



ANNUAL REPORT

2017 – 2018



Torres Strait Island
REGIONAL COUNCIL



TOP WESTERN ISLANDS

Saibai (Saibai Island)
Boigu (Talbot Island)
Dauan (Mt Cornwallis)

EASTERN ISLANDS

Mer (Murray Island)
Erub (Darnley Island)
Ugar (Stephen Island)

CENTRAL ISLANDS

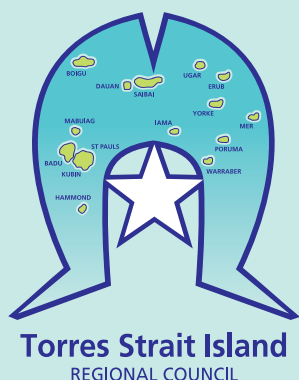
lama (Yam Island)
Masig (Yorke Island)
Warraber (Sue Island)
Poruma (Coconut Island)

WESTERN ISLANDS

Badu (Mulgrave Island)
Arkai (Kubin) at Mua
Wug (St Pauls) at Mua
Mabuyag (Jervis Island)

SOUTHERN ISLAND

Kirriri (Hammond Island)



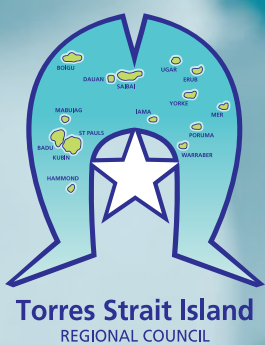
SECTION 1

Welcome

Introduction to the Report

Torres Strait Island Regional Council is proud to present our Annual Report for the 2017–2018 financial year. Our report demonstrates that we are open and accountable and are committed to continuous improvement for the people we serve.

This report aims to give readers a clearer insight into our vision, direction and the unique set of challenges we face delivering services across the beautiful islands of the Torres Strait.



*Section title page photographs from
page 4–51 courtesy Alima Smit.*

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Mayoral Foreword



Mayor Fred Gela
Torres Strait Island Regional Council

What an honour and privilege it is to be mayor of my homeland; the Torres Strait.

Sometimes I have to pinch myself to make sure I am not dreaming! When I was a small boy I used to listen to my Elders talk about the great history of our leaders and the way they fought to defend and look after our people.

From Kuiam, to the leaders of the 1936 strike, those Ailan leaders who came together on Masig Island in 1937 for the first council meeting and to Koiki Mabo, David Passi and James Rice, who took on the Queensland Government to prove that these islands truly belong to us, these are the leaders that provide examples to all of us.

These leaders of our people have set the bar for those of us who have come later; they are our inspiration and it is the standard of their courage and leadership that we all must aspire to.

Just over a year ago, on the 50th anniversary of that historic Masig meeting I said, 'Reflecting on our past gives us strength to embrace new ideas, forge new partnerships and deliver a strong vision for the future of our community. By working together, we can empower our people, communities and support true equality and opportunity for all Torres Strait Islanders.'

My words reflect TSIRC's vision: Empowering our people, in our decision, in our culture, for our future.

The struggle for empowerment, equality and opportunity for our next generations is what drives me and all my fellow councillors of TSIRC and I would like to take this opportunity to thank God and our people for the sacred trust placed in us.

One of the key responsibilities I have is to ensure that TSIRC's finances are managed properly; we need the sort of long-term financial security that can only be gained by keeping our eyes on the ball and proactively making critical strategic decisions to maintain Council in good health financially.

We have a highly qualified Financial Services department who work hard to ensure sustainability in our spending decisions and the proof of their capacity is TSIRC's ability to fund our current beautification program and to subsidise fuel costs for our people to the tune of \$500,000; our financial success is paying dividends for our people.

I can proudly report that TSIRC's financial position is very strong.

Part of this financial work is strongly lobbying Governments to make sure we receive the financial resources needed to maintain and expand the services our people need and I'm pleased to report that this past year, delegations of TSIRC Councillors travelled to Canberra and Brisbane to argue our case for additional funds.

These trips resulted in \$51M from a pool of \$120M under the Indigenous Councils Critical Infrastructure Program for upgrading water and sewerage services, and \$5M from the Works for Queensland (W4Q) program.

I also continue to advocate strongly for the Federal and Queensland Governments to renew the National Partnership Agreement on Remote Indigenous Housing and have written to both Governments to lift their game and stop playing politics with the lives of remote Australians. I have also spoken to local and state media about this matter and pointed out that TSIRC's apprenticeship program is jeopardised by this political point scoring.

“
Reflecting on our past gives us strength to embrace new ideas, forge new partnerships and deliver a strong vision for the future of our community...”

The same can be said for TSIRC's governance structure and the accountability of our senior staff. Each senior role now has agreed Key Performance Indicators attached to it and every staff member will be involved in evaluating their performance against these KPIs two times a year as part of their normal employment review. This way our communities can be assured that TSIRC staff and Councillors are working efficiently and energetically for the benefit of our people.

During the financial year 2017–2018 Torres Strait Islanders continued to suffer from overcrowded housing and TSIRC has worked to rectify this situation. The funds we receive from Governments do not match the needs and this is borne out by our Housing Services Team winning the prestigious LGMAQ award in the category of 'doing more with less'.

It is my hope that in the future we will not have to do 'more with less' but be funded appropriately to deliver the housing that our people deserve and need.

To this end we have finally resolved the outstanding tenure problems associated with the *Land Holding Act* or so-called Katter leases allowing TSIRC to undertake major renovations of Council rental homes constructed on these parcels of land. The clarification of these leases also opens the door to tenants of these properties purchasing them and becoming private homeowners. Successful advocacy by TSIRC and other organisations has seen \$75M earmarked for Torres Strait and Cape York communities to do this. Some residents on Poruma have already taken on ownership of their previously rented properties.

Our people face the threat of climate change and the rising sea levels that these changes are already bringing. After successful lobbying by TSIRC, the Queensland budget earlier this year announced an

additional \$20M over three years from 2017 to deliver protective works against coastal erosion and tidal inundation on Boigu, Poruma, Warraber, Masig and Iama communities.

The threat of sea level rises is real for Torres Strait people and other Pacific islanders, and the imperative to both protect our islands from these changes but also to reduce the carbon emissions causing them is urgent. It is a problem that I take very seriously and will be an increasing priority of TSIRC in the future.

Finally, I wish to once again pay respects to our Elders and to thank our hard-working Councillors and all TSIRC staff for the commitment and initiative they show every day to do the best possible job we can for our people and to build a strong future for the generations coming.

God bless and Koeyma eso, mina big eso, au esoau to you all.

God Bless

Mayor Fred Gela
Torres Strait Island Regional Council

Snapshot of the

Torres Strait Island Regional Council's electorate



Our Council

The Torres Strait Island Regional Council (TSIRC) is one of three councils found in the Torres Strait region. The region is divided into three local government areas. The smaller Torres Shire Council (TSC) represents Thursday Island, Prince of Wales, Horn Island and immediate surrounding islands. The Northern Peninsula Area Regional Council (NPARC) represents the Cape communities of Injinoo, Umagico, Bamaga, New Mapoon and Seisa.

Unlike any other local government, TSIRC services 15 remote island communities spread out across 42,000 square kilometers of water, each with its own unique characteristics and service requirements.

The TSIRC electorate has its own unique set of challenges arising from climate change, including tidal erosion, inundation, and water shortages caused by lower rainfall. Given the sheer remoteness of the region, the electorate is also faced with complex logistics, increased cost of doing business and funding shortfalls which contribute to poor sustainability outcomes. The TSIRC region has a population of 4,531 across nearly 1,000 homes, 900 of which are tenancy-managed by TSIRC.

Geography and culture

The distance from Cape York to Papua New Guinea is around 150 km at the narrowest point; extending some 200 to 300 km from farthest east to farthest west. Geographically, the islands in the Torres Strait can be divided into four main groups: an eastern group of high volcanic islands; a central group of low sandy islands; a western group of high islands composed of volcanic and granitic rocks; and a top-western group of low islands composed of mangrove muds and peats.

There are two distinct languages spoken in the Torres Strait:

- Kalaw Lagaw Ya, Kalau Kawau Ya, Kulkalgau and Kawalgau Ya. These are dialects of the western-central Torres Strait Language (Kala Lagaw Ya), and are spoken on the south-western, western, northern and central islands.
- Meriam Mir is spoken on the eastern islands.



Community facilities

International border with Papua New Guinea

TSIRC manages the treaty arrangements on the international border between Australia and Papua New Guinea (PNG).

This border is Australia's closest and most porous international border. In some years, numbers of traditional visitors from PNG into the Torres Strait have swelled to 50,000 per annum. Cross-border movements impact our housing, drinking water supplies, sewerage and waste management.

Currently, the elected Councillor in each community is responsible for verifying entry of traditional visitors into their respective communities.

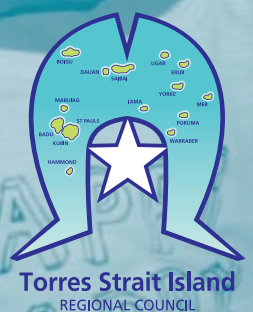
Each community has a TSIRC administration office, a community health centre, a local primary school (up to Year 6) and a local supermarket. The local supermarket has a range of produce and supplies, which in the main are delivered by barge on a weekly schedule.

Some communities have police, biosecurity (quarantine services), Australian Customs (border security), a church, post office and a Centrelink office. We provide social housing for community members, which is constructed by local builders employed by Council. Queensland Health delivers most medical services to each community, with local and registered nurses residing with most communities. Doctors and health staff visit most communities on a fortnightly basis.



SECTION 2

Our Elected Council



Governance and Decision-Making Processes

While councils have core service delivery responsibilities, the *Local Government Act 2009* (Qld) provides a much broader definition of local government's obligations.

Elected councillors and staff are required to act according to the following principles:

- Transparent and effective processes, and decision-making in the public interest
- Sustainable development and management of assets and infrastructure, and delivery of effective services
- Democratic representation, social inclusion and meaningful community engagement
- Good governance of, and by, local government
- Ethical and legal behaviour of councillors and local government employees

These principles guide Council's governance structures and decision-making processes.

The Structure of Torres Strait Island Regional Council

Elected members and Council staff make up the Torres Strait Island Regional Council (TSIRC). Each division of TSIRC has one Councillor elected by voters within the division. Council has one Mayor and 15 Councillors, one of whom is Deputy Mayor. Voters across all 15 divisions of the Council region elect the Mayor.

Council's Advisory Committees and Working Groups

In addition to Council's monthly Ordinary Meetings, TSIRC has other governance mechanisms established to assist in meeting our obligations for the people of our region.

Strategic Advisory Reference Group

The Strategic Advisory Reference Group (SARG) is chaired by the Mayor and comprised of three Councillors elected by their peers, the CEO, Executive Manager Corporate Services and Executive Officer.

The SARG provides strategic support and information to the monthly Council meetings. It meets monthly prior to Council meetings and increases Council's capacity to assess opportunities and risks in our current and future operating environment.

Audit Committee

Council's Audit Committee consists of two Councillors and two external members, one of whom is the Audit Committee Chair. The role of the Committee is to act in an independent advisory capacity with oversight of financial and risk matters of the Council and management.

Advisory Committees

Council has appointed Advisory Committees for three of its divisions: Boigu, Dauan and Poruma. Advisory Committees are comprised of the elected Councillor as Chair and up to four voting members appointed from within the division. Advisory Committees meetings are called by the Councillor up to four times a year. The Advisory Committees provide advice to Council in regards to Ailan Lore and Ailan Kastom.

Elected Council 2018



Cr Fred Gela
Mayor



Cr Dimas Toby
Boigu - Division 1



Cr Torenzo Elisala
Dauan - Division 1



Cr Keri Akiba
Saibai - Division 3



Cr Keith Fell Mabuia
Division 4 - Mabuia
* Deputy Mayor



Cr Laurie Nona
Badu - Division 5



Cr David Bosun
Kubin (Moa) - Division 6



Cr John Levi
St Pauls (Moa) - Division 7



Cr Mario Sabatino
Kirriri - Division 8



Cr Getano Lui
Iama - Division 9
* Deputy Mayor



Cr Clara Tamu
Warraber - Division 10



Cr Francis Pearson
Poruma - Division 11



Cr Ted Nai
Masig - Division 12



Cr Rocky Stephen
Ugar - Division 13



Cr Patrick Thaiday
Erub - Division 14



Cr Bob Kaigey
Mer - Division 15

* The position of Deputy Mayor was held by Cr Keith Fell from 1 July 2017 to 19 December 2017 and by Cr Getano Lui from 20 December 2017 to 30 June 2018.

Councillor Attendance at Council Meetings

The following table displays Councillor attendance at Council meetings for the period 1 July 2017 to 30 June 2018.

Councillor	Division	Number of meetings attended out of the number of meeting held
Mayor Fred Gela (Mayor)	Mayor	9/11
Cr Getano Lui (Deputy Mayor) *	Iama	8/11
Cr Dimas Toby	Boigu	7/11
Cr Torenzo Elisala	Dauan	11/11
Cr Keri Akiba	Saibai	11/11
Cr Keith Fell (Deputy Mayor) *	Mabuiag	9/11
Cr Laurie Nona	Badu	8/11
Cr David Bosun	Kubin	8/11
Cr John Levi	St Pauls	10/11
Cr Mario Sabatino	Hammond	9/11
Cr Clara Tamu	Warraber	9/11
Cr Francis Pearson	Poruma	10/11
Cr Ted Nai	Masig	9/11
Cr Rocky Stephen	Ugar	9/11
Cr Patrick Thaiday	Erub	11/11
Cr Bob Kaigey	Mer	9/11

* The position of Deputy Mayor was held by Cr Keith Fell from 1 July 2017 to 19 December 2017 and by Cr Getano Lui from 20 December 2017 to 30 June 2018.



Councillor Remuneration

The following table displays Councillor remuneration for the period 1 July 2017 to 30 June 2018.

Councillor	Division	Travel Allowance	Councillor Allowance
Cr Fred Gela (Mayor)	Mayor	\$ 13,490.80	\$ 101,592.56
Cr Getano Lui (Deputy Mayor) *	Iama	\$ 9,504.40	\$ 54,996.79
Cr Keith Fell (Deputy Mayor) *	Mabuiag	\$ 6,076.55	\$ 54,416.16
Cr Laurie Nona	Badu	\$ 2,966.30	\$ 50,802.19
Cr Dimas Toby	Boigu	\$ 6,042.65	\$ 50,802.19
Cr Torenzo Elisala	Dauan	\$ 5,188.10	\$ 50,802.19
Cr Patrick Thaiday	Erub	\$ 3,920.85	\$ 50,802.19
Cr Mario Sabatino	Hammond	\$ 4,267.65	\$ 50,802.19
Cr David Bosun	Kubin	\$ 2,593.10	\$ 49,390.69
Cr Bob Kaigey	Mer	\$ 5,975.65	\$ 50,802.19
Cr Francis Pearson	Poruma	\$ 4,285.55	\$ 50,802.19
Cr Keri Akiba	Saibai	\$ 4,633.50	\$ 50,802.19
Cr John Levi	St Pauls	\$ 5,338.75	\$ 50,802.19
Cr Rocky Stephen	Ugar	\$ 9,804.15	\$ 50,802.19
Cr Clara Tamu	Warraber	\$ 3,168.80	\$ 50,802.19
Cr Ted Nai	Masig	\$ 5,747.15	\$ 49,390.69
TOTAL		\$ 93,003.95	\$ 868,610.98

* The position of Deputy Mayor was held by Cr Keith Fell from 1 July 2017 to 19 December 2017 and by Cr Getano Lui from 20 December 2017 to 30 June 2018.



Particular Resolutions

Section 185 of the *Local Government Regulation 2012* requires Council to list in its Annual Report any resolutions made under sections 250 (1) and 206(2) of the *Local Government Regulation 2012*.

Expense reimbursement policy or amendment (section 250(1))

Council made two resolutions relating to its Councillor Expense Reimbursement and Facilities Provision Policy (SPO 6), as follows:

First, in June 2017:

2:15pm-2:30pm

FINANCE - Policies

The purpose of this report is to present for adoption the annual financial policies for Council plus changes made to policy as listed in the report.

That Policies were previously endorsed in June 2016 with an annual date of June 2017. Statutory Policies (SPO) is mandated under the Local Government Regulation 2012 (Qld).

RESOLUTION

Moved Cr Elsala, Seconded Cr Nona

That Council adopt the following Policies:

- **Investment Policy (SPO 1)**
- **Community Grants Policy (SPO 3)**
- **Debt Policy (SPO 4)**
- **Revenue Policy (SPO 5)**
- **Councillor Expense Reimbursement and Facilities Provision Policy (SPO 6)**
- **Fiscal Governance Policy (PO 4)**
- **Entertainment and Hospitality Policy (PO 11)**

* **Plus two additions: Community Grants and Statutory Barred Debt.**

MOTION CARRIED

Second, in November 2017:

9:23am - 9:38am FINANCE - Councillor Reimbursement Policy

EMFS spoke to this report. The purpose of this report is to present for adoption revised policy SPO 6 - Councillor Expense Reimbursement and Facilities Provision Policy.

The policy was previously endorsed in June 2017 with an annual review date of June 2018. Statutory Policies (SPO) are mandated under the Local Government Regulation 2012 (Qld).

The change provides delegation to the CEO to replace lost, damaged or stolen computers and telecommunications equipment. See extract from revised policy below:

- d) **Computers and Telecommunications**
Council will only provide one mobile phone hand set and one piece of portable IT hardware equipment to a Councillor at the start of their term of office. At the conclusion of the term these items will become the property of the Councillor. Any lost, damaged or stolen items will be the responsibility of the Councillor to replace or repair.

A standard suite of Council software will be provided with each piece of portable IT hardware equipment issued to the Councillor. Any additional software provision and/or installation will be at the discretion of the CEO and must comply with licencing and ICT Standard Operating Environment Procedure.

Any lost, damaged or stolen items will be repaired or replaced by Council at the sole discretion of the Chief Executive Officer, who shall consider the reasonableness of the request.

The words "Any lost, damaged, superseded, or stolen items..."to be utilised in the Policy.

RESOLUTION:

Moved: Cr Sabatino; Second: Cr Elisala

That Council adopt revised SPO 6-Councillor Expenses Reimbursement and Facilities Provision Policy.

MOTION CARRIED



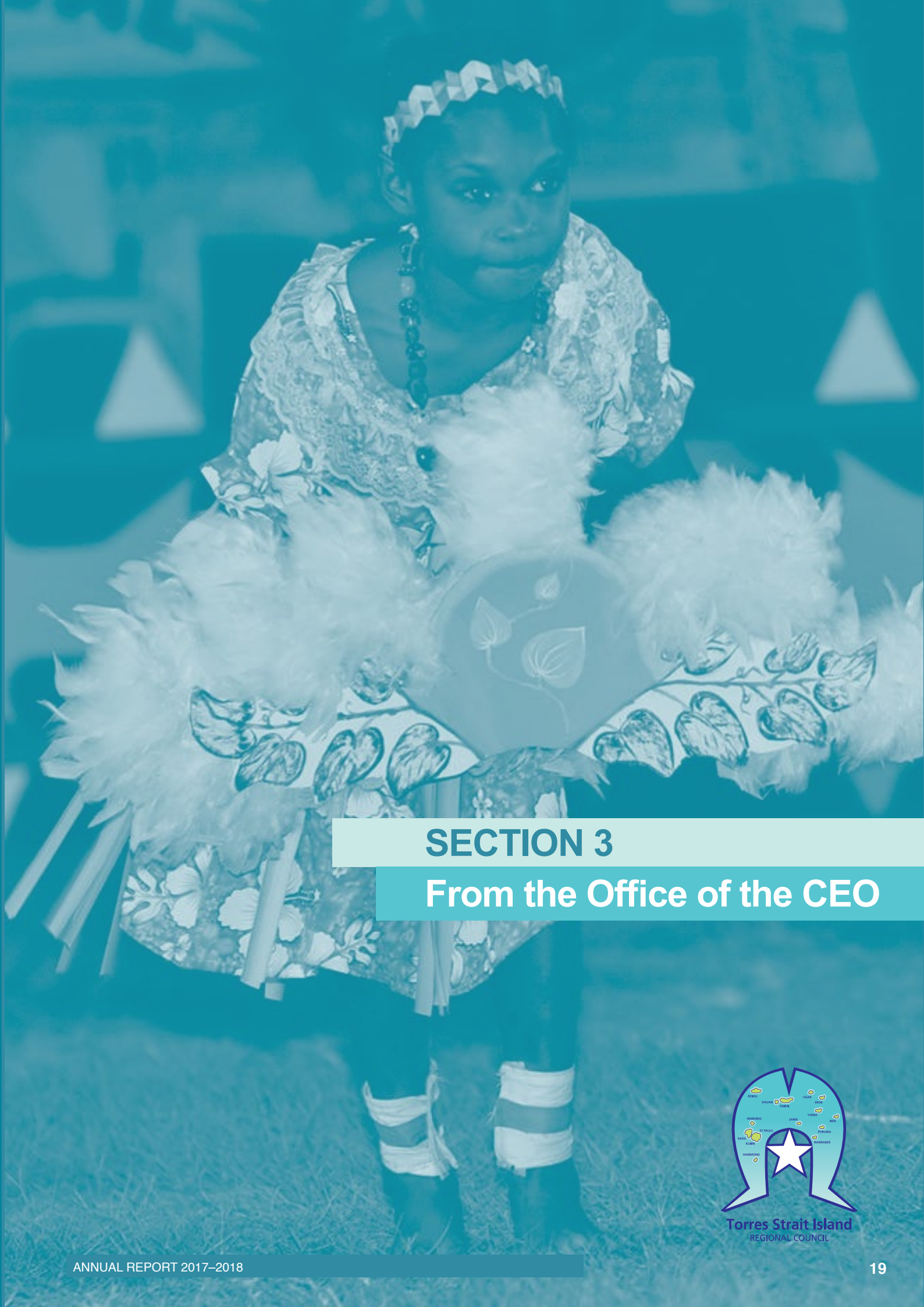
Valuation of non-current physical assets (section 260(2))

Council did not pass any resolutions between 1 July 2017 and 30 June 2018 to amend the set amount for each different type of non-current physical asset below which the value of an asset of the same type must be treated as an expense.

Council's non-current physical asset threshold is disclosed in note 13 of the 2017–2018 Audited Financial Statements.

