011
	\$'000	\$'000
Note 4A. Sale of Goods and Rendering of Services		
Provision of goods - external parties	3,007	2,507
Rendering of services - related entities	8,219	7,164
Rendering of services - external parties	47,074	48,062
Total sale of goods and rendering of services	58,300	57,733
Note 4B. Interest		
Deposits	62	92
Total interest	62	92
Note 4C. Rental Income		
Operating lease	285	1,377
Total rental income	285	1,377
Note 4D. Other Revenue		
State receipts	2,500	2,000
Sponsorships	2,041	2,636
Other	3,759	4,732
Total other revenue	8,300	9,368
GAINS		
Note 4E. Sale of Assets		
Property, plant and equipment:		
Proceeds from sale	12	-
Carrying value of assets sold	(3)	-
Net gain from sale of assets	9	-
Note 4F. Reversals of Previous Asset Write-Downs and Impairment		
Reversal of impairment losses		
Receivables	-	1
Reversal of previous asset write down	191	-
Total reversals of previous asset write-downs and impairments	191	1
Note 4G. Other Gains		
Resources received free of charge	4,900	7,421
Reversal of makegood provision	179	80
Reversal of provisions	542	-
Total other gains	5,621	7,501
REVENUE FROM GOVERNMENT		
Note 4H. Revenue from Government		
Departmental appropriations	358,878	306,060
Total revenue from Government	358,878	306,060

Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 5. Financial Assets

	2012	2011
	\$'000	\$'000
<u>Note 5A. Cash and Cash Equivalents</u>		
Special accounts	1,726	1,643
Cash on hand	21	21
Cash at bank	<u>2,034</u>	<u>1,572</u>
Total cash and cash equivalents	<u>3,781</u>	<u>3,236</u>
<u>Note 5B. Trade and Other Receivables</u>		
Good and services:		
Goods and services - related entities	2,801	1,157
Goods and services - external parties	<u>6,470</u>	<u>3,134</u>
Total receivables for goods and services	<u>9,271</u>	<u>4,291</u>
Appropriations receivable:		
for Departmental appropriations	72,906	64,659
for Departmental Capital Budget	1,871	7,819
for Special accounts	7,504	6,354
for Equity appropriations	<u>2,526</u>	<u>4,072</u>
Total appropriations receivable	<u>84,807</u>	<u>82,904</u>
Other receivables:		
GST receivable from the Australian Taxation Office	2,579	2,568
Other*	<u>31,850</u>	<u>68</u>
Total other receivables	<u>34,429</u>	<u>2,636</u>
Total trade and other receivables (gross)	<u>128,507</u>	<u>89,831</u>
Less impairment allowance account:		
Goods and services	<u>(53)</u>	<u>(29)</u>
Total impairment allowance account	<u>(53)</u>	<u>(29)</u>
Total trade and other receivables (net)	<u>128,454</u>	<u>89,802</u>
Receivables are expected to be recovered in:		
No more than 12 months	<u>128,454</u>	<u>89,802</u>
Total trade and other receivables (net)	<u>128,454</u>	<u>89,802</u>
Receivables are aged as follows:		
Not overdue	117,953	88,580
Overdue by:		
0 to 30 days	6,399	888
31 to 60 days	2,612	249
More than 60 days	<u>1,543</u>	<u>114</u>
Total receivables (gross)	<u>128,507</u>	<u>89,831</u>

* Includes \$29.645 million receivable from the Department of Education, Employment and Workplace Relations (DEEWR) for the transfer of leave provision balances associated with the restructuring of administrative arrangements on the 14th December 2011.

Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2012 \$'000	2011 \$'000
The impairment allowance account is aged as follows:		
Overdue by:		
0 to 30 days	(2)	-
More than 60 days	(51)	(29)
Total impairment allowance account	<u>(53)</u>	<u>(29)</u>

Reconciliation of the Impairment Allowance Account:

Movements in relation to 2012

	Goods and services \$'000	Total \$'000
Opening balance	29	29
Amounts written off	(7)	(7)
Amounts recovered and reversed	-	-
Increase recognised in net deficit	31	31
Closing balance	<u>53</u>	<u>53</u>

Movements in relation to 2011

	Goods and services \$'000	Total \$'000
Opening balance	21	21
Amounts written off	(5)	(5)
Amounts recovered and reversed	(1)	(1)
Increase recognised in net deficit	14	14
Closing balance	<u>29</u>	<u>29</u>

Note 5C. Other Financial Assets

Accrued revenue	<u>238</u>	<u>631</u>
Total other financial assets	<u>238</u>	<u>631</u>

Total other financial assets - are expected to be recovered in:

No more than 12 months	<u>238</u>	<u>631</u>
Total other financial assets	<u>238</u>	<u>631</u>

Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 6. Non-Financial Assets

	2012	2011
	\$'000	\$'000
<u>Note 6A. Land and Buildings</u>		
Buildings on freehold land:		
Fair value	56,112	55,164
Accumulated depreciation	-	(2,242)
Work in progress	708	1,244
Total buildings on freehold land	56,820	54,166
Leasehold improvements:		
Gross carrying value (at fair value)	40,534	43,940
Accumulated depreciation	(1,200)	(6,852)
Work in progress	27,270	6,581
Total leasehold improvements	66,604	43,669
Total land and buildings	123,424	97,835

Land under finance leases were subject to revaluation as at 30 June 2012.

No indicators of impairment were found for land and buildings.

No land or buildings have been identified for sale or disposal within the next 12 months.

Note 6B. Property, Plant and Equipment

Property, plant and equipment:		
Gross book value (at fair value)	50,874	62,221
Accumulated depreciation	-	(13,431)
Property, plant and equipment - work in progress - at cost	12,545	11,743
Total other property, plant and equipment	63,419	60,533

Plant and equipment under finance leases were subject to revaluation as at 30 June 2012.

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

A number of property, plant and equipment assets with a written down value of \$38,823 (2010-11: \$149,723) were assessed as obsolete and written off.

No property, plant or equipment has been identified for sale or disposal within the next 12 months.

Department of Industry, Innovation, Science, Research and Tertiary Education NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2012 \$'000	2011 \$'000
Note 6C. Laboratory Equipment		
Gross carrying value (at fair value)	33,320	44,606
Accumulated depreciation	-	(6,358)
Laboratory equipment - work in progress - at cost	<u>4,874</u>	<u>2,647</u>
Total laboratory equipment	<u>38,194</u>	<u>40,895</u>

Laboratory equipment were subject to revaluation as at 30 June 2012.

No indicators of impairment were found for laboratory equipment.

A number of assets with a written down value of \$9,636 (2010-11: \$76,437) were assessed as obsolete and written off.

No laboratory equipment has been identified for sale or disposal within the next 12 months.

Revaluations of non-financial assets

All revaluations were conducted in accordance with the revaluation policy stated at Note 1. On 30 June 2012 an independent valuer, Pickles Auctions Pty Ltd, conducted the revaluations.

A revaluation increment of \$3,879,298 for buildings on freehold land and leasehold improvements (2010-11: Nil) was credited to the asset revaluation surplus and included in the equity section of the balance sheet. No increments were expensed (2010-11: Nil).

A revaluation decrement for property, plant and equipment of \$93,390 (2010-11: Nil) and for laboratory equipment of \$1,986,219 (2010-11: Nil) were debited by asset class to the asset revaluation surplus. No decrements were expensed (2010-11: Nil).

An amount of \$191,168 was offset against the revaluation increment for buildings and leasehold assets to reverse a previous impairment which was recognised in the Statement of Comprehensive Income.

**Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 6D. Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2011-12)

	Buildings \$'000	Leasehold improvements \$'000	Total buildings \$'000	Property, plant and equipment \$'000	Laboratory equipment \$'000	Total \$'000
As at 1 July 2011						
Gross book value	56,408	50,521	106,929	73,964	47,253	228,146
Accumulated depreciation and impairment	(2,242)	(6,852)	(9,094)	(13,431)	(6,358)	(28,883)
Net book value 1 July 2011	54,166	43,669	97,835	60,533	40,895	199,263
Additions:						
By purchase	2,138	31,628	33,766	14,443	5,609	53,818
From acquisition of entities or operations (including restructuring)	-	195	195	1,665	-	1,860
Revaluations recognised through equity	3,879	-	3,879	(93)	(1,986)	1,800
Impairments recognised in the operating result	-	-	-	(38)	(10)	(48)
Reversals of impairments recognised in other comprehensive income	42	149	191	-	-	191
Depreciation and amortisation expense	(3,405)	(9,037)	(12,442)	(13,090)	(6,312)	(31,844)
Disposals:						
Other	-	-	-	(1)	(2)	(3)
Net book value 30 June 2012	56,820	66,604	123,424	63,419	38,194	225,037
Net book value as of 30 June 2012 represented by:						
Gross book value	56,820	67,804	124,624	63,419	38,194	226,237
Accumulated depreciation and impairment	-	(1,200)	(1,200)	-	-	(1,200)
Closing net book value at 30 June 2012	56,820	66,604	123,424	63,419	38,194	225,037

**Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 6D. Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2010-11)

	Buildings \$'000	Leasehold improvements \$'000	Total buildings \$'000	Property, plant and equipment \$'000	Laboratory equipment \$'000	Total \$'000
As at 1 July 2010						
Gross book value	40,559	41,816	82,375	25,744	40,165	148,284
Accumulated depreciation and impairment	-	-	-	-	-	-
Net book value 1 July 2010	40,559	41,816	82,375	25,744	40,165	148,284
Additions:						
By purchase	1,783	8,715	10,498	13,334	5,645	29,477
From acquisition of entities or operations (including restructuring)	14,066	-	14,066	35,192	1,565	50,823
Impairments recognised in the operating result	-	-	-	(150)	(76)	(226)
Depreciation expense	(2,242)	(6,862)	(9,104)	(13,535)	(6,398)	(29,037)
Disposals:						
Other	-	-	-	(52)	(6)	(58)
Net book value 30 June 2011	54,166	43,669	97,835	60,533	40,895	199,263
Net book value as of 30 June 2011 represented by:						
Gross book value	56,408	50,521	106,929	73,964	47,253	228,146
Accumulated depreciation and impairment	(2,242)	(6,852)	(9,094)	(13,431)	(6,358)	(28,883)
Closing net book value at 30 June 2011	54,166	43,669	97,835	60,533	40,895	199,263

Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2012	2011
	\$'000	\$'000
Note 6E. Intangibles		
Computer software:		
Internally developed – in progress	20,011	12,667
Internally developed – in use	101,629	24,567
Purchased	10,819	10,577
Total computer software (gross)	132,459	47,811
Accumulated amortisation	(83,397)	(25,822)
Total computer software (net)	49,062	21,989
Other intangibles:		
Internally developed – in progress	271	271
Total other intangibles (gross)	271	271
Accumulated amortisation	(271)	(271)
Total other intangibles (net)	-	-
Total intangibles	49,062	21,989

No indicators of impairment were found for intangible assets. No write-off was recognised in 2011-12 (2010-11: \$2,328).

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

Increase in internally developed software (and associated accumulated amortisation) includes assets that transferred from the Department of Employment, Education and Workplace Relations (DEEWR) as part of the restructuring of administrative arrangements on the 14th December 2011.

**Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 6F. Reconciliation of the Opening and Closing Balances of Intangibles (2011-12)

	Computer software internally developed \$'000	Computer software purchased \$'000	Other intangibles internally developed \$'000	Total \$'000
As at 1 July 2011				
Gross book value	37,234	10,577	271	48,082
Accumulated amortisation and impairment	(18,452)	(7,370)	(271)	(26,093)
Net book value 1 July 2011	18,782	3,207	-	21,989
Additions:				
By purchase or internally developed	7,397	242	-	7,639
From acquisition of entities or operations (including restructuring) ¹	27,398	-	-	27,398
Amortisation	(6,867)	(1,097)	-	(7,964)
Net book value 30 June 2012	46,710	2,352	-	49,062
Net book value as of 30 June 2012 represented by:				
Gross book value	121,640	10,819	271	132,730
Accumulated amortisation and impairment	(74,930)	(8,467)	(271)	(83,668)
Closing net book value at 30 June 2012	46,710	2,352	-	49,062

Notes:

1. Includes intangible assets at cost of \$77.009 million with accumulated amortisation of \$49.611 million.

**Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 6F. Reconciliation of the Opening and Closing Balances of Intangibles (2010-11)

	Computer software internally developed \$'000	Computer software purchased \$'000	Other intangibles internally developed \$'000	Total \$'000
As at 1 July 2010				
Gross book value	30,563	8,760	271	39,594
Accumulated amortisation and impairment	(13,543)	(6,565)	(271)	(20,379)
Net book value 1 July 2010	17,020	2,195	-	19,215
Additions:				
By purchase or internally developed	6,671	1,927	-	8,598
Impairments recognised in the operating result	-	(2)	-	(2)
Amortisation	(4,909)	(913)	-	(5,822)
Net book value 30 June 2011	18,782	3,207	-	21,989
Net book value as of 30 June 2011 represented by:				
Gross book value	37,234	10,577	271	48,082
Accumulated amortisation and impairment	(18,452)	(7,370)	(271)	(26,093)
Closing net book value at 30 June 2011	18,782	3,207	-	21,989

Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2012	2011
	\$'000	\$'000
<u>Note 6G. Inventories</u>		
Inventories held for sale:		
Consumables	252	316
Finished goods	2,409	2,290
Less: Provision for obsolete stock	<u>(780)</u>	<u>(780)</u>
Total inventories held for sale	<u>1,881</u>	<u>1,826</u>

No items of inventory were recognised at fair value less cost to sell.

All inventory is expected to be sold or distributed in the next 12 months.

Note 6H. Other Non-Financial Assets

Prepayments	<u>4,642</u>	<u>4,308</u>
Total other non-financial assets	<u>4,642</u>	<u>4,308</u>
Total other non-financial assets - are expected to be recovered in:		
No more than 12 months	<u>4,642</u>	<u>4,308</u>
Total other non-financial assets	<u>4,642</u>	<u>4,308</u>

Total other non-financial assets are expected to be recovered within 12 months.

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

Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 7. Payables

	2012	2011
	\$'000	\$'000
Note 7A. Suppliers		
Trade creditors and accruals	27,022	17,288
Other creditors	136	60
Total supplier payables	27,158	17,348
Supplier payables expected to be settled within 12 months:		
Related entities	1,477	1,108
External parties	25,681	16,240
Total	27,158	17,348

Settlement is usually made within 30 days.

Note 7B. Grants

Private sector grants:

Other	628	93
Total grants	628	93

Grants expected to be settled in:

No more than 12 months	628	93
Total grants	628	93

Settlement is usually made according to the terms and conditions of each grant. This is usually within 30 days of performance or eligibility.

Note 7C. Other Payables

Unamortised lease liabilities	29,132	18,682
Unearned revenue	6,157	5,810
Salaries and wages	9,569	5,440
Superannuation	1,157	765
Other	750	50
Total other payables	46,765	30,747

Total other payables are expected to be settled in:

No more than 12 months	24,536	11,806
More than 12 months	22,229	18,941
Total other payables	46,765	30,747

The Department received \$396,038 (2010-11: \$19,380) under the Paid Parental Leave Scheme. These amounts were offset against the awards paid to employees in the Statement of Comprehensive Income.

Department of Industry, Innovation, Science, Research and Tertiary Education NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 8. Provisions

	2012 \$'000	2011 \$'000
Note 8A. Employee Provisions		
Leave	102,931	60,475
Separations and redundancies	1,450	374
Total employee provisions	104,381	60,849
Employee provisions are expected to be settled in:		
No more than 12 months	40,731	25,720
More than 12 months	63,650	35,129
Total employee provisions	104,381	60,849

The movement in employee provisions includes the transfer of balances from the Department of Education, Employment and Workplace Relations (DEEWR) associated with the restructuring of administrative arrangements on the 14th December 2011.

An adjustment has also been recognised to reflect the movement in the 10 year Government Bond rate, which decreased from 5.3% to 3.1% during the period.

Note 8B. Other Provisions

Onerous leases	-	1,083
Restoration obligations	5,060	2,983
Total other provisions	5,060	4,066
Other provisions are expected to be settled in:		
No more than 12 months	-	1,228
More than 12 months	5,060	2,838
Total other provisions	5,060	4,066

Reconciliation of other provisions:

Movement in relation to 2012

	Onerous leases \$'000	Restoration obligations \$'000	Total \$'000
Carrying amount 1 July 2011	1,083	2,983	4,066
Additional provisions made	-	2,356	2,356
Amounts used	(541)	(266)	(807)
Amounts reversed	(542)	(179)	(721)
Unwinding of discount or change in discount rate	-	166	166
Closing balance 30 June 2012	-	5,060	5,060

The Department currently has 38 agreements (2010-11: 34 agreements) for the leasing of premises which have provisions requiring the Department to restore the premises to their original condition at the conclusion of the lease. The Department has made a provision to reflect the present value of this obligation.

Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 9. Restructuring

Note 9A. Departmental Restructuring

	2012	2011	
	Tertiary Education	Australian Astronomical Observatory	Food Industry Policy
	Department of Education, Employment and Tertiary Education ¹	Australian Astronomical Observatory (Transitional Provisions) Act 2010 ²	Department of Agriculture, Fisheries and Forestry ³
	\$'000	\$'000	\$'000
FUNCTIONS ASSUMED			
Assets recognised			
Cash and cash equivalents	-	7,598	-
Prepayments	-	148	-
Trade debtors	521	-	-
Appropriation receivables	-	-	-
Other receivables	29,645	-	-
Land and buildings	195	14,066	-
Property, plant and equipment	1,665	34,291	-
Intangibles	27,398	-	-
Total assets recognised	59,424	56,103	-
Liabilities recognised			
Suppliers	-	568	-
Other payables	-	2,362	-
Trade creditors	-	-	-
Revenue received in advance	466	-	-
Employee provisions	29,179	2,262	-
Total liabilities recognised	29,645	5,192	-
Net assets assumed^{4,5}	29,779	50,911	-
Income			
Recognised by the receiving entity	1,726	7,272	-
Recognised by the losing entity	16,692	-	42
Total Income	18,418	7,272	42
Expenses			
Recognised by the receiving entity	(34,420)	(16,064)	154
Recognised by the losing entity	(141,467)	-	(42)
Total Expenses	(175,887)	(16,064)	112

Notes:

1. Tertiary Education was assumed from Department of Education, Employment and Workplace Relations during 2012 as a result of a restructuring of administrative arrangements on the 14th of December 2011.
2. Australian Astronomical Observatory was assumed under the *Australian Astronomical Observatory (Transitional Provisions) Act 2010* during 2011 due to withdrawal of funding from UK Government.

**Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

3. Food Industry Policy was assumed from Department of Agriculture, Fisheries and Forestry during 2011 as a result of a restructuring of administrative arrangements.
4. The net assets/liabilities assumed from all entities in 2011-12 were \$29.779 million (2010-11: \$50.911 million)
5. In respect of functions assumed, the net book values of assets and liabilities were transferred to the entity for no consideration.

Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 9B. Administered Restructuring			
	2012	2011	
	Tertiary Education	Anglo-Australian Telescope Board	Food Industry Policy
	Department of Education, Employment and Workplace Relations ¹	UK Government ²	Department of Agriculture, Fisheries and Forestry ³
	\$'000	\$'000	\$'000
FUNCTIONS ASSUMED			
Assets recognised			
Investments in AATB	-	25,551	-
Trade and other receivables	26,358	-	-
Appropriation receivables	-	-	-
Advances and loans	16,796,794	-	-
Other receivables	628,192	-	-
Investments	1,906,457	-	-
Total assets recognised	19,357,801	25,551	-
Liabilities recognised			
Payables	326,536	-	-
Provisions for grants	5,147,424	-	-
Total liabilities recognised	5,473,959	-	-
Net assets assumed^{4,6}	13,883,842	25,551	-
Income			
Recognised by the receiving entity	2,268,878	-	-
Recognised by the losing entity	105,390	-	-
Total income	2,374,268	-	-
Expenses			
Recognised by the receiving entity	9,172,880	-	-
Recognised by the losing entity	5,324,716	-	-
Total expenses	14,497,596	-	-
FUNCTIONS RELINQUISHED			
Assets relinquished			
Administered investment - AATB	-	51,101	-
Total assets relinquished	-	51,101	-
Liabilities relinquished			
Total liabilities relinquished	-	-	-
Total liabilities relinquished	-	-	-
Net assets relinquished⁵	-	51,101	-

Notes:

1. Tertiary Education was assumed from Department of Education, Employment and Workplace Relations during 2012 as a result of a restructuring of administrative arrangements on the 14th of December 2011.

Department of Industry, Innovation, Science, Research and Tertiary Education NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2. Australian Astronomical Observatory was assumed under the *Australian Astronomical Observatory (Transitional Provisions) Act 2010* during 2011 due to withdrawal of funding from UK Government. The assets and liabilities of the Anglo Australian Telescope Board (AATB) at the time of termination were administered by the Department on behalf of the Commonwealth. As such, the transaction to recognise the gifting of the UK's share to the Commonwealth was recognised in the Administered accounts as resources received free of charge.
3. Food Industry Policy was assumed from Department of Agriculture, Fisheries and Forestry during 2011 as a result of a restructuring of administrative arrangements on 14th September 2010. DAFF continues to manage contracts that were entered into prior to the restructuring.
4. The net assets/liabilities assumed from all entities in 2011-12 were \$13.884 billion (2010-11: \$25.551 million).
5. The net assets/liabilities relinquished from all entities in 2011-12 were Nil (2010-11: \$51.101 million).
6. In respect of functions assumed, the net book values of assets and liabilities were transferred to the entity for no consideration.

Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 10. Cash Flow Reconciliation

	2012	2011
	\$'000	\$'000
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow statement	3,781	3,236
Balance sheet	<u>3,781</u>	<u>3,236</u>
Difference	<u>-</u>	<u>-</u>
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(402,333)	(330,273)
Add: Revenue from Government	358,878	306,060
Adjustments for non-cash items		
Reversal of previous write down of non-financial assets	(191)	(1)
Reversal of provision	(721)	(80)
Depreciation / amortisation	39,808	34,859
Finance costs	49	72
Net write down of assets	46	207
Net losses from sale of assets	(9)	13
Resources received free of charge	(4,900)	(7,421)
Changes in assets / liabilities		
(Increase) / decrease in net receivables	(38,843)	(14,539)
(Increase) / decrease in accrued revenue	393	(311)
(Increase) / decrease in prepayments	(334)	(846)
(Increase) / decrease in inventories	(55)	(174)
(Increase) / decrease in capital receivable	(7,494)	(605)
(Increase) / decrease in GST receivable	(11)	327
Increase / (decrease) in employee provisions	43,532	7,072
Increase / (decrease) in suppliers payable	9,810	(2,865)
Increase / (decrease) in unearned revenue	347	1,489
Increase / (decrease) in capital payable	(8,847)	2,676
Increase / (decrease) in grants payable	535	(136)
Increase / (decrease) in other provisions and other payables	<u>16,679</u>	<u>2,695</u>
Net cash from (used by) operating activities	<u><u>6,339</u></u>	<u><u>(1,781)</u></u>

Department of Industry, Innovation, Science, Research and Tertiary Education NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 11. Contingent Assets and Liabilities

Quantifiable Contingencies

The Department has no quantifiable contingent assets or liabilities as at 30 June 2012 (2010-11: Nil).

Unquantifiable Contingencies

The Department is involved in a number of legal actions for a range of matters which may result in the payment of damages and costs. It is not possible to estimate the amount of any eventual payment which may be required in relation to these matters.

Significant Remote Contingencies

The Australian Government has agreed to indemnify the non-Government representatives on the Australian Building Codes Board (ABCB) against any claims arising out of their activities, including past activities, conducted by them as members of the ABCB in the circumstances and terms stated in the agreement between the Australian Government and the State Governments. It is not possible to quantify the amount of any eventual payments which may arise from this indemnity

Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 12. Senior Executive Remuneration

Note 12A. Senior Executive Remuneration Expense for the Reporting Period

	2012 \$'000	2011 \$'000
Short-term employee benefits:		
Salary	11,005,389	9,819,162
Annual leave accrued	877,125	789,043
Performance bonuses	-	243,463
Other	<u>691,477</u>	<u>773,717</u>
Total short-term employee benefits	<u>12,573,991</u>	<u>11,625,385</u>
Post-employment benefits:		
Superannuation	<u>1,847,115</u>	1,661,631
Total post-employment benefits	<u>1,847,115</u>	<u>1,661,631</u>
Other long-term benefits:		
Long-service leave	<u>816,631</u>	<u>304,162</u>
Total other long-term benefits	<u>816,631</u>	<u>304,162</u>
Termination benefits	<u>-</u>	<u>262,784</u>
Total	<u>15,237,737</u>	<u>13,853,962</u>

Notes:

- Note 12A was prepared on an accrual basis (so the performance bonus expenses disclosed above differ from the cash 'Bonus paid' in Note 12B).
- Note 12A excludes acting arrangements and part-year service where remuneration expensed was less than \$150,000.
- Other short term employee benefits include motor vehicle running costs, car parking costs and reportable fringe benefits.
- As a result of the Machinery of Government changes announced in December 2011 a number of Senior Executive officers transferred to the Department on 29 March 2012. These officers have not been included in the above table as their reportable remuneration for 2011-12 did not exceed \$150,000.

**Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 12B. Average Annual Remuneration Packages and Bonus Paid for Substantive Senior Executives as at the end of the Reporting Period

Average Annual Reportable Remuneration ¹	2011-12					Total
	Senior Executives No.	Reportable salary ² \$	Contributed superannuation ³ \$	Reportable allowances ⁴ \$	Bonus paid ⁵ \$	
Total remuneration (including part-time arrangements):						
less than \$150,000	39	47,405	7,197	15	-	54,617
\$150,000 to \$179,999	2	151,701	19,085	-	-	170,786
\$180,000 to \$209,999	17	169,468	27,223	86	480	197,257
\$210,000 to \$239,999	25	191,390	27,480	198	2,539	221,607
\$240,000 to \$269,999	6	221,156	35,486	73	-	256,715
\$270,000 to \$299,999	7	236,611	35,658	380	8,897	281,546
\$300,000 to \$359,999	3	280,430	45,132	-	15,710	341,272
\$510,000 to \$539,999	1	465,227	61,990	-	-	527,217
Total	100					

Notes:

- This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.
- 'Reportable salary' includes the following:
 - gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
 - reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits); and
 - exempt foreign employment income
- The 'contributed superannuation' amount is the average actual superannuation contributions paid to staff in that reportable remuneration band during the reporting period.
- 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries
- 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing or leaving the Department during the financial year
- Various salary sacrifice arrangements were available to other highly paid staff including super, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column.
- As a result of the Machinery of Government changes announced in December 2011 a number of Senior Executive officers transferred to the Department on 29 March 2012. These officers have been included in the above table in the 'less than \$150,000' band.
- The above table includes employees who received lump sum payments for recreation leave and non-concessional long service leave when they left the Department.

**Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 12B. Average Annual Remuneration Packages and Bonus Paid for Substantive Senior Executives as at the end of the Reporting Period

Average Annual Reportable Remuneration ¹	2010-11					Total
	Senior Executives No.	Reportable salary ² \$	Contributed superannuation ³ \$	Reportable allowances ⁴ \$	Bonus paid ⁵ \$	
Total remuneration (including part-time arrangements):						
less than \$150,000	8	51,861	7,026	-	3,601	62,488
\$150,000 to \$179,999	2	142,295	18,728	-	3,601	164,624
\$180,000 to \$209,999	10	167,817	23,680	32	4,713	196,242
\$210,000 to \$239,999	13	192,199	23,413	292	13,557	229,461
\$240,000 to \$269,999	21	205,886	29,559	171	16,096	251,712
\$270,000 to \$299,999	6	235,321	29,392	-	17,617	282,330
\$300,000 to \$329,999	3	248,337	38,729	1,356	22,090	310,512
\$390,000 to \$419,999	1	316,462	52,453	-	30,000	398,915
\$420,000 to \$449,999	1	347,903	50,881	-	30,000	428,784
\$660,000 to \$689,999	1	615,060	46,923	-	-	661,983
Total	66					

Notes:

- This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.
- 'Reportable salary' includes the following:
 - gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
 - reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits); and
 - exempt foreign employment income
- The 'contributed superannuation' amount is the average actual superannuation contributions paid to staff in that reportable remuneration band during the reporting period.
- 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries
- 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing or leaving the Department during the financial year
- Various salary sacrifice arrangements were available to other highly paid staff including super, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column.
- The above table includes employees who received lump sum payments for recreation leave and non-concessional long service leave when they left the Department.

**Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 12C. Other Highly Paid Staff

		2011-12				
Average Annual Reportable Remuneration ¹	Staff No.	Reportable salary ² \$	Contributed superannuation ³ \$	Reportable allowances ⁴ \$	Bonus paid ⁵ \$	Total \$
Total reportable remuneration (including part time arrangements):						
\$150,000 to \$179,999	105	129,919	20,675	7,606	5,506	163,706
\$180,000 to \$209,999	11	149,820	23,759	9,309	8,143	191,031
\$210,000 to \$239,999	1	178,090	31,440	869	-	210,399
Total	117					

Notes:

1. This table reports staff:

- a) who were employed by the entity during the reporting period;
- b) whose reportable remuneration was \$150,000 or more for the financial period; and
- c) were not required to be disclosed in Tables A, B or director disclosures.

Each row is an averaged figure based on headcount for individuals in the band.

2. 'Reportable salary' includes the following:

- a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
- b) reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits); and
- c) exempt foreign employment income

3. The 'contributed superannuation' amount is the average actual superannuation contributions paid to staff in that reportable remuneration band during the reporting period.

4. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries

5. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing or leaving the Department during the financial year

6. Various salary sacrifice arrangements were available to other highly paid staff including super, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.

7. The above table includes employees who received lump sum payments for recreation leave and non-concessional long service leave when they left the Department.

**Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 12C. Other Highly Paid Staff

	2010-11					
Average Annual Reportable Remuneration ¹	Staff No.	Reportable salary ²	Contributed superannuation ³	Reportable allowances ⁴	Bonus paid ⁵	Total
		\$	\$	\$	\$	\$
Total reportable remuneration (including part time arrangements):						
\$150,000 to \$179,999	82	121,761	20,018	7,630	6,939	156,348
\$180,000 to \$209,999	7	159,012	25,331	2,286	11,857	198,486
Total	89					

Notes:

1. This table reports staff:

- a) who were employed by the entity during the reporting period;
- b) whose reportable remuneration was \$150,000 or more for the financial period; and
- c) were not required to be disclosed in Tables A, B or director disclosures.

Each row is an averaged figure based on headcount for individuals in the band.

2. 'Reportable salary' includes the following:

- a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
- b) reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits); and
- c) exempt foreign employment income

3. The 'contributed superannuation' amount is the average actual superannuation contributions paid to staff in that reportable remuneration band during the reporting period.

4. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries

5. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing or leaving the Department during the financial year

6. Various salary sacrifice arrangements were available to other highly paid staff including super, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.

7. The above table includes employees who received lump sum payments for recreation leave and non-concessional long service leave when they left the Department.

Department of Industry, Innovation, Science, Research and Tertiary Education NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 13. Remuneration of Auditors

	2012 \$'000	2011 \$'000
Financial statement audit services were provided free of charge to the entity.		

The fair value of the services provided was:

The fair value of audit services provided to the Department	550	550
The value of audit services provided to IIF companies	-	73
Total of services provided	550	623

No other services were provided by the Auditor-General.

Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 14. Financial Instruments

	2012	2011
	\$'000	\$'000
<u>Note 14A. Categories of Financial Instruments</u>		
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	3,781	3,236
Trade and other receivables	41,068	4,330
Other financial assets	238	631
Total	45,087	8,197
Carrying amount of financial assets	45,087	8,197
Financial Liabilities		
At amortised cost:		
Suppliers	27,158	17,348
Grants payable	628	93
Other payables	36,039	24,542
Total	63,825	41,983
Carrying amount of financial liabilities	63,825	41,983
<u>Note 14B. Net Income and Expense from Financial Assets</u>		
Loans and receivables		
Interest revenue	62	92
Impairment (including reversal of impairment)	(31)	(13)
Net foreign exchange losses	(7)	(4)
Net gain on loans and receivables	24	75

Note 14C. Net Income and Expense from Financial Liabilities

The net income/expense from financial liabilities not at fair value from profit and loss is Nil (2010-11: Nil)

Note 14D. Fair Value of Financial Instruments

A comparison between the fair value and the carrying amount of the Department's financial assets and liabilities is not required because the Department considers that the carrying amounts reported in the balance sheet are a reasonable approximation of the fair value of these financial assets and liabilities.

Department of Industry, Innovation, Science, Research and Tertiary Education NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 14E. Credit Risk

The Department's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the balance sheet. The Department has no significant exposures to any concentration of credit risk apart from the Department of Education, Employment and Workplace Relations (DEEWR).

The Department is exposed to minimal credit risk as most items are cash and trade receivables. The maximum exposure to credit risk arises from the potential default of a debtor. This amount is equal to the total amount of receivables: \$41,119,663 (2010-11: \$4,359,698). The Department has assessed the risk of default on payment and has allocated \$53,479 (2010-11: \$29,015) to an allowance for impairment account.

The Department manages its credit risk by undertaking background and credit checks prior to entering into a debtor relationship. In addition, the Department has policies and procedures for debt recovery actions.

The Department analyses its credit risk based on 30+ days. As such, the ageing of financial instruments has been presented in the same format.

The Department holds no collateral to mitigate against credit risk.

The following table illustrates the entity's gross exposure to credit risk, excluding any collateral or credit enhancements.

	2012	2011
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	3,781	3,236
Trade and other receivables	41,068	4,330
Other financial assets	238	631
Total	45,087	8,197

Credit quality of financial instruments not past due or individually determined as impaired

	Not past due nor impaired	Not past due nor impaired	Past due or impaired	Past due or impaired
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	3,781	3,236	-	-
Trade and other receivables	30,567	3,108	10,501	1,222
Other financial assets	238	631	-	-
Total	34,586	6,975	10,501	1,222

Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Ageing of financial assets that were past due but not impaired for 2012

	0 to 30 days \$'000	31 to 60 days \$'000	60+ days \$'000	Total \$'000
Trade and other receivables	6,397	2,612	1,492	10,501
Total	6,397	2,612	1,492	10,501

Ageing of financial assets that were past due but not impaired for 2011

	0 to 30 days \$'000	31 to 60 days \$'000	60+ days \$'000	Total \$'000
Trade and other receivables	888	249	85	1,222
Total	888	249	85	1,222

Note 14F. Liquidity Risk

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

Settlement of trade creditors is usually made net 30 days.

Maturities for non-derivative financial liabilities 2012

	On demand \$'000	Within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	> 5 years \$'000	Total \$'000
Trade creditors	-	27,158	-	-	-	27,158
Grant payables	-	628	-	-	-	628
Other payables	-	13,810	-	-	22,229	36,039
Total	-	41,596	-	-	22,229	63,825

Maturities for non-derivative financial liabilities 2011

	On demand \$'000	Within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	> 5 years \$'000	Total \$'000
Trade creditors	-	17,348	-	-	-	17,348
Grant payables	-	93	-	-	-	93
Other payables	-	5,860	-	-	18,682	24,542
Total	-	23,301	-	-	18,682	41,983

Note 14G. Market Risk

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

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

Department of Industry, Innovation, Science, Research and Tertiary Education

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15. Financial Assets Reconciliation

		2012 \$'000	2011 \$'000
<u>Financial assets</u>	Notes		
Total financial assets as per balance sheet		132,473	93,669
Less: non-financial instrument components			
Appropriations receivable		84,807	82,904
GST receivable from Australian Taxation Office		2,579	2,568
Total non-financial instrument components		87,386	85,472
<i>Total financial assets as per financial instruments note</i>	14A	<u>45,087</u>	<u>8,197</u>

Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 16. Administered Expenses	2012	2011
	\$'000	\$'000
Note 16A. Suppliers		
Goods and services		
Communication, marketing & freight	2,861	1,408
Consultants & contractors	151,377	11,311
Travel	1,620	1,140
Vocational and industry training	60,397	-
Other	5,927	3,206
Total goods and services	222,182	17,065
Goods and services are made up of:		
Rendering of services – external parties	222,182	17,065
Total supplier expenses	222,182	17,065
Note 16B. Subsidies		
Payable to external parties:		
Assistance to industry	544,969	393,302
Vocational and industry training	357,573	-
Total subsidies	902,542	393,302
Note 16C. Personal Benefits		
Direct:		
Student assistance	1,795,757	-
Vocational and industry training	128,320	-
Indirect:		
Student assistance	510	-
Total personal benefits	1,924,587	-
Note 16D. Finance Costs		
Concessional loan discount	580,847	-
Interest	282,000	-
Total finance costs	862,847	-

Department of Industry, Innovation, Science, Research and Tertiary Education NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2012 \$'000	2011 \$'000
Note 16E. Grants		
Public sector:		
Australian Government entities (related entities)	17,800	7,150
State and Territory Governments	69,578	10,078
Local Governments	485	555
Private sector:		
Non-profit organisations	198,269	80,869
External entities	743,296	605,722
Other	118,970	102,860
Grants through State and Territory Governments	4,915	5,080
Payments to Higher Education Providers	4,882,721	1,492,949
Nation-Building Fund	709,021	378,532
Total grants	6,745,055	2,683,795
Note 16F. Write-Down and Impairment of Assets		
Asset write-downs and impairments from:		
Impairment on financial instruments	12,593	1,600
Impairment of personal benefits receivable	585	-
Impairment of unfunded university superannuation	219,000	-
Write-down of other receivables	10	-
Total write-down and impairment of assets	232,188	1,600
Note 16G. Payments to CAC Act Bodies		
Commonwealth Scientific and Industrial Research Organisation	724,939	720,415
Australian Nuclear Science and Technology Organisation	157,676	165,592
Australian Institute of Marine Science	31,245	30,883
Australian Institute of Aboriginal and Torres Strait Islander Studies	9,451	13,172
Total payments to CAC Act bodies	923,311	930,062
Note 16H. Fair Value Losses		
Unfunded university superannuation	1,565,184	-
Total Fair value losses	1,565,184	-
Adjustments as a result of the actuarial assessment for the Unfunded University Superannuation provision.		

Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 17. Administered Income

	2012	2011
	\$'000	\$'000
OWN-SOURCE REVENUE		
Taxation Revenue		
<u>Note 17A. Indirect Tax</u>		
Tradex duties receipts	1,076	1,169
Total taxation revenue	<u>1,076</u>	<u>1,169</u>
Non-Taxation Revenue		
<u>Note 17B. Interest</u>		
Loans	807,532	2,940
Total interest	<u>807,532</u>	<u>2,940</u>
<u>Note 17C. Nation-Building Fund</u>		
Nation-Building Fund receipts	741,506	501,532
Total Nation- Building Fund	<u>741,506</u>	<u>501,532</u>
<u>Note 17D. Other Revenue</u>		
Other revenue	14,915	388
Total other revenue	<u>14,915</u>	<u>388</u>
Includes special account receipts associated with National Occupational Licensing Authority (\$5.730 million) and the Illawarra Region Innovation Investment Fund (\$1.7 million).		
GAINS		
<u>Note 17E. Other Gains</u>		
Gains from remeasuring loan commitment provision	1,314	2,541
Resources received free of charge	-	25,551
Other	86	5,530
Total other gains	<u>1,400</u>	<u>33,622</u>
As at 30 June 2010, the Anglo-Australian Telescope Board (AATB) was jointly held by the Australian and United Kingdom (UK) Governments in accordance with the Anglo-Australian Telescope Agreement Act 1970. On 1 July 2010, the agreement terminated and ownership was transferred in full to the Australian Government. The transfer of the UK Government's share (\$25,551) to the Australian Government has been recognised as resources received free of charge. Refer Note 9 Restructuring.		
<u>Note 17F. Fair Value Gains</u>		
Fair value gains on HECS/HELP	1,096,634	-
Total fair value gains	<u>1,096,634</u>	<u>-</u>

Department of Industry, Innovation, Science, Research and Tertiary Education NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 18. Administered Financial Assets

	2012 \$'000	2011 \$'000
Note 18A. Cash and Cash Equivalents		
Cash at bank	53	-
Total cash and cash equivalents	53	-
Note 18B. Receivables		
Advances and loans:		
Loans - available for sale - Innovation Investment Fund (Rounds 1 & 2)	130,600	129,880
Loans - amortised cost	31,509	43,831
HECS/HELP	19,400,272	-
Student Financial Supplement Scheme	622,420	-
Total advances and loans	20,184,801	173,711
Other receivables:		
Personal benefits receivable	171,026	-
Unfunded university superannuation	1,798,000	-
Grant recoveries and other receivables	57,498	22,831
GST receivable from ATO	35,191	5,458
Total other receivables	2,061,715	28,289
Total receivables	22,246,516	202,000
Less impairment allowance account:		
Loans - amortised cost	(8,357)	(12,482)
Loans - available for sale - Innovation Investment Fund (Rounds 1 & 2)	(94,954)	(83,692)
Personal benefits receivable	(17,087)	-
Unfunded university superannuation	(1,185,000)	-
Grant recoveries and other receivables	(21,137)	(20,731)
Total impairment allowance account	(1,326,535)	(116,905)
Total receivables (net)	20,919,981	85,095
Receivables are expected to be recovered in:		
No more than 12 months	284,298	19,988
More than 12 months	20,635,683	65,107
Total receivables (net)	20,919,981	85,095
Receivables are aged as follows:		
Not overdue	22,028,483	171,669
Overdue by:		
0 to 30 days	22,236	430
31 to 60 days	1,697	165
More than 60 days	194,100	29,736
Total receivables (gross)	22,246,516	202,000
Other loans and receivables are with entities external to the Australian Government. Credit terms were net 30 days (2011: 30 days).		

Department of Industry, Innovation, Science, Research and Tertiary Education
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	2012	2011	
	\$'000	\$'000	
The impairment allowance account is aged as follows:			
Not overdue	(1,282,211)	(87,346)	
Overdue by:			
0 to 30 days	(516)	(126)	
31 to 60 days	(766)	(36)	
More than 60 days	(43,042)	(29,397)	
Total impairment allowance account	(1,326,535)	(116,905)	
Reconciliation of the Impairment Allowance Account:			
Movements in relation to 2012			
	Advances and loans \$'000	Other receivables \$'000	Total \$'000
Opening balance	96,174	20,731	116,905
Amounts written off	(2,793)	(772)	(3,565)
Movement due to restructuring	-	984,036	984,036
Increase/decrease recognised in net surplus	9,930	219,229	229,159
Closing balance	103,311	1,223,224	1,326,535
Movements in relation to 2011			
	Advances and loans \$'000	Other receivables \$'000	Total \$'000
Opening balance	111,405	19,792	131,197
Amounts written off	(16,330)	(155)	(16,485)
Increase/decrease recognised in net surplus	1,099	1,094	2,193
Closing balance	96,174	20,731	116,905

Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2012	2011
	\$'000	\$'000
<u>Note 18C. Other Investments</u>		
Administered investments:		
Australian Institute of Aboriginal and Torres Strait Islander Studies	38,808	40,397
Australian Institute of Marine Science	182,720	167,710
Australian Nuclear Science and Technology Organisation	840,200	737,683
Commonwealth Scientific and Industrial Research Organisation	2,256,741	2,028,030
Innovation Investment Fund Round 3	28,709	13,955
Innovation Investment Follow-On Fund	45,389	38,956
Innovation Investment Fund Rounds 1 and 2	5,479	11,163
Australian Learning and Teaching Council	2,518	-
Australian National University	1,839,660	-
<i>Total other investments</i>	<u>5,240,224</u>	<u>3,037,894</u>
Total other investments are expected to be recovered in:		
More than 12 months	5,240,224	3,037,894
<i>Total other investments</i>	<u>5,240,224</u>	<u>3,037,894</u>

Department of Industry, Innovation, Science, Research and Tertiary Education
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 19. Administered Payables

	2012 \$'000	2011 \$'000
Note 19A. Suppliers		
Trade creditors and accruals	35,499	4,983
Total supplier payables	35,499	4,983
Supplier payables expected to be settled within 12 months:		
External parties	35,499	4,983
Total	35,499	4,983
Total supplier payables	35,499	4,983
Note 19B. Subsidies		
Payable to external entities:		
Assistance to industry	98,285	203,673
Vocational and industry training	10,052	-
Total subsidies	108,337	203,673
Total subsidies are expected to be settled in:		
No more than 12 months	108,337	203,673
Total subsidies	108,337	203,673
Note 19C. Personal Benefits		
Direct:		
Student assistance	84,905	-
Total personal benefits	84,905	-
Total personal benefits are expected to be settled in:		
No more than 12 months	84,905	-
Total personal benefits	84,905	-

Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2012	2011
	\$'000	\$'000
<u>Note 19D. Grants</u>		
Public sector:		
Australian Government entities (related entities)	3,889	433
Private sector:		
Non-profit organisations	145,098	22,697
Other	11,249	-
Total grants	<u>160,236</u>	<u>23,130</u>
Total grants are expected to be settled in:		
No more than 12 months	<u>160,236</u>	23,130
Total grants	<u><u>160,236</u></u>	<u><u>23,130</u></u>
<u>Note 19E. Other Payables</u>		
GST Appropriation payable to OPA	29,840	5,410
GST payable to ATO	1,245	74
Total other payables	<u>31,085</u>	<u>5,484</u>
Total other payables are expected to be settled in:		
No more than 12 months	<u>31,085</u>	5,484
Total other payables	<u><u>31,085</u></u>	<u><u>5,484</u></u>

Department of Industry, Innovation, Science, Research and Tertiary Education
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 20. Administered Provisions

	2012 \$'000	2011 \$'000
Note 20A. Provision for Grants		
Unfunded university superannuation	7,320,000	-
Total provision for grants	7,320,000	-
Total provision for grants are expected to be settled in:		
More than 12 months	7,320,000	-
Total provision for grants	7,320,000	-
Note 20B. Other Provisions		
Provision for IIF loan commitments	778	2,092
Total other provisions	778	2,092
Other provisions are expected to be settled in:		
No more than 12 months	778	2,092
Total other provisions	778	2,092

Reconciliation of movements in other provisions

	Provision for Grants \$'000	Provision for IIF loan commitments \$'000	Total \$'000
Carrying amount 1 July 2011	-	2,092	2,092
Balances transferred due to restructuring	5,147,424	-	5,147,424
Amounts used	(61,659)	-	(61,659)
Amounts remeasured	2,234,235	-	2,234,235
Unwinding of discount or change in discount rate	-	(1,314)	(1,314)
Closing balance 30 June 2012	7,320,000	778	7,320,778

Department of Industry, Innovation, Science, Research and Tertiary Education
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Note 21. Administered Cash Flow Reconciliation

	2012	2011
	\$'000	\$'000
Reconciliation of cash and cash equivalents as per Administered Schedule of Assets and Liabilities to Administered Cash Flow Statement		
Cash and cash equivalents as per:		
Schedule of Administered Cash Flows	53	-
Administered Schedule of Assets and Liabilities	53	-
Difference	<u>-</u>	<u>-</u>
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(10,714,833)	(3,486,173)
Adjustments for non-cash items		
Net write down of non-financial assets	232,188	1,600
Other gains	(1,400)	33,622
Net fair value adjustments	495,601	-
Indexation	(805,485)	-
Concessional loan discount	580,847	-
Finance costs	282,000	-
Investments	2,160,523	196,889
Loan commitment provision	(1,314)	(2,541)
Restructuring investments	(1,906,457)	-
Other non cash items	(300,736)	12,071
Changes in assets / liabilities		
(Increase) / decrease in net receivables	(35,159)	17,405
Increase / (decrease) in grants payable	(117,687)	(1,213)
Increase / (decrease) in subsidies payable	(14,917)	(97,633)
Increase / (decrease) in other payables	1,172	(2,609)
Increase / (decrease) in suppliers payable	20,121	-
Increase / (decrease) in personal benefits payable	41,723	-
Net cash used by operating activities	<u>(10,083,813)</u>	<u>(3,328,582)</u>

Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 22. Administered Contingent Assets and Liabilities

	Claims for damages or costs	
	2012	2011
	\$'000	\$'000
Administered contingent liabilities		
Balance from previous period	6,751	6,751
Total contingent liabilities	6,751	6,751
Net contingent liabilities	(6,751)	(6,751)

Quantifiable Administered Contingencies

There are no quantifiable administered contingencies as at 30 June 2012 (2010-11: Nil).

Unquantifiable Administered Contingencies

The Department was involved in a number of legal actions for a range of matters which may result in the payment of damages and costs. It is not possible to estimate the amount of any eventual payment which may be required in relation to these matters.

One unlimited indemnity (2010-11: 1) was given for the Australian Nuclear Science and Technology Organisation (ANSTO). ANSTO owns and operates nuclear plants, including the nuclear research reactor at Lucas Heights. The Australian Government has indemnified ANSTO and its officers from any liability arising from damage caused by ionising radiation from the Lucas Heights facility.

There are no unquantifiable administered contingent assets as at 30 June 2012 (2010-11: Nil).

Significant Remote Administered Contingencies

Space Activities Act 1998 - The Australian Government is liable under the UN Convention on International Liability for Damage Caused by Space Objects for injury or damage to foreign nationals arising from space launches from Australia. The *Space Activities Act 1998* requires the launch operator to insure against liability up to a prescribed amount, with the Department bearing any liability above this amount. The Australian Government also accepts liability for damage suffered by Australian Nationals, to a maximum value of \$3 billion above the insured level.

There are no remote administered contingent assets as at 30 June 2012 (2010-11: Nil).

Department of Industry, Innovation, Science, Research and Tertiary Education NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 23. Administered Investments

The Department holds the following administered investments:

Australian Institute of Aboriginal and Torres Strait Islander Studies

The principal activities are the promotion of knowledge and understanding of Australian Indigenous cultures, past and present. The Australian Government owns 100% of this investment.

Australian Institute of Marine Science

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

Australian Nuclear Science and Technology Organisation

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

Commonwealth Scientific and Industrial Research Organisation (CSIRO)

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

Innovation and Investment Fund (IIF) Round 3

The Australian Government invests in a number of venture capital funds under Round 3 of the IIF Program. The principal activities of the IIF is to promote the commercialisation of Australian research and development, by investing venture capital into small, high-tech Australian companies at the seed, start up or early expansion stage of their development.

Innovation Investment Follow-on Fund (IIFF)

The Australian Government invests in a number of fund managers under the IIFF program. The IIFF is a targeted and temporary response to address the lack of capital available in the early stage venture capital market. The principal activities of the IIFF are to support some of the existing fund managers within IIF Rounds 1 and 2, the Pre-Seed Fund or the ICT Incubator programs.

Innovation and Investment Fund (IIF) Rounds 1 and 2

During the financial year, the investments in IIF Foundation Pty Ltd previously included in IIF Loans (IIF Program Rounds 1 & 2) were transferred from the company to the Australian Government. The IIF loan receivable was replaced by direct investments (IIF Investments). The principal activities of the IIF investments is to promote the commercialisation of Australian research and development, by investing venture capital into small, high-tech Australian companies at the seed, start up or early expansion stage of their development.

The Australian Learning and Teaching Council (ALTC)

The ALTC provides a national focus for the enhancement of learning and teaching in Australian higher education providers. In January 2011 the Australian Government announced that the ALTC would cease operating on 31 December 2011 and is currently in liquidation. Certain functions will be transferred to the Department.

Australian National University

The principal activities are the provision of research and teaching services. The Australian Government owns 100% of this investment.

Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 24. Administered Financial Instruments

	2012 \$'000	2011 \$'000
Note 24A. Categories of Financial Instruments		
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	53	-
Grant recoveries and other receivables	36,361	2,100
Loans - amortised cost	23,152	31,349
Total loans and receivables	59,566	33,449
Available for sale:		
Loan - Innovation Investment Fund (Rounds 1 & 2)	35,646	46,188
Administered Investments	5,240,224	3,037,894
Total available for sale	5,275,870	3,084,082
Fair value through profit and loss (designated):		
HECS/HELP loans	19,400,272	-
Student Financial Supplement Scheme	622,420	-
Total	20,022,692	-
Carrying amount of financial assets	25,358,128	3,117,531
Financial Liabilities		
At amortised cost:		
Grants and subsidies payable	268,573	226,803
Supplier payables	35,499	4,983
Total financial liabilities at amortised cost	304,072	231,786
Fair value through profit and loss (designated):		
Provisions for loan commitments	778	2,092
Total	778	2,092
Carrying amount of financial liabilities	304,850	233,878

Department of Industry, Innovation, Science, Research and Tertiary Education
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2012 \$'000	2011 \$'000
Note 24B. Net Income and Expense from Financial Assets		
Loans and receivables		
Interest revenue	2,770	2,940
Impairment	1,109	99
Net gain/(loss) from loans and receivables	3,879	3,039
Available for sale		
Impairment - IIF Loans	(11,262)	(2,291)
Impairment - IIF Investments	(2,440)	592
Gains recognised in equity	254,066	80,646
Net gain from available for sale	240,364	78,947
Fair value through profit and loss		
Designated as fair value through profit and loss		
Interest revenue	804,762	-
Fair value gain	1,096,634	-
Net gain at fair value through profit and loss	1,901,396	-
Net gain from financial assets	2,145,639	81,986
Note 24C. Net Income and Expense from Financial Liabilities		
Fair value through profit and loss		
Gains from remeasuring	1,314	2,541
Gain on fair value adjustment	86	-
Net gain at fair value through profit and loss	1,400	2,541
Net gain from financial liabilities	1,400	2,541

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 24D. Fair Value of Financial Instruments

	Carrying amount 2012 \$'000	Fair value 2012 \$'000	Carrying amount 2011 \$'000	Fair value 2011 \$'000
Financial Assets				
Cash	53	53	-	-
Loans - Amortised cost	23,152	23,152	31,349	31,349
Loans - Innovation Investment Fund (Rounds 1 & 2)	35,646	35,646	46,188	46,188
Administered investments	5,240,224	5,240,224	3,037,894	3,037,894
HECS/HELP loans	19,400,272	19,400,272	-	-
Student Financial Supplement Scheme	622,420	622,420	-	-
Grant recoveries and other receivables	36,361	36,361	2,100	2,100
Total cash and cash equivalents	25,358,128	25,358,128	3,117,531	3,117,531
Financial Liabilities				
Provision for IIF loan commitments	778	778	2,092	2,092
Subsidies and grants payable	268,573	268,573	226,803	226,803
Accrued expenses	35,499	35,499	4,983	4,983
Total	304,850	304,850	233,878	233,878

Valuation method used for determining the fair value of financial instruments

All financial assets and liabilities have non-observable market inputs.

Loans and receivables designated at fair value through profit and loss

The following table illustrates changes in the fair value of loans and receivables designated at fair value through profit and loss that arose due to credit risk.

	2012 \$'000	2011 \$'000
Fair value changes due to credit risk:		
during the period	862,196	-
prior periods	5,307,882	-
Cumulative change	6,170,078	-

Fair value has been taken to be the net assets of the entities as at balance date. The above fair value changes from prior periods were transferred from the Department of Education, Employment and Workplace Relations as a result of restructuring of administrative arrangements on the 14th December 2011.

Department of Industry, Innovation, Science, Research and Tertiary Education
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Fair value measurements categorised by fair value hierarchy		
	Level 3 in the fair value hierarchy	
	2012	2011
	\$'000	\$'000
Financial assets at fair value		
Loans - Innovation Investment Fund (Rounds 1 & 2)	35,646	46,188
HECS/HELP loans	19,400,272	-
Student Financial Supplement Scheme	622,420	-
Other Investments	5,240,224	3,037,894
Total	25,298,562	3,084,082
Financial liabilities at fair value		
Provision for IIF loan commitments	778	2,092
Total	778	2,092
Reconciliation of Level 3 fair value hierarchy		
	Loans - IIF (Rounds 1 & 2)	Loans - IIF (Rounds 1 & 2)
	2012	2011
	\$'000	\$'000
Financial assets at fair value		
Opening balance	46,188	48,987
Total gains or losses for the period recognised in profit or loss	(11,262)	(2,291)
Loans	2,854	4,157
Transfers to investments	-	(1,288)
Repayments	(2,134)	(3,377)
Total	35,646	46,188
HECS/HELP loans		
2012		
\$'000		
Financial assets at fair value		
Opening balance	-	
Transfers due to restructure	16,177,439	
Total gains or losses for the period recognised in profit or loss	1,283,451	
Loans	2,458,198	
Repayments	(518,816)	
Total	19,400,272	

**Department of Industry, Innovation, Science, Research and Tertiary Education
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	Student Financial Supplement Scheme 2012 \$'000	
Financial assets at fair value		
Opening balance	-	
Transfers due to restructure	615,287	
Total gains or losses for the period recognised in profit or loss	31,328	
Loans	-	
Repayments	(24,195)	
Total	622,420	
	Other investments 2012 \$'000	Other investments 2011 \$'000
Financial assets at fair value		
Opening balance	3,037,894	2,841,005
Total gains or losses for the period recognised in profit or loss	(2,440)	592
Total gains or losses recognised in other comprehensive income	254,066	80,646
Transfers due to restructure	1,906,457	-
Resources received free of charge	-	(25,551)
Investments	12,608	2,844
Transfers from receivables	-	1,288
Investments in CAC Act bodies	1,471	14,070
EIF capital payments made to CAC Act bodies	30,168	123,000
Total	5,240,224	3,037,894
	Provision for IIF loan commitment 2012 \$'000	Provision for IIF loan commitment 2011 \$'000
Financial liabilities at fair value		
Opening balance	2,092	4,633
Total gains or losses for the period recognised in profit or loss	(1,314)	(2,541)
Total	778	2,092

Note 24E. Credit Risk

The carrying amount of financial assets, net of impairment losses, reported in the balance sheet represents the Department's maximum exposure to credit risk.

The Department is exposed to credit risk through its financial assets of loans and other receivables. The maximum exposure to credit risk arises from potential default of a debtor. This amount is equal to the total amount of receivables: \$20,242,298,719 (2010-11: \$196,541,612) less any impairment losses: \$124,448,093 (2010-11: \$116,904,158).

The following table illustrates the Department's gross exposure to credit risk, excluding any collateral or credit enhancements.

Department of Industry, Innovation, Science, Research and Tertiary Education
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	2012	2011
	\$'000	\$'000
Financial assets		
Grant recoveries and other receivables	36,361	2,100
Loans - amortised cost	23,152	31,349
Loans - available for sale - IIF	35,646	46,188
HECS/HELP loans	19,400,272	-
Student Financial Supplement Scheme	622,420	-
Total	20,117,851	79,637

Credit quality of financial instruments not past due or individually determined as impaired

	Not past due nor impaired	Not past due nor impaired	Past due or impaired	Past due or impaired
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Grant recoveries and other receivables	15,517	1,437	20,844	663
Loans - amortised cost	23,080	31,240	72	109
Loans - available for sale - IIF	35,646	46,188	-	-
HECS/HELP loans	19,400,272	-	-	-
Student Financial Supplement Scheme	622,420	-	-	-
Total	20,096,935	78,865	20,916	772

Other receivables with a gross value of \$21,137,427 have been individually assessed as impaired as at 30 June 2012 (2010-11: \$20,730,833). These receivables have been fully provided for with the amount of the impairment being \$21,137,427 (2010-11: \$20,730,833).

