

Rail Commissioner

Financial report
for the year ended
30 June 2018



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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 2018.

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 2018, 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 2018
- a Statement of Financial Position as at 30 June 2018
- a Statement of Changes in Equity for the year ended 30 June 2018
- a Statement of Cash Flows for the year ended 30 June 2018
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Deputy Rail Commissioner and the Director, Finance and Risk, 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
- 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

21 September 2018

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.



Anne Alford
Deputy Rail Commissioner
Department of Planning,
Transport and Infrastructure
South Australia

19 September 2018



Bill Cagialis
Director, Finance and Risk
Department of Planning,
Transport and Infrastructure
South Australia

14 September 2018



**Government
of South Australia**

Rail Commissioner

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2018

Rail Commissioner Financial Statements 2017-18

**Statement of Comprehensive Income
for the year ended 30 June 2018**

	Note	2018 \$'000	2017 \$'000
Expenses			
Employee benefits expenses	3	68,571	67,625
Total Expenses		68,571	67,625
Income			
Revenues for the provision of services	4	68,571	67,625
Total Income		68,571	67,625
Net cost of providing services		-	-
Total Comprehensive result		-	-

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 2017-18

Statement of Financial Position
as at 30 June 2018

	Note	2018 \$'000	2017 \$'000
Current Assets			
Receivables	5	14,193	13,133
Total Current Assets		14,193	13,133
Non-Current Assets			
Receivables	5	19,728	19,188
Total Non-Current Assets		19,728	19,188
Total Assets		33,921	32,321
Current Liabilities			
Payables	6	1,684	1,534
Employee benefits	7	11,374	10,226
Provisions	8	1,135	1,373
Total Current Liabilities		14,193	13,133
Non-Current Liabilities			
Payables	6	1,518	1,419
Employee benefits	7	15,645	15,024
Provisions	8	2,565	2,745
Total Non-Current Liabilities		19,728	19,188
Total Liabilities		33,921	32,321
Net Assets		-	-
Equity			
Retained earnings		-	-
Total Equity		-	-

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

Commitments for expenditure	9
Contingent assets and liabilities	10

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

Rail Commissioner Financial Statements 2017-18

**Statement of Changes in Equity
for the year ended 30 June 2018**

	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2016	<u>-</u>	<u>-</u>
Net result for 2016-17	-	-
Total comprehensive result for 2016-17	<u>-</u>	<u>-</u>
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>

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 2017-18

Statement of Cash Flows
for the year ended 30 June 2018

	2018	2017
	\$'000	\$'000
Cash flows from Operating Activities		
Cash Outflows		
Employee benefit payments	(66,971)	(65,289)
Cash used in operations	<u>(66,971)</u>	<u>(65,289)</u>
Cash Inflows		
Revenues for the provision of services	66,971	65,289
Cash generated from operations	<u>66,971</u>	<u>65,289</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.

Note Index
for the year ended 30 June 2018

	Note
Basis of Financial Statements	1
Objectives and Activities	2
Expense Notes	
Employee Benefits	3
Income Notes	
Revenues for the provision of services	4
Asset Notes	
Receivables	5
Liabilities Notes	
Payables	6
Employee Benefits - Liability	7
Provisions	8
Other Notes	
Commitments	9
Contingent assets and liabilities	10
Related Party Transactions	11
Impact of Standards and Statements not yet implemented	12
Events after the reporting period	13

Notes to the Financial Statements Year Ended 30 June 2018

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 2018.

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.

Notes to the Financial Statements (continued)
Year Ended 30 June 2018

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 will exist for the purposes of employing operational staff employed under Federal Awards.

**Notes to the Financial Statements (continued)
for the year ended 30 June 2018**

Note 3 - Employee Benefits

3.1 Employee Benefits Expenses	2018	2017
	\$'000	\$'000
Salaries and wages	49,949	49,622
TVSPs	282	173
Long service leave	1,896	2,168
Annual leave	5,498	4,934
Skills and experience retention leave	322	311
Block book off	1,588	1,605
Workers compensation	338	163
Employment on-costs - superannuation*	5,396	5,349
Employment on-costs - payroll tax	3,302	3,300
Total employee benefits costs	68,571	67,625

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)	2018	2017
	\$'000	\$'000
Amounts paid during the reporting period to separated employees		
TVSPs	282	173
Annual leave, skills and experience retention leave and long service leave paid to those employees	169	73
	451	246

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

3.3 Key Management Personnel

Key management personnel include the Rail Commissioner and the Deputy Rail Commissioner who are responsible for the management of the Rail Commissioner's functions.

