



QUEENSLAND COMPETITION AUTHORITY

Cost Review of Aurizon Network's 2015-16 Capital Expenditure Claim

May 2017

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1. EXECUTIVE SUMMARY

1.1 Introduction

The Queensland Competition Authority (the QCA) is responsible for the economic regulation of the below-rail infrastructure owned by Aurizon Network Pty Ltd (Aurizon Network). Aurizon Network is subjected to an access undertaking (the 2010 Undertaking) approved by the QCA that sets out the detailed terms and conditions under which Aurizon Network will provide access for declared services. Schedule A of the 2010 Undertaking includes processes and criteria for the QCA's annual assessment of prudence of capital expenditure to determine whether it should be included in the Regulatory Asset Base (RAB).

Aurizon Network is responsible for providing, maintaining and managing access to, and operations on, its rail network and associated rail infrastructure. Aurizon Network's rail network totals 2,670 kilometres and consists of coal export heavy haul tracks in central Queensland.

Aurizon Network provided the 2010 Undertaking in accordance with Section 136 of the Queensland Competition QCA Act 1997 Qld, which was endorsed by the QCA on 1 October 2010.

The 2010 Undertaking provides a framework for access to Aurizon Network's rail network for the purposes of operating train services, and sets out Aurizon Network's obligations in relation to:

- (a) ringfencing;
- (b) the framework for negotiating access;
- (c) the development of access agreements;
- (d) pricing principles;
- (e) the utilisation of network capacity;
- (f) interface arrangements between Aurizon Network and train operators; and
- (g) reporting.

According to the 2010 Undertaking, Aurizon Network will, unless otherwise agreed between Aurizon Network and the QCA, after the end of each year of the regulatory term, provide to the QCA details of capital expenditure in the subject year that Aurizon Network considers should be included in its RAB.

The Capital Expenditure Claim for 2015-2016 amounted to **\$810,776,981** excluding interest during construction (IDC).

1.2 Scope and Objectives

The QCA required RSM to assess the prudence of costs of Aurizon Network's 2015-16 Capital Expenditure Claim. We were engaged by the QCA to provide limited assurance in relation to the following tasks:

Task a): reconciliation of all projects within the Capital Expenditure Claim to the SAP balances; and

Task b): review of accrued expenditure transactions included in the 2015-16 Capital Expenditure Claim for correct accounting treatment and accuracy of estimates. This included the review of accrual transactions within the projects listed in **Table 1 of the Appendix 2** and review of accrued expenditure transactions entered as at 30 June 2016, listed in **Table 2 of the Appendix 2**.

In addition to the above tasks, we were requested to compare expenditure claimed in Moura Flood Project (Project number IV.00176) within 2015-16 Capital Expenditure Claim, to expenditure previously claimed by Aurizon Network in 2015 Flood Claim. The review was to assess for duplication of claimed expenditure.

1. EXECUTIVE SUMMARY (CONT.)

1.3 Summary of Audit Findings

We have summarised our review findings in this section of our report. Each issue raised has been assigned a risk rating to indicate our assessment of the degree of exposure in respect to the accuracy and/or prudence of the capital expenditure, and the urgency of required action. The risk rating definitions are described in **Appendix 3** of this report.

| Finding | Risk Rating | Issue |
|---|---|--|
| 1. Overstatements and duplication of costs included in the Moura Flood Capital Expenditure Claim (Project IV.00176) |  | We conducted a comparison of the expenditure claimed in the Moura Flood Project (Project number IV.00176) within 2015-16 Capital Expenditure Claim, to expenditure previously claimed by Aurizon Network in 2015 Flood Claim. We noted duplications in claimed expenditure transactions totalling \$348,241 . We also noted Aurizon Network used a May 2015 cost report in preparing the Capital Expenditure Claim for the Moura Project, despite the March 2016 cost report being available. Not using the March 2016 cost report resulted in an over claim of \$253,253 . |
| 2. Variances between accrued expenditure and actual invoices |  | From our review of all accruals relating to a sample of 87 Projects within the 2015-2016 Capital Expenditure Claim we noted a total variance of \$850,499 between the accrual estimation and actual costs incurred. |
| 3. Duplication of expenditure transactions |  | From a review of a sample of accruals included in the DC Power Supplies CERs Project (Project A.04371), we noted two transactions that were claimed twice. The duplication resulted in over claim of \$56,733 . |

The above issues, in aggregate, indicate an over-claim of **\$1,508,726** that we recommend as an adjustment to the 2015-2016 Capital Expenditure Claim.

