

# TSIRC Annual Report 2012/13



Torres Strait Island  
Regional Council

*"Empowering our people, in our decision,  
in our culture, for our future."*

LOT 12, FRANCIS ROAD

HAMMOND ISLAND

Qld, 4875

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## About Torres Strait Island Regional Council

This year marks the fifth year that the Torres Strait Island Regional Council (TSIRC) has been in operation. Formed in 2008 as part of the Queensland Government's local council amalgamation policy, the TSIRC is still a new local council governed under the *Local Government Act 2009(QLD)* and the *Local Government Regulation 2012*. After five successful years as an organisation, the first year of the second term of TSIRC has come to an end and the new and re-elected Councillors have settled into their positions, uniting as a team of leaders to represent their island communities and together, the Torres Strait Island Regional Council jurisdiction.

All 15 island communities of the TSIRC are united under the one organisation to deliver a range of services on-ground. Prior to this, communities within the TSIRC area came under the jurisdiction of the Community Services (Torres Strait) Act 1984 (QLD) and each had their own independent Island Council.

The Torres Strait Islands are located in Far North Queensland, scattered between the tip of the Cape York Peninsula and Papua New Guinea. The Torres Strait shares an international border with Papua New Guinea and is located close to Indonesia. The location of the area has earned it the nick-name 'Australia's buffer zone.' This fact, along with the remote location and island environment brings with it a unique set of requirements and challenges for the TSIRC.

Not only does Council deliver essential services to its communities on ground, it also operates as a voice for the people of the region and represents their wants and needs on a State and Federal level.

Council, along with other local government bodies in the region have been working toward regional governance as a desire of the people.

The call for autonomy has been a united quest. Community consultations have taken place and a model of government has been chosen by the



people that depend on the development of just one government body beneath the Federal government to aid and facilitate services across the Torres Strait Region.

Submissions and discussions are frequent and Council will not allow this issue to fall from its high level of priority.

Council is faced with an array of challenges and difficulties mostly due to the location of its jurisdiction.

The development of infrastructure, the construction of homes, the delivery of essential services such as waste, water and sewerage are all heavily affected because all equipment, supplies, contractors, machinery and even food, must arrive via barge or by air.

Council is also concerned with the understanding that funds allocated to the region are being misused on excessive bureaucratic interference, adding unnecessary red tape and causing expense to be incurred without any benefit.

Instead, the region needs these funds to be allocated to closing the gap of indigenous disadvantage which is what Council endeavour to do through constant persistence and determination.



## TSIRC Services

The role of a council, like the TSIRC, is to do all things necessary for the good rule and local government of its local government area, which may include deciding on facilities and services for communities and making local laws.

Traditionally councils have provided services such as road maintenance, water and waste but now more and more local councils like the TSIRC are involved in social, economic and cultural development and improving the liveability and sustainability of the region.

Unlike most local councils, the TSIRC is in charge of fifteen separate communities; each with its own facilities and service requirements. This unique situation, coupled with the remote location and island environments adds further dimension to the complexity of service delivery.



### Some of TSIRC's Services include:

Water

Community Police

Animal Management

Roads & Drainage

Waste & Sewerage

Housing

Parks & Gardens

Airports

Childcare

Libraries

Environmental Health



## Trusteeship of the respective DOGIT'S

In addition to Council acting in its capacity as Local Government under the Local Government Act 2009 (Qld), Council also acts as Trustee of fifteen (15) Deeds of Grant in Trust ("DOGIT") under the Land Act 1994 (Qld) and Torres Strait Islander Land Act 1991 (Qld). Council takes very seriously, its responsibilities as Trustee of the respective DOGITs, held for and on behalf of the indigenous inhabitants particularly concerned with the areas and remains committed to thorough consultation with affected constituents pertaining to proposals concerning land in accordance with all Statutory requirements and Ailan Kastom.

## Mayor's Report



The first year of the new term has been eventful, to say the least, with our new, eager and earnest team of Councillors bringing ambition and aspiration to our young, local government organisation.

I want to acknowledge traditional owners, elders and youth of the Torres Strait because without you, our function as a local government organisation would be insignificant. I would also like to acknowledge God for his many blessings that he has bestowed upon us.

Our fifth year in operation has witnessed an array of significant events - both favourable and unfortunate.

Through the year and throughout my time as the Mayor of the Torres Strait Island Regional Council, not once have I lost hope of our region's prosperity, nor acted without utmost pride and dignity when representing my people.

We have seen the completion of an array projects on-ground this year and a number of emerging issues that have affected the region exclusively.

It has been a bitter sweet year for Council as we prepare to say goodbye to our Community Police Officers as they transition under the banner of QPS in October 2013. Council has nurtured and improved the Torres Strait Community Police Service upon established solid pre-amalgamation foundations to create a model which was both enticing to the Queensland Police Service (QPS) and delivers for community.

The Community Police Service has been fully reared by Council, with 36 Community Police Officers on ground and two administration staff.

To see our Community Police in uniform when I am visiting our islands gives me a sense of security and reassures me that our constituents have access to, when required, this essential front line service at their fingertips. We are proud of the distance our Community Police service has come and are fortunate that it will now be handed over to QPS who will continue to grow and shape the service as dedicated specialists.

*"No matter the hurdles we face, Council are committed to doing everything within its power as a local government organisation to rise above for the benefit of our people."*

I am also very pleased to report on the progress that the new structure of Council's Building Service has made since establishment 12 months ago. The purpose of the new structure is not only to carry out works more efficiently but also to reinforce the capability to charge out the works on completion to ensure continued cash flow.

The new TSIRC Building Unit are achieving outstanding results having completed the year on a high, after achieving a greater than 95 per cent completion rate of the work orders on their books. The Unit is currently concentrating on repairs and maintenance matters within TSIRC communities in conjunction with QBuild (recently renamed BAS – Building Asset Services).

Other exciting news for TSIRC this year and especially the community of Kubin is the potential for 19 new home constructions. Indigenous Land Use Agreements have been executed in Kubin and the ball is now rolling to get construction details confirmed. Although specific details have not yet been finalised, TSIRC's building team will play a key role in the delivery of the new houses.

I am thrilled to report that Council received an unqualified audit result this year which is a great achievement.

This meant that after an audit of Council's internal systems of control, as well as all of the details of our finances, along with all ancillary documentation and supporting records were audited, the auditor had no reservations concerning the financial statements reported.

I am also pleased to announce that Council, this year, have improved Council's financial position by a substantial amount. This is not liquid cash that can be spent but an improvement to our overall financial position.

Our engineering crew have also executed a solid year of implementing and completing essential works and projects on-ground, with the construction and restoration of seawalls being a major focus. Council have appointed a project manager and planning and design is well on its way. Coastal protection is another of Council's fundamental objectives which will also benefit from the Seawall Project

Council also made a substantial change to our local laws this year regarding the Conditions of Entry for Visitors into our communities. Council implemented a Visitor Sign-in book stationed at all Council Divisional offices so that visitors can sign-in upon arrival to our



communities. The law also includes a new set of requirements for visitors that are not already approved, prior to arrival. This will more thoroughly enable Council to monitor visitors into the community and the purpose of their visits.

Our region was fortunate to have Community Cabinet held in the Torres Strait this year, which enabled all of our Councillors including myself to discuss with Members of Parliament a range of issues that affect our region. Council feel that our requests were heard and considered and that significant steps forward were taken in particular to our call for autonomy. We received support from state government and will be moving forward on the issue by speaking with those in power after the upcoming election.

Also on the year's agenda was that of the National Partnership Agreement on Remote Indigenous Housing, home ownership options, Katter Leases and also leasing and housing maintenance which were discussed with community members upon a number of community visits and deputations.

As always, our constituents have enjoyed celebrating our major annual events such as Mabo day and The Coming of the Light festival while also continuing to host community clean-up days and events supported by Council, to band together and strengthen the community spirit.

This year was an exceptionally proud year for me as an individual, when I was blessed with the honour of receiving the TSIRC Mabo Persistence, Dedication and Advocacy of Rights and Heritage Award for the region.

I would like to express my gratitude to Council's key stakeholders and most importantly our constituents for supporting Council's endeavours to provide essential services to our region.

No matter the hurdles we face, Council is committed to doing everything within its power as a local government organisation to rise above for the benefit of our people.

I look forward to another prosperous year ahead and to achieve solid groundwork for Torres Strait Islanders to be given the voice and choices we deserve.

A handwritten signature in black ink, appearing to read 'Fred Gela', written over a light blue grid background.

Mayor Fred Gela

## CEO's Report



I can safely say that TSIRC has never lost sight of its sole purpose - to deliver essential services to its constituents on-ground.

Five years in operation and the Torres Strait Island Regional Council has established itself as a solid, local government organisation achieving considerable results for the region.

The TSIRC has had an eventful and active year and I am appreciative to be able to contribute to the 2012/2013 Annual Report.

During the year, Council witnessed significant state and federal government changes that in-turn affected Council.

Changes to the local government act and regulations were made which concentrated overall on placing less concern about process and more about performance and outcomes.

There is now a much simplified Local Law making process with no need for Ministerial approval.

In October, Council commenced its local law compliance inspections throughout communities. Authorised employees audited communities to see if community members were abiding by the local laws that Council put in place. Those who were not complying with the local laws were issued notices and monitored by authorised persons in the community until the issue was rectified. For example those with wandering animals or overgrown properties were given notice of breach to make sure they did something about it and it was then followed up. These local laws are in place to keep our communities safe and all communities will be continually monitored by authorised persons on-ground to make sure everyone is complying.

Another change to the local government act included the requirement of all Council's to hold monthly meetings which could be performed electronically. Council, since the new term commencing last year have been meeting on a monthly basis and our new technical equipment has assisted the efficiency of meeting's, which are now recorded and agendas are available to Councillors on iPad's. Council meeting minutes are also available to the public on the TSIRC website.

The year ended with the federal government in power changing leaders and along with this change brought the cancellation of a local government referendum to be held at the next election. Queensland Councils, including the TSIRC were disappointed at the decision not to

honour the Federal Parliaments commitments to hold a referendum to change the constitution to protect vital federal funding for community infrastructure.

Council still hold immense priority on capacity building, training and development. We have seen hundreds of staff pass through various certificates and training this year with a register now being recorded. We publicly congratulate and encourage our staff to continue to grow and learn to assist them in performing their duties to the best of their ability.

We have also implemented a new Content Management System within our centralised database so that administration staff can more efficiently store, locate and track files and documents.

*"I believe the future of the TSIRC lies in preparation and a concerted effort to act entirely in the interests of Council's constituents."*

Council's Operational Plan specifically addresses the core functional components of its structure and identifies outputs, activities and performance measures of Council. The Council's operational Plan links with outcomes in the Corporate Plan and delivers on specific strategies mentioned in the Corporate Plan such as environmental protection, culture and arts, public health and economic development.

Many of the outputs in the Operational Plan are on-going in nature and deal with such aspects as major project specifications tightly integrated with the budget.

Council's Operational Plan, along with the Corporate Plan, which is based on the needs and wants of our constituents to ensure that the priorities of the people are heard and acted upon, are both outlined and reported upon within this Annual Report.

I believe the future of the TSIRC lies in preparation and a concerted effort to act entirely in the interests of Council's constituents.

Yet another year has passed where Council have proudly acted upon, and operated for, the region, auspiciously generating positive outcomes and where possible, achieving desired results.



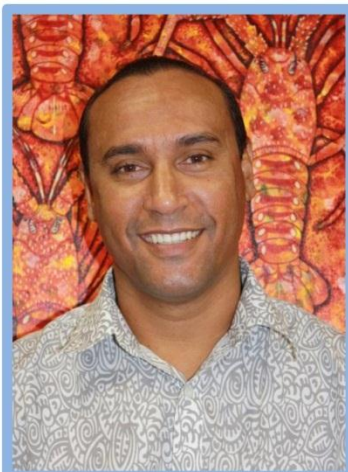
John Scarce

## Introducing TSIRC Councillor's

Division	Community	Councillor
	Hammond	Mayor Fred Gela
Division one	Boigu	Cr Dimas Toby
Division two	Dauan	Cr Joel Gaiden
Division three	Saibai	Cr Ron Enosa
Division four	Mabuiag	Deputy Mayor Cr Keith Fell
Division five	Badu	Cr Horace Baira
Division six	Kubin	Cr David Bosun
Division seven	St Pauls	Cr Toshie Kris
Division eight	Hammond	Cr Mario Sabatino
Division nine	Iama	Cr Getano Lui (Jnr)
Division ten	Warraber	Cr Ted Billy
Division eleven	Poruma	Cr Phillemon Mosby
Division twelve	Yorke	Cr Fraser Nai
Division thirteen	Ugar	Cr Jerry Stephen (until 1/8/12)
		Cr Rocky Stephen
Division fourteen	Erub	Cr Jimmy Joe Gela
Division fifteen	Mer	Cr Aven Noah (until 4/9/12)
		Cr William Robert Akee

## Councillor Images

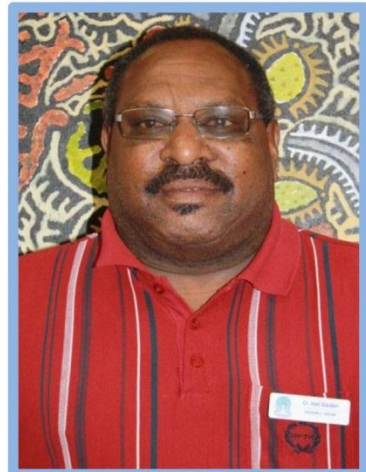
Mayor Fred Gela



Cr Dimas Toby

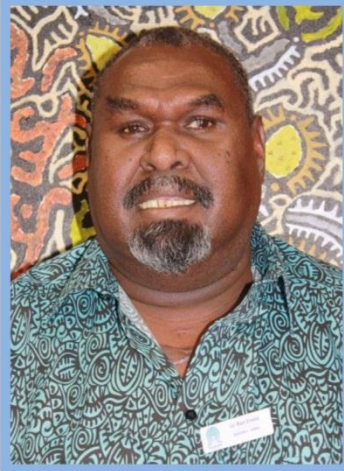


Cr Joel Gaiden





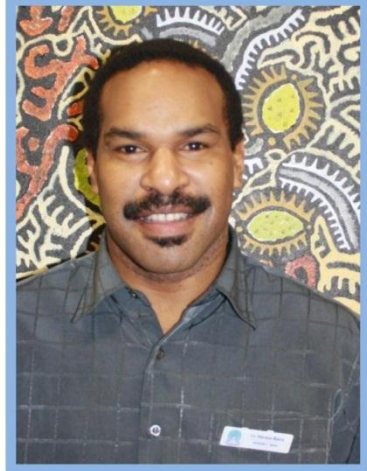
Cr Ron Enosa



Deputy Mayor Keith Fell



Cr Horace Baira



Cr David Bosun



Cr Toshie Kris



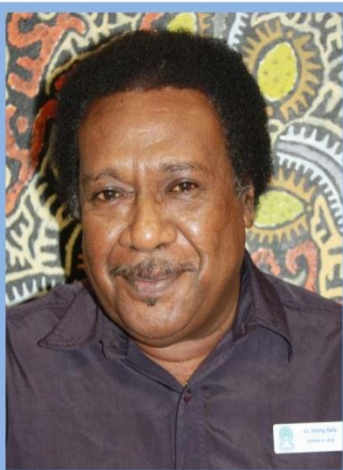
Cr Mario Sabatino



Cr Fraser Nai



Cr Jimmy Joe Gela

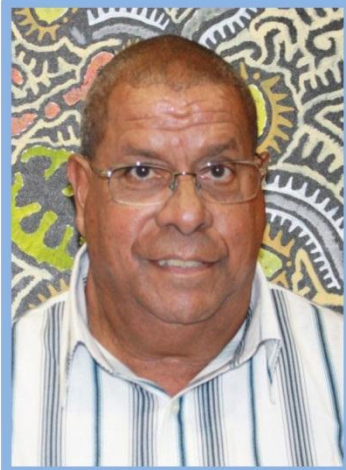


Cr Rocky Stephen

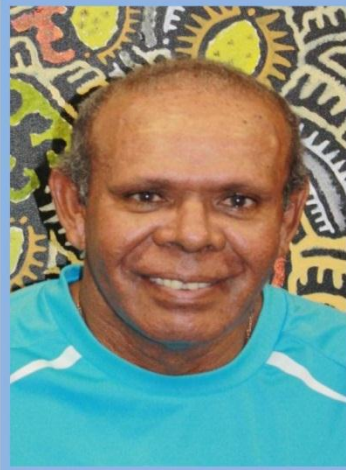




Cr Getano Lui (Jnr)



Cr Ted Billy



Cr Phillemon Mosby



Cr William Akee



Cr Aven Noah




Cr Jerry Stephen





Cr Aven Noah	1							1
Cr William Akee		1	1	1	1	1	1	6

 No Reps for Division 13 & 15 September Meeting – awaiting Bi-Election

\*Cr. Rocky Stephen elected to Division 13 and sworn in as Councillor in October 2012

\* Cr. Akee elected to Division 15 and sworn in as Councillor in November 2012

- Apology

#### Standing Committee Meeting Attendance

Councillor Name	August 2012 A & R I & P		Oct 2012 A & R I & P		Dec 2012 A & R I & P	
Mayor Fred Gela	1	1	1	1	1	1
D/Mayor Keith Fell	1	1	1	1	1	1
Cr Dimas Toby	-	-	1	1	1	1
Cr Joel Gaiden	1	1	1	1	1	1
Cr Ron Enosa	-	-	1	1	1	1
Cr Horace Baira	1	1	1	1	-	-
Cr David Bosun	1	1	1	1	1	1
Cr Toshie Kris	1	1	1	1	-	-
Cr Mario Sabatino	1	1	1	1	1	1
Cr Getano Lui Jnr	1	1	1	1	1	1
Cr Ted Billy	1	1	1	-	1	1
Cr Phillemon Mosby	1	1	1	1	1	1
Cr Ted Nai	1	1	1	1	1	1
Ugar	*No Rep		* No Rep			

Cr. Rocky Stephen			1	1	1	1
Cr Jimmy Gela	1	1	1	1	1	1
Cr Aven Noah	1	1	* No Rep			
Cr William Akee			*No Rep		-	-

- Apology

*\* No Rep – Awaiting Bi-Election.*

*Cr. Rocky Stephen elected to Division 13 and sworn in as Councillor in October 2012*

*Cr. Akee elected to Division 15 and sworn in as Councillor in November 2012*

A & R – Administrative & Regulatory Standing Committee

I & R – Infrastructure & Planning Standing Committee

## Particular Resolutions

There were no resolutions that were associated with altering Council's expense threshold for asset accounting purposes. (Refer to Note 1.0 in the Financial Statements)

Resolutions that were made in relation to Council's Expense Reimbursement Policy took place in February 2013 at Council's Ordinary Meeting, May 2013 at Council's Ordinary Meeting and again in accordance to budget development during Council's Budget Meeting June 2013.

