

Office of the
National Rail Safety Regulator

Financial report
for the year ended
30 June 2020



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To the Chief Executive The Office of the National Rail Safety Regulator

Opinion

I have audited the financial report of the Office of the National Rail Safety Regulator for the financial year ended 30 June 2020.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Office of the National Rail Safety Regulator as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with the *Public Finance and Audit Act 1987*, the *Rail Safety National Law (South Australia) Act 2012* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chief Executive and the Executive Director, Corporate.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Office of the National Rail Safety Regulator. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) have been met.

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

Responsibilities of the Chief Executive for the financial report

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with provisions of the *Public Finance and Audit Act 1987*, the *Rail Safety National Law (South Australia) Act 2012* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 43(3) of the Schedule to the *Rail Safety National Law (South Australia) Act 2012*, I have audited the financial report of the Office of the National Rail Safety Regulator for the financial year ended 30 June 2020.

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office of the National Rail Safety Regulator's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure, and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

A handwritten signature in black ink, appearing to read 'A Richardson', with a long horizontal line extending to the right.

Andrew Richardson

Auditor-General

25 August 2020

OFFICE OF THE NATIONAL RAIL SAFETY REGULATOR

CERTIFICATION OF FINANCIAL STATEMENTS

We certify that the attached general purpose financial statements for the Office of the National Rail Safety Regulator:

- comply with Section 263 of the *Rail Safety National Law (South Australia) Act 2012* and Regulation 48 of *RSNL National Regulations*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Office of the National Rail Safety Regulator; and
- present a true and fair view of the financial position of the Office of the National Rail Safety Regulator as at 30 June 2020 and the results of its operation and cash flows for the financial year.

We certify the internal controls employed by the Office of the National Rail Safety Regulator for the financial year over its financial reporting and the preparation of the general purpose financial statements have been effective throughout the reporting period.


.....
Chief Executive


.....
Executive Director - Corporate

20 / 8 / 2020

20 / 8 / 2020

OFFICE OF THE NATIONAL RAIL SAFETY REGULATOR

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

		2020	2019
	Note	\$'000	\$'000
Expenses:			
Employee benefits expenses	5	26,129	21,814
Supplies and services	6	6,243	8,161
Service level agreement	7	2,476	6,303
Depreciation and amortisation	8	3,367	1,111
Finance costs	9	203	-
Impairment loss allowance	10	-	16
Other expenses	11	22	22
Total expenses		38,440	37,427
Income:			
Revenues from fees and charges	12	40,246	38,407
Funding for transition expenses	13	1,524	-
Penalties income	14	263	-
Interest revenues	15	313	396
Gain on derecognition of financial liabilities	16	818	-
Other income	17	144	17
Total income		43,308	38,820
Net result		4,868	1,393
Other comprehensive Income			
Items that will not be classified to net result:			
Changes in property, plant and equipment asset revaluation surplus		157	-
Total comprehensive result		5,025	1,393

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

OFFICE OF THE NATIONAL RAIL SAFETY REGULATOR

STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Current assets:			
Cash and cash equivalents	18	13,438	17,630
Receivables	19	729	669
Total current assets		14,167	18,299
Non-current assets			
Receivables	19	6	3
Financial assets	20	8,000	-
Property, plant and equipment	21	17,668	3,521
Intangible assets	22	1,456	1,730
Total non-current assets		27,130	5,254
Total assets		41,297	23,553
Current liabilities:			
Payables	23	397	3,414
Financial liabilities	24	1,917	-
Employee benefits	25	4,043	2,362
Other liabilities	26	-	13
Total current liabilities		6,357	5,789
Non-current liabilities:			
Financial liabilities	24	11,160	-
Employee benefits	25	741	593
Other liabilities	26	-	63
Provisions	27	1,219	389
		13,120	1,045
Total liabilities		19,477	6,834
Net assets		21,820	16,719
Equity:			
Retained earnings		21,663	16,719
Reserves		157	-
Total equity		21,820	16,719

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

OFFICE OF THE NATIONAL RAIL SAFETY REGULATOR

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Retained earnings			
Opening balance			
Balance carried forward from previous period		16,719	15,326
Adjustment on initial application of AASB 16		76	-
Adjusted opening balance		16,795	15,326
Comprehensive income			
Surplus for the period		4,868	1,393
Total retained earnings		21,663	16,719
Asset revaluation reserve			
Opening balance			
Balance carried forward from previous period		-	-
Adjusted opening balance		-	-
Comprehensive income			
Revaluation of property, plant and equipment		157	-
Total asset revaluation reserve		157	-
Total equity			
Opening balance			
Balance carried forward from previous period		16,719	15,326
Adjustment on initial application of new accounting policies		76	-
Adjusted opening balance		16,795	15,326
Comprehensive income			
Surplus for the period		4,868	1,393
Movement in reserves		157	-
Total equity		21,820	16,719