Loans - amortised costs with a gross value of \$8,356,781 have been individually assessed as impaired at 30 June 2012 (2010-11: \$12,481,635). These loans have been fully provided for with the amount of the impairment being \$8,356,781 (2010-11: \$12,481,635).

Loans available for sale - IIF loans with a gross value of \$94,953,885 have been individually assessed as impaired as at 30 June 2012 (2010-11: \$83,691,639). These loans have been provided for in accordance with the Department's impairment policy, with the amount of the impairment being \$94,953,885 (2010-11: \$83,691,639).

Ageing of financial assets that were past due but not impaired for 2012

	0 to 30 days	31 to 60 days	60+ days	Total
	\$'000	\$'000	\$'000	\$'000
Grant recoveries and other receivables	20,621	169	54	20,844
Loans - amortised cost	5	6	61	72
Total	20,626	175	115	20,916

Ageing of financial assets that were past due but not impaired for 2011

	0 to 30 days	31 to 60 days	60+ days	Total
	\$'000	\$'000	\$'000	\$'000
Grant recoveries and other receivables	304	129	339	772
Total	304	129	339	772

**Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 24F. Liquidity Risk

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

Maturities for non-derivative financial liabilities 2012

	On demand \$'000	Within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	> 5 years \$'000	Total \$'000
Grants and subsidies	-	268,573	-	-	-	268,573
Provision for loan commitments	-	778	-	-	-	778
Accrued expenses	-	35,499	-	-	-	35,499
Total	-	304,850	-	-	-	304,850

Maturities for non-derivative financial liabilities 2011

	On demand \$'000	Within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	> 5 years \$'000	Total \$'000
Grants and subsidies	-	226,803	-	-	-	226,803
Provision for loan commitments	-	2,092	-	-	-	2,092
Accrued expenses	-	4,983	-	-	-	4,983
Total	-	233,878	-	-	-	233,878

Note 24G. Market Risk

Sensitivity analysis of the risk that the Department is exposed to for 2012

The following table is a sensitivity analysis of the interest rate risk that the Department is exposed to.

Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Department is exposed to interest rate risk primarily from its financial liabilities

The table below details the interest rate sensitivity analyses of the Department at reporting date, holding all other variables constant. A 140 basis point change (2011: 150 basis points) is deemed to be reasonably possible and is used when reporting interest rate risk. Loans are indexed annually to CPI. Sensitivity analysis has not been done as the rate is fixed to CPI.

Sensitivity analysis of the risk that the entity is exposed to for 2012

	Risk variable	Change in risk variable %	Effect on Profit and loss \$'000	Effect on Equity \$'000
Loans - amortised cost	Interest	+/- 1.4%	350	-
Provision for IIF loan commitments	Interest	+/- 1.4%	81	-
HECS/HELP loans	Interest	+ 1.4%	1,399,343	-
HECS/HELP loans	Interest	- 1.4%	1,635,306	-
Student Financial Supplement Scheme	Interest	+/- 1.4%	60,693	-

Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Sensitivity analysis of the risk that the entity is exposed to for 2011				
	Risk variable	Change in risk variable %	Effect on Profit and loss \$'000	Effect on Equity \$'000
Loans - amortised cost	Interest	+/- 1.5%	149	-
Provision for IIF loan commitments	Interest	+/- 1.5%	203	-

Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 24H. Concessional Loans	2012	2011
	\$'000	\$'000
Loans - amortised cost		
Nominal value	31,509	43,831
Less: Unexpired discount	-	-
Less: Impairment	(8,357)	(12,482)
Carrying value	23,152	31,349
Innovation Investment Fund		
Nominal value	130,600	129,880
Less: Unexpired discount	-	-
Less: Impairment	(94,954)	(83,692)
Carrying value	35,646	46,188
HECS/HELP Loans		
Nominal value	27,881,279	-
Less: Unexpired discount	(2,310,929)	-
Less: Impairment	(6,170,078)	-
Carrying value	19,400,272	-
Student Financial Supplement Scheme		
Nominal value	1,950,078	-
Less: Unexpired discount	(350,658)	-
Less: Impairment	(977,000)	-
Carrying value	622,420	-
Total	20,081,490	77,537

Department of Industry, Innovation, Science, Research and Tertiary Education NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 25. Unfunded Superannuation Provision for Australian Universities

Funding responsibility for universities has varied from time to time between the Commonwealth and the States. A number of universities have employees or former employees who are members of State superannuation schemes which are unfunded or partly funded. In these schemes, current employer contributions for benefits cover many past years of accruals of benefit rights for individual members. Accordingly, there are cost sharing arrangements for these schemes in place between the Commonwealth and the States. The Commonwealth makes payments to the universities which are used to pay the required amount of employer contributions to the schemes. The Commonwealth is then reimbursed by the States for their share of the costs.

Prior to 2002-03, the Commonwealth recognised its involvement in the annual financial statements of the former Department of Education, Science and Training as an administered commitment. However, as a result of AASB 137 – *Provisions, Contingent Liabilities and Contingent Assets*, the Commonwealth recognised the administered commitment as a provision (liability) for the first time in 2002-03. AASB 137 requires the recognition of a provision where it is probable that a future sacrifice of economic benefit will be required and where the amount of the provision can be measured reliably. It should be noted that inclusion of a provision as a liability in the annual financial statements does not constitute recognition of a legal obligation or policy commitment.

For 2011-12, AASB 119 – *Employee Benefits* is the standard used to measure unfunded superannuation liabilities. The main difference with this approach is the economic assumptions used. AASB 119 requires the use of the 'best estimate' assumptions based on current market conditions/expectations. In particular, the interest rate should be based on the yields available on Government bonds so the liability has been calculated using the spot interest rate at the end of the financial year.

The Australian Government Actuary (AGA) provides an estimate of the provision. The AGA noted that the estimates are based on figures provided by respective State actuaries for the universities and that these calculations were at different dates and on different actuarial bases.

In accordance with the generally accepted accounting principles, the statements recognised a receivable from the States as the estimated reimbursement to the Commonwealth by the States of \$1.798 billion. In recognition of the uncertain nature of the receivable, an impairment allowance for doubtful debts against that receivable has also been recognised of \$1.185 billion. The annual financial statements include a total unfunded superannuation liability of \$7.320 billion.

Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 26. Administered Financial Assets Reconciliation

		2012	2011
		\$'000	\$'000
	Notes		
Total financial assets as per schedule of administered assets and liabilities		26,160,258	3,122,989
Less: Non-financial instrument components			
GST receivable from the ATO	18B	35,191	5,458
Personal benefits receivable		153,939	-
Unfunded university superannuation		613,000	-
Total non-financial instrument components		802,130	5,458
Total financial assets as per financial instruments note	24A	25,358,128	3,117,531

**Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 27. Appropriations

Note 27A. Annual Appropriations (Recoverable GST exclusive)

	2012 Appropriations						Appropriation applied in 2012 (current and prior years) \$'000	Variance \$'000
	Appropriation Act		FMA Act			Total appropriation \$'000		
	Annual Appropriation ^(c) \$'000	Appropriations reduced ^(a) \$'000	AFM ^(b) \$'000	Section 30 \$'000	Section 31 \$'000			
DEPARTMENTAL								
Ordinary annual services	361,126	-	-	-	56,119	27,539	444,784	3,144
Other services	3,610	-	-	-	-	-	3,610	(1,546)
<i>Equity</i>								
Total departmental	364,736	-	-	-	56,119	27,539	448,394	1,598
ADMINISTERED								
Ordinary annual services								
Administered items	861,501	(87,084)	-	870	-	1,159,886	1,935,173	154,911
Payments to CAC Act bodies	923,311	-	-	-	-	-	923,311	-
Other services								
Administered assets and liabilities	84,747	-	-	-	-	-	84,747	36,655
Payments to CAC Act bodies	1,471	-	-	-	-	-	1,471	-
Total administered	1,871,030	(87,084)	-	870	-	1,159,886	2,944,702	191,566

Notes:

(a) Appropriations reduced under Appropriation Acts (No. 1.3.5) 2011-12: sections 10, 11, 12, 15 and under Appropriation Acts (No. 2.4.6) 2011-12: sections 12, 13, 14 and 17.

Departmental appropriations do not lapse at the end of the financial year. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament.

(b) Advance to the Finance Minister (AFM) – Appropriation Acts (No. 1.3.5) 2011-12: section 13 and Appropriation Acts (No. 2.4.6) 2011-12: section 15.

(c) Includes Departmental Capital Budget appropriation which is recognised as an equity transaction. Refer Note 27B.

The variance in the Departmental Equity appropriation is due to the drawdown of unspent appropriation brought forward from previous years.

The variance in administered items relates to accruals for other payables which payments will be made in next financial year.

The Administered assets and liabilities variance relates to an underspend for the Innovation Investment Funds program.

Administered variances are as a result of the payment of 2010-11 creditors in 2011-12 less any creditor payments due for 2011-12 which will be paid in 2012-13.

**Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 27A. Annual Appropriations ('Recoverable GST exclusive')

	2011 Appropriations							Appropriation applied in 2011 (current and prior years) \$'000	Variance \$'000
	Appropriation Act		FIMA Act				Total appropriation \$'000		
	Annual Appropriation \$'000	Appropriations reduced ^(a) \$'000	AFM ^(b) \$'000	Section 30 \$'000	Section 31 \$'000	Section 32 \$'000			
DEPARTMENTAL									
Ordinary annual services	334,026	-	-	334	58,468	158	392,986	383,530	9,456
Other services	8,966	-	-	-	-	-	8,966	9,567	(601)
<i>Equity</i>									
Total departmental	342,992	-	-	334	58,468	158	401,952	393,097	8,855
ADMINISTERED									
Ordinary annual services									
Administered items	961,363	(184,654)	-	1,607	-	1,000	779,316	745,694	33,622
Payments to CAC Act bodies	930,519	(470)	-	-	-	-	930,049	930,062	(13)
Other services									
Administered assets and liabilities	37,695	-	-	-	-	-	37,695	29,495	8,200
Payments to CAC Act bodies	14,070	-	-	-	-	-	14,070	14,070	-
Total administered	1,943,647	(185,124)	-	1,607	1,000	1,000	1,761,130	1,719,321	41,809

Notes:

(a) Appropriations reduced under Appropriation Acts (No. 1,3) 2010-11: sections 10, 11, 12 and 15 and under Appropriation Acts (No. 2,4) 2010-11: sections 12, 13, 14 and 17. Departmental appropriations do not lapse at financial year-end. However the responsible Minister may decide that part of all departmental or non operating appropriation is not required and may request the Finance Minister to reduce the appropriation. The reduction in the appropriation is affected by the Finance Minister's determination and is disallowable by Parliament. On 16 June 2011 the Finance Minister determined a reduction of \$2,580,000 under Appropriation Act (No.2) 2007-08 in departmental appropriations following a request by the Minister for Innovation, Industry, Science and Research.

A reduction of \$470,000 for payments to CAC Act bodies relates to The Commonwealth Scientific and Industrial Research Organisation (CSIRO).
 (b) Advance to the Finance Minister (AFM) – Appropriation Acts (No. 1,3) 2010-11: section 13 and Appropriation Acts (No. 2,4) 2010-11: section 15.
 The variance in the Departmental Equity appropriation is due to the drawdown of unspent appropriation brought forward from previous years.
 The variance in administered items relates to accruals for grant and other payables which payments will be made in next financial year.
 The Administered assets and liabilities variance relates to an underspend for the Innovation Investment Funds program.
 Revenue from Government includes \$370,000 which will be appropriated in 2011-12.

**Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 27B. Departmental and Administered Capital Budgets (Recoverable GST exclusive)

	2011-12 Capital Budget Appropriations			Capital Budget Appropriations applied in 2011-12 (current and prior years)			Variance \$'000	
	Appropriation Act		FMA Act	Total Capital Budget Appropriations \$'000	Payments for non-financial assets ^(c) \$'000	Payments for other purposes \$'000		Total payments \$'000
	Annual Capital Budget \$'000	Appropriations reduced ^(b) \$'000	Section 32 \$'000					
DEPARTMENTAL Ordinary annual services Capital Budget ^(a)	29,417	-	-	29,417	35,365	-	35,365	
ADMINISTERED Ordinary annual services Capital Budget ^(a)	-	-	-	-	-	-	-	

Notes:

- (a) Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No. 1,3,5). They form part of ordinary annual services and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriation, please see Table A: Annual appropriations
- (b) Appropriations reduced under Appropriation Acts (No. 1,3,5) 2011-12: sections 10, 11, 12 and 15 or via a determination by the Finance Minister
- (c) Payments made on non-financial assets include purchase of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

**Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 27B. Departmental and Administered Capital Budgets (Recoverable GST exclusive)

	2010-11 Capital Budget Appropriations			Capital Budget Appropriations applied in 2010-11 (current and prior years)		
	Appropriation Act		FMA Act	Payments for non-financial assets ^(c) \$'000	Payments for other purposes \$'000	Total payments \$'000
	Annual Capital Budget \$'000	Appropriations reduced ^(b) \$'000	Section 32 \$'000			
DEPARTMENTAL Ordinary annual services Capital Budget ^(a)	28,494	-	-	20,675	-	20,675
ADMINISTERED Ordinary annual services Capital Budget ^(a)	-	-	-	-	-	-
						Variance \$'000
						7,819

Notes:

- (a) Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No. 1.3.5). They form part of ordinary annual services and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriation, please see Table A: Annual appropriations
- (b) Appropriations reduced under Appropriation Acts (No. 1.3.5) 2010-11: sections 10, 11, 12 and 15 or via a determination by the Finance Minister
- (c) Payments made on non-financial assets include purchase of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

Department of Industry, Innovation, Science, Research and Tertiary Education NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 27C. Unspent Annual Appropriations ('Recoverable GST exclusive')

Authority	2012 \$'000	2011 \$'000
DEPARTMENTAL		
Appropriation Act 2 2009-10	-	576
Appropriation Act 1 2010-11	-	63,829
Appropriation Act 3 2010-11	-	460
Appropriation Act 1 2010-11 DCB	-	7,819
Appropriation Act 1 2010-11 Cash	-	1,593
Appropriation Act 2 2010-11	-	3,496
Appropriation Act 1 2011-12	57,782	-
Appropriation Act 3 2011-12	11,521	-
Appropriation Act 5 2011-12	3,603	-
Appropriation Act 1 DCB 2011-12	1,871	-
Appropriation Act 2 2011-12	2,046	-
Appropriation Act 4 2011-12	480	-
Appropriation Act 1 2011-12 Cash	2,055	-
Total	79,358	77,773
ADMINISTERED		
Appropriation Act 1 2004-05	112	112
Appropriation Act 1 2005-06	3,739	3,739
Appropriation Act 1 2007-08	6,444	6,444
Appropriation Act 1 2008-09	10,965	10,965
Appropriation Act 1 2009-10	3,368	3,368
Appropriation Act 1 2010-11	10,538	83,170
Appropriation Act 1 2011-12	245,264	-
Appropriation Act 2 2004-05	-	8,087
Appropriation Act 4 2005-06	-	95
Appropriation Act 2 2007-08	5,055	19,965
Appropriation Act 4 2007-08	21,597	21,597
Appropriation Act 2 2008-09	34,681	34,681
Appropriation Act 4 2008-09	2,520	2,520
Appropriation Act 4 2009-10	2,030	2,030
Appropriation Act 2 2010-11	35,653	35,653
Appropriation Act 4 2010-11	2,042	2,042
Appropriation Act 2 2011-12	32,572	32,572
Appropriation Act 4 2011-12	24,675	-
Appropriation Act 6 2011-12	2,500	-
Total	443,755	267,040

Department of Industry, Innovation, Science, Research and Tertiary Education NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 27D. Special Appropriations (Recoverable GST exclusive)

The Department of Industry, Innovation, Science, Research and Tertiary Education has recently become aware that there is an increased risk of non-compliance with Section 83 of the Constitution where payments are made from special appropriations and special accounts in circumstances where the payments do not accord with conditions included in the relevant legislation.

The Department will investigate these circumstances and any impact on its special appropriations shown below, seeking legal advice as appropriate.

Authority	Type	Purpose	Appropriation applied	
			2012 \$'000	2011 \$'000
Higher Education Support Act 2003 (Administered)	Unlimited Amount	Legislation to grant financial assistance to support the higher education system for individuals and universities.	7,652,746	1,492,949
Textile, Clothing and Footwear Strategic Investment Program Act 1999 (Administered)	Limited Amount	Assistance to the Textile Clothing and Footwear Industries.	24,770	99,993
Steel Transformation Plan Act 2011 (Administered)	Limited Amount	An Act to provide for the transformation of the Australian steel manufacturing industry, and for related purposes.	164,000	-
Automotive Transformation Scheme Act 2009 (Administered)	Limited Amount	To encourage competitive investment and innovation in the Australian automotive industry and to place industry on an economically sustainable footing.	296,204	73,935
Social Security Administration Act 1999 - Section 242 (Administered)	Unlimited Amount	An Act to provide income support assistance for individuals.	1,740,792	-
Financial Management and Accountability Act 1997 (Act No. 154 of 1997) Administered	Unlimited Amount	Section 28 appropriates the Consolidated Revenue Fund for repayments that are permitted by an Act or law but for which there is no other appropriation	386	3
Total			9,878,898	1,666,880

**Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 27E. Reduction in Administered Items ('Recoverable GSI exclusive')

2011-12 Ordinary Annual Services	Amount required ³ - by Appropriation Act			Total amount required ³	Total amount appropriated ⁴	Total reduction ⁵
	Act (No.1)	Act (No.3)	Act (No. 5)			
Outcome 1	\$731,948,968.10	\$0.00	\$0.00	\$731,948,968.10	\$787,236,000.00	\$55,287,031.90
Outcome 2	\$72,226,015.50	\$0.00	\$0.00	\$72,226,015.50	\$74,265,000.00	\$2,038,984.50
Outcome 3	\$1,130,127,648.08	\$0.00	\$0.00	\$1,130,127,648.08	\$1,159,885,648.08	\$29,758,000.00

Notes:

1. Numbers in this section are disclosed to the cent.
2. Administered items for 2011-12 were reduced to these amounts when these financial statements were tabled in Parliament as part of the Department's 2011-12 report. This reduction is effective in 2011-12, but the amounts are reflected in Table A in the 2011-12 statements in the column 'Appropriations reduced' as they are adjustments to 2011-12 appropriations.
3. Amount required as per Appropriation Act (Act 1 s. 11; Act 2 s. 12).
4. Total amount appropriated in 2011-12.
5. Total reduction effective in 2012-13.

**Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 27E. Reduction in Administered Items ('Recoverable GST exclusive')

2010-11 Ordinary Annual Services	Amount required ³ - by Appropriation Act		Act (No. 5)	Total amount required ³	Total amount appropriated ⁴	Total reduction ⁵
	Act (No.1)	Act (No.3)				
Outcome 1	\$541,885,288.76	\$6,663,000.00	\$0.00	\$548,548,288.76	\$730,913,000.00	\$182,364,711.24
Outcome 2	\$228,500,555.31	\$660,000.00	\$0.00	\$229,160,555.31	\$231,450,000.00	\$2,289,444.69

Notes:

1. Numbers in this section are disclosed to the cent.
2. Administered items for 2010-11 were reduced to these amounts when these financial statements were tabled in Parliament as part of the Department's 2010-11 report. This reduction is effective in 2010-11, but the amounts are reflected in Table A in the 2010-11 statements in the column 'Appropriations reduced' as they are adjustments to 2010-11 appropriations.
3. Amount required as per Appropriation Act (Act 1 s. 11; Act 2 s. 12).
4. Total amount appropriated in 2010-11.
5. Total reduction effective in 2011-12.

Department of Industry, Innovation, Science, Research and Tertiary Education NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 28. Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. The Department of Finance and Deregulation (DoFD) provided information to all agencies in 2011 regarding the need for specific risk assessments in relation to section 83. The possibility of this being an issue for the Department was reported in the notes to the 2010-11 financial statements and the Department undertook to investigate the issue during 2011-12. These requirements arose because DoFD had become aware that there was an increased risk for all agencies of non-compliance with section 83 where payments are made from special appropriations that do not accord with conditions in the relevant legislation.

It is important to note that it is impossible to fully remove the potential for section 83 breaches for payments. In some instances, the Department relies on information provided by its customers to calculate and pay the appropriate entitlements. These estimates, provided by customers, are not always accurate resulting in potential breaches of section 83.

During 2011-12, the Department developed a plan to review exposure to risks of not complying with statutory conditions on payments from appropriations. The plan involved:

- identifying each special appropriation and special account;
- determining the risk of non-compliance by assessing the difficulty of administering the statutory conditions and assessing the extent to which existing payment systems and processes satisfy those conditions;
- determining procedures to confirm risk assessments in medium risk cases and to quantify the extent of non-compliance, if any, in higher risk situations;
- obtaining legal advice, as appropriate, to resolve questions of potential non-compliance; and
- considering legislative or procedural changes to reduce the risk of non-compliance in the future to an acceptably low level.

The Department identified 6 appropriations involving statutory conditions for payment, comprising:

- 5 special appropriations;
- 1 special accounts.

As at 30 June 2012, in accordance with the guidance provided by DoFD, a review had been completed in respect of all appropriations with statutory conditions for cash payments with the exception of the *Social Security (Administration) Act 1999*. This represents coverage of 74% (\$8,137,719,603) of the Department's total administered cash expenditure in 2011-12 (\$10,963,012,000).

The work conducted to date has identified the following:

Special Accounts

The Department currently has 4 special accounts, of which 1 has payment requirements incorporated in the legislation.

- The Education Investment Fund (EIF) special account— testing of these transactions revealed no issues.

Special appropriations

Special appropriations considered were:

- *Higher Education Support Act 2003 (Administered)*
- *Social Security (Administration) Act 1999*
- *Textile, Clothing and Footwear Strategic Investment Program Act 1999*
- *Automotive Transformation Scheme Act 2009*
- *Steel Transformation Plan Act 2011*

As part of the review, the Department performed a desktop sample of payments made under both the Special Accounts and Special Appropriations to ensure administrative processes aligned with the legislative requirements of each Act. Of the samples selected, no discrepancies were identified.

The *Social Security (Administration) Act 1999* was not able to be included in this review due to its complexity and number of preconditions embedded in the legislation. The Department has, however, been in consultation with the Department's legal branch and policy areas to determine the conditions for payment as prescribed within the legislation and to assess the extent to which program controls are ensuring that those requirements are met. A working group, comprising of the

Department of Industry, Innovation, Science, Research and Tertiary Education NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Finance team, Legal team and the policy owner, will be formed in 2012-13 to finalise the risk assessment for the *Social Security (Administration) Act 1999* payments, and where applicable, identify legislative changes to reduce the risk of section 83 breaches. Due to the volume of transactions made under the *Social Security (Administration) Act 1999*, the Department has adopted the view that the number debts raised under this Act are potential breaches, given that the risk assessment process is not complete, rather than investigating individual payments for compliance against legislative requirements. It is expected that a portion of these potential breaches would have been correctly paid.

Potential contraventions by appropriation type are:

- 44,858 potential breaches, totalling \$43,272,172 in 2011-12, have been identified in relation to Social Security Act payments. The potential breaches are based on the number of debts raised by the Department since the restructuring of Administrative Arrangements Order in December 2011 and may relate to payments made since December 2011 by the Department and the payments made (for current and prior financial years) when the program was administered by the Department of Education, Employment, and Workplace Relations. The Department's current approach for the Social Security special appropriation is to accept all potential breaches rather than investigating individual potential breaches for payment compliance against legislative requirements. It is expected that a portion of these potential breaches would have been correctly paid. The Department of Human Services (DHS) makes payments on behalf of the Department in relation to the Social Security Act programs, Youth Allowance and Austudy. Social Security legislation requires customers to provide personal information to DHS from which DHS makes assessments and payments to the customer. If the customer fails to notify DHS or provides incorrect information, an overpayment could arise. Section 83 does not distinguish between errors made by the Department or those initiated by customer notifications and are both disclosed as potential causes of a section 83 breach of the Constitution.
 - Amounts recovered to 30 June 2012 totalled \$6,122,956.
 - Amounts subject to waiver or write-off are \$4,856,964.

No other special appropriations have potential breaches.

The Department will continue to monitor its level of compliance with section 83 of the Constitution across all legislation for which it is administratively responsible. Where possible, amendments to legislation will continue to be progressed.

**Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Table A - Summary

Appropriations identified as subject to conditions	Expenditure in 2011-12 \$'000	Review complete? (Yes/No)	Breaches identified during period ended 30 June 2012			Recovery/offset As at 30 June 2012 \$'000	Potential breaches to date yet to be resolved		Remedial action taken or proposed ¹
			Number	Total \$'000	Incorrect \$'000		Yes/No	Indicative extent	
Special Appropriations									
<i>Higher Education Support Act 2003 (Administered)</i>	7,652,746	Yes	Nil	N/A	N/A	N/A	No	N/A	N/A
<i>Social Security (Administration) Act 1999</i>	1,740,792	No	Nil	N/A	N/A	N/A	Yes	Refer to Note 2 below	L/P
<i>Textile, Clothing and Footwear Strategic Investment Program Act 1999</i>	24,770	Yes	Nil	N/A	N/A	N/A	No	N/A	N/A
<i>Automotive Transformation Scheme Act 2009</i>	296,204	Yes	Nil	N/A	N/A	N/A	No	N/A	N/A
<i>Steel Transformation Plan Act 2011</i>	164,000	Yes	Nil	N/A	N/A	N/A	No	N/A	N/A
Special Accounts									
Education Investment Fund	771,674	Yes	Nil	N/A	N/A	N/A	No	N/A	N/A

¹ L= legislative change; S= systems change; P=planned; M=made (e.g. SM; or LP)

² The value of potential contraventions in respect to the Social Security Act 1999 and the Social Security (Administration) Act 1999 was \$43,272,172 representing 44,858 debits raised. Recovery of 2011-12 potential contraventions amount to \$43,261,191 and \$4,856,964 of 2011-12 potential contraventions has been written off.

The sum of the amounts disclosed in Note 2 equal the amounts disclosed as potential contraventions in the main body of the note. Below is a summary table of these amounts

Act	Value of Potential Contraventions	No of Potential Contraventions	Recovery of 2011-12 Contraventions	Potential Contraventions Waived or Written Off
<i>Social Security (Administration) Act 1999</i>	\$43,272,172	44,858	\$6,122,956	\$4,856,964
Total	\$43,272,172	44,858	\$6,122,956	\$4,856,964

Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 29. Special Accounts and FMA Act Section 39

Note 29A. Special Accounts (Recoverable GST exclusive)

	Services for Other Government and Non-Agency Bodies Account ¹		Services for Other Entities and Trust Moneys Account ²		Australian Building Codes Board Special Account ³	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Balance brought forward from previous period	-	4,307	584	-	6,653	6,210
Appropriation for reporting period	-	-	-	-	2,750	1,000
Services - Rendering of services to external entities	-	-	-	-	-	7,621
Amount transferred from services to other Government and non-agency bodies	-	-	-	584	-	-
Amount transferred due to restructure	-	-	13,472	-	-	-
Other receipts	-	350	4,293	-	7,789	-
Total increase	-	350	17,765	584	10,539	8,621
Available for payments	-	4,657	18,349	584	17,192	14,831
Decreases:						
Departmental						
Payments made to suppliers	-	4,073	5,711	-	3,703	4,844
Payments made to employees	-	-	-	-	5,619	3,334
Amounts transferred to Services for other entities and Trust Moneys Special Account	-	584	-	-	-	-
Total Departmental decreases	-	4,657	5,711	-	9,322	8,178
Administered						
Payments made	-	-	-	-	-	-
Total administered decreases	-	-	-	-	-	-
Total balance carried to the next period and represented by:						
Cash- transferred to the Official Public Account	-	-	12,638	584	7,870	6,653
Cash- held by the Department	-	-	12,638	584	7,504	6,354
Total balance carried to the next period	-	-	12,638	584	7,870	6,653

Department of Industry, Innovation, Science, Research and Tertiary Education NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

¹ Appropriation: *Financial Management and Accountability Act 1997*; section 20

Purpose: For expenditure in connection with services performed on behalf of other Governments and bodies that are not FMA agencies.

² Appropriation: *Financial Management and Accountability Act 1997*; section 20

Establishing Instrument: Determination 2011/09

Purpose: To enable the Department to continue to hold and expend amounts on behalf of persons or entities other than the Commonwealth.

³ Appropriation: *Financial Management and Accountability Act 1997*; section 20

Establishing Instrument: Determination 2006/68 – Australian Building Codes Board Special Account 2006

Purpose: For the purpose of expenditure for research, investigation and development (including the engagement of consultants) and the dissemination of information directed towards the achievement and maintenance of uniform building regulation; development of a national system of accreditation; and development of comparable legislative control procedures in the building approval process among the States and Territories.

**Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 29A. Special Accounts (Recoverable GST exclusive)

	Science and Technology Donations/Sponsorship Account ⁴		Education Investment Fund Special Account ⁵	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Balance brought forward from previous period	1,301	1,395	-	-
Interest receipts	63	72	-	-
Other receipts	1,978	2,521	-	-
Nation-Building Fund receipts	-	-	771,674	501,532
Total increase	2,041	2,593	771,674	501,532
Available for payments	3,342	3,988	771,674	501,532
Decreases:				
Departmental				
Payments made to suppliers	1,984	2,687	-	-
Total Departmental decreases	1,984	2,687	-	-
Administered				
Payments made to suppliers	-	-	771,674	501,532
Total administered decreases	-	-	771,674	501,532
Total balance carried to the next period and represented by:	1,358	1,301	-	-
Cash- transferred to the Official Public Account	-	-	-	-
Cash- held by the Department	1,358	1,301	-	-
Total balance carried to the next period	1,358	1,301	-	-

⁴ Appropriation: *Financial Management and Accountability Act 1997*; section 20

Establishing Instrument: Determination 2006/40 – Science and Technology Donations/Sponsorship 2006

Purpose: For the expenditure of donations/sponsorship received to support specific activities which promote greater understanding and awareness of science and technology within the community.

⁵ Appropriation: *Financial Management and Accountability Act 1997*; section 20

Establishing Instrument: *Nation Building Fund Act 2008 Act No. 154 of 2008*;

Purpose: The Education Investment Fund was created by the Nation-Building Funds Act 2008 for the purpose of expenditure on the creation and development of research infrastructure.

**Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 29B. Investments Made under section 39 of the FMA Act

	Balance brought forward from previous period \$'000	Investments made \$'000	Investment income \$'000	Transactional charges \$'000	Investments realised \$'000	Total balance carried to the next period \$'000
2012	1,301	1,978	63	-	1,984	1,358
Establishing Instrument: Determination 2006/40 - Science and Technology Donations/Sponsorship 2006						

	Balance brought forward from previous period \$'000	Investments made \$'000	Investment income \$'000	Transactional charges \$'000	Investments realised \$'000	Total balance carried to the next period \$'000
2011	1,395	2,521	72	-	2,687	1,301
Establishing Instrument: Determination 2006/40 - Science and Technology Donations/Sponsorship 2006						

Department of Industry, Innovation, Science, Research and Tertiary Education NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 30. Compensation and Debt Relief

	2012 \$	2011 \$
Departmental		
No 'Act of Grace' expenses were incurred during the reporting period (2011: No expenses).	<u>Nil</u>	<u>Nil</u>
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the Financial Management and Accountability Act 1997.(2011: No waivers).	<u>Nil</u>	<u>Nil</u>
No payments were provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period. (2011: No payments).	<u>Nil</u>	<u>Nil</u>
No ex-gratia payments were provided for during the reporting period. (2011: No payments).	<u>Nil</u>	<u>Nil</u>
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the Public Service Act 1999 (PS Act) during the reporting period. (2011: No payments).	<u>Nil</u>	<u>Nil</u>
Administered		
2 'Act of Grace' expenses were incurred during the reporting period (2011: No expenses).	<u>7,690</u>	<u>Nil</u>
2 waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the Financial Management and Accountability Act 1997.(2011: No waivers).	<u>2,291</u>	<u>Nil</u>
25,799 waivers of amounts owing to the Australian Government were made pursuant to sections 1237, 1237A and 1237AAD of the <i>Social Security Act 1991</i> .(2011: No payments).	<u>4,856,964</u>	<u>Nil</u>
No payments were provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period. (2011: No payments).	<u>Nil</u>	<u>Nil</u>
No ex-gratia payments were provided for during the reporting period. (2011: No payments).	<u>Nil</u>	<u>Nil</u>
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the Public Service Act 1999 (PS Act) during the reporting period. (2011: No payments).	<u>Nil</u>	<u>Nil</u>
The waivers and expenses recognised for 2012 are as a result of the functions that transferred to the Department as a result of the restructuring of administrative arrangements on the 14th December 2011.		

**Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 31. Reporting of Outcomes

The Department uses an Activity Based Costing System to determine the attribution of its shared items. This system was based on a time and motion study for the 2011-12 Budget.

Note 31A. Net Cost of Outcome Delivery

	Outcome 1		Outcome 2		Outcome 3		Payments to CAC Act bodies*		Total	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Departmental										
Expenses	352,652	333,009	88,029	73,336	34,420	-	-	-	475,101	406,345
Own-source income	53,358	55,831	17,684	20,241	1,726	-	-	-	72,768	76,072
Administered										
Expenses	1,221,663	995,176	2,060,042	2,100,586	9,172,880	-	923,311	930,062	13,377,896	4,025,824
Own-source income	7,256	7,038	386,929	532,613	2,288,878	-	-	-	2,663,063	539,651
Net cost of outcome delivery	1,513,701	1,265,316	1,743,458	1,621,068	6,936,696	-	923,311	930,062	11,117,166	3,816,446

**Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 31B. Major Classes of Departmental Expense Income Assets and Liabilities by Outcome

	Outcome 1		Outcome 2		Outcome 3		Total	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Departmental Expenses:								
Employees	213,662	184,401	44,309	46,643	27,099	-	285,070	231,044
Suppliers	109,386	111,156	26,170	20,052	6,431	-	141,987	131,208
Grants	2,513	7,139	4,625	1,173	442	-	7,580	8,312
Depreciation and amortisation	26,525	29,532	12,850	5,327	433	-	39,808	34,859
Write-down, impairment and loss of assets	75	175	(29)	32	-	-	46	207
Other expenses	491	606	104	109	15	-	610	715
Total	352,652	333,009	88,029	73,336	34,420	-	475,101	406,345
Departmental Income:								
Costs recovered from provision of goods and services to non-Government	43,737	43,009	13,980	16,193	930	-	58,647	59,202
Other non-taxation revenue	4,936	7,120	2,708	2,248	656	-	8,300	9,368
Gains reversal of previous asset write-downs	153	1	33	-	5	-	191	1
Other gains	4,532	5,701	963	1,800	135	-	5,630	7,501
Income from Government	289,264	259,233	61,050	46,827	8,564	-	358,878	306,060
Total	342,622	315,064	78,734	67,068	10,290	-	431,646	382,132
Departmental Assets:								
Cash	3,042	2,741	648	495	91	-	3,781	3,236
Trade and other receivables	99,722	76,078	21,814	13,724	6,918	-	128,454	89,802
Other financial assets	179	535	15	96	44	-	238	631
Buildings	101,584	82,863	21,645	14,952	195	-	123,424	97,835
Infrastructure, plant and equipment	82,392	85,927	17,556	15,501	1,665	-	101,613	101,428
Intangibles	17,859	18,629	3,805	3,360	27,398	-	49,062	21,989
Inventories	1,606	1,583	275	243	-	-	1,881	1,826
Other non-financial assets	3,556	3,650	961	658	125	-	4,642	4,308
Total	309,940	272,026	66,719	49,029	36,436	-	413,095	321,055
Departmental Liabilities								
Suppliers	21,796	14,776	3,676	2,665	2,314	-	27,786	17,441
Other payables	37,202	26,048	7,897	4,699	1,666	-	46,765	30,747
Employees	60,024	51,550	12,790	9,299	31,567	-	104,381	60,849
Other provisions	4,071	3,445	867	621	122	-	5,060	4,066
Total	123,093	95,819	25,230	17,284	35,669	-	183,992	113,103

**Department of Industry, Innovation, Science, Research and Tertiary Education
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 31C. Major Classes of Administered Expenses, Income, Assets, and Liabilities by Outcomes

	Outcome 1		Outcome 2		Outcome 3		Payment to CAC Bodies		Not attributed		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administered Expenses:												
Subsidies	544,969	393,302	-	-	357,573	-	-	-	-	-	902,542	393,302
Suppliers	22,989	14,526	2,124	2,539	197,069	-	-	-	-	-	222,182	17,065
Personal benefits	-	-	-	-	1,924,587	-	-	-	-	-	1,924,587	-
Grants	638,975	585,748	2,057,918	2,098,047	4,048,162	-	-	-	-	-	6,745,565	2,683,795
Finance costs	2,137	-	-	-	860,710	-	-	-	-	-	862,847	-
Fair value losses	-	-	-	-	1,565,184	-	-	-	-	-	1,565,184	-
Write-down and impairment of assets	12,593	1,600	-	-	219,595	-	-	-	-	-	232,188	1,600
CAC Act bodies payment item	-	-	-	-	-	-	923,311	930,062	-	-	923,311	930,062
Total	1,221,663	995,176	2,060,042	2,100,586	9,172,880	-	923,311	930,062	-	-	13,377,896	4,025,824
Administered Income:												
Tax receipts	1,076	1,169	-	-	-	-	-	-	-	-	1,076	1,169
Interest on loans	2,535	2,940	-	-	804,997	-	-	-	-	-	807,532	2,940
Nation Building Fund - EIF receipts	-	-	386,929	501,532	354,577	-	-	-	-	-	741,506	501,532
Other non-taxation revenue	2,245	388	-	-	12,670	-	-	-	-	-	14,915	388
Other gains	1,400	2,541	-	31,081	-	-	-	-	-	-	1,400	33,622
Fair value gains	-	-	-	-	1,096,634	-	-	-	-	-	1,096,634	-
Total	7,256	7,038	386,929	532,613	2,268,878	-	-	-	-	-	2,663,063	539,651
Administered Assets												
Cash and cash equivalents	-	-	-	-	53	-	-	-	-	-	53	-
Receivables	61,277	79,629	-	8	20,823,513	-	-	-	35,191	5,458	20,919,981	85,095
Investments	79,577	64,074	-	-	1,842,178	-	-	-	3,318,469	2,973,820	5,240,224	3,037,894
Total	140,854	143,703	-	8	22,665,744	-	-	-	3,353,660	2,979,278	26,160,258	3,122,989
Administered Liabilities												
Suppliers	4,360	4,523	-	460	31,139	-	-	-	-	-	35,499	4,983
Subsidies	98,285	203,673	-	-	10,052	-	-	-	-	-	108,337	203,673
Personal benefits	-	-	-	-	84,905	-	-	-	-	-	84,905	-
Grants	17,777	23,130	4,419	-	138,040	-	-	-	-	-	160,236	23,130
Other payables	-	-	-	-	-	-	-	-	31,085	5,484	31,085	5,484
Loan commitment provision	778	2,092	-	-	-	-	-	-	-	-	778	2,092
Provision for grants	-	-	-	-	7,320,000	-	-	-	-	-	7,320,000	-
Total	121,200	233,418	4,419	460	7,584,136	-	-	-	31,085	5,484	7,740,840	239,362

Department of Industry, Innovation, Science, Research and Tertiary Education
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Note 32. Receipts Subject to Cost Recovery Policy

	2012	2011
	\$'000	\$'000
<u>Note 32A. Receipts Subject to Cost Recovery Policy</u>		
Significant cost recovery arrangements		
National Measurement Institute	5,989	5,739
Trades Recognition Australia	<u>329</u>	<u>-</u>
<i>Total expenses and dividend declared</i>	<u><u>6,318</u></u>	<u><u>5,739</u></u>

Department of Industry, Innovation, Science, Research and Tertiary Education NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 33. Net Cash Appropriation Arrangements

	2012 \$'000	2011 \$'000
Total comprehensive income (loss) less depreciation/amortisation expenses previously funded through revenue appropriations¹	(81,463)	(59,072)
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	<u>39,808</u>	<u>34,859</u>
Total comprehensive income (loss) - as per the Statement of Comprehensive Income	<u><u>(41,655)</u></u>	<u><u>(24,213)</u></u>

Notes:

1. From 2010-11, the Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required.

Chapter 9: IP Australia Director General's review

In 2011–12, IP Australia made substantial progress in its key priority areas of quality and consistency, stakeholder confidence, speed and efficiency, the strategic use of intellectual property (IP), and improving the IP system. As a result of these efforts, its service standards and outputs are now approaching those of the strongest IP offices in the world.

Over the past decade, rising demand for IP rights in an increasingly global system, combined with difficulties in attracting and retaining enough qualified staff, resulted in a steady rise in the number of outstanding applications and a weakening in compliance with timeliness standards, especially for patents. There has also been a perception amongst some stakeholders that the quality of the agency's decision-making around the granting of IP rights is not as good as it could be.

Over the last several years, IP Australia has adopted a multifaceted approach to deal with these challenges:

- a revitalised attraction and retention strategy for patent examination staff to tackle the initial backlog;
- an overhaul of quality assurance systems for granting IP rights;
- a strengthening of the examination process through legislative reform;
- the modernisation and enhancement of electronic business and information services; and

- participation in international efforts to reduce the duplication of work between offices and to harmonise work practices with other countries.

This strategy showed solid benefits in 2011–12, with the patents backlog down about 24 per cent from its peak and the monthly average time taken to examine a standard patent application falling from more than 16 months to about 11 months by June 2012. Timeliness in trade mark examination has been maintained, despite increasing workloads.

We managed these improvements at the same time as introducing substantial new quality assurance processes. First we provided our patent examiners with a new world-class search engine, Epoque. We then revised our examination processes to bring them into line with better practice overseas. Then we prescribed the full range of quality standards that we wanted to achieve. Finally, in March 2011, we introduced a whole new system of statistically significant, independent reviews of the quality of all of our IP decisions. This new system, the Product Quality Review System, is already having a positive impact on the consistency of decision-making in both patents and trade marks (where the majority of IP Australia's resources are directed) by providing a solid and robust system to validate the work produced by examiners who exercise a delegation to accept IP rights and whose decisions have the potential to affect the future of applicants' rights, the marketplace and the reputation of IP Australia.

During 2011–12, IP Australia also continued with its major program of work to modernise IP Australia's customer communication channels and standardise customer processing across different IP rights. New business-to-business and e-services channels were launched for IP rights renewals and trade mark registration services. Once completed, this work will provide a broader range of electronic options for customers and make it cheaper and more efficient for Australian innovators to deal with IP Australia. It will also improve intelligent text processing within the organisation and will increase the quality and range of work tools available to staff, enabling them to work more efficiently.

A new website, designed after extensive user input to provide greatly enhanced functionality, was launched in September 2011. The new e-services channel is available through the website, which includes separate dedicated areas for professional users and first-time applicants.

AusPat, our database containing all live patent files, evolved further in 2011–12 to offer a notification service to third parties. This service allows parties to register an interest in the status of a patent application so that AusPat can send them email notification when a change in the status of that application (for example, the production of a report about the application) occurs.

IP Australia made substantial progress with its IP rights law reform project, which aims to reduce barriers in the innovation landscape for researchers and innovators; improve certainty about the validity of granted patents; and allow patent claims to be resolved faster. The *Intellectual Property Laws Amendment (Raising the Bar) Act 2012* was passed by parliament in April 2012. Once the changes commence, the criteria for granting a patent in Australia will be more closely aligned to those of other major jurisdictions, which will provide Australian innovators with greater certainty about the robustness of their Australian patents and their ability to obtain protection in their export markets. There will also be many areas where the IP system will be simpler and more efficient for

users and contain fewer technical pitfalls for the uninitiated.

IP Australia has participated in international efforts to reduce the duplication of work between IP offices and to harmonise work practices between countries. The intention here is to make it easier for Australian innovators to secure patents in overseas markets. In partnership with IP offices in the United Kingdom and Canada as well as the World Intellectual Property Organization (WIPO), IP Australia contributed to deliver the second stage of a system called Centralised Access to Search and Examination (WIPO–CASE), which is a digital library of search and examination reports to assist patent examiners. The IP offices of the Vancouver Group (Australia, the United Kingdom and Canada) are the first to use the WIPO–CASE system. The planned next stage of delivery will involve a number of other IP offices. This will make it easier for those other offices to rely on reports produced about a patent by IP Australia, rather than put the applicant through the expense of a second or subsequent examination from scratch.



Part B

Chapter Ten

IP Australia overview

- Role and functions
- Outcome and sub-program structure
- Outlook

Chapter 10: IP Australia overview

ROLE AND FUNCTIONS

IP Australia is the agency responsible for administering Australia's intellectual property (IP) rights system, specifically trade marks, patents, designs and plant breeder's rights. IP Australia falls within the organisational structure of the Department of Industry, Innovation, Science, Research and Tertiary Education as a prescribed agency under the *Financial Management and Accountability Act 1997*. It operates independently of the department on financial matters, and with some degree of autonomy on other matters, and recovers more than 97 per cent of its costs by charging fees for its IP rights services.

As well as granting exclusive rights under the statutes it administers, IP Australia advises the Australian Government on IP policy; provides IP advice and education services to the business community; regulates the IP profession; and contributes to bilateral and multilateral negotiations and development cooperation programs for the benefit of the Australian economy and society.

These activities foster innovation within Australia by:

- providing an incentive for research and development by offering an opportunity to capture the economic benefits of innovation;
- promoting the disclosure of discoveries, thereby facilitating follow-on innovation;
- enabling firms to build brand value and business reputation; and
- providing a legal framework in which to trade ideas.

IP Australia's Strategic Statement 2009–2014 and Strategic Plan 2011–2016 define its direction over the next five years and prioritise strategic activities over the same period. These activities focus on delivering robust IP rights efficiently. Table 45 shows the priority areas for 2011–12 and the forward years.

Table 45: IP Australia priorities

Priority area	Action	Example
Quality and consistency	Continue to strive for the highest possible standard of quality in our work so that granted rights are robust and able to withstand any challenge.	The introduction of higher standards for patent acceptance as a result of the <i>Intellectual Property Laws Amendment (Raising the Bar) Act 2012</i> will ensure that patents granted in Australia meet the same standards as those in other jurisdictions. Meanwhile, the Product Quality Review System enables Australian innovators to have confidence in the quality and robust nature of the individual rights granted by IP Australia.
Stakeholder confidence	Manage operations and stakeholder relationships to ensure we have an excellent reputation for the effectiveness of our services.	The introduction of higher patent standards as a result of the implementation of the Raising the Bar Act will give Australian firms greater confidence that their Australian patents will hold up in overseas jurisdictions.
Speed and efficiency	Offer timely and efficient services which are consistent with the needs of intellectual property (IP) applicants and the community as a whole.	The Raising the Bar Act provides for a streamlined application process for IP rights and reduces opposition periods for patent and trade mark applications. IP Australia is also introducing new case management and information technology systems to enhance the timeliness and efficiency of our services.
Facilitate the strategic use of IP	Enable Australians to derive maximum value from the IP system through effective education, awareness and information services.	The new National Patent Analytics Hub will provide advanced patent analysis, primarily to public sector organisations. Advanced patent analysis will lead to more informed research and development decisions and greater commercialisation opportunities and economic benefits for Australia.
Contribute to improving the IP system	Foster Australian innovation by shaping the development of the IP system both at home and abroad.	The Raising the Bar Act improves access to the IP rights system by simplifying the application process, improving opposition procedures, and creating a new jurisdiction for the hearing of trade mark matters in the Federal Magistrates Court. The Act also provides researchers with an exemption if they infringe a patent, providing them with certainty and freedom to operate whilst contributing to Australia's scientific and economic development.

OUTCOME AND SUB-PROGRAM STRUCTURE

IP Australia has one outcome and three sub-programs that contribute to that outcome, as shown in Table 46.

Table 46: IP Australia outcome and sub-program structure 2011-12

Outcome 1

Increased innovation, investment and trade in Australia, and by Australians overseas, through the administration of the registrable intellectual property rights system, promoting public awareness and industry engagement, and advising government.

Sub-program	Objective
1.1: IP Rights Administration and Professional Registration	<p>Intellectual property rights</p> <p>IP Australia will deliver robust IP rights and satisfy its customers in terms of timeliness and value for money. IP Australia will be recognised as one of the leading IP offices in the world for the quality (including accuracy and consistency) of the IP rights it grants.</p> <p>Professional registration</p> <p>IP Australia will successfully undertake its functions associated with persons wishing to qualify for registration as Patents and/or Trade Marks Attorneys and will provide effective secretariat support to the Professional Standards Board.</p>
1.2: Education, Awareness and International Engagement	<p>Awareness and education</p> <p>IP Australia will facilitate understanding of the value of and access to the domestic and international intellectual property system among its stakeholders in line with Australia's interests.</p> <p>International engagement</p> <p>IP Australia will influence the development of effective intellectual property systems in line with Australia's interests.</p>
1.3: Advice to Government	<p>Policy and legislation</p> <p>IP Australia's program of policy and legislative change will foster Australian innovation by shaping the development of the IP system both at home and abroad.</p> <p>Support for advisory bodies</p> <p>IP Australia will provide support to the Advisory Council on Intellectual Property (ACIP) and the Plant Breeder's Rights Advisory Committee.</p>

OUTLOOK

During 2012-13 IP Australia will continue to work on its strategic priorities to improve the delivery of its outcome. Specifically, the agency will:

- continue to improve quality standards and quality assurance systems to ensure that they are equal to, if not better than, those of other IP offices;
- more effectively manage stakeholder relationships by improving feedback mechanisms and enhancing awareness of major activities and reforms—such as the legislative reforms contained in the *Intellectual Property Laws Amendment (Raising the Bar) Act 2012* (Raising the Bar Act)—and continue with a program commenced in 2011-12 to more proactively engage individual businesses at a senior level;
- continue to improve the timeliness of examination services, especially in patents, where there is more work to be done in reducing the historic backlog of unexamined applications;
- aim to offer most, if not all, of IP Australia's services in the new electronic channels by 30 June 2013;
- ensure the smooth introduction in April 2013 of the many changes in the Raising the Bar Act;
- look at new areas where the IP system can be adjusted so as to improve outcomes for Australian businesses and consumers;
- continue to participate in initiatives which aim to harmonise international search and examination practices and to share work between offices; and
- develop and implement programs to facilitate the strategic use of IP across the Australian community.

Meeting these challenges requires ongoing investment in our staff. We have worked hard to attract and retain a quality workforce and now need to use our skills to maximise the benefits which Australia gains from its citizens' bright ideas.



Part B

Chapter Eleven

IP Australia report on performance

Performance measures

Outcome 1 overview

Sub-Program 1.1 IP rights administration and professional registration

Sub-Program 1.2 Awareness, education and international engagement

Sub-Program 1.3 Advice to government

Chapter 11: IP Australia report on performance

PERFORMANCE MEASURES

The outcome and program structure for IP Australia is set out in the Innovation, Industry, Science and Research Portfolio Budget Statements (PBS) 2011–12. IP Australia has one outcome, and three sub-programs that contribute to that outcome, as shown in Table 47.

Table 47: IP Australia outcome and sub-program structure and price results, 2011–12

Outcome 1

Increased innovation, investment and trade in Australia and by Australians overseas, through the administration of the registrable intellectual property rights system, promoting public awareness and industry engagement, and advising government.

Sub-program	2011–12 Target ⁽¹⁾	2011–12 Actual ⁽²⁾
Sub-program 1.1 IP Rights Administration and Professional Registration	\$140.77 million	\$143.28 million
Sub-program 1.2 Awareness, Education and International Engagement	\$8.66 million	\$7.73 million
Sub-program 1.3 Advice to Government	\$4.12 million	\$4.85 million

(1) Price figures have been rounded and may not correspond exactly to the total price of outputs. These targets reflect revised budget estimates as provided to the Department of Finance and Deregulation.

(2) Total price of outputs is the sum of revenue from government and revenue from other sources.

SUB-PROGRAM 1.1 IP RIGHTS ADMINISTRATION AND PROFESSIONAL REGISTRATION

Sub-program 1.1 encompasses the administration of patent, trade mark, design and plant breeder's IP rights legislation. It also includes the administration of the Professional Standards Board for Patent and Trade Marks Attorneys and the Patent Attorneys Disciplinary Tribunal.

Table 48 summarises IP Australia's results in delivering Sub-program 1.1 against the targets published in the PBS.

Table 48: Sub-program 1.1 performance against deliverables, 2011–12

Deliverable	2011–12 Target	2011–12 Actual
Receipt of patent applications	26,634	28,121
Receipt of Patent Co-operation Treaty (PCT) applications	4,591	3,659
Provision of patent examination services	23,899	22,825
Receipt of trade mark applications	111,348	113,017
Provision of trade mark registration services	57,255	60,192
Receipt of design registrations	5,636	5,700
Provision of design examinations services	1,022	1,027
Receipt of plant breeder's rights applications	340	322
Provision of plant breeder's rights examination services	319	291
Receipt of Professional Standards Board applications	111	89
Provision of Professional Standards Board registration services	1,133	1,222

IP Australia monitors its progress towards achieving its objectives through independent review, benchmarking, stakeholder survey and other feedback mechanisms. Table 49 summarises the organisation's results against the key performance indicators published in the PBS.

Table 49: Sub-program 1.1 performance against key performance indicators, 2011–12

Key performance indicator	2011–12 Actual
Intellectual property rights	
The level of customer satisfaction with the consistency of IP Australia’s work	A customer survey conducted in 2011–12 showed that 86 per cent of customers are satisfied that IP Australia is providing a consistent level of service across the rights areas.
IP Australia’s performance in benchmarking against quality standards	During 2011–12, IP Australia maintained its compliance with the ISO 9001 Quality Standard.
The level of maturity of quality assurance systems	The Product Quality Review System (PQRS) which was trialled in 2010–11 was fully implemented in 2011–12.
Timeliness of services against service charter standards	<p>In 2011–12, IP Australia continued to achieve improvements in patent timeliness against its Customer Service Charter (CSC). Average patent examination timeliness is currently 10.4 months against the CSC commitment of 12 months.</p> <p>The time taken for a trade mark application to be examined is currently 11.6 weeks. This is within the 13-week CSC commitment and represents a significant improvement on the 2010–11 peak of 15 weeks.</p> <p>The timeliness of the other intellectual property (IP) rights (designs and plant breeder’s rights) consistently met or was better than CSC targets during 2011–12.</p>
The level of work on hand for each IP right reduced, avoidance of backlog	<p>At 30 June 2012, the number of unprocessed patent applications was 58,538, which represents a slight increase on the 30 June 2011 figure of 57,822. The increase can be attributed to growth in Patent Cooperation Treaty filings and the implementation of the PQRS. The overall patent backlog continues to show a downward trend from its peak in 2010.</p> <p>IP Australia’s trade mark stockpile was 21,776 at the end of 2011–12, which in comparison to 25,979 at the end of 2010–11 represents a reduction of 16 per cent in the trade mark stockpile.</p> <p>Stockpiles for other IP rights remained within target limits.</p>
Professional Standards Board	
Stakeholder satisfaction with secretariat support	Verbal feedback collected at the last meeting of 2011–12 indicated that Professional Standards Board members had been very satisfied with secretariat support during the year.

SUB-PROGRAM 1.2 AWARENESS, EDUCATION AND INTERNATIONAL ENGAGEMENT

Sub-program 1.2 encompasses IP Australia’s role in raising awareness and educating customers about intellectual property and engaging with key international stakeholders and IP bodies. IP Australia monitors its progress towards achieving the objectives of sub-program 2 through independent review, benchmarking, stakeholder surveys and other feedback mechanisms.

Table 50 summarises IP Australia’s results in delivering Sub-program 1.2 against the targets published in the PBS.

Table 50: Sub-program 1.2 performance against deliverables, 2011–12

Deliverable	2011–12 Actual
Delivery of public education and awareness programs, which promote the importance of IP and provide Australians with the tools they require to make informed decisions	During 2011–12, IP Australia continued to deliver public education and awareness programs, including the Dream Shield initiative, the Executive Visits Program, the Scienceworks exhibition and the provision of an enhanced IP Australia website.
Proactive management of customer and international engagement activities, including development of cooperation activities	In 2011–12, IP Australia undertook 48 international engagements, including development of the Single Economic Market initiative between Australia and New Zealand. IP Australia also delivered training and education on IP matters to member countries of the Association of South East Asian Nations.

Table 51 summarises the organisation's results against the key performance indicators published in the PBS.

Table 51: Sub-program 1.2 performance against key performance indicators, 2011–12

Key performance indicator	2011–12 Actual
Awareness and education	
Increased use of public information services	<p>The total number of visitors to IP Australia's website decreased by 7 per cent in 2011–12. This can be attributed to a decrease in the number of visitors who leave the website without looking at any content.</p> <p>There was an increase in website users who found IP Australia's website through keyword searching. These visitors spent a significant amount of time on the website, indicating that the new website better reflects the language and content that visitors expect.</p>
Increased public awareness of intellectual property rights	Research indicated that 89 per cent of small to medium enterprises were either somewhat or very aware of intellectual property (IP) protection in 2011–12, up from 86 per cent in 2010–11 and 67 per cent in 2009–10.
The level of satisfaction with information services	Customer satisfaction research conducted in 2012 revealed a positive response regarding information services and the new website. Customers were particularly satisfied with the depth of information available on the website and the facility to lodge applications online. Customers would support further increases in online self-service facilities and information available in IP rights databases.
International engagement	
Number of international activities and agreements	In 2011–12, IP Australia undertook 48 international engagements, primarily to participate in World Intellectual Property Organization (WIPO) meetings, free trade negotiations and IP capacity building.
Number of externally funded aid projects delivered against key target segments	<p>In 2011–12, IP Australia delivered a workshop on developing IP education and training products for the Association of South East Asian Nations (ASEAN) members. The workshop was funded by the ASEAN–Australia–New Zealand Free Trade Agreement (AANZFTA) Economic Cooperation Work Program (ECWP) and WIPO.</p> <p>IP Australia commenced development of a comprehensive online patent examination training program for overseas offices in 2012. This program will be launched in mid-2013 and is partially funded by AANZFTA ECWP and WIPO.</p>
The level of customer satisfaction with access to international IP system	Customer satisfaction research conducted in 2010–11 found that 79 per cent of customers were satisfied with the ease of access to the international IP system. A survey was not conducted in 2011–12.