### EXTRACT FROM MINUTES OF COUNCIL MEETING HELD 18-19 FEBRUARY 2013.

Financial Controller Recommendation –Travelling Allowance

#### RESOLUTION

*Moved* Cr. Sabatino, *Seconded* Cr. J. Gela that Council accept the recommendation of the Financial Controller by amending the Expense Reimbursement Policy and the Travel Policy of Council, endorse the actions of the CEO to amend any employment contracts to reflect the recommendation. Further in accordance with the Local Government Regulation 2012: Division 2 Reimbursement of expenses and provision of facilities, Council adopts the Expense Reimbursement Policy.

Motion Carried

#### **EXTRACT FROM MINUTES OF COUNCIL MEETING HELD 21-22 MAY 2013**

Item 12.1 COUNCILLORS EXPENSE REIMBURSEMENT POLICY

##### **RESOLUTIONS**

*Moved Cr. Mosby, Seconded Cr. J. Gela* that Council adopt the revised Expense Reimbursement Policy. *(Attachment C)*

Motion Carried

#### **EXTRACT FROM MINUTES OF COUNCIL MEETING HELD 18-19 JUNE 2013**

Item 18.4 AMENDMENT TO EXPENSE REIMBURSEMENT POLICY

##### **RESOLUTION**

*Moved Cr. Bosun, Seconded Cr. Gaiden* that Council approve the amendments to the Expense Reimbursement Policy for 2013-2014.

Motion Carried

Against: Cr. F. Gela, Cr. Sabatino

## **Councillor Remuneration**

Superannuation – Nil, as per Councillors request.

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#### **Councillor Remuneration**

Councillor Name	Travel Allowance	Councillor Allowance
<b>Mayor Fred Gela</b>	11,058.76	90,252.90
<b>Deputy Mayor Keith Fell</b>	16,509.30	52,069.16



Cr Dimas Toby	12,008.61	45,126.27
Cr Joel Gaiden	9,933.81	45,126.27
Cr Ron Enosa	11,538.35	45,126.27
Cr Horace Baira	12,652.05	45,126.27
Cr David Bosun	9,390.00	45,126.27
Cr Toshie Kris	7,060.15	45,126.27
Cr Mario Sabatino	4,899.01	45,126.27
Cr Getano Lui Jnr	13,824.35	45,126.27
Cr Ted Billy	9,772.85	45,126.27
Cr Phillemon Mosby	9,555.60	45,126.27
Cr Ted Nai	18,282.65	45,126.27
Cr Jimmy Gela	10,171.85	45,126.27
Cr Rocky Stephen	10,471.05	33,640.11
Cr William Akee	7,343.20	30,382.84
Cr Jerry Stephen	1,011.65	3,942.99
Cr Aven Noah	1,393.55	8,057.41

## Senior Management Remuneration

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

Band	Number of Senior Managers in band
\$100,000 - \$200,000	3
\$200,000 - \$300,000	2
\$300,000 - \$400,000	1
TOTAL REMUNERATION OF ALL SENIOR MANAGEMENT: \$1,315,000.00	

## Expense Reimbursement Policy

### Commencement

The Torres Strait Island Regional Council expenses reimbursement policy will repeal any previous policy on this issue, effective 19 June 2013.

### Background

In developing an expense reimbursement policy the Council must comply with Local Government Regulation 2012: Division 2 Reimbursement of expenses and provision of facilities.

### Purpose

The purpose of the policy is to ensure that councillors (including the mayor) can receive reimbursement of reasonable expenses and be provided with necessary facilities in performance of their role.

### Statement of Principles

The policy Statement of Principles are:

- Reasonable expenses reimbursement to councillors
- Public accountability and transparency
- Public perceptions and community expectations
- No private benefit to be derived
- Equity and participation

Derived from:

The **local government principles** being—

- (a) transparent and effective processes, and decision-making in the public interest; and
- (b) sustainable development and management of assets and infrastructure, and delivery of effective services; and
- (c) democratic representation, social inclusion and meaningful community engagement; and
- (d) good governance of, and by, local government; and
- (e) ethical and legal behaviour of councillors and local government employees.

### Payment of Expenses

Expenses will be paid to a councillor through administrative processes approved by a council's Chief Executive Officer subject to:

- The limits outlined in this policy and/or

- Council endorsement by resolution.

### **Expense Categories**

#### **Representing Council**

Where Council resolves or the Mayor & CEO consider relevant that Councillors are required to attend study tours, conferences or workshops to either deliver a paper, to receive knowledge or as a delegate of Council; Council will reimburse expenses, associated with attending the event since participation is part of the business of Council.

Each Councillor who attends an event on behalf of Council must provide a verbal and written report to the whole Council at the second ordinary meeting after the event.

A local government will reimburse expenses incurred for:

- Mandatory professional development

Where Council resolves or the Mayor and CEO consider that all Councillors are to attend training courses or workshops for skills development related to a Councillors role, the Council will reimburse expenses, that being the total cost of the course plus associated expenses

- Discretionary professional development

Where a Councillor identifies a need to attend a conference, workshop or training to improve skills, other than Mandatory training, Council will reimburse expenses to a maximum of \$5,000 for the current term of their office.

#### **Travel as required to represent council**

A local government may pay for or reimburse local, interstate and overseas travel expenses (e.g. flights, car, accommodation, meals and associated registration fees) deemed necessary to achieve the business of council where:

- A councillor is an official representative of council and
- The activity/event and travel have been endorsed by resolution of council or
- The Mayor & CEO consider necessary to incur the travel on behalf of council

Council will pay for reasonable expenses incurred for overnight accommodation.

All travel expenses will be paid in advance of travel with exception reporting completed and any unused allowance recovered from future claims.

NOTE: Any fines incurred while travelling in council-owned vehicles or privately owned vehicles when attending to council business, will be the responsibility of the councillor incurring the fine.

If a Councillor travels using their private vehicle, a log is to be kept of the mileage travelled and the reimbursement will be in accordance with the Australian Taxation Office rulings for the engine capacity of the vehicle used.

#### **Travel bookings**

All councillor travel approved will be booked and paid for by Council.

For the purpose of travelling for Council (Not as a result of a third party request and payment) Economy class is to be used, however for journeys of two (2) hours or more Business Class is to be used where available.

Airline tickets are not transferable and can only be procured for the councillor's travel on council business. They cannot be used to offset other unapproved expenses. (e.g. cost of partner or spouse accompanying the councillor.)

### **Travel transfer costs**

Any travel transfer expenses associated with councillors travelling for council approved business will be reimbursed.

Example: Trains, taxis, buses and ferry fares

Cab charge vouchers may also be used if approved by Council or by the Mayor & CEO where Councillors are required to undertake duties relating to the business of council.

On the mainland only for Councillors who chose to be accommodated by Council and for travel periods of longer than three days, the Councillor has an option of obtaining a hire car, this will be arranged by Council, all fuel costs associated with the hire car will be borne by the Councillor.

### **Private vehicle usage**

Councillor's private vehicle usage may be reimbursed by council if the:

- Travel has been endorsed by council resolution or
- The Mayor & CEO consider it appropriate
- Claim for mileage is substantiated with log book details and
- Total travel claim does not exceed the cost of the same travel using economy flights plus the cost of taxi transfers.

Reimbursement will be in accordance with the Australian Taxation Office rulings for the engine capacity of the vehicle used.

### **Accommodation**

Council will pay for the most economical deal available. Where possible, the minimum standards for councillors' accommodation will be four (4) star rating.

Where particular accommodation is recommended by conference organisers, council will take advantage of the package deal that is the most economical and convenient to the event.

### **Meals**

A local government will provide an allowance for meals in accordance with the Australian Taxation Office ruling on travel expenses (TD 2012/17 or later) for a councillor when:

- The meal was not provided:
- Within the registration costs of the approved activity/event

- During an approved flight
- Any time Councillor is on Council Business

No alcohol will be paid for by council.

If the Councillor is away from home or commences their travel before 8 am or concludes after 9 am a breakfast entitlement is provided. If the Councillor is away from home or commences travel before 12 noon or concludes after 1 pm a lunch entitlement is provided. If the Councillor is away from home or commences travel before 6 pm or concludes after 7 pm a dinner entitlement is provided.

- Incidental allowance
  - \$25

Payment will be made for any overnight travel only; the calculation is to pay on the first day of travel, on the last day of travel and for any day in between. In effect the minimum payment will be two days entitlement

### **Hospitality**

Council provides a \$750 per annum Hospitality Expenditure for all Councillors.

Council provides a \$2,500 per annum Hospitality Expenditure for the Mayor.

The Mayor and the Councillors will provide evidence of the expenditure to the CEO or at an ordinary meeting. The Council or the CEO will deem the appropriateness of the expenditure, that being for the purpose of providing hospitality to a third party, not related to the Mayor or Councillor.

Hospitality is the provision of food, drinks or entertainment; fundamentally the event must be directly related to Council activities.

### **Provision of Facilities**

Certain equipment separately identified in this policy is provided to the Councillor once; this equipment will remain the property of the Councillor upon the completion of the entire term of Council. All other equipment and facilities not separately identified remain the property of council and must be returned to council when a councillor's term expires.

### **Private use of Council owned facilities**

Based on the principle that no private benefit is to be gained the facilities provided to Councillors by Local Governments are to be used only for Council business unless prior approval has been granted by resolution of Council and are in accordance with the charges for private use as set out in this policy.

### **Facilities Categories**

#### **Administrative tools**

Administrative tools are to be provided to Councillors as required to assist Councillors in their role.



Administrative tools include:

- Office space and meeting rooms
- Computers
- Stationery
- Access to photocopiers
- Printers
- Facsimile machines
- Publications
- Use of council landline telephones and internet access in council offices.

Secretarial support may also be provided for Mayors and Councillors under a directive given by the Chief Executive Officer to staff concerned.

### **Name Badge and uniform**

The Council will provide Councillors with a name badge

The Council will provide a uniform of the Council.

### **Motor vehicles**

On the choice of the Mayor or Councillor:

Council will provide a 2wd dual cab utility on a full private use basis, that being any member of the Councillors family eligible to drive can access this vehicle. In return the Councillor will pay \$25 a week as hire, provide for all fuel, and pay for the insurance excess if any damage occurs to the vehicle. If damage is as a result of an illegal act the Councillor will be responsible for the full cost of any repairs or replacement of the vehicle. The Council will be responsible for the routine maintenance and insurance of the vehicle and all fair wear and tear repairs.

At the end of the term the motor vehicle remains the property of the Council.

A Councillor will not be entitled to access any other vehicle, for Council business or private.

### **Computers and Telecommunication**

Councillors can elect one of the following:

A/ mobile phone, IPAD and office computer (thin client).

B/ mobile phone, lap top computer and docking station configuration at the office.

A 5 GB data plan per month will be paid for by Council, any excessive use will be at cost to the Councillor. A voice plan will be paid for by Council with Council paying for all business use, any personal calls must be reimbursed to Council, a copy of the phone bill will be

provided to the Councillor for identification of personal calls, and payment is to be made immediately.

Council will only provide one mobile phone hand set, laptop computer or IPAD (depending on Councillor Choice) to a Councillor during the 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. Council will continue to provide SIM cards and support to technical equipment.

**Insurance cover**

Council will indemnify or insure Councillors in the event of injury sustained while discharging their civic duties.

Council will pay the excess for injury claims made by a Councillor resulting from conducting official Council business.

**Certification**

This and the preceding six (6) pages bearing my initials has been adopted by Council at its meeting held on the 19 June 2013



19 June 2013

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Rodney John Scarce

Chief Executive Officer

## Councillor Recommendations

The total number of orders and recommendations made under section 180(2) or (4) of the Act	NIL
--	-----

The total number of orders made under section 181 of the Act	NIL
--	-----

The name of each councillor in relation for whom an order or recommendation was made under section 180 of the Act or an order was made under 180 of the Act or an order was made under s181 of the Act	NIL
--	-----

A description of the misconduct or inappropriate conduct engaged in by each of the councillors	NIL
--	-----

A summary of the order or recommendation made for each councillor	NIL
---	-----

## Councillor Complaints

The total number of complaints about the conduct or performance of Councillors for which no further action was taken under s176C(2) of the Act	NIL
--	-----

The number of complaints referred to the department's Chief Executive under section 176C(3)(a)(i) of the Act	NIL
--	-----

The number of complaints referred to the Mayor under section 176C(3)(a)(ii) or (b)(i) of the Act	FOUR
--	------

The number of complaints assessed by the Chief Executive Officer under s176C(4)(a) of the Act	NIL
---	-----

The number of complaints assessed by the Chief Executive Officer as being about official misconduct	NIL
---	-----

The number of complaints heard by a regional conduct review panel	NIL
---	-----

The number of complaints heard by the tribunal	NIL
--	-----

The number of complaints to which s176C(6) of the Act applied	NIL
---	-----

## Administrative Action Complaints

The number of administrative action complaints made to the local government	FOUR
---	------

The number of administrative action complaints resolved by the local government under the complaints management process	FOUR
---	------

The number of administrative action complaints not resolved by the local government under the complaints management process	NIL
---	-----

The number of administrative action complaints under paragraph (a)(iii) that were made in a previous financial year	NIL
---	-----

The Torres Strait Island Regional Council is committed to dealing with administrative action complaints by adhering to its Complaints Management Process Policy which outlines how TSIRC implements its complaints management process and how it performs in resolving complaints under this process.

**Council's Complaints Management Policy process incorporates the following steps:**

Notification of complaint to Council

Threshold assessment by Council

Confirmation of receipt of complaint to complainant

Investigation of complaint

Reporting to Complaint Officer(s)

Reporting of outcome to complainant

Appeal phase

Complaints received are noted on a database which tracks through the various procedural steps to achieve a timely response to the complainant.

**Investigation Notices**

Council did not receive any competitive neutrality complaints.

