



Office of Transport Safety Investigations

ANNUAL REPORT

2010 - 2011





OTSI Office of Transport Safety Investigations

The Honourable Gladys Berejiklian, MP
Minister for Transport
Level 35, Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

31 October 2011

Dear Minister

It is my pleasure to submit to you the 2010 – 2011 Annual Report of the Chief Investigator of the Office of Transport Safety Investigations (OTSI) for presentation to Parliament.

The Report highlights the principal undertakings and achievements of the Office as the State's Transport Safety Investigator throughout the reporting period.

The report has been prepared in accordance with the requirements of the *Annual Reports (Statutory Bodies) Act 1984* and the *Annual Report (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

In its sixth year of operations as an independent statutory office responsible for serving the safety interests of the travelling public and those of the rail, bus and ferry operators who provide passenger and rail freight services, OTSI has continued to make a significant contribution to public transport and rail freight safety through its direct investigative involvement with service providers, industry regulators, government divisions and authorities, and the general public. In particular, it has:

- Fostered constructive and open working relationships with transport industries, transport service providers, unions, regulators, the media and the general public. The MOUs and guiding principles it has agreed with the NSW rail, bus and ferry regulators have proved to be effective bases for information exchange and investigative collaboration.
- Promoted the concept and practice of a Just Culture occurrence reporting system and facilitated the reporting of safety concerns by transport employees by providing a secure and responsive investigatory service through the confidential information reporting scheme.
- Cooperated with the State Coroner, Crown Solicitor's Office and NSW Police by providing expert witness evidence in preparation for, and at coronial inquests into fatal accidents investigated by OTSI.
- Contributed to the proceedings of the National Integration Working Group concerning the establishment of a single national rail investigator.
- Maintained its currency and capability as a multi-modal transport accident investigator through the application of contemporary investigative practices, together with participation in field and tabletop exercises, and liaison with other investigative jurisdictions, to improve its incident response procedures, investigation management and report presentation.
- Initiated investigations into five rail, one bus and three ferry accidents in which fatal injuries were sustained by one member of the public.
- Completed investigations into two of those accidents together with fourteen accident investigations carried forward from 2010, one of which also involved a fatality. The reports into these accidents have been tabled in Parliament and are publicly available on the OTSI website.
- Attended three bus incidents, two of which involved fires and the third a fatal roll over near Colac, Victoria, involving a NSW registered bus. The findings of the technical inspections conducted at each of these incidents are published on OTSI's website.

The Office has received considerable support from many departments, authorities, offices and organisations throughout the year. This support has greatly assisted the Office to perform its various functions. I'm most grateful for that support and assistance. Most importantly, the Office has had the benefit of the cooperation of rail, bus and ferry operators in the course of its investigations. Without that cooperation which is gratefully acknowledged, it

would be more difficult for OTSI to achieve its purpose of improving public transport safety. The members of the OTSI team also warrant special mention for their dedication and sustained commitment to the primary purpose of improving public transport safety.

In this sixth year of independent operations, OTSI has continued to make a direct and significant contribution to the provision of safer public transport services and rail freight services in NSW. Its place as one of the important institutional structures which provides essential public services to the people of NSW is firmly established. 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 O'Sullivan
Chief Investigator



Charter

OTSI was originally established on 1 January 2004 as a separate division within what was then 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 Chief Investigator's 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 2008*, 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 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.

In this sixth year of independent operations, considerable emphasis has been placed on ensuring that OTSI's operations contribute directly to the provision of safe, efficient public transport and rail freight services in accordance with the goals set out in the NSW 2021 plan.

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 into accidents and safety-related incidents whenever and wherever they occur. OTSI's investigations are conducted with the purpose of producing the following outcomes:

- ◆ Identification of those factors which have caused and/or contributed to rail freight and rail, bus and ferry passenger transport accidents and incidents.
- ◆ Determination and specification in its Investigation Reports of the most appropriate remedial safety action to prevent recurrence of similar types of accidents and incidents.

- ◆ Production of Transport Safety Investigation Reports which are tabled in Parliament by the Minister for Transport and published on the OTSI website for operator, industry and public utilisation.
- ◆ Provision and management of a Confidential Safety Information Reporting Scheme (CSIRS) for use by transport employees for the reporting of safety issues that require remedial action.
- ◆ Analysis of rail, bus and ferry operations and accident investigations in other jurisdictions in order to identify safety trends and contemporary practice that warrant notification to rail freight and passenger transport service providers in NSW where such notices can contribute to operational safety.

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

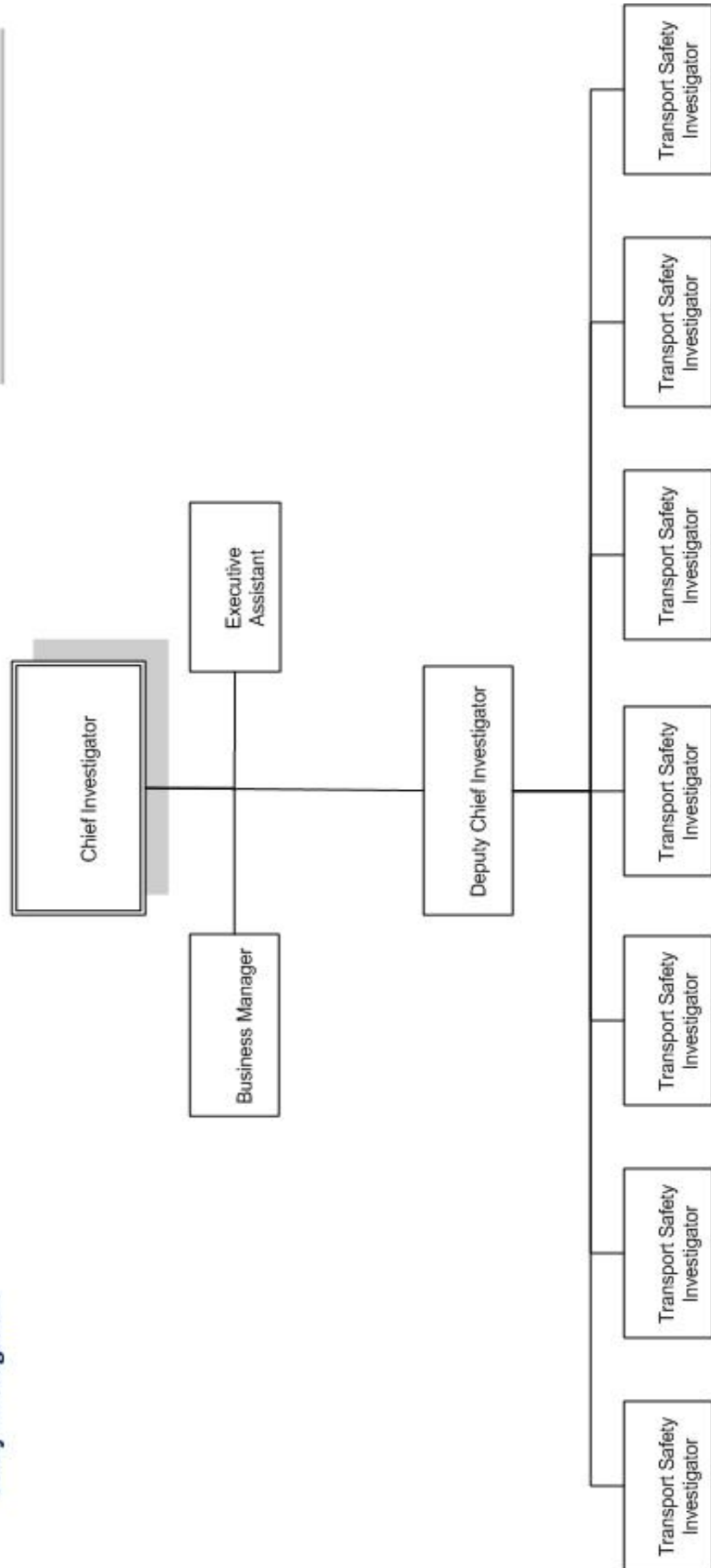
- ◆ A 24 hour on call Duty Officer to whom rail, bus and ferry operators and regulators report the occurrence of accidents and incidents.
- ◆ A 24 hour investigation response team capable of providing immediate deployment to an accident or incident site.
- ◆ A team of transport safety investigators capable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