1.4 Limited Assurance Engagement

In providing limited assurance, we conducted our review in accordance with Auditing Standard ASAE 3000 - Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A review consists of making enquiries, primarily of persons responsible for ensuring operating effectiveness and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

1. EXECUTIVE SUMMARY (CONT.)

1.5 Conclusion

Based on our review, other than the matters reported in the Summary of Review Findings under **Section 1.3** above, nothing further has come to our attention to indicate that the 2015-2016 Capital Expenditure Claim submitted by Aurizon Network:

- includes projects that do not reconcile to Aurizon Network's accounting system (SAP); and
- does not include accrued expenditure transactions that have not been correctly accounted for or accurately estimated in material respects, in all material respects.

We identified two "**medium risk**" issues and one "**low risk**" issue. These were summarised in **Section 1.3** and detailed in **Appendix 1** of this report.

Signed

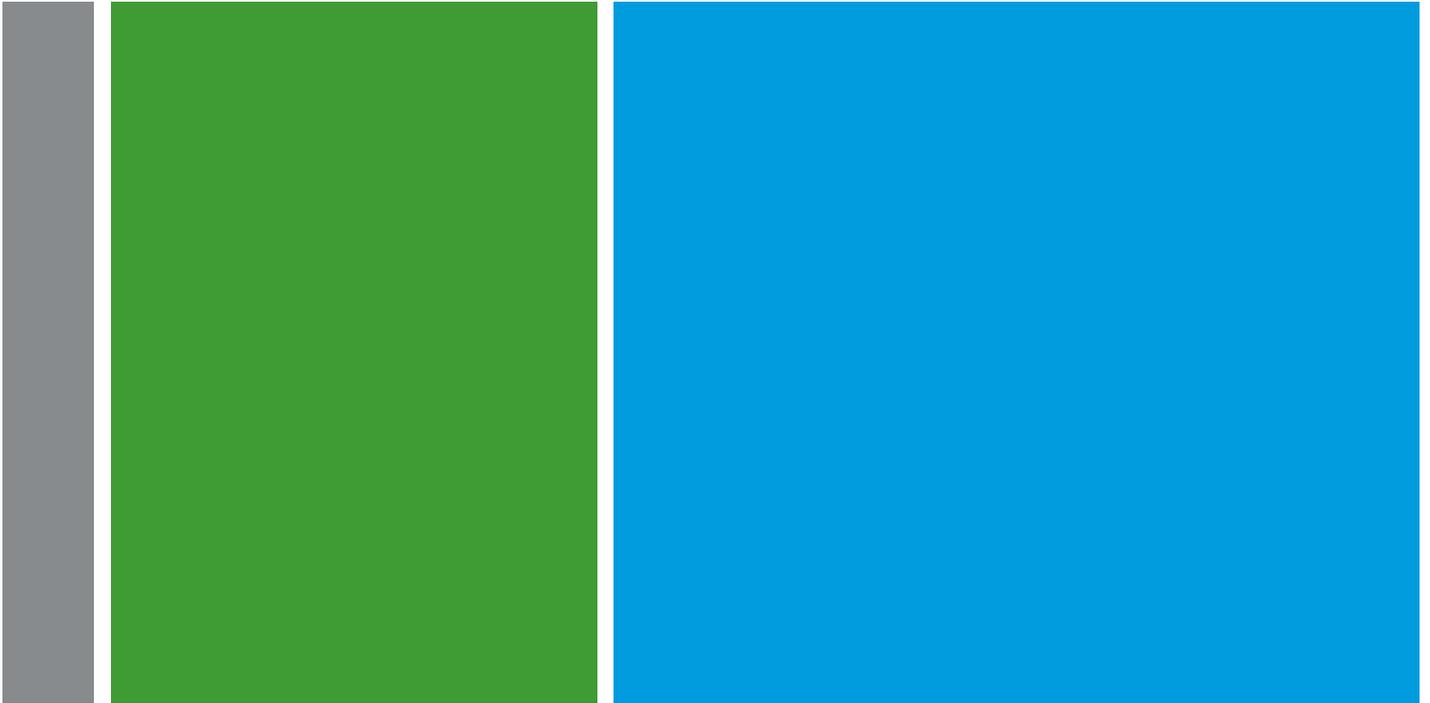


J M IMBERT

Director

RSM Australia Pty Ltd

15 May 2017



QUEENSLAND COMPETITION AUTHORITY

INDEPENDENT LIMITED ASSURANCE REPORT

Cost Review of Aurizon Network Network's

2015-16 Capital Expenditure Claim

LIMITED ASSURANCE REPORT

To the management of the Queensland Competition QCA (“the QCA”)

We have conducted a limited assurance engagement to assist the QCA in assessing the prudence of costs of Aurizon Network’s 2015-16 Capital Expenditure Claim. We have conducted two specific tasks required by the QCA for this engagement:

- Task a): reconciliation of all projects within the Capital Expenditure Claim to the balances recorded in Aurizon Network’s accounting system (SAP); and
- Task b): review of accrued expenditure transactions included in the 2015-16 Capital Expenditure Claim for correct accounting treatment and accuracy of estimate. This included the review of accrual transactions within the projects listed in **Table 1 of the Appendix 2** and review of accrued expenditure transactions entered as at 30 June 2016, listed in **Table 2 of the Appendix 2**.

In addition to the above tasks, we performed a comparison of cost claimed for the Moura Flood Project (Project number IV.00176) against the 2015 Flood Claim for the Moura rail system, separately claimed by Aurizon Network to assess for duplication of expenditure claimed.

Aurizon Network’s responsibility for the 2015-2016 Capital Expenditure Claim

Aurizon Network is responsible for determining that the basis of accounting is an acceptable basis for the preparation of the Capital Expenditure Claim in the circumstances. Aurizon Network is also responsible for establishing and maintaining such internal control as determined by management to be necessary to enable the preparation of a Capital Expenditure Claim that is free from material misstatement, whether due to fraud or error and for monitoring compliance with the Access Undertaking.