**Expenditure on grants to community organisations**

Division	Expense
Badu	\$8,951.21
Poruma	\$20,000.00
Dauan	\$5,954.56
Saibai	\$19,881.60
Yorke	\$19,723.59
St Pauls	\$19,041.28
Kubin	\$18,467.91
Iama	\$19,917.58
Erub	\$4,934.95
Mabuiag	\$13,884.60
Warraber	\$15,068.73
Regional Grants	\$50,000.00
Boigu	\$ 9,056.83
Mer	\$ 9,255.10
Ugar	\$4,009.09
Hammond	\$2,075.00
Mayor	\$3,636.36
<b>TOTAL:</b>	<b>\$243,858.40</b>



## Discretionary Fund Allocation

### Councillor Discretionary Fund Allocation

Councillor	Division	Community Organisation	Amount Allocated	Purpose of the Allocation
<b>Mayor Fred Gela</b>	Mayoral	Argun Warriors Football Club	3,763.34	Sports sponsorship
		<b>TOTAL</b>	<b>3,763.34</b>	
<b>D/Mayor Keith Fell</b>	Mabuiag	Goemu Bau Raiders Football Club	8038.38	Peninsula Sporting event
		Douglas Bani	2000.00	Sporting event- Under 18 Rugby
		Mabuiag Women's Basketball Team	4636.36	Peninsula Sporting event
		<b>TOTAL</b>	<b>14,674.74</b>	
<b>Cr Dimas Toby</b>	Boigu	Malu Ibal Dance Team	5681.82	Boigu Dance Team to TI
		Malu Kiai Campus	2332.09	School Charter TI Cultural Festival
		Boigu Community	297.10	Xmas Community Feast
		Boigu Community	600.00	Mabo day catering
		<b>TOTAL</b>	<b>8,911.01</b>	
<b>Cr Joel Gaiden</b>	Dauan	Western Bears	4,954.56	Sporting event
		Parish of Ascension	1,000.00	Church Day 14/9/12
		<b>TOTAL</b>	<b>5,954.56</b>	
<b>Cr Ron Enosa</b>	Saibai	Saibai Dance Team	4677.27	Uniforms
		Saibai Community	455.44	Saibai Church Festival
		Saibai Dance Team	12554.97	TI Cultural Festival
		<b>TOTAL</b>	<b>17,687.68</b>	
<b>Cr Horace Baira</b>	Badu	Kulpiyam Rugby League Club	1,300.00	2012 Cairns Indigenous Rugby League Carnival
		Mulga Rugbu League Club	1,300.00	2012 Cairns Indigenous Rugby League Carnival
		Badu Ladies Rugby League Team	3,751.21	2012 Cairns Indigenous Rugby League Carnival

		TOTAL	6,351.21	
Cr David Bosun	Kubin	Aragun Warriors Football Club	10,137.50	Ipswich Carnival
		Aragun Warriors Football Club	6,148.59	Cairns Carnival
		Kubin Community	1,000.00	Community Sports Carnival catering
		Mau Boars Rugby League Club	1,257.40	Kubin Sports Carnival
		TOTAL	18,543.49	
Cr Toshie Kris	St Pauls	St Pauls Ladies Football Team	5,649.35	Sports Carnival on TI
		St Pauls Community	4,301.02	TI Sports Carnival-Air Fares for Community Members
		St Pauls Ladies Football Team	9,090.91	Uniforms & Sports Carnival on TI
		TOTAL	19,041.28	
Cr Mario Sabatino	Hammond	Jonas Pearson - Womens Basketball	575.00	Basketball State Cup on TI
		Our Lady of the Sacred Heart	1,500.00	125th Anniversary celebration
		TOTAL	2,075.00	
Cr Getano Lui Jnr	Iama	St Pauls Carnival Organisers \$500.00 & Nancy Samuel \$575.00	1,075.00	Womens Volleyball - Donations
		Maleta Harry - Yam Is Community Council	2,974.86	TI Cultural Festival - Air Charter
		St John The Devine - Anglican Church	5,873.64	U18s Kazil Kulka - Uniforms, Art & layout
		Iama Community	6,552.72	Tombstone Openings - Community Members
		Elizabeth Songoro - Peninsular School Sport	1,271.00	Peninsula State Championships
		Charlian Jacko-David	809.00	Travel to State Championships in Kingaroy
		St John The Devine - Anglican Church	452.35	Language workshop 28/05/13
		TOTAL	19,008.57	
Cr Ted Billy	Warraber	Warraber Sports Club	5,069.73	Warraber Ladies Football on TI
		Warraber Island Sporting Association	10,000.00	Warraber Is Cultural & Sporting Activities
		Warraber Sports Club	2,375.43	Central Cluster Volleyball Team on TI
		TOTAL	17,445.16	
Cr Phillemon Mosby	Poruma	Buthu Lagau Saral T.S.I Corporation	10,000.00	Urab Dance

		Poruma Volleyball Association	2,345.45	Poruma Beach Volleyball
		Pastor Frank Faud - Assembly of God	500.00	Assembly of God Convention
		Poruma Community - Language Participants (15)	170.80	Refreshments
		<b>TOTAL</b>	<b>13,016.25</b>	
<b>Cr Ted Nai</b>	Yorke	Yorke Community	3,645.32	Healthy Community Day 2012
		Mosby Eagles Womens Rugby League	2,000.00	Team Registration for TI competition
		York Is Cultural Group - Kailug Dance	8,967.84	Cultural Festival on TI
		Yorke Volleyball Team	2,012.07	Volleyball Uniform Sponsorship
		Wycie Billy/Leroy Kris	2,000.00	Peninsula Sporting event
		Jarrold Mabo	220.00	St Ursulas Collete Tourism/Hospitality Tour
		Yorke Darts Team	878.36	Darts Team Uniform Sponsorship
		<b>TOTAL</b>	<b>19,723.59</b>	
<b>Cr Jerry Stephen</b>	Ugar	Ugar Church	2,000.00	August 6 2012 celebrations
<b>Cr Rocky Stephen</b>	Ugar	Purple Spider Dance Team	2,009.09	Cultural Festival on TI
		<b>TOTAL</b>	<b>4,009.09</b>	
<b>Cr Jimmy Gela</b>	Erub	Erubam Le PBC Board	2,364.72	Maybo Day Celebrations
		Erub Basketball Team	1,124.00	Sporting Event on Poruma
		Erub Volleyball Team	196.23	Refreshments on return from Mer Competition
		Kenny Bedford	1,250.00	Assistance for Fishing Industry Conference in Fiji
		<b>TOTAL</b>	<b>4,934.95</b>	
<b>Cr William Akee</b>	Mer	Oped Makrems Rugby League Team	3,310.72	Rugby League Torres Cup Competition
<b>Cr Aven Noah</b>	Mer	Mer PBC	5,000.00	Mabo Day Celebrations - Mer PBC
<b>Cr Aven Noah</b>	Mer	Mer PBC	944.38	Dauar Day Celebrations
<b>Cr William Akee</b>	Mer	Mer Darts Team	7,045.45	Mer Darts Team - Island of Origin 2013 Badu
		<b>TOTAL</b>	<b>16,300.55</b>	

## Overseas travel

There was no overseas travel made by a councillor or local government employee in an official capacity during the financial year.

## Five-Year Corporate Plan

The Council in 2008 undertook an extensive consultation exercise with its constituents and stakeholders. The output of this consultation exercise was the development of a 5 year corporate plan. Generally speaking, the Corporate Plan (the Plan) of the Council addresses:

- Strategic Direction
- Long term direction and resources to fulfill stakeholder expectations
- Local and Regional Issues

Specifically the Council in its 2009-2014 Corporate Plan sought to address:

- Development of art and culture
- Disaster management
- Economic development
- Environmental management
- Management of infrastructure
- Public health management
- Community services including community development, human services and housing (enabling the community to improve wellbeing generally)

The Council Corporate Plan contains the vision of

*Empowering out people, in our decision, in our culture, for our future*

The actual Plan is structure around Outcomes, Strategies and Actions. For the purposes of providing an assessment against progress of delivery of the Plan, an assessment has been conducted on the actions / deliverables in the Plan by Outcome type. This assessment has been conducted in a 'traffic' light way where Green indicates significant progress or completion, Amber is in 'action' and Red indicates no progress.

### Traffic Light Grid

Completed or Substantially Completed 81% - 100%



Project / Works / Program has started 11% – 80%



Project / Works / Program Substantially Not Complete Less than 10%



## The Development of Art and Culture





Outcome: Protect and promote Torres Strait Islander traditions, art and cultural heritage.

Action	Indicator
Work closely with Prescribed Body Corporate (PBC), acknowledging the role of the PBC and Traditional Owners.	
Capture the history (stories) of the Torres Straits from the Elders and the community.	
Preserve sacred sites through identification, repair and maintenance.	
Review and facilitate studies into economic opportunities associated with an arts and craft industry cluster.	
Coordinate efforts to establish a language song and dance school of excellence.	

Council has been working progressively on this outcome from both a planning and operational works area. At present the Council has been unable to secure funding to or facilitate an economic study into the arts and craft industry cluster.

## Disaster Management






Outcome: A resilient community with facilities and awareness to manage unexpected disastrous events.

Action	Indicator
Develop a Torres Strait disaster management plan and implement actions.	
Develop a business continuity plan.	
Undertake and implement risk management initiatives in operations.	
Advocate for more effective coverage of telecommunications.	

All items associated with Disaster Management and actions in the Corporate Plan have been completed.

## Economic Development

Outcome: Act upon our region's resources and facilitate employment opportunities for our people.





Action	Indicator
Development of an economic development charter.	
Development of an economic development initiative policy.	
Develop an understanding of our cost base (high cost of living).	
Actively pursue public/ private partnerships to aid in service delivery.	
Review appropriateness of sister city relationships.	



At the time of Development of the Plan, the Council was seeking resources from the State Government to help fund an economic development arm of the Council. Unfortunately, these funds were not forthcoming and given the 'tight' budget constraints that the Council operates under, it was not in a position to complete the charter, policy and sister city components of the actions associated with economic development.

## Environmental Management





Outcome: Managing the needs to today whilst sustaining the natural environment for future generations to meet their own needs.

Action	Indicator
Coordinated waste management through landfill, transfer station and recycling and wastewater facilities across the Torres Strait.	
Investigate alternative/ renewable energy facilities that reduce impacts on the environment.	
Continued water metering and billing.	
Implement a ranger program to protect the natural environment. Note: Ranger Program transferred to Torres Strait Regional Authority in July 2012	

All actions associated with environmental management are essentially complete. Environmental practices have been streamlined and consolidated with the multi-skilling of Engineering Officers leading to uniform practices across all Divisions. A pilot project associated with diversion from landfill has also been completed for Warraber Island.

## Provision, Maintenance, Restoration, or Replacement of Infrastructure



Outcome: Managing the built environment to ensure sustainable management of community infrastructure.






Action	Indicator
Development and implementation of strategic asset management plans for all infrastructure classes, water, wastewater, roads, solid waste, parks and gardens.	
Survey community to ascertain appropriateness of service levels and performance and develop Customer Service Standards.	
Further develop and implement asset monitoring technologies to enable remote management of key infrastructure – ie. SCADA.	
Utilisation of depreciation (funding) to maintain service capacity by asset class (replace or renew assets that fail).	

Asset management plans for all classes of assets have been completed. Further work is required to be undertaken on defining Community service levels and priorities. Council is currently not in position to fund depreciation, however it is maintaining its Capital Stock through infrastructure grants received from State and Federal Governments.

## Public Health

Outcome: Healthy communities accomplished by protection and promotion of environment and public health through prevention of illness or injury.




Action	Indicator
Regular round table meeting with State and Federal Governments to deliver coordinated services to the community.	
Advocacy for research into education and health wellbeing programs targeting life threatening illness.	


Develop coordinated warning systems to advise residents of possible disease outbreak in a timely manner, eg. boil water notices.	
Health checks on domestic animals.	
Education about the risk associated with grey-water re-use.	
Development and implementation of pest management plans.	
Development of public open spaces for community market gardens for the growing of fruit and vegetables to address health and high cost of living.	

Council over the past five years has worked to improve public health outcomes particularly associated with healthy lifestyles, animal management and airborne diseases. A number of community market gardens are also currently in operation.

## Community Development

Outcome: Development of community in a unified manner through togetherness, spirit and understanding of traditional values.






Action	Indicator
Promote and further utilise technology to communicate information to the community eg. RIBS – Remote Indigenous Broadcasting Service.	
Provision of an information service that promotes and supports learning.	
Improvement to health and wellbeing through wider choices of recreational activities.	

Community compliance with the law.	

Council has invested heavily in its communications technology to allow such factors as video conferencing and e-learning. In addition to this a number of training sessions have occurred for Healthy Lifestyle Officers and the Community Police – Note the Community Police transferred to the State Government in October 2013.

## Human Services




Output: Community wellbeing achieved through improving and maintaining social and economic services.

Action	Indicator
Development of a Social Policy including demographic trends, consultation and recommendation on paths forward.	
Documented Cemetery plan which includes identification of new sites and maintenance and restoration of current sites.	
Development and documentation of a bereavement process.	
Respectful home based care for residents.	
Childcare support which is delivered in partnership with the community.	

Council has continued to deliver on its Home and Community Care initiatives over the last five years. Additionally, levels of services associated with child care services has improved with the Council having one registered provider at Badu and other sites nearing registration. The Sustainable Land Use Plan (SLUP) work that was completed highlighted significant cultural sites including Cemeteries.

## Community Housing



Outcome: Improvement of health, wellbeing and living standards by providing affordable appropriate housing.

Action	Indicator
Maintenance of existing accommodation.	
Development of processes and procedures to provide mechanisms for home ownership.	
Review procurement processes including analysis of economic order quantities, internal supplies, resources and sustainable technology	

Council completed in 2009 an asset register which identified Community Housing abodes. This register has been progressively worked on since that time – which has enabled the Council to understand better the value of its housing stock and the maintenance that it requires. The Council has also streamlined purchasing and increased controls leading to a more effective, value for money service.

## Population Change







Outcome: Infrastructure and social services that meet current and future community needs and aspirations.

Action	Indicator
Development of a Town Plan	
Development of Indigenous Land Use Agreements with each Island.	

The Council has completed the afore mentioned Sustainable Land Use Plans for all Divisions. Indigenous Land Use Agreements are being progressively worked through with the Divisions.

## Governance

Outcome: Transparent, efficient operations that provide valued local government services to Torres Strait Communities.

Action	Indicator
Development of a communications plan to engage stakeholders.	
Development of an advocacy plan that provides guidelines for funding to third parties that meet Torres Strait Island development needs.	
Development and implementation of a risk management plan including review of the plan.	
Development of a long term financial plan.	
Establish a complaints management and handling process.	
Review model local laws for appropriateness to the community.	

The Council has delivered on a number of high level strategic planning documents, including the Corporate Plan. This Plan has provided the strategic allocation of resources and is linked with Council's Operational Plan which in turn drives its budget process.

It is highlighted that of 49 actions required to be completed the Council has substantially delivered on the majority. At present only seven actions are considered outstanding. The majority of these seven actions do not affect Council service delivery and in some instances are beyond the ability of the Council to deliver on.



## Annual Operational Plan

The Council has adopted an Operational Plan that specifically addresses the Core Functional components of its structure. The Operation Plan as adopted identifies outputs, activities and performance measures.

The Hierarchy of planning documentation requires that the Operational Plan specifically address the Corporate Plan. The 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 on-going in nature e.g provision of potable water services. Reviews of the Operational Plan are provided to Council. The 2012 / 2013 Operational Plan was adopted by Council in July 2012. There were no changes to the Operational Plan in the 2012/13 Financial Year.

## Registers kept by TSIRC

Registers required to be kept by Council under the LGA, are as follows:

---

Register of Councillors

Delegations Register

General Complaints Database

Debt Recovery

Land Record

Local Laws Register

Lost and Stolen Property

Cat and Dog Register

Cost-recovery Fees Register

Register of Electoral Gifts

Register of Gifts

Road Map and Register

Right to Information Database

Beneficial Enterprises

Interests Register

Assets Register

---

Legal Services Operational Registers are as follows:

Property Leases Database
Property Licence Agreement Database
Authorised Persons Database
Enforcement Database including compliance notices issued and prescribed activity permit applications
General Complaints Database

## Invitations to Change Tenders

There were no invitations to change tenders under section 228(7) during the financial year.

## Internal Audit Report

### **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 committee Chair.

The two Councillor positions on the committee were held by Mayor, Cr Fred Gela, and Cr Ted Nai. The external members of the committee were Eric Muir (also Committee Chair) and David Edgerton.

### **Evaluating activities and controls**

During 2012-13, Council's internal audit department was staffed by one full time employee from 21 January 2013. The Internal Audit department provides an independent and professional review and appraisal service, established to examine and evaluate the risks and controls associated with Council's activities, operations, processes and systems. By reviewing Council's risks, internal controls, efficiency, effectiveness, governance,

performance and compliance, internal audit aims to provide assurance that Council and its management are discharging their responsibilities effectively and efficiently.

The general direction of Council's internal audit activities are documented in Strategic Audit Plan 2013 -2016 (under revision subject to Audit Committee approval in October 2013), while the specific internal audit activities to be performed in the current year are outlined in the Annual Internal Audit Plan (approved in June 2013).

Number of days internal audit spent by activity area during the period 21 January 2013 to 30 June 2013 as below:

Activity	Days
Assurance	75
Consulting	7

Based on the above, internal audit issued first report to the Audit Committee as on 31 May 2013. This report was subsequently presented to the Council by the Audit Committee Chair.

#### **Maintaining professional standards**

Council's internal audit department is staffed by an auditor who has extensive experience in local government audits. Further, the auditor is currently undertaking post- graduate studies towards Certified Internal Auditor qualification.

## **Commercial Business Units**

TSIRC has no commercial business units and does not currently have any adopted commercial business units – therefore, TSIRC have no Annual Operations Reports under this section.

## **Rates and Charges**

TSIRC did not levy any special rates or charges in this financial year.

## Images













## **Community Financial Report**

**(1 July 2012 to 30 June 2013)**

This community financial report shows a summary of the financial statements with the aim of providing easily understood information to the members of our community. Through the use of graphs it also assists readers to evaluate Council's financial performance and financial position.

There are four financial statements which provide different information. These are:

### **The Income Statement**

This statement shows the income (or revenue) and the operational expenditure for the year. This then creates a profit (where income exceeds expenses) or loss (where expenses exceed income) for Council. This profit or loss is known as the net result attributable to Council.

### **The Balance Sheet**

This statement shows all of the assets (what is owned and owing to Council) and liabilities (what Council owes). This statement also shows the total community equity, being total assets minus total liabilities. Total community equity can help to show how healthy the position of Council is at a given point in time. The more that assets exceed liabilities, the better the position of Council.