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

OFFICE OF THE NATIONAL RAIL SAFETY REGULATOR

STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Cash flows from operating activities:			
Cash outflows			
Employee benefit payments		(24,510)	(21,726)
Payments for supplies and services		(7,142)	(8,877)
Payments for service level agreement		(3,067)	(6,900)
Interest paid on finance costs		(203)	-
Cash used in operations		(34,922)	(37,503)
Cash inflows			
Fees and charges received		40,201	38,477
Interest received		319	396
GST recovered from the ATO		930	877
Other receipts received		623	380
Cash generated from operations		42,073	40,130
Net cash provided by operating activities		7,151	2,627
Cash flows from investing activities:			
Cash outflows			
Purchase of financial instruments		(8,000)	-
Purchase of property, plant and equipment		(1,404)	(96)
Purchases of intangibles		(228)	(87)
Cash used in investing activities		(9,632)	(183)
Cash flows from financing activities:			
Cash outflows			
Repayment of lease liability		(1,711)	-
Cash used in investing activities		(1,711)	-
Net (decrease)/increase in cash and cash equivalents		(4,192)	2,444
Cash and cash equivalents at 1 July		17,630	15,186
Cash and cash equivalents at 30 June	18	13,438	17,630

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

OFFICE OF THE NATIONAL RAIL SAFETY REGULATOR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objective of the Office of the National Rail Safety Regulator

The Office of the National Rail Safety Regulator (ONRSR) is established under the *Rail Safety National Law (South Australia) Act 2012 (the Law)*.

ONRSR has the principal objective of facilitating the safe operation of rail transport across Australia. This is achieved through regulation of the rail industry in accordance with the Law, supporting regulations, guidelines and policies and the promotion of safety as a fundamental objective in the delivery of rail transport services.

ONRSR has responsibility for regulatory oversight of rail safety in every Australian state and territory. In the state of Victoria this was via a Service Level Agreement prior to its transition to the national model on the 2 December 2019.

2. Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in compliance with section 263 of the Law and Regulation 48 of *Rail Safety National Law National Regulations*.

The financial statements are general purpose financial statements. The financial statements have been prepared in accordance with relevant Australian Accounting Standards (Reduced Disclosure Requirements).

ONRSR has applied Australian Accounting Standards that are applicable to not-for-profit entities as ONRSR is a not-for-profit entity.

(b) Basis of preparation

The financial statements have been prepared based on a 12 month period and presented in Australian currency.

(c) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards have required a change or an error has been identified.

(d) Rounding

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

(e) Taxation

ONRSR is not subject to income tax. ONRSR is liable for payroll tax, fringe benefits tax and goods and services tax (GST).

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable.
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Australian Taxation Office is classified as part of operating cash flows.

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(f) Events after the reporting period

There are no events which have occurred after the balance date which require disclosure or an adjustment to the financial statements.

(f) Current and non-current asset classification

Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

3. New and revised accounting standards and policies

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by ONRSR for the year ended 30 June 2020. ONRSR has assessed the impact of the new or changed Australian Accounting Standards and interpretations not yet implemented and have determined they will not have any material effect on ONRSR's financial statements.

Australian Accounting Standards and Interpretations that were issued prior to sign-off date and are applicable to the current reporting period did not have a material effect on ONRSR's financial statements.

AASB 16 Leases became effective from 1 July 2019. *AASB 16* has replaced *AASB 117 Leases* and related interpretations. *AASB 16* sets out a model for lease accounting that addresses recognition, measurement, presentation and disclosure of leases. Adoption of *AASB 16* results in leases previously classified as operating leases being recognised as right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position, depreciation and interest expenses being recognised in the Statement of Comprehensive Income, together with options to exclude leases where the lease term is 12 months or less or where the underlying asset is a low value. At the date of initial application of *AASB 16 Leases*, where ONRSR was not reasonably certain of exercising any lease extension options, the additional term/s have not been included in the measurement of the right-of-use asset and remaining lease liability.

