

The table below incorporates the questions (without attachments) received by Council from ratepayers regarding the methodology used by BDO Australia to calculate the refunds of the special charges. The columns on the right are BDO responses and RCC comments to the questions posed.

Customer	BDO Report questions	BDO Comments	RCC Comments
<p>AQUATIC PARADISE RESIDENTS' ASSOCIATION INC C/- Secretary Janine Vine</p>	<p>In regards to the recently provided <u>History of transfer to and from Aquatic Paradise Canal Reserve – Attachment 1</u></p> <p>I have cross-referenced this with RCC audited Reports received by the association on an annual basis. The following discrepancies appear:</p> <p>Fin Yr 2013/14 Opening Balance -\$1,559,615.11 – please note this is the correct carry forward balance from 2012/13, however, as you will observe on <u>Attachment 2 - (Summary of Movement in all Aquatic Paradise Reserves as at 30 June 2013)</u> in the last column marked Total YTD Actuals the highlighted balance after income is noted as -\$474,213.53, whereas if you add up all the income it is short by -\$45,330.73 (which are the two itemized sums for refunds back to the Reserve from expenditure which was to be repaid back- but not included in this total – though it should have been). This total should be <u>-\$519,544.26</u> and the closing balance noted as <u>-\$1,559,615.11</u> (refer <u>Attachment 3</u> for incorrect Total Income for 2012/13)</p> <p>Fin Yr 2012/13 Under Other (from Transfers to Reserve) this same amount is income coming back in from previous year's expenditure and was not included by BDO - as on page 6 of the BDO Report it specifically states <u>2. The column listing "Other Income" in the Reserve summary were adjustments, and were to be excluded from the analysis.</u> Refer Attachment 2a BDO Page 6.</p> <p>As this was a refund back for expenditure already spent this amount should have been used in the calculation for refunds. Unfortunately it had been paid for in a previous financial year (2010/11) therefore couldn't be adjusted in the expenditure so this is in fact a refund towards moneys spent and should be classed as income not "other income".</p> <p><u>Total \$45,330.73 not included in Refunds</u></p>	<p>The opening balances were not used in the analysis as it was not required for calculation of the special charges refund.</p> <p>The calculations related only to transfers from and to the reserve each financial year. This was based on the instruction to base the refunds on income and expenditure for the individual financial years. i.e. only the tab called 'reserve_movements' at the beginning of the excel file was used.</p> <p>Changes to the opening balance figures will not affect any of the calculations.</p>	<p>RCC comment: The reserves were not the basis of the refund calculation. The calculation was based on the flowchart on page 5 of the report. The reserves are a subset of community equity and include revenue that is not special charges. BDO used the reserve reports as a check and to consider expenditure – of note, any expenditure IN ADDITION to what was transferred from the reserves was not part of the refund calculation.</p> <p>In 2012/13, the amount of \$45,330.73 was reimbursed to the reserve for a prior year expenditure adjustment. The amounts in the 'other' column were out of scope for the refund project. Of note, the inclusion of this amount would not have increased the refund of special charges as the special charges paid in 2012/13 were \$21,846.24 and this full amount was refunded as per page 26 of the BDO report.</p>
	<p>Canal Special Charge refer Attachment 3 - BDO Summary of Reserves Page 11</p> <p>Fin Yr 2013/14 Council figure \$434,602.64 – BDO figure states \$433,680.40 – A difference of \$922.24 less</p> <p>Fin Yr 2014/15 Council figure \$587,614.64 - BDO figure states \$586,282.00 – A difference of \$1,332.64 less</p> <p>Fin Yr 2015/16 Council figure \$595,091.84 – BDO figure states \$593,706.20 – A difference of \$1,385.64</p> <p>Fin Yr 2016/17 Council figure \$446,636.22 – BDO figure states \$443,497.78 – A difference of \$3,138.44</p> <p><u>Total \$6,778.96 not included in Refunds</u></p>	<p>This is likely due to the fact that the reserve income is based on charges levied, whereas the refunds calculations were on the basis of money paid. The special charges paid amounts were collected from the property and rating system and not from the reserve summaries.</p>	<p>RCC comment: The Special Charges paid are not the same as the Special Charges Levied. The Special Charges levied are transferred to reserves through accrual accounting, the Special Charges paid are taken from the property and rating system for the benefit of the refund project. Council can only refund what was paid, not what was levied. Page 6 of the BDO report talks to this point.</p> <p>A reconciliation was completed between RCC and BDO to confirm the variations between the reserves and the special charges paid in the</p>