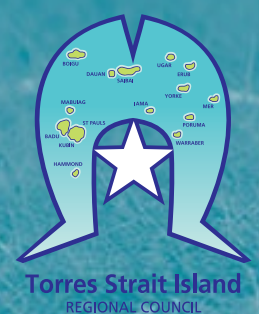






SECTION 3

From the Office of the CEO



Message from the CEO



Bruce Ranga
Chief Executive Officer

Firstly I would like to acknowledge the true custodians of the lands we serve across the length and breadth of Zenadth Kes. The Maluilgal nation in the Western Cluster, Guda Maluilgal nation in the top Western Cluster, Kemer Kemer Meriam nation in the far Eastern Cluster, Kulkalgal nation in the Central Cluster and Kaiwalagal Kaurareg Aboriginal nation in the Inner Island Cluster. I acknowledge and pay my respects to Elders past and present and our future elders emerging.

It has been just over a year since I took up the challenging but incredibly rewarding job as CEO of this Council and on behalf of myself, my wife and family I wish to thank all of you for the hospitality and warmth you have given to us the length and breadth of Zenadth Kes.

The themes for our Council's 2014 – 2019 five-year strategic plan were threefold: **Art, culture, people – environment – economic participation**. These are the three themes that have informed my first 12 months as CEO.

Council's strategic plan is our road map that outlines our vision for the future of the region. A future where Ailan Kastom continues to be embraced and preserved for our children, whilst health and environmental management are top priorities for the wellbeing of our people. Equally important, it outlines a strong strategic focus on sustainable economic development and community growth. Regional economic growth can only be sustained through the establishment of community-based industries.

In a nutshell, the past 12 months has been a united effort to ensure that these words, and the three themes in the five-year plan, guide our work, while doing more with less to become more sustainable and deliver those savings back to our communities on the ground.

Council's challenge is to provide high quality services in one of the most remote areas in Australia, while ensuring that we attract the additional Government funds needed to meet new and sometimes unexpected challenges. We need to achieve a balance of maintaining the invaluable and ancient cultures of our people, protecting the environment which has sustained Torres Strait Islanders for thousands of years while at the same time providing better opportunities for our people to participate in the modern global economy.

It is a challenge but one that I feel proud to be part of.

So, what have Council's challenges and achievements been during the year 2017–2018?

Nothing happens in any organisation without quality, hard working staff and TSIRC is no exception so one of my key duties as CEO is to ensure we get the most from the talented people who work for us.

There's been a number of initiatives aimed at supporting staff in training and building capacity on the ground while ensuring every staff member is accountable for doing their job. These include:

- Implementing Council's direction to base as many of our workers and managers as possible in the Torres Strait. I am pleased to report that we now have 268 employees on the ground which makes TSIRC the largest employer in the region, and we continue to grow. In the past year the following jobs have been returned to the Torres Straits:
 - o Senior Executive Assistant - Hammond
 - o Local Community Disaster Coordinator – St Pauls

“our vision for the future of the region. A future where Ailan Kastom continues to be embraced and preserved for our children, whilst health and environmental management are top priorities...”

- o Administration Officer, Purchasing - Iama
- o Administration Officer, Building Services Unit – Poruma
- o Debtors Officer – Poruma
- o Administration Officer, Engineering Services (Div 1-8) – Warraber
- o Administration Officer, Engineering Services (Div 9-15) – Saibai
- o Events Officer – Poruma
- o Apprentice Coordinator/Mentor- Thursday Island

- Establishing a workplace health and safety committee with Greg Foster appointed as our Workplace Health and Safety Coordinator. This initiative will create safer working conditions and reduce injuries.
- Making sure that each staff member knows what is expected of them and that they have the capacity to meet that expectation is key to having an efficient organisation where the staff are satisfied and happy, Council has included agreed key performance indicators (KPIs) which align to each person's position description and duties. Management, supervisors and staff members will check their performance against these KPIs at regular performance reviews to ensure continual improvement.
- Developing a new corporate structure with two new senior positions reporting directly to me which will allow concentration on strategic issues so I can better steer our organisation towards Council's future vision for the Torres Strait. One is a Chief Financial Officer, and the other a Chief Operating Officer. My time will now be better spent on delivering the key objectives of sustainability, economic development, advocacy and improved services to our communities.

One of the key tasks of these new positions will be building greater efficiency; to reduce waste and costs while improving service delivery.

- Improving our corporate induction so new employees can commence with a greater understanding of and shared commitment to Council's strategic plan and vision.

In addition to these workforce initiatives we have implemented an annual risk management workshop, and integrated technological changes including risk mitigation software and establishing business continuity systems. All of these are aimed at reducing Council's risks and increasing efficiency.

Likewise, the past year has seen more effective communication and collaboration across all our business units and greater programme and project planning into the future.

With greater constraints on public spending a big part of my responsibility is to work with the Mayor and Councillors to advocate strongly for increased investment from the Queensland and Australian Governments and to scope opportunities that exist in the commercial market.

Torres Strait Islanders, like other Indigenous Australians, have long realised that every reform and every advancement must be fought for and so in the past year Council has organised numerous trips south to lobby in Brisbane and Canberra. Council has also met with Ministers and local MPs to forcefully put our case for increased investment to reduce poverty and provide a modicum of equal opportunity for our children. These lobbying delegations have resulted in substantial additional funds. Please read the Mayor's foreword for specific details on these additional funds. Another tactic for improving the standard of living for



our people is enabling people to purchase their own homes and the past year has finally realised activity around this initiative and I'm pleased to say that the home ownership program has already led to community members owning their homes on Poruma.

The ongoing problem of tenure around *The Land Holding Act* or so-called Katter leases was finally resolved this past year which will allow others to take advantage of home ownership. Please read the Corporate Services section of this annual report for more details.

Other key activities I must mention have been the ongoing partnership with State Libraries in developing Indigenous Knowledge Centres across most islands. These centres are a wonderful initiative which combine the rich cultural traditions and knowledge of Torres Strait Islanders with the latest in information and communication technology.

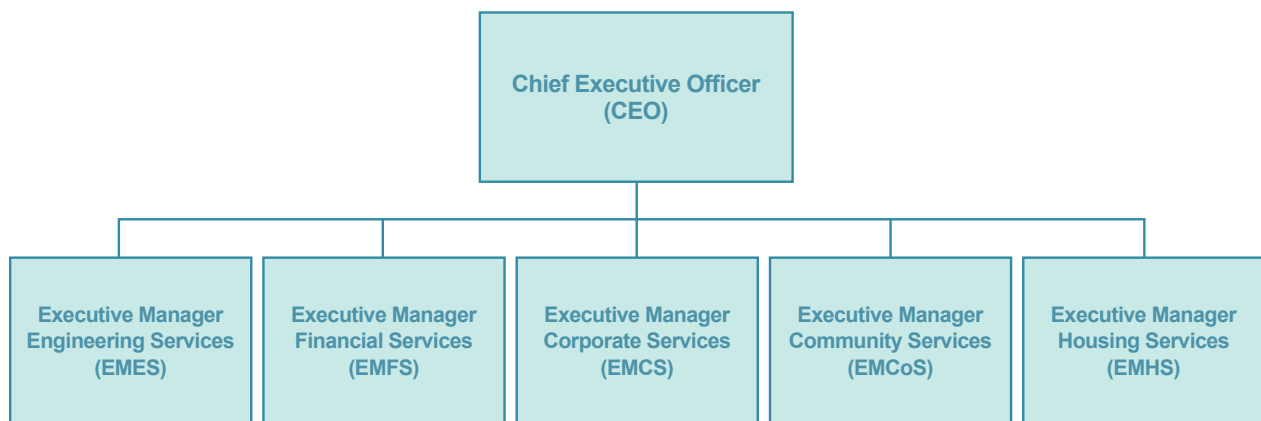
It has been a steep learning curve for me, greatly helped by our Councillors and listening to community members when visiting our island communities, an effective way of hearing from the grass roots about community priorities and increasing my own knowledge of Ailan Kastom and aspirations.

Finally, I want to send out koeyma eso, mina big eso, au esoau, thank you to our Mayor and all TSIRC Councillors and our valued staff for your dedication and hard work. I will continue to rely on your collective knowledge as I try to meet the aspirations of the people and steer this wonderful organisation towards a future as envisioned by Council's vision of empowering our people in our decision in our culture for our future.

God Bless

Bruce Ranga
Chief Executive Officer

Executive Structure



Internal Audit

This section details Council's internal audit activities for the year.

Audit Committee

In line with the requirements of the *Local Government Act 2009* and its supporting regulations, Council's Audit Committee consists of two Councillors and two external members, one of whom is the Audit Committee Chair. The two Councillor positions on the committee were held by Cr Fred Gela (Mayor) and Cr Ted Nai (Councillor for Masig). The external members of the committee were Eric Muir (also the Audit Committee Chair) and Paul Shipperley.

Evaluating Activities and controls

The Internal Audit department operates in accordance with the Internal Audit Charter and Internal Audit Procedure. It sets out the mandate, roles and responsibilities of the internal audit function. It outlines the dual reporting of Internal Audit, to the Audit Committee and to the Chief Executive Officer. Council's internal audit activities performed each year are outlined in the Annual Work Plan.

The 2017–2018 Audit Plan was endorsed by the Audit Committee in June 2017.

The internal audit department provides an independent and professional review, established to evaluate the risks and controls associated with Council's activities, processes and systems. By reviewing Council's risks, internal controls, efficiency, effectiveness, governance, performance and compliance, internal audit aims to provide assurance that the Council and its management are discharging their responsibilities effectively and efficiently.

During 2017–2018, Internal Audit issued reports or provided updates to the Audit Committee in:

- August 2017
- November 2017
- February 2018
- April 2018
- May 2018
- June 2018

Report on the 2017–2018 Operational Plan

The Council has adopted an Operational Plan that specifically addresses the core functional components of its vision. The Operational Plan as adopted identifies outputs, activities and performance measures.

The hierarchy of planning documentation requires that the Operational Plan specifically address the Corporate Plan. Council's Operational Plan links with outcomes in the Corporate Plan and delivers on specific strategies mentioned in the Corporate Plan. Due to the fact that the Operational Plan is both qualitative and quantitative in nature, it is difficult to assess the Operational Plan in number terms. Many of the outputs in the Operational Plan are ongoing in nature. Reviews of the Operational Plan are provided to Council quarterly. The 2017–2018 Operational Plan was adopted by Council in June 2017 as follows:

9:28am-9:00am

Operational Plan 17/18

RESOLUTION

Moved Cr Bosun; Seconded Cr Tamu

That pursuant to section 174 (1) of the Local Government Regulation 2012 (Qld), Council adopt the Annual Operation Plan for financial year 2017-2018 as presented.

MOTION CARRIED

Then in December 2017, the Operational Plan was amended.

6. 9:40am-9:45am

CORPORATE - Amended Annual Operational Plan 2017/18

AEMCS spoke to this report. The purpose of this report is to present the proposed Amended Annual Operational Plan for financial year 2017-2018 for adoption by Council.

Pursuant to section 174 of the Local Government Regulation 2012 (Qld), Council must prepare and adopt an annual operational plan for each financial year. Council must discharge its responsibilities in a way that is consistent with its annual operational plan and may, by resolution, amend its annual operational plan at any time before the end of the financial year.

The annual operational plan must -

- (a) be consistent with Council's annual budget; and*
- (b) state how Council will-*
- (i) progress the implementation of the 5-year corporate plan during the period of the annual operational plan; and*
- (ii) manage operational risks; and*
- (c) including an annual performance plan for each commercial business unit of Council (as detailed in section 175 (2)).*

RESOLUTION:

Moved: Cr Nona Second: Cr Kaigey

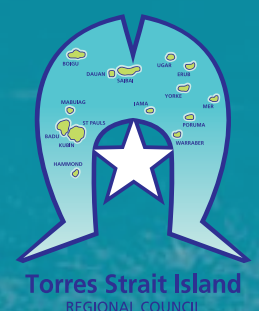
That pursuant to section 174(1) of the Local Government Regulation 2012 (Qld), Council adopt its Amended Annual Operational Plan for financial year 2017-2018, as presented.

MOTION CARRIED



SECTION 4

Executive Reports



Torres Strait Island
REGIONAL COUNCIL

Health and Community Services

Health and Community Services

Council's Health and Community Services Department role is to develop, manage and deliver a broad range of community and public health services that meet the needs of all sectors of the communities we serve. In the 2017–2018 financial year the department's priority was to provide improved service delivery across a broad range of programs including animal management programs, aged-care services and delivery of sustainable healthy lifestyle programs.

Aged Care

TSIRC's aged-care program provides services to the aged, elderly and people with disability of all ages to assist them to continue living at home. Aged care support services include domestic assistance, personal care, respite, social support, transport, client care coordination, equipment use and home modifications. During the 2017–2018 financial year the Manager Community Services and six aged-care workers successfully completed Cert III in Individual Support through TAFE North Queensland.

Child Care

Council's Early Childhood Services provide high-quality child care for very young children aged up to 3.5 years at Aragon Child Care Centre on Badu Island and school-aged care for children at the Hammond Island After School Care Centre.

In the Early Childhood Services Program there are 14 early childhood educators within the following services that is provided to the constituents of TSIRC on Badu and Hammond:

- Child Care Badu Island
- After School Care Hammond Island
- Vacation Care Hammond Island

As part of professional development, capacity building and in-house training for TSIRC's early childhood educators, a number of educators have been enrolled in the Diploma in Early Childhood and Care.

Council's Early Childhood Educational Programs work with families to develop age-appropriate educational programs in accordance with the early years learning framework – Being, Belonging, Becoming (Child Care) My Time, Our Place (School Age Care).

Consultation on the childcare feasibility study is completed and a report with findings will be presented to Council in November 2018 for consideration.

Health and Wellbeing

The 2017–2018 Health and Wellbeing program focused on creating sustainable programs in the communities and empowering community capacity building to community members to gain skills in delivering active sustainable programs. Council's Health and Wellbeing program successfully delivered after-school programs for kids in communities as part of funding received from Torres Strait Youth & Recreational Sporting Association Inc.

In 2017–2018, TSIRC partnered with QRL and NRL to deliver the league tag program to the communities of St Pauls, Boigu, Warraber and Mer. The program consisted of league tag safe league course, coaching and refereeing, and skills and drills to community members. It also delivered the colour-run in communities aimed at inspiring people to take up walking as a healthy choice habit.

Continued funding from Department of Prime Minister and Cabinet for the Torres Strait Youth & Recreational Sporting Association Inc. has been confirmed for 2018–2019 financial year.

The Healthy Lifestyle Officers successfully completed a B-Strong Aboriginal and Torres Strait Islander Brief Intervention Training Program in partnership with Menzies School of Health Research on Masig.

Indigenous Knowledge Centre

TSIRC has worked in partnership with State Library Queensland for the delivery of Programs through the 10 Indigenous Knowledge Centre (IKC) sites. Council successfully delivered and implemented the Ideas Box (Mobile Library) on Mer and Masig from August 2017 to June 2018.

The First 5 Forever program was reviewed and developed to be more culturally appropriate and to improve accessibility for community members. The program was then delivered in the community, with Masig becoming the first community to host a First 5 Forever through the Ideas Box.

Council was also successful with funding from TSRA to develop a Sing Strait Style program. The aim was to record 10 nursery rhymes in traditional language. Songs were recorded by community members from various islands.

Tech Savvy for Seniors was also available at the IKC and Ideas Box. Healthy Lifestyle Officers visited communities of St Pauls, Kubin, Iama, Warraber, Poruma and Hammond to deliver this program to Elders. Deadly Digital, a community-based telecommunication program provided by State Library, was delivered to communities of Mabuig, Hammond and Poruma.

Council was approved for three-year funding (2018–2021) from State Library Queensland to continue employment of Multi-Skilled Administration Officers to deliver programs within the IKCs.

Environment and Health

Council delivers environmental health and animal management services throughout the local government area under the Aboriginal and Torres Strait Islander Public Health Program with assistance through funding by the Queensland Government.

Council was also successful in securing five-year funding for the Public Health Program up to June 2022.

Council currently employs a team of 21 staff to deliver Environmental Health services to the community. Some key areas of service delivery include:

- Animal management
- Food safety and awareness
- Health promotion
- Compliance and enforcement
- Pest management

The Environmental Health Program prioritises capacity building and professional development of its environmental health employees through mentoring, tertiary education, and in-house training.

In September 2017, Environmental Health Workers (EHWs) successfully completed Cert IV in Animal Control and Regulation. Two EHW's commenced their Cert III in Indigenous Environmental Health in August 2018.





Divisional Administration

In June 2018, Council's Health and Community Services Department was given the responsibility for divisional administration. Divisional administration is responsible for delivery of efficient customer services for our divisional offices. In 2017–2018, Council employed the following staff within the divisional administration.

- 3 Regional Managers
- 14 Divisional Managers
- 1 Senior Multi-Skilled Administration Officer
- 23 Multi-Skilled Administration Officers
- 19 Cleaners

The administration staff provides a range of administrative and essential services and support for our community members, including:

- Local Fare Scheme
- Department of Human Services
- Australia Post services
- Prescribed Activity Permits
- Management of accommodation facilities
- Facilitating community and regional grants
- Indigenous Knowledge Centres
- Helicopter subsidy
- Traditional visitors permits and passes
- Community engagement through information sessions and community meetings

Engineering Services

This year has seen great outcomes in terms of securing infrastructure funding, particularly in the water and wastewater areas, with over \$50M in funding secured for vital infrastructure renewals. The engineering team has worked very closely with the advocacy team to lobby for funding, and this along with our demonstrated capacity to delivery has led to a significant pipeline of projects which will also bring employment and economic outcomes to the region.

Many water and wastewater projects have been undertaken, including Saibai reservoir tanks and improvements to the wastewater plants such as at Iama, Mer and Boigu.

The engineering civil crew undertook training in fence installation and this has paid off with all landfills and other miscellaneous fencing projects completed, and numerous other funded projects to continue over the next year.

The Boigu stage 1 seawalls project was completed and has led to far greater protection in the barge ramp and desalination intake area, along with the bund area along the west of the community to the airstrip. Council also secured funding for additional coastal protection works for Poruma (Coconut Island), which was underway this year and will be completed before the next wet season.

Council's Disaster Management Group has been assisting community and protecting assets due to two significant weather events: one in late January, and then in March the effects of Cyclone Nora. Significant damage was felt at Iama due to coastal inundation and storms, and other communities such as Saibai, Boigu and Poruma also experienced some significant impacts.

The weather events led to Council receiving significant funds for road and wharf repairs, which will take us through to the New Year to complete due to the extent of works required. This includes the replacement of the Dauan Pontoon Marine structure.

Council has been working closely in partnership with the Tropical Public Health Service (Cairns) in the rollout of the Safe and Healthy Drinking Water in Indigenous Local Government Areas Project. The project is a new approach to building the capacity of Indigenous water operators to ensure the ongoing safety and quality of water supplied. Through additional State funding, significant improvements in water disinfection technology and infrastructure are being achieved in conjunction with the capacity-building project. The success of the project has meant that it is now being replicated across other Indigenous councils in Queensland.

While this year has been a success in terms of completion of important infrastructure projects and in securing funds for further projects, Council is concerned that there is still much more to do to provide residents with safe environments, clean drinking water and good training and employment opportunities. TSIRC will continue to lobby and advocate hard with both the Queensland and Federal Governments for the funds to achieve these outcomes.



Housing Services

Tenancy Management

Council provides social housing to 900 households across the Torres Strait. The Housing Services Department delivers tenancy management including rent collection, repairs and maintenance, upgrades and new housing construction.

In the year ending 30 June 2018, Council's Housing Services Department achieved the following milestones:

- Council won the Local Government Managers Australia (Queensland) Award for "Doing More with Less".
- Council achieved registration as a community housing provider under the Queensland State Regulatory System for Community Housing. Becoming a registered provider is one of the conditions of Council's funding agreement with the Department of Housing and Public Works. More importantly, it is national recognition that Council is a fully functioning housing provider delivering a service to its tenants at the standards set at a national level.

To register as a provider, Council was required to demonstrate that it met performance outcomes for:

- Tenants and housing services
 - Housing assets
 - Governance
 - Probity
 - Management
 - Financial viability
- Council increased the overall annual rental collection rate by 13.75%. The increased collection rate is a reflection of the Housing team's dedication to tenancy management processes that are supported by a strong policy and procedural framework.
 - Council continued to engage with tenants through community forums. The Housing team has delivered over 20 information sessions across the divisions over the year, increasing tenant knowledge and understanding of their rights and responsibilities.

- Council improved the team's capability through the sharing of knowledge and making processes transparent.
- Council modelled decision-making on improved access to financial data, linking to asset management plans and levels of funded asset maintenance.
- Council proactively managed its rental debtors through lawful, ethical and culturally sensitive approaches to the recoupment of debts.

Building Services Unit

Our Building Services Unit (BSU) team sits in the Housing Services portfolio and maintains social housing and buildings in our communities.

BSU also manages new house construction and infrastructure enhancements, such as domestic water supply compliance upgrades, septic upgrades and extensions to water and sewer mains to service previously un-serviced house lots.

In the 2017–2018 financial year, BSU completed 6,607 repairs and maintenance jobs across all communities, as follows:

- 1,925 within the Eastern Cluster
- 2,155 within the Central Cluster
- 2,527 within the Western Cluster

In addition to repairs and maintenance, BSU completed \$17.2M worth of housing upgrades and disability modifications, driveways and other structural improvements.

Corporate Services

This year, Council made strong progress in the home-ownership space.

Council has long advocated for the State to grant the region's 177 outstanding valid Katter leases as soon as possible. In February 2018, the Supreme Court of Queensland confirmed the decision made by the Queensland Land Court in April 2017: that the State can grant a 'Katter' lease under the *Aboriginal and Torres Strait Islander Land Holding Act* through a native title process that does not require an Indigenous Land Use Agreement. This court decision led to two Katter leases being granted at Hammond Island (Kirriri) in May 2018, the first perpetual leases to be granted in Torres Strait since the introduction of the 2013 *Land Holding Act*.

In May 2018, Council and the Queensland Government started rolling out home-ownership consultations across the communities where Council holds land in trust. This project aims to finalise valid Katter lease entitlements in our region as well as informing communities of their home-ownership options.

In April 2018, Council transferred ownership of five rental properties at Poruma to families that have expressed their interest and have accepted the responsibilities that come with being a private home-owner. These house transfers represent the very first rental property divestment to private home-ownership in many years.

Another milestone was the start of native title consultations for a proposed 'Infrastructure and Housing Indigenous Land Use Agreement' (ILUA) for each of the thirteen outer islands in the Torres Strait. The proposed ILUA is the result of extensive discussions over several years and is designed to streamline the native title consent process and cultural heritage process for future infrastructure, home-ownership, housing renovations and land transfers.

