

Rail Commissioner

Financial report
for the year ended
30 June 2020



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To the Rail Commissioner

Opinion

I have audited the financial report of the Rail Commissioner 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 Rail Commissioner as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with the relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* 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 Rail Commissioner and the Executive Director, People and Corporate Services for the Department for Infrastructure and Transport.

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 Rail Commissioner. 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 I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Rail Commissioner for the financial report

The Rail Commissioner is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* 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*, I have audited the financial report of the Rail Commissioner 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 Rail Commissioner's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Rail Commissioner
- 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 Rail Commissioner 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 'Andrew Richardson', with a long horizontal stroke extending to the right.

Andrew Richardson
Auditor-General
25 September 2020

Rail Commissioner CERTIFICATION OF THE FINANCIAL STATEMENTS

We certify that the:

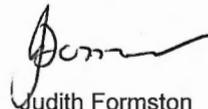
- financial statements of the Rail Commissioner:
 - are in accordance with the accounts and records of the Rail Commissioner; and
 - comply with relevant Treasurer's instructions; and
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the Rail Commissioner at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the Rail Commissioner over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



**Tony Braxton-Smith
Chief Executive
Rail Commissioner**

Department for Infrastructure
and Transport
South Australia

18 September 2020



**Judith Formston
Executive Director, People
and Corporate Services**

Department for Infrastructure
and Transport
South Australia

18 September 2020



**Government
of South Australia**

Rail Commissioner

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2020

Rail Commissioner Financial Statements 2019-20

**Statement of Comprehensive Income
for the year ended 30 June 2020**

	Note	2020 \$'000	2019 \$'000
Income			
Revenues for the provision of services	3	71,398	74,408
Total Income		<u>71,398</u>	<u>74,408</u>
Expenses			
Employee benefits expenses	4	71,398	74,408
Total Expenses		<u>71,398</u>	<u>74,408</u>
Net Result		<u>-</u>	<u>-</u>
Total Comprehensive result		<u>-</u>	<u>-</u>

The net result and comprehensive result are attributable to the SA Government as owner.

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

Rail Commissioner Financial Statements 2019-20

**Statement of Financial Position
as at 30 June 2020**

	Note	2020 \$'000	2019 \$'000
Current Assets			
Receivables	5	14,833	14,401
Total Current Assets		14,833	14,401
Non-Current Assets			
Receivables	5	21,468	22,368
Total Non-Current Assets		21,468	22,368
Total Assets		36,301	36,769
Current Liabilities			
Payables	6	1,657	1,682
Employee benefits	7	11,924	11,460
Provisions	8	1,252	1,259
Total Current Liabilities		14,833	14,401
Non-Current Liabilities			
Payables	6	2,049	1,657
Employee benefits	7	15,316	16,957
Provisions	8	4,103	3,754
Total Non-Current Liabilities		21,468	22,368
Total Liabilities		36,301	36,769
Net Assets		-	-
Equity			
Retained earnings		-	-
Total Equity		-	-

The Total Equity is attributable to the SA Government as owner.

Commitments	10
Contingent assets and liabilities	11

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

Rail Commissioner Financial Statements 2019-20

**Statement of Changes in Equity
for the year ended 30 June 2020**

	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2018	<u>-</u>	<u>-</u>
Net result for 2018-19	-	-
Total comprehensive result for 2018-19	<u>-</u>	<u>-</u>
Balance at 30 June 2019	<u>-</u>	<u>-</u>
Net result for 2019-20	-	-
Total comprehensive result for 2019-20	<u>-</u>	<u>-</u>
Balance at 30 June 2020	<u>-</u>	<u>-</u>

All changes in equity are attributable to the SA Government as owner.

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

Rail Commissioner Financial Statements 2019-20

Statement of Cash Flows
for the year ended 30 June 2020

	2020 \$'000	2019 \$'000
Cash flows from Operating Activities		
Cash Inflows		
Revenues for the provision of services	71,865	71,823
Cash generated from operations	<u>71,865</u>	<u>71,823</u>
Cash Outflows		
Employee benefit payments	(71,865)	(71,823)
Cash used in operations	<u>(71,865)</u>	<u>(71,823)</u>
Net cash provided by operating activities	<u>-</u>	<u>-</u>
Net (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the period	-	-
Cash and cash equivalents at the end of the period	<u>-</u>	<u>-</u>

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

**Notes to the Financial Statements
for the year ended 30 June 2020**

Note 1 Basis of Financial Statements

1.1 Reporting entity

The financial statements cover the Rail Commissioner as an individual reporting entity. The Rail Commissioner is a body corporate pursuant to the Rail Commissioner Act 2009.

