



INDEPENDENT
TRANSPORT
SAFETY
REGULATOR

ITSR ANNUAL REPORT

2015-16

ITSR

Safe transport for NSW

The Hon Andrew Constance MP
Minister for Transport and Infrastructure

Parliament House
Macquarie Street
Sydney NSW 2000

Dear Minister

It is my pleasure to submit to you the *Independent Transport Safety Regulator Annual Report 2015-16* for presentation to the NSW Parliament.

The report has been prepared in accordance with the requirements of the *Annual Reports (Statutory Bodies) Act 1984*, the *Annual Reports (Statutory Bodies) Regulation 2000* and the *Public Finance and Audit Act 1983*.

Yours sincerely



Paul Harris
Chief Executive

About this report

This report details the 2015-16 financial year activities undertaken by ITSr as a NSW Public Sector Agency working under a Service Level Agreement with the Office of the National Rail Safety Regulator.

Report

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Overview

Who we are

ITSR is a public service agency within the NSW Government's transport portfolio. ITSR reports directly to the NSW Minister for Transport while maintaining independence from Ministerial direction in relation to the exercise of its functions under Rail Safety National Law (RSNL). ITSR also retains the function to provide independent advice to the Minister on rail safety under the *Transport Administration Act 1988*.

ITSR delivers its RSNL function through a service level agreement with the Office of the National Rail Safety Regulator (ONRSR). Under this arrangement, ITSR staff are integrated across the National Operations, Technical, Policy, Communications and Planning and Corporate divisions of the ONRSR.

A small number of staff support ITSR's corporate governance activities to oversight IT, human resources, financial and administrative needs and continue to report to ITSR's Chief Executive.

While ITSR provides and contributes to regulatory services, ONRSR is accountable for regulation under the Rail Safety National Law (NSW) including rail safety outcomes within NSW. In addition to its role under the service level agreement, ITSR monitors to ensure that levels of rail safety regulation in NSW have been maintained.

What we do

Regulatory services ITSR provides under its service level agreement to ONRSR include:

- 🔊 assessment of accreditation and variation to accreditation applications and notifications of change
- 🔊 interface with operators on major rail projects to assist them with understanding their obligations under Rail Safety National Law
- 🔊 audits, inspections and compliance enforcement
- 🔊 compliance investigations
- 🔊 data analysis of rail safety incidents
- 🔊 provision of specialist technical advice
- 🔊 facilitation and leadership to deliver improvements in safety management
- 🔊 monitoring of industry responses to recommendations flowing from independent rail safety investigations and inquiries.

Operating environment

ITSR is based in Sydney. ITSR's rail safety and investigative officers travel regularly throughout NSW and interstate to conduct audits, inspections and compliance investigations of railway operations and to advise on and promote rail safety improvement.

The ITSR Chief Executive reports directly to the Minister for Transport.

Our statutory framework

ITSR's has three objectives under the *Transport Administration Act 1988*:

- ✎ to facilitate the safe operation of railway operations in NSW
- ✎ to exhibit independence, rigour and excellence in carrying out its regulatory and investigative functions
- ✎ to promote safety as a fundamental objective in the delivery of railway services.

Any matters concerning rail safety, including responses to public requests on safety information, are dealt with under the Rail Safety National Law. For other matters, the relevant NSW legislation applies.

Our resources

In 2015-16, ITSR employed 59 staff and had a total expenditure budget of \$16.9 million. ITSR's primary costs are staff salaries and operational costs. It does not own property assets.

Chief executive's message

During the year, ITSR continued supporting the Office of the National Rail Safety Regulator (ONRSR) under a service level agreement, delivering rail safety regulation in NSW and contributing to the overall effectiveness of ONRSR.

ONRSR, under Sue McCarrey's leadership, has continued to strengthen its governance and culture. Under the participative arrangements established with ONRSR, staff from ITSR were able to make valuable contributions to ONRSR's strategic direction, governance system and the quality of the risk based regulatory framework.

Throughout the year, ITSR continued to meet its obligations as a NSW agency, monitoring that the level of NSW rail safety regulation was maintained, delivering the strong governance required of a NSW public service agency and maximising the value of regulatory efforts delivered through the service level agreement with ONRSR.

I would like to thank ITSR's Executive Leadership Group (ELG) for their ongoing diligence and contribution to delivery of these objectives.

The ELG monitored support provided for NSW's new rail projects such as the Sydney Metro (Northwest and Southwest) and the Sydney and Newcastle Light Rail projects to ensure appropriate engagement with proponents and to promote the safety risk management practices required for the design, build and operation of NSW's major new rail infrastructure.

The ELG was pivotal in monitoring that the levels of rail safety regulation in NSW were being maintained. In reviewing this, the ELG not only confirmed that the required levels were being maintained but provided positive feedback on the evolution of ONRSR as a professional, competent regulatory organisation.

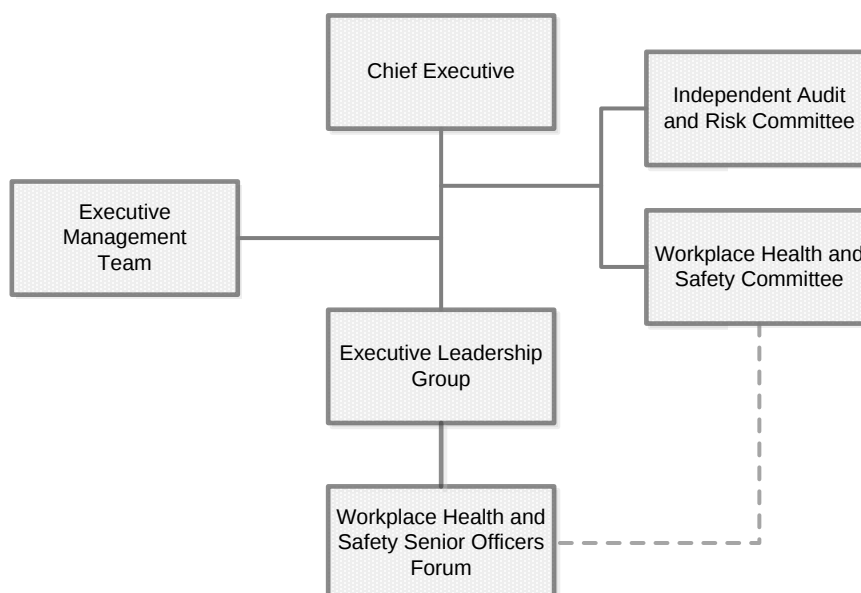
ITSR employees have continued to demonstrate commitment to their important tasks during what has become an extended process of transitioning to direct delivery of NSW rail safety regulation by ONRSR. At the time of writing, enactment of legislation for this change is still pending.

My thanks goes to our staff who have accepted that such a change requires detailed negotiation and planning. Their patience and understanding is reflected in their ongoing level of engagement as they participate in organisational systems for planning and feedback and work conscientiously to deliver the required levels of rail safety regulation in NSW.

Paul Harris
Chief Executive

Governance

ITSR governance structure



As at 30 June 2016, the formal governance structure comprised the:

Executive management team

The Executive Management Team comprising the Chief Executive, Executive Director Technical and NSW Branch Director met regularly to ensure effective day to day management of ITSR.

Executive leadership group

The Executive Leadership Group (ELG) comprised ITSR's senior managers as detailed in the organisational chart on page 9.

During 2015-16, the ELG met 8 times to review ITSR's operational and governance risks, monitor financial performance and advise the Chief Executive of any issues in respect to ensuring that regulatory activities under the service level agreement maintained the necessary levels of safety regulation in NSW. An ongoing focus for the group was monitoring issues in respect to the delivery of complex safety accreditations and variations for major rail projects in NSW.

Independent risk and audit committee

The Independent Risk and Audit Committee directly supported the Chief Executive on matters of audit and risk. It comprised two independent members and ITSR's Executive Director Technical and is supported by the Chief Audit Executive.

During the year, Mr Barker was reappointed as the independent Chair. Mr Peter Ross remained the independent member.

The Committee met 4 times and reviewed that ITSR was meeting its requirements to manage risk, progress implementation of recommendations from internal audits and the NSW Audit Office and manage proposed changes effectively.

Work, health and safety (WHS) committee

The WHS Committee comprising staff representatives meets with the Chief Executive. The Committee ensures consultation is held with staff regarding WHS risks and strategies to address these and promotes compliance with related requirements. The Committee met quarterly during the year reviewing options to promote a safer and healthy workplace, undertaking workplace inspections and reviewing accidents and near misses.

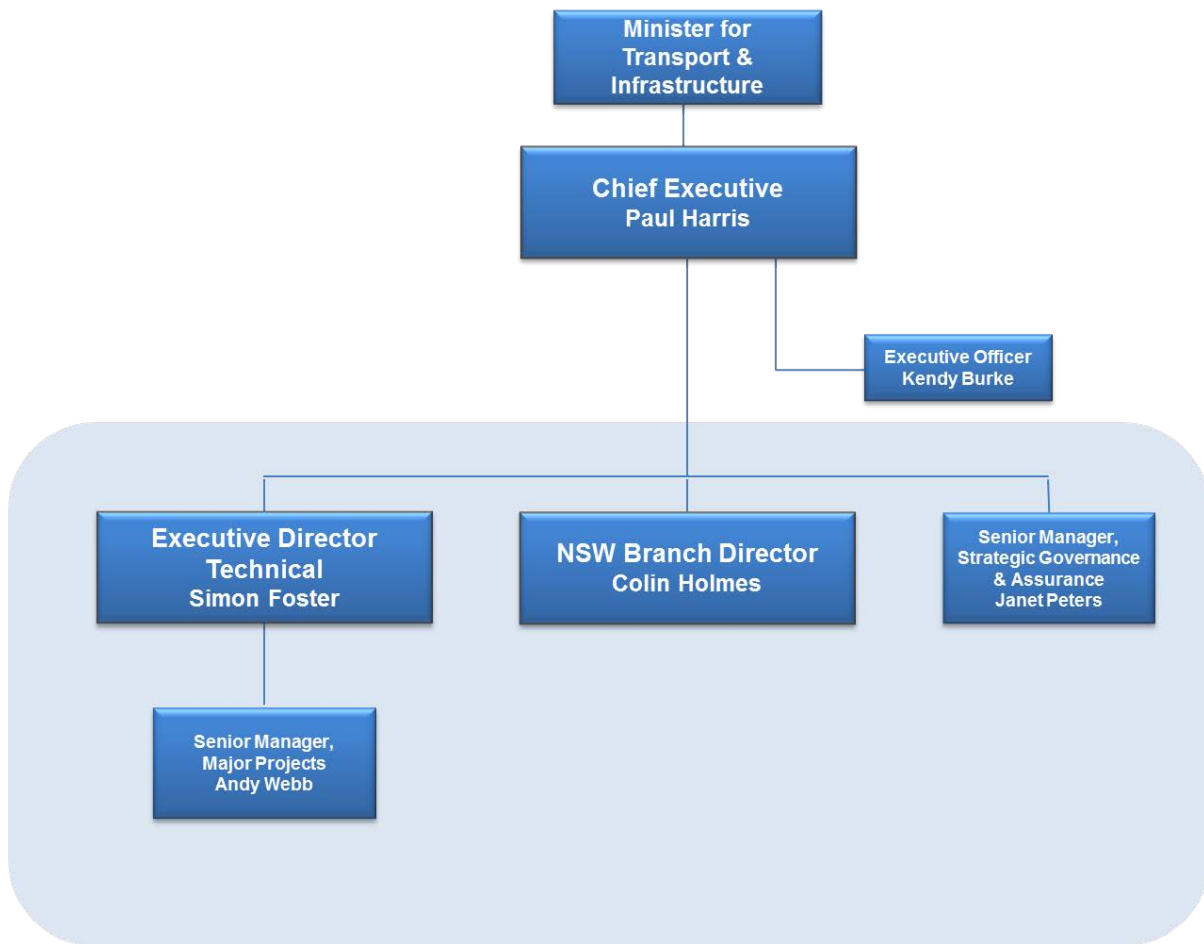
Work, health and safety (WHS) senior officers forum

The WHS Senior Officers Forum comprising all senior managers with significant control over resources is chaired by the Executive Director Technical. It provides strengthened governance for WHS within ITSR and ensures that the agency meets its obligations under NSW work, health and safety legislation.

During the year the forum met 7 times to deliver the following functions:

- 🔊 review of ITSR WHS policies and supporting procedures
- 🔊 conduct of consultation and communication strategies
- 🔊 resolution of WHS problems or issues
- 🔊 review of WHS risks and mitigation strategies
- 🔊 review of WHS incident & investigation reports
- 🔊 monitoring of actions on WHS findings/recommendations.

ITSR's Executive Leadership Group



Executive Leadership Group members' profiles are included in the appendices.

ITSR Agency report

Objective 1: Facilitate safe operation of rail operations in NSW

Achievement highlights

- ✎ professional working relationship with ONRSR maintained under an integrated organisational structure to deliver NSW rail safety regulation
- ✎ ongoing monitoring of the level of rail safety regulation in NSW undertaken with no deficiencies identified
- ✎ preparation of the 36th independent report on the implementation of the Waterfall Inquiry recommendations
- ✎ governance requirements met and a positive workplace environment maintained during a time when organisational changes were pending.

Context

During the year, ITSR continued to work under a service level agreement with ONRSR, delivering rail safety regulation in NSW and providing valued industry, technical and corporate support for the overall rail safety regulatory function. With ONRSR accountable for rail safety regulation outcomes under the Rail Safety National Law (NSW), ITSR's role is to ensure the provision of qualified specialist staff and resources with the objective of delivering appropriate regulatory outcomes. Coordination and alignment of ITSR's efforts is assured through utilisation of an integrated organisational structure comprising ONRSR and ITSR staff, with ITSR roles including representation on the ONRSR Executive and allocation of key management accountabilities to other ITSR executive staff.

ITSR also has the important independent function under the *Transport Administration Act 1988* that enables the Chief Executive to review and evaluate matters relating to the safe operations of railways and to advise or make recommendations to the Minister. With the commencement of ONRSR in January 2013 and subsequent introduction of the integrated organisational structure to ensure effective working relationships and coordinated effort, the focus of this function has changed. The central theme of this role has now become broad, high level monitoring that rail safety regulation levels in NSW are being maintained through ONRSR's leadership and delivery. This analysis underpins current actions to finalise arrangements for implementation of direct delivery of NSW rail safety regulation by ONRSR. ITSR's role in progressing the transition to direct delivery covers a spectrum from advice to negotiation and implementation.

Within this context, the following Agency report outlines ITSR's provision of strategic leadership, management and governance directed at achieving its legislated objective to "facilitate safe operation of railway operations in NSW".