SUB-PROGRAM 1.3 ADVICE TO GOVERNMENT

Sub-program 1.3 encompasses IP Australia's role in providing advice on intellectual property (IP) matters, and supporting research into the current and future use of IP rights.

Under the policy and legislative objective of this sub-program IP Australia will provide IP policy advice across government and internationally.

Table 52 summarises IP Australia's results in delivering Sub-program 1.3 against the targets published in the PBS.

Table 52: Sub-program 1.3 performance against deliverables, 2011–12

Deliverable	2011–12 Actual
Provision of policy advice across government and internationally	During 2011–12, IP Australia continued to provide both domestic and international policy advice to the government on intellectual property issues. IP Australia also represented Australia's interests at international forums, such as the WIPO General Assembly and the Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge, and Traditional Cultural Expressions.

Table 53 summarises the organisation's results against the key performance indicators published in the PBS.

Table 53: Sub-program 1.3 performance against key performance indicators, 2011–12

Key performance indicator	2011–12 Actual
Policy and Legislation	
Satisfaction of stakeholders with quality and timeliness of advice on policy and legislation, and ministerial correspondence, speeches and briefings, submissions to reviews and Government responses	IP Australia's policy and advice were consistently delivered on time. Less than 10 per cent of IP Australia's ministerial contributions were returned for revision.
The number of ministerial briefs and responses	In 2011–12, IP Australia provided 67 pieces of ministerial correspondence, 56 information briefs, 34 action briefs, 6 engagement briefs, and 31 updates to question time briefs.
IP Research	
Increased understanding of issues impacting on Australian business	Through IP Australia's biannual Business and Industry Forum, business issues related to IP and intangible assets were identified, discussed and acted upon. The forum includes representatives from the Australian Industry Group, the Australian Chamber of Commerce and Industry, the Institute of Chartered Accountants and CPA Australia.
The number of IP research initiatives	IP Australia completed four strategic research projects in 2011–12; 100 per cent were completed on time, within budget and to the expected standard. IP Australia provided \$500,000 to support the Intellectual Property Research Institute of Australia, as part of a four-year \$2 million contract to assist in its multidisciplinary research work.
Support for Advisory Boards	
Council and board satisfaction with quality of secretariat and research support provided	IP Australia's advisory boards indicated that they were very satisfied with secretariat and research support during 2011–12.
The number of ACIP reviews completed	No Advisory Council on Intellectual Property reviews were completed during 2011–12.

OUTCOME 1 OVERVIEW

Outcome 1— Increased innovation, investment and trade in Australia and by Australians overseas, through the administration of the registrable intellectual property rights system, promoting public awareness and industry engagement, and advising government.

Because IP Australia is a cost-recovery agency operating in an international environment, its revenue is heavily dependent on the economic health of its major trading partners. Firms around the world are recovering from the global economic downturn, and this was reflected in a slight increase in demand for intellectual property (IP) rights during the last two years.

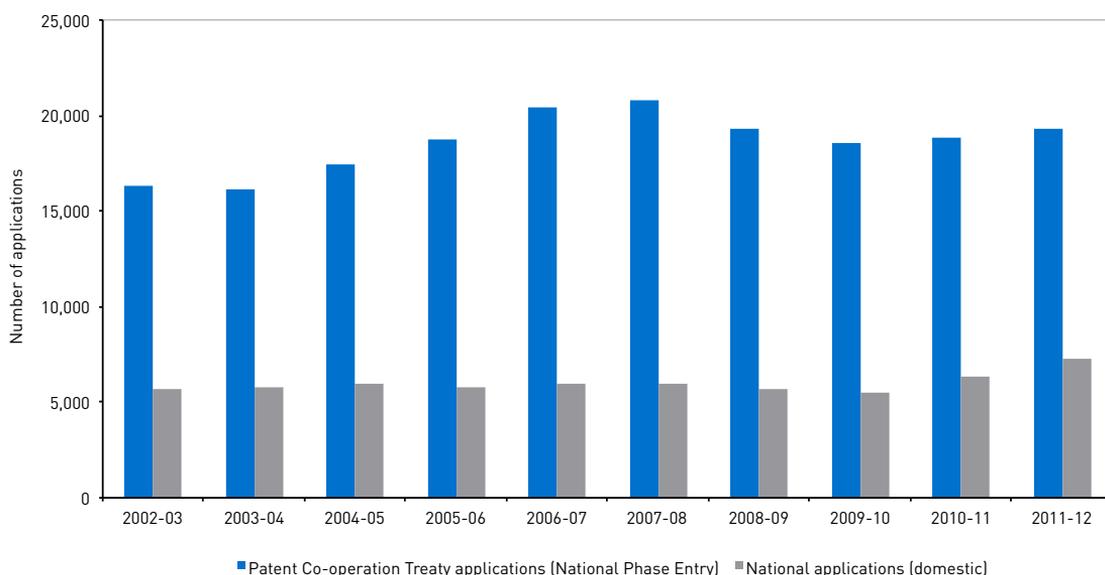
Although for the previous three years patent applications had been following a downward trend, 2011–12 saw a recovery in the number of standard

patent applications received by IP Australia, as Figure 5 shows.

National Phase Entry applications through the Patent Cooperation Treaty—that is, international filings—form the majority of patent applications received by IP Australia. They increased by 12 per cent in 2011–12. This increase reflects a renewed emphasis on innovation and development as businesses emerge from the global economic downturn.

Domestic (national) patent applications have also substantially increased compared to previous years, as Figure 5 shows. Domestic applications, which make up approximately 20 per cent of patent applications to IP Australia, increased by 29 per cent in 2011–12. Total standard filings for 2011–12 are 5 per cent above the standard filings for 2010–11, reflecting the overall strength of the Australian economy. Patent renewals activity increased by 7.3 per cent during 2011–12.

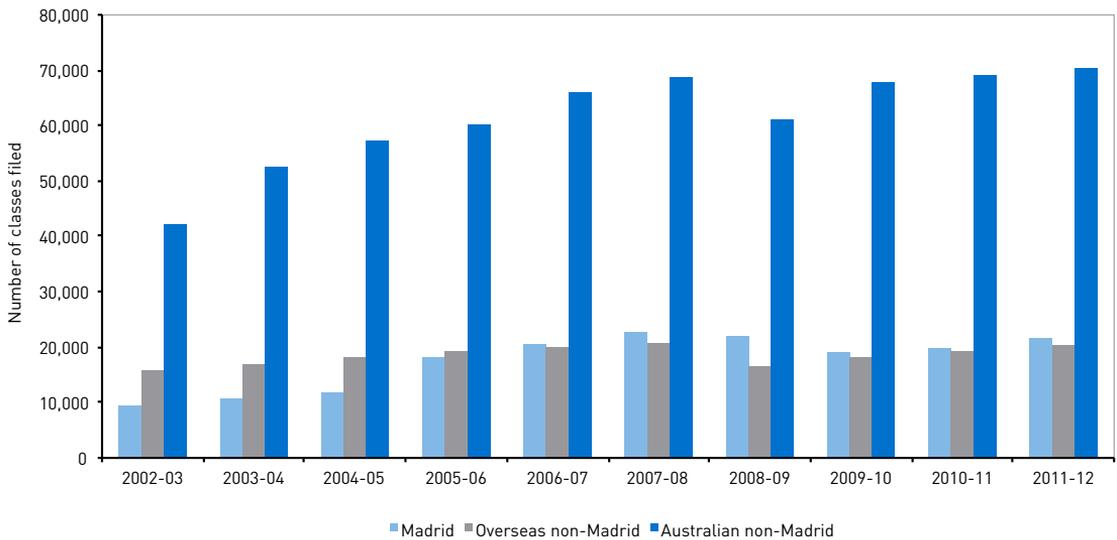
Figure 5: Trends in standard patent applications, 2002–03 to 2011–12



Trade mark applications were 4 per cent greater in 2011–12 than in 2010–11. Figure 6 shows that the downward trend in applications originating outside Australia ended in 2011–12, while domestic applications continued to show an upward trend. The recovery in overseas applications can be

attributed to the improvement in global economic conditions, whilst the growth in domestic applications continues to reflect the strong economic position of Australia compared to the rest of the world.

Figure 6: Trends in trade mark applications, 2002–03 to 2011–12



Note: The Madrid System for international registration of trademarks provides one single procedure for the registration of a mark in several territories. It is governed by the Madrid Agreement and the Madrid Protocol and is administered by the World Intellectual Property Organization (WIPO).

IP Australia continued to invest in its key strategic priorities to improve the quality and consistency of its decision-making; stakeholder confidence; the speed and efficiency of service delivery; the strategic use of IP by Australian business; and the IP system, both domestically and internationally. Recruitment and retention strategies contributed to a reduction in the number of applications awaiting examination.

The new Product Quality Review System, which is explained in more detail on page 239, has delivered measurable improvements in the standard of our examination work, which can now be seen to be approaching the standards of the strongest IP offices in the world.

Compliance with product quality standards and service level commitments as stated in IP Australia’s Customer Service Charter exceeded or met all targets and benchmarks for the year.

A key achievement in 2011–12 was the development of the legislation that forms the Raising the Bar Act. The new Act will enhance

Australia’s reputation by strengthening the quality of patent rights and improving the effectiveness and efficiency of the IP system.

As these results are communicated to our stakeholders, IP Australia’s reputation for delivering an effective IP rights system for Australian business will continue to improve. In the global economic system in which the IP system operates these benefits should not only promote business investment in Australia, but also enhance Australia’s reputation for innovation, business development and scientific knowledge. Confidence in the IP rights system will also facilitate access to technology by Australians, as overseas companies seek to protect their Australian investments, leading to significant benefits for the Australian economy.

SUB-PROGRAM 1.1: IP RIGHTS ADMINISTRATION AND PROFESSIONAL REGISTRATION

IP Australia's primary role is to increase innovation, investment and trade by delivering robust IP rights which satisfy our customers in terms of timeliness and value for money. As a result of our efforts we aim to be one of the leading IP offices in the world in terms of the quality of the IP rights we grant. By improving the quality and consistency of our decision-making and the speed and efficiency of our services, IP Australia aims to ensure that we have an excellent reputation with our stakeholders.

A summary of Sub-program 1.1 key performance indicators is provided on pages 233 and 234.

The following content describes how IP Australia met Sub-program 1.1 objectives during 2011–12.

QUALITY AND CONSISTENCY

Although IP Australia is well regarded for the standard of its service provision, the organisation has given a very high priority to addressing a perceived need to improve the quality and consistency of examination work practices. Ensuring that IP Australia's quality standards and quality assurance systems are equal to, if not better than, those of other IP agencies will improve not only the quality of our decision-making but also our ability to contribute to international work-sharing. A strong focus on this priority also contributes to enhancing our reputation, both domestically and internationally, for being able to deliver high-quality enforceable IP rights.

IP RIGHTS QUALITY MANAGEMENT SYSTEM

In 2011–12, IP Australia continued to develop and implement the Product Quality Review System (PQRS) introduced in 2010–11. This system provides for independent quality review of the work

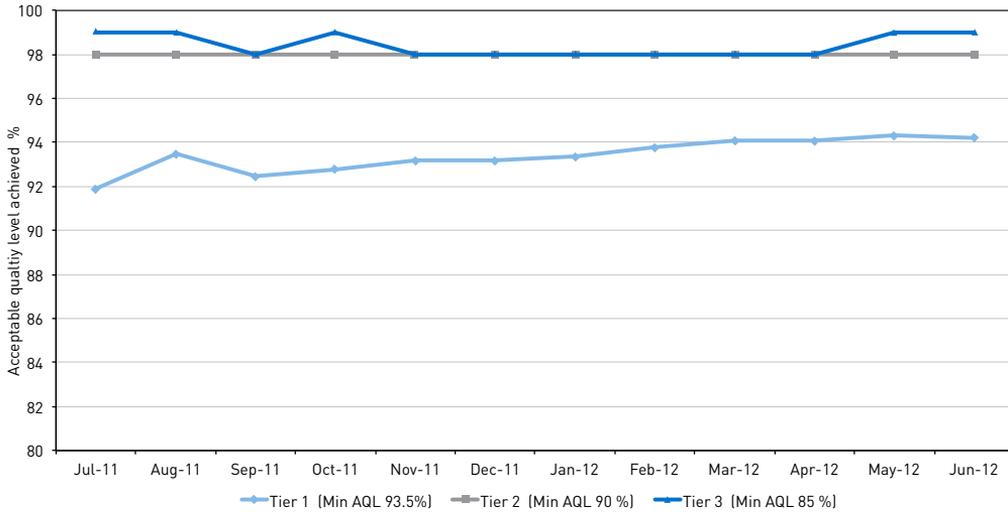
of each examiner who exercises a delegation to accept IP rights. The decisions of examiners have the potential to affect the future of applicants' rights, the marketplace and the reputation of IP Australia. This product quality review process is linked to the agency's overall quality management system (which is certified to the ISO9001 quality standard) and includes provision of performance feedback to the examiner and identification of relevant training.

The review process embedded in the PQRS sees a proportion of the work of examiners subjected to audit against agreed product quality standards. These standards are classified into three tiers according to the impact of non-compliance against that standard. Acceptable quality levels (AQLs) exist for each tier. For example, trade mark examiners are expected to achieve a compliance rate of 93.5 per cent against the Tier 1 standard. Examiners whose work falls below these AQLs are given targeted on-the-job training, and a higher proportion of their work is subject to audit until they are back at the AQL.

The PQRS became fully operational in 2011–12. The new work practices and built-in feedback loop have embedded more consistent decision-making in the day-to-day work of our IP rights examiners. The initial implementation of the PQRS had direct effects on examination. Figure 7 depicts the impact of the PQRS on trade mark examination. Compliance against the standards for tiers two and three for trade marks was consistently above AQLs. Compliance against Tier 1 standards, however, was initially below the AQL. As targeted training took place, compliance against Tier 1 standards rose to the AQL. The graph in Figure 8 depicts the impact of the PQRS on patent examination – in this case, compliance against Tier 1 standards has consistently been well above the target of 93.5 per cent.

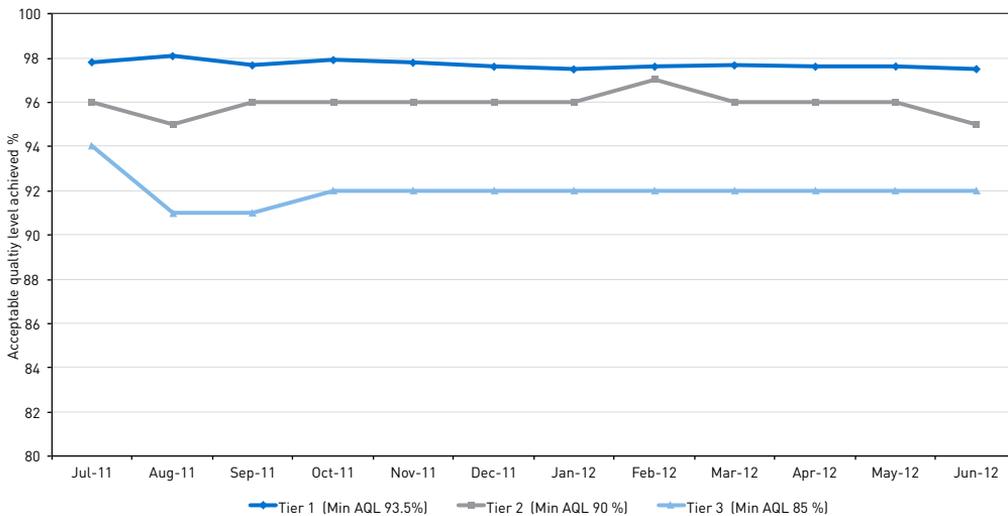
The PQRS was evaluated by an external party in 2011–12. Some recommendations made during the evaluation process will be implemented in 2012–13 as IP Australia continues to refine the system and maintain high quality levels.

Figure 7: Trade mark examination acceptable quality levels, 2011–12



AQL = acceptable quality level. Examiners are expected to be above the levels of compliance shown.

Figure 8: Patent examination acceptable quality levels, 2011–12



AQL = acceptable quality level. Examiners are expected to be above the levels of compliance shown.

EXTERNAL RECOGNITION

An article published in June 2012 in *World Patent Information*, volume 34, issue 2, by Stephen Adams, reported that an analysis of Patent Cooperation Treaty (PCT) search reports showed that IP Australia returned an above-average performance in terms of identifying patent citations via ‘non-patent literature’. Non-patent literature excludes all existing patent applications and specifications,

but includes journals and academic papers, for example. Globally, most patent citations (that is, objections) are found in existing patent application documentation. IP Australia’s above-average performance indicates a higher level of quality than would be found in an office relying more heavily on patent documentation citations only.

SPEED AND EFFICIENCY

IP Australia maintained improvements to the timeliness and efficiency of its service delivery made during 2010–11.

During the first half of the year, the implementation of the PQRS had an impact on the timeliness of patent examination, as examiners took more time to ensure that they met the standard. However, as the system was refined and examiners incorporated new work practices, timeliness improved in the second half of the year.

Trade mark examination also experienced a drop in timeliness in the first half of the year due to the implementation of the PQRS, but improved significantly in the second half of the year. A higher than expected rate of staff attrition also had an impact on timeliness. Additional recruitment of trade mark examiners meant that IP Australia was able to meet its Customer Service Charter commitments in relation to timeliness by the end of the year.

The efficiency and productivity of non-examination areas of IP Australia grew in 2011–12. The Customer Operations Group is responsible for administrative processing of the hundreds of thousands of documents and transactions received each year. During the year this group made a 5.2 per cent productivity gain in terms of transactions completed.

HARMONISATION OF PATENT SEARCH AND EXAMINATION TO AVOID REWORK

Around the world, patent offices are experiencing a high volume of patent applications, resulting in a growing backlog of unprocessed applications. The long-term rise in patent applications internationally can partly be attributed to the need to file applications in multiple jurisdictions. With increased globalisation, innovators often seek patent protection in several countries, which results in duplication as the same patent is examined many times.

IP agencies are increasingly entering into strategic relationships with offices whose work is of a high quality, and whose standards they can trust, to help innovators to progress their applications through different jurisdictions. In 2011–12 IP Australia continued to participate in international efforts to harmonise patent search and examination practices and to share work between offices. Examples were the integration of patent examination between Australia and New Zealand and the Centralised Access to Search and Examination system of the Vancouver Group and the World Intellectual Property Organization. Both of these programs are discussed in more detail in relation to Sub-program 1.3.

IP Australia is also developing a regional patent examiner training model which will enhance patent examination standards in regional patent offices, leading to the granting of higher quality patents and increased regional business confidence. This program is discussed in more detail in relation to Sub-program 1.2.

BETTER ICT SYSTEMS TO REDUCE COSTS AND ENHANCE SERVICE

A large percentage of IP Australia's business transactions—particularly those related to patents—are still paper based. This hampers efficient service delivery. IP Australia staff are also required to carry out a large amount of scanning or re-keying of data which would not be required if the agency were able to conduct electronic transactions across the full range of its services. Even more importantly, there are limitations on the efficient use of IP Australia databases, which constrain customers' ability to be informed about the progress of their applications through the examination process. Customer understanding of IP Australia's ability to monitor and respond to customer needs, and even IP Australia's ability to contribute to innovation policy issues, can be similarly constrained.

During 2011–12, IP Australia continued its major program of work to modernise its customer

communication channels and standardise customer processing across different IP rights. The focus of this work, known as the Integrated Customer Service Delivery program, is to provide a broader range of electronic options for customers.

This program will deliver a suite of online services to accommodate a variety of high-volume service request types across the four IP rights: patent, trade mark, design and plant breeder's rights. A key component of this suite, a business-to-business channel for high-volume customers, was successfully delivered in October to a pilot group of customers. Since then over 17,000 IP rights registration renewals have arrived via this channel. A second component of the program, allowing users to renew their IP rights or complete their trade mark registrations online, was released in April. Over 8,000 transactions have since been received via this channel. Further releases through 2012–13 and forward years are planned to deliver an increased number of services to a greater number of customers.

In conjunction with this major program of work, IP Australia is implementing other information and communication technology (ICT) initiatives to support the decision-making of IP Australia staff. Notably, planning and design work to replace trade marks and designs business systems is underway. The replacement of these business systems is critical to maintain and improve public access to IP rights, improve the quality and consistency of IP Australia services, and further enhance Australian innovation. Implementation will follow a modular approach over several years.

A key stage of this work has commenced, with the initiation of the tender process for the provision of the central system around which systems for each IP right will be built. This work will include some business process re-engineering in order to align as many business processes as possible across the four IP rights areas. In time, this will allow simpler modification of the central system to meet the needs of each IP rights area.

STAKEHOLDER CONFIDENCE

Despite Australia's reputation for having a strong and comprehensive IP rights system and our sustained efforts to improve the timeliness of our services and the quality and consistency of our decision-making, confidence in the value of the IP system and the services delivered by IP Australia remained an issue for some stakeholders in 2011–12.

The evolution of our quality management systems will go some way to reinforce confidence in the quality of our examination services. The IP Reform project, which is described in more detail later in this report, will raise confidence in Australia's IP rights system and the quality of rights granted by IP Australia.

IP Australia has more work to do to improve stakeholder confidence in the value of IP rights to business and the quality of rights granted by IP Australia. In 2011–12, IP Australia developed the Executive Visits Program, discussed in greater detail later in this report, to more proactively discuss issues of importance to users of the IP rights system. In addition to the continued use of existing customer forums and electronic channels, this allows IP Australia to better inform stakeholders about the value of the IP rights system and address any concerns raised by stakeholders.

In recent years the general public have become more aware about IP issues, due to a combination of technological developments and widespread reporting of IP issues by the media. It is therefore a priority for IP Australia to ensure that the public can have confidence in the IP rights system.

SUB-PROGRAM 1.2 AWARENESS, EDUCATION AND INTERNATIONAL ENGAGEMENT

The objective of sub-program 1.2 is to deliver public awareness and education programs which promote the importance of IP and provide Australians with the tools they require to make informed decisions regarding IP. IP Australia proactively manages customer and international engagement activities, including development and cooperation activities.

A summary of Sub-program 1.2 key performance indicators is provided on pages 234 and 235.

The following content describes how IP Australia met Sub-program 1.2 objectives during 2011–12.

INCREASING IP AWARENESS AND UNDERSTANDING OF SMES

An IP Australia survey in June 2012 found that awareness of IP amongst Australian small to medium enterprises had risen from 86 per cent to 89 per cent since 2011. This increase reflects IP Australia's efforts in promoting the benefits of IP to the business community, and the growing recognition of the important role IP plays in business.

INDIGENOUS IP AWARENESS

Dream Shield, IP Australia's IP awareness project for Indigenous businesses, was the national winner of the Australian Marketing Institute's awards for marketing excellence in the corporate social responsibility category. The award highlighted the effort that has gone into forging strong relationships with Indigenous business groups and support agencies. To date, Dream Shield's Indigenous IP success story videos have attracted 3,000 views, while 3,600 copies of the associated booklet have been provided to Indigenous businesses.

A CRACKING GOOD IDEA!

IP Australia teamed up with Scienceworks in Melbourne and the Powerhouse Museum in Sydney to bring the very successful *Wallace and Gromit's world of invention* exhibition to Australia. Wallace and Gromit, the world-famous characters developed by British studio Aardman Animations, are the stars of an interactive exhibition on innovation and IP. Visitors learn about important Australian inventors and discover how IP rights work in practice.

A NEW WEBSITE FOR CUSTOMERS

In September 2011, IP Australia released a new corporate website, replacing over a dozen niche sites. The site was developed following extensive research and user testing. The new site provides better content that is easier to find and understand and better meets the needs of customers. As a key means of increasing education and awareness on IP, educational materials, step-by-step guides and targeted content have been important additions. Meeting the requirements of the Web Accessibility National Transition Strategy was a key component of the project and has resulted in a highly accessible site that conforms with the Web Content Accessibility Guidelines (WCAG 2.0) to the AA level.

ENGAGING WITH KEY STAKEHOLDERS

IP Australia engages with a range of industry and business stakeholders to provide strategic and operational insights. At the beginning of 2012 the Executive Visits Program (EVP) was added to the engagement strategy. This program was developed in order to encourage dialogue between IP Australia's Executive Committee and key customers. The EVP sees IP Australia's most senior executives interacting directly with businesses of all sizes about their most precious asset—their IP. Through the EVP, IP Australia has created a base from which to better understand the needs of business and deliver a more effective IP system into the future.

CASE STUDY: THE POWER OF A PATENT

Adelaide-based company Bionomics knows the true value of a strong and reliable patent. The company protected its anti-anxiety drug with patents and these rights formed the basis of a deal worth up to \$345 million with a United States pharmaceutical company. Bionomics Chief Executive Officer Deborah Rathjen believes intellectual property is vital to the company's success. She said, 'A deal of this kind simply wouldn't happen without patent protection. I can draw a direct link between our patents and the millions of dollars needed to get life-changing therapies to market.'

CASE STUDY: CSIRO AND WI-FI

Developed in the early 1990s, CSIRO's wireless local area network technology, commonly known as wi-fi, is now installed on an estimated three billion devices. The patent on wi-fi has held up under intense legal scrutiny and enabled CSIRO to exclusively license the technology to some of the world's largest ICT companies. The invention has earned over \$430 million, along with accolades such as a 2012 European Inventor Award. As the President of the European Patent Office, Benoît Battistelli, observed when announcing the award, the development of wi-fi technology 'perfectly demonstrates how a publicly funded research centre can use patent protection and licensing revenue to finance further innovation'.

NATIONAL PATENT ANALYTICS HUB

In 2011–12, in association with the department, IP Australia reached agreement on the establishment and funding of the National Patent Analytics Hub, which will be operational from 1 July 2012.

The National Patent Analytics Hub will primarily service Australian Government agencies and publicly funded research organisations. Advanced patent analysis can provide fresh evidence for informing policy decisions about investments in innovation and developments in science and technology. Patent analysis is particularly useful for assessing and better targeting research and development activities and measuring the impact of public research. It is also useful for supporting increased collaboration between universities and industry.

INTERGOVERNMENTAL COMMITTEE ON INTELLECTUAL PROPERTY AND GENETIC RESOURCES, TRADITIONAL KNOWLEDGE AND FOLKLORE

For many years, non-governmental organisations and developing countries have been calling for the IP system to recognise the source of origin of genetic resources used in patents and for IP-style protection for traditional knowledge, folklore and traditional cultural expressions. Australia has significant interests in this area as a potential net exporter of genetic resources and a country with a modern biotechnology industry. Australia is also one of the very few developed economies with great genetic diversity and living Indigenous culture. Therefore Australia has a significant interest in the future shape of any international traditional knowledge framework. The World Intellectual Property Organization's Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore is the headline forum for progressing these issues in the context of IP.

During 2011–12, IP Australia continued to attend the committee's meetings and take a leading role in the consideration of these issues.

TRIPS PROTOCOL

The TRIPS Protocol is an amendment to the international Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), which enables developing countries to deal with health crises such as epidemics of HIV/AIDS, malaria or influenza. Such countries are often unable to manufacture the necessary pharmaceuticals and cannot afford to purchase them in the normal way. The protocol permits members of the World Trade Organization to issue compulsory licences requiring manufacturers to produce patented products for export to address the health need.

In 2011–12, IP Australia worked with the Office of Parliamentary Counsel on the drafting of a Bill to implement the protocol through an amendment to the *Patents Act 1990*. Drafting is underway and IP Australia will undertake public consultation on an exposure draft of the Bill prior to its introduction into parliament.

ANTI-COUNTERFEITING TRADE AGREEMENT

The Anti-Counterfeiting Trade Agreement (ACTA) is a plurilateral negotiated initiative which aims to strengthen international protection against transnational counterfeiting and piracy. The negotiating participants are Australia, Canada, the European Union, Japan, Mexico, Morocco, New Zealand, the Republic of Korea, Singapore, Switzerland and the United States.

ACTA aims to establish a comprehensive international framework that will assist parties to the agreement in their efforts to effectively combat the infringement of IP rights, in particular counterfeiting and piracy, which undermines legitimate trade and the sustainable development of the world economy. It includes provisions on the enforcement of IP rights; civil, criminal, border and

digital environment enforcement measures; and cooperation mechanisms among ACTA parties.

Australia signed the agreement on 1 October 2011 but has not yet ratified it. A decision on whether to do so will be taken after public and parliamentary scrutiny, including examination by the Joint Standing Committee on Treaties. On 27 June 2012 the committee tabled its report on ACTA in the parliament. IP Australia will provide advice to the Australian Government on the recommendations of the committee. Should Australia decide to ratify the agreement, there will be no need to change our domestic laws to accommodate it.

AUSTRALIA AND NEW ZEALAND SINGLE ECONOMIC MARKET FRAMEWORK

The Australia and New Zealand Single Economic Market (SEM) framework is a trans-Tasman initiative designed to streamline the business environment for Australian and New Zealand businesses operating across both jurisdictions. The SEM framework includes some outcomes for harmonising IP rights application processes across both countries. A single regulatory framework for the professional registration of patent and trade mark attorneys, with qualifications recognised in both jurisdictions, is also included.

IP Australia continues to work towards the implementation of the IP outcomes included in the framework. Australia and New Zealand have reached agreement on the conceptual models for the patent outcomes, including a package of legislative amendments. Both countries have engaged legislative drafters to help formulate a Bill to implement the necessary legislative amendments.

WIPO CASE/VANCOUVER GROUP

The Vancouver Group was established in 2008 and consists of the Australian, Canadian and United Kingdom IP offices, which are of a similar size and have similar legal frameworks. In collaboration with the World Intellectual Property Organization

(WIPO), IP Australia is leading the development of a system to allow centralised access to search and examination. This system, known as WIPO-CASE, is a digital library of documents from Australia, Canada and the United Kingdom that uses technical infrastructure provided by WIPO to allow access to search and examination reports from the three jurisdictions. It enables patent documents to be more easily shared and accessed, improving the quality and efficiency of search and examination services.