Organisation

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

Note

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



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 2008* 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 investigations, 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 identify safety trends which warrant the provision of safety notifications to operators and regulators.



2010 – 11 in Review

During the year, OTSI received 2479 reports of incidents and accidents which fell within the category of “Notifiable Occurrences” as described in the *Acts*, *Regulations* and established reporting protocols. As a result of these notifications, OTSI investigators deployed on 28 occasions and the Chief Investigator determined that the following 9 incidents warranted independent investigation by OTSI:

Rail

- ◆ 1 September 2010 Private level crossing fatality near Wee Waa
- ◆ 29 October 2010 Track workers near strike at Bankstown
- ◆ 7 February 2011 El Zorro grain service SPAD at Unanderra
- ◆ 1 April 2011 Zig Zag rail motor/high rail collision
- ◆ 3 May 2011 Pacific National runaway rollingstock at Enfield

Bus

- ◆ 11 June 2011 Overturned charter coach at Jindabyne

Ferry

- ◆ 2 August 2010 SF *Marjorie Jackson* collision at Balmain
- ◆ 14 September 2010 Systemic investigation into Captain Cook Cruises
- ◆ 4 December 2010 MV *Katika* collision at Pyrmont

In addition, OTSI investigators attended three bus incidents and conducted technical inspections as follows:

- ◆ 6 July 2010 AAT Kings bus fire - Gore Hill Freeway, Artarmon
- ◆ 7 August 2010 *Come' On Tours* coach fire - Jindabyne
- ◆ 15 August 2010 Nowra Coaches fatal bus roll over - Colac, Victoria

In all, OTSI dealt with twenty-three major investigations during the reporting period. Of the nine investigations initiated in 2010 – 11, two were completed within the reporting period, together with another fourteen investigations which were in progress from 2009 – 10. The reports of these sixteen investigations were submitted to the Minister, tabled in Parliament and published on the OTSI website on the dates indicated:

Rail

- ◆ 17 September 2010 Pacific National coal derailment at Werris Creek
- ◆ 17 September 2010 Pacific National grain derailment at Connemarra
- ◆ 17 September 2010 El Zorro grain service derailment near Peak Hill
- ◆ 17 September 2010 Pacific National freight derailment near Conoble
- ◆ 17 September 2010 RailCorp CityRail service derailment at Thirroul

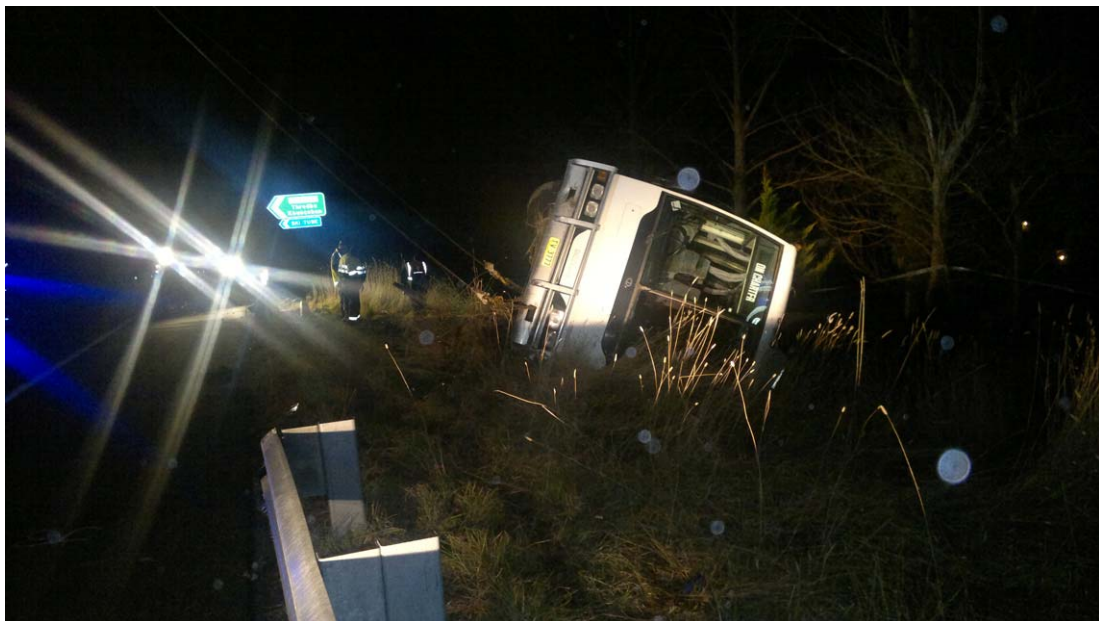
- ◆ 17 September 2010 Pacific National freight derailment near Leeton
- ◆ 5 October 2010 Container gate strike at Woy Woy platform
- ◆ 9 December 2010 Train crew safeworking breach near Glenlee
- ◆ 13 December 2010 Private level crossing fatality near Wee Waa
- ◆ 3 March 2011 Near strike signal maintenance team at Strathfield
- ◆ 6 May 2011 Sydney Metro Monorail collision at Darling Park
- ◆ 5 July 2011 Pacific National grain derailment at Whittingham

Bus

- ◆ 24 May 2011 G&S Mini Bus fatal crash at Barrengarry Reserve

Ferry

- ◆ 2 December 2010 Sydney Ferries - crew training systemic
- ◆ 17 March 2011 Captain Cook ferry *Jillian* - fire onboard
- ◆ 4 May 2011 MV *Katika* collision at Pyrmont



In discharging its other responsibilities throughout the Reporting Period, OTSI:

- ◆ Received ten rail, bus and ferry operator investigation reports and completed its review of nine of those investigations, providing comment on the adequacy of the investigations, their findings and safety recommendations.
- ◆ Received twenty-five confidential reports from transport employees through the Confidential Safety Information Reporting Scheme (CSIRS) and finalised twenty-three of those cases with formal notification of the results of the investigations being provided to the reporters.

Challenges 2011 – 2012

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

- ◆ Continue to measure and benchmark OTSI's performance against national and international good 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.
- ◆ Research and acquire relevant emerging investigative technologies which have the potential to enhance the techniques, practices and procedures employed by OTSI in the conduct of its investigations.
- ◆ Complete the planning for the implementation of a Service Agreement with the Australian Transport Safety Bureau to contribute to the single national rail safety investigator framework with effect from 1 January 2013.

