

Torres Strait Island Regional Council
Financial Statements
For the year ended 30 June 2021

Torres Strait Island Regional Council

Financial statements

For the year ended 30 June 2021

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Torres Strait Island Regional Council
Statement of Comprehensive Income
For the year ended 30 June 2021

	Note	2021 \$	Restated 2020 \$
Income			
Recurrent revenue			
Community levies, rates and charges	3(a)	1,408,588	1,625,173
Fees and charges	3(b)	4,456,201	4,230,793
Sales revenue	3(c)	16,061,240	19,665,040
Grants, subsidies, contributions and donations	3(d)	23,534,368	25,003,587
Total recurrent revenue		45,460,397	50,524,594
Capital revenue			
Grants, subsidies, contributions and donations	3(d)	38,526,936	33,101,161
Total capital revenue		38,526,936	33,101,161
Interest received	4(a)	343,374	669,228
Other income	4(b)	(251,913)	1,474,214
Rental income	4(c)	4,855,144	4,846,879
Total income		88,933,937	90,616,075
Expenses			
Recurrent expenses			
Employee benefits	6	(26,202,353)	(25,663,299)
Materials and services	7	(32,030,242)	(33,432,091)
Finance costs	8	(1,384,231)	(844,004)
Depreciation and amortisation			
Property, plant and equipment	11	(46,381,515)	(46,905,038)
Intangible assets		(6,822)	(26,900)
Right of use assets	13	(634,424)	(684,654)
Total recurrent expenses		(106,639,586)	(107,555,986)
Capital expenses	5	(8,014,407)	(12,749,832)
Total expenses		(114,653,993)	(120,305,818)
Net result		(25,720,055)	(29,689,743)
Other comprehensive income			
Increase in asset revaluation surplus	11	32,259,079	52,456,783
Total other comprehensive income for the year		32,259,079	52,456,783
Total comprehensive income for the year		6,539,023	22,767,040

Torres Strait Island Regional Council
Statement of Financial Position
As at 30 June 2021

	Note	2021 \$	Restated 2020 \$
Current assets			
Cash and cash equivalents	9	45,179,212	52,763,075
Short term deposit		66,077	65,374
Receivables	10	9,681,523	3,665,123
Inventories		257,825	249,500
Contract assets	12	7,787,466	4,647,861
Lease receivable	13	376,956	370,578
Total current assets		63,349,059	61,761,511
Non-current assets			
Lease receivable	13	13,143,290	14,715,268
Property, plant and equipment	11	902,394,258	887,086,625
Right of use assets	13	698,349	1,330,000
Intangible assets		-	6,822
Total non-current assets		916,235,897	903,138,715
Total assets		979,584,956	964,900,226
Current liabilities			
Payables	14	10,202,651	7,339,207
Borrowings		36,210	68,648
Provisions	15	6,954,834	5,578,386
Contract liabilities	12	21,304,105	17,844,335
Lease liabilities	13	649,789	651,775
Total current liabilities		39,147,589	31,482,351
Non-current liabilities			
Borrowings		-	36,100
Provisions	15	4,706,798	3,562,288
Lease liabilities	13	60,985	688,927
Total non-current liabilities		4,767,783	4,287,315
Total liabilities		43,915,372	35,769,665
Net community assets		935,669,584	929,130,560
Community equity			
Asset revaluation surplus	11	514,581,023	482,321,944
Retained surplus		421,088,561	446,808,616
Total community equity		935,669,584	929,130,560

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

Torres Strait Island Regional Council
Statement of Changes in Equity
For the year ended 30 June 2021

	Asset revaluation surplus	Retained surplus	Total
	\$	\$	\$
Balance as at 1 July 2020	482,321,944	446,808,616	929,130,560
Net result	-	(25,720,055)	(25,720,055)
Other comprehensive income for the year	-	-	-
Increase in asset revaluation surplus	32,259,079	-	32,259,079
Total comprehensive income for the year	32,259,079	(25,720,055)	6,539,023
Balance as at 30 June 2021	514,581,023	421,088,561	935,669,584
Balance as at 1 July 2019	429,865,161	496,169,492	926,034,653
Adjustment on initial application of AASB 15 / AASB 1058	-	(17,426,892)	(17,426,892)
Correction of prior year error		(2,244,241)	(2,244,241)
Restated balance as at 1 July 2019	429,865,161	476,498,359	906,363,520
Net result	-	(29,689,743)	(29,689,743)
Other comprehensive income for the year	-	-	-
Increase in asset revaluation surplus	52,456,783	-	52,456,783
Total comprehensive income for the year	52,456,783	(29,689,743)	22,767,040
Balance as at 30 June 2020 - restated	482,321,944	446,808,616	929,130,560

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

Torres Strait Island Regional Council
Statement of Cash Flows
For the year ended 30 June 2021

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		22,778,944	41,382,601
Payments to suppliers and employees		(55,206,959)	(59,949,659)
		(32,428,015)	(18,567,058)
Interest received		343,374	669,228
Recurrent grants and contributions		23,534,368	25,003,587
Borrowing costs		(104,851)	(44,058)
Net cash inflow (outflow) from operating activities	19	(8,655,123)	7,061,699
Cash flows from investing activities			
Payments for property, plant and equipment		(32,870,961)	(22,394,040)
Proceeds from sale of property plant and equipment		1,559	1,136
Proceeds from insurance claims		7,596	162,032
Finance lease receipts		370,578	361,787
Capital grants, subsidies, contributions and donations		34,263,728	17,549,831
Net cash inflow (outflow) from investing activities		1,772,500	(4,319,254)
Cash flows from financing activities			
Repayment of borrowings		(68,539)	(63,673)
Repayments made on leases (principal only)		(632,701)	(672,583)
Net cash inflow (outflow) from financing activities		(701,240)	(736,256)
Net increase (decrease) in cash and cash equivalents held		(7,583,863)	2,006,189
Cash and cash equivalents at the beginning of the financial year		52,763,075	50,756,886
Cash and cash equivalents at the end of the financial year	9	45,179,212	52,763,075

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

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

1 Information about the financial statements

1.A Basis of preparation

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

These general purpose financial statements are for the period 1 July 2020 to 30 June 2021 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*.

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

The income of local government and public authorities is exempt from income tax. However Council is subject to Fringe Benefits Tax, Goods and Services Tax ("GST"). The net amount of GST recoverable from the Australian Taxation Office (ATO) or payable to the ATO is shown as an asset or liability respectively.

These financial statements comply with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). Council is a not-for-profit entity for financial reporting purposes and complies with Australian Accounting Standards as applicable to not-for-profit entities.

Comparative information is prepared on the same basis as the prior financial year.

1.B Date of authorisation

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

1.C New and revised Accounting Standards adopted during the year

Council has adopted all standards which became mandatorily effective for annual reporting periods beginning on 1 July 2020. The standards did not have a material impact on reported position, performance and cash flows of Council.

1.D Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2021. These standards have not been adopted by Council and will be included in the financial statements on their effective date. Where the standard is expected to have a material impact for council then further information has been provided in this note.

No standard issued by the AASB which is not yet effective is expected to have a material impact for Council.

