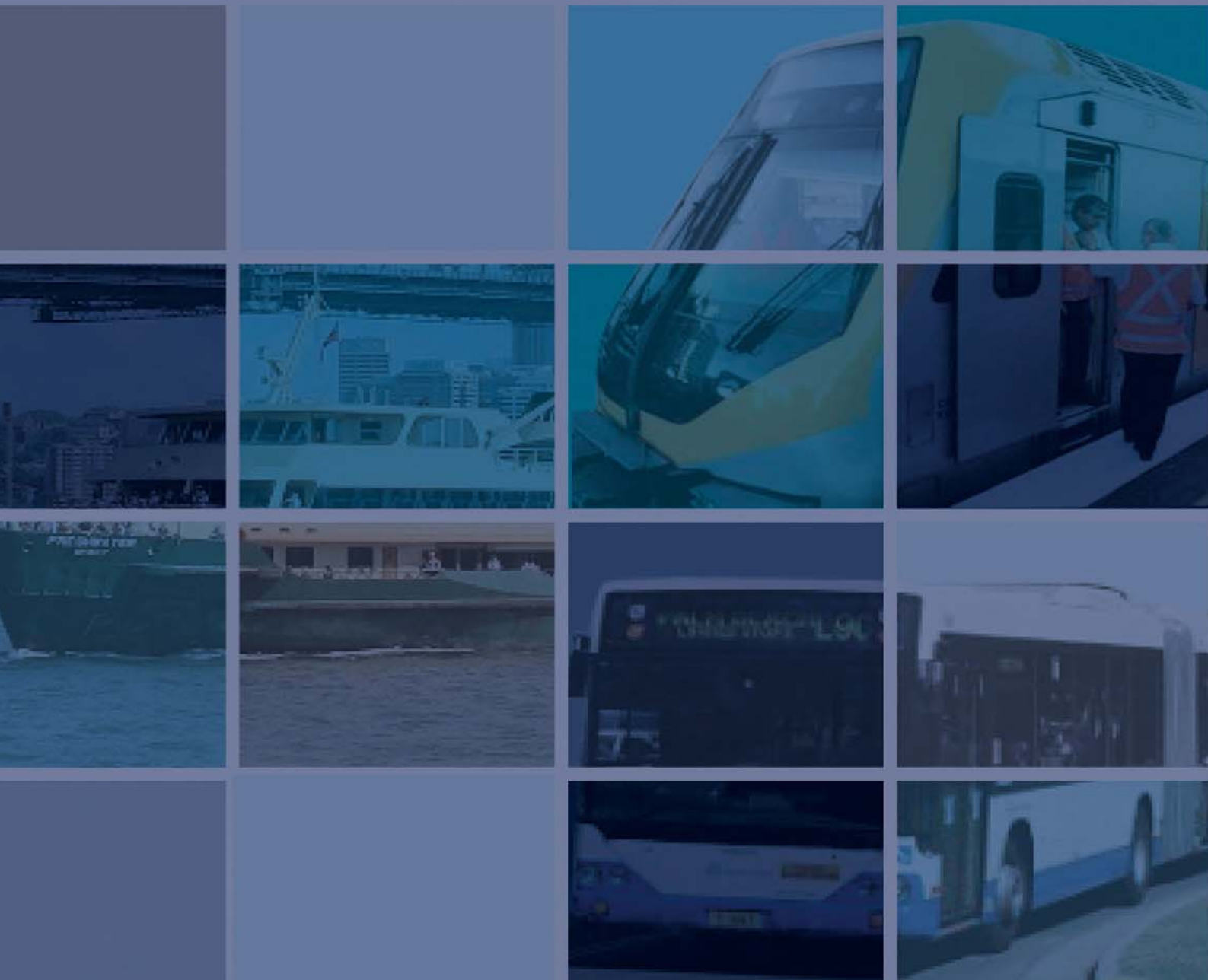




Office of Transport Safety Investigations

ANNUAL REPORT

2005 - 2006





Office of Transport Safety Investigations

The Hon John Watkins MP
Deputy Premier,
Minister for Transport and
Minister for Police
Parliament House
Macquarie Street
Sydney NSW 2000

Dear Minister,

It is my pleasure to submit to you for presentation to Parliament the Annual Report for 2005 - 06 of the Chief Investigator of the Office of Transport Safety Investigations (OTSI).

The report highlights the achievements of the Office as the State's Transport Safety Investigator, including the work undertaken to separate OTSI from the Independent Transport Safety and Reliability Regulator (ITSRR) and establish it as an independent entity following the passage of the *Transport Legislation Amendment (Waterfall Rail Inquiry Recommendations) Act 2005 No 55*.

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 S. O'Sullivan
Chief Investigator

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Chief Investigator's Report

With the passage of the Waterfall Rail Inquiry Recommendations Legislation on the 27 June 2005, the Office of Transport Safety Investigations (OTSI) became effective from 1 July 2005 and assumed responsibility as a fully independent Transport Safety Investigator for NSW. The passage of the legislation was, however, only the beginning of the process and the work undertaken by the Office since then has sought to consolidate the operational capability of the Office and to demonstrate its independence, professional competence and service to transport operators and the travelling public of NSW.

During the year, OTSI has made considerable progress in establishing its capabilities as an independent statutory office concerned with serving both industry and the public's interests. In particular, it has:

- Reviewed and refined its Standard Operating Procedures in relation to the conduct of investigations and participated in field and tabletop exercises to improve its incident response procedures and management.
- Established constructive working relationships with transport industries, transport service providers, unions, regulators, the media and the general public; in particular, it has agreed MOUs and guiding principles with the NSW rail, bus and ferry regulators.
- Recruited the remaining authorised investigator and administrative staff for the Office, and completed the induction training for all investigators, including the "Human Factors and Investigations Techniques" course and other technical courses, particularly in rail incident investigation.
- Re-located and re-established the Office to new purpose-designed, operational premises while continuing to perform the Offices' functional responsibilities which have included the provision of a 24 hour incident notification duty officer system; a 24 hour deployable Investigator-in-Charge incident response system and a 24 hour Confidential Safety Information Reporting Scheme (CSIRS).

To have implemented such significant changes in the space of a year is a major achievement and its realisation is due to the combined efforts of many individuals and organisations, in both the public and private sectors. I'm most grateful for the assistance and support provided by ITSRR, the Ministry of Transport, the Department of Commerce, the Treasury, the Premier's Department, the Office of the Minister for Transport and most particularly, to the members of the OTSI team for their constructive contribution to the change process and their sustained commitment to their primary purpose of improving public transport safety.

In this first year of independent operations, OTSI has made a direct and significant contribution the provision of safer public transport services and rail freight services in NSW. The foundation has been laid for building an important place for OTSI in the institutional structures which provide essential public services to the people of NSW. I look forward to further developing the capability and capacity of the Office to ensure that it continues to serve the broadest possible safety interests of transport industries, operators and the travelling public in NSW.