Governance and Management Systems

The Governance and Management Systems applied in OTSI are appropriate to its size 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 in a larger, more diversified organisation.

Management of OTSI Records

OTSI has an in-house system in place to maintain Electronic Records and manage documents. A review of recordkeeping practices and systems is conducted on an annual basis. The aim of this functional system is to enable OTSI to achieve its business objectives by:

- employing best-practice recordkeeping systems;
- improving staff retrieval of key business information;
- ensuring statutory recordkeeping requirements are met; and
- having a single system for record management.

In September 2008, a Functional Retention and Disposal Authority developed by OTSI was approved by the NSW State Records Board. This Authority identifies records that can be transferred to State Archives and provides State Records approval for the destruction of records after a suitable retention period has been met.

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 the 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 Regulator (ITSR) as the Rail regulator and with NSW Roads and Maritime as the Ferry regulator. It has also established a set of Guiding Principles with Transport for NSW as the current Bus regulator. The Chief Investigator has regular contact with the Regulatory Heads and there is frequent contact at officer level.

OTSI in the Global Transport Safety Environment

As with a great number of organisations today, OTSI makes extensive use of the internet to make available to all interested persons the results of its investigations as soon as they are tabled in Parliament by the Minister for Transport.

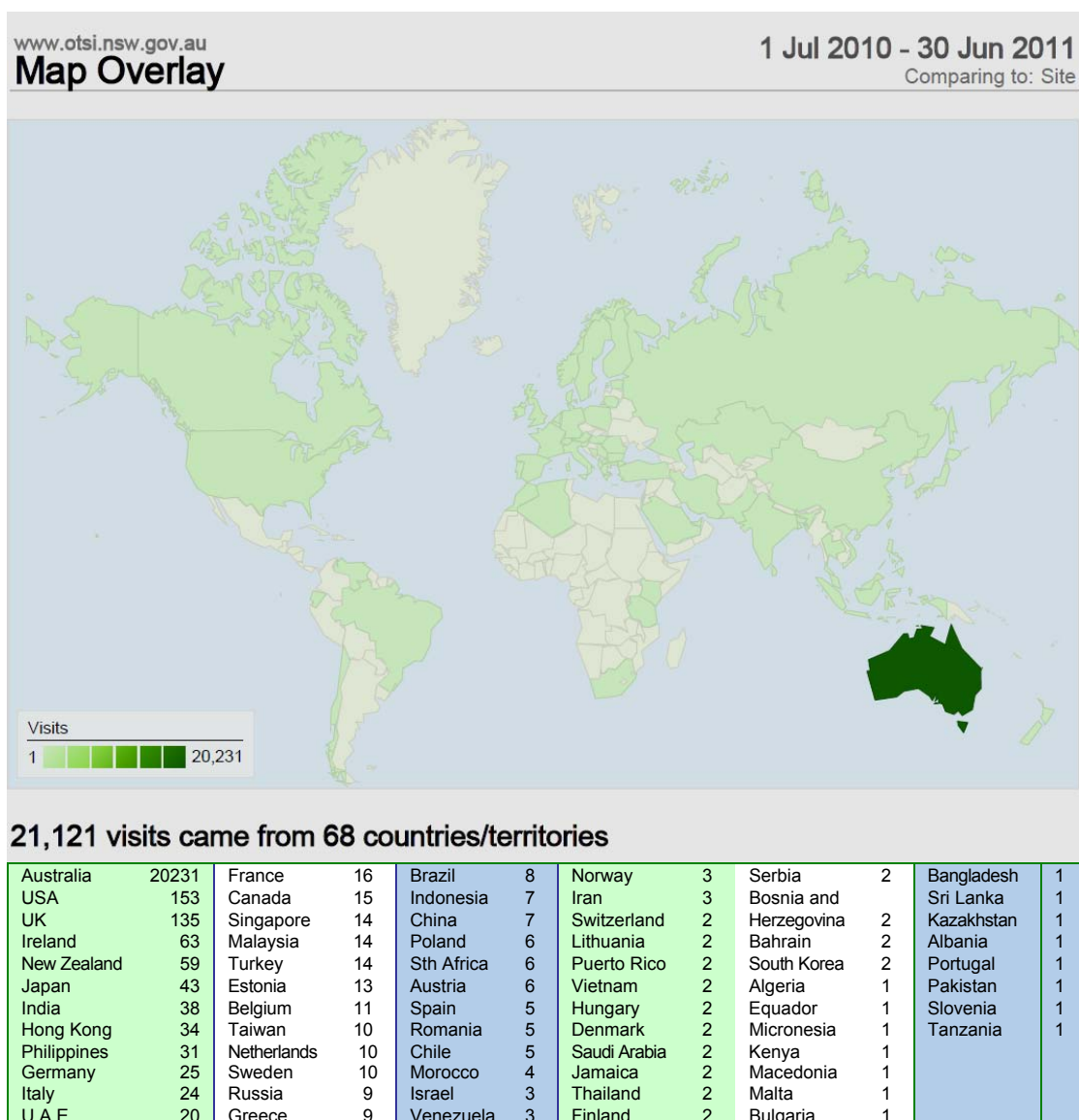
The OTSI website provides a valuable resource for professionals reporting on transport safety investigations; for similar investigatory organisations in other parts of Australia and overseas; for transport enthusiasts and for those involved in safety incidents or the reporting of incidents who need access to published investigation outcomes.

OTSI's operations represent a cost effective investment in ensuring the safe operation of the NSW Public Transport and Rail freight industries. While its jurisdiction is within NSW, the impact of the work OTSI performs is obvious

well beyond NSW borders. The following tables demonstrate the International interest in OTSI's activities in transport safety. Through its operations, OTSI has not only contributed to the delivery of safe and reliable public transport in NSW, it is making a significant contribution towards the understanding of transport accident causation and prevention around the world, as well as raising the profile of NSW as a State committed to public transport safety.

OTSI WEBSITE TRAFFIC			
49,516 Pageviews			
Month	Visits	Pages	Hits
Jun-11	2,635	5,113	68,422
May-11	2,986	5,915	81,898
Apr-11	2,403	5,187	56,838
Mar-11	2,251	4,269	62,508
Feb-11	1,957	3,505	48,506
Jan-11	1,850	3,264	41,453
Dec-10	1,958	3,740	45,464
Nov-10	1,978	3,638	48,259
Oct-10	1,915	3,583	52,785
Sep-10	1,951	3,633	51,942
Aug-10	2,030	4,078	49,790
Jul-10	1,823	3,591	44,483
Total	25,737	49,515	651,898

OTSI Website Visits



Financial Summary Overview

In 2010 -11, OTSI received consolidated fund allocations of \$2.244m. OTSI had minor revenue consisting of investment revenue and reimbursements.

OTSI's net cost of service (represented by total expenses less revenue) was \$2.362M.

A detailed account of OTSI's financial performance is contained in the audited financial statements which follow.