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

Council makes a number of judgements, estimates and assumptions in preparing these financial statements. These are based on the best information available to Council at the time, however due to the passage of time, these assumptions may change and therefore the recorded balances may not reflect the final outcomes. The significant judgements, estimates and assumptions relate to the following items and specific information is provided in the relevant note:

- Revenue recognition - Note 3
- Valuation and depreciation of property, plant and equipment - Note 11
- Leases - Note 13
- Provisions - Note 15
- Contingent liabilities - Note 17
- Financial instruments and financial risk management - Note 23

1.F Impact of COVID-19 on the financial statements as at 30 June 2021

Council has performed an assessment of the impact of COVID-19 on its operations and results for the financial year and assessed that it has not had a material impact. The impacts identified are considered limited to some additional cleaning costs and some minor delays in completion of capital and maintenance works due to the impact of lockdowns and travel restrictions in place at different points during the financial year however the cumulative impact is not considered material to the financial statements. Council has some anecdotal evidence that the cost of various materials and services has increased as a result of the pandemic however it is not considered possible to quantify this impact.

Given the evolving circumstances of the pandemic within Australia, the ongoing impact on Council cannot be reliably estimated for future financial periods.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

2 Analysis of results by function

(a) Components of Council functions

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

Executive Services

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

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

- Mayor and Councillors
- Committees
- Governance
- Legal services
- Organisational development services
- Strategic Projects & Logistics

Engineering Services

The Engineering Services function is headed by the Chief Engineer (CE). The objective is to provide a high level of service in integrated infrastructure management which ensures environmental protection and meets community expectations.

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

Key components of the Engineering Services function include:

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

Operations

The Operations division is headed by the Chief Operating Officer (COO) who is responsible for the following areas:

Health and Community Services

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

The Health and Community Services function delivers the following services:

- Community services
- Housing services
- Environmental health services
- Health and wellbeing services
- Divisional administrative services

Building Services

The objective of the Building Services function is to provide repairs and maintenance on social housing and new construction on behalf of the State and Federal Government.

Business Services

The Business Services division is headed by the Chief Financial Officer (CFO). The objective of this division is to provide efficient and effective support services to Council functions. The Business Services function is multi-disciplinary and consists of:

- Financial management services
- Strategic (financial) planning
- Information services
- Asset management services

Corporate Affairs

Corporate Affairs is headed by the CFO. The objective of this function is to provide efficient and effective delivery of services to Council functions through innovative, practical and responsible solutions.

Key components of the Corporate Affairs function include:

- Media, events and communication
- Engagement and advocacy
- Procurement
- Policy and procedure review
- Strategic (corporate) planning services
- Enterprise development
- Governance
- Risk

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

2 Analysis of results by function (continued)

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

Year ended 30 June 2021

Functions	Gross program income				Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result from recurrent operations	Net result	Assets
	Recurrent		Capital			Recurrent	Capital					
	Grants	Other	Grants	Other								
	\$	\$	\$	\$								
Executive Services	546,200	312,789	413,450	-	1,272,439	7,510,065	-	133,941	7,644,006	(6,651,076)	(6,371,567)	2,559,563
Health and Community Services	3,893,070	10,617,193	4,379,685	-	18,889,949	35,213,663	-	3,648,845	38,862,507	(20,703,399)	(19,972,559)	355,230,886
Engineering Services	895,545	3,223,404	25,531,621	-	29,650,570	37,499,934	-	764,242	38,264,176	(33,380,984)	(8,613,606)	524,872,497
Building Services	-	13,477,041	3,324,658	-	16,801,698	14,085,841	-	(925,806)	13,160,034	(608,800)	3,641,664	-
Corporate Affairs	200,647	6,000	47,006	-	253,653	1,332,236	-	7,639	1,339,875	(1,125,589)	(1,086,222)	-
Business Services	17,998,906	(763,793)	4,830,517	-	22,065,629	10,997,848	8,014,407	(3,628,860)	15,383,394	6,237,265	6,682,234	96,922,011
Total Council	23,534,368	26,872,634	38,526,936	-	88,933,937	106,639,586	8,014,407	-	114,653,992	(56,232,584)	(25,720,055)	979,584,956

Effective from 1 July 2020, Housing Services became a functional objective of Health and Community Services. Previously Housing Services was a stand alone function and thus reported separately in the year ended 30 June 2020 comparatives below.

Year ended 30 June 2020 - Restated

Functions	Gross program income				Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result from recurrent operations	Net result	Assets
	Recurrent		Capital			Recurrent	Capital					
	Grants	Other	Grants	Other								
	\$	\$	\$	\$								
Executive Services	646,200	191,293	-	-	837,493	4,932,950	-	18,992	4,951,942	(4,095,457)	(4,114,449)	-
Health and Community Services	4,358,533	5,285,525	1,306	-	9,645,364	15,827,431	-	293,765	16,121,196	(6,183,373)	(6,475,832)	11,605,499
Engineering Services	990,442	3,367,310	8,649,721	-	13,007,473	36,567,388	-	109,208	36,676,596	(32,209,636)	(23,669,123)	501,457,798
Housing Services	-	4,894,819	641,711	-	5,536,530	20,605,616	-	2,011,597	22,617,213	(15,710,797)	(17,080,683)	302,315,931
Building Services	-	17,193,091	8,520,988	-	25,714,079	17,903,871	-	149,767	18,053,638	(710,780)	7,660,442	-
Corporate Affairs	223,846	-	-	-	223,846	1,363,004	-	2,080	1,365,084	(1,139,158)	(1,141,238)	-
Business Services	18,784,566	1,579,289	15,287,435	-	35,651,290	10,355,726	12,749,832	(2,585,409)	20,520,149	10,008,129	15,131,141	149,520,998
Total Council	25,003,587	32,511,327	33,101,161	-	90,616,075	107,555,986	12,749,832	-	120,305,818	(50,041,072)	(29,689,743)	964,900,222

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

3 Revenue

(a) Community levies, rates and charges

Community levies, rates and annual charges are recognised as revenue when Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

	2021 \$	2020 \$
Water charges commercial	327,581	447,453
Sewerage charges commercial	853,517	913,833
Garbage charges commercial	168,453	204,273
Rates from 40 year leases	59,037	59,614
	<u>1,408,588</u>	<u>1,625,173</u>

(b) Fees and charges

Council provides a range of goods and services to the community and other third parties for a fee. These fees are set in a fees and charges register adopted by Council at the annual budget meeting. Revenue arising from fees and charges is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods or services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases, the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.

	2021 \$	2020 \$
Airport landing fees	396,927	387,852
Commercial property rental	2,522,658	2,338,351
Maritime fees	1,350,855	1,326,828
Hire of Council buildings	88,840	53,098
Other fees and charges	96,921	124,664
	<u>4,456,201</u>	<u>4,230,793</u>

Timing of revenue recognition for fees and charges

	2021		2020	
	Revenue recognised over time	Revenue recognised at a point in time	Revenue recognised over time	Revenue recognised at a point in time
Fees and charges	2,522,658	1,933,543	2,338,351	1,892,441
	<u>2,522,658</u>	<u>1,933,543</u>	<u>2,338,351</u>	<u>1,892,441</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

3 Revenue (continued)

(c) Sales revenue

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

Revenue from contract and recoverable works generally comprises a recoupment of material costs together with an hourly charge for the use of equipment and employees. Contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity based on costs incurred at the reporting date. 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. There are no contracts in progress at the year end.