Paul S. O'Sullivan
Chief Investigator

Charter

OTSI was originally established on 1 January 2004 as a separate division within the organisation of the Independent Transport Safety and Reliability Regulator (ITSRR). However, with the passage of the *Transport Legislation Amendment (Waterfall Rail Inquiry Recommendations) Bill 2005*, OTSI was separated from ITSRR and the office of the Chief Investigator of the Office of Transport Safety Investigations was established as a statutory agency of the NSW Government and commenced independent operations on 1 July 2005.

Amendments to the *Transport Administration Act 1988* confer powers on the Chief Investigator to establish the Office of Transport Safety Investigations and conduct investigations into rail, bus and ferry accidents and incidents in accordance with the provisions of the *Rail Safety Act 2002*, the *Passenger Transport Act 1990* and the *Marine Safety Act 1998*.

OTSI was established as an independent office to ensure that both the travelling public and transport service providers could have a high degree of confidence that all safety investigations involving the NSW public transport network were conducted in a fair, impartial and rigorous manner, applying the principles of 'just culture' to all investigations initiated as a result of its response to all notifiable incidents and accidents.

While the Chief Investigator OTSI reports to the Minister for Transport, the Chief Investigator is not subject to the direction and control of the Minister in the exercise of the Chief Investigator's investigative and reporting functions. However, in a situation where the Chief Investigator may not have already initiated an investigation into a particular rail or passenger transport accident or incident, he is required to do so when given a written direction by the Minister.

Given that 2005 - 06 was its first year of operation as an independent agency, significant effort was put into the establishment of OTSI, the finalisation of the budget transfer between ITSRR and OTSI and the relocation of the Office to purpose-designed and fitted out office space. At the same time, the operational functions of OTSI continued to be performed, and the fact that the transition and relocation did not adversely impact on the performance of those functions is a credit to all those involved in the project from ITSRR, the NSW Treasury, the Department of Commerce and the Ministry of Transport.

Aims and Objectives

The Office of Transport Safety Investigations contributes to the safe operation of public transport and rail freight services in New South Wales by initiating and directing investigations which are designed to produce the following outcomes:

- ◆ The identification of those factors which have caused and/or contributed to rail and passenger transport accidents and incidents.
- ◆ The determination of those remedial safety actions, the implementation of which are designed to prevent recurrence of those types of accidents and incidents.
- ◆ The provision of a Confidential Safety Information Reporting Scheme (CSIRS) and its utilisation by transport employees for the reporting of safety issues that require remedial action.
- ◆ The analysis of the rail, bus and ferry transport industries in order to identify safety trends and to communicate that analysis to industry.
- ◆ The production of Transport Safety Investigation Reports which are tabled in Parliament by the Minister for Transport and published on the OTSI website for industry and public utilisation.

To achieve these outcomes, the Office has established and provides the following services and functions:

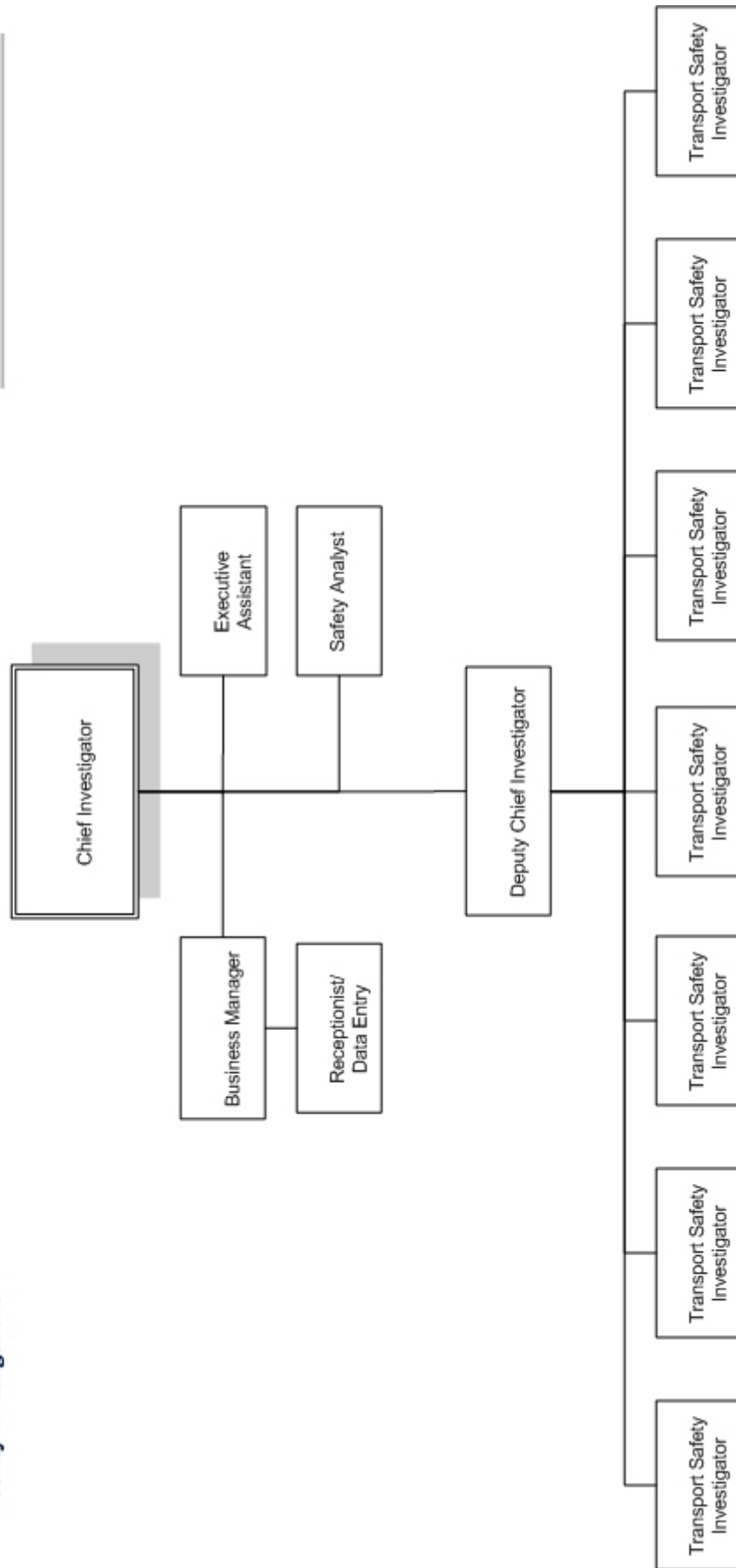
- ◆ A 24 hour Duty Officer system to whom rail, bus and ferry operators and regulators report the occurrence of accidents and incidents.
- ◆ A 24 hour investigation response team capable of providing immediate deployment to an accident or incident site.
- ◆ A team of transport safety investigators capable of undertaking investigations into multi-modal accidents and incidents.
- ◆ A dedicated response capability for Confidential Safety Information Reports.
- ◆ A dedicated capability to undertake transport safety trend analysis.
- ◆ The provision of detailed accident and incident reports which are designed to improve transport safety.