### **The Statement of Changes in Equity**

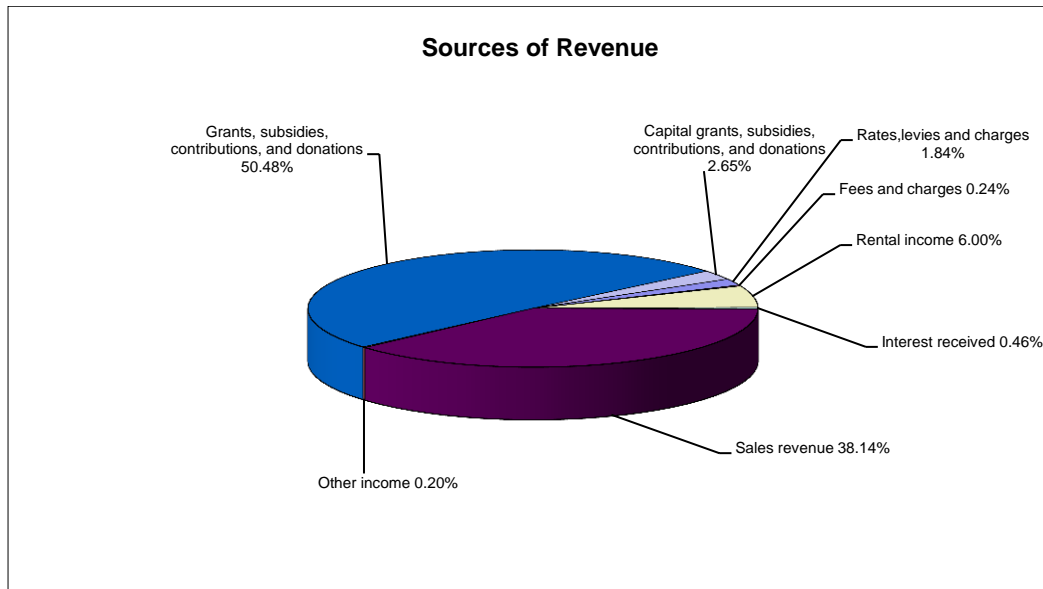
This statement shows the movements between elements of Community Equity shown in the Balance Sheet.

### **The Statement of Cash flows**

This statement shows the nature and amount of cash inflows/outflows of council activities.

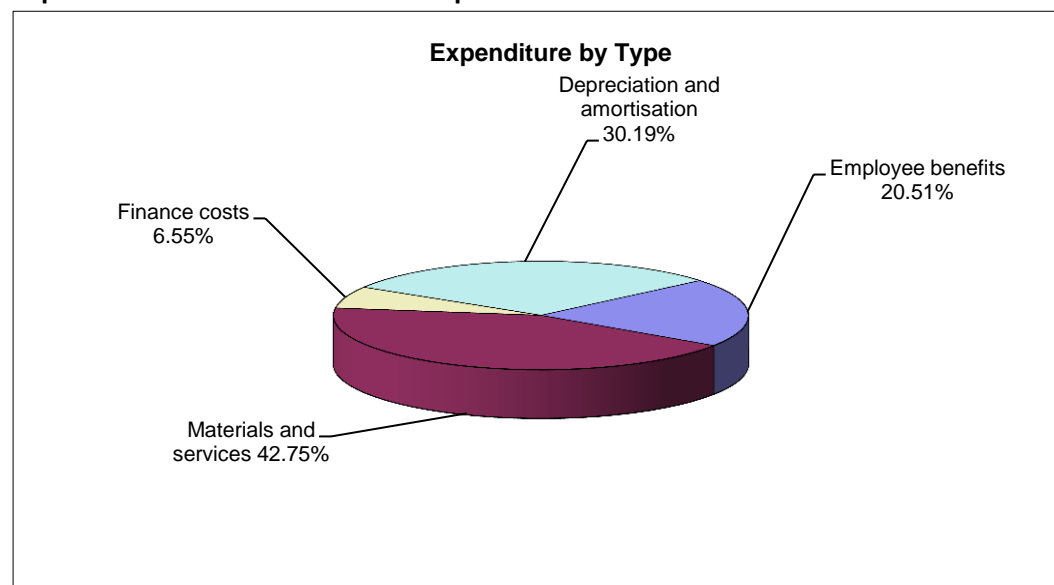
## The Income Statement

### Revenue – where did the dollars come from?



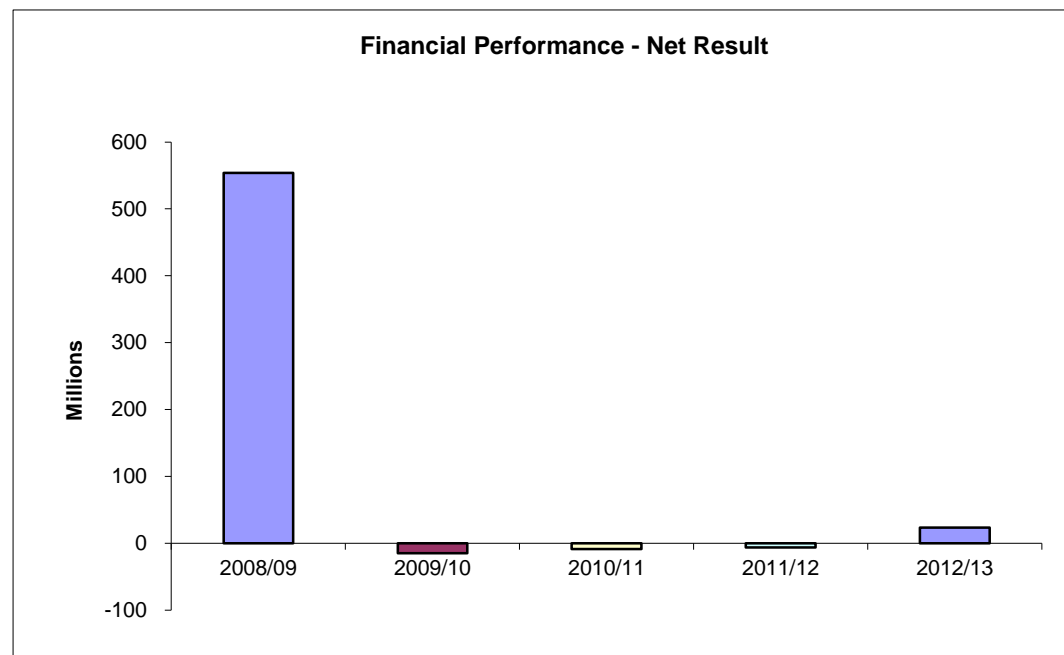
Council received \$62.5 million in revenue during 2012/2013. This was primarily from Grants, Subsidies, Contributions and Donations of \$30.2 million which accounted for 50.48% of total revenue. Capital grants, subsidies, contributions and donations made up 2.65% of total revenue. The remaining revenue is sourced from interest revenue, rental income, fees and sales revenue.

### Expenses – where the dollars were spent?



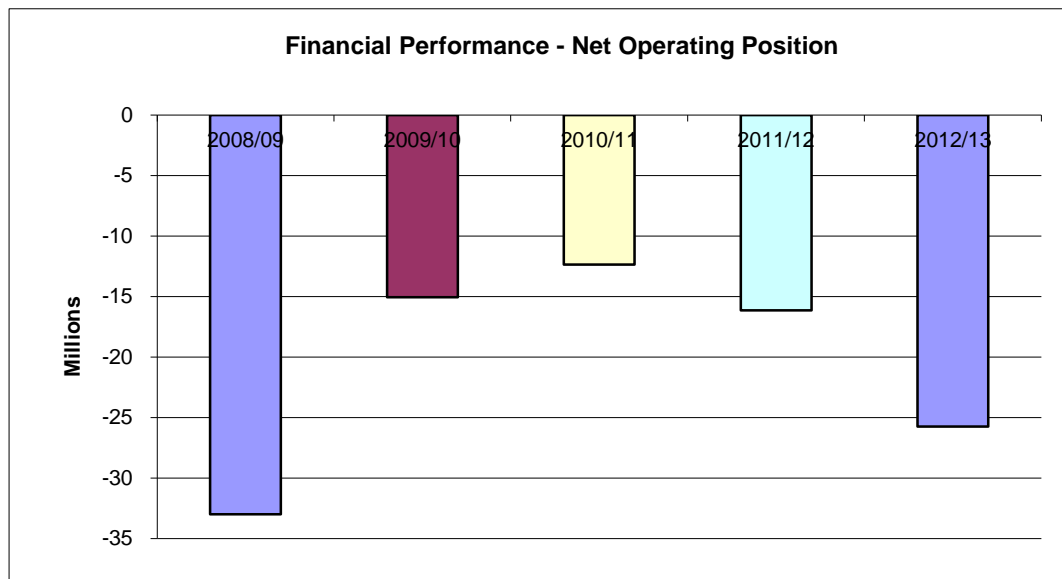
Total expenses of \$85.7 million were incurred during the period July 2012 and June 2013, which were primarily for employee costs of \$17.5 million and materials and services of \$36.6 million which together made up 63.2% of total expenditure. The remaining expenditure is made up of depreciation, and finance costs.

#### Net Result attributable to Council



The net result is the difference between revenue received and the operating expenses incurred by Council throughout the year on an accrual basis. The 2012/2013 net result is \$-23.2 million which indicates that revenue is \$23.2 million less than expenses. It should be noted that Council is carrying depreciation expense in this figure to the tune of \$25.9M.

## Operating Position



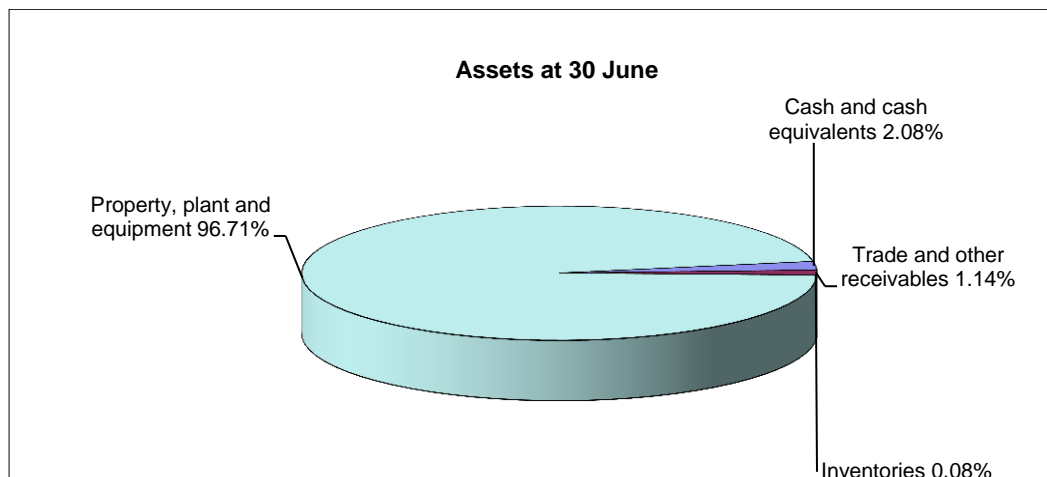
The operating position is calculated by taking total operating expenditure from the total operating revenue. Operating revenue in this calculation does not include any revenue for capital projects.

In many ways the operating position is the best measure of Council's financial performance in a given year. The operating position gives an indication of Council's ability to continue operating at sustainable levels, as well as Council's ability to fund the future acquisition and replacement of assets.

The Council is showing a loss level in terms of operating position, principally due to recognition of depreciation (or consumption of assets) (\$25.9M).

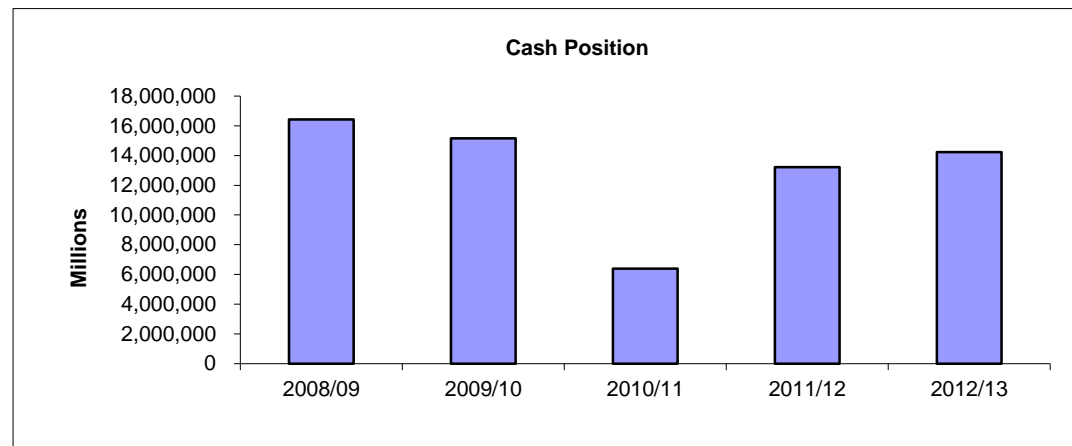
## The Balance Sheet

### Assets – what we own and what is owing to us



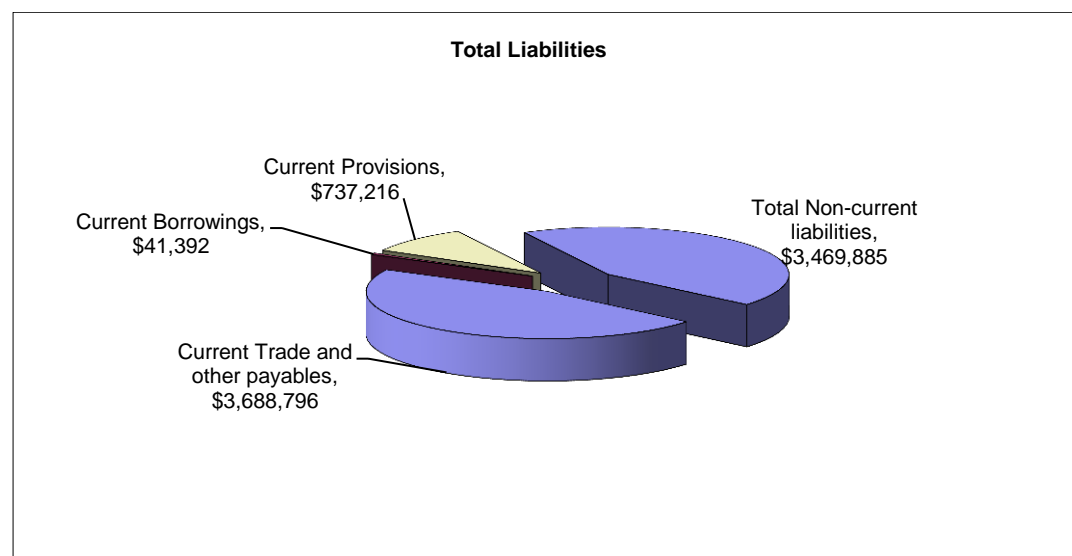
The major components of assets include property, plant and equipment, land, roads, water and sewerage, housing and cash assets. These assets represent 98.79% of all assets.

### Cash Position



The cash position at 30 June 2013 was \$14.2 million.

### Liabilities – what we owe



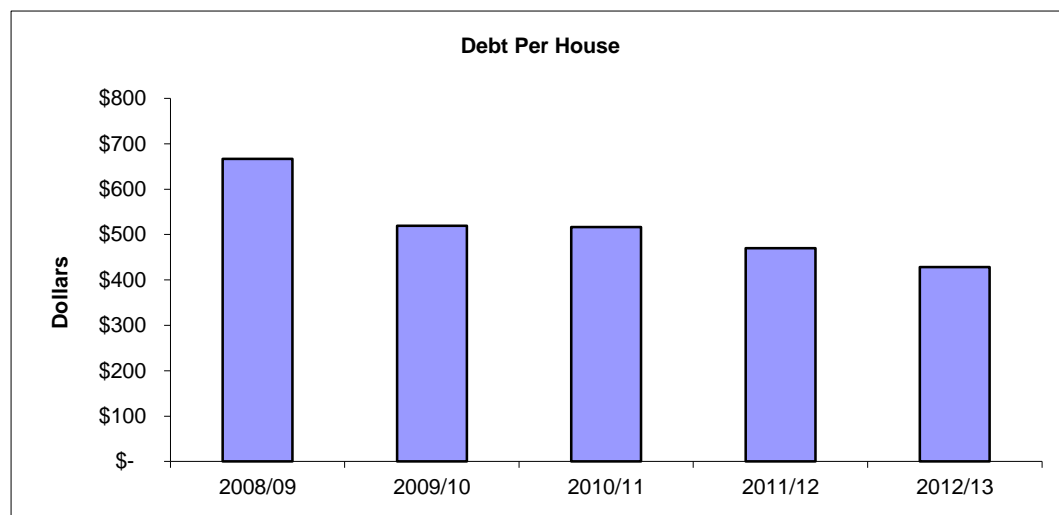
Council's liabilities include loans, amounts owing to suppliers, and amounts owing to employees for leave entitlements. Total liabilities at 30 June 2013 were \$7.9 million.

## Queensland Treasury Department

Council's current borrowing policy requires:

- 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;

These borrowings are repaid on a monthly basis in accordance with the terms and conditions set by the Queensland Treasury Corporation. The repayment terms are reviewed on a regular basis in order to ensure that the expected loan term aligns with market movements.