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

STATEMENT BY THE CHIEF INVESTIGATOR

For the year ended 30 June 2011

Pursuant to section 41C (1B) 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 Accounting Interpretations);
- The requirements of the *Public Finance and Audit Act 1983* and the Public Finance and Audit Regulation 2010; 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 of the Office of Transport Safety Investigations; and

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



Chief Investigator

Date: 31 October 2011



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Chief Investigator of the Office of Transport Safety Investigations

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Chief Investigator of the Office of Transport Safety Investigations (the Office), which comprises the statement of financial position as at 30 June 2011, 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.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Office as at 30 June 2011, and of its financial performance 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* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

The Chief Investigator's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Office's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Investigator, as well as evaluating the overall presentation of the financial statements.

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

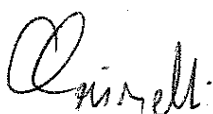
My opinion does *not* provide assurance:

- about the future viability of the Office
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- 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
- about any other information which may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence 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, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.



C. J. Giumelli
Director, Financial Audit Services

1 November 2011
SYDNEY

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Statement of Comprehensive Income For the year ended 30 June 2011

	Notes	Actual 2011 \$'000	Budget 2011 \$'000	Actual 2010 \$'000
Expenses excluding losses				
Operating expenses				
Employee related	2(a)	1,739	1,725	1,696
Other operating expenses	2(b)	553	561	536
Depreciation and amortisation	2(c)	78	158	164
Total Expenses excluding losses		2,370	2,444	2,396
Less:				
Revenue				
Sale of services	3(a)	2	1	-
Investment revenue	3(b)	6	6	5
Total Revenue		8	7	5
Loss on Disposal of Plant and Equipment	9	-	-	7
Net Cost Of Services	16	2,362	2,437	2,398
Government Contributions				
Recurrent appropriation	4	2,141	2,142	2,115
Capital appropriation	4	-	20	20
Acceptance by the Crown Entity of employee benefits and other liabilities	5	103	91	85
Total Government Contributions		2,244	2,253	2,220
(DEFICIT)/SURPLUS FOR THE YEAR		(118)	(184)	(178)
Other comprehensive income		-	-	-
Other comprehensive income for the year		-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(118)	(184)	(178)

The accompanying notes form part of these statements.

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Statement of Financial Position

As at 30 June 2011

	Notes	Actual 2011 \$'000	Budget 2011 \$'000	Actual 2010 \$'000	1 July 2009 \$'000
ASSETS					
Current Assets					
Cash and cash equivalents	7	179	151	184	163
Receivables	8	31	23	23	22
Total Current Assets		210	174	207	185
Non-Current Assets					
Property, plant and equipment					
Leasehold improvements	9	95	1	147	280
Plant and equipment	9	31	24	33	46
Total property, plant and equipment		126	25	180	326
Intangible assets	10	5	5	11	18
Total Non-Current Assets		131	30	191	344
Total Assets		341	204	398	529
LIABILITIES					
Current Liabilities					
Payables	11	80	53	46	54
Provisions	12	291	215	264	209
Total Current Liabilities		371	268	310	263
Total Liabilities		371	268	310	263
Net Assets		(30)	(64)	88	266
EQUITY					
Accumulated funds		(30)	(64)	88	266
Total Equity		(30)	(64)	88	266

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 2011

	Accumulated Funds Actual 2011 \$'000	Accumulated Funds Actual 2010 \$'000
Balance at 1 July	88	287
Change as result of prior year error	-	(21)
Restated Balance as 1 July	88	266
(Deficit)/Surplus for the year	(118)	(178)
Other comprehensive income	-	-
Total comprehensive income for the year	(118)	(178)
Balance at 30 June	(30)	88

The accompanying notes form part of these statements.

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Statement of Cash Flows For the year ended 30 June 2011

	Notes	Actual 2011 \$'000	Budget 2011 \$'000	Actual 2010 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(1,626)	(1,626)	(1,551)
Other operating expenses		(562)	(616)	(604)
Total Payments		(2,188)	(2,242)	(2,155)
Receipts				
GST		54	61	55
Interest received		6	6	4
Total Receipts		60	67	59
Cash Flows from Government				
Recurrent appropriation		2,141	2,142	2,115
Capital appropriation (excluding equity appropriations)		-	20	20
Net Cash Flows from Government		2,141	2,162	2,135
NET CASH INFLOWS/(OUTFLOWS) FROM OPERATING ACTIVITIES	16	13	(13)	39
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and Equipment		(18)	(20)	(19)
Proceeds from sale of Plant and Equipment		-	-	1
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES		(18)	(20)	(18)
NET INCREASE/ (DECREASE) IN CASH		(5)	(33)	21
Opening cash and cash equivalents		184	154	163
CLOSING CASH AND CASH EQUIVALENTS	7	179	121	184

The accompanying notes form part of these statements.

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Statement of Compliance with Financial Directives For the year ended 30 June 2011

	2011				2010		
	Recurrent Appropriation	Expenditure - Net claim on Cons Fund	Capital Appropriation	Expenditure - Net claim on Cons Fund	Recurrent Appropriation	Expenditure - Net claim on Cons Fund	Capital Appropriation
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Original budget Appropriation/Expenditure							
Appropriations Act	2,141	2,141	20	-	2,115	2,115	20
Additional appropriations	-	-	-	-	-	-	-
	<u>2,141</u>	<u>2,141</u>	<u>20</u>		<u>2,115</u>	<u>2,115</u>	<u>20</u>
Other appropriations/expenditure	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Appropriation/Expenditure							
Net Claim on Consolidated Fund	<u>2,141</u>	<u>2,141</u>	<u>0</u>		<u>2,115</u>	<u>2,115</u>	<u>20</u>
Amount drawn down against Appropriation		2,141				2,115	
Liability to Consolidated Fund		<u>-</u>		<u>-</u>		<u>-</u>	

The Summary of Compliance with Financial Directives 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 drawn down against Appropriation" and the "Total Expenditure/Net Claim on Consolidated Fund".

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Notes to and Forming Part of the Financial Statements For the year ended 30 June 2011

1. Summary of Significant Accounting Policies

(a) *Reporting Entity*

The Chief Investigator of the Office of Transport Safety Investigations (the Office) was established on 1 July 2005 as a statutory authority under the *Transport Administration Act 1988* as amended. The principal objective of this Office is to conduct investigations into rail and passenger transport accidents or incidents under the *Rail Safety Act 2008* and the *Passenger Transport Act 1990*.

The Office 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 of the Office of Transport Safety Investigations on 31 October 2011.

(b) *Basis of Preparation*

The Office's financial statements are general purpose financial statements, which 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 Audit Regulation 2010; 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 are measured at fair value. Other financial reports items are prepared in accordance with the historical cost convention.

The financial statements have been prepared on a going concern basis which assumes that repayment of debts will be met, as and when they fall due, without any intention or necessity to liquidate assets or otherwise wind up operations. It is considered that the going concern basis is appropriate for the following reasons:

- OTSI is a NSW Government statutory authority; and
- OTIS is a budget dependent agency receiving grants from the Department of Transport to fund cash flows and their cash projections indicate that the Office will pay its debts as and when they fall due.

Notes to and Forming Part of the Financial Statements
For the year ended 30 June 2011

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 Accounting Interpretations.

(d) Insurance

The Office'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 claim experience.

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

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

- The amount of GST incurred by the Office 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 are classified as operating cash flows.

(f) 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.

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Notes to and Forming Part of the Financial Statements For the year ended 30 June 2011

An exception to the above is when appropriations are unspent at year-end. In this case, the authority to spend the money lapses and 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 income. The amount will be repaid and the liability will be extinguished next financial year.