Organisation

OTSI has a staff of nine investigators which includes the Chief Investigator and the Deputy Chief Investigator, supported by a small analytical and administrative team. The organisation of the Office is shown on the following page.

Note

The Chief Investigator is appointed by the Governor on the recommendation of the Minister for Transport and is accountable to that Minister.





Old Burren – Derailment

Operations

Throughout the reporting year, OTSI has undertaken the following operational activities:

- ◆ Received and assessed rail, bus and ferry accident and incident notifications from accredited operators and regulators in accordance with the *Rail Safety Act 2002* and the *Passenger Transport Act 1990*.
- ◆ Conducted “Just Culture” investigations into Level 1 (those involving fatalities, serious injury and significant damage) rail, bus and ferry accidents and incidents, to determine causation, contributory factors and preventative remedial safety action.
- ◆ Conducted “systemic” investigations into organisational, operational, cultural and other deficiencies that are identified in the course of Level 1 investigations.
- ◆ Reviewed the reports of investigations conducted by transport operators to determine the adequacy of those investigation, their findings and recommendations.
- ◆ Received and facilitated the investigation of reports of safety concerns lodged by transport employees under the Confidential Safety Information Reporting Scheme (CSIRS).
- ◆ Conducted analysis of transport accidents and incidents in Australia and abroad to determine trends in order to provide safety advice to operators in relation to those trends.

2005 – 06 in Review

During the year, OTSI received 1165 reports of incidents and accidents which fell within the category of “Notifiable Events” as described in the Acts, Regulations and established reporting protocols. As a result of these notifications, 13 incidents were classified as Level 1 and investigations were initiated by OTSI as follows:

Rail

- ◆ 20 August 2005 Opposing Movement of Coal Trains at Bloomfield
- ◆ 16 October 2005 Freight Derailment in Conoble to Ivanhoe Section
- ◆ 4 November 2005 Freight Derailment at Lidcombe Goods Loop
- ◆ 15 April 2006 Arian Park Heritage Steam Train Shunting Fatality
- ◆ 22 May 2006 Baan Baa Ballast Train Track Working Fatality

Bus

- ◆ 5 September 2005 Jamberoo Mountain Road Fatal Bus Crash
- ◆ 14 November 2005 Spit Road Mosman STA Bus Crash
- ◆ 18 November 2005 Foreign Bus Importation Systemic Investigation
- ◆ 2 May 2006 Veolia Bus Pedestrian Fatality Kogarah

Ferry

- ◆ 19 September 2005 Manly Ferry *Collaroy* Collision at Circular Quay 2
- ◆ 20 September 2005 Freshwater Class Ferries Systemic Investigation
- ◆ 23 September 2005 RiverCat *Betty Cuthbert* Collision at Circular Quay 5
- ◆ 11 January 2006 RiverCat *Betty Cuthbert* Collision at Fern Bay



STA Bus Collision at Spit Road, Mosman

In the reporting period, OTSI completed its investigations into the following accidents and incidents and submitted its investigation reports to the Minister on the dates indicated:

Rail

- ♦ 31 August 2005 Steel Sleepers Introduction Systemic Investigation
- ♦ 18 November 2005 Wheat Service Derailment at Old Burren
- ♦ 21 December 2005 Fatal Level Crossing Collision Grawlin Plains
- ♦ 28 April 2006 Cement Service Derailment at Bethungra

Bus

- ♦ 27 September 2005 STA Mercedes Mk II & III Blind Spot Systemic
- ♦ 28 October 2005 Eastern Distributor Tunnel Bus Crash

Ferry

- ♦ 25 November 2005 Manly Ferry *Collaroy* Collision at Circular Quay 3
- ♦ 24 February 2006 RiverCat *Betty Cuthbert* Collision at Circular Quay 5
- ♦ 24 March 2006 Manly Ferry *Narrabeen* Collision at Circular Quay 5
- ♦ 13 April 2006 Manly Ferry *Collaroy* Collision at Circular Quay 2

In addition, OTSI concluded its preliminary inquiries into four potential systemic cases and terminated further investigation when the Chief Investigator satisfied himself that there were no prevailing organisational, operational, cultural or other safety deficiencies in relation to the originally identified issues.



Level Crossing Collision at Grawlin Plains

The following investigation reports were tabled in both Houses of Parliament on the dates indicated:

Rail

- ◆ 6 July 2005 Port Botany Yard Shunting Fatality
- ◆ 16 September 2005 Steel Sleepers Introduction Systemic Investigation
- ◆ 25 November 2005 Wheat Service Derailment at Old Burren
- ◆ 3 January 2006 Fatal Level Crossing Collision Grawlin Plains
- ◆ 4 May 2006 Cement Service Derailment at Bethungra

Bus

- ◆ 6 October 2005 STA Mercedes Mk II & III Blind Spot Systemic
- ◆ 7 November 2005 Eastern Distributor Tunnel Bus Crash

Ferry

- ◆ 8 July 2005 SuperCat *Louise Sauvage* Collision at Rose Bay
- ◆ 1 December 2005 Manly Ferry *Collaroy* Collision at Circular Quay 3
- ◆ 3 March 2006 RiverCat *Betty Cuthbert* Collision at Circular Quay 5
- ◆ 31 March 2006 Manly Ferry *Narrabeen* Collision at Circular Quay 5
- ◆ 19 April 2006 Manly Ferry *Collaroy* Collision at Circular Quay 2

In discharging its other responsibilities, OTSI has:

- ◆ Received and actioned 73 CSIRS reports, and
- ◆ Received and reviewed 96 transport operator investigation reports to determine the adequacy of those investigations, their findings and recommendations.



RiverCat *Betty Cuthbert* collision – Fern Bay

Challenges 2006 – 2007

Although much has been achieved in this first full year of independent operation, there are important challenges which OTSI continues to confront, and seek resolution to, in the year ahead. Some of those challenges include the following:

- ◆ Benchmark OTSI's performance against national and international best practice standards in transport accident investigation methodologies, completion timeframes and report compilation, and ensure that OTSI is at least matching, if not exceeding, those benchmarks.
- ◆ Retain the services of the highly skilled investigators who make up the OTSI team.
- ◆ Invest in OTSI's people and enhance operational capability through programs of continuing professional development, education and training.
- ◆ Enhance OTSI's analytical capability through the recruitment of a suitably qualified and experienced analyst to fill the currently vacant Transport Safety Analyst position.
- ◆ Acquire the technology and equipment to establish a capability for the transmission of high resolution, real time still and video images from incident sites to the OTSI operations centre.

Governance and Management Systems

The Governance and Management Systems applied in OTSI are appropriate to its size and are not overly complex with the Chief Investigator exercising all the powers and functions of a Chief Executive Officer. Given the resources available, the Chief Investigator has more direct span of control over the application of all the resources of OTSI than may be applicable to a larger more diversified organisation.

Stakeholder Engagement

Industry Participants

In conducting its investigations, OTSI adopts a process in which it initially seeks to establish the facts associated with an incident, and having determined that the incident warrants OTSI investigation as a Level 1 (or sometimes Level 2) incident, it notifies all Directly Involved Parties (DIP) of its intention to investigate and then publishes an Interim Factual Statement, describing what happened, and setting out the Terms of Reference for its investigation.