The debt per community house is \$428 at 30 June 2013.

## Conclusion of Community Financial Report

At 30 June 2013, TSIRC recorded a substantial operating deficit. This deficit was principally driven by the recognition of depreciation in the accounts. At present, the revenue streams of Council are not adequate to cover the operational costs (including depreciation) of Council.

### Financial Management Sustainability

The Queensland Department of Infrastructure and Planning has published a Financial Management (Sustainability) Guideline. The Department has defined sustainability in the Queensland Local Government sector as:



*A local council is sustainable if its infrastructure capital and financial capital is able to be maintained over the long term.*

The Department has published a number of Financial Ratios as measures of sustainability.

Financial ratios provide a useful snapshot of Council's status. These ratios are calculated by dividing a dollar amount of one item reported in the financial statements by the dollar amount of another. The result is a relationship between two related items that is easy to interpret and is also useful in comparing TSIRC to other Councils.

Sustainability Indicators				
Ratio	Calculation	Information	Target	Actual
Working Capital Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	This is an indicator of the management of working capital. Measures the extent to which a council has liquid assets available to meet short term financial obligations.	Greater than 1:1	5.05
Operating Surplus Ratio	$\frac{\text{Net Operating Surplus}}{\text{Total Operating Revenue}}$	This is an indicator of the extent to which revenues raised covers operational expenses or are available for capital funding.	Between 0% and 15%	-47%
Net Financial Liabilities Ratio	$\frac{\text{Total Liabilities - Current Assets}}{\text{Total Operating Revenue}}$	This is an indicator of the extent to which the net financial liabilities of council can be serviced by its operating revenues.	Not Greater than 60%	-24%
Interest Coverage Ratio	$\frac{\text{Net Interest Expense on Debt}}{\text{Total Operating Revenue}}$	This ratio indicates the extent to which council's operating revenues are committed to interest expense.	Between 0% and 10%	0.05%

Sustainability Indicators				
Ratio	Calculation	Information	Target	Actual
Asset Sustainability Ratio	$\frac{\text{Capital Expenditure on Replacement Assets}}{\text{Depreciation Expense}}$	This is an approximation of the extent to which the infrastructure assets are being replaced as they reach the end of their useful lives.	Greater than 90%	18%
Asset Renewal Funding Ratio	$\frac{\text{Net Present Value of Planned Capital Expenditure on Renewals over 10 years}}{\text{Net Present Value of Required Capital Expenditure on Renewals}}$	This represents the extent to which the required capital expenditures on renewals have been incorporated into the 10 Year Financial Model of Council.	Greater than 90%	Due to Grant Funding uncertainty it is not possible to calculate this indicator.

### Relevant Measures of Financial Sustainability

	30-Jun-11	30-Jun-12	30-Jun-13	30-Jun-14	30-Jun-15	30-Jun-16	30-Jun-17	30-Jun-18	30-Jun-19	30-Jun-20	30-Jun-21	30-Jun-22	30-Jun-23
Working Capital Ratio	1.31	1.97	5.05	1:3.8681	1:3.8528	1:3.8337	1:3.8104	1:3.7829	1:3.7509	1:3.7141	1:3.6725	1:3.6258	1:3.5741
Operating Surplus Ratio	-34%	-35%	47%	-35%	-33%	-31%	-29%	-27%	-26%	-24%	-23%	-22%	-20%
Net Financial Liabilities Ratio	-2%	-9%	-24%	-24%	-23%	-23%	-22%	-21%	-21%	-20%	-20%	-19%	-18%
Interest Coverage Ratio	0.16%	0.12%	-0.05%	-0.76%	-0.94%	-0.92%	-0.90%	-0.88%	-0.85%	-0.83%	-0.81%	-0.78%	-0.76%
Asset Sustainability Ratio	26.49%	17%	18%	21.66%	23.03%	24.71%	26.51%	28.44%	30.51%	32.73%	35.11%	37.66%	40.40%

Listed above are the relevant measures of financial sustainability for the Council for the current year and future ten years.

This Community Financial Report and Financial Sustainability Indicator Report has been compiled in accordance with:

Local Government Regulation 2012 ss178,179;

s178 Financial sustainability statements

(1) A local government's current-year financial sustainability statement must state the relevant measures of financial sustainability for the financial year to which the statement relates.

(2) A local government's long-term financial sustainability statement must state—

- (a) the relevant measures of financial sustainability for the 9 financial years following the year to which the statement relates; and
- (b) an explanation of the local government's financial management strategy that is consistent with the long-term financial forecast.

s179 Community financial report

(1) A local government must prepare a community financial report for each financial year.

(2) The community financial report for a financial year must—

- (a) contain a summary and an analysis of the local government's financial performance and position for the financial year; and
- (b) be consistent with the general purpose financial statement for the financial year; and.

## Financial Management Strategy

Council has undertaken a number of long term financial planning initiatives since the time of amalgamation. These have included:

- Development of a Long Term Financial Model;
- Divestment of non-core Local Government Services to the Community;
- Implementation of a rigorous Debt Management Policy;
- Identification and valuation of all Council above and below ground assets;
- Development of Asset Management Plans for all asset classes;
- Implementation of a cash-free local office; and generally
- Maintenance of services at pre-amalgamation levels.

The Council has made further long term financial management decisions. The Long Term Financial Plan and subsequent strategy for the Council is to:

1. Maintain Council's revenue neutral budget position;
2. Implement an investment management strategy;
3. Concentrate further on own source revenue initiatives including strengthening the Debt Recovery process;
4. Bring the budget to a balanced position with regard to service delivery on the ground;
5. Deliver on Asset Management Plan strategies and goals where funding allows the Council to do so; and
6. 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 Councils long term financial management plan.

## **TSIRC Financial Statements 12/13**



# Torres Strait Island Regional Council

## Financial Statements

For the year ended 30 June 2013

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The following unaudited statement is provided as additional information

Long Term Financial Sustainability Statement

**Torres Strait Island Regional Council**  
**Statement of Comprehensive Income**  
**For the year ended 30th June 2013**

	<b>Note</b>	<b>2013</b> <b>\$</b>	<b>2012</b> <b>\$</b>
<b>Income</b>			
<b>Revenue</b>			
<b>Recurrent revenue</b>			
Community levies and charges	3(a)	1,106,690	1,560
Fees and charges		143,536	958,645
Rental income		3,598,275	3,548,238
Interest received		278,349	353,146
Sales revenue	3(b)	22,890,208	13,675,699
Other income		117,140	212,848
Grants, subsidies, contributions and donations	4(a)	30,297,292	40,157,531
		<u>58,431,489</u>	<u>58,907,667</u>
<b>Capital revenue</b>			
Grants, subsidies, contributions and donations	4(b)	1,587,665	4,472,432
		<u>1,587,665</u>	<u>4,472,432</u>
<b>Total Revenue</b>		<u>60,019,154</u>	<u>63,380,099</u>
<b>Capital Income</b>	5	2,531,602	9,997,440
<b>Total Income</b>		<u>62,550,756</u>	<u>73,377,539</u>
<b>Expenses</b>			
<b>Recurrent expenses</b>			
Employee benefits	6	(17,592,195)	(19,793,434)
Materials and services	7	(36,660,271)	(29,850,721)
Finance costs	8	(5,616,744)	(4,016,336)
Depreciation	9	(25,887,834)	(25,865,116)
		<u>(85,757,044)</u>	<u>(79,525,607)</u>
<b>Capital expenses</b>	10	(10,547)	(241,718)
<b>Total Expenses</b>		<u>(85,767,591)</u>	<u>(79,767,325)</u>
<b>Net Result</b>		<u>(23,216,834)</u>	<u>(6,389,786)</u>
<b>Other comprehensive income</b>			
Increase / (decrease) in asset revaluation surplus	19	0	591,167
<b>Total other comprehensive income for the year</b>		0	591,167
<b>Total comprehensive income for the year</b>		<u>(23,216,834)</u>	<u>(5,798,619)</u>

The above statement should be read in conjunction with the accompanying notes and Significant Accounting Policies

**Torres Strait Island Regional Council**  
**Statement of Financial Position**  
**As at 30th June 2013**

	<i>Note</i>	<b>2013</b> \$	<b>2012</b> \$
<b>Current assets</b>			
Cash and cash equivalents	11	14,226,339	13,225,897
Trade and other receivables	12	7,791,150	5,082,916
Inventories	13	547,971	545,733
		22,565,460	18,854,546
<b>Total current assets</b>		22,565,460	18,854,546
<b>Non-current assets</b>			
Property, plant and equipment	14	662,708,492	690,967,100
Intangible assets	15	1,129,278	945,522
<b>Total non-current assets</b>		663,837,771	691,912,622
<b>Total assets</b>		686,403,231	710,767,168
<b>Current liabilities</b>			
Trade and other payables	16	3,688,796	4,638,037
Borrowings	17	41,392	38,926
Provisions	18	737,216	551,596
<b>Total current liabilities</b>		4,467,405	5,228,559
<b>Non-current liabilities</b>			
Trade and other payables	16		508,591
Borrowings	17	422,024	463,390
Provisions	18	3,047,861	2,903,221
<b>Total non-current liabilities</b>		3,469,884	3,875,202
<b>Total Liabilities</b>		7,937,289	9,103,761
<b>Net community assets</b>		678,465,941	701,663,407
<b>Community equity</b>			
Asset revaluation surplus	19	153,176,978	153,176,979
Retained surplus/(deficiency)		525,288,963	548,486,428
<b>Total community equity</b>		678,465,941	701,663,407

The above statement should be read in conjunction with the accompanying notes and Significant Accounting Policies

**Torres Strait Island Regional Council**

**Statement of Changes in Equity**

**For the year ended 30th June 2013**

		<b>Asset Revaluation Surplus</b>	<b>Retained Surplus</b>	<b>Total</b>
	<b>Note</b>	<b>19</b>	<b>20</b>	
<b>Balance as at 1st July 2012</b>		153,176,979	548,486,428	701,663,408
Effect of correction of error	25		19,370	19,370
Restated balances		153,176,979	548,505,798	701,682,778
Net result		0	(23,216,834)	(23,216,834)
Other comprehensive income for the year		0		
Increase / (decrease) in asset revaluation surplus	19	0	0	0
<b>Total comprehensive income for the year</b>		-	(23,216,834)	(23,216,834)
<b>Balance as at 30th June 2013</b>		153,176,979	525,288,963	678,465,941
<b>Balance as at 1st July 2011</b>		152,585,812	550,525,840	703,111,652
Effect of correction of error	25		4,350,375	4,350,375
Restated balances		152,585,812	554,876,215	707,462,027
Net Result		-	(6,389,787)	(6,389,787)
Increase / (decrease) in asset revaluation surplus	19	591,167	-	591,167
<b>Total comprehensive income for the year</b>		591,167	(6,389,787)	(5,798,619)
<b>Balance as at 30th June 2012</b>		153,176,979	548,486,428	701,663,407

The above statement should be read in conjunction with the accompanying notes and Significant Accounting Policies

**Torres Strait Island Regional Council**  
**Statement of Cash Flows**  
**For the year ended 30 June 2013**

	Note	Council	
		2013	2012
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		25,613,645	23,364,339
Payments to suppliers and employees		(54,528,901)	(56,097,582)
		<u>(28,915,256)</u>	<u>(32,733,243)</u>
Dividend received			-
Interest received		278,349	353,146
Non capital grants and contributions		30,297,292	40,157,531
Income from investments			
Borrowing costs		(31,170)	(32,863)
<b>Net cash inflow (outflow) from operating activities</b>		<u>1,629,215</u>	<u>7,744,572</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(2,039,899)	(4,408,825)
Payments for intangible assets		(371,969)	(945,522)
Proceeds from sale of property plant and equipment		156,529	5,175
Grants, subsidies, contributions and donations		1,587,665	4,472,432
<b>Net cash inflow (outflow) from investing activities</b>		<u>(667,674)</u>	<u>(876,739)</u>
<b>Cash flows from financing activities</b>			
Repayment of borrowings	17	(38,900)	(37,208)
<b>Net cash inflow (outflow) from financing activities</b>		<u>(38,900)</u>	<u>(37,208)</u>
<b>Net increase (decrease) in cash and cash equivalent held</b>		<u>1,000,441</u>	<u>6,830,625</u>
<b>Cash and cash equivalents at the beginning of the financial year</b>		13,225,897	6,395,272
<b>Cash and cash equivalents at end of the financial year</b>	11	<u>14,226,339</u>	<u>13,225,897</u>

The above statement should be read in conjunction with the accompanying notes and Summary of Significant Accounting Policies.

**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

**1 Significant accounting policies**

**1.A Basis of preparation**

These general purpose financial statements are for the period 1 July 2012 to 30 June 2013 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*. Consequently, these financial statements have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain non-current assets.

**1.B Statement of compliance**

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 effective for the current reporting period. Because 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.C Constitution**

The Torres Strait Island Regional Council is constituted under the Queensland *Local Government Act 2009* and is domiciled in Australia.

**1.D 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.E Currency**

The Council uses the Australian dollar as its functional currency and its presentation currency.

**1.F Adoption of new and revised Accounting Standards**

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies.

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

	Effective for annual report periods beginning on or after:
AASB 9 <i>Financial Instruments</i> (December 2009)	1 January 2015
AASB 10 <i>Consolidated Financial Statements</i>	1 January 2013
AASB 13 <i>Fair Value Measurement</i>	1 January 2013
AASB 119 <i>Employee benefits</i> (completely replaces existing standard)	1 January 2013
AASB 127 <i>Separate Financial Statements</i> (replaces the existing standard together with AASB 10)	1 January 2013
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>	1 July 2013
2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2009)	1 January 2015
AASB 2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	1 July 2013
AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2010)	1 January 2015
AASB 2010-10 <i>Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters</i>	1 January 2013
AASB 2011-6 <i>Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements</i>	1 July 2013
AASB 2011-7 <i>Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards</i>	1 January 2013
AASB 2011-8 <i>Amendments to Australian Accounting Standards arising from AASB 13</i>	1 January 2013
AASB 2011-10 <i>Amendments to Australian Accounting Standards arising from AASB 119</i> (September 2011)	1 January 2013
AASB 2011-11 <i>Amendments to AASB 119</i> (September 2011) arising from Reduced Disclosure Requirements	1 July 2013
AASB 2011-12 <i>Amendments to Australian Accounting Standards arising from Interpretation 20</i> (AASB 1)	1 January 2013

**AASB 13 Fair Value Measurement (AASB 13)**

AASB 13 applies to reporting periods beginning on or after 1 January 2013 and will therefore be applied by Council in the 2013-14 reporting period. This standard is not required to be applied retrospectively, therefore there is no impact from the application of AASB 13 to values or other disclosures in the 2012-13 financial statements.

The standard sets out a new definition of "fair value", as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements will apply to all of the Council's assets and liabilities (excluding leases) that are measured and/or disclosed at fair value or another measurement based on fair value. The key changes will relate to the level of disclosures required.

The Council has commenced reviewing its fair value methodologies (including instructions to valuers, data used and assumptions made) for all items of property, plant and equipment measured at fair value to determine whether those methodologies comply with AASB 13. To the extent that the methodologies don't comply, the necessary changes will be implemented. While the Council is yet to complete this review, no significant changes are anticipated, based on the fair value methodologies presently used. Therefore, and at this stage, no consequential material impacts are expected for the Council's property, plant and equipment as from 2013-14.

**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

AASB 13 will require an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. The recognised fair values will be classified according to the following fair value hierarchy that reflects the significance of the inputs used in making these measurements:

Level 1 - Fair values that reflect the unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 - Fair values that are based on inputs other than quoted prices that are directly or indirectly observable for the asset or liability

Level 3 - Fair values that are derived from data not observable in a market.

To the extent that any fair value measurement for an asset or liability uses data that is not "observable" outside the Council, the amount of information to be disclosed will be relatively greater.

**Amendments to AASB 119 Employee Benefits**

A revised version of AASB 119 Employee Benefits applies from reporting periods beginning on or after 1 January 2013. The revised AASB 119 is generally to be applied retrospectively.

The revised standard includes changed criteria for accounting for employee benefits as "short-term employee benefits". Torres Strait Island Regional Council has applied the revised standard this year therefore annual leave is classified as a "short-term benefit". (refer Note 1.T).

The concept of "termination benefits" is clarified and the recognition criteria for liabilities for termination benefits will be different. If termination benefits meet the timeframe criterion for "short-term employee benefits", they will be measured according to the AASB 119 requirements for "short-term employee benefits". Otherwise, termination benefits will need to be measured according to the AASB 119 requirements for "other long-term employee benefits". Under the revised standard, the recognition and measurement of employer obligations for "other long-term employee benefits" will need to be accounted for according to most of the requirements for defined benefit plans.

The revised AASB 119 also includes changed requirements for the measurement of employer liabilities/assets arising from defined benefit plans, and the measurement and presentation of changes in such liabilities/assets. Council contributes to the Local Government Superannuation Scheme (QLD) as disclosed in note 22. The revised standard will require Council to make additional disclosures regarding the Defined Benefits Fund element of the scheme.

The reported results and position of the council will not change on adoption of the other pronouncements as they do not result in any changes to the council's existing accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements. The council does not intend to adopt any of these pronouncements before their effective dates.