It is an exciting time for native title and home-ownership in Torres Strait.

Financial Services

In the year ending 30 June 2018, Council improved its decision-making capability by adopting financial dashboards for management. This provides better access to financial data and in turn improves knowledge-sharing and transparency. The development of real-time financial dashboards provides accessible snapshot information and the ability to 'drill down' to additional levels of data. This enhances the visibility and provides greater understanding of Council's operations.

Council's Financial Services Department continued scenario-based modelling and linking to Asset Management Plans. For example, we modelled Council's tenancy management function to analyse Council's transition to community housing provider status, and considered different levels of funded asset maintenance. This process assists Council to determine what operational activities will result in improved sustainability over the long term.

We also saw improvement in Council's debt collection effectiveness.

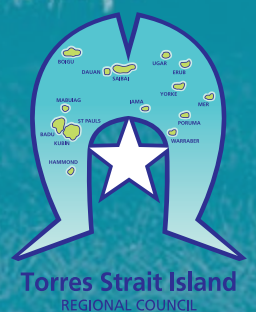
For more information about Council's financial performance and financial position please refer to the Community Financial Report.





SECTION 5

Disclosures



Background

The Annual Report describes Council's achievements, performance and financial position for the past financial year. It also discloses a body of governance and statutory compliance material.

Council is committed to transparency, openness and accessibility.

Councillor Complaints and Recommendations

<i>Local Government Act 2009 (Qld)</i>	Completed	Refers to
Total number of orders and recommendations made under section 180(2) or (4) of the Act:	Nil	Disciplinary action (misconduct)
Total number of orders made under section 181 of the Act:	Nil	Disciplinary action (inappropriate conduct)
The total number of complaints about the conduct or performance of Councillors for which no further action was taken under section 176C(2) of the Act:	3 (including one by regional conduct review panel)	No further action (frivolous, vexatious or lacking in substance)
The number of complaints referred to the department's Chief Executive under section 176C(3)(a)(i) of the Act:	Nil	Referral to Department's CEO – complaint about conduct of Mayor/ Deputy Mayor
The number of complaints referred to the Mayor under section 176C(3)(a)(ii) or (b) (i) of the Act:	2	Referral to Mayor – complaint about conduct of Councillor other than Mayor/ Deputy Mayor
The number of complaints assessed by the Chief Executive Officer under section 176C(4)(a) of the Act:	Nil	Misconduct – referred by CEO to Department's CEO
The number of complaints assessed by the Chief Executive Officer as being about corrupt conduct:	2	Corrupt conduct
The number of complaints heard by a regional conduct review panel:	Nil	Heard by regional conduct review panel
The number of complaints heard by the Tribunal:	Nil	Heard by tribunal
The number of complaints to which section 176C(6) of the Act applied:	1	Other matters - dealt with in another way

Administrative Action Complaints

Council is committed to dealing fairly with administrative action complaints. An “administrative action” complaint is a complaint about action or inaction taken/failed to be taken by Council.

Council's Complaint Management Policy (SPO9) and Procedure (SPO9-PR1) were authorised on 28 March 2017. In November 2017, Council authorised a customised Housing Complaint Management Policy, which dovetails with Council's Complaint Management Policy and Procedure. A Council officer undertook training in public interest disclosures in June 2018.

The Complaint Management Policy and Procedure will be revised when legislative changes regarding Councillor conduct complaints come into effect later in 2018. From then on, all complaints about Councillor conduct will be referred to the Independent Assessor.

The Chief Executive Officer reports to Council annually regarding complaint management. This process identifies and analyses any complaint trends and significant issues, and any recommendations for improvement, to ensure that Council deals with complaints in line with best practice.

Administrative action complaints under section 187 of the <i>Local Government Regulation 2012</i> (Qld)	Number	Refers to
The number of administrative action complaints made to the local government	15	Administrative action complaints made
The number of administrative action complaints resolved by the local government under the complaints management process	9 (plus 4 from previous years)	Administrative action complaints resolved
The number of administrative action complaints not resolved by the local government under the complaints management process	6 (plus 2 from previous years)	Administrative action complaints unresolved
The number of administrative action complaints not resolved by the local government, that were made in a previous financial year	2 (under referral investigation)	Administrative action complaints unresolved

Public Sector Ethics Act 1994 (compliance with section 23)

This statement gives details of the action Council has taken in relation to Codes of Conduct, education and training on Codes of Conduct, and how Council's procedures and practices reflect the Queensland public sector ethics principles.

Council's Code of Conduct (PO2-PR1) applies to all employees, Councillors, contractors, consultants, agents and assigns of Torres Strait Island Regional Council. The Code of Conduct, originally adopted in 2014, was reviewed this year and authorised on 30 June 2018.

Our induction for new employees includes training and education in the local government principles set out in section 4(2) of the *Local Government Act 2009* (Qld) and the ethics principles set out in section 4(2) of the *Public Sector Ethics Act 1994* (Qld). Council employees have access to the Code of Conduct on Council's corporate intranet, and employees received online Code of Conduct refresher training in June 2018.

The induction of the new Council following the 2016 quadrennial election included Councillor conduct training. Councillors receive additional training on request or in response to an identified need (such as legislative changes to the Councillor conduct regime).

All of Council's policies and procedures reflect Council's commitment to Queensland's public sector ethics principles and local government principles. Our administrative procedures and management practices also have due regard to the ethics principles, local government principles and Council's Code of Conduct.

Special Rates and Charges

During the 2017–2018 financial year, Council did not levy any special rates or charges.

Concessions for Rates and Charges

During the 2017–2018 financial year, Council did not have any concessions for rates and charges.

Invitations to change Tender

During the 2017–2018 financial year, there were no invitations to change tenders under section 228(7) of the *Local Government Regulation 2012* (Qld).

Registers kept by the Torres Strait Island Regional Council

The following registers are held by Council:

- Register of Councillors
- Delegations Registers
- General Complaints Database
- Land Record
- Local Laws Register
- Lost and Stolen Property
- Cat and Dog Register
- Register of Fees and Charges
- Register of Electoral Gifts
- Register of Gifts
- Road Map and Register
- Right to Information Database
- Beneficial Enterprises
- Interests Register
- Assets Register
- Pre-qualified Suppliers
- Preferred Suppliers

Summary of Investigation Notices

During the 2017–2018 financial year, Council did not receive any Queensland Productivity Commission notices of investigation under section 49.

During the same period, Council did not receive any Queensland Productivity Commission recommendations on any competitive neutrality complaints under section 52(3).

Beneficial Enterprises

Council does not have any beneficial enterprises.

Significant Business Activities

Council does not have any significant business activities.

Overseas Travel

During the 2017–2018 financial year, no overseas travel was undertaken by Councillors or employees of Council in an official capacity.

Senior Management Remuneration

Senior management remuneration is reported in accordance with section 201 of the *Local Government Act 2009* (Qld).

The following table shows the range of total remuneration packages for the 12-month period from 1 July 2017 to 30 June 2018 provided to Council's senior management.

Remuneration Package Band	In Band
\$50,000 - \$150,000	1
\$150,001 - \$250,000	3
\$250,001 - \$350,000	2
Total Remuneration of Senior Management	\$1,344,113

Remuneration package includes employer superannuation contribution, termination payment and annual and long service leave paid out during the period.

There was movement within Council's executive team structure during the 2017–18 year. As at 30 June 2018 the executive team structure consisted of six members including the Chief Executive Officer.





SECTION 6

Expenditure on Grants or Donations to Community Organisations





The annual report for a financial year must contain a summary of the local government's expenditure for the financial year on grants to community organisations and expenditure from each Councillor's community fund.

Council has a commitment to facilitate the building of strong, vibrant, and robust communities. To assist in achieving this goal, Council's grant programs provide financial and in-kind assistance to community-based groups, individuals and organisations that are providing programs, activities, events and projects that enrich the diversity of cultural, social, sport and economic development opportunities available to the residents of the Torres Strait Island Regional Council region.

In the 2017–2018 financial year, Council provided funding to the community via the following programs:

- Regional Grant
- Community Grant
- Funeral Donation

Expenditure on Grants or Donations to Community Organisations

Regional Grants		
Organisation/Individual	Purpose of Grant or Donation	Amount
Dogai Malu Dance Team	Contribution towards materials and costumes for dance team	\$2,500.00
Iama Youth Group	Contribution towards groceries and materials for a Family Fun Day	\$2,500.00
Arkai Brothers RLFC Sporting Association	Contribution towards travel costs for team to attend the Zenadth Kes Torres Cup on Thursday Island	\$2,500.00
Buthu Lagau Saral TSI Corporation	Contribution towards travel costs for dancers to participate in Urab Dance Tour in Townsville	\$2,500.00
Church of the Rock Ministry	Contribution towards hosting church rally between 27-30th September	\$2,000.00
Dhadhin Geai Warriors	Contribution towards travel and accommodation to attend the Indigenous Murri Carnival in Brisbane	\$2,500.00
Dhadhin Geai Warriors	Contribution towards attending Rugby League Festival in Sydney	\$2,500.00
Dhadhin Geai Warriors	Contribution towards attending the Island of Origin on Badu - 27th to 29th July 2018	\$1,500.00
Erub Bid Touch Football Club	Contribution towards purchasing trophies for the 2017 Daisy Mye Sporting Carnival	\$2,500.00
Iama Kurrs Touch Football Club	Contribution towards attending the Battle of the Island tournament on Thursday Island - 3rd to 7th May 2018	\$2,500.00
Karl Dai	Contribution towards attending the Police Rugby League Competition in Toowoomba	\$500.00
Kearney Binawel	Contribution towards attending the Police Rugby League Competition in Toowoomba	\$500.00
Mulga Rugby League Football Club	Contribution towards buying jerseys for players competing in the Torres Strait Cup 2017	\$2,500.00
Mulga Tigers Rugby League Football Club – Junior's Team	Contribution towards purchasing new equipment and gear for the team	\$2,500.00
Mulga Tigers Rugby League Football Club – Senior Men's team	Contribution towards purchasing new equipment and gear for the team	\$2,500.00
Mulga Tigers Rugby League Football Club – Women's Team	Contribution towards purchasing new team jerseys	\$2,500.00
RaW Fitness Productions TSI	Contribution towards the "Active Badu Community" program	\$2,245.03
Eakalasia Wakai (Saibai Island Choir Groups)	Contribution towards purchasing musical instruments	\$2,500.00
Boigu Island Group of Cairns	Contribution towards materials and costumes for traditional dancing at the Commonwealth Games event in Cairns	\$2,500.00
Boigu Island Group of Cairns	Contribution towards travel expenses to Cairns for elders and community members to assist with the preparation of costumes for traditional dancing at the Commonwealth Games event	\$2,500.00
Poruma Ngurpay Lag	Contribution towards purchasing iPads for student's to utilise to access online learning resources	\$2,500.00
Tagai State School - Darnley Island Campus P&C	Contribution towards travel expenses to attend the World Indigenous Peoples Conference in Toronto	\$2,500.00
Barry Nona	Contribution towards attending the Police Rugby League Competition in Toowoomba	\$500.00
Voice of Many Waters Choir	Contribution towards purchasing shirts and musical instruments for the choir	\$2,500.00
Waibene Netball Club	Contribution towards travel and accommodation for players to participate in the Sharon Finnan Development Cup	\$2,500.00
Waibene Netball Club	Contribution towards travel and accommodation for players to participate in the Sharon Finnan Development Cup	\$2,500.00
Warraber Sports Club	Contribution towards travel, accommodation and food costs to participate in Dan Ropeyarn Rugby League Carnival 2017	\$2,500.00
William Akee	Contribution towards tools and materials for arts and crafts event at the Parish of St James Church.	\$203.00
Total		\$59,948.03

Mayor - Fred Gela		
Organisation/Individual	Purpose of Grant or Donation	Amount
80th Anniversary of First Councillors Meeting Masig Community Celebrations	Contribution towards fireworks display	\$461.24
Basalaya Kwaya	Contribution towards charter flight for tombstone opening	\$2,500.00
Dauan Ngurpay Lag	Contribution towards Dauan Year 6 Graduation	\$500.00
Hammond Christmas Community Celebration	Contribution towards fireworks display	\$5,224.20
Ron Enosa	Contribution towards groceries for community feast recognising the Late Elder Mr Terry Waia	\$500.00
Saibai Stags	Contribution towards accommodation for the Torres Strait Cup	\$2,440.00
Various	Contribution towards sorry business	\$8,391.20
Total		\$20,016.64

Division 1- Boigu		
Councillor Dimas Toby		
Organisation/Individual	Purpose of Grant or Donation	Amount
80th Anniversary of First Councillors Meeting Masig Community Celebrations	Contribution towards fireworks display	\$461.25
Blood Covenant Ministry	Contribution towards Church Dedication Day	\$2,000.00
Boigulgal of Cairns	Contribution towards New Year Day event	\$2,040.00
Church of St Saviour	Contribution towards groceries for the youth activities event held on 28 & 29 July	\$500.00
Church of St Saviour	Contribution towards supplies for the Youth Camp	\$500.00
Cr Dimas Toby on behalf of Boigu Community	Contribution towards meeting with Boigu community members to discuss dancing for Commonwealth Games	\$282.00
Eakalasia Wakai Choir Groups	Contribution towards the purchase of musical instruments for choir groups	\$500.00
Fred Anau	Contribution towards New Year Day celebrations at Boigu	\$1,500.00
Gada Waireg	Contribution towards 1st Christmas Party (Cultural Event) for the Late Mrs Bakar Waireg	\$1,000.00
Goshen Ministry International Outreach Church	Contribution towards Annual Church Conference at Boigu	\$2,000.00
Malu Kiyay Ngurpay Lag	Contribution towards 2017 NAIDOC celebrations	\$864.02
Selina Toby & Smith Banu	Contribution towards Greg Toby attending the Australian Boxing Championships	\$1,500.00
Stephanie Pabai	Contribution towards travel expenses for the Boigu touch football team to attend carnival on Badu	\$1,000.00
Tagai State College	Contribution towards Mlu Kyay Ngurpay Lag graduation ceremony	\$1,000.00
Various	Contribution towards sorry business	\$4,977.00
Total		\$20,124.27

Division 2 - Dauan		
Councillor Torenzo Elisala		
Organisation/Individual	Purpose of Grant or Donation	Amount
80th Anniversary of First Councillors Meeting Masig Community Celebrations	Contribution towards fireworks display	\$461.25
Abi Mooka on behalf of the Dauan Community	Contribution towards Dauan Community Agency meeting	\$213.95
Abi Mooka on behalf of the Dauan Community	Contribution towards community New Year celebrations	\$651.43
Abi Mooka on behalf of the Dauan Community	Contribution towards community supper for ANZAC Plaque presentation.	\$127.99
Dauan Ngurpay Lag	Contribution towards Year 6 graduation	\$500.00
Dhogai Malu Dance Team	Contribution towards dance team shirts	\$3,212.00
John Mooka	Contribution towards travel for the United Pentecostal Rally	\$1,418.75
Parish of the Ascension	Contribution towards Church events	\$1,500.00
Parish of the Holy Trinity Church Saibai Island	Contribution towards catering for Church Ordination	\$1,500.00
Patricia Mooka	Contribution towards travel for the United Pentecostal Rally	\$1,418.75
Thomas Gaidan	Contribution towards charter flights for cultural celebrations	\$2,000.00
Various	Contribution towards sorry business	\$6,812.00
	Total	\$19,816.12

Division 3 - Saibai		
Councillor Keri Akiba		
Organisation/Individual	Purpose of Grant or Donation	Amount
80th Anniversary of First Councillors Meeting Masig Community Celebrations	Contribution towards fireworks display	\$461.23
Getano Lui (Jnr)	Contribution towards charter flight for cultural event	\$2,000.00
Eakalasia Wakai Choir Groups	Contribution towards purchase of musical instruments for choir groups	\$800.00
Jacob Akiba	Contribution towards charter flights for cultural event	\$1,936.23
Muyngu Koekaper Dance Team	Contribution towards 2017 NAIDOC Celebrations - Napranum Community (Dance team travel)	\$2,345.00
Parish of the Holy Trinity Church	Contribution towards Church ordination celebrations - catering	\$3,467.82
Parish of the Holy Trinity Church	Contribution towards New Year Ending celebrations	\$639.00
Polly Keppa	Contribution towards charter flights for cultural event	\$1,936.23
Rev. Stanley Marama	Contribution towards travel for August 1st Celebration	\$619.09
Yako Akiba on behalf of the Saibai Community	Contribution towards ANZAC Day celebrations	\$411.05
Yako Akiba on behalf of the Saibai Community	Contribution towards catering for Saibai Treaty community meeting	\$249.82
Saibai Stags	Contribution towards Zenadth Kes nomination fees	\$2,500.00
Various	Contribution towards sorry business	\$3,328.00
	Total	\$20,693.47

Division 4 - Mabuiag		
Deputy Mayor Keith Fell		
Organisation/Individual	Purpose of Grant or Donation	Amount
80th Anniversary of First Councillors Meeting Masig Community Celebrations	Contribution towards fireworks display	\$461.24
Bamoa Stallions	Contribution towards team expenses for the Cairns All Blacks Carnival	\$1,000.00
Cydney Repu	Contribution towards Basalaya Kwaya attending the 2018 Pentecost Festival on Kubin	\$600.00
Mabuiag Darts Committee	Contribution towards hosting the Torres Strait Darts Carnival	\$1,000.00
Mabuiag Men's Sporting Group	Contribution towards catering for the NPA Cup in Bamaga	\$3,000.00
Obadiah and Ryan Kris	Contribution towards nomination fees for the Cape Torres U15 and U18 Rugby League Team	\$500.00
Saintie Whap	Contribution towards community easter activities	\$620.62
Wagadagam Storm Football Team	Contribution towards Torres Strait Cup Carnival	\$1,000.00
Wrench Mau and Annette Fell	Contribution towards sporting fees for Naiama Niki Mau to attend the 17-18 Years Rugby Union State Championships	\$612.00
Various	Contribution towards sorry business	\$4,800.00
Total		\$13,593.86

Division 5 - Badu		
Councillor Laurie Nona		
Organisation/Individual	Purpose of Grant or Donation	Amount
80th Anniversary of First Councillors Meeting Masig Community Celebrations	Contribution towards fireworks display	\$186.25
Aragun Warriors	Contribution towards travel to the Cairns All Blacks Carnival	\$2,000.00
Badhulgaw Ngurpay Lag P&C	Contribution towards grade 6 graduation	\$1,000.00
Badu Boyzal	Contribution towards the Kuki Carnival Touch Competition	\$1,000.00
Badu Island Interagency Group	Contribution towards Miss Kay Ahmat farewell event	\$300.00
Badu United Football Club	Contribution towards team nomination fees and airfares for the Zenadth Kes Cup on Thursday Island	\$1,500.00
Badu United Women	Contribution towards the competing in the Island of Origin 2018	\$2,000.00
Bamoa Stallions	Contribution towards uniforms for the Cairns All Blacks Carnival	\$1,800.00
Dhadhin Geai Warriors Football Club	Contribution towards travel and accommodation to attend the Indigenous Murri Carnival in Brisbane	\$2,500.00
Imaygi Thayak Rugby League Football Team	Contribution towards jerseys for the Dan Ropeyarn Cup in Bamaga	\$2,500.00
Kulpiyam Youth & Sport Inc.	Contribution towards the Badu Kuki Carnival	\$1,000.00
Kulpiyam Youth & Sport Inc.	Contribution towards the Easter Basketball Tournament	\$500.00
Kulpiyam Youth & Sport Inc.	Contribution towards the Gindaja Rugby League Carnival in Cairns	\$2,000.00
Mulga Tigers Rugby League Football Club – Senior Men's team	Contribution towards competing in the Zenadth Kes Rugby League tournament	\$1,430.00
Mura Badulgal TSI Corp	Contribution towards NAIDOC celebrations on Badu	\$500.00
Patock Tamwoy	Contribution towards attending the National Touch League 2018	\$500.00
Phoebe Bowie	Contribution towards Flora Nona (Jnr) and Jeremiah Ahmat to participate in the years 11-12 girls Rugby League State Championship	\$600.00
Ranetta Nawakie on behalf of the Badu community	Contribution towards groceries for community BBQ	\$1,200.00
Rebecca Guligo	Contribution towards overseas school trip to Japan for Tilona Ahmat	\$1,000.00
Various	Contribution towards sorry business	\$900.00
Total		\$24,416.25

Division 6 - Kubin		
Councillor David Bosun		
Organisation/Individual	Purpose of Grant or Donation	Amount
80th Anniversary of First Councillors Meeting Masig Community Celebrations	Contribution towards fireworks display	\$461.25
Arkai Brothers RLFC Sporting Association	Contribution towards accommodation to attend the Zenadth Kes Cup	\$5,000.00
Bamoa Stallions	Contribution towards accommodation for the Cairns All Blacks Carnival	\$3,600.00
Dhadhin Geai Warriors Football Club	Contribution towards travel expenses to attend the Festival of Indigenous Rugby League in Sydney	\$1,000.00
Dhadhin Geai Warriors Football Club	Contribution towards sports equipment to participate in the Murri Indigenous Carnival	\$2,500.00
Josie Nawia	Contribution towards travel expenses to attend the World Indigenous Peoples Conference in Canada	\$1,000.00
Kubin Ngurpay Lag	Contribution towards car hire for Kubin Kids Connect Cairns Indigenous Art Fair Excursion	\$1,047.38
Mualgal TSI Corporation	Contribution towards catering for the Mualgal TSI Corp AGM	\$116.55
Sharon Manas	Contribution towards catering for community elder and disability clients Christmas breakoff	\$296.45
Various	Contribution towards sorry business	\$5,000.00
	Total	\$20,021.63

Division 7 - St Pauls		
Councillor John Levi		
Organisation/Individual	Purpose of Grant or Donation	Amount
80th Anniversary of First Councillors Meeting Masig Community Celebrations	Contribution towards fireworks display	\$461.24
Anita Ahwang	Contribution towards travel expenses for Taesha Ahwang - 15 Years Girls Peninsula Touch Football	\$688.00
Bamoa Stallions	Contribution towards Cairns All Blacks Carnival	\$1,000.00
Saints Ladies Volleyball Team	Contribution towards Easter Volleyball and Darts Carnival	\$648.32
St Pauls Anglican Church	Contribution towards catering for St Pauls Anglican Church Day	\$432.61
St Pauls Community members	Contribution towards travel costs for community members to attend Flag Celebrations on Thursday Island	\$3,093.27
St Pauls Ngurpay Lag P&C	Contribution towards NAIDOC celebrations	\$1,500.00
St Pauls Ngurpay Lag P&C	Contribution towards Year 6 Graduation 2017	\$4,000.00
Torres Strait Kaziw Meta Inc	Contribution towards accommodation for the Kaziw Meta dance team to participate in the Cairns Indigenous Art Fair	\$300.00
Wug Sporting Association	Contribution towards Inaugural Torres Strait Darts Tournament 2017	\$2,319.00
Various	Contribution towards sorry business	\$7,945.49
	Total	\$22,387.93