1.2 Statement of compliance

The Rail Commissioner has prepared the Financial Statements in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards (Reduced Disclosure Requirements) and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Rail Commissioner has applied Australian Accounting Standards that are applicable to not-for-profit entities as the Rail Commissioner is a not-for-profit entity. Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the period ending 30 June 2020.

1.3 Basis of preparation

The financial statements have been prepared based on a 12 month period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

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

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Significant accounting policies are set out in the notes.

1.4 Taxation

The Rail Commissioner is not subject to income tax. The Rail Commissioner is liable for payroll tax and fringe benefits tax.

1.5 Insurance

The Rail Commissioner risks and liabilities are insured by DPTI's insurance arrangements through the South Australian Government Financing Authority.

1.6 Budgetary reporting

The budget for the Rail Commissioner is published as part of DPTI's budget and is not separately identified. The budgetary reporting standard (AASB 1055) does not apply.

Note 2 Objectives and Activities

2.1 Objectives of the Rail Commissioner

The Rail Commissioner was established as a body corporate by the *Rail Commissioner Act 2009*. The *Rail Commissioner Act 2009* provided that the Rail Commissioner's principal activity was to operate passenger transport services, an activity that continued to be the primary focus until 30 June 2011.

As part of the restructure of the State Government's public transport functions, Cabinet approved the transfer of all assets, contracts, rights and liabilities from the Rail Commissioner to the Department of Planning, Transport, and Infrastructure (DPTI), effective 1 July 2011. Under this arrangement, the Rail Commissioner exists for the purposes of employing operational staff employed under Federal Awards.

2.2 Impact of COVID-19 pandemic on Rail Commissioner

The COVID-19 pandemic has had no material impact on the financial position of the Rail Commissioner in 2019-20. At this stage, there is insufficient information to determine whether the COVID-19 pandemic will have a material impact 2020-21.

Impacts in relation to the operation of the public transport network are disclosed in the 2019-20 financial statements of the Department of Planning, Transport and Infrastructure.

The Rail Commissioner will continue to assess the impact of the COVID-19 pandemic on their financial position in 2020-21.

2.3 Adelaide Rail Transformation Program

In 2019-20 the SA Government announced its intention to contract for the operations of Adelaide Metro tram and train services.

In March 2020, a contract was executed for a private operator to provide tram services. These services commenced on 5 July 2020. As at 30 June 2020, 98 tram employees will transfer from the Rail Commissioner to the private operator on the commencement date.

As at the date of this report, the SA Government was in the process of procuring train services. Dependent on the outcome of the procurement process, it is expected that a private operator would commence providing train services during 2020-21.

Rail Commissioner Financial Statements 2019-20

**Notes to the Financial Statements (continued)
for the year ended 30 June 2020**

Note 3 - Revenues for the provision of services	2020	2019
	\$'000	\$'000
Revenue from DPTI for employee expenses	71,398	74,408
Total revenues for the provision of services	71,398	74,408

Revenue represents the reimbursement from DPTI for the cost of employing staff.

Note 4 - Employee Benefits

4.1 Employee Benefits Expenses	2020	2019
	\$'000	\$'000
Salaries and wages	54,659	53,475
TVSPs	17	562
Long service leave*	(207)	2,776
Annual leave	4,336	4,727
Skills and experience retention leave	235	228
Block book off	1,277	1,427
Workers compensation	2,079	2,417
Employment on-costs - superannuation**	5,769	5,411
Employment on-costs - payroll tax	3,233	3,385
Total employee benefits expenses	71,398	74,408

*A write down of the long service leave liability balance at 30 June 2020 has led to a decrease in the long service leave expense. This write down was largely due to the remeasurement of the provision for the 98 transferring tram employees (note 2.3) and a decrease in the long term salary inflation rate (note 7.2).