ONRSR has adopted the following practical expedients:

- ONRSR adopted *AASB 16* retrospectively. The cumulative effect of initially applying the standard was recognised at 1 July 2019. Comparatives have not been restated.
- at 1 July 2019 *AASB 16* was applied only to contracts that were previously identified as containing a lease under *AASB 117* and related interpretations.
- the initial measurement of the lease liability was the present value of the remaining lease payments discounted using ONRSR's incremental borrowing rate as at 1 July 2019.
- the initial measurement of the right-of-use assets has been calculated as an amount equal to the lease liability on transition adjusted for prepaid or accrued lease payments.
- the initial measurement of lease liabilities and the right-of-use assets excludes all leases that ended by 30 June 2020 or are short term leases.
- right-of-use assets and lease liabilities are not recognised for leases of low value assets, being assets that have a value of \$15,000 or less, nor short term leases, being those with a lease term of 12 months or less.
- lease incentives liabilities remaining on existing leases as at 1 July 2019 have been adjusted to retained earnings.

Significant accounting policies relating to the application of *AASB16* are disclosed under the relevant note.

The following table reconciles ONRSR's minimum lease commitment disclosed in ONRSR's 30 June 2019 annual financial statements to the amount of lease liabilities recognised on 1 July 2019.

	\$'000
Minimum operating lease commitment at 30 June 2019	11,270
Less: short term leases not recognised under <i>AASB 16</i>	(88)
Less: adjustment to lease incentive	(76)
Plus: impact of extension options	1,704
Undiscounted lease payments	12,810
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(764)
Lease liability recognised at 1 July 2019	12,046

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4. Impact of COVID-19 Pandemic

The COVID-19 pandemic has impacted on the operations of ONRSR. The most significant impact was an underspend on supplies and services as a result of restrictions on movements imposed by the Commonwealth and State Governments. Identified savings as a result of the COVID-19 pandemic and other identified savings will be offset against the cost of regulation through the application of the fee regulation for the year ending 30 June 2022.

Expenses

5. Employee benefits expenses

	2020	2019
	\$'000	\$'000
Salaries and wages	20,497	17,091
Annual leave	1,736	1,412
Long service leave	643	453
Employment on-costs - superannuation ¹	2,059	1,696
Employment on-costs - other	1,107	1,092
Workers compensation	87	70
Total employee benefits expenses	26,129	21,814

¹The superannuation employment on-cost charge represents ONRSR's contributions to externally managed superannuation plans in respect of current services of current staff.

The increase in employee benefits expenses reflects the transition of the Victorian based employees to the national model on the 2 December 2019.

6. Supplies and services

	2020	2019
	\$'000	\$'000
Consultants	422	895
Contractors fees	513	646
Information technology	1,895	1,499
Insurance	373	344
Legal costs	79	183
Operating lease payments ¹	-	1,902
Property	611	247
Short-term leases ²	83	-
Training and development	330	270
Transition expenses	179	-
Travelling expenses	1,085	1,396
Other	673	779
Total supplies and services	6,243	8,161

¹ONRSR has applied AASB 16 using the modified retrospective approach and therefore comparative information has not been restated and continues to be reported under AASB 117.

²ONRSR has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less. ONRSR recognises the lease payments associated with short term leases as an expense.

7. Service level agreement

	2020	2019
	\$'000	\$'000
Payment under Service Level Agreement with Victoria	2,476	6,303
Total service level agreement	2,476	6,303

The Service Level Agreement expired on the 2 December 2019, when Victoria transitioned to ONRSR under a direct delivery model.

OFFICE OF THE NATIONAL RAIL SAFETY REGULATOR

8. Depreciation and amortisation

	2020	2019
	\$'000	\$'000
Fixtures and fittings	64	61
Computer equipment	206	215
Computer software	486	464
Leasehold improvements	450	371
Right-of-use assets	2,161	-
Total depreciation and amortisation	3,367	1,111

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, on an annual basis.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimate.

The value of leasehold improvements is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

The depreciation rates for right-of-use assets are based on the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Depreciation/amortisation is calculated on a straight line basis over the estimated useful life of the following classes of assets as follows:

Class of asset	Useful life (years)
Computer equipment	3 - 10
Intangible assets	3 - 10
Leasehold improvements	Life of Lease
Right-of-use assets	Life of Lease

Depreciation on fixtures and fittings is calculated using the diminishing value method.

