

# Flinders Shire Council Annual Report

2013-2014



**Hughenden Airport 2014**

**Complete Reconstruction of Runway, Apron and Taxiway**

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**Porcupine Gorge National Park**



## **ANNUAL REPORT OBJECTIVES**

Welcome to the Flinders Shire Council's 2013-2014 Annual Report. The purpose of this document is to reflect on council's achievements for the past financial year, and to share plans for meeting the Shire's current and anticipated challenges and opportunities. Flinders Shire Council is proud to present this Annual Report, and looks forward to working with the local community to build a solid and successful Flinders Shire for all.

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## **LEGISLATIVE INFORMATION**

The *Local Government Act 2009* and associated regulations are the principal pieces of legislation guiding Council's operations as a government entity. This legislation also determines Council's reporting requirements.

## **BENEFICIAL ENTERPRISES**

Flinders Shire Council's Annual Report for each year contains a list of all beneficial enterprises that the Council conducted during the financial year.

## **SIGNIFICANT BUSINESS ACTIVITIES**

Flinders Shire Council conducted Significant Business Activities for Water and Sewerage and Waste Management. The competitive neutrality principle was applied to these significant business activities. These were no new business activities for Council.

## **GENERAL PURPOSE FINANCIAL STATEMENTS**

See Appendix 1

## **COMMUNITY FINANCIAL REPORT**

### **For the period 1 July 2013 to 30 June 2014**

The community financial report is designed to give interested parties a better understanding of the financial performance and financial position of Council.

This report focuses on:

- The Statement of Comprehensive Income
- The Statement of Financial Position
- The Statement of Changes in Equity
- The Statement of Cash Flows
- The Key Financial Ratios

### **The Statement of Comprehensive Income**

The Statement of Comprehensive Income is often referred to as the P & L (profit and loss statement) and shows how Council has performed throughout the period. This statement conveys what Council has earned (revenue) and what Council has spent (expenses) throughout the year. The net result of these two figures represents the money that is available for Council to renew, upgrade or build new community assets.

## Revenue:

The two main categories of revenue are recurrent revenue and capital revenue.

Council's recurrent revenue is money raised that is used to fund the operations of Council. Council raises recurrent revenue from income sources such as rates, levies and charges, grants, subsidies, donations and contributions, sales revenue (contract works), interest, fees and charges, rents and other income.

Council's capital revenue is sourced for the purpose of constructing and/or reconstructing Council's assets now and into the future. Capital revenue consists of grants, subsidies, contributions and donations, as well as gains/losses on disposal of assets.

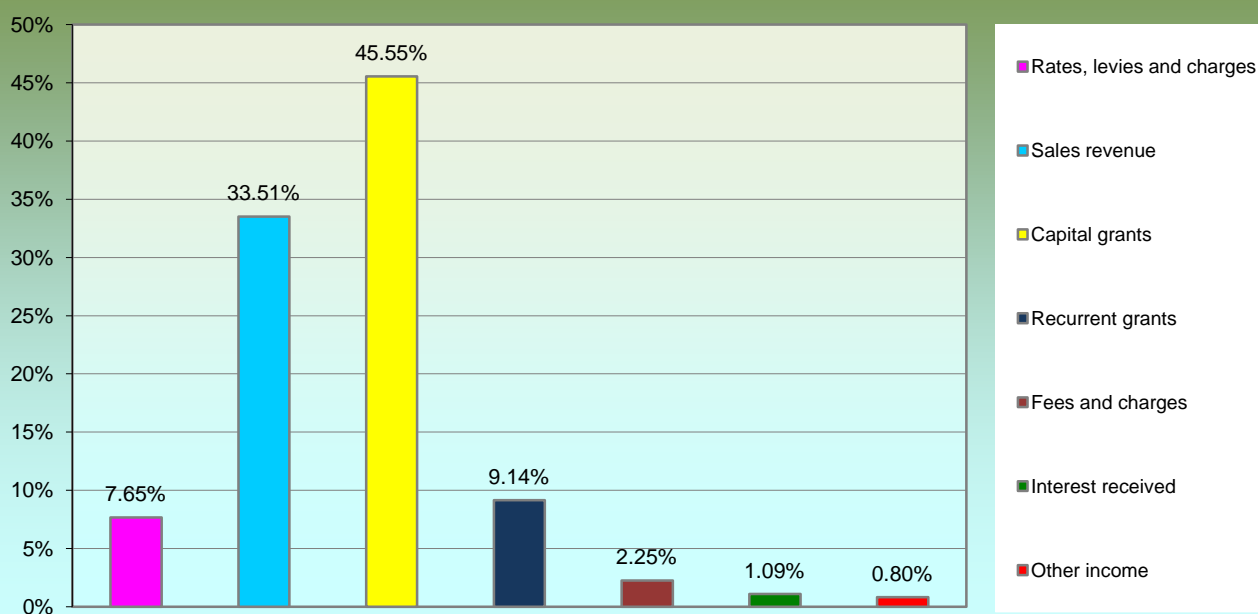
Total revenue only decreased marginally by \$113 thousand. However, there was a significant shift between sales and recoverable works and grants revenue compared to the previous year. The main source of income for the reported year was capital grants, comprising 45.55% of Council's revenues. Sales revenue comprises 33.51% of Council's revenue and was the second largest source of income.

It is important to note that sales revenue is almost all related to Transport and Main Roads contract and flood damage works on state owned assets. An analysis of income shows these works have reduced significantly in 2013-2014 compared to the previous financial year as the contract and restoration works have been completed.

Capital revenue increased by \$10.1M during the year. \$14.1M of Council's total capital revenue related to flood damage works of Council owned assets.

Council's ability to raise income from rates, levies and charges is limited by the population. The income generated from this source is 7.65% of total revenue.

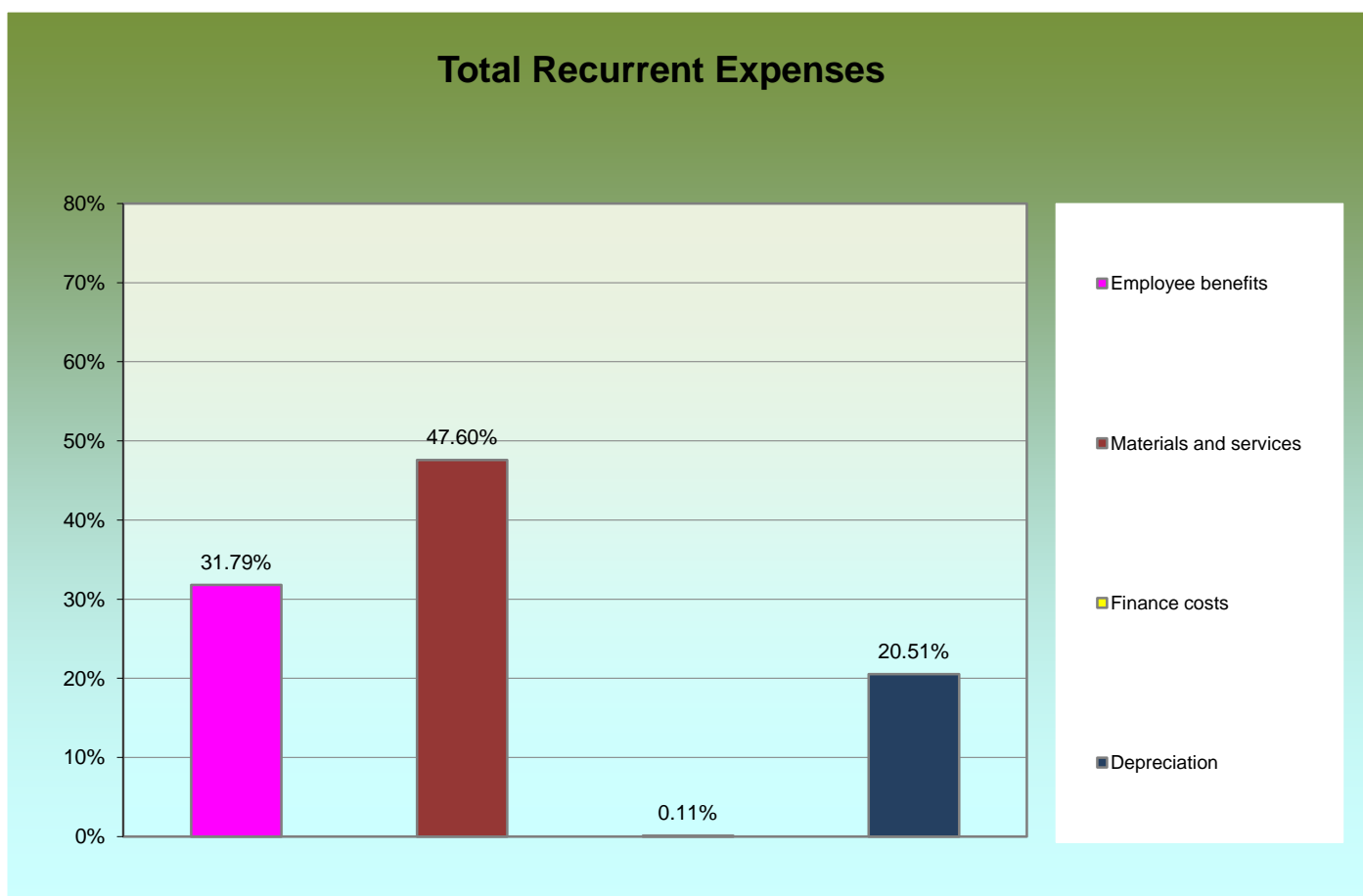
## Total Revenue



### Expenses:

Council's recurrent expenses include employee benefits, materials and services, finance costs and depreciation and amortisation. These line items represent the cost to Council of providing services, operating facilities and maintaining assets.

Council's recurrent expenditure decreased by \$4.5M compared to the previous year. This was not surprising given the decrease in contract works. The graph shows materials and services made up the largest type of expenditure at 47.6% of total expenditure, followed by employee benefits at 31.79%.



### The Statement of Financial Position:

This statement is often referred to as the balance sheet and summarises the financial position of Council at the end of the financial year. The statement measures what Council owns (assets) and what Council owes (liabilities) at the end of the financial year with the difference between these two components being the net community wealth (equity of Council).

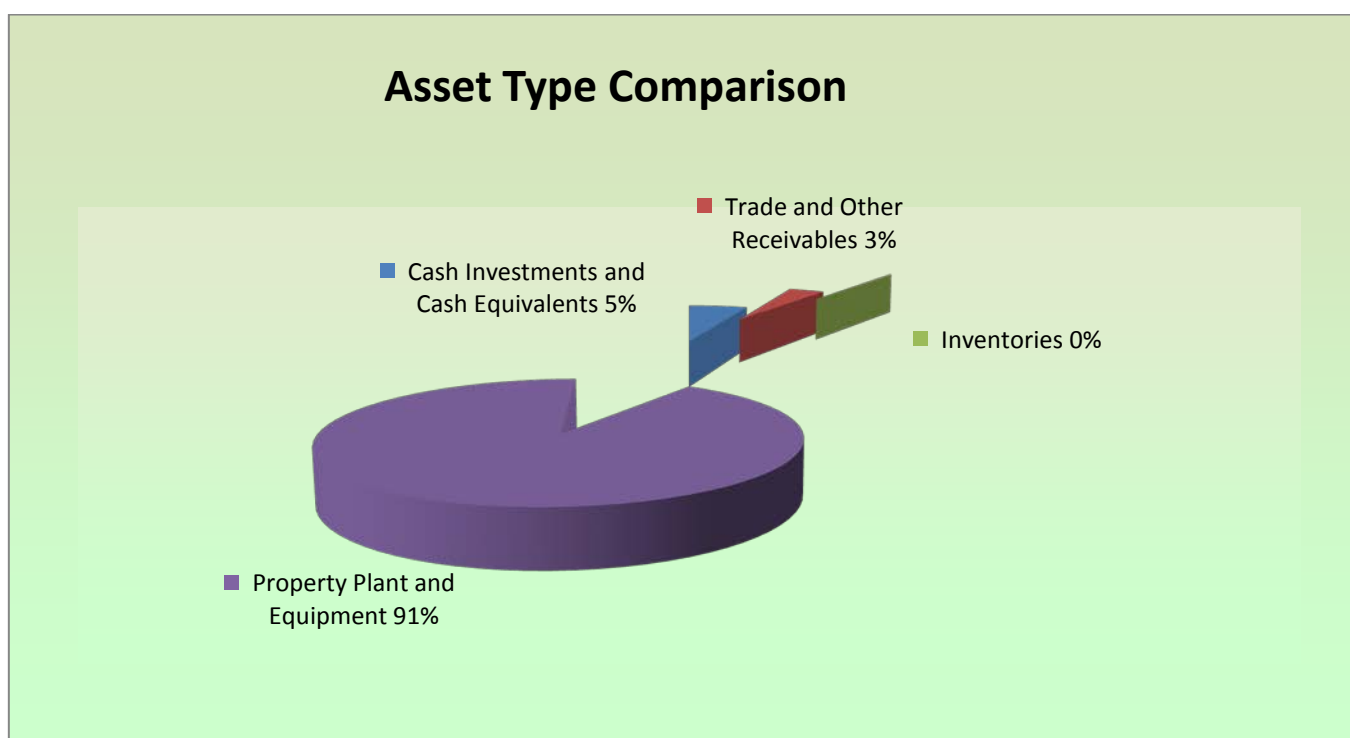


### Assets:

Council's current assets increased by \$4.7M. The increase was mainly related to the increased cash balance held at year end. Given that significant flood damage works were underway from April to June with a requirement to have the works completed at 30 June, Council had concerns about its ability to be able to maintain such a significant outflow of funds.

Council worked closely with the debtor and across departments to ensure there were efficiencies in the processing of these claims with minimal delays.

Council has \$11.4M invested in a cash management account with Queensland Treasury Corporation. Interest received on cash investments for the year was just under half a million.



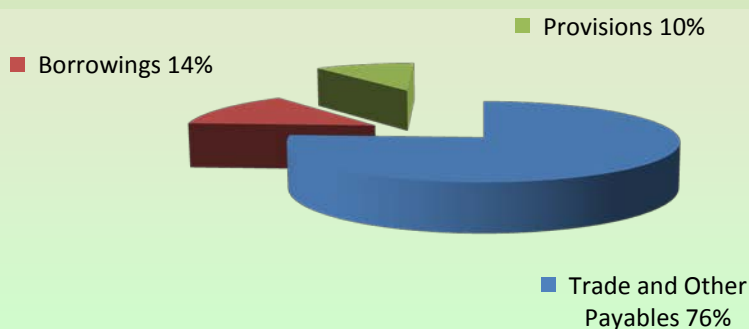
Property plant and equipment is the largest asset type comprising \$203M. Property plant and equipment is made up of Council asset classes including land, buildings, recreation facilities, plant and equipment, corporate and IT, road network, water network, sewer network, stormwater drainage network, waste / landfill and works in progress. Council's road network assets are the largest component of Property plant and equipment.

### Liabilities:

Council's liabilities comprise amounts owing for provisions, borrowings and trade and other payables. The provisions balance comprises employee entitlements for long service leave and the restoration of the tip in future years. Trade and other payables is made up of annual leave entitlements in future years.

Borrowings relate to a loan from Queensland Treasury Corporation for \$1M for the North Hughenden Sewerage Network project. Council has not had any borrowings for many years and this loan has been taken out to replace infrastructure whilst also taking advantage of the low cost of borrowing.

### Liability Type Comparison



### The Statement of Changes in Equity:

Community equity is represented by Council's net worth. This is calculated by what Council own, minus what Council owes.

Total Assets **\$223.48M** – Total Liabilities **\$7.27M** = Community Equity **\$216.21M**

Community equity rose by \$39.24M from the previous year, largely because there was a significant increase in the asset revaluation reserve. An assessment of Councils' road network was undertaken by an independent valuer with an overall increment of \$23.35M being recorded.

Council's retained surplus represents amounts which have been invested into assets to provide services. The asset revaluation surplus comprises amounts representing the asset retained capital and other change in the value of Council's assets over time.



### The Statement of Cash Flows:

The Statement of Cash Flows identifies the cash received and cash spent throughout the year. The statement shows Council's ability to cover its expenditures and where those funds are derived. Council's cash balance increased by \$4.78M compared to the previous year.

Council's cash flows from operating activities incorporate the recurrent activities of Council. The cash flows from investing activities shows Council spent \$4.53M investing in property plant and equipment. This includes capital works on Council's road network assets, the airport reconstruction and other asset classes.

Cash flows from financing activities shows that Council drew down a loan of \$1M. No repayments have been recorded as the loan was drawn on 30<sup>th</sup> of June.

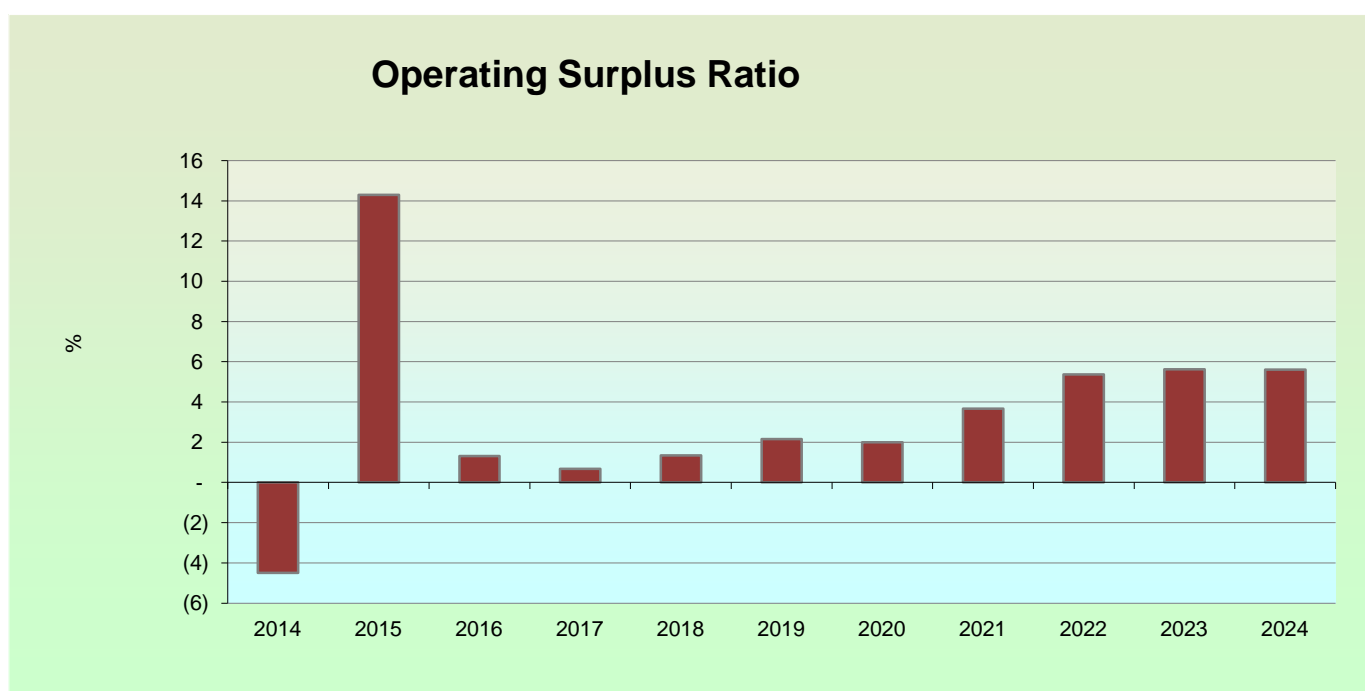
### Financial Ratios:

Section 169 of the Local Government Regulation 2012 requires the inclusion of the relevant measures of financial sustainability. These ratios are also included in Council's long term financial plan with reviews conducted on a regular basis. The targets have been set by the Department of Local Government and Planning.

### The Operating Surplus Ratio:

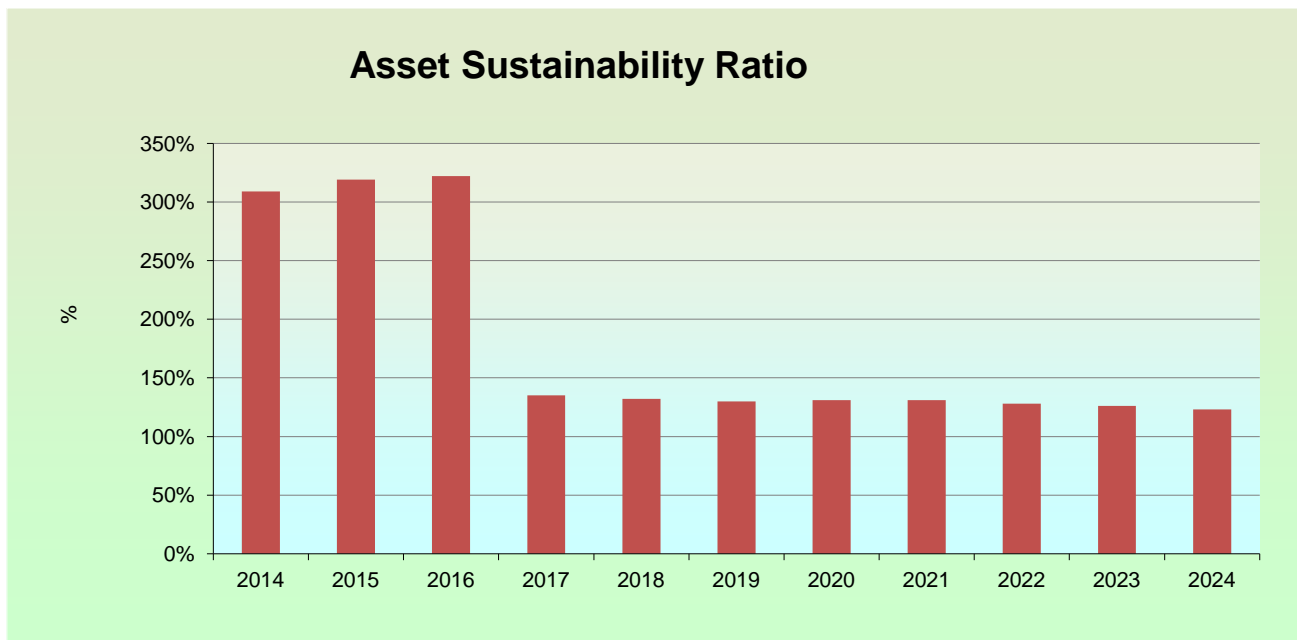
The operating surplus ratio measures the extent to which revenue raised (excluding capital grants and contributions) covers operational expenses. As at 30 June 2014 Council's operating surplus ratio was a deficit of -4.5%.