	2021 \$	2020 \$
Contract and recoverable works	13,477,040	17,136,449
Plant and equipment hire	68,897	56,381
Childcare services	141,084	106,090
Accommodation	787,527	689,611
Sale of fuel and gas	1,283,743	1,379,311
Sale of powercards	302,948	297,198
	<u>16,061,240</u>	<u>19,665,040</u>

Timing of revenue recognition for sales

	2021		2020	
	Revenue recognised over time	Revenue recognised at a point in time	Revenue recognised over time	Revenue recognised at a point in time
Sales	14,474,548	1,586,692	17,988,531	1,676,509
	<u>14,474,548</u>	<u>1,586,692</u>	<u>17,988,531</u>	<u>1,676,509</u>

(d) Grants, subsidies, contributions and donations

Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue is recognised when control of each performance obligation is satisfied.

The performance obligations vary in each agreement but include salaried positions and specific travel in relation to those positions. Payment terms vary depending on the terms of the grant. Cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control. Within grant agreements there may be performance obligations where control transfers at a point in time and others where there is continuous transfer of control over the life of the contract.

Where control is transferred over time, revenue is recognised using either costs or time incurred.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

3 Revenue (continued)

(d) Grants, subsidies, contributions and donations (continued)

Grant income under AASB 1058

Assets arising from grants in the scope of AASB 1058 are recognised at the fair value when the assets are received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard. Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

Capital grants

Capital grants received to enable Council to acquire or construct an item of property, plant and equipment to identified specifications which will be under Council's control and which are enforceable are recognised as revenue as and when the obligation to construct or purchase is completed. For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

Any unbilled grants (accrued income) are included as part of contract assets and any unspent grants (unearned income) are included as part of contract liabilities in the statement of financial position.

Donations and contributions

When assets are donated or purchased for significantly below fair value, the revenue is recognised when the asset is acquired and controlled by the Council.

Donations and contributions are generally recognised on receipt of the assets since there are no performance obligations.

	2021 \$	2020 \$
Operating		
General purpose grants	11,030,037	12,030,841
State Government subsidies and grants	10,630,254	10,132,120
Commonwealth Government subsidies and grants	1,874,077	2,840,626
	<u>23,534,368</u>	<u>25,003,587</u>

Capital

Capital revenue includes grants and subsidies received which are tied to specific projects for the replacement or upgrade of existing non-current assets and/or investment in new assets. It also includes non-cash contributions which are usually infrastructure assets.

State Government subsidies and grants	30,579,614	18,070,433
Commonwealth Government subsidies and grants	3,363,949	3,709,813
Contributed assets	4,583,373	11,320,915
	<u>38,526,936</u>	<u>33,101,161</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

3 Revenue (continued)

(d) Grants, subsidies, contributions and donations (continued)

Timing of revenue recognition for grants, subsidies, contributions and donations

	2021		2020	
	Revenue recognised over time	Revenue recognised at a point in time	Revenue recognised over time	Revenue recognised at a point in time
	\$	\$	\$	\$
Grants and subsidies	35,317,719	22,160,214	22,693,618	24,090,217
Contributions	-	4,583,373	-	11,320,912
	<u>35,317,719</u>	<u>26,743,587</u>	<u>22,693,618</u>	<u>35,411,129</u>

4 Interest and other income

Note

2021
\$

2020
\$

(a) Interest received

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

Interest received from financial institutions	343,374	669,228
	<u>343,374</u>	<u>669,228</u>

(b) Other income

Other income is recognised on receipt.

Insurance claims received		66,318	448
Gain/(loss) on revaluation of finance leases	13	(1,195,022)	785,376
Commission income		470,240	425,103
Other revenue		406,551	263,287
		<u>(251,913)</u>	<u>1,474,214</u>

(c) Rental income

Rental revenue from community housing is recognised as income as rent is received.

Residential property rental income	4,855,144	4,846,879
	<u>4,855,144</u>	<u>4,846,879</u>

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

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

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

5 Capital expenses	Note	2021 \$	2020 \$
Loss on disposal of non-current assets			
Book value of property, plant and equipment disposed		3,509,132	7,169,530
Less: Proceeds from the sale of property, plant and equipment		(1,559)	(1,136)
Less: Proceeds from insurance claims		(7,596)	(162,032)
		<u>3,499,977</u>	<u>7,006,362</u>
Loss on disposal of registered <i>Land Holding Act</i> leases			
Book value of property, plant and equipment		4,514,430	5,744,839
Less: Proceeds from the transfer of registered <i>Land Holding Act</i> leases		-	-
		<u>4,514,430</u>	<u>5,744,839</u>
Loss on derecognition of right of use assets	13	-	-
		<u>-</u>	<u>-</u>
		<u>8,014,407</u>	<u>12,751,201</u>

6 Employee benefits

Employee benefit expenses are recorded when the service has been provided by the employee.

		2021 \$	Restated 2020 \$
Staff wages and salaries		19,322,848	18,846,508
Councillors' remuneration		1,016,537	964,846
Annual, sick and long service leave entitlements		4,137,760	3,635,067
Superannuation	18	2,507,633	2,297,952
		<u>26,984,777</u>	<u>25,744,373</u>
Other employee related expenses		220,077	331,329
		<u>27,204,855</u>	<u>26,075,702</u>
Less: Capitalised employee expenses		(1,002,502)	(412,403)
		<u>26,202,353</u>	<u>25,663,299</u>

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

	2021	2020
Total Council employees at the reporting date:		
Elected members	16	16
Administration staff	335	326
Total full time equivalent employees	<u>351</u>	<u>342</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

7 Materials and services	Note	2021 \$	2020 \$
Expenses are recorded on an accruals basis as Council receives the goods or services.			
Advertising and marketing		50,785	32,277
Audit services		222,344	196,500
Communications and IT		1,723,207	1,801,176
Consultants		871,809	1,097,398
Contractors		9,717,528	7,628,943
Donations paid		274,415	357,789
Freight		798,556	1,503,352
Insurance		4,174,281	3,153,640
Legal fees		594,862	327,603
Materials - carpentry, plumbing, electrical		234,038	4,594,930
Motor vehicle expenses		986,982	204,465
Other materials and services		2,153,992	1,300,649
Power		1,406,172	1,305,148
Powercards, fuel and gas for resale		2,647,069	2,676,313
Rent paid		79,525	163,495
Repairs and maintenance		2,506,395	3,415,987
Subscriptions and registrations		175,988	137,852
Supplies and consumables		566,335	610,360
Temporary staff costs		444,276	531,535
Travel		2,527,145	2,523,258
Less: Expenses capitalised		(125,462)	(130,579)
		<u>32,030,242</u>	<u>33,432,091</u>

* Total audit fees quoted by the Queensland Audit Office relating to the 2020-21 financial statements are \$194,500 (2019-20: \$196,500)