Division 8 - Hammond		
Councillor Mario Sabatino		
Organisation/Individual	Purpose of Grant or Donation	Amount
Hammond Christmas Community Celebration	Contribution towards fireworks for Hammond Christmas party	\$5,224.21
Mary Gela on behalf of the Hammond Island Community	Contribution towards catering and travel for Solomon Island Delegation welcome dinner	\$1,527.14
Muyngu Koekaper Dance Team	Contribution towards travel expenses to participate in 2017 NAIDOC Celebrations in Napranum	\$2,345.00
Muyngu Koekaper Dance Team	Contribution towards dancing at Queen's Baton Relay event	\$1,600.00
Rita Dorante	Contribution towards dancing at Queen's Baton Relay event	\$1,200.00
Ron Enosa	Contribution towards travel expenses to Cairns to record Torres Strait language church music	\$1,457.96
Various	Contribution towards sorry business	\$6,784.80
Total		\$20,139.11

Division 9 - Iama		
Councillor Getano Lui		
Organisation/Individual	Purpose of Grant or Donation	Amount
80th Anniversary of First Councillors Meeting Masig Community Celebrations	Contribution towards fireworks display	\$1,011.25
Annie Baragud	Contribution towards charter flights for cultural event	\$1,964.00
Ben Songora	Contribution towards Elder's 70th birthday celebrations	\$345.71
Iama Mura Mabaigal Association	Contribution towards repairs and maintenance of satellite dishes	\$2,917.19
Jonathan Kepa	Contribution towards charter flights for cultural event	\$1,964.00
Nancy Mari	Contribution towards charter flights for cultural event	\$1,964.00
Getano Lui on behalf of Iama Community	Contribution towards travel and accommodation costs for cultural event	\$3,244.90
Getano Lui	Contribution towards travel and accommodation due to a medical emergency of a family member	\$1,433.00
Maggie Kelly on behalf of the Iama Community	Contribution towards catering for Iama Christmas party	\$506.33
Maggie Kelly	Contribution towards charter flights for cultural event	\$1,964.00
Susan Bob	Contribution towards charter flights for cultural event	\$1,964.00
Various	Contribution towards sorry business	\$853.01
Total		\$20,131.39

Division 10 - Warraber		
Councillor Clara Tamu		
Organisation/Individual	Purpose of Grant or Donation	Amount
80th Anniversary of First Councillors Meeting Masig Community Celebrations	Contribution towards fireworks display	\$461.24
ACC Assembly of God Church	Contribution towards travel to Pentecost Church Rally on Kubin	\$1,500.00
Elizabeth Mari	Contribution towards Volleyball	\$100.00
John Larry	Contribution towards travel for Akazie, Peter and Alana Larry to attend schooling in Cairns	\$558.00
Louise Mari	Contribution towards Church Day Celebration (St Peter's)	\$1,500.00
Lui Billy	Contribution towards Inter-island Touch Football Carnival	\$500.00
Trudy Lui	Contribution towards International Women's Day Celebrations on Warraber	\$500.00
Trudy Lui	Contribution towards Indigenous Protected Area Celebration	\$500.00
Tudi Balaz Touch Football Team	Contribution towards Battle of the Islands Touch Football Carnival	\$2,500.00
Tudi Warriors Volleyball	Contribution towards accommodation for Volleyball Carnival on Warraber	\$347.73
Warraber Island Sporting Association	Contribution towards Dan Ropeyarn Sporting Carnival	\$2,000.00
Warraber Island Sporting Association	Contribution towards NPA Rugby League Carnival	\$5,000.00
Warraber Island Sporting Association	Contribution towards Inaugural Torres Strait Darts Tournament	\$1,000.00
Zogo Tudi TSI Corporation	Contribution towards Inaugural Torres Strait Darts Tournament	\$1,500.00
Various	Contribution towards sorry business	\$2,300.00
Total		\$20,266.97

Division 11 - Poruma		
Councillor Francis Pearson		
Organisation/Individual	Purpose of Grant or Donation	Amount
80th Anniversary of First Councillors Meeting Masig Community Celebrations	Contribution towards fireworks display	\$1,011.24
Australian Christian Church (Poruma Life Centre)	Contribution towards travels expenses to attend a Pentecostal conference at Kubin	\$1,867.00
Buthu Lagau Saral TSI Corporation	Contribution towards Urab Dance Tour	\$2,500.00
Dalassa George	Contribution towards "The Amazing Race" prizes	\$420.00
Gubau Zia Touch Team	Contribution towards fuel costs to attend September Sporting Carnival on Darnley Island	\$792.00
King of Zion Ministry	Contribution towards travel expenses	\$2,000.00
Kulka Balas Rugby League Club	Contribution towards materials for additional works at ANZAC monument	\$1,886.65
Kulka Balas Rugby League Club	Contribution towards Zenadth Kes Cup	\$2,500.00
Poruma Beach Volleyball	Contribution towards attendance at the Daisy Mye Sporting Carnival	\$1,500.00
Poruma Beach Volleyball	Contribution towards travel expenses for the Easter volleyball carnival	\$500.00
Mokathani Lui on behalf of the Poruma Community	Contribution towards ANZAC Day Celebrations	\$409.25
Mokathani Lui on behalf of the Poruma Community	Contribution towards catering for Australia Day sausage sizzle	\$346.55
Poruma Community Christmas Celebrations	Contribution towards Christmas lights competition prizes	\$560.00
Poruma Community Easter Celebrations	Contribution towards transportation of Elders during Easter Celebrations	\$287.28
Poruma Ngurpag Lag	Contribution towards Aboriginal & Torres Strait Islander Children's Day	\$300.00
St Andrews Church	Contribution towards catering for the annual celebration of St Andrews Church Day	\$1,054.91
Virayah Faud	Contribution towards travel and accommodation expenses for Under 12 Girls Rugby League State Titles	\$500.00
Total		\$18,434.88

Division 12 - Masig		
Councillor Ted Nai		
Organisation/Individual	Purpose of Grant or Donation	Amount
80th Anniversary of First Councillors Meeting Masig Community Celebrations	Contribution towards fireworks display	\$2,640.39
Julohn Wigness	Contribution towards travel expenses to attend the QLD Police Rugby League Carnival in Toowoomba	\$1,000.00
Linda Mosby	Contribution towards fuel and catering for the Daisy Mye Sporting Carnival	\$1,000.00
Sheena Billy on behalf of the Masig Community	Contribution towards catering for ANZAC Day Celebration	\$441.60
Masig Muisau P&C	Contribution towards books for student book fair	\$300.00
Masig Muisau P&C	Contribution towards NAIDOC Week activities	\$1,000.00
Masig Muisau P&C	Contribution towards travel expenses for Year 6 girls attending Rugby League trials on Thursday Island	\$1,000.00
Masig Stakeholders Group	Contribution towards 80th Anniversary of First Councillors Meeting celebrations	\$4,961.86
Masigalgal RNTBC	Contribution towards travel for elders to attend a language workshop on Poruma	\$2,957.88
Nazareth Pau	Contribution towards catering for Community Family Night Out	\$1,000.25
Ngametua Filitonga	Contribution towards Community Halloween Family Fun Night	\$500.00
Various	Contribution towards sorry business	\$8,506.42
Total		\$25,308.40

Division 13 - Ugar		
Councillor Rocky Stephen		
Organisation/Individual	Purpose of Grant or Donation	Amount
80th Anniversary of First Councillors Meeting Masig Community Celebrations	Contribution towards fireworks display	\$446.09
Daniel Stephen	Contribution towards catering for the Church Day of the Parish of Transfiguration	\$3,000.00
Sana and Perina Stephen	Contribution towards helicopter transfers from Ugar to Erub	\$605.00
Gednor Areg Touch Team	Contribution towards uniforms for touch teams participating in Erub Sporting Carnival	\$1,500.00
Karl Dai	Contribution towards travel expenses to attend the QLD Police Rugby League Carnival in Toowoomba	\$700.00
Saints Ladies Volleyball Team	Contribution towards travel for Easter Volleyball and Darts Carnival	\$1,500.00
Ugar Community	Contribution towards catering for blessing of Ugar Community Hall	\$999.67
Ugar Community	Contribution towards catering for Easter Community Celebrations	\$699.62
Various	Contribution towards sorry business	\$7,828.60
Yaisie Bourne	Contribution towards helicopter transfers from Ugar to Masig	\$303.33
Reginald Bourne	Contribution towards helicopter transfers from Ugar to Masig	\$303.33
William Pitt	Contribution towards helicopter transfers from Ugar to Masig	\$303.33
Danny Stephen	Contribution towards helicopter transfers from Ugar to Masig	\$303.33
Loiko Stephen	Contribution towards helicopter transfers from Ugar to Masig	\$303.34
Saimo Gisu	Contribution towards helicopter transfers from Ugar to Masig	\$303.34
Victor Morris	Contribution towards travel and accommodation due to a medical emergency of a family member	\$1,428.02
Total		\$20,527.00

Division 14 - Erub		
Councillor Patrick Thaiday		
Organisation/Individual	Purpose of Grant or Donation	Amount
80th Anniversary of First Councillors Meeting Masig Community Celebrations	Contribution towards fireworks display	\$296.23
Beulah Fellowship Church	Contribution towards Easter Church Rally	\$1,000.00
Erub Bid	Contribution towards Daisy Mye Sporting Carnival	\$1,500.00
Erubianz Volleyball	Contribution towards Daisy Mye Sporting Carnival	\$1,500.00
Erubianz Volleyball	Contribution towards Zenadth Kes Carnival on Warraber Island	\$1,000.00
John Armitage on behalf of the Erub Community	Contribution towards catering and fuel for Anglican Church Day Festivities	\$971.97
John Armitage on behalf of the Erub Community	Contribution towards catering for Community Christmas Party	\$970.39
John Armitage on behalf of the Erub Community	Contribution towards catering for Community Meeting	\$249.06
John Armitage on behalf of the Erub Community	Contribution towards fuel for Erub Arts 10 year Anniversary celebrations	\$72.00
John Armitage on behalf of the Erub Community	Contribution towards catering and fuel for Cultural Day Celebrations	\$517.98
John Armitage on behalf of the Erub Community	Contribution towards ANZAC day celebrations	\$144.31
John Armitage on behalf of the Erub Community	Contribution towards Divisional Managers Farewell Dinner	\$398.92
John Mye	Contribution towards Sailing Dingy Race - Erub/Masig	\$1,000.00
Various	Contribution towards sorry business	\$9,101.26
Total		\$18,722.12

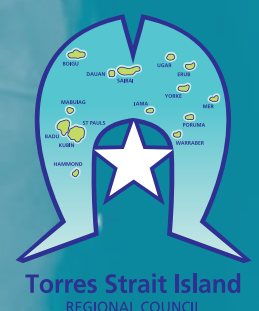
Division 15 - Mer		
Councillor Bob Kaigey		
Organisation/Individual	Purpose of Grant or Donation	Amount
80th Anniversary of First Councillors Meeting Masig Community Celebrations	Contribution towards fireworks display	\$461.28
Bob Kaigey	Contribution towards flights to Cairns	\$1,845.78
Ella Kris on behalf of the Mer Community	Contribution towards Community New Year celebrations	\$299.75
Ella Kris on behalf of the Mer Community	Contribution towards Maritime celebrations	\$599.90
Jack Mabo	Contribution towards flights to Cairns	\$1,845.79
Kay Noah	Contribution towards Yam Festival Holiday	\$594.50
Mer Island Fishermen Group	Contribution towards Charter to attend AFMA Fisheries meeting on Horn	\$2,531.00
Opped Makrems Rugby League Corp	Contribution towards Zenadth Kes Rugby Carnival	\$2,000.00
Ron Day	Contribution towards purchase of flag pole for Mer War Memorial	\$3,758.00
Rottannah Passi	Contribution towards flights for Zenadth Kes Rugby Carnival	\$1,980.00
Rottannah Passi on behalf of the Mer Community	Contribution towards ANZAC Day Celebrations	\$1,000.02
Sainty Mabo	Contribution towards flights to Cairns	\$1,845.79
Various	Contribution towards sorry business	\$8,254.77
Total		\$27,016.58





SECTION 7

Community Financial Report



This Community Financial Report shows a summary of the Financial Statements with the aim of providing understandable information to the members of our community. The use of plain language and pictorial aids, such as graphs and tables, allows readers to easily evaluate Council's financial performance and financial position.

The Community Financial Report is prepared in accordance with section 179 of the Local Government Regulation 2012. Council's full Financial Statements and accompanying notes can be found within the Annual Report. The Financial Statements have been prepared in accordance with Australian Accounting Standards and comply with the requirements of the Local Government Act 2009 and the Local Government Regulation 2012.

The Financial Statements in this report cover a 12-month period ending 30 June 2018. The Financial Statements contained in this report include:

- **Statement of Comprehensive Income** – measures how Council performed during the year. The statement displays Council's revenue and expenses with the resulting profit or loss amount known as the net result. This also displays Council's other comprehensive income.
- **Statement of Financial Position** – shows what Council owns (assets), what Council owes (liabilities) and Council's net worth (community equity). Total community equity is equal to total assets minus total liabilities. Community equity can be a reflection of how healthy the position of Council is at a given point in time. The more Council's assets exceed its liabilities, the better the position of Council.
- **Statement of Changes in Equity** – presents a summary of transfers to and from community equity accounts including retained earnings and asset revaluation surplus.
- **Statement of Cash Flows** – reports how revenue received and expenses paid impact on Council's cash balances.
- **Notes to the Financial Statements** – provide a detailed breakdown of all significant items in the Financial Statements and what these items represent.
- **Long-Term Measures of Financial Sustainability** – presents three sustainability indicators which have been set by the Department of Local Government, Racing and Multicultural Affairs to help monitor the long-term sustainability of Councils across Queensland.



Understanding Council's financial performance (Statement of Comprehensive Income)

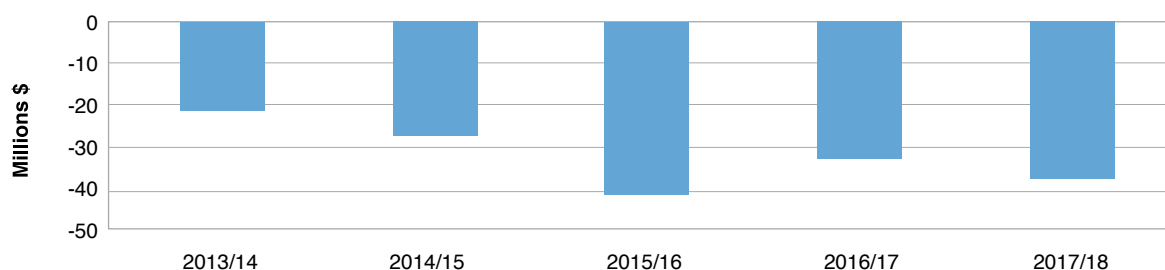
Operating position

Council's operating position reflects the Council's ability to meet its day-to-day running costs from operating revenue. This includes Council's ability to fund the future acquisition and replacement of assets.

The operating position is calculated using the formula:

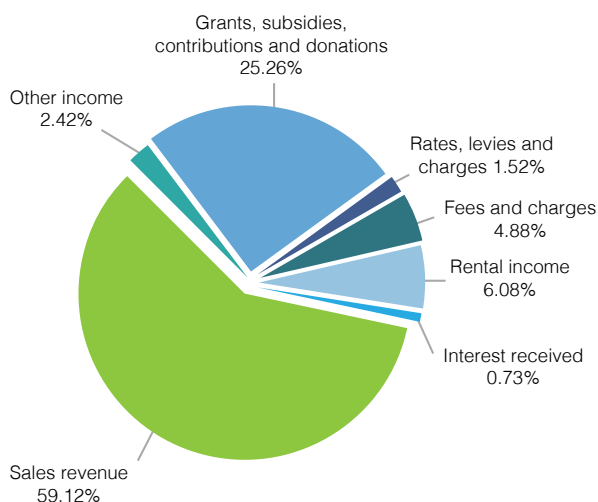
$$\text{Operating Revenue} - \text{Operating Expense} = \text{Operating Surplus (Deficit)}$$

This calculation does not include revenue or expenses for capital projects. This graph shows the operating position of Council over the past five years.

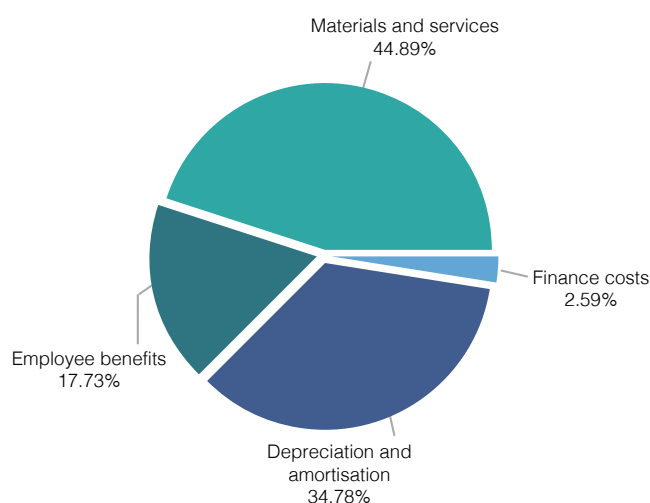


Council's operating position for the year ended 30 June 2018 is a deficit of \$36,944,692. While a negative result is not desirable, accounting depreciation has had a significant impact on Council's operating result. Accounting depreciation of \$44,953,443 has been expensed in order to account for the use or deterioration of community assets over the expected life of each asset. Council undertook a comprehensive revaluation as at 30 June 2017 which resulted in an increase in Council's asset base of \$232,477,772. The significant increase in Council's asset base coupled with minor changes in condition ratings and effective lives resulted in an increase in depreciation expense in 2017–2018.

Sources of Operating Revenue



Expenditure by Type



Council received \$92,288,171 of operating revenue during 2017–2018. Sales revenue continues to be the major source of income equating to \$54,557,125 or 59.12% of total revenue. Another significant source of revenue is grants, subsidies, contributions and donations providing \$23,311,111 of revenue or 25.26% of total revenue. The remaining operating revenue for Council is sourced from rates and charges, fees and charges, rental income, interest revenue and other income.

Council's operating expenses for the 2017–2018 financial year totalled \$129,232,863. The major expenses as depicted in the graph above are materials and services at 44.89%, depreciation and amortisation at 34.78% and employee benefits at 17.73%.

Council is actively working to reduce its operating expenditure by identifying efficiencies and ensuring value for money on purchases.

Net Result:

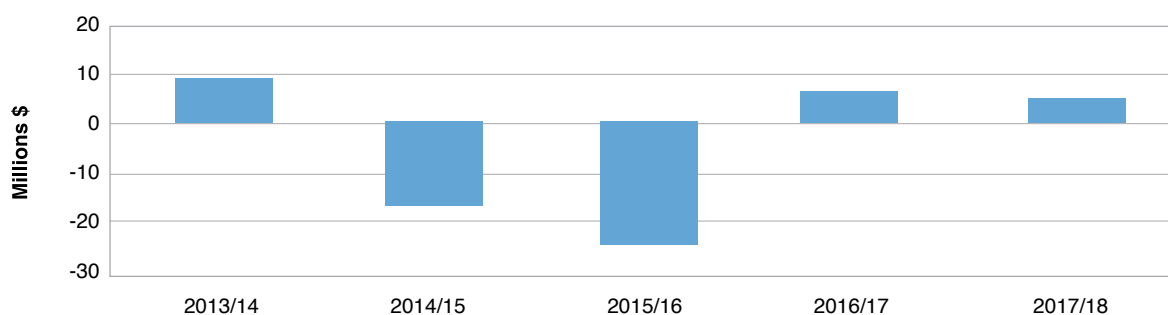
Council's net result reflects total revenue less total expenses. This includes capital revenue and expenditure, however does not include any adjustments for asset revaluations.

The net result is calculated using the formula:

$$(\text{Operating} + \text{Capital Revenue}) - (\text{Operating} + \text{Capital Expenses}) = \text{Net result}$$

The net result for 2017–2018, as reported in the Financial Statements, is a surplus of \$4,265,969. This result includes the following major items:

- \$23,311,111 of operating grants was received from various government agencies to assist with the delivery of various programs and aid with operational costs of Council service delivery. \$5,447,513 of Financial Assistance Grant funding relating to the 2018–2019 year of operations has been recorded in this year due to the early receipt of grant monies.
- \$49,420,115 of capital grants, subsidies, contributions and donations received from various government agencies to assist with providing capital infrastructure. Within this total, \$14,771,202 of community housing assets from the Department of Housing and Public Works and \$22,532 of water assets from Torres Strait Regional Authority have been accounted for as contributed assets which are reported as non-cash revenue.
- \$44,953,443 of depreciation has been recognised as a non-cash expense.



Understanding our financial position (Statement of Financial Position)

Assets: what we own

Council's assets as at 30 June 2018 total \$955,798,789. This includes \$71,842,011 of current assets (liquid assets or amounts due to be received within 12 months) and \$883,956,778 of non-current assets. The most significant component of assets is \$874,086,544 in property, plant and equipment including intangibles in our region. This is equivalent to 91.45% of total assets. During the year, a desktop valuation was undertaken which resulted in Council's asset base increasing by \$27,089,669.

Current assets consist of cash and cash equivalents, trade and other receivables, inventories and other financial assets. Non-current assets consist of property, plant and equipment, intangibles and other financial assets.

Trade and other receivables reflect outstanding housing and commercial debts payable as at 30 June 2018.

