

Rail Commissioner

Financial report
for the year ended 30
June 2021



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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 2021.

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 2021, its financial performance and its cash flows for the year then ended in accordance with 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 2021
- a Statement of Financial Position as at 30 June 2021
- a Statement of Changes in Equity for the year ended 30 June 2021
- a Statement of Cash Flows for the year ended 30 June 2021
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Rail Commissioner and the Executive Director, People & 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.

In preparing the financial report, the Rail Commissioner is responsible for assessing the entity's ability to continue as a going concern, taking into account any policy or funding decisions the government has made which affect the continued existence of the entity. The Rail Commissioner is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

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 2021.

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:

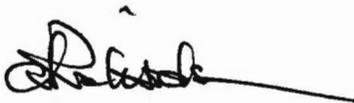
- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material 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
- conclude on the appropriateness of the Rail Commissioner's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material

uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern

- 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.



Andrew Richardson

Auditor-General

27 September 2021

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 for the financial year over its financial reporting and its preparation of the financial statements have been effective.



Tony Braxton-Smith
Chief Executive
Rail Commissioner

Department for Infrastructure
and Transport
South Australia

17 September 2021



Judith Formston
Executive Director, People
and Corporate Services

Department for Infrastructure
and Transport
South Australia

17 September 2021



**Government
of South Australia**

Rail Commissioner

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2021

Rail Commissioner Financial Statements 2020-21

**Statement of Comprehensive Income
for the year ended 30 June 2021**

	Note	2021 \$'000	2020 \$'000
Income			
Revenues for the provision of services	3	50,606	71,398
Total Income		<u>50,606</u>	<u>71,398</u>
Expenses			
Employee benefits expenses	4	50,606	71,398
Total Expenses		<u>50,606</u>	<u>71,398</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 2020-21

Statement of Financial Position
as at 30 June 2021

	Note	2021 \$'000	2020 \$'000
Current Assets			
Receivables	5	9,710	14,833
Total Current Assets		<u>9,710</u>	<u>14,833</u>
Non-Current Assets			
Receivables	5	12,865	21,468
Total Non-Current Assets		<u>12,865</u>	<u>21,468</u>
Total Assets		<u>22,575</u>	<u>36,301</u>
Current Liabilities			
Payables	6	1,062	1,657
Employee benefits	7	7,337	11,924
Provisions	8	1,311	1,252
Total Current Liabilities		<u>9,710</u>	<u>14,833</u>
Non-Current Liabilities			
Payables	6	926	2,049
Employee benefits	7	7,381	15,316
Provisions	8	4,558	4,103
Total Non-Current Liabilities		<u>12,865</u>	<u>21,468</u>
Total Liabilities		<u>22,575</u>	<u>36,301</u>
Net Assets		<u>-</u>	<u>-</u>
Equity			
Retained earnings		-	-
Total Equity		<u>-</u>	<u>-</u>

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 2020-21

**Statement of Changes in Equity
for the year ended 30 June 2021**

	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2019	-	-
Net result for 2019-20	-	-
Total comprehensive result for 2019-20	-	-
Balance at 30 June 2020	-	-
Net result for 2020-21	-	-
Total comprehensive result for 2020-21	-	-
Balance at 30 June 2021	-	-

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 2020-21

Statement of Cash Flows
for the year ended 30 June 2021

	2021	2020
	\$'000	\$'000
Cash flows from Operating Activities		
Cash Inflows		
Revenues for the provision of services	64,333	71,866
Cash generated from operations	<u>64,333</u>	<u>71,866</u>
Cash Outflows		
Employee benefit payments	(64,333)	(71,866)
Cash used in operations	<u>(64,333)</u>	<u>(71,866)</u>
Net cash provided by operating activities	<u>-</u>	<u>-</u>
Cash flows from Financing Activities		
Transfer of cash to DIT	-	-
Net cash provided by financing 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 2021**

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's 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 2021.

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 DIT'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 DIT'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 for Infrastructure and Transport (DIT), 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 2020-21. At this stage, there is insufficient information to determine whether the COVID-19 pandemic will have a material impact 2021-22.

Impacts in relation to the operation of the public transport network are disclosed in the 2020-21 financial statements of the Department for Infrastructure and Transport.

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

2.3 Adelaide Rail Transformation Program

On 5 July 2020 tram service transitioned to an outsourced model with the contracted provider now responsible for all network operations and service delivery, and the maintenance of tram network assets.

On 31 January 2021 heavy rail operations transitioned to an outsourced model with the contracted provider now responsible for all network operations and service delivery, and the maintenance of rail network assets.

As part of the outsourcing arrangements, employees were offered employment with the new service providers under Transfer of Business provisions of the *Fair Work Act 2009 (Cth)* or would commence the Redeployment, Retraining and Redundancy (RRR) processes as set out in the relevant enterprise agreements when they ceased performing their duties.

Employees that entered into RRR remain employees of the Rail Commissioner, until they accept a voluntary redundancy payment (VSP), resign or are offered alternative suitable employment within the South Australian public sector.

To ensure ongoing operations of the rail network during the transition process, specific groups of employees have been retained in their duties for agreed periods and made available to the new train service provider. The cost of these employees and arrangements are recovered from the service provider.

Rail Commissioner Financial Statements 2020-21

**Notes to the Financial Statements (continued)
for the year ended 30 June 2021**

Note 3 - Revenues for the provision of services	2021	2020
	\$'000	\$'000
Revenue from DIT for employee expenses	42,923	71,398
Revenue from private operator for employee expenses	7,683	-
Total revenues for the provision of services	50,606	71,398

Revenue represents the reimbursement from DIT and the private operator for the cost of employing staff.

Following the transition to outsourced heavy rail operations on 31 January 2021, Rail Commissioner staff have been made available to the private operator who reimbursed the Rail Commissioner for employee expenses.

Note 4 - Employee Benefits

4.1 Employee Benefits Expenses	2021	2020
	\$'000	\$'000
Salaries and wages	40,499	54,659
TVSPs	5,202	17
Long service leave*	(4,563)	(207)
Annual leave	1,455	4,336
Skills and experience retention leave	146	235
Block book off	567	1,277
Workers compensation	2,301	2,079
Employment on-costs - superannuation**	2,684	5,769
Employment on-costs - payroll tax	2,315	3,233
Total employee benefits expenses	50,606	71,398

*A write down of the long service leave liability balance at 30 June 2021 has led to a decrease in the long service leave expense. This write down was largely due to the remeasurement of the provision following the transfer of heavy rail employees to the private operator (note 2.3).

**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)	2021	2020
	\$'000	\$'000
Amounts paid during the reporting period to separated employees		
TVSPs	5,202	17
Annual leave, skills and experience retention leave and long service leave paid to those employees	2,929	-
	8,131	17

The number of employees who received a TSVP during the reporting period was 62 (0).

4.3 Key Management Personnel

Rail Commissioner Financial Statements 2020-21

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 Infrastructure and Transport, 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 for Infrastructure and Transport. 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 2020-21

4.4 Remuneration of Employees

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

Remuneration Band	2021 No	2020 No
\$154 001 - \$174 000	18	19
\$174 001 - \$194 000	2	5
\$194 001 - \$214 000	-	2
\$214 001 - \$234 000	-	3
\$234 001 - \$254 000	-	1
\$294 001 - \$314 000 (a)	1	-
\$314 001 - \$334 000 (a)	1	-
\$334 001 - \$354 000 (b)	2	-
\$354 001 - \$374 000 (b)	2	-
\$394 001 - \$414 000 (b)	2	-
	28	30

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

The total remuneration for the 28 employees (30 employees) was \$6.2 million (\$5.3 million) and reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits as well as any termination benefits for employees who have left the department.