(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.

(g) Assets

(i) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Office. 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 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.

(ii) Valuation Of Assets

The Office's non specialised assets have short useful lives and are measured at depreciated historical cost which is used as a surrogate for fair value.

(iii) Capitalisation Threshold

Property, plant, 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.

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Notes to and Forming Part of the Financial Statements For the year ended 30 June 2011

(iv) Impairment of property, plant and equipment and intangible assets

As a not-for-profit entity with no cash generating units, the Office is effectively exempted from AASB 136 *Impairment of Assets* and impairment testing of property, plant and equipment and intangible assets. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less the 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) 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 Office. The depreciation rates used are leasehold improvements (20%), office furniture and equipment (20%), computer equipment (20%) and intangible assets (20%).

(vi) 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.

(vii) Leased Assets

Operating lease payments are charged to the Statement of Comprehensive Income in the periods in which they are incurred. The Office does not have any finance leases.

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Notes to and Forming Part of the Financial Statements For the year ended 30 June 2011

(viii) Intangible Assets

The Office recognises intangible assets only if it is probable that future economic benefits will flow to the Office 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 (refer to note (g) (iv) above). Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Office's intangible assets, the assets are carried at cost less any accumulated amortisation.

(ix) Receivables

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 (equivalent to the amortised cost) because the financial impact of using the effective interest method is immaterial.

(x) Impairment of financial assets

The receivables are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the Office will not be able to collect all amounts due. The amount of the allowance is the difference between the 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.

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Notes to and Forming Part of the Financial Statements For the year ended 30 June 2011

(xi) De-recognition of financial assets and liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or if the agency transfers the financial asset:

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

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

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

(h) **Liabilities**

(i) Payables

These amounts represent liabilities for goods and services provided to the Office 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 rates are measured at the original invoice amount where the effect of discounting is immaterial.

(ii) Employee Benefits and Other Provisions

(a) 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.

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Notes to and Forming Part of the Financial Statements For the year ended 30 June 2011

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 Office's liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity. The Office 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 11/06) 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.

(c) Other Provisions

Other provisions exist when: the Office 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 Office has a detailed formal plan and the Office 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.

(i) **Equity**

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

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Notes to and Forming Part of the Financial Statements For the year ended 30 June 2011

(j) Budgeted Amounts

The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year and adjusted for the effects of additional appropriations.

The Office did not receive any supplementary funding in the year under review. Accordingly, the budgeted amounts in the Statement of Comprehensive Income and the Statement of Cash Flows are generally based on the amounts disclosed in the NSW Budget Papers. However, in the Statement of Financial Position, 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.

(k) 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.

(l) New Australian Accounting Standards Issued But Not Yet Effective

At reporting date all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("the AASB") that are relevant to the agency's operations and effective for the current annual reporting period have been adopted.

Early adoption of new or revised Accounting Standards/Interpretation: Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the financial reporting period ended 30 June 2011. The Office's assessment of the impact of these new standards and interpretations is set out below:

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Notes to and Forming Part of the Financial Statements For the year ended 30 June 2011

Standard	Summary of key requirements/changes	Applicable to annual reporting periods beginning on or after	Impact on Reporting Entity's Financial Statements
AASB 2009-14 Amendments to AASB 119 Employee Benefits	Contribution prepayments to defined benefits superannuation schemes to be recognised as an asset.	1 July 2011	Expected to have no significant impact.
AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AAS1, AASB 7, AASB 101, AASB 134 and Interpretation 13)	Key changes include: - Emphasis of AAS 7 (Financial Instruments) quantitative and qualitative disclosures to enable users to evaluate the entity's exposure to financial instruments risks. - Clarification of the content of changes in equity. - Guidance regarding disclosures of significant events and transactions.	1 July 2011	Impact is insignificant as the agency's financial statements comply fully with AAS.
AASB 2010-5 Amendments to Australian Accounting Standards	This Standard makes numerous editorial amendments to AAS and Interpretations.	1 July 2011	The amendments have no major impact on reporting requirements.
AASB 1054 Australian Additional Disclosures,	This Standard sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This standard contains disclosure requirements additional to IFRS.	1 July 2011	The amendments have no major impact on reporting requirements.

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Notes to and Forming Part of the Financial Statements For the year ended 30 June 2011

Standard	Summary of key requirements/changes	Applicable to annual reporting periods beginning on or after	Impact on Reporting Entity's Financial Statements
AASB 2011-1 and AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project	The Standards delete Australian specific guidance or relocate it if it is still considered necessary in the Australian context as part of the Australian and New Zealand Harmonisation project.	1 July 2011	The amendments have no major impact on reporting requirements
AASB 2009-11 Amendments to AASB 9 Financial Instruments and AASB 2010-7 Amendments to AASB 9 Financial Instruments	Amendments address the classification, measurement and derecognition of financial assets and liabilities and use a single approach to determine whether a financial asset is measured at amortised cost or fair value replacing the previous 4 classifications in AAS 139. Financial liabilities are measured at amortised cost or fair value through profit or loss.	1 July 2013	Preliminary assessment is that classification and measurement for cash and cash equivalents and most receivables currently held by the agency are not likely to change under the new requirements.
AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from reduced disclosure requirements.	Establishes a differential financial reporting framework: "Tier 1" entities are to be fully compliant with AAS whilst "Tier 2" entities have reduced disclosure requirements.	1 July 2013	No impact as the agency is expected to maintain current full compliance practice with AAS.

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Notes to and Forming Part of the Financial Statements For the year ended 30 June 2011

OTSI has also reviewed the following accounting standards and interpretations and concluded that they have no material impact on the financial statements:

- AASB 2009-10 Amendments to AASB 132 Financial Instruments
- AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets
- AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets
- AASB 2010-9 Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters
- Interpretation 19 Extinguishing Liabilities with Equity Instruments
- AASB 2009-12 Amendments to AASB 124 Related Party Disclosures (2009)

(m) Correction of Prior Period Errors and Reclassifications

The 2009-10 financial statements have been revised to reflect corrections of prior period errors in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

AASB 108 requires the correction of prior period errors retrospectively, subject to certain limitations, to permit comparability with the current year. The retrospective adjustment occurs by restating the comparative amount in the prior period, or, if the event occurred before the earliest reporting prior period presented, by restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

Note 19 to this report includes the 2009-10 financial statements with the line items affected by corrections of prior period errors, and an explanation of the material differences for the amounts reported in the audited 2009-10 financial statements.

Comparative figures are, where appropriate, reclassified to conform with the basis of presentation and classification used in the current year.

Refer to note 19 for restated comparative information

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Notes to and Forming Part of the Financial Statements For the year ended 30 June 2011

	2011 \$'000	2010 \$'000
2. Expenses excluding losses		
(a) Employee related expenses <i>comprise the following specific items:</i>		
Salaries (including recreation leave)	1,465	1,436
Superannuation – defined benefits plan	33	31
Superannuation – defined contribution plan	80	78
Long service leave	68	52
Workers' compensation insurance	3	8
Payroll Tax and Fringe Benefit Tax	90	91
	1,739	1,696
(b) Other operating expenses		
Accommodation		
Operating lease rental expense – minimum lease payments	282	274
Other property costs	16	17
External services		
Contractors	79	82
Audit fees – financial statements	16	11
Information Technology		
Computer Leasing		1
Communication Lines	1	1
Other Computer Costs		1
Motor vehicle running expenses		
Operating minimum lease rentals	16	17
Other motor vehicle expenses	58	54
Staff recruitment and training costs	16	20
Interest Expense	3	3
Administration		
Printing and stationery	8	7
Telephones	14	13
Travel	27	24
Others	17	11
	553	536

The Office's maintenance expenses are immaterial and do not include employee related expenses. Property, plant and equipment do not include any capitalised employee related expenses.