Our independence and quality control

We have complied with the relevant ethical requirements for assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence, due care, confidentiality and professional behaviour.

In accordance with Australian Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, RSM maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

Our responsibility is to express a limited assurance conclusion. We conducted our review in accordance with ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. Our procedures were designed to provide limited assurance, as defined by ASAE 3000.

Our review consisted of making enquiries, primarily of persons responsible for ensuring operating effectiveness and applying analytical and other review procedures. Our review was substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Inherent limitations

Due to the inherent limitations of any internal control structure, it is possible that fraud or errors may occur and not be detected. We have not reviewed the overall internal control structure and no opinion is expressed as to its effectiveness. A review is not designed to detect all weaknesses in control procedures or all instances of non-compliance as it is not performed continuously throughout the period, and the tests performed are on a sample basis having regard to the nature and size of the entity. The conclusion expressed in this report has been formed on the above basis.

LIMITED ASSURANCE REPORT (CONT.)

Use of this report

This limited assurance report has been prepared for the QCA. We disclaim any assumption of responsibility for any reliance on this report to any other persons or users, or for any purpose other than that for which it was prepared.

We disclaim all liability to any party other than the QCA in respect of, or in consequence of, anything done, or omitted to be done, by any party in reliance, whether whole or partial, upon any information contained in this report. Any party, other than the QCA, who chooses to rely in any way on the contents of this report, does so at their own risk.

Summary of procedures undertaken

The procedures conducted in performing our limited assurance engagement in respect to the tasks a) and b) included:

- Reconciliation of each total project capital expenditure balance stated within the 2015-16 Capital Expenditure Claim to SAP, Aurizon Network's accounting system used for recording and reporting capital project expenditure;
- Review of accruals manually entered into SAP as at 30 June 2016. This included:
 - selecting all accruals related to projects included in the 2015-16 Capital Expenditure Claim (87 projects);
 - examining supporting documentation to verify the accuracy of the accrued expenditure and verifying reversals; and
 - reviewing the cut-off performed to ensure the accrued expenditure relates to the correct period;
- Compared costs claimed for the Moura Flood Project (Project number IV.00176) against the 2015 Moura Flood Claim separately claimed by Aurizon Network to assess for duplication of costs claimed.