8 Finance costs

Finance costs charged by Queensland Treasury Corporation		6,286	10,700
Bank charges		113,156	106,240
Impairment of receivables / (reversal) of impairment		(722,042)	513,134
Refuse restoration		1,966,316	180,572
Interest on leases	13	20,514	33,358
		<u>1,384,231</u>	<u>844,004</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

9 Cash and cash equivalents

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

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

	Note	2021 \$	2020 \$
Cash at bank		5,853,960	4,937,823
Deposits at call		39,325,252	47,825,252
Balance per Statement of Cash Flows		<u>45,179,212</u>	<u>52,763,075</u>

(i) Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:

Unspent government grants and subsidies	21,476,396	18,749,103
Total externally imposed restrictions on cash assets	<u>21,476,396</u>	<u>18,749,103</u>

(ii) Internal allocations of cash at the reporting date

Funds set aside and held in reserves for DOGIT land	1,740,241	1,245,665
Total internally allocated cash assets	<u>1,740,241</u>	<u>1,245,665</u>

Trust funds held for outside parties

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

Island funeral funds	254,003	257,373
Church funds	9,780	9,781
Other community funds	51,732	48,066
	<u>315,515</u>	<u>315,220</u>

In accordance with the *Local Government Act 2009* and *Local Government Regulation 2012*, a separate trust bank account and separate accounting records are maintained for funds held on behalf of outside parties. Funds held in the trust account include those funds relating to island funeral funds, church funds and other community funds. 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.

Funds held in trust by outside parties

DFK Kidsons holding funds for the Major Infrastructure and Other Program	33,588,348	30,965,583
	<u>33,588,348</u>	<u>30,965,583</u>

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

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

10 Receivables

Receivables are amounts owed to Council at year end. They are recognised at the amount due at the time of sale or service delivery. Settlement is required within 30 days after the invoice is issued.

Debts are regularly assessed for collectability and allowance is made, where appropriate, for impairment. Council actively pursues outstanding housing debts from both current and former tenants as per its Rental Debt Policy. Recovery action is undertaken for tenants who are more than 14 days in arrears. Housing Officers review rent accounts fortnightly and make contact with tenants in person to negotiate affordable rent and arrears payment plans. All known bad debts were written-off at 30 June. If an amount is recovered in a subsequent period it is recognised as revenue.

	2021 \$	2020 \$
Current		
Receivable - Housing	13,350,660	13,393,630
Less impairment	(12,552,822)	(13,306,867)
Receivable - Rates	470,816	472,371
Less impairment	(235,408)	(187,672)
Receivable - Other	3,139,750	1,576,322
Less impairment	(213,415)	(199,849)
	<u>3,959,582</u>	<u>1,747,934</u>
Accrued revenue	5,095,702	1,561,916
Prepayments	225,303	119,415
GST receivable	400,936	235,857
	<u>9,681,523</u>	<u>3,665,123</u>

Movement in accumulated impairment losses is as follows.

Opening balance at 1 July	13,694,388	14,170,368
Less: Debts written off during the year	(107,351)	(989,114)
Reverse prior year debts offset against Receivables	136,652	
Additional impairments recognised	669,323	513,134
Less: Impairments reversed	(1,391,366)	-
Closing balance at 30 June	<u>13,001,646</u>	<u>13,694,388</u>

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

Council does not require collateral in respect of trade and other receivables. Council does not have trade receivables for which no loss allowance is recognised because of collateral.

The exposure to credit risk for trade receivables by type of counterparty was as follows:

Housing charges	13,350,660	13,393,630
Government entities	2,329,891	1,077,831
Utility charges	470,816	472,371
Other	1,253,134	498,491
Total	<u>17,404,501</u>	<u>15,442,323</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

10 Receivables (continued)

Expected credit loss assessment

Council uses an allowance matrix to measure the expected credit losses of trade receivables from individual customers, which comprise a very large number of small balances. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

Loss rates are based on actual credit loss experience over the past ten years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Council's view of economic conditions over the expected lives of the receivables.

For housing receivables this rate ranges from 10% - 95% depending on the aging of the debt (2019/20: 20% - 99.99%). In relation to other receivables, this rate ranges from 0.31% - 80.20% depending on the aging of the debt (2019/20: 0.16% - 53.79%)

2021

Aging	Closing Balance 30/6/2021 \$	Historical Probability of default	Loss given default	Lifetime Expected Credit Loss \$
-------	---------------------------------------	---	-----------------------	---

Housing

Current	153,300	10.00%	100%	15,330
1-30 days	60,348	95.00%	100%	57,330
31-60 days	71,614	95.00%	100%	68,034
61-90 days	13,065,397	95.00%	100%	12,412,128
	<u>13,350,660</u>			<u>12,552,822</u>

Other Debtors

Current	2,144,609	0.31%	100%	6,728
1-30 days	333,816	1.83%	100%	6,117
31-60 days	16,298	80.20%	100%	13,072
61-90 days	1,115,843	37.90%	100%	422,907
	<u>3,610,566</u>			<u>448,823</u>

2020

Aging	Closing Balance 30/6/2020 \$	Historical Probability of default	Loss given default	Lifetime Expected Credit Loss \$
-------	---------------------------------------	---	-----------------------	---

Housing

Current	105,988	20.00%	100%	21,198
1-30 days	46,666	99.00%	100%	46,200
31-60 days	85,558	99.00%	100%	84,703
61-90 days	13,155,418	99.99%	100%	13,154,768
	<u>13,393,630</u>			<u>13,306,867</u>

Other Debtors

Current	1,173,312	0.16%	100%	1,885
1-30 days	110,681	3.47%	100%	3,837
31-60 days	61,457	5.71%	100%	3,512
61-90 days	703,243	53.79%	100%	378,287
	<u>2,048,693</u>			<u>387,521</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

11 Property, plant and equipment

Council - 30 June 2021

Basis of measurement

Asset values

Opening gross value as at 1 July 2020

Additions

Capital contributions

Assets capitalised from work in progress

Impairment from work in progress

Disposals

Revaluation adjustment to asset revaluation surplus

Closing gross value as at 30 June 2021

Buildings (Communities)	Buildings (Corporate)	Recreational Facilities	Road / Transport Network	Stormwater Drainage Network	Flood Mitigation Network	Water Supply Network	Sewerage Network	Wharves, Piers, Jetties & Pontoons	Waste Landfill	Land Assets	Plant & Equipment	Work in progress	Total
Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost	
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
566,467,014	107,077,405	26,337,950	277,703,800	13,784,500	36,284,654	235,768,784	258,369,240	49,022,070	2,664,300	2,497,135	8,747,774	14,242,014	1,598,966,640
-	-	-	-	-	-	-	-	-	-	-	-	32,870,109	32,870,109
-	-	-	-	-	-	3,668,441	914,932	-	-	-	-	-	4,583,373
4,675,294	542,065	-	1,195,944	-	-	3,493,611	296,642	-	-	-	478,424	(10,681,980)	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
(12,538,451)	(467,559)	-	(781,230)	-	-	(5,095,911)	(1,947,743)	-	-	-	(277,706)	-	(21,108,600)
22,230,187	4,235,335	1,033,270	10,302,064	516,919	1,360,675	9,061,692	9,868,522	1,838,328	97,452	62,428	-	-	60,606,870
580,834,044	111,387,246	27,371,220	288,420,578	14,301,419	37,645,329	246,896,617	267,501,593	50,860,398	2,761,752	2,559,563	8,948,492	36,430,143	1,675,918,394