During the course of the investigation, OTSI works with the nominated representatives of the DIPs to acquire all information that will assist the conduct of the investigation. At the stage where a draft report has been prepared, it is circulated to all DIPs for comment. The purpose of this step in the process is to provide DIPs with the opportunity to contribute to the compilation of this Final Report by verifying the factual information, scrutinising the analysis, findings and recommendations, and providing any commentary that would enhance the structure, substance, integrity and resilience of the Investigation Report. The Chief Investigator retains the prerogative as to which matters contained in the responses provided by the DIPs are incorporated in OTSI's Final Report, and where he rejects any suggested amendment, he provides an explanation for doing so to the particular DIP.

The Final Report is then compiled and submitted to the Minister for tabling.

Industry Regulators

OTSI maintains a close working relationship with all the Regulators involved in Public Transport services in NSW. OTSI has entered into Memoranda of Understanding (MOU) with the Independent Transport Safety and Reliability Regulator (ITSRR) as the Rail regulator and with the NSW Maritime Authority as the Ferry regulator. It has also established a set of Guiding Principles with the Ministry of Transport as the Bus regulator. The Chief investigator has regular contact with the Regulatory Heads and there is frequent contact at officer level.



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

Chief Investigator of the Office of Transport Safety Investigations

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the Chief Investigator of the Office of Transport Safety Investigations (Office):

- presents fairly the Office's financial position as at 30 June 2006 and its performance for the year ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 41B of the *Public Finance and Audit Act 1983* (the Act) and the *Public Finance and Audit Regulation 2005*.

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

Scope

The Financial Report and Chief Investigator's Responsibility

The financial report comprises the operating statement, statement of changes in equity, balance sheet, cash flow statement, program statement - expenses and revenues, summary of compliance with financial directives and accompanying notes to the financial statements for the Office, for the year ended 30 June 2006.

The Chief Investigator is responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing Standards and statutory requirements, and I:

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Chief Investigator in preparing the financial report, and
- examined a sample of evidence that supports the amounts and disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Chief Investigator had not fulfilled his reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the Office,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



P Carr, FCPA
Director, Financial Audit Services

SYDNEY
24 October 2006

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

STATEMENT BY THE CHIEF INVESTIGATOR

For the year ended 30 June 2006

Pursuant to section 45F of the *Public Finance and Audit Act 1983*, I state that

(a) The accompanying financial statements have been prepared in accordance with

- Applicable Australian Accounting Standards (which include Australian Equivalents to International Financial Reporting Standards (AEIFRS))
- The requirements of the *Public Finance and Audit Act* and *Regulations*; and
- The Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent 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 Chief Investigator; and

(c) There are no circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.



Chief Investigator

Date: 20 October 2006

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Operating Statement for the year ended 30 June 2006

| | Notes | Actual 2006 \$'000 | Budget 2006 \$'000 |
|--|-------|--------------------------|--------------------------|
| Expenses | | | |
| Operating expenses | | | |
| Employee related | 2(a) | 1,445 | 1,418 |
| Other operating expenses | 2(b) | 564 | 708 |
| Depreciation and amortisation | 2(c) | 1 | - |
| Total Expenses | | <u>2,010</u> | <u>2,126</u> |
| Less: | | | |
| Revenue | | | |
| Sale of services | 3(a) | 1 | - |
| Investment revenue | 3(b) | 3 | - |
| Total Revenue | | <u>4</u> | <u>-</u> |
| Net Cost Of Services | 17 | <u>2,006</u> | <u>2,126</u> |
| <i>Government Contributions</i> | | | |
| Recurrent appropriation | 4 | 1,884 | 1,974 |
| Capital appropriation | 4 | 150 | 150 |
| Acceptance by the Crown of Employee benefits and other Liabilities | 5 | <u>127</u> | <u>152</u> |
| <i>Total Government Contributions</i> | | <u>2,161</u> | <u>2,276</u> |
| SURPLUS FOR THE PERIOD | 12 | <u>155</u> | <u>150</u> |

The accompanying notes form part of these statements.

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Statement of Changes in Equity for the year ended 30 June 2006

| | Notes | Actual 2006 \$'000 | Budget 2006 \$'000 |
|---|-------|--------------------------|--------------------------|
| TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY | | - | - |
| Surplus for the Year | 12 | 155 | 150 |
| TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR | 12 | <u>155</u> | <u>150</u> |

The accompanying notes form part of these statements.

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Balance Sheet as at 30 June 2006

| | Notes | Actual 2006 \$'000 | Budget 2006 \$'000 |
|-------------------------------------|-------|--------------------------|--------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 7 | 302 | 80 |
| Receivables | 8 | 69 | - |
| Total Current Assets | | <u>371</u> | <u>80</u> |
| Non-Current Assets | | | |
| Property, plant and equipment | | | |
| Leasehold improvements | 9 | 540 | 580 |
| Plant and equipment | 9 | 80 | 30 |
| Total property, plant and equipment | | <u>620</u> | <u>610</u> |
| Total Non-Current Assets | | <u>620</u> | <u>610</u> |
| Total Assets | | <u>991</u> | <u>690</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Payables | 10 | 134 | - |
| Provisions | 11 | 163 | 80 |
| Total Current Liabilities | | <u>297</u> | <u>80</u> |
| Total Liabilities | | <u>297</u> | <u>80</u> |
| Net Assets | | <u>694</u> | <u>610</u> |
| EQUITY | | | |
| Accumulated funds | 12 | 694 | 610 |
| Total Equity | | <u>694</u> | <u>610</u> |

The accompanying notes form part of these statements.

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Cash Flow Statement for the year ended 30 June 2006

| | Notes | Actual 2006 \$'000 | Budget 2006 \$'000 |
|---|-------|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Payments | | | |
| Employee related | | (1,229) | (1,336) |
| Other operating expenses | | (517) | (558) |
| | | <u>(1,746)</u> | <u>(1,894)</u> |
| <i>Total Payments</i> | | | |
| Receipts | | | |
| Miscellaneous revenue | | <u>1</u> | <u>-</u> |
| Total Receipts | | <u>1</u> | <u>-</u> |
| Cash Flows from Government | | | |
| Recurrent appropriation | | 1,884 | 1,974 |
| Capital appropriation | | 150 | 150 |
| Net Cash Flows from Government | | <u>2,034</u> | <u>2,124</u> |
| NET CASH INFLOWS FROM OPERATING ACTIVITIES | 17 | <u>289</u> | <u>230</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | <u>(67)</u> | <u>(150)</u> |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | <u>(67)</u> | <u>(150)</u> |
| NET INCREASE IN CASH | | 222 | 80 |
| Opening cash and cash equivalents | | - | - |
| Cash transfer through administrative restructure | | 80 | - |
| CLOSING CASH AND CASH EQUIVALENTS | 7 | <u>302</u> | <u>80</u> |

The accompanying notes form part of these statements.