**The superannuation employment on-cost charge represents the Rail Commissioner's contributions to superannuation plans in respect of current services of current employees.

4.2 Targeted Voluntary Separation Packages (TVSPs)	2020	2019
	\$'000	\$'000
Amounts paid during the reporting period to separated employees		
TVSPs	17	562
Annual leave, skills and experience retention leave and long service leave paid to those employees	-	190
	17	752

The number of employees who received a TSVP during the financial year was 0 (6), the amounts paid during the reporting period were for backpays relating to TVSPs paid in 2018-19.

4.3 Key Management Personnel

The Rail Commissioner is a body corporate established pursuant to the Rail Commissioner Act 2009 and is a wholly owned and controlled entity of the Crown.

Related parties of the Rail Commissioner include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Key management personnel of the Rail Commissioner include the Minister for Transport, Infrastructure and Local Government, the Rail Commissioner and the Deputy Rail Commissioner who have the responsibility for the management of the Rail Commissioner.

Compensation for the Rail Commissioner's key management personnel is paid by the Department of Planning, Transport and Infrastructure. The Minister's remuneration and allowances are set by the Parliamentary Remuneration Act 1990 and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the Parliamentary Remuneration Act 1990.

Rail Commissioner Financial Statements 2019-20

4.4 Remuneration of Employees

The number of employees whose remuneration received or receivable falls within the following bands:

Remuneration Band	2020 No	2019 No
\$149 000 - \$154 000*	N/A	3
\$154 001 - \$174 000	13	16
\$174 001 - \$194 000	11	10
\$194 001 - \$214 000	1	-
\$214 001 - \$234 000	3	2
\$234 001 - \$254 000	-	1
\$254 001 - \$274 000	1	-
	<u>29</u>	<u>32</u>

*This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2018-19.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year.

The total remuneration for the 29 employees (32 employees) was \$5.3 million (\$5.6 million) and reflects all costs of employment including salaries and wages, superannuation contributions, salary sacrifice benefits and fringe benefits tax paid or payable in respect of these benefits.

Rail Commissioner Financial Statements 2019-20

**Notes to the Financial Statements (continued)
for the year ended 30 June 2020**

Note 5 - Receivables	2020	2019
	\$'000	\$'000
Current		
Employee benefits	11,924	11,460
Workers compensation	1,252	1,259
Oncost related to employee benefits	1,634	1,653
Workers compensation recoveries	23	29
Total current receivables	14,833	14,401
Non-current		
Employee benefits	15,316	16,957
Workers compensation	4,103	3,754
Oncost related to employee benefits	1,926	1,554
Workers compensation recoveries	123	103
Total non-current receivables	21,468	22,368
Total receivables	36,301	36,769

Receivables represent amounts payable by DPTI as at the reporting date to provide for the employee benefits liability entitled to employees employed by the Rail Commissioner.

Note 6 - Payables	2020	2019
	\$'000	\$'000
Current:		
Accrued employment on-costs	1,634	1,653
Workers compensation	23	29
Total current payables	1,657	1,682
Non-Current:		
Employment on-costs	1,926	1,554
Workers compensation	123	103
Total non-current payables	2,049	1,657
Total payables	3,706	3,339

Employment on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave. The Rail Commissioner makes contributions to several State Government and externally managed 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.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the average factor for the calculation of employer superannuation cost on-cost has remained unchanged from the 2019 rate of 9.8%. In the current year, the estimate for long service leave taken as leave was updated to 74%, as the proportion of long service leave taken as leave over the past 3 years. In the prior year, the average rate of long service leave taken as leave of 41% was used, which was provided as a result of actuarial assessment performed by DTF. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is an increase in employment on-cost and employee benefit expense of \$0.558million. The estimated impact on 2021 and 2022 is not expected to be materially different to the impact in 2020.

Employment on-costs have not been included for the 98 transferring tram employees as employment on-costs are not payable to the contractor upon transfer of the employees.