Risk context

ITSR's risk context links aspects of its external environment to its internal strategic needs and capabilities. Key drivers for 2015-16 included:

- 🚂 working under a service level agreement with the Office of the National Rail Safety Regulator to deliver safety regulation in NSW under Rail Safety National Law
- 🚂 high levels of investment in rail infrastructure projects which require that safety considerations are built into the design and operation of new infrastructure
- 🚂 varied levels of rail industry experience, particularly through increases in contracting and sub-contracting which in turn increases the need to promote and enforce safety requirements
- 🚂 building and maintaining relationships with NSW transport portfolio staff given the nature of complex new accreditations.

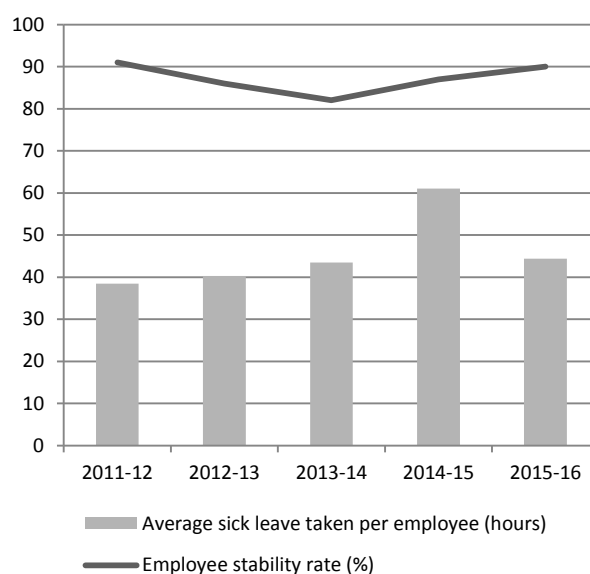
Organisational KPIs

Key performance indicators	11-12	12-13	13-14	14-15	15-16
Employee stability rate (%)	91%	86%	82%	87%	90%
Average sick leave taken per employee (hours)	38.5	40.3	43.47	61.05	44.38
Total number of injuries reported	3	1	1	0	2
Total number of injury claims	3	1	0	0	0
Total time lost to injury (hours)	26	341	648	257.75	165.25

Comment:

Favourable results included stable staff retention together with improvement to the level of sick leave clearance.

Whilst ITSR maintains a low rate of work, health and safety incidents, a long term injury for one officer has required extensive time off work. ITSR has provided its full support for the officer.



Achievements

ITSR/ONRSR integrated organisational structure

With the enactment of Rail Safety National Law (RSNL) in January 2013, the accountability for rail safety outcomes transferred to ONRSR with ITSR accountable for delivery of its regulatory services in NSW through the service level agreement established with ONRSR.

While all NSW staff are accountable to ITSR's Chief Executive, the majority of staff have RSNL responsibilities which are delivered through working under the integrated ONRSR management structure.

Under these arrangements, the Executive Director Technical is a member of the ONRSR Executive, and attends the ONRSR Board meetings.

The NSW Branch Director leads the delivery of the compliance function in NSW and is a member of the National Operations Committee (NOC) which is a key operational decision-making body of the ONRSR. The NOC comprises senior operational staff from national and branch offices and oversees the preparation and implementation of the National Operations work program, discusses arising operational matters and ensures a consistent approach to rail safety regulation.

ONRSR's Strategic Policy Committee led by the ONRSR Chief Executive also includes ITSR's Executive Director Technical. The Committee discusses strategic policy, legislative and guideline development, safety intelligence and safety improvement initiatives.

During the year around 90% of ITSR staff worked on roles under the integrated organisational structure. ITSR's staffing was relatively stable with no need to recruit rail safety regulatory staff to meet our obligations under the service level agreement. Contractual engagements continued to be provided to offset some past attrition, particularly for the policy development function.

Full details of ITSR's rail safety regulatory achievements are provided in the next section 'Rail Safety Regulation in NSW'.

Independent advice

ITSR has an important independent function under the *Transport Administration Act 1988* that enables the Chief Executive to review and evaluate any matter related to the safe operation of railway operations and advise or make recommendations to the Minister. Within ITSR's evolving context, a primary focus of this is monitoring that levels of rail safety regulation in NSW are maintained through the current work arrangements with ONRSR.

ITSR manages this through its governance structure with the executive leadership group (ELG) monitoring that NSW rail safety regulation is being effectively delivered. ELG members have the obligation to advise the Chief Executive of any rail safety occurrences or trends that have not been satisfactorily addressed. Overall, there was general concurrence by ELG members that during 2015-16 ONRSR was effectively managing its regulatory task and as a result the level of rail safety regulation in NSW was maintained.

Specific areas reviewed by the ELG during 2015-16 included:

- ✎ levels of support provided for delivery of NSW major rail projects
- ✎ availability of risk-based information to develop safety strategies and plans
- ✎ specific NSW rail safety incidents and potential safety issues and the response to these
- ✎ progress and outcomes of compliance audits of NSW rail operators.

Since publication of the Special Commission of Inquiry into the Waterfall Rail Accident, ITSr has reported to NSW Parliament on progress with implementation of the report's recommendations. The final report of the Special Commission of Inquiry was released on 17 January 2005 with 127 recommendations included involving 177 specific safety or regulatory actions. ITSr reports on progress with implementation of the recommendations were initially published quarterly and then following the 33rd quarterly report in April 2013 published annually.

After ONRSR commenced in January 2013 ITSr retained this reporting role as part of its independent advice function. The 36th report covered progress to March 2016 and detailed that 175 (99%) of the recommendations had been verified and closed. The two recommendations remaining open are Recommendation 32 (Automatic Train Protection) and Recommendation 38 (Digital Train Radio System).

✎ **Automatic Train Protection (ATP)**

ITSr accepted TfNSW's proposal for the Advanced Train Control Migration System (AMS) to be considered as an *"acceptable alternative response"* to the Special Commission of Inquiry's recommendation for ATP.

ITSr's acceptance of TfNSW's proposed alternate response was based on the quantitative risk assessment report provided, the revised completion date and the inclusion of an "Early Deployment Scheme" which will deliver, in the Berowra to Newcastle area, controlled trialling of AMS protection for passenger trains in October 2018. The overall planned completion date for the delivery of TfNSW's AMS project is December 2019.

✎ **Digital Train Radio System (DTRS)**

The target completion date for the DTRS project, which involves completion of the DTRS fixed network and fit out of the train cabs (on all Sydney Trains and NSW Trains) has been delayed until 31 December 2016.

Delays have primarily been due to issues with the audio quality of the DTRS, the identification of a number of blackspots and insufficient regression and negative testing which resulted in the performance of the DTRS system being unreliable.

These issues have since been addressed. The required safety assurance documentation was provided to the Office of the National Rail Safety Regulator (ONRSR) and approval under Sydney Trains accreditation to commence implementation was granted. In April 2016, Sydney Trains introduced the first dual

fitted DTRS/ MetroNet equipped train into passenger service between Bondi Junction, Waterfall and Cronulla.

Full details on the status of these recommendations are available on the ITSR website.

To ensure independence is achieved for this independent advisory role, given the close working relationship with ONRSR, the Chief Executive also accesses safety regulatory advice from an independent advisor with specialist safety regulatory expertise as and when required.

Managing service delivery

ITSR is accountable to the NSW Government for its performance as a NSW statutory body. Its primary stakeholders are the Minister, NSW Parliament and ultimately the public as the beneficiary of rail safety.

Compliance with public sector requirements and ensuring a positive work environment where staff are engaged and deliver planned work effectively, framed the purpose of ITSR internal activities during the year.

Key activities during the year included:

- ✉ completion of ITSR's management coaching program to support effectiveness of managers during a period of change. A total of 13 executive and middle managers have been provided with support through this program since 2012
- ✉ the requirement for staff to undertake refresher training by completing core eLearning modules on organisational governance and rail technical requirements
- ✉ comprehensive review of organisational risks and management strategies to address these given the current organisation context
- ✉ reinforcement of the requirement for all staff to work under a performance agreement that delivers planning and feedback on work requirements through discussion with their manager.

The promotion of an equitable, harassment free and healthy organisational environment is also central to operation as a NSW public service agency. Key activities during the year included:

- ✉ circulation of Equal Time Newsletter published by the Anti-Discrimination Board and promotion of anti-harassment through a morning tea for all staff on Harmony Day
- ✉ promotion of specific leadership development opportunities for women
- ✉ encouraging staff to clear leave balances, including reduction of excessive leave in accordance with Government policy, and
- ✉ promotion of information on healthy lifestyles as part of National Stroke Week.

Management of change continued to be important given that transition to direct delivery by ONRSR is pending. The Chief Executives of ITSR and ONRSR met on a number of occasions to agree on the criteria required for the transition to direct delivery of rail safety regulation by ONRSR and to ensure that ITSR support was aligned to ONRSR's needs.

Liaison with NSW central agencies was also extensively undertaken to ensure the arrangements proposed for transition were aligned with NSW Government policy.

Key objectives of ITSR's organisational change program were to ensure that the level of delivery of our regulatory function was maintained and to build a seamless relationship with ONRSR to assist in a smooth transition to ONRSR when this is authorised by the NSW Government.

ITSR's integrated working relationship with ONRSR was supported through briefings to staff by the Chief Executive ONRSR on ONRSR plans and achievements including the contribution of ITSR staff under the service level agreement to these. ITSR Executive Management Team members also communicated information to staff based on their representation on the ONRSR Executive and as participants in the ONRSR's National Operations Committee, Strategic Policy Committee, and Information Management and Technology Steering Committee. Briefings were provided on progress with transition.

During this period of change, staff morale remained high with lower levels of staff turnover and acceptable results across other key performance indicators for staff.

Rail Safety Regulation in NSW

Objective 2: Maintaining and improving rail safety through regulation, innovation and advice

Achievement highlights

- 🔊 quality engagement with operators to support progression of major NSW rail projects for the Sydney Metro (Northwest and Southwest) and Sydney and Newcastle Light Rail
- 🔊 delivery of NSW regulatory activities in line with a National Operations work program
- 🔊 delivery of a compliance investigation function.

Context

ITSR's Rail Safety Regulation program is its primary program. The program's objective is achieved through delivery of ITSR's rail safety regulatory functions to implement Rail Safety National Law in NSW under a service level agreement (SLA) with ONRSR. Services ITSR staff are accountable for under the SLA include the processing of rail safety accreditation, compliance monitoring, technical specialist advice, compliance investigation, drug and alcohol management, engagement with stakeholders on major rail projects and policy and safety improvement activities for ONRSR.

ITSR's outcomes achieved through working under the SLA provided an assurance to the NSW Government and the public that rail safety is being monitored and maintained in NSW.

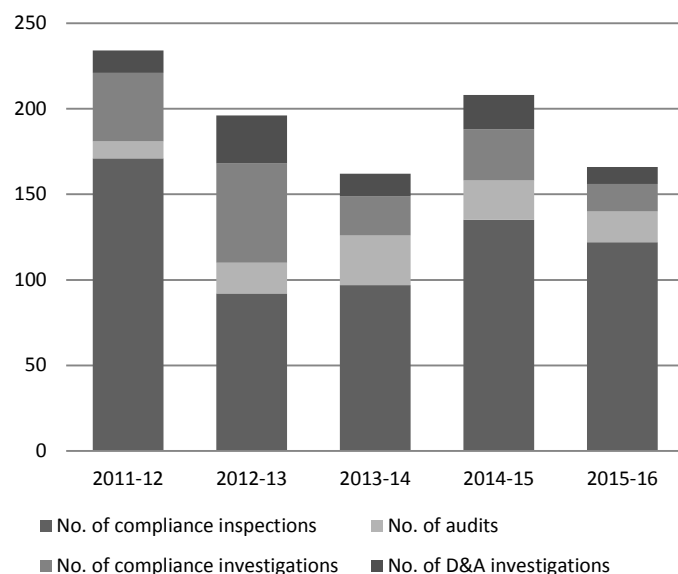
Performance

The following KPI/service measures report reflects ITSR staff regulatory activity in NSW during the year. ONRSR's regulatory performance is outlined in the ONRSR Annual Report 2015-16.

The rail industry's aggregate performance is reflected in ONRSR's annual safety report which is published on the ONRSR website www.onrsr.com.au.

Regulatory compliance services in NSW

Service measures	11-12	12-13	13-14	14-15	15-16
No. of compliance inspections completed	171	92	97	135	122
No. of audits completed	10	18	29	23	18
No. of compliance investigations closed	27	30	10	10	5
No. of drug and alcohol investigations closed	13	28	13	20	10
Total no. of compliance activities	221	168	149	188	166

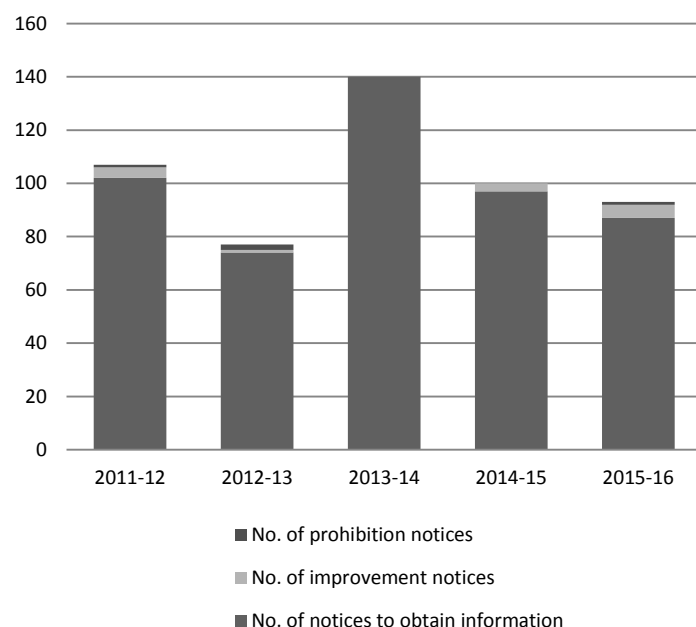


Comment:

The number of compliance inspections and audits reflects a fairly stable trend. The lower number of compliance investigations closed compared to previous years reflects the introduction in 2014 of a new classification of investigation (operational investigations) which is reported on separately (see page 19). The reduction in both compliance and drug and alcohol investigations is due to the type of reported incidents by rail operators not requiring a compliance investigation.

Enforcement services – statutory notices issued in NSW

Service measures	11-12	12-13	13-14	14-15	15-16
No. of notices to obtain information issued*	102	74	140	97	87
No. of improvement notices issued	4	1	0	3	5
No. of prohibition notices	1	2	0	0	1
Total no. of notices issued	107	77	140	100	93



Comment:

*Previously ITSR issued notices to produce under the *Rail Safety Act 2008*. Following the introduction of the *National Rail Safety Law 2012*, this notice is now referred to as a power to obtain information under section 20 and includes Notices to Appear. ITSR issues notices under delegation as the NSW Branch of the ONRSR.

The decrease in notices to obtain information is partly due to the change in legislation on July 2015 that repealed the requirement to issue a Notice to Produce to a person prior to issuing a Notice to Appear. Total numbers fluctuate depending on the complexity of the investigation and if rail operators requested a notice to be issued prior to providing information.

