

From: Richard Koerner [rjkoerner@iinet.net.au]
Sent: Wednesday, 6 July 2011 2:42 PM
To: Cath Barker
Subject: Fwd: Supplementary information regarding Submission #25 and #DR 91.
Attachments: QWC5.pdf; QWC7.pdf; CBPRA1.pdf; PAC1.pdf

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This email contains an attachment that may be work related and must be filed into the DMS. If you need assistance with the Executive Officer at xo@qca.org.au.

Attn. Ms. Cath Barker

Dear Ms. Barker,

As discussed today, the following is information sent to the Productivity Commission's Urban Water Sector Inquiry and the National Water Commission relating to advice of KPMG used by the Queensland Government in determining 2008 bulk water legacy asset determinations in SEQ.

I am happy to provide the QCA with background correspondence cited in Submissions #7, and #25 should it be of interest.

Kind regards,

Richard Koerner

PS I am informed that QWC remains with the Water Utilities portfolio of the Hon. Stephen Robinson

----- Original Message -----

Subject: Fwd: Supplementary information regarding Submission #25 and #DR 91.

Date: Sun, 26 Jun 2011 12:59:30 +1000

From: Richard Koerner <rjkoerner@iinet.net.au>

To: urbanwater@pc.gov.au

Attn. Ms. Carole Gardner

Dear Ms. Gardner,

I refer to the transcripts of 1 June pages 149-151 and wish to point out that the ACCC is presently unable to investigate breaches of the Trade Practices Act when the defendant is a government owned business enterprise. Please record in Submission DR 91 the following information market **Personal in Confidence**.

In the interests of Inquiry transparency I would appreciate the attached correspondence supporting information already provided regarding failure of audit processes relating to regulatory asset determinations in SEQ being posted as supplementary information to Submission #25 along with attachments "T", "U", "V", "W" and "X".

Mr. Scanlan the Chairman of the QWC Audit Committee was Auditor-General at the time of preparation of the independent audit opinion appearing on page 57 of the 2002/03 Annual Report of Maroochy Shire Council.

Yours Sincerely,

R.J.Koerner

----- Original Message -----

Subject:Submission dated 11 November2010

Date:Wed, 22 Jun 2011 11:47:32 +1000

From:Richard Koerner <rjkoerner@iinet.net.au>

To:submissions@nwc.gov.au

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The attached PDF document may not be searchable by our Document Management System. Please contact Jason at jason

Our ref: D/11/023121

6 JUN 2011

Mr Richard Koerner
31 Fauna Terrace
Coolum Beach QLD 4573
Email: rjkoerner@iinet.net.au

Dear Mr Koerner

Thank you for email of 11 May 2011 concerning the calculation of the capital charge component of the bulk water price.

There are two generally accepted approaches for calculating the capital charge: the annuity approach; and the Regulated Asset Base (RAB), or building blocks approach. The Queensland Government has adopted the RAB approach which is consistent with the requirements of the National Water Initiative (NWI) Pricing Principles.

As you are no doubt aware, the NWI Pricing Principles require the deprival value methodology to be used for asset valuation purposes unless a specific circumstance justifies another method. The deprival value is based on the lower of the Depreciated Optimised Replacement Cost and the economic value of the assets.

KPMG's valuation of the assets transferred to the bulk water providers (the 'legacy' assets) was conducted using a discounted cash flow analysis or net present value analysis. KPMG confirmed in its December 2007 report that the valuation approach is consistent with the Council of Australian Governments (COAG) water reform agreement which underpins the COAG Pricing Principles and the NWI Pricing Principles.

The Queensland Competition Authority (QCA) has also been instructed to apply these values, consistent with the normal regulatory practice for rolling forward the RAB. The QCA's draft report on the 2011-12 Grid Service Charges to apply to Seqwater, including details on the current RAB are available on the QCA's website at: www.qca.org.au

If you require any further information, please do not hesitate to contact Ms Tracie-Lee Waldock, Director, Grid and Bulk Water Supply on 3247 3031.

Yours sincerely


Ms Gayle Leaver
A/Chief Executive Officer

Our ref: ME/11/0331

17 JUN 2011

Mr Richard Koerner
31 Fauna Terrace
Coolumb Beach QLD 4573
Email: rjkoerner@iinet.net.au

Dear Mr Koerner


Thank you for email of 7 May 2011 concerning the revaluation of Seqwater assets.

The revaluation of the Seqwater assets which is detailed in its 2009/10 Annual Report is a matter for Seqwater.