The first version of WIPO-CASE, launched in March 2011, led to a marked increase in work-sharing. More sophisticated work-sharing tools are in various stages of development.

REGIONAL PATENT EXAMINER TRAINING MODEL

IP Australia is developing a regional patent examination training program for overseas IP offices. The program will enhance patent examination standards in participating offices and encourage the development of the patent system in other countries to occur in a way that facilitates access for Australian exporters. WIPO has provided in-principle support and funding for the program.

The program will provide in-depth patent examination training and be based on IP Australia's existing competency-based program. It will be a unique program that comprises one-on-one mentoring by experienced IP Australia trainers. The program will consist of traditional face-to-face training and a combination of online and remote e-learning opportunities.

It is expected that in the long term this program will result in better patent examination standards in participating offices, leading to the grant of higher quality patents, and increased business confidence throughout our region. Initially, the IP offices of Malaysia, Indonesia, the Philippines and South Africa, and the African Regional Intellectual Property Organization, will be invited to participate in the program, which will commence in early 2013.

SUB-PROGRAM 1.3 ADVICE TO GOVERNMENT

IP Australia provides IP policy advice across government and internationally and to that end actively leads, and participates in efforts to improve the IP system at home and abroad.

A summary of Sub-program 1.3 key performance indicators is provided on page 236.

The following content describes how IP Australia met Sub-program 1.3 objectives during 2011–12.

STREAMLINING THE EXAMINATION PROCESS THROUGH LEGISLATIVE REFORM

In a world where the economic growth of nations is driven increasingly by the creativity and knowledge of its people, there is a growing awareness that robust, enforceable IP rights create incentives for innovation and contribute substantially to the economy. For example, recent research estimated that the value of the patents system to the Australian economy is in the order of \$12 billion per annum.

Following an extensive consultation process, legislative changes to Australia's IP rights legislation were incorporated into the Raising the Bar Act. The Act introduced a statutory exemption for patent infringement for research activities. The statutory exemption, which commenced on 16 April 2012, provides certainty for researchers, which will enhance Australia's scientific and innovative capacity.

The remaining provisions of the Act are due to commence in April 2013. The Act raises the threshold for the inventive step test in accordance with legislation in other jurisdictions. Patents granted in Australia will therefore be considered to be of the same standard as those of Australia's major trading partners.

Other benefits of the Act include providing Australian innovators with greater certainty about the robustness of their Australian patents

and their ability to export their inventions. The changes will also reduce the likelihood of granted rights being disputed and subjected to costly and time-consuming court proceedings. This will benefit Australian innovators who wish to conduct follow-on innovation involving patented technology and who have less freedom to operate where over-broad patents are granted.

Implementing the provisions of the Act will be a major focus for IP Australia in 2012–13.

ADVISORY COUNCIL ON INTELLECTUAL PROPERTY

The Advisory Council on Intellectual Property (ACIP), an independent body appointed by the government, advises the Minister for Industry and Innovation and the Parliamentary Secretary for Industry and Innovation on IP matters.

In 2010–11, ACIP began two new reviews: 'Collaborations between the Public and Private Sectors: the Role of Intellectual Property', and 'Review of the Innovation Patent System'. The reviews continued in 2011–12.

As described below, on 23 November 2011, the Australian Government responded to ACIP's 'Review of Patentable Subject Matter' as part of its response to the Senate Community Affairs References Committee's *Gene Patents Report*. The report recommended that ACIP membership should be varied to better represent the broader interests of consumers and the community in general.

SENATE INQUIRY INTO GENE PATENTS

On 23 November 2011 the Australian Government released its response to the Senate Community Affairs References Committee *Gene Patents Report*. The report contained 16 recommendations on monitoring the implications of gene patents and the operation of the patent system.

IP Australia is responsible for implementing several key recommendations from the report.

Some measures were adopted in the *Raising the Bar Act 2012*. In addition, IP Australia will provide information to the Australian Productivity Commission for a review of compulsory licensing provisions and Crown use provisions in the *Patents Act 1990*.



Part B

Chapter Twelve

IP Australia corporate management and accountability

Organisational structure

Corporate governance

Purchasing

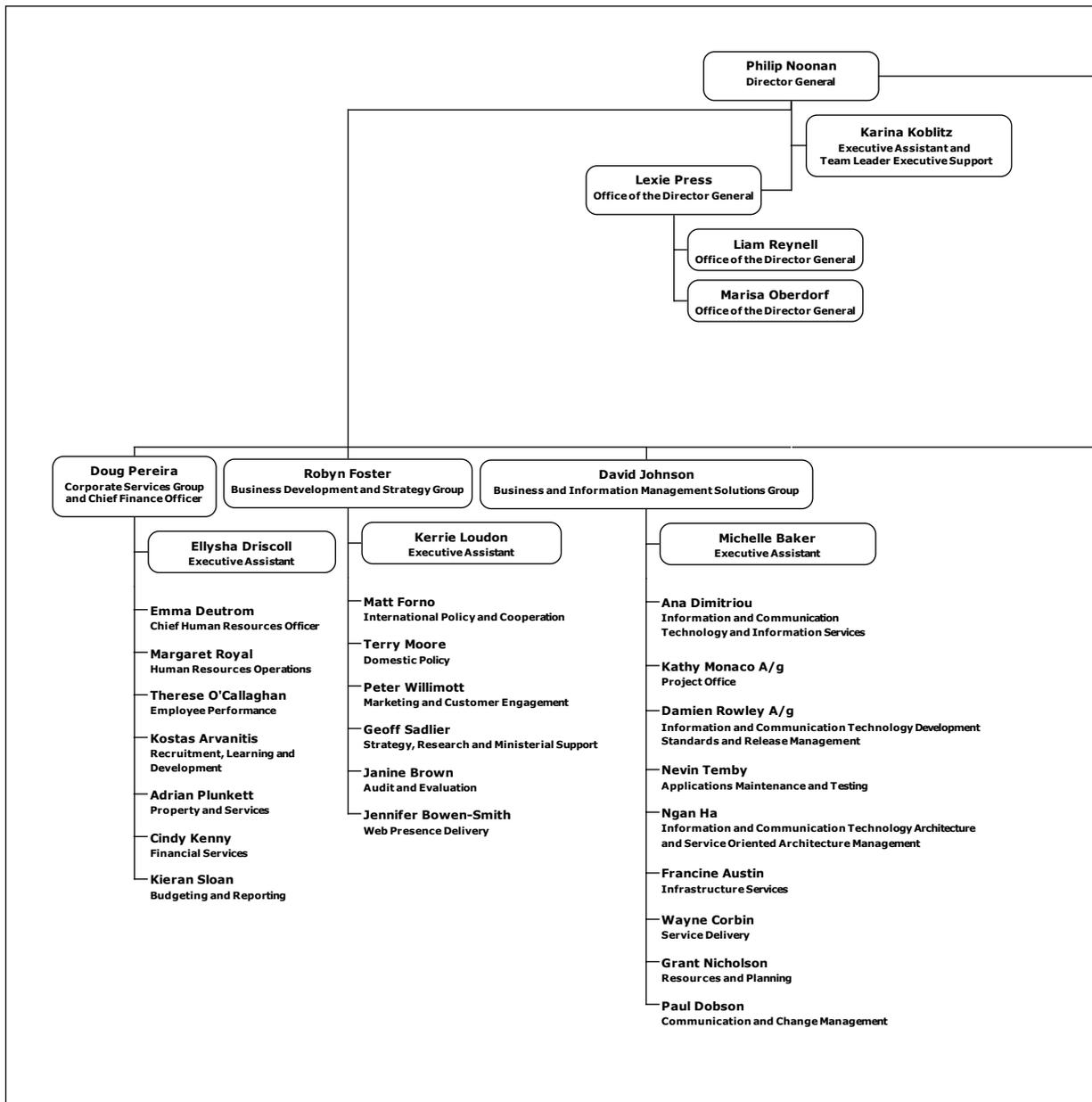
Consultants, competitive tendering and contracting

Grant programs

Management of human resources

Chapter 12: IP Australia corporate management and accountability

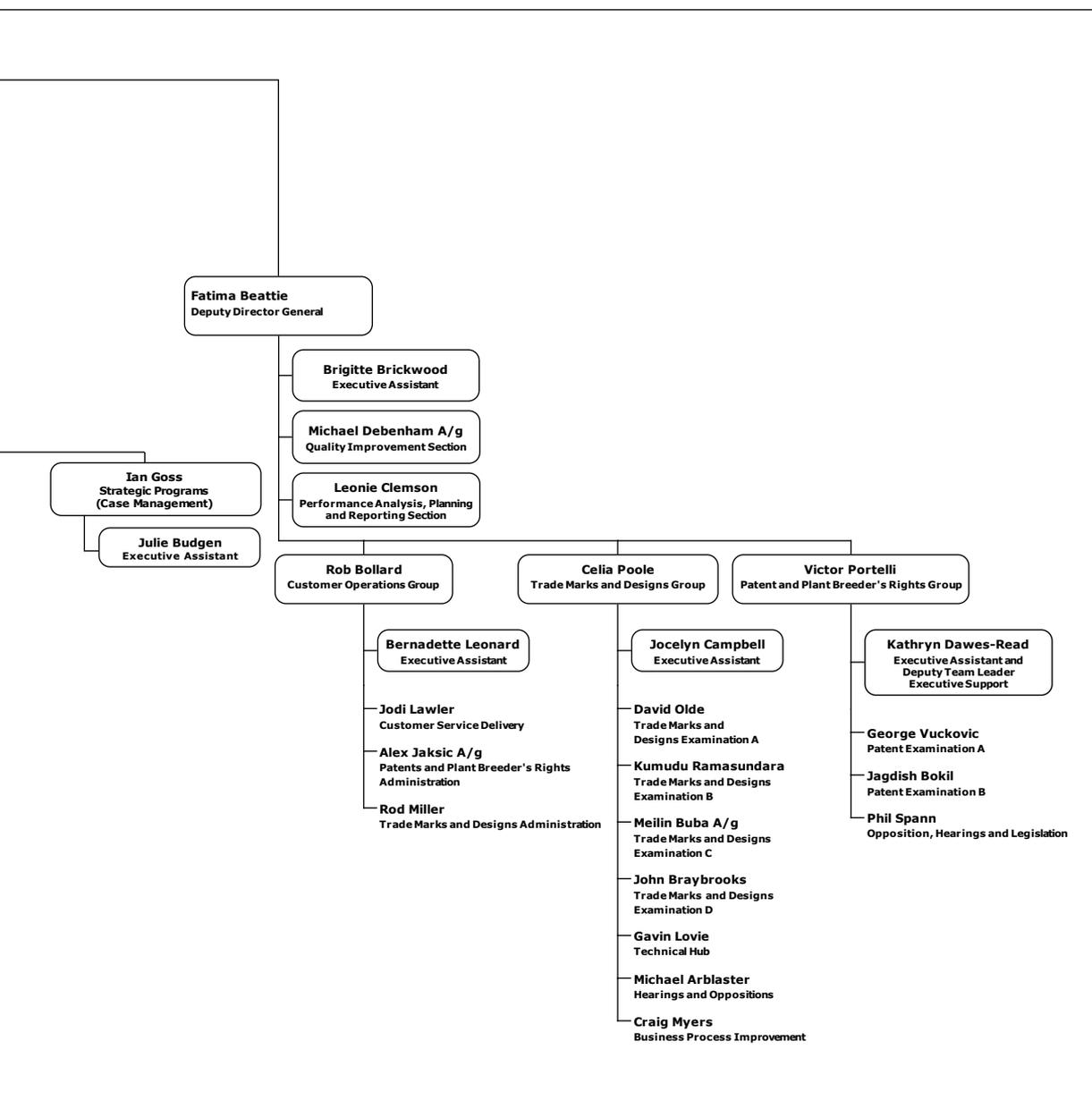
Figure 9: IP Australia organisational chart, 30 June 2012



The structures and processes IP Australia had in place during 2011–12 to implement the principles and objectives of corporate governance are described in this section.

ORGANISATIONAL STRUCTURE

IP Australia consists of six business groups administered by the Office of the Director General. Figure 9 provides details of IP Australia's organisational structure. The department's organisational chart (Chapter 2, Figure 3) shows how IP Australia fits into the overall departmental structure.



SENIOR EXECUTIVES AND THEIR RESPONSIBILITIES

The Director General, Mr Philip Noonan, is the chief executive of IP Australia and is responsible for the effective, efficient and ethical use of the agency's resources. An executive team helps the Director General manage the organisation. The Deputy Director General, Ms Fatima Beattie, also holds the offices of Commissioner of Patents and Registrar of Trade Marks, Designs and Plant Breeder's Rights.

The Deputy Director General exercises functions and powers under the legislation IP Australia administers, including the *Olympic Insignia Protection Act 1987*, the *Patents Act 1990*, the *Plant Breeder's Rights Act 1994*, the *Trade Marks Act 1995* and the *Designs Act 2003*.

CORPORATE GOVERNANCE

IP Australia's Executive—the Director General, the Deputy Director General, and all group General Managers—meets fortnightly to consider strategic and operational issues.

The Audit and Evaluation Committee is chaired by the Deputy Director General and comprises two internal senior staff and two independent members. The committee met five times during the year in its role of overseeing IP Australia's Strategic Internal Audit Plan. The committee considered internal audit and evaluation reports and monitored fraud and risk management activities.

To ensure that major information and communication technology (ICT) projects are effectively managed and are accountable for delivering outcomes, IP Australia operates an ICT Strategy Committee, chaired by the Director General; three program boards (which oversight major areas of ICT activity); and a projects board (which oversights smaller projects). Four independent members are involved in these structures. This governance arrangement aims to ensure that the benefits of important ICT initiatives are realised across IP Australia.

STRATEGIC PLANNING AND REPORTING

The Strategic Statement 2009–2014 defines IP Australia's strategic direction and aims to ensure that staff recognise and share a common set of goals for the future of the organisation and its activities. The statement is a public document that will be used for internal and external purposes and published on both the IP Australia website and the staff intranet.

The Strategic Plan 2011–2016 is an internal planning document that prioritises IP Australia's strategic activities for 2011–12 and forward years. The plan's priorities are embedded in operational plans at business group level and are reviewed regularly.

In 2011–12, IP Australia continued to refine its corporate reporting improvement program to help improve consistency in reporting and data management, and enable a more effective and efficient use of corporate data assets and resources used in reporting.

INTERNAL AUDIT, FRAUD CONTROL AND RISK MANAGEMENT

This year a review of IP Australia's approach to risk management was undertaken. This was to ensure our framework and tools were able to assist managers when making decisions in regard to major programs of work and enabling functions. The revised framework now provides a consistent approach to identifying and managing risk. As part of this review IP Australia also revised its Fraud Risk Register and Treatment Plan to strengthen its management of those risks specifically associated with fraud.

The internal audit program for 2011–12 was designed with the key risks facing IP Australia in mind. The plan included a balance of compliance and performance audits which identified areas for improvement in the control framework.

REMUNERATION FOR SENIOR EXECUTIVE SERVICE OFFICERS

Senior Executive Service (SES) officers are remunerated under individual flexibility arrangements. The base salary is negotiated between the Secretary and the SES officer, with bonus provisions subject to performance. Details of remuneration for IP Australia's SES officers are included in the information supplied by the Department of Industry, Innovation, Science, Research and Tertiary Education. Details are included in tables 35 and 36 in chapter 6.

EXTERNAL SCRUTINY

IP Australia is subjected to external scrutiny in the form of appeals or applications for review of decisions by the Commissioner of Patents in the Federal Court and the Administrative Appeals Tribunal. The decisions of the Registrar of Trade Marks, Designs, and Plant Breeder's Rights can also be appealed in the Federal Court. Matters determined in 2011–12 are described below.

IP Australia was not subject to any reviews by the Auditor-General or Commonwealth Ombudsman in 2011–12. IP Australia appeared before the Senate Committee on Legal and Constitutional Affairs on 13 September 2011 in relation to the Committee's inquiry into the *Trade Marks Amendment (Tobacco Plain Packaging) Bill 2011*. IP Australia also appeared before the Joint Standing Committee on Treaties for consideration of the Anti-Counterfeiting Trade Agreement on 19 March 2012 and 7 May 2012. IP Australia participated in Supplementary Budget Estimates hearings on 19 October 2011 and Budget Estimates hearings on 28 May 2012.

APPEALS OF DECISIONS—COMMISSIONER OF PATENTS

Preference Manufacturing [2012] AATA 393: An amendment to a filed document may be opposed under the Patents Act. However, an opposition can be dismissed if it has no reasonable prospects of success. In the case of Preference Manufacturing, a delegate of the Commissioner dismissed the

opposition because valid grounds of opposition had not been identified. On appeal the Administrative Appeals Tribunal set aside the decision and found that the patentee's request for dismissal should be refused. It considered that there were factual matters that warranted investigation and proper consideration in the determination of the opposition.

Lee [2011] AATA 818: A person can challenge the entitlement of an applicant for a patent. In the case of Lee a delegate found that a challenge to entitlement failed as the person was not sufficiently associated with the inventive concept and had not established a contractual transfer of title. The unsuccessful party appealed to the Administrative Appeals Tribunal. The tribunal affirmed the decision of the delegate.

Smith [2012] AATA 70: A person can challenge the entitlement of an applicant for a patent. In the case of Smith a delegate found that a challenge to entitlement succeeded due to a contract of employment. The unsuccessful party sought an extension of time of approximately seven months to make an appeal to the Administrative Appeals Tribunal. The tribunal refused the extension, finding that the applicant had not provided an adequate explanation of the delay and did not have good prospects of success.

APPEALS OF DECISIONS—REGISTRAR OF PLANT BREEDER'S RIGHTS

Elders Rural Services Australia Limited [2012] FCAFC 14: This matter concerned the 'Nadine' potato variety and the correct term of rights to be applied to it under the transitional provisions of the *Plant Breeder's Rights Act 1994*. The application for protection had been filed under the *Plant Variety Rights Act 1987* and the Registrar considered the length of the term to be determined under the former legislation. Elders filed an application for declaratory relief with the Federal Court. This was dismissed at first instance, but on appeal the Full Court found that the term of rights was to be determined on the basis of the term available under the Plant Breeder's Rights Act. This results in an extension of the term of protection for

'Nadine' and has implications for a number of other rights applied for under the Plant Variety Rights Act but granted after commencement of the Plant Breeder's Rights Act.

APPEALS OF DECISIONS—REGISTRAR OF TRADE MARKS

In 2011–12, there were 17 Federal Court appeals from the Registrar's decisions. Of these, 10 were finalised during the year. A further nine initiated prior to July 2011 were also finalised. Of the 19 which were finalised, nine went to trial. One was overturned on the same set of facts facing the delegate. In three, a single judge commented that they were overturning the delegate's decision on the basis of evidence not available to the delegate. In four, a single judge upheld the Registrar's decision. In the final case the Full Bench of the Federal Court overturned both the decision of a single judge and the decision of the Registrar's delegate.

Only two of the nine cases that went to trial have implications for the Registrar's practice.

In *1-800 Flowers.Com v Registrar of Trade Marks* [2012] FCA 209 the applicant sought review of a delegate's decision to revoke acceptance of two trade marks. The Registrar's practice and approach were affirmed in this first judicial consideration of s.38 of the *Trade Marks Act 1995*.

In *Austin, Nichols & Co Inc v Lodestar Anstalt* [2012] FCAC 8, the applicant appealed against a decision by a single judge of the Federal Court which had upheld the delegate's decision to remove the trade mark 'WILD GEESE' from the register for some of the goods in the specification but to exercise the discretion provided by the *Trade Marks Act 1995* to allow it to remain for others. The Full Bench declined to exercise the discretion and ordered removal for all goods.

VIABILITY AND COST EFFECTIVENESS

IP Australia recorded an operating surplus of \$0.6 million for 2011–12. The result exceeded the approved operating loss position published

in the 2012–13 Portfolio Budget Statements (\$2.1 million). Revenue was 3.3 per cent higher than the revised budget and reflected an increase of \$9.9 million (6.7 per cent) over the 2010–11 revenue generated. The increase was predominately in patent fees, with the major impact relating to the receipt of large batch renewal payments made in order to avoid the fee increase of 1 July 2012. Expenses were 1.5 per cent higher than our revised budget and increased by \$9.6 million (6.6 per cent) from 2010–11, predominantly due to employee costs, compounded by the impact of the low bond rate on employee provisions.

IP Australia undertook a fee review in 2011–12 to assess the organisation's existing cost recovery arrangements in accordance with the 2005 *Australian Government Cost Recovery Guidelines* and ensure that fees and charges are transparent and consistent with the Australian Government cost recovery policy. The Australian Government approved changes to fees charged for IP Australia's products and services starting from 1 July 2012.

IP Australia will monitor revenue trends carefully and will control costs to ensure continued sustainable operations. IP Australia will continue to invest in productive assets to ensure continuing efficiency in our operation and increased functionality for our customers, and to maintain our position in the global market for the registration of intellectual property (IP) rights.

The keys to IP Australia's continued viability are:

- our continuing commitment to quality and efficiency in our operations;
- ongoing efforts towards public awareness and international engagement which encourage growth in the market;
- careful financial management with clear links between strategic goals, return on investments and market conditions; and
- compliance with cost recovery policy in the regular review of fees under IP regulations.

ASSET MANAGEMENT

IP Australia's asset management procedures and policies reflect relevant legislation and better practice.

The *Financial Management and Accountability Act 1997* and the Australian Accounting Standards require formal reviews of an agency's asset holdings, especially in the light of acknowledged market-based evidence. IP Australia undertook a comprehensive formal independent valuation in 2009. Valuation using an appropriate index is performed in years where no formal valuation is undertaken, to ensure that the carrying amount of assets is not materially different from fair value as at balance date.

Major asset categories are office fit-out, computer equipment and software (both purchased and internally developed). IP Australia manages 3,203 non-current assets, with a total net value of approximately \$70 million.

The key objectives of IP Australia's Asset Management Plan ensure that:

- only assets that are required for the efficient, effective and ethical operations of IP Australia are purchased and maintained;
- asset replacement is undertaken in a timely, efficient and cost-effective manner;
- assets are protected against loss and damage; and
- systems and procedures are in place to enable the accurate management and reporting of assets held by IP Australia.

PURCHASING

During 2011–12, IP Australia's centralised procurement and contracts team continued to ensure that all commitments entered into were consistent with the *Commonwealth Procurement Guidelines* and represented value for money for the Australian Government.

IP Australia's chief executive instructions require the release of formal purchase orders for all

purchases of more than \$5,000. This assists in tracking commitments and meeting the requirements of the Financial Management and Accountability Regulations 1997.

There is a continued focus on the efficiency and effectiveness of procurement services in supporting business outcomes. During 2011–12, IP Australia used previously established panels for the provision of legal services, ICT contractor services and human resources services, together with many preferred supplier arrangements.

Where there was scope to do so, panels established by other Australian Government agencies were accessed. Whole-of-government arrangements were also utilised.

CONSULTANTS, COMPETITIVE TENDERING AND CONTRACTING

IP Australia's policy on selecting and engaging consultants and approving expenditure takes into account all relevant legislation, the *Commonwealth Procurement Guidelines* and IP Australia's chief executive instructions. The procurement method is determined having regard to the cost and nature of the work involved.

During 2011–12, IP Australia engaged consultants to provide specialist advice and services in the following major areas:

- Training Program Evaluation Services;
- Strategic Review of System and Reporting Activities;
- Product and Process System Evaluation;
- Investigative Services;
- System Harmonisation Feasibility Study; and
- Risk Management Workshops.

During 2011–12, 13 new consultancy contracts were entered into, involving total actual expenditure of \$307,129 (including GST). No ongoing consultancy contracts were active in 2011–12.

Table 54 shows further details on consultancies and competitive tendering and contracting arrangements.

Table 54: IP Australia expenditure on consultancies, 2011–12

Year	Number of new and existing consultancies	Total expenditure including GST (\$)
2011–12	13	307,129
2010–11	12	568,270
2009–10	18	785,082
2008–09	32	930,592
2007–08	64	1,678,075

IP Australia’s guidelines on competitive tendering and contracting support the efficient, effective, economical and ethical use of government resources through the promotion of open and effective competition, fair dealing, accountability and transparency.

During 2011–12, IP Australia operated a centralised procurement and contracts team with a corporate monitoring and reporting role, including probity advice and staff training and awareness. This reflects IP Australia’s commitment to responsible procurement and contract management, and enhances the agency’s capacity to provide best practice advice and expertise to IP Australia business groups.

In 2011–12:

- IP Australia did not have any contract let during the reporting period of \$100,000 or more (GST inclusive) that did not provide for the Auditor–General to have access to the contractor’s premises;
- the Director General did not exempt any contract let by IP Australia from being published on AusTender on the basis that it would disclose exempt matters under the Freedom of Information Act 1982.

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

Details of consultancies let during 2011–12 and valued at \$10,000 or more are available on the IP Australia website (www.ipaustralia.gov.au). All current contracts in excess of \$100,000 are published on the IP Australia website in line with Senate order reporting requirements.

GRANT PROGRAMS

IP Australia does not administer any grant programs.

MANAGEMENT OF HUMAN RESOURCES

In 2011–12 the human resources team continued to focus on delivering a comprehensive and cohesive range of human resources strategies and services to its internal and external stakeholders to support the development of a professional, highly skilled and committed workforce.

At 30 June 2012, IP Australia employed 1,099 staff (1,052 ongoing and 47 non-ongoing). During 2011–12, the number of ongoing employees in IP Australia increased by 15 (1.4 per cent) and the number of non-ongoing employees increased by 14 (42.4 per cent).

The proportion of IP Australia staff engaged as ongoing employees fell during the year, from 96.9 per cent to 95.7 per cent, while the gender mix of ongoing employees saw a slight increase in the proportion of males when compared to 2010–11. Males represent 53.6 per cent of ongoing employees while females represent 46.4 per cent of ongoing employees.

Employee statistics can be found in tables 55 to 61.

ATTRACTION AND RETENTION STRATEGIES

Staff turnover in IP Australia increased from 8.6 per cent in 2010–11 to 9.3 per cent in 2011–12. Particular attraction and retention initiatives for 2011–12 included revision of recruitment processes, work on improving career development options and pathways for staff, a strong focus on a range of work health and safety issues, and the delivery of a variety of training and development options targeting the specific needs of the agency and its diverse types of employees.

EMPLOYMENT AGREEMENTS

The IP Australia Enterprise Agreement 2011–2014 was made under section 172 of the *Fair Work Act 2009*. It commenced operation on 3 October 2011 and has a nominal expiry date of 30 June 2014.

With the implementation of the Enterprise Agreement 2011–2014, IP Australia undertook a process to transition staff in receipt of Individual Supplementary Arrangements (made under the previous enterprise agreement) to Individual Flexibility Arrangements under the new agreement. This approach was consistent with Australian Public Service-wide instructions from the Australian Public Service Commission.

Table 55 shows the number of staff covered by each employment agreement.

LEARNING AND DEVELOPMENT

During 2011–12, IP Australia's Learning Centre embarked on a large program to reform and harmonise the competency-based training program delivered to examination staff. The program focused on training assessment, governance, administration and delivery.

Other learning and development initiatives undertaken in 2011–12 include:

- the development and piloting of a talent management program, the purpose of which is to retain and engage key talent to safeguard

leadership in critical positions that may become vacant over the next two to five years;

- revision of the Leadership Program (satisfaction ratings from staff participants in 2011–12 indicate the program has been very effective);
- study assistance to 98 staff, under the Studybank Assistance Scheme, for tertiary and vocational development courses—assistance includes time for study, lecture attendance and examinations, and reimbursement of 50 per cent to 100 per cent of course fees;
- arrangements for 13 staff to participate in the Professional Development Program, which assists staff to undertake a range of professional development in specialist skills and knowledge areas that are critical to the business.

PERFORMANCE PAY

During 2011–12, 73 non-SES employees received performance payments totalling \$440,865.20. Details of the payments are provided in Table 56. Remuneration information relating to IP Australia's SES employees is included in the data for the Department of Industry, Innovation, Science, Research and Tertiary Education in Table 36 (to ensure that individual recipients cannot be identified).

WORKFORCE STATISTICS

Table 55: IP Australia employment arrangements for ongoing and non-ongoing employees, by classification, 30 June 2012

Classification	Enterprise agreement	Individual flexibility arrangement	Salary range	
			Minimum (\$)	Maximum (\$)
APS 1	0	0	41,248	45,760
APS 2	3	0	47,441	51,944
APS 3	53	0	53,333	57,877
APS 4	183	1	59,343	64,322
APS 5	96	4	66,079	70,812
APS 6	472	74	72,165	81,977
EL 1	224	48	90,580	101,947
EL 2	60	17	107,113	124,867
Total	1,091	144		

APS = Australian Public Service; EL = Executive Level

Note: SES employment arrangements are included in DIISRTE data (Table 35) to ensure non-identification of individual recipients.

Table 56: IP Australia performance payments, 1 July 2011 to 30 June 2012

Classification	No. of recipients	Aggregate (\$)	Average (\$)	Bonus payment	
				Minimum (\$)	Maximum (\$)
APS 1–6	24	136,097	5,671	2,982	11,096
EL 1	11	70,579	6,416	2,500	9,850
EL 2	38	234,189	6,163	1,635	13,151
Total	73	440,865			

APS = Australian Public Service; EL = Executive Level

Note: APS 1–6 figures are combined to ensure non-identification of individual recipients. SES remuneration figures are included in DIISRTE data (Table 36) to ensure non-identification of individual recipients.