Accumulated depreciation and impairment

Opening balance as at 1 July 2020

Depreciation provided in period

Revaluation adjustment to asset revaluation surplus

Impairment adjustment to asset revaluation surplus

Reversal of impairment previously recorded

Depreciation/impairment on disposals

Accumulated depreciation as at 30 June 2021

264,151,082	54,636,440	14,732,450	109,817,883	5,298,780	7,933,205	116,310,329	112,008,699	19,538,617	1,232,037	-	6,220,496	-	711,880,016
18,557,384	4,156,475	961,661	5,005,352	278,375	875,851	7,473,017	7,123,778	1,071,968	159,197	-	718,457	-	46,381,515
11,022,502	2,302,757	607,516	4,187,498	209,143	330,340	4,569,579	4,299,029	772,897	46,529	-	-	-	28,347,791
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
(6,507,138)	(259,505)	-	(714,131)	-	-	(3,391,081)	(1,937,763)	-	-	-	(275,569)	-	(13,085,188)
287,223,830	60,836,167	16,301,627	118,296,602	5,786,298	9,139,396	124,961,844	121,493,743	21,383,482	1,437,763	-	6,663,384	-	773,524,136

Book value as at 30 June 2021

Range of estimated useful life in years

293,610,214	50,551,079	11,069,593	170,123,976	8,515,121	28,505,933	121,934,773	146,007,850	29,476,916	1,323,989	2,559,563	2,285,108	36,430,143	902,394,258
15-50	10-50	5-50	10-100	47-53	10-50	3-60	5-100	10-50	15-25	Land: Not Depreciated	1-25	WIP: Not Depreciated	

Additions comprise:

Renewals

Other additions

Total additions

\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
3,578,705	514,005	-	781,230	-	-	6,790,539	1,211,574	-	-	-	280,355	-	13,156,408
1,096,589	28,060	-	414,714	-	-	371,513	-	-	-	-	198,069	-	2,108,945
4,675,294	542,065	-	1,195,944	-	-	7,162,052	1,211,574	-	-	-	478,424	-	15,265,353

Asset revaluation surplus

Opening balance as at 1 July 2020

Movements - Revaluation

Movements - Impairments

Closing balance as at 30 June 2021

144,258,411	22,384,045	6,686,607	126,971,212	3,584,832	2,023,208	65,604,684	95,482,678	15,079,220	192,046	55,000	-	-	482,321,944
11,207,685	1,932,578	425,754	6,114,565	307,775	1,030,335	4,492,113	5,569,492	1,065,431	50,923	62,428	-	-	32,259,079
-	-	-	-	-	-	-	-	-	-	-	-	-	-
155,466,097	24,316,623	7,112,361	133,085,777	3,892,607	3,053,543	70,096,797	101,052,170	16,144,651	242,968	117,428	-	-	514,581,023

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

11 Property, plant and equipment (continued)

Council - 30 June 2020

Basis of measurement

Asset values

Opening gross value as at 1 July 2019

Additions

Capital contributions

Assets capitalised from work in progress

Projects written off from work in progress

Disposals

'Revaluation adjustment to asset revaluation surplus

Closing gross value as at 30 June 2020

Buildings (Communities)	Buildings (Corporate)	Recreational Facilities	Road / Transport Network	Stormwater Drainage Network	Flood Mitigation Network	Water Supply Network	Sewerage Network	Wharves, Piers, Jetties & Pontoons	Waste	Landfill	Land Assets	Plant & Equipment	Work in progress	Total
Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost		
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
570,369,340	108,247,372	25,800,682	280,990,386	13,244,263	33,864,732	231,565,979	252,228,399	45,126,249	2,647,471	520,000	7,888,245	19,800,600	1,592,293,718	
													22,428,299	22,428,299
-	-	-	-	-	-	2,947,414	8,373,498	-	-	-	-	-	-	11,320,912
2,998,075	2,735,412	159,440	1,224,720	-	764,654	1,965,654	154,548	2,218,207	-	1,922,135	1,125,443	(15,268,288)	(0)	
-	-	-	-	-	-	-	-	-	-	-	-	-	(12,718,597)	(12,718,597)
(14,523,326)	(1,024,801)	(146,177)	(1,711,487)	-	-	(7,600,590)	(6,309,672)	(1,283,639)	-	-	(265,914)	-	(32,865,607)	
7,622,924	(2,880,577)	524,004	(2,799,818)	540,237	1,655,268	6,890,327	3,922,467	2,961,254	16,829	55,000	-	-	18,507,916	
566,467,014	107,077,405	26,337,950	277,703,800	13,784,500	36,284,654	235,768,784	258,369,240	49,022,070	2,664,300	2,497,135	8,747,774	14,242,014	1,598,966,641	

Accumulated depreciation and impairment

Opening balance as at 1 July 2019

Depreciation provided in period

Revaluation adjustment to asset revaluation surplus

Impairment adjustment to asset revaluation surplus

Reversal of impairment previously recorded

Depreciation/impairment on disposals

Accumulated depreciation as at 30 June 2020

276,307,512	63,010,262	17,616,426	115,970,747	4,949,375	5,382,585	111,835,345	111,737,318	17,625,786	1,292,924	-	5,782,416	-	731,510,695
19,132,694	3,848,243	985,362	5,461,216	255,269	1,107,155	6,802,642	7,465,332	1,044,107	106,640	-	696,378	-	46,905,038
(23,518,019)	(11,467,491)	(3,659,495)	(6,005,634)	161,780	1,443,465	3,550,070	(3,237,675)	1,131,360	(167,527)	-	-	-	(41,769,166)
-	(143,207)	(100,573)	8,064,078	-	-	-	-	-	-	-	-	-	7,820,298
-	-	-	(12,502,012)	(67,644)	-	-	(65,955)	-	-	-	-	-	(12,635,613)
(7,771,105)	(611,367)	(109,270)	(1,170,512)	-	-	(5,877,728)	(3,890,321)	(262,636)	-	-	(258,299)	-	(19,951,239)
264,151,082	54,636,440	14,732,450	109,817,883	5,298,780	7,933,205	116,310,329	112,008,699	19,538,617	1,232,037	-	6,220,496	-	711,880,016

Book value as at 30 June 2020

Range of estimated useful life in years

302,315,932	52,440,965	11,605,500	167,885,918	8,485,720	28,351,449	119,458,456	146,360,541	29,483,453	1,432,263	2,497,135	2,527,278	14,242,014	887,086,625
15 - 50	10 - 50	5 - 50	10 - 100	47 - 53	10 - 50	3 - 60	5 - 100	10 - 50	15 - 25	Land: Not Depreciated	1 - 25	WIP: Not Depreciated	