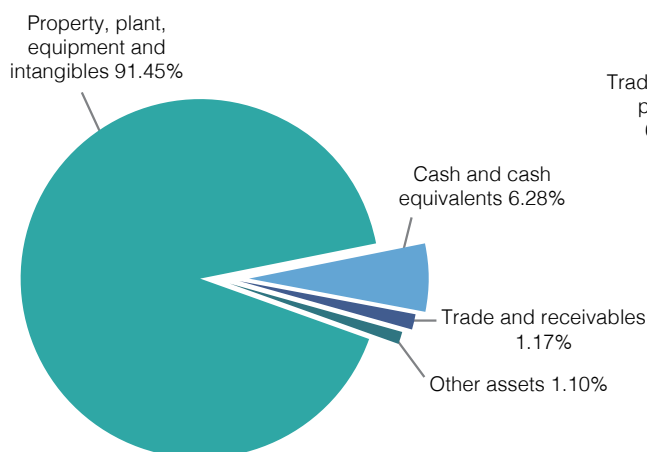
Liabilities: what we owe

Council's liabilities include loans, amounts owed to suppliers, amounts owing to employees for leave entitlements and provision for future expenditure such as landfill restoration costs. Council's total liabilities were \$16,909,958 as at 30 June 2018. This includes \$11,637,851 of current liabilities (due to be paid out within 12 months) and \$5,272,107 of non-current liabilities.

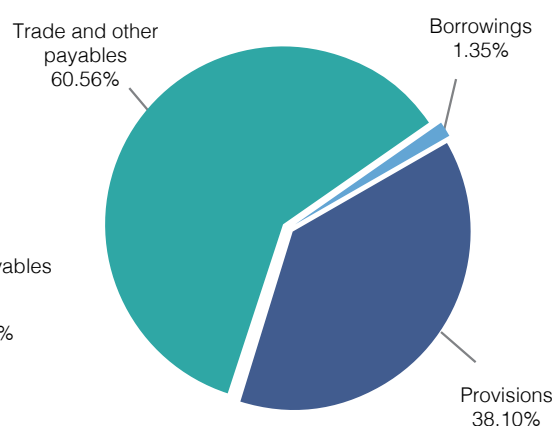
Trade and other payables represent the largest component within Council's liabilities (60.56%) and consist of trade creditors, employee entitlements, GST payable and refundable bonds.

Borrowings consist of a loan from Queensland Treasury Corporation (QTC). Council's borrowings are discussed further in the Queensland Treasury debt section.

What the community owns



What the community owes



Community Equity: net worth of council

Community equity is calculated using the formula:

$$\text{Assets (what we own)} - \text{Liabilities (what we owe)} = \text{Community Equity}$$

Council's total community equity as at 30 June 2018 is \$938,888,831. Asset revaluation surplus represents \$413,836,401 of total equity and relates to the increase in values of property, plant and equipment.

Queensland Treasury debt

Queensland Treasury Corporation is the State Government-owned lending agency from which most local governments and state agencies within Queensland borrow to finance infrastructure projects. At the end of the financial year, Council owed Queensland Treasury Corporation a total of \$227,574. This financial year, Council did not undertake any new borrowings.

Council manages its debt in accordance with its Debt Policy. The policy states:

- No use of long-term debt to finance operating activities or recurrent expenditure;
- Priority will be given in any borrowing program to income-producing assets;
- The ratio of interest and redemption to grant income should remain less than ten 10 percent.

Principal-and-interest repayments are made on these borrowings on a monthly basis in accordance with the terms and conditions set by Queensland Treasury Corporation.

Financial sustainability ratios

Responsible financial management is crucial for Council to ensure it is financially sustainable for the short, medium and long term.

The Community Financial Report contains three measures of financial sustainability used to demonstrate that Council is operating in a prudent financial manner whilst maintaining its financial management objectives in accordance with section 178 of the Local Government Regulation 2012.

The target range for the financial ratios is set in accordance with Department of Local Government, Racing and Multicultural Affairs Financial Management (Sustainability) Guideline 2013. There are circumstances specific to Council where actual results may vary from the target range.

The following table shows actual historical ratio values for the last two financial years. Forecast ratios for the next nine years are included in the Long-Term Financial Sustainability Statement contained within the audited Financial Statements.

Ratio	Description	Formula	Target Range	2016/17	2017/18	Within Range 2017/18	Explanation
Operating Surplus Ratio	This is an indicator of the extent to which revenues raised cover operational expenses only or are available for capital funding purposes.	$\frac{\text{Net result (excluding capital items)}}{\text{Total operating revenue (excluding capital items)}}$	Between 0% and 10%	-39%	-40%	X	Council has seen an increase in both income and expenditure during the year. Council received an advance payment of \$5.4M in June 2018 representing 50% of the 2018–2019 Financial Assistance Grant. Materials and services have increased in line with recoverable works revenue. Depreciation is a non-cash allocation of asset consumption of \$45M.
Asset Sustainability Ratio	This is an approximation of the extent to which infrastructure assets managed by Council are being replaced as they reach the end of their useful lives.	$\frac{\text{Capital expenditure on the replacement of assets (renewals)}}{\text{Depreciation}}$	Greater than 90%	28%	39%	X	Council is dependent on State and Federal funding for renewal of infrastructure assets. The timing of renewal programs does not coincide with the annual allocation of depreciation expense.
Net Financial Liabilities Ratio	This is an indicator of the extent to which the net financial liabilities of Council can be serviced by its operating revenues.	$\frac{\text{Total liabilities less current assets}}{\text{Total operating revenue (excluding capital items)}}$	Not greater than 60%	-33%	-60%	✓	Council has minimal liabilities as a percentage of total operating revenue.

Conclusion

During the 2017–2018 financial year, Torres Strait Island Regional Council recorded a substantial operating deficit. Operating revenue streams of Council are not adequate to cover operational costs including depreciation expense of \$44,953,443.

Taking into account capital revenue and expenses, Council's net position for 2017–2018 is a surplus of \$4,265,969. Included in this result is an advance payment from the Department Local Government, Racing and Multicultural Affairs of \$5,447,513 being 50% of the 2018–2019 Financial Assistance Grant. The above items can be found in the audited Financial Statements and the detailed notes to the Financial Statements.

Council remains committed to improving its long-term sustainability and continues to implement recommendations from Queensland Treasury Corporation's independent Strategic Financial Review of Council's governance practices, financial management and infrastructure management, which was undertaken in 2016.

Financial Management Strategy

Council has put in place a number of long-term financial planning initiatives since the time of amalgamation in 2008. These have included:

- Development and regular update of Council's long-term financial model including scenario-based and sensitivity analysis
- Divestment of non-core local government services to the community
- Implementation of a rigorous Debt Management Policy
- Identification and valuation of all Council assets
- Development of Asset Management Plans for all asset classes
- Implementation of cashless divisional offices

The Council has made further long-term financial management decisions. The long-term financial plan and subsequent strategy for Council is to:

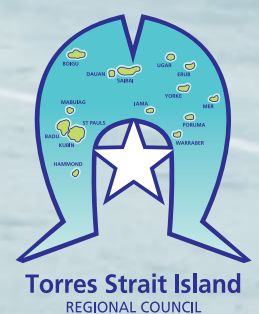
- Maximise own-source revenue initiatives including strengthening the debt recovery process
- Concentrate on delivering a surplus budget (before depreciation)
- Deliver on Asset Management Plan strategies and goals where funding allows Council to do so
- Continue to lobby Federal and State Governments to free up funds for further Asset Management Plan initiatives

The relevant measures of financial sustainability identified above have been calculated in accordance with Council's long-term financial model.

SECTION 8

Financial Statements

For the year ended 30 June 2018





Torres Strait Island Regional Council

Financial Statements

For the year ended 30 June 2018

Torres Strait Island Regional Council

Financial statements

For the year ended 30 June 2018

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Torres Strait Island Regional Council

Statement of Comprehensive Income

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
Income			
Recurrent revenue			
Community levies, rates and charges	3(a)	1,403,660	1,117,570
Fees and charges		4,502,032	3,394,062
Rental income	3(b)	5,607,690	5,387,000
Interest received		672,045	268,865
Sales revenue	3(c)	54,557,125	46,015,034
Other income	3(d)	2,234,508	576,486
Grants, subsidies, contributions and donations	4(a)	23,311,111	27,738,076
		<u>92,288,171</u>	<u>84,497,093</u>
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	49,420,115	45,578,431
Gain on disposal of finance leases	5	2,434,580	-
		<u>51,854,695</u>	<u>45,578,431</u>
Total income		<u>144,142,866</u>	<u>130,075,524</u>
Expenses			
Recurrent expenses			
Employee benefits	6	(22,912,930)	(22,207,277)
Materials and services	7	(58,015,058)	(50,186,243)
Finance costs	8	(3,351,432)	(3,975,038)
Depreciation and amortisation	9	(44,953,443)	(40,791,267)
		<u>(129,232,863)</u>	<u>(117,159,825)</u>
Capital expenses	5	(10,644,034)	(6,019,805)
Total expenses		<u>(139,876,897)</u>	<u>(123,179,630)</u>
Net result		<u>4,265,969</u>	<u>6,895,894</u>
Other comprehensive income			
Increase in asset revaluation surplus	13	27,089,669	232,477,772
Total other comprehensive income for the year		<u>27,089,669</u>	<u>232,477,772</u>
Total comprehensive income for the year		<u>31,355,638</u>	<u>239,373,666</u>

The above statement should be read in conjunction with the accompanying notes.

Torres Strait Island Regional Council

Statement of Financial Position

as at 30 June 2018

	Note	2018 \$	2017 \$
Current assets			
Cash and cash equivalents	10	59,993,975	30,593,357
Short term deposit		62,533	-
Trade and other receivables	11	11,197,870	10,275,135
Inventories		284,070	255,704
Other financial assets	12	303,563	267,043
Total current assets		<u>71,842,011</u>	<u>41,391,239</u>
Non-current assets			
Other financial assets	12	9,870,234	8,224,866
Property, plant and equipment	13	873,838,174	868,317,610
Intangible assets		248,370	463,287
Total non-current assets		<u>883,956,778</u>	<u>877,005,763</u>
Total assets		<u>955,798,789</u>	<u>918,397,002</u>
Current liabilities			
Trade and other payables	14	10,240,353	6,660,554
Borrowings		59,661	55,639
Provisions	15	1,337,837	1,144,018
Total current liabilities		<u>11,637,851</u>	<u>7,860,211</u>
Non-current liabilities			
Borrowings		167,913	226,886
Provisions	15	5,104,194	5,090,912
Total non-current liabilities		<u>5,272,107</u>	<u>5,317,798</u>
Total liabilities		<u>16,909,958</u>	<u>13,178,009</u>
Net community assets		<u>938,888,831</u>	<u>905,218,993</u>
Community equity			
Asset revaluation surplus	13	413,836,401	386,746,732
Retained surplus		525,052,430	518,472,261
Total community equity		<u>938,888,831</u>	<u>905,218,993</u>

The above statement should be read in conjunction with the accompanying notes.

Torres Strait Island Regional Council
Statement of Changes in Equity
For the year ended 30 June 2018

	Note	Asset revaluation surplus	Retained surplus	Total
		\$	\$	\$
Balance as at 1 July 2017		386,746,732	518,472,261	905,218,993
Opening balance adjustment	21	-	2,314,200	2,314,200
		<u>386,746,732</u>	<u>520,786,461</u>	<u>907,533,193</u>
Net result		-	4,265,969	4,265,969
Other comprehensive income for the year				
Increase / (decrease) in asset revaluation surplus		27,089,669	-	27,089,669
Total comprehensive income for the year		<u>27,089,669</u>	<u>4,265,969</u>	<u>31,355,638</u>
Balance as at 30 June 2018		<u>413,836,401</u>	<u>525,052,430</u>	<u>938,888,831</u>
Balance as at 1 July 2016		154,268,960	511,576,367	665,845,327
Net result		-	6,895,894	6,895,894
Other comprehensive income for the year				
Increase / (decrease) in asset revaluation surplus		232,477,772	-	232,477,772
Total comprehensive income for the year		<u>232,477,772</u>	<u>6,895,894</u>	<u>239,373,666</u>
Balance as at 30 June 2017		<u>386,746,732</u>	<u>518,472,261</u>	<u>905,218,993</u>

The above statement should be read in conjunction with the accompanying notes.

Torres Strait Island Regional Council

Statement of Cash Flows

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		63,390,107	54,291,365
Payments to suppliers and employees		(77,276,997)	(72,512,025)
		(13,886,890)	(18,220,660)
Interest received		672,045	268,865
Recurrent grants and contributions		23,311,111	27,738,076
Borrowing costs		(18,970)	(22,808)
Net cash inflow from operating activities	20	<u>10,077,296</u>	<u>9,763,473</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(13,994,913)	(19,794,551)
Proceeds from sale of property plant and equipment		87,498	89,245
Proceeds from insurance claims		84,775	1,014,548
Finance lease receipts		310,810	221,240
Capital grants, subsidies, contributions and donations		32,890,104	24,006,930
Net cash inflow from investing activities		<u>19,378,274</u>	<u>5,537,412</u>
Cash flows from financing activities			
Repayment of borrowings		(54,952)	(51,117)
Net cash inflow (outflow) from financing activities		<u>(54,952)</u>	<u>(51,117)</u>
Net increase (decrease) in cash and cash equivalents held		<u>29,400,618</u>	<u>15,249,768</u>
Cash and cash equivalents at the beginning of the financial year		30,593,357	15,343,589
Cash and cash equivalents at end of the financial year	10	<u><u>59,993,975</u></u>	<u><u>30,593,357</u></u>

The above statement should be read in conjunction with the accompanying notes.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

1 Significant accounting policies

1.A Basis of preparation

These general purpose financial statements are for the period 1 July 2017 to 30 June 2018 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*.

These financial statements have been prepared under the historical cost convention except as stated. The Council uses the Australian dollar as its functional currency, its presentation currency and rounds to the nearest dollar.

Local authorities and public authorities are exempt from Commonwealth taxation except for Fringe Benefits Tax and Goods and Services Tax ('GST'). The net amount of GST recoverable from the ATO or payable to the ATO is shown as an asset or liability respectively.

These general purpose financial statements comply with all accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Council's operations and are effective for the current reporting period. The Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS). To the extent these inconsistencies are applied, these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation and impairment gains and losses within a class of assets, and the timing of the recognition of non-reciprocal grant revenue.

1.B Date of authorisation

The financial statements were authorised for issue on the date they were submitted to the Auditor-General for final signature. This is the date the management certificate is signed.

1.C Adoption of new and revised Accounting Standards

Some Australian Accounting Standards and Interpretations have been issued but are not yet effective. Those standards have not been applied in these financial statements. Council will implement them when they are effective. The standards that may have a material impact upon Council's future financial statements are:

	Applicable date	Impact
AASB 9 <i>Financial Instruments</i>	1 July 2018	This replaces AASB 139 <i>Financial Instruments: Recognition and Measurement</i> , and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses. Based on assessment to date, Council expects the standard to have no material impact overall.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

1 Significant accounting policies (continued)

1.C Adoption of new and revised Accounting Standards (continued)

AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for Profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

1 July 2019 AASB 115 will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 *Contributions*. Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

Based on assessment to date, Council expects the standard to have no material impact overall.

AASB 16 *Leases*

1 July 2019 Council has some leases that are not in the Statement of Financial Position. These will need to be included when this standard comes into effect. A lease liability will initially be measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-use asset will also be recognised over the lease term. If this requirement had been adopted at 30 June 2018 management estimate that net assets would have decreased by \$0. This estimate is based on Council's current obligations and various market and other assumptions.

1.D Critical accounting judgements and key sources of estimation uncertainty

The financial statements are subject to the use of estimates and judgements. The estimates and judgements that have a significant effect, or risk of causing an adjustment to the carrying amounts of assets and liabilities relate to:

- Valuation and depreciation of property, plant and equipment - Note 13
- Provisions - Note 15
- Valuation of finance leases - Note 12
- Contingent liabilities - Note 17

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

2 Analysis of results by function

2(a) Components of Council functions

The activities relating to the Council's components reported in Note 2(b) are as follows :

Executive

The objective of the Executive function is to seek to maximise corporate performance, comply with law, regulations, standards, community expectations and support staff to carry out their responsibilities.

Implementation of major policy and management decisions is delivered from the Office of the CEO. Ultimately the CEO is responsible for services to Councillors and the Community. The Office of the CEO consists of the following areas:

- Mayor and Councillors
- Committees
- Governance
- Media and public relations
- Divisional administrative services (until 1 March 2018)
- Organisational development services (effective 1 March 2018)

Health and Community Services

The objective of the Health and Community Services function is to develop, manage and deliver community and public health services that meet the needs of all sectors of the community.

The Health and Community Services function delivers the following services:

- Community services
- Environmental health services
- Health and wellbeing services

Financial Services

The objective of the Financial Services function is to provide efficient and effective financial support services to Council functions.

The Financial Services function is multi-disciplinary and consists of:

- Financial management services
- Strategic (financial) planning
- Policy and procedure review

Engineering Services

The objective of the Engineering Services function is to provide a high level of service in integrated infrastructure management which ensures environmental protection and meets community expectations.

The outcomes achieved by Engineering Services are linked with Council's commitment to public health, transport, water and wastewater infrastructure.

Key components of the Engineering Services function include:

- Water services
- Wastewater services
- Civil works services
- Waste services

Housing Services

The objective of the Housing Services function is to provide social housing services including tenancy management, repairs and maintenance and new construction on behalf of the State and Federal Government.

Key components of the Housing Services function include:

- Building services
- Tenancy management services

Corporate Services

The objective of the Corporate Services function is to provide efficient and effective delivery of services to Council functions through innovative, practical and responsible solutions.

The Corporate Services function is multi-disciplinary and consists of support services including:

- Information services
- Asset management services
- Procurement and fleet services
- Planning services
- Strategic (corporate) planning services
- Legal services
- Organisational development services (until 1 March 2018)
- Divisional administrative services (effective 1 March 2018)

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

2 Analysis of results by function (continued)

2(b) Income and expenses defined between recurring and capital are attributed to the following functions:

Year ended 30 June 2018

Functions	Gross program income				Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result from recurrent operations	Net result	Assets
	Recurrent		Capital			Recurrent	Capital					
	Grants	Other	Grants	Other								
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Executive	1,069,700	4,540,508	-	-	5,610,208	(7,622,543)	-	(25,726)	(7,648,269)	(2,038,061)	(2,038,061)	-
Health and Community Services	4,002,009	143,107	282,500	-	4,437,616	(4,655,506)	-	(153,722)	(4,809,228)	(654,112)	(371,612)	7,161,619
Financial Services	17,617,354	1,454,646	-	1,736,277	20,808,277	(2,042,386)	-	-	(2,042,386)	17,028,604	18,765,881	81,712,245
Engineering Services	568,819	3,175,683	31,358,001	-	35,102,503	(34,048,910)	-	(206,400)	(34,256,310)	(30,551,808)	806,193	490,889,848
Housing Services	-	57,799,879	-	-	57,799,879	(65,600,586)	-	(754,388)	(66,354,974)	(8,555,095)	(8,555,095)	317,211,008
Corporate Services	53,229	1,863,237	18,467,917	-	20,384,383	(15,221,923)	(10,644,034)	1,140,236	(24,725,721)	(12,165,220)	(4,341,338)	58,824,059
Total Council	23,311,111	68,977,080	50,118,418	1,736,277	144,142,886	(129,232,863)	(10,644,034)	-	(139,876,897)	(36,944,692)	4,265,969	955,798,789

Year ended 30 June 2017

Functions	Gross program income				Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result from recurrent operations	Net result	Assets
	Recurrent		Capital			Recurrent	Capital					
	Grants	Other	Grants	Other								
	\$	\$	\$	\$	\$	\$	\$	\$				
	\$	\$	\$	\$	\$	\$	\$	\$				
Executive	523,978	4,904,101	-	-	5,428,079	(12,923,820)	-	109,798	(12,814,022)	(7,385,943)	(7,385,943)	-
Health and Community Services	3,812,090	59,555	-	-	3,871,645	(5,429,996)	-	(82,586)	(5,512,582)	(1,640,937)	(1,640,937)	7,637,100
Financial Services	20,916,980	274,332	-	2,848,338	24,039,650	(2,072,046)	-	(1,827)	(2,073,873)	19,117,438	21,965,777	49,616,105
Engineering Services	2,485,028	2,769,711	24,006,930	-	29,261,669	(27,090,553)	-	(183,287)	(27,273,840)	(22,019,101)	1,987,829	490,058,607
Housing Services	-	48,556,076	-	-	48,556,076	(81,269,670)	-	(1,488,441)	(62,758,111)	(14,202,034)	(14,202,034)	314,473,400
Corporate Services	-	195,242	18,723,163	-	18,918,405	(8,373,740)	(6,019,805)	1,646,343	(12,747,202)	(6,532,155)	6,171,203	56,611,789
Total Council	27,738,076	56,759,017	42,730,093	2,848,338	130,075,524	(117,159,825)	(6,019,805)	-	(123,179,630)	(32,672,732)	6,895,894	918,397,001

Effective 1 March 2018, a restructure resulted in administrative services transferring from the Executive function to the Corporate Services function and organisational development services transferring from the Corporate Services function to the Executive function.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
3 Revenue analysis			
(a) Community levies, rates and charges			
Revenue from rates and levies is recognised as revenue during the period to which they relate.			
Water charges commercial		389,307	244,175
Sewerage charges commercial		818,627	700,887
Garbage charges commercial		161,174	138,508
Rates from 40 year leases		34,552	34,000
		<u>1,403,660</u>	<u>1,117,570</u>

(b) Rental income

Rental revenue from community housing is recognised as income on a periodic straight line basis over the lease term.

Residential property rental income	5,607,690	5,387,000
	<u>5,607,690</u>	<u>5,387,000</u>

Council currently holds a social welfare housing portfolio and these buildings are held to meet service delivery objectives, rather than to earn rental income or for capital appreciation purposes.

As the buildings held by Council do not meet the definition of investment property, these buildings are accounted for in accordance with AASB 16 *Property, Plant and Equipment*.

(c) Sales revenue

Council provides a range of goods and services to the community and other third parties for a fee. These fees are set in a fees and charges register adopted by Council at the annual budget meeting. Revenue is recognised when the significant risk and rewards of ownership are transferred to the buyer, generally when the customer has taken undisputed delivery of the goods or provision of service.

Revenue from contract and recoverable works generally comprises a recoupment of material costs together with an hourly charge for the use of equipment and employees. Contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date.

Contract and recoverable works	51,502,763	43,109,758
Plant and equipment hire	62,620	34,095
Childcare services	78,359	56,366
Accommodation	548,589	524,398
Sale of fuel and gas	1,480,483	1,354,012
Sale of powercards	884,311	936,405
	<u>54,557,125</u>	<u>46,015,034</u>

(d) Other income

Insurance claims received		22,226	66,295
Gain/(loss) on revaluation of finance leases	12	767,255	(16,679)
Commission income		421,705	359,677
Other revenue		1,023,322	167,193
		<u>2,234,508</u>	<u>576,486</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

4 Grants, subsidies, contributions and donations

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue when Council obtains control over them, which is usually upon receipt of the funds.