Except for 2013/2014, future years' forecasts indicate Council will operate close to break even. Council is aware of the need to conduct service level reviews to ensure operational expenses are going to be sustainable in the longer term. The target for the operating surplus ratio is between 0 and 10%.

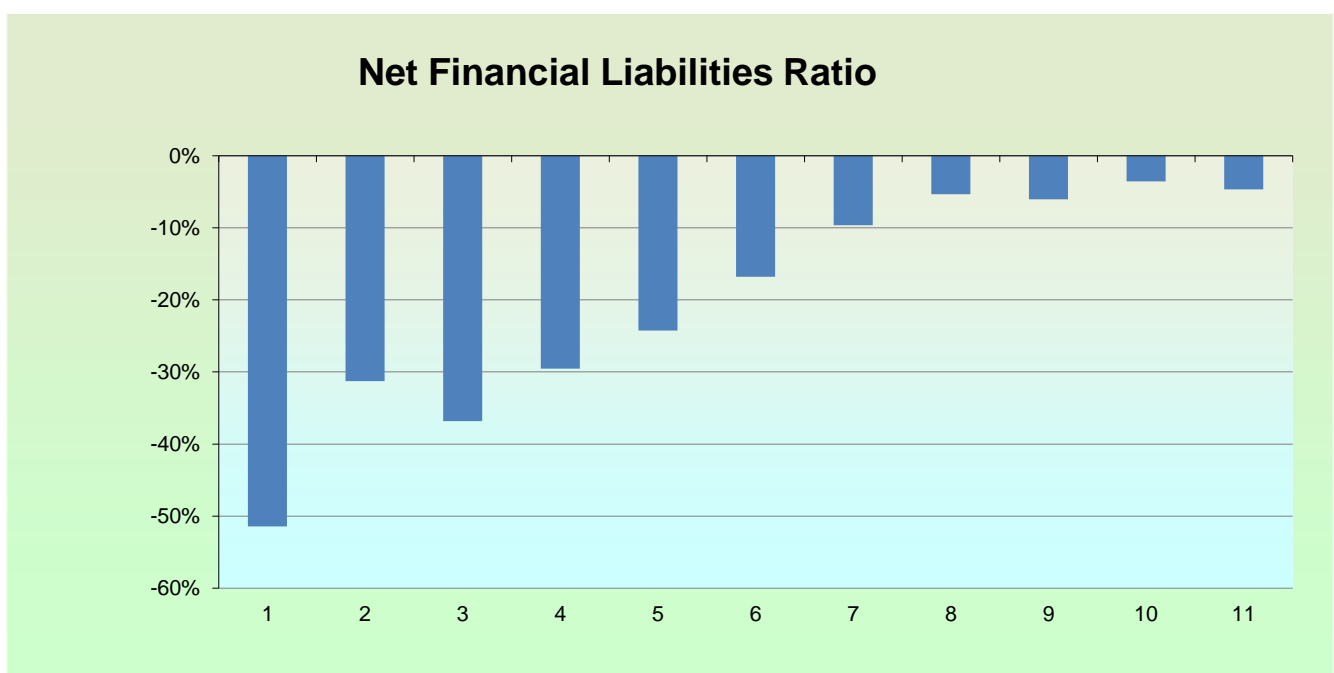


**Asset Sustainability Ratio:**

This ratio measures the amount of capital expenditure on renewal of existing assets compared to the depreciation expense. The target for this ratio is for it to be greater than 90%. The long term forecast shows Council expects to achieve this in the coming years.

**Net Financial Liabilities Ratio:**

This ratio measures the extent to which council can fund its liabilities through its operating revenues. The target for this ratio is less than 60%. Council has very little borrowings and has low liabilities which is why the ratio is so low.



## **COUNCILLORS**



### **COUNCILLORS 2012-2016**

With the April 2012 local government elections, the Council changed from four Councillors and a Mayor, to six Councillors and a Mayor.

LEFT TO RIGHT: CR BILL BODE, CR NINIAN STEWART-MOORE (DEPUTY MAYOR), CR BARBARA GEISLER, CR GREGORY JONES (MAYOR), CR JANE CHARUBA, CR SHANE MCCARTHY, CR SEAN O'NEILL

### **Councillor Portfolios:**

**Cr Gregory Jones**  
**Mayor – Flinders Shire**  
**PO Box 156**  
**HUGHENDEN QLD 4821**



#### **PORTFOLIOS**

- Governance
- Finance
- Residential Facilities
- Workshop – Plant and Equipment

#### **STANDING COMMITTEES**

- Mount Isa Townsville Economic Zone (MITEZ)
- North Queensland Local Government Association Inc (NQLGA)
- North West Regional Plan
- Regional Development Australia – Townsville and North West Queensland
- North West and Gulf Regional Roads Group

**Cr Ninian Stewart-Moore**  
**Deputy Mayor – Flinders Shire**  
**"Dunluce"**  
**HUGHENDEN QLD 4821**



#### **PORTFOLIOS**

- Governance
- Finance
- Local and Regional Economic Development and Planning
- Rural Roads and Town Streets –North and South West
- Rural Lands – Wild Dogs, Pests, Permits to Occupy and Leases
- Saleyards

#### **STANDING COMMITTEES**

- Western Queensland Local Government Association Inc (WQLGA)
- Flinders River Agricultural Precinct
- Wild Dog Advisory Group

**Cr Sean O'Neill**  
**PO Box 125**  
**HUGHENDEN 4821**



**PORTFOLIOS**

- Governance
- Finance
- Tourism and Area Promotion
- Sport, Recreation and Parks
- Utilities – Water, Sewerage and Refuse
- Cemeteries / Undertaker

**STANDING COMMITTEES**

- North West Outback Queensland Tourism Authority Group Inc
- North Queensland Sports Foundation
- Australia's Dinosaur Trail

**Cr Bill Bode**  
**"The Plains"**  
**PRAIRIE 4816**



**PORTFOLIOS**

- Governance
- Finance
- Workshop – Plant and Equipment
- Rural Roads and Town Streets – North East and South East
- Rural Lands – Wild Dogs, Pests, Permits to Occupy and Leases
- Small Towns
- Saleyards

**STANDING COMMITTEES**

- Western Queensland Local Government Association Inc (WQLGA)
- Flinders River Agricultural Precinct
- Wild Dog Advisory Group
- Lake Eyre Basin Advisory Group
- Great Artesian Basin (GABAC)

**Cr Barbara Geisler**  
**19 Little Avenue**  
**HUGHENDEN 4821**



**PORTFOLIOS**

- Governance
- Finance
- Tourism and Area Promotion
- Arts and Culture
- Community Care and Aged Care

**STANDING COMMITTEES**

- Chamber of Commerce – Hughenden
- Regional Arts Development Fund (RADF)
- North West Outback Queensland Tourism Authority Group (NWOQTA)
- Australia's Dinosaur Trail
- RREAP Cluster



**Cr Jane Charuba**  
**22 Little Avenue**  
**HUGHENDEN 4821**



**PORTFOLIOS**

- Governance
- Finance
- Sport, Recreation and Parks
- Community Care and Aged Care

**STANDING COMMITTEES**

- Chamber of Commerce – Hughenden
- Porcupine Gorge Run
- North Queensland Sports Foundation

**Cr Shane McCarthy**  
**“Arrara Station”**  
**HUGHENDEN 4821**



**PORTFOLIOS**

- Governance
- Finance
- Residential Facilities
- Rural Roads and Town Streets - South
- Rural Lands – Wild Dogs, Pests, Permits to Occupy and Leases
- Small Towns - Stamford
- Saleyards

**STANDING COMMITTEES**

- Western Queensland Local Government Association Inc (WQLGA)
- Wild Dog Advisory Group
- Southern Gulf Catchments Inc.

## **EXPENSE REIMBURSEMENT POLICY**

Council reports on the expenses incurred and facilities provided to Councillors during the year under the Expenses Reimbursement Policy.

The facilities are required to reasonably perform the role of Councillor as follows:

- Uniform Entitlement
- Mobile Telecommunication Facilities
- Home Office Facilities
- Council Office Facilities
- Vehicle use
- Maintenance costs of Council owned equipment
- Legal Costs and Insurance Cover

## **OVERSEAS TRAVEL**

During 2013-2014 no Councillor or employee undertook any work related overseas travel.

## **COUNCILLOR REMUNERATION 2013-2014**

That, in accordance with the recommendation of the Local Government Remuneration and Discipline Tribunal, for the period commencing 1 January 2014 to 31 December 2014 unless otherwise resolved, Council authorise the payment of remuneration to a Councillor of the Flinders Shire Council, for carrying out the duties of the office as undermentioned at the rate of remuneration as undermentioned and being an amount of remuneration as detailed in the Remuneration Schedule for the Category of Local Government to which Flinders Shire Council belongs:

### **Current remuneration fees are:**

Mayor	\$73,803
Deputy Mayor	\$31,630
Councillor	\$22,492

There is no superannuation paid to Councillors.

### ***DETAILS FOR COUNCILLORS EFFECTIVE FROM 01 JULY 2013***

COUNCILLOR	COUNCIL MEETINGS ATTENDED	OTHER MEETINGS ATTENDED	EXPENSES AND FACILITIES	ALLOWANCE \$	TRAVEL \$	TOTAL \$
MAYOR Cr. G J Jones	11	95	16,587.15	73,803.00		73,803.00
DEPUTY MAYOR Cr. D N Stewart-Moore	11	42	6,500.50	31,630.08	2,484.00	34,114.08
Cr. S M O'Neill	11	38	5,624.31	22,492.08		22,492.08
Cr. A W Bode	9	30	8,663.01	22,492.08	3,292.50	25,784.58
Cr. J G Charuba	11	58	4,696.90	22,492.08		22,492.08
Cr. B L Geisler	10	99	4,761.08	22,492.08		22,492.08
Cr. S T McCarthy	11	92	8,181.79	22,492.08	5,013.00	27,505.08
<b>TOTAL</b>			<b>55,014.76</b>	<b>217,893.48</b>	<b>10,789.50</b>	<b>283,697.74</b>

## **COUNCILLORS' DISCRETIONARY FUND**

Flinders Shire does not have discretionary funds and therefore there is no report for 2013-2014 for the purpose of allocation as community grants.

## **EXPENDITURE ON GRANTS TO COMMUNITY ORGANISATION**

During 2013-2014 Council paid \$34,760 as grants to community organisations to the following organisations:

- Prairie Jockey Club \$15,000 – Upgrade and install toilet facilities.
- Flinders Horse Sports – \$4,760 – Installation of Arena Lighting.
- Hughenden Bowls Club - \$15,000 – Purchase and Installation of roll out shade structure.



**Hughenden Bowls Club**

## **BREACHES**

There were no breaches or complaints to report during 2013-2014 financial year in accordance with the following sections:

Legislation	Reference	Number of Complaints
LGR 2012: S186 – Councillors (e) (i)	Number of orders and recommendations made under Section 180 (2) or (4) of the Local Government Act 2009	Nil
LGR 2012: S186 – Councillors (e) (ii)	Number of orders made Section 181 of the Local Government Act 2009	Nil
LGR 2012: S186 – Councillors (f) (i)	The name of each councillor for whom an order or recommendation was made under S180 of the Act or an order was made under S181 of the Act;	Nil
LGR 2012: S186 – Councillors (f) (ii)	A description of the misconduct or inappropriate conduct engaged in by each of the councillors;	Nil
LGR 2012: S186 – Councillors (f) (iii)	A summary of the order or recommendation made for each councillor;	Nil
LGR 2012: S186 – Councillors (g)(i)	Complaints about the conduct or performance of councillors for which no further action was taken under S176C(2) of the Act;	Nil
LGR 2012: S186 – Councillors (g)(ii)	Complaints referred to the departments by the Chief Executive Officer under S176c(3)(a)(i) of the Act;	Nil
LGR 2012: S186 – Councillors (g)(iii)	Complaints referred to the Mayor under S176C(4)(a) of the Act;	Nil
LGR 2012: S186 – Councillors (g)(iv)	Complaints referred to the department's chief executive under S176C(4)(a) of the Act;	Nil
LGR 2012: S186 – Councillors (g)(v)	Complaints assessed by the chief executive officer as being about official misconduct;	Nil
LGR 2012: S186 – Councillors (g)(vi)	Complaints heard by a regional conduct review panel;	Nil
LGR 2012: S186 – Councillors (g)(vii)	Complaints heard by the tribunal;	Nil
LGR 2012: S186 – Councillors (g)(viii)	Complaints to which S176C(6) of the Act applied;	Nil

## **ADMINISTRATIVE ACTION COMPLAINTS**

Council is committed to dealing fairly with administrative action complaints. Council must also report on the number and particulars of complaints dealt with.

The Staff/Administrative Complaints Process policy was adopted by Council at the Ordinary Meeting of 19 April 2012. Otherwise, Flinders Shire does not have any complaint particulars to report.

### ***Copy of the resolution:***

#### ***Recommendation –***

*That the Council Policy – Staff Administrative Complaints Process as presented be adopted by Council.*

*Moved Cr S.M. O'Neill Seconded Cr C.N. Haydon – That the Council Policy – Staff Administrative Complaints Process as presented be adopted by Council.*

*Carried.*

## **THE COUNCIL ORGANISATION**

### **STRATEGIC DIRECTION**

The Flinders Shire Council Corporate Plan 2012-2017 has been used for reporting purposes for the last three financial years. The Corporate Plan is Council's principal long-term planning document, identifying the medium-term issues and priorities for Council to meet the wants and needs of the community.

### **VISION**

Flinders Shire – a place of discovery, opportunity and lifestyle.

### **MISSION**

To promote quality of life through leadership, attitude and respect.

### **VALUES**

- A Caring Philosophy
- Pursuit of Excellence
- Teamwork
- Local Ownership
- Communication
- Leadership

### **OUR GUIDING PRINCIPLES**

At Flinders Shire we are committed to making decisions responsibly and sustainably acting with integrity, honesty and respect.

#### **Our Governance**

We will work as a team and act with pride, accountability, transparency and integrity to deliver services to our residents.

#### **Our Economy**

We will approach all business aspects of the Shire in a manner that promotes growth and sustainability to achieve the best possible outcome.

#### **Our Environment**

We will provide stewardship to maintain, protect and enhance our natural environment whilst supporting new and existing industries.

#### **Our Community**

We will work with our community to provide an appealing lifestyle with the available resources to build a healthy, happy and caring community.

#### **Our Infrastructure**

We will aim to continuously improve products, services and processes through sustainable management of Council's core assets.



## **PERFORMANCE – PRIORITY PROJECTS**

A summary update of the priority projects is provided as a snapshot of the measurable outputs delivered for 2013-2014.

### **Cairns-Melbourne Inland Highway (Utilising the Hann Highway)**

The Hann Highway has long been identified as an alternative route to the Bruce Highway. This route provides a shorter, more direct link between North Queensland and Sydney/Melbourne/Adelaide as well as Brisbane, for the movement of freight, cattle and other agricultural products.

The total length of the proposed inland route via Hann Highway from Cairns to Melbourne is 3008km which is 595km shorter than via the Bruce Highway. Of the 3008km, only 150km is unsealed, this is only 5% of the total length of the total route. In the wet season the unsealed section is accessible by 4WD only, whereas in the dry season, bull dust causes safety issues. Even though this is the shortest route connecting North to South, the unsealed section on the Hann Highway and Torrens Creek Aramac Road is discouraging travelers and transport operators from using the route. Sealing the remaining 150km section will not only encourage travelers and transport companies, but also provide safer and all-year access to existing road users and economic benefits for local communities.



Sealing of the last remaining section of the Hann Highway will provide year-round access to southern markets for North Queensland's agricultural produce, improves supply chains and provides significant freight efficiencies for producers, as well as assist in the development of new industries into the future. Sealing of the Hann Highway is also critical to the development and sustainability of the Northern beef industry.

For the successful completion of this project the estimated total funding required is \$82M, which includes \$18M for the sealing of remaining 34km of unsealed section on Torrens Creek Aramac Road. On a 3-year program, with local Councils delivering the project, estimated total funding required is approximately \$85M.

### **Hughenden Industrial Estate**

All lots available (fourteen) have been sold, and the construction of infrastructure is underway.

### **Flinders River Ag Precinct (FRAP)**

The vision of the FRAP group is about diversified agriculture and sustainable utilisation of the water resource available in the Flinders River to improve the economic sustainability of the region.

The total annual budget for FRAP is \$30,000 and is shared between Flinders and McKinlay Shire Councils.

The Flinders and Gilbert Agricultural Resource Assessment Report by CSIRO has now been completed. The Report identified that each catchment offers the possibility of irrigation developments approaching (Flinders) or exceeding (Gilbert) the scale of the current Ord River Irrigation Area.

The Department of Natural Resources and Mines is currently undertaking a review of the Gulf Resource Plan 2007 and the Gulf Resources Operations Plan 2007. As part of this process, the Minister will be considering new water allocations from the Flinders Catchment.

### **North Hughenden Sewerage Augmentation**

Through a tender process, the design and management of the North Hughenden Sewerage upgrade project was awarded to GHD Pty Ltd. Funding of the estimated \$5M project was successfully attained from the State Government Capital Works Subsidy Program, and the project was finalised February 2014.

### **Upgrade Hughenden Sewerage Treatment Plant (STP)**

Funding of the \$4.576M project was achieved by accessing the State Government Capital Works Subsidy Program and the project was finalised in June 2014.

### **Water Supply Fluoridation Project**

State legislation requires Council to add fluoride to the Hughenden drinking water. Council and the State Government signed a funding agreement to fully fund the program (\$1,437,000). The funding provided installation of a rising main to connect the existing four bores to the central treatment reservoir in Saleyards Road, as well as a set of inline pumps to feed the reticulation system. The introduction of a fluoride dosing system allows Council to control water flow and pressure, and model the reticulation system accurately and modulate low pressure zones. Meanwhile, disinfection of the Hughenden Water Supply will ensure that any future *E.coli* outbreaks are prevented. This project was completed in March 2014.

### **Development of a Recreational Lake**

Council-appointed consulting engineers UDP completed a preliminary design in the area of Station Creek and reported on feasibility issues.

Engeny Water Management completed the water balance model for the proposed Lake. They consider a Lake as an off-stream facility in the area of Station Creek as feasible. Initial planning indicates a Lake with a maximum area of 12ha and approximately 350ML with a minimum depth of 2m in the main channel areas is possible. Currently with alternate water to the main Station Creek channel, a 70% probability of being at or above the minimum 2m level is expected. This means for 70% of the year the water level will be above 2m. A probability of approximately 90% (i.e. thirty-seven days water level less than 2m) can be achieved by pumping from the Flinders at 50 to 300l/s at certain times of the year, utilising Bore 8 and maintaining water level throughout the year.

The proposed size, style and design of the Lake is conducive to safe water skiing with a minimum channel width of 40m. The Lake would have the capability of accommodating a slalom water ski run that would comply with the national standard as well as a rowing area. The Lake design will take account of the existing contours in the area and will include substantial excavation. The project will be undertaken and supervised by Council staff, and is subject to funding.

## **COUNCIL REGISTERS**

The listed registers open to inspection are:

- Cat and Dog Registry
- Environmentally Relevant Activities – Development Approvals
- Development Approvals and Registrations
- Register of Delegations
- Authorised Persons
- Statement of Interests
- Register of Development Applications
- Register of Electoral Gifts
- Register of Interests – Councillors
- Register of Complaints
- Register of Local & Subordinate Local Laws
- Register of Roads and Road Maps
- Record of Rateable Parcels of Land
- Register of Regulatory Fees
- Register of Impounded Animals
- Register of Commercial Charges
- Cemetery Register.

Council also makes available other information, including copies of Minutes of Council Meetings on the website [www.flinders.qld.gov.au](http://www.flinders.qld.gov.au)

## **LOCAL GOVERNMENT LEVIED SPECIAL RATES OR CHARGES FOR THE FINANCIAL YEAR**

### **Rating Rebates and Concessions**

Flinders Shire has several policies with reference to rebate concessions, as detailed below:

### **Payment of Rates and Charges by Instalment**

Council again allowed for payment of rates and charges in four equal instalments spread through the year.

### **Discount for Prompt Payment of Rates**

Council again adopted a 15 per cent discount on rates and charges provided all rates and charges were paid in full including any rate arrears, and payment was made in full by the due date.

Council also decided to allow the full 15 per cent discount for those property owners who could not pay the whole of their rates in one go, and choose to pay their rates by four instalments. However, if any instalment payment was missed, the discount was not allowed on that instalment or following instalments unless all previous instalments were been paid. This measure was specifically adopted to address the drought conditions.

The State Government Emergency Management Levy was not eligible for discount.

### **Council Pensioner Rate Concessions**

Council continued its current Pensioner Rate Concession policy. This policy provided for 50 per cent concessions on General, Garbage, Sewerage and Water Rates up to a maximum of \$475 per year for all eligible pensioners. A copy of Council's Pensioner Rate Concession Policy is available at the Shire Office.

## **INTERNAL AUDIT**

### **Control Measures Considered**

A range of control measures were considered in establishing the internal audit methodology and execution. Care was taken not to duplicate the audit undertaken by the external auditors. Risks relating to financial audit matters therefore were not covered except where the items interfaced with a risk area identified in the methodology.

Systems, processes, separation of duties, documentation, notifications, policy development procedures and use of technology were all considered as part of the control measures that might be appropriately used by Council to reduce a range of risks.

### **Internal Audit Methodology**

Internal audit working papers were prepared using the identified risk areas of:

- Financial, Governance, Infrastructure, Community Engagement, Planning/Regulation and Workforce.
- The internal auditor, an employee of the Local Government Association of Queensland (LGAQ), attended Flinders Shire Council office and undertook the audit off site.
- A full copy of the report was provided to Councillors.