Emphasis of Matter

Without modifying our opinion, we draw attention to three matters that were noted during our review of accrued expenditure transactions included in the 2015-16 Capital Expenditure Claim:

- We reviewed the expenditure included in the Moura Flood Project (Project number IV.00176) and noted duplications in claimed expenditure transactions totalling **\$348,241**. We also noted Aurizon Network used a May 2015 cost report in preparing the Capital Expenditure Claim for the Moura Project, despite the March 2016 cost report being available. Not using the March 2016 cost report resulted in an over claim of **\$253,253**.
- From our review of all accruals relating to a sample of 87 Projects within the 2015-2016 Capital Expenditure Claim we noted a total variance of **\$850,499** between the accrual estimation and actual costs incurred;
- From a review of a sample of accruals included in the DC Power Supplies CERs Project (Project A.04371), we noted two transactions that were claimed twice. The duplication resulted in over claim of \$56,733.

LIMITED ASSURANCE REPORT (CONT.)

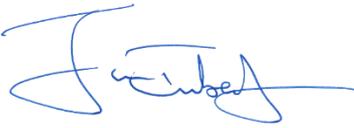
Conclusion

Notwithstanding the emphasis of matter section noted above, nothing has come to our attention to indicate that the 2015-2016 Capital Expenditure Claim submitted by Aurizon Network:

- includes projects that do not reconcile to Aurizon Network's accounting system (SAP); and
- does not include accrued expenditure transactions that have not been correctly accounted for or accurately estimated in material respects, for the projects listed in **Appendix 2**.

We identified two "**medium risk**" issues and one "**low risk**" issue. These were summarised in **section 1.3** and detailed in **Appendix 1** of this report.

Signed



J M IMBERT

Director
RSM Australia Pty Ltd

15 May 2017

APPENDIX 1 – DETAILED FINDINGS

1. Overstatements and duplication of costs included in the Moura Flood Capital Expenditure Claim (Project IV.00176)



Observation

We conducted a comparison of expenditure claimed in Aurizon Network's 2015 Flood Claim relating to the Moura rail systems, and the Moura Flood Project (Project IV.00176) included within the 2015-16 Capital Expenditure Claim.

We noted the following observations:

- "Ballast" expenditure previously claimed in the 2015 Flood Claim were also claimed in the 2015-16 Capital Expenditure Claim. This transaction totalled \$181,845;
- Maintenance expenditure previously claimed the 2015 Flood Claim were also partially claimed in the 2015-16 Capital Expenditure Claim. The transaction totalled \$109,326; and
- A portion of the expenditure that related to "Slewing" activities claimed in the 2015 Flood Claim was also partially claimed in the 2015-16 Capital Expenditure Claim. The transaction totalled \$57,070.

We also noted Aurizon Network used a May 2015 cost report in preparing the Capital Expenditure Claim for the Moura Project, despite the March 2016 cost report being available. Aurizon Network agreed that the March 2016 cost report resulted in a more accurate cost. In using the March 2016 cost report, the total expenditure for the Moura Project reduced by \$253,253.

Aurizon Network advised that these duplications and the incorrect use of most up-to-date cost report was due to the claims being prepared by two different teams at different periods of time, and limited quality review over the costs previously included in the 2015 Flood Claim when preparing the 2015-2016 Capital Expenditure Claim.

This resulted in a total overstatement in the 2015-16 Capital Expenditure Claim for the Moura Flood Project of \$601,494, summarised as below:

| 2015-16 Capital Expenditure Claim – Moura Flood Project | 4,968,686 |
|---|------------------|
| Capital Expenditure Claim costs as per March 2016 report: | 4,715,433 |
| Duplication in Ballast costs noted: | (181,845) |
| Duplication in maintenance costs noted: | (109,326) |
| Duplication in Slewing costs noted: | (57,070) |
| Total 2015-16 Capital Expenditure Claim that should be reported: | 4,367,192 |
| Variance with what is claimed: | 601,494 |

Risk

Overstatement of total costs included in the 2015-16 Capital Expenditure Claim by \$601,494.