(c) Depreciation and amortisation

Leasehold Improvements (Note 9)	52	133
Plant and Equipment (Note 9)	20	24
Intangible Assets (Note 10)	6	7
	78	164

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Notes to and Forming Part of the Financial Statements For the year ended 30 June 2011

	2011 \$'000	2010 \$'000
3. Revenues		
(a) Sale of services		
Rendering of services	2	-
	2	-
(b) Investment revenue		
Interest on bank balance	6	5
	6	5
4. Appropriations		
Recurrent appropriations		
Total recurrent drawdowns from Treasury (per Summary of Compliance with Financial Directives)	2,141	2,115
Less: Liability to Consolidated Fund (per Summary of Compliance with Financial Directives)	-	-
Recurrent appropriations (per Statement of Comprehensive Income)	2,141	2,115
Capital appropriations		
Total Capital drawdowns from Treasury (per Summary of Compliance with Financial Directives)	-	20
Less: Liability to Consolidated Fund (per Summary of Compliance with Financial Directives)	-	-
Capital appropriations (per Statement of Comprehensive Income)	-	20
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	33	31
Long service leave	68	52
Payroll tax on superannuation (Note 17)	2	2
	103	85

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Notes to and Forming Part of the Financial Statements For the year ended 30 June 2011

6. Service Group Information

The agency has one service group namely:

Service group – Investigation and Risk Mitigation Analysis

Description: This service group covers the mandated function of independently investigating safety incidents that occur in public transport and rail freight in New South Wales.

As the agency has only one service group, details of the Office's expenses, income, assets and liabilities are not required to be produced in the Service Group Statement as this information is already available in the Statement of Comprehensive Income and Statement of Financial Position.

	2011 \$'000	2010 \$'000
7. Cash and Cash Equivalents		
Cash at bank and on hand	179	184
	179	184

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 as follows:

Cash and cash equivalents (per Statement of Financial Position)	179	184
Closing cash and cash equivalents (per Statement of Cash Flows)	179	184

8. Receivables

Goods and Services Tax – recoverable	5	8
Investment revenue receivable	6	2
Other Receivables	20	-
Prepayments	-	13
	31	23

At balance date there was no need for an allowance for impairment of debtors.

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 18 in line with the Financial Reporting Code.

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Notes to and Forming Part of the Financial Statements For the year ended 30 June 2011

	2011 \$'000	2010 \$'000
9. (a) Property, Plant & Equipment		
Leasehold Improvements	670	670
Accumulated depreciation	575	523
Carrying amount at fair value	95	147
Plant and equipment	121	103
Accumulated depreciation	90	70
Carrying amount at fair value	31	33
Total property, plant and equipment	791	773
Accumulated depreciation	665	593
Carrying amount at fair value	126	180

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
Year Ended 30 June 2011			
Net Carrying amount 1 July 2010	147	33	180
Additions	-	18	18
Disposals	-	-	-
Depreciation expense (Note 2(c))	52	20	72
Carrying amount 30 June 2011	95	31	126
Year Ended 30 June 2010			
Net Carrying amount 1 July 2009	280	46	326
Additions	-	19	19
Disposals	-	8	8
Depreciation expense	133	24	157
Net Carrying amount 30 June 2010	147	33	180
Loss on Disposal of Plant and Equipment			
Written Down Value of Plant and Equipment Sold	-	8	
Sale Proceeds	-	(1)	
Loss on Disposal of Plant and Equipment	-	7	

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Notes to and Forming Part of the Financial Statements For the year ended 30 June 2011

	2011 \$'000	2010 \$'000
10. Intangible Assets		
Computer systems		
At cost	32	32
Accumulated amortisation	27	21
Carrying amount at cost	5	11

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

Balance at the beginning	11	18
Amortisation expense (Note 2(c))	6	7
Carrying amount at cost	5	11

11. Payables		
Creditors	30	-
Accruals		
Salaries and on-costs	26	20
Others	24	26
	80	46

Details regarding credit risk, liquidity risk and market risk are disclosed in Note 18.

12. Provisions		
Current Liabilities		
Recreation leave	194	185
Employee oncosts	39	24
	233	209

Aggregate employee benefits and related oncosts		
Recreation leave	194	185
Employee oncosts and accrued salaries	65	44
	259	229

Make good provision		
Restoration costs	58	55
	58	55

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Notes to and Forming Part of the Financial Statements For the year ended 30 June 2011

13. Commitments for Expenditure

	2011 \$'000	2010 \$'000
(a) Capital Commitments		
Aggregate other expenditure contracted for at balance date and not provided for:		
Not later than one year	22	22
Later than one year but not later than five years	-	-
Later than five years	-	-
Total (including GST)	22	22
(b) Other Expenditure Commitments		
Aggregate other expenditure contracted for at balance date and not provided for:		
Not later than one year	-	86
Later than one year but not later than five years	-	344
Later than five years	-	-
Total (including GST)	-	430
(c) Operating Lease Commitments		
Aggregate other expenditure contracted for at balance date and not provided for:		
Not later than one year	378	382
Later than one year but not later than five years	303	654
Later than five years	-	-
Total (including GST)	681	1036

The Office leases its motor vehicles and office accommodation. Input tax on all commitments estimated at \$64k (2010 - \$135k) will be recouped from the Australian Taxation Office.

14. Contingent Liabilities and Contingent Assets

The Office had no contingent liabilities and assets as at balance date (2010 – NIL).

15. Budget Review

Net Cost of Services

The net cost of services for the year ended 30 June 2011 was \$2.362m which compared favourably to the budget of \$2.437m.

- **Employee related expenses** at \$1.739m were generally in line with the budget of \$1.725m.
- **Other operating expenses** amounted to \$553k against the budget of \$561k, an under-expenditure of \$8k principally due to property and contractor costs being lower than budget.

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Notes to and Forming Part of the Financial Statements For the year ended 30 June 2011

Deficit for the Year

The deficit for the year of \$118k was compared favourably to the budget of \$184k.

Assets and Liabilities

The Statement of Financial Position comprises the following principal assets and liabilities:

- **Cash** of \$179k was higher than the budget of \$151K due to the releasing of protected funds of \$100k for general operating purposes.
- **Receivables** comprising GST, interest receivable, and prepaid insurance were higher due to an increase in accrued income.
- **Property, plant and equipment:** The Office acquired new assets to the value of \$18k in 2010-11.
- At \$371k **payables and provisions** were higher than the budget due to an increase for provisions for employee entitlements.

Equity

The OTSI's Equity as at 30 June 2011 was in negative (\$30K). The Equity deficit was mainly due to employee leave provisions. OTSI is a budget dependent agency and is expected to be fully funded by the Government.