### **Financial Sustainability**

Council has one high and one medium risk in this area.

- Plant Analysis – High risk

Council has developed a financial report called "Flinders Shire Plant Financial Summary". It has been suggested that this report should be used to manage financial risk through analysing expenditures and plant revenue.

The report appears to suggest that for a number of hired plant the correct charge out hours may not have been processed leaving a loss against the item. There are various other Council owned plant that also show a loss. It is suggested that the report be scrutinised to identify if the amounts shown are valid and if that is the case, a broader review of the charging processes for the plant be undertaken. It is also suggested that a Key Performance Indicator be placed in the position description of the Officer/s whose duty it is to ensure appropriate charge out hours for plant.

Further, it is suggested that if the plant report is accurate that it also be used as a check against Council's plant rate calculations to ensure that Council is achieving an appropriate return on assets for owned and hired plant items.

- Service Charges – Medium risk

It has been advised that no review of service charges has been undertaken by Council. The comments from the previous audit stand as follows:

Council has undertaken a review of its differential rating system. The Council should give consideration to undertaking a full review of its utility charges.

The current charging methodology is very out dated and does not meet any of the COAG requirements. Changes to the waste and wastewater charging methodology is fairly simple and it is suggested that a per household charge for urban dwellings and a per pedestal charge for commercial activities could be retained without the need for units.



## Governance

Council had one low risk in this area.

- Local Laws – Low Risk

Council has commenced a local law review process for the animal management and the draft Local Law is programmed to go to the May 2015 Council meeting. Council however will need to complete a Local Law for administration before it can utilise any new Local Laws. It is suggested that Council may need various Local Laws to be renewed. Utilising the Model local laws will assist in completing the process.

## Infrastructure

No areas of risk identified from this internal audit plan.

- Future audits will focus on the implementation of the Policy.

## Community Engagement

No areas of risk identified from this internal audit plan.

- Future audits will focus on the implementation of the Community Engagement Policy.

## Planning/Regulation

No areas of risk identified from this internal audit plan.

- Future audits will focus on the implementation of regulatory authorities such as authorised officers, their appointments and record keeping.

## Workforce

No areas of risk identified from this internal audit plan.

- Future audits will focus on the staff appointment process from approval to fill positions through to the appointment and inductions.

## EQUAL EMPLOYMENT OPPORTUNITY

Council's Equal Employment Opportunity Policy remains unaltered from the previous year. The Flinders Shire is committed to the Equal Employment Opportunity principles. The Equal Opportunity Management Plan aims to implement employment practices that are based on fairness and equity.



Whole Staff Training  
Day 2014



## OUR SHIRE IN 2013-2014

### About our Shire



Land Area	41,422km <sup>2</sup>
Annual Rainfall	492mm
Population	1828
Metres above sea level	324m
Rateable Valuation	\$282,618,450.00
Net Rate Revenue	\$3,071,810.61
Gross Actual Revenue	\$33,254,543.67
Gross Actual Expenditure	\$28,029,209.24

### State Controlled Roads:

Sealed	541.63km
Gravelled	96.49km
Formed	123.18km
<b>Total</b>	<b>761.30km</b>

### Shire Controlled Roads:

Sealed – Rural	84.60km
Sealed – Urban	35.49km
Gravelled – Urban	11.76km
Gravelled – Rural	285.0km
Formed	1575.15km
<b>Total</b>	<b>1992.0km</b>





### Tourist Attractions

- The area is famous for high quality discoveries of dinosaur and marine fossils
- Flinders Discovery Centre – information and interpretive centre
- Porcupine Gorge National Park
- White Mountains National Park
- Blackbraes National Park
- Moorinya National Park
- Flinders River – Queensland's longest river, flowing through Hughenden
- Kooroorinya Falls Nature Reserve – camping, fishing and race track
- Local arts and sculptures in parks and roadways
- Basalt Byway, Flinders River Byway and Eromanga Sea Byway – 4WD self drive
- Mount Walker scenic lookouts over Hughenden and surrounding areas
- Australia's Dinosaur Trail – themed trail linking Winton, Richmond and Hughenden townships
- Overlander's Way - themed trail from Townsville to Tennant Creek
- Eco Walk on Flinders – depicting the bio regions on the bank of the river
- Explorer's Tree, Hughenden Showgrounds
- Prairie Park – Old Gaol, now Public Toilets and 35 foot high Comet Windmill
- Coolabah Tree – Station Creek - of immense historical importance as it is linked to two relief expeditions searching for the Burke and Wills Expedition



Flinders Shire is situated approximately half way between the cities of Townsville and Mount Isa and is named after Queensland's longest river – the Flinders River. The Flinders Shire is divided by the Flinders Highway – now known as the popular tourist drive 'Overlander's Way'. The Flinders Highway runs east and west through the Kennedy Developmental Road – which runs north and south through the Flinders Shire. Encompassing the townships of Hughenden, Prairie, Torrens Creek and Stamford, Flinders Shire has become a major hub for transports and travellers alike.

The Flinders Shire has a population of 1,828 residents. Its main industries are cattle and sheep grazing, and tourism. The Shire has three prominent geological features. Porcupine Gorge in the north, and Flinders River which winds from the third geological feature White Mountains which is in the north-east through to the west of the Shire. The Shire was also part of a Great Inland Sea and the centre of "Dinosaur Country", home to many fossils including the great Muttaborrasaurus and the Queensland Pterosaur.

The Shire has four different bio-regions with ever-changing ecosystems including the Desert Uplands, Einasleigh Uplands, Mitchell Grass Downs and a small portion of Gulf Plains.

Major events held in the Flinders Shire include the annual Hughenden Agricultural Show, Hughenden Country Music Festival, Hughenden Campdraft, Porcupine Gorge Challenge, Hughenden Races, Rugby 7s carnival as well as country race meetings held annually at Stamford, Prairie and Kooroorinya Falls Nature Reserve. The Shire welcomes over 17,000 visitors per year through the accredited Visitor Information Centre, The Flinders Discovery Centre.

### Highlights of 2013-2014

- Development of 10 year Master Plans for both the Swimming pool and Showgrounds
- Visit from Governor Penelope Wensley
- Record participation at the Flinders Shire Public Library
- Library Air Conditioner Upgrade
- Bondi in the Bush TV show participation
- Storage shed installation at the Swimming Pool
- Shade umbrella installation at the Swimming Pool
- Reconstruction of the Hughenden airport – \$8,601,702.15
- Construction of a new Sewerage Treatment Plant – \$8,572,00
- Construction of the Fluoride Treatment plant – \$1,445,000
- Royalties for Regions – Footpath from Saleyards Road to Gray Street commenced – (\$480,000)
- 2012 DTMR flood damage, on Hann Highway, Winton Road, Muttaborra Road and Torrens Creek – Aramac Road, Charters Towers Road and Richmond Road – \$11,031,465.79 ( up to June 30, 2014)
- 7.8 Kms of the Hann Highway at Dutton River – \$2,701,003.15
- 2012 Shire roads flood damage – \$5,701,131.69
- Council funding + Royalties for the Region Round 2 – Dalrymple Rd., Geary St., Glentor and Old Richmond Rd., Prairievale, Strathtay and Dutton Downs Roads - \$ 970,839.0
- TIDS – White Mountains Road and Prairie Road Basalt Byways and various floodways – \$ 546,000.
- Gray Street Q Rail Pedestrian Crossing at Moran Street \$ 83,262.12
- Prairie water supply chlorination
- Torrens Creek water facility upgrade and storage



Sewerage Treatment Plant



St Francis School with Governor Penelope Wensley



Flinders Discover Centre with Bondi in Bush  
Presenters



Shade umbrella installation at the Swimming Pool





**POLICY TITLE:** COUNCILLOR REIMBURSEMENT OF EXPENSES AND PROVISION OF FACILITIES  
**POLICY**

**DATE OF ADOPTION:** 17 APRIL 2014

**DATE OF REVIEW:** 17 APRIL 2016

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**1. PURPOSE**

To provide the Mayor and Councillors with reimbursement of legitimate expenses incurred, or to be incurred, and the facilities necessary while carrying out civic duties as elected representatives of the Shire.

**2. SCOPE**

This Councillor Reimbursement of Expenses and Provision of Facilities Policy applies to the Mayor, Deputy Mayor and Councillors and is made pursuant to Section 44-47 of the Local Government (Operations) Regulation 2010.

**3. PRINCIPLES**

**Reasonable expenses reimbursement to Councillors**

Councillors should not be financially disadvantaged when carrying out the requirements of the role of Councillor and should be fairly and reasonable compensated in this regard in accordance with community expectations.

**Public accountability and transparency**

The Councillor reimbursement of expenses and provision of facilities policy will be available to the public. The use of the provided facilities will be open for review to the extent appropriate to the proper performance of a Councillor's responsibilities.

**Public perceptions and community expectations**

The Council will provide only those facilities and reimbursements necessary for the efficient performance of a Councillor's responsibilities.

**No private benefit to be derived**

All reimbursement of expenses or provision of facilities must be for legitimate business use only ie: to enable Councillors to effectively and efficiently carry out their civic duties. Facilities and resources provided to Councillors are for the sole use of Councillors in undertaking their duties and should be used responsibly and appropriately. Spouses, partners and family members of Councillors are not entitled to receive any reimbursement of expenses or provision of Council facilities.



### **Equity and Participation**

To maximise equity and the participation of Councillors from diverse backgrounds and circumstances, this Councillor reimbursement of expenses and provision of facilities policy expressly permits the reimbursement of expenses that are necessarily incurred to allow the participation of Councillors who experience unusual barriers to participation, such as disability or cultural responsibilities.

## **4. DEFINITIONS**

**Council Business** – This is official business of a Councillor as generally described in the Local Government Act 2009, conducted on behalf, of and approved by, Council where a Councillor is required to undertake certain tasks to satisfy legislative requirements or achieve business continuity for the Council. Council business should result in a benefit being achieved either for the local government and/or the local government area. Participating in a community group event or being a representative on a board not associated with Council is not regarded as Council Business.

**Expense** – Expenses are payments made by Council's to reimburse Councillors for their reasonable expenses incurred or to be incurred when discharging their duties as Councillors. These payments are not regarded as remuneration. The expenses may be either reimbursed to Councillors or paid direct by Council for something that is deemed a necessary cost or charge when performing their roles.

**Facility** – Facilities provided by Council's to Councillors are the 'tools of the trade' required to enable them to perform their duties with relative ease and at a standard appropriate to fulfil their professional role for the community.

**Reasonable** – Council's must make sound judgements and consider what is prudent, responsible and acceptable to their communities when determining reasonable levels of

facilities and expenditure., The community expects limits and does not want to see excessive use or abuse of public funds.

## **5. ROLES AND RESPONSIBILITIES**

### **Chief Executive Officer**

The Chief Executive Officer is responsible for ensuring this policy is understood and adhered to by the Mayor and Councillors.

## **6. POLICY**

The Council will reimburse Councillors for expenses and provide Councillors with facilities as set out in this policy. In addition to the expenses and facilities expressly referred to in the section of this Policy headed Expense Categories, the Council will reimburse other expenses that are necessarily incurred to allow the participation of Councillors who experience unusual barriers to participation, such as disability or cultural responsibilities.

### **Expense Categories**

## **1. Professional Development**

The Council will reimburse expenses incurred for -

- All mandatory professional development – where Council resolved that all Councillors are to attend training courses or workshops for skills development related to a Councillor's role, the Council may reimburse the total costs of the course; and
- Discretionary professional development deemed essential for the Councillor's role subject to budget constraints – where a Councillor identifies a need to attend a conference, workshop or training to improve skills relevant to their role as a Councillor, other than mandatory training.

## **2. Travel as required to represent Council**

The Council will reimburse local and in some cases interstate and overseas travel expenses (e.g. flights, car, accommodation, meals and associated registration fees) deemed necessary to achieve the business of Council where:

- a Councillor is an official representative of Council; and
- the activity/event and travel has been endorsed by resolution of Council.

If it's a part of the Councillor's portfolio, the Councillor is automatically required to go, with expenses reimbursed.

Councillors are to travel via the most direct route, using the most economical and efficient mode of transport.

Council will pay for reasonable expenses incurred for overnight accommodation when a Councillor is required to stay outside the Local Government's region.

### **NOTE**

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

### **2.1 Travel bookings**

All Councillor travel approved by Council will be booked and paid for by Council. Economy class is to be used where possible although Council may approve business class in certain circumstances.

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

### **2.2 Travel transfer costs**



Any travel transfer expenses associated with Councillors travelling for Council approved business will be reimbursed.

Example: Trains, taxis, buses and ferry fares

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

### 2.3 Private vehicle usage

When a Councillor has decided to not receive a Council vehicle, or a Council vehicle is not available, payment for use of the Councillor's private vehicle usage on Council business will be reimbursed to the Councillor on a kilometre rate as set out in the Australian Taxation Office allowable deductions for motor vehicles. Councillors may instead choose to be reimbursed for fuel by presenting receipts. In other circumstances, Councillors private vehicle usage will be reimbursed by Council if the:

- travel has been endorsed by Council Resolution
- claim for mileage is substantiated with log book details; and
- total travel claim does not exceed the cost of the same travel using economy flights plus the cost of taxi transfers.

#### ATO Rates Per Business Kilometre

Engine capacity		Cents per kilometre
Ordinary car	Rotary engine car	2010-11 income year
1600cc (1.6 litre) or less	800cc (0.8 litre) or less	63 cents
1601cc - 2600cc (1.601 litre - 2.6 litre)	801cc - 1300cc (0.801 litre - 1.3 litre)	74 cents
2601cc (2.601 litre) and over	1301cc (1.301 litre) and over	75 cents

### 2.4 Accommodation

All Councillor accommodation for Council business will be booked and paid for by Council. Council will pay for the most economical deal available. Where possible, the minimum standards for Councillors' accommodation should be three or four star rating.

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

### 2.5 Meals

Councillors will be reimbursed for the actual cost of meals when:





- the Councillor incurs the cost personally; and
- the meal was not provided –
  - within the registration costs of the approved activity/event
  - during an approved flight.

The following limits apply to the amount Councils will reimburse for meals:

- Breakfast           \$23.00
- Lunch               \$26.00
- Dinner              \$45.00

No alcohol will be paid for by Council.

If private accommodation is provided by a relative or friend, then they are entitled to be reimbursed at a rate of \$70/night.

## **2.6 Incidental Allowance**

Up to \$20 per day may be paid by Council to cover any incidental costs incurred by Councillors required to travel, and who are away from home overnight for official Council business.

## **3. Hospitality**

Councillors may have occasion to incur hospitality expenses while conducting Council business apart from official civic receptions organised by Council. The Mayor will be reimbursed up to \$1000 per annum for hospitality expenses deemed necessary in the conduct of Council business. Councillors will be reimbursed up to \$500 per annum for hospitality expenses deemed necessary in the conduct of Council business. These costs will be reimbursed on presentation of receipts.

## **4. Provision of Facilities**

Councillors will be provided with facilities as set out in this policy. In addition to the facilities expressly referred to in the section of this policy headed Facilities, the Council will provide other facilities that are necessary to allow the participation of Councillors who experience unusual barriers to participation such as disability or cultural responsibilities. All facilities provided to Councillors remain the property of Council and must be returned to Council when a Councillor's term expires.

The Facilities provided will include:



#### **4.1 Uniform Entitlement**

Councillors will be entitled to receive a name badge and all necessary safety equipment to the standard supplied to employees. Councillors are expected to observe the appropriate Workplace Health and Safety measures when at any workplace. Council will reimburse them the cost of obtaining their Construction Industry Training Whitecard. Councillors will also be provided with corporate uniform equivalent to that provided to staff and will be provided with a corporate jacket.

#### **4.2 Mobile Telecommunication Facilities**

- Council does not currently provide a mobile telephone or hand held device but may provide –
  - A home landline at the Councillor's residence, including connection cost, monthly rental and call costs up to 50% of the total calls made. However, any STD or international calls made from the home telephone can only be reimbursed if a receipt and certification is provided by the Councillor that the call was related to Council business.
  - Home internet access including monthly access fee and up to 50% of the package costs.
- Where Council deems it necessary to acquire new mobile devices these facilities may be approved by Council resolution.
- Mobile telephone, with or without a hands-free kit.
- Personal calls made by Councillors via the mobile telephone are to be reimbursed to Council via the appropriate administrative procedure.
- If Councillors are using their personal mobile phone, they will be reimbursed for expenses over the plan value on production of the phone bill.

#### **4.3 Home Office Facilities**

- Laptop with Windows software; and
- Laser printer/scanner and all paper and cartridges.
- iPad

#### **4.4 Council Office Facilities**

Council will provide the following to Councillors –

- Facilities such as office space and Council meeting rooms
- Secretarial support for Mayors and Councillors
- Desktop and or Laptop computer
- Use of Council landline telephone and internet access
- Fax and or scanner
- Printer, photocopier, paper shredder
- Stationary



- Publications – copies of the act and other legislation, books journals considered necessary
- Another administrative necessities which Council consider necessary to meet the business of Council

#### **4.5 Vehicle Use**

Council approved of the home garaging by the Mayor of a Council supplied vehicle (4x4 Station Wagon or equivalent) for Council business purposes.

Councillors may claim reimbursement for business use of their own vehicle, refer to Private vehicle usage 2.3 of this policy or elect to receive a Council vehicle on the following conditions:

- Councillors will be provided with a motor vehicle for Council business.
- No private use is allowed.
- Fuel cards are provided for each vehicle and motor vehicle insurance is covered by Council.
- Council approves the Chief Executive Officer to approve authorised support drivers as needed.

#### **4.6 Maintenance costs of any Council owned equipment**

Council will cover all ongoing maintenance costs associated with Council owned equipment to ensure it is operating for optimal professional use.

#### **4.7 Legal Costs and Insurance Cover**

Council will insure Councillors in the event of injury sustained while discharging their civic duties. Council will pay the excess for injury claims made by a Councillor resulting from conducting official Council business.

### **5. IMPLEMENTATION**

This Policy will be made available to all Councillors, corporate staff on Council's intranet site/network. Council reserves the right to vary, replace or terminate this policy from time to time.

### **6. APPROVAL**

17<sup>th</sup> April 2014

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Graham King  
CHIEF EXECUTIVE OFFICER





10 November 2014

Chief Executive Officer  
Flinders Shire Council  
34 Gray Street  
HUGHENDEN QLD 4821

Dear Graham

### **Final Audit Report for Flinders Shire Council**

The Flinders Shire Council audit for the year ended 30 June 2014 has been completed.

All audit procedures have been completed, the financial statements have been audited and an audit opinion provided. The general purpose financial statements for the year ended 30 June 2014 were certified without qualification.

The purpose of this letter is to provide you with details of issues identified when completing the audit, other information relating to the audited financial statements and the final audit fee.

#### **Issues from the final stage of the audit**

As at the date of certification of the Independent Auditor's Report there remained no unresolved high risk issues.

All issues identified in the final stage of the audit have been summarised in the Executive Summary (Appendix A). To indicate the significance of these issues to your organisation, each issue has been assessed as high, moderate or low risk. Definitions of these risk categories are included in Appendix B. Full details of all issues, together with management comments received, are included in Appendix C.

#### **Reporting to Parliament**

Each year we report the results of all financial audits to the Parliament. These sector-based reports include standing commentary on the suite of factors we take into consideration when forming an audit opinion, including:

- the timeliness and quality of the financial statements (including any significant adjustments to figures or disclosures)
- any significant events and transactions impacting on the financial statements and the audit considerations and judgements made about these
- future financial risks and sustainability.

The *Auditor-General Act 2009* requires also that the Auditor-General report to Parliament on any significant issues raised during an audit. We assign 'High' and 'Moderate' risk ratings to matters raised in our management report, and use these ratings as a guide for determining if any significant issues need to be publicly reported. Whether issues with a moderate or high risk rating are reported to Parliament depends on a number of factors, including management action taken to resolve these issues prior to the completion of the audit.

If we intend to include any significant issues in a report to Parliament, Council will be given an opportunity to comment and your comments will be reflected in the report.

### **Audited financial statements**

Should you intend to electronically present the financial statements and our audit report on your website or distribute them via other electronic media, an additional paragraph must be included in the independent audit report. This paragraph highlights to the reader, the inherent risks associated with the electronic presentation of financial information and that audit has not provided assurance on the integrity of information presented electronically, nor on any information which may be hyperlinked to or from the financial statements. Responsibility for the electronic presentation of these reports on your website is that of management and or those charged with the governance of your entity.

### **Audit Fees**

The 2013-14 audit fee for external audit services will be forwarded to you shortly.

If you would like to discuss these issues or any issues regarding the audit process further, please feel free to contact me.

Yours sincerely



Derek Campbell  
(as delegate of the Auditor-General of Queensland)

Enc.

## Executive Summary

A summary of the issues raised by category is included below for your information:

Rating	Appendix C Ref No	Issue	Cycle	Status	Management response
Moderate	1.1	Audit committee	Prescribed requirements	Management undertaking corrective action	Refer appendix C
Moderate	1.2	Internal audit function	Prescribed requirements	Management undertaking corrective action	Refer appendix C
Moderate	1.3	Council tenders	Prescribed requirements	Management undertaking corrective action	Refer appendix C
Moderate	1.4	Audit timings and preparation	Prescribed requirements	Management undertaking corrective action	Refer appendix C
Moderate	1.5	Financial statements – unresolved disclosures	Prescribed requirements	Management undertaking corrective action	Refer appendix C
Moderate	1.6	Integrity of depreciation schedules	Non-current assets	Management undertaking corrective action	Refer appendix C
Moderate	1.7	Depreciation schedules – other assets	Non-current assets	Management undertaking corrective action	Refer appendix C
Moderate	1.8	Condition assessments of infrastructure assets	Non-current assets	Management undertaking corrective action	Refer appendix C
Moderate	1.9	Capital works – roads	Non-current assets	Management undertaking corrective action	Refer appendix C
Moderate	1.10	Asset capitalisation policy	Non-current assets	Management undertaking corrective action	Refer appendix C
Moderate	1.11	Revaluation of road, water and sewerage assets	Non-current assets	Management undertaking corrective action	Refer appendix C

Moderate	1.12	Uninvoiced creditors control account	Expenditure and payables	Management undertaking corrective action	Refer appendix C
Low	2.1	Policies	Prescribed requirements	Management undertaking corrective action	Refer appendix C
Low	2.2	Preferred supplier arrangements	Prescribed requirements	Management undertaking corrective action	Refer appendix C
Low	2.3	General journal entries	Information systems – other	Management undertaking corrective action	Refer appendix C
Low	2.4	Masterfile changes	Information systems – other	Management undertaking corrective action	Refer appendix C
Low	2.5	User access permissions	Information systems – other	Management undertaking corrective action	Refer appendix C
Low	2.6	Business continuity plan	Information systems – other	Management undertaking corrective action	Refer appendix C
Low	2.7	Corporate credit cards	Expenditure and payables	Management undertaking corrective action	Refer appendix C
Low	2.8	Bank reconciliation discrepancy	Cash	Management undertaking corrective action	Refer appendix C
Low	2.9	Payroll reconciliation	Employee benefits and provisions	Management undertaking corrective action	Refer appendix C
Low	2.10	Excessive leave balances	Employee benefits and provisions	Management undertaking corrective action	Refer appendix C
Low	2.11	Reconciliation of employee benefits schedules	Employee benefits and provisions	Management undertaking corrective action	Refer appendix C

Full details of these issues are provided in Appendix C.