Asset revaluation surplus

Opening balance as at 1 July 2019

Movements - Revaluation

Movements - Impairments

Closing balance as at 30 June 2020

113,117,468	13,653,925	2,402,535	131,829,476	3,206,374	1,811,405	62,264,427	88,322,535	13,249,326	7,690	-	-	-	429,865,161
31,140,943	8,586,914	4,183,499	3,205,816	378,457	211,803	3,340,257	7,160,142	1,829,894	184,356	55,000	-	-	60,277,080
-	143,207	100,573	(8,064,078)	-	-	-	-	-	-	-	-	-	(7,820,299)
144,258,411	22,384,045	6,686,607	126,971,212	3,584,832	2,023,208	65,604,684	95,482,678	15,079,220	192,046	55,000	-	-	482,321,944

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

11 Property, plant and equipment (continued)

(a) Recognition

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

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

Acquisition of assets

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

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

Capital and operating expenditure

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

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

(b) Measurement

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

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

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

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

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

11 Property, plant and equipment (continued)

(c) Depreciation

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

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

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

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

(d) Land under roads

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

(e) Impairment

Property, plant and equipment held at cost 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.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

11 Property, plant and equipment (continued)

(f) Deed of Grant in Trust land

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

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

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

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

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

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

The relevant leased assets are still reported as assets of the Council; land is not reported; nominal rental is paid except for the former child care centre, one staff residence and one contractor camp on Badu Island, for which future commitments are \$78,909 over three years. They have not been classified as leases as assets were originally constructed by Council, and recorded as such prior to the change in land arrangements. No lease liability has been recognised in the financial statements for these leases, except for the two before mentioned leases of the child care centre and staff residence on Badu Island.

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

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

11 Property, plant and equipment (continued)

(g) Valuation

(i) Valuation processes

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

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

All of Council's property, plant and equipment measured at fair value at reporting date is categorised at level 2 or 3. Council does not have any assets 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 entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for Council infrastructure assets, which are of a specialist nature for which there is no active market for similar or identical assets. These assets are valued using a combination of observable and unobservable inputs.

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

All asset classes carried at fair value were last comprehensively valued as at 30 June 2020.

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

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

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

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

11 Property, plant and equipment (continued)

(g) Valuation (continued)

(ii) Valuation techniques used to derive fair values

Asset class and fair value hierarchy	Valuation approach	FV hierarchy	Last comprehensive valuation date	Valuer engaged	Key assumptions and estimates	Interim valuation approach
Buildings (Communities)	Current replacement cost	Level 3	30/06/2020	Jones Lang Lasalle	<p>Current replacement cost Unit rates developed from building projects completed in the Torres Strait and supplemented by published cost guides including the Rawlinsons Construction Cost Guide and Cordell Cost Guide. Allowances are made for the remote locality of the assets.</p> <p>Accumulated depreciation Componentisation - Structure, Site Improvements, Roof, and Fixtures and Fittings Total useful life estimates, condition assessments, remaining useful life estimates.</p>	Desktop valuation performed in 2021 resulting in a 4.00% index which when applied increased fair value by \$11,207,685
Buildings (Corporate) 2021: \$1,593,103 2020: \$1,595,865	Market approach	Level 2	30/06/2020	Jones Lang Lasalle	Comparable transactions of industrial properties within the Cairns market, adjusted for differences in key attributes such as size of improvements, functionality and condition.	Desktop valuation performed in 2021 resulting in a 4.00% index which when applied increased fair value by \$61,271
Buildings (Corporate) 2021: \$48,957,977 2020: \$50,845,100	Current replacement cost	Level 3	30/06/2020	Jones Lang Lasalle	<p>Current replacement cost Unit rates developed from building projects completed in the Torres Strait and benchmarked against cost estimate publication. Allowances are made for the remote locality of the assets</p> <p>Accumulated depreciation Componentisation - Substructure, superstructure, roof, internal fabric, internal service, external services, site improvements, and furniture and fittings. Total useful life estimates, condition assessments, remaining useful life estimates.</p>	Desktop valuation performed in 2021 resulting in a 4.00% index which when applied increased fair value by \$1,871,307
Recreational Facilities	Current replacement cost	Level 3	30/06/2020	Jones Lang Lasalle	<p>Current replacement cost Unit rates developed from building projects completed in the Torres Strait and benchmarked against cost estimate publications. Allowances are made for the remote locality of the assets</p> <p>Accumulated depreciation Componentisation - Substructure, superstructure, roof, internal fabric, internal service, external services, site improvements, and furniture and fittings. Total useful life estimates, condition assessments, remaining useful life estimates.</p>	Desktop valuation performed in 2021 resulting in a 4.00% index which when applied increased fair value by \$425,754
Road / Transport Network	Current replacement cost	Level 3	30/06/2020	Jones Lang Lasalle	<p>Current replacement cost Unit rates - developed based on in-house project costs, sub-contractor and head contractor project costs and benchmarked against cost estimate publications. Locality adjustments are also applied.</p> <p>Accumulated depreciation Segmentation - high level, between intersections Componentisation - formation, pavement, seal and kerb and channel Total useful life estimates, condition assessments, remaining useful life estimates.</p>	Desktop valuation performed in 2021 resulting in a 3.75% index which when applied increased fair value by \$6,114,565

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

11 Property, plant and equipment (continued)

(g) Valuation (continued)

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

Asset class and fair value hierarchy	Valuation approach	FV hierarchy	Last comprehensive valuation date	Valuer engaged	Key assumptions and estimates	Interim valuation approach
Stormwater Drainage Network	Current replacement cost	Level 3	30/06/2020	Jones Lang Lasalle	<p>Current replacement cost Unit rates - developed based cost estimate publications including Rawlinsons Construction Cost Guide and Cordell Cost Guide. Locality adjustments are also applied.</p> <p>Accumulated depreciation Total useful life estimates, condition assessments, remaining useful life estimates.</p>	Desktop valuation performed in 2021 resulting in a 3.75% index which when applied increased fair value by \$307,775
Flood Mitigation Network	Current replacement cost	Level 3	30/06/2020	Jones Lang Lasalle	<p>Current replacement cost Unit rates - developed based cost estimate publications including Rawlinsons Construction Cost Guide and Cordell Cost Guide. Locality adjustments are also applied.</p> <p>Accumulated depreciation Total useful life estimates, condition assessments, remaining useful life estimates.</p>	Desktop valuation performed in 2021 resulting in a 3.75% index which when applied increased fair value by \$1,030,335
Water Supply Network	Current replacement cost	Level 3	30/06/2020	Jones Lang Lasalle	<p>Current replacement cost Unit rates - developed based on in-house project costs, sub-contractor and head contractor project costs and benchmarked against cost estimate publications. Locality adjustments are also applied.</p> <p>Accumulated depreciation Componentisation - electrical, mechanical and civil. Total useful life estimates, condition assessments, remaining useful life estimates.</p>	Desktop valuation performed in 2021 resulting in a 4.00% index which when applied increased fair value by \$4,492,113
Sewerage Network	Current replacement cost	Level 3	30/06/2020	Jones Lang Lasalle	<p>Current replacement cost Unit rates - developed based on in-house project costs, sub-contractor and head contractor project costs and benchmarked against cost estimate publications. Locality adjustments are also applied.</p> <p>Accumulated depreciation Componentisation - electrical, mechanical and civil. Total useful life estimates, condition assessments, remaining useful life estimates.</p>	Desktop valuation performed in 2021 resulting in a 4.00% index which when applied increased fair value by \$5,569,492
Wharves, Piers, Jetties & Pontoons	Current replacement cost	Level 3	30/06/2020	Jones Lang Lasalle	<p>Current replacement cost Unit rates - developed based on in-house project costs, sub-contractor and head contractor project costs and benchmarked against cost estimate publications. Locality adjustments are also applied.</p> <p>Accumulated depreciation Total useful life estimates, condition assessments, remaining useful life estimates.</p>	Desktop valuation performed in 2021 resulting in a 3.75% index which when applied increased fair value by \$1,065,431

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

11 Property, plant and equipment (continued)

(g) Valuation (continued)

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

Asset class and fair value hierarchy	Valuation approach	FV hierarchy	Last comprehensive valuation date	Valuer engaged	Key assumptions and estimates	Interim valuation approach
Waste Landfill	Current replacement cost	Level 3	30/06/2020	Jones Lang Lasalle	<p>Current replacement cost Unit rates developed from projects completed in the Torres Strait and benchmarked against cost estimate publications. Allowances are made for the remote locality of the assets</p> <p>Accumulated depreciation Total useful life estimates, condition assessments, remaining useful life estimates.</p>	Desktop valuation performed in 2021 resulting in a 4.00% index which when applied increased fair value by \$50,923
Land Assets 2021: \$1,970,188 2020: \$1,922,135	Market approach	Level 2	30/06/2020	Jones Lang Lasalle	Comparable transactions of industrial properties within the Cairns market, adjusted for differences in key attributes such as size, topography and location.	Desktop valuation performed in 2021 resulting in a 2.50% index which when applied increased fair value by \$48,053
Land Assets 2021: \$589,375 2020: \$575,000	Market approach	Level 3	30/06/2020	Jones Lang Lasalle	Transactions of properties within Thursday Island market, adjusted for differences in key attributes such as size, topography and location. Professional judgement given the thinly traded nature of the Thursday Island property market.	Desktop valuation performed in 2021 resulting in a 2.50% index which when applied increased fair value by \$14,375

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

12 Contract balances

Contract assets represents the excess of costs incurred in relation to a contract with the customer or construction of an asset over the amounts that council has invoiced the customer or the grantor. Where Council has invoiced the customer or the grantor in excess of the costs incurred in relation to a contract or in constructing an asset, this gives rise to a contract liability.

	Note	2021 \$	2020 \$
Contract assets		7,787,466	4,647,861
Contract liabilities			
Funds received upfront to construct Council controlled assets		20,839,893	17,635,281
Non-capital performance obligations not yet satisfied		464,212	209,054
		21,304,105	17,844,335
Revenue recognised that was included in the contract liability balance at the beginning of the year:			
Funds to construct Council controlled assets		4,118,566	2,690,352
Non-capital performance obligations		164,122	188,847
		4,282,688	2,879,199

13 Leases

Council as a lessee

Council has leases in place over buildings. Where Council assesses that an agreement contains a lease, a right of use asset and lease liability is recognised on inception of the lease. Council does not separate lease and non-lease components for any class of assets and has accounted for lease payments as a single component.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives received. The right-of-use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

Exceptions to lease accounting:

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Terms and conditions of leases:

Buildings

Council leases two buildings which are used for offices and accommodation. The leases are for periods of two and four years and include details of any renewal options if applicable, and contain extensions and termination options.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

13 Leases (continued)

Right of use assets	Note	2021 \$	2020 \$
Balance at 1 July		1,330,000	1,963,038
Additions to right of use assets		-	619,396
Re-measurement of lease liability		2,773	-
Derecognition of right of use assets		-	(567,780)
Amortisation charge		(634,424)	(684,654)
Closing balance		698,349	1,330,000
Lease liabilities			
Balance at 1 July		1,340,702	1,963,038
Additions to lease liabilities		-	619,396
Re-measurement of lease liability		2,773	-
Derecognition of lease liabilities		-	(569,149)
Lease payments		(653,215)	(705,941)
Interest expense		20,514	33,358
Closing balance		710,774	1,340,702
Current			
Lease liability		649,789	651,775
		649,789	651,775
Non-current			
Lease liability		60,985	688,927
		60,985	688,927
Total lease liabilities		710,774	1,340,702

The table below shows the maturity analysis of the lease liabilities based on contractual cashflows and therefore the amounts will not be the same as the recognised lease liability in the statement of financial position.

2021	< 1 year	1-5 years	> 5 years	Total	Total per statement of financial position
	\$	\$	\$	\$	\$
Buildings	662,563	66,564	-	729,126	710,774
					Total per statement of financial position
2020	< 1 year	1-5 years	> 5 years	Total	Total per statement of financial position
	\$	\$	\$	\$	\$
Buildings	702,494	746,152	-	1,448,646	1,340,702

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

13 Leases (continued)

Amounts included in the statement of comprehensive income related to leases

	Note	2021 \$	2020 \$
Interest on lease liabilities		20,514	33,358
Loss on derecognition of leases		-	-
Amortisation of right of use assets		634,424	684,654
Expenses relating to short-term		61,662	65,123
		<u>716,599</u>	<u>783,135</u>
Total cash outflows for leases		<u>714,877</u>	<u>771,064</u>

Council as a lessor

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

- 51 dwellings located on Moa Island (Kubin)
- 6 dwellings and 3 vacant site on Saibai Island
- 6 dwellings and 4 vacant sites on Boigu Island
- 21 vacant sites on Kirirri Island
- 25 vacant sites on Moa Island (St Pauls)
- 6 vacant sites on Iama Island
- 2 vacant sites on Ugar Island
- 5 vacant sites on Poruma Island
- 10 vacant sites on Masig Island
- 8 vacant sites on Warraber Island
- 7 vacant sites on Erub Island
- 6 vacant sites on Mabuiag Island
- 3 vacant sites on Dauan Island

The total lease payment per dwelling in the current year ranged between \$2,038 and \$2,238 (\$2,001 to \$2,199 for 2019/20). These lease payments are required to be adjusted each year by the change in the Consumer Price Index (All Groups). As the gross lease payments are insufficient to cover the fair value (current replacement cost) of the leased properties, there is no interest rate implicit in the leases and therefore no finance income will arise from the leases. Consequently, the leases are recognised at the present value of the expected future lease payments receivable (fair value). Gains on revaluation of finance lease assets are recognised as other income annually.

The Queensland Government has the right to surrender any part of the lease at any time by giving Council three months' written notice. Per the lease agreement any improvements to the property transfer to Council when the lease terminates. No leases were surrendered between 1 July 2020 and 30 June 2021 (2019/20, nil).