Achievements

Implementation of National Operations work program

ONRSR's national regulatory work plan is developed through National Operations Committee to reflect agreed national safety and regulatory priorities whilst addressing local regulatory requirements. Priorities were based on safety data intelligence outlined in ONRSR's Rail Safety Report, analysis of rail transport operator safety performance, previous audit and compliance findings, notifications by operators of changes to working arrangements, applications for new or varied accreditations and general operational intelligence. The work plan includes activities associated with the Australian Transport Safety Bureau's (ATSB) investigations and responding to REPCON reports (confidential reports referred to ONRSR from the ATSB).

The regulatory work plan is regularly reviewed and resources are reallocated where necessary to meet emerging operational priorities.

Key focuses for ITSR staff working under the service level agreement with ONRSR to deliver to 2015-16 NSW workplan were:

- 🔊 ongoing compliance monitoring of railway organisations providing maintenance of safety critical rolling stock components under contract to accredited rolling stock operators
- 🔊 commencement of a compliance program to monitor labour hire agencies' provision of safe working resources to rail industry
- 🔊 commencement of a compliance program on the ability of engineering organisations to meet their duty of care obligations under rail safety law during the design, construction and commissioning of railway assets and systems
- 🔊 liaison and enforcement actions where required with rail operator practices on road rail vehicle safety.

Stakeholder engagement

Under the service level agreement ITSR hosted 3 NSW ONRSR Branch forums for NSW rail operators in July and November 2015 and March 2016. Representatives from 14 rail transport operators, the Rail Tram and Bus Union and the Office of Transport Safety Investigations are invited to each forum. Issues discussed included emergency management planning, ONRSR's major projects guideline, ONRSR's safety improvement projects and drug and alcohol testing regulation.

Accreditations of rail operators

The Rail Safety National Law (RSNL) requires rail transport operators to be either accredited or assessed as exempt from accreditation by the regulator.

During the year, ITSR regulatory staff provided advice to ONRSR national office on thirteen applications for variations to accreditations and two applications for new accreditations from

ALTRAC Partnership for the CBD Light Rail and Toll Transport Pty Ltd for the Carrington Freight Terminal. All applications were endorsed and issued.

The list of accredited operators in NSW as at end June 2016 is at Appendix 1.

Incident response

Under the service level agreement, ITSR continued to respond to rail safety incidents and emergency events to ensure public safety, determine whether rail safety legislative breaches have occurred and identify work required to rectify and/or improve rail safety management issues. Such responses include operational and compliance investigations as outlined below.

Operational investigations

An operational investigation refers to the initial investigation of a notifiable occurrence which informs ONRSR if there are any immediate safety issues that need to be addressed and/or ONRSR's decision to undertake a compliance investigation.

During the year, a number of incidents in NSW resulted in an operational investigation by ITSR staff working under the service level agreement. Responses included the following:

- ✎ on 1 August 2015, there was a near hit involving track workers conducting a walking track inspection near Kogarah Station, Sydney. The investigation found that the workers failed to comply with the applicable rules and procedures. The operator has been advised of the investigation findings and requested to provide advice on actions taken to prevent a reoccurrence.
- ✎ on 18 October 2015, a freight train derailed at Sefton Park Junctions, southern Sydney. The operator's investigation found the derailment occurred due to a lack of adequate maintenance. As a result an investigation was initiated and the responsible Rail Infrastructure Manager required to provide advice on actions taken to address maintenance issues.
- ✎ on 19 December 2015, a worker was injured when a passing train was struck by an object at a worksite at Telarah, Maitland. The investigation found inadequacies with protection arrangements at the worksite as well as with monitoring and supervision. The operators involved have been written to advising of the investigation findings and seeking advice on actions taken to prevent reoccurrence.
- ✎ on 19 January 2016, a single wagon of an empty coal train derailed at Denman, upper Hunter Valley whilst travelling on the Ulan Line. The wagon travelled in a derailed state for 700 metres and then re-railed at the Rosemount level crossing. The train crew were unaware of the derailment and continued for approximately 50 kilometres before being directed to stop in the Bylong Loop. An investigation was initiated and is following up on a number of issues with the operator. The investigation is continuing.

Compliance investigations

Compliance investigations reflect formal investigations that investigate whether an operator has breached rail safety legislation. Under the integrated organisational structure the national compliance investigation unit is based in Sydney.

The following compliance investigations were undertaken in NSW:

- 🔊 on 23 September 2015 , two locomotives were uncoupled from a freight train in a yard at the Sydney Freight Terminal. One hour later, the locomotives ran uncontrolled onto the main line for approximately 200 metres. There was no damage to rolling stock and infrastructure. The investigation has identified the incident was the result of unauthorised and unqualified staff assisting in shunting activities contrary to procedures. The operator has since issued instructions to reinforce these procedures.
- 🔊 on 8 March 2016, a set of 26 wagons moved after being left temporarily on the Port Botany arrival road. A crew member attempted to stop the wagons and subsequently suffered injuries to his foot which required hospitalisation. The wagons travelled in an uncontrolled state for approximately 420 metres before colliding with a stationary locomotive which was then pushed for approximately 10 metres before coming to a stand. The investigation includes a review of how the operator applied its Safety Management System with respect to risk identification, training and monitoring of train stabling operations. The investigation is ongoing.
- 🔊 on 18 June 2016, a signal electrician was struck by a train and fatally injured at Clyde. Officers attended the incident site and a compliance investigation is underway.

Drug and alcohol testing program

Rail transport operators have primary responsibility for conducting drug and alcohol testing of employees undertaking rail safety work in NSW. Under the Rail Safety National Law, it is an offence to conduct rail safety work under the influence of drugs or alcohol (D&A).

For more details on ONRSR's national D&A testing program, including national data on positive notifications from operator drug and alcohol testing programs, see ONRSR's Annual Report 2015-16.

In December 2015, a NSW regulation was gazetted to allow for the use of oral fluid testing devices by ONRSR's commissioned testing organisation MedVet. This now aligns D&A testing program in NSW to the national program that is being rolled out in other jurisdictions by ONRSR. Information sessions were held for NSW rail operators in Sydney and Newcastle in May 2015 prior to the commencement of testing in NSW under the new regulation.

NSW staff of the ONRSR continued to monitor and respond to positive notifications of NSW operators' D&A testing to determine whether there were any legislative breaches of the National Rail Safety Law. During the year, operators notified the NSW office of 104 incidents where their testing identified potential breaches. Of these, 12 were further investigated by ONRSR to determine whether there was sufficient evidence to take

regulatory action with one proceeding to prosecution. Although the defendant failed to appear, the defendant was convicted and fined \$1,650 as well as required to pay regulator costs.

In addition to notifying the regulator, incidents are also dealt with by the respective rail transport operators in accordance with their drug and alcohol management program.

Engagement with proponents of major rail projects in NSW

The function to coordinate ONRSR's regulatory services on national major rail projects is led and managed by ITSr staff working under the integrated structure with ONRSR.

Early input on rail safety legislative requirements for state significant major projects has been provided to the following major projects:

Sydney Metro North West

Sydney Metro Northwest, which will operate between Cudgegong Road and Chatswood, will be the first fully-automated metro rail system in Australia. The new metro project will deliver eight new railway stations to Sydney's growing North West.

Sydney Metro South West

Sydney Metro Southwest is the second stage of Sydney Metro. It will extend metro rail from the Sydney Metro Northwest at Chatswood under Sydney Harbour through to new underground stations in the CBD and south-west to Bankstown.

Light Rail – Parramatta & Newcastle

Newcastle Light Rail will be 2.7 kilometres of light rail track from the new transport interchange at Wickham to Pacific Park.

Parramatta Light Rail will be over 20km long, providing reliable public transport to link residential, employment, cultural and education precincts.

Sydney Light Rail

The CBD and South East Light Rail is a new light rail network for Sydney, currently under construction. The 12km route will feature 19 stops, extending from Circular Quay along George Street to Central Station, through Surry Hills to Moore Park, then to Kensington and Kingsford via Anzac Parade, and Randwick via Alison Road and High Street.

Key ITSr regulatory activity supporting progress with major rail programs in NSW has included:

-  assessment and accreditation of Metro Trains Sydney to allow construction activity of the Sydney Metro Trains Facility and railway construction both within the recently completed Sydney Metro Northwest tunnels and the existing Epping-Chatswood rail corridor
-  assessment and accreditation of the ALTRAC Partnership to allow construction activity to

commence on the Sydney Light Rail project

- ✎ review of the safety assessments underpinning TfNSW's strategy for the delivery of automatic train protection
- ✎ oversight of TfNSW's construction activity for the Sydney Metro Northwest tunnels and elevated railway structures
- ✎ engagement with TfNSW both in relation to light rail development and the procurement of new intercity rolling stock.

Provision of technical expertise

ITSR's contribution of its technical expertise to national rail safety regulatory service delivery by ONRSR has included advice and support on:

- ✎ the implementation of a digital train radio system by Sydney Trains
- ✎ the assessment of Sydney Trains' application to vary its accreditation to operate the Digital Train Radio System (DTRS) within the initial operating sector between Bondi Junction, Waterfall and Cronulla

The DTRS will replace the existing analogue radio system (MetroNet) and will address the recommendations arising out of the Glenbrook and Waterfall Special Commissions of Inquiry (SCOI) which requires the implementation of a radio system that will enhance communication between trains and network control in an emergency situation as well as enable communication between other staff for rail operations on the Sydney Trains' network. Currently in NSW, all rail safety workers are able to communicate with each other but not using the same technology.

In April 2016, Sydney Trains introduced into passenger service, the first dual fitted DTRS/MetroNet equipped train in the initial operating sector.

- ✎ the review of draft Australian Transport Safety Bureau rail safety investigation reports provided to ONRSR for comment.

Learning and Development

An important focus for ONRSR in building its expertise and capacity to deliver rail safety regulation is an effective learning and development function that is aligned with the organisation's strategic direction and addresses identified training needs.

ITSR has been able to support ONRSR in this endeavour. eLearning modules have been developed covering corporate induction and rail safety officer role requirements. Work was also commenced on a national learning and development framework which will incorporate virtual classrooms and face-to-face training together with knowledge sharing and capacity building strategies.

Engagement in RISSB development projects

ONRSR regularly engages with RISSB providing input into selected standards and products, particularly those that facilitate national consistency and interoperability and improve rail safety outcomes without inhibiting operator competitive advantage.

During the year, ITSR staff contributed to ONRSR's work with RISSB to provide input on the following:

-  development of a standard for Road Rail Vehicles
-  development of a standard for train detection
-  review of the standard for Railway Network Control Mobile Communications.

Safety improvement

During the year, ITSR staff contributed to the delivery of ONRSR's rolling workplan for safety improvement projects which are prioritised on areas of safety risk and where ONRSR can provide the most value.

Work continued to develop a tool for ONRSR rail safety officers to assess Safety Management System compliance as well as developing guidance for industry on fatigue risk management. Supporting checklists for ONRSR staff on compliance requirements for fatigue risk management and human factors integration into safety systems are also in development.

Financial report of the Independent Transport Safety Regulator

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The following two sets of financial statements provide detailed financial information for the Independent Transport Safety Regulator as a statutory corporation established under the *Transport Administration Act 1988* as amended and as a staff agency under the *Government Sector Employment Legislation Amendment Act 2013*. The staff agency is the successor and continuation of the former Independent Transport Safety Regulator Division set up under the former *Public Sector Employment and Management Act 2012*.



INDEPENDENT AUDITOR'S REPORT

Independent Transport Safety Regulator

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Independent Transport Safety Regulator (the Regulator), which comprise the statements of financial position as at 30 June 2016, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Regulator and the consolidated entity. The consolidated entity comprises the Regulator and the entity it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Regulator and the consolidated entity as at 30 June 2016, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report.

I am independent of the Regulator and the consolidated entity in accordance with the auditor independence requirements of:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (the Code).

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services.

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

Non-going concern basis of preparation

Without qualification to the opinion expressed above, I draw attention to Note 1(c) 'Basis of Preparation'. The Regulator and the consolidated entity prepared its financial statements on a non-going concern basis because the Minister of Transport and Infrastructure has approved the actions to commence the implementation of arrangements for direct delivery of rail regulatory services in NSW under the Office of National Rail Safety Regulator, which means the Regulator and the consolidated entity will cease to exist once this transition takes place within the next 12 months. Asset and liability amounts and classifications have been adjusted as a result of the finite period of operation.

The Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for preparing financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive determines is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Regulator or the consolidated entity carried out their activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented.



Peter Barnes
Director, Financial Audit Services

22 September 2016
SYDNEY

Independent Transport Safety Regulator
Statement by the Chief Executive
for the year ended 30 June 2016

Pursuant to Sections 41C (1B) and (1C)(b) of the *Public Finance and Audit Act 1983*, and Clause 7 of *Public Finance and Audit Regulation 2015*, I state that:

- (a) In my opinion, the accompanying consolidated financial statements have been prepared in accordance with:
 - Applicable Australian Accounting Standards which include Australian Accounting Interpretations;
 - The requirements of the *Public Finance and Audit Act 1983* and the *Public Finance and Regulation 2015*; and
 - The Financial Reporting Directions published in the Financial Reporting Code for General Government Sector Agencies or issued by the Treasurer under section 9(2) (n) of the Act;
- (b) The statements exhibit a true and fair view of the financial position and transactions of the Regulator and consolidated entity;
- (c) There are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate; and
- (d) The consolidated financial statements have been prepared on a non going concern basis. It is expected that the operations of the Independent Transport Safety Regulator will be transitioned to the Office of the National Rail Safety Regulator in the next 12 months from the date the accompanying audit report was signed.