			<p>Property and Rating system.</p> <p>The refund is not based on the reserve balances as they include non-refundable items.</p>
	<p>Interest income - refer Attachment 4 - BDO Summary of Reserves Page 18</p> <p>Fin Yr 2014/15 Interest Income is noted as \$59,697.51 in BDO Report, however, the sum of \$1,026.99 represented the refund back to our Reserve for council's contribution towards a survey conducted in 2010/11 whereby that portion was agreed by RCC related to dredging near drainage areas (to be paid out of the general rates) but the total cost for this survey was paid out of the reserve originally. This was not an Interest Item, which for that period was only \$58,670.52.</p> <p>Refer Attachment 4a Summary of movements in Aquatic Paradise Reserve for 2014/15 as at 30 June 2015.</p> <p>As Interest was dealt with in a logarithm method, I am not sure whether a portion of interest went back to council with the positive year balances, anyhow this should be shown correctly and dealt with accordingly.</p> <p><u>Total \$1,026.99 not included in Refunds</u></p> <p>Fin Yr 2016/17 \$41,193.68 claimed up to Qtr 3 March 2017(as this is when the reserve was frozen).</p> <p>However, from recent audited RCC report an amount of \$50,160.25 was the total Interest Income up to 30th June 2017, a difference of \$8,966.57. Also when the cheques were drawn on 14/10/17, there would be additional interest from 1/7/17 till 14/10/17. Can RCC or BDO advise what is happening with that interest income as it should also form part of the refunds.</p> <p><u>Total \$8,966.57 not calculated for distribution of Interest Income together with Interest Income calculated from 1/7/17 – 14/10/17</u></p>	<p>It is correct that reserves were frozen on 31 March 2017 and no further expenditure or income was taken into account from this date.</p> <p>Ratepayers received interest on the amounts allocated to them in accordance with the calculations set out in the report – this included receiving interest owed on amounts allocated in FY2016/17. It should be noted that the interest payments made to ratepayers on the refunds were significantly higher (approximate 9% to 11%) than commercial rates of approximately 3% on the reserve.</p>	<p>RCC comment: The reserve balances are not driving the refund amount. The special charges paid each year, plus other revenue minus the spend in that year is the starting point.</p> <p>Pages 16 and 17 of the BDO report step through the process that it undertook to determine the amount refundable for each property owner.</p> <p>The interest used in the refund project was completely different (higher) than the interest attributed to reserves. Council decided to use the rates published by the Queensland Law Society for complete transparency and the rates were 9% to over 11% compared to the RCC methodology: Interest based on previous month's reported investment returns-exclusive of fees and less 1% (as per council resolution - General Meeting 25/2/2004).</p> <p>Council instructed BDO to apply interest to the refund amounts through to and including 31 August 2017 as documented on page 5 of the BDO report. BDO completed and audited its report in September so 31 August was the last reasonable date interest could be applied to for the calculation to be completed and audited.</p> <p>Any monies not refunded to property owners did not have interest applied to them, they remain in the reserves and are reported on each month. This is demonstrated in the summary document produced by BDO, please refer page 2 as the allocation to General Fund remains</p>