Rail Commissioner Financial Statements 2019-20

**Notes to the Financial Statements (continued)
for the year ended 30 June 2020**

Note 7 - Employee Benefits - Liability	2020	2019
	\$'000	\$'000
Current:		
Annual leave	5,385	5,624
Long service leave	1,635	1,103
Block book off	2,295	2,205
Skills and experience retention leave	452	444
Total current employee benefits provisions*	<u>9,767</u>	<u>9,376</u>
Accrued wages and salaries	2,157	2,084
Total current employee benefits	<u>11,924</u>	<u>11,460</u>
Non-current:		
Long service leave	15,316	16,957
Total non-current employee benefits	<u>15,316</u>	<u>16,957</u>
Total employee benefits	<u>27,240</u>	<u>28,417</u>

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. Non-current employee benefits are measured at present value and current employee benefits are measured at nominal amounts.

*In March 2020 the Minister for Transport, Infrastructure and Local Government, along with the Rail Commissioner, entered into an outsourcing agreement for a private operator to provide tram services from early July 2020. As at 30 June 2020, 98 tram employees will transfer to the private operator on the commencement date. The long service leave, annual leave, skills and experience retention leave and block book off leave liabilities for these employees have been measured at the estimated amount to be paid in the 2020-21 financial year. All other employee liabilities have been measured as specified below.

7.1 Salaries, wages, annual leave, block book off, skills and experience retention leave and sick leave

Liability for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability, SERL liability and block book off liability in full is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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 of sick leave.

7.2 Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has decreased from the rate of 1.25% in 2019 to 0.75% in 2020.

The actuarial assessment performed by the Department of Treasury and Finance decreased the salary inflation rate from 4% in 2019 to 2.5% in 2020 for long service leave liability. The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$1.05m and a decrease in employee benefit on-costs expense of \$0.132m. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

The long service leave liability has been allocated between current and non-current liabilities using the leave pattern history of previous years.

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Notes to the Financial Statements (continued)
for the year ended 30 June 2020

Note 8 - Provisions	2020	2019
	\$'000	\$'000
Current:		
Provision for workers compensation	1,252	1,259
Total current provisions	<u>1,252</u>	<u>1,259</u>
Non-current:		
Provision for workers compensation	4,103	3,754
Total non-current provisions	<u>4,103</u>	<u>3,754</u>
Total:		
Provision for workers compensation	5,355	5,013
Total provisions	<u>5,355</u>	<u>5,013</u>
	2020	2019
	\$'000	\$'000
Carrying amount at the beginning of the period	5,013	3,700
(Decrease)/increase in provision due to revision of estimates	1,676	2,167
Amounts used	(1,334)	(854)
Carrying amount at 30 June 2020	<u>5,355</u>	<u>5,013</u>

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2020 provided by a consulting actuary engaged through the Office of the Commissioner for the Public Sector. The provision reflects the actuarial valuation of outstanding liabilities under the Return to Work Act (2014) and Additional Compensation provisions. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

Note 9 - Presentation of Financial Statements

Treasurer's Instructions (Accounting Policy Statements) issued on 1 June 2020 removed the previous requirement for financial statements to be prepared using the net cost of services format. The net cost of services is the total cost of services less any revenue retained by public authorities involved in the provision of services but does not include items classified as revenues from and payments to the South Australian Government.

Presentation of the Statement of Comprehensive Income on an 'income and expense' basis allows information to be presented in such a way that eliminates potential confusion as to the source of funding for the department. As well as changes to the format of the Statement of Comprehensive Income, there are presentational changes to remove the net cost of services format from the Statement of Cash Flows. These statements now show income before expenses, and cash receipts before cash payments. Related disclosures also reflect this changed format.

Note 10 - Commitments

The Rail Commissioner has no commitments as at 30 June 2020.

Note 11 - Contingent assets and liabilities

As at 30 June 2020 the Rail Commissioner has no contingent assets or liabilities.

Rail Commissioner Financial Statements 2019-20

Note 12 - Impact of Standards and Statements not yet implemented

The Rail Commissioner did not voluntarily change any of its accounting policies during 2019-20.

The Rail Commissioner has assessed the impact of new or revised accounting standards not yet applicable and does not expect these to have a material impact.

Note 13- After Balance day Events

Events between 30 June and the date the financial statements are authorised that may have a material impact on the result in subsequent years.

The Adelaide Rail Transformation Program will have a significant impact on the future activities of the Rail Commissioner. A new tram service model commenced on 5 July 2020. Refer note 2.3 for more information.

The Rail Commissioner is not aware of any further events occurring after balance date.