Paul Harris
Chief Executive

Date: 22 September 2016

Independent Transport Safety Regulator
Statement of comprehensive income
for the year ended 30 June 2016

		Consolidated Actual 2016 \$'000	Consolidated Budget 2016 \$'000	Consolidated Actual 2015 \$'000	Parent Actual 2016 \$'000	Parent Actual 2015 \$'000
	Notes					
Expenses excluding losses						
Operating expenses						
Employee related and personnel services expenses	2(a)	10,428	13,549	9,806	10,428	9,806
Other operating expenses	2(b)	3,223	3,162	3,376	3,223	3,376
Depreciation and amortisation	2(c)	73	151	96	73	96
Total expenses excluding losses		13,724	16,862	13,278	13,724	13,278
Revenue						
Rendering of services	3(a)	137	48	326	137	326
Investment revenue	3(b)	-	-	157	-	157
Grants and contributions	3(c)	13,431	13,767	15,574	13,431	15,574
Acceptance by the Crown Entity of employee benefits and other liabilities	3(d)	956	849	488	-	-
Other revenue	3(e)	-	-	-	956	488
Total revenue		14,524	14,664	16,545	14,524	16,545
Gains/(losses) on disposal		-	-	-	-	-
Other gains / (losses)		-	-	-	-	-
Net result		800	(2,198)	3,267	800	3,267
Other comprehensive income		-	-	-	-	-
Total other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		800	(2,198)	3,267	800	3,267

The accompanying notes form part of these financial statements

Independent Transport Safety Regulator
Statement of financial position
as at 30 June 2016

		Consolidated Actual 2016 \$'000	Consolidated Budget 2016 \$'000	Consolidated Actual 2015 \$'000	Parent Actual 2016 \$'000	Parent Actual 2015 \$'000
	Notes					
Assets						
Current assets						
Cash and cash equivalents	5	10,382	6,487	9,322	10,382	9,322
Receivables	6	73	189	259	73	259
Property, plant and equipment	7(a)	76	-	141	76	141
Intangible assets	8(a)	22	-	30	22	30
Total current assets		10,553	6,676	9,752	10,553	9,752
Non-current assets						
Property, plant and equipment		-	89	-	-	-
Intangible assets		-	423	-	-	-
Total non-current assets		-	512	-	-	-
Total assets		10,553	7,188	9,752	10,553	9,752
Liabilities						
Current liabilities						
Payables	9	480	636	406	1,805	1,807
Employee benefits	10	1,325	1,739	1,401	-	-
Current provisions	11(a)	281	-	278	281	278
Total current liabilities		2,086	2,375	2,085	2,086	2,085
Non-current liabilities						
Other provisions	11(b)	-	281	-	-	-
Total non-current liabilities		-	281	-	-	-
Total liabilities		2,086	2,656	2,085	2,086	2,085
Net assets		8,467	4,532	7,667	8,467	7,667
Equity						
Accumulated funds		8,467	4,532	7,667	8,467	7,667
Total equity		8,467	4,532	7,667	8,467	7,667

The accompanying notes form part of these financial statements

Independent Transport Safety Regulator
Statement of changes in equity
for the year ended 30 June 2016

	Accumulated funds \$'000	Total equity \$'000
Balance as at 1 July 2015	7,667	7,667
Net result for the year	800	800
Total other comprehensive income	-	-
Total comprehensive income for the year	800	800
Balance as at 30 June 2016	8,467	8,467
Balance at 1 July 2014	4,400	4,400
Net result for the year	3,267	3,267
Total other comprehensive income	-	-
Total comprehensive income for the year	3,267	3,267
Balance as at 30 June 2015	7,667	7,667

The accompanying notes form part of these financial statements

Independent Transport Safety Regulator
Statement of cash flows
for the year ended 30 June 2016

		Consolidated Actual 2016 \$'000	Consolidated Budget 2016 \$'000	Consolidated Actual 2015 \$'000	Parent Actual 2016 \$'000	Parent Actual 2015 \$'000
	Notes					
Cash flows from operating activities						
Payments						
Employee related		(9,761)	(12,526)	(9,416)	(9,761)	(9,416)
Other operating expenses		(2,932)	(3,541)	(3,588)	(2,932)	(3,588)
Total payments		(12,693)	(16,067)	(13,004)	(12,693)	(13,004)
Receipts						
Sale receipts		239	549	340	239	340
Interest received		83	96	144	83	144
Grants and contributions		13,431	13,767	15,574	13,431	15,574
Total receipts		13,753	14,412	16,058	13,753	16,058
Net cash flows from operating activities	15	1,060	(1,655)	3,054	1,060	3,054
Cash flows from investing activities						
Purchase of property, plant and equipment		-	(499)	-	-	-
Net cash flows used in investing activities		-	(499)	-	-	-
Cash flows from financing activities						
		-	-	-	-	-
Net cash flows from financing activities		-	-	-	-	-
Net increase/(decrease) in cash		1,060	(2,154)	3,054	1,060	3,054
Opening cash and cash equivalents		9,322	8,641	6,268	9,322	6,268
Closing cash and cash equivalents	5	10,382	6,487	9,322	10,382	9,322

The accompanying notes form part of these financial statements.

Independent Transport Safety Regulator
Notes to the financial statements
for the year ended 30 June 2016

1. Summary of significant accounting policies

(a) Reporting entity

The Independent Transport Safety Regulator (the Regulator) economic entity comprises all the operating activities of the Independent Transport Safety Regulator (the parent) and the Independent Transport Safety Regulator Staff Agency (the controlled entity). The reporting economic entity is based on the control exercised by the Regulator over the Independent Transport Safety Regulator Staff Agency (Staff Agency).

The Staff Agency was established as a Public Service Agency pursuant to the *Government Sector Employment Act 2013*, which commenced on 24 February 2014. The Staff Agency was established as a successor and continuation of the former Independent Transport Safety Regulator Division.

The Independent Transport Safety and Reliability Regulator was established on 1 January 2004 as a statutory corporation under the Transport Administration Act 1988 as amended. On 1 July 2010, the Regulator was renamed the Independent Transport Safety Regulator and amendments were made under the Transport Administration Act to reflect that that the Regulator no longer had a reliability monitoring function. In December 2012, the Regulator's principal objective under this Act was further amended to 'facilitate the safe operations of railway operations in NSW' to reflect its sole focus on rail safety.

In the process of preparing the consolidated financial statements for the economic entity consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated. The economic entity is a not-for-profit entity, as profit is not its principal objective and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

From 20 January 2013, the Regulator commenced operation under a service level agreement as the NSW Branch of the Office of the National Rail Safety Regulator (ONRSR).

In February 2016, the NSW Government approved the preparation of a Bill to abolish the Regulator, noting that the functions would be undertaken by ONRSR. Management expects the change will be implemented in the next 12 months from the date the accompanying audit report was signed.

These financial statements for the year ended 30 June 2016 have been authorised for issue by the Chief Executive on the date that the accompanying statement was signed by the Chief Executive.

(b) Interests in controlled entities

The list of controlled entities is contained in Note 1(a).

The parent controls an entity where it has the power over the entity, is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The reporting entity reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Management has assessed whether or not the Regulator has control over the Staff Agency and the Office of the National Rail Safety Regulator based on whether it has the practical ability to direct the relevant activities of these entities. In making this judgement, management considered the purpose and design of the entities, its relevant activities and how the decisions about those activities are made, and ability of the Chief Executive of The Regulator to direct the activities of the Staff Agency. In that regard, it is concluded that the Regulator controls the Staff Agency, as the Staff Agency was established to undertake the employment function of the Regulator to enable it to undertake its activities under the Transport Administration Act 1988, and the Chief Executive of the Regulator is also the head of the Staff Agency. However, the Regulator does not control the Office of the National Rail Safety Regulator, as the Regulator is only acting as an agent by heading up the NSW branch of the Office of the National Rail Safety Regulator under a service level agreement, and as such the Regulator does not have the power to direct the activities of the Office of the National Rail Safety Regulator.

Independent Transport Safety Regulator
Notes to the financial statements
for the year ended 30 June 2016

1. Summary of significant accounting policies (cont'd)

(c) Basis of preparation

The Regulator's financial statements are general purpose financial statements, which have been prepared in accordance with:

- applicable Australian Accounting Standards (including Australian Accounting Interpretations);
- the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015*; and
- the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Agencies or issued by the Treasurer under Section 9(2) (n) of the Act.

Property, plant and equipment, investment property, assets (or disposal groups) held for sale are measured at fair value. Other financial statements items are prepared in accordance with the historical cost convention.

Judgements, key assumptions and estimations which management has made, are disclosed in the relevant notes to the financial statements. All amounts are rounded to the nearest one thousand dollars (\$'000) and are expressed in Australian currency.

The financial statements have been prepared on a non going concern basis.

In accordance with AASB 101, management has made an assessment of the Regulator's ability to continue as a going concern. In assessing whether to prepare the financial statements on a non going concern basis for the Regulator, management has taken into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

In February 2016, the NSW Government approved the preparation of a Bill to abolish the Regulator, noting that the functions would be undertaken by ONRSR. Management expects the change will be implemented in the next 12 months from the date the accompanying audit report was signed.

All property, plant and equipment and intangible assets are expected to be transferred to ONRSR once the transition takes place. In addition, it is expected that the make good provision will be settled at the date of transition to ONRSR.

All annual leave, long service leave and the related oncosts are expected to be paid out to employees on termination or when the transition takes place.

There have been no negotiations or agreements in place with the Regulator's employees regarding the redundancies, therefore no provision for redundancy was raised at 30 June 2016.

(d) Statement of compliance

The consolidated and parent entity financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(e) Insurance

The Regulator's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past claims experience.

Independent Transport Safety Regulator
Notes to the financial statements
for the year ended 30 June 2016

1. Summary of significant accounting policies (cont'd)

(f) Accounting for Goods and Services Tax (GST)

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

- the amount of GST incurred by the Regulator as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

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

(g) Income recognition

Income is measured at the fair value of the consideration or the contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below:

(i) Grants and contributions

Grants and contributions are recognised as income when the entity obtains control over the assets comprising the appropriations / contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash.

The Regulator receives grants and contributions revenue from the following sources:

- The ONRSR for rail safety regulation in NSW – based on the Council of Australian Governments Intergovernmental Agreement on Rail Safety Regulation and Investigation Reform, and funded by Transport for NSW; and
- Transport for NSW, for the Regulator's 2015 corporate office costs. In 2016, a cash management review advised that these costs would be funded from the Regulator's existing cash reserves. This reduced the recurrent funding previously received by the Regulator from Transport for NSW.

The grants received by the Regulator from the ONRSR fund the delivery of rail safety regulation services in NSW.

(ii) Sale of goods

Revenue from the sale of goods is recognised as revenue when the entity transfers the significant risks and rewards of ownership of the assets.

(iii) Rendering of services

Revenue is recognised when the service is provided.

(iv) Investment revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 Financial Instruments: Recognition and Measurement.

(h) Assets

(i) Acquisition of assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Regulator. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards.

Independent Transport Safety Regulator
Notes to the financial statements
for the year ended 30 June 2016

1. Summary of significant accounting policies (cont'd)

(h) Assets (cont'd)

(i) Acquisition of assets (cont'd)

Assets acquired at no cost or for nominal consideration are initially recognised at their fair value at the date of acquisition. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date. Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted over the period of credit.

(ii) Capitalisation thresholds

Property, plant and equipment (including computers and related IT equipment) and intangible assets costing \$5,000 and above individually (or forming part of a network costing more than \$5,000) are capitalised.

(iii) Revaluation of property, plant and equipment

The Regulator's non specialised assets have short useful lives and are measured at depreciated historical cost as an approximation for fair value.

(iv) Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, the Regulator is effectively exempted from *AASB 136 Impairment of Assets* and impairment testing. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

(v) Restoration costs

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

(vi) Depreciation and amortisation

Depreciation and amortisation are provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Regulator. The depreciation rates used are leasehold improvements (20%), office furniture and equipment, computers (20%), and computer systems (intangible assets) (20%). All material identifiable components of assets are depreciated separately over their useful lives.

(vii) Maintenance

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

(viii) Leased assets

Operating lease payments are charged to the statement of comprehensive income in the periods in which they are incurred. The Regulator does not have any finance leases.

Independent Transport Safety Regulator

Notes to the financial statements

for the year ended 30 June 2016

1. Summary of significant accounting policies (cont'd)

(h) Assets (cont'd)

(ix) Intangible assets

The Regulator recognises intangible assets only if it is probable that future economic benefits will flow to the Regulator and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite. Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Regulator's intangible assets, the assets are carried at cost less any accumulated amortisation.

In general, intangible assets are tested for impairment where an indicator of impairment exists. However, as a not-for-profit entity with no cash generating units, the Regulator is effectively exempted from impairment testing.

(x) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost, or face value. Subsequent measurement continues to be based on the fair value (which is substantially equivalent to the amortised cost) because the financial impact of using the effective interest rate method is immaterial.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(xi) Impairment of financial assets

The loans and receivables are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the Regulator will not be able to collect all amounts due. The amount of the allowance is the difference between the loans and receivables carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate (where material). The amount of the impairment loss is recognised in the statement of comprehensive income. Any reversals of impairment losses are reversed through the statement of comprehensive income if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(xii) De-recognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, are received or if the Regulator transfers the financial asset:

- where substantially all the risks and rewards have been transferred; or
- where the Regulator has not transferred substantially all the risks and rewards, but the entity has not retained control.

Where the Regulator has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Regulator continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, transferred, cancelled or expires.

(xiii) Other assets

Other assets are recognised on a historic cost basis.

Independent Transport Safety Regulator
Notes to the financial statements
for the year ended 30 June 2016

1. Summary of significant accounting policies (cont'd)

(i) Liabilities

(i) Payables

These amounts represent liabilities for goods and services provided to the Regulator and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement continues to be based on the fair value as this is not materially different from the amortised cost.

(ii) Personnel services

(a) Salaries and wages, annual leave and on-costs

Liabilities for salaries and wages (including non-monetary benefits) and annual leave that fall due wholly within 12 months of the reporting date are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted). Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability (using 7.9% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The Regulator has assessed the actuarial advice based on the entity's circumstances and has determined that the effect of discounting is immaterial to annual leave.

As part of the transition of the Regulator to ONRSR, it is expected that all annual leave entitlements and related oncosts will be paid out to employees on termination or at the date of transition.

Unused sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future. The outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

(b) Long service leave and superannuation

The Regulator's liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity. The Regulator accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of employee benefits and other liabilities".

Long service leave is measured at present value in accordance with AASB 119 Employee Benefits. This is based on the application of certain factors (specified in NSWTC 15/09) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

As part of the transition of the Regulator to ONRSR, it is expected that all long service leave entitlements and related oncosts will be paid out to employees on termination or at the date of transition.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary.

For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

Independent Transport Safety Regulator

Notes to the financial statements

for the year ended 30 June 2016

1. Summary of significant accounting policies (cont'd)

(i) Liabilities (cont'd)

(ii) Personnel services (cont'd)

(c) Consequential on-costs

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax.

(j) Other provisions

Other provisions exist when the Regulator has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Any provisions for restructuring are recognised only when the Regulator has a detailed formal plan and the Regulator has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected. If the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

(k) Fair value hierarchy

A number of the Regulator's accounting policies and disclosures require the measurement of fair values for financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the Regulator categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted prices in active markets for identical assets / liabilities that the Regulator can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

The Regulator recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer to Note 18 for further disclosures regarding fair value measurements of financial assets.

(l) Equity and reserves

Equity comprises accumulated funds which include all current and prior period retained funds.

(m) Budget amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Any amendments made to the original budget are not reflected in the budgeted amount, but included in the explanation of material variance in Note 14.

(n) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

Independent Transport Safety Regulator
Notes to the financial statements
for the year ended 30 June 2016

1. Summary of significant accounting policies (cont'd)

(o) New and revised Australian Accounting Standards and Interpretations

(i) Effective for the first time in 2015-16

The accounting policies applied in 2015-16 are consistent with those of the previous financial year.