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Summary of Compliance with Financial Directives For the year ended 30 June 2006

| | Recurrent Appropriation \$'000 | Expenditure/ Net Claimed on Con. Fund \$'000 | Capital Appropriation \$'000 | Expenditure/ Net Claimed on Con. Fund \$'000 |
|--|--------------------------------------|---|------------------------------------|---|
| Original Budget: Appropriation/Expenditure | | | | |
| Appropriation Act | - | - | - | - |
| Additional Appropriations | - | - | - | - |
| S21A PF & AA – special appropriations | - | - | - | - |
| S24 PF & AA – transfer of functions between agencies | 1,974 | 1,884 | 150 | 150 |
| | <u>1,974</u> | <u>1,884</u> | <u>150</u> | <u>150</u> |
| Other Appropriations/ Expenditure | | | | |
| Treasurer's advance | - | - | - | - |
| Transfer to/from another agency (S28 Appropriation Act) | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Appropriation/Expenditure/ Net Claim on Consolidated Fund | <u>1,974</u> | <u>1,884</u> | <u>150</u> | <u>150</u> |
| Drawdown against appropriations | <u>1,974</u> | <u>1,884</u> | <u>150</u> | <u>150</u> |
| Liability to Consolidated Fund | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed). Liability to Consolidated Fund represents the difference between the "Amount Drawdown against appropriations" and the 'Total Appropriation/Expenditure/net Claim on Consolidated Fund'.

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Program Statement – Expenses and Revenue For the year ended 30 June 2006

| | Program | Not Attributable | Total |
|--|---------|---------------------|--------|
| | \$'000 | \$'000 | \$'000 |
| Expenses excluding losses | | | |
| Operating expenses | | | |
| Employee related | 1,445 | - | 1,445 |
| Operating expenses | 564 | - | 564 |
| Depreciation | 1 | - | 1 |
| | <hr/> | | <hr/> |
| Total Expenses excluding losses | 2,010 | - | 2,010 |
| | <hr/> | | <hr/> |
| RETAINED REVENUE | | | |
| Sale of services | 1 | - | 1 |
| Investment revenue | 3 | - | 3 |
| | <hr/> | | <hr/> |
| Total Retained Revenue | 4 | - | 4 |
| | <hr/> | | <hr/> |
| Net Cost of Services | 2,006 | - | 2,006 |
| | <hr/> | | <hr/> |
| Government Contributions | - | 2,161 | 2,161 |
| | <hr/> | | <hr/> |
| NET EXPENDITURE/ REVENUE FOR THE YEAR | 2,006 | 2,161 | 155 |
| | <hr/> | | <hr/> |

The name and purpose of the program is summarised in Note 6. Appropriations are made on an agency basis and not to the individual program. Consequently Government Contributions must be included in the “not attributable” column.

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Notes to and Forming Part of the Financial Statements For the year ended 30 June 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Chief Investigator of the Office of Transport Safety Investigations was established on 1 July 2005 as a statutory authority under the *Transport Administration Act 1988* as amended. The principal objective of this agency is to conduct investigations into rail and passenger transport accidents or incidents under the *Rail Safety Act 2002* and the *Passenger Transport Act 1990*. As this is the first year of operations of this new reporting entity no comparative figures are available.

The agency 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.

These financial statements have been authorised for issue by the Chief Investigator on 20 October 2006.

(b) Basis of Preparation

The agency's financial statements are a general purpose financial report, which has been prepared in accordance with:

- applicable Australian Accounting Standards (which includes Australian equivalents to International Financial Reporting Standards (AEIFRS));
- the requirements of the *Public Finance and Audit Act 1983* and Regulations; and
- the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent 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 and financial assets at "fair value through profit or loss" and available for sale are measured at fair value. Other financial reports 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 and are expressed in Australian currency.

(c) Statement of Compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards.

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Notes to and Forming Part of the Financial Statements For the year ended 30 June 2006

(d) 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) Parliamentary Appropriations and Contributions from Other Bodies:

Parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as income when the agency obtains control over the assets comprising the appropriations and contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash.

An exception to the above is when appropriations are unspent at year-end. In this case the authority to spend the money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are accounted for as liabilities rather than revenue.

(ii) Rendering of Services:

Revenue is recognised when the service is provided.

(iii) Investment Revenue:

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

(e) Employee Benefits and other provisions

(i) Salaries and Wages, Annual Leave, Sick Leave and On-Costs:

Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick 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. Unused non-vesting 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.

(ii) Long Service Leave and Superannuation:

The agency's liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity. The agency accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Notes to and Forming Part of the Financial Statements For the year ended 30 June 2006

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 06/09) 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.

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 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 agency has a detailed formal plan and the agency 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.

(f) **Insurance**

The agency'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 experience.

(g) **Accounting for Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where:

- the amount of GST incurred by the agency 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
- receivables and payables are stated with the amount of GST included.

(h) **Acquisitions of Assets**

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the agency. Cost is the amount of cash or cash equivalent paid

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Notes to and Forming Part of the Financial Statements For the year ended 30 June 2006

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.

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 amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Where payment for an item is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted at an asset-specific rate.

Leasehold improvements comprise office improvements.

Plant and equipment comprise office furniture, equipment and computers. In accordance with Treasury Circular No 04/06 the agency purchases information and communication technology equipment using capital allocations.

Property, plant and equipment costing \$500 and above individually (or forming part of a network costing more than \$500) are capitalised.

(i) Revaluation of Property, Plant and Equipment

Physical non-current assets are valued in accordance with the "Valuation of Physical Non-Current Assets at Fair Value" Policy and Guidelines Paper (TPP 05-3). This policy adopts fair value in accordance with AASB 116 *Property, Plant and Equipment* and AASB 140 *Investment Property*.

Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

The agency revalues each class of property, plant and equipment at least every five years or with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Notes to and Forming Part of the Financial Statements For the year ended 30 June 2006

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

For other assets, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the surplus / deficit, the increment is recognised immediately as revenue in the surplus / deficit.

Revaluation decrements are recognised immediately as expenses in the surplus / deficit, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

(j) Impairment of Property, Plant and Equipment

As a not-for-profit entity with no cash generating units, the agency 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.

(k) Depreciation of Property, Plant and Equipment

Depreciation is 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 agency. The depreciation rates used are leasehold improvements (20%), office furniture and equipment (20%), and computer equipment (20%).

(l) Maintenance

The costs of 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.

(m) Leased Assets

Operating lease payments are charged to the Operating Statement in the periods

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Notes to and Forming Part of the Financial Statements For the year ended 30 June 2006

in which they are incurred. The agency does not have any finance leases.

(n) Receivables

Receivables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. An allowance for impairment of receivables is established when there is objective evidence that the agency will not be able to collect all amounts due. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Bad debts are written off as incurred.

(o) Other Assets

Other assets are recognised on a cost basis.

(p) Equity Transfers

The transfer of net assets at fair value from the Independent Transport Safety and Reliability Regulator to the agency as a result of the administrative restructure, including transfer of one program/function is designated as a contribution by owners and recognized as an adjustment to "Accumulated Funds". This treatment is consistent with Urgent Issues Group Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* (Note 13).