## Ratings definitions and remedial action plan

The rating of audit issues in this report reflects our assessment of both the likelihood and consequence of each identified issue in terms of its impact on:

- the effectiveness and efficiency of operations, including probity, propriety and compliance with applicable laws and prescribed requirements.
- the reliability, accuracy and timeliness of financial reporting

Without anticipating the Auditor-General's final decision on what may be referenced in an Auditor-General's Report to Parliament, each of the issues included in the Appendix has been assessed and categorised against the following risk categories:

Risk category	Client impact	Prioritisation of remedial action
High	Significant issues which give rise to a risk of material misstatement in the financial statements as a result of error or fraud.	Requires prompt management intervention with detailed corrective action prior to certification of the financial statements.
Moderate	Issues of a systemic nature, but which would not individually or collectively give rise to a risk of material misstatement in the financial statements as a result of error or fraud.	Requires management intervention with a detailed action plan to resolve the issue, to be implemented within 3 to 6 months.
Low	Issues that are isolated, non-systemic or procedural in nature which would not individually or collectively give rise to a risk of material misstatement in the financial statements as a result of error or fraud.	Requires management intervention with a detailed action plan to resolve the issue, to be implemented within 6 to 12 months.

## Detailed findings (Refer Appendix C)

This attached Appendix outlines the observation, implication, recommendation, management comments and action plans for each audit finding.

## **1. MODERATE RISK ISSUES**

### **PRESCRIBED REQUIREMENTS**

#### **1.1 AUDIT COMMITTEE**

##### **Observation**

Subdivision 2 of the *Local Government Regulation 2012* requires Council to establish an audit committee effective 1 July 2014. Council is yet to establish an audit committee.

##### **Implication**

Council is not complying with their requirements under the *Local Government Regulation 2012*.

##### **Recommendations**

We recommend Council give effect to an audit committee as soon as possible in keeping with the requirements of Subdivision 2 of the *Local Government Regulation 2012*.

##### **Management response**

An internal audit charter is currently being developed and the finance team plans to present it to the November Council meeting for adoption.

##### **Status**

Management undertaking corrective action.

#### **1.2 INTERNAL AUDIT FUNCTION**

##### **Observation**

During the 2013/14 year Council had engaged with LGAQ to perform internal audit services. Whilst this in theory satisfies legislative compliance requirements around the establishment of an internal audit function, it should be more than a matter of compliance. Internal audit can add significant value to council operations by assessing whether business processes are operating efficiently, effectively and economically. The expertise of this function can also be used in annual financial statement preparation process. In their 2013/14 Report to Parliament regarding Local Government, QAO concluded that the services performed by LGAQ to did not satisfy all of the requirements of a recognised internal audit function.

Council have not renewed their contract with LGAQ for the 2014/15 year, and is yet to appoint a new internal auditor.

##### **Implication**

Subdivision 1 of the *Local Government Regulation 2012* requires Council to establish an effective internal audit function from 1 July 2014. Council is currently not complying with their requirements under the *Local Government Regulation 2012*.

### **Recommendations**

We recommend Council appoint an internal auditor as soon as possible in keeping with the requirements of Subdivision 1 of the *Local Government Regulation 2012* and in doing so also consider the specific reference to effective internal audit functions as part of Report 14 2013-14 from the QAO to Parliament.

### **Management response**

Council is aware of this requirement and has already commenced reviewing costs in relation to this function. Council is reviewing proposals from both the LGAQ and Moore Stephens at this time. Given the lack of reliance that QAO places on LGAQ's audits in the past, I have forwarded this proposal to Crowe Horwath to review and advise if their current proposal could be relied upon.

Council is hoping to engage an internal auditor in November to prepare the internal audit plan and commence work on the internal audit.

### **Status**

Management undertaking corrective action.

## **1.3 COUNCIL TENDERS**

### **Observation**

In our sample of seven tenders issued by Council during the year, in one instance (tender 102.2014.06.001) we were unable to sight any documentation relating to the tender.

### **Implication**

As a result of the missing documentation we were unable to evidence that Council undertook a fair and equitable tender process in keeping with the requirements of the *Local Government Act 2009*.

### **Recommendation**

We recommend care is taken to ensure all tender documentation is retained and filed appropriately to support the process undertaken by Council in administering the tender.

### **Management response**

The staff that opened the tenders and put them in the tender book (held in the safe), should have done the tender summary and provided all the tender documentation to Records to register in TRIM. It appears the Engineering Admin Officer, was on leave and this routine process was not followed. Normally tenders are not done in the absence of the Engineering Admin Officer. Moving forward the Engineering Admin Officer will document a simple process to ensure this process is followed in future.

### **Status**

Management undertaking corrective action.

## 1.4 AUDIT TIMINGS & PREPARATION

### Observation

Council were unsuccessful in meeting a number of preliminary milestones established in the 2014 audit strategy, and on two occasions we were required to revise key milestones to allow adequate time for critical end-of-year tasks to be completed by Council staff. Contributing factors to this and issues outlined below were changes in staffing at Council and also delays in response from contractors assisting in various processes.

	Strategy	First Revision	Second Revision	Actual
<b>Revaluation:</b>				
- <b>Methodology</b>	15/04/2014			12/09/2014
- <b>Workpapers/Final report</b>	4/06/2014	27/08/2014	15/09/2014	12/09/2014
<b>Shell accounts</b>	9/06/2014			Not completed
<b>Draft Financial Statements</b>	10/09/2014	27/08/2014	15/09/2014	16/09/2014
<b>Final Reconciliations</b>	10/09/2014	27/08/2014	15/09/2014	From 17/09/2014

In particular, the following issues were noted:

- A comprehensive revaluation of road assets was not commenced and conducted in a timely manner, resulting in delays in finalising the relevant accounting entries. This process was not finalised until early September 2014;
- Council undertook a desktop revaluation of water and sewerage classes however this process was not conducted in a timely manner resulting in delays in finalising the relevant accounting entries. Significant input was required by Crowe Horwath and external accounting consultations to ensure this process was conducted in accordance with the Non-current Asset Policies for the Queensland Public Sector;
- Draft financial statements provided to audit had not been subject to a comprehensive quality control review;
- Council engaged external consultants to assist in the preparation of key end of year reconciliations. Many of these reconciliations had not been subject to a comprehensive quality control review prior to being provided to audit and lacked corroborating reports or documentation;
- A number of schedules and reconciliations completed by Council staff had not been subject to a comprehensive quality control review prior to being provided to audit (also refer to point 1.5).

### Implication

The above mentioned events contributed to Council being unable to meet agreed upon deliverables and has resulted in significant additional resources and time to bring the audit to a conclusion.

### **Recommendation**

We recommend Council closely monitor financial reporting timeframes and audit critical deliverables. Further, Council should consider utilising their internal audit function, once established, to review and provide quality control feedback on key areas of the end of year process (e.g. property, plant equipment revaluations and schedules), and review draft financial statements for accuracy of disclosures prior to certification.

### **Management response**

Council accepts that the road revaluation was not completed in a timely manner and expects future revaluations to be commenced in the first half of the financial year to ensure adequate time is allowed for a high level review. Council did engage external consultants to conduct this revaluation which slowed the revaluation process considerably. This will be taken into account in future where external consultants are engaged.

Again with the water and sewer network assets it is expected the internal revaluations be commenced in the first half of the financial year to allow adequate time for an independent review.

Draft Financial Statements had been reviewed at a high level, however given the lack of time at the end Council does concede it needs to have the revaluations completed in a timely manner to allow more time to do the high level review well before the deadline.

Whilst Council did engage consultants to assist with its reconciliations, the Finance Manager did review this work but did not spend an adequate amount of time lining up the numbers. Although where variances were minor, it was decided that time would be spent on more pressing issues.

Again council staff did reconciliations but the quality review was somewhat ad hoc given the pressures on the finance team since the organisational restructure left two positions unfilled. This increased the pressure on the finance team to perform. Whilst consultants were employed in their place, they were not as efficient as trained staff that could be more relied upon to ensure the reconciliations were completed.

Council concedes that it did miss the timelines on more than one occasion. LG Solutions did not provide the shell accounts to Council until early July. The template was expected in May and this was LG Solutions planned timeframe.

### **Status**

Management undertaking corrective action.

## **1.5 FINANCIAL STATEMENTS – UNRESOLVED DISCLOSURES**

### **Observation**

As part of the review of the financial statements for the purposes of audit certification, a number of changes to Council financial statements were recommended. While Council made alterations to the financial statements for a number of these recommendations, the following items were not addressed:

- The table of unobservable inputs was incomplete in respect of the 'Buildings and Other Structures' class (fair value note);



- The apportionment of land and buildings between the fair value levels 2 and 3 is considered inconsistent with the nature of the assets in these classes;
- A variance of \$10,000 was noted in the value of 'purchase of property, plant and equipment' per the statement of cashflows, and the value disclosed in Note 14. It is understood this is a carried forward rounding error.

**Implications**

Council are not complying in all respects with the presentation requirements of the Australian Accounting Standards.

**Recommendation**

We recommend appropriate changes are made to the financial statement disclosures for the financial year ended 30 June 2015.

**Management response**

The unobservable inputs and fair value levels will be addressed in 2015 after a revaluation of Land and Buildings. The variance of \$10,000 was considered immaterial and therefore not addressed. Management will review this imbalance and aim to correct it in 2015.

**Status**

Management undertaking corrective action.

**NON-CURRENT ASSETS****1.6 INTEGRITY OF DEPRECIATION SCHEDULES****Observation**

Our preliminary review of the water assets depreciation schedule noted a number of formula errors. A more comprehensive review was undertaken by audit to assess how wide spread this issue was, which revealed the valuation of water assets was overstated by \$400,000. This was not considered material to the financial statements and has not been adjusted. Discussions with management during the audit attendance indicated this schedule had not been subject to a quality control review prior to being provided to audit.

**Implication**

There is a heightened risk that a material misstatement may occur due to the difficulties and limitations of accounting from property, plant and equipment in excel. A lack of access and security controls can result in data integrity issues.

The use of excel is likely to cause strain on Council resources with a significant amount of time required to update each year. Further to this, the audit process to review and check for accuracy is more time consuming when excel is used.

**Recommendation**

All workpapers and reconciliations provided to audit should be subject to a prior quality control review. Council may like to consider incorporating this into their internal audit plan, or establishing this as part of their engagement with external accounting consultants. We recommend Council also establish controls within excel based schedules (such as passwords or cell protection) to protect the integrity of this information.

### **Management response**

Council concedes the work paper did not undergo a sufficient review. Council plans to have the revaluations and schedules available for review much earlier to ensure a quality review is conducted prior to presentation to audit.

### **Status**

Management undertaking corrective action.

## **1.7 DEPRECIATION SCHEDULES – OTHER ASSETS**

### **Observation**

Testing performed over property, plant and equipment noted the following;

- Registers of Land, Buildings, Plant and Equipment, IT Facilities, Stormwater Facilities, Recreation Facilities and Refuse Facilities are maintained within Authority, as a result, it is not possible to accurately identify all movements within the asset class – i.e. asset additions, disposal, renewals and transfers;
- A reconciliation of these asset categories to the general ledger balance is not performed;
- Council maintains a number of separate movement schedules, however it is not always possible to agree these movements to the asset depreciation schedules.

This issue was also raised in conjunction with the 2013 audit however no action has been taken.

### **Implication**

Additional work was performed to validate the accuracy of the information provided. This included reconciliation of separate schedules, where possible, to validate the movements of the Authority schedules and a review of system generated depreciation calculations.

As a result audit review and reconciliation, discrepancies were noted the depreciation schedules. These discrepancies were not considered material to the financial statements.

### **Recommendation**

We recommend Council perform a reconciliation of asset depreciation schedules to the general ledger on, at minimum, an annual basis, and where necessary, provide linkage to additional schedules which support movements within each class.

### **Management Response - 2013**

Council will consider having additional reporting for its asset classes that are held within the software Authority such as Land and Land Improvements, Buildings and Other Structures, Recreation Facilities and Corporate and IT Assets. We will ensure this report details the movement within the asset classes to assist audit validation.

### **Management response**

It was intended that these reports would be written, however more pressing reports were prepared such as the budget report. Council does recognise the need for more adequate reporting tools to assist with these quality reviews of asset schedules and other modules.

Given the complexity of Authority it is difficult to use the excel wizard reporting function to prepare these reports without training and a significant amount of constant exposure to enhance reporting skills. Therefore Council may need to consider purchasing software to support this requirement.

The Finance Manager will need to prepare a report to Council detailing these requirements, and budget for this reporting tool.

**Status**

Management undertaking corrective action.

## **1.8 CONDITION ASSESSMENTS OF INFRASTRUCTURE ASSETS**

**Observation**

A formal condition assessment process is not undertaken in intervening years between comprehensive revaluations. A routine maintenance inspection process has been established however documentation of inspections and maintenance analysis is not formally documented.

**Implications**

In the absence of a formal condition assessment process, material impairment of Council assets may not be identified or reflected in the valuation of property, plant and equipment at 30 June 2014.

**Recommendations**

We recommend the current routine inspection process is reviewed to ensure consistency across all asset classes and departments. A summary of the routine maintenance outcomes should be documented formally and provided to Councils Engineers to incorporate into their annual valuation assessment.

**Management response**

The Engineering team is currently developing an asset management process to capture the condition ratings and other important information regarding infrastructure assets on a regular basis. Council is planning to develop a form to assist field staff with recording information. It is intended this form would then be passed on to the Engineering Department.

**Status**

Management undertaking corrective action.

## **1.9 CAPITAL WORKS - ROADS**

**Observation**

As part of our discussions with management regarding the asset capitalisation process, we noted an issue with the recognition and measurement of costs incurred in remediating flood damaged roads.

Through our discussions, it has been noted that Council does not have an established process in respect of the accounting treatment when assessing remediation

works performed on roads, whether part of planned capital maintenance projects, or due to unexpected damage from monsoonal activity. As a result, all costs incurred are capitalised, which is not always accompanied with a corresponding disposal of the pre-existing asset. The decision process to record a disposal, or to capitalise maintenance costs is not assessed and documented thoroughly with appropriate consideration given to Australian Accounting Standards and Non-current Asset Policies for Public Sector Entities.

It is important to note that while works to current road components alters or extends the useful life or service potential of that asset, this does not always result in the costs incurred qualifying for capitalisation under Australian Accounting Standards.

We do not perceive an issue in respect of road capitalisations in the current year. Additions in the 2014 year relate primarily to roads damaged in the 2012 event, which were written off at the time the damage was sustained. Roads damaged in the February 2014 event have been re-conditioned downwards as part of the comprehensive revaluation performed at 30 June 2014. As a result of this, different accounting treatment is applicable when costs to restore are incurred, which if not adhered to, expose Council to a number of risks in future reporting periods.

#### **Implication**

Council expenditure may be understated due to maintenance costs being capitalized, consequently overstating the gross values of affected roads. Should the current process for measuring and recognising road capital maintenance not be refined, the valuation of property, plant and equipment may be materially misstated in the financial statements.

In addition, internal project costing for remediation of roads may be an unreliable basis for determining future unit rates to be adopted as part of the asset revaluation process in instances where over-capitalisation has occurred.

#### **Recommendation**

We recommend Council review the current processes in relation to assessing remediation of roads. Specifically, regard should be given to Councils intention with the road, at the time of inspection. We have outlined below the treatment which we have discussed with management for future instances of road maintenance:

##### *Minor Damage*

This is the instance where minor damage has occurred to road components, and while the service potential and remaining useful life has declined, works carried out is to repair existing road components. The accounting treatment in this instance requires classification of costs of repairing as maintenance expenditure in the Statement of Profit and Loss and Other Comprehensive Income. When damage is first evidenced, the condition of the road should be assessed and any decline in value recorded through the ARS, to the extent that a previous balance exists. After the works have been carried out, the costs of which will pass through profit and loss, the road condition is to be assessed with an increment posted to the ARS to reflect the increase in service potential and condition of the road. Council needs to give appropriate consideration to a "betterment" component, which should be assessed for capitalisation.

##### *Major Damage*

This is an example of a road which has experienced significant damage, having little to no service potential if works are not carried out in the near future. At the time of the damage, whether through unexpected wear and tear or severe damage from monsoonal activity, the affected road component should be written off. The impact of such a write-off would pass through the Statement of Profit and Loss and Other Comprehensive



Income. Works carried out to bring the road back to its original condition (in some instances better than its original condition) are capitalised.

#### **Management response**

Again Council intends to include this in its asset management process. The Engineering team will develop a form and complete this form in their evaluation of the damage to the road. This documentation will then be provided to the finance team to ensure minor damage is accounted for correctly in future.

Regarding the 2014 NDRRA works, the finance team will liaise with its audit supervisor to ensure these works are treated correctly.

#### **Status**

Management undertaking corrective action.

### **1.10 ASSET CAPITALISATION POLICY**

#### **Observation**

Our review of additions to property, plant and equipment and WIP, noted internally generated expenditure (oncosts) had been capitalised as part of the asset value.

Our initial review of a sample of projects indicated approximately \$111,963 in oncosts had been capitalised the 2014 year, relating to both asset additions in the 2014 year, and also additions to WIP projects carried forward from previous reporting periods. Extrapolated over all asset and WIP additions for the year, the total oncosts are estimated at \$337,136.

Further scrutiny over Council's oncost matrix cast doubt over the appropriateness of the oncosts being capitalised and their relevance to the cost base of the asset. Whilst some oncosts appeared to have direct correlation to the asset, a number of additional oncost categories appear to be indirect costs of administrative nature.

#### **Implication**

In accordance with AASB 116 – Property, Plant and Equipment, general administration and other indirect overhead costs do not satisfy the capitalisation criteria, and as such should be expensed as incurred. The oncost categories of concern include but are not limited to, 'Workplace Health and Safety', 'Uniforms' and 'Training' as these types of expenditure generally do not have a specific link to capital projects.

As a result, Council have not complied with AASB 116 – Property, Plant, and Equipment and there is a risk of material misstatement of property, plant and equipment balances in the financial statements.

In connection with the above, Council are exposed to a number of additional risks;

- As part of the comprehensive revaluation performed by GHD during the year, unit rates that were based on internal costs have been reduced to ensure the rate was not inflated by internally generated oncosts. When establishing a revaluation methodology in future years, consideration will need to be given to the impact of oncosts if establishing unit rates based on historical costs to construct or acquire assets as the resultant impact of this is a potential overstatement to the valuation of property, plant, and equipment;

- Internally generated oncost revenue raised to offset the internally generated oncost expenditure has been allocated against materials and services expenditure in the financial statements. This has resulted in an understatement of materials and services expenditure.

### **Recommendation**

Based on our findings we make the following recommendations to Council;

- Council should familiarise themselves with the requirements of AASB 116 – Property, Plant and Equipment and Non-current Asset Policies for Public Sector Entities and revise Asset Management Plan the and oncost matrix accordingly;
- The above may require review of Council's current procedures in relation to the recognition of oncosts within Authority, and alteration to Authority's job costing system and reporting.

It is noted that the oncost matrix has been revised in the 2015 financial year and a number of administrative oncosts reduced or removed. We believe further refinement is necessary to ensure all indirect oncosts are removed from the oncost matrix, or an Asset Management Plan is established to ensure indirect oncosts are not included in the asset base when capitalised.

### **Management response**

It is intended that the oncosts will be further revised in the next budget to eliminate any overheads currently being recovered.

### **Status**

Management undertaking corrective action.

## **1.11 REVALUATION OF ROAD, WATER & SEWERAGE ASSETS**

### **Observation**

Council engaged GHD to conduct a comprehensive revaluation of road network assets. Council appointed GHD in March 2014 however, significant delays were experienced in finalising the revaluation process. Final accounting entries were not processed until September 2014. It was noted that formal instructions were not provided to GHD at the commencement of the engagement in accordance with the Non-current Asset Policies for the Queensland Public Sector. Furthermore, an effective quality control process was not established to ensure the accuracy and reliability revaluation results.

Council conducted a desktop revaluation of water and sewerage assets, however failed to assess the movement of the relevant index in a timely manner. As such, this process was conducted post year end and significant input was required from Crowe Horwath in relation to this process, and the documentation requirements.

### **Implication**

The delays experienced in the revaluation process were a contributing factor in Council's inability to meet agreed upon audit milestones. This has also placed strain on key Council staff involved in the revaluation process which impacted on the timely completion of other end of year procedures.

### **Recommendation**

Council should review the requirements of the Non-current Asset Policies for the Queensland Public Sector and implement formalised procedures when performing asset revaluations.

Additionally, milestones should be set to ensure the timely completion of revaluation procedures, including sufficient time for a quality control review of revaluation results and accounting entries.

#### **Management response**

It is planned that future revaluations will be done in a timely manner. It is envisaged that these will be commenced in the first half of the financial year to ensure adequate review prior to the deadlines.

The finance team will review the requirements of the Non-current Asset Policies for the Queensland Public Sector and incorporate these in the asset management policy.

#### **Status**

Management undertaking corrective action.