APPENDIX 1 - DETAILED FINDINGS (CONT.)

1. Overstatements and duplication of costs included in the Moura Flood Capital Expenditure Claim (Project IV.00176) (Cont.)

Recommendation:

We recommend that the total 2015-16 Capital Expenditure Claim for the Moura Flood Project (Project IV.00176) is reduced by \$601,494. We also recommend that Aurizon Network incorporate into its Capital Expenditure Claim preparation Quality Control process, checks of prior claims of projects to ensure expenditure claimed is not duplicated.

Management Comments

Aurizon Network accepts that some costs were inadvertently included in both the incremental maintenance costs and capital expenditure claims. This was due to the following factors

- **New processes:** The Capital Expenditure Claim for the Moura Floods was the first of its nature. Previously all such costs were claimed as incremental maintenance costs subject to a DAAU. Hence the processes adopted were new, untested and still being refined.
- **Timing differences:** Costs are initially captured in one order and subsequently transferred to capital based on pre-determined rules. Given the tight timelines relating to submitting the incremental maintenance costs, the transfer of costs was done at a point in time that included estimated costs and accruals to enable finalisation of the maintenance costs. However subsequent true-up of the costs were recorded against the original orders and not the capital costs that were held on the Balance Sheet.
- **Accounting vs regulatory treatment of costs:** The difference between the accounting and regulatory treatment of some costs such as ballast meant costs were required to be manually adjusted from regulatory submissions and inadvertently missed.

Aurizon Network is instituting new procedures to minimise the likelihood of such double counting. Aurizon Network is also proposing to ensure both the incremental maintenance and capital expenditure claims relating to a future weather event are developed concurrently. Where maintenance costs are not able to be finalised in time due to delays beyond Aurizon Network's control, such costs will be included in the capital expenditure claim in the following year regardless of whether the additional costs were incremental maintenance or capital in nature.

APPENDIX 1 - DETAILED FINDINGS (CONT.)

2. Variances between accrued expenditure and actual invoices



Observation

From our review of all accruals relating to a sample of 87 Projects (listed in **appendix 2**) within the 2015-2016 Capital Expenditure Claim we noted a total variance of \$850,499 between the accrual estimation and actual costs incurred.

The table below provides the variances identified for each transaction:

| # | Document Number | Project Number | Description | Accrued amount | Actual Amount | Variance | Variance % |
|----|-----------------|------------------------|--|----------------|---------------|--------------|------------|
| 1 | 40009626 | A.03980.31000 | Contractor Labour | 82,620.00 | 79,928.54 | 2,691.46 | 3% |
| 4 | 40009626 | A.03980.32300 | Aurizon Network Flights and Accom | 15,000.00 | 15,892.16 | (892.16) | -6% |
| 5 | 40009626 | A.03980.33400 | Network Internal Labour | 20,000.00 | 12,735.83 | 7,264.17 | 57% |
| 6 | 40009626 | A.03980.34100 | webMethods labour | 16,380.00 | 15,210.00 | 1,170.00 | 8% |
| 7 | 40009636 | A.01552.43556 | 4600028857b - Siemens - WIBL Gainshare | 490,932.33 | 409,932.33 | 81,000.00 | 20% |
| 8 | 40009636 | A.01731.43556 | 4600028857c - Siemens - 4B Gainshare | 480,830.00 | 262,770.69 | 218,059.31 | 83% |
| 9 | 40009636 | A.01631.43556 | 4600028857g - Siemens - 4A Gainshare | 701,572.00 | 435,752.00 | 523,916.00 | 120% |
| 10 | 40009636 | A.01631.43556 | 4600028857k - Siemens - Non Cost KRA | 258,096.00 | | | |
| 11 | 40009636 | A.02976.62361 | 4501689489a - Siemens - NCL Gainshare | 40,500.00 | 169,133.57 | (128,633.57) | -76% |
| 12 | 40009636 | A.02976.63361 | 4501689489a - Siemens - NCL Gainshare | 127,431.00 | 176,438.77 | (49,007.77) | -28% |
| 13 | 40009636 | A.02976.64361 | 4501689489a - Siemens - NCL Gainshare | 96,000.00 | 191,494.85 | (95,494.85) | -50% |
| 14 | 40009636 | A.02976.65361 | 4501689489a - Siemens - NCL Gainshare | 12,500.00 | 10,884.72 | 1,615.28 | 15% |
| 15 | 40009636 | A.02976.66361 | 4501689489a - Siemens - NCL Gainshare | 24,500.00 | 114,954.28 | (90,454.28) | -79% |
| 16 | 40009636 | A.02976.67361 | 4501689489a - Siemens - NCL Gainshare | 29,000.00 | 8,814.81 | 20,185.19 | 229% |
| 18 | 40009636 | A.01552.41210 | IE services for May | 9,385.50 | 6,311.75 | 3,073.75 | 49% |
| 23 | 40009636 | A.02976.64261 | 4501878464 - Sterling Drainage Works | 4,770.00 | 4,981.63 | (211.63) | -4% |
| 24 | 40009636 | A.01552.41210 | IE Services for June | 2,025.00 | 5,380.00 | (3,355.00) | -62% |
| 25 | 40009636 | A.02976.61121 | IE Services for June | 7,675.00 | - | 7,675.00 | 100% |
| 26 | 40009636 | A.01631.41210 | IE Services for June | 10,730.00 | - | 10,730.00 | 100% |
| 27 | 40009636 | A.03735.41210 | IE Services for June | 6,645.00 | - | 6,645.00 | 100% |
| 28 | 40009636 | A.03742.41210 | IE Services for June | 1,125.00 | 5,326.75 | (4,201.75) | -79% |
| 29 | 40009690 | IV.00028. E.M.01.01 | Asset mgmt. costs still to settle against 9 different elements | 60,000.00 | 28,852.03 | 31,147.97 | 108% |

APPENDIX 1 - DETAILED FINDINGS (CONT.)

2. Variances between accrued expenditure and actual invoices (Cont.)

| # | Document Number | Project Number | Description | Amount Accrued | Actual Amount | Variance | Variance % |
|--------------|-----------------|-----------------------------|---|---------------------|---------------------|-------------------|------------|
| 30 | 400009693 | A.02620.08210 | Work completed invoice not processed | 150,000.00 | 87,439.00 | 62,561.00 | 72% |
| 31 | 400009693 | A.04187.43202 | Work completed invoice not processed | 140,000.00 | 105,092.80 | 34,907.20 | 33% |
| 32 | 400009693 | IV.00040. E.R.07.02.30 | Equipment ordered invoice not processed, need to take into FY16 scope | 80,000.00 | - | 80,000.00 | 100% |
| 33 | 400009693 | IV.00048. E.R.03.03.4 | Work completed invoice not processed | 317,422.00 | 258,399.85 | 59,022.15 | 23% |
| 34 | 400009694 | A.03961.46217 | Procurement of power supplies | 1,349.30 | - | 1,349.30 | 100% |
| 35 | 400009694 | A.03961.47120 | IT costs yet to settle | 40,324.34 | - | 40,324.34 | 100% |
| 36 | 400009694 | A.03961.46900 | Construction works by Contractor | 20,700.00 | - | 20,700.00 | 100% |
| 37 | 400009694 | IV.00026. E.R.09.20.30.3 | Construction costs for work completed by Contractor | 43,564.00 | 34,851.00 | 8,713.00 | 25% |
| Total | | | | 3,291,076.47 | 2,440,577.36 | 850,499.00 | 35% |

Risk

Overstatement of costs totalling \$850,499 included in the 2015-16 Capital Expenditure Claim.

Recommendation:

We recommend that:

- 2015-16 Capital Expenditure Claim is reduced by \$850,499; and
- Aurizon Network implement a review process over accrued transactions to ensure correct accounting treatment and accuracy of estimated entered in the Capital Expenditure Claims.

Management Comments

Disagree that the amount of \$850,499 should be adjusted in the claim. This is a result of standard accounting reversal of an accrual that is bigger than the actual and is consistent with previous years' capex claims where it is adjusted within the next financial year. That is, any difference between a year end accrual and actual cost is automatically adjusted and included in the subsequent year's claim. It can be shown that there are sometimes credits and debits within the capex claim to account for this.