On 27 July 2012 the AASB decided to apply AASB 124 to NFP Public sector entities from 1 July 2014. At the time of compiling reports for 2012-2013 The standard had not been changed to give effect to this decision, however once this is done council will need to add in a note about the effect that this standard will have. According to the Board's work program the amendments to apply related party disclosures in the NFP public sector will be made in the second quarter of 2013.

**1.G Critical accounting judgements and key sources of estimation uncertainty**

In the application of Council's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and ongoing assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Judgements, estimates and assumptions that have a potential significant effect are outlined in the following financial statement notes:

Valuation and depreciation of property, plant and equipment - Note 1.O and Note 14

Impairment of property, plant and equipment - Note 1.Q and Note 10

Provisions - Note 1.T and 1.V and Note 18

Contingencies - Note 21



**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

**1.H Revenue**

Rates, levies, grants and other revenue are recognised as revenue on receipt of funds or earlier upon unconditional entitlement to the funds.

Community Levies

The amount is recognised as revenue in the period in which they are received, otherwise levies are recognised at the commencement of levy period.

Grants and subsidies

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them.

Where grants are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled. Council does not currently have any reciprocal grants.

Non-cash contributions

Non-cash contributions with a value in excess of the recognition thresholds, are recognised as revenue and as non-current assets. Non-cash contributions below the thresholds are recorded as revenue and expenses.

Rental income

Rental revenue from community housing and commercial rentals is recognised as income on a periodic straight line basis over the lease term. Council does not have any investment property

Interest

Interest received from operating bank, cash management accounts and term deposits is accrued over the term of the investment.

Sales revenue

Sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, generally when the customer has taken undisputed delivery of the goods.

The Council generates revenues from a number of services including accommodation, fuel, and plant & equipment hire. Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for 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.

Fees and Charges

Fees and charges are recognised upon unconditional entitlement to the funds.

Capital Income from Contributed Assets

Capital income from contributed assets recognises as income those assets that have been transferred to the Council from other Government entities and Departments. The majority of these assets are from infrastructure projects funded by the State and Federal Governments. The assets are recognised upon the practical transfer of the asset to the Council. The assets are recognised at cost as supplied by the Contributor agency/department as the Council believes the provided costs approximate fair value at date of transfer.

The funding and construction of infrastructure assets by State and Federal Government Departments, which are then transferred to the Council is expected to be ongoing process. Refer to Note 23 for Funds held in Trust for this purpose.

**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

**1.I Financial assets and financial liabilities**

Council recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, Council becomes a party to the contractual provisions of the instrument.

Torres Strait Island Regional Council has categorised and measured the financial assets and financial liabilities held at balance date as follows:

Financial assets

Cash and cash equivalents (Note 1.J)

Receivables - measured at amortised cost (Note 1.K)

Financial liabilities

Payables - measured at amortised cost (Note 1.S)

Borrowings - measured at amortised cost (Note 1.U)

Financial assets and financial liabilities are presented separately from each other and offsetting has not been applied.

The fair value of financial instruments is determined as follows:

The fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximate their carrying amounts and are not disclosed separately.

The fair value of borrowings, as disclosed in Note 17 to the accounts, is determined by reference to published price quotations in an active market and/or by reference to pricing models and valuation techniques. It reflects the value of the debt if the Council repaid it in full at balance date. As it is the intention of the Council to hold its borrowings for their full term, no adjustment provision is made in these accounts.

The fair value of trade receivables approximates the amortised cost less any impairment. The fair value of payables approximates the amortised cost.

Council does not recognise financial assets or financial liabilities at fair value in the Statement of Financial Position.

All other disclosures relating to the measurement and financial risk management of financial instruments are included in Note 27.

**1.J 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, and bank overdrafts.

**1.K Receivables**

Trade receivables are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase price / contract price. Settlement of these amounts is required within 30 days from invoice date.

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. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the effective interest rate.

All known bad debts were written-off at 30 June. Subsequent recoveries of amounts previously written off in the same period are recognised as finance costs in the Statement of Comprehensive Income. If an amount is recovered in a subsequent period it is recognised as revenue.

Loans and advances are recognised in the same way as other receivables. Terms are usually a maximum of five years with interest charged at commercial rates. Security is not normally obtained.

**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

**1.L Inventories**

Stores, raw materials held for resale are valued at the lower of cost and net realisable value and include, where applicable, direct material, direct labour and an appropriate portion of variable and fixed overheads. Costs are assigned on the basis of weighted average cost.

Inventories held for distribution are:

- goods to be supplied at no or nominal, charge, and
- goods to be used for the provision of services at no or nominal, charge.

These goods are valued at cost, adjusted, when applicable, for any loss of service potential.

**1.M Investments**

Term deposits in excess of three months are reported as investments, with deposits of less than three months being reported as cash equivalents. At 30 June 2013 Council did not have any term deposits in excess of three months.

**1.N Community Housing**

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

As the buildings held by Council do not meet the definition of Investment Property, these building are accounted for in accordance with Note 1O Property, Plant & Equipment.

**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

**1.0 Property, plant and equipment**

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 with a total value of less than \$5,000, and infrastructure assets and buildings with a total value of less than \$5,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

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  
Bridges  
Wharves, Piers, Jetties and Pontoons  
Waste Landfill  
Land Assets  
Plant & Equipment

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 thresholds for the respective asset class.

Capital and operating expenditure

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

Valuation

Land and improvements, buildings, major plant and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB 116 *Property, Plant & Equipment*. Other plant and equipment and work in progress are measured at cost.

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 sufficient regular intervals, with interim valuations using a suitable index being otherwise performed on an annual basis where there has been a material variation in the index.

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.

Details of valuers and methods of valuations are disclosed in Note 14

**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

Capital work in progress

The cost of property, plant and equipment being constructed by the Council includes the cost of purchased services, materials, direct labour and an appropriate proportion of labour overheads.

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, less its estimated residual value, 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.

Major spares purchased specifically for particular assets that are above the asset recognition threshold are capitalised and depreciated on the same basis as the asset to which they relate.

The depreciable amount of improvements to or on leasehold land is allocated progressively over the estimated useful lives of the improvements to the Council or the unexpired period of the lease, whichever is the shorter.

Depreciation methods, estimated useful lives and residual values 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 annual valuation process for assets measured at depreciated 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 Note 14.

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. Therefore this land is not recognised in these financial statements.

**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

Deed of Grant in Trust Land

The Council is located on land assigned to it under various Deeds of Grant in Trust (DOGIT) pursuant to Section 341 of the Land Act 1994. The land comprises an area of approximately 483.6 square kilometres, across the following Islands:

Badu Island

Boigu Island

Dauan Island

Erub Island

Hammond Island

Iama Island

Moa Island (the location of the former St Paul's and Kubin Island Councils)

Mabuiag 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 island inhabitants. The DOGIT land has not been taken up in the Council's assets as it cannot be reliably measured. The Reserves Land for Mer Island was managed by the Department of Communities, Child Safety and Disabilities Services until the 14th December 2012. On the 14th December 2012 Mer Gedken Le become the trustee under deed of grant. The Corporation is Trustee for the native Title Holder of the Torres Strait Island Land

**1.P Intangible assets**

Intangible assets with a cost or other value exceeding \$10,000 are recognised as intangible assets in the financial statements, items with a lesser value being expensed.

Costs associated with the development of computer software are capitalised and are amortised on a straight-line basis over the period of expected benefit to Council.

Amortisation methods, estimated useful lives and residual values are reviewed at the end of each reporting period and adjusted where appropriate. Details of the estimated useful lives assigned to each class of intangible assets are shown in Note 15.

**1.Q Impairment of non-current assets**

Each non-current physical and intangible asset and group of assets 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. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

An impairment loss is recognised as an expense in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation surplus increase.

**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

**1.R Leases**

Leases of plant and equipment under which the Council as lessee/lessor assumes/transfers substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are classified as finance leases. Other leases, where substantially all the risks and benefits remain with the lessor, are classified as operating leases.

Operating leases

Payments made under operating leases 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.

Finance Leases

Buildings and Infrastructure on Mer Island are leased by council for the terms of 30 years and 99 years at nominal values. Consequently no lease liability has been recognised in the financial statements

**1.S Payables**

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price net of applicable discounts other than contingent discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

**1.T Liabilities - employee benefits**

Liabilities are recognised for employee benefits such as wages and salaries, annual leave and long service leave in respect of services provided by the employees up to the reporting date. Liabilities for employee benefits are assessed at each reporting date. Where it is expected that the leave will be paid in the next twelve months the liability is treated as a current liability. Otherwise the liability is treated as non-current.

Salaries and wages

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is reported in Note 16 as a payable.

Annual leave

A liability for annual leave is recognised. Amounts expected to be settled within 12 months calculated on current wage and salary levels and includes related employee on-cost.. This liability represents an accrued expense and is reported in Note 16 as a payable.

Superannuation

The superannuation expense for the reporting period is the amount of the contribution the Council makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 24.

Long service leave

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the Council's employment or other associated employment which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value. This liability is reported in Note 18 as a provision.

**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

**1.U Borrowings and borrowing costs**

Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these liabilities are measured at amortised cost

In accordance with the *Local Government Regulation 2012* council adopts an annual debt policy that sets out council's planned borrowings for the next nine years. Council's current policy is to only borrow for capital projects and for a term no longer than the expected life of the asset. Council also aims to comply with the Queensland Treasury Corporation's borrowing guidelines and ensure that sustainability indicators remain within acceptable levels at all times.

All borrowing costs are expensed in the period in which they are incurred. No borrowing costs are capitalised on qualifying assets.

**1.V Restoration provision**

A provision is made for the cost of restoration in respect of refuse dumps where it is probable the Council will be liable, or required, to incur such a cost on the cessation of use of these facilities. The provision is measured at the expected cost of the work required, discounted to current day values using an appropriate rate. The current QTC lending rate is considered an appropriate rate. The restoration costs provided for are expected to be incurred in 2015.

**1.W Asset revaluation surplus**

The asset revaluation surplus comprises adjustments relating to changes in value of property, plant and equipment that do not result from the use of those assets. Net incremental changes in the carrying value of classes of non-current assets since their initial recognition are accumulated in the asset revaluation surplus.

Increases and decreases on revaluation are offset within a class of assets.

Where a class of assets is decreased on revaluation, that decrease is offset first against the amount remaining in the asset revaluation surplus in respect of that class. Any excess is treated as an expense.

When an asset is disposed of, the amount reported in surplus in respect of that asset is retained in the asset revaluation surplus and not transferred to retained surplus.

**1.X Retained surplus**

In reference to the comparative figures for the year ended 30 June 2012, this represents the amount of Council's net funds not set aside in reserves to meet specific future needs.

**1.Y Rounding and comparatives**

The financial statements have been rounded to the nearest \$1.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.



**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

**1.Z Trust funds held for outside parties**

Funds held in the trust account on behalf of outside parties include those funds held for Community Churches, Funeral Funds and Community groups. These have been paid into a separate bank account maintained by the Council. The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements.

The monies are disclosed in the notes to the financial statements for information purposes only in Note 23.

**1.AH Funds held in trust by outside parties**

Some funds belonging to Council are held in the trust funds of third parties. These include grants for major infrastructure projects. For details see Note 23.

**1.AA Taxation**

Income of local authorities and public authorities is 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.

**1.AF Carbon Pricing**

In 2011 the Australian Government introduced a Clean Energy Legislation package. One aspect of this package, which impacts Council indirectly is the introduction of a pricing mechanism for greenhouse gas emissions in the Australian economy.

Council operates a number of small landfill facilities that have annual emissions of carbon dioxide equivalent that are below the individual site threshold of 25,000 tonnes. Council modelling indicates that the facilities are unlikely to exceed this threshold in the foreseeable future therefore no direct liability has arisen, or is likely to arise as a result of this legislation.

Council has been, and will continue to be indirectly impacted through increased costs arising from the carbon pricing mechanism. The most significant of these will be electricity and fuel. Commonwealth Treasury modelling published in July 2011 in the document "Strong growth, low pollution modelling a carbon price" indicates that the carbon pricing is expected to increase electricity prices by 10% within 5 years from 1 July 2012 and increase other costs by 0.7% on inflation. In addition fuel tax credits will be progressively reduced over the initial fixed price period.

**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

**2. Analysis of Results by Function**

**2(a) Components of Council functions**

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

**Executive**

This comprises the support functions for the Mayor and Councillors, Council and committee meetings and statutory requirements.

Key components of the Executive function include:

- \* Internal Audit
- \* Human Resources
- \* Administration for Councillors
- \* Legal Services
- \* Public Relations
- \* Risk & Natural Disaster
- \* Housing
- \* Community Police Services
- \* Building and maintenance

**Corporate & Finance**

The support functions of Management of the Council's finance, information technology and administration.

Key components of the Finance function include:

- \* Procurement and plant
- \* Financial Services
- \* Asset and Risk Management
- \* Administration and Governance Services
- \* Records and Information Technology Management

Note: The Division of Corporate & Finance was restructured in February 2013 to appoint a Chief Financial Officer to oversee the newly created division of Financial Services. The remaining functions remained under the Division of Corporate. New Budgets to reflect this change occurred from July 2013

**Economic and Community Services**

Community services and facilities including cultural, health, welfare, environmental & recreational services, and community development.

Some of the key infrastructure used by this program to deliver services include Council's network of libraries, public parks and child care centres.

The program's direct intervention in the areas of health protection, community and recreational development and event sponsorship ensures that the Torres Strait Island Community and Culture remains vibrant and strong.

This function includes:

- \* Economic Development
- \* Libraries
- \* Environmental and Health Services
- \* Senior, Youth, Sport and Recreation Services

**Engineering**

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

Some of the key infrastructure used by this program to deliver services include Council's networks of water and sewer, roads and streets, natural waterways, kerb and channel and water quality.

Key components of the Engineering Services function include:

- \* Planning services
- \* Water Services
- \* Wastewater Services
- \* Civil Works Services
- \* Engineering Services
- \* Airport and Seaports

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

**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

- 2 Analysis of results by function  
 (b) Income and expenses defined between recurring and capital are attributed to the following functions:  
 Year Ending 30 June 2013

Functions	Gross program income		Elimination of inter-function transactions	Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result from recurrent operations	Net Result	Assets
	Recurring	Capital			Recurring	Capital					
<b>Executive</b>	10,038,000	-	(355,567)	9,682,433	(25,648,539)	-	677,803	(24,970,737)	(15,610,359)	(15,288,904)	-
<b>Economic &amp; Community Services</b>	23,234,123	-	(382,323)	22,851,799	(24,358,324)	-	1,345,402	(23,012,923)	(1,124,202)	(161,124)	313,619,422
<b>Corporate &amp; Finance</b>	23,750,519	5,960,347	(4,175,874)	25,534,992	(14,874,486)	(3,448,292)	(385,915)	(18,706,693)	8,905,033	6,865,198	80,855,149
<b>Engineering</b>	6,806,108	1,587,665	(512,596)	7,881,177	(26,302,958)	-	3,780,171	(22,512,787)	(19,499,648)	(14,632,009)	231,928,860
<b>Total Council</b>	63,658,749	7,557,012	(5,427,260)	65,788,501	(91,184,305)	(3,448,292)	5,427,260	(89,205,337)	(27,325,556)	(23,216,634)	686,403,231

**Year Ending 30 June 2012**

Functions	Gross program income		Elimination of inter-function transactions	Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result from recurrent operations	Net Result	Assets
	Recurring	Capital			Recurring	Capital					
<b>Executive</b>	24,652,355	86,500	(150,265)	24,588,590	(26,825,426)	-	4,857,120	(26,825,426)	(2,173,071)	(2,236,636)	-
<b>Economic &amp; Community Services</b>	12,129,287	4,035,796	(8,690)	16,157,393	(17,347,327)	-	4,857,120	(12,490,207)	(5,218,040)	3,687,186	323,130,807
<b>Corporate &amp; Finance</b>	20,061,476	10,346,446	(7,457,849)	22,950,073	(19,174,781)	(241,718)	5,389,226	(19,416,499)	885,695	3,533,574	74,474,545
<b>Engineering</b>	12,317,895	130	(2,636,542)	9,681,483	(26,431,419)	-	5,389,226	(21,055,193)	(14,113,524)	(11,353,710)	313,162,016
<b>Total Council</b>	69,161,013	14,469,872	(10,253,346)	73,377,539	(88,778,653)	(241,718)	10,253,346	(79,767,325)	(20,617,940)	(6,389,786)	710,767,168