### **EXPENDITURE AND PAYABLES**

#### **1.12 UNINVOICED CREDITORS CONTROL ACCOUNT**

##### **Observation**

In connection with our review of the balance of the 'Uninvoiced Creditors Control Account' it was noted the balance of this account did not accurately reflect the actual balance of uninvoiced creditors at year end. Further review completed by Council indicated approximately \$113,432 of orders listed on this report had been received and invoiced prior to year end.

We understand this was a result of processing errors made during the goods receipt and invoice entry process. This issue was also raised in our final audit management letter in 2013 and was not resolved by Council.

##### **Implication**

As a result of the above the balance of trade and other payables has been overstated. The approximate balance of errors identified, \$113,432, is below audit materiality, and as such this has not been adjusted at balance date.

##### **Recommendation**

Based on the above we make the following recommendations to Council;

- Corrective action be taken to reverse the balance of this account during the 2015 year;
- Staff training may be necessary to ensure goods received and invoice entry is accurate;
- An independent officer should perform a review/reconciliation of this balance at year end.

##### **Management Response - 2013**

Council performs a number of reconciliations to ensure its modules are in balance. It was noted some time ago that the goods receipt module showed an imbalance. This was not something that Council had done but rather a software issue. Council are aware of this problem.

We have just received an advice from the software supplier stating that they expect this issue will be resolved in April. Some of these errors will be fixed automatically, but others will involve a manual fix which will be done by finance staff. The finance team will then develop a process to follow when the goods receipt module goes out of balance.

We expect this will be resolved by June 2014.

**Management response**

Council has now upgraded to version 6.9 of Authority so we expect to be able to complete this in the current financial year. In the previous financial year it was planned to upgrade to the new version, however this did not eventuate.

Again some of these errors will be fixed automatically, but others will involve a manual fix which will be done by finance staff. The finance team will then develop a process to follow when the goods receipt module goes out of balance.

**Status**

Management undertaking corrective action.

## **2 LOW RISK ISSUES**

### **PRESCRIBED REQUIREMENTS**

#### **2.1 POLICIES**

##### **Observation**

During our audit procedures we noted a number of policies which were outdated, or past their review date. Specifically, the following policies were evidenced:

- Debt policy (incomplete)
- Asset Management Plan (last updated in 2011)

Furthermore, it was noted that Council's website contains outdated versions of a number of policies.

##### **Implication**

Council is not complying with the requirements of the *Local Government Regulation 2012* which specifically requires Council to give effect to these policies.

In the absence of an Asset Management Plan Council's intentions in relation to property, plant and equipment are not clearly documented, including maintenance plans and revaluation processes. This may result in inconsistencies in Council's asset management procedures or non-compliance with AASB 116 Property, Plant and Equipment and Non-current Asset Policies for the Queensland Public Sector.

##### **Recommendation**

We recommend Council review all policies and update as necessary. Council's website should be updated to include current versions of all relevant policies.

##### **Management response**

Council plans to update both policies in the current financial year.

##### **Status**

Management undertaking corrective action.

#### **2.2 PREFERRED SUPPLIER ARRANGEMENTS**

##### **Observation**

Whilst reviewing Council's procurement policy we note that quotations are not required if purchases are from 'preferred suppliers'. It is our understanding that a tender process has not been undertaken to establish a supplier as 'preferred', furthermore, a listing of preferred suppliers has not been collated and approved by Council.

##### **Implication**

Council's procurement controls are being bypassed under the guise that purchases are being made from preferred supplier. Purchases can be made that are considered medium or large contracts, and Local Government legislation is not being complied with. Furthermore,



conflicts of interest may not be identified or are at risk of being overlooked as normal Council procurement does not apply to such arrangements.

### **Recommendation**

We recommend Council undertake an appropriate tender process to ensure all preferred supplier arrangements' are made in accordance with Local Government legislation. Appropriate consideration should be given to changes introduced by the *Local Government Regulation 2012*.

### **Management response**

In many instances staff are using this quote when purchasing products from the local stationary shop. Although the yearly purchases from this shop may exceed \$15,000, which might mean Council should go to tender for these items, I feel it may be also important to review our procurement policy to include Council's direction to purchase locally where possible.

On many occasions Council needs items and it needs them now, so they are purchased from local suppliers. We simply do not find it operational to hold vast stocks of all items.

The finance team plans to review its procurement policy thoroughly in the current financial year and will refine the terminology used where there is a sole supplier in town.

### **Status**

Management undertaking corrective action.

## **INFORMATION SYSTEMS – OTHER**

### **2.3 GENERAL JOURNAL ENTRIES**

#### **Observation**

As part of our review over general journal entries processed in Civica we noted that journal entries are not reviewed and authorised prior to processing. Our review also indicated that in most circumstances supporting documentation for general journal entries is minimal.

#### **Implication**

General journal entries by nature involve an element of risk as the internal control environment can be bypassed resulting in undetected errors. A sound control environment is necessary to ensure that the risk of management override of controls is appropriately mitigated.

The authorisation function is critical to ensure any unauthorised or incorrect entries are not processed in the accounting system. The authorisation function should be as frequent as necessary to ensure reports extracted from the system are accurate and complete. The authorisation function should incorporate a review of the supporting documentation to ensure the journal is accurate and appropriate.

**Recommendation**

We recommend a review and authorisation function over general journal entries is devised and implemented. As part of this process the sufficiency and appropriateness of supporting documentation should be reviewed.

**Management response**

The finance manager has no officer qualified to authorise the journals. Many of the journals are prepared from a spreadsheet and are automated. Often when other staff are preparing journals they have consulted with the finance manager prior to the journal being done.

We will ensure that adequate supporting documentation is attached to journals wherever possible.

**Status**

Management undertaking corrective action.

**2.4 MASTERFILE CHANGES****Observation**

As part of our audit procedures it was noted that there is currently no review and authorisation function in relation to masterfile changes within the modules of creditors, revenue (rates and debtors) and payroll.

Further, it was noted that a masterfile changes report does not exist within Civica to assist in this process.

**Implication**

Review and authorisation of changes made within masterfiles constitutes an effective control over relevant modules and safeguards the integrity of the information system by ensuring that any errors or unauthorised changes are detected.

A masterfile changes report will assist in this process as it will enable all changes within a specified period to be reviewed collectively, rather than on an individual basis which given the volume of transactions may be inefficient or impractical.

**Recommendation**

We recommend you liaise with Civica to develop a masterfile changes report for the rates, debtors, payroll and creditors modules. Once developed, we recommend that this report is generated and reviewed on a regular basis, ideally monthly, to ensure accuracy and appropriateness of changes. The report should also be signed by the reviewer as evidence of this.

**Management response**

My understanding is significant work would be involved in this process. The finance team will consult with Civica on this matter and see if there is any existing reports that will assist with this process.

**Status**

Management undertaking corrective action.

## **2.5 USER ACCESS PERMISSIONS**

### **Observation**

Review of current Civica access rights identified a number of terminated staff whose Ciica profiles and access permissions had not been deactivated.

### **Implications**

Where access rights are not kept up to date, staff members may have access to unauthorised modules or information within Civica, including the ability to access these modules through the profiles of terminated staff members.

### **Recommendations**

We recommend the user access rights listing is reviewed and updated accordingly. Further, we recommend a process is developed whereby when a staff member is terminated, the IT department is notified and these user profiles terminated.

### **Management response**

The IT Officer is developing a process of ensuring this occurs in future. Also it is intended that regular reviews will be conducted to keep the database current.

### **Status**

Management undertaking corrective action.

## **2.6 BUSINESS CONTINUITY PLAN**

### **Observation**

Council's current business continuity plan is outdated, and contains references to staff which are no longer employed by Council.

### **Implications**

A business continuity plan assists in ensuring that responsibilities have been appropriately allocated and tested, to ensure Council operations can be restored as efficiently as possible in the event of an emergency. Where this plan is out of date, Council may be at risk of loss or damage where responsibilities have not been appropriately allocated.

### **Recommendations**

We recommend the business continuity plan is updated as soon as possible.

### **Management response**

The IT Officer is working currently on getting this plan updated. We expect this will be completed in the current financial year.

### **Status**

Management undertaking corrective action.

## **EXPENDITURE AND PAYABLES**

### **2.7 CORPORATE CREDIT CARDS**

#### **Observation**

Testing performed over a sample of six credit card statements noted a number of instances where adequate supporting documentation was not retained to support credit card purchases.

Furthermore, there is no evidence of independent review monthly credit card statements.

#### **Implication**

In providing supporting documentation for the credit card charges each month, cardholders are evidencing their expenditure as true, reasonable and appropriate for payment. If the supporting documentation is not provided, Council may incur a liability for personal or fraudulent charges. This risk is increased where an independent review of monthly charges is not performed.

#### **Recommendation**

We recommend all receipts/invoices be provided to the finance team as support of all charges incurred on each credit card. Furthermore, management should consider implementing a review process to ensure monthly credit card statements are independently reviewed and verified.

#### **Management response**

The finance team will review its processes and follow up on any outstanding paperwork with the relevant officers.

#### **Status**

Management undertaking corrective action.

## **CASH**

### **2.8 BANK RECONCILIATION DISCREPENCY**

#### **Observation**

A discrepancy was noted in the bank reconciliation of the general account performed at 30 June 2014. The general ledger balance stated on the reconciliation varied to the closing general ledger balance recorded in the financial statements. It is our understanding that due to the 'live' nature of Authority, a hard close of accounts at year end is not possible.

This issue was also raised in the prior year, however Council failed to conduct an adequate reconciliation at year end.

#### **Implication**

Bank reconciliations may not provide an accurate reflection of the available balance of cash. This may result in inaccurate reporting for management purposes and unreliable end-of year statutory financial statements.

**Recommendation**

We recommend a comprehensive reconciliation is performed at end of year to reconcile the closing balance per the year end bank statement to the general ledger balance of available cash on hand.

**Management Response - 2013**

We acknowledge the minor variance in the GL balance to the bank reconciliation. Our issues here are the live updates done within the finance system where it is necessary to post back updates. For example payroll had updated a payment but it had not debited the bank statement until July which caused the variance.

Council is working to clear its statement entries from bank reconciliation prior to the end of the year. We have asked the software provider Civica for their best practice approach for balancing at the end of the financial year.

**Management response**

Unfortunately the cash balance changes and given the live nature it is difficult to report the exact balance at feature dates. The finance manager did conduct a review and the variance was around \$13,000, therefore considered immaterial.

The bank reconciliation did balance at 30 June and a screen print of the GL was done to prove the balance.

As some transactions occur in July that affects the prior year balance, the Authority Bank Reconciliation report will not show retrospective reports so this is difficult for the finance team.

The bank reconciliation always balances, and when it does not an immediate call is logged with the software provider to fix the issue. The difficulty is in balancing retrospectively.

Of course Council will look at improving its process in future.

**Status**

Management undertaking corrective action.

**EMPLOYEE BENEFITS AND PROVISIONS****2.9 PAYROLL RECONCILIATION****Observation**

A reconciliation between the payroll module in Authority and the general ledger was not provided to audit to support the balance of employee expenses recorded in the financial statements.

This issue was also raised in our 2013 management letter.

**Implication**

To validate the completeness of employee benefits expense in the financial statements this reconciliation was performed during the onsite attendance, which proved to be a time



consuming exercise. A minor variance was noted, however this was not considered material to the audit.

### **Recommendation**

We recommend a reconciliation of the payroll module and general ledger is performed annually at balance date to validate completeness of employee benefits expense recorded in the financial statements. The reconciliation should include supporting documentation for all reconciling adjustments.

### **Management Response - 2013**

Council notes this recommendation and will refine its workpapers.

### **Management response**

It seems there has been a misunderstanding regarding what is required at audit. As finance now understands the requirements, this should not be difficult in future.

### **Status**

Management undertaking corrective action.

## **2.10 EXCESSIVE LEAVE BALANCES**

### **Observation**

During our review of employee provisions we identified thirteen employees (2013: thirteen) with excessive annual leave and thirteen employees (2013: twelve) with excessive long service leave.

For the purpose of our testing, accrued annual leave of two years entitlement (375hours), and accrued long service leave of thirteen weeks (487.5hours) was considered excessive.

### **Implication**

The existence of excessive leave balances is a concern for the following reasons:

- As an employees salary increases, Council will incur additional costs as employees will have to be paid their accrued leave entitlements at the higher rate of pay;
- The benefits of job rotation may be lost due to staff not needing to be replaced where they don't take annual leave;
- Possible workplace health and safety issues with employees not taking their leave and a consequent increased risk of stress related illness;
- Fraud risks are associated with an employee's reluctance to take unused leave.

### **Recommendation**

We recommend employees with excessive leave balances be encouraged to take leave, or be paid out their leave in order to reduce their entitlement balance to an acceptable level. Those employees with an extremely high balance should negotiate a plan with Council to reduce their unused entitlements to an acceptable level.

### **Management Response - 2013**

Council notes your comments. Under the new award agreement there is discussion about a provision to pay out employees with excessive leave balances. If the legislation is changed Council will review these excessive leave balances at that time.

If is difficult in small remote Councils where there is no back up of technical skills for some of these employees with excessive balances to use their leave.

**Management response**

Again Council notes your comments. Under the new award agreement there is discussion about a provision to pay out employees with excessive leave balances. If the legislation is changed Council will review these excessive leave balances at that time.

If is difficult in small remote Councils where there is no back up of technical skills for some of these employees with excessive balances to use their leave.

**Status**

Management undertaking corrective action.

## **2.11 RECONCILIATION OF EMPLOYEE BENEFITS SCHEDULES**

**Observation**

A discrepancy was noted between the general ledger balance of accrued employee entitlements and the supporting schedules. As part of the year of year process a reconciliation of the schedule and general ledger was not performed.

**Implication**

The total variance across annual and long service leave was \$33,951 which was not considered material to the financial statements. Where an accurate reconciliation is not performed, the completeness of accrued employee entitlements may be at risk.

**Recommendation**

We recommend a reconciliation of the payroll module and general ledger is performed annually at balance date to validate completeness of employee benefits expense recorded in the financial statements. The reconciliation should include supporting documentation for all reconciling adjustments.

**Management response**

Council notes your comments whilst the balances were correct, when the superannuation was changed to 12% it changed the figures and the finance team did then not do the journal to balance the accounts. A step in the process was missed. It is noted and in future a reconciliation will be performed where an adjustment is made.

**Status**

Management undertaking corrective action.

Your ref:  
Our ref: 2014-4047  
Mr Brendan Macrae 3149 6118

18 November 2014

Councillor G Jones  
Mayor  
Flinders Shire Council  
PO Box 274  
HUGHENDEN QLD 4821

Dear Councillor Jones

**General Purpose Financial Statements—2013–14**  
**Current-year Financial Sustainability Statement – 2013-14**

- Flinders Shire Council

I enclose for your information a copy of the certified General Purpose Financial Statements as required by s.40(4) of the *Auditor-General Act 2009* and the certified Current-year Financial Sustainability Statement. The original certified statements were returned to the Chief Executive Officer.

I have issued unmodified audit opinions. However, consistent with all other councils, I have included an emphasis of matter in the auditor's report on the current-year financial sustainability statement to highlight the use of the special purpose basis of accounting.

Yours sincerely



Brendan Macrae  
Director

Enc.

# Flinders Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2014

1. STATEMENT OF FINANCIAL PERFORMANCE 2. STATEMENT OF FINANCIAL POSITION 3. STATEMENT OF CHANGES IN EQUITY 4. STATEMENT OF CASH FLOWS 5. NOTES TO THE FINANCIAL STATEMENTS 6. SUPPLEMENTARY INFORMATION

*Shire of Flinders*



**General Purpose Financial Statements**  
for the year ended 30 June 2014

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**Overview**

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Flinders Shire Council.
  - (ii) All figures presented in these financial statements are presented in Australian Currency.
  - (iii) These financial statements were authorised for issue by the Council on 30/10/14.  
Council has the power to amend and reissue the financial statements.
-



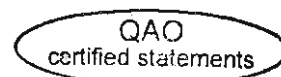
**Statement of Comprehensive Income**  
for the year ended 30 June 2014

\$ '000	Notes	2014	2013
<b>Income</b>			
<b>Revenue</b>			
Recurrent Revenue			
Rates, Levies and Charges	3a	3,434	3,155
Fees and Charges	3b	1,011	1,016
Rental Income	3c	146	92
Interest & Investment Revenue	3d	489	325
Sales Revenue	3e	15,041	22,957
Other Income	3f	215	635
Grants, Subsidies, Contributions & Donations	4a	4,102	6,481
<b>Total Recurrent Revenue</b>		<b>24,438</b>	<b>34,661</b>
Capital Revenue			
Grants, Subsidies, Contributions & Donations	4b	20,445	10,335
<b>Total Revenue</b>		<b>44,883</b>	<b>44,996</b>
Capital Income	5	80	138
<b>Total Income</b>		<b>44,963</b>	<b>45,134</b>
<b>Expenses</b>			
Recurrent Expenses			
Employee Benefits	6	8,118	6,420
Materials and Services	7	12,156	18,474
Finance Costs	8	27	14
Depreciation and Amortisation	9	5,237	5,242
<b>Total Recurrent Expenses</b>		<b>25,538</b>	<b>30,150</b>
Capital Expenses	10	1,534	-
<b>Total Expenses</b>		<b>27,072</b>	<b>30,150</b>
<b>NET RESULT</b>		<b>17,891</b>	<b>14,984</b>
<b>Other Comprehensive Income</b>			
Amounts which will not be reclassified subsequently to the Net Result			
Increase / Decrease in Asset Revaluation Surplus	19	21,358	(23)
<b>Total Other Comprehensive Income</b>		<b>21,358</b>	<b>(23)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>39,249</b>	<b>14,961</b>

# Flinders Shire Council

## Statement of Financial Position as at 30 June 2014

\$ '000	Notes	2014	2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	11	11,866	6,082
Trade & Other Receivables	12	7,615	8,623
Inventories	13	363	415
<b>Total Current Assets</b>		<b>19,844</b>	<b>15,120</b>
<b>Non-Current Assets</b>			
Property, Plant & Equipment	14	203,644	163,998
<b>Total Non-Current Assets</b>		<b>203,644</b>	<b>163,998</b>
<b>TOTAL ASSETS</b>		<b>223,488</b>	<b>179,118</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & Other Payables	16	5,249	1,214
Borrowings	22	86	-
Provisions	18	188	228
<b>Total Current Liabilities</b>		<b>5,523</b>	<b>1,442</b>
<b>Non-Current Liabilities</b>			
Trade & Other Payables	16	271	190
Borrowings	17	914	-
Provisions	18	561	516
<b>Total Non-Current Liabilities</b>		<b>1,746</b>	<b>706</b>
<b>TOTAL LIABILITIES</b>		<b>7,269</b>	<b>2,148</b>
<b>NET COMMUNITY ASSETS</b>		<b>216,219</b>	<b>176,970</b>
<b>COMMUNITY EQUITY</b>			
Asset Revaluation Surplus	19	108,732	87,374
Retained Surplus/(Deficiency)	20	107,487	89,596
<b>TOTAL COMMUNITY EQUITY</b>		<b>216,219</b>	<b>176,970</b>



**Statement of Changes in Equity**  
for the year ended 30 June 2014

\$ '000	Asset Revaluation Surplus	Retained Surplus	Total Equity
<b>2014</b>			
<b>Opening Balance as at 30 June 2013</b>	<b>87,374</b>	<b>89,596</b>	<b>176,970</b>
<b>a. Net Operating Surplus for the Year</b>		<b>17,891</b>	<b>17,891</b>
<b>b. Other Comprehensive Income</b>			
- Increase / Decrease in Asset Revaluation Surplus	19	21,358	21,358
<b>Total Comprehensive Income</b>	<b>21,358</b>	<b>17,891</b>	<b>39,249</b>
<b>EQUITY BALANCE AS AT 30 JUNE, 2014</b>	<b>108,732</b>	<b>107,487</b>	<b>216,219</b>

\$ '000	Asset Revaluation Surplus	Retained Surplus	Total Equity
<b>2013</b>			
<b>Opening Balance as at 30 June 2012</b>	<b>87,397</b>	<b>74,612</b>	<b>162,009</b>
<b>a. Net Operating Surplus for the Year</b>		<b>14,984</b>	<b>14,984</b>
<b>b. Other Comprehensive Income</b>			
- Increase / Decrease in Asset Revaluation Surplus	19	(23)	(23)
<b>Total Comprehensive Income</b>	<b>(23)</b>	<b>14,984</b>	<b>14,961</b>
<b>EQUITY BALANCE AS AT 30 JUNE, 2013</b>	<b>87,374</b>	<b>89,596</b>	<b>176,970</b>

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# Flinders Shire Council

## Statement of Cash Flows for the year ended 30 June 2014

\$ '000	Notes	2014	2013
<b>Cash Flows from Operating Activities</b>			
Receipts from Customers		20,765	24,874
Payments to Suppliers and Employees		(16,157)	(25,468)
		4,608	(594)
<b>Receipts:</b>			
Investment & Interest Revenue Received		489	325
Rental Income		146	92
Non Capital Grants & Contributions		4,102	6,481
<b>Payments:</b>			
Borrowing Costs		(27)	(14)
<b>Net Cash - Operating Activities</b>	25	<b>9,318</b>	<b>6,290</b>
<b>Cash Flows from Investing Activities</b>			
<b>Receipts:</b>			
Sale of Property, Plant & Equipment		384	898
Grants, Subsidies, Contributions & Donations		20,445	10,335
<b>Payments:</b>			
Purchase of Property, Plant & Equipment		(25,363)	(21,707)
<b>Net Cash - Investing Activities</b>		<b>(4,534)</b>	<b>(10,474)</b>
<b>Cash Flows from Financing Activities</b>			
<b>Receipts:</b>			
Proceeds from Borrowings & Advances		1,000	-
<b>Payments:</b>			
Nil		-	-
<b>Net Cash Flow - Financing Activities</b>		<b>1,000</b>	<b>-</b>
<b>Net Increase/(Decrease) for the year</b>		<b>5,784</b>	<b>(4,184)</b>
plus: <b>Cash &amp; Cash Equivalents - beginning</b>		<b>6,082</b>	<b>10,266</b>
<b>CASH AND CASH EQUIVALENTS CLOSING</b>	11	<b>11,866</b>	<b>6,082</b>

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## Notes to the Financial Statements

for the year ended 30 June 2014

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# Flinders Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2014

### Note 1. Significant Accounting Policies

#### 1A Basis of preparation

These general purpose financial statements are for the period 1 July 2013 to 30 June 2014 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*. Consequently, these financial statements have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board.