9. Finance costs

	2020	2019
	\$'000	\$'000
Interest expense on lease liabilities	203	-
Total finance costs	203	-

ONRSR has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

10. Impairment loss allowance

	2020	2019
	\$'000	\$'000
Bad debts and allowances for impairment loss (refer note 19)	-	16
Total impairment loss allowance	-	16

11. Other expenses

	2020	2019
	\$'000	\$'000
Property, plant and equipment write-off (refer note 21)	22	22
Total other expenses	22	22

OFFICE OF THE NATIONAL RAIL SAFETY REGULATOR

Income

12. Revenue from fees and charges

	2020	2019
	\$'000	\$'000
Revenue from accreditations	128	101
Revenue from major projects	1,467	1,309
Revenue from annual fees from industry and government	38,651	36,997
Total revenue from fees and charges	40,246	38,407

Revenues from fees and charges are derived from the annual fees payable by industry and state governments. Fees and charges received by ONRSR are recognised as income immediately in the Statement of Comprehensive Income. For the year ended 30 June 2020 income recognition is in accordance with AASB 1058 *Income of Not-for-Profit Entities*.

13. Funding for transition expenses

	2020	2019
	\$'000	\$'000
Capital contribution	1,524	-
Total funding for transition expenses	1,524	-

Contributions are recognised as income when the performance obligations associated with the income are satisfied, being the date of transition of regulatory oversight responsibility.

14. Penalties income

	2020	2019
	\$'000	\$'000
Penalties received	263	-
Total penalties income	263	-

Penalty income is received from prosecutions by the Regulator under the Law.

15. Interest revenues

	2020	2019
	\$'000	\$'000
Interest received	313	396
Total interest revenues	313	396

Interest is recognised using the effective interest rate method.

16. Gain on derecognition of financial liabilities

	2020	2019
	\$'000	\$'000
Gain on derecognition of financial liabilities	818	-
Total gain on derecognition of financial liabilities	818	-

Financial liabilities are remeasured on termination of contracts. Gains or losses are recognised through the Statement of Comprehensive Income in accordance with AASB 9 *Financial Instruments*.

17. Other income

	2020	2019
	\$'000	\$'000
Reimbursement of legal costs	114	-
Impairment loss allowance recovered	15	12
Other	15	5
Total other revenue	144	17

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Assets

18. Cash and cash equivalents

	2020	2019
	\$'000	\$'000
Cash at bank	13,438	17,630
Total cash and cash equivalents	13,438	17,630

Cash is recognised at its nominal amount. Cash and cash equivalents includes 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.

19. Receivables

	2020	2019
	\$'000	\$'000
Current		
Account receivables	74	58
Less Impairment loss allowance	-	(16)
Prepayments	545	432
Accrued interest	2	8
Accrued revenue	-	25
Security deposit	5	61
GST input tax receivable	93	94
Employee expense recoverable	-	7
Workers compensation receivable	10	-
Total current receivables	729	669
Non-current		
Prepayments	6	3
Total non-current receivables	6	3
Total receivables	735	672
Movement in Impairment loss allowance		
Carrying amount at the beginning of the period	16	41
Increase in the allowance	-	16
Amounts written off	(1)	(29)
Amounts recovered during the year	(15)	(12)
Carrying amount at the end of the period	-	16

Receivables arise from the collection of fees and charges from industry and state governments. Receivables are generally settled within 30 days after the issue of an invoice.

ONRSR has adopted the simplified approach under AASB 9 and measured lifetime expected losses on all accounts receivable using a provision matrix approach.

20. Financial assets

	2020	2019
	\$'000	\$'000
Terms deposits	8,000	-
Total financial assets	8,000	-

Financial assets are term deposits with an original maturity date of greater than 3 months.

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21. Property, plant and equipment

	2020	2019
	\$'000	\$'000
Leasehold improvements		
At cost	4,778	3,273
Accumulated depreciation	(1,012)	(719)
Total leasehold improvements	3,766	2,554
Fixtures and fittings		
At cost	938	781
Accumulated depreciation	(301)	(245)
Total fixtures and fittings	637	536
Computer equipment		
At cost	1,090	910
Accumulated depreciation	(717)	(511)
Total computer equipment	373	399
Work in progress		
At cost	-	32
Total work in progress	-	32
Total computer equipment	373	431
Right-of-use assets		
At cost	15,039	-
Accumulated depreciation	(2,147)	-
Total right-of-use assets	12,892	-
Total property, plant and equipment	17,668	3,521

Property, plant and equipment are initially identified at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Property, plant and equipment are subsequently measured at cost after allowing for accumulated depreciation and are tested for indications of impairment at each reporting date. Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position.

