

GIPPSLAND WATER

REGULATORY ACCOUNTING CODE – TEMPLATES

OCTOBER 2009

Review of the draft code and templates amendment paper.

ESC Comment	Response
<p><u>3.1 Review and Sign Off of Regulatory Accounting Information</u></p> <p>The sign Off Process (Proposal) Submission – Sign off by Director or MD and either another Director or CFO.</p> <p>Minute by the Board. Business to submit an extract of board minutes that confirms the regulatory accounts are true and fair.</p>	<p>Agree with this proposal.</p> <p>The RAS is based on the audited Annual Accounts which directors already sign as true and fair. It is not immediately obvious what value a second “true and fair” statement adds. To seek a further statement by directors can only be done after the Commission has provided comments on the initial submission. This will add significant time to the process of the RAS.</p>
<p><u>3.2 Timing and Content of Submissions</u></p> <p>Apart from the current year the Commission retains the original submission date of 31 October.</p>	<p>The Commission does not confirm when it would complete it’s review.</p> <p>Gippsland Water noted in its January 2009 response that the timeframe appears far too long, A submission date of 30 September would allow the corporation to complete the statutory accounts and lodge printed accounts with parliament. The Commission should endeavour to complete its reviews by mid November with the corporation providing amendments by 30 November. Final clearance from the Commission would allow formal sign off by Corporation’s Board by 24 December.</p>
<p><u>3.3 Level of prescription and Guidance in the Code</u></p> <p>Provide feedback on the expanded</p>	<p>No further guidance required.</p>

guidance in Appendix B. Is further clarification required.	
<u>4.1 Profit and Loss Balance Sheet and Cash Flow Templates</u> Do these revised templates require further clarification or guidance.	No issues with the P&L Balance Sheet or Cash Flow templates.
<u>4.2 Capital Expenditure Templates</u> Do these revised templates require further clarification or guidance.	No issues with the revised Capex templates. Check the sum in Capex Breakdown in table 2.
<u>4.3 Operating Expenditure Template</u> Do these revised templates require further clarification or guidance.	No issues with the revised Opex template
<u>4.4 Operating Cost Allocation</u> Do these revised templates require further clarification or guidance.	<p>Going forward, this new template should not cause any issues for completion in 2009-10. For years prior to 2009-10 data for "Water Conservation" may not be as accurate or complete as the general ledger had not been set to specifically collect this data in prior years.</p> <p>The classification of "Water Conservation" as an element of expenditure, rather than an activity appears "odd". As the Commission's paper itself notes, "water conservation" will include labour and contractor costs. These are of course elements of expenditure themselves.</p> <p>The provision of a high level trial balance with numbers from the chart of accounts is getting back to the mapping exercise. We remain doubtful this will assist the Commission to perform meaningful comparisons between years.</p>
<u>4.5 Revenue</u> Do these revised templates require further clarification or guidance.	No issues with the revised revenue template.
<u>4.6 Provisions</u> Do these revised templates require further clarification or guidance.	No issues with the revised provision template.
<u>4.7 Third Party Transactions</u>	

<p>Do these revised templates require further clarification or guidance.</p>	<p>The Commission identifies key concerns with operating expenditure as the reason behind the move to a more stringent “all contracts over \$1 million” approach. The changes to the code however, do not refer to operating expenditure and as such are more likely to collect significant information relating to capital expenditure. Given the Commission’s concerns, should this refer to operating expenditure over \$1 million?</p>
<p><u>4.8 Recycled Water</u></p> <p>Are there other aspects of recycled water that requires further clarification and guidance in the Code?</p>	<p>We support the deletion of the Recycled Water template and the inclusion of recycled water columns in the revenue and expenditure templates. We do not require any further clarification on the treatment of recycled water in the Code.</p>
<p><u>4.9 New Obligations</u></p> <p>Removal of template</p>	<p>No issues with removal of template.</p>
<p><u>4.10 Unbundled Segments</u></p> <p>Are there other aspects of the template that requires further clarification and guidance in the Code?</p>	<p>Gippsland Water agrees that the outcomes from the Commission’s State Based Access Regime Review (SBAR), including ring fencing, may impinge on this area. A further review may be required once the Victorian Government has determined how it will move forward on the SBAR recommendations.</p>
<p><u>4.11 Non-prescribed Services</u></p> <p>Are there other aspects of the template that requires further clarification and guidance in the Code?</p>	<p>Gippsland Water’s non-prescribed services are clearly defined. The template does not however provide for a distinction between directly allocated costs and those overheads apportioned to the non-prescribed service. Does the Commission wish to see this detail?</p>
<p><u>4.12 RAB roll forward</u></p> <p>Are there other aspects of the template that requires further clarification and guidance in the Code?</p>	<p>No issues with the RAB template.</p>

Water Industry Regulatory Accounting Code No. 4 Draft

ESC Comment	Response
<p><u>B.4 Capital Expenditure</u></p> <p>Asset revaluations or adjustments for impairments are not permitted in the regulatory accounts unless agreed by the Commission</p>	<p>Need further clarification from the Commission regarding the circumstances when audit approved impairments and asset revaluations would be agreed by the Commission.</p>
<p><u>B.7.(vi) Operating Cost Allocation – Water Conservation.</u></p> <p>Includes the promotion of behavioural change campaigns. Leakage management programs. Promoting distribution of water efficient devices.</p>	<p>May have some difficulty with collating this information retrospectively – refer to 4.4 above.</p>

Appendix C

<p><u>Proforma Directors Responsibility Statement</u></p> <p>The regulatory accounting statements are drawn up so as to present true and fairly in accordance with the requirements of the Water Regulatory Accounting Code.</p>	<p>The regulatory accounting statements are based on the audited annual accounts which the directors have signed as true and fair. A reconciliation between the annual accounts and the RAS is provided along with a high level trial balance. Why does the Commission still require a further statement by directors that the RAS is true and fair. Refer to item 3.1 above.</p>
--	---