RSM Response to Management Comments

We acknowledge the total overstatement of \$850,499 is adjusted in the next financial year in Aurizon Network's accounting system (2016-17), however our audit period and the claim expenditure period is for period ending 30 June 2016.

Additionally, the adjustment in the next FY would only offset the over claim if projects incur further expenditure that to be claimed in future Capital Expenditure Claims. For any project that is complete in the 2015-16 Capital Expenditure Claim, the reversal would not offset the over claim in the Regulatory Asset Base.

APPENDIX 1 - DETAILED FINDINGS (CONT.)

3. Duplication of expenditure transactions



Observation

From a review of a sample of accruals included in the DC Power Supplies CERs Project (Project A.04371), we noted two transactions that were claimed twice.

The table provides the details of each transaction:

| Supplier | Description | Cost |
|-----------------------------|--------------|-----------------|
| Alpha Power Systems Pty Ltd | Services | \$13,116 |
| Bytecomm Pty Ltd | Services | \$43,617 |
| | Total | \$56,733 |

In both instances, the accrued amount was reversed on 1 July 2016, however not reflected in the 2015-16 Capital Expenditure Claim.

Risk

Overstatement of costs totalling \$56,733 included in the 2015-16 Capital Expenditure Claim.

Recommendation:

We recommend the:

- 2015-16 Capital Expenditure Claim for the DC Power Supplies CERs Project (Project A.04371) is reduced by \$56,733; and
- Implement a review process over accrued transactions to ensure correct accounting treatment and accuracy of estimated entered in the Capital Expenditure Claims.

Management Comments

Agree this was an oversight where a cost was accrued and actual cost booked.

APPENDIX 2 – PROJECT AND ACCRUAL SAMPLES TESTED

Table 1 – Projects reviewed for accrued expenditure transactions

| # | Project Number | Project Name | 2015/16 Claimable Expenditure | Percentage of Total Claim value |
|----|----------------|---------------------------------------|-------------------------------|---------------------------------|
| 1 | A.01731 | Dingo to Bluff Duplication | \$207,523,309 | 25.60% |
| 2 | A.02603 | NI DUARINGA FEEDER STATION | -\$442,177 | -0.05% |
| 3 | A.02976 | North Coast Line | \$155,796,333 | 19.22% |
| 4 | A.03980 | Project Pluto-Network Planning System | \$14,418,411 | 1.78% |
| 5 | A.03989 | Bauhinia Electrification | \$149,247,831 | 18.41% |
| 6 | A.04190 | NR Digital TI21 Track Circuit Upgrade | -\$1,088,123 | -0.13% |
| 7 | A.04297 | NR AzS600 Axle Counters Replacement | \$400,000 | 0.05% |
| 8 | A.04371 | DC Power Supplies CERs | \$305,000 | 0.04% |
| 9 | IV.00009 | GIS Implementation | \$1,592,198 | 0.20% |
| 10 | IV.00035 | NR Callemondah Yard Spur 1 Connection | \$3,295,000 | 0.41% |