All property, plant and equipment with a value equal to or in excess of \$5,000 are capitalised.

ONRSR expects for all non-current tangible assets that any costs of disposal will be negligible, and the recoverable amount to be close to or greater than the carrying value.

Items of property, plant and equipment are derecognised upon disposal or when no further future economic benefits are expected from its use or disposal (refer note 11).

Lease right-of-use assets are capitalised on the commencement date of the lease and comprise the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives receivable. On the initial adoption of AASB 16 ONRSR recognised a right of use asset for each lease (previously treated as an operating lease) as an amount equal to the lease liability adjusted for any pre-paid or accrued lease payment recognised in the Statement of Financial Position immediately before 1 July 2019. ONRSR did not recognise any lease with less than 12 months remaining on the lease term at 1 July 2019. The weighted-average incremental borrowing rate used is 1.63%.

ONRSR's leases are for office accommodation and motor vehicles. Office leases are non-cancellable with terms ranging up to 10 years with some leases having the right of renewal. Rent is payable one month in advance. Lease payment are increased annually in accordance with the terms of the lease agreement.

Impairment

There were no indications of impairment of property, plant and equipment or right-of-use assets at 30 June 2020.

OFFICE OF THE NATIONAL RAIL SAFETY REGULATOR

22. Intangible assets

	2020	2019
	\$'000	\$'000
Computer software		
Internally developed computer software	2,720	2,535
Accumulated amortisation	(1,327)	(908)
Other computer software	927	949
Accumulated amortisation	(909)	(890)
Total computer software	1,411	1,686
Work in progress (intangibles):		
At cost	45	44
Total work in progress (intangibles)	45	44
Total intangible assets	1,456	1,730

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The acquisition of internal development or of externally acquired software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$5,000.

The useful lives of intangible assets are assessed to be either finite or indefinite. ONRSR only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

Intangible assets are derecognised upon disposal or when no further future economic benefits are expected from its use or disposal (refer note 11).

Impairment

There were no indications of impairment of intangibles at 30 June 2020.

Asset movement reconciliation 2020

	Leasehold	Fixtures and	Computer	Intangible	Right-of-use	Total
	improvements	fittings	equipment	assets	assets	
2020	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2019	2,554	536	431	1,730	-	5,251
Recognition of right-of-use asset at 1 July 2019	-	-	-	-	12,046	12,046
Additions at cost	940	187	180	211	-	1,518
Additions work in progress	-	-	-	45	-	45
Additions of right-of-use assets	-	-	-	-	3,007	3,007
Reclassification of prior year WIP	-	-	(32)	(44)	-	(76)
Disposals	-	(22)	-	-	-	(22)
Revaluation	722	-	-	-	-	722
Depreciation/amortisation	(450)	(64)	(206)	(486)	(2,161)	(3,367)
Carrying amount at 30 June 2020	3,766	637	373	1,456	12,892	19,124

OFFICE OF THE NATIONAL RAIL SAFETY REGULATOR

Liabilities

23. Payables

	2020	2019
	\$'000	\$'000
Current		
Creditors	166	169
Accrued expenses	130	3,052
Employee on-costs ¹	97	185
GST payable	-	1
FBT payable	4	7
Total current payables	397	3,414

¹ Employee on-costs include payroll tax, workers compensation levies and superannuation contributions. ONRSR makes contributions to several state government and commercial superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to scheme managers.

All payables are measured at their nominal amounts, are unsecured and are normally settled within 30 days from the invoice or date the invoice is first received.

24. Financial liabilities

	2020	2019
	\$'000	\$'000
Current		
Lease liabilities	1,917	-
Total current finance liabilities	1,917	-
Non-Current		
Lease liabilities	11,160	-
Total non-current finance liabilities	11,160	-
Total finance liabilities	13,077	-

ONRSR has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

25. Employee benefits

	2020	2019
	\$'000	\$'000
Current		
Accrued salaries and wages	627	361
Separation and redundancy payments	115	-
Annual Leave	1,631	1,009
Long service leave	1,670	992
Total current employee benefits	4,043	2,362
Non-Current		
Long service leave	741	593
Total non-current employee benefits	741	593
Total Employee benefits	4,784	2,955

Employee benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. The obligations are presented as current liabilities if ONRSR does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

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Short term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of the employee's service up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

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 is estimated to be less than the annual entitlement for sick leave.