			unchanged when interest is applied to refund amounts.
	<p>Opening Balances</p> <p>In Aquatic Paradise Canal Reserve it was \$565,965.69.</p> <p>Q? Why isn't this balance included in the calculations for refunds?</p>	See response to first question. These issues fall outside the scope of the calculations, which were only to consider each financial year's income and expenditure on the reserve in determining monies to be allocated.	<p>RCC comment: The reserves themselves are not the subject of the refund, they are repositories to show the community monies in and out and are not required by law or the accounting standards.</p> <p>The reserves may have funds left over following the refund, these are being retained in reserves and reported in the monthly financials for transparency. Council has not considered these balances as the refund project is not complete for all property owners.</p> <p>The scope of the refund project was special charges levied by Council between 1 July 2011 to 31 March 2017. Monies collected outside these dates was not considered.</p>
	<p>Q? Isn't it also funds made up of special charges, council contributions, interest raised and expenditure paid for works subject to an annual implementation plan that was not carried out after a time limit for a uncertain cost and unspent prior to the current refunds given for years 2011-2017? The previous legislation was under the Local Government (Finance, Plans and Reporting) Regulation 2010 Chapter 2 Rates and Charges Part 6 Special Rates and Charges (s 28-32).</p> <p>It is APRA's view that any previous levies collected prior to your time line of 2011/12 would have negated the pre-existing annual implementation plan.</p> <p>Can council clarify why this would not have been the case?</p>	See above	<p>RCC comment: The refund project considered only the special charges levied between 1 July 2011 and 31 March 2017 – other dates are outside the scope of this project and revenues and expenditures from other years was not considered. Only canal and lake special charges levied between 2011 and 2017 are the focus of the project. Any other rates or charges, whether for the same purpose or not, are not included in the refund project as they are not considered to have the same technical difficulties.</p>
	<p>Fin Yr 2011/12 and Fin Yr 2012/13</p> <p>During these two financial years, the council took all wet block owners out of the overall city general rating Category and placed them into their own separate Category, which was at a higher rate in the dollar to incorporate the levies.</p> <p>Many arguments and discussions were made and documented regarding the amount to be transferred by RCC for general rates to the reserve for canal levies. Regardless how it was disguised, as it represented the maintenance expenditure for the canals paid to a newly set up reserve in 2011/12 and was calculated at a lower canal levy rate than the year before but was however calculated at the same rate the marina berth special charges were all charged in 2012/13. Refer attachment 5 – letter RCC to APRA dated 10th</p>		<p>RCC comment: The refund project considered the special charges levied between 1 July 2011 and 31 March 2017. The project was to refund special charges that may have been technically deficient in Council's views. All general rates, other charges and fees were out of scope for refunds as Council believes them to be lawfully charged.</p>

Dec 2014.

In year 2011/12, each marina berth (16) was charged \$1306.59 and totalled \$20905.44. Added to this was \$348,419.43 representing 201 wet blocks x \$1733.43 (differential rate on behalf of the levies) and it totalled \$369,324.87 (rounded \$369,325 which represented the 70% from wet block residents and RCC 30% was \$158283).

In year 2012/13, each marina berth (16) was charged \$1365.39 and totalled \$21846.24. Added to this was \$274,443.39 (**RCC (att 1) report** states \$274,443.**00**) representing 201 wet blocks x \$1365.39 (differential rate on behalf of the levies) and it totalled \$296,289.63 (which represented 70% from wet block residents and RCC 30% was \$126,981.27 (**RCC (att 1) report** states \$126,982.**68 a difference of \$1.41**).

It was stated in the attached letter that the difference in the amount put across on behalf of the levies was decreased in the differential rate by \$31,301 in the financial year 2012/13.

As you can see in these two financial years, the monies that were transferred to the Maintenance Reserve (the new name for the Reserve from the old name of *Old Aquatic Paradise Canal Reserve*) on behalf of the wet block residents represented the special levies but were hidden in a differential rating system that was disbanded the following year in 2013/14 and all reserves were combined into one.

Remembering of course, the marina special levy is always rated under a Commercial Rate and not a residential category and therefore didn't alter during those two years and still had a levy applied on its rating invoice.

APRA believe that even though for those two financial years (2011/12 and 2012/13) that council did not segregate the special charge on its rating invoices, the intention and purpose for the money collected in the different rating category was for the reserves for the use on the canals. This was depicted by the transferring of such funds across to such a Reserve and the confirmation by council of such formula used for those two financial years as it was not transparent to the ratepayer on how much money was being collected in the rates for levies.

It is APRA's belief that this has also occurred in Sovereign Waters and Raby Bay wet-blocks, even though for those two years 2011/12 and 2012/13 Raby Bay still had a smaller special charge for the purpose of the revetment walls/infrastructure. The balance of their normal levy for the maintenance component was also hidden in the differential rating category they were assigned.

It is the Association's view that the monies allocated by council as a council contribution from the differential general rate represented the levies raised via the differential rating category for the intention and purpose of paying for canal expenditure and placing into a Reserve, which is what occurred. These monies should also be included in the refunds. The additional amount paid for those two years included the value of the levies, which council transferred into the Maintenance Accounts for the Reserve for that purpose. The wet block ratepayers had been paying a levy for many years prior to these two financial years and again after those two years once council saw fit to get rid of the Category of differential general rates which encompassed the levy and see all ratepayers go back to the same Cat 1a or Cat 1b and apply a special charge levy again on the rates invoices, so it was more transparent.

