

# FOR OUR FUTURE



**ANNUAL REPORT | 2016**

**Torres Strait Island**  
REGIONAL COUNCIL





#### TOP WESTERN ISLANDS

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

#### EASTERN ISLANDS

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

#### CENTRAL ISLANDS

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

#### WESTERN ISLANDS

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

#### SOUTHERN ISLAND

Kirriri (Hammond Island)



# SECTION 1 | WELCOME

## Introduction to the Report

Torres Strait Island Regional Council is proud to present our Annual Report for the 2015 – 16 financial year. Our Report demonstrates that we are open and accountable and are committed to continuous improvement for the people we serve.

This report is divided up into 11 Sections. Sections 1 & 2 provide overview and insight for the organisation. Section 3 focuses on our Elected Council and governance. Section 4 provides further understanding into how our strategic direction influences our operations. Section 6, 7 & 8 use Ngapun Idid I Cycle of Prosperity as an overarching theme for organising our key projects and service areas.

We hope overall that these Sections provide a fuller picture into our corporate structure, our decision making processes and how our service delivery is aligned with our strategic vision and planning.

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



<b>SECTION 1   WELCOME</b>	<b>1</b>
Introduction to the Report	2
Mayoral Foreword	5
SNAPSHOT   Our electorate	7
Major Achievements and Challenges of 2015-16	10
<b>SECTION 2   OUR ELECTED COUNCIL</b>	<b>11</b>
Governance and decision making processes	12
Elected Council   2016	14
ELECTED COUNCIL   Pre election 2016	18
Council Meetings	19
Councillor Remuneration	20
Particular resolutions	21
CASE STUDY   1	22
Expenditure on grants to community organisations	22
<b>SECTION 3   From the Office of the CEO</b>	<b>24</b>
Message from the CEO	24
Executive Structure	25
Executive Leadership	25
Internal Audit	30
<b>SECTION 4   Our Council</b>	<b>33</b>
Report from the Executive Manager Corporate Services	33
THE TOP THREE   Capital Works Projects!	34
Report on the 2015-16 Operational Plan	35
<b>SECTION 5   Ngālpun Idid and Strategic Planning</b>	<b>37</b>
Council Vision	37
2009 - 2014 Corporate Plan	38
Transitional Action Plan	39
<b>SECTION 6 - Art   Culture   People</b>	<b>41</b>
Aged care	41
Child care	41
Health & Wellbeing	42
Indigenous Knowledge Centres	42
Housing	43
Divisional Administration	44
CASE STUDY 2   Language Preservation at Poruma	45
<b>SECTION 7   Environment</b>	<b>47</b>
Animal management	47
Climate Change Adaptation	47
Land management - Leasing and licensing	48



Land Management – Zenadth Kes Planning Scheme and the Community Survey Program	49
Pests & diseases	49
Disaster Management	50
Waste management	50
Water management	51
CASE STUDY 3   Seeking Solutions Together to Water Sustainability	52
<b>SECTION 8   Economic Participation</b>	<b>54</b>
Asset Management	54
Building	54
Advocacy	54
Native Title	55
CASE STUDY 4   Council takes on new Apprentices!	56
Seaports, Airports and Roads	57
CASE STUDY 5   Zenadth Kes Planning Scheme	58
<b>SECTION 9   Disclosures</b>	<b>60</b>
Councillor complaints and recommendations	60
Administrative action complaints	61
Investigation notices	61
Invitations to change tender (changed tender specifications)	61
Rates and charges	61
Commercial business units (beneficial enterprises)	62
Overseas travel	62
Registers kept by the Torres Strait Island Regional Council	62
Significant business activities	62
Senior management remuneration	63
<b>SECTION 10   Financial Management</b>	<b>65</b>
Report from our Executive Manager Financial Services	65
Community Financial Report	66
Understanding Council's financial performance	67
Understanding our financial position	69
Queensland Treasury debt	71
Financial sustainability ratios	71
Conclusion	72
Financial management strategy	73
<b>SECTION 11   Financial Statements 2015 - 16</b>	<b>73</b>



## Mayoral Foreword

Firstly; my acknowledgements to Father God, I thank him dearly for his Grace and many Blessings. Humblest acknowledgements to our Traditional Owners, our Elders past and present, our spiritual leaders and all our families across the Torres Strait Region.

Following are the three critical foundations that Council has focused on during the 2015-16 financial year. These foundations will increase local employment and improve

regional economic development.

Council has commenced preliminary work supporting the development of a **Transitional Action Plan** or simply put a 'road map' which will migrate jobs and Councils departmental functions back to our communities. To ensure decision making remains at a local level, **Regional Governance** arrangements continue to make traction. **Sustainability** is a major focus, and critical for realising Council's vision for the region.

### TRANSITIONAL ACTION PLAN

The Transitional Action Plan (TAP) is the 'road map' for our future, so that we can begin migrating some of Council's functions back into the region. Council has adopted a set of principles including targeted recruitment strategies.

Through the TAP we have identified 'low hanging fruits' and set measurable targets to reduce our operational footprint outside of Council areas. Council will continue to maintain an operational footprint in Cairns, however through the TAP we will carefully reduce it over time as we strengthen capacity on the ground.

Building capacity requires a 'both-ways' approach. Council best delivers on our vision when we share and equally value both our technical and community knowledge.

A well-resourced TAP will ensure long-term success and financial sustainability for the region.

### REGIONAL GOVERNANCE

I met with the former Prime Minister, the Hon Tony Abbott when he visited our region and I advocated for governance reform to address the financial inefficiencies of our current governance model.





I also met with Federal Minister for Indigenous Affairs, the Hon Nigel Scullion and Shadow Assistant Minister for Indigenous Affairs and Aboriginal and Torres Strait Islanders, Senator Pat Dodson in Canberra on this issue. During that visit I met with many other politicians, primarily concerning infrastructure and cross border issues.

Governance reform is essential to ensure more sustainable and robust governance arrangements that will:

- Reduce administrative layers and processes across Local, State and Federal government.
- Maximise resources directed to grassroots service delivery and essential to life infrastructure.
- Ensure greater autonomy of government to the people of the Torres Strait region in determining governance, policy, administration and funding priorities in the region.

For this to happen we have advocated for Federal and State commitment to:

- Change legislation and machinery of government to establish a reformed Torres Strait Governance model.
- Resources for the transition and ongoing function of the final recommended Torres Strait Governance model.

**Now in my third-term as Mayor my ongoing commitment to improving essential services, infrastructure and economic development opportunities has not wavered.**

## SUSTAINABILITY

Our 2015–16 budget demonstrated significant improvements and strong fiscal management. Council adopted the first ever budget with an operating surplus (*before depreciation*). This did not detract Council from our goal of achieving sustainability – or our priority of debt recovery and asset management.

The Financial Sustainability Review delivered by Queensland Treasury Corporation indicated that without further positive operational reform we could be in financial distress by 2023. It is imperative for Council's future that things continue to change, whilst we adopt a more sustainable business model.

It is integral that we not only challenge existing concepts of what Council is – but also that we further rationalise and streamline our business model. We need to divest functions or services that are non - core Local Government and identify interested local entities that have the capacity to continue providing these services.

In closing, I express my sincere thanks to my fellow Councillors and their families, TSIRC employees and their families for their ongoing commitment and continued passion to serve our Communities and Region. Their efforts to ensure a sustainable, more autonomous Council are appreciated.



Mayor Fred Gela  
Torres Strait Island Regional Council







## SNAPSHOT | Our electorate

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

Unlike most local councils **Torres Strait Island Regional Council** service fifteen separate communities spread out across 42,000 square kilometres of water, each with its own unique characteristics and service requirements.

### TOP WESTERN ISLANDS

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

### EASTERN ISLANDS

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

### CENTRAL ISLANDS

Iama (Yam Island)  
Masig (Yorke Island)

Warraber (Sue Island)  
Poruma (Coconut Island)

### WESTERN ISLANDS

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

### SOUTHERN ISLAND

Kirriri (Hammond Island)

The TSIRC region has a population of 5,200 people across almost 1000 homes, 925 of which are tenancy managed by TSIRC.

## Geography and Culture

The Torres Strait Islands are distributed across an area of some 48 000 km<sup>2</sup> - including the Torres Shire Council electorate. The distance from Cape York to Papua New Guinea is around 150 km at the narrowest point; extending some 200 to 300 km from farthest east to farthest west.

The Torres Strait was formerly a land bridge which connected the present-day Australian continent with Papua New Guinea. This land bridge was submerged by rising sea levels forming the Strait which now connects the Arafura and Coral seas. Many of the western Torres Strait Islands are actually the remaining peaks of this land bridge.

Geographically, the islands in the Torres Strait can be divided into four main groups: an **eastern group** of high volcanic islands; a **central group** of low sandy islands; a **western group** of high islands composed of volcanic and granitic rocks; a **southern group** also composed of volcanic and granitic rocks, and a **top-western** group of low islands composed of mangrove muds and peats.

There are two distinct languages spoken throughout the Torres Strait:

- Kalaw Lagaw Ya, Kalau Kawau Ya, Kulkalgau and Kawalgau Ya. These are dialects of the Western-central Torres Strait Language (Kala Lagaw Ya), and are spoken on the Southern, Western, Top-Western and Central islands.
- Meriam Mir is spoken on the Eastern islands.

*Strict cultural protocol is followed in our communities.*

### International border with Papua New Guinea

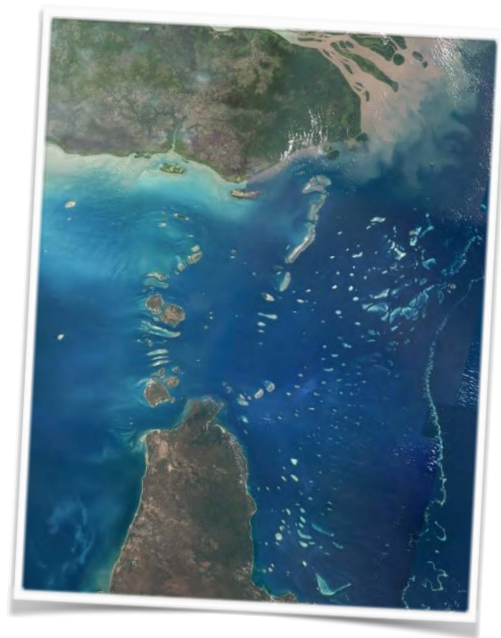
TSIRC manage the treaty agreement between the border of mainland Australia and Papua New Guinea (PNG).

The international border with Papua New Guinea is Australia's closest and most porous international border.

***Numbers of Traditional visitors from PNG into the Torres Strait have swelled to over 50,000 per annum.***

Cross-border movements impact our housing, drinking water supplies, sewerage and waste management.

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





## Community facilities

Each community has a TSIRC Administration Office, a Community Health Centre, a local Primary School (up to Year 6) and a local IBIS supermarket (except Ugar). The local supermarket has a vast range of produce and supplies, which are delivered by barge. TSIRC also manage the Post Office and Human Services through our divisional offices.

Some communities have police, bio-security (quarantine services), Australian Border Force (border security), a church, a local supermarket (IBIS).

TSIRC provide social housing for community members, which is constructed by a mix of local and imported builders employed by Council and the Department of Housing and Public Works.

Queensland Health delivers most medical services to each community with health services delivered by local and registered nurses and Torres Strait Islander Health Workers. Doctors and health staff visit most communities on a fortnightly basis.



# Major Achievements and Challenges of 2015-16

## ACHIEVEMENTS

TSIRC's first statutory planning scheme, the Zenadth Kes Planning Scheme was adopted. This allows us to expand our community's urban areas for more sustainable land use.

Our third election term saw the formation of a new Council to continue strong community representation and to continue moving forward with Council's vision. Mayor Gela is successfully leading again, now in his third term.

We received valuable feedback from our TSIRC Staff Survey to better respond to employee needs and continue to develop best practice as an Employer of Choice.

We continued to reward our employees in line with the Certified Agreement in its second year

Our new team of 8 local apprentices completed 8 new houses in our communities under the NPARIH program.

## CHALLENGES

We faced significant Federal and State funding cuts to our operations. Our 2015 - 16 operational budget (compared to the 2014 -15 year) was significantly reduced by 8.5%. As our operations are spread across 15 communities, a loss of this quantum has significant impact across our operations.

The El Niño weather event presented significantly lower than average rainfall resulting in emergency desalination plants being shipped into communities during the Christmas and New Year period to ensure clean drinking water availability.

Seawalls – Major project re-scoping was undertaken based on available funding. Climate Change Adaptation strategies continue to be at the forefront of our future operations.

Given the unique set of challenges we face in supporting our employees across the remote locations of our communities, staff retention in key positions continues to be one of our major challenges.

As a result of unfunded depreciation of our assets - and no funding avenues in sight - unfavourable long-term forecasts affected Council's sustainability. This continues to be a key concern for long-term sustainability.



## SECTION 2 | OUR ELECTED COUNCIL



**THE NEWLY ELECTED COUNCIL ARE MOVING FORWARD WITH A FRESH APPROACH TO GOVERNANCE AS MODERN LEADERS, WHILST STILL MAINTAINING AILAN KASTOM.**



# Governance and decision making processes

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

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

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

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

## The structure of Torres Strait Island Regional Council

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

## Council's Advisory Committees and Working Groups

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

### Strategic Advisory Reference Group

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

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

## **Audit Committee**

The Audit Committee is comprised of up to six members including two Councillors. The role of the committee is to act in an independent advisory capacity with oversight on governance, financial and strategic matters of the Council and management.



## **Advisory Committees**

Council has provision for the appointment of Advisory Committees in some of its Divisions. Advisory Committees are comprised of the elected Councillor as Chair and up to four members appointed from within the Division. The Advisory Committees meet on a monthly basis and provide advice in regards to Ailan Lore and Ailan Kastom.

There was an Advisory Committee appointed on Boigu, Warraber and Badu in the 2015-16 financial year.

**THE QUEENSLAND LOCAL GOVERNMENT ELECTIONS WERE HELD IN MARCH 2016 WITH MAYOR GELA NOW SERVING HIS THIRD TERM. WE HAVE EIGHT NEW COUNCILLORS JOINING OUR EXPERIENCED TEAM.**



## Elected Council | 2016



Cr Fred Gela  
Mayor

Serving his third term **Mayor Gela** is committed to improving essential services, ensuring Council's sustainability, rehabilitation of failing infrastructure and develop economic opportunities and has a strong vision for greater autonomy through Regional Governance Reform. Mayor Gela believes the 21st century is the time of innovation, where we must embrace new ideas and forge new partnerships, whilst maintaining faith with the communities we serve.

Mayor Gela is a returning member of the LGAQ Policy Executive and is the Deputy Chair of the newly established Community Enterprise Queensland Board.

### TOP WESTERN ISLANDS | COUNCILLORS

**Cr Dimas Toby** is committed to meeting the aspirations and needs of the community, strengthening cultural and spiritual practices, and setting a platform for future leaders.

Cr Toby is also the Natural Resource Management Officer (Ranger Supervisor) for Guda Malulgal (Boigu, Dauan, Saibai) with TSRA.



Cr Dimas Toby  
Boigu - Division 1



Cr Torenzo Elisala  
Dauan - Division 2

**Cr Torenzo Elisala's** biggest goal is to improve access to water and housing services for the people and future development of Dauan. His aspirations for his community is to see the "direction of Council shift towards autonomy". This "includes up-skilling our people for proper jobs"

Cr. Elisala is currently a Committee Member of Mura Buai Siba Wum, the local rugby league club for Dauan and Saibai.

**Cr Keri Akiba** plans to leave a legacy of transparency for Saibai and increase effective and efficient delivery of infrastructure projects and essential services for his community.

Cr Akiba is the Deputy Chair for Saibai Mura Buway (Torres Strait Islander) Corporation RNTBC.



Cr Keri Akiba  
Saibai - Division 3

## WESTERN ISLANDS | COUNCILLORS

**Deputy Mayor Keith Fell** is concerned about climate change for the Torres Strait and draws strength from his family.

Cr Fell also serves as the Director of the Torres Strait Youth Sporting and Recreation Association.



Cr Keith Fell | Deputy Mayor  
Mabuyag - Division 4

**Cr Laurie Nona** would like to see Council take an "integrated approach to Zenadth Kes' major issues with the other government agencies in the region. We should be using shared resources to help our people."

Cr Nona is the Manager of the Badu Art Centre and a highly collectible artist and is the Chair for the Mura Badulgal (TSI) Corporation RNTBC.



Cr Laurie Nona  
Badu - Division 5



Cr David Bosun  
Arkai (Kubin) - Division 6

**Cr David Bosun** is passionate about the health and wellbeing of people living in our communities and believes economic sustainability will improve the health and wealth of our communities and employment and training opportunities will one day see our region become self-reliant and independent from the government.

Cr Bosun is an internationally renowned artist and the Torres Strait Regional Authority (TSRA) Member for Arkai (Kubin).

As the representative for Wug (St Paul's), **Cr John Levi** is focused, "to deliver the expectation, the needs of the community, to voice their needs."

Cr Levi is the Pastor for Wug community.



Cr John Levi  
Wug (St Pauls) - Division 7

## SOUTHERN ISLAND | COUNCILLORS



Cr Mario Sabatino  
Kirriri - Division 8

**Cr Mario Sabatino's** biggest goal is to, "realise community aspirations & regional economic capabilities" - as well as ensuring our elderly and youth receive the support and opportunities equivalent to our southern neighbour's."

Cr Sabatino is a well-respected business person in the region and is the owner and operator of several businesses in the Torres Strait region.

## CENTRAL ISLAND | COUNCILLORS

**Cr Getano Lui AM** continue to advocate for a better quality of life for his community and the region in socio-economic, political, cultural and spiritual areas of our lifestyle. Cr Lui is passionate about the region to have the capacity to manage and control its own affairs and to be influential in the policy development of both the State and Commonwealth.



Cr Getano Lui (Jnr)  
Iama - Division 9

Cr Lui is also the Torres Strait Regional Authority (TSRA) Member for Iama.



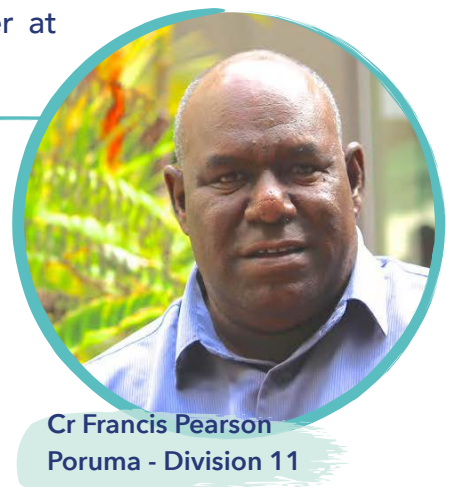
Cr Clara Tamu  
Warraber - Division 10

**Cr Clara Tamu** is a strong advocate for a healthier community and empowering people and hopes to see young people go through to university. Cr. Tamu also wants to see better planning with land and housing.

Cr Tamu is the Health Centre Manager at Warraber Island.

**Cr Francis Pearson's** biggest goal for the region is, "to see our existing employees step up their careers, get higher positions, to train to take higher roles and bring pride to the nation."

Cr Pearson has a background in Education with a Diploma in Teaching from James Cook University.



Cr Francis Pearson  
Poruma - Division 11





Cr Ted Nai  
Masig - Division 12

**Cr Ted Nai** hopes to improve the regional understanding of where Council is and the challenges and opportunities that are presenting itself to our region, where we're going are our foundation / building block. Effective communication underpins all of this - it is important that everyone really understands the role and capacity of Council."

Cr Nai serves as a Board Member of the Torres and Cape Hospital and Cape Services.

## EASTERN ISLAND | COUNCILLORS

Culture is a source of strength for **Cr Rocky Stephen**. It motivates him "to achieve outcomes; appreciate the things we take for granted and never give up on pursuing goals".

Cr Stephen is currently undertaking a Masters of Business Administration at James Cook University.



Cr Rocky Stephen  
Ugar - Division 13



Cr Patrick Thaiday  
Erub - Division 14

**Cr Patrick Thaiday's** is gracious for the opportunity to advocate for his people. He works collaboratively with other respected leaders who share his passions. Cr Thaiday is working to create more opportunities to improve services for both constituents and the region in moving forward.

Cr Thaiday has worked in building and in education as a Liaison Officer.

**Cr Bob Kaigey** is committed to creating change, building unity and improving infrastructure for Mer. Cr Kaigey is also an artist and musician and will be representing the region at the Australia - PNG Leaders Dialogue this year.

Cr Kaigey is also studying an Associate Diploma in Indigenous Health Promotion at University of Sydney.



Cr Bob Kaigey  
Mer - Division 15

# ELECTED COUNCIL | Pre election 2016



Mayor Fred Gela



Boigu - Division 1  
Cr Dimas Toby  
Cr



Dauan - Division 2  
Cr Joel Gaidan



Saibai - Division 3  
Cr Ron Enosa



Mabuyag - Division 4  
Cr Keith Fell (Dep. Mayor)



Badu - Division 5  
Cr Horace Baira



Kubin Community at  
Moa - Division 6  
Cr David Bosun



St Pauls Community  
at Moa - Division 7  
Cr Toshie Kris



Kirirri (Hammond Island)  
Division 8  
Cr Mario Sabatino



Iama - Division 9  
Cr Getano Lui (Jnr)



Warraber - Division 10  
Cr Willie Lui



Poruma - Division 11  
Cr Phillemon Mosby



Masig - Division 12  
Cr Ted Nai



Ugar - Division 13  
Cr Rocky Stephen



Erub - Division 14  
Cr Jimmy Gela



Mer - Division 15  
Cr William Akee

# Council Meetings

Councillor	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15	Jan 16	Feb 16	Feb 16 SM*	Mar 15 SM*	Apr 16 SM*	Apr 16	May 16	Jun 16	Total %
Mayor Fred Gela	●	●	●	●	●	●	●	●	●	●	●	●	●	●	100%
Dep. Mayor Keith Fell		●	●	●	●	●	●	●	●	●		●	●		79%
Cr Dimas Toby		●	●			●		●	●	●		●	●	●	64%
Cr Joel Gaidan	●	●	●	●	●	●	●	●		●					90%
Cr Torenzo Elisala											●	●	●	●	100%
Cr Ron Enosa	●	●	●	●	●	●	●	●	●	●	●	●			100%
Cr Keri Akiba													●	●	100%
Cr Horace Baira	●				●	●		●	●						50%
Cr Laurie Nona											●		●		50%
Cr David Bosun	●	●	●	●	●	●	●	●	●	●	●	●	●	●	100%
Cr Toshie Kris	●	●	●	●	●	●	●	●	●	●					100%
Cr John Levi											●	●	●	●	100%
Cr Mario Sabatino	●	●	●	●	●	●	●	●	●	●	●	●	●	●	100%
Cr Getano Lui Jnr		●	●	●	●	●	●	●	●	●	●	●	●	●	90%
Cr Willie Lui	●	●	●	●		●	●	●	●	●					90%
Cr Clara Tamu											●	●	●	●	100%
Cr Phillemon Mosby	●		●	●		●		●	●	●					70%
Cr Francis Pearson											●	●	●	●	100%
Cr Ted Nai	●	●	●	●	●	●		●	●	●	●	●	●		85%
Cr Rocky Stephen	●	●	●	●	●	●	●	●		●	●	●	●	●	90%
Cr Jimmy Gela	●	●	●	●	●	●	●	●		●					90%
Cr Patrick Thaiday											●	●	●	●	100%
Cr William Akee	●	●	●	●		●	●	●	●	●					90%
Cr Bob Kaigey											●	●	●	●	100%



# Councillor Remuneration

The remuneration schedule is divided into two time periods reflecting the Queensland Local Government Elections held during March 2016.

Pre and Post Election periods		1 July 15 - 18 Mar 16		11 Apr 16 30 June 16		FY 2016 TOTAL	
Councillor	Division	Travel Allowance	Councillor Allowance	Travel Allowance	Councillor Allowance	Travel Allowance	Councillor Allowance
Fred Gela (Mayor)	Mabuyag	6,316.55	71,367.62	2,885.25	20,663.94	9,201.80	92,031.56
Keith Fell (Dep Mayor)		3,932.40	41,173.52	3,327.04	11,921.47	7,259.44	53,094.99
Horace Baira		3,191.55	34,581.65			3,191.55	34,581.65
Laurie Nona	Badu			1,214.50	10,958.07	1,214.50	10,958.07
Dimas Toby	Boigu	1,755.50	31,868.33	1,171.70	10,958.07	2,927.20	42,826.40
Joel Gaidan	Dauan	2,566.90	35,938.31			2,566.90	35,938.31
Torenzo Elisala	Dauan			2,221.95	10,958.07	2,221.95	10,958.07
Jimmy Joe Gela	Erub	2,347.10	35,938.31			2,347.10	35,938.31
Patrick Thaiday	Erub			2,425.40	10,958.07	2,425.40	10,958.07
Mario Sabatino	Kirriiri	3,063.10	35,938.31	1,115.85	10,958.07	4,178.95	46,896.38
Getano Lui	Iama	2,299.20	35,938.31	3,128.30	10,958.07	5,427.50	46,896.38
David Bosun	Kubin	2,663.50	35,938.31	1,493.50	10,958.07	4,157.00	46,896.38
Bob Kaigey	Mer			1,921.05	10,958.07	1,921.05	10,958.07
William Akee	Mer	3,786.60	35,938.31			3,786.60	35,938.31
Francis Pearson	Poruma			2,529.80	10,958.07	2,529.80	10,958.07
Philemon Mosby	Poruma	2,695.50	35,938.31			2,695.50	35,938.31
Ron Enosa	Saibai	2,167.40	35,938.31	1,900.15	6,345.22	4,067.55	42,283.53
John Levi	St Pauls			2,433.35	10,958.07	2,433.35	10,958.07

## Particular resolutions

### Expense reimbursement policy

Section 250 of the *Local Government Regulation 2012* (Qld)

The expenses reimbursement policy provides for the following:

- payment of reasonable expenses incurred, or to be incurred, by councillors for discharging their duties and responsibilities as councillors;
- provision of facilities to councillors for that purpose.

Council adopted its Councillor Expense Reimbursement and Facilities Provision (SPO 6) for the period 1 July 2014 to 30 June 2016 in June 2014, as follows:

**Item 6.2**      **CFO POLICIES**

**RESOLUTION**

Moved Cr Fell, Seconded Cr Baira that Council adopt the following Chief Financial Officer's Policies:

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

For the period 1 July 2014 to 30 June 2016.

**Motion Carried**



## CASE STUDY | 1

### TSIRC meets with Federal Ministers during busy Federal Budget|2016

In May 2016 Mayor Gela, Deputy Mayor Keith Fell and our CEO Dania Ahwang travelled to Canberra to meet politicians during Budget Week and discuss the key issues of our region.



Ten meetings occurred with Ministers, Shadow Ministers, Senators, cross-bench portfolio holders and their staff. We were fortunate to be one of the first deputations to meet then newly elected Senator Pat Dodson, known as the father of reconciliation.

These meetings raised awareness of the critical issues for our region in the lead up to the Federal election, and provided a platform for our ongoing advocacy work through this term of the Federal government.

## Expenditure on grants to community organisations

Division	Expense
Regional	\$38,902.58
Mayor	\$18,813.18
Mabuyag	\$20,454.38
Boigu	\$20,660.00
Dauan	\$21,725.01
Saibai	\$20,134.64
Badu	\$33,184.02
Kubin	\$20,682.33
St Pauls	\$19,884.95

*A detailed Appendix to Expenditure is available in Section 11 – Financial Statements*





## SECTION 3 | From the Office of the CEO

## Message from the CEO

Council has experienced another big year in **delivering several major capital housing and infrastructure programs** which will continue into future years. We have focused on the sustained building of the capacity of our staff and more recently farewelled our outgoing Council and welcomed and inducted the newly elected Council.



With the leadership and vision of a proven Council in its final year of its term and a newly evolving Council in its first year of term, **Council, through its well established base, has maintained strong governance and service delivery** during this transition whilst also reaffirming its key priorities into the future.

Our second staff survey highlighted the key priorities of our employees, areas of strength and areas noted for further review and potential development for Council as an employer of choice. **Council has also maintained its focus on the future transition of the majority of its operations to within the electorate area** working on further enhancing its strong base on which to build this key vision of Council.

We have faced various new and emerging challenges including continued tightening fiscal conditions and diminishing environmental conditions and water resources. By engaging with various industry experts, we are considering new methodologies and technologies for dealing with our future financial and operational sustainability.

As always, we would not achieve our outcomes without the strong and sustained efforts of our elected leadership team of Councillors and Executives and most importantly, our staff.



A handwritten signature in blue ink that reads "Dahwang".

Dania Ahwang  
Chief Executive Officer



# Executive Structure

The executive team is led by the Chief Executive Officer (CEO) to ensure that Council's vision and decisions are delivered, and:



- Provide unbiased and professional advice between elected members, the Chief Executive and Council staff
- Implement Council decisions efficiently and effectively
- Lead the organisation and its people
- Manage community programs and services
- Support good local governance in the community
- Build partnerships and advocate in the best interests of our communities
- Develop and implement Council's strategic plans and reporting
- Provide strategic modelling and integrated advice and direction.



# Executive Leadership

**Dania Ahwang is the Chief Executive Officer** of Torres Strait Island Regional Council the largest local government area in the region. With an annual budget of \$66.1M our Council serves over 5,000 people across 15 very remote island communities.

Dania is responsible for broad oversight of all of Council's operations and governance in ensuring delivery of Council's strategies and vision. Dania is directly responsible for Divisional Administration (including Engagement) and Internal Audit and continues to have close involvement in Council's Housing Services delivery.



Prior to becoming CEO in 2014 Dania served for two years as Council's Deputy Chief Executive Officer managing Environmental Health, Housing, Communications and Media, Community Services - Home and Community Care and Children's Services and Internal Audit.

Dania was initially engaged as Council's Manager Internal Audit from 2008 and independently reviewed the progressive development of Council's key systems and controls. Dania's broad experience across Council over the last 8 years gives her strong insight into the Council's operations and future developments.

Dania started a career in finance with an Indigenous legal service before working briefly on the Stolen Wages project. Dania then spent a decade in state public service as an internal auditor. A brief engagement in public practice as an external auditor brought Dania in contact with Council in its early days of amalgamation and the rest is history.

Dania Ahwang holds a Masters of Business Administration and a Bachelor of Commerce. Dania is a Certified Practicing Accountant, Certified Internal Auditor and an admitted Member of Local Government Managers Australia.



**Chris McLaughlin is the Executive Manager Corporate Services.** Chris provides strategic advice to TSIRC elected-members to help them achieve their regional objectives and manages a dynamic and diverse team of professionals.

The Department of Corporate Services comprises the:

- Legal Services - Compliance and Lands
- Organisational Development - Human Resources, Safety and Training
- Information Services - IT and Records
- Asset Management
- Procurement and Fleet Divisions.



In 2009 Chris snapped-up the opportunity to live and work in the Torres Strait as Chief Legal Officer of TSIRC, primarily managing statutory compliance and assisting Council and constituents to navigate the complexity of land management, including Native Title. During this time Chris developed and expanded the Legal Services Division for Council. In 2014 Chris was appointed Executive Manager Corporate Services.

Chris is a legal practitioner, admitted on the roll of practitioners of the Supreme Court of Queensland and High Court of Australia, holding an unrestricted employee practicing certificate of the Queensland Law Society. Chris spent his legal career working in mid-tier law firms, practicing primarily government, land and commercial litigation law.

Chris holds a Masters of Law and is in the final stages of completing a PhD on 'Cultural Secrecy' with the University of New England (NSW). Chris obtained his Bachelor of Law from James Cook University, Cairns. Chris is also an admitted Member of Local Government Managers Australia.



**Melissa Barmettler is the Executive Manager Financial Services.**

Melissa commenced her career in public practice however was drawn to the diversity and community values offered in Local Government in 2001.

Melissa's portfolio oversees:

- Financial and Statutory Reporting
- Internal Management reporting
- Budgeting
- Long-term Financial Forecasting and Analysis
- Debtor Management
- Cash Forecasting
- Payroll and Creditors Processing
- Grants Management
- Financial Systems Control.

Melissa commenced with Council as the Project Accountant in 2008 and was tasked with consolidating the previous Island Council's (prior amalgamation) financial records and establishing financial systems and governance controls.

To strengthen the control environment and broaden information accessibility across our communities Melissa implemented the Technology One Local Government Information Management System (LGIMS) in 2012. Melissa secured the Executive Manager Financial Services position in 2015 after acting in the position during 2014. Melissa began her career at Cairns City Council as a Graduate Accountant in 2001 and was soon offered the position of Management Accountant.

Melissa later assisted Cairns City Council with the amalgamation of Douglas Shire to form Cairns Regional Council. It was the possibility to make significant change for smaller communities that led her to Torres Strait Island Regional Council in 2008. Having 16 years of local government experience every day still brings about a new and exciting challenge for Melissa.

Melissa holds a Bachelor of Business through Griffith University, Gold Coast, is a Justice of the Peace and a Certified Practicing Accountant.

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**David Baldwin is Council's Executive Manager Engineering Services.**

His experience and interest in continuous improvement and sustainability led him to Council where challenges are unique and present a significant opportunity to serve the Torres Strait communities.

The Engineering Services portfolio provides services to community including:

- Water Supply
- Wastewater
- Waste Management
- Roads, Seaports and Airports,
- Parks and Gardens,
- Environmental Initiatives (such as Seawalls Project)
- Disaster Management.



David commenced with Torres Strait Island Regional Council in 2015 with a focus on continuous improvement both in the workplace and in the delivery of services to the community. David is also driven to continue to strengthen Council's approach to sustainable service and project delivery.

In 1993 David commenced an engineering career as a Project Manager in the manufacturing and resources sector, and in engineering consultancy firms in structural, civil and environmental fields.



David began a local government career in 2005 in South Australia and focused on the delivery of major recycled water and sustainability projects, before transitioning into an Operations Management role.

David holds a Masters of Environmental Studies and a Bachelor of Engineering (Civil).



**David Abednego is the Executive Manager Community Services** and has nearly 30 years working in the region.

The Community Services portfolio is responsible for:

- Environmental Health
- Health and Wellbeing
- Indigenous Knowledge Centres
- Home and Community Care
- Children's Services

The portfolio provides a diverse range of programs across community including the delivery of new technology, literacy and learning programs to empower our communities through the Indigenous Knowledge Centres and improving community health through Animal Management programs.

Prior to this position David was the Executive Assistant to the CEO and was later engaged as the Executive Officer responsible for the day to day operations of the Divisional Administration during 2010 – 2013.

David's career commenced in 1987 with the Island Coordinating Council (ICC) as an Administrative Officer. He went on to become a Teacher's Aide with the Special Education Unit on Thursday Island before returning to the ICC in various roles including as the Project Officer for the Under Award Wages. During this time David was also the CEO for Hammond Island Council and worked with ICC until amalgamation in 2008.

David is undertaking his Associate Degree in Business Administration (Indigenous) to be completed in 2017.

## Internal Audit

For 2015-16, the Internal Auditor provided the CEO with a report on Council's internal audit activities for the year.

### Audit Committee

In line with the requirements of the *Local Government Act 2009* and its supporting regulations, Council's Audit Committee consists of two Councillors and two external members, one of whom is the Audit Committee Chair.



The two Councillor positions on the committee were held by our Mayor, Cr Fred Gela and Cr Ted Nai (Masig). The external members of the committee were our Chair, Eric Muir and Paul Shipperley.

### Evaluating activities and controls

The Internal Audit department operates in accordance with the Internal Audit Charter and Internal Audit Procedure. It sets out the mandate, roles and responsibilities of the internal audit function. It outlines the dual reporting of Internal Audit, to the Audit Committee and to the Chief Executive Officer.

Council's internal audit activity over the medium-term is managed via a three-year Strategic Internal Audit Plan, while the specific internal audit activities performed each year are outlined in the Annual Work Plan. These plans were endorsed by the Audit Committee in June 2016.

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

During 2015-2016, Internal Audit issued reports to the Audit Committee in August 2015; October 2015; February 2016; April 2016; and June 2016.





## Moving Forward | 2016 - 17

"Council is committed to delivering sustainable regional and economic development for the Torres Strait. In our ninth year of operation and the third term of Council, we are focused towards the region's aspirations.

Delivery of core local government services will continue as we prioritise when and how our communities' needs and wants are to be best met whilst also improving our own sustainability and maintaining our strong governance focus.

2016 - 17 will be a year of concerted focus on greater organisational efficiency, performance, sustainability and capacity through modern innovation and natural evolution of its services as well as internal capacity-building with a focus on increasing community-based capacity.

Large infrastructure projects, such as the Saibai Seawalls projects, will be progressed to their final stages, whilst Council's advocacy capacity is strengthened to assist in successfully attracting further essential investment in our region from both public and private sectors."

CEO's Foreword from the **2016-17 Annual Operational Plan**





## SECTION 4 | Our Council



## Report from the Executive Manager Corporate Services

2015-16 was an exciting year for the Department of Corporate Services, with a focus upon consolidation, with a 'back-to-basics' approach. I sought to ensure that the fundamental charter of Corporate Services was delivered efficiently and effectively with a 'no frills' approach.

This included going to market on key local government contracts to satisfy sound contracting principles, strengthening Council's legal compliance-base and risk management practices, resourcing land management capability for key regional projects, improving Asset Management strategy, introducing new sustainability measures, implementing and improving Safety Management Systems, upgrading Information Systems for greater user experience and productivity, developing and implementing a fresh approach and clearly documented Human Resource System, Transitional Action Planning and increased training for staff in key deliverables.

### Key achievements for 2015-16 were:

1. Closure of the Draper St, Cairns office in furtherance of Council's Transitional Action Plan;
2. Tailoring Council's insurance profile to meet its unique exposures;
3. Adopting the Zenadth Kes Planning Scheme;
4. Delivering community survey planning for the vast majority of our communities for more targeted land management;
5. Advocating for resolution of Land Holding Act (Katter) Leases;
6. Commencement of a holistic land tenure resolution project at Moa Island.
7. Asset Management Plans adopted in furtherance of Council's commitment to sustainability;
8. Development and implementations of a capital prioritisation system to achieve greater transparency and sustainable asset management;
9. Videoconferencing facilities approved for all 15 communities;
10. Human Resources and Safety Frameworks implemented;
11. Fleet rationalisation and aged consumables disposed of for increased sustainability outlook;
12. Staff Satisfaction Survey undertaken;
13. New Corporate Uniform designed by the staff of TSIRC, for the staff of TSIRC.



**Chris McLaughlin**  
Executive Manager Corporate Services

## THE TOP THREE | Capital Works Projects!

### **1. *Seawalls – Saibai Cemetery and Community - \$1.815M***

A 465-metre-long wall around the Saibai Cemetery was completed using local employment from the region.

The wall protects the community and cemetery from localised flooding as a result of rising sea levels.

### **2. *Mobile Accommodation Facilities -\$1.104M***

The Mobile Accommodation Facility was funded through the National Partnership Agreement for Remote Indigenous Housing (NPARIH) project to provide accommodation for contractors while working on the NPARIH New Housing Projects.

The mobile camp consists of 12 relocatable caravans which can accommodate up to 24 contractors with office, laundry, kitchen and laundry facilities.

### **3. *Water Desalination Plants - \$959K***

In response to critical and urgent water shortages TSIRC procured and set up 5 Mobile Desalination Plants which can be moved across TSIRC's 15 islands to alleviate water shortages which occur during periods of low rainfall.

Last year's water capacity reached critical levels due to drought like conditions caused by El Niño weather patterns.

## Report on the 2015-16 Operational Plan

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

The hierarchy of planning documentation requires that the Operational Plan specifically address the Corporate Plan. Council's Operational Plan links with outcomes in the Corporate Plan and delivers on specific strategies mentioned in the Corporate Plan. Due to the fact that the Operational Plan is both qualitative and quantitative in nature, it is difficult to assess the Operational Plan in number terms. Many of the outputs in the Operational Plan are ongoing in nature, e.g. provision of potable water services. Reviews of the Operational Plan are provided to Council quarterly. The 2015-16 Operational Plan was adopted by Council in June 2015 as follows:

*That pursuant to section 174 (1) of the Local Government Regulation 2012 (Qld), Council adopt the Annual Operational Plan for financial year 2015-2016, as presented.*

Moved – Cr Sabatino

Seconded – Cr J Gela.

Executive Managers have included their achievements throughout sections of this report.





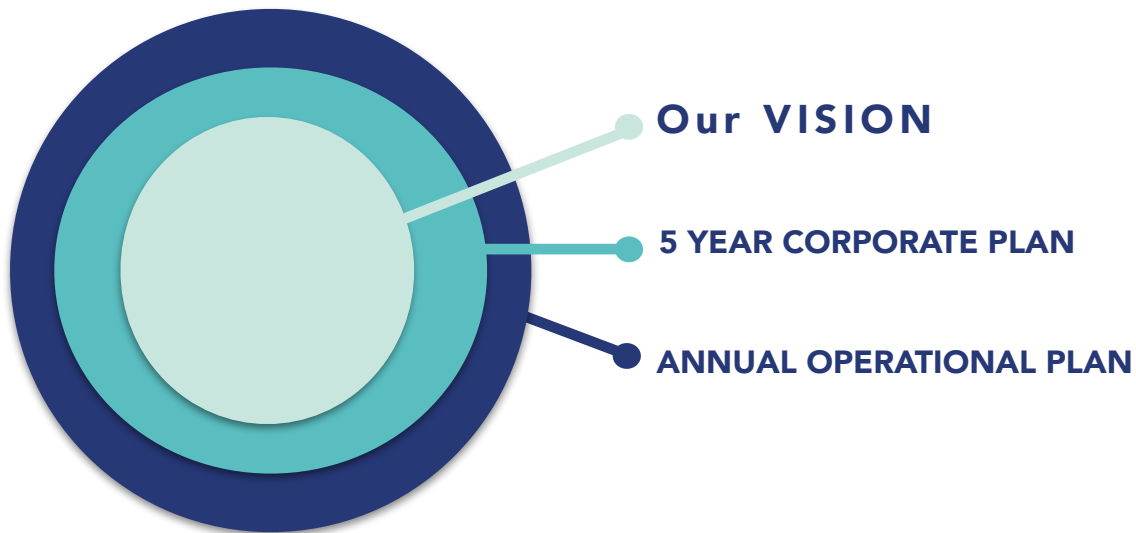
## SECTION 5 – Strategic Planning and Ngalpun Idid





Since the inception of Torres Strait Island Regional Council in 2008 strategic foundations have been developed by Council through the engagement of industry experts and the wider community.

Significant guiding principles and documents include **Council's Vision**, our **5 Year Corporate Plan** and our **Annual Operational Plan** all of which distills our vision, values and strategic direction into direct action.



The **Annual Operational Plan** which our Executive Manager Corporate Services reports on in the previous Section, is implemented across every department to ensure our **Vision** and **Corporate Plan** are embedded in our everyday work so that our work is aligned with our stakeholders and most importantly our communities.

## Council Vision

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

"Our vision is expressed in the languages of our region, recognising the importance and diversity of our culture and traditional languages.

Our vision signifies that the heart of our region is our people, with culture being an important part of our lives, both now and into the future.

Empowering our people to contribute to and make decisions regarding their future, ensures that our culture remains strong and that the future is guided by the people who live in the region, understanding and promoting its unique characteristics.

This vision was created by the Elected Leaders of the Torres Strait and Northern Peninsula Area (NPA)."

Ngalpun yangu Kaaba woeydhay, a ngalpun muruygaw danalagan mabaygal  
kunakan palayk, bathayngaka

**KALA LAGAU YA**

Buaigiz kellar obaiswerare, merbi mir apuge mena obakedi, muige merbi areribi  
ton arge, ko merbi keub kerkerem

**MERIAM MIR**

Ngalpan moebaygal thoepoeriwoeyamoeyn, ngalpan ya kuduthoeraynu, ngalpan  
igililmaypa, sepa setha wara goeygil sey boey wagel

**KALA KAWAY YA**

## 2009 - 2014 Corporate Plan

In 2008 Council undertook an extensive consultation exercise with its constituents and stakeholders. The output of this consultation was the development of a five-year corporate plan.

At the very heart of the Plan sits, **Ngalpun Idid | Cycle of Prosperity**. Ngalpun Idid holds up our Vision and feeds through our annual operational planning. It has been developed as an overarching theme made up of three pillars:

- **Art | Culture | People**
- **Environment**
- **Economic Participation.**

*"Ngalpun Idid describes our aspirations and articulates very clearly our collective move as a nation of people towards achieving a more efficient and streamlined model of governance.*

*It is important that our Community, employees, partner organisations and other key State and Commonwealth stakeholders have a clear view of our vision.*

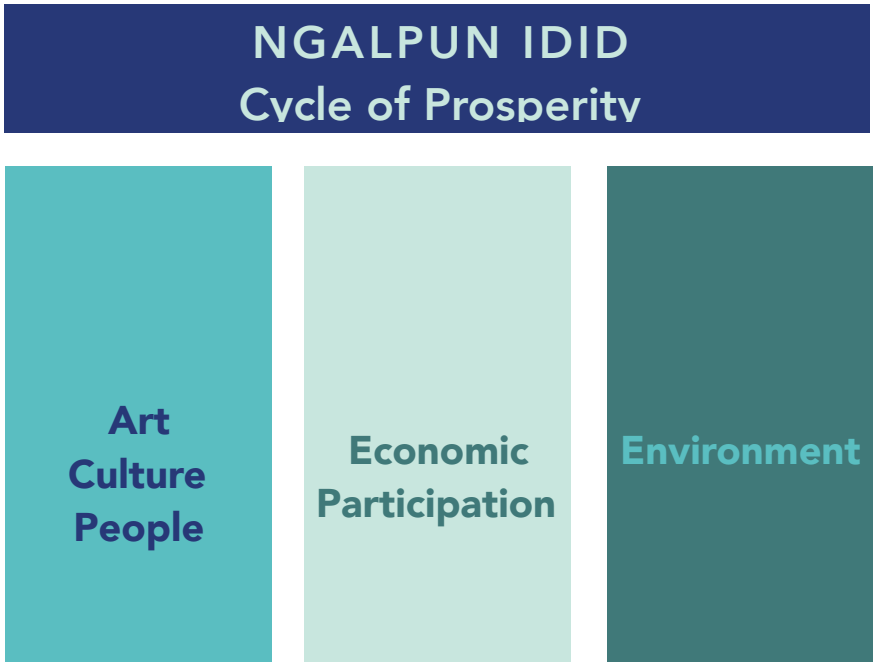


Ngalpun Idid outlines a future where Ailan Kastom is embraced and preserved for our children, whilst health and environmental management are top priorities for the wellbeing of our people. It outlines a strong strategic focus on sustainable economic, and community growth.

Regional economic growth can only be sustained through the establishment of viable community-based industries. These industries are a catalyst – the very foundation needed to provide real employment and create small business opportunities.”

**Excerpts from the Mayoral Foreword of the 2009 – 2014 Corporate Plan**

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



## Transitional Action Plan

Since 2008, we have significantly improved our financial standing, governance structure and operations following amalgamation. We are now in a much stronger position to 'turn the boat around'.

TSIRC are developing a Transitional Action Plan (TAP) to identify the administrative functions that can be migrated back into our communities. We will consider TAP carefully to ensure our long-term success and financial sustainability.



## SECTION 6 - Art | Culture | People





## Aged care

TSIRC Home and Community Care (HACC) provides services for disabled people of all ages to assist them to continue living at home. HACC support services include domestic assistance, personal care, meals, respite, social support, transport, Client Care Coordination, equipment use and home modifications.

Council's HACC program celebrated Senior's Week on Masig during August 2015. Masig Seniors enjoyed various activities ranging from art & crafts to storytelling, strength exercises, tree planting and dancing. The week concluded with a Seniors Ball celebrated Island style.

**During the financial year six of our employees completed their Certificate III in Aged Care through TAFE Queensland North.**

## Child care

TSIRC Early Childhood Service provides high quality care for young children aged up to 3.5 years at Badu Child Care Centre and school aged care for children in Hammond Island After School Care Centre.

**During this financial year Early Childhood Services implemented Early Childhood Quality Improvement Plans across its programs and successfully transitioned to a new Child Care facility on Badu.**



**Council, Community Leaders, the Prescribed Body Corporate (PBC) and community celebrated the official opening of the new Child Care Centre on Badu Island on 18 November 2015.**

Professional development, capacity building and in-house training are provided for Council's Early Childhood Teachers.





## Health & Wellbeing

TSIRC's Health and Wellbeing Program gives opportunities for people to enjoy similar levels of physical, emotional and social wellbeing to other Australians. The employment of Healthy Lifestyle Officers in our communities delivers physical activity, sport, and education at a grass root level for all ages.

**During the financial year the Health and Wellbeing program worked with key stakeholders to create sustainable programs throughout our region. In partnership with Cairns Taipans we delivered basketball clinics at Erub and Mabuyag, and skills clinics with Queensland Rugby League were delivered at Mer, Iama, Boigu and Mabuyag.**

These develop local capacity for future basketball and rugby league games for juniors in their communities. Department of Prime Minister and Cabinet fund the Health and Wellbeing Program.

## Indigenous Knowledge Centres

Council's Indigenous Knowledge Centres (IKCs) deliver new technology, literacy and learning programs to empower our communities through shared learning experiences. They work with communities to preserve local knowledge, culture and heritage, keeping our culture strong for generations.

Council manage IKCs in Badu, Boigu, Dauan, Erub, Hammond, Iama, Kubin, Mabuyag, Poruma and Warraber.

**All IKC computers and internet technology were upgraded at the end of the 15-16 financial year so that there is free public internet access available for every community.**



## Housing

Torres Strait Island Regional Council manages social housing in all communities in its local government area, except for Arkai (Kubin) community at Mua, where it is managed by Department of Housing and Public Works. Social houses under 40 year lease are also managed by the Department rather than Council. Housing officers assist eligible applicants to apply for housing in our communities, as well as assisting current tenants to manage their tenancies.

**This financial year Council has been strengthening its housing team in moving the region forward. One of three Senior Housing Officer positions as well as various Housing Officer positions have been filled and recruitment is underway for Manager Housing, two additional Senior Housing Officers and remaining vacant Housing Officer positions.**

Council strives for continuous improvement in delivering housing services that address the needs of each community.





## Divisional Administration

Divisional Administration is responsible for the provision of efficient customer service for our administration centres across our 15 communities. The 15 teams provide an array of essential services and support for our community members.

Divisional Administration teams coordinate the provision of electricity power-cards, fuel and gas sales, and also deliver agent services for the Department of Human Services in 10 of our Divisions. Administration building's oversight in all Divisions and accommodation management in 12 of our communities is also a key role of the Divisional Administration team.

Our Indigenous Knowledge Centres (IKC's) operate in 10 of our communities and have weekly programs and activities for the communities. Our team works in partnership with Council's Health and Wellbeing team and are co-funded by State Library of Queensland.

TSIRC's Divisional Administration teams work closely with Australia Post to provide regular mail services for our communities. Our teams also administer the Local Fares Scheme Applications, working closely with the Department of Transport and Main Roads.

**During the financial year Divisional Administration continued to build capacity and as a result has successfully promoted MSAO positions on Boigu and Kubin up to Senior MSAO positions. Divisional Managers also attended the Future Leaders Forum to support their professional development which enriched their understanding and confidence in their work.**

## CASE STUDY 2 | Language Preservation at Poruma

***“Without language, how do we speak? How do we carry our song, perform our dance and ceremonies?”*** Phillemon Mosby

The language revitalisation work on Poruma began as a personal journey for Phillemon Mosby 9 years ago that eventually involved the whole community.

Over the last few years Elders are increasingly interactive and owning the process. The language sessions have settled into a rhythm of one session per week, facilitated by Elders and held in a dedicated room at the Council office.

Creating the right environment has supported language to come alive again. The success is in how the language revitalisation work is viewed and received by people. People come and go on their own terms, and that works.

Young people are becoming aware of the importance of their language. They are reflecting and asking important questions such as ‘how do songlines line up with Ailan Kastom?’. Elders and young people today are creating their own songlines, used in traditional dance and song.

This is not only about language development, but also leadership development.

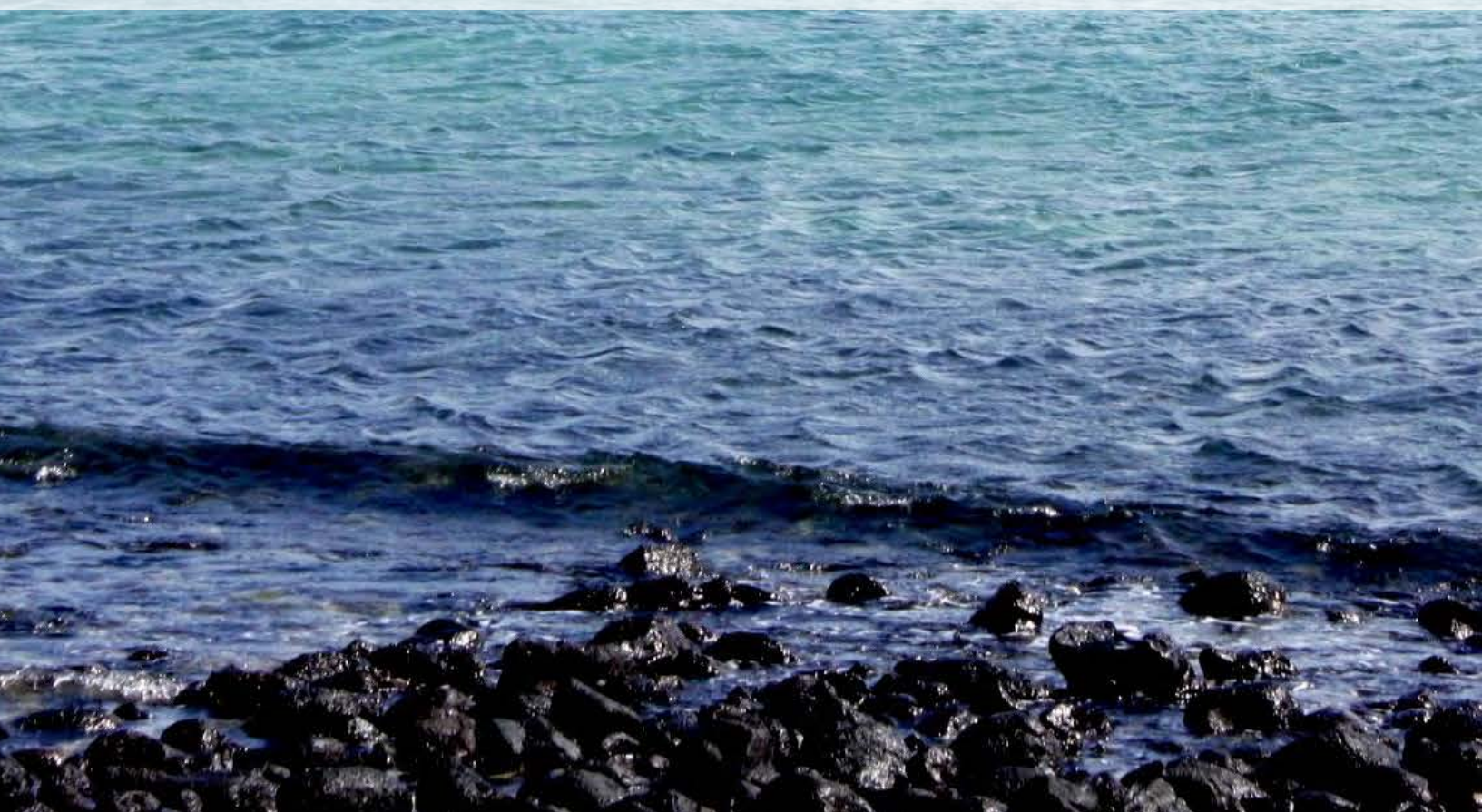
**“Poruma has gained respect across the Torres Strait for people strengthening language and culture. Urab dancers are going to another level, and behind it is all the cultural work we’ve been doing.”**







## SECTION 7 | Environment





## Animal management

TSIRC's Animal Management programs manage animal numbers and animal health in our communities. We also engage and assist Community Vet Visits to undertake de-sexing, euthanising, micro-chipping and medical treatments.

The Animal Management team raise community awareness and education of animal health and wellbeing, in accordance with RSPCA guidelines, and Council's Local Laws. Council's priority is ensuring good management of dogs and cat populations and other animals such as horses, pigs and chickens.



**TSIRC was proud to see Philomena David [left], our Coordinator of Environmental Health Workers, receive an award for Leadership in Environmental Health by enHealth Working Group on Aboriginal and Torres Strait Islander Environmental Health**

## Climate Change Adaptation

Our island communities, ecosystems, infrastructure, livelihoods and wellbeing are being impacted by the changing climate.

We deliver essential-to-life infrastructure, including seawalls, which protect our communities from rising sea levels which cause severe flooding and erosion.



Our communities also face climate driven water shortages, and severe coral bleaching on our Great Barrier Reef up through the Torres Strait. These impacts, including rising sea temperatures, have hit hardest in communities' north of Cooktown, right up through the Torres Strait.

The rising sea levels, coupled with more frequent tidal inundation events, will have social, economic and environmental impacts in the Torres Strait and impact the services we



deliver. The effects of rising average sea levels will be felt more severely in our communities during extreme storm conditions, when strong winds and low barometric pressure bring about temporary increases in sea levels known as storm surges. Frequency and height of storm surges are expected to increase for our communities and extend to communities that are currently at low or no risk of inundation.

Council is committed to improving community awareness and preparedness for storm tide risk in our communities. Council's performance indicators for our adaption strategies are in line with the State and Federal regulations to mitigate the effects of climate change.

**Council made significant progress on the Saibai Seawall Project this financial year with 1,136 metres being completed.**

## Land management - Leasing and licensing

Land in each of our communities (except for Badu and Mer) are held by Council as Trustee in Deed of Grant in Trust (DOGIT).

Council as Trustee and the (Prescribed Body Corporates) PBCs on Mer and Badu can enter license agreements for use of land and buildings and grant leases for land, buildings, housing, business and infrastructure.

License agreements are generally short term agreements and allow for use of office space, halls for community group functions, or land for demountable buildings for office or storage space.

Leases are usually longer term agreements and can be up to 99 years. Some examples of the types of leases that can be granted include 99-year home ownership leases, business leases (e.g., motels, supermarkets), infrastructure leases, church leases and residential tenancy agreements.

**In the 2015-16 financial year Council have secured a beneficial own-source licensing and leasing revenue stream to combat amounts lost in external funding – this assists our sustainability and service level for community.**



## Land Management - Zenadth Kes Planning Scheme and the Community Survey Program

The Zenadth Kes Planning Scheme will be used to manage future land use. Future development applications will be assessed by applying the Planning Scheme. Each island is zoned for specific use. The Township Zone includes the community living area. The Environmental Management and Conservation Zone includes the area outside of the Township Zone. Potential hazards such as bushfires, landslides, floods and storm tide inundation are identified to improve best placement of future infrastructure.

**We are now embarking on the Community Survey Program to resolve boundary issues. At present most communities have one registered Lot which covers a large area. The Program will mean each house and infrastructure will have their own registered Lot number.**

## Pests & diseases

Torres Strait Island Regional Council plays an important role in the Torres Strait Regional Biosecurity Strategy. Council's Environmental Health Workers on each division inspect, monitor and report on plant and animal disease, and anything that impacts human health.



Environmental Health Workers are active in treating mosquito, flea, tick, cockroaches and ants. Environmental Health Workers also work closely with Biosecurity Officers and Rangers in monitoring the transport of animals, plant, and plant pests between the Islands, mainland Australia and Papua New Guinea.

**During the 2015-16 financial year our Environmental Health Workers (EHWs) completed their Pest Management Training and attained their Pest Management Licence. Our team also completed Biosecurity Training, and attained a Certificate in Biosecurity.**

## Disaster Management

The Torres Strait Local Disaster Management Group's (TSLDMG) focus is response and recovery coordination if a disaster or major emergency affects the Torres Strait region.

The TSLDMG is a partnership between Torres Strait Island Regional Council and Torres Shire Council (TSC) Disaster Management Operations.

**During the last financial year updates to Local Disaster Management Plans and core disaster management training for members of Torres Strait Disaster Management Group were undertaken. The joint signing between TSIRC and TSC of the Updated Disaster Management Plan confirmed continuous operation of disaster management following local government elections.**



Council also provides a Wastewater (sewerage) service in 12 of 15 outer island communities. Septic tanks are used on the other remaining islands. Council Engineering Officers led by the Divisional Engineering Officers (DEO's) work together to ensure appropriate levels of maintenance to provide a reliable Wastewater service for our communities.

Providing an effective service is one of the most important and challenging jobs in the community.

**To keep our infrastructure operating efficiently, maintenance works on the Sewerage Treatment Plants at Saibai, Boigu, Iama and Mer - and refurbishment of nine existing sewerage pump stations commenced in the 2015 – 16 financial year.**

## Water management

Water management is essential to the livelihood of our island communities. Water is collected from rain, wells, bores and the ocean and is conveyed to the Water Treatment Plants. The water is treated and stored before being distributed to the community.



Council's Engineering Officers work together in providing good quality water supply. Water quality is monitored to ensure there are no health risks for our people.

**During the financial year we advanced procedures, schedules and compliance tracking for water sampling and log sheets. TSIRC purchased and is using five new mobile desalination plants which greatly improve water security in the region.**



## CASE STUDY 3 | Seeking Solutions Together to Water Sustainability

Concerned community members have partnered with the local TSIRC Water Wise Team on Masig and developed a Water Wise program to raise household awareness of the need to conserve water and use it efficiently. The Water Wise Team have had positive results, with increased understanding and reduced wastage.

Building on this community-led initiative, TSRA, CSIRO, Griffith University and Council have commenced a Sustainable Water Management pilot project with the community at Masig

The initial meeting between Council and other organisational representatives and community members led to agreement about what the preferred water system for Masig would look like. This included:

- Greater conservation and efficient use of water
- Reduced water restrictions
- Improved feedback between community and Council
- Greater reliance on rainfall and ground water and less reliance on desalination
- Improved water quality
- Lower operation and maintenance needs and related costs

Follow up meetings on Masig will work with the community to progress to a sustainable water supply system that works for everyone.





## SECTION 8 | Economic Participation





## Asset Management

Council assets include infrastructure, community housing, corporate buildings, recreation facilities, and fleet. The asset team is responsible for our Asset Management Plan which ensures assets are maintained within Council budget.

**In the financial year Council conducted asbestos removal from several Council buildings and progressed fire safety audits and repair over all corporate assets. Risk Register workshops were also carried out to demonstrate responsible management of risks relating to Council.**

## Building

The Building Services Unit (BSU) provide a valuable maintenance service to social housing and Councils' own building assets across our 15 communities. The BSU now manages new house constructions as well as undertaking infrastructure service enhancements such as water tank upgrades, septic upgrades, and extensions to water and sewer mains to service previously un-serviced house lots.



**The BSU have completed the construction of eight new houses and commenced work on another ten during the financial year. They employed eight new apprentices to work on these new houses, bringing the total number of people employed in the Building Services Unit to 43.**

The BSU will continue to provide employment opportunities for local Torres Strait Island people as well as contributing towards the Councils' untied funding stream.

## Advocacy

Our Mayor and the Office of the CEO team regularly identify opportunities to advocate for improved governance arrangements, better health and wellbeing outcomes, and economic development opportunities.

Mayor Gela lobbies governments and presents deputations (submissions) to politicians, at the Local, State and Federal levels of government. The Mayor also works with the media in his advocacy role to promote and question pressing issues for the region.

In the 2015-16 financial year Council have presented deputations to the Former Prime Minister, the Hon Tony Abbott, at Federal Government in Canberra and to State Ministers and senior politicians visiting the region. These activities have been supported by numerous radio and newspaper contributions to further advocate for the region



*Deputy Mayor Keith Fell, Jason Clare, Shadow Minister for Trade and Investment, Shadow Minister for Resources and Northern Australia and Mayor Fred Gela at Parliament House in Canberra.*

## Native Title

Native title is the recognition by Australian law of Torres Strait Island and Aboriginal people's traditional laws and customs that are connected to lands and waters. Native title exists on all of the islands.

Native title claims have been settled on nearly all islands, except Hammond. It is expected that this claim will be finalised in the near future. After a court accepts that native title exists, the native title holders are required to set up a Recognised Native Title Prescribed Body Corporate (RNTBC). The RNTBC holds the native title. RNTBCs are often known as PBCs on communities.

**During the 2015 Ugar Native Title Forum, traditional owners came from far and wide around Australia to map out for the very first time, traditional boundaries for Ugar and for traditional owners to then endorse essential infrastructure including new social housing, Community Hall upgrade, permanent desalination plant, lease of the fish freezer facility to a local enterprise for economic development, and helipad lighting and fencing.**

Council hopes that it is able, with the assistance of the State and Federal Government, to facilitate traditional boundary mapping on all communities to provide greater clarity to land management into the future.



## CASE STUDY 4 | Council takes on new Apprentices!

Under the NPARIH new housing program Council has taken on six apprentices – three in Carpentry, one in Plumbing, one in Electrical, and one in Painting and Decorating. The apprentices commenced in September 2015 and work in partnership with building contractors. Together they deliver housing works across our electorate.

Apprentices are supported by our Training Officer and our Building Trades Mentor. During the financial year the six apprentices completed their first study blocks at TAFE Queensland North, with further blocks due in the new financial year.

Council has developed a program where apprentices are moved around our Islands to different jobs with different contractors to expand their learning experiences. This approach rapidly builds the breadth of their experience and skills.

These promising young workers are developing their skills and enthusiasm for their work through both their on the job training and with each completed training block. Team supervisors have reported positive feedback and have noted that our apprentices are showing well advanced skills early in their apprenticeships.

Council will continue our commitment of employing local apprentices and building skilled job opportunities in our region.



## Seaports, Airports and Roads

**Roads:** TSIRC is responsible for maintenance, reconstruction and rehabilitation of all roads in our communities in addition to kerbs, culverts and storm water drains. Our goal is to ensure that the road networks are maintained to standards suitable for vehicle and pedestrian traffic.

**Survey and design for the Erub Airport Road took place this financial year, along with upgrading of roads on Saibai. The Saibai road was part of our largest Capital Works project for the financial year.**

**Airports:** Council owns and operates 11 airports. These airports play an important role in regional connectivity and serve community members, Border Force, Biosecurity (Dept. of Agriculture and Water Resources), Federal and State Police and Emergency Services. Council undertakes regular repair and maintenance activities to minimise safety hazards and provide facilities to all users.

**During the financial year line marking upgrade at all airports and a new Airport Waiting area for Mer was completed.**

**Work progressed towards improving landing aids at Badu, Mabuyag, Kubin, Mer, Erub and Poruma airports/strips. Airport fencing at lama and Masig also commenced, to be finished in the next financial year.**

**Seaports** continue to be a large and important component of transporting material to the islands. Council maintains 14 barge ramps and 13 finger jetties essential for the communities which retain a close relationship to the sea. Council is committed to maintaining these facilities by undertaking general maintenance and improvements that best meets the safety needs and expectations of all users.

**The concept design phase for the planned Hammond all-access marine facility, and a design proposal for an all-access compliant marine facility at Dauan were undertaken during the 2015-16 financial year.**

**Barge ramp panels have been constructed, ready for placement at various barge ramps at Kubin, Dauan, Masig and Hammond.**



## CASE STUDY 5 | Zenadth Kes Planning Scheme

**The Zenadth Kes Planning Scheme** is Council's first statutory planning scheme.

Mayor Gela said "the planning scheme establishes a planning framework for council's decision making and in conjunction with the requirements of native title, Ailan Kastom (island custom) and cultural heritage it will enable good decisions to be made in regard to future land use of the island communities."

The Planning Scheme came into effect on 11 July 2016 and applies to each of the 15 island communities. The Zenadth Kes Planning Scheme implements Council's vision for future land use, expansion of urban areas for each community and provides a basis for Council to make decisions about the sustainable use of land. It enables those who wish to apply for a lease, whether to start a business or to build a house, to examine the planning scheme to understand the areas where this can occur.

"The Islands and culture are unique to Australia and the planning scheme has been prepared to accommodate the needs of Islanders and the special significance Gogobithiay (land, sea and sky) and Ailan Kastom have for Islanders," Mayor Gela said.



## SECTION 9 | Disclosures





## Councillor complaints and recommendations

Local Government Act 2009 (Qld)	Completed	Refers to
The total number of orders and recommendations made under section 180(2) or (4) of the Act	3 Section 180 (2))	Taking disciplinary action [Conduct Review Panel Dec 2015]
The total number of orders made under section 181 of the Act	Nil	Inappropriate Conduct
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 section 181 of the Act	Cr Joel Gaidan Section 180 (2))	Inappropriate Conduct
A description of the misconduct or inappropriate conduct engaged in by each of the Councillors	Conduct that is or involves a breach of trust placed in a Councillor, by acting unethically in making unauthorised use of the Council's resource for his personal benefit, inconsistent with his responsibility to act in accordance with the local government principles.	Further action taken
A summary of the order or recommendation made for each Councillor	<ol style="list-style-type: none"> <li>1. An order that the Councillor make an apology.</li> <li>2. An order that the Councillor reimburse the Council for the actual cost to Council.</li> <li>3. An order that the Councillor pay another amount to the Council.</li> </ol>	Orders/ Recommendations [Conduct Review Panel Dec 2015]
The total number of complaints about the conduct or performance of Councillors for which no further action was taken under section 176C(2) of the Act	1	Further action [frivolous, vexation or lacking in substance]
The number of complaints referred to the department's Chief Executive under section 176C(3) (a)(i) of the Act	Nil	Referral to Department's CEO - complaint about conduct of Mayor/Deputy Mayor
The number of complaints referred to the Mayor under section 176C(3)(a)(ii) or (b)(i) of the Act	3	Referral to Mayor - complaint about conduct of Councillor other than Mayor/Deputy Mayor
The number of complaints assessed by the Chief Executive Officer under section 176C(4)(a) of the Act	1	Misconduct - referred by CEO to Department's CEO
The number of complaints assessed by the Chief Executive Officer as being about official misconduct	1	Official Misconduct
The number of complaints heard by a regional conduct review panel	1	Heard by regional conduct review panel
The number of complaints heard by the tribunal	Nil	Heard by tribunal
The number of complaints to which section 176C(6) of the Act applied	Nil	Other matters - dealt with in another way

## Administrative action complaints

Administrative Action Complaints under section 187 of the <i>Local Government Regulation 2012</i> (Qld)	Completed	Refers to
A statement about the local government's commitment to dealing fairly with administrative action complaints	Refer to Council's General Complaints Process Procedure	Council's General Complaints Process Procedure
A statement about how the local government has implemented its complaints management process, including an assessment of the local government's performance in resolving complaints under the process	Timeframes for each step are specified within Council's General Complaints Process Procedure	Council's General Complaints Process Procedure
The number of administrative action complaints made to the local government	1	Administrative action complaints made
The number of administrative action complaints resolved by the local government under the complaints management process	3	Administrative action complaints resolved
The number of administrative action complaints not resolved by the local government under the complaints management process	Nil	Administrative action complaints unresolved
The number of administrative action complaints under paragraph (a)(iii) that were made in a previous financial year	Nil	Administrative action complaints unresolved in previous year

## Investigation notices

Council did not receive any Investigation Notices from Queensland Competition Authority.

## Invitations to change tender (changed tender specifications)

There were no invitations to change tenders under section 228(7) of the *Local Government Regulations 2012* (Qld) during the financial year.

## Rates and charges

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



## Commercial business units (beneficial enterprises)

### Section 41 of the *Local Government Act 2009* (Qld)

Council does not currently have any adopted commercial business units. Therefore, Council has no Annual Operations Report on Commercial Business Units (beneficial enterprises).

## Overseas travel

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

## Registers kept by the Torres Strait Island Regional Council

Registers kept by Council (subsection 190(1)(f) of the *Local Government Regulation 2012* (Qld):

- Register of Councillors
- Delegations Registers
- General Complaints Database
- 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
- Pre-qualified Suppliers
- Preferred Suppliers

## Significant business activities

### Section 45 of the *Local Government Act 2009* (Qld)

Council did not have any significant business activities in this financial year.

## 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
\$100,001 - \$200,000	6
\$200,001 - \$300,000	2
Total Remuneration of Senior Management	\$1,353,809.35





A close-up photograph of a woven basket filled with tropical fruit, including a large red apple, two green guavas, and a banana. The basket is made of green palm fronds. In the background, two people are sitting outdoors under a tree, looking towards the camera. The scene is brightly lit with sunlight filtering through the leaves.

## SECTION 10 | Financial Management



## Report from our Executive Manager Financial Services

Financial sustainability was at the forefront of activity throughout the year with Council engaging Queensland Treasury Corporation with the support of The Department of Infrastructure, Local Government and Planning (DILGP). This engagement spearheaded an independent Strategic Financial Review of Council's governance practices, financial management and infrastructure management including recommendations for improvement. The final report and recommendations are expected to be delivered during August 2016 which will feed into sustainability improvement projects moving forward.

This year also saw a period of consolidation for the Financial Services team with a focus on business process mapping, documentation of policies and procedures and financial reporting refinement. Simplification of financial reporting across the organisation was carried out to provide more concise and clear information to stakeholders and internal decision makers. This was demonstrated by Councils

Financial Statements reducing in length by approximately 20% for 2015/16 with Council achieving an unmodified audit report for the fourth consecutive year.

The Financial Services team will continue to focus on prudent financial management, with longer term sustainability our strategic focus alongside capacity building and strengthening our skill base to better service our communities and people.



**Melissa Barmettler**  
**Executive Manager Financial Services**





# Community Financial Report

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

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

The Financial Statements in this report cover a 12 month period ending 30 June 2016. The Financial Statements contained in this report include:

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

# Understanding Council’s financial performance

(Statement of Comprehensive Income)

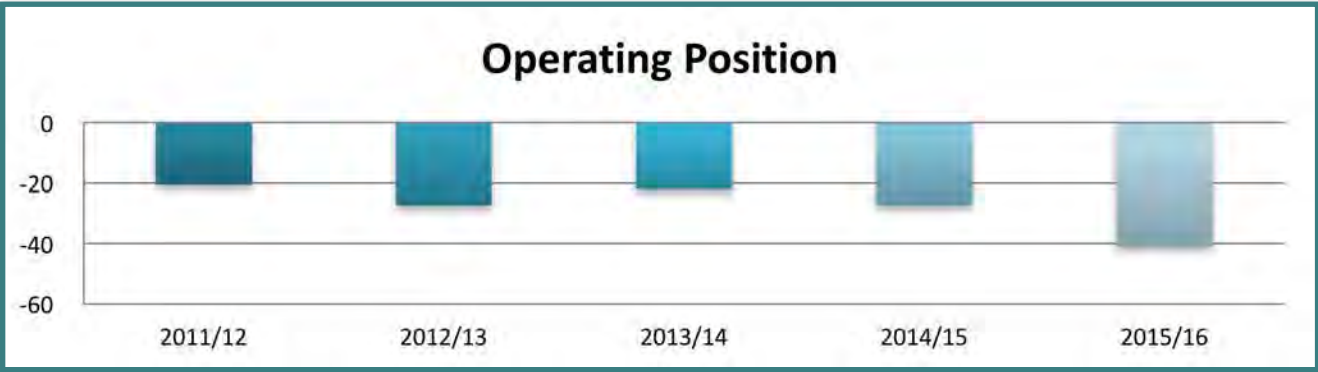
## Operating Position:

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

The operating position is calculated using the formula:

$$\text{Operating revenue} - \text{Operating expense} = \text{Operating Surplus (Deficit)}$$

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



Council’s operating position for the year ended 30 June 2016 is a deficit of \$40,806,124. While a negative result is not desirable, accounting depreciation has had a significant impact on Council’s operating result. Accounting depreciation of \$40,675,141 is listed as an expense in order to account for the use or deterioration of community assets over the expected life of each asset. Council is undertaking a comprehensive revaluation during the 2016-17 year which will include a review of the remaining useful lives of assets to ensure assets are recorded at fair value.

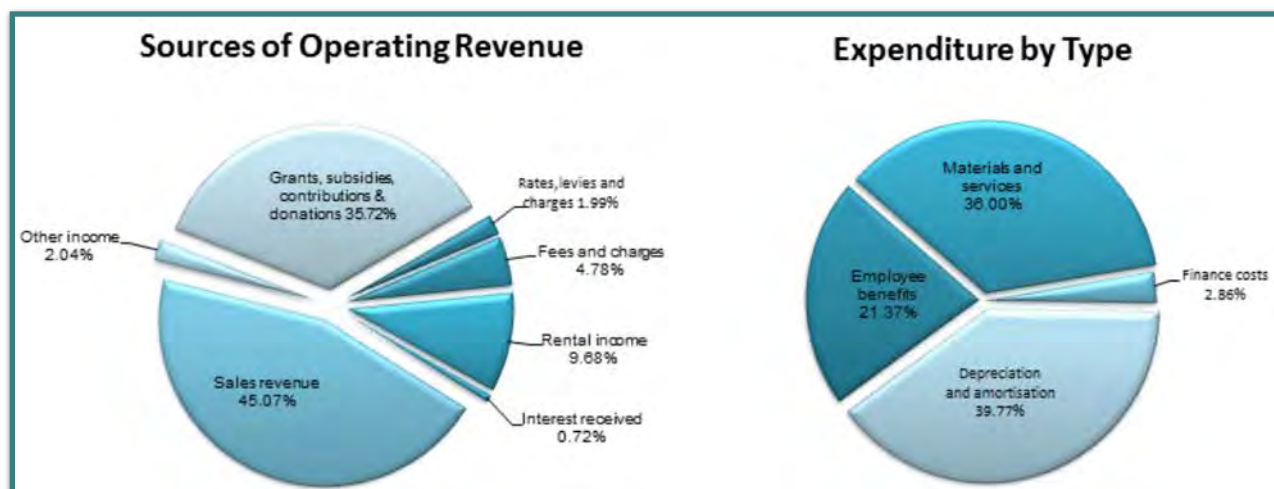


## Sourcing our revenue

*Where our money comes from*

## Identifying our expenses

*Where our money goes*



Council received \$61,468,471 of operating revenue during 2015-2016. Sales revenue continues to be the major source of income equating to \$27,701,263 or 45.07% of total revenue. Another significant source of revenue is grants, subsidies, contributions and donations providing \$21,956,339 of revenue or 35.72% of total revenue. The remaining operating revenue for Council is sourced from rates and charges, fees and charges, rental income, interest revenue and other income.

Council's operating expenses for the 2015-2016 financial year totalled \$102,274,595. The major expenses as depicted in the graph above are depreciation and amortisation costs at 39.77%, materials and services at 36% and employee benefits at 21.37%.

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

### Net result:

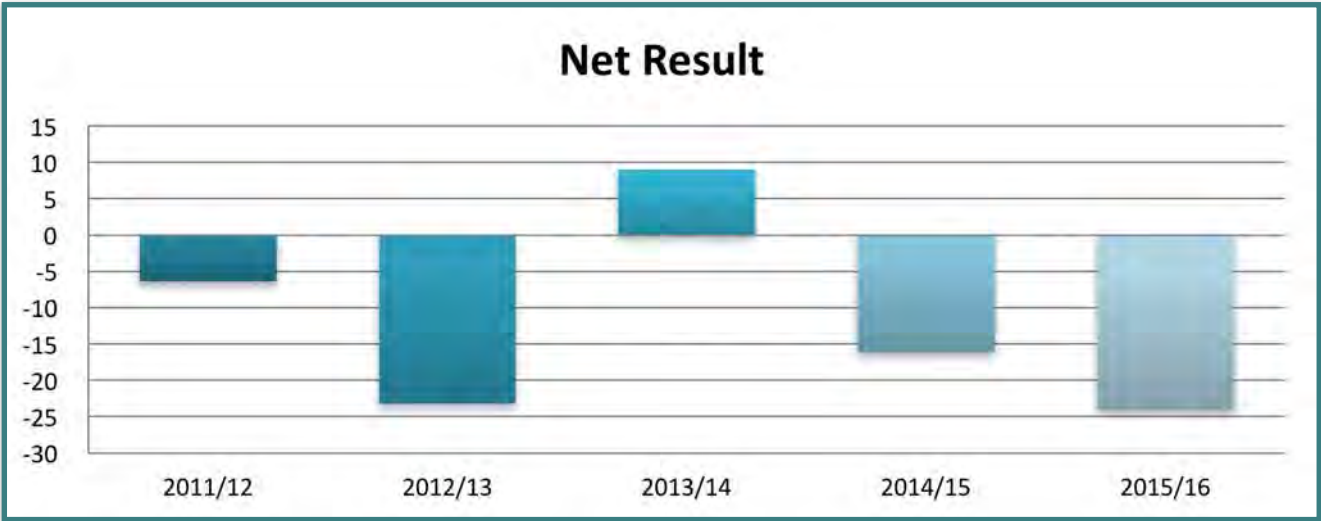
Council's net result reflects total revenue less total expenses, this includes capital revenue and expenditure however does not include any adjustments for asset revaluations.

The net result is calculated using the formula:

$$(\text{Operating} + \text{Capital revenue}) - (\text{Operating} + \text{Capital expenses}) = \text{Net result}$$

The net result for 2015-2016, as reported in the Financial Statements is a deficit of \$24,014,253. This result includes the following major items:

- \$21,956,339 of operating grants, subsidies, contributions and donations received from various Government agencies to assist with the delivery of various programs and operational costs of service delivery of Council.
- \$11,163,603 of Community Housing assets contributed by the Department of Housing and Public Works. The value of these assets are accounted for as non-cash revenue.
- \$40,675,141 of accounting depreciation expense. The value of depreciation is accounted for as a non-cash expense.



# Understanding our financial position

(Statement of Financial Position)

## Assets: what we own

Council’s assets as at 30 June 2016 total \$678,258,439. This includes \$26,781,685 of current assets (liquid assets or amounts due to be received within twelve months) and \$651,476,754 of non-current assets. The most significant component of our assets is our investment of \$645,094,405 in property, plant and equipment in our region. This is equivalent to 95.21% of total assets.

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

Trade and other receivables reflect outstanding housing and commercial debts payable as at 30 June 2016.



**Liabilities: what we owe**

Council’s liabilities include loans, amounts owed to suppliers, amounts owing to employees for leave entitlements and provision for future expenditure such as landfill restoration costs. Council’s total liabilities were \$12,413,112 as at 30 June 2016. This includes \$8,102,871 of current liabilities (due to be paid out within twelve months) and \$4,310,241 of non-current liabilities.

Trade and other payables represent the largest component within Council’s liabilities (55.92%) and consist of trade creditors, employee entitlements, GST payable and refundable bonds.

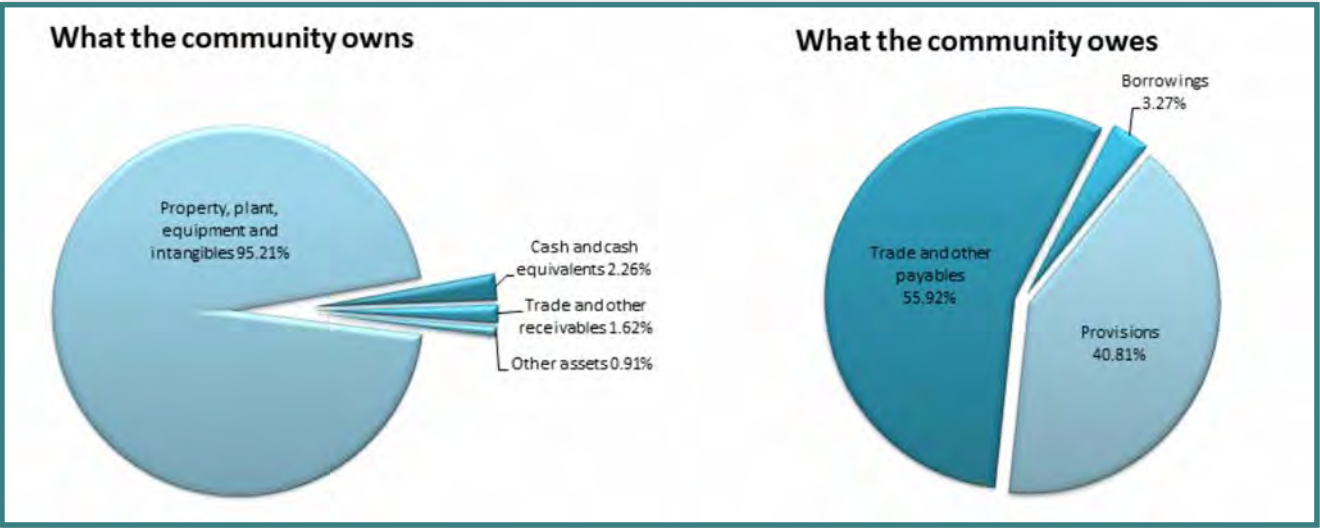
Borrowings consist of a loan from Queensland Treasury Corporation (QTC). Council’s borrowings are discussed further in the Queensland Treasury Debt section.

**Assets**

*What the community owns*

**Liabilities**

*What the community owes*



**Community Equity: net worth of council**

Community equity is calculated using the formula:

*Assets (what we own) – Liabilities (what we owe) = Community Equity*

Council’s total community equity as at 30 June 2016 is \$665,845,327. Asset revaluation surplus represents \$154,268,960 of total equity and relates to the increase in values of property, plant and equipment.

## Queensland Treasury debt

Queensland Treasury Corporation is the State Government owned lending agency from which most local governments and state agencies within Queensland borrow to finance infrastructure projects. At the end of the financial year, Council owed Queensland Treasury Corporation a total of \$333,643. This financial year Council did not undertake any new borrowings.

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

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

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

## Financial sustainability ratios

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

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

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

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





Your ref:  
Our ref: 2016-4145  
Charles Strickland 3149 6032

5 October 2016

RECEIVED  
10 OCT 2016

Ms D Ahwang  
Chief Executive Officer  
Torres Strait Island Regional Council  
PO Box 7336  
CAIRNS QLD 4870

Dear Ms Ahwang

**General Purpose Financial Statements—2015–16**  
**Current-year Financial Sustainability Statement—2015–16**  
• Torres Strait Island Regional Council

The certified General Purpose Financial Statements are enclosed. I have issued an unmodified opinion.

Also enclosed is the Current Year Financial Sustainability Statement. Consistent with prior years and with all other councils, I have included an emphasis of matter paragraph in my auditor's report to highlight the use of the special purpose basis of accounting.

Copies of both the General Purpose Financial Statements and Current Year Financial Sustainability Statement have also been forwarded to the Mayor and the Deputy Premier, Minister for Infrastructure, Local Government and Planning, Minister for Trade and Investment.

Yours sincerely



Charles Strickland  
Director

Enc.





**Torres Strait Island Regional Council**  
**Financial Statements**  
**For the year ended 30 June 2016**

**Torres Strait Island Regional Council**  
**Financial statements**  
**For the year ended 30 June 2016**

**Table of contents**

	<b>Page</b>
Statement of Comprehensive Income	1
Statement of Financial Position	2
Statement of Changes in Equity	3
Statement of Cash Flows	4
1 Significant accounting policies	5
2 Analysis of results by function	9
3 Revenue analysis	12
4 Grants, subsidies, contributions and donations	13
5 Employee benefits	14
6 Materials and services	14
7 Finance costs	14
8 Depreciation and amortisation	15
9 Capital expenses	15
10 Cash and cash equivalents	16
11 Trade and other receivables	17
12 Other financial assets	18
13 Property, plant and equipment	19
14 Fair value measurements	25
15 Trade and other payables	30
16 Borrowings	31
17 Provisions	32
18 Asset revaluation surplus	33
19 Commitments for expenditure	34
20 Contingent liabilities	34
21 Superannuation	35
22 Trust funds	36
23 Reconciliation of net result for the year to net cash inflow (outflow) from operating activities	37
24 Correction of error	38
25 National Competition Policy	38
Management Certificate	39
Independent Auditor's Report	40
Current Year Financial Sustainability Statement	42
Certificate of Accuracy - for the Current Year Financial Sustainability Statement	42
Independent Auditor's Report on Current Year Measures of Financial Sustainability	43
Long Term Financial Sustainability Statement	45





# Torres Strait Island Regional Council

## Statement of Comprehensive Income

For the year ended 30 June 2016

	Note	2016 \$	Restated 2015 \$
<b>Income</b>			
<b>Recurrent revenue</b>			
Community levies, rates and charges	3(a)	1,223,371	1,041,073
Fees and charges		2,939,379	3,498,532
Rental income	3(b)	5,952,483	5,883,601
Interest received		439,839	313,023
Sales revenue	3(c)	27,701,263	24,731,228
Other income	3(d)	1,255,797	1,489,136
Grants, subsidies, contributions and donations	4(a)	21,956,339	23,025,071
		<u>61,468,471</u>	<u>59,981,664</u>
<b>Capital revenue</b>			
Grants, subsidies, contributions and donations	4(b)	20,855,844	16,858,316
<b>Total income</b>		<u>82,324,315</u>	<u>76,839,980</u>
<b>Expenses</b>			
<b>Recurrent expenses</b>			
Employee benefits	5	(21,857,763)	(18,836,458)
Materials and services	6	(36,815,481)	(25,713,407)
Finance costs	7	(2,926,210)	(2,782,467)
Depreciation and amortisation	8	(40,675,141)	(40,065,247)
		<u>(102,274,595)</u>	<u>(87,397,579)</u>
<b>Capital expenses</b>	9	(4,063,973)	(5,572,292)
<b>Total expenses</b>		<u>(106,338,568)</u>	<u>(92,969,871)</u>
<b>Net result</b>		<u>(24,014,253)</u>	<u>(16,129,891)</u>
<b>Other comprehensive income</b>			
Increase / (decrease) in asset revaluation surplus	18	-	-
<b>Total other comprehensive income for the year</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>(24,014,253)</u>	<u>(16,129,891)</u>

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

**Torres Strait Island Regional Council**  
**Statement of Financial Position**  
**as at 30 June 2016**

	Note	2016 \$	Restated* 2015 \$	Restated* 1 July 2014 \$
<b>Current assets</b>				
Cash and cash equivalents	10	15,343,589	14,860,954	17,273,347
Trade and other receivables	11	10,955,090	13,510,482	7,259,071
Inventories		305,662	472,973	417,993
Other financial assets	12	177,344	152,370	98,386
<b>Total current assets</b>		<u>26,781,685</u>	<u>28,996,779</u>	<u>25,048,797</u>
<b>Non-current assets</b>				
Other financial assets	12	5,704,146	4,998,908	2,589,391
Property, plant and equipment	13	645,094,405	665,624,385	688,102,123
Intangible assets		678,203	1,014,122	1,199,004
<b>Total non-current assets</b>		<u>651,476,754</u>	<u>671,637,415</u>	<u>691,890,518</u>
<b>Total assets</b>		<u>678,258,439</u>	<u>700,634,194</u>	<u>716,939,315</u>
<b>Current liabilities</b>				
Trade and other payables	15	6,940,885	5,314,387	6,510,213
Borrowings	16	124,304	44,946	43,862
Provisions	17	1,037,682	861,344	795,806
<b>Total current liabilities</b>		<u>8,102,871</u>	<u>6,220,677</u>	<u>7,349,881</u>
<b>Non-current liabilities</b>				
Borrowings	16	281,672	333,252	378,182
Provisions	17	4,028,569	4,220,685	3,221,781
<b>Total non-current liabilities</b>		<u>4,310,241</u>	<u>4,553,937</u>	<u>3,599,963</u>
<b>Total liabilities</b>		<u>12,413,112</u>	<u>10,774,614</u>	<u>10,949,844</u>
<b>Net community assets</b>		<u>665,845,327</u>	<u>689,859,580</u>	<u>705,989,471</u>
<b>Community equity</b>				
Asset revaluation surplus	18	154,268,960	154,268,960	159,140,342
Retained surplus		511,576,367	535,590,620	546,849,129
<b>Total community equity</b>		<u>665,845,327</u>	<u>689,859,580</u>	<u>705,989,471</u>

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

\*Council has made a retrospective restatement as a consequence of the correction of errors and therefore, in accordance with AASB 101 has presented a Statement of Financial Position as at the beginning of the comparative period, i.e. as at 1 July 2014. Details are disclosed in Note 24



**Torres Strait Island Regional Council**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2016**

	Note	Asset revaluation surplus	Retained surplus	Total
		\$	\$	\$
Balance as at 1 July 2015		154,268,960	535,590,620	689,859,580
Net result		-	(24,014,253)	(24,014,253)
Other comprehensive income for the year				
Transfer asset revaluation surplus to retained surplus		-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(24,014,253)</b>	<b>(24,014,253)</b>
<b>Balance as at 30 June 2016</b>		<b>154,268,960</b>	<b>511,576,367</b>	<b>665,845,327</b>
<b>Balance as at 1 July 2014</b>		159,140,342	548,754,063	707,894,405
Effect of correction of error	24	-	(1,904,934)	(1,904,934)
Restated balances		159,140,342	546,849,129	705,989,471
Net result		-	(16,129,891)	(16,129,891)
Other comprehensive income for the year				
Transfer asset revaluation surplus to retained surplus		(4,871,382)	4,871,382	-
<b>Total comprehensive income for the year</b>		<b>(4,871,382)</b>	<b>(11,258,509)</b>	<b>(16,129,891)</b>
<b>Balance as at 30 June 2015</b>		<b>154,268,960</b>	<b>535,590,620</b>	<b>689,859,580</b>

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

# Torres Strait Island Regional Council

## Statement of Cash Flows

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		38,243,674	27,945,555
Payments to suppliers and employees		(56,586,298)	(45,973,632)
		(18,342,624)	(18,028,077)
Interest received		439,839	313,023
Recurrent grants and contributions		21,956,339	23,025,071
Borrowing costs		(25,063)	(25,702)
<b>Net cash inflow (outflow) from operating activities</b>	23	<u>4,028,491</u>	<u>5,284,315</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(12,686,330)	(13,875,780)
Proceeds from sale of property plant and equipment		81,268	53,909
Finance lease receipts		177,905	135,201
Capital grants, subsidies, contributions and donations		8,925,856	6,033,807
<b>Net cash inflow (outflow) from investing activities</b>		<u>(3,501,301)</u>	<u>(7,652,863)</u>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(44,555)	(43,845)
<b>Net cash inflow (outflow) from financing activities</b>		<u>(44,555)</u>	<u>(43,845)</u>
<b>Net increase (decrease) in cash and cash equivalents held</b>		<u>482,635</u>	<u>(2,412,393)</u>
<b>Cash and cash equivalents at the beginning of the financial year</b>		14,860,954	17,273,347
<b>Cash and cash equivalents at end of the financial year</b>	10	<u><u>15,343,589</u></u>	<u><u>14,860,954</u></u>

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



# Torres Strait Island Regional Council

## Notes to the financial statements

### For the year ended 30 June 2016

#### 1 Significant accounting policies

##### 1.A Basis of preparation

These general purpose financial statements are for the period 1 July 2015 to 30 June 2016 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain non-current assets and finance lease liabilities. The Council uses the Australian dollar as its functional currency, its presentation currency and rounds to the nearest dollar.

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

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

##### 1.B Date of authorisation

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

##### 1.C Adoption of new and revised Accounting Standards

In the current year, Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective with the exception of AASB 2015-7 *Amendments to Australian Accounting Standards - Fair Value Disclosures for Not-for-Profit Public Sector Entities* and AASB 2015-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101*. Generally Council applies standards and interpretations in accordance with their respective commencement dates. The retrospective application of AASB 2015-7 has exempted Council from the disclosure of quantitative information and sensitivity analysis for some valuations categorised within level 3 of the fair value hierarchy.

From 1 July 2016 AASB 124 *Related Party Disclosures* will apply to Council. This means that Council will disclose more information about related parties and transactions with those related parties. Council is currently preparing for this change by identifying related parties. Related parties will include the Mayor, Councillors and some Council staff. In addition the close family members of those people and any organisations that they control or are associated with will be classified as related parties.

Council is still reviewing the way that revenue is measured and recognised to identify whether AASB 15 *Revenue from Contracts with Customers* will have a material impact. To date no impact has been identified. AASB 15 is effective from 1 January 2018 and will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. It contains a comprehensive and robust framework for the recognition, measurement and disclosure of revenue from contracts with customers.

AASB 16 *Leases* becomes effective from 1 January 2019 and in essence requires a lessee to:

- recognise all lease assets and liabilities (including those currently classed as operating leases) on the statement of financial position, initially measured at the present value of unavoidable lease payments;
- recognise amortisation of lease assets and interest on lease liabilities as expenses over the lease term; and
- separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (which entities can choose to present within operating or financing activities consistent with presentation of any other interest paid) in the statement of cash flows.



# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2016

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

Other amended Australian Accounting Standards and Interpretations which are issued at the date of authorisation of the financial report, but have future commencement dates are not likely to have a material impact on the financial statements.

### 1.D 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 13
- Provisions - Note 17
- Valuation of finance leases - Note 12
- Contingent liabilities - Note 20

### 1.E 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 10)

Receivables - measured at amortised cost (Note 11)

Other financial assets (finance leases) - measured at fair value (Note 12)

#### Financial liabilities

Payables - measured at amortised cost (Note 15)

Borrowings - measured at amortised cost (Note 16)

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 16 to the financial statements, 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 financial statements.

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

With the exception of finance lease assets and finance lease liabilities, Council does not recognise financial assets or financial liabilities at fair value in the Statement of Financial Position.

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

- credit risk
- liquidity risk
- market risk



# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2016

### 1.E Financial assets and financial liabilities (continued)

#### 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	2016	Restated 2015
Financial assets		\$	\$
Cash and cash equivalents	10	15,343,589	14,860,954
Receivables - housing	11	1,678,356	1,707,177
Receivables - rates	11	561,599	134,669
Receivables - other	11	5,118,062	8,488,100
Other financial assets	12	5,704,146	5,151,277
Other credit exposures			
Guarantees	20	245,019	260,865
		<u>28,650,771</u>	<u>30,603,042</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. These facilities are disclosed in Note 10.

#### 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.

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2016

### 1.E Financial assets and financial liabilities (continued)

#### *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 (assumed to be 1%) is disclosed in Note 10 for variable financial assets and liabilities based on the carrying amount at reporting date.

### 1.F Comparatives

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 2016

### 2 Analysis of results by function

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

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

##### Executive

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

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

- Mayor and Councillors
- Committees
- Governance
- Special projects
- Media and public relations
- Administrative services
- Building services

##### Health and Community Services

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

The Health and Community Services function delivers the following services:

- Tenancy management services (managed by the Executive Department from February 2016 however still accounted for under Health and Community Services for reporting purposes)
- Community services
- Environmental health services
- Health and wellbeing services

##### Financial Services

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

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

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

##### Corporate Services

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

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

- Information services
- Asset management services
- Procurement and fleet services
- Organisational development services
- Strategic (corporate) planning services
- Legal services
- Planning services

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2016

### 2 Analysis of results by function

#### 2(a) Components of council functions (continued)

##### Engineering Services

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

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

Key components of the Engineering Services function include:

- Water services
- Wastewater services
- Civil works services



**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2016**

**2 Analysis of results by function**

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

Year ended 30 June 2016

Functions	Gross program income						Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result from recurrent operations	Net result	Assets
	Recurrent			Capital										
	Other		Grants	Other		Capital								
	Grants	Other	\$	\$	\$	\$		\$	\$					
Executive	610,419	29,760,935	1,132,380	-	-	(37,752,431)	-	(258,886)	(38,011,317)	(7,639,863)	(6,507,583)	-		
Health & Community Services	3,483,182	6,009,525	-	-	-	(28,840,631)	-	(1,353,361)	(30,193,992)	(20,701,285)	(20,701,285)	275,966,864		
Financial Services	15,773,871	840,195	-	-	766,385	(2,086,217)	-	-	(2,086,217)	14,527,849	15,294,234	32,485,832		
Corporate Services	-	345,352	11,077,608	-	-	(10,470,160)	(4,063,973)	981,953	(13,552,180)	(9,142,855)	(2,129,220)	58,667,485		
Engineering Services	2,088,867	2,556,125	7,879,471	-	-	(23,125,156)	-	630,294	(22,494,862)	(17,849,870)	(9,970,399)	311,138,258		
Total Council	21,956,339	39,512,132	20,089,459	766,385	766,385	(102,274,595)	(4,063,973)	-	(106,338,568)	(40,806,124)	(24,014,253)	678,258,439		

Year ended 30 June 2015 - Restated

Functions	Gross program income					Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result from recurrent operations	Net result	Assets
	Recurrent		Capital										
	Grants	Other	Grants	Other									
	\$	\$	\$	\$	\$								
Executive	665,879	26,984,983	-	-	-	27,650,862	(28,935,153)	-	182,399	(28,752,754)	(1,101,892)	(1,101,892)	-
Health & Community Services	3,888,418	5,921,231	-	-	-	9,809,649	(26,553,999)	-	(1,972,441)	(28,526,440)	(18,716,791)	(18,716,791)	288,979,775
Financial Services	16,209,136	1,240,312	-	-	941,452	18,390,900	(3,452,951)	-	66,069	(3,386,882)	14,062,566	15,004,018	33,995,686
Corporate Services	50,906	322,321	9,879,696	-	-	10,252,923	(4,162,169)	(5,572,292)	1,988,990	(7,745,472)	(1,799,952)	2,507,451	57,902,380
Engineering Services	2,210,732	2,487,746	6,037,168	-	-	10,735,646	(24,293,307)	-	(265,017)	(24,558,324)	(19,859,846)	(13,822,678)	319,756,353
Total Council	23,025,071	36,956,593	15,916,864	941,452	941,452	76,839,980	(87,397,579)	(5,572,292)	-	(92,969,871)	(27,415,915)	(16,129,891)	700,634,194

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
<b>3 Revenue analysis</b>			
<b>(a) Community levies, rates and charges</b>			
Council rates and levies are set as per Council resolution from the striking of rates and charges as approved by Council at the annual budget meeting.			
Water charges residential		-	(105)
Water charges commercial		416,297	233,753
Sewerage charges commercial		587,206	588,035
Garbage charges commercial		219,868	219,390
		<u>1,223,371</u>	<u>1,041,073</u>

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

### (b) Rental income

Residential property rental income	5,952,483	5,883,601
	<u>5,952,483</u>	<u>5,883,601</u>

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

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

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

### (c) Sales revenue

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

Contract and recoverable works	24,645,475	21,547,411
Plant and equipment hire	95,272	244,562
Childcare services	48,470	38,150
Accommodation	331,080	261,166
Sale of fuel and gas	1,439,555	1,422,628
Sale of power and phonecards	1,141,411	1,217,311
Total sales revenue	<u>27,701,263</u>	<u>24,731,228</u>

#### Contract and recoverable works

Revenue from contract 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. The contract work carried out is not subject to retentions.



# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
<b>3 Revenue analysis (continued)</b>			
<b>(d) Other income</b>			
Insurance claims received		150,610	48,498
Gain on revaluation of finance leases	12	141,733	927,242
Commission income		405,671	463,437
Other revenue		557,783	49,959
		<u>1,255,797</u>	<u>1,489,136</u>

		2016 \$	Restated 2015 \$
<b>4 Grants, subsidies, contributions and donations</b>			
<b>(a) Recurrent</b>			
General purpose grants		9,982,643	10,329,015
State Government subsidies and grants		8,636,405	8,721,698
Commonwealth Government subsidies and grants		3,289,505	3,974,358
Contributions		47,786	-
		<u>21,955,339</u>	<u>23,025,071</u>
<b>(b) Capital</b>			
State Government subsidies and grants		3,062,547	5,277,616
Commonwealth Government subsidies and grants		5,863,309	756,191
Gain on initial recognition of finance lease		766,385	941,452
Contributed assets		11,163,603	9,883,057
		<u>20,855,844</u>	<u>16,858,316</u>

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

Funding received which is tied to specific projects for the replacement or upgrade of existing non-current assets and/or investment in new assets is recorded as capital grants.

### Conditions over contributions

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

Non-reciprocal grants for expenditure on services and infrastructure	<u>1,633,642</u>	<u>1,417,685</u>
	1,633,642	1,417,685

Contributions recognised as income during a previous reporting period that were obtained in respect of the current reporting period:

Non-reciprocal grants for expenditure on services	<u>-</u>	<u>54,540</u>
	-	54,540

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 Government. The assets are recognised upon the practical transfer of the asset to the Council. The assets are recognised at cost, as supplied by the contributing agency/department as the Council believes the provided costs approximate fair value at the date of transfer.

The funding of infrastructure assets by State and Federal Government Departments, which are then transferred to Council, is expected to be an ongoing process. Refer to Note 22 for funds held in trust for this purpose.