(ii) Issued but not yet effective

The Regulator has reviewed all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("the AASB") but not yet effective.

NSW public sector entities are not permitted to implement early adoption of new Australian Accounting Standards, unless Treasury determines otherwise. The following new Australian Accounting Standards have not been applied and are not yet effective. The impact of these standards in the period of initial application will not be significant.

Standard	Applicable to annual reporting periods beginning on or after
AASB 9 Financial Instruments, AASB 2010-7, AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2018
AASB 15 Revenue from Contracts with Customers, AASB 2014-5, AASB 2015-8 and AASB 16-3 Amendments to Australian Accounting Standards arising from AASB 15	1 January 2018
AASB 16 Leases	1 January 2019
AASB 2014-4 Amendments to Australian accounting standards clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
AASB 2014-9 Amendments to Australian accounting standards – Equity Method in Separate Financial Statements	1 January 2016
AASB 2014-10 Amendments to Australian accounting standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016
AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128	1 January 2016
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017

A number of other new standards have been identified and assessed and it is expected that they will have no impact on the financial statements of the entity.

Independent Transport Safety Regulator
Notes to the financial statements
for the year ended 30 June 2016

2. Expenses excluding losses

(a) Employee related expenses and personnel services expenses

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
Salaries and wages (including recreation leave)	8,122	8,179	-	-
Superannuation - defined benefits plan	284	112	-	-
Superannuation - defined contribution plan	644	551	-	-
Long service leave	660	369	-	-
Workers' compensation insurance	59	48	-	-
Payroll tax and fringe benefit tax	521	493	-	-
Redundancies	138	54	-	-
Personnel services (Note 1(i)(ii))	-	-	10,428	9,806
	10,428	9,806	10,428	9,806

(b) Other operating expenses

Operating lease rental expense				
- minimum lease payments	915	907	915	907
Other property costs	88	118	88	118
Administration				
Printing and stationery	39	36	39	36
Telephones	54	44	54	44
Postage and courier	2	3	2	3
Travel ⁽¹⁾	314	235	314	235
Insurance	1	1	1	1
General	23	27	23	27
External services				
Auditor's remuneration - external audit	16	20	16	20
Auditor's remuneration - internal audit	-	53	-	53
Other contractors	1,366	1,591	1,366	1,591
Legal services	51	37	51	37
Information technology				
Computer licenses	43	52	43	52
Other computer costs	-	1	-	1
Interest expenses	3	(1)	3	(1)
Motor vehicle running expenses				
Operating minimum lease rentals	25	41	25	41
Other motor vehicle expenses	142	116	142	116
Staff recruitment and training costs	141	95	141	95
	3,223	3,376	3,223	3,376

¹: A significant proportion of travel expenses relate to the arrangement with the Office of the National Rail Safety Regulator (ONRSR) for the Regulator to deliver regulatory services under a service level agreement.

Independent Transport Safety Regulator
Notes to the financial statements
for the year ended 30 June 2016

2. Expenses excluding losses (cont'd)

(c) Depreciation and amortisation

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
Depreciation (Note 7)				
Leasehold improvements	20	20	20	20
Plant and equipment	45	55	45	55
	65	75	65	75
Amortisation (Note 8)				
Computer systems	8	21	8	21
	73	96	73	96

3. Revenue

(a) Rendering of services

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
Rendering of services	137	326	137	326
	137	326	137	326

(b) Investment revenue

Interest on bank balance	-	157	-	157
	-	157	-	157

The Regulator did not receive any interest in 2016 (2015: \$0.157 million) as interest on working capital balances are now paid and retained by NSW Treasury in accordance with the Treasury Banking System policy.

(c) Grants and contributions

Office of the National Rail Safety Regulator (ONRSR)	13,431	13,767	13,431	13,767
Transport for NSW	-	1,807	-	1,807
	13,431	15,574	13,431	15,574

In 2015, Transport for NSW provided recurrent funding to cover the Regulator's corporate office costs. Following a cash management review, it was determined that for 2016, funding from Transport for NSW would be reduced and be replaced by the drawdown of funds from the Regulator's cash reserves.

(d) Acceptance by the Crown Entity of employee benefits and other liabilities

The following liabilities and/or expenses have been assumed by the Crown Entity:

Superannuation - defined benefit	284	112	-	-
Long service leave	660	369	-	-
Payroll tax on superannuation	12	7	-	-
(Note 16)	956	488	-	-

Independent Transport Safety Regulator
Notes to the financial statements
for the year ended 30 June 2016

3. Revenue (cont'd)

(e) Other revenue

Other	-	-	956	488
	-	-	956	488

Other revenue in the Parent entity accounts of \$0.956 million (2015: \$0.488 million) comprises employee benefits and other liabilities assumed by the Crown.

4. Service group

Service Group – Rail Safety Regulation

The Regulator has only one service group, being Rail Safety Regulation. This service group covers the provision of the following services as the NSW Branch of the Office of the National Rail Safety Regulator: rail operator accreditation processing; rail safety legislation monitoring and enforcement; risk-based auditing, compliance inspections and investigations; compliance monitoring of recommendations from independent investigations and promotion of rail safety improvement practices to industry.

5. Cash and cash equivalents

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
Cash at bank and on hand	10,382	9,322	10,382	9,322
	10,382	9,322	10,382	9,322

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank and cash on hand. Cash and cash equivalent assets recognised in the Statement of financial position are reconciled at the end of the financial year to the statement of cash flows below:

Cash at bank and on hand (per statement of financial position)	10,382	9,322	10,382	9,322
Closing cash and cash equivalents (per statement of cash flows)	10,382	9,322	10,382	9,322

Refer to Note 18 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

6. Receivables

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
Current				
Sale of goods and services	2	110	2	110
Goods and Services Tax - recoverable	22	26	22	26
Investment revenue receivable	-	83	-	83
Goods and Services Tax on accruals	24	16	24	16
	48	235	48	235
Less: allowance for impairment	-	-	-	-
	48	235	48	235
Prepayments	25	24	25	24
	73	259	73	259

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 18.

Independent Transport Safety Regulator
Notes to the financial statements
for the year ended 30 June 2016

7. Property, plant and equipment

(a) Current

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
Leasehold improvements	1,388	1,388	1,388	1,388
Less: Accumulated depreciation	(1,372)	(1,352)	(1,372)	(1,352)
Net carrying amount at fair value	16	36	16	36
Plant and equipment	766	855	766	855
Less: Accumulated depreciation	(706)	(750)	(706)	(750)
Net carrying amount at fair value	60	105	60	105
Gross carrying amount	2,154	2,243	2,154	2,243
Less: Accumulated depreciation	(2,078)	(2,102)	(2,078)	(2,102)
Net carrying amount at fair value	76	141	76	141

All property, plant and equipment were reclassified from non-current to current assets in the prior year as they are expected to be transferred to ONRSR once the transition takes place.

The Regulator's property, plant and equipment are measured at depreciated historical cost as an approximation for fair value, and the selling costs are regarded as immaterial. Property, plant and equipment has been classified as current assets at its net carrying amount. For details refer to Note 1(h)(iii) and (iv).

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

Year ended 30 June 2016	Leasehold improvements \$'000	Plant and equipment \$'000	Total \$'000
Net carrying amount 1 July 2015	36	105	141
Additions	-	-	-
Depreciation expense (Note 2 (c))	(20)	(45)	(65)
Net carrying amount at 30 June 2016	16	60	76

Period ended 30 June 2015	Leasehold improvements \$'000	Plant and equipment \$'000	Total \$'000
Net carrying amount 1 July 2014	56	160	216
Additions	-	-	-
Depreciation expense (Note 2 (c))	(20)	(55)	(75)
Carrying amount at 30 June 2015	36	105	141

Separate reconciliations for Plant, Property and Equipment assets of Parent and Consolidated entities are not provided, as there are no differences in the reconciliations of the two entities.

Independent Transport Safety Regulator
Notes to the financial statements
for the year ended 30 June 2016

8. Intangibles

(a) Current

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
Computer systems	1,718	1,719	1,718	1,719
Less: Accumulated amortisation	(1,696)	(1,689)	(1,696)	(1,689)
Net carrying amount at fair value	22	30	22	30

	2016 \$'000	2015 \$'000
Carrying amount at 1 July	30	51
Additions	-	-
Amortisation expense (Note 2(c))	(8)	(21)
Carrying amount at 30 June	22	30

All intangible assets were reclassified from non-current to current assets in the prior year as they are expected to be transferred to ONRSR once the transition takes place.

The Regulator's intangible assets are carried at cost less accumulated amortisation as an approximation for fair value, and the selling costs are regarded as immaterial. Therefore, intangible assets have been classified as current assets at its net carrying amount. For details refer to Note 1(h)(ix).

Separate reconciliations for Intangible assets of Parent and Consolidated entities are not provided, as there are no differences in the reconciliations of the two entities.

9. Payables

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
Current				
Accrued salaries	-	213	-	213
Creditors	179	15	1,504	1,416
Goods and Services Tax on accruals	24	16	24	16
Other accruals	277	162	277	162
	480	406	1,805	1,807

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 18.

Independent Transport Safety Regulator
Notes to the financial statements
for the year ended 30 June 2016

10. Employee benefits

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
Current				
Employee benefits and related on-costs				
Recreation leave	717	853	-	-
Salary oncosts	608	548	-	-
Total Employee provisions	1,325	1,401	-	-
Aggregate employee benefits and related on-costs				
Provisions: recreation leave	717	853	-	-
Accrued salaries and salary on costs	608	761	-	-
	1,325	1,614	-	-

As part of the transition of the Regulator to ONRSR, it is expected that all annual leave entitlements and related oncosts will be paid out to employees on termination or at the date of transition.

Independent Transport Safety Regulator
Notes to the financial statements
for the year ended 30 June 2016

11. Other provisions

(a) Current

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
Current				
Make good provision	281	278	281	278
	281	278	281	278

As part of the transition of the Regulator to ONRSR, it is expected that the make good provision will be settled on the date of transition. Therefore, all make good provisions have been reclassified from non-current to current in the prior year.

Movement in provisions (other than employee benefits)

Movements in each class of provision during the year, other than employee benefits, are set out below:

	Make good provision \$'000	Total \$'000
2016		
Carrying amount at the beginning of financial year	278	278
Unwinding / change in the discount rate	3	3
Carrying amount at end of financial year	281	281

2015

Carrying amount at the beginning of financial year	279	279
Unwinding / change in the discount rate	(1)	(1)
Carrying amount at end of financial year	278	278

(b) Non-current

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
Non-current				
Make good provision	-	-	-	-
Transfer to current provisions	-	-	-	-
	-	-	-	-

Independent Transport Safety Regulator
Notes to the financial statements
for the year ended 30 June 2016

12. Commitments for expenditure

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
Operating lease commitments				
Future non-cancellable operating lease rentals not provided for:				
Not later than one year	1,117	1,208	1,117	1,208
Later than 1 year and not later than five years	-	1,102	-	1,102
Later than 5 years	-	-	-	-
Total (including GST)	1,117	2,310	1,117	2,310

The Regulator leases its motor vehicles and office accommodation. Input tax on all commitments estimated at \$0.102 million (2015 - \$0.210 million) will be recouped from the Australian Taxation Office.

13. Contingent liabilities and contingent assets

(a) Contingent liabilities

The Regulator had no contingent liabilities as at 30 June 2016 (2015: nil)

(b) Contingent assets

The Regulator had no contingent assets as at 30 June 2016 (2015: nil)

14. Budget review

The main changes in the financial statements compared to budget are set out below:

- **Net Result** of \$0.800 million surplus was favourable compared to the budget of \$2.198 million deficit. The result was mainly due to employee related expense savings of some \$3.121 million, due to ITSIR operating under a Service Level Agreement (SLA) with ONRSR.
- **Cash** of \$10.382 million was higher than budget of \$6.487 million mainly due to the 2015/16 net Result, which was a favourable movement of \$2.998 million compared to the budget.
- **Property, plant and equipment** in the budget was \$0.089 million under non-current assets when compared to plant and equipment of \$0.076 million under current assets. The actual results are in line with budget. The change in the classification from non-current to current is due to the non going concern basis.
- **Intangibles** of \$0.022 million under current assets was lower than the budget of \$0.423 million under non-current assets. The favourable movement is due to planned expenditure on intangible assets not taking place because of the impending transfer of the Regulator's functions to ONRSR. The change in the classification from non-current to current is due to the non going concern basis.
- **Employee benefits** of \$1.325 million was lower than the budget of \$1.739 million due to better than expected lowering of employee recreation leave balance.
- **Other provisions** of \$0.281 million under current liabilities was consistent with the budget of \$0.281 million under non-current liabilities. The change in the classification from non-current to current is due to the financial statements being presented on a non going concern basis.

Independent Transport Safety Regulator
Notes to the financial statements
for the year ended 30 June 2016

15. Reconciliation of cash from operating activities to net result

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
Net cash from operating activities	1,060	3,054	1,060	3,054
Depreciation and amortisation	(73)	(96)	(73)	(96)
Decrease in receivables	(186)	(3)	(186)	(3)
(Increase) / decrease in payables	(74)	229	(74)	229
Decrease / (increase) in provisions	73	83	73	83
Net result	800	3,267	800	3,267

16. Non-cash financing and investing activities

During the period, the Regulator undertook the following non-cash financial and investing activities:

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
Employees' entitlements and liabilities assumed by the Crown Entity	956	488	-	-
	956	488	-	-

17. Administered income

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent 2016 \$'000	Parent 2015 \$'000
Administered income				
Crown revenue collected and remitted	1,279	670	1,279	670
	1,279	670	1,279	670

Since 20 January 2013, the administered revenue (NSW accreditation fees) has been collected by the Office of National Rail Safety Regulator (ONRSR). The ONRSR retains an agreed portion of the fees as NSW's annual contribution to fund the ONRSR's head office costs. If the fees collected exceed NSW's agreed annual contribution the difference is returned to NSW Treasury.

Independent Transport Safety Regulator

Notes to the financial statements

for the year ended 30 June 2016

18. Financial instruments

The Regulator's principal financial instruments are outlined below. These financial instruments arise directly from the Regulator's operations or are required to finance the Regulator's operations. The Regulator does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Regulator's main risks arising from financial instruments are outlined below, together with the Regulator's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements. The Chief Executive has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Regulator, to set risk limits and controls and to monitor risks.

(a) Financial instrument categories

Financial assets	Note	Category	Carrying amount 2016 \$'000	Carrying amount 2015 \$'000
Cash and cash equivalents	5	N/A	10,382	9,322
Receivables	6	Loans and receivables (at amortised cost)	2	193

Financial liabilities	Note	Category	Carrying amount 2016 \$'000	Carrying amount 2015 \$'000
Payables	9	Financial liabilities (at amortised cost)	456	390

The above table does not include statutory receivables and payables, prepayments and unearned income as they are not within the scope of AASB 7.