After two years of APRA requesting council for this transparency, the levy collected in the financial years 2011/12 and 2012/13 general rates using the differential rating method, council finally provided us with this clarification.

Refer Attachment 5.

The fact that council, during those two years didn't specify it as a special charge levy on the rate invoice doesn't mean the levy wasn't paid within the rates. This was what both RBRA and APRA fought hard

The reserves were established for accountability and transparency of funding works in the canal and lake areas. The reserves themselves are not the subject of the refund, they are repositories to show the community monies in and out and are not required by law or the accounting standards.

Any balance from the reserves continues to be reported on a monthly basis as tabled at Council's General Meetings.

RCC comment: The 29 pages entitled 'Aquatic Paradise Canal Reserve History Detailed' was placed on the website for full disclosure. BDO confirmed it only used the first tab of the file which equates to page 1 of 29.

	<p>about the lack of transparency in not knowing how much of our rates were being applied to the Reserves. If the Council holds a different view please set out full reasons including supporting documentation which supports that view.</p> <p><u>Total not included in refunds – Fin Yr 2011/12 \$362,344.45 and Fin Yr 2012/13 \$274,443.00 - \$636,787.45</u></p> <p>As the BDO document has been certified as audited by an Independent Assurance firm, APRA find the information appears to be incorrect.</p> <p>Also, the 29 pages of the History of transfer to and from Aquatic Paradise Canal Reserves is missing a page called Summary of Aquatic Paradise Maintenance Reserve for 2011/12 after page 4 and should be page 5 or 6 but page 5 is the Summary of Aquatic Paradise Marina Reserve for 2011/12 and this page is missing. I have it in my copy of the audited reports supplied to APRA refer Attachment 6.</p> <p>It is also noted that the Page relating to the funding of expenditure for Aquatic Canals 1 July 2012 to 30 April 2013 is not for the financial year to 30th June 2013 and can only presume that no expenditure occurred between 1st May till 30th Jun 2013, but this report should have been for the whole period with the correct dates.</p>	<p>As is stated in answers to previous questions, these items are outside of the scope of the calculations.</p>	<p>Council is not intending to update the workpaper as BDO only referred to the first page – all other information is supplied to the community through the quarterly reports to the associations. Council provided all the tabs for full disclosure as a member of the community requested to see the information. There is a lot of information not directly related to the refund project in the file but it was asked to be produced and was duly done in good faith.</p>																				
	<p>Reporting to Wet Block Ratepayers of Refunds</p> <p>At our AGM of APRA held in September 2017, it was assured to the members that council would make available the detail of BDO's reporting, which has been made available on the website. For those who do not have a computer, this was useless and YES there are quite a few older residents who do not have this facility in their home.</p> <p>It was also assured that a layman's version of the report would be made available when the cheques were issued. Minutes from that meeting state – a plain language document to explain the process would be provided to show transparency and good faith on behalf of the council.</p>		<p>RCC comment: BDO produced a plain language document and it is on the website alongside the technical (comprehensive document) and all the other updates and information. The plain language document is at the link BDO Final Summary Report and entitled <i>Redland City Council Allocation of Special Charges Summary of BDO Report Dated 15 September 2017 and was uploaded in October following the General Meeting on 4 October 2017.</i> Any resident who does not have access to the internet can ask to review the report and summary report at the Cleveland Customer Service Centre.</p>																				
	<p>One of several requests from members was:</p> <table border="1" data-bbox="451 1583 1748 1890"> <thead> <tr> <th>Year</th> <th>Rate Category</th> <th>Canal Rates</th> <th>Council Refund</th> <th></th> </tr> </thead> <tbody> <tr> <td>2011-2012*</td> <td>Category 26a</td> <td>*</td> <td></td> <td></td> </tr> <tr> <td>2012-2013*</td> <td>Category 26a</td> <td>*</td> <td></td> <td></td> </tr> <tr> <td>2013-2014</td> <td>Category 1b</td> <td>\$2,048.08</td> <td></td> <td></td> </tr> </tbody> </table>	Year	Rate Category	Canal Rates	Council Refund		2011-2012*	Category 26a	*			2012-2013*	Category 26a	*			2013-2014	Category 1b	\$2,048.08				<p>RCC comment: Page 25- 28 of the BDO report has an explanation of the total allocation to property owners and the calculation per property.</p>
Year	Rate Category	Canal Rates	Council Refund																				
2011-2012*	Category 26a	*																					
2012-2013*	Category 26a	*																					
2013-2014	Category 1b	\$2,048.08																					