Capital revenue includes grants and subsidies received which are tied to specific projects for the replacement or upgrade of existing non-current assets and/or investment in new assets. It also includes non-cash contributions which are usually infrastructure assets received from other Government entities and Departments. These assets are recognised upon the practical transfer of the asset to Council. These assets are recognised at cost, as supplied by the contributing agency/department, as the Council believes the provided costs approximate fair value at the date of transfer.

The funding of infrastructure assets by State and Federal Government Departments, which are then transferred to Council, is expected to be an ongoing process. Refer to Note 19 for funds held in trust for this purpose.

	Note	2018 \$	2017 \$
(a) Recurrent			
General purpose grants		11,124,466	15,272,638
State Government subsidies and grants		9,597,299	8,658,554
Commonwealth Government subsidies and grants		2,575,346	3,806,884
Donations		14,000	-
		<u>23,311,111</u>	<u>27,738,076</u>

Council received 50% of their Financial Assistance and Local Roads Grant allocation on 8 June 2017 for the 17/18 financial year totalling \$5.2 million and on 22 June 2018 for the 18/19 financial year totalling \$5.4 million. Per AASB 1004 *Contributions* revenue recognition criteria, Council has recognised the contribution upon receipt of the funds in 2016-2017 and 2017-2018 respectively.

(b) Capital

State Government subsidies and grants	28,960,009	2,401,431
Commonwealth Government subsidies and grants	3,930,095	21,605,499
Gain on initial recognition of finance lease	1,736,277	2,848,338
Contributed assets	14,793,734	18,723,163
	<u>49,420,115</u>	<u>45,578,431</u>

Conditions over contributions

Contributions recognised as income during the reporting period and which were obtained on the condition that they be expended in a manner specified by the contributor but had not been expended at the reporting date:

Non-reciprocal grants for expenditure on services and infrastructure	23,344,047	3,637,395
	<u>23,344,047</u>	<u>3,637,395</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
5 Capital revenue/expenses			
Capital revenue			
Gain on disposal of finance leases			
Proceeds from disposal of finance leases		2,945,414	-
Less: Carrying value of finance leases		(510,834)	-
		<u>2,434,580</u>	<u>-</u>
Capital expenses			
Revaluation decrement			
Revaluation down of property, plant and equipment		-	298,841
		<u>-</u>	<u>298,841</u>
Loss on disposal of non-current assets			
Book value of property, plant and equipment		10,816,307	6,824,757
Less: Proceeds from the sale of property, plant and equipment		(87,498)	(89,245)
Less: Proceeds from insurance claims		(84,775)	(1,014,548)
		<u>10,644,034</u>	<u>5,720,964</u>
		<u>10,644,034</u>	<u>6,019,805</u>
6 Employee benefits			
Total staff wages and salaries		16,783,723	16,046,312
Councillors' remuneration		961,615	962,241
Annual, sick and long service leave entitlements		3,332,243	3,107,501
Superannuation	18	2,145,757	2,072,182
		<u>23,223,338</u>	<u>22,188,236</u>
Other employee related expenses		347,710	451,929
		<u>23,571,048</u>	<u>22,640,165</u>
Less: Capitalised employee expenses		(658,118)	(432,888)
		<u>22,912,930</u>	<u>22,207,277</u>

Councillor remuneration represents salary and other allowances paid in respect of carrying out their duties.

	2018	2017
Total Council employees at the reporting date:		
Elected members	16	16
Administration staff	318	307
Total full time equivalent employees	<u>334</u>	<u>323</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
7 Materials and services			
Advertising and marketing		26,707	82,799
Audit services		224,446	219,869
Communications and IT		1,363,339	1,441,248
Consultants		832,575	665,275
Contractors		33,233,580	23,096,365
Donations paid		384,966	365,074
Freight		2,334,391	2,568,927
Insurance		3,045,875	2,470,893
Legal fees		184,796	234,144
Motor vehicle expenses		204,814	271,359
Powercards, fuel and gas for resale		2,695,474	2,430,256
Power		1,395,182	1,312,390
Repairs and maintenance		6,132,924	9,445,333
Rent paid		658,609	653,563
Subscriptions and registrations		94,804	47,455
Supplies and consumables		283,895	413,715
Temporary staff costs		150,333	89,789
Travel		2,709,675	3,198,734
Other materials and services		2,112,972	1,243,600
Less: Expenses capitalised		(54,299)	(64,545)
		<u>58,015,058</u>	<u>50,186,243</u>
8 Finance costs			
Finance costs charged by QTC		18,969	22,810
Bank charges		86,398	55,707
Impairment of debts		3,136,798	2,712,598
Refuse restoration		109,267	1,183,923
		<u>3,351,432</u>	<u>3,975,038</u>
9 Depreciation and amortisation			
Depreciation of non-current assets			
Buildings (Communities)		18,173,766	20,440,133
Buildings (Corporate)		3,573,936	3,278,249
Recreational facilities		779,788	1,053,079
Roads/transport network		5,403,854	5,226,019
Stormwater drainage network		240,714	184,797
Flood mitigation network		623,931	200,647
Water supply network		6,912,921	4,149,238
Sewerage network		7,454,556	4,300,335
Bridges		-	4,550
Wharves, piers, jetties and pontoons		798,306	501,680
Waste landfill		102,832	251,755
Plant and equipment		673,923	985,869
	13	<u>44,738,527</u>	<u>40,576,351</u>
Amortisation of intangible assets			
Software		214,916	214,916
Total depreciation and amortisation		<u>44,953,443</u>	<u>40,791,267</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

10 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, all cash and cheques receipted but not banked at the year end, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Council's cash at bank and term deposits are held with National Australia Bank on normal terms. The bank currently has a short term credit rating of A-1+ and long term rating of AA-. Deposits on call are held with the Queensland Treasury Corporation.

	Note	2018 \$	2017 \$
Cash at bank		6,818,723	10,356,872
Deposits at call		53,175,252	20,175,252
Term deposit		-	61,233
Balance per Statement of Cash Flows		<u>59,993,975</u>	<u>30,593,357</u>

Externally and internally imposed expenditure restrictions at the reporting date relates to the following cash assets:

Funds set aside and held in reserves for DOGIT land	617,925	-
Total unspent restricted cash	<u>617,925</u>	<u>-</u>

11 Trade and other receivables

Trade receivables are recognised at the amounts due at the time of sale or service delivery. Settlement of these amounts is generally required within 30 days from invoice date. There is a geographical concentration of credit risk for housing and other debtors.

The collectability of receivables is assessed periodically and if there is objective evidence that Council will not be able to collect all amounts due, the carrying amount is reduced for impairment. The loss is recognised in finance costs.

Council actively pursues outstanding housing debts from both current and former tenants as per its Rental Debt Policy. Recovery action is undertaken for tenants who are more than 14 days in arrears. Housing Officers review rent accounts fortnightly and make contact with tenants in person to negotiate affordable rent and arrears payment plans.

All known bad debts were written-off at 30 June 2018.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

11 Trade and other receivables (continued)

	2018 \$	2017 \$
Current		
Receivable - Housing	14,071,515	13,931,034
Less impairment	(13,995,661)	(12,581,875)
Receivable - Rates	700,147	635,421
Less impairment	(16,728)	(69,493)
Receivable - Other	7,688,614	4,547,837
Less impairment	(197,789)	(241,488)
	<u>8,250,098</u>	<u>6,221,436</u>
Accrued revenue	2,876,257	3,894,066
Prepayments	71,515	159,633
	<u>11,197,870</u>	<u>10,275,135</u>
 Movement in accumulated impairment losses is as follows:		
Opening balance at 1 July	12,892,855	16,729,543
Impairment debts written off during the year	(1,819,475)	(6,549,286)
Additional impairments recognised	3,136,798	2,712,599
Closing balance at 30 June	<u>14,210,178</u>	<u>12,892,856</u>

12 Other financial assets

Council has leased the following dwellings and vacant sites as lessor to the Queensland Government for 40 years:

- 51 dwellings located on Moa Island (Kubin)
- 6 dwellings and 1 vacant site on Saibai Island
- 6 vacant sites on Masig Island
- 6 dwellings and 2 vacant sites on Boigu Island
- 5 vacant sites on Poruma Island
- 7 vacant sites on Warraber Island
- 17 vacant sites on Hammond Island
- 25 vacant sites on Moa Island (St Pauls)
- 6 vacant sites on Erub Island
- 6 vacant sites on Mabuiag Island

The total lease payment per dwelling in the current year ranged between \$2,000 and \$2,131 (\$2,000 to \$2,091 for 2016-17). These lease payments are required to be adjusted each year by the change in the Consumer Price Index (All Groups). As the gross lease payments are insufficient to cover the fair value (current replacement cost) of the leased properties, there is no interest rate implicit in the leases and therefore no finance income will arise from the leases. Consequently, the leases are recognised at the present value of the expected future lease payments receivable (fair value). Gains on revaluation of finance lease assets are recognised as other income annually.

On 1 June 2018 the Queensland Government surrendered the lease of 8 dwellings on Mabuiag back to Council. The Queensland Government has the right to surrender any part of the lease at any time by giving Council three months' written notice. Per the lease agreement any improvements to the property transfers to Council's when the lease terminates. The 8 dwellings have been added to Council's fixed asset register.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

12 Other financial assets (continued)

	Note	2018 \$	2017 \$
Current			
Finance leases		303,563	267,043
		<u>303,563</u>	<u>267,043</u>
Non-current			
Finance leases		9,870,234	8,224,866
		<u>9,870,234</u>	<u>8,224,866</u>

A reconciliation between the gross investment in the lease and the fair value of lease payments is as follows:

Gross minimum lease payments receivable:

Not later than one year	303,563	267,043
Later than one year but not later than five years	1,214,253	1,068,171
Later than five years	9,736,989	8,723,995
	<u>11,254,805</u>	<u>10,059,209</u>
Add: Estimated contingent rent	6,958,688	6,356,336
Less: Present value adjustment	(8,039,696)	(7,923,636)
Fair value of lease payments	<u>10,173,797</u>	<u>8,491,909</u>

The fair value of lease payments is receivable as follows:

Not later than one year	303,563	267,043
Later than one year but not later than five years	1,197,123	1,043,120
Later than five years	8,673,111	7,181,746
	<u>10,173,797</u>	<u>8,491,909</u>

Movements in finance leases were as follows:

Opening balance		8,491,909	5,881,490
Add: Initial recognition of new leases		1,736,276	2,848,338
Less: Lease receipts		(310,810)	(221,240)
Less: Surrender of leases		(510,834)	-
Add: Gain/(loss) on revaluation	3(d)	767,255	(16,679)
Closing balance		<u>10,173,797</u>	<u>8,491,909</u>

The calculation of fair value has included an estimate of average annual CPI increases of 2.5% (2.5%, 2017) and a discount rate of 3.09% (3.48%, 2017).

Torres Strait Island Regional Council
Notes to the financial statements
For the year ended 30 June 2018

13 Property, plant and equipment

Council - 30 June 2018

Basis of measurement

Asset values

Opening gross value as at 1 July 2017

Additions

Disposals

Capital contributions

Housing previous under finance lease

Assets capitalised from WIP

Assets previously not recognised

Revaluations

Revaluation adjustment to other comprehensive

income (asset revaluation surplus)

Transfers between classes

Closing gross value as at 30 June 2018

Accumulated depreciation and impairment

Opening balance as at 1 July 2017

Accum dep on housing previous under finance lease

Depreciation provided in period

Revaluation adjustment to asset revaluation surplus

Impairment adjustment to asset revaluation surplus

Depreciation/impairment on disposals

Transfers between classes

Accumulated depreciation as at 30 June 2018

Book value as at 30 June 2018

Range of estimated useful life in years

Additions comprise:

Renewals

Other additions

Previously not recognised

Total additions

Asset revaluation surplus

Opening balance as at 1 July 2017

Movements - Revaluation

Movements - Impairments

Closing balance asset revaluation surplus as at 30 June 2018

Buildings (Communities)	Buildings (Corporate)	Recreational Facilities	Road / Transport Network	Stormwater Drainage Network	Flood Mitigation Network	Water Supply Network	Sewerage Network	Broages	Wharves, Piers, Jetties & Porticoes	Waste Landfill	Land Assets	Plant & Equipment	Work in progress	Total
Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost	\$
585,142,000	103,988,300	24,674,700	281,108,700	12,353,000	29,034,245	215,267,650	235,406,450	-	36,503,600	1,231,000	520,000	8,276,680	5,973,138	1,499,477,363
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14,771,202	-	-	-	-	-	22,632	-	-	-	-	-	-	13,924,129	13,924,129
5,590,458	-	-	-	-	-	-	-	-	-	-	-	-	-	14,793,734
-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,590,458
(14,945,263)	(3,846,594)	(339,000)	(3,293,101)	-	-	(472,910)	(777,936)	-	(155,591)	-	-	(1,134,879)	-	2,314,200
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20,518,063	3,679,303	897,634	10,502,354	484,120	1,161,370	8,615,562	9,418,604	-	1,459,200	40,120	-	-	-	56,836,350
-	-	(156,512)	180,112	-	-	-	-	-	(23,600)	-	-	-	-	-
591,076,460	104,482,116	25,333,822	274,517,710	12,933,164	33,038,763	224,027,138	244,901,706	-	37,939,200	1,271,120	520,000	7,556,950	10,372,770	1,567,970,940

250,688,600	56,995,300	17,037,600	94,559,388	4,101,900	3,723,000	92,263,250	90,148,750	-	15,069,700	959,940	-	5,614,316	-	631,159,753
2,645,044	-	-	-	-	-	-	-	-	-	-	-	-	-	2,645,044
18,173,766	3,573,936	779,708	5,403,854	240,714	623,931	6,912,921	7,454,556	-	799,306	102,832	-	673,923	-	44,738,527
9,681,515	2,075,883	639,844	3,960,849	173,710	173,876	3,958,026	3,880,773	-	631,855	34,359	-	-	-	26,210,290
-	143,207	100,573	4,159,011	67,644	-	-	65,955	-	-	-	-	-	-	4,536,390
(7,303,473)	(3,701,212)	(287,405)	(942,329)	-	-	(245,513)	(581,984)	-	(76,336)	-	-	(1,018,996)	-	(14,157,238)
-	-	(98,197)	98,503	-	-	-	-	-	(306)	-	-	-	-	-
273,865,452	59,086,914	18,172,203	107,239,276	4,583,968	4,520,607	102,903,654	100,965,050	-	16,423,019	1,097,140	-	5,269,253	-	694,132,766

317,211,008	45,395,202	7,161,619	167,278,434	8,348,196	28,517,866	121,118,455	143,935,656	-	21,516,181	173,980	520,000	2,287,727	10,372,770	873,838,174
2 - 88	2 - 73	7 - 55	1 - 138	48 - 53	10 - 50	1 - 84	1 - 113	0	3 - 55	8 - 29	Land Not Depreciated	1 - 25	WIP Not Depreciated	

\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
11,734,284	302,610	257,000	3,293,101	-	-	472,910	777,936	-	155,591	-	-	28,241	-	17,021,673
8,627,376	358,497	-	364,344	86,034	2,843,148	144,027	76,652	-	-	-	-	386,938	-	12,587,016
-	-	-	2,314,200	-	-	-	-	-	-	-	-	-	-	2,314,200
20,361,660	661,107	257,000	5,971,645	86,034	2,843,148	616,937	854,588	-	155,591	-	-	415,179	-	32,222,889

98,424,979	11,627,279	2,160,729	126,902,010	2,768,148	129,225	54,167,684	78,774,455	7,686	11,794,527	-	-	-	-	386,746,752
10,836,568	1,603,620	257,789	6,591,505	320,410	987,494	4,657,536	5,537,831	-	827,545	5,761	-	-	-	31,626,059
-	(143,207)	(100,573)	(4,159,011)	(67,644)	-	-	(65,955)	-	-	-	-	-	-	(4,536,390)
109,261,847	13,087,692	2,317,945	129,334,504	3,010,914	1,116,719	58,826,220	84,246,341	7,686	12,622,072	5,761	-	-	-	413,836,401



Torres Strait Island Regional Council
Notes to the financial statements
For the year ended 30 June 2018

13 Property, plant and equipment (continued)

Council - 30 June 2017

Basis of measurement

Asset values

Opening gross value as at 1 July 2016

Additions

Capital contributions

Assets capitalised from WIP

Assets previously not recognised

Disposals

Revaluation adjustment to other comprehensive

income (asset revaluation surplus)

Revaluation adjustment to income (capital expenses)

Transfers between classes

Closing gross value as at 30 June 2017

	Buildings (Communities)	Buildings (Corporate)	Recreational Facilities	Road / Transport Network	Stormwater Drainage Network	Flood Mitigation Network	Water Supply Network	Sewerage Network	Bridges	Wharves, Piers, Jetties & Portfolios	Waste Landfill	Land Assets	Plant & Equipment	Work in progress	Total
	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost	\$
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
511,501,181	90,917,898	19,762,710	201,560,431	9,239,849	6,412,088	124,584,785	124,584,785	124,584,785	91,000	19,489,011	1,084,250	567,000	9,112,073	12,267,201	1,131,163,865
-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,550,573	19,550,573
10,172,650	-	-	-	-	-	-	5,062,557	3,457,857	-	-	-	-	-	-	18,723,164
37,432	142,269	1,033,882	1,589,789	-	21,717,745	94,476	-	-	-	234,360	-	-	994,663	(25,844,636)	(0)
35,243	-	-	-	-	-	-	-	-	-	-	-	-	26,390	-	61,633
(8,837,256)	(2,031,846)	(674,987)	(135,654)	-	(1,430,999)	(2,683,031)	(2,683,031)	(300,420)	(91,000)	(1,035,750)	-	-	(1,856,446)	-	(19,717,180)
53,388,750	14,226,749	4,130,085	58,129,805	3,113,151	2,335,410	88,178,763	88,178,763	108,314,527	-	17,778,318	398,591	-	-	-	349,994,159
-	-	-	-	-	-	-	-	-	-	-	(251,841)	(47,000)	-	-	(208,841)
(1,156,000)	733,000	423,000	(37,671)	-	-	-	-	-	-	37,671	-	-	-	-	-
565,142,000	103,988,300	24,674,700	261,106,700	12,363,000	29,034,245	215,267,550	215,267,550	235,406,450	-	36,503,600	1,231,000	520,000	8,276,680	5,973,138	1,499,477,363

Accumulated depreciation and impairment

Opening balance as at 1 July 2016

Adjustment

Depreciation provided in period

Revaluation adjustment to asset revaluation surplus

Depreciation/impairment on disposals

Transfers between classes

Accumulated depreciation as at 30 June 2017

243,156,464	48,731,389	12,141,563	68,145,506	2,804,097	2,700,283	48,953,872	48,953,872	45,452,908	68,757	9,424,516	309,604	-	6,143,501	-	486,069,460
-	-	-	-	-	-	-	-	-	-	-	-	-	(600)	-	(600)
20,440,133	3,278,249	1,053,079	6,226,019	184,797	200,647	4,149,238	4,149,238	4,300,336	4,650	501,690	251,795	-	985,869	-	40,576,352
(6,408,248)	5,963,168	4,079,622	23,307,120	1,113,006	2,206,185	40,293,593	40,293,593	40,581,812	(2,256)	5,983,791	398,590	-	-	-	117,516,303
(5,721,969)	(1,539,829)	(471,521)	(107,463)	-	(1,384,115)	(1,113,453)	(1,113,453)	(228,306)	(69,051)	(862,082)	-	-	(1,514,454)	-	(13,001,844)
(797,179)	562,322	234,867	(11,795)	-	-	-	-	-	-	11,795	-	-	-	-	0
250,668,600	56,995,300	17,037,600	94,559,388	4,101,900	3,723,000	92,283,250	92,283,250	90,146,750	-	15,069,700	959,949	-	5,614,316	-	631,159,753

Book value as at 30 June 2017

Range of estimated useful life in years

314,473,400	48,993,000	7,637,100	186,547,312	8,261,100	25,311,245	122,984,300	122,984,300	145,259,700	-	21,433,900	271,051	520,000	2,662,364	5,973,138	868,317,810
3 - 88	2 - 73	7 - 55	1 - 111	42 - 62	25 - 44	1 - 64	1 - 113	8 - 29	3 - 98	3 - 25	WIP: Not Depreciated				

Additions comprise:

Renewals

Other additions

Previously not recognised

Total additions

\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
6,262,769	51,428	668,987	135,655	-	-	2,683,031	830,420	-	-	234,350	-	-	64,159	-	11,021,829
3,947,283	90,870	373,896	1,454,135	-	21,717,745	2,494,002	2,527,336	-	-	-	-	-	940,504	-	33,545,971
35,243	-	-	-	-	-	-	-	-	-	-	-	-	26,390	-	61,633
10,245,325	142,269	1,033,883	1,589,790	-	21,717,745	5,167,033	3,457,856	-	-	234,350	-	-	1,021,053	-	44,629,433

Asset revaluation surplus

Opening balance as at 1 July 2016

Movements

Closing balance Asset revaluation surplus as at

30 June 2017

38,627,981	3,363,699	2,110,256	92,079,325	768,006	-	6,262,513	11,041,750	5,430	-	-	-	-	-	-	154,268,960
59,796,968	8,263,580	50,473	34,822,685	2,000,142	129,225	47,865,171	67,732,715	2,256	-	11,794,527	-	-	-	-	232,477,772
98,424,979	11,627,279	2,160,729	126,902,010	2,768,148	129,225	54,167,684	78,774,465	7,686	-	11,794,527	-	-	-	-	386,746,732

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

13 Property, plant and equipment (continued)

(a) Recognition

Each class of property, plant and equipment is stated at cost or fair value, less where applicable, any accumulated depreciation and accumulated impairment loss. Items of plant and equipment, infrastructure assets and buildings with a total value of less than \$10,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

By operation of the *Local Government Act 2009*, *Torres Strait Islander Land Act 1991* and *Land Act 1994*, Council retains ownership of the below classes of property, plant and equipment. This includes leasehold and licensed assets on Mer Island and Badu Island.

The classes of property, plant and equipment recognised by the Council are:

- Buildings (Community)
- Buildings (Corporate)
- Recreation facilities
- Roads / transport network
- Stormwater drainage network
- Flood mitigation network
- Water supply network
- Sewerage network
- Wharves, piers, jetties and pontoons
- Waste landfill
- Land assets
- Plant and equipment
- Work in progress (WIP)

Acquisition of assets

Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including freight in, architect's fees and engineering design fees and all other establishment costs.