(q) Payables

These amounts represent liabilities for goods and services provided to the agency and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(r) Budgeted Amounts

The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year and with any adjustments for the effects of additional appropriations, s21A, s24 and / or s26 of the *Public Finance and Audit Act 1983*.

The budgeted amounts in the Operating Statement and the Cash Flow Statement are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the Balance Sheet, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts i.e. per the audited financial statements (rather than carried forward estimates).

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Notes to and Forming Part of the Financial Statements For the year ended 30 June 2006

(s) *New Australian Standards issued but not effective*

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. The agency, however, has early adopted the following Accounting Standards from 1 July 2005:

- AASB 2005-04 regarding the revised AASB 139 fair value option
- UIG 9 regarding the re-assessment of embedded derivatives and
- AASB 7 regarding financial instrument disclosure.

Any initial impacts on first time adoption of new accounting standards and UIG interpretations are not known or reasonably estimable

2. EXPENSES

| | \$'000 |
|--|-------------------|
| (a) Employee related expenses <i>comprise the following specific items:</i> | |
| Salaries (including recreation leave) | 1,160 |
| Superannuation – defined benefits plan | 22 |
| Superannuation – defined contribution plan | 66 |
| Long service leave | 100 |
| Workers' compensation insurance | 8 |
| Payroll Tax and Fringe Benefit Tax | 89 |
| | <hr/> 1,445 <hr/> |
| (b) Other operating expenses | |
| Accommodation | |
| Operating lease rental expense – minimum lease payments | 270 |
| Other property costs | 5 |
| External services | |
| Contractors | 103 |
| Legal Services | 7 |
| Audit fees – financial statements | 10 |
| Motor vehicle running expenses | |
| Operating minimum lease rentals | 16 |
| Other motor vehicle expenses | 28 |
| Advertising and promotion | 3 |
| Staff recruitment and training costs | 57 |
| Administration | |
| Printing and stationery | 7 |
| Telephones | 20 |
| Travel | 29 |
| Others | 9 |
| | <hr/> 564 <hr/> |

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Notes to and Forming Part of the Financial Statements For the year ended 30 June 2006

Accommodation and motor vehicle running expenses do not include maintenance expenses. The agency does not have maintenance related employee expenses.

| | |
|--|---------------|
| (c) Depreciation and amortisation | \$'000 |
| Plant and equipment | 1 |
| Leasehold Improvements | - |
| Intangible assets | - |
| | <u>1</u> |

3. REVENUES

| | |
|-----------------------------|----------|
| (a) Sale of services | |
| Rendering of services | 1 |
| | <u>1</u> |

| | |
|-------------------------------|----------|
| (b) Investment revenue | |
| Interest on bank balance | 3 |
| | <u>3</u> |

4. APPROPRIATIONS

Recurrent appropriations

| | |
|--|--------------|
| Total recurrent drawdowns from Treasury (per Summary of Compliance) | 1,884 |
| Less: Liability to Consolidated Fund (per Summary of Compliance) | - |
| Recurrent appropriations (per Operating Statement) | <u>1,884</u> |

Capital appropriations

| | |
|--|------------|
| Total capital drawdowns from Treasury (per Summary of Compliance) | 150 |
| Less: Liability to Consolidated Fund (per Summary of Compliance) | - |
| Capital appropriations (per Operating Statement) | <u>150</u> |

5. 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 | 22 |
| Long service leave | 100 |
| Payroll tax on superannuation | 5 |
| (Note 18) | <u>127</u> |

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Notes to and Forming Part of the Financial Statements For the year ended 30 June 2006

6. PROGRAM INFORMATION

The agency has one program (note 13) namely:

Program 52.1.1 – Transport Safety Investigations

Program Objective: To conduct independent and rigorous investigations into accidents and incidents involving transport activities.

Program Description: Conduct investigations into rail, bus and ferry accidents and incidents and initiate investigations of systematic safety failures. Manage the Confidential Safety Information and Reporting Scheme. Notify industry of safety issues. Monitor national and overseas transport safety investigations.

\$'000

7. CASH AND CASH EQUIVALENTS

| | |
|--------------------------|------------|
| Cash at bank and on hand | 302 |
| | <u>302</u> |

For the purposes of the Cash Flow Statement, cash and cash equivalents include cash at bank and cash on hand. Cash and cash equivalent assets recognised in the Balance Sheet are reconciled at the end of the financial year to the Cash Flow Statement as follows:

| | |
|---|------------|
| Cash and cash equivalents (per Balance Sheet) | 302 |
| Closing cash and cash equivalents (per Cash Flow Statement) | <u>302</u> |

8. RECEIVABLES

Current receivables:

| | |
|--------------------------------------|-----------|
| Debtors | 32 |
| Goods and Services Tax – recoverable | 26 |
| Less: Allowance for impairment | - |
| Prepayments | 11 |
| | <u>69</u> |

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Notes to and Forming Part of the Financial Statements For the year ended 30 June 2006

| | \$'000 |
|---|------------|
| 9. PROPERTY, PLANT & EQUIPMENT | |
| Leasehold Improvements | 540 |
| Less: Accumulated depreciation | - |
| Net carrying amount at fair value | <u>540</u> |
| Plant and equipment | 81 |
| Less: Accumulated depreciation | <u>1</u> |
| Net carrying amount at fair value | <u>80</u> |
| Total property, plant and equipment | |
| At gross carrying amount | 621 |
| Less: Accumulated depreciation | <u>1</u> |
| Net carrying amount at fair value | <u>620</u> |

Reconciliation of the carrying amounts by asset class at the beginning and end of the current reporting period is set out below:

| | Leasehold Improvements \$'000 | Plant & Equipment \$'000 | Total \$'000 |
|--|-------------------------------------|--------------------------------|-----------------|
| Administrative restructure transfer from other agency 1 July (Note 13) | 528 | 11 | 539 |
| Additions | 12 | 70 | 82 |
| Depreciation expense | - | 1 | 1 |
| Carrying amount 30 June | <u>540</u> | <u>80</u> | <u>620</u> |

10. PAYABLES

| | |
|-----------------------|------------|
| Creditors | 86 |
| Accruals | |
| Salaries and on-costs | 4 |
| Others | <u>44</u> |
| | <u>134</u> |

11. PROVISIONS

Current Liabilities

| | |
|------------------|------------|
| Recreation leave | 138 |
| Employee oncosts | <u>25</u> |
| | <u>163</u> |

Aggregate employee benefits and related on-costs

| | |
|-------------------------------------|------------|
| Recreation leave | 138 |
| Employee oncosts & accrued salaries | <u>29</u> |
| | <u>167</u> |

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Notes to and Forming Part of the Financial Statements For the year ended 30 June 2006

\$'000

12. CHANGES IN EQUITY

| | |
|--|------------|
| Changes in equity – transactions with owners as owners (Note 13) | 539 |
| Surplus for the year | 155 |
| Balance at the end of the financial period | <u>694</u> |

13. INCREASE IN NET ASSETS FROM EQUITY TRANSFERS

Following the establishment of the agency on 1 July 2005, the agency took over the Investigations program previously carried on by the Independent Transport Safety and Reliability Regulator (Note 1(p) and 6). The agency acquired the program assets and liabilities at fair value as set out below:

Assets

| | |
|--|------------|
| Cash at bank | 80 |
| Property, plant and equipment (Note 9) | 539 |
| | <u>619</u> |

Liabilities

| | |
|--------------------|------------|
| Employees benefits | 80 |
| | <u>539</u> |

Net assets transferred to agency (Note 12)

14. COMMITMENTS FOR EXPENDITURE

(a) Capital Commitments

The agency expects to spend about \$77K (including GST) on new information technology assets in 2006-07.