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

#### 1B Statement of Compliance

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

#### 1C Constitution

The Flinders Shire Council is constituted under the Queensland *Local Government Act 2009* and is domiciled in Australia.

#### 1D 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.

#### 1E Currency

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

#### 1F 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:

- Impairment of receivables – Note 1J and Note 12
- Valuation and depreciation of property, plant and equipment - Note 1L and Note 14;
- Impairment of non-current assets - Note 1M;
- Provisions - Note 1P and 1R and Note 18; and
- Contingencies - Note 22.

#### 1G Revenue

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

##### Rates and levies

Where rate monies are received prior to the commencement of the rating/levying period, the amount is recognised as revenue in the period in which they are received, otherwise rates are recognised at the commencement of the rating period.

##### Grants and subsidies

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

# Flinders Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2014

### Note 1. Significant Accounting Policies (continued)

restrictions that have been placed on Council's cash and cash equivalents are disclosed in Note 11.

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

#### Non-cash contributions

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

#### Rental income

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

#### Interest

Interest received from term deposits is accrued over the term of the investment.

#### Sales revenue

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

Council generates revenues from services including contracts for road and earthworks. Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. Contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity. Where consideration is received for the service in advance it is included in other liabilities and is recognised as revenue in the period when the service is performed.

#### Fees and Charges

Fees and charges are recognised upon unconditional entitlement to the funds. Generally this is upon lodgement of the relevant applications or

documents, issuing of the infringement notice or when the service is provided.

### 1H 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.

Flinders Shire Council has categorised and measured the financial assets and financial liabilities held at balance date as follows:

#### Financial assets

- Cash and cash equivalents (Note 1I); and
- Receivables - measured at amortised cost (Note 1J).

#### Financial liabilities

- Payables - measured at amortised cost (Note 1O); and
- Borrowings – measured at amortised cost (Note 1Q).

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

### 1I 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 and highly liquid investments with original maturities of six months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 1J Receivables

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

# Flinders Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2014

### Note 1. Significant Accounting Policies (continued)

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.

Because Council is empowered under the provisions of the *Local Government Act 2009* to sell an owner's property to recover outstanding rate debts, Council does not impair any rate receivables.

#### 1K Inventories

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

Inventories held for distribution are:

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

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

Land acquired by Council with the intention of reselling it (with or without further development) is classified as inventory. This land is valued at the lower of cost or net realisable value. As an inventory item, this land held for resale is treated as a current asset. Proceeds from the sale of this land will be recognised as sales revenue on the signing of a valid unconditional contract of sale.

#### 1L Property, Plant & 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 \$10,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

The class and useful lives of property, plant and equipment recognised by the Council are:

- Land and Land Improvements – not depreciated;
- Buildings and Other Structures – 10-100 Years;
- Plant and Equipment – 3-5 Years;
- Recreation Facilities – 5-70 Years;
- Corporate and IT – 3-50 Years;
- Road Network – 10-100 Years;
- Water Network – 20-100 Years;
- Sewer Network – 5-60 Years;
- Stormwater Drainage Network – 50 Years;
- Waste / Landfill - 5 Years; and
- Work in Progress – not depreciated.

#### 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 fair value by Council valuation where that value exceeds the recognition thresholds for the respective asset class. Fair value is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

#### Capital and operating expenditure

Wage and materials expenditure incurred 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 is expensed as incurred, while expenditure that relates

# Flinders Shire Council

## Notes to the Financial Statements for the year ended 30 June 2014

### Note 1. Significant Accounting Policies (continued)

to replacement of a major component of an asset to maintain its service potential is capitalised.

#### Valuation

Land and Land Improvements, Buildings and Other Structures, Recreation Facilities, Road Network, Water Network, Sewer Network and Stormwater Drainage Network assets are measured on the revaluation basis, at fair value, in accordance with AASB 116 *Property, Plant & Equipment* and AASB 13 *Fair Value Measurement*. Plant and Equipment, Corporate and IT, Waste/Landfill and Work in Progress are measured at cost.

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by comprehensively revaluing these assets at least once every five years. This is achieved by engaging an independent, professionally qualified valuer to determine the fair value for each class of property, plant and equipment. This process involves physically sighting a representative sample of Council assets and making assessments of the condition of the assets at the date of inspection.

In the intervening years, Council uses internal engineers and asset managers to assess the condition and cost assumptions associated with all infrastructure assets, the results of which are considered in combination with an appropriate cost index for the region.

An analysis performed by management has indicated that, on average, the variance between an indexed asset value and the valuation by an independent valuer when performed is not significant and the indices used by Council are sound. Further details in relation to valuers, the methods of valuation and the key assumptions used are disclosed in Note 15.

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 to that asset class.

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

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

Details of valuers and methods of valuations are disclosed in Note 15.

#### Work in progress

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

#### Depreciation

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

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

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

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

The depreciable amount of improvements to or on leasehold land is allocated progressively over the estimated useful lives of the improvements to the



# Flinders Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2014

### Note 1. Significant Accounting Policies (continued)

Council or the unexpired period of the lease, whichever is the shorter.

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

#### Land under roads

Land under roads acquired before 30 June 2008 is recognised as a non-current asset where the Council holds title or a financial lease over the asset. The Flinders Shire Council currently does not have any such land holdings.

Land under the road network within the Council area that has been dedicated and opened for public use under the *Land Act 1994* or the *Land Title Act 1994* is not controlled by Council but is controlled by the State pursuant to the relevant legislation. Therefore this land is not recognised in these financial statements.

#### **1M Impairment of Non-Current Assets**

Each non-current physical and intangible asset and group of assets is assessed for indicators of impairment annually. If an indicator of possible impairment exists, the Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs to sell or its value in use.

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

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

#### **1N Leases**

Leases where substantially all the risks and benefits remain with the lessor are classified as operating leases.

#### Operating leases

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

#### **1O Payables**

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

#### **1P Liabilities - Employee Benefits**

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

# Flinders Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2014

### Note 1. Significant Accounting Policies (continued)

#### Wages and salaries

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

#### Annual leave

A liability for annual leave is recognised. Amounts expected to be settled within 12 months (the current portion) are calculated on current wage and salary levels and includes related employee on-costs. Amounts not expected to be settled within 12 months (the non-current portion) 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 and is reported in Note 16 as a payable.

#### Superannuation

The superannuation expense for the reporting period is the amount of the contribution the Council makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 23.

#### Long service leave

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

#### **1Q Borrowings and borrowing costs**

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

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

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

#### **1R Restoration Provision**

A provision is made for the cost of restoration in respect of refuse dumps where it is probable the Council will be liable, or required, to incur such a cost on the cessation of use of these facilities. The provision is measured at the expected cost of the work required; discounted to current day values using the Commonwealth Government guaranteed securities with a maturity date corresponding to the anticipated date of the restoration.

#### Refuse dump 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. Because of the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. The provision recognised for dump sites is reviewed at least annually and updated based on the facts and circumstances available at the time.



# Flinders Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2014

### Note 1. Significant Accounting Policies (continued)

As refuse dumps are on state reserve 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.

#### 1S Asset Revaluation Surplus

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

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

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

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

#### 1T Retained Surplus

In reference to the comparative figures for the year ended 30 June 2014, this represents the amount of Council's net funds not set aside in reserves to meet specific future needs.

#### 1U National Competition Policy

The Council has reviewed its activities to identify its business activities. Details of these activities are disclosed in Note 29.

#### 1V Rounding and Comparatives

Amounts included in the financial statements have been rounded to the nearest \$1,000.

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

#### 1W Trust funds held for outside parties

Funds held in the trust account on behalf of outside parties include those funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies (e.g. wages) paid into the trust account by the Council. The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements.

The monies are disclosed in the notes to the financial statements for information purposes only in Note 24.

#### 1X Taxation

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

#### 1Y Adoption of New and Revised Accounting Standards

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies. However, the application of AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* for the first time this year has resulted in greater disclosures.

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

# Flinders Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2014

### Note 1. Significant Accounting Policies (continued)

#### Effective 1 January 2017:

- AASB 9 Financial Instruments (December 2009)

#### Effective 1 January 2014:

- AASB 1031 - Materiality
- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

#### Effective 1 July 2014:

- AASB 1055 Budgetary Reporting
- AASB 2013-1 Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements
- Interpretation 21 Levies

#### Effective 1 January 2015:

- 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (December 2009)
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2009)

#### Operative Dates

- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework Materiality and Financial Instruments  
[Operative dates: Part A Conceptual Framework – 20 Dec 2013; Part B Materiality – 1 Jan 2014; Part C Financial Instruments – 1 Jan 2015]
- 2014-1 Amendments to Australian Accounting Standards  
[Operative dates: Part A Annual Improvements 2010-2012 and 2011-2013 Cycles – 1 Jul 2014; Part B Defined Benefit Plans: Employee Contributions (Amendments to AASB 119) – 1 Jul 2014; Part C Materiality – 1 Jul 2014; Part D Consequential Amendments arising from AASB 14 – 1 Jan 2016; Part E Financial Instruments – 1 Jan 2015]

#### AASB 9 Financial Instruments (effective from 1 January 2015)

AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*, is effective for reporting periods beginning on or after 1 January 2015 and must be applied retrospectively. The main impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories: fair value and amortised cost and financial assets will only be able to be measured at amortised cost where very specific conditions are met.

## Flinders Shire Council

### Notes to the Financial Statements for the year ended 30 June 2014

#### Note 2(a). Council Functions - Component Descriptions

Details relating to the Council's functions / activities as reported in Note 2(b) are as follows:

##### OUR GOVERNANCE

We will work as a team and act with pride, accountability, transparency and integrity to deliver services to our residents. This function includes the following:

- Elected Members, Corporate Operations, Shire Office, Statutory Requirements;
- Finance, Rates, Information Technology, Risk Management, Employee Housing;
- Employee Provisions, Human Resources, Workplace Health and Safety, Animal Control; and
- Engineering Technical Services, Store and Procurement, Plant, Workshop and Depot Operations.

##### OUR ECONOMY

We will approach all business aspects of the Shire in a manner that promotes growth and sustainability to achieve the best possible outcome. This function includes the following:

- Airports, Caravan Park, Saleyards, Cemeteries, Mitez Projects and Hann Highway Development;
- Main Roads Contracts, Private Works, Town Planning, Meatworks, Industrial Estate Development; and
- Area Promotion, Flinders Discovery Centre, Interpretive Signage, Porcupine Gorge Challenge, Tourism.

##### OUR ENVIRONMENT

We will provide stewardship to maintain, protect and enhance our natural environment whilst supporting new and existing industries. This function includes the following:

- Pest/Vermin Destruction and Land Management.
- Refuse Collection & Disposal, Environmental Health and Noxious Weeds Control.

##### OUR COMMUNITY

We will work with our community to provide an appealing lifestyle with the available resources to build a healthy, happy and caring community. This function includes the following:

- Our Library, Community Bus, Centrelink Services, Arts & Culture, Emergency Services (SES);
- Swimming Pool, Racecourse, Skate Park, Showgrounds, Community Development, Community Grants;
- Hughenden Centre for the Aged, Aged Housing, Halls & Community Centres;
- Home and Community Care Over 65's, Meals on Wheels, Disability Services, CACPs, EACH, Veterans;
- Personal Helpers and Mentors Program (SOLAS), QCCS Under 65's; and
- TV & Radio Services, Street Lighting, Public Conveniences, Parks, Gardens and Reserves.

##### OUR INFRASTRUCTURE

We will aim to continuously improve products, services and processes through sustainable management of Council's core assets. This function includes the following:

- Shire Roads, Town Streets, Stormwater Drainage, Water Services and Sewer Services.

##### OUR RESOURCES

This function includes the following:

- Rural Lands Stock Routes, Pest and Vermin Destruction, Irrigation Project and Flinders River Water Forum.

# Flinders Shire Council

## Notes to the Financial Statements for the year ended 30 June 2014

### Note 2(b). Analysis of Results by Function

Functions - for the year ended 30 June 2014	Gross Program Income					Gross Program Expenses		Total Income	Total Expenses		Net Result from Recurring Operations	Net Result	Total Assets
	Recurring		Capital		Other	Recurring			Capital				
	Grants	Other	Grants	Other		2014	2014	2014	2014	2014	2014	2014	2014
	\$'000	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014
Our Governance	2,551	3,137	-	-	-	(6,850)	(6,850)	5,688	-	(6,850)	(1,162)	(1,162)	33,577
Our Economy	-	15,278	8,320	-	-	(13,174)	(13,174)	23,598	(1,333)	(14,507)	2,104	9,091	13,586
Our Environment	19	1,346	-	-	-	(1,065)	(1,065)	1,365	-	(1,065)	300	300	376
Our Community	1,070	517	60	-	-	(3,702)	(3,702)	1,647	(201)	(3,903)	(2,115)	(2,256)	21,293
Our Infrastructure	462	-	12,065	80	-	(637)	(637)	12,607	-	(637)	(175)	11,970	154,656
Our Resources	-	58	-	-	-	(110)	(110)	58	-	(110)	(52)	(52)	-
Total	4,102	20,336	20,445	80	80	(25,538)	(25,538)	44,963	(1,534)	(27,072)	(1,100)	17,891	223,488

Functions - for the year ended 20 June 2013														Financial
\$'000	Gross Program Income						Gross Program Expenses		Total Income	Total Expenses	Net Result from Recurring Operations	Net Result	Total Assets	
	Grants	Recurring	Other	Grants	Capital	Other	Recurring	Capital						
	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	
Our Governance	4,169		2,570		58	138		(3,846)		6,935	(3,846)	2,893	3,089	26,222
Our Economy	-		23,883		-	-		(16,725)		23,883	(16,725)	7,158	7,158	5,920
Our Environment	20		191		-	-		(1,044)		211	(1,044)	(833)	(833)	546
Our Community	1,092		263		2,246	-		(3,049)		3,601	(3,049)	(1,694)	552	22,187
Our Infrastructure	1,180		1,211		8,031	-		(5,351)		10,422	(5,351)	(2,960)	5,071	124,243
Our Resources	20		62		-	-		(135)		82	(135)	(53)	(53)	-
Total	6,481		28,180		10,335	138		(30,150)		45,134	(30,150)	4,511	14,984	179,118

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# Flinders Shire Council

## Notes to the Financial Statements for the year ended 30 June 2014

### Note 3. Revenue Analysis

\$ '000	2014	2013
<b>(a). Rates, Levies and Charges</b>		
General Rates / Community Levy	2,176	2,005
Separate Rates	80	77
Water	828	722
Sewerage	683	633
Garbage Charges	192	187
Other	24	70
<b>Total Rates, Levies and Charges</b>	<b>3,983</b>	<b>3,694</b>
Less: Discounts	(506)	(492)
Less: Pensioner remissions	(43)	(47)
<b>TOTAL RATES, LEVIES AND CHARGES</b>	<b>3,434</b>	<b>3,155</b>
<b>(b). Fees and Charges</b>		
Building and Development Fees	3	10
Infringements	1	2
Licences and Registrations	19	22
Airport Landing Fees	55	47
Caravan Park	486	484
Parks and Reserves	117	139
Saleyards	37	58
Community Care Packages	38	30
Private Works	30	20
Cemetery and Funeral	54	48
Other Fees and Charges	171	156
<b>TOTAL FEES AND CHARGES</b>	<b>1,011</b>	<b>1,016</b>
<b>(c). Rental Income</b>		
Rental Income	146	92
<b>TOTAL RENTAL INCOME</b>	<b>146</b>	<b>92</b>

# Flinders Shire Council

## Notes to the Financial Statements for the year ended 30 June 2014

### Note 3. Revenue Analysis

\$ '000	2014	2013
<b>(d). Interest Revenue</b>		
Interest Received from Term Deposits	37	61
Interest Received from Other Sources	435	240
Interest from Overdue Rates and Utility Charges	17	24
<b>TOTAL INTEREST REVENUE</b>	<b>489</b>	<b>325</b>

### (e). Sales Revenue

#### Sale of services

Contract and Recoverable Works	15,041	22,957
<b>TOTAL SALES REVENUE</b>	<b>15,041</b>	<b>22,957</b>

The amount recognised as revenue for contract and recoverable works during the financial year is the amount receivable in respect of invoices issued during the period. There are no contracts in progress at the year end. The contract work carried out is not subject to retentions.

### (f). Other Income

Other Income	39	191
Merchandise Income	86	97
Insurance Claims Recoveries	11	62
Corporate Service Recoveries	62	198
Land Sales Income	17	87
<b>TOTAL OTHER INCOME</b>	<b>215</b>	<b>635</b>



# Flinders Shire Council

## Notes to the Financial Statements for the year ended 30 June 2014

### Note 4. Grants, Subsidies and Donations

\$ '000	2014	2013
<b>(a) Recurrent</b>		
General Purpose Grants	2,904	5,197
State Government Subsidies and Grants	329	444
Commonwealth Government Subsidies and Grants	864	831
Donations	5	9
<b>TOTAL RECURRENT GRANTS, SUBSIDIES AND DONATIONS</b>	<b>4,102</b>	<b>6,481</b>

<b>(b) Capital</b>		
State Government Subsidies and Grants	19,810	7,291
Commonwealth Government Subsidies and Grants	635	3,044
<b>TOTAL CAPITAL GRANTS, SUBSIDIES AND DONATIONS</b>	<b>20,445</b>	<b>10,335</b>

### Note 5. Capital Income

\$ '000	Notes	2014	2013
<b>Gain / Loss on Disposal of Non-Current Assets</b>			
Proceeds from the Sale of PP&E		384	898
Less: Book Value of PP&E Disposed	14	(304)	(760)
<b>TOTAL CAPITAL INCOME</b>		<b>80</b>	<b>138</b>

# Flinders Shire Council

## Notes to the Financial Statements for the year ended 30 June 2014

### Note 6. Employee Benefits

\$ '000	Notes	2014	2013
Wages and Salaries		6,301	6,125
Annual, Sick and Long Service Leave Entitlements		977	939
Superannuation	23	687	657
Councillors' Remuneration		223	233
<b>Subtotal Employee Related Expenses</b>		<b>8,188</b>	<b>7,954</b>
Other Employee Related Expenses		350	330
<b>Total Other Employee Related Expenses</b>		<b>8,538</b>	<b>8,284</b>
Less: Capitalised Employee Expenses		(420)	(1,864)
<b>TOTAL EMPLOYEE BENEFITS</b>		<b>8,118</b>	<b>6,420</b>

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

#### Additional information:

Total Employees at year end:

Administration Staff	37	37
Depot and Outdoors Staff	61	65
Elected Members	7	7
<b>Total Elected Members and Full Time Equivalent Employees</b>	<b>105</b>	<b>109</b>

### Note 7. Materials and Services

\$ '000	2014	2013
Advertising and Marketing	302	253
Audit Services	52	57
Communications and IT	362	271
Community Services	3,521	3,410
Donations Paid	29	6
Recoverable Works	5,444	12,841
Road Construction	1,099	708
Special Projects	164	278
Other Materials and Services	1,183	650
<b>TOTAL MATERIALS AND SERVICES</b>	<b>12,156</b>	<b>18,474</b>

## Flinders Shire Council

### Notes to the Financial Statements for the year ended 30 June 2014

#### Note 8. Finance Costs

\$ '000	2014	2013
Finance costs - Queensland Treasury Corporation	13	4
Bank Charges	16	12
Impairment of Debts	(2)	(2)
<b>TOTAL FINANCE COSTS</b>	<b>27</b>	<b>14</b>

#### Note 9. Depreciation

\$ '000	Notes	2014	2013
<b>Depreciation of Non Current Assets</b>			
Buildings and Other Structures		755	529
Recreation Facilities		30	23
Plant and Equipment		1,431	1,378
Corporate and IT		24	24
Road Network		2,381	2,440
Water Network		160	139
Sewer Network		321	578
Stormwater Drainage Network		8	5
Waste / Landfill		127	126
<b>TOTAL DEPRECIATION</b>	<b>14</b>	<b>5,237</b>	<b>5,242</b>

# Flinders Shire Council

## Notes to the Financial Statements for the year ended 30 June 2014

### Note 10. Capital Expenses

\$ '000	2014	2013
<b>Other capital expenses</b>		
Loss on Write-Off of Assets	1,534	-
<b>TOTAL CAPITAL EXPENSES</b>	<b>1,534</b>	<b>-</b>

The loss on write-off of assets was in relation to Hughenden Airport that was flood damaged in February 2012. This assessment was made on a condition basis by GHD. Construction of the new Airport was completed at 30 June 2014.

The racecourse grandstand was also demolished as it was no longer in a safe useable state. The asset was last used in the current year.

### Note 11. Cash and Cash Equivalents

\$ '000	2014	2013
<b>Cash and Cash Equivalents</b>		
Cash at Bank and on Hand	267	8
Cash Equivalent Assets <sup>1</sup>		
- Deposits at Call	11,599	4,950
- Term Deposits	-	1,124
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>11,866</b>	<b>6,082</b>

<sup>1</sup> Those Investments where time to maturity (from date of purchase) is < 6 mths.

#### Restricted Cash and Cash Equivalents

Council's Cash and Cash Equivalents are subject to a number of Internal and external restrictions that limit amounts available for discretionary or future use.

Externally imposed Expenditure Restrictions at the reporting date relate to the following cash assets:

Unspent Government Operating Grants - Various	95	93
Unspent Government Operating Grants - Commonwealth HACC Program	-	19
Unspent Government Operating Grants - Qld Community Care Services (QCCS)	22	20
Unspent Government Capital Grants - Various	20	45
Unspent Government Capital Grants - RTR	-	245
<b>Total External Restrictions</b>	<b>137</b>	<b>422</b>

Internally imposed Expenditure Restrictions at the reporting date:

Water Infrastructure Reserve	-	60
<b>Total Internal Restrictions</b>	<b>-</b>	<b>60</b>
<b>Total Unspent Restricted Cash</b>	<b>137</b>	<b>482</b>

# Flinders Shire Council

## Notes to the Financial Statements for the year ended 30 June 2014

### Note 11. Cash and Cash Equivalents (continued)

\$ '000

Unspent Government Operating Grants represent the total amount of grants held in cash not yet used. Government Capital Grants are retained as they are required to be spent on specific purpose projects.