Other long-term benefit obligations

The liability for long service leave which is not expected to be settled within 12 months after the end of the period in which employees render the related service is recognised in employee benefits and measured as the present value of the expected future payments to be made in respect of services provided by employees up to the end of the reporting periods using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on government bonds.

Separation and redundancy

Provision is made for separation and redundancy benefit payments. ONRSR recognises a provision for separation or redundancy when it has developed a detailed plan for the separation or redundancy and the affected employees have agreed to the separation or redundancy.

26. Other liabilities

	2020 \$'000	2019 \$'000
Current		
Lease Incentive	-	13
Total current other liabilities	-	13
Non-Current		
Lease Incentive	-	63
Total non-current other liabilities	-	63
Total other liabilities	-	76

27. Provisions

	2020 \$'000	2019 \$'000
Non-current		
Opening Balance - Make Good	389	389
Additions to Make Good	265	-
Revaluation of Make Good	565	-
Total provisions	1,219	389

ONRSR currently has agreements for the leasing of premises which have provisions requiring ONRSR to restore premises to their original condition at the conclusion of the lease. The entity has made a provision to reflect the present value of that obligation.

28. Unrecognised contractual commitments

Capital commitments

	2020 \$'000	2019 \$'000
Within one year	4	-
Later than one year but no longer than five years	-	-
Total capital commitments	4	-

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Expenditure commitments - Other

	2020	2019
	\$'000	\$'000
Within one year	1,010	771
Later than one year but no longer than five years	563	851
Total other commitments	1,573	1,622

Amounts disclosed include commitments arising from IT maintenance contracts and contractors and short term leases not recognised in accordance with AASB 16.

Operating lease commitments

	2020	2019
	\$'000	\$'000
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	-	1,721
Later than one year but no longer than five years	-	6,663
Later than five years	-	2,886
Total operating lease commitments	-	11,270

Operating lease commitments is provided for the comparative year only as AASB 16 does not distinguish between operating leases and financial leases for the lessee.

29. Contingent assets and liabilities

The ONRSR is not aware of any contingent assets or liabilities at 30 June 2020.

30. Key management personnel

Key management personnel of ONRSR include the Regulator, Non Executive Members and Executive Directors who have responsibility for the strategic direction and management of ONRSR. Total compensation for the ONRSR's key management personnel was \$1.920 million (2019: \$1.913 million). The total number of key management personnel is 7 (2019: 8).

Transactions with key management personnel

There were no transactions with the key management personnel during the reporting period.

31. Related party transactions

Related parties of ONRSR include all key management personnel and their close family members. There were no related party transactions during the reporting period.

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32. Financial instruments

Categorisation of financial instruments

The carrying amounts of each of the financial instrument categories are detailed below:

	2020	2019
	\$'000	\$'000
Financial assets:		
Financial assets		
Cash and cash equivalents	13,438	17,630
Term deposits	8,000	-
Financial assets at amortised cost		
Receivables	91	143
Total financial assets	21,529	17,773
Financial liabilities:		
Financial liabilities at amortised cost		
Payables	242	3,169
Lease liabilities	13,077	-
Total financial liabilities	13,319	3,169
Net gain or loss on financial assets:		
Cash and cash equivalents		
Interest on cash and cash equivalents	121	240
Financial assets		
Interest on term deposits	192	156
Net gain (loss) on financial assets	313	396
Net gain or loss on financial liabilities:		
Lease Liabilities		
Interest expense on lease liabilities	(203)	-
Payables		
Gain on derecognition of financial liabilities	818	-
Net gain (loss) on financial assets	615	-

Receivable and payable amounts disclosed in this note exclude amounts relating to statutory receivables and payables.

Receivables amount disclosed here excludes prepayments and security deposits. Prepayments are presented in note 14 receivables in accordance with paragraph 78 (b) of AASB 101. Prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

Financial assets include contractual rights to receive cash or another financial asset from another entity. Financial assets also include receivables that arise from statutory requirements, as the statutory requirements provide ONRSR with a right to receive cash or another financial asset from another entity.

Financial assets are measured at amortised cost using the effective interest method adjusted for any loss allowance.

Financial assets are assessed for impairment at each balance date.

Financial liabilities consist of suppliers and other payables and are measured at amortised cost. Due to their short term nature they are not discounted. Liabilities are recognised to the extent that the goods or services have been received.