**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

	<b>Note</b>	<b>2013</b>	<b>2012</b>
		<b>(\$)</b>	<b>(\$)</b>
<b>3</b>	<b>Revenue analysis</b>		
<b>(a)</b>	<b>Community Levies and charges</b>		
	Council Rates & Levies are set as per council resolution from the Striking of Rates and Charges as approved by Council.		
	General rates	1,598	1,560
	Water consumption, rental and sundries	347,347	-
	Sewerage	534,836	-
	Waste management	222,909	-
	Garbage charges		-
		<u>1,106,691</u>	<u>1,560</u>
<b>(b)</b>	<b>Sales revenue</b>		
	Council provides a range of goods and services to the community & other third parties for a fee based on these goods & services. These fees are set in the Fees & Charges Register adopted by Council		
	<b>Sale of Goods and Services</b>		
	Contract and recoverable works	19,585,870	10,985,468
	Plant & Equipment hire	574,584	452,352
	Airport/Childcare Fees	211,130	-
	Accommodation	466,521	623,464
	Fisheries	-	105,184
	Fuel	1,069,219	928,644
	Powercards	982,884	580,588
	Total sales revenue	<u>22,890,208</u>	<u>13,675,699</u>
<b>4</b>	<b>Grants, subsidies, contributions and donations</b>		
<b>(a)</b>	<b>Recurrent</b>		
	General purpose grants (i)	11,577,994	19,419,230
	State Government Subsidies and grants (i)	13,469,378	20,340,946
	Commonwealth government subsidies and grants (i)	4,902,282	40,510
	Contributions	347,638	356,845
		<u>30,297,292</u>	<u>40,157,531</u>
	Note: (i) Council reported a decrease in grant funding with the non receipt in the financial year being the NDRRA Funding for major natural disasters (\$6M) & Indigenous State Infrastructure Program & Long Term Financial Sustainability Strategy (\$5.4M)		
<b>(b)</b>	<b>Capital</b>		
	Government Subsidies and grants (ii)	1,587,665	4,472,432
		<u>1,587,665</u>	<u>4,472,432</u>
	Note: (ii) Council reported a decrease in Capital Grant funding with limited MIP Capital funding compared to the \$4,000,000 received in 11/12. Capital for 12/13 consists of Airport Lighting \$400,000 & Garbage Trucks for \$400,000		
<b>(c)</b>	<b>Conditions over contributions</b>		
	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	7,744,937	6,007,786
		<u>7,744,937</u>	<u>6,007,786</u>
	Contributions recognised as income during a previous reporting period that we obtained in respect of the current reporting period	4,211,618	2,839,254
	Non-reciprocal grants for expenditure on services	<u>4,211,618</u>	<u>2,839,254</u>

**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

	<b>Note</b>	<b>2013</b>	<b>2012</b>
		<b>(\$)</b>	<b>(\$)</b>
<b>5 Capital income</b>			
Contributed Assets	(iii)	5,812,818	9,992,264
Proceeds from the sale of property, plant & equipment		156,529	5,175
<b>Gain / loss on disposal of non-current assets</b>			
Loss from the sale of property, plant and equipment		(3,437,745)	-
		(3,437,745)	-
Total capital income		2,531,602	9,997,440
Note (iii) Contributed Assets are those assets that have been transferred to the Council from other Government entities and Departments. The majority of these assets are from infrastructure projects funded by the State and Federal Governments. The assets are recognised upon the practical transfer of the asset to the Council. The assets are recognised at cost as supplied by the Contributor agency/department as the Council believes the provided costs approximate fair value at date of transfer.			
<b>6 Employee benefits</b>			
Total staff wages and salaries		12,981,412	13,837,851
Councillors' remuneration	(iv)	767,094	828,229
Annual, sick and long service leave entitlements		1,882,934	3,135,036
Superannuation		1,491,851	1,486,154
		17,123,290	19,287,270
Other employee related expenses		468,905	651,125
		17,592,195	19,938,395
Less: Capitalised employee expenses			(144,961)
		17,592,195	19,793,434
Note (iv) Councillor remuneration represents salary, and other allowances paid in respect of carrying out their duties.			
Total Council employees at the reporting date:		2013	2012
Elected members		16	16
Ordinary Staff		345	339
Total full time equivalent employees		361	355
<b>7 Materials and services</b>			
Advertising and marketing		10,388	3,786
Audit services		412,000	-
Communications and IT		1,633,766	1,365,452
Consultants		538,600	15,234
Contractors		6,917,991	8,621,932
Donations paid		237,458	49,001
Insurance		2,271,635	2,233,660
Motor Vehicle Expenses		1,672,159	1,726,868
Power		1,935,957	1,561,492
Repairs and maintenance	(v)	13,357,702	9,911,271
Rent Paid		1,129,079	570,578
Subscriptions and registrations		92,327	54,576
Travel	(vi)	3,070,329	786,985
Other materials and services		3,380,878	2,949,886
		36,660,271	29,850,721

Note: (v) Write off of Work in Progress not progressed to completion from prior years as approved via Council Resolution - Amount \$6,884,885

Note: (vi) Higher travel cost associated with reduction of airline carriers located in the Torres Strait. Also movement between Islands. Thursday Island and Cairns due to increased Training and Development. Additional Council Meeting held face to face ever month compared to last year being bi-monthly.

**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

	<b>Note</b>	<b>2013</b>	<b>2012</b>
		<b>(\$)</b>	<b>(\$)</b>
<b>8 Finance costs</b>			
Finance costs charged by the Queensland Treasury Corporation		30,615	33,093
Bank charges		41,102	38,988
Impairment of debts		5,433,542	3,641,941
Bad Debt Written Off		-	109,178
Refuse restoration		111,485	193,136
		<u>5,616,744</u>	<u>4,016,336</u>
<b>9 Depreciation and amortisation</b>			
<b>Depreciation of non-current assets</b>		<b>2013</b>	<b>2012</b>
Buildings (Communities)		9,435,410	9,351,641
Buildings (Corporate)		2,690,784	2,714,118
Recreational Facilities		545,307	552,172
Roads/Transport Network		3,962,091	3,828,498
Stormwater Drainage Network		182,000	182,301
Flood Mitigation Network		65,200	65,020
Water Supply Network		2,928,126	3,044,882
Sewerage Network		3,970,773	3,987,680
Bridges		4,050	4,000
Wharves, Piers, Jetties and Pontoons		545,380	542,250
Waste Landfill		40,267	40,308
Land Assets		-	-
Plant and Equipment		1,330,233	1,552,245
		<u>25,699,621</u>	<u>25,865,116</u>
Amortisation of intangible assets			
Software		188,213	-
Total depreciation and amortisation	14	<u>25,887,834</u>	<u>25,865,116</u>
<b>10 Capital expenses</b>			
<b>Loss on impairment</b>			
Property, plant and equipment		10,547	241,718
Total impairment losses		<u>10,547</u>	<u>241,718</u>
Impairment loss treated as expense		<u>10,547</u>	<u>241,718</u>
Total capital expenses		<u>10,547</u>	<u>241,718</u>
<b>11 Cash and cash equivalents</b>			
Cash at bank and on hand		1,415,436	7,418,473
Deposits at call		12,755,633	5,753,797
Term deposits		55,269	53,627
Balance per Statement of Cash Flows		<u>14,226,339</u>	<u>13,225,897</u>

Cash at Bank at call is held in the National Australia Bank in normal business cheque accounts. The bank currently has a short term credit rating of A1+ and long term rating of AA-. Deposits are held with Queensland Treasury Corporation. One small term deposit held with National Australia Bank.

**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

	<b>Note</b>	<b>2013</b>	<b>2012</b>
		<b>(\$)</b>	<b>(\$)</b>
<b>12</b>	<b>Trade and other receivables</b>		
	<b>Current</b>		
	Housing rental	5,491,115	4,352,059
	Less impairment	(5,260,734)	(3,430,981)
	Other debtors	16,402,935	10,457,752
	Less impairment	(9,513,666)	(7,056,325)
	GST recoverable	295,147	695,368
	Prepayments	376,353	65,043
		<u>7,791,150</u>	<u>5,082,916</u>
		<u>7,119,650</u>	<u>4,322,505</u>
	No interest is charged on other debtors. There is a geographic concentration of credit risk for Housing and Other debtors.		
	Movement in accumulated impairment losses (Housing Rental and Other debtors) is as follows:		
	Opening balance	10,487,306	7,910,899
	Less Impairment Debts written off during year	(1,146,448)	(1,065,533)
	Additional Impairment Recognised	5,433,542	3,641,940
	closing balance	<u>14,774,400</u>	<u>10,487,306</u>
<b>13</b>	<b>Inventories</b>		
	<b>Inventories held for sale</b>		
	Stores & Materials	499,581	493,181
		<u>499,581</u>	<u>493,181</u>
	<b>Inventories held for distribution</b>		
	Stores & Materials	48,390	52,552
		<u>48,390</u>	<u>52,552</u>
	Total inventories	<u>547,971</u>	<u>545,733</u>



14 **Property, plant and equipment**

**Council - 30 June 2013**

9	155,671,741	40,100,017	7,072,471	39,961,848	2,221,301	1,185,020	32,677,182	26,901,680	45,000	8,689,550	114,409	-	-	-	-	7,542,521	-	-	322,392,840
	9,436,410	2,690,784	545,307	3,962,091	182,000	66,200	2,938,126	3,970,773	4,050	645,390	40,287	-	-	-	-	1,330,233	-	-	25,699,621
		30,477																	30,477
19		(432,506)						(1,620,752)	(254,358)							(1,131,326)	-	-	(2,438,944)
10																			-
																10,547	-	-	10,547
	185,107,151	42,388,772	7,617,778	43,923,939	2,403,301	1,250,220	34,184,556	30,618,095	49,050	9,245,030	154,676	-	-	-	-	7,755,973	-	-	344,694,541

[illegible]

	(7,383)	(54,192)	(0)	(2,035,899)
relating to upgrade works undertaken on behalf of Quidil in respect to Community Housing over several years. This amount should have been expensed rather than capitalised in previous years. Due to the difficulty in estimating prior year figures, no adjustment was made. Accordingly the amount has been adjusted this year				

	(7,383)	(54,192)	(0)	(2,035,899)
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**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

**14** Property, plant and equipment valuations were determined by reference to the following:

**Land assets**

Freehold Land was comprehensively revalued at current market value as at 30 June 2011 by AssetVal Pty Ltd (Property, Plant, Equipment and Infrastructure Consultants). All land assets are situated on Thursday Island, where a market exists for land. Land Values on Thursday Island has been determined based on relevant sales of Land in the Locality including other locations within the regional Council Area. It should be noted that there can be a lack of comparable sales data for the locality therefore the closest comparable sales data maybe used.

Leasehold Land within the Council area is subject to a Deed Of Grant In trust (DOGIT). The land is administered by the Department of Natural Resources and Mines and the Council has restricted use of this land for the benefit of island inhabitants. The DOGIT land has not been taken up in the Council's assets as it cannot be reliably measured.

Land assets have been included at current market value as at 30 June 2013 as determined by Council. In determining market value, Council engaged APV Valuers and Asset Management Pty Ltd, (Registered Valuers) to consider price movements in the region. Due to the lack of established regional indices APV made enquires with real estate agents and concluded that there were no significant price movements during the year ending 30 June 2013.

**Buildings**

Buildings have been comprehensively revalued at written down current replacement cost as at 30 June 2011 as determined by AssetVal Pty Ltd (Property, Plant, Equipment and Infrastructure Consultants). The valuation was prepared on an abbreviated bill of quantity methodology using costing's contained in Rawlinson's Australia Construction Handbook 2011

Buildings have been included at fair value as at 30 June 2013 as determined by Council. The fair Value of the Building Assets is measured at Written Down current replacement cost. In determining fair value, Council engaged APV Valuers and Asset Management Pty Ltd (Registered Valuers) to consider price movements in the region. Due to the lack of established regional indices APV made enquires with regional construction firms as to their experiences in price changes of labour, materials and freight during the year. Based on APV report Council concluded that there had been no material change in the value of its buildings during the year ended 30 June 2013.

**Other plant & equipment**

Other plant & equipment is measured at original cost less accumulated depreciation

**Infrastructure**

Infrastructure was comprehensively revalued at written down current replacement cost as at 30 June 2011 as determined by AssetVal Pty Ltd. The valuation was prepared on an abbreviated bill of quantity methodology using costing's contained in Rawlinson's Australia Construction Handbook 2011

Infrastructure assets include the following asset classes: Recreation Facilities, Roads/ Transport Network, Stormwater Drainage Network, Flood Mitigation Network, Water Supply Network, Sewerage Network, Wharves, Piers, Jetties and Pontoons and Waste Landfill.

Infrastructure has been included at fair value as at 30 June 2013 as determined by Council. The fair Value of the Infrastructure Assets is measured at Written Down current replacement cost. In determining fair value, Council engaged APV Valuers and Asset Management Pty Ltd (Registered Valuers) to review replacement cost of this asset class. Due to the lack of established regional indices APV made enquires with regional civil works firms as to their experiences in price changes of labour, materials and freight during the year. Based on APV's report Council concluded that there had been no material change in the value of its infrastructure during the year ended 30 June 2013.

	<b>Note</b>	<b>Council</b>	
		<b>2013</b>	<b>2012</b>
		<b>\$</b>	<b>\$</b>
<b>15 Intangible assets</b>			
<b>Software</b>			
Opening gross carrying value		945,522	
Work in progress		371,969	945,522
Closing gross carrying value		1,317,491	945,522
<b>Accumulated amortisation</b>			
Opening balance			
Amortisation in the period		188,213	
Closing balance		188,213	
<b>Net carrying value at end of financial year</b>		<b>1,129,278</b>	<b>945,522</b>
The software has a finite life estimated at 10 years.			
Straight line amortisation has been used with no residual value.			
<b>Total</b>		<b>1,129,278</b>	<b>945,522</b>

The software is a Finance and Administration platform for the whole of Council. Commencement of use date was 1 July 2012.

**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

<b>16</b>	<b>Trade and other payables</b>	<b>Note</b>	<b>2013</b> <b>\$</b>	<b>2012</b> <b>\$</b>
	<b>Current</b>			
	Creditors and accruals		1,881,953	3,761,739
	Employee Benefits - Annual Leave		1,363,745	876,298
	GST Payable		443,099	-
			<u>3,688,796</u>	<u>4,638,037</u>
	<b>Non-current</b>			
	Creditors and accruals		-	-
	Employee Benefits - Annual Leave		-	508,591
			<u>-</u>	<u>508,591</u>
<b>17</b>	<b>Borrowings</b>			
	<b>Current</b>			
	Loans - Queensland Treasury Corporation		41,392	38,926
			<u>41,392</u>	<u>38,926</u>
	<b>Non-current</b>			
	Loans - Queensland Treasury Corporation		422,024	463,390
			<u>422,024</u>	<u>463,390</u>
	<b>Loans - Queensland Treasury Corporation</b>			
	Opening balance at beginning of financial year		502,316	539,524
	Principal repayments		(38,900)	(37,208)
	Book value at end of financial year		<u>463,416</u>	<u>502,316</u>

The QTC loan market value at the reporting date was \$509,580.55. This represents the value of the debt if Council repaid it at that date. As it is the intention of Council to hold the debt for its term, no provision is required to be made in these accounts.

**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

		<b>Council</b>	
	<b>Note</b>	<b>2013</b>	<b>2012</b>
		<b>\$</b>	<b>\$</b>
<b>18 Provisions</b>			
<b>Current</b>			
Long service leave		621,973	358,872
Employee benefits	(vii)	115,243	192,724
		<u>737,216</u>	<u>551,596</u>
<b>Non-current</b>			
Refuse restoration		2,760,627	2,649,142
Long service leave		287,234	254,079
		<u>3,047,861</u>	<u>2,903,221</u>

Note (vii) It was identified that certain employee benefits paid by it and its antecedent Councils may have been mis-calculated in prior years and therefore a provision was made against Retained Earnings for 11/12 financial year. Council has undertaken the review and identified that amounts outstanding and some payments were processed in 12/13 Financial Year and the balance above represents the balance of settlements not paid at balance date.

Details of movements in provisions:

**Refuse restoration**

Balance at beginning of financial year		2,649,142	2,456,006
Increase in provision due to unwinding of discount			
Increase (decrease) in provision due to change in discount rate		111,485	193,136
Balance at end of financial year	(viii)	<u>2,760,627</u>	<u>2,649,142</u>

Note (viii) This is the present value of the estimated cost of restoring the refuse disposal site to a useable state at the end of its useful life. The projected cost is \$2,990,098 and this cost is expected to be incurred in 2015.

**Long service leave**

Balance at beginning of financial year		612,951	489,291
Long service leave entitlement arising		322,164	194,731
Long Service entitlement extinguished		(3,257)	(23,932)
Long Service entitlement paid		(22,651)	(47,139)
Balance at end of financial year		<u>909,207</u>	<u>612,951</u>

**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

		2013	2012
	Note	\$	\$
19	<b>Asset revaluation surplus</b>		
	14		
<b>Movements in the asset revaluation surplus were as</b>			
		153,176,979	152,585,812
Balance at beginning of financial year			591,167
Increase/(Decrease) in Asset Revaluation Reserve		153,176,979	153,176,979
Balance at end of financial year			

		2013	2012
	Note	\$	\$
<b>Council</b>			
	14		
<b>Asset revaluation surplus analysis</b>			
The closing balance of the asset revaluation surplus comprises the following asset categories:			
Buildings (Communities)		45,806,405	45,806,405
Buildings (Corporate)		7,070,955	7,070,955
Recreational Facilities		1,966,432	1,966,432
Roads/Transport Network		84,655,455	84,655,455
Stormwater Drainage Network		1,735,628	1,735,628
Flood Mitigation Network		1,281,898	1,281,898
Water Supply Network		5,332,403	5,332,403
Sewerage Network		4,395,779	4,395,779
Wharves, Piers, Jetties and Pontoons		912,024	912,024
Land assets		20,000	20,000
		153,176,979	153,176,979

**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

**20 Commitments for expenditure**

**Operating leases**

Minimum lease payments in relation to non-cancellable operating leases are as follows:

Within one year	1,201,490	1,047,446
One to five years	2,318,361	2,653,948
More than five years	-	-
	<u>3,519,851</u>	<u>3,701,394</u>

**Contractual commitments**

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

Software contract with Technology One	236,814	292,452
Rental Agreement with Commander	40,120	79,261
Telstra	-	297,138
J&R Refrigeration	361,262	-
Austek	151,473	-
Northern Water	97,143	-
	<u>886,812</u>	<u>668,851</u>

**21 Contingent liabilities**

**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 2012 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 was 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 \$286,070.