(b) Credit risk

Credit risk arises when there is the possibility of the Regulator's debtors defaulting on their contractual obligations, resulting in a financial loss to the Regulator. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment). Credit risk arises from the financial assets of the Regulator, including cash and receivables. No collateral is held by the Regulator. The Regulator has not granted any financial guarantees.

(i) Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System

(ii) Receivables – trade debtors

All trade debtors are recognised as amounts receivable as at 30 June 2016. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts, which are known to be uncollectable, are written off. An allowance for impairment is raised when there is objective evidence that the Regulator will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are made generally on 30 day terms. The Regulator is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. At the balance date, the Regulator's debtors are not considered impaired.

Independent Transport Safety Regulator
Notes to the financial statements
for the year ended 30 June 2016

18. Financial instruments (cont'd)

(c) Liquidity risk

Liquidity risk is the risk that the Regulator will be unable to meet its payment obligations when they fall due. As a budget dependent agency, the Regulator's primary source of cash inflows is the grants and contributions allocation to meet its ongoing operating and capital commitments as set out in the budget papers approved by the NSW Parliament. The Regulator is prohibited without Treasury approval from making payments in excess of the approved allocation. As such the Regulator's exposure to liquidity risk including payment default is insignificant based on current Treasury policies and practices. During the current and prior year, there were no defaults of loans payable. No assets have been pledged as collateral.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Head of an authority (or a person appointed by the Head of an authority) may automatically pay the supplier simple interest.

The table below summarises the maturity profile of the reporting entity's financial liabilities, together with the interest rate exposure.

Maturity analysis and interest rate exposure of financial liabilities

\$'000								
	Weighted average effective interest rate	Nominal amount	Interest rate exposure			Maturity dates		
			Fixed interest rate	Variable interest rate	Non- interest bearing	< 1 yr	1-5 yrs	> 5 yrs
30 June 2016								
Payables	0.00	456	-	-	456	456	-	-
	-	456	-	-	456	456	-	-
\$'000								
	Weighted average effective interest rate	Nominal amount	Interest rate exposure			Maturity dates		
			Fixed interest rate	Variable interest rate	Non- interest bearing	< 1 yr	1-5 yrs	> 5 yrs
30 June 2015								
Payables	2.26	390	-	-	390	390	-	-
	-	390	-	-	390	390	-	-

Independent Transport Safety Regulator

Notes to the financial statements

for the year ended 30 June 2016

18. Financial instruments (cont'd)

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Regulator is not exposed to this class of risk because as reported above its main source of cash inflows is grants and contributions. The Regulator does not hold financial instruments for trading purposes and as such is not exposed to market or price risks.

(e) Interest rate risk

Interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in market interest rates. The Regulator does not earn interest on its bank balances per the Treasury Banking System policy.

The Regulator's exposure to interest rate risk is not applicable. The exposure to interest rate risk is set out below. The interest rate band of +/- 1% was advised by Treasury.

Interest rate changes 2016		-1%		+1%	
	Carrying amount \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial assets					
Cash and cash equivalents	10,382	(104)	(104)	104	104
Receivables	2	-	-	-	-
Total	10,384	(104)	(104)	104	104
Financial liabilities					
Payables	456	-	-	-	-
Total	456	-	-	-	-

Interest rate changes 2015		-1%		+1%	
	Carrying amount \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial assets					
Cash and cash equivalents	9,322	(93)	(93)	93	93
Receivables	193	-	-	-	-
Total	9,515	(93)	(93)	93	93
Financial liabilities					
Payables	390	-	-	-	-
Total	390	-	-	-	-

The carrying values of the Regulator's financial instruments as set out in the table above are deemed to be equivalent to their fair value.

19. Events after the reporting period

There were no events after the balance date that materially impacts the financial statements.

End of audited financial statements.

Financial report of the Independent Transport Safety Regulator Staff Agency

Independent auditor's report	p.53
Statement by Chief Executive	p.55
Statement of comprehensive income	p.56
Statement of financial position	p.57
Statement of changes in equity	p.58
Statement of cash flows	p.59
Notes to and forming part of the financial statements	p.60

The following pages provide detailed financial information for the Independent Transport Safety Regulator Staff Agency established under the *Government Sector Employment Act 2013* to provide personnel services to the statutory corporation. The staff agency is the successor and continuation of the former Independent Transport Safety Regulator Division established under the *Public Sector Employment and Management Act 2012*.



INDEPENDENT AUDITOR'S REPORT

Independent Transport Safety Regulator Staff Agency

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Independent Transport Safety Regulator Staff Agency (the Staff Agency), which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Staff Agency as at 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report.

I am independent of the Staff Agency in accordance with the auditor independence requirements of:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (the Code).

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services.

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

Non-going concern basis of preparation

Without qualification to the opinion expressed above, I draw attention to Note 1(b) 'Basis of Preparation'. The Staff Agency prepared its financial statements on a non-going concern basis because the Minister of Transport and Infrastructure has approved the actions to commence the implementation of arrangements for direct delivery of rail regulatory services in NSW under the Office of National Rail Safety Regulator, which means the Staff Agency will cease to exist once this transition takes place within the next 12 months. Asset and liability amounts and classifications have been adjusted as a result of the finite period of operation.

The Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for preparing financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive determines is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>.

The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Staff Agency carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented.



Peter Barnes
Director, Financial Audit Services

22 September 2016

SYDNEY

Independent Transport Safety Regulator Staff Agency
Statement by the Chief Executive
for the year ended 30 June 2016

Pursuant to Sections 41C (1B) and (1C)(b) of the *Public Finance and Audit Act 1983*, and Clause 7 of *Public Finance and Audit Regulation 2015*, I state that:

- (a) In my opinion, the accompanying financial statements have been prepared in accordance with:
 - Applicable Australian Accounting Standards which include Australian Accounting Interpretations;
 - The requirements of the *Public Finance and Audit Act 1983* and the *Public Finance and Regulation 2015*; and
 - The Financial Reporting Directions issued by the Treasurer under section 9(2) (n) of the Act;
- (b) The statements exhibit a true and fair view of the financial position and transactions of the Independent Transport Safety Regulator Staff Agency;
- (c) There are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate; and
- (d) The financial statements have been prepared on a non going concern basis. It is expected that operations of the Independent Transport Safety Regulator Staff Agency will be transitioned to the Office of the National Rail Safety Regulator in the next 12 months from the date the accompanying audit report was signed.



Paul Harris
Chief Executive

Date: 22 September 2016

Independent Transport Safety Regulator Staff Agency
Statement of comprehensive income
for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Expenses excluding losses			
Employee related	2	10,428	9,806
Total expenses		10,428	9,806
Revenue			
Personnel services		9,472	9,318
Acceptance by the Crown Entity of employee benefits and other liabilities		956	488
Total revenue		10,428	9,806
Net result		-	-
Other comprehensive income		-	-
Total other comprehensive income		-	-
Total comprehensive income		-	-

The accompanying notes form part of these financial statements.

Independent Transport Safety Regulator Staff Agency
Statement of financial position
as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Assets			
Current assets			
Receivables	3	1,325	1,614
Total current assets		1,325	1,614
Total assets		1,325	1,614
Liabilities			
Current liabilities			
Payables	4	-	213
Provisions	5	1,325	1,401
Total current liabilities		1,325	1,614
Total liabilities		1,325	1,614
Net assets		-	-
Equity			
Accumulated funds		-	-
Total equity		-	-

The accompanying notes form part of these financial statements.

Independent Transport Safety Regulator Staff Agency
Statement of changes in equity
for the year ended 30 June 2016

	Accumulated funds \$'000	Asset revaluation surplus \$'000	Other reserves \$'000	Total \$'000
Balance at 1 July 2015	-	-	-	-
Net result for the year	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Balance at 30 June 2016	-	-	-	-
Balance at 1 July 2014	-	-	-	-
Net result for the year	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Balance at 30 June 2015	-	-	-	-

The accompanying notes form part of these financial statements.

Independent Transport Safety Regulator Staff Agency
Statement of cash flows
for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
Cash flows from operating activities		
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Net increase / (decrease) in cash	-	-
Opening cash and cash equivalents	-	-
Closing cash and cash equivalents	-	-

The accompanying notes form part of these financial statements.

Independent Transport Safety Regulator Staff Agency
Notes to the financial statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

(a) Reporting entity

The Independent Transport Safety Regulator Staff Agency is a Public Service Agency, established pursuant to the *Government Sector Employment Act 2013 (Act)* on 24 February 2014.

The Staff Agency is the successor and continuation of the former Independent Transport Safety Regulator Division.

The Staff Agency is a not-for-profit entity as profit is not its principal objective. It is consolidated into ITSIR as part of the NSW Total State Sector Accounts. It is domiciled in Australia and its principal office is at Level 22, 201 Elizabeth Street, Sydney. The principal objective of this Staff Agency is to provide personnel services to the Independent Transport Safety Regulator.

In February 2016, the NSW Government approved the preparation of a Bill to abolish the Regulator, noting that the functions would be undertaken by the Office of the National Rail Safety Regulator (ONRSR). Management expects the change will be implemented in the next 12 months from the date the accompanying audit report was signed.

These financial statements for the year ended 30 June 2016 have been authorised for issue by the Chief Executive of the Independent Transport Safety Regulator on the date on which the accompanying statements was signed by the Chief Executive.

(b) Basis of preparation

The Independent Transport Safety Regulator Staff Agency financial statements are general purpose financial statements prepared in accordance with the requirements of Australian Accounting Standards, the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015*, and specific directions issued by the Treasurer.

Generally, the historical cost basis of accounting has been adopted and the financial statements do not take into account changing money values or current valuations. However, certain provisions are measured at fair value (Note 5).

The accrual basis of accounting has been adopted in the preparation of the financial statements. Management's judgments, key assumptions and estimates are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

The financial statements have been prepared on a non going concern basis.

In accordance with AASB 101, management has made an assessment of the Staff Agency's ability to continue as a going concern. In assessing whether to prepare the financial statements on a non going concern basis for the Staff Agency, management has taken into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

In February 2016, the NSW Government approved the preparation of a Bill to abolish the Regulator, noting that the functions would be undertaken by ONRSR. Management expects the change will be implemented in the next 12 months from the date the accompanying audit report was signed.

All annual leave, long service leave and the related oncosts are expected to be paid out to employees on termination or when the transition takes place.

There have been no negotiations or agreements in place with the Staff Agency's employees regarding the redundancies, therefore no provision for redundancy was raised at 30 June 2016.

Independent Transport Safety Regulator Staff Agency
Notes to the financial statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies (cont'd)

(c) Income recognition

Income is measured at the fair value of the consideration received or receivable. Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised.

(d) Receivables

A receivable is recognised when it is probable that the future cash inflows associated with it will be realised and it has a value that can be measured reliably. It is derecognised when the contractual or other rights to future cash flows from it expire or are transferred.

A receivable is measured initially at fair value and subsequently at amortised cost using the effective interest rate method, less any allowance for impairment of receivables. A short-term receivable with no stated interest rate is measured at the original invoice amount where the effect of discounting is immaterial. An invoiced receivable is due for settlement within thirty days of invoicing.

If there is objective evidence at year end that a receivable may not be collectable, its carrying amount is reduced by means of an allowance for doubtful debts and the resulting loss is recognised in the operating statement. Receivables are monitored during the year and bad debts are written off against the allowance when they are determined to be irrecoverable. Any other loss or gain arising when a receivable is derecognised is also recognised in the operating statement.

(e) Payables

Payables include accrued wages, salaries, and related on costs (such as payroll tax, fringe benefits tax and workers' compensation insurance) where there is certainty as to the amount and timing of settlement.

A payable is recognised when a present obligation arises under a contract or otherwise. It is derecognised when the obligation expires or is discharged, cancelled or substituted. A short-term payable with no stated interest rate is measured at the original invoice amount where the effect of discounting is immaterial.

(f) Employee benefits provisions and expenses

(i) Salaries and wages, annual leave and on-costs

Liabilities for salaries and wages (including non-monetary benefits) and annual leave that fall due wholly within 12 months of the reporting date are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

Long-term annual leave that is not expected to be taken within 12 months, is measured at present value in accordance with AASB 119 Employee Benefits. Market yields on government bonds are used to discount long-term annual leave.

As part of the transition of the Staff Agency to ONRSR, it is expected that all annual leave entitlements and related oncosts will be paid out to employees on termination or at the date of transition.

Unused sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

Independent Transport Safety Regulator Staff Agency

Notes to the financial statements

for the year ended 30 June 2016

1. Summary of Significant Accounting Policies (cont'd)

(f) Employee benefits provisions and expenses (cont'd)

(ii) Long service leave and superannuation

The Regulator's liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity. The Regulator accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits and other liabilities'.

Long service leave is measured at present value in accordance with AASB 119 Employee Benefits. This is based on the application of certain factors (specified in NSWTC 15/09) to employees with 5 or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

As part of the transition of the Staff Agency to ONRSR, it is expected that all long service leave entitlements and related oncosts will be paid out to employees on termination or at the date of transition.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

(iii) Other provisions

Other provisions exist when the Staff Agency has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Any provisions for restructuring are recognised only when the Regulator has a detailed formal plan and the Regulator has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

If the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

(g) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements.

(h) New and revised Australian Accounting Standards and Interpretations

(i) Effective for the first time in 2015-16

The accounting policies applied in 2015-16 are consistent with those of the previous financial year.

Independent Transport Safety Regulator Staff Agency
Notes to the financial statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies (cont'd)

(h) New and revised Australian Accounting Standards and Interpretations (cont'd)

(ii) Issued but not yet effective

The Staff Agency has reviewed all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("the AASB") but not yet effective.

NSW public sector entities are not permitted to implement early adoption of new Australian Accounting Standards, unless Treasury determines otherwise. The following new Australian Accounting Standards have not been applied and are not yet effective. The impact of these standards in the period of initial application will not be significant.

Standard	Applicable to annual reporting periods beginning on or after
AASB 9 Financial Instruments, AASB 2010-7, AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2018
AASB 15 Revenue from Contracts with Customers, AASB 2014-5, AASB 2015-8 and AASB 16-3 Amendments to Australian Accounting Standards arising from AASB 15	1 January 2018
AASB 2014-9 Amendments to Australian accounting standards – Equity Method in Separate Financial Statements	1 January 2016
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016
AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128	1 January 2016
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017

A number of other new standards have been identified and assessed and it is expected that they will have no impact on the financial statements of the Staff Agency.

Independent Transport Safety Regulator Staff Agency

Notes to the financial statements

for the year ended 30 June 2016

2. Expenses excluding losses

(a) Employee related expenses

	2016	2015
	\$'000	\$'000
Salaries and wages (including annual leave)	8,122	8,179
Superannuation - defined benefits plan	284	112
Superannuation - defined contribution plan	644	551
Long service leave	660	369
Workers' compensation insurance	59	48
Payroll tax and fringe benefit tax	521	493
Redundancies	138	54
	10,428	9,806

3. Receivables

(a) Current receivables

Debtors	1,325	1,614
	1,325	1,614

4. Payables

(a) Current payables

Accruals - salaries and oncosts	-	213
	-	213

5. Provisions

(a) Current provisions

Annual leave ⁽¹⁾	717	853
Other employee provisions	608	548
	1,325	1,401

¹ Current provisions to be settled after more than 12 months is nil.