Table 57: IP Australia ongoing employees, by classification and gender, 30 June 2011 and 30 June 2012

Classification	Female		Male		Total	
	2011	2012	2011	2012	2011	2012
APS 1	0	0	0	0	0	0
APS 2	1	1	0	0	1	1
APS 3	7	9	12	16	19	25
APS 4	127	112	61	62	188	174
APS 5	72	66	24	27	96	93
APS 6	178	183	278	287	456	470
EL 1	91	96	125	125	216	221
EL 2	18	18	35	42	53	60
SES Band 1	2	2	4	4	6	6
SES Band 2	1	1	0	0	1	1
SES Band 3	0	0	1	1	1	1
Total	497	488	540	564	1,037	1,052

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

Table 58: IP Australia non-ongoing employees, by classification and gender, 30 June 2011 and 30 June 2012

Classification	Female		Male		Total	
	2011	2012	2011	2012	2011	2012
APS 1	0	0	0	0	0	0
APS 2	1	1	2	1	3	2
APS 3	8	14	11	14	19	28
APS 4	3	7	2	2	5	9
APS 5	1	1	2	2	3	3
APS 6	0	1	1	1	1	2
EL 1	2	3	0	0	2	3
EL 2	0	0	0	0	0	0
SES Band 1	0	0	0	0	0	0
SES Band 2	0	0	0	0	0	0
SES Band 3	0	0	0	0	0	0
Total	15	27	18	20	33	47

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

Table 59: IP Australia ongoing and non-ongoing employees, by classification and full-time or part-time status, 30 June 2011 and 30 June 2012

Classification	Full-time		Part-time		Total	
	2011	2012	2011	2012	2011	2012
APS 1	0	0	0	0	0	0
APS 2	4	3	0	0	4	3
APS 3	36	51	2	2	38	53
APS 4	167	154	26	29	193	183
APS 5	86	79	13	17	99	96
APS 6	410	425	47	47	457	472
EL 1	201	200	17	24	218	224
EL 2	51	58	2	2	53	60
SES Band 1	6	6	0	0	6	6
SES Band 2	1	1	0	0	1	1
SES Band 3	1	1	0	0	1	1
Total	963	978	107	121	1,070	1,099

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

Table 60: IP Australia ongoing and non-ongoing employees, by gender and full-time or part-time status, 30 June 2011 and 30 June 2012

Gender	Full-time		Part-time		Total	
	2011	2012	2011	2012	2011	2012
Male	536	556	22	28	558	584
Female	427	422	85	93	512	515
Total	963	978	107	121	1,070	1,099

Table 61: IP Australia ongoing and non-ongoing employees, by classification and location, 30 June 2012

Classification	ACT	NSW	Vic.	Qld	SA	WA	Tas.	Overseas	Total
APS 1	0	0	0	0	0	0	0	0	0
APS 2	3	0	0	0	0	0	0	0	3
APS 3	53	0	0	0	0	0	0	0	53
APS 4	183	0	0	0	0	0	0	0	183
APS 5	96	0	0	0	0	0	0	0	96
APS 6	443	0	29	0	0	0	0	0	472
EL 1	214	1	6	1	1	1	0	0	224
EL 2	59	0	1	0	0	0	0	0	60
SES Band 1	6	0	0	0	0	0	0	0	6
SES Band 2	1	0	0	0	0	0	0	0	1
SES Band 3	1	0	0	0	0	0	0	0	1
Total	1,059	1	36	1	1	1	0	0	1,099

APS = Australian Public Service, EL = Executive level, SES = Senior Executive Service



Part B

Chapter Thirteen

IP Australia appendices

- Appendix B1: Agency resource statement
- Appendix B2: Expenses and resources for Outcome 1
- Appendix B3: Work health and safety
- Appendix B4: Freedom of information
- Appendix B5: Advertising and market research
- Appendix B6: Ecologically sustainable development and environmental performance
- Appendix B7: Disability reporting
- Appendix B8: Annual report contact details

Appendix B1: Agency resource statement

IP Australia Agency Resource Statement 2011–12

		Actual Available Appropriation for 2011–12 \$'000	Payments Made 2011–12 \$'000	Balance Remaining 2011–12 \$'000
1/ Ordinary annual services				
Departmental appropriation				
Departmental appropriation ⁽¹⁾		4,117	4,117	
Total		4,117	4,117	
Total ordinary annual services	A	4,117	4,117	
2/ Other services				
Departmental non-operating				
Equity injections				
Total				
Total other services	B			
Total available annual appropriations		4,117	4,117	
3/ Special appropriations				
Total special appropriations	C			
Total appropriations excluding Special Accounts		4,117	4,117	
Special Accounts				
Opening balance		84,639		
Appropriation receipts ⁽²⁾		4,117		
Non-appropriation receipts to Special Accounts		157,222		
Payments made			162,663	
Total Special Account	D	245,978	162,663	83,315

	Actual Available Appropriation for 2011–12 \$'000	Payments Made 2011–12 \$'000	Balance Remaining 2011–12 \$'000
Total resourcing			
A+B+C+D	250,095	166,780	
Less appropriations drawn from annual or special appropriations above and credited to special accounts	4,117	4,117	
Total net resourcing for IP Australia	245,978	162,663	

(1) Appropriation Bill (No.1) 2011–12.

(2) Appropriation receipts from IP Australia annual appropriations for 2011–12 included above.

Appendix B2: Expenses and resources for Outcome 1

IP Australia expenses and resources for Outcome 1

	Budget 2011-12 \$'000	Actual 2011-12 \$'000	Variation 2011-12 \$'000
OUTCOME 1			
Program 1.1: IP Rights Administration and Professional Registration			
Departmental expenses			
Departmental appropriation			
Special appropriations			
Special Accounts	140,630	143,156	(2,526)
Expenses not requiring appropriation in the Budget year	143	130	13
Total for Program 1.1	140,773	143,286	(2,513)
Program 1.2: Awareness, Education and International Engagement			
Departmental expenses			
Departmental appropriation			
Special appropriations			
Special Accounts	8,662	7,725	937
Expenses not requiring appropriation in the Budget year			
Total for Program 1.2	8,662	7,725	937
Program 1.3: Advice to Government			
Departmental expenses			
Departmental appropriation	4,117	4,117	0
Special appropriations			
Special Accounts	0	729	(729)
Expenses not requiring appropriation in the Budget year 2			
Total for Program 1.3	4,117	4,846	(729)

	Budget 2011-12 \$'000	Actual 2011-12 \$'000	Variation 2011-12 \$'000
Outcome 1 Totals by appropriation type			
Departmental expenses			
Departmental appropriation	4,117	4,117	0
Special appropriations			
Special Accounts	149,292	151,610	(2,318)
Expenses not requiring appropriation in the Budget year	143	130	13
Total expenses for Outcome 1	153,552	155,857	(2,305)
Average staffing level (number)	1,004	988	16

Appendix B3: Work health and safety

IP Australia recognises the key safety risks in the agency and is committed to reducing or eliminating these risks wherever possible. In the 2011-12 financial year, IP Australia's approach to work health and safety was influenced by the introduction of the *Work Health and Safety Act 2011*. In order to implement the provisions of the Act, IP Australia:

- developed a safety improvement plan emanating from an independent safety audit and a series of internal safety risk assessment workshops;
- identified its senior officers as work health and safety officers under the Act and provided them with briefings on their due diligence obligation;
- revised the terms of reference for the work health safety committee to meet quarterly and report to the Executive Committee, allowing for discussion and analysis of incident, injury and rehabilitation statistics; and
- developed internal tools to help officers and workers to fulfil their obligations under the Act.

During the year IP Australia undertook other key work health and safety activities, including:

- developing a Mental Health Policy to foster a supportive work environment that is conducive to positive mental health;
- providing a network of 16 equity and diversity contact officers to provide support and options to staff who may be experiencing issues in the workplace;

- providing an Employee Assistance Program;
- providing workstation assessments for all staff when they commenced with the agency, when they relocated or when they used new work systems, and for any staff who reported overuse symptoms or injuries (these assessments were also available for staff who worked in a home office environment); and
- providing a work-life referral service for staff.

The agency continued to focus on improving early intervention strategies in an effort to achieve lower rates of injury, better return to work outcomes and efficient claim management. In particular, it made sure that early intervention support was available to workers with injury or illness whether the injury or illness was related to work or not. The characteristics of compensable cases were as follows for 2011-12:

- Comcare accepted seven compensation claims for staff presenting with the injury identified as body stressing. This was an increase of one claim from six in 2010-11.
- There was a significant reduction in lost time, as measured in incapacity weeks. These dropped to 23.71 for 2011-12, from 82.97 in 2010-11.
- The cost of achieving a durable return to work and plan closure dropped markedly this year. The average cost was \$1,950 and the average duration was 170 days in 2011-12; the averages were \$3,600 and 355 days in 2010-11.

The agency continued to provide the Health and Wellbeing Program. Highlights included the following:

- 359 staff were given influenza vaccines (386 in 2010–11);
- 507 staff participated in health assessments, including skin cancer checks (431 in 2010–11);
- 30 staff attended a talk from the Prostate Cancer Support Group in Men's Health Week;
- 32 staff attended a program called 'Improving, moving and taking control' conducted by Arthritis ACT; and
- 474 staff participated in subsidised lunchtime programs, including yoga, Pilates and meditation.

There was ongoing assistance to staff for 'quit smoking' programs, in line with IP Australia's smoke-free workplace environment policy.

In 2012–13, the focus of the Health and Wellbeing Program will be the prevention of occupational overuse syndrome and psychological injury.

No matters were investigated under sections 29, 45, 46 or 47 of the Occupational Health and Safety Act. No matters have required attention under section 160 of the Work Health and Safety Act. Six incidents were reported under section 68 of the Occupational Health and Safety Act and nil under section 38 of the Work Health and Safety Act.

Appendix B4: Freedom of information

Agencies subject to the *Freedom of Information Act 1982* (FOI Act) are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement is in Part II of the FOI Act and has replaced the former requirement to publish a section 8 statement in an annual report. Each agency must display on its website

a plan showing what information it publishes in accordance with the IPS requirements. IP Australia's information published in accordance with the IPS can be found on the IP Australia website at www.ipaustralia.gov.au/about-us/corporate/ips.

Appendix B5: Advertising and market research

IP Australia undertook two market research projects in 2011-12. IP Australia did not conduct any advertising campaigns or purchase any services from advertising agencies or polling, direct mail or media advertising organisations.

Table 62 sets out the payments that IP Australia made to external organisations for advertising or market research services in 2011-12. Payments of less than \$11,900, inclusive of GST, are not reported.

Table 62: IP Australia payments for advertising and market research services, 2011-12

Market research organisation	Service	Amount including GST (\$)
New Focus	SME Market Research Project 2012	\$14,949
New Focus	Customer Satisfaction Survey 2012	\$23,562

Appendix B6: Ecologically sustainable development and environmental performance

In 2011–12, IP Australia maintained its commitment to minimise the impact of its operations on the environment. Through processes identified in the IP Australia Environmental Management System (EMS), the organisation continued to reduce its energy consumption and waste, increase recycling and promote the efficient use of resources. IP Australia's environmental policies and programs continue to evolve in response to short- and long-term economic, environmental and social drivers.

IP Australia retained ISO 14001:2004 accreditation for its EMS in 2011–12.

IP Australia's main office building, Discovery House in Canberra, incorporates a number of energy-efficient design measures, including lighting control, air-conditioning control systems, double glazing, and efficient heating and cooling of the atrium using recycled air. The west wing of Discovery House, completed in September 2007, has a 5-star NABERS energy base building rating, and in 2011–12 the original elements of the building achieved a 4.5-star NABERS rating.

A range of environmental strategies designed to contribute to ecologically sustainable best practice have been developed and implemented at IP Australia. These continued to be monitored throughout 2011–12. As an example, diligent work during the year resulted in a change to IP Australia's water management, resulting in savings of approximately 228,000 litres per month.

Appendix B7: Disability reporting

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

The Commonwealth Disability Strategy has been overtaken by a new National Disability Strategy which sets out a 10-year national policy framework for improving life for Australians with disability, their families and their carers. The Standing Council on Community, Housing and Disability Services will provide the Council of Australian Governments with a high-level report to track progress for people with disability at a national level, which will be available at www.fahcsia.gov.au. The Social Inclusion Measurement and Reporting Strategy, agreed by the government in December 2009, will also include some reporting on disability matters in its regular *How Australia is faring* report and, if appropriate, in strategic change indicators in agency annual reports. More detail on social inclusion matters can be found at www.socialinclusion.gov.au.

Appendix B8: Annual report contact details

Manager, Corporate Reporting
IP Australia
PO Box 200
Woden ACT 2606
Outside Australia: +61 2 6283 2540
Fax: 02 6281 1239
Email: julie.baxter@ipaaustralia.gov.au
Website: www.ipaustralia.gov.au



Part B

Chapter Fourteen

IP Australia financial performance

Independent auditor's report
Statement by the Director General and Chief Financial Officer
Financial statements



INDEPENDENT AUDITOR'S REPORT

To the Minister for Industry and Innovation

I have audited the accompanying financial statements of IP Australia for the year ended 30 June 2012, which comprise: a Statement by the Chief Executive and Chief Financial Officer; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; and Notes to and forming part of the financial statements including a Summary of Significant Accounting Policies.

Chief Executive's Responsibility for the Financial Statements

The Chief Executive of IP Australia is responsible for the preparation of financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to IP Australia's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the IP Australia's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Chief Executive of IP Australia as well as evaluating the overall presentation of the financial statements.

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

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

Independence

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

Opinion

In my opinion, the financial statements of IP Australia:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including IP Australia's financial position as at 30 June 2012 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office



Kristian Gage
Audit Principal

Delegate of the Auditor-General

Canberra

26 September 2012

IP Australia

STATEMENT BY THE CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2012 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the Financial Management and Accountability Act 1997, as amended.



Philip Noonan
Director General



Doug Pereira
Chief Financial Officer

26 September 2012

26 September 2012

IP AUSTRALIA
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
EXPENSES			
Employee benefits	3A	106,526	94,888
Suppliers	3B	40,813	41,898
Depreciation and amortisation	3C	8,416	8,409
Finance costs	3D	9	8
Write-down and impairment of assets	3E	23	1,048
Losses from asset sales	3F	70	-
Total expenses		155,857	146,251
Less:			
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	4A	152,202	143,184
Total own-source revenue		152,202	143,184
Gains			
Other gains	4B	130	140
Gains from sales of assets	4C	-	4
Total gains		130	144
Total own-source income		152,332	143,328
Net cost of services		3,525	2,923
Revenue from Government	4D	4,117	3,288
Surplus attributable to the Australian Government		592	365
OTHER COMPREHENSIVE INCOME			
Changes in asset revaluation surplus		(1)	-
Total other comprehensive income		(1)	-
Total comprehensive income attributable to the Australian Government		591	365

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

IP AUSTRALIA
BALANCE SHEET
as at 30 June 2012

	Notes	2012 \$'000	2011 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	5A	1,640	764
Trade and other receivables	5B	82,685	85,471
Total financial assets		84,325	86,235
Non-Financial Assets			
Leasehold improvements	6A, D	14,613	16,324
Property, plant and equipment	6B, D	7,810	7,149
Intangibles	6E, F	47,467	36,638
Other non-financial assets	6G	2,773	3,712
Total non-financial assets		72,663	63,823
Assets held for sale	6C, D	8	1
Total assets		156,996	150,059
LIABILITIES			
Payables			
Suppliers	7A	13,551	12,872
Other payables	7B	22,258	22,662
Total payables		35,809	35,534
Provisions			
Employee provisions	8A	30,565	24,504
Other provisions	8B	185	175
Total provisions		30,750	24,679
Total liabilities		66,559	60,213
Net assets		90,437	89,846
EQUITY			
Contributed equity		5,608	5,608
Reserves		4,733	4,734
Retained surplus		80,096	79,504
Total equity		90,437	89,846

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

IP AUSTRALIA
STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2012

	Retained earnings		Asset revaluation surplus		Contributed equity		Total equity	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	79,504	79,139	4,734	4,734	5,608	5,608	89,846	89,481
Comprehensive income								
Other comprehensive income - changes in asset revaluation surplus	-	-	(1)	-	-	-	(1)	-
Surplus for the period	592	365	-	-	-	-	592	365
Total comprehensive income	592	365	(1)	-	-	-	591	365
of which:								
Attributable to the Australian Government	592	365	(1)	-	-	-	591	365
Closing balance as at 30 June	80,096	79,504	4,733	4,734	5,608	5,608	90,437	89,846
Closing balance attributable to the Australian Government	80,096	79,504	4,733	4,734	5,608	5,608	90,437	89,846

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

IP AUSTRALIA
CASH FLOW STATEMENT
for the period ended 30 June 2012

	2012	2011
Notes	\$'000	\$'000
OPERATING ACTIVITIES		
Cash received		
Appropriations	4,117	3,288
Sales of good and rendering of services	152,212	144,108
Net GST received	4,967	4,823
Cash received from the Official Public Account	2,200	7,300
Total cash received	163,496	159,519
Cash used		
Employees	(99,983)	(95,789)
Suppliers	(44,342)	(45,612)
Total cash used	(144,325)	(141,401)
Net cash from operating activities	9	18,118
INVESTING ACTIVITIES		
Cash received		
Proceeds from sales of property, plant and equipment	42	41
Total cash received	42	41
Cash used		
Purchase of property, plant and equipment	(3,192)	(4,433)
Purchase of intangibles	(15,145)	(13,056)
Total cash used	(18,337)	(17,489)
Net cash used by investing activities	(18,295)	(17,448)
FINANCING ACTIVITIES		
Net cash from financing activities	-	-
Net Increase in cash held	876	670
Cash and cash equivalents at the beginning of the reporting period	764	94
Cash and cash equivalents at the end of the reporting period	5A	764

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

IP AUSTRALIA
SCHEDULE OF COMMITMENTS
as at 30 June 2012

BY TYPE	2012	2011
	\$'000	\$'000
Commitments receivable		
Net GST recoverable on commitments	12,998	14,152
Total commitments receivable	12,998	14,152
Commitments payable		
Other commitments		
Operating leases ¹	(125,112)	(135,769)
Other commitments	(18,720)	(20,914)
Total other commitments	(143,832)	(156,683)
Net commitments by type	(130,834)	(142,531)
BY MATURITY		
Commitments receivable		
Other commitments receivable		
One year or less	2,428	2,539
From one to five years	4,341	4,304
Over five years	6,229	7,309
Total other commitments receivable	12,998	14,152
Commitments payable		
Operating lease commitments		
One year or less	(11,095)	(10,978)
From one to five years	(45,500)	(44,414)
Over five years	(68,517)	(80,376)
Total operating lease commitments	(125,112)	(135,769)
Other commitments		
One year or less	(16,470)	(17,908)
From one to five years	(2,250)	(2,987)
After five years	-	(19)
Total other commitments	(18,720)	(20,914)
Net commitments by maturity	(130,834)	(142,531)

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

Note:

1. Operating leases included are effectively non-cancellable.
2. Commitments were GST inclusive where relevant.

Nature of lease	General description of leasing arrangement
Leases for office accommodation	Lease payments are subject to rent review in accordance with lease provisions.

IP AUSTRALIA
SCHEDULE OF CONTINGENCIES
as at 30 June 2012

IP Australia had no contingent liabilities or assets at reporting date (2010-11: nil).

The above schedule should be read in conjunction with note 10.

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note	Description
1	Summary of Significant Accounting Policies
2	Events after the Balance Sheet Date
3	Expenses
4	Income
5	Financial Assets
6	Non-Financial Assets
7	Payables
8	Provisions
9	Cash Flow Reconciliation
10	Contingent Liabilities and Assets
11	Senior Executive Remuneration
12	Remuneration of Auditors
13	Financial Instruments
14	Financial Assets Reconciliation
15	Appropriations
16	Special Accounts
17	Compensation and Debt Relief
18	Reporting of Outcomes
19	Cost recovery

Note 1: Summary of Significant Accounting Policies

1.1 Objectives of IP Australia

IP Australia is an Australian Government controlled entity. It is a not-for-profit entity. The objective of IP Australia is to contribute to the improvement of Australian and international IP systems and thereby support Australia's economic development through the provision and administration of intellectual property rights.

IP Australia is structured to meet one outcome: increased innovation, investment and trade in Australia, and by Australians overseas, through the administration of the registrable intellectual property rights system, promoting public awareness and industry engagement, and advising government.

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

Departmental activities are identified under three sub-programs:

- Sub-program 1.1 - IP Rights Administration and Professional Registration;
- Sub-program 1.2 - Awareness, Education and International Engagement; and
- Sub-program 1.3 - Advice to Government.

IP Australia operates on a cost recovery basis, funding its operations almost entirely through revenues raised from charges for intellectual property services. Appropriation is received in relation to notional interest paid against the balance of the IP Australia Special Account. The use of a Special Account established under the *Financial Management and Accountability (FMA) Act 1997* enables IP Australia to fund its operations from the revenue received from charges for intellectual property services.

IP Australia has no administered activities in 2011-12 (2010-11: none).

IP AUSTRALIA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.2 Basis of Preparation of the Financial Statements

The financial statements and notes are required by *s49* of the *FMA Act* and are general purpose financial statements.

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

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

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

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

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to IP Australia or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executor contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies (other than unquantifiable, which are reported at Note 10).

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

1.3 Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, IP Australia has not made any accounting judgements that have significant impact on the amounts recorded in the financial statements.

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

1.4 New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted by IP Australia earlier than the application date as stated in the standard.

During the 2011-12 financial year several accounting standards and interpretations that were issued prior to the signing of the statements by the Director General and Chief Financial Officer and are applicable to the current reporting period did not have a financial impact, and are not expected to have a future financial impact on the entity.

Future Australian Accounting Standard Requirements

During the 2011-12 financial year several accounting standards and interpretations were issued or amended by the Australian Accounting Standards Board which are effective for future reporting periods. However, none of these standards or interpretations will financially impact on IP Australia.

1.5 Revenue

Revenue from the sale of goods is recognised when:

- a) the risks and rewards of ownership have been transferred to the buyer;
- b) IP Australia retains no managerial involvement nor effective control over the goods;
- c) the revenue and transaction costs incurred for the transaction can be reliably measured; and
- d) it is probable that the economic benefits associated with the transaction will flow to IP Australia.

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

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

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

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

IP AUSTRALIA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Revenues from Government

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

Appropriations receivable are recognised at their nominal amounts.

Parental Leave Payments Scheme

IP Australia offsetted amounts received under Parental Leave Payments Scheme (for payment to employees) by amounts paid to employees under that scheme, because these transactions are only incidental to the main revenue-generating activities of IP Australia. Amounts received by IP Australia not yet paid to employees would be presented gross as cash and a liability (payable).

1.6 Gains

Resources Received Free of Charge

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

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

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government entity as a consequence of a restructuring of administrative arrangements (Refer to Note 1.7).

Sale of Assets

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

1.7 Transactions with the Government as Owner

Equity Injections

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

Restructuring of Administrative Arrangements

Net assets received from or relinquished to another Government entity under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity. There have been no restructuring transactions in 2011-12 (2010-11: none)

Other Distributions to Owners

The FMOs require that distributions to owners be debited to contributed equity unless it is in the nature of a dividend. There have been no distributions to owners in 2011-12 (2010-11: none).

1.8 Employee Benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits due within twelve months of the end of the reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

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

Leave

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

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

The liability for long service leave has been determined by reference to the work of an actuary as at 20 October 2009. A review in 2011-12 revealed no material changes in IP Australia's profile since 2009. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

IP Australia recognises a provision for termination in Note 8B when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

Staff of IP Australia are predominantly members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap).

IP AUSTRALIA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The CSS and PSS are defined benefit schemes for the Australian Government. From 1 July 2005, new employees were eligible to join the PSSap scheme. The PSSap is a defined contribution scheme.

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

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

1.9 Leases

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

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

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

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

IP Australia leases office accommodation and motor vehicles under operating lease agreements.

1.10 Borrowing Costs

All borrowing costs are expensed as incurred. IP Australia had no borrowing costs during the period.

1.11 Cash

Cash is recognised at its nominal amount. Cash and cash equivalents includes

- cash on hand;
- demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value;
- cash held by outsiders; and
- cash in special accounts.

1.12 Financial Assets

IP Australia classifies its financial assets as loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets are recognised and derecognised upon trade date.

Loans and Receivables

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

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

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

Impairment of Financial Assets

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

Financial assets held at amortised cost - if there is objective evidence that an impairment loss has been incurred for loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

IP AUSTRALIA NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.13 Financial Liabilities

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

Financial liabilities are recognised and derecognised upon ‘trade date’.

Supplier and Other Payables

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

1.14 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the Balance Sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain, and contingent liabilities are recognised when settlement is greater than remote. IP Australia had no contingent liabilities or assets at reporting date.

1.15 Acquisition of Assets

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

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

1.16 Property, Plant and Equipment and Leasehold Improvements

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the Balance Sheet, except for purchases of leasehold improvements costing less than \$20,000 (2010-11: \$20,000) and computer equipment costing less than \$1,000 (2010-11: \$1,000). Purchases of other property, plant and equipment are also recognised initially at cost in the balance sheet, except for purchases costing less than \$5,000 (2010-11: \$5,000).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to ‘makegood’ provisions in property leases taken up by IP Australia where

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

there exists an obligation to restore the property to its original condition. These costs are included in the value of IP Australia’s leasehold improvements with a corresponding provision for the ‘makegood’ recognised.

Revaluations

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

<i>Asset class</i>	<i>Fair value measured at</i>
Leasehold improvements	Depreciated replacement cost
Plant and equipment	Market selling price

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

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

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

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to IP Australia using, in all cases, the straight-line method of depreciation. Leasehold improvements are amortised on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

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

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

	2012	2011
Leasehold improvements	Lease term	Lease term
Plant and Equipment	3 to 25 years	3 to 25 years

IP AUSTRALIA NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Impairment

All assets were assessed for impairment at 30 June 2012. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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

Derecognition

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

1.17 Assets Held for Sale

Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. These assets are not depreciated.

1.18 Intangibles

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

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of IP Australia's software are 3 to 10 years (2010-11: 3 to 10 years).

Purchases of software are recognised initially at cost in the balance sheet, except for purchases costing less than \$5,000 (2010-11: \$5,000). Dependent on the stage of development, internally developed software is recognised at cost in the balance sheet, except for purchases costing less than \$200,000 (2010-11: \$200,000).

All software assets were assessed for indications of impairment as at 30 June 2012.

1.19 Taxation

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

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

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

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 2: Events after the Balance Sheet Date

There are no events occurring after balance sheet date that materially affect the financial statements.

IP AUSTRALIA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 3: Expenses

	2012	2011
	\$'000	\$'000
Note 3A: Employee Benefits		
Wages and salaries	78,514	73,822
Superannuation:		
Defined contribution plans	5,684	4,877
Defined benefit plans	9,361	8,940
Leave and other entitlements	12,967	7,249
Total employee benefits	<u>106,526</u>	<u>94,888</u>
Note 3B: Suppliers		
Goods and services		
Contractors & Consultants	5,852	8,287
Travel	1,500	1,683
Communication & IT Services	9,871	9,675
Administrative Services	10,624	9,270
Subscription to World Intellectual Property Organisation	800	792
Total goods and services	<u>28,647</u>	<u>29,707</u>
Goods and services are made up of:		
Provision of goods - external parties	478	784
Provision of goods - related entities	-	1
Rendering of services - external parties	26,784	27,819
Rendering of services - related entities	1,385	1,103
Total goods and services	<u>28,647</u>	<u>29,707</u>
Other supplier expenses		
Operating lease rentals - external entities:		
Minimum lease payments	10,776	10,772
Workers compensation expenses	1,390	1,419
Total other supplier expenses	<u>12,166</u>	<u>12,191</u>
Total supplier expense	<u>40,813</u>	<u>41,898</u>

	2011 \$'000	2011 \$'000
<u>Note 3C: Depreciation and Amortisation</u>		
Depreciation:		
Buildings - leasehold improvements	1,762	1,732
Property, plant and equipment	2,436	2,168
Total depreciation	4,198	3,900
Amortisation:		
Computer software	4,218	4,509
Total amortisation	4,218	4,509
Total depreciation and amortisation	8,416	8,409
 <u>Note 3D: Finance Costs</u>		
Unwinding of discount	9	8
Total finance costs	9	8
 <u>Note 3E: Write-Down and Impairment of Assets</u>		
Asset write-downs and impairments from:		
Impairment of intangible assets	-	1,048
Impairment of computer equipment	23	-
Total write-down and impairment of assets	23	1,048
 <u>Note 3F: Losses from Asset Sales</u>		
Property, plant and equipment:		
Proceeds from sale	(42)	-
Carrying value of assets sold	14	-
Intangibles:		
Proceeds from sale	-	-
Carrying value of assets sold	98	-
Total losses from asset sales	70	-

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 4: Income

	2012	2011
	\$'000	\$'000

OWN-SOURCE REVENUE

Note 4A: Sale of Goods and Rendering of Services

Patent fees	97,678	89,926
Trade Mark fees	49,859	47,770
Design fees	2,727	2,606
Plant Breeders Rights fees	1,133	1,155
Other goods and services	805	1,727
Total sale of goods and rendering of services	<u>152,202</u>	<u>143,184</u>
Provision of goods - external parties	232	250
Rendering of services - related entities	280	128
Rendering of services - external parties	151,690	142,806
Total sale of goods and rendering of services	<u>152,202</u>	<u>143,184</u>

GAINS

Note 4B: Other Gains

Derecognition of makegood provisions	-	10
Resources received free of charge	130	130
Total other gains	<u>130</u>	<u>140</u>

Note 4C: Gains from Sales of Assets

Property, plant and equipment:

Proceeds from sale	-	41
Carrying value of assets sold	-	(37)
Net gains from sale of assets	<u>-</u>	<u>4</u>

REVENUE FROM GOVERNMENT

Note 4D: Revenue from Government

Appropriations:

Departmental appropriation	4,117	3,288
Total revenue from Government	<u>4,117</u>	<u>3,288</u>

IP AUSTRALIA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 5: Financial Assets

	2012	2011
	\$'000	\$'000
<u>Note 5A: Cash and Cash Equivalents</u>		
Special Accounts		
Cash on hand or on deposit	1,640	764
Total cash and cash equivalents	1,640	764
<u>Note 5B: Trade and Other Receivables</u>		
Good and Services:		
Goods and services - related entities	175	4
Goods and services - external parties	34	410
Total receivables for goods and services	209	414
Special Account Receivable:		
For existing program (held as cash in OPA)	81,675	83,875
Total Special Account Receivable	81,675	83,875
Other receivables:		
GST receivable from the Australian Taxation Office	758	901
Other receivables	43	281
Total other receivables	801	1,182
Total trade and other receivables (gross)	82,685	85,471
Less impairment allowance account:		
Goods and services	-	-
Total impairment allowance account	-	-
Total trade and other receivables (net)	82,685	85,471
Receivables are expected to be recovered in:		
No more than 12 months	12,560	10,396
More than 12 months	70,125	75,075
Total trade and other receivables (net)	82,685	85,471
Receivables are aged as follows:		
Not overdue	82,675	85,450
Overdue by:		
0 to 30 days	10	14
31 to 60 days	-	5
61 to 90 days	-	2
More than 90 days	-	-
Total receivables (gross)	82,685	85,471

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 6: Non-Financial Assets

	2012	2011
	\$'000	\$'000
Note 6A: Leasehold Improvements		
Leasehold improvements:		
Fair value	19,828	19,777
Accumulated depreciation	<u>(5,215)</u>	<u>(3,453)</u>
Total leasehold improvements	<u>14,613</u>	<u>16,324</u>

No indicators of impairment were found for leasehold improvements.