**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

**Maximum Penalties for Failure to Remit Superannuation Contributions on Behalf of Employees to Superannuation Funds**

The Council has not remitted an amount of superannuation monies held on behalf of employees for the 30 June 2010 financial year. This amount of \$225,657 has been recorded as a Trade and Other payable in the 2013 and previous financial statements. The Council has not remitted this superannuation liability to the superannuation funds as the Council has yet to determine if the employees are entitled to the superannuation benefit and if they are entitled to the benefit, which employees are beneficiaries of the superannuation funds held. The Council has recently increased its resources and has agreed to undertake a project of reviewing past Island Council records to determine if the \$225,657 is a payable obligation and is so, which employees are entitled to the funds as beneficiaries. Should the Council find that there is no obligation to remit the funds, the liability will be written back as revenue, however, if there is a obligation to pay the superannuation funds, then the Council could be liable for substantial penalties and interest for late remittance of a superannuation obligation. The Council's estimate of this contingent liability being a maximum additional penalties and interest is \$1,144,331

The individual components of this estimate are:

Superannuation Guarantee Charge (excluding the initial superannuation obligation of \$225,657) and interest at 10% per annum plus a administrative fee of \$20 per employee per quarter:	\$347,920
General interest charge calculated based on the Australian Taxation Office general interest rates for 2010, 2011, 2012 & 2013:	\$100,572
Australian Taxation Office administrative penalty for failure to lodge a Superannuation Guarantee Quarterly Statement calculated at 200% of the Charge:	\$695,839

This estimate is based on the Australian Taxation Office applying the maximum administrative penalties that it can impose; however, the Council believes it has a reasonable argument that the administrative penalty component can be reduced significantly due to the issues of the amalgamation of the previous Island Council's to form the Torres Strait Island Regional Council.

In addition, should the Australian Taxation Office decide to prosecute the Council for failure to comply with the record keeping requirements of the Superannuation Guarantee legislation, the Council could be fined a further \$18,500.

**Guarantee in Respect of Subsidiary Company**

The Council in the ordinary course of business has provided a guarantee for borrowings undertaken by a company of which Council was sole shareholder/ investor. This company was placed into voluntary administration in 2012 and subsequent creditors voluntary liquidation and is in the process of being wound up. The lender has recourse to the Council in respect of the guarantee provided by Council, however, has yet to exercise this right. In the event that the lender exercises the guarantee, the Council estimates its liability under the guarantee to be \$150,000.

**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

**22 Superannuation**

The Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB119 *Employee Benefits*.

The Queensland Local Government Superannuation Board, the trustee of the scheme, advised that the local government superannuation scheme was a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation.

The scheme has three elements referred to as:

The City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund

The Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional local governments; and

The Accumulation Benefits Fund (ABF)

The ABF is a defined contribution scheme as defined in AASB 119. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the *Local Government Act 2009*.

The Regional DBF is a defined benefit plan as defined in AASB119. The Council is not able to account for the Regional DBF as a defined benefit plan in accordance with AASB119 because the scheme is unable to account to the Council for its proportionate share of the defined benefit obligation, plan assets and costs.

Any amount by which either fund is over or under funded would only affect future benefits and contributions to the Regional DBF, and is not an asset or liability of the Council. Accordingly there is no recognition in the financial statements of any over or under funding of the scheme.

The audited general purpose financial report of the scheme as at 30 June 2012 (the most recent available) which was not subject to any audit qualification, indicates that the assets of the scheme are sufficient to meet the vested benefits.

The most recent actuarial assessment of the scheme was undertaken as at 1 July 2012. The actuary indicated that "the Regional DBF is currently in a satisfactory but modest financial position and remains vulnerable to adverse short and medium term experience."

Following the previous actuarial assessment in 2009, councils were advised by the trustee of the scheme, following advice from the scheme's actuary, that additional contributions may be imposed in the future at a level necessary to protect the entitlements of Regional DBF members. In the 2012 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

Under the Local Government Act 2009 the trustee of the scheme has the power to levy additional contributions on councils which have employees in the Regional DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits.

The next actuarial investigation will be made as at 1 July 2015

	Note	Council	
		2013 \$	2012 \$
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:	6	1,491,851	1,486,154

**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

		<b>Council</b>	
	<b>Note</b>	<b>2013</b>	<b>2012</b>
		<b>\$</b>	<b>\$</b>
<b>23</b>	<b>Trust funds</b>		
<b>Trust funds held for outside parties</b>			
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities			
Island Funeral Funds			
		342,951	367,665
Church Funds			
		63,685	63,684
Other Community Funds			
		245,897	241,955
		<u>652,533</u>	<u>673,304</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.

**Funds held in trust by outside parties**

DFK Kidsons holding funds for Major Infrastructure Program 4	37,503,506	63,038,989
	<u>37,503,506</u>	<u>63,038,989</u>

The Major Infrastructure Program is jointly funded by the Australian and Queensland Governments to deliver and upgrade major infrastructure capital works in the Torres Strait. The funds held in trust disclosed above relate to multiple councils. At 30 June 2013, the estimated forecast cost to complete projects which relate to Torres Strait Island Regional Council was \$36,870,578. Infrastructure assets are not recognised by the Council until they have reached completion.

Note: There was a Restatement of the MIP Financial Statements for 2011-2012 and this is been reflected in the 2011-2012 comparatives with councils financial statements.

**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

**24 Events after the reporting period**

No significant events material to the Council have occurred subsequent to the end of the reporting period.

**25 Correction of error**

Additional information was found this financial year which identified an error in the calculation of the employee benefits provision reported in note 18. A prior period adjustment has been made resulting in an increase in retained surplus/deficiency as at 1st July 2011 and 30 June 2012 of \$4,350,375 and a decrease in the employee benefits provision from \$4,543,099 to \$192,724. The adjustments are as follows:

	<b>As at 30 June 2012</b>
Employee benefits	4,543,099
	(4,350,375)
Net value	<u>192,724</u>

This movement in the Financial Position in 2011-12 does not affect the payments already settled in 2012-13 and no amendment is needed to the closing balance in 2012-13

An adjustment of \$19,370 was made to opening retained surplus and Building Corporate for previously unrecorded assets of Erub Fisheries

**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

**26 Financial instruments**

Torres Strait Island Regional Council has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

**Financial risk management**

Torres Strait Island Regional 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.

The 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	Council	
		2013	2012
Financial assets		\$	\$
Cash and cash equivalents	11	14,226,339	13,225,897
Receivables - Housing	12	230,381	921,078
Receivables - other	12	6,889,269	3,401,427
<b>Other credit exposures</b>			
Guarantees	21	436,070	436,070
<b>Total financial assets</b>		<u>21,782,059</u>	<u>17,984,472</u>

**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

*Cash and cash equivalents*

The Council may be exposed to credit risk through its investments 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.

*Trade and other receivables*

In other cases, the Council assesses the credit risk before providing goods or services and applies normal business credit protection procedures to minimise the risk.

By the nature of the Council's operations, there is a geographical concentration of risk in the Council's area.

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

	<b>Council</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Not past due	4,330,160	3,884,994
Past due 31-60 days	1,879,268	1,134,000
Past due 61-90 days	494,639	384,600
More than 90 days	15,189,984	9,406,217
Impaired	(14,774,400)	(10,487,306)
Total	<u>7,119,651</u>	<u>4,322,505</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.

Torres Strait Island Regional 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:

**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

<b>Council</b>	<b>0 to 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total contractual cash flows</b>	<b>Carrying amount</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2013</b>					
Trade and other payables	3,688,796	-	-	-	3,688,796
Loans - QTC	70,070	280,280	255,767	-	463,416
	<u>3,758,866</u>	<u>280,280</u>	<u>255,767</u>	<u>0</u>	<u>4,152,212</u>
<b>2012</b>					
Trade and other payables	3,761,739	-	-	-	3,761,739
Loans - QTC	70,070	280,280	325,711	-	502,316
	<u>3,831,809</u>	<u>280,280</u>	<u>325,711</u>	<u>0</u>	<u>4,264,055</u>

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

**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*

Torres Strait Island Regional Council is exposed to interest rate risk through investments and borrowings with QTC and other financial institutions.

*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 profit 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.

<b>Council</b>	<b>Net carrying amount</b>	<b>Profit or loss</b>		<b>Equity</b>	
	<b>\$</b>	<b>1% increase</b>	<b>1% decrease</b>	<b>1% increase</b>	<b>1% decrease</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2013</b>					
QTC cash fund	12,755,633	127,556	(127,556)	127,556	(127,556)
Other investments	55,269	553	(553)	553	(553)
Loans - QTC	(463,416)	(4,634)	4,634	(4,634)	4,634
<b>Net total</b>	<u>12,347,486</u>	<u>123,475</u>	<u>(123,475)</u>	<u>123,475</u>	<u>(123,475)</u>
<b>2012</b>					
QTC cash fund	5,753,797	57,538	(57,538)	57,538	(57,538)
Other investments	53,627	536	(536)	536	(536)
Loans - QTC	(502,316)	(5,023)	5,023	(5,023)	5,023
<b>Net total</b>	<u>5,305,108</u>	<u>53,051</u>	<u>(53,051)</u>	<u>53,051</u>	<u>(53,051)</u>

**Fair value**

The fair value of trade and other receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

QTC applies a book rate approach in the management of debt and interest rate risk, to limit the impact of market value movements to clients' cost of funding. The book value represents the carrying value based on amortised cost using the effective interest method.



**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2013**

	Note	2013		2012	
		Carrying amount	Fair value	Carrying amount	Fair value
		\$	\$	\$	\$
<b>Council</b>					
<b>Financial assets</b>					
QTC cash fund	11	12,755,633	12,755,633	5,753,797	5,753,797
Other investments	11	55,269	55,269	53,627	53,627
		<u>12,810,902</u>	<u>12,810,902</u>	<u>5,807,424</u>	<u>5,807,424</u>
<b>Financial liabilities</b>					
Loans - QTC	17	(463,416)	(509,850)	(502,316)	(553,467)
		<u>(463,416)</u>	<u>(509,850)</u>	<u>(502,316)</u>	<u>(553,467)</u>

**Fair value - hierarchy**

The recognised fair values of financial assets and liabilities are classified based on the lowest level of input significant to the overall fair value:

Level 1 - quoted prices (unadjusted) in active markets for identical instruments

Level 2 - inputs other than quoted prices included in Level 1 that are observable either directly or indirectly

Level 3 - valuation techniques for which any significant input is not based on observable market data.

According to the above hierarchy, the fair values of each class of financial instrument carried at fair value are as follows:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Council</b>				
<b>30 June 2013</b>				
<b>Financial assets</b>				
QTC cash fund	12,755,633			12,755,633
Other investments	55,269			55,269
<b>Total financial assets</b>	<u>12,810,902</u>	<u>-</u>	<u>-</u>	<u>12,810,902</u>
<b>Financial liabilities</b>				
Loans - QTC	509,850			509,850
<b>Total financial liabilities</b>	<u>509,850</u>	<u>-</u>	<u>-</u>	<u>509,850</u>
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>30 June 2012</b>				
<b>Financial assets</b>				
QTC cash fund	5,753,797			5,753,797
Other investments	53,627			53,627
<b>Total financial assets</b>	<u>5,807,424</u>	<u>-</u>	<u>-</u>	<u>5,807,424</u>
<b>Financial liabilities</b>				
Loans - QTC	553,467			553,467
<b>Total financial liabilities</b>	<u>553,467</u>	<u>-</u>	<u>-</u>	<u>553,467</u>


**Torres Strait Island Regional Council  
Financial Statements  
For the year ended 30 June 2013**

**Management Certificate  
For the year ended 30 June 2013**


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  
Cr Fred Gela

Date: 4 / 10 / 2013

  
\_\_\_\_\_  
Chief Executive Officer  
Rodney John Scarce

Date: 4 / 10 / 2013

## INDEPENDENT AUDITOR'S REPORT

To the Mayor of Torres Strait Island Regional Council

### Report on the Financial Report

I have audited the accompanying financial report of Torres Strait Island Regional Council, which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Mayor and Chief Executive Officer.

#### *The Council's Responsibility 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 prescribed accounting requirements identified in the *Local Government Act 2009* and *Local Government Regulation 2012*, including compliance with Australian Accounting Standards. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

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

#### *Independence*

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

### *Opinion*

In accordance with s.40 of the *Auditor-General Act 2009* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
  - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of Torres Strait Island Regional Council for the financial year 1 July 2012 to 30 June 2013 and of the financial position as at the end of that year.

### **Other Matters - Electronic Presentation of the Audited Financial Report**

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



**B MACRAE FCPA**  
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office  
Brisbane

**Torres Strait Island Regional Council**  
**Financial Statements**  
**For the year ended 30 June 2013**

**Current Year Financial Sustainability Statement**

	How the measure is calculated	Actual - Council	Target
Council's performance at 30 June 2013 against key financial ratios and targets:			
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-47%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	18%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-24%	not greater than 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 2013.


**Torres Strait Island Regional Council**  
**Financial Statements**  
**For the year ended 30 June 2013**

The current-year financial sustainability statement that is given to the auditor-general must be accompanied by a signed certificate in the form below:

**Certificate of Accuracy**  
**For the year ended 30 June 2013**

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  
Cr Fred Gela

Date: 4 / 10 / 2013

  
\_\_\_\_\_  
Chief Executive Officer  
Rodney John Scarce

Date: 4 / 10 / 2013

## INDEPENDENT AUDITOR'S REPORT

To the Mayor of Torres Strait Island Regional Council

### **Report on the Current-Year Financial Sustainability Statement**

I have audited the accompanying current-year financial sustainability statement, which is a special purpose financial report of Torres Strait Island Regional Council for the year ended 30 June 2013, comprising the statement and explanatory notes, and certificates given by the Mayor and Chief Executive Officer.

#### *The Council's Responsibility 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 Responsibility*

My responsibility is to express an opinion on the current-year financial sustainability statement based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the statement 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the statement.

My responsibility is to form an opinion as to whether the statement has been accurately calculated based on the Council's general purpose financial report. 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.

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

## *Independence*

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

## *Opinion*

In accordance with s.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 2013, has been accurately calculated.

## *Emphasis of Matter – Basis of Accounting*

Without modifying my opinion, attention is drawn 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.

## **Other Matters - Electronic Presentation of the Audited Statement**

Those viewing an electronic presentation of this special purpose financial report should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



B MACRAE FCPA  
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office  
Brisbane



**Torres Strait Island Regional Council  
Financial Statements  
Prepared as at 30 June 2013**

**Measures of Financial Sustainability**

Measures of Financial Sustainability												
Council	Measure	Target	Projected for the years ended									
			Actuals at 30 June 2013	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	-47%	-53%	-54%	-53%	-53%	-52%	-51%	-50%	-50%	-49%
	Capital expenditure on the replacement of assets (renewals *) divided by depreciation ** expense.	greater than 90%	18%	205%	26%	26%	25%	25%	25%	25%	25%	25%
	Total liabilities less current assets divided by total operating revenue	not greater than 60%	-24%	-20%	-20%	-19%	-19%	-19%	-19%	-18%	-17%	-15%

**Council's Financial Management**

\* Council receive a large proportion of its assets via contributed assets therefore has a very low amount of renewals as the reminder tends to be capital grant funds for Upgrade or New Assets

\*\* Council as noted above receives a high percentage of it assets via contributed assets and therefore the associated depreciation can distort the ratios

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.

Council aims to operate within a set of conservative guide-posts to ensure we are financially sustainable in the short, medium and long term. As part of our financial strategy, we have adopted seven key financial performance indicators to guide our financial health. In addition to the financial indicators, we have the above three sustainability indicators that have been set by the Department of Local Government, Community Recovery and Resilience to help monitor the long-term sustainability of all councils across Queensland. Throughout the financial year, these indicators are calculated and reported on monthly at Council meetings, as part of a full suite of financial reports. Should there be any deviation outside these parameters, the executive management and Council will be fully informed and may take corrective action as required.

The table below summarises how we performed against set targets for the seven key financial performance indicators established in our financial strategy. In summary, we achieved or bettered six of the financial targets, performing strongly in our ability to generate cash from day-to-day operations, meeting all financial commitments in the financial year, and keeping debt to conservative and manageable levels. This was achieved while maintaining community services and making ongoing investment in community infrastructure. Our operating result in this period was adversely affected by the impacts of water reform and this issue is outlined in more detail in the coming pages.

The long-term financial sustainability statement that is given to the auditor-general must be accompanied by a signed certificate in the form below: