

Rail Commissioner

Financial report
for the year ended
30 June 2019



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INDEPENDENT AUDITOR'S REPORT

To the Rail Commissioner

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 2019.

Opinion

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 2019, its financial performance and its cash flows for the year then ended in accordance with the 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 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Rail Commissioner and the Director, Finance for the Department of Planning, Transport and Infrastructure.

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* have been met.

I believe that the audit evidence 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 the 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

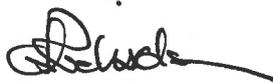
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an 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 'A Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

Auditor-General

20 September 2019

Rail Commissioner Financial Statements 2018-19

**Statement of Comprehensive Income
for the year ended 30 June 2019**

	Note	2019 \$'000	2018 \$'000
Expenses			
Employee benefits expenses	3	74,406	68,536
Total Expenses		<u>74,406</u>	<u>68,536</u>
Income			
Revenues for the provision of services	4	74,406	68,536
Total Income		<u>74,406</u>	<u>68,536</u>
Net cost of providing services		<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 2018-19

**Statement of Financial Position
as at 30 June 2019**

	Note	2019 \$'000	2018 \$'000
Current Assets			
Receivables	5	14,154	14,622
Total Current Assets		14,154	14,622
Non-Current Assets			
Receivables	5	22,615	19,562
Total Non-Current Assets		22,615	19,562
Total Assets		36,769	34,184
Current Liabilities			
Payables	6	1,661	1,789
Employee benefits	7	11,234	11,698
Provisions	8	1,259	1,135
Total Current Liabilities		14,154	14,622
Non-Current Liabilities			
Payables	6	1,678	1,504
Employee benefits	7	17,183	15,493
Provisions	8	3,754	2,565
Total Non-Current Liabilities		22,615	19,562
Total Liabilities		36,769	34,184
Net Assets		-	-
Equity			
Retained earnings		-	-
Total Equity		-	-

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

Commitments for expenditure	10
Contingent assets and liabilities	11

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

Rail Commissioner Financial Statements 2018-19

**Statement of Changes in Equity
for the year ended 30 June 2019**

	Retained Earnings	Total
	\$'000	\$'000
Balance at 30 June 2017	<u>-</u>	<u>-</u>
Net result for 2017-18	-	-
Total comprehensive result for 2017-18	<u>-</u>	<u>-</u>
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>

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 2018-19

Statement of Cash Flows
for the year ended 30 June 2019

	2019	2018
	\$'000	\$'000
Cash flows from Operating Activities		
Cash Outflows		
Employee benefit payments	(71,821)	(66,673)
Cash used in operations	<u>(71,821)</u>	<u>(66,673)</u>
Cash Inflows		
Revenues for the provision of services	71,821	66,673
Cash generated from operations	<u>71,821</u>	<u>66,673</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.

Rail Commissioner Financial Statements 2018-19

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for the year ended 30 June 2019

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**Notes to the Financial Statements
for the year ended 30 June 2019**

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 2019.

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.

Rail Commissioner Financial Statements 2018-19

**Notes to the Financial Statements (continued)
for the year ended 30 June 2019**

Note 3 - Employee Benefits

3.1 Employee Benefits Expenses	2019	2018
	\$'000	\$'000
Salaries and wages	53,475	50,121
TVSPs	562	282
Long service leave	2,776	1,896
Annual leave	4,727	5,498
Skills and experience retention leave	228	322
Block book off	1,427	1,588
Workers compensation	2,417	338
Employment on-costs - superannuation*	5,411	5,266
Employment on-costs - payroll tax	3,385	3,225
Total employee benefits costs	74,406	68,536

Reported employee benefits expenses are for employees employed by the Rail Commissioner.

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

3.2 Targeted Voluntary Separation Packages (TVSPs)	2019	2018
	\$'000	\$'000
Amounts paid during the reporting period to separated employees		
TVSPs	562	282
Annual leave, skills and experience retention leave and long service leave paid to those employees	190	169
	752	451

The number of employees who received a TSVP during the financial year was 6 (3).

3.3 Key Management Personnel

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.

3.4 Remuneration of Employees

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

Remuneration Band	2019	2018
	No	No
\$149 000 - \$151 000*	1	3
\$151 001 - \$171 000	14	30
\$171 001 - \$191 000	14	13
\$191 001 - \$211 000	-	2
\$211 001 - \$231 000	2	-
\$231 001 - \$251 000	1	-
	32	48

*This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2017-18

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 32 employees (48 employees) was \$5.6 million (\$8.0 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.

3.5 Remuneration of board and committee members

There is no board for the Rail Commissioner.

Rail Commissioner Financial Statements 2018-19

Notes to the Financial Statements (continued)
for the year ended 30 June 2019

Note 4 - Revenues for the provision of services	2019	2018
	\$'000	\$'000
Revenue from DPTI for employee expenses	74,406	68,536
Total revenues for the provision of services	74,406	68,536

Revenue represents the reimbursement from DPTI of employee benefits expenses of employees employed by the Rail Commissioner.