3.4 Remuneration of Employees

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

Remuneration Band	2018	2017
	No	No
\$149 001 - \$159 000	11	9
\$159 001 - \$169 000	20	2
\$169 001 - \$179 000	7	9
\$179 001 - \$189 000	7	9
\$189 001 - \$199 000	1	5
\$199 001 - \$209 000	2	2
\$219 001 - \$229 000	-	1
\$229 001 - \$239 000	-	1
	48	38

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 48 employees (38 employees) was \$8.0 million (\$6.7 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.

The increase in the number of employees in the remuneration banding is mainly attributable wage increases and back pay arising from the finalisation of enterprise agreements that expired 1 July 2014 and 31 December 2014.

3.5 Remuneration of board and committee members

There is no board for the Rail Commissioner.

**Notes to the Financial Statements (continued)
for the year ended 30 June 2018**

Note 4 - Revenues for the provision of services	2018	2017
	\$'000	\$'000
Revenue from DPTI for employee expenses	68,571	67,625
Total revenues for the provision of services	68,571	67,625

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

Note 5 - Receivables	2018	2017
	\$'000	\$'000
Current		
Employee benefits	11,374	10,226
Workers compensation	1,135	1,373
Oncosts related to employee benefits	1,642	1,512
Workers compensation recoveries	42	22
Total current receivables	14,193	13,133
Non-current		
Employee benefits	15,645	15,024
Workers compensation	2,565	2,745
Oncosts related to employee benefits	1,441	1,381
Workers compensation recoveries	77	38
Total non-current receivables	19,728	19,188
Total receivables	33,921	32,321

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	2018	2017
	\$'000	\$'000
Current:		
Accrued employment on-costs	1,642	1,512
Workers compensation	42	22
Total current payables	1,684	1,534
Non-Current:		
Employment on-costs	1,441	1,381
Workers compensation	77	38
Total non-current payables	1,518	1,419
Total payables	3,202	2,953

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 has changed from the 2017 rate 40% to 41% and the average factor for the calculation of employer superannuation cost on-costs has also changed from the 2017 rate 10.1% to 9.9%. 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 \$0.014m. The estimated impact on 2019 and 2020 is not expected to be materially different to the impact in 2018.

**Notes to the Financial Statements (continued)
for the year ended 30 June 2018**

Note 7 - Employee Benefits - Liability	2018	2017
	\$'000	\$'000
Current:		
Annual leave	5,697	4,647
Long service leave	649	673
Block book off	2,135	1,779
Skills and experience retention leave	527	465
Retiring and death gratuity	-	6
Total current employee benefits provisions	<u>9,008</u>	<u>7,570</u>
Accrued wages and salaries	<u>2,366</u>	<u>2,656</u>
Total current employee benefits	<u>11,374</u>	<u>10,226</u>
Non-current:		
Long service leave	<u>15,645</u>	<u>15,024</u>
Total non-current employee benefits	<u>15,645</u>	<u>15,024</u>
Total employee benefits	<u>27,019</u>	<u>25,250</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, block book off and skills and experience retention is expected to be payable within twelve 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 remains unchanged from the 2017 rate 2.5%.

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 \$0.043m and an increase in employee benefit on-costs expense of \$0.004m. 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 and 3% for annual leave and skills, experience and retention 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.

**Notes to the Financial Statements (continued)
for the year ended 30 June 2018**

Note 8 - Provisions	2018	2017
	\$'000	\$'000
Current:		
Provision for workers compensation	1,135	1,373
Total current provisions	1,135	1,373
Non-current:		
Provision for workers compensation	2,565	2,745
Total non-current provisions	2,565	2,745
Total:		
Provision for workers compensation	3,700	4,118
Total provisions	3,700	4,118
	2018	2017
	\$'000	\$'000
Carrying amount at the beginning of the period	4,118	5,449
(Decrease)/increase in provision due to revision of estimates	147	(39)
Amounts used	(565)	(1,292)
Carrying amount at 30 June 2018	3,700	4,118

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed of the outstanding liability as at 30 June 2018 provided by a consulting actuary engaged through the Office for the Public Sector (a division of the Department of the Premier and Cabinet). The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

Note 9 - Commitments

The Rail Commissioner has no commitments as at 30 June 2018.

Note 10 - Contingent assets and liabilities

As at 30 June 2018 the Rail Commissioner has no contingent assets or liabilities.

Note 11 - 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.

11.1 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 12 - Impact of Standards and Statements not yet implemented

The Rail Commissioner did not voluntarily change any of its accounting policies during 2017-18.

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 the subsequent years.

There were no events after balance day.