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
<b>5 Employee benefits</b>			
Total staff wages and salaries		15,324,604	14,339,427
Councillors' remuneration		877,745	916,980
Annual, sick and long service leave entitlements		3,049,766	2,362,204
Superannuation	21	1,939,259	1,703,603
		<u>21,191,374</u>	<u>19,322,214</u>
Other employee related expenses		1,071,115	658,803
		<u>22,262,489</u>	<u>19,981,017</u>
Less: Capitalised employee expenses		(404,726)	(1,144,559)
		<u>21,857,763</u>	<u>18,836,458</u>

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

	2016	2015
Total Council employees at the reporting date:		
Elected members	15	16
Administration staff	313	304
Total full time equivalent employees	<u>328</u>	<u>320</u>

	\$	\$
<b>6 Materials and services</b>		
Advertising and marketing	45,329	47,283
Audit services	215,752	192,500
Communications and IT	1,576,078	1,834,391
Consultants	707,587	390,033
Contractors	10,636,107	6,024,325
Donations paid	413,600	347,095
Freight	2,301,618	1,755,288
Insurance	2,380,890	2,390,602
Legal fees	184,431	86,604
Motor vehicle expenses	349,494	282,825
Phonecards and powercards for resale	1,107,931	1,109,289
Power	1,261,994	1,188,839
Repairs and maintenance	8,048,597	6,901,538
Rent paid	673,184	791,832
Subscriptions and registrations	100,926	57,705
Supplies and consumables	1,627,824	1,389,983
Temporary staff costs	3,886	225,293
Travel	3,329,880	2,891,104
Other materials and services	1,941,905	866,230
Less: Expenses capitalised	(91,532)	(3,059,351)
	<u>36,815,481</u>	<u>25,713,407</u>

<b>7 Finance costs</b>		
Finance costs charged by QTC	25,063	25,702
Bank charges	51,050	44,094
Impairment of debts	3,022,637	1,744,739
Refuse restoration	(172,540)	967,932
	<u>2,926,210</u>	<u>2,782,467</u>



# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
<b>8 Depreciation and amortisation</b>			
<b>Depreciation of non-current assets</b>			
Buildings (Communities)		20,616,098	20,130,970
Buildings (Corporate)		3,327,660	3,401,572
Recreational facilities		743,670	689,931
Roads/transport network		4,919,586	4,944,034
Stormwater drainage network		184,797	184,291
Flood mitigation network		101,297	90,451
Water supply network		4,162,243	4,222,763
Sewerage network		4,495,294	4,533,998
Bridges		4,550	4,538
Wharves, piers, jetties and pontoons		515,646	519,958
Waste landfill		76,341	41,145
Plant and equipment		1,335,295	1,113,386
	13	<u>40,482,477</u>	<u>39,877,037</u>
<b>Amortisation of intangible assets</b>			
Software		192,664	188,210
<b>Total depreciation and amortisation</b>		<u><u>40,675,141</u></u>	<u><u>40,065,247</u></u>

The renewal of Council assets is dependent on State and Commonwealth funding and therefore Council assets do not get renewed at the same rate as they depreciate.

## 9 Capital expenses

### Revaluation decrement

Revaluation down of property, plant and equipment	-	63,000
	<u>-</u>	<u>63,000</u>

### Loss on disposal of non-current assets

Book value of property, plant and equipment	4,145,241	2,992,091
Less: Proceeds from the sale of property, plant and equipment	<u>(81,268)</u>	<u>(53,909)</u>
	<u>4,063,973</u>	<u>2,938,182</u>

### Loss on transfer of assets via finance lease

Book value of property, plant and equipment transferred	-	3,301,117
Less: Initial recognition of finance leases	<u>-</u>	<u>(730,007)</u>
	<u>-</u>	<u>2,571,110</u>

<b>Total capital expenses</b>	<u><u>4,063,973</u></u>	<u><u>5,572,292</u></u>
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# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2016

### 10 Cash and cash equivalents

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

	Note	2016 \$	2015 \$
Cash at bank		3,586,187	5,106,624
Deposits at call		11,697,432	9,695,564
Term deposit		59,970	58,766
Balance per Statement of Cash Flows		<u>15,343,589</u>	<u>14,860,954</u>

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

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

	Net carrying amount	Effect on net result		Effect on equity	
		1% increase	1% decrease	1% increase	1% decrease
<b>2016</b>					
QTC cash fund	11,697,432	116,974	(116,974)	116,974	(116,974)
Other investments	59,970	600	(600)	600	(600)
Loans - QTC	(333,643)	(3,336)	3,336	(3,336)	3,336
Loans - TSRA	(72,333)	(723)	723	(723)	723
<b>Net total</b>	<b>11,351,425</b>	<b>113,515</b>	<b>(113,515)</b>	<b>113,515</b>	<b>(113,515)</b>
<b>2015</b>					
QTC cash fund	9,695,564	96,956	(96,956)	96,956	(96,956)
Other investments	58,766	588	(588)	588	(588)
Loans - QTC	(378,198)	(3,782)	3,782	(3,782)	3,782
<b>Net total</b>	<b>9,376,132</b>	<b>93,762</b>	<b>(93,762)</b>	<b>93,762</b>	<b>(93,762)</b>



**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2016**

	Note	2016 \$	Restated 2015 \$
<b>11 Trade and other receivables</b>			
Current			
Receivable - Housing		14,095,643	11,178,671
Less impairment		(12,417,287)	(9,471,494)
Receivable - Rates		1,148,908	255,128
Less impairment		(587,309)	(120,459)
Receivable - Other		8,843,009	15,243,375
Less impairment		(3,724,947)	(6,755,275)
		<u>7,358,017</u>	<u>10,329,946</u>
Accrued revenue		3,254,620	2,844,066
Prepayments		162,363	336,470
GST receivable		180,090	-
		<u>10,955,090</u>	<u>13,510,482</u>

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 generally required within 30 days from invoice date. There is a geographical concentration of credit risk for housing and other debtors.

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

Movement in accumulated impairment losses is as follows:

Opening balance at 1 July	16,347,228	14,602,488
Impairment debts written off during the year	(2,640,330)	-
Additional impairments recognised	3,022,645	1,744,740
Closing balance at 30 June	<u>16,729,543</u>	<u>16,347,228</u>

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

Not past due	5,076,092	7,874,875
Past due 31-60 days	372,645	691,701
Past due 61-90 days	363,697	870,088
More than 90 days	18,275,125	17,240,510
Impaired	(16,729,543)	(16,347,228)
Total	<u>7,358,017</u>	<u>10,329,946</u>

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2016

### 12 Other financial assets

Council has leased 51 dwellings located on Moa Island (Kubin), 6 dwellings and 1 vacant site on Saibai Island, 8 dwellings and 1 vacant site on Mabuiag Island, 6 dwellings and 2 vacant sites on Boigu Island, 6 vacant sites on Warraber Island and 5 vacant sites on Poruma Island as lessor to the Queensland Government for 40 years. The total lease payment per dwelling in the current year was \$2,096 (\$2,045 for 2014-15).

These lease payments are required to be adjusted each year by the change in the Consumer Price Index (All Groups). As the gross lease payments are insufficient to cover the fair value (current replacement cost) of the leased properties, there is no interest rate implicit in the leases and therefore no finance income will arise from the leases. Consequently, the leases are recognised at the present value of the expected future lease payments receivable (fair value). Gains on revaluation of finance lease assets are recognised as other income.

	Note	2016 \$	2015 \$
<b>Current</b>			
Finance leases		177,344	152,370
		<u>177,344</u>	<u>152,370</u>
<b>Non-current</b>			
Finance leases		5,704,146	4,998,908
		<u>5,704,146</u>	<u>4,998,908</u>

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

Gross minimum lease payments receivable:		
Not later than one year	177,344	152,370
Later than one year but not later than five years	709,376	609,480
Later than five years	5,818,395	5,128,040
	<u>6,705,115</u>	<u>5,889,890</u>
Add: Estimated contingent rent	4,248,104	3,847,860
Less: Present value adjustment	(5,071,729)	(4,586,472)
Fair value of lease payments	<u>5,881,490</u>	<u>5,151,278</u>

The fair value of lease payments is receivable as follows:

Not later than one year	177,344	152,370
Later than one year but not later than five years	696,587	598,492
Later than five years	5,007,559	4,400,416
	<u>5,881,490</u>	<u>5,151,278</u>

Movements in finance leases were as follows:

Opening balance		5,151,278	2,687,776
Add: Initial recognition of new leases		766,385	1,671,459
Less: Lease receipts		(177,906)	(135,199)
Add: Gain on revaluation	3d	141,733	927,242
Closing balance		<u>5,881,490</u>	<u>5,151,278</u>

The calculation of fair value has included an estimate of average annual CPI increases of 2.5% (2.2%, 2015) and a discount rate of 3.25% (3.25%, 2015).



# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2016

### 13 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.

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

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

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

#### Acquisition of assets

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

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

#### Capital and operating expenditure

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

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2016

### 13 Property, plant and equipment (continued)

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

#### Valuation

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

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 3 years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection. In the intervening years Council uses the indexation method to determine the fair value of each class of property, plant and equipment assets. Council only accounts for the impact of revaluation if the cumulative change in the index is 5% or greater (either positive or negative).

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.



# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2016

### 13 Property, plant and equipment (continued)

#### Depreciation

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

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

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

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

#### Land under roads

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

#### Impairment

Each asset class is assessed for indicators of impairment annually.



# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2016

### 13 Property, plant and equipment (continued)

#### Deed of Grant in Trust land

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

- Boigu Island
- Dauan Island
- Erub Island
- Hammond Island
- Iama Island
- Moa Island (comprising two DOGITs of St Paul's and Kubin communities)
- 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 islander inhabitants. The DOGIT land has not been taken up in Council's asset register as it cannot be reliably measured.

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

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

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

The relevant leased assets are still reported as assets of the Council; land is not reported; nominal rental is paid except for the former child care centre and one staff residence on Badu Island, for which future commitments are \$68,044 over three years. They have not been classified as finance leases as assets were originally constructed by Council, and recorded as such prior to the change in land arrangements. No lease liability has been recognised in the financial statements for these leases.

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



**13 Property, plant and equipment (continued)**

**Council - 30 June 2016**

**Basis of measurement**

**Asset values**

Opening gross value as at 1 July 2015

Adjustments

Additions

Capital contributions

Assets capitalised from WIP

Assets previously not recognised

Disposals

Transfers between classes

**Closing gross value as at 30 June 2016**

**Accumulated depreciation and impairment**

Opening balance as at 1 July 2015

Adjustments

Depreciation provided in period

Depreciation/impairment on disposals

Transfers between classes

**Accumulated depreciation as at 30 June 2016**

**Book value as at 30 June 2016**

Range of estimated useful life in years

Additions comprise:

Renewals

Other additions

Previously not recognised

Total additions

Buildings (Communities)	Buildings (Corporate)	Recreational Facilities	Road / Transport Network	Stormwater Drainage Network	Flood Mitigation Network	Water Supply Network	Sewerage Network	Bridges	Wharves, Piers, Jetty's & Pontoon's	Waste Landfill	Land Assets	Plant & Equipment	Work in progress	Total
Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost	\$
509,487,328	93,296,073	17,520,810	199,329,488	9,239,849	7,717,087	123,731,199	124,562,069	91,000	16,700,285	1,064,250	587,000	9,583,138	7,949,671	1,119,859,216
-	-	-	211,000	-	(2,865,000)	-	128,000	-	2,625,000	-	-	(120,194)	140,194	20,001
-	-	-	-	-	-	-	-	-	-	-	-	-	12,902,466	12,902,466
10,689,626	-	-	-	-	-	-	-	-	-	-	-	-	-	10,689,626
69,877	2,441,725	97,606	2,795,065	-	1,560,032	959,888	617	-	11,850	-	-	788,500	(8,725,160)	-
-	-	54,000	325,680	-	-	-	-	-	-	-	-	414,000	-	793,680
(8,629,691)	(2,289,349)	(122,605)	(122,412)	-	-	(285,603)	-	-	(88,124)	-	-	(1,533,371)	-	(13,071,155)
(115,959)	(2,530,551)	2,212,900	21,610	-	-	189,300	(117,300)	-	340,000	-	-	-	-	-
511,501,181	60,917,888	19,762,710	201,560,431	9,239,849	6,412,089	124,594,785	124,564,388	91,000	19,489,011	1,084,250	587,000	9,112,073	12,287,201	1,131,163,865

227,870,064	48,105,966	10,158,270	61,283,851	2,619,300	4,286,002	44,944,624	40,999,979	62,207	7,249,619	233,263	-	6,380,660	-	454,204,835
(26,949)	26,949	-	-	-	(1,687,016)	-	-	-	1,687,016	-	-	20,000	-	20,000
20,616,098	3,327,660	743,670	4,919,586	184,797	101,297	4,162,243	4,495,284	4,550	515,646	76,341	-	1,335,295	-	40,482,477
(4,886,290)	(1,810,831)	(64,839)	(68,895)	-	-	(186,778)	-	-	(27,765)	-	-	(1,570,274)	-	(8,615,672)
(417,489)	(919,355)	1,304,462	964	-	-	33,783	(2,365)	-	-	-	-	(22,180)	-	(22,180)
243,155,454	48,731,389	12,141,563	66,145,506	2,804,097	2,700,283	48,953,872	45,492,908	66,757	9,424,516	309,604	-	6,143,501	-	486,065,460

266,345,717	42,185,509	7,621,147	135,414,525	6,435,752	3,711,806	75,640,913	76,071,478	24,243	10,064,495	774,646	587,000	2,966,572	12,287,201	845,094,405
5-77	3-64	8-50	6-100	50	25-50	1-80	2-60	20	11-100	8-30	Land Not Depreciated	3-25	WIP Not Depreciated	

\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
6,420,706	381,748	97,606	209,096	-	-	-	-	-	11,624	-	-	343,095	-	7,463,875
4,338,797	2,059,977	-	2,565,959	-	1,560,032	959,888	617	-	226	-	-	445,405	-	11,950,911
-	-	54,000	325,680	-	-	-	-	-	-	-	-	414,000	-	793,680
10,759,503	2,441,725	151,606	3,120,745	-	1,560,032	959,888	617	-	11,850	-	-	1,202,500	-	20,208,466



13 Property, plant and equipment (continued)

Torres Strait Island Regional Council  
Notes to the Financial Statements  
For the year ended 30 June 2018

Council - 30 June 2015

Basis of measurement

Asset values

Opening gross value as at 1 July 2014

Additions

Capital contributions

Assets capitalised from WIP

Disposals

Correction of error

Revaluation adjustment to income

Transfers between classes

Closing gross value as at 30 June 2015

Buildings (Communities)	Buildings (Corporate)	Recreational Facilities	Road / Transport Network	Stormwater Drainage Network	Flood Mitigation Network	Water Supply Network	Sewerage Network	Bridges	Wharves, Piers, Jetties & Portfolios	Waste Landfill	Land Assets	Plant & Equipment	Work in progress	Total
Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost	\$
556,613,597	92,654,362	17,517,101	191,331,336	9,239,649	4,852,057	124,287,559	124,517,883	91,000	19,512,850	1,084,250	630,000	12,303,095	4,361,552	1,112,188,522
-	-	-	-	-	-	-	-	-	-	-	-	-	13,176,855	13,176,855
9,883,057	-	-	-	-	-	-	-	-	-	-	-	-	-	9,883,057
289,075	217,796	30,709	8,236,402	-	-	-	34,086	-	488,735	-	-	280,931	(9,577,735)	-
(9,894,491)	(753,025)	(27,000)	(627,352)	-	-	(556,360)	-	-	(474,100)	-	-	(2,957,889)	-	(15,290,217)
-	-	-	-	-	-	-	-	-	-	-	(63,000)	-	-	(63,000)
-	-	-	-	-	-	-	-	-	-	-	(63,000)	-	-	(63,000)
(403,900)	977,000	-	(610,500)	-	2,865,000	-	-	-	(2,827,200)	-	-	-	-	-
509,487,328	93,296,073	17,520,810	198,329,488	9,239,849	7,717,057	123,731,199	124,552,069	91,000	16,700,285	1,084,250	567,000	9,563,138	7,949,673	1,119,829,219

Accumulated depreciation and impairment

Opening balance as at 1 July 2014

Depreciation provided in period

Depreciation/impairment on disposals

Impairment adjustment to asset revaluation surplus

Transfers between classes

Accumulated depreciation as at 30 June 2015

212,983,825	44,565,564	9,484,844	56,912,807	2,435,009	2,508,088	41,077,599	36,465,962	57,669	8,648,420	192,118	-	8,006,707	-	423,338,629
20,130,970	3,401,572	689,931	4,944,034	184,291	80,451	4,222,763	4,533,998	4,538	518,958	41,145	-	1,113,386	-	39,877,036
(4,980,834)	(441,135)	(16,506)	(235,280)	-	-	(355,738)	-	-	(231,908)	-	-	(2,660,419)	-	(9,931,820)
-	-	-	-	-	-	-	-	-	-	-	-	(79,013)	-	(79,013)
(253,857)	580,965	-	(327,710)	-	1,887,463	-	-	-	(1,686,851)	-	-	-	-	-
227,870,094	48,105,866	10,158,269	61,293,851	2,619,300	4,286,002	44,344,623	40,999,979	62,207	7,249,619	233,263	-	6,380,660	-	454,204,834

Book value as at 30 June 2015

Range of estimated useful life in years

281,617,234	45,189,107	7,362,541	137,035,637	6,620,549	3,431,055	78,786,576	83,552,090	28,793	9,450,666	850,987	567,000	3,182,478	7,949,673	665,624,385
6-74	3-64	8-50	1-100	50	50	1-80	2-100	20	11-100	10-50	Land Not Depreciated	2-20	WIP Not Depreciated	

Additions comprise:

Renewals

Other additions

Total additions

\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
6,353,649	217,796	-	3,851,544	-	-	-	34,086	-	488,735	-	-	280,931	-	11,226,740
3,818,483	-	30,709	4,384,858	-	-	-	-	-	-	-	-	-	4,343,891	12,577,942
10,172,132	217,796	30,709	8,236,402	-	-	-	34,086	-	488,735	-	-	280,931	4,343,891	23,804,682





# Torres Strait Island Regional Council

## Notes to the financial statements

### For the year ended 30 June 2016

#### 14 Fair value measurements

##### (i) Recognised fair value measurements

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

Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

Fair value based on inputs that are directly or indirectly observable for the asset or liability (level 2)

Fair value based on unobservable inputs for the asset and liability (level 3)

All Council's property, plant and equipment measured at fair value at reporting date is categorised at level 3 (2015: all at level 3). Council does not have any assets or liabilities measured at fair value which meet the criteria for categorisation as level 1 or 2.

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

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

The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature (level 2).

Council does not measure any liabilities at fair value on a recurring basis. Council has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in other notes.

# Torres Strait Island Regional Council

## Notes to the financial statements

### For the year ended 30 June 2016

#### 14 Fair value measurements (continued)

##### (ii) Valuation techniques used to derive fair values for level 3 valuations

Specific valuation techniques used to value Council assets comprise:

##### Valuation

All of Council's fair values were determined by an independent valuer, Australis Asset Advisory Group effective 30 June 2016. No assets were inspected by the valuers as the valuation was a desktop indexation assessment. Council completed a full comprehensive valuation as at 30 June 2014 using AssetVal Pty Ltd. Council's next comprehensive valuation is due 30 June 2017 and will be completed as a full valuation of all Council's assets excluding plant and equipment.