Property, plant and equipment received in the form of contributions are recognised as assets and revenues at cost as supplied by the contributor entity, where that value exceeds the recognition threshold for the respective asset class.

Capital and operating expenditure

Wages, materials expenditure and an appropriate portion of direct costs for the acquisition or construction of assets is treated as capital expenditure. Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity of the non-current asset are expensed as incurred, while expenditure that relates to replacement of a major component of an asset to maintain its service potential is capitalised.

Assets under construction are not depreciated until they are completed and commissioned, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

(b) Measurement

All asset classes excluding plant and equipment and WIP are measured on the revaluation basis, at fair value, in accordance with AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*. Plant and equipment and WIP are measured at amortised cost.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

13 Property, plant and equipment (continued)

(b) Measurement (continued)

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 3 years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection. In the intervening years Council uses the indexation method to determine the fair value of each class of property, plant and equipment assets. Indexation valuations are reviewed annually by Council and Council will account for the impact of indexation revaluation if the change is considered material to the financial statements.

Any revaluation increment arising on the revaluation of an asset is credited to the appropriate class of the asset revaluation surplus, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense to the extent it exceeds the balance, if any, in the revaluation surplus of that asset class.

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

Separately identified components of assets are measured on the same basis as the assets to which they relate.

(c) Depreciation

Land is not depreciated as it has an unlimited useful life. Depreciation on other property, plant and equipment assets is calculated on a straight-line basis so as to write-off the net cost or revalued amount of each depreciable asset, progressively over its estimated useful life to the Council. Management believe that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and commissioned ready for use.

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate. Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to the Council.

Depreciation methods and estimated useful lives of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. The condition assessments performed as part of the tri-annual full valuation process for assets measured at written down current replacement cost are used to estimate the useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are shown in the tables earlier in this note.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

13 Property, plant and equipment (continued)

(d) Land under roads

Torres Strait Island Regional Council does not control any land under roads. Land under the road network within the Council area that has been dedicated and opened for public use under the *Land Act 1994* or the *Land Title Act 1994* is not controlled by Council but is controlled by the State pursuant to the relevant legislation. This land is not recognised in these financial statements.

(e) Impairment

Property, plant and equipment is assessed for indicators of impairment annually. If an indicator of possible impairment exists, the Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

(f) Deed of Grant in Trust land

The Council is located on land assigned to it under various Deeds of Grant in Trust (DOGIT) held under the *Torres Strait Islander Land Act 1991* (Qld) (TSILA), *Aboriginal Land Act 1991* (Qld) and the *Land Act 1994* (Qld). The land comprises an area of approximately 483.6 square kilometres, across the following Islands:

- Boigu Island
- Dauan Island
- Erub Island
- Hammond Island
- Iama Island
- Moa Island (comprising two DOGITs of St Paul's and Kubin communities)
- Mabuag Island
- Poruma Island
- Saibai Island
- Ugar Island
- Warraber Island
- Masig Island

The land is administered by the Department of Natural Resources & Mines and the Council has restricted use of this land for the benefit of islander inhabitants. The DOGIT land has not been taken up in Council's asset register as it cannot be reliably measured.

The reserve land for Mer Island was managed by the Department of Communities, Child Safety and Disabilities Services until 14 December 2012. On 14 December 2012 Mer Gedkem Le (Torres Strait Islanders) Corporation RNTBC became the trustee of Torres Strait Islander land under the TSILA in communal freehold of Mer Island. The Corporation is trustee for the Native Title Holders.

The DOGIT land for Badu Island was administered by Council in the capacity as trustee until 1 February 2014. On 1 February 2014, Mura Badulgal (Torres Strait Islanders) Corporation RNTBC became the trustee of Torres Strait Islander land under the TSILA in communal freehold of Badu Island. The Corporation is trustee for the Native Title Holders.

Essential service buildings and infrastructure on Badu Island and Mer Island are leased by Council for the terms of 5 years, 30 years and 99 years at agreed values.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

13 Property, plant and equipment (continued)

(f) Deed of Grant in Trust land (continued)

The relevant leased assets are still reported as assets of the Council; land is not reported; nominal rental is paid except for the former child care centre and one staff residence on Badu Island, for which future commitments are \$22,820 over the next year. They have not been classified as finance leases as assets were originally constructed by Council, and recorded as such prior to the change in land arrangements. No lease liability has been recognised in the financial statements for these leases.

Pursuant to the terms and conditions of the respective leases, it is intended that the Council continue to maintain these assets for the benefit of the community, as Council possesses the necessary skills and knowledge to best utilise these assets.

(g) Valuation

(i) Valuation processes

In accordance with AASB 13, fair value measurements are categorised on the following basis:

- Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Fair value based on inputs that are directly or indirectly observable for the asset or liability (level 2)
- Fair value based on unobservable inputs for the asset and liability (level 3)

All of Council's property, plant and equipment measured at fair value at reporting date is categorised at level 3 (2017: all at level 3). Council does not have any assets or liabilities measured at fair value which meet the criteria for categorisation as level 1 or 2.

The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for Council infrastructure assets, which are of a specialist nature for which there is no active market for similar or identical assets. These assets are valued using a combination of observable and unobservable inputs.

Council measures and recognises assets in all asset classes relating to property plant and equipment, other than plant and equipment and WIP, at fair value on a recurring basis.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

13 Property, plant and equipment (continued)

(g) Valuation (continued)

(i) Valuation processes (continued)

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 3 years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection. The most recent fully comprehensive valuation was carried out as at 30 June 2017.

In the intervening years, Council engage independent, professionally qualified valuers to perform a "desktop" valuation. A desktop valuation involves management providing updated information to the valuer regarding additions, disposals and changes in methodology such as useful life and condition rating. The valuer then determines suitable indices which are applied to each of these asset classes. These indices are then reviewed by Asset Class Managers and Executives to ensure accuracy of these indices for Council. A desktop valuation was undertaken as at 30 June 2018 by Jones Lang Lasalle.

Council's property, plant and equipment valuation policies and procedures are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information. Management prepares a report for the Audit Committee's review and endorsement.

(ii) Valuation techniques used to derive fair values

Land (Level 3)

Council's land assets consist of two parcels of land on Thursday Island. Land fair values have been measured by the market approach and by direct comparison. Level 2 and 3 valuation inputs were utilised, being sales transactions of other properties within the region, and adjusted for differences between key attributes of the properties.

Buildings and infrastructure (Level 3)

Due to the predominantly specialised nature of Local Government assets, both the infrastructure valuations and buildings valuations have been undertaken on a cost approach (current replacement cost), except two buildings located on Thursday Island that were valued using the market approach.

Where there is no market, the net current value of an asset is the gross current replacement value less accumulated depreciation to reflect the consumed or expired service potential of the asset. Published/available market data for recent projects, and/or published cost guides are utilised to determine the estimated replacement cost (gross value) of the asset, including allowances for preliminaries and professional fees. This is considered a level 3 input.

In determining the level of accumulated depreciation for major assets, they have been disaggregated into significant components which exhibit different patterns of consumption (useful lives). The condition assessment is applied on a component basis.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

13 Property, plant and equipment (continued)

(g) Valuation (continued)

(ii) Valuation techniques used to derive fair values (continued)

Buildings and infrastructure (Level 3) (continued)

While the replacement cost of the assets could be supported by market supplied evidence (level 2), other unobservable, or level 3 inputs, such as useful life and asset condition were also required, meaning that under AASB 13 the valuation of buildings and infrastructure is considered to fall under level 3.

To calculate the appropriate amount of accumulated depreciation, assets are either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections are conducted (i.e. for visible active assets), the assets were allocated a condition assessment, which was used to estimate remaining useful life, as tabled below:

Condition rating	Rating description	% of life remaining
0	Brand new or rehabilitated to new	90 - 100
0.5	Near new with no visible deterioration	80 - 90
1	Excellent overall condition, early stages of deterioration	70 - 80
1.5	Very good overall condition with obvious deterioration evident	60 - 70
2	Good overall condition, obvious deterioration, serviceability impaired very slightly	50 - 60
2.5	Fair overall condition, obvious deterioration, some serviceability loss	40 - 50
3	Fair to poor overall condition, obvious deterioration, some serviceability loss	30 - 40
3.5	Poor overall condition, obvious deterioration, some serviceability loss, high	20 - 30
4	Very poor overall condition, severe deterioration, very high maintenance costs. Consider renewal	10 - 20
4.5	Extremely poor condition, severe serviceability problems, renewal required	5 - 10
5	Failed asset, no longer serviceable. Should not remain in service	0 - 5

Where site inspections are not conducted the remaining useful life is calculated on asset age and estimated useful life. The valuation techniques used in the determination of fair values maximise the use of observable data where it is available and relies as little as possible on entity specifics. The disclosure of valuation estimates is designed to provide users with an insight into the judgements that have been made in the determination of fair values.

The depreciated replacement cost is determined using methods relevant to the asset class as described under individual asset categories below.

1. Buildings - calculation of current replacement cost

Current replacement cost

Construction costs are based on published construction cost guides and discussions with trade contractors living and working on the Torres Strait Islands. Rates are analysed from a number of sources and include review of producer price indexes, building cost indices, wage indexes, architectural engineering and technical services indices and construction cost movements (sourced from Australian Institute of Quantity Surveyors and Rawlinsons). Also current projects completed internally and for the Department of Housing were also considered.

Building construction costs take into consideration regional factors relevant to the location (such as increased shipping and mobilisation costs) and include all preliminary and direct costs.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

13 Property, plant and equipment (continued)

(g) Valuation (continued)

(ii) Valuation techniques used to derive fair values (continued)

Accumulated depreciation

To calculate the appropriate amount of accumulated depreciation, a large portion of corporate and community buildings were subjected to a site inspection and/or an assessment to determine the remaining useful life of the whole asset and its associated components. This is undertaken by a professional valuer during the full valuations and by suitably qualified Council officers in the years in between. Internal assessments are used in conjunction with Department of Housing and Public Works condition reports as available to support Council's assessment.

2. Roads/transport network - calculation of current replacement cost

Roads

Current replacement cost

The road network is segmented at a high level (e.g. between intersections) and other parts not segmented. Unit rates are applied to the individual road components formation (formation and sub grade), pavement (sub base and base course), seal (seal and subsequent) and kerb and channel of each road in order to determine the replacement cost.

The unit rates applied are based on greenfield project costs and include all materials, labour and direct costs. These unit rates are established by averaging various information sources, including internal Council costs of recent projects, sub-contractor and head contractor costs of recent projects. This information is all supplied by Council or the contractors. Due to the unique nature of constructing infrastructure in the Torres Strait area, the valuation is required to rely on information provided by Council. Publicly available information such as Rawlinson's construction handbook is used to check the Council supplied information for order of magnitude appropriateness and the applicable regional factors are included in the unit costs.

Accumulated depreciation

In determining the level of accumulated depreciation, the roads are disaggregated into significant components which exhibit different useful lives. Asset condition assessments were completed in the year ended 30 June 2018 as part of the event assessment project for NDRRA.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

13 Property, Plant and Equipment (continued)

3. Water and sewer network - calculation of current replacement cost

Water and sewerage

Current replacement cost

The water and sewerage assets are segregated into active and passive assets; passive assets are not further componentised and consist primarily of mains and pipelines. Unit rates are applied based on Council supplied recent project costs, similar recent project costs from other entities, unit rate databases, indices, Rawlinson's rates and quotations. To check for reasonableness, the valuer also compares these indices to wages indexes and non-residential building construction indexes.

The remaining active assets consist of treatment, pumping and storage assets. These assets are componentised, with allowances for complexity, size, function and site factors. As a check these components are generally combined into a lump sum item and compared against recent similar projects and in-house databases.

Accumulated depreciation

Asset assessments were completed on a portion of assets in the year ended 30 June 2018 as part of Council's asset condition assessment process and therefore condition rating, useful lives and depreciation rates were updated accordingly.

4. Other infrastructure – Calculation of current replacement cost

Other infrastructure includes the flood mitigation network, waste landfill, recreational facilities, stormwater drainage and wharves, piers, jetties and pontoons, which combined represent around 4.5% of Council's assets.

Current replacement cost

The replacement cost of all assets which as a group represent other infrastructure have been estimated through first principles. Summing together the costs of materials, labour and direct costs, utilising constructed project costs and publicly available reference material, having regard to the location and condition.

Accumulated depreciation

Asset assessments were completed on a portion of assets in the year ended 30 June 2018 as part of Council's asset condition assessment process and therefore condition rating, useful lives and depreciation rates were updated accordingly.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

14 Trade and other payables

Trade creditors are recognised as a liability at the time the amount owed can be measured reliably and when it is probable the amount will have to be paid, when the goods are received or the service is performed. Amounts are unsecured and normally settled within 30 days.

Annual leave represents the amount which Council has a present obligation to pay resulting from employees' services provided up to balance date. The accrual is based on present value remuneration rates that will be paid when the liability is expected to be settled and includes related on-costs.

As Council does not have an unconditional right to defer settlement of the annual leave beyond twelve months after the balance date, annual leave is classified as a current liability.

	Note	2018 \$	2017 \$
Current			
Accrued creditors		4,311,472	1,860,879
Employee benefits - annual leave		2,186,604	2,046,768
GST payable		623,600	106,254
Accrued payroll		302,150	283,520
Refundable bonds		2,000	2,000
Trade creditors and other payables		1,435,069	2,361,133
Retention		1,024,846	-
Revenue in advance		354,612	-
		<u>10,240,353</u>	<u>6,660,554</u>

15 Provisions

Long service leave

The provision for long service leave represents the present value of the estimated future cash outflows to be made by Council resulting from employees' services provided up to balance date. The accrual is based on present value of remuneration rates that will be paid when the liability is expected to be settled including related on-costs and adjusted for the probability of employees remaining in the Council's employment.

The long service leave provision has been discounted using discount rates derived from Commonwealth Government bond rates as at 30 June 2018.

Where employees have met the pre-requisite length of service and Council does not have an unconditional right to defer this liability beyond 12 months long service leave is classified as a current liability. Otherwise it is classified as non-current.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

15 Provisions (continued)

Landfill restoration

A provision is made for the cost of rehabilitation of assets and other future restoration costs where it is probable Council will be liable, or required, to incur costs on the cessation of use of these facilities. The provision represents the present value of the anticipated future costs associated with the closure of landfill sites.

The calculation of this provision requires assumptions such as site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Because of the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. The provision recognised for landfill sites is reviewed at least annually and updated based on the facts and circumstances available at the time. Management estimates that the 15 sites will close between 2019 and 2024.

As refuse dumps are on state reserves / DOGIT land which the Council does not control, the provision for restoration is treated as an expense in the year the provision is first recognised. Changes in the provision are treated as an expense or income.

	Note	2018 \$	2017 \$
Current			
Long service leave		1,096,527	954,643
Provision for landfill restoration		241,310	189,375
		<u>1,337,837</u>	<u>1,144,018</u>
Non-current			
Long service leave		309,689	353,739
Provision for landfill restoration		4,794,505	4,737,173
		<u>5,104,194</u>	<u>5,090,912</u>
Details of movements in provisions:			
Landfill restoration			
Balance at beginning of financial year		4,926,548	3,742,625
Increase/ (decrease) in provision due to unwinding of discount		80,769	(169,523)
Increase in provision due to change in discount rate		28,498	1,353,446
Balance at end of financial year		<u>5,035,815</u>	<u>4,926,548</u>
Long service leave provision			
Balance at beginning of financial year		1,308,382	1,323,627
Long service leave entitlement arising		275,190	281,827
Long service entitlement paid		(177,356)	(297,072)
Balance at end of financial year		<u>1,406,216</u>	<u>1,308,382</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

16 Commitments for expenditure	Note	2018 \$	2017 \$
Operating leases			
Minimum lease payments in relation to non-cancellable operating leases are as follows:			
Within one year		558,822	588,980
One to five years		1,665,552	2,353,598
		<u>2,224,374</u>	<u>2,942,578</u>

Payments made under operating leases (substantially all the risks and benefits remain with the lessor) are expensed in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

Contractual commitments

Contractual commitments at the end of the financial year but not recognised in the financial statements are as follows:

Recoverable work contractors	6,451,394	8,503,162
Capital assets	1,627,155	1,479,001
Contractors	790,880	-
Consultancy	241,307	-
Other	166,891	45,918
Audit fees	146,350	-
Freight	58,095	-
Contract employees	32,184	22,688
Cleaning services	-	33,220
	<u>9,514,256</u>	<u>10,083,989</u>

17 Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:

Local Government Mutual

The Council is a member of the local government mutual liability self-insurance pool, LGM Queensland. In the event of the pool being wound up or it is unable to meet its debts as they fall due, the trust deed and rules provide that any accumulated deficit will be met by the individual pool members in the same proportion as their contribution is to the total pool contributions in respect to any year that a deficit arises.

As at 30 June 2017 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government Workcare

The Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there were insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$257,846.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

17 Contingent liabilities (continued)

Native Title Compensation Liability

The *Native Title Act 1993* (Cth) requires future acts, such as the construction of major and minor Council infrastructure, housing, signage and the granting of leases to proponents such as government, to be conducted using processes listed under it. Generally, in order to be valid, a notice process or a registered Indigenous Land Use Agreement under the *Native Title Act 1993* (Cth) is required before conducting a future act. Prior to amalgamation of the island councils in 2008 infrastructure and leases were likely to have been progressed without complying with these requirements of the *Native Title Act 1993* (Cth). This infrastructure and leases are termed invalid future acts, for which compensation is payable by Council.

It is difficult to estimate the likely compensation payable, because there is no legally settled compensation formula. A native title compensation case was decided by the Federal Court of Australia in 2016 (*Griffiths v Northern Territory* (No 3) [2016] FCA 900), however that decision is in the process of being appealed to the High Court. There may be some certainty in relation to a compensation formula once the appeal is finalised. At this point there are no applications for compensation claims against Council. Council has sufficient insurance cover in the event of adverse applications for native title compensation for alleged invalid future acts under the *Native Title Act 1993* (Cth), via Council's statutory liability cover.

18 Superannuation

Council contributes to LGIASuper previously known as the Local Government Superannuation Scheme (Qld) (the Scheme). LGIASuper is a Multi-employer Plan as defined in Australian Accounting Standard AASB 119 Employee Benefits. The Scheme has a number of elements including defined benefit funds and an accumulation benefits fund. Council does not have any employees who are members of the defined benefits funds and so is not exposed to the obligations, assets or costs associated with these funds. Council has employees who are members of the accumulation benefits fund.

	Note	2018 \$	2017 \$
Superannuation contributions made to the Accumulation Benefits Fund		2,072,633	2,072,182
Other superannuation contributions for employees		73,124	-
Total superannuation contributions paid by Council for employees:	6	<u>2,145,757</u>	<u>2,072,182</u>

19 Trust funds

Trust funds held for outside parties

Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities:

Island funeral funds	334,643	382,964
Church funds	9,780	9,780
Other community funds	52,341	81,511
	<u>396,764</u>	<u>474,255</u>

The Council performs only a custodial role in respect of these monies. As these funds cannot be used by the Council, they are not brought to account in these financial statements.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

19 Trust funds (continued)

	2018 \$	2017 \$
Funds held in trust by outside parties		
DFK Kidsons holding funds for Major Infrastructure and Other Program	20,155,528	30,919,841
	<u>20,155,528</u>	<u>30,919,841</u>

The Major Infrastructure and Other Program is jointly funded by the Australian and Queensland Governments to deliver and upgrade major infrastructure capital works in the Torres Strait. DFK Kidsons holds funds for multiple councils in regards to the Major Infrastructure and Other Program. The amount disclosed above relates to Torres Strait Island Regional Council's portion of the funds. Infrastructure assets are not recognised by the Council until they have reached completion.

20 Reconciliation of net result for the year to net cash inflow (outflow) from operating activities

	2018 \$	2017 \$
Net result	4,265,969	6,895,894
Non-cash items:		
Depreciation and amortisation	44,953,443	40,791,267
Asset contributions in capital income	(14,793,734)	(18,723,163)
Gain on initial recognition of finance lease	(1,736,277)	(2,848,338)
Gain on revaluation of finance lease	(767,255)	16,679
Gain on disposal of finance leases	(2,434,580)	-
	<u>25,221,597</u>	<u>19,236,445</u>
Investing and development activities:		
Revaluation down of property, plant and equipment	-	298,841
Loss on disposal of non-current assets	10,644,034	5,720,964
Capital grants and contributions	(32,890,104)	(24,006,930)
	<u>(22,246,070)</u>	<u>(17,987,125)</u>
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	(922,735)	679,955
(Increase)/decrease in inventory	(28,365)	49,958
Increase/(decrease) in payables	3,579,798	(280,333)
Increase/(decrease) in other provisions	207,102	1,168,679
	<u>2,835,800</u>	<u>1,618,259</u>
Net cash inflow from operating activities	<u>10,077,296</u>	<u>9,763,473</u>

21 Opening balance adjustment

Roads

In the process of commissioning the NDRRA 2015 Event (works completed June 2017), it was discovered that certain road assets had not been previously recognised as Council assets. These assets were added as at 1 July 2017 and an adjustment has been made to retained surplus. Current unit rates and conditions were used to establish the asset values. The assets have since been revalued as at 30 June 2018.

	As at 1 July 2017	As at 1 July 2016
Gross value added	2,314,200	-
Net increase to property, plant and equipment	<u>2,314,200</u>	<u>-</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

22 Financial instruments and financial risk management

Financial risk management

Council is responsible for the establishment and oversight of the risk management framework, together with developing and monitoring risk management policies. Council's management approves policies for overall risk management, as well as specifically for managing credit, liquidity and market risk.

Council's risk management policies are established to identify and analyse the risks faced, to set appropriate limits and controls and to monitor these risks and adherence against limits. The Council aims to manage volatility to minimise potential adverse effects on the financial performance of the Council.

Investments in financial assets are only made where those assets are with a bank or other financial institution in Australia. The Council does not invest in derivatives or other high risk investments.

Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. These obligations arise principally from the Council's investments and receivables from customers.

Exposure to credit risk is managed through regular analysis of credit counterparty ability to meet payment obligations. The carrying amount of financial assets represents the maximum credit exposure.

Investments in financial instruments are required to be made with Queensland Treasury Corporation (QTC) or similar financial institutions in Australia, in line with the requirements of the *Statutory Bodies Financial Arrangements Act 1982*.

No collateral is held as security relating to the financial assets held by Torres Strait Island Regional Council.