As part of the transition of the Regulator to ONRSR, it is expected that all annual leave entitlements and related oncosts will be paid out to employees on termination or at the date of transition.

6. Contingent liabilities and contingent assets

(a) Contingent liabilities

The Staff Agency had no contingent liabilities as at 30 June 2016 (2015 – Nil)

(b) Contingent assets

The Staff Agency had no contingent assets as at 30 June 2016 (2015 – Nil)

7. After balance date events

There were no events after the balance date that materially impacts the financial statements.

End of audited financial statements.

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1. Accredited rail transport operators in NSW

The following list comprises the 83 accredited rail transport operators in NSW under *Rail Safety National Law 2012* as at 30 June 2016.

3801 LTD

ALTRAC Light Rail 1 Pty Limited & ALTRAC Light Rail 2 Pty Limited & ALTRAC Light Rail 3 Pty Ltd

Aurizon Operations Limited

Australia Western Railroad Pty Ltd

Australian Rail Track Corporation Limited

Australian Railway Historical Society ACT Division_Inc

Bluescope Steel (AIS) Pty Ltd

Boral Cement Limited

Bowmans Intermodal Pty Ltd

Coleman Rail Pty Ltd

Bradken Resources Pty Limited

Broadspectrum (Australia) Pty Ltd

Byron Bay Railroad Company Limited

Cement Australia Pty Limited

CF Asia Pacific Group Pty Ltd

Cooma-Monaro Railway Incorporated

CPB Contractors Pty Limited

Crawfords Freightlines Pty Ltd

Dorrigo Steam Railway & Museum Limited

Downer EDI Rail Pty Ltd

Downer EDI Works Pty Ltd

DP World Sydney Limited

Ettamogah Rail Hub Pty Ltd

Fluor Australia Pty Ltd

Freightliner Australia Pty Ltd

Gemco Rail Pty Ltd

Genesee & Wyoming Australia Pty Ltd

Glenreagh Mountain Railway Incorporated

Goulburn Crookwell Heritage Railway Inc

Goulburn Loco Roundhouse Preservation Society Inc

GrainCorp Operations Limited

Great Southern Rail Limited

Guyra & District Historical Society Machinery Group Incorporated

Holdco Holdings Pty Ltd

Illawarra Light Railway Museum Society Ltd

Interail Australia Pty Ltd

John Holland Pty Ltd

John Holland Rail Pty Ltd

Junee Railway Workshop Pty Ltd

Lachlan Valley Railway Society Co-operative Ltd

Laing O'Rourke Australia Construction Pty Ltd

LendLease Engineering Pty Ltd

Manildra Flour Mills Pty Ltd
Maritime Container Services Pty Ltd
McConnell Dowell Constructors (Aust) Pty Ltd
Metro Trains Melbourne Pty Ltd
Metro Trains Sydney Pty Ltd
New England Railway Incorporated
New South Wales Steam Preservation Co Op Society Ltd
NSW Trains
Oberon Tarana Heritage Railway Incorporated
OneSteel Manufacturing Pty Limited (Newcastle)
Pacific National Pty Ltd
Patrick Portlink Pty Limited
Perilya Broken Hill Limited
Perisher Blue Pty Limited
Qube Logistics (Rail) Pty Ltd
R.C. Sadleir Pty Limited
Regional Heritage Transport Assoc Junee Incorporated
Rhomborg Rail Australia Pty Ltd
Ricegrowers Limited
Richmond Vale Preservation Co-operative Society Limited
South Maitland Railways Pty Ltd
South Pacific Electric Railway Co-operative Society Ltd
Speno Rail Maintenance Australia Pty Ltd
Steam Tram and Rail Preservation Co Op Society Ltd
Swanson, Grahame David
Sydney International Container Terminals Pty Ltd
Sydney Olympic Park Authority
Sydney Rail Services Pty Ltd
Sydney Trains
Taylor Rail Australia Pty Ltd
The Rail Motor Society Inc
Toll Transport Pty Ltd
Transdev Sydney Pty Ltd
Transport for NSW
Transport Heritage NSW Ltd
Transvolution Operations Pty Ltd
Twentieth Super Pace Nominees Pty Ltd
UGL Rail Services Pty Limited
V/Line Pty Ltd
Veolia Environmental Services (Australia) Pty Ltd
Zig Zag Railway Co Op Ltd

2. ITSR's charter and aims

Please refer to ITSR's legislative objectives on page 5.

3. Principal Officers

ITSR's principal officers during 2015-16 were the executive leadership group. Their background details are outlined below:

Paul Harris

Chief Executive

Paul Harris (BCom, MPA) was appointed as Chief Executive in January 2014 following his role as Executive Director, Corporate Services and Planning.

Paul has extensive rail industry and public sector experience in corporate human resources and business services management roles and holds formal qualifications in public sector administration and industrial relations. He has been responsible for implementing significant workplace reforms at the former State Rail and the Ministry of Transport and within ITSR.

Simon Foster

Executive Director Technical

Simon Foster (GradDipMgmt, L&ESDCert, MAICD) brings over 35 years of technical and management experience in rail covering track, fleet, operations, stations and communications. He was appointed as ITSR's Executive Director Service Reliability in April 2004; Executive Director, Operations in May 2009; and to the new position of Chief Operating Officer in November 2012. Previously Simon worked at the Office of Coordinator-General of Rail. He now holds the position of Executive Director Technical within ONRSR.

Simon has a Graduate Diploma in Management, a Land and Engineering Survey Drafting Certificate, and in 1988 was awarded a Bicentennial Fellowship in Management (the equivalent of a Churchill Fellowship). He has also successfully completed the ANZSOG Executive Fellows Program.

Colin Holmes

NSW Branch Director

Colin Holmes (GradCert Transport Safety, Cert Transport Mgt) was appointed Deputy Executive Director, Operations in July 2010 and has held the position of the NSW Branch Director from 2013. He has been with ITSR since it was established in 2004 and had a number of senior safety management roles.

Before joining ITSR, Colin spent nine years in senior management at the then Transport Safety Bureau in the former Ministry of Transport and has more than 10 years management and operational experience at the State Transit Authority.

Andy Webb

Senior Manager, Major Rail Projects

Andy Webb (MSc MIRSE FIEAust CPEng) has been in the role of Senior Manager Major Rail Projects since July 2013, having previously supported ITSR's safety improvement initiatives as an asset management specialist.

Andy has over 25 years' experience in the railway industry in maintenance and consulting roles in Australia, Asia and Europe and holds an MSc in Asset Management and Maintenance Engineering.

During his career, Andy has been responsible for the delivery of signalling maintenance, railway infrastructure projects, asset management evaluations and certification audits, for organisations such as the Victorian Department of Transport, ScotRail, and Hong Kong's Kowloon-Canton Railway.

Janet Peters

Senior Manager, Strategic Governance and Assurance

Janet Peters (B Ed, M HR& IR, Grad Dip IR, Grad Cert Transport Safety) joined ITSR at its inception in 2004 to establish ITSR's IT systems and was later appointed Manager, Corporate Strategy. Janet manages ITSR's quality and business improvement program and is ITSR's Chief Audit Executive. Prior to joining ITSR, Janet worked at the Workers Compensation Commission and WorkCover, primarily working in policy and legislative reform programs.

Janet has a background in education, public policy making, law reform and the military. She has extensive experience in the NSW public sector in service delivery, management and policy.

4. Senior Executives

The following information reflects reporting requirements for reporting on senior executives outlined in the Public Service Commission's Circulator 2014-09.

49.36% of ITSR's employee-related expenditure in 2015/16 was related to senior executives, compared with 49.13% in 2014/15.

Band	2014/15		2015/16	
	Female	Male	Female	Male
Band 4 (Secretary)	-	-	-	-
Band 3 (Deputy Secretary)	0	1	0	1
Band 2 (Executive Director)	0	2	0	2
Band 1 (Director)	5	16	5	13
TOTALS	5	19	5	16
	24		21	

Band	Range 2015/16	Average Remuneration 2014/15	Average Remuneration 2015/16
Band 4 (Secretary)	-	-	-
Band 3 (Deputy Secretary)	\$313,051 - \$441,200	N/A	N/A
Band 2 (Executive Director)	\$248,851 - \$313,050	\$280,200	\$287,212
Band 1 (Director)	\$174,500 - \$248,850	\$187,946	\$190,442

5. Significant committees

ITSR provides input and leadership to a number of internal and external committees. Participation details are provided below:

Internal committees

Work Health and Safety representative committee

Paul Harris, Chief Executive
Gerrard Joseph, Manager, Compliance
Cathy Dowe, Policy Officer
Steven Ford, Manager, Major Rail Projects
Josephine Ngan, Rail Safety Officer

Work Health and Safety senior officers' forum

Simon Foster, Executive Director Technical
Colin Holmes, NSW Branch Director
Andy Webb, Senior Manager, Major Projects
Gerrard Joseph, Manager, Compliance
Grant Windsham, Manager, Accreditation
Alan Lidbetter, Director, National Compliance Investigation
David Pearson, Senior Manager, National Compliance Investigation
Michael Lane, Senior Manager, Engineering
Janet Peters, Senior Manager, Strategic Governance and Assurance
Josephine Ngan, Rail Safety Officer

State, national and international committees

ONRSR Executive

Simon Foster, Executive Director Technical, ONRSR

ONRSR Board

Simon Foster, Executive Director Technical, ONRSR

ONRSR Strategic Policy Committee (SPC)

Simon Foster, Executive Director Technical, ONRSR

ONRSR National Operations Committee (NOC)

Simon Foster, Executive Director, Technical, ONRSR
Colin Holmes, NSW Branch Director, ONRSR

ONRSR IM&T Steering Committee

Simon Foster, Executive Director Technical, ONRSR

ONRSR IM&T Change Advisory Board

Simon Foster, Executive Director Technical, ONRSR (Chair)

NSW Branch Operations Forum

Colin Holmes, NSW Branch Director, ONRSR

Cathy Dowe, Policy Officer, ONRSR

NSW Level Crossing Strategy Council

Michael Lane, Senior Manager Technical Services, ONRSR

TfNSW Level Crossing Working Group

Michael Lane, Senior Manager Technical Services, ONRSR

TfNSW Level Crossing Strategy Committee

Michael Lane, Senior Manager Technical Services, ONRSR

Hazmat Incident Review Group

Chris Sandars, Senior Rail Safety Officer, ONRSR

Environmental Services Functional Area Committee

Chris Sandars, Senior Rail Safety Officer, ONRSR

6. Grants to non-government organisations

No grants were made to non-government organisations.

7. Principal legislation administered by ITSR**Acts and Regulations**

<i>Transport Administration Act 1988</i>	Legislation which established the Independent Transport Safety Regulator (ITSR) and provides that a principal function of ITSR is to exercise functions under the <i>Rail Safety National Law (NSW)</i> in accordance with a service agreement between ITSR and the Office of the National Rail Safety Regulator (ONRSR) or in accordance with a delegation by ONRSR to ITSR.
<i>Rail Safety National Law (SA)</i>	A regulatory regime set out in the schedule to the <i>Rail Safety National Law (South Australia) Act 2012 (SA)</i> that: • provides for rail safety regulation in South Australia; and • is a model for other participating jurisdictions including New South Wales.
<i>Rail Safety (Adoption of National Law) Act 2012 (NSW)</i>	Legislation adopting the <i>Rail Safety National Law (SA)</i> as law in New South Wales with minor variations as the <i>Rail Safety National Law (NSW)</i> on 20 January 2013.

<i>Rail Safety National Law National Regulations 2012</i>	Uniform national regulations made under the <i>Rail Safety National Law (South Australia) Act 2012 (SA)</i> that apply as law in New South Wales in accordance with the <i>Rail Safety National Law (NSW)</i> . The national regulations clarify the requirements for accreditation, registration requirements relating to the management of private sidings, the requirements of safety management systems and other aspects of the <i>Rail Safety National Law (NSW)</i> .
<i>Rail Safety (Adoption of National Law) Regulations 2012 (NSW)</i>	Regulations made under the <i>Rail Safety (Adoption of National Law) Act 2012 (NSW)</i> providing for a drug and alcohol regime and train communication systems that are unique to New South Wales.

On 24 July 2013, ITSR and ONRSR entered into a service level agreement with effect from 20 January 2013 for ITSR to carry out regulatory functions in NSW and the ACT under the Rail Safety National Law (NSW). ITSR's officers also carry out those functions in accordance with an instrument of delegation from the National Rail Safety Regulator in ONRSR. The service level agreement provides for a close integration of organisational capabilities between ONRSR and ITSR, and an enhanced level of rail safety regulation in NSW by ITSR.

Following enactment of the *Rail Safety National Law Act 2014* (Australian Capital Territory) on Thursday, 20 November 2014, responsibility for rail safety in the ACT was transferred to the Central Branch of ONRSR.

During the 2015-16 year, the *Rail Safety National Law (NSW)* was amended in line with amendments that applied in all participating jurisdictions. Most of the amendments were of a minor nature. The remainder, however, were of a substantive nature, such as a new requirement for rail infrastructure managers of private sidings to give annual activity statements to the Regulator, and a new power for rail safety officers to compel the production of documents such as a documented safety management system.

Approved codes of Practice under Rail Safety National Law (NSW)

Rail Safety Compliance Code – Data Loggers	Continues in force pursuant to Clause 34 Rail Safety (Adoption of National Law) Regulation 2012
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8. Significant judicial decisions

Any significant judicial decisions relating to ITSR's rail safety regulation are managed by ONRSR.

9. Major works in progress

ITSR had no major works in progress during 2015-16.

10. Electronic service delivery

Information on ONRSR's policies and procedures and forms for rail safety regulatory activities are available on the ONRSR website at www.onrsr.com.au

11. Research and development

Research and development activities are now managed and reported on by the ONRSR. See the ONRSR's Annual Reports.

12. Workforce diversity

ITSR's workforce diversity strategies are outlined in more detail on page 82. The following tables reflect relevant ITSR staff data on workforce diversity:

Remuneration Level of Substantive Position	2016									
	Total Staff (Men, Women & Unspecified)	Respondents	Men	Women	Unspecified Gender	Aboriginal & Torres Strait Islanders	People from Racial, Ethnic, Ethno-Religious Minority Groups	People whose Language First Spoken as a Child was not English	People with a Disability	People with a Disability Requiring Work-related Adjustment
\$0 - \$44,683	0	0	0	0	0	0	0	0	0	0
\$44,683 - \$58,867	0	0	0	0	0	0	0	0	0	0
\$58,867 - \$65,608	0	0	0	0	0	0	0	0	0	0
\$65,608 - \$83,022	2	1	1	1	0	0	1	1	0	0
\$83,022 - \$107,362	13	12	3	10	0	0	5	2	1	1
\$107,362 - \$134,202	10	10	3	7	0	0	3	3	2	0
\$134,202 > (Non SES)	29	28	20	9	0	0	7	7	6	1
\$134,202 > (SES)	5	5	5	0	0	0	0	0	1	0
Total	59	56	32	27	0	0	16	13	10	2

Note 1: Estimated figures are calculated on the basis of the number of employees that have responded "yes" to the Workforce Diversity category as a proportion of the total number of employees who have responded to the Workforce Diversity (EEO) survey, multiplied by the total amount of employees in the salary band i.e. Estimated People with a Disability from salary band 1 = (Actual number of People with a Disability in salary band 1/Total number of respondents from salary band 1)* Total number of Staff in salary band 1.