Cash and term deposits are held in the National Australia Bank in normal term deposits and business cheque accounts. The bank currently has a short term credit rating of A1+ and long term rating of AA-.

Deposits at call are held with Queensland Treasury Corporation in a capital guarantee cash fund.

As significant NDRRA works were required to be completed by 30 June, Council arranged a working capital facility with QTC to minimise the risk of the large cash outflow, in the event claims might have been delayed.

### Note 12. Trade and Other Receivables

\$ '000

2014

2013

#### Current

Rateable Revenue and Utility Charges	245	173
Less: Impairment	(25)	(27)
Other Debtors	7,343	8,003
GST Recoverable	(62)	349
Prepayments	114	127
Other	-	(2)
<b>TOTAL CURRENT TRADE AND OTHER RECEIVABLES</b>	<b>7,615</b>	<b>8,623</b>

#### Non-Current

Nil

Interest is charged on outstanding rates at a rate of 11% per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable.

## Flinders Shire Council

### Notes to the Financial Statements for the year ended 30 June 2014

#### Note 13. Inventories

\$ '000	2014	2013
<b>Current Inventories</b>		
<b>(a) Inventories held for sale</b>		
Miscellaneous Saleable Items	42	42
<b>(b) Inventories held for distribution</b>		
Plant and Equipment Stores	243	295
<b>(c) Land purchased for development and sale</b>		
	78	78
<b>TOTAL CURRENT INVENTORIES</b>	<b>363</b>	<b>415</b>



Notes to the Financial Statements  
for the year ended 30 June 2014

Note 14. Property, Plant and Equipment

2014			as at 30/6/2014	
30 June 2014				
\$'000	At Cost	Accumulated Impairment	Carrying Value	Residual Value
Capital Work in Progress	1,522	-	6,530	-
Land and Land Improvements	-	-	4,113	-
Buildings and Other Structures	2	-	32,939	-
Recreation Facilities	3	-	765	-
Plant and Equipment	12,886	-	7,121	-
Corporate and IT	403	-	210	-
Road Network	3	-	130,354	47,016
Water Network	3	-	5,139	-
Sewer Network	3	-	15,814	-
Stormwater Drainage Network	3	-	380	-
Waste / Landfill	3	-	279	-
<b>Total Property, Plant and Equipment</b>	<b>14,811</b>	<b>-</b>	<b>203,644</b>	<b>47,016</b>
				<b>Useful Lives in Years</b>
				n/a
				n/a
				10 to 100
				5 to 70
				3 to 5
				3 to 50
				10 to 100
				20 to 100
				5 to 60
				50
				5

2013			as at 30/6/2013	
30 June 2013				
\$'000	At Cost	Accumulated Impairment	Carrying Value	Residual Value
Capital Work in Progress	5,754	-	1,522	-
Land and Land Improvements	-	-	4,113	-
Buildings and Other Structures	3	-	33,420	-
Recreation Facilities	3	-	708	-
Plant and Equipment	11,976	-	7,267	-
Corporate and IT	320	-	220	-
Road Network	3	-	100,170	33,774
Water Network	3	-	3,583	-
Sewer Network	3	-	12,201	-
Stormwater Drainage Network	3	-	388	-
Waste / Landfill	3	-	406	-
<b>Total Property, Plant and Equipment</b>	<b>18,050</b>	<b>-</b>	<b>163,998</b>	<b>33,774</b>
				<b>Useful Lives in Years</b>
				n/a
				n/a
				10 to 100
				5 to 70
				3 to 5
				3 to 50
				10 to 100
				20 to 100
				5 to 60
				50
				5

Financial Statements 2014

# Flinders Shire Council

## Notes to the Financial Statements for the year ended 30 June 2014

### Note 15. Fair Value Measurements

#### (1) Recognised Fair Value Measurements

Council measures and recognises the following assets at fair value on a recurring basis:

##### Property, Plant and Equipment

- Land and Land Improvements
- Buildings and Other Structures
- Recreation Facilities
- Road Network
- Water Network
- Sewer Network

Council does not measure any liabilities at fair value, but for which fair values are disclosed in other notes.

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in Note 17 is provided by the Queensland Treasury Corporation and represents the contractual undiscounted cash flows at balance date (level 2).

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

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

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities,

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly,

**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Table 1 categorises fair value measurements as either level 2 or level 3 in accordance with AASB 13.

Council does not have any assets or liabilities measured at fair value which meet the criteria for categorisation as level 1.

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 any 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. These assets are valued using a combination of observable and unobservable inputs.

# Flinders Shire Council

## Notes to the Financial Statements for the year ended 30 June 2014

### Note 15. Fair Value Measurements (continued)

Table 1 presents the Council's assets and liabilities measured and recognised at fair value at 30 June 2014. Comparative information has not been provided as allowed by the transitional provisions of AASB 13 Fair Value Measurement.

**Table 1 - All assets and liabilities that have been measured and recognised at fair values:**

2014	Fair Value Measurement using:				Total
	Level 1	Level 2	Level 3		
	Quoted	Significant	Significant		
	prices in	observable	unobservable		
Date	active mkts	inputs	inputs		
of latest					
valuation					
<b>Property, Plant &amp; Equipment</b>					
- Land and Land Improvements	30/06/11	-	4,113	-	4,113
- Buildings and Other Structures	30/06/11	-	-	37,661	37,661
- Recreation Facilities	30/06/11	-	-	894	894
- Road Network	30/06/14	-	-	147,570	147,570
- Water Network	30/06/11	-	-	11,559	11,559
- Sewer Network	30/06/10	-	-	20,000	20,000
<b>Total Property, Plant &amp; Equipment</b>		-	<b>4,113</b>	<b>217,684</b>	<b>221,797</b>

There were no transfers between level 2 and 3 during the year. Council's policy is to transfer in and out of the the hierarchy levels as at the end of the reporting period.

### (2) Valuation techniques used to derive Level 2 and Level 3 Fair Values

Council adopted AASB 13 Fair Value Measurement for the first time this financial year and has reviewed each valuation to ensure compliance with the requirements of the new standard. There have been no changes in valuation techniques as a result of this review.

#### Specific valuation techniques used to value Council assets comprise:

##### a) Land and Land Improvements (Level 2)

Land and Land Improvements have been included at current market value as determined by APV Valuers & Asset Management, Registered Valuers. In their methodology APV determined that an analysis of available market evidence indicated that the direct comparison approach to the land valuations was the most appropriate method.

Level 2 valuation inputs were used to value land in freehold title as well as land used for special purposes, which is restricted for use under current zoning rules or contaminated sites. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are the price per square metre.

No index was applied for the year ended 30 June 2014 to Land and Land Improvements as the movement in recent land sales has not resulted in an increase in land values.

A full revaluation of land is planned in 2015.

Land under infrastructure and reserve land does not have a value for the purpose of the Flinders Shire Council's Financial Statements.

## Flinders Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2014

#### Note 15. Fair Value Measurements (continued)

##### b) Buildings and Other Structures & Recreation Facilities (Level 3)

There is no current market for Council's buildings as these are held to provide essential services to the community. Accordingly the fair value of all building assets is measured at written down current replacement cost. Buildings and Other Structures were valued by APV Valuers & Asset Management, Registered Valuers as at 30 June 2011. The valuation of the buildings, structural improvements and site services includes those items which form part of the building services installation. The value was derived from reference to the costing guides issued by the Australian Institute of Quantity Surveyors, Rawlinson's Construction Handbook and APV's internal market research and costings.

A full revaluation of buildings is planned in 2015.

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component, residual value at the time the asset is considered to be no longer available for use and condition of the asset. Condition was assessed taking into account both physical characteristics as well as holistic factors such as functionality, capability, utilisation, and obsolescence. The estimates of residual value, useful life, pattern of consumption and asset condition that are used to calculate accumulated depreciation comprise significant unobservable inputs and therefore result in classification of level 3. The valuation's sensitivity to these inputs is summarised in Table 2.

##### c) Infrastructure Assets (Level 3)

All Council infrastructure assets were valued using written down current replacement cost. This valuation comprises the asset's current replacement cost (CRC) less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Council first determined the gross cost of replacing the full service potential of the asset and then adjusted this amount to take account of the expired service potential of the asset.

CRC was measured by reference to the lowest cost at which the gross future economic benefits of the asset could currently be obtained in the normal course of business. Where existing assets were over designed, had excess capacity, or were redundant an adjustment was made so that the resulting valuation reflected the cost of replacing the existing economic benefits based on an efficient set of modern equivalent assets to achieve the required level of service output within the Council's planning horizon.

The unit rates (labour and materials) and quantities applied to determine the CRC of an asset or asset component were based on "Greenfield" assumption meaning that the CRC was determined as the full cost of replacement with a new asset including components that may not need to be replaced, such as earthworks. The DRC was determined using methods relevant to the asset class as described under individual asset categories below.

## Flinders Shire Council

### Notes to the Financial Statements for the year ended 30 June 2014

#### Note 15. Fair Value Measurements (continued)

##### (i) Road Network

The road network was comprehensively valued by GHD Townsville, at 30th June 2014.

##### a. Current Replacement Cost

Council categorises its road infrastructure by five (5) road types:

- A) Rural Major Street
- B) Rural Minor Road
- C) Urban Access Street
- D) Urban Major Street
- E) Urban Minor Street

Council's road infrastructure assets include:

- 1) Roads (formation, pavement, surfacing)
- 2) Signage - type and location
- 3) Kerb and Channel and Medians - type and location
- 4) Culverts - type and location
- 5) Floodways
- 6) Footpaths
- 7) Other Road Furniture

Council has taken into consideration the terrain and environment in which each road is located. Flinders Shire Council has two classes of terrain, level (L) and rolling (R). Council also has two general types of soil, non-reactive and reactive. Each of the roads in Flinders Shire has been classified into four (4) classes:

- 1) LDR - Level, dry reactive soil;
- 2) LDNR - Level, dry non-reactive soil;
- 3) RoDR - Rolling, dry, reactive soil; and
- 4) RoDNR - Rolling, dry non-reactive soil.

Work breakdown cost structures (WBS) have been developed for replacement of each asset type based on their material type, terrain and environmental conditions. The unit rates used within each WBS have been developed using recent and relevant local data and construction work contracts from Council and independent sources.

# Flinders Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2014

### Note 15. Fair Value Measurements (continued)

#### b. Accumulated Depreciation

In determining the level of accumulated depreciation, remaining useful lives were determined based on condition assessments according to the following table:

1	Excellent Condition	Asset has minimal / no defects observed. No intervention required.
2	Good Condition	Asset is generally in good condition but has a few minor defects which do not impact on its current serviceability. No intervention required although some minor damage present or predecessors to damage evident.
3	Average Condition	Asset is in a fair condition but has numerous minor defects which will have an impact on its serviceability in the future. No intervention required although some moderate damage present or predecessors to damage evident.
4	Poor Condition	Asset has numerous defects which are affecting its serviceability. Moderate damage requires intervention in order to prevent greater amounts of damage occurring. No safety hazard present.
5	Very Poor Condition	Asset is severely damaged and requires rehabilitation. Immediate intervention required. Safety risk to general public.



# Flinders Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2014

### Note 15. Fair Value Measurements (continued)

The following useful lives were applied to road asset components:

Asset	Description	Useful Life, Years	Residual %
Surfacing	Asphalt seal over formed pavement	20	15%
	Bitumen seal over formed pavement	15	15%
Pavement	Sub and base course material constructed on formed road with an asphalt or bitumen seal surface	20	60%
	Sub and base course material constructed on formed road with an asphalt or bitumen seal surface	8	15%
Earthworks	Formation of the road to sub-grade level, including footpaths and table drain to hinge point	100	30%
Footpath	Asphalt pedestrian footpath	20	20%
	Bitumen seal pedestrian footpath	20	30%
	Concrete or pavers pedestrian footpath	50	0%
	Grass verges	100	80%
Kerb and Channel	Concrete kerb and / or Channel	50	0%
	Concrete median barrier kerb with vegetation or Concrete infill	30	0%
Floodways	Concrete floodway structure – no low flow culverts	40	10%
	Concrete floodway structure with bitumen seal – no low flow culverts	45	10%
	Stabilised base course floodway with a bitumen seal – no low flow culverts	10	20%
	Rock floodway only	5	20%
Culverts	Concrete pipes and Culverts - all types	40	20%
Road Furniture	Signs - all types, including posts	20	10%

As detailed above Council's road network has been valued using written down current replacement cost. This method uses a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest care, and based upon years of experience, different judgements could result in a different valuation. Table 2 summarises the effect that changes in the most significant unobservable inputs would have on the valuation.

## Flinders Shire Council

### Notes to the Financial Statements for the year ended 30 June 2014

#### Note 15. Fair Value Measurements (continued)

##### (ii) Water and Sewer Network

At 30 June 2014 a desktop revaluation was undertaken after reviewing the movement in the Asset Revaluation Index: Engineering and Construction, Queensland. The movement in the index from the last comprehensive revaluation undertaken at 30 June 2011 was 5.25% for water assets. The movement in the index from the last comprehensive revaluation undertaken at 30 June 2010 was 7.08% for sewer assets. Based on review by Council's engineers and management, the movement in the index was determined to be material, as was to this asset class at 30 June 2014.

A full valuation of water and sewer infrastructure assets is planned for 2015.

##### a. Current Replacement Cost

The valuations for water and sewer used the following formulas to calculate all financial figures.

###### *Depreciable Amount Calculation*

Depreciable Amount = Current Replacement Costs - Residual Amount

###### *Asset Current Replacement Cost*

Assets Current Replacement Cost (CRC) = Dimension 1 x Unit Cost

Dimension 1: Is set for each asset type. For example it could be volume, area, length or number of.

Unit Cost: Developed from reviewing past construction works and for those assets that no recent work costings were available, rates were determined from first principles or obtained from surrounding regional Councils. Allowances have been made for the difference in construction standards. Direct and Indirect Costs have been used in the development of the unit rates.

Where no unit rates can be practically determined for assets then the following was used:

*Assets Current Replacement Cost (CRC) = Lump Sum Construction Costs*

Mostly this was used for fixed structures like pumps, reservoirs and structures.

##### b. Accumulated Depreciation

In determining accumulated depreciation, assets were either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections were performed (ie for on the ground assets), provision was made to adjust remaining useful lives based on condition and performance.

Where site inspections were not performed (ie for in the ground assets), provision was made to adjust remaining useful lives based on performance.

# Flinders Shire Council

## Notes to the Financial Statements for the year ended 30 June 2014

### Note 15. Fair Value Measurements (continued)

#### (3). Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various Level 3 Asset Class fair values.

**Table 2 - Sensitivity of valuation to unobservable inputs:**

Class	Fair Value (30/06/2014) \$'000	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
<b>PP&amp;E</b>				
Buildings and Other Structures	<b>37,661</b>	Condition Rating (useful life)	New to 10	The higher the condition rating the lower the fair value.
Recreation Facilities	<b>894</b>	Condition Rating (useful life)	New to 10	The higher the condition rating the lower the fair value.
Road Network and Stormwater Drainage	<b>147,570</b>	Number of Labour Hours Standard material usage quantities Condition Rating (Useful Life) Remaining Useful Life Residual Value	Varies depending on type of road component Varies depending on type of material 1 to 5 0 to 100 years 0 to 80% (by component)	The higher the labour hours the higher the fair value. The higher the usage quantities the higher the fair value. The higher the condition rating, the lower the fair value. The longer the remaining useful life, the higher the fair value. The higher the residual value the higher the fair value.
Water Network and Sewer Network	<b>11,559</b> <b>20,000</b>	Number of Labour Hours Number of plant equipment hours Standard material usage quantities Remaining Useful Life	0 to 1.5 days per 100 linear metre. 1 to 24 depending on type of equipment required Varies depending on type of material 2 to 63 years	The higher the labour hours, the higher the fair value. The higher the equipment hours the higher the fair value. The higher the usage quantities the higher the fair value. The longer the remaining useful life, the higher the fair value.

# Flinders Shire Council

## Notes to the Financial Statements for the year ended 30 June 2014

### Note 16. Trade and Other Payables

\$ '000	2014	2013
<b>Current</b>		
Creditors and Accruals	4,613	560
Annual Leave	441	465
Goods Received not yet Invoiced	166	149
Security Bonds, Deposits & Retentions	-	1
Payments Received in Advance	7	22
Other Employee Entitlements	20	17
Other	2	-
<b>TOTAL CURRENT TRADE AND OTHER PAYABLES</b>	<b>5,249</b>	<b>1,214</b>
<b>Non-current</b>		
Annual Leave	271	190
<b>TOTAL NON-CURRENT TRADE AND OTHER PAYABLES</b>	<b>271</b>	<b>190</b>

### Note 17. Borrowings

\$ '000	2014	2013
<b>Current</b>		
Loans - Queensland Treasury Corporation	86	-
<b>TOTAL CURRENT BORROWINGS</b>	<b>86</b>	<b>-</b>
<b>Non-current</b>		
Loans - Queensland Treasury Corporation	914	-
<b>TOTAL NON-CURRENT BORROWINGS</b>	<b>914</b>	<b>-</b>
<b>Reconciliation of Loan Movements for the year</b>		
Loans - Queensland Treasury Corporation		
Opening Balance at Beginning of Financial Year	-	-
Loans Raised	1,000	-
<b>Book value at end of financial year</b>	<b>1,000</b>	<b>-</b>

# Flinders Shire Council

## Notes to the Financial Statements for the year ended 30 June 2014

### Note 17. Borrowings (continued)

\$ '000

#### Loan Disclosures

The QTC loan market value at the reporting date was \$1,003,920. 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.

No assets have been pledged as security by the Council for any liabilities, however all loans are guaranteed by the Queensland Government.

All borrowings are in \$A denominated amounts and carried at amortised cost, interest being expensed as it accrues. No interest has been capitalised during the current or comparative reporting period. Expected final repayment date is 4th June 2024.

There have been no defaults or breaches of the loan agreement during the period.

Principal and interest repayments are made quarterly in arrears.

An overdraft facility with Queensland Treasury Corporation was approved with a limit of \$10,000,000. This facility remained fully undrawn at 30 June 2014 and is available for use in the next reporting period.

### Note 18. Provisions

\$ '000

2014

2013

#### Current

Long Service Leave	185	170
Refuse Restoration	3	58
<b>TOTAL CURRENT PROVISIONS</b>	<b>188</b>	<b>228</b>

#### Non-current

Long Service Leave	513	516
Refuse Restoration	48	-
<b>TOTAL NON-CURRENT PROVISIONS</b>	<b>561</b>	<b>516</b>

#### Details of movements in Provisions:

Class of Provision	Opening Balance as at 01/07/2013	Additional Provision	Decrease due to Payments	Remeasure- ment due to Discounting	Unused Amounts Reversed	Closing Balance as at 30/06/2014
Long Service Leave	686	285	(11)	(140)	(122)	698
Refuse Restoration	58	-	(7)	-	-	51
<b>TOTAL</b>	<b>744</b>	<b>285</b>	<b>(18)</b>	<b>(140)</b>	<b>(122)</b>	<b>749</b>

# Flinders Shire Council

## Notes to the Financial Statements for the year ended 30 June 2014

### Note 18. Provisions (continued)

\$ '000	2014	2013
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#### Refuse restoration

This is the present value of the estimated cost of restoring the refuse disposal site to a useable state at the end of its useful life. The projected cost is \$50,631.87 and this cost is expected to be incurred in 2019 after closing the cell in 2018 and allowing a period for settlement.

Council has an old tip currently under restoration. As most of the rehabilitation of the old site has occurred, most of the provision is expected to be expended at the new site.

### Note 19. Asset Revaluation Surplus

\$ '000	Notes	2014	2013
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#### Movements in the Asset Revaluation Surplus:

Balance at beginning of financial year		87,374	87,397
<b>Net adjustment to non-current assets at end of period to reflect a change in current fair value:</b>			
Buildings and Other Structures			(23)
Road Network		20,225	-
Water Network		252	-
Sewer Network		881	-
<b>Balance at end of financial year</b>		<b>108,732</b>	<b>87,374</b>

#### Asset revaluation surplus analysis

The closing balance of the Asset Revaluation Surplus comprises the following asset categories:

Land and Land Improvements	2,786	2,786
Buildings and Other Structures	20,025	20,025
Road Network	81,067	60,841
Water Network	2,079	1,827
Sewer Network	2,775	1,895
<b>Balance at end of financial year</b>	<b>108,732</b>	<b>87,374</b>



# Flinders Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2014

### Note 20. Retained Surplus/(Deficiency)

\$ '000	2014	2013
<b>Movements in the retained surplus:</b>		
<b>Retained Surplus/(Deficit) at Beginning of Financial Year</b>	89,596	74,612
<b>Net Result Attributable to Council</b>	17,891	14,984
<b>Retained surplus at end of financial year</b>	<b>107,487</b>	<b>89,596</b>

### Note 21. Commitments for Expenditure

\$ '000	2014	2013
<b>(a) Operating leases (Non Cancellable)</b>		
<b>Minimum lease payments in relation to non-cancellable operating leases are as follows:</b>		
Within one year	-	2
One to five years	-	2
Later than five years	-	-
<b>TOTAL OPERATING LEASES</b>	<b>-</b>	<b>4</b>

#### (b) Contractual commitments

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

North Hughenden Sewer Network Loan	122	-
Civica Software Implementation and Licenses	47	47
Civica Software Management and Support	125	120
Other Commitments	1,355	345
Hughenden Centre for the Aged	-	192
Contract and Recoverable Works	2,446	260
Road Construction	60	162
North Hughenden Sewerage	-	5
Sewerage Treatment Plant	1,194	199
<b>TOTAL CONTRACTUAL COMMITMENTS</b>	<b>5,349</b>	<b>1,330</b>

## Flinders Shire Council

### Notes to the Financial Statements for the year ended 30 June 2014

#### Note 22. Contingent Liabilities

\$ '000

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 2014 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

##### Local Government Workcare

The Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$327,970.75.