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

Note 6B: Property, Plant and Equipment

Property, plant and equipment:		
Work in progress	518	1,131
Fair value	13,105	10,164
Accumulated depreciation	<u>(5,813)</u>	<u>(4,146)</u>
Total property, plant and equipment	<u>7,810</u>	<u>7,149</u>

Property, plant and equipments was assessed for impairment in accordance with the impairment policy stated at Note 1. This resulted in the recognition of an impairment write-down of \$22,867 (2011: nil) which was recorded as an expense. This impairment relates to computer equipments that has no planned intention to be utilised.

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

Note 6C: Assets Held For Sale

Assets held for sale:		
Property, plant and equipment at fair value	268	306
Accumulated depreciation	<u>(260)</u>	<u>(305)</u>
Total assets held for sale	<u>8</u>	<u>1</u>

No indicators of impairment were found for assets held for sale.

Revaluation of non-financial assets

All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 1. In 2008-09, the formal revaluations were conducted by an independent valuer of the Australian Valuation Office.

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 6D: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment 2012

	Leasehold Improvements \$'000	Property, plant & equipment \$'000	Assets held for Sale \$'000	Total \$'000
As at 1 July 2011				
Gross book value	19,777	11,295	306	31,378
Accumulated depreciation and impairment	(3,453)	(4,146)	(305)	(7,904)
Net book value 1 July 2011	16,324	7,149	1	23,474
Additions:				
By purchase	51	3,141	-	3,192
Impairments recognised in the operating result	-	(23)	-	(23)
Depreciation expense	(1,762)	(2,176)	(260)	(4,198)
Other movements:				
Transfers to assets held for sale	-	(268)	268	-
Disposals:				
Other	-	(13)	(1)	(14)
Net book value 30 June 2012	14,613	7,810	8	22,431
Net book value as of 30 June 2012 represented by:				
Gross book value	19,828	13,623	268	33,719
Accumulated depreciation and impairment	(5,215)	(5,813)	(260)	(11,288)
Net book value 30 June 2012	14,613	7,810	8	22,431

Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment 2011

	Leasehold Improvements \$'000	Property, plant & equipment \$'000	Assets held for Sale \$'000	Total \$'000
As at 1 July 2010				
Gross book value	19,268	7,975	58	27,301
Accumulated depreciation and impairment	(1,749)	(2,543)	(31)	(4,323)
Net book value 1 July 2010	17,519	5,432	27	22,978
Additions:				
By purchase	537	3,896	-	4,433
Depreciation expense	(1,732)	(1,863)	(305)	(3,900)
Other movements:				
Transfers to assets held for sale	-	(306)	306	-
Disposals:				
Other	-	(10)	(27)	(37)
Net book value 30 June 2011	16,324	7,149	1	23,474

Net book value as of 30 June 2011 represented by:

Gross book value	19,777	11,295	306	31,378
Accumulated depreciation and impairment	(3,453)	(4,146)	(305)	(7,904)
Net book value 30 June 2011	16,324	7,149	1	23,474

IP AUSTRALIA**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

	2012	2011
Note 6E: Intangibles	\$'000	\$'000
Computer software at cost:		
Purchased - in use	12,975	10,733
Internally developed - in use	51,536	48,054
Internally developed - in progress	21,174	12,243
Accumulated amortisation - purchased	(6,993)	(5,858)
Accumulated amortisation - internally developed	(31,225)	(28,534)
Total computer software	47,467	36,638
Total intangibles	47,467	36,638

No indicators of impairment were found for intangibles.

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

Note 6F: Reconciliation of the Opening and Closing Balances of Intangibles 2012

	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2011			
Gross book value	60,297	10,733	71,030
Accumulated amortisation and impairment	(28,534)	(5,858)	(34,392)
Net book value 1 July 2011	31,763	4,875	36,638
Additions:			
By purchased	-	2,242	2,242
Internally developed	12,903	-	12,903
Amortisation	(3,083)	(1,135)	(4,218)
Disposals:			
Other	(98)	-	(98)
Net book value 30 June 2012	41,485	5,982	47,467
Net book value as of 30 June 2012 represented by:			
Gross book value	72,710	12,975	85,685
Accumulated amortisation and impairment	(31,225)	(6,993)	(38,218)
Net book value 30 June 2012	41,485	5,982	47,467

Reconciliation of the Opening and Closing Balances of Intangibles 2011

	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2010			
Gross book value	50,110	9,421	59,531
Accumulated amortisation and impairment	(25,091)	(5,301)	(30,392)
Net book value 1 July 2010	25,019	4,120	29,139
Additions:			
By purchased	-	1,821	1,821
Internally developed	11,235	-	11,235
Impairments recognised in the operating results	(1,048)	-	(1,048)
Amortisation	(3,443)	(1,066)	(4,509)
Net book value 30 June 2011	31,763	4,875	36,638
Net book value as of 30 June 2011 represented by:			
Gross book value	60,297	10,733	71,030
Accumulated amortisation and impairment	(28,534)	(5,858)	(34,392)
Net book value 30 June 2011	31,763	4,875	36,638

IP AUSTRALIA**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

	2012	2011
	\$'000	\$'000
<u>Note 6G: Other Non-Financial Assets</u>		
Prepayments	<u>2,773</u>	<u>3,712</u>
Total other non-financial assets	<u>2,773</u>	<u>3,712</u>
Total other non-financial assets - are expected to be recovered in:		
No more than 12 months	2,747	3,627
More than 12 months	<u>26</u>	<u>85</u>
Total other non-financial assets	<u>2,773</u>	<u>3,712</u>

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

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 7: Payables

	2012	2011
	\$'000	\$'000
Note 7A: Suppliers		
Trade creditors and accruals	6,027	6,423
Operating lease rentals	7,524	6,449
Total supplier payables	13,551	12,872
Supplier payables expected to be settled within 12 months:		
Related entities	229	282
External entities	5,823	6,152
Total	6,052	6,434
Supplier payables expected to be settled in greater than 12 months:		
External entities	7,499	6,438
Total	7,499	6,438
Total supplier payables	13,551	12,872

Settlement is usually made within 30 days.

Note 7B: Other Payables

Unearned revenues		
Patents fees	8,045	8,971
Trade Marks fees	6,391	5,965
Designs fees	278	277
Plant Breeders Rights fees	808	804
Total unearned revenues	15,522	16,017
Prepayments received/unearned income	100	95
Lease incentives	3,794	4,190
Salary and wages	2,427	1,940
Superannuation	415	420
Total other payables	22,258	22,662
Total other payables are expected to be settled in:		
No more than 12 months	16,602	16,495
More than 12 months	5,656	6,167
Total other payables	22,258	22,662

Note 8: Provisions

	2012	2011
	\$'000	\$'000
Note 8A: Employee Provisions		
Leave	28,035	22,411
Superannuation on-cost	2,530	2,093
Total employee provisions	30,565	24,504

Employee provisions are expected to be settled in:

No more than 12 months	10,262	9,081
More than 12 months	20,303	15,423
Total employee provisions	30,565	24,504

Note 8B: Other Provisions

Provision for restoration obligations	185	175
Total other provisions	185	175

Other provisions are expected to be settled in:

No more than 12 months	-	-
More than 12 months	185	175
Total other provisions	185	175

	Provision for restoration obligations
Carrying amount 1 July 2011	175
Additional provisions made	1
Unwinding of discount	9
Closing balance 30 June 2012	185

IP Australia currently has one agreement for the leasing of premises which has a provision requiring IP Australia to restore the premises to their original condition at the conclusion of the lease. IP Australia has made a provision to reflect the present value of this obligation.

Note 9: Cash Flow Reconciliation

	2012	2011
	\$'000	\$'000
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow statement	1,640	764
Balance sheet	1,640	764
Difference	<u>-</u>	<u>-</u>
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(3,525)	(2,923)
Add revenue from Government	4,117	3,288
Cash transferred from the Official Public Account	2,200	7,300
Adjustments for non-cash items		
Depreciation / amortisation	8,416	8,409
Net write down of non-financial assets	23	1,048
Gain/(Loss) on disposal of assets	70	(4)
Reversal of make good costs	-	(10)
Finance Cost	9	8
Changes in assets / liabilities		
(Increase) / Decrease in net receivables	586	(201)
(Increase) / Decrease in prepayments received	939	92
Increase / (Decrease) in employee provisions	6,061	(958)
Increase / (Decrease) in other provisions	1	85
Increase / (Decrease) in suppliers payables	679	741
Increase / (Decrease) in other payables	(405)	1,243
Net cash from operating activities	<u>19,171</u>	<u>18,118</u>

Note 10: Contingent Assets and Liabilities

Unquantifiable Contingencies

At 30 June 2012, IP Australia had a number of legal claims in respect of appeals against decisions. It is not possible to estimate the amount of any eventual payments that may be required in relation to these claims.

IP AUSTRALIA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 11: Senior Executive Remuneration**Note 11A: Senior Executive Remuneration Expense for the Reporting Period**

	2012	2011
	\$	\$
Short-term employee benefits:		
Salary (including annual leave taken)	1,518,034	1,466,994
Annual leave accrued	24,523	36,696
Performance bonuses	-	98,401
Motor vehicle and other allowances	194,437	194,351
Total short-term employee benefits	<u>1,736,994</u>	<u>1,796,442</u>
Post-employment benefits:		
Superannuation	280,015	252,785
Total post-employment benefits	<u>280,015</u>	<u>252,785</u>
Other long-term benefits		
Long-service leave	64,152	63,509
Total post-employment benefits	<u>64,152</u>	<u>63,509</u>
Total employment benefits	<u>2,081,161</u>	<u>2,112,736</u>

Notes:

- Note 11A was prepared on an accrual basis.
- Note 11A excludes acting arrangements and part-year service where remuneration expensed for a senior executive was less than \$150,000.
- Note 11A annual leave accrued amount is net of annual leave taken.

During the year IP Australia paid nil in termination benefits to senior executives (2011: nil).

Note 11: Senior Executive Remuneration

Note 11B: Average Annual Reportable Remuneration Paid to Substantive Senior Executives During the Reporting Period

Average annual reportable remuneration ¹	Senior Executives No.	Reportable salary ² \$	2012		Total
			Contributed superannuation ³ \$	Reportable allowances ⁴ \$	
Total remuneration (including part-time arrangements):					
less than \$150,000	-	-	-	-	-
\$150,000 to \$179,999	-	-	-	-	-
\$180,000 to \$209,999	2	173,426	30,701	-	204,127
\$210,000 to \$239,999	4	184,247	33,021	-	217,268
\$240,000 to \$269,999	1	213,202	38,221	-	251,423
\$270,000 to \$299,999	-	-	-	-	-
\$300,000 to \$329,999	-	-	-	-	-
\$330,000 to \$359,999	1	233,671	105,929	-	339,600
Total	8				

Average annual reportable remuneration ¹	Senior Executives No.	Reportable salary ² \$	2011		Total
			Contributed superannuation ³ \$	Reportable allowances ⁴ \$	
Total remuneration (including part-time arrangements):					
less than \$150,000	-	-	-	-	-
\$150,000 to \$179,999	-	-	-	-	-
\$180,000 to \$209,999	3	163,730	26,666	-	204,991
\$210,000 to \$239,999	3	173,873	27,222	-	213,164
\$240,000 to \$269,999	1	207,434	33,393	-	259,235
\$270,000 to \$299,999	-	-	-	-	-
\$300,000 to \$329,999	-	-	-	-	-
\$330,000 to \$359,999	1	227,381	107,908	-	335,289
Total	8				

Notes:

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

IP AUSTRALIA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 12: Remuneration of Auditors

	2012	2011
	\$	\$
Financial statement audit services were provided free of charge to the entity by the Australian National Audit Office (ANAO).		
Fair value of the services provided:		
Financial statement audit services	<u>\$130,000</u>	<u>\$130,000</u>
Total	<u>\$130,000</u>	<u>\$130,000</u>

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

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 13: Financial Instruments

	2012	2011
	\$'000	\$'000
Note 13A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables:		
Cash on hand or on deposit	1,640	764
Trade and other receivables	209	414
Total	<u>1,849</u>	<u>1,178</u>
Carrying amount of financial assets	<u>1,849</u>	<u>1,178</u>
Financial Liabilities		
At amortised cost:		
Trade creditors	<u>6,027</u>	<u>6,423</u>
Total	<u>6,027</u>	<u>6,423</u>
Carrying amount of financial liabilities	<u>6,027</u>	<u>6,423</u>

There was no income and expense from financial assets and financial liabilities in the year ending 2012 (2011: nil).

Note 13: Financial Instruments

Note 13B Fair Value of Financial Instruments

Fair value measurements of financial instrument are categories as level 1 by the fair value hierarchy. This is represented by quoted price in active market for identical assets and liabilities.

	Carrying amount 2012 \$'000	Fair value 2012 \$'000	Carrying amount 2011 \$'000	Fair value 2011 \$'000
Financial Assets				
Cash and cash equivalents	1,640	1,640	764	764
Trade receivables (net)	209	209	414	414
Total	1,849	1,849	1,178	1,178
Financial Liabilities				
Trade creditors	6,027	6,027	6,423	6,423
Total	6,027	6,027	6,423	6,423

Note 13C Credit Risk

IP Australia is exposed to minimal credit risk in relation to potential debtor default. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables (2012: \$209,757 and 2011: \$413,923). IP Australia has assessed the risk of the default on payment and provides for this risk through the recognition of an impairment allowance where necessary. The value of financial assets considered impaired in 2012 was nil (2010-11: nil).

IP Australia manages its debtors by undertaking recovery processes for those receivables which are considered to be overdue. The risk of overdue debts arising is negated through the implementation of credit assessments on potential customers.

IP Australia holds no collateral to mitigate against credit risk.

IP Australia's credit risk profile has not changed from the prior financial year.

Credit quality of financial instruments not past due or individually determined as impaired

	Not past due nor impaired 2012 \$'000	Not past due nor impaired 2011 \$'000	Past due or impaired 2012 \$'000	Past due or impaired 2011 \$'000
Loans and receivables				
Trade receivables	199	393	10	21
Total	199	393	10	21

Ageing of financial assets that are past due but not impaired for 2012

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Loans and receivables					
Trade receivables	10	-	-	-	10
Total	10	-	-	-	10

Ageing of financial assets that are past due but not impaired for 2011

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Loans and receivables					
Trade receivables	14	5	2	-	21
Total	14	5	2	-	21

Note 13D Liquidity Risk

IP Australia analyses measures of liquidity, such as the relationship between current assets and current liabilities. Such processes, together with the application of full cost recovery, ensures that at any point in time IP Australia has appropriate resources available to meet its financial obligations as and when they fall due.

IP Australia manages liquidity risk by ensuring all financial liabilities are paid in accordance with terms and conditions on demand.

IP Australia's liquidity risk profile has not changed from the prior financial year.

The following tables illustrates the maturities for financial liabilities.

Maturities for non-derivative financial liabilities 2012

	within 1 year 2012 \$'000	1 to 5 years 2012 \$'000	> 5 years 2012 \$'000	Total 2012 \$'000
Other Liabilities				
Trade creditors	6,027	-	-	6,027
Total	6,027	-	-	6,027

Maturities for non-derivative financial liabilities 2011

	within 1 year 2011 \$'000	1 to 5 years 2011 \$'000	> 5 years 2011 \$'000	Total 2011 \$'000
Other Liabilities				
Trade creditors	6,423	-	-	6,423
Total	6,423	-	-	6,423

Note 13E Market Risk

IP Australia holds basic financial instruments that do not expose the Agency to certain market risks. IP Australia's market risk profile has not changed from the prior financial year.

IP Australia is exposed to 'Currency risk' however this risk is managed through regular fee reviews. IP Australia is not exposed to 'Other price risk'.

Note 14: Financial Assets Reconciliation

		2012	2011
		\$'000	\$'000
Financial assets	Notes		
Total financial assets as per balance sheet		84,325	86,235
Less: non-financial instrument components:			
Special Account receivable	5B	81,675	83,875
Other receivables	5B	801	1,182
Total non-financial instrument components		82,476	85,057
Total financial assets as per financial instruments note		1,849	1,178

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15: Appropriations

Table A: Annual Appropriations (Recoverable GST exclusive)

	2012 Appropriation							Total appropriation \$'000	Appropriation applied in 2012 (current and prior years) \$'000	Variance \$'000
	Appropriation Act			FMA Act						
	Annual Appropriation \$'000	Appropriations reduced \$'000	AFM \$'000	Section 30 \$'000	Section 31 \$'000	Section 32 \$'000				
DEPARTMENTAL	4,117	-	-	-	-	-	4,117	4,117	-	
Ordinary annual services	4,117	-	-	-	-	-	4,117	4,117	-	
Total departmental										

	2011 Appropriation							Total appropriation \$'000	Appropriation applied in 2011 (current and prior years) \$'000	Variance \$'000
	Appropriation Act			FMA Act						
	Annual Appropriation \$'000	Appropriations reduced \$'000	AFM \$'000	Section 30 \$'000	Section 31 \$'000	Section 32 \$'000				
DEPARTMENTAL	3,288	-	-	-	-	-	3,288	3,288	-	
Ordinary annual services	3,288	-	-	-	-	-	3,288	3,288	-	
Total departmental										

Note 16A: Special Accounts (Recoverable GST exclusive)

	Intellectual Property Special Account ¹		Services for Other Entities and Trust Moneys World Intellectual Property Organisation ²		Services for Other Entities and Trust Moneys - Security of Costs ²		Service for Other Entities and Trust Moneys - Comcare ²	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Balance brought forward from previous period	84,640	91,269	300	439	71	55	-	-
Increases:								
Appropriation credited to special account	4,117	3,288	-	-	-	-	-	-
Costs recovered	152,212	144,108	-	-	-	-	-	-
Receipts on behalf of WIPO			8,964	6,689				
Other receipts	42	41			37	27	704	585
Appropriations to take account of recoverable GST (FMA Act s30A)	4,967	4,823	-	-	-	-	-	-
Total increases	161,338	152,260	8,964	6,689	37	27	704	585
Available for payments	245,978	243,529	9,264	7,128	108	82	704	585
Decreases:								
Departmental								
Payments made to suppliers	(62,679)	(63,100)	-	-	-	-	-	-
Payments made to employees	(99,983)	(95,789)	-	-	-	-	-	-
Total departmental decreases	(162,662)	(158,889)	-	-	-	-	-	-
Special Public Money								
Payments made to WIPO	-	-	(8,784)	(6,828)	-	-	-	-
Payments made to customers	-	-	-	-	(46)	(11)	(704)	(585)
Payments made to employees	-	-	-	-	-	-	-	-
Total special public money decreases	-	-	(8,784)	(6,828)	(46)	(11)	(704)	(585)
Total decreases	(162,662)	(158,889)	(8,784)	(6,828)	(46)	(11)	(704)	(585)
Total balance carried to the next period	83,316	84,640	480	300	62	71	-	-

1. Appropriation: Financial Management and Accountability Act, 1997: s20

Establishing Instrument: Financial Management and Accountability Determination 2006/66

Purpose: For developing and administering intellectual and industrial property systems, including the provision of property rights in inventions, trademarks, designs and plant breeders rights.

2. Appropriation: Financial Management and Accountability Act, 1997: s20 to 22

Establishing Instrument: Financial Management and Accountability Determination 2011/11

Purpose: For the services for Other Entities and Trust Moneys - IP Australia (Special Public Money) - For expenditure of money temporary held on trust or otherwise for the benefit of a person other than the Commonwealth and expenditure in connection with services performed on behalf of other Government and bodies that are not FMA Act agencies.

Note 16B: Compliance with Statutory Condition for Payments from the Consolidated Revenue Fund

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. The Department of Finance and Deregulation (DoFD) provided information to all agencies in 2011 regarding the risks of non-compliance with statutory conditions on payments from special appropriations, including special accounts. The possibility of this being an issue for IP Australia was reported in the notes to the 2010-11 financial statements and IP Australia undertook to investigate the issue during 2011-12.

During 2011-12, IP Australia assessed the potential risk of non-compliance with s83 of the Constitution from payments from IP Australia's Intellectual Property Special Account and Services for Other Entities and Trust Moneys Special Account. IP Australia concluded that this risk was low, as payments from both accounts are not required to meet any statutory or other preconditions.

While the risk of making payments in breach of s83 was assessed as low, IP Australia undertook a comprehensive testing regime to ensure that systems and controls were effective in mitigating any potential noncompliance of s83.

The results of the testing did not reveal any control weaknesses or non-compliance of s83.

IP AUSTRALIA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 17: Compensation and Debt Relief

	2012	2011
	\$	\$
Departmental		
No 'Act of Grace' payments were incurred during the reporting period (2011: No expenses).	<u>Nil</u>	<u>Nil</u>
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the Financial Management and Accountability Act 1997(2011: No waivers).	<u>Nil</u>	<u>Nil</u>
No payments were made under the compensation for detriment caused by 'Defective Administration Scheme' during the reporting period (2011: No payments).	<u>Nil</u>	<u>Nil</u>
No ex-gratia payments were provided for during the reporting period. (2011: No payments).	<u>Nil</u>	<u>Nil</u>
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the Public Service Act 1999 during the reporting period (2011: No payments).	<u>Nil</u>	<u>Nil</u>

Note 18: Reporting of Outcomes

IP Australia uses an Activity Based Costing system to determine the attribution of its shared items.

The basis of attribution in the table below is consistent with the basis used for the Budget.

Note 18A: Net Cost of Outcome Delivery

	Outcome 1		Total	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Departmental				
Expenses	155,857	146,251	155,857	146,251
Own-source income	(152,332)	(143,328)	(152,332)	(143,328)
Net cost of outcome delivery	3,525	2,923	3,525	2,923

As IP Australia only reports against one outcome, Note 18 B has been removed. Detailed outcome information is reported in the Statement of Comprehensive Income and Balance Sheet.

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 19: Cost Recovery

	2012 \$'000	2011 \$'000
<u>Note 19: Receipts Subject to Cost Recovery Policy</u>		
Significant cost recovery arrangements		
IP Australia Cost Recovery Impact Statement	152,202	143,184
Total receipts subject to cost recovery policy	<u>152,202</u>	<u>143,184</u>



Part C

References

- Abbreviations and acronyms
- Glossary
- Department compliance list
- IP Australia compliance list
- Index

ABBREVIATIONS AND ACRONYMS

AAO	Australian Astronomical Observatory
ABCB	Australian Building Codes Board
ACIP	Advisory Council on Intellectual Property
ACOLA	Australian Council of Learned Academies
AEI	Australian Education International
AIATSIS	Australian Institute of Aboriginal and Torres Strait Islander Studies
AIMS	Australian Institute of Marine Science
AISRF	Australia-India Strategic Research Fund
ANAQ	Australian National Audit Office
ANSTO	Australian Nuclear Science and Technology Organisation
ACTA	Anti-Counterfeiting Trade Agreement
ANU	Australian National University
AQL	acceptable quality level
APS	Australian Public Service
ARC	Australian Research Council
ASKAP telescope	Australian SKA Pathfinder telescope
ASQA	Australian Skills Quality Authority
ATS	Automotive Transformation Scheme
G2G	government-to-government
B2G	business-to-government
CASE	Centralised Access to Search and Examination
CEO	Chief Executive Officer
CGS	Commonwealth Grant Scheme
COAG	Council of Australian Governments
CPGs	Commonwealth Procurement Guidelines
CRC	Cooperative Research Centre
CRN program	Collaborative Research Networks program
CSC	Customer Service Charter
CSIRO	Commonwealth Scientific and Industrial Research Organisation

CSU	Charles Sturt University
CTIP	Clean Technology Investment Program
DEEWR	Department of Education, Employment and Workplace Relations
DIISRTE	Department of Industry, Innovation, Science, Research and Tertiary Education
EEGO	Energy Efficiency in Government Operations
EIF	Education Investment Fund
EMS	Environmental Management System
ERA	Excellence in Research for Australia
ESD	ecologically sustainable development
EVP	Executive Visits Program
FMA Act	Financial Management and Accountability Act 1997
HELP	Higher Education Loan Program
ICT	information and communication technology
IP	intellectual property
IPS	Information Publication Scheme
JSCOT	Joint Standing Committee on Treaties
KPI	key performance indicator
L&D	learning and development
MBA	Master Builders Australia
MRO	Murchison Radio-astronomy Observatory
NABERS	National Australian Built Environment Rating System
NCC	National Construction Code
NCRIS	National Collaborative Research Infrastructure Strategy
NMI	National Measurement Institute
OCS	Office of the Chief Scientist
PAES	Portfolio Additional Estimates Statements
PBS	Portfolio Budget Statements
PCT	Patent Cooperation Treaty
PMSEIC	Prime Minister's Science, Engineering and Innovation Council
PQRS	Product Quality Review System
Raising the Bar Act	Intellectual Property Laws Amendment (Raising the Bar) Act 2012
SES	Senior Executive Service
SKA	Square Kilometre Array
SMEs	small to medium enterprises
SRE	Sustainable Research Excellence
TAFE	technical and further education
TEQSA	Tertiary Education Quality and Standards Agency
UNE	University of New England
VET	vocational education and training
WIPO	World Intellectual Property Organization

GLOSSARY

APS employee—A person engaged under section 22 or section 72 of the *Public Service Act 1999*.

corporate governance—The process by which agencies are directed and controlled. It is generally understood to encompass authority, accountability, stewardship, leadership, direction and control.

financial results—The results shown in the financial statements of an agency.

grant—Commonwealth financial assistance as defined under Regulations 3A(1) and 3A(2) of the *Financial Management and Accountability Regulations 1997*.

non-ongoing APS employee—A person engaged as an APS employee under subsection 22(2)(b) or 22(2)(c) of the *Public Service Act 1999*.

ongoing APS employee—A person engaged as an ongoing APS employee under subsection 22(2)(a) of the *Public Service Act 1999*.

operations—Functions, services and processes performed in pursuing the objectives or discharging the functions of an agency.

outcomes—The results, impacts or consequence of actions by the Commonwealth on the Australian community.

performance information—Evidence about performance that is collected and used systematically which may relate to appropriateness, effectiveness and efficiency and the extent to which an outcome can be attributed to an intervention. Performance information

may be quantitative (numerical) or qualitative (descriptive), and should be verifiable.

program—An activity or group of activities that delivers benefits, services or transfer payments to individuals, industry/business or the community as a whole. Programs are the primary vehicles for government agencies to achieve the intended results of their outcome statements.

purchaser-provider arrangements—Arrangements under which the services of one agency are purchased by another agency to contribute to outcomes. Purchaser-provider arrangements can occur between Commonwealth agencies or between Commonwealth agencies and state or territory governments or private sector bodies.

service charter—A public statement about the service that an agency will provide and what customers can expect from the agency.

DEPARTMENT COMPLIANCE LIST

The following table presents the department's compliance against the requirements set out in the *Requirements for annual reports for departments, executive agencies and FMA Act bodies*, published by the Department of the Prime Minister and Cabinet on 28 June 2012.

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IP AUSTRALIA COMPLIANCE LIST

The following table presents IP Australia's compliance against the requirements set out in the *Requirements for annual reports for departments, executive agencies and FMA Act bodies*, published by the Department of the Prime Minister and Cabinet on 28 June 2012.

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