(a) 2021 - includes TVSP payment for one employee

(b) 2021 - includes TVSP payment for two employees

Rail Commissioner Financial Statements 2020-21

**Notes to the Financial Statements (continued)
for the year ended 30 June 2021**

Note 5 - Receivables	2021	2020
	\$'000	\$'000
Current		
Employee benefits	7,337	11,924
Workers compensation	1,311	1,252
Oncost related to employee benefits	1,048	1,634
Workers compensation recoveries	14	23
Total current receivables	9,710	14,833
Non-current		
Employee benefits	7,381	15,316
Workers compensation	4,558	4,103
Oncost related to employee benefits	840	1,926
Workers compensation recoveries	86	123
Total non-current receivables	12,865	21,468
Total receivables	22,575	36,301

Receivables represent amounts owing from DIT and the private operator as at the reporting date to provide for the employee benefits liabilities of the Rail Commissioner.

Note 6 - Payables	2021	2020
	\$'000	\$'000
Current:		
Accrued employment on-costs	1,048	1,634
Workers compensation	14	23
Total current payables	1,062	1,657
Non-Current:		
Employment on-costs	840	1,926
Workers compensation	86	123
Total non-current payables	926	2,049
Total payables	1,988	3,706

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 increased from the 2020 rate of 9.8% to the rate of 10.1% in 2021. In the current year, the estimate for long service leave taken as leave was 61% (74%), calculated inline with the prior year as the proportion of long service leave taken as leave over the past 3 years.

The average rate of long service leave taken as leave of 42%, provided as a result of actuarial assessment performed by DTF, was not used as it would result in an understatement of the employee on cost liabilities.

These rates are used in the employment oncost calculation. The net financial effect of the changes in the current financial year is an decrease in employment on-cost and employee benefit expense of \$0.094million. The estimated impact on 2022 and 2023 is not expected to be materially different to the impact in 2021.

Rail Commissioner Financial Statements 2020-21

Notes to the Financial Statements (continued)
for the year ended 30 June 2021

Note 7 - Employee Benefits - Liability	2021	2020
	\$'000	\$'000
Current:		
Annual leave	3,006	5,385
Long service leave	1,730	1,635
Block book off	1,376	2,295
Skills and experience retention leave	258	452
Total current employee benefits provisions*	<u>6,370</u>	<u>9,767</u>
Accrued wages and salaries	967	2,157
Total current employee benefits	<u>7,337</u>	<u>11,924</u>
Non-current:		
Long service leave	7,381	15,316
Total non-current employee benefits	<u>7,381</u>	<u>15,316</u>
Total employee benefits	<u>14,718</u>	<u>27,240</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.

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, skills and experience retention leave 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 Employee Benefits 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 increased from 0.75% in 2020 to 1.25% in 2021.

The actuarial assessment performed by the Department of Treasury left the salary inflation rate at 2.5% for long service leave liability. As a result, there is no financial effect resulting from the change in the salary inflation rate.

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 \$0.55m and a decrease in employee benefit on-costs expense of \$0.06m. 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.

Rail Commissioner Financial Statements 2020-21

Notes to the Financial Statements (continued)
for the year ended 30 June 2021

Note 8 - Provisions	2021	2020
	\$'000	\$'000
Current:		
Provision for workers compensation	1,311	1,252
Total current provisions	<u>1,311</u>	<u>1,252</u>
Non-current:		
Provision for workers compensation	4,558	4,103
Total non-current provisions	<u>4,558</u>	<u>4,103</u>
Total:		
Provision for workers compensation	5,869	5,355
Total provisions	<u>5,869</u>	<u>5,355</u>
	–	
	2021	2020
	\$'000	\$'000
Carrying amount at the beginning of the period	5,355	5,013
(Decrease)/increase in provision due to revision of estimates	2,582	1,676
Amounts used	(2,068)	(1,334)
Carrying amount at 30 June 2021	<u>5,869</u>	<u>5,355</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 2021 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. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

Note 10 - Commitments

The Rail Commissioner has no commitments as at 30 June 2021.

Note 11 - Contingent assets and liabilities

As at 30 June 2021 the Rail Commissioner has no contingent assets or liabilities.

Rail Commissioner Financial Statements 2020-21

Note 12 - Impact of Standards and Statements not yet implemented

The Rail Commissioner did not voluntarily change any of its accounting policies during 2020-21.

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

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