##### Land

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

##### Buildings and infrastructure

The fair value of buildings and infrastructure was also determined by independent valuer, Australis Asset Advisory Group effective 30 June 2016. This was a desktop indexation assessment and no assets were inspected. Council completed a full comprehensive valuation as at 30 June 2014.

Due to the predominantly specialised nature of Local Government assets, both the infrastructure valuations and buildings valuations have been undertaken on a cost approach (current replacement cost).

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

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

While the replacement cost of the assets could be supported by market supplied evidence (level 2), other unobservable, or level 3 inputs, such as useful life and asset condition were also required, meaning that under AASB13 the valuation of buildings and infrastructure is considered to fall under level 3.

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



# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2016

### 14 Fair value measurements (continued)

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

Where site inspections are not conducted (i.e. for passive assets and active assets for which no site inspections are undertaken), the remaining useful life is calculated on asset age and estimated useful life. The valuation techniques used in the determination of fair values maximise the use of observable data where it is available and relies as little as possible on entity specifics. The disclosure of valuation estimates is designed to provide users with an insight into the judgements that have been made in the determination of fair values.

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

#### 1. Buildings - calculation of current replacement cost

##### *Current replacement cost*

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

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

##### *Accumulated depreciation*

To calculate the appropriate amount of accumulated depreciation, a portion of corporate buildings are subject to a site inspection and/or an assessment to determine remaining useful life. Site inspection and external examination of all building assets are carried out over the 3 year period in between full valuations undertaken by a professional valuer. Those buildings which are open to the public such as Council administration buildings and locations where staff are on site such as workshop buildings, are internally inspected as per triannual reviews. There are completed internally by suitably qualified Council officers and reviewed by the asset class manager. Internal assessments are used in conjunction with Department of Housing and Public Works condition reports as available to support Council's assessment.



# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2016

### 14 Fair value measurements (continued)

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

##### Roads

###### *Current replacement cost*

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

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

###### *Accumulated depreciation*

In determining the level of accumulated depreciation, roads are disaggregated into significant components which exhibit different useful lives. Asset condition assessments were completed in year ending 30 June 2016 on 33% of Council's roads/transport network and condition rating, useful lives and depreciation rates have been amended accordingly.

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

##### Water and sewerage

###### *Current replacement cost*

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

The remaining active assets consist of treatment, pumping and storage assets. These assets are componentised and were valued independently as at 30 June 2014, with allowances for complexity, size, function and site factors. As a check these components are generally combined into a lump sum item and compared against recent similar projects and in-house databases.

###### *Accumulated depreciation*

An assessment of remaining useful life was made by the valuer as at 30 June 2014 after inspection taking into consideration the visual condition, construction date, evidence of recent repairs or capital works and the surrounding environmental factors. Where necessary, further guidance on remaining life was sought from Council engineering staff. Condition assessments have been completed in 2016 for 33% for Council's water and sewer network and the condition rating and depreciation rates have been amended accordingly.



# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2016

### 14 Fair value measurements (continued)

#### 4. Other infrastructure – Calculation of current replacement cost

Other infrastructure includes the flood mitigation network, bridges, waste landfill, recreational facilities, stormwater drainage and wharves, piers, jetties and pontoons, which combined represent around 4.7 % of Council's assets.

##### *Current replacement cost*

The replacement cost of all assets which as a group represent other infrastructure have been estimated through first principles, namely summing together the costs of materials, labour and direct costs which were established through contact with suppliers, Council, by having reference to recently constructed project costs and publically available reference material, having regard to the location and condition.

##### *Accumulated depreciation*

An assessment of remaining useful life was made by the valuer as at 30 June 2014 after inspection taking into consideration the visual condition, construction date, evidence of recent repairs or capital works and the surrounding environmental factors. Condition assessments have been completed in 2016 for 33% of Council's other infrastructure and the condition rating, useful lives and depreciation rates have been amended accordingly.

#### **(iv) Valuation processes**

Council's property, plant and equipment valuation policies and procedures are set by the Executive Management team which comprises the Chief Executive Officer, Executive Manager Financial Services and Executive Manager Corporate Services. They are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information. Management prepares a report for the Audit Committee's review and approval.

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
<b>15 Trade and other payables</b>			
<b>Current</b>			
Accrued creditors		3,024,248	2,258,374
Employee benefits - annual leave		2,079,505	1,818,675
GST payable		-	420,155
Superannuation payable		-	225,622
Accrued payroll		216,029	104,168
Refundable bonds		2,000	2,000
Trade creditors and other payables		921,790	485,393
Retention		697,313	-
		<u>6,940,885</u>	<u>5,314,387</u>

### Trade creditors

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.

### Annual leave

Amounts expected to be settled within 12 months are calculated on current wage and salary levels and include related employee on-costs. Amounts not expected to be settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values. This liability represents an accrued expense.

As Council does not have an unconditional right to defer this liability beyond 12 months annual leave is classified as a current liability.

### Superannuation payable

Council has written back the unremitted superannuation monies of \$225,622 from 30 June 2010 to revenue in the current financial year and removed the contingent liability for substantial penalties and interest. Pursuant to section 10(1) of the Limitation of Actions Act 1974 (Qld) and section 278(8) of the Industrial Relations Act 1999 (Qld), an employee shall be statute-barred from bringing any action against Council 6 years following when the cause of action arose (date the superannuation contribution(s) was due and payable). As at 30 June 2016 Council was released of any potential action by the employee or regulatory authorities seeking to impose penalties upon Council for failure to remit superannuation contributions.



**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2016**

**15 Trade and other payables (continued)**

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

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
<b>2016</b>					
Trade and other payables	6,940,885	-	-	6,940,885	6,940,885
Loans - QTC	74,219	296,876	36,893	407,988	407,988
Loans - TSRA	72,333	-	-	72,333	72,333
	<u>7,087,438</u>	<u>296,876</u>	<u>36,893</u>	<u>7,421,207</u>	<u>7,421,207</u>
<b>2015</b>					
Trade and other payables	5,314,387	-	-	5,314,387	5,314,387
Loans - QTC	70,070	280,280	124,961	475,311	475,311
	<u>5,384,457</u>	<u>280,280</u>	<u>124,961</u>	<u>5,789,698</u>	<u>5,789,698</u>

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

	Note	2016 \$	2015 \$
<b>16 Borrowings</b>			
<b>Current</b>			
Loans - QTC		51,971	44,946
Loans - TSRA		<u>72,333</u>	<u>-</u>
		<u>124,304</u>	<u>44,946</u>
<b>Non-current</b>			
Loans - QTC Non Current		<u>281,672</u>	<u>333,252</u>
		<u>281,672</u>	<u>333,252</u>
<b>Loans - Queensland Treasury Corporation (QTC)</b>			
Opening balance at beginning of financial year		378,198	422,044
Principal repayments		<u>(44,555)</u>	<u>(43,846)</u>
Book value at end of financial year		<u>333,643</u>	<u>378,198</u>
<b>Loans - Torres Strait Regional Authority (TSRA)</b>			
Recognition of guaranteed loan		110,602	-
Principal repayments		<u>(38,269)</u>	<u>-</u>
Book value at end of financial year		<u>72,333</u>	<u>-</u>

# Torres Strait Island Regional Council

## Notes to the financial statements

### For the year ended 30 June 2016

#### 16 Borrowings (continued)

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

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

The Queensland Treasury Corporation (QTC) loan market value at the reporting date was \$394,927. 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.

On 4 September 2015, Torres Strait Island Regional Council signed a contract with Torres Strait Regional Authority (TSRA) to repay \$110,601.70 in regards to a loan Council guaranteed for a wholly owned subsidiary company in 2002. The agreement is being repaid through the provision of services to TSRA.

The Council has no bank overdraft facility.

	Note	2016 \$	2015 \$
<b>17 Provisions</b>			
<b>Current</b>			
Long service leave		1,037,682	861,344
		<u>1,037,682</u>	<u>861,344</u>
<b>Non-current</b>			
Long service leave		285,944	305,520
Landfill restoration		3,742,625	3,915,165
		<u>4,028,569</u>	<u>4,220,685</u>
Details of movements in provisions:			
<b>Landfill restoration</b>			
Balance at beginning of financial year		3,915,165	2,947,233
Increase/ (decrease) in provision due to unwinding of discount		107,428	(22,076)
Increase/(decrease) in provision due to change in discount rate		(279,968)	990,008
Balance at end of financial year		<u>3,742,625</u>	<u>3,915,165</u>

This is the present value of the estimated cost of restoring the refuse disposal sites to a useable state at the end of their useful lives. The projected cost is \$4,119,518 and this cost is expected to be incurred in 2018.

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 the interest rates attaching to Commonwealth Government guaranteed securities with a maturity date corresponding to the anticipated date of the restoration.

The provision represents the present value of the anticipated future costs associated with the closure of the dump sites, decontamination and monitoring of historical residues and leaching on these sites. The calculation of this provision requires assumptions such as application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Due to the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. The provision recognised for dump sites is reviewed at least annually and updated based on the facts and circumstances available at the time. Management estimates that the sites will close in 2018.



**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2016**

**17 Provisions (continued)**

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

	Note	2016 \$	2015 \$
<b>Long service leave provision</b>			
Balance at beginning of financial year		1,166,863	1,041,121
Long service leave entitlement arising		331,576	176,123
Long service entitlement paid		(174,812)	(50,381)
Balance at end of financial year		<u>1,323,627</u>	<u>1,166,863</u>

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 17 as a provision.

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

**18 Asset revaluation surplus**

The closing balance of the asset revaluation surplus comprises the following asset categories:

Buildings (Community)	38,627,981	38,627,981
Buildings (Corporate)	3,363,699	3,363,699
Recreational facilities	2,110,256	2,110,256
Roads/transport network	92,079,325	92,079,325
Stormwater drainage network	758,006	758,006
Water supply network	6,282,513	6,282,513
Sewerage network	11,041,750	11,041,750
Bridges (timber and concrete)	5,431	5,431
	<u>154,268,961</u>	<u>154,268,961</u>

In prior years, on the disposal of an asset, any balance pertaining to a previous revaluation of that asset was transferred to retained surplus. Given that under AASB 116, revaluation increments and decrements within each class of assets are accounted for on a net basis, Council has ceased this practice. Accordingly, from 1 July 2015, 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.

**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2016**

**19 Commitments for expenditure**

**Note**

**2016**  
**\$**

**2015**  
**\$**

**Operating leases**

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

Within one year	568,406	588,749
One to five years	45,485	623,186
	<u>613,891</u>	<u>1,211,935</u>

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

**Contractual commitments**

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

Capital assets	11,757,163	2,851,346
Recoverable work contractors	4,991,564	211,576
Audit services	127,909	-
Contract employees	92,704	-
	<u>16,969,340</u>	<u>3,062,922</u>

**20 Contingent liabilities**

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

**Local Government Mutual**

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

As at 30 June 2016 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

**Local Government Workcare**

The Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there were insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$245,019.



# Torres Strait Island Regional Council

## Notes to the financial statements

### For the year ended 30 June 2016

#### 21 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 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*.

Council does not have any employees who are members of the CDBF and, therefore, is not exposed to the obligations, assets or costs associated with this fund.

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. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

To ensure the ongoing solvency of the Regional DBF, the scheme's trustee can vary the rate of contributions from relevant local government employers subject to advice from the scheme's actuary. As at the reporting date, no changes had been made to prescribed employer contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions.

Any amount by which the 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.

As at the reporting date, 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 2015. The actuary indicated that "At the valuation date of 1 July 2015, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date."

In the 2015 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.

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2016

### 21 Superannuation (continued)

There are currently 72 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 entities. Torres Strait Island Regional Council made less than 4% of the total contributions to the plan in the 2015-16 financial year.

The next actuarial investigation will be conducted as at 1 July 2018.

	Note	2016 \$	2015 \$
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:	5	<u>1,939,259</u>	<u>1,703,603</u>

### 22 Trust funds

#### Trust funds held for outside parties

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

Island funeral funds	291,784	325,721
Church funds	60,371	62,653
Other community funds	<u>181,322</u>	<u>219,958</u>
	<u>533,477</u>	<u>608,332</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 and Other Program	<u>47,017,677</u>	<u>29,526,559</u>
	<u>47,017,677</u>	<u>29,526,559</u>

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



**Torres Strait Island Regional Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2016**

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

	2016 \$	Restated 2015 \$
Net result	(24,014,253)	(16,129,891)
Non-cash items:		
Depreciation and amortisation	40,675,141	40,065,247
Asset contributions in capital income	(11,163,603)	(9,883,057)
Gain on initial recognition of finance lease	(766,385)	(941,452)
Gain on revaluation of finance lease	(141,733)	(927,242)
Loan TSRA - services offset agreement	72,333	-
Reversal of contingent liability	(225,622)	-
Reversal of WIP to operating	121,075	-
	<u>28,571,205</u>	<u>28,313,496</u>
Investing and development activities:		
Revaluation down of property, plant and equipment	-	63,000
Proceeds from the sale of property, plant and equipment	(81,268)	(53,909)
Loss on transferring assets via finance lease	-	2,571,110
Loss on disposal of non-current assets	4,145,241	2,992,091
Capital grants and contributions	(8,925,856)	(6,033,807)
	<u>(4,861,883)</u>	<u>(461,515)</u>
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	2,555,391	(6,251,411)
(Increase)/decrease in inventory	167,311	(54,980)
Increase/(decrease) in payables	1,626,499	(1,195,826)
Increase/(decrease) in other provisions	(15,777)	1,064,442
	<u>4,333,424</u>	<u>(6,437,775)</u>
Net cash inflow from operating activities	<u>4,028,491</u>	<u>5,284,314</u>

# Torres Strait Island Regional Council

## Notes to the financial statements

### For the year ended 30 June 2016

#### 24 Correction of errors

1. In the process of preparing Council's financial statements at 30 June 2016, it was discovered that the following item had been incorrectly recorded in the previous financial reports.

\$1,112,725 of TSRA funding for Claim 3 and 4 of the seawalls project was incorrectly recognised as revenue in June 2015. Funding was not received by Council until March 2016. Per AASB 1004 revenue recognition criteria, Council has reversed this revenue and recognised upon receipt.

This error has been corrected by adjusting the comparative amounts for 2014-2015. A restated Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been included in the financial statements.

2. Council further discovered the following item affecting financial periods prior to 2014-2015.

\$1,904,934 of MIP funding was incorrectly recognised as revenue in June 2014. Funding was not received by Council until December 2015. Per AASB 1004 revenue recognition criteria, Council has reversed this revenue and recognised on receipt of funds in December 2015.

The error has been corrected by adjusting the opening balance of equity as at 1 July 2014 and the comparative amounts for 2014-2015. The adjustments to correct the two errors are as follows:

	As at 30 June 2015	As at 1 July 2014
Decrease in trade and other receivable - gross	(3,017,659)	(1,904,934)
Decrease in trade and other receivable - net	(3,017,659)	(1,904,934)
Decrease in retained surplus	(3,017,659)	(1,904,934)
	Period ended 30 June 2016	Period ended 30 June 2015
Decrease in capital grants revenue	-	(1,112,725)
Decrease in net result	-	(1,112,725)

A restated Statement of Financial Position has been included in the financial statements as at 1 July 2014

#### 25 National Competition Policy

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



# Torres Strait Island Regional Council

## Financial statements

### For the year ended 30 June 2016

#### Management Certificate For the year ended 30 June 2016

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

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

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

  
\_\_\_\_\_  
Mayor  
Fredrick Gela

Date: 28 / 9 / 2016

  
\_\_\_\_\_  
Chief Executive Officer  
Dania Ahwang

Date: 28 / 9 / 2016

## 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 2016, 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.

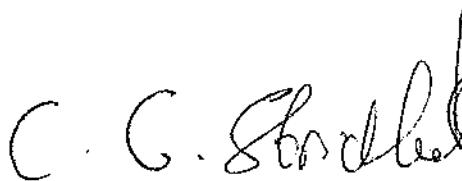
## *Opinion*

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 2015 to 30 June 2016 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.

  
C G STRICKLAND CA  
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office  
Brisbane

**Torres Strait Island Regional Council**  
**Current-year Financial Sustainability Statement**  
**For the year ended 30 June 2016**

**Measures of Financial Sustainability**

	How the measure is calculated	Target	30 June 2016 Result
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	Between 0% and 10%	-66%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	18%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	not greater than 60%	-23%


**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 2016.

**Certificate of Accuracy**  
**For the year ended 30 June 2016**

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

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

  
 Mayor  
 Fredrick Gela

Date: 28 / 9 / 2016

  
 Chief Executive Officer  
 Dania Ahwang

Date: 28 / 9 / 2016



## 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 2016, 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 2016, 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.

C G STRICKLAND CA  
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office  
Brisbane



**Torres Strait Island Regional Council**  
**Long-Term Financial Sustainability Statement**  
**Prepared as at 30 June 2016**

**Measures of Financial Sustainability**

Measure	Target	Actuals at 30 June 2018	Projected for the years ended									
			30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	
Operating surplus ratio	Between 0% and 10%	-66%	-63%	-63%	-75%	-63%	-60%	-55%	-54%	-52%	-50%	
Asset sustainability ratio	greater than 90%	18%	32%	22%	19%	23%	25%	28%	29%	32%	34%	
Net financial liabilities ratio	not greater than 60%	-23%	-25%	-26%	-26%	-21%	-16%	-11%	-5%	1%	7%	

**Council's Financial Management Strategy**


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


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 Infrastructure, Local Government and Planning 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.

**Certificate of Accuracy**  
**For the long-term financial sustainability statement prepared as at 30 June 2016**

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

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

  
 Mayor  
 Fredrick Gela  
 Date: 28/9/16

  
 Chief Executive Officer  
 Danila Ahwang  
 Date: 28/9/16