16. Reconciliation of Cash Flows from Operating Activities to Net Cost of Services as reported in the Statement of Comprehensive Income

	2011 \$'000	2010 \$'000
Net Cash inflows from operating activities	13	39
Cash flows from Government/Appropriations	(2,141)	(2,135)
Acceptance by the Crown Entity of employee benefits and other liabilities	(103)	(85)
Depreciation and amortisation	(78)	(164)
Decrease/(Increase) in prepayments	(13)	-
Increase/(Decrease) in receivables	(1)	1
Decrease/(Increase) in payables	(26)	16
Decrease/(Increase) in provisions	(13)	(63)
Loss on disposal of Plant and Equipment	-	(7)
Net Cost of Services	(2,362)	(2,398)

17. Non-Cash Financing and Investing Activities

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

	2011 \$'000	2010 \$'000
Employees' entitlements and liabilities Assumed by the Crown Entity (Note 5)	103	85
	103	85

18. Financial Instruments

The Office's principal financial instruments are outlined below. These financial instruments arise directly from the Office's operations or are required to finance the Office's operations. The Office does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Office's main risks arising from financial instruments are outlined below, together with the Office's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Chief Investigator of the Office of Transport Safety Investigations 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 Office, to set risk limits and controls and to monitor risks.

(a) Financial Instruments categories

	Note	Category	Carrying amount 2011 \$'000	Carrying amount 2010 \$'000
Financial Assets Class				
Cash and cash equivalents	7	N/A	179	184
Receivables	8	Loans and receivables (at amortised cost)	26	2
Financial Liabilities Class				
Payables	11	Financial liabilities (at amortised cost)	80	46

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

Notes to and Forming Part of the Financial Statements
For the year ended 30 June 2011

(b) Credit Risk

Credit risk arises when there is the possibility of the Office's debtors defaulting on their contractual obligations, resulting in a financial loss to the Office. 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 Office, including cash and receivables. No collateral is held by the Office. The Office has not granted any financial guarantees.

Cash

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

Receivables – trade debtors

All trade debtors are recognised as amounts receivable at balance date. 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 uncollectible, are written off. An allowance for impairment is raised when there is objective evidence that the Office 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 agency is not materially exposed to credit risk as its debtors are minimal. At balance date the agency had no debtors which were impaired.

(c) Liquidity Risk

Liquidity risk is the risk that the Office will be unable to meet its payment obligations when they fall due. As a budget dependent agency the Office's primary source of cash inflows is the consolidated fund allocation to meet its ongoing operating and capital commitments including commitments to other transport agencies as set out in the budget papers approved by the NSW Parliament. The Office is prohibited by Treasury policies and practices from making payments in excess of the approved allocation. As such the Office's exposure to liquidity risk is deemed insignificant based on current Treasury policies and practices.

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Notes to and Forming Part of the Financial Statements For the year ended 30 June 2011

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 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.

(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 Office is not exposed to this class of risk because as reported above its main source of cash inflows is the Consolidated Fund allocations. The Office 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 Office's exposure to interest rate risk is immaterial.

Financial Instruments

At Fair Value	Floating Interest rate		Non-Interest Bearing		Total carrying amount as per Statement of Financial Position		Weighted average effective interest rate	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 %	2010 %
Financial Assets								
Cash	179	184		-	179	184	4.29	3.30
Receivables	-	-	26	2	26	2	-	-
Total	179	184	26	2	205	186		
Financial Liabilities								
Payable	-	-	80	46	80	46	-	-
Total	-	-	80	46	80	46		

19. Prior Year Adjustments

The following comments apply to notes 2 (b), 2(c), 9, 12 and 16:

In prior periods a provision for the "make good" clause under the office accommodation lease was not brought to account. This has since been rectified and included in the primary statements for 2010-11 as per the adjustments below:

CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

Notes to and Forming Part of the Financial Statements For the year ended 30 June 2011

(a) 2010 Statement of Comprehensive Income

	Note	Previously reported Figure for 2010 \$'000	Prior Period Error \$'000	Comparative Figure reported in 2011 \$'000
Revenue				
Total Revenue		5	-	5
Expenses				
Other Operating Expenses	2(b)	533	3	536
Depreciation & Amortisation	2(c)	156	8	164
Total Expenses		2,385	11	2,396
Government Contributions		2,220	-	2,220
Other Comprehensive Income		-	-	-
Total Comprehensive Income for the Year		(167)	(11)	(178)

(b) 2010 Statement of Financial Position as at 30 June 2010

	Note	Previously reported Figure for 2010 \$'000	Prior Period Error \$'000	Comparative Figure reported in 2011 \$'000
Assets				
Total Current Assets		207	-	207
Leasehold Improvements	9	124	23	147
Total Non- Current Assets		168	23	191
Total Assets		375	23	398
Liabilities				
Provisions	12	209	55	264
Total Current Liabilities		255	55	310
Total Liabilities		255	55	310
Net Assets		120	(32)	88
Total Equity		120	(32)	88

(c) 2010 Statement of Financial Position as at 1 July 2009

	Note	Previously reported Figure for 2010 \$'000	Prior Period Error \$'000	Comparative Figure reported in 2011 \$'000
Assets				
Total Current Assets		185	-	185
Leasehold Improvements	9	249	31	280
Total Non- Current Assets		313	31	344
Total Assets		498	31	529
Liabilities				
Provisions	12	157	52	209
Total Current Liabilities		211	52	263
Total Liabilities		211	52	263
Net Assets		287	(21)	266
Total Equity		287	(21)	266

20. After Balance Date Events

There were no significant events after balance date which impacted on these financial statements.

End of Audited Financial Statements

Payment of Accounts

Table: 1 Aged analysis at the end of each quarter

	Current (Within due date)	Less than 30 days	Between 30 days and 60 days overdue	Between 60 days and 90 days overdue	More than 90 days
Quarter	\$000	\$000	\$000	\$000	\$000
September	61				
December	Nil				
March	Nil				
June	17				

Time for Payments of Accounts

Table : 2 Amounts paid on time within each quarter

			Total accounts paid on time	Total Payments
Quarter	Target %	Actual %	\$'000	\$'000
September	100	99.6%	554	556
December	100	100.0%	571	571
March	100	98.5%	535	543
June	100	98.6%	511	511
Total				2,181

Freedom of Information

There were no applications made under the GIPA Act 2009 legislation in 2010/2011.

Risk Management

OTSI participates in the Treasury Managed Fund insurance scheme and as such is insured against all risk associated with its activities. No claims were lodged in relation to Workers Compensation or any of the other insurance policies held through the TMF by OTSI in 2010/2011. In addition, OTSI has engaged Transport NSW to provide all its Information Technology services and therefore participates in the Transport NSW disaster recovery processes.

Privacy Management Plan

OTSI has completed a Privacy Management Plan and lodged a copy with Privacy NSW. The plan incorporates privacy standards for dealing with personal information, ensures legally enforceable privacy rights of the public are respected, and prescribes how OTSI deals with personal information. It makes provision for the lodgement of complaints about misuse of personal information and for an internal review concerning an alleged misuse of personal information.

Disability Action Plan

OTSI developed a new Disability Action Plan (DAP) and lodged a copy with the Department of Ageing, Disability & Home Care. The DAP identifies OTSI's responsibilities, objectives, goals and policies in relation to people with disabilities. The DAP articulates OTSI's commitment to ensuring that people with disabilities have the same access to OTSI's services, programs and facilities as the rest of the community.