2014-2015	Category 1b	\$2,662.48		
2015-2016	Category 1b	\$2,731.72		
2016-2017**	Category 1b	\$2,048.79		
		\$9,491.07		
* 2011-2012 and 2012-2013	Category 26a	Canal levy not itemised in rate notices for two years		
** 2016-2017	Category 1b	May 2017 quarterly canal levy of \$625.02 waived by council		

Q? Why wasn't a table similar to this provided to explain how the breakdown was determined?

Questions from a Raby Bay resident

Differences in Data

Appendix A shows the table of reserves for the period 1995/1996 from the BDO Report and Appendix B shows the table of reserves for the same period provided to us from RCC. Both of these tables are supposedly audited figures so one must wonder why there is such substantial differences highlighted.

Year	BDO	RCC to RBRA	Difference
13/14	3,673,935.17	3,642,035.17	31,900.00
14/15	5,186,699.94	5,042,084.17	112,715.77
15/16	5,805,781.02	6,139,405.52	-478,240.27
16/17 (To 31/3/2017)	4,113,204.64	4,925,069.46	-811,864.82

Year 2002/2003

\$90,000 has always been listed as Council contribution it has now been moved to 'Other'

Year 2011/2012 and 2012/2013

Amounts were moved from General Rate to Canal Levy because of the high General Rate. This has been substantiated by letter from RCC.

Year 2013 to Year 2017

Approximately \$1.8M has been used for paying off un-agreed loan - should be refunded to ratepayers refer Section 5

Year 2016/2017

These figures are not a full year and as payment to ratepayers only occurred in October, we are entitled to the extra interest that would have accrued between March and October

This refers to differences in the data between what BDO was supplied and what the ratepayers association was supplied. BDO cannot account for the information supplied to the ratepayers, and did not have a copy. The audit was on the information and systems supplied to BDO, and the methods and calculations used by BDO.

2002 to 2003 is out of scope

The validity or otherwise of expenditures was not in scope of the calculations, only the amounts paid during each financial year

The methodology adopted for the calculations was that the calculation of the funds to be distributed (if any) would be based on the balance at the end of each financial year, and interest would be calculated from the end of

RCC comment: The years for the scope of works was between 2011/12 and 2016/17 and Council believes the author may have made a mistake when reconstructing work papers. BDO used the first page of the file for its refund calculation although all pages are included for full disclosure in good faith.

The project was considering the special charges levied between 1 July 2011 and 31 March 2017. Revenue that is Council contribution or other would not be refunded, Council determined to only refund the special charges levied and paid during the appropriate financial years.

The loan was no longer serviced from the reserve after 31 March 2017. Council is servicing the loan through General Rates.

Following the reserves being frozen 31 March 2017, Council has applied interest to those reserve balances up until current date. For the purposes of the refund, BDO was

		<p>the financial year. This was kept consistent for every financial year, including 16/17. To allow time for the audit which was carried out in September/October, interest payments were calculated from 1 July 2017 to 31 August 2017.</p>	<p>instructed to appropriate interest to refund amounts up to and including 31 August 2017. The BDO report was finalised and audited in September so 31 August was the last date interest could be applied. The interest appropriated to reserves did not determine the interest used in the refund project.</p> <p>Council instructed BDO to apply interest to the refund amounts through to and including 31 August 2017 as documented on page 5 of the BDO report. BDO completed and audited its report in September so 31 August was the last reasonable date interest could be applied to for the calculation to be completed and audited.</p> <p>The interest appropriated to reserves did not determine the interest used in the refund project. The interest used in the refund project was completely different (higher) than the interest attributed to reserves. Council decided to use the rates published by the Queensland Law Society for complete transparency and the rates were 9% to over 11% compared to the RCC methodology: Interest based on previous month's reported investment returns-exclusive of fees and less 1% (as per council resolution - General Meeting 25/2/2004).</p>
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