Note 5 - Receivables	2019	2018
	\$'000	\$'000
Current		
Employee benefits	11,234	11,698
Workers compensation	1,259	1,135
Oncosts related to employee benefits	1,632	1,747
Workers compensation recoveries	29	42
Total current receivables	14,154	14,622
Non-current		
Employee benefits	17,183	15,493
Workers compensation	3,754	2,565
Oncosts related to employee benefits	1,575	1,427
Workers compensation recoveries	103	77
Total non-current receivables	22,615	19,562
Total receivables	36,769	34,184

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	2019	2018
	\$'000	\$'000
Current:		
Accrued employment on-costs	1,632	1,747
Workers compensation	29	42
Total current payables	1,661	1,789
Non-Current:		
Employment on-costs	1,575	1,427
Workers compensation	103	77
Total non-current payables	1,678	1,504
Total payables	3,339	3,293

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 proportion of long service leave taken as leave remained unchanged from the 2018 rate of 41% and the average factor for the calculation of employer superannuation cost on-costs has changed from the 2018 rate (9.9%) to 9.8%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is a decrease in the employment on-cost of \$0.016m. The estimated impact on 2019 and 2020 is not expected to be materially different to the impact in 2019.

Rail Commissioner Financial Statements 2018-19

Notes to the Financial Statements (continued)
for the year ended 30 June 2019

Note 7 - Employee Benefits - Liability	2019	2018
	\$'000	\$'000
Current:		
Annual leave	5,624	5,697
Long service leave	877	801
Block book off	2,205	2,135
Skills and experience retention leave	444	527
Total current employee benefits provisions	<u>9,150</u>	<u>9,160</u>
Accrued wages and salaries	2,084	2,538
Total current employee benefits	<u>11,234</u>	<u>11,698</u>
Non-current:		
Long service leave	<u>17,183</u>	<u>15,493</u>
Total non-current employee benefits	<u>17,183</u>	<u>15,493</u>
Total employee benefits	<u>28,417</u>	<u>27,191</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, 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 2018 (2.5%) to 2019 (1.25%) .

The net financial effect of the changes to actuarial assumptions in the current financial year is an increase in the long service leave liability of \$1.4m and an increase in employee benefit on-costs expense of \$0.13m. 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 actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation 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 2018-19

Notes to the Financial Statements (continued)
for the year ended 30 June 2019

Note 8 - Provisions	2019 \$'000	2018 \$'000
Current:		
Provision for workers compensation	1,259	1,135
Total current provisions	<u>1,259</u>	<u>1,135</u>
Non-current:		
Provision for workers compensation	3,754	2,565
Total non-current provisions	<u>3,754</u>	<u>2,565</u>
Total:		
Provision for workers compensation	5,013	3,700
Total provisions	<u>5,013</u>	<u>3,700</u>
	2019 \$'000	2018 \$'000
Carrying amount at the beginning of the period	<u>3,700</u>	<u>4,118</u>
(Decrease)/increase in provision due to revision of estimates	2,167	147
Amounts used	(854)	(565)
Carrying amount at 30 June 2019	<u>5,013</u>	<u>3,700</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 2019 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 - Prior period adjustments

A review of accruals identified salaries and wages not recognised as at 30 June 2018. Due to the funding arrangement with DPTI there was no impact on net result or equity arising from this error.

Adjustments to prior period balances	2018 \$'000	
Employee benefits	(172)	
Payables	(91)	
Receivables	263	
Total error correction	<u>-</u>	
Restatement of net result		
	2018 \$'000	Total \$'000
Net cost of providing services for 2017-18	-	-
Error correction		
Employee benefits expenses	(35)	(35)
Revenues for the provision of services	35	35
Restated net cost of providing services for 2017-18	<u>-</u>	<u>-</u>

Note 10 - Commitments

The Rail Commissioner has no commitments as at 30 June 2019.

Note 11 - Contingent assets and liabilities

As at 30 June 2019 the Rail Commissioner has no contingent assets or liabilities.

Note 12 - Related Party Transactions

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.

12.1 Transactions with Key Management Personnel and other related parties

There were no transactions with key management personnel and other related parties during the year.

Note 13 - Impact of Standards and Statements not yet implemented

The Rail Commissioner did not voluntarily change any of its accounting policies during 2018-19.

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 14 - 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 the subsequent years.

On 1 July 2019, the Government announced the next step to modernising public transport services with a decision to proceed with the introduction of a contracting out model for Adelaide's rail services.

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

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 of Planning,
Transport and Infrastructure
South Australia

13 September 2019



**Bill Cagialis
Director, Finance**

Department of Planning,
Transport and Infrastructure
South Australia

13 September 2019