The revaluation does not affect Seqwater's Regulated Asset Base (RAB) which is used for regulatory pricing purposes. The RAB used to calculate Seqwater's Grid Service Charges is the Initial Regulated Asset Base established at 1 July 2008 which is then updated (or rolled forward) each year to reflect prudent capital additions, disposals and depreciation. This is consistent with the NWI Pricing Principles which were endorsed by the Natural Resource Management Ministerial Council on 23 April 2010.

If you require any further information, please feel free to contact Ms Tracie-Lee Waldock, Director, Water Reform on 3405 3550.

Yours sincerely



Ms Karen Waldman
Chief Executive Officer

Coolum Beach Progress & Ratepayers Association Inc.
PO Box 121
Coolum Beach Q 4573

31st January 2005

Mr. Peter Dajcz
Director of Audit
Queensland Audit Office
GPO Box 1139
Brisbane Qld. 4001

Dear Mr. Dajcz,

I refer to our letter of 26 February 2004, and the response of 30 April from Queensland Audit Office (ref 04-4573) regarding recent unqualified audit statements for Maroochy Shire Council that may be misleading the electorate.

In your response of 30 April, the matter of the reduction of financial transparency in Maroochy Councils Budget Papers of 2003/04 from previous years, and a like reduction of transparency in Annual Reports of 2001/02 and 2002/03 from previous years was to be raised with the Department of Local Government and Planning (DLG&P). Apparently no actions were agreed with DLG&P to address the Association's concern regarding deterioration in financial reporting transparency.

Given a similar reduction of financial transparency in Council's 2004/05 Budget Papers, our members are freshly troubled by the absence of an audit qualification by your contract auditor in Maroochy Council's 2003/04 Annual Report. This is of particular concern given correspondence received from the Premier and Treasurer, as Ministers for the Queensland Competition Authority dated 25 September 2004 (Ref TRO-06280), acknowledging a need to re-institute the levels of financial transparency previously made available in such documents.

Another matter of concern relates to inconsistent audit treatment of adjustments to the written down replacement valuation (wdrv) of fixed assets for Maroochy Water Services (MWS) in the 2002/03 Annual Report, and like adjustments for the Sunshine Coast Airport (SCA) in the 2003/04 Annual Report. Both these operations are fully owned and are defined as business units of Maroochy Council.

In the 2003/04 Annual Report, SCA assets were written up by some \$12 million. A like entry appears as a capital revenue item for SCA on page 62 of that Report. This we believe is the appropriate way to treat such revaluations under Local Government Finance Standard (1994) principles of accrual accounting for a business unit.

In 2002/03, the wdrv for MWS was revalued upwards by some \$61 million. However no "Capital Gain on Revaluation" item appears for MWS on page 49 of that Annual Report. The accounting treatment used movements in an Asset Revaluation Reserve to record the \$61 million adjustment for MWS, rather than a capital revenue entry. No such capital reserve adjustment is reported in the 1997/98 Annual Report when a write up of wdrv of MWS assets due to revaluation was also taken. Such inconsistent treatment defeats the intent of accrual accounting principles for the MWS business unit as set out in the Finance Standard.

Our members are dismayed at the lack of resolution of such serious audit issues that erode public confidence in the external audit process.

Yours sincerely

Peter M. Brown
President

Cc: The Hon. Desley Boyle Minister for Local Government and Planning



Public Accounts Committee

PUBLIC ACCOUNTS COMMITTEE

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George Street Fax: 61 7 3406 7500
Brisbane Qld 4000
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www.parliament.qld.gov.au

Your Ref:

Our Ref: I38.05.49

11 August 2005

Mr Peter M Brown
President
Coolum Beach Progress and Ratepayers Association Inc
PO Box 121
Coolum Beach Q 4573

Dear Mr Brown

Re: Maroochy Water Services


I refer to your letter dated 26 July 2005.

The committee understands from your correspondence that your association contends that the Maroochy Shire Council has not correctly applied AASB 1041 (Revaluation of Non-Current Assets) in respect the assets managed by the council's commercialised business unit, Maroochy Water Services.

The committee has investigated this matter and is satisfied that the council has complied with the relevant section of the standard, a copy of which is enclosed for your information. The committee will therefore not be pursuing this matter further.

If you require any further information, please do not hesitate to contact the committee secretariat on telephone 3406 7576.

Yours faithfully


Gary Fenlon MP
Chair

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