Note 2: Estimated figures are only calculated for those agencies with a response rate of greater than 65%. For those agencies with response rates less than 65%, actual figures are used to calculate the representation and distribution of these groups.

Note 3: Respondents are classified as employees who have provided an answer for any of the Workforce Diversity questions, whether they have chosen to withdraw their response or not i.e. all employees who do not have "missing" as their response.

Note 4: Separated employees are excluded in the above table.

Note 5: Unspecified gender includes unknown, withdrawn or indeterminate/intersex recorded values.

A. Trends in the representation of workforce diversity groups

Group	Benchmark/Target	2012	2013	2014	2015	2016
Women	50%	37.7%	44.8%	49.3%	49.2%	45.8%
Aboriginal People and Torres Strait Islanders	2.6%	0.0%	0.0%	0.0%	0.0%	0.0%
People whose First Language Spoken as a Child was not English	19.0%	14.4%	22.7%	23.4%	22.1%	24.4%

People with a Disability	N/A	16.6%	17.8%	20.2%	18.7%	17.5%
People with a Disability Requiring Work-Related Adjustment	1.5%	6.2%	3.2%	3.2%	3.4%	3.6%

B. Trends in the distribution of workforce diversity groups

Group	Benchmark/Target	2012	2013	2014	2015	2016
Women	100	93	85	81	85	89
Aboriginal People and Torres Strait Islanders	100	N/A	N/A	N/A	N/A	N/A
People whose First Language Spoken as a Child was not English	100	N/A	N/A	N/A	N/A	N/A
People with a Disability	100	N/A	N/A	N/A	N/A	N/A
People with a Disability Requiring Work-Related Adjustment	100	N/A	N/A	N/A	N/A	N/A

Note 1: Staff numbers are as at 30 June 2016

Note 2: A Distribution Index of 100 indicates that the centre of the distribution of the Workforce Diversity group across salary levels is equivalent to that of other staff. Values less than 100 mean that the Workforce Diversity group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the Workforce Diversity group is less concentrated at lower salary levels.

Note 3: The Distribution Index is not calculated where Workforce Diversity group or non-Workforce Diversity group numbers are less than 20.

13. Consultants

ITSR did not employ any consultants during 2015-16.

14. Economic or other factors impacting on performance

ITSR's operating environment included a range of factors such as industry changes, regulatory reform at a national level and difficult labour market conditions.

ITSR considers a broad range of economic, safety, legislative and stakeholder issues that could impact on its performance as part of its integrated risk management/corporate planning process. Risk controls that either mitigate or reduce the risk of these having a negative impact are built into the corporate and program plans.

15. Promotion - publications

All publications on rail safety regulation are managed and published by the ONRSR National Office in Adelaide, South Australia and listed on its website at www.onrsr.com.au

16. Overseas visits

There was one trip overseas during 2015-16. The staff member paid for his own airfare.

Officer	Date	Destination	Purpose of visit
Andy Webb	15-16/09/2015	London	ASPECT 2015 – Institution of Railway Signal Engineers Conference

17. Payment of accounts*

Aged Analysis at the end of each quarter

Quarter	Current (within due date) \$'000	Less than 30 days overdue \$'000	30 - 60 days overdue \$'000	61 - 90 days overdue \$'000	More than 90 days overdue \$'000	Total \$'000
All suppliers						
September	920	-	-	-	-	920
December	928	-	-	-	-	928
March	807	-	-	-	-	807
June	3,298	-	-	-	-	3,298
Total	5,953	-	-	-	-	5,953
Small business suppliers						
September	0	-	-	-	-	0
December	0	-	-	-	-	0
March	7	-	-	-	-	7
June	10	-	-	-	-	10

18. Time for payment of accounts*

Accounts due or paid within each quarter

Measure	Sept	Dec	Mar	Jun
All suppliers				
Number of accounts due for payment	142	139	131	136
Number of accounts paid on time	142	139	131	136
Actual percentage of accounts paid on time (based on number of accounts)	100%	100%	100%	100%
Dollar amount of accounts due for payment (\$'000)	920	928	807	3,298
Dollar amount of accounts paid on time (\$'000)	920	928	807	3,298
Actual percentage of accounts paid on time (based on \$)	100%	100%	100%	100%
Number of payments for interest on overdue accounts	-	-	-	-
Interest paid on overdue accounts	-	-	-	-

* Figures exclude NSW Transport inter Agencies and staff reimbursement transactions. ITSr has a service level agreement with Transport Shared Services to process the payment of invoices.

Accounts due or paid within each quarter (continued) - ITSr				
Measure	Sept	Dec	Mar	Jun
Small Business Suppliers				
Number of accounts due for payment to small businesses	1	1	1	2
Number of accounts due to small businesses paid on time	1	1	1	2

Accounts due or paid within each quarter (continued) - ITSR				
Measure	Sept	Dec	Mar	Jun
Small Business Suppliers				
Actual percentage of small business accounts paid on time (based on number of accounts)	100%	100%	100%	100%
Dollar amount of accounts due for payment to small businesses (\$'000)	-	-	7	10
Dollar amount of accounts due to small businesses paid on time (\$'000)	-	-	7	10
Actual percentage of small business accounts paid on time (based on \$)	100%	100%	100%	100%
Number of payments to small businesses for interest on overdue accounts	-	-	-	-
Interest paid to small businesses on overdue accounts	-	-	-	-

19. Risk management and insurance activities

ITSR undertook regular reviews of its corporate risks during the year based on its operating context. High level risks were proactively monitored by the Executive Leadership Group and reported on to the Independent Risk and Audit Committee (IRAC). The role of the IRAC is to assist ITSR in ensuring effective governance through management of risk and compliance with legislation and government requirements.

ITSR has insurance cover over all its assets and major risks. Insurance policies for workers compensation, building contents, computer equipment, motor vehicles and public liability are in place with the Government's self-insurance scheme, the Treasury Managed Fund.

20. Disclosure of controlled entities

ITSR does not have any controlled entities to report against.

21. Annual report external costs

There were no external annual report costs. ITSR produced its Annual Report 2015-16 in line with the NSW Government's policy direction to minimise printing and design costs. This report has been prepared in-house using existing resources.

22. Credit card certification

The Chief Executive has certified that the use of credit cards during 2015-16 was in accordance with Premier's Memoranda and Treasurer's Directions.

23. Response to significant issues raised by the Auditor-General

No significant issues were raised by the Auditor-General.

24. Internal Audit and Risk Management Policy attestation

The Chief Executive has attested that ITSr continues to have internal audit and risk management processes in place in accordance with the *Internal Audit and Risk Management Policy* (NSW T/C 09/08).

Internal Audit and Risk Management Attestation Statement for the 2015-2016 Financial Year for the Independent Transport Safety Regulator

I, Paul Harris, am of the opinion that the Independent Transport Safety Regulator has internal audit and risk management processes in operation that are, excluding the exceptions or transitional arrangements described below, compliant with the eight (8) core requirements set out in the *Internal Audit and Risk Management Policy* for the NSW Public Sector, specifically:

Core Requirements

Risk Management Framework

- 1.1 The agency head is ultimately responsible and accountable for risk management in the agency
- 1.2 A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009

Internal Audit Function

- 2.1 An internal audit function has been established and maintained
- 2.2 The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing
- 2.3 The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'

Audit and Risk Committee

- 3.1 An independent Audit and Risk Committee with appropriate expertise has been established
- 3.2 The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations
- 3.3 The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'

Membership

The chair and members of the Audit and Risk Committee are:

- Independent Chair, Mr Ken Barker, 1 December 2009 - 30 June 2016
- Independent Member, Mr Peter Ross, 1 February 2014 - 30 June 2016
- Non-independent Member, Mr Simon Foster, 6 November 2012 - 30 June 2016

These processes demonstrate that ITSr has established and maintained frameworks, including systems, processes and procedures for appropriately managing audit and risk within the ITSr.



Paul Harris
Chief Executive
13 September 2016



ITSr contact
Janet Peters
Chief Audit Executive

25. Digital Information Security Policy attestation

As required under the NSW Government policy on Digital Information Security, the Chief Executive provides the following attestation of compliance with the policy. ITSr's Risk and Audit Committee has endorsed the attestation statement.

24 August 2016



**INDEPENDENT
TRANSPORT
SAFETY
REGULATOR**

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www.transportregulator.nsw.gov.au
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Digital Information Security Annual Attestation for the 2015-2016 Financial Year for the Independent Transport Safety Regulator

I, Paul Harris, Chief Executive of the Independent Transport Safety Regulator, am of the opinion that ITSr had an Information Security Management System in place during the 2015-2016 financial year that is materially consistent with the Core Requirements set out in the NSW Government Digital Information Security Policy.

The controls in place to mitigate identified risks to the digital information and digital information systems of ITSr continue to be made adequate for the foreseeable future. ITSr is currently transitioning from a NSW public agency to providing its service directly through the Office of the National Rail Safety Regulator (ONRSR). As a result, ITSr's information security for 2015-16 has been governed respectively by TfNSW and the ONRSR (which utilises NEC as its IT service provider) for its relevant components (messaging, document and database systems) which are being migrated from TfNSW to ONRSR in a phased approach. NEC and TfNSW are ISO/IEC 27001 certified.

Under this governance arrangement, ITSr is compliant with this policy with note that ONRSR has scheduled to undertake an independent review of its digital security in the latter half of 2016-17 and work required to label and classify data has been identified as a forward ONRSR project.

There is no agency under the control of ITSr which is required to develop independent ISMS in accordance with the NSW Government Digital Information Security Policy.

Paul Harris
Chief Executive

ITSr
Safe transport for NSW

26. Reporting obligations under the *Government Information Public Access Act 2009*

During 2015-16, ITSR met the requirements of the *Government Information (Public Access) Act 2009* which provides the public with the opportunity to access information that is in the public interest to release. ITSR's agency information guide was also reviewed.

Since January 2013, all public requests for information on rail safety regulation have been directed to ONRSR.

No formal requests for information relating to ITSR governance activities were received during the year.

Review of proactive release program - Clause 7(a)

Under section 7 of the GIPA Act, agencies must review their programs for the release of government information to identify the kinds of information that can be made publicly available.

Following ITSR's integration with the ONRSR under its Service Level Agreement in January 2013, all public requests for information on rail safety regulation are referred to the ONRSR National Office in Adelaide, South Australia. The release of information from the ONRSR is governed by the South Australian *Freedom of Information Act 1991*. ITSR's Chief Executive with support from the Right to Information Officer oversees the release of any public information for any other inquiries. These changes are detailed in ITSR's agency information guide.

Number of access applications received - Clause 7(b)

During the reporting period, ITSR received no formal access applications.

Number of refused applications for Schedule 1 information - Clause 7(c)

ITSR did not refuse, either wholly or partly, any access applications for the reason that it addressed information referred to in Schedule 1 of the Act (Information for which there is conclusive presumption of overriding public interest against disclosure).

Statistical information about access applications - Clause 7(d) and Schedule 2 (Clause 7)

Table A: Number of applications by type of applicant and outcome*								
	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	0	0	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	0	0	0	0	0	0	0	0
Not for profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	0	0	0	0	0	0	0	0

Members of the public (other)	0	0	0	0	0	0	0	0
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* More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B.

Table B: Number of applications by type of application and outcome								
	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	0	0	0	0	0	0	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

* A **personal information application** is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

Table C: Invalid applications	
Reason for invalidity	Number of applications
Application does not comply with formal requirements (section 41 of the Act)	0
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	0
Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 to Act	
	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	0
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0

Ministerial code of conduct	0
Aboriginal and environmental heritage	0

* More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of Act

	Number of occasions when application not successful
Responsible and effective government	0
Law enforcement and security	0
Individual rights, judicial processes and natural justice	0
Business interests of agencies and other persons	0
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	0
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0
Total	0

Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendation under section 93 of Act	0	0	0
Review by ADT	0	0	0
Total	0	0	0

* The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

Table H: Applications for review under Part 5 of the Act (by type of applicant)

	Number of applications for review
Applications by access applicants	0
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

27. Reporting obligations under the *Public Interest Disclosures Act 1994*

NSW public authorities are required to report annually to Parliament on their obligations under the [Public Interest Disclosures Act 1994](#) (section 31). The following is ITSR's report.

ITSR's internal reporting policy remained current during 2015-16.

The policy and procedure for staff to make a public interest disclosure were readily available through ITSR's corporate management system.

No public interest disclosures were made to ITSR, none were received and none were finalised.

28. Work Health and Safety

For an outline of ITSR's WHS governance structure and activities, see pages 7 & 8.

For statistical details on WHS, see page 11.

29. Privacy management

ITSR maintains a privacy management plan which has been developed in line with government policy and the *Privacy and Personal Information Protection Act 1998* to ensure staff needs and rights are protected.

30. Corporate complaints handling

ITSR reviews and addresses any complaints of ITSR officers made by staff and external stakeholders.

During the year, no internal complaints were lodged with senior management.

Formal requests by rail transport operators for the review of regulatory decisions are dealt with by the ONRSR National Office.

Under the *Public Interest Disclosures Act 1994*, staff can report any observation of serious wrongdoing by other staff. No disclosures were made during 2015-16. The required report is above.

31. Workforce diversity

ITSR values having workforce diversity and ensures its policies and practices reflect principles supporting such diversity including recruitment, learning and development and performance management actions.

During the year, ITSR continued to implement diversity strategies in accordance with the *Government Sector Employment Act 2013*.

ITSR strategies include:

- 🔊 improving access to information relating to ITSR's human resource policies and practices
- 🔊 creating and supporting a diverse and skilled workforce
- 🔊 improving employment access and workforce participation without discrimination
- 🔊 promoting a workplace culture that displays fair practices and behaviour.

32. Multicultural policies and services

While ITSR is not required to have a formal policy or plan on multicultural issues, it ensures that the principles of multiculturalism are addressed through its workplace policies as advocated under the principles of the *Multiculturalism NSW Act 2000*.

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Business and service hours

ITSR's hours of business are from 8.30am to 5pm, Monday to Friday (except public holidays). Reception is open from 8.30am to 4.30pm.

After hours contact (for rail safety emergencies only) 1800 725 546