Principal Legislation

OTSI exercises functions under the:

- ◆ *Transport Administration Act 1988*;
- ◆ *Passenger Transport Act 1990*;
- ◆ *Rail Safety Act 2008*, and
- ◆ Regulations made under those Acts.

Credit Card Certification

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

Within OTSI, credit cards are used primarily for:

- expenses incurred in connection with travel on official business;
- the purchase of minor stores and services; and
- meeting the cost of official out-of-pocket expenses when investigators are deployed in the field.

OTSI's credit card policy is documented, and requires monthly reconciliation of invoices by the cardholder and the Business Manager.

Response to Significant Issues Raised by the Auditor-General

No significant issues for OTSI were raised by the Auditor General during 2010 – 2011.

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

Effective from 1 January 2009, the *Rail Safety Act 2008* replaced the *Rail Safety Act 2002* in New South Wales. The changes to the legislation had no effect on OTSI's investigative functions.

Departures from Subordinate Legislation

There were no departures from the Subordinate Legislation Act.

Major Works in Progress

There were no major works undertaken by OTSI in 2010 – 11.

Human Resources of OTSI 2010 - 11

OTSI is an agency with a total staffing of 11 as at 30 June 2011. Given the size of the organisation and the nature of its functions, there is limited scope for OTSI to be represented across all the categories in the table below. OTSI is staffed by officers with industry and investigative experience in the various transport modes and with qualifications in engineering, safety science, occupational health and safety and accident forensics.

2010/2011 Staffing:

Population: Headcount: Non-casual Employees at June by Remuneration Level of Substantive Position

Table 1.1 Staff Numbers by Level								
	Number							
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
< \$39,670		0	0	0	0	0	0	0
\$39,671 - \$52,103		0	0	0	0	0	0	0
\$52,104 - \$58,248		0	0	0	0	0	0	0
\$58,249 - \$73,708		0	0	0	0	0	0	0
\$73,709 - \$95,318	1		1	0	0	0	0	0
\$95,319 - \$119,148	2	2	0	0	0	0	0	0
> \$119,149 (non SES)	7	7	0	0	0	0	0	0
> \$119,149 (SES)	1	1	0	0	0	0	0	0
TOTAL	11	10	1					

Performance & Number of Executive Officers

Name: Paul O'Sullivan

Title: Chief Investigator, Office of Transport Safety Investigations

Remuneration: \$278,350

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 303 "72 hour" incident reports from rail, bus and ferry operators as a follow-up to notified accidents and incidents;
- responded to and initiated 9 OTSI investigations into serious rail, bus and ferry accidents and incidents; continued another 14 investigations which were already in progress and completed 16 investigations in the reporting period.
- reviewed 10 rail, bus and ferry 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 16 OTSI investigation reports to the Minister for Transport for tabling in Parliament;
- received 25 reports through the Confidential Safety Information Reporting Scheme and completed 23 of those investigations with outcomes provided to the reporters;
- provided continuing professional development, education and training for all staff, and
- continued the development and population of the Accident Investigation Management Database.

Performance & Number of Executive Officers			
Number of SES Officers			
SES Level	No of SES Officers (total) 2010	No of SES Officers (total) 2011	No of Female staff in SES 2011
5	1	1	0
Total	1	1	0

Trends in the Representation of EEO Groups

EEO Group	% of Total Staff				
	Benchmark or Target	2008	2009	2010	2011
Women	50%	8%	9%	9%	9%
Aboriginal people and Torres Strait Islanders	2%				
People whose first language was not English	20%				
People with a disability	12%	10%			
People with a disability requiring work-related adjustment	7%	9.5%			

Multicultural Policies and Services Program

OTSI is a relatively small agency that does not deliver direct services to the public. OTSI does not have specific policies and procedures on multicultural issues and is not required to develop a relevant plan.

OTSI does, however, recognise the principles of multiculturalism and is aligned to the broader direction of the Community Relations Commission's Plan of Action 2012.

In line with these principles OTSI continued with the following activities during 2010 – 11:

- Ensured its recruitment practices are merit-based and not disadvantageous to any specific cultural group;
- Ensured that discrimination is not tolerated in any behaviour or practice in relation to OTSI; and
- Took into consideration cultural needs of our staff and stakeholders in our communication activities.

OTSI recognises that competent service delivery requires us to understand diversity, to confidently manage it, to reflect it and to draw on it. Diversity of people, languages, backgrounds, education and opinions is considered a valuable resource which is available to our investigators. It is valuable in terms of collating information, tasking, deployment and reporting.

Staff needs for cross-cultural training and education will be assessed and appropriate strategies developed to raise the competence, skills and awareness of staff to work with and meet the needs of culturally and linguistically diverse groups within their community.

Consultants

OTSI did not engage any consultants in the 2010/11 financial 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 2010 - 2011.

Publications

Apart from the investigation reports that were tabled in Parliament, the only other OTSI publication that was released in 2010 -11 was its Annual Report for 2009 -10.

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.

Overseas Travel

Officer	Date	Destination	Purpose
Paul O'Sullivan	October 2010	Hong Kong	Attended the 20 th International Railway Safety Conference.

Waste Management

OTSI has in place a waste paper recycling program to reduce the impacts of paper usage and a toner cartridge recycling arrangement. Where practicable, purchases are made that are environmentally sustainable and energy efficient. Purchasing staff are encouraged to purchase items with recycled content such as stationery, re-manufactured toner cartridges and office copy paper.

Code of Conduct and Ethics

OTSI has developed a Code of Conduct to assist staff by providing a framework for day to day decisions and actions while working in investigations.

Specifically the Code of Conduct:

- States the standards expected of staff within OTSI in relation to conduct in their employment.
- Assists in the prevention of corruption, maladministration and serious and substantial waste by alerting staff to behaviours that could potentially be corrupt or involve maladministration or waste.
- Provides information to assist staff to gain further information or more detailed guidance.

Internal Audit and Risk Management Attestation- for the 2010-2011 financial year for the Office of Transport Safety Investigations

I, Paul O'Sullivan, Chief Investigator of the Office of Transport Safety Investigations (OTSI) am of the opinion that the Office of Transport Safety Investigations has internal audit and risk management processes in place that are, in all material respects, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 Internal Audit and Risk Management Policy. These processes provide a level of assurance that enables senior management of OTSI to understand, manage and satisfactorily control risk exposure.

I, Paul O' Sullivan, Chief Executive and Chief Investigator am of the opinion that the Audit and Risk Committee for the Office of Transport Safety investigations (OTSI) is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08. The Chair and Members of the Audit and Risk Committee are:

- Independent Chair – Mr Ken Barker for three years,
- Independent Member – Mr Alexander Smith for three years, and
- Non-independent Member - Mr John Hartmann for three years.

These processes will provide a level of assurance that will enable the senior management of the Office of Transport Safety Investigations (OTSI) to understand, manage and satisfactorily control risk exposures.

Annual Report External Costs

The cost of printing and production of the annual report was \$213.

Contact Details

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Sydney NSW 2001

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Telephone: 1800 180 828

Facsimile: 1800 180 528

OTSI's office hours of business are 9am to 5pm Monday to Friday (except public holidays)

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

Telephone: 1800 677 766