#### Note 23. Superannuation

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

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

The Scheme has three elements referred to as:

- The City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund
- The Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional local governments; and
- The Accumulation Benefits Fund (ABF)

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

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.

# Flinders Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2014

### Note 23. Superannuation (continued)

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

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 2012. The actuary indicated that "the Regional DBF is currently in a satisfactory but modest financial position and remains vulnerable to adverse short and medium term experience."

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

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

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

\$ '000	Notes	2014	2013
The amount of Superannuation Contributions paid by Council to the Scheme in this Period for the benefit of employees was:	6	687	657

# Flinders Shire Council

## Notes to the Financial Statements for the year ended 30 June 2014

### Note 24. Trust Funds

\$ '000	2014	2013
<b>Trust funds held for outside parties</b>		
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities	49	29
Security Deposits	4	12
<b>Total Trust Funds</b>	<b>53</b>	<b>41</b>

### Note 25. Reconciliation of Net Result for the year to Net Cash Inflow/(Outflow) from Operating Activities

\$ '000	2014	2013
<b>Net operating result from Income Statement</b>	<b>17,891</b>	<b>14,984</b>
<b>Adjust for Non-cash items:</b>		
Depreciation & Amortisation	5,237	5,242
<b>Total Operating Result from Income Statement</b>	<b>5,237</b>	<b>5,242</b>
<b>Investing and Development Activities Non Current:</b>		
Net Losses/(Gains) on Disposal of Assets	1,454	(138)
Non Cash Capital Grants and Contributions	(20,445)	(10,335)
<b>Total Investing and Development Activities</b>	<b>(18,991)</b>	<b>(10,473)</b>
<b>Changes in operating assets and liabilities:</b>		
(Increase)/Decrease in Receivables	1,008	(3,052)
(Increase)/Decrease in Inventories	52	(155)
Increase/(Decrease) in Payables and Accruals	4,116	(332)
Increase/(Decrease) in Employee Leave Entitlements	12	101
Increase/(Decrease) in Other Provisions	(7)	(25)
<b>Total changes in Operating Assets and Liabilities</b>	<b>5,181</b>	<b>(3,463)</b>
<b>Net cash provided from/(used in) Operating Activities from the Statement of Cash Flows</b>	<b>9,318</b>	<b>6,290</b>

## Flinders Shire Council

### Notes to the Financial Statements for the year ended 30 June 2014

#### Note 26. Changes in Accounting Policy

##### Voluntary Changes in Accounting Policies

During the year GHD conducted a full comprehensive revaluation of Council's Road Network Assets. Road signage was not previously recognised as an asset and this resulted in an increase of \$2,175m for Road Assets. This policy has not been retrospectively applied.

Road asset components formation and pavement were valued differently from previous valuations. Previously pavement was not considered as a separate component of an unsealed road (formation). GHD have considered pavement as a separate component in their estimates for unsealed roads. This has resulted in an increase in pavement values and a decrease in formation values. This has not been applied retrospectively and Council Engineers will apply this methodology in future valuations of road assets.

#### Note 27. Events Occurring After Balance Sheet Date

Events that occur after the reporting date of 30 June 2014, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the appropriate "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the "authorised for issue" date is the date that management sign the Management Certificate.

Events that occur after the Reporting Date represent one of two types:

##### **(i) Events that have provided evidence of conditions that existed at the Reporting Date**

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2014.

##### **(ii) Events that have provided evidence of conditions that arose after the Reporting Date**

These financial statements (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2014 and which are only indicative of conditions that arose after 30 June 2014.

**Council is unaware of any material or significant "non adjusting events" that should be disclosed.**

## Flinders Shire Council

### Notes to the Financial Statements for the year ended 30 June 2014

#### Note 28. Financial Instruments

\$ '000

Council has exposure to the following risks arising from financial instruments; (i) interest rate risk, (ii) credit risk, and (iii) liquidity risk.

This note provides information (both qualitative and quantitative) to assist statement users evaluate the significance of financial instruments on the Council's financial position and financial performance, including the nature and extent of risks and how the Council manages these exposures.

#### Financial Risk Management

Council is responsible for the establishment and oversight of the risk management framework, together with developing and monitoring risk management policies.

Council's management approves policies for overall risk management, as well as specifically for managing credit, liquidity and market risk.

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.

Council does not enter into derivatives.

#### Credit Risk Exposure

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 State/Commonwealth bodies or 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 the Council.



# Flinders Shire Council

## Notes to the Financial Statements for the year ended 30 June 2014

### Note 28. Financial Instruments (continued)

\$ '000	Notes	2014	2013
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:			
<b>Financial Assets</b>			
Cash and Cash Equivalents	11	11,866	6,082
Receivables - Rates	12	245	173
Receivables - Other	12	7,343	8,001
<b>Subtotal Financial Assets</b>		<b>19,454</b>	<b>14,256</b>
<b>Other Credit Exposures</b>			
Guarantee	22	328	300
<b>Subtotal Other Credit Exposures</b>		<b>328</b>	<b>300</b>
<b>Total Financial Assets</b>		<b>19,782</b>	<b>14,556</b>

#### Cash and Cash Equivalents

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

#### Trade and Other Receivables

In the case of rate receivables, the Council has the power to sell the property to recover any defaulted amounts. In effect this power protects the Council against credit risk in the case of defaults.

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

By the nature of the Council's operations, there is a geographical concentration of risk in the Council's area. Because the area is largely grazing, there is also a concentration in the grazing sector.

# Flinders Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2014

### Note 28. Financial Instruments (continued)

\$ '000	2014	2013
Ageing of past due receivables and the amount of any impairment is disclosed in the following table:		
<b>Receivables</b>		
Fully Performing	5,047	5,201
Past due:		
- Less than 30 days overdue	2,489	343
- 30 to 60 days overdue	3	2,603
- 61 to 90 days overdue	24	-
- Impaired	25	27
<b>Total Receivables</b>	<b>7,588</b>	<b>8,174</b>

### Movement in Provision for Impairment of Receivables

Balance at the beginning of the year	27	29
+ new provisions recognised during the year	3	4
- amounts already provided for & written off this year	-	(2)
- amounts provided for but recovered during the year	(5)	(2)
- previous impairment losses reversed	-	(2)
<b>Balance at the end of the year</b>	<b>25</b>	<b>27</b>

### Liquidity Risk

Liquidity risk refers to the situation where the Council may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Council is exposed to liquidity risk through its trading in the normal course of business and borrowings from the Queensland Treasury Corporation for capital works.

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 within this note.

# Flinders Shire Council

## Notes to the Financial Statements for the year ended 30 June 2014

### Note 28. Financial Instruments (continued)

\$ '000

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:

\$ '000	0 to 1 year	1 to 5 years	Over 5 years	Total Contractual Cash Flows	Carrying Amount
<b>2014</b>					
Trade and Other Payables	4,808	-	-	4,808	4,781
Loans - QTC	122	481	597	1,200	1,000
<b>Total Liquidity Risk</b>	<b>4,930</b>	<b>481</b>	<b>597</b>	<b>6,008</b>	<b>5,781</b>
<b>2013</b>					
Trade and Other Payables	749	-	-	749	709
<b>Total Liquidity Risk</b>	<b>749</b>	<b>-</b>	<b>-</b>	<b>749</b>	<b>709</b>

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

\$ '000	2014	2013
---------	------	------

The following lines of credit were available at the end of the reporting period:

Bank Overdraft Facility - QTC Working Capital Facility	10,000
--	--------

# Flinders Shire Council

## Notes to the Financial Statements for the year ended 30 June 2014

### Note 28. Financial Instruments (continued)

\$ '000

#### Market Risk

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

#### Interest Rate Risk

The Council is exposed to interest rate risk through investments and borrowings with Queensland Treasury and/or other financial institutions.

The Council has access to a mix of variable and fixed rate funding options through QTC so that interest rate risk exposure can be minimised.

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

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

\$ '000	Net Carrying Amount	Profit & Loss		Equity	
		1% increase	1% decrease	1% increase	1% decrease
<b>2014</b>					
Financial Assets	11,866	119	(119)	119	(119)
Loans - QTC	(1,000)	10	(10)	10	(10)
<b>Net Interest Rate Risk</b>		<b>129</b>	<b>(129)</b>	<b>129</b>	<b>(129)</b>
<b>2013</b>					
Financial Assets	6,082	66	(65)	66	(65)
Loans - QTC	-	-	-	-	-
<b>Net Interest Rate Risk</b>		<b>66</b>	<b>(65)</b>	<b>66</b>	<b>(65)</b>

# Flinders Shire Council

## Notes to the Financial Statements for the year ended 30 June 2014

### Note 28. Financial Instruments (continued)

\$ '000

#### Fair Value

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

The fair value of borrowings with QTC is based on the market value of debt outstanding. The market value of a debt obligation is the discounted value of future cash flows based on prevailing market rates and represents the amount required to be repaid if this was to occur at balance date. The market value of debt is provided by QTC and is discussed below and disclosed in Note 17.

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

\$ '000	Notes	Carrying Value		Fair Value	
		2014	2013	2014	2013
<b>Financial Assets</b>					
Cash and Cash Equivalents	11	11,866	6,082	11,866	6,082
Receivables	12	7,588	8,201	7,563	8,147
<b>Total Financial Assets</b>		<b>19,454</b>	<b>14,283</b>	<b>19,429</b>	<b>14,229</b>
<b>Financial Liabilities</b>					
Payables	16	4,781	709	4,781	709
Loans / Advances	17	1,000	-	1,000	-
<b>Total Financial Liabilities</b>		<b>5,781</b>	<b>709</b>	<b>5,781</b>	<b>709</b>

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - estimated to be the carrying value which approximates market value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) "at fair value through profit & loss" or (ii) **Available for Sale** - are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

# Flinders Shire Council

## Notes to the Financial Statements for the year ended 30 June 2014

### Note 29. National Competition Policy

\$ '000

#### Business activities to which the code of competitive conduct is applied

Flinders Shire Council applies the competitive code of conduct to the following activities:

Roads                      Water                      Sewerage

This requires the application of full cost pricing, identifying the cost of community service obligations (CSO) and eliminating the advantages and disadvantages of public ownership within that activity.

The CSO value is determined by Council, and represents an activities cost(s) which would not be incurred if the primary objective of the activities was to make a profit. The Council provides funding from general revenue to the business activity to cover the cost of providing non-commercial community services or costs deemed to be CSO's by the Council.

#### The following activity statements are for activities subject to the competitive code of conduct:

\$ '000	Roads	Water	Sewerage
<b>2014</b>			
Revenue for services provided to the Council	-	90	86
Revenue for services provided to external clients	15,040	852	686
Community service obligations	-	183	101
<b>Total</b>	<b>15,040</b>	<b>1,125</b>	<b>873</b>
Less : Expenditure	(12,879)	(1,027)	(683)
<b>Surplus/(Deficit)</b>	<b>2,161</b>	<b>98</b>	<b>190</b>

#### Description of CSO's provided to business activities:

\$ '000		
Activities	CSO Description	Actual
Water Activities	Providing free services to public areas	183
Sewerage Activities	Providing free services to public areas	101



# Flinders Shire Council

## Notes to the Financial Statements for the year ended 30 June 2014

### Note 29. National Competition Policy (continued)

\$ '000	Roads	Water	Sewerage
2013			
Revenue for services provided to the Council		79	64
Revenue for services provided to external clients	22,957	738	636
Community service obligations		183	101
<b>Total</b>	<b>22,957</b>	<b>1,000</b>	<b>801</b>
Less : Expenditure	(21,301)	(983)	(1,020)
<b>Surplus/(Deficit)</b>	<b>1,656</b>	<b>17</b>	<b>(219)</b>

#### Description of CSO's provided to business activities:

\$ '000		
Activities	CSO Description	Actual
Water Activities	Providing free services to public areas	183
Sewerage Activities	Providing free services to public areas	101

## Flinders Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2014

#### Note 30. Council Information and Contact Details

**Principal Place of Business:**

34 Gray Street  
HUGHENDEN QLD 4821

**Contact Details****Mailing Address:**

PO Box 274  
HUGHENDEN QLD 4821

**Opening Hours:**

8:30 am to 5:00 pm

**Telephone:** 07 4741 2900

**Facsimile:** 07 4741 1741

**Internet:** <http://www.flinders.qld.gov.au/web/quest/home>

**Email:** [flinders@flinders.qld.gov.au](mailto:flinders@flinders.qld.gov.au)

**Officers****CHIEF EXECUTIVE OFFICER**

Graham King

**Elected Members****MAYOR**

Cr Gregory Jones

**Contract Auditors for Queensland Audit Office**

Crowe Horwath NQ  
22 Walker Street (PO Box 537)  
TOWNSVILLE QLD 4810

**COUNCILLORS**

Cr Ninian Stewart-Moore

Cr Bill Bode

Cr Barbara Geisler

Cr Sean O'Neill

Cr Shane McCarthy

Cr Jane Charuba

**Other Information**

**ABN:** 24 420 911 643

## Flinders Shire Council

### General Purpose Financial Statements for the year ended 30 June 2014

### Management Certificate for the year ended 30 June 2014

These General Purpose Financial Statements have been prepared pursuant to sections 176 and 177 of the *Local Government Regulation 2012* (the Regulations) and other prescribed requirements.

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

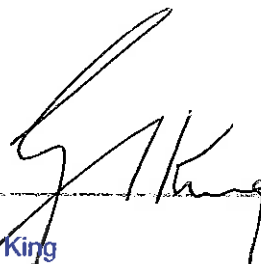
- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulations 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the General Purpose Financial Statements, as set out on pages 2 to 50, present a true 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.



Cr Gregory Jones

**MAYOR**

30th October 2014



Graham King

**CHIEF EXECUTIVE OFFICER**

30th October 2014

## INDEPENDENT AUDITOR'S REPORT

To the Mayor of Flinders Shire Council

### Report on the Financial Report

I have audited the accompanying financial report of Flinders Shire Council, which comprises the statements of financial position as at 30 June 2014, 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 of the Council.

#### *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 the *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.

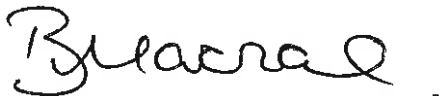
#### *Opinion*

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 the Flinders Shire Council for the financial year 1 July 2013 to 30 June 2014 and of the financial position as at the end of that year.

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

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



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

Queensland Audit Office  
Brisbane

## Flinders Shire Council

### Current Year Financial Sustainability Statement for the year ended 30 June 2014

	Actual	Target
	2014	2014

#### Measures of Financial Sustainability

Council's performance at 30 June 2014 against key financial ratios and targets.

#### Performance Indicators

##### 1. Operating Surplus Ratio

<u>Net Result (excluding capital items) <sup>(1)</sup></u>	-4.50%	0 - 10%
<u>Total Operating Revenue (excluding capital items) <sup>(2)</sup></u>		

An indicator of which the extent to which revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.

##### 2. Asset Sustainability Ratio

<u>Capital Expenditure on the Replacement of Assets (renewals) <sup>(3)</sup></u>	309.28%	> 90%
<u>Depreciation Expense</u>		

An approximation of the extent to which the infrastructure assets managed are being replaced as these reach the end of their useful lives.

##### 3. Net Financial Liabilities Ratio

<u>Total Liabilities less Current Assets</u>	-51.46%	< 60%
<u>Total Operating Revenue (excluding capital items) <sup>(2)</sup></u>		

An indicator of the extent to which the net financial liabilities can be serviced by its operating revenue.

#### 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 2014.



## Flinders Shire Council

### Current Year Financial Sustainability Statement (continued) for the year ended 30 June 2014

#### Measures of Financial Sustainability (continued)

##### Notes:

- (1) Includes only Recurrent Revenue and Recurrent Expenditure disclosed in the Income Statement. Excludes Capital Revenue, Grants, Contributions, Donations & Subsidies received for capital acquisitions, Capital Income items such as Profit from the Sale of: PP&E, Financial Assets, Real Estate & Investment Properties (refer to Note 5 for exclusions), and any Capital Expenditure such as Write Off of Assets, movements in Provisions for Restoration & Rehabilitation and Revaluation Decrements that hit the Statement of Comprehensive Income.
- (2) Includes only Recurrent Revenue disclosed in the Income Statement. Excludes Capital Revenue Grants, Contributions Donations & Subsidies received for capital acquisitions. Also excludes any Capital Income items such as Profit from the Sale of: PP&E, Financial Assets, Real Estate & Investment Properties (refer to Note 5 for exclusions).
- (3) Asset Renewals are defined as expenditure on an existing asset, which returns the service potential or the life of the asset up to that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components or sub-components of the asset being renewed. As it reinstates existing service potential, it has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time. For example resurfacing a part of Council's Road Network, replacing a material section of a Drainage Network with pipes of the same capacity, or resurfacing the Arena. Where capital projects involve a combination of renewal, new and/or upgrade expenditures, the total project cost is allocated accordingly.

These ratios are the relevant measures of financial sustainability required to be reported under section 178(1) of the *Local Government Regulation 2012*.

Definitions are sourced from the Financial Management (Sustainability) Guideline issued by the Department of Local Government, Community Recovery and Resilience.

**Current Year Financial Sustainability Statement**  
for the year ended 30 June 2014

**Certificate of Accuracy**  
for the year ended 30 June 2014

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.

  
\_\_\_\_\_  
Cr Gregory Jones

**MAYOR**

  
\_\_\_\_\_  
Graham King

**CHIEF EXECUTIVE OFFICER**

## INDEPENDENT AUDITOR'S REPORT

To the Mayor of Flinders Shire 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 Flinders Shire Council for the year ended 30 June 2014, 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*

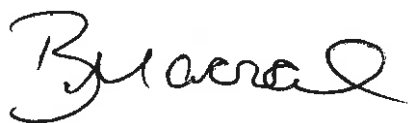
In accordance with s.212 of the *Local Government Regulation 2012*, in my opinion, in all material respects, the current-year financial sustainability statement of Flinders Shire Council, for the year ended 30 June 2014, has been accurately calculated.

### *Emphasis of Matter – Basis of Accounting*

Without modifying my opinion, attention is drawn to Note 1 which describes the basis of accounting. The current-year financial sustainability statement has been prepared in accordance with the *Financial Management (Sustainability) Guideline 2013* for the purpose of fulfilling the Council's reporting responsibilities under the *Local Government Regulation 2012*. As a result, the statement may not be suitable for another purpose.

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

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



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



Queensland Audit Office  
Brisbane

## Flinders Shire Council

### Long-Term Financial Sustainability Statement

prepared as at 30 June 2014

	Target 2014	Actual 2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Measures of Financial Sustainability												
Council's performance at 30 June 2014 against key financial ratios and targets.												
Performance Indicators												
1. Operating Surplus Ratio												
Net Result (excluding capital items) <sup>(1)</sup>		-4.50%	14.29%	1.31%	0.67%	1.34%	2.16%	1.99%	3.67%	5.37%	5.63%	5.61%
Total Operating Revenue (excluding capital items) <sup>(2)</sup>	0 - 10%											
An indicator of which the extent to which revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.												
2. Asset Sustainability Ratio												
Capital Expenditure on the Replacement of Assets (renewals) <sup>(3)</sup>	> 90%	309.28%	319.50%	322.01%	134.96%	131.73%	130.35%	130.61%	130.55%	128.46%	125.91%	123.29%
Depreciation Expense												
An approximation of the extent to which the infrastructure assets managed are being replaced as these reach the end of their useful lives.												
3. Net Financial Liabilities Ratio												
Total Liabilities less Current Assets	< 60%	-51.46%	-31.27%	-36.82%	-29.54%	-24.24%	-16.80%	-9.61%	-5.31%	-6.02%	-3.56%	-4.65%
Total Operating Revenue (excluding capital items) <sup>(2)</sup>												
An indicator of the extent to which the net financial liabilities can be serviced by its operating revenue.												

## Flinders Shire Council

### Long-Term Financial Sustainability Statement (continued) prepared as at 30 June 2014

#### Flinders Shire Council 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. There are three sustainability indicators that have been set by the Department of Local Government, Community Recovery and Resilience to help monitor the long-term sustainability of all Councils across Queensland. Throughout the financial year, these indicators are calculated and reported on monthly at Council meetings, as part of a full suite of financial reports. Should there be any deviation outside these parameters, the executive management and Council will be fully informed and may take corrective action as required.

The table above summarises how we performed against set targets for the key financial performance indicators established in our financial strategy. In summary, we achieved or bettered six of the financial targets, performing strongly in our ability to generate cash from day-to-day operations, meeting all financial commitments in the financial year, and keeping debt to conservative and manageable levels. This was achieved while maintaining community services and making ongoing investment in community infrastructure.

#### Notes

<sup>(1)</sup> Includes only Recurrent Revenue and Recurrent Expenditure disclosed in the Income Statement. Excludes Capital Revenue Grants, Contributions, Donations & Subsidies received for capital acquisitions, Capital Income items such as Profit from the Sale of: PP&E, Financial Assets, Real Estate & Investment Properties (refer to Note 5 for exclusions), and any Capital Expenditure such as Write Off of Assets, movements in Provisions for Restoration & Rehabilitation and Revaluation Decrements that hit the Statement of Comprehensive Income.

<sup>(2)</sup> Includes only Recurrent Revenue disclosed in the Income Statement. Excludes Capital Revenue Grants, Contributions Donations & Subsidies received for capital acquisitions. Also excludes any Capital Income items such as Profit from the Sale of: PP&E, Financial Assets, Real Estate & Investment Properties (refer to Note 5 for exclusions).

These ratios are the relevant measures of financial sustainability required to be reported under section 178(1) of the *Local Government Regulation 2012*.

Definitions are sourced from the Financial Management (Sustainability) Guideline issued by the Department of Local Government, Community Recovery and Resilience.



## Long-Term Financial Sustainability Statement

### Certificate of Accuracy

for the long-term financial sustainability statement prepared as at 30 June 2014

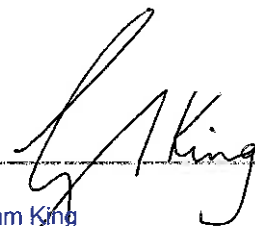
This long-term financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012* (the Regulation).

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



Cr Gregory Jones

**MAYOR**



Graham King

**CHIEF EXECUTIVE OFFICER**