(b) Other Expenditure Commitments

| | |
|--|-----------|
| Aggregate other expenditure contracted for at balance date and not provided for: | 68 |
| Not later than one year | 56 |
| Later than one year but not later than five years | 12 |
| Later than five years | |
| Total (including GST) | <u>68</u> |

(c) Operating Lease Commitments

| | |
|---|--------------|
| Future non-cancellable operating lease | |
| Rentals not provided for and payable: | 2,331 |
| Not later than one year | 364 |
| Later than one year but not later than five years | 1,698 |
| Later than five years | 269 |
| Total (including GST) | <u>2,331</u> |

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Notes to and Forming Part of the Financial Statements For the year ended 30 June 2006

The agency leases its motor vehicles and office accommodation. Input tax on all commitments estimated at \$225K will be recouped from the Australian Taxation Office.

15. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The agency had no contingent liabilities and assets as at balance date.

16. BUDGET REVIEW

Net Cost of Services

The net cost of services for the year ended 30 June 2006 was \$2.006m compared to the budget of \$2.126m.

- **Employee related expenses** at \$1.445m were marginally above the budget of \$1.418m as a result of higher employee oncosts of \$25K.
- **Other operating expenses** including legal services (actual \$7K compared to budget of \$100K) amounted to \$564K against the budget of \$708K. Funding for legal services is protected and is draw-down as required.

Assets and Liabilities

The balance sheet comprises the following principal assets and liabilities:

- **Cash** of \$302K was higher than budget and will be used to pay creditors and accrued expenses for operating and capital expenditure.
- **Property, plant and equipment:** As a result of the administrative restructure the agency received property, plant and equipment of \$539K from the Independent Transport Safety and Reliability Regulator. In addition the agency also spent \$82K on acquiring further assets.
- The **receivables** included Goods and Services Tax recoupable from the Australian Taxation Office, contribution receivable for the office refurbishment and interest on bank balances.
- **Accounts payable** including liabilities for operating and capital expenditure and employees entitlements.

Cash Flows

Net cash flows from operations amounted \$369K of which \$67K was spent on property, plant and equipment with the balance to be used to pay creditors and accrued expenses.

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Notes to and Forming Part of the Financial Statements For the year ended 30 June 2006

17. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET COST OF SERVICES AS REPORTED IN THE OPERATING STATEMENT

| | \$'000 |
|---|---------------|
| Net Cash flow from Operating Activities | 369 |
| Cash flows from Government/Appropriations | (2,034) |
| Acceptance by the Crown Entity of Employee Entitlements | (127) |
| Depreciation | (1) |
| Increase in prepayments | 11 |
| Increase in receivables | 29 |
| (Increase) in creditors | (84) |
| | (169) |
| <i>(Increase) in provisions</i> | |
| | <hr/> |
| | (2,006) |
| <i>Net Cost of Services</i> | <hr/> |

18. NON-CASH FINANCING AND INVESTING ACTIVITIES

During the period, the agency undertook the following non-cash financing and investing activities:

| | |
|---|-------|
| Employees' entitlements and liabilities | |
| Assumed by the Crown Entity (Note 5) | <hr/> |
| | 127 |
| | <hr/> |
| | 127 |

19. FINANCIAL INSTRUMENTS

Cash

Cash comprises cash on hand and bank balances within the Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation 11am unofficial cash rate adjusted for a management fee to Treasury.

Receivables

All trade debtors are recognised as amount receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts, which are known to be uncollectable are written off. An allowance for impairment is raised when some doubt as to collection exists. The credit risk is the carrying amount (net of any allowance for impairment of doubtful debts). No interest is earned on trade debtors. The carrying amount approximates net fair value. Sales are made on 30 days terms.

Trade creditors and Accruals

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 Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Notes to and Forming Part of the Financial Statements For the year ended 30 June 2006

month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment.

(a) 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 exposure to interest rate risk and the effective interest rates of financial assets and liabilities both recognised and unrecognised at 30 June 2006 are as follows:

Financial Instruments

| | Floating Interest Rate | Non-Interest Bearing | Total carrying amount as per Balance Sheet | Weighted average effective interest rate |
|------------------------------|------------------------------|-------------------------|--|---|
| | 2006 | 2006 | 2006 | 2006 |
| | \$'000 | \$'000 | \$'000 | % |
| Financial Assets | | | | |
| Cash | 302 | - | 302 | 1.92 |
| Receivables | - | 58 | 58 | |
| Total | 302 | 58 | 360 | |
| Financial Liabilities | | | | |
| Payables | - | 130 | 130 | - |
| | - | 130 | 130 | |

(b) Credit Risk

Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge a financial obligation thereunder. The agency was not exposed to a credit risk from carrying amounts of financial assets in the Balance Sheet.

End of Audited Financial Statements

Financial summary overview

In 2005-06 OTSI received consolidated fund allocations of \$1,911m. OTSI had minor revenue associated with the reimbursement of phone costs.

OTSI's net cost of service (represented by total expenses less revenue) was \$2,218m. In addition, OTSI received a capital allocation of \$150,000 to fund the purchase of office equipment and facilities as part of the establishment of its independent office. ITSRR provided funding for the fitout of the OTSI office space from its cash reserves, with the assets being transferred to OTSI at no cost. For a more detailed account of OTSI's financial performance, see the audited financial statements at the end of this report.

PAYMENT OF ACCOUNTS

Aged analysis at the end of each quarter

| Quarter | Current (Within due date) \$'000 | Less than 30 days overdue \$'000 | Between 30 and 60 days overdue \$'000 | Between 60 Days and 90 days overdue \$'000 | More than 90 days overdue \$'000 |
|-----------|---|---|---|--|---|
| September | 0 | - | - | - | - |
| December | 0 | - | - | - | - |
| March | 0 | - | - | - | - |
| June | 18 | - | - | - | - |

TIME FOR PAYMENT OF ACCOUNTS

Accounts paid on time within each quarter

| Total Accounts Paid on Time | | | | Total Amount Paid |
|-----------------------------|----------|----------|--------|----------------------|
| | Target % | Actual % | \$'000 | \$'000 |
| September | 100 | 100 | 390 | 390 |
| December | 100 | 100 | 390 | 390 |
| March | 100 | 100 | 390 | 390 |
| June | 100 | 100 | 563 | 563 |
| | | | | \$1,733 |

Freedom of Information

There was one application for information under the FOI legislation in 2005/2006 in relation to a rail matter. All documents held by OTSI in relation to the matter were released.

Privacy Management Plan

Given that OTSI commenced operations on the 1 July 2005 and full separation from ITSRR did not occur until well into the year 2005/2006, the Privacy Management Plan has not been completed. OTSI has applied to the Privacy Commissioner and received some exemptions under the PPIP Act and the HRIP Act until December 2006.

Principal Legislation

OTSI exercises functions under the:

- ◆ *Transport Administration Act 1988*;
- ◆ *Passenger Transport Act 1990*, and the
- ◆ *Rail Safety Act 2002* and regulations made under that Act.

Credit Card Certification

The Chief Investigator has certified that the use of credit cards was in accordance with the Premier's Memorandum and Treasurer's Directions.

Response to Significant Issues Raised by the Auditor-General

No issues for OTSI were raised by the Auditor General during 2005-2006

Significant Committees

OTSI does not participate in any committee activities relative to its role.

Grants to Non-Government Organisations

There were no grants to non-government organisations.

Legal Changes

There were no legal changes to the relevant legislation or regulations applicable to OTSI.

Departures from Subordinate Legislation

There were no departures from the *Subordinate Legislation Act*.

Major Works in Progress

In 2005-06, OTSI undertook a major fitout of its office space to allow for the separation of OTSI from ITSRR. The costs associated with this work were met by ITSRR as part of the financial arrangement agreed with the Government for the establishment of OTSI. The final cost of the work is estimated to be \$553,000.

Human Resources of OTSI 2005-06

As at 30 June 2006, OTSI is an agency with a total staffing of 11. Given the background from which staff has been drawn to meet the needs of the Office, it is of little surprise that the balance of the various groups represented by the following statistics is not in keeping with the numbers achieved by other agencies. OTSI is staffed by officers with a background in the various transport modes and qualifications in transport safety, engineering and investigating. The skill sets required for employment as a multi-modal Transport Safety Investigator are not found across the diverse range of employee categories described in the table below.

| Office of Transport Safety Investigations | | | | | | | | |
|---|-------------|-----|-------|---|---|---|--------------------------|--|
| Staff Numbers by Level | | | | | | | | |
| Level | Total Staff | Men | Women | Aboriginal People & 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 |
| < \$32,606 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| \$32,606 - \$42,824 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| \$42,825 - \$47,876 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| \$47,877 - \$60,863 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| \$60,863 - \$78,433 | 2 | 1 | 1 | 0 | 0 | 1 | 0 | 0 |
| \$78,345 - \$97,932 | 4 | 4 | 0 | 0 | 0 | 0 | 0 | 0 |
| >\$97,932 (non SES) | 4 | 4 | 0 | 0 | 0 | 0 | 1 | 1 |
| >\$97,932 (SES) | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 11 | 10 | 1 | 0 | 0 | 1 | 1 | 1 |

| Performance & Number of Executive Officers | | | |
|--|---------------------------------|---------------------------------|--------------------------------|
| Number of SES Officers | | | |
| SES Level | No of SES Officers (total) 2004 | No of SES Officers (total) 2005 | No of Female staff in SES 2005 |
| 5 | 0 | 1 | 0 |
| Total | 0 | 1 | 0 |

Name: Paul O'Sullivan

Title: Chief Investigator, Office of Transport Safety Investigations

Remuneration: 228,650

Level: SES Level 5

Performance Pay: Nil

Performance Achievements:

Successfully discharged the responsibilities of both the Chief Executive and Chief Investigator of the Office of Transport Safety Investigations, including the investigation of serious rail, bus and ferry accidents and incidents; review of operator investigation reports; provision of an industry safety service through the confidential Safety Information Reporting Scheme and analysis of events in other jurisdictions to determine relevant safety trends.

Throughout the reporting period, the Chief Investigator reported to the Minister for Transport.

Specific achievements include:

- provided a 24-hour reporting service for the notification of rail, bus and ferry accidents and incidents;
- published a daily summary of incidents notified to OTSI through the incident reporting system and the immediate action taken;
- received and reviewed 1165 "72 hour" incident reports from rail, bus and ferry operators as a follow-up to notified accidents and incidents;
- responded to and initiated 13 OTSI investigations into serious rail, bus and ferry accidents and incidents;
- reviewed 96 rail operator investigation reports to determine the adequacy of those investigations, their findings and recommendations;
- provided the Minister for Transport with monthly statutory reports on those operator investigations reviewed by OTSI;
- submitted 10 OTSI investigation reports to the Minister for Transport for tabling in Parliament;
- received and actioned 73 reports through the Confidential Safety Information Reporting Scheme;
- completed the recruiting of investigators and administrative staff to bring the office to authorized establishment for those positions;
- provided continuing profession development, education and training for all staff, and
- continued the development and population of the Accident Investigation Management Database.

| Trends in the Representation of EEO Groups % of Total Staff | | | | | |
|--|---------------------|------|------|------|------|
| EEO Group | Benchmark or Target | 2003 | 2004 | 2005 | 2006 |
| Women | 50% | | | | 9% |
| Aboriginal people and Torres Strait Islanders | 2% | | | | |
| People whose first language was not English | 20% | | | | 9% |
| People with a disability | 12% | | | | 9% |
| People with a disability requiring work-related adjustment | 7% | | | | 9.1% |

Consultants

OTSI did not engage any consultants during the year.

Land Disposal

OTSI does not have any land to dispose of.

List of Major Assets

OTSI has no major assets to report against.

Economic or other factors

There were no economic or other factors affecting OTSI's operational objectives in 2005-2006.

Publications

The Investigation Reports listed earlier which were tabled in Parliament constitute OTSI's publications for the year. These reports are published on the OTSI website.

Occupational Health and Safety

In conformity with the *OHS Act 2002*, OTSI operates its OHS Consultative Committee as a full staff meeting given the number of staff employed by the Office. Staff raise any concerns directly and given the functions performed by OTSI it is acutely aware of the need for safe working practices, especially in regard to its considerable field activities.

Waste Management

OTSI has a waste management strategy that provides for the recycling of used goods and paper.

Code of Conduct and Ethics

A draft code of conduct has been developed and is currently being reviewed in preparation for release to all staff.

Annual Report External Costs

OTSI did not incur any external costs in the preparation of the annual report.

Contact Details

Office of Transport Safety Investigations

PO Box A2616 Sydney South
NSW 1235

Level 17, 201 Elizabeth Street
Sydney NSW 2001

Info@otsi.nsw.gov.au

Telephone: 02 93229200

Facsimile: 02 93229299

www.otsi@nsw.gov.au

Confidential Safety Information Reporting Scheme (CSIRS)

PO Box A2616 Sydney South
NSW 1235

Level 17, 201 Elizabeth Street
Sydney NSW 2001

Email: csirs@otsi.nsw.gov.au

Telephone: 1800 180 828

Facsimile: 1800 180 528

OTSI operates on a 24 hour/ seven day basis through a scheme of rostered Duty Officers and Investigator in Charge. The duty officer can be contacted on:

Telephone: 1800 677 766