The following table represents the maximum exposure to credit risk based on the carrying amounts of financial assets at the end of the reporting period:

	Note	2018 \$	2017 \$
Financial assets			
Cash and cash equivalents	10	59,993,975	30,593,357
Short term deposit		62,533	-
Receivables - housing	11	75,854	1,349,159
Receivables - rates	11	683,419	565,928
Receivables - other	11	7,490,825	4,306,349
Other financial assets	12	10,173,797	8,491,909
Other credit exposures			
Guarantees	17	257,847	233,667
		<u>78,738,250</u>	<u>45,540,369</u>

Cash and cash equivalents

Council may be exposed to credit risk through its investment in the QTC Cash Fund and QTC Working Capital Facility. The QTC Cash Fund is an asset management portfolio that invests with a wide range of high credit rated counterparties. Deposits with the QTC Cash Fund are capital guaranteed. Working Capital Facility deposits have a duration of one day and all investments are required to have a minimum credit rating of "A-", therefore the likelihood of the counterparty having capacity to meet its financial commitments is strong.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

22 Financial instruments and financial risk management (continued)

Trade and other receivables

Council assesses credit risk before providing goods or services and applies normal business credit protection to minimise the risk.

Ageing of receivables and the amount of any impairment is disclosed in the following table:

	2018	2017
	\$	\$
Not past due	5,835,677	2,516,267
Past due 31-60 days	848,569	810,274
Past due 61-90 days	115,333	495,533
More than 90 days	15,660,697	15,292,218
Impaired	(14,210,178)	(12,892,856)
Total	<u>8,250,098</u>	<u>6,221,436</u>

Liquidity risk

Liquidity risk is the risk that the Council will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Council is exposed to liquidity risk through its normal course of business and through its borrowings with QTC and other financial institutions.

The Council manages its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows.

The following table sets out the liquidity risk in relation to financial liabilities held by the Council. It represents the remaining contractual cashflows (principal and interest) of financial liabilities at the end of the reporting period, excluding the impact of netting agreements:

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
2018					
Trade and other payables	10,240,353	-	-	10,240,353	10,240,353
Loans - QTC	74,219	185,332	-	259,551	259,551
	<u>10,314,572</u>	<u>185,332</u>	<u>-</u>	<u>10,499,904</u>	<u>10,499,904</u>
2017					
Trade and other payables	6,660,554	-	-	6,660,554	6,660,554
Loans - QTC	74,219	259,551	-	333,770	333,770
	<u>6,734,773</u>	<u>259,551</u>	<u>-</u>	<u>6,994,324</u>	<u>6,994,324</u>

The outflows in the above table are not expected to occur significantly earlier or for significantly different amounts than indicated in the table.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

22 Financial instruments and financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Council's income or the value of its holdings of financial instruments.

Interest rate risk

Council is exposed to interest rate risk through investments and borrowings with QTC and other financial institutions. Council has access to a mix of variable and fixed rate funding options through QTC so that interest rate risk exposure can be minimised.

Sensitivity

Sensitivity to interest rate movements is shown for variable financial assets and liabilities based on the carrying amount at reporting date.

The following interest rate sensitivity analysis depicts what effect a reasonably possible change in interest rates (assumed to be 1%) would have on the result and equity, based on the carrying values at the end of the reporting period. The calculation assumes that the change in interest rates would be held constant over the period.

	Net carrying amount	Effect on net result		Effect on equity	
		1% increase	1% decrease	1% increase	1% decrease
2018					
QTC cash fund	53,175,252	531,753	(531,753)	531,753	(531,753)
Other investments	62,533	625	(625)	625	(625)
Loans - QTC	(227,573)	(2,276)	2,276	(2,276)	2,276
Net total	53,010,212	530,102	(530,102)	530,102	(530,102)
2017					
QTC cash fund	20,175,252	201,753	(201,753)	201,753	(201,753)
Other investments	61,233	612	(612)	612	(612)
Loans - QTC	(282,525)	(2,825)	2,825	(2,825)	2,825
Net total	19,953,960	199,540	(199,540)	199,540	(199,540)

23 National Competition Policy

Council does not currently have any significant business activities to which the Code of Competitive Conduct (CCC) may be applied.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

24 Transactions with related parties

(a) Transactions with key management personnel (KMP)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Council, directly or indirectly.

KMPs include the Mayor, Councillors, Council's Chief Executive Officer and the Executive Management team. Compensation paid to KMPs for 2017/18:

	Note	2018 \$	2017 \$
Short-term employee benefits		2,440,969	2,515,519
Termination benefits		38,318	16,923
		<u>2,479,287</u>	<u>2,532,442</u>

Detailed remuneration disclosures are provided in Council's Annual Report.

(b) Transactions with other related parties

Other related parties include the close family members of KMP and any entities controlled or jointly controlled by KMP or their close family members. Close family members include a spouse, child and dependant of a KMP or their spouse.

Details of transactions between Council and other related parties are disclosed below:

Details of Transactions

Employee expenses for close family members of KMPs	24(b)(i)	729,729	787,394
Purchase of materials and services from entities controlled by KMPs	24(b)(ii)	981,668	242,206
Grants and donations for close family members of KMPs	24(b)(iii)	28,442	16,999
Fees and charges charged to entities controlled by KMPs	24(b)(iv)	10,284	37,554

(i) All close family members of key management personnel were employed through an arm's length process. They are paid in accordance with Council's Certified Agreement for the job they perform.

Council employs 339 staff (318 full time equivalent staff) of which 15 are close family members of key management personnel.

(ii) Council purchased the following materials and services from entities that are controlled by members of key management personnel. All purchases were at arm's length and were in the normal course of Council operations:

Freight	535,231	-
Fuel and electricity	327,070	56,765
Ferry charters	68,105	52,862
Accommodation	22,830	16,650
Commercial rent	22,686	55,608
Consumables	5,746	23,976
Cultural awareness training	-	34,805
Catering	-	1,540
	<u>981,668</u>	<u>242,206</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

24 Transactions with related parties (continued)

Included in the above is \$535,231 of freight charges and \$285,334 of fuel and electricity charges from Arafura Blue Marine Pty Ltd. During this time Councillor Sabatino was a shareholder for the entities. All purchases were at arm's length, on normal terms and conditions and were in the normal course of Council's operations.

As at 30 June 2018 there was \$43,619 owed by Council to Arafura Blue Marine Pty Ltd. This outstanding balance was offset against Arafura Blue Marine Pty Ltd account receivable balance as at 12 July 2018 in accordance with a settlement agreement dated 31 May 2018.

(iii) Grants and donations totalling \$28,442 (2017: \$16,999) were made during the reporting period to related parties of KMPs as community members under Council's Grants and Donations Procedure.

(iv) The fees and charges charged to entities controlled by KMP's were at arms length. \$6,932 (2017: \$6,807) was charged for a commercial lease for M&M Mini Mart at Hammond Island and \$3,351 (2017: \$4,121) for licensing fees for Maria Tamaru Tamu for office space use on Warraber Island.

(c) Commitments to/from related parties

Council has commitments for the provision of goods and services at ordinary commercial rates and terms. Commitments include the supply of accommodation, fuel and ferry transfers from the following related party entities:

	2018	2017
	\$	\$
Badu Island Foundation Ltd	2,036	10,878
Hammond Island Ferry	3,210	1,525
M & M Mini Mart	1,235	707
	<u>6,481</u>	<u>13,110</u>

(d) Loans and guarantees to/from related parties

Council does not make loans to or receive loans from related parties. No guarantees have been provided.

(e) Outstanding balances

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

Receivables	Current	Over 30 Days	Over 60 Days	Over 90 Days	Total
	\$	\$	\$	\$	\$
2018					
Rates and charges	-	120,312	-	123,313	243,625
Social housing	5,769	2,422	2,832	228,712	239,735
Other fees and charges	54	50	-	103,913	104,017
Total	5,823	122,784	2,832	455,938	587,377
2017					
Rates and charges	-	963	101,626	151,226	253,815
Social housing	2,494	3,346	3,967	259,305	269,112
Other fees and charges	-	-	-	5,682	5,682
Total	2,494	4,309	105,593	416,213	528,609

\$273,519 has been recognised in current and prior years for the provision of bad or doubtful debts owed by related parties.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

24 Transactions with related parties (continued)

(e) Outstanding balances (continued)

The table below details related party outstanding balances at the end of the reporting period which are over 90 days:

2018

Related party	Relationship	Customer	Nature of transactions	Over 90 Days \$
Mario Sabatino	Shareholder	Arafura Blue Marine Pty Ltd	Maritime fees	103,280
Laurie Nona	Director	Badu Island Foundation	Rates and charges	64,107
Laurie Nona	Manager	Badu Art Centre	Rates and charges	50,308
Lui Getano (Jnr)	Councillor	Lui Getano (Jnr)	Social housing	37,983
Ted Nai	Uncle	Gabriel Nai	Social housing	33,170
Robert Kaigey	Councillor	Robert Kaigey	Social housing	33,062
Torenzo Elisala	Father	Tenny Elisala	Social housing	23,590
Ted Nai	Uncle	John Morris	Social housing	21,419
Keri Akiba	Councillor	Keri Akiba	Social housing	21,413
Ted Nai	Uncle	Ned Mosby	Social housing	13,180
Rocky Stephen	Father	Daniel Stephen	Social housing	12,211
Rocky Stephen	Director	Kos and Abob Fisheries	Rates and charges	8,898
Dimas Toby	Spouse	Telita Banu	Social housing	7,865
Clara Tamu	Son	Pryce Mareko	Social housing	5,790
John Levi	Councillor	John Levi	Social housing	3,227
Dimas Toby	Councillor	Dimas Toby	Social housing	2,688
Keith Fell	Councillor	Keith Fell	Social housing	3,118
Clara Tamu	Spouse	Samuel Tamu	Social housing	2,298
Torenzo Elisala	Spouse	Daina Wosomo	Social housing	2,068
Torenzo Elisala	Councillor	Torenzo Elisala	Social housing	2,068
Torenzo Elisala	Mother	Maleta Elisala	Social housing	2,068
Rocky Stephen	Councillor	Rocky Stephen	Social housing	1,106
Laurie Nona	Councillor	Laurie Nona	Social housing	728
Laurie Nona	Partner	Stevie Lee	Other fees and charges	150
Getano Lui (Jnr)	Councillor	Getano Lui (Jnr)	Social housing	79
Keri Akiba	Son	Adrian Akiba	Social housing	43
Clara Tamu	Daughter	James & Iris Billy	Social housing	21
				<u>455,938</u>

In accordance with a settlement agreement dated 30 May 2018 between Council and the Liquidators of Arafura Blue Marine Pty Ltd, Council offset \$43,619 owed by Council to Arafura Blue Marine Pty Ltd against their outstanding debt as at 12 July 2018. The remaining balance will be written off upon Council resolution.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

24 Transactions with related parties (continued)

(e) Outstanding balances (continued)

The table below details related party outstanding balances at the end of the reporting period which are over 90 days:

2017

Related party	Relationship	Customer	Nature of transactions	Over 90 Days \$
Laurie Nona	Director	Badu Island Foundation	Rates and charges	66,289
Laurie Nona	Manager	Badu Art Centre	Rates and charges	39,284
Patrick Thaiday	Not Specified	Daido Tavern	Rates and charges	37,809
Lui Getano (Jnr)	Councillor	Lui Getano (Jnr)	Social housing	34,603
Robert Kaigey	Councillor	Robert Kaigey	Social housing	34,104
Ted Nai	Uncle	Gabriel Nai	Social housing	25,370
Lorna Bowie	Sister	Anita Bowie	Social housing	23,510
Torenzo Elisala	Father	Tenny Elisala	Social housing	23,446
Keri Akiba	Councillor	Keri Akiba	Social housing	22,333
Ted Nai	Uncle	John Morris	Social housing	13,619
Torenzo Elisala	Mother	Maleta Elisala	Social housing	11,018
Rocky Stephen	Father	Daniel Stephen	Social housing	10,628
Clara Tamu	Son	Pryce Mareko	Social housing	9,430
John Levi	Councillor	John Levi	Social housing	8,087
Dimas Toby	Spouse	Telita Banu	Social housing	5,996
Rocky Stephen	Director	Kos and Abob Fisheries	Rates and charges	5,692
Keith Fell	Councillor	Keith Fell	Social housing / other fees and charges	5,630
Mario Sabatino	Owner	Hammond Island Ferry	Other fees and charges	5,011
Clara Tamu	Spouse	Samuel Tamu	Social housing	4,906
Lorna Bowie	Sister	Fiona Bowie	Social housing	4,800
Ted Nai	Uncle	Ned Mosby	Social housing	4,720
Daisy Ketchell	Son	Francis Ketchell	Social housing	4,569
Torenzo Elisala	Spouse	Daina Wosomo	Social housing	3,368
Torenzo Elisala	Councillor	Torenzo Elisala	Social housing	3,118
Dimas Toby	Councillor	Dimas Toby	Social housing	2,688
Francis Pearson	Councillor	Francis Pearson	Social housing	2,295
Mario Sabatino	Owner	M & M Mini Mart	Rates and charges	2,291
Rocky Stephen	Councillor	Rocky Stephen	Social housing	1,286
Clara Tamu	Daughter	James & Iris Billy	Social housing	213
Getano Lui (Jnr)	Councillor	Getano Lui (Jnr)	Other fees and charges	79
Daisy Ketchell	Executive Officer	Daisy Ketchell	Social housing	22
				<u>416,213</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2018

24 Transactions with related parties (continued)

(f) Debt balances written off during the period as statute barred debt

The below debts were written off during the period as statute barred debt, being debt older than 6 years of age and pursuant to the *Limitation of Actions Act 1974* (Qld) and cannot be legally enforced in a Court of competent jurisdiction.

Council first attempted to write off statute-barred debts in 2015 however quorum could not be established due to a number of Councillors declaring a material personal interest or conflict of interest and excluding themselves from voting. Following the March 2016 local government election, Council tabled the write off again however was still unable to reach quorum.

In August 2016, Council presented two separate write off resolutions for Council's consideration, one addressing commercial debts and the other addressing housing debt. Again quorum could not be established for consideration of either resolution.

On 5 October 2016, Council engaged King & Company Solicitors to address the question of how Council may act to write off statute barred debt while ensuring statutory compliance. King & Company provided several options to Council to address the issue. The option adopted by Council was to delegate the write off power to the CEO. The issue of material personal interest or conflict of interest does not arise in respect of a Council decision to delegate the matter to the CEO for decision, provided Council merely delegates the CEO power to make the decision and does not in any way direct the CEO to make any particular decision about the matter.

The resolution was made at the October 2016 Ordinary Council Meeting adopting the revised Fiscal Governance Policy granting CEO delegation to write off statute barred debt.

2018

Related party	Relationship	Customer	Nature of transactions	Debt balance written off \$
Torenzo Elisala	Mother	Maleta Elisala	Social housing	8,950
Getano Lui (Jnr)	Councillor	Getano Lui (Jnr)	Social housing	4,420
Clara Tamu	Son	Pryce Mareko	Social housing	3,640
Torenzo Elisala	Spouse	Daina Wosomo	Social housing	1,300
Torenzo Elisala	Councillor	Torenzo Elisala	Social housing	1,050
				<u>19,360</u>

2017

Related party	Relationship	Customer	Nature of transactions	Debt balance written off \$
Keith Fell	Councillor	Keith Fell	Social housing	17,978
Getano Lui (Jnr)	Councillor	Getano Lui (Jnr)	Social housing	17,680
Patrick Thaiday	Councillor	Patrick Thaiday	Social housing	11,300
Bob Kaigey	Brother	Robert Kaigey	Social housing	9,227
Getano Lui	Priest	Church Of Torres Strait	Dishonoured cheque recovery	3,955
Clara Tamu	Son	Pryce Mareko	Social housing	6,359
Torenzo Elisala	Councillor	Torenzo Elisala	Social housing	1,900
Torenzo Elisala	Spouse	Diana Wosomo	Social housing	2,750
Daisy Ketchell	Son	Marsat & B. Ketchell	Pre amalgamation debt - unknown	2,042
Dimas Toby	Councillor	Dimas Toby	Social housing	1,505
Keith Fell	Councillor	Keith Fell	Pre amalgamation debt - unknown	679
David Bosun	Councillor	David Bosun	Pre amalgamation debt - unknown	311
John Levi	Councillor	John E Levi	Purchase of goods	261
Keith Fell	Councillor	Keith Fell	Pre amalgamation debt - unknown	239
David Bosun	Councillor	Jeanon Baira	Pre amalgamation debt - unknown	213
John Levi	Councillor	John E Levi	Annual levy 2008	90
				<u>76,487</u>

Torres Strait Island Regional Council
Financial statements
For the year ended 30 June 2018

Management Certificate
For the year ended 30 June 2018

These general purpose financial statements have been prepared pursuant to sections 176 and 177 of the *Local Government Regulation 2012* (the Regulation) and other prescribed requirements.

In accordance with section 212(5) of the Regulation we certify that:

- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, present a true and fair view, in accordance with Australian Accounting Standards, of the Council's transactions for the financial year and financial position at the end of the year.



Mayor
Fredrick Gela

Date: 18 / 9 / 2018



Chief Executive Officer
Bruce Ranga

Date: 18 / 9 / 2018

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Torres Strait Island Regional Council

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of Torres Strait Island Regional Council.

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2018, and of its financial performance and cash flows for the year then ended
- b) complies with the *Local Government Act 2009*, the *Local Government Regulation 2012* and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the certificate given by the Mayor and Chief Executive Officer.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of my report.

I am independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

Other information

Other information comprises the information included in Torres Strait Island Regional Council's annual report for the year ended 30 June 2018, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current year financial sustainability statement and long-term financial sustainability statement.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the *Local Government Regulation 2012*, I have expressed a separate opinion on the current year financial sustainability statement.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report and my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the council for the financial report

The council is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards, and for such internal control as the council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The council is also responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the council or to otherwise cease operations.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.

- Conclude on the appropriateness of the council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2018:

- a) I received all the information and explanations I required.
- b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.



20 September 2018

Sri Narasimhan
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Torres Strait Island Regional Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2018

Measures of Financial Sustainability

	How the measure is calculated	Target	30 June 2018 Result
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	Between 0% and 10%	-40%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense	greater than 90%	39%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	not greater than 60%	-60%

Note 1 - Basis of Preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the *Financial Management (Sustainability) Guideline 2013*. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements For the year ended 30 June 2018.

Certificate of Accuracy
For the year ended 30 June 2018

This current-year financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012* (the Regulation).

In accordance with Section 212(5) of the Regulation we certify that this current-year financial sustainability statement has been accurately calculated.


 Mayor
 Fredrick Gela

Date: 18 / 9 / 2018


 Chief Executive Officer
 Bruce Ranga

Date: 18 / 9 / 2018

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Torres Strait Island Regional Council

Report on the Current-Year Financial Sustainability Statement

Opinion

I have audited the accompanying current year financial sustainability statement of Torres Strait Island Regional Council for the year ended 30 June 2018, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Torres Strait Island Regional Council for the year ended 30 June 2018 has been accurately calculated.

Basis of opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the current year financial sustainability statement* section of my report.

I am independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the statement in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

Emphasis of matter – basis of accounting

I draw attention to Note 1 which describes the basis of accounting. The current year financial sustainability statement has been prepared in accordance with the Financial Management (Sustainability) Guideline 2013 for the purpose of fulfilling the council's reporting responsibilities under the Local Government Regulation 2012. As a result, the statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.

Other Information

Other information comprises the information included in Torres Strait Island Regional Council's annual report for the year ended 30 June 2018, but does not include the current year financial sustainability statement and my auditor's report thereon. At the date of this auditor's report, the other information was the general purpose financial statements and long-term financial sustainability statement.

My opinion on the current year financial sustainability statement does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the Local Government Regulation 2012, I have expressed a separate opinion on the general purpose financial report.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report and my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the council for the current year financial sustainability statement

The council is responsible for the preparation and fair presentation of the current year financial sustainability statement in accordance with the Local Government Regulation 2012. The council's responsibility also includes such internal control as the council determines is necessary to enable the preparation and fair presentation of the statement that is accurately calculated and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the current year financial sustainability statement

My objectives are to obtain reasonable assurance about whether the current year financial sustainability statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this statement.

My responsibility does not extend to forming an opinion on the appropriateness or relevance of the reported ratios, nor on the council's future sustainability.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.
- Evaluate the overall presentation, structure and content of the statement, including the disclosures, and whether the statement represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Sri Narasimhan
as delegate of the Auditor-General

20 September 2018

Queensland Audit Office
Brisbane

Torres Strait Island Regional Council
Unaudited Long-Term Financial Sustainability Statement
Prepared as at 30 June 2018

Measures of Financial Sustainability

	Measure	Target	Actuals at 30 June 2018	Projected for the years ended								
				30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	-40%	-65%	-74%	-65%	-62%	-59%	-35%	-33%	-31%	-28%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	39%	145%	43%	15%	16%	17%	0%	0%	0%	0%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	-60%	-32%	-16%	-17%	-19%	-20%	-20%	-19%	-17%	-16%

Council's Financial Management Strategy

Council measures revenue and expenditure trends over time as a guide to future requirements and to make decisions about the efficient allocation of resources to ensure the most effective provision of services. Council ensures that its financial management strategy is prudent and that its long-term financial forecast shows a sound financial position whilst also being able to meet the community's current and future needs.

The above ratios have been calculated using Council's most recently adopted original budget.

Certificate of Accuracy
For the long-term financial sustainability statement prepared as at 30 June 2018

This long-term financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012* (the Regulation).
In accordance with Section 212(5) of the Regulation we certify that this long-term financial sustainability statement has been accurately calculated.

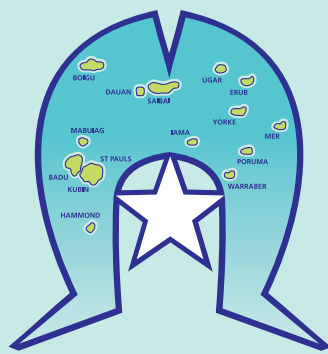

Mayor
Fredrick Gela

Date: 18/9/2018


Chief Executive Officer
Bruce Ranga

Date: 18/9/2018





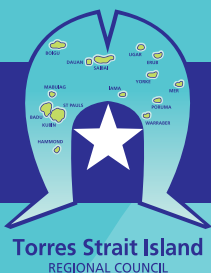
Torres Strait Island
REGIONAL COUNCIL

Empowering our people

In our decision

In our culture

For our future



TORRES STRAIT ISLAND REGIONAL COUNCIL

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