Table 2 – Accrued expenditure transactions entered as at 30 June 2016

| # | Document Number | Project Number | Description | Amount |
|--------------|-----------------|-------------------------|---|---------------------|
| 1 | 40009626 | A.03980.31000 | Contractor Labour | 82,620.00 |
| 2 | 40009626 | A.03980.34600 | Fujitsu Hardware and Services | 64,279.00 |
| 3 | 40009626 | A.03980.33700 | Scope variations | 24,700.00 |
| 4 | 40009626 | A.03980.32300 | Aurizon Network Flights and Accommodation | 15,000.00 |
| 5 | 40009626 | A.03980.33400 | Network Internal Labour | 20,000.00 |
| 6 | 40009626 | A.03980.34100 | webMethods labour | 16,380.00 |
| 7 | 40009636 | A.01552.43556 | 4600028857b - Siemens - WIBL Gainshare | 490,932.33 |
| 8 | 40009636 | A.01731.43556 | 4600028857c - Siemens - 4B Gainshare | 480,830.00 |
| 9 | 40009636 | A.01631.43556 | 4600028857g - Siemens - 4A Gainshare | 701,572.00 |
| 10 | 40009636 | A.01631.43556 | 4600028857k - Siemens - Non Cost KRA | 258,096.00 |
| 11 | 40009636 | A.02976.62361 | 4501689489a - Siemens - NCL Gainshare | 40,500.00 |
| 12 | 40009636 | A.02976.63361 | 4501689489a - Siemens - NCL Gainshare | 127,431.00 |
| 13 | 40009636 | A.02976.64361 | 4501689489a - Siemens - NCL Gainshare | 96,000.00 |
| 14 | 40009636 | A.02976.65361 | 4501689489a - Siemens - NCL Gainshare | 12,500.00 |
| 15 | 40009636 | A.02976.66361 | 4501689489a - Siemens - NCL Gainshare | 24,500.00 |
| 16 | 40009636 | A.02976.67361 | 4501689489a - Siemens - NCL Gainshare | 29,000.00 |
| 17 | 40009636 | A.01731.42551 | 4501862880 - Coastal Surveying | 41,800.00 |
| 18 | 40009636 | A.01552.41210 | IE services for May | 9,385.50 |
| 19 | 40009636 | A.02976.61121 | IE services for May | 19,370.00 |
| 20 | 40009636 | A.03742.41210 | IE services for May | 4,708.00 |
| 21 | 40009636 | A.01631.41210 | IE services for May | 3,811.50 |
| 22 | 40009636 | A.03735.41210 | IE services for May | 132.50 |
| 23 | 40009636 | A.02976.64261 | 4501878464 - Sterling Drainage Works | 4,770.00 |
| 24 | 40009636 | A.01552.41210 | IE Services for June | 2,025.00 |
| 25 | 40009636 | A.02976.61121 | IE Services for June | 7,675.00 |
| 26 | 40009636 | A.03742.41210 | IE Services for June | 1,125.00 |
| 27 | 40009636 | A.01631.41210 | IE Services for June | 10,730.00 |
| 28 | 40009636 | A.03735.41210 | IE Services for June | 6,645.00 |
| 29 | 40009690 | IV.00028.E.M.01.01 | Asset mgmt. costs still to settle against 9 different elements | 60,000.00 |
| 30 | 40009693 | A.02620.08210 | Work completed invoice not processed | 150,000.00 |
| 31 | 40009693 | A.04187.43202 | Work completed invoice not processed | 140,000.00 |
| 32 | 40009693 | IV.00040.E.R.07.02.30 | Equipment ordered invoice not processed, need to take into FY16 scope | 80,000.00 |
| 33 | 40009693 | IV.00048.E.R.03.03.4 | Work completed invoice not processed | 317,422.00 |
| 34 | 40009694 | A.03961.46217 | Procurement of power supplies | 1,349.30 |
| 35 | 40009694 | A.03961.47120 | IT costs yet to settle | 40,324.34 |
| 36 | 40009694 | A.03961.46900 | Construction works by Contractor | 20,700.00 |
| 37 | 40009694 | IV.00026.E.R.09.20.30.3 | Construction costs for work completed by Contractor | 43,564.00 |
| Total | | | | 3,449,877.47 |

APPENDIX 3 – RISK RATINGS

Risk Ratings

The risk ratings applied to assess issues identified are as follows:

| Risk Ratings | | |
|--------------------|---|--|
| Extreme |  | Issues which may have a catastrophic impact upon the accuracy and/or prudence of the capital expenditure that has been claimed by Aurizon Network if they are not addressed immediately. |
| High |  | Issues which may have a major impact upon the accuracy and or prudence of the capital expenditure that has been claimed by Aurizon Network if they are not addressed as a matter of priority. |
| Medium |  | Issues which may have a moderate impact upon the accuracy and/or prudence of the capital expenditure that has been claimed by Aurizon Network if they are not addressed within a reasonable timeframe. |
| Low |  | Issues which have a minor impact upon the accuracy and/or prudence of the capital expenditure that has been claimed by Aurizon Network if they are not addressed within a reasonable timeframe. |
| Improvement |  | Standalone suggestion for improvement. |
| Implemented |  | Issue resolved as recommendation has been implemented during the review. |

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

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