Current

Lease receivable	376,956	370,578
	<u>376,956</u>	<u>370,578</u>

Non-current

Lease receivable	13,143,290	14,715,268
	<u>13,143,290</u>	<u>14,715,268</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

13 Leases (continued)

	Note	2021 \$	2020 \$
A reconciliation between the gross investment in the lease and the fair value of lease payments is as follows:			
Gross minimum lease payments receivable:			
Not later than one year		376,956	370,578
Later than one year but not later than five years		1,507,826	1,482,313
Later than five years		11,516,978	11,380,691
		<u>13,401,760</u>	<u>13,233,582</u>
Add: Estimated contingent rent		6,987,475	7,641,298
Less: Present value adjustment		(6,868,989)	(5,789,034)
Fair value of lease payments		<u>13,520,246</u>	<u>15,085,846</u>
The fair value of lease payments is receivable as follows:			
Not later than one year		376,956	370,578
Later than one year but not later than five years		1,516,137	1,510,948
Later than five years		11,627,153	13,204,320
		<u>13,520,246</u>	<u>15,085,846</u>
Movements in finance leases were as follows:			
Opening balance		15,085,846	14,670,336
Add: Initial recognition of new leases		-	-
Less: Lease receipts		(370,578)	(369,866)
Less: Surrender of leases		-	-
Add: Gain on revaluation	4(b)	<u>(1,195,022)</u>	<u>785,376</u>
Closing balance		<u>13,520,246</u>	<u>15,085,846</u>

The calculation of fair value has included an estimate of average annual CPI increases of 2.5% (2.5%: 2019/20) and a discount rate of 2.28% (1.72%: 2019/20).

14 Payables

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

	2021 \$	Restated 2020 \$
Current		
Creditors	834,856	905,239
Accrued wages and salaries	929,610	3,201,658
Refundable bonds	2,000	4,782
Accrued expenses	7,739,141	3,052,499
Retention	640,760	175,029
Revenue in advance	56,285	-
	<u>10,202,651</u>	<u>7,339,207</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

15 Provisions

Annual leave

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

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

Long service leave

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

The long service leave provision has been discounted using the Commonwealth bond yield rates published on the Department of State Development, Infrastructure, Local Government and Planning website.

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

Landfill restoration and rehabilitation

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

The calculation of this provision requires assumptions such as site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Because of the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. The provision recognised for landfill sites is reviewed at least annually and updated based on the facts and circumstances available at the time. Management estimates that the 15 sites will close between 2022 and 2024.

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

	Current		Non-Current	
	2021	2020	2021	2020
	\$	\$	\$	\$
Current				
Annual leave	2,339,429	2,252,609	-	-
Long service leave	1,135,418	929,014	706,115	444,699
Provision for landfill restoration	3,479,986	2,396,763	4,000,683	3,117,589
	<u>6,954,834</u>	<u>5,578,386</u>	<u>4,706,798</u>	<u>3,562,288</u>

Details of movements in non-employee provisions:

	2021	2020
	\$	\$
Landfill restoration		
Balance at beginning of financial year	5,514,352	5,333,781
Increase due to unwinding of discount	17,985	108,824
Additional provisions	1,178,324	-
Increase/(decrease) due to change in discount rate	770,008	71,747
Balance at end of financial year	<u>7,480,669</u>	<u>5,514,352</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

16 Commitments for expenditure

Contractual commitments

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

	2021	2020
	\$	\$
Consultancy	959,459	48,753
Other	2,061,172	885,082
Contractors	371,411	173,761
Recoverable work contractors	2,987,981	1,105,243
Freight	949,725	97,417
Contract employees	35,970	21,416
	<u>7,365,719</u>	<u>2,331,671</u>

Capital Commitments

Commitment for the construction of the following assets contracted for at the reporting date but not recognised as liabilities:

Capital assets		
Buildings	1,957,396	153,829
Sewerage	13,445,823	4,829,484
Seawalls	1,354,610	15,389,984
Other	7,004,296	1,373,148
	<u>23,762,125</u>	<u>21,746,445</u>

17 Contingent liabilities and assets

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

Contingent Liabilities

Local Government Mutual

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

As at 30 June 2021 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government Workcare

The Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there were insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$336,580.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

17 Contingent liabilities and assets (continued)

Native Title Compensation Liability

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

It is difficult to estimate the likely compensation payable because jurisprudence in this area has only recently started emerging. A native title compensation case was decided by the High Court of Australia on 13 March 2019 (*Northern Territory v Griffiths* [2019] HCA 7) that sets out legal principles for determining the quantum of native title compensation payable. That case provides some guidance in relation to a compensation formula. However, the principles in that case cannot be applied to Council's contingent liabilities without making allowances for the differing circumstances in the Torres Strait context. For example, the High Court case involved extinguishment of non-exclusive native title rights, whereas invalid future acts in Torres Strait may not involve extinguishment and are likely to concern exclusive native title rights rather than non-exclusive native title rights. Further, the economic loss component of native title compensation is to be calculated with reference to the freehold value of the land affected, and in Council's local government area there are no land valuations at present.

At this point there are no applications for compensation claims against Council. Numerous compensation claims for alleged invalid future acts are likely to be made in coming years. Council is making deputations to the State of Queensland about the assistance that Council will require in the future to address these claims, should Council's insurance cover be inadequate.

Land Holding Act Lease

Under the *Aboriginal and Torres Strait Islander Land Holding Act 1985* (repealed and replaced with the *Aboriginal and Torres Strait Islander Land Holding Act 2013*), Island Councils across Torres Strait received 354 applications for perpetual leases of land held in trust by those Island Councils. Of the 354 lease applications received by the Island Councils, 116 applications were invalid due to incomplete information or procedural non-compliance. For the remaining 238 applications, the applicant has a legal right to a perpetual lease for the land stated in the application. Due to law reform in 1991, it is no longer possible to apply for a *Land Holding Act* lease. When the Island Councils amalgamated in 2008, TSIRC assumed trustee legal interests in the land subject to Land Holding Act leases and lease entitlements.

The perpetual leases were not all granted in the 1980s with only 61 being granted by 2013. For the 61 leases originally granted, in some cases only the land was leased while the house on the land remained a Council social housing asset. Council and the State are working together to transfer ownership of each social house to the current leaseholder in each case. When the ownership of any of these houses is transferred, the asset will be removed from Council's asset register and social housing register.

Council and the State are working together to grant all remaining valid lease entitlements either to the original applicant or to the applicant's beneficiaries. Where there is a valid lease entitlement, the lease can be granted without the consent of the native title party because the lease entitlement is a legal right that pre-existed the recognition of native title rights in Australia. This was confirmed by the Supreme Court of Queensland in February 2018. Between then and today, 112 LHA leases have been registered in Torres Strait communities, with 65 valid lease entitlements remaining to be resolved.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

17 Contingent liabilities (continued)

Land Holding Act Lease (continued)

The purpose of the lease under the Land Holding Act was to provide home ownership. On registration of each of the outstanding 65 lease entitlements, Council will divest the social housing asset (if applicable) to the perpetual leaseholder for \$1.00. The fair value as at 30 June 2021 for social housing assets relating to the outstanding 65 lease entitlements totals \$17,036,328 (2019/20: \$24,046,400). However, at this time, it is uncertain whether all of the outstanding 65 lease entitlements will be granted and all of the associated social housing assets divested (a lease entitlement may be surrendered or partially surrendered with the result that the house remains a Council asset). On registration of any of the leases, the asset will be removed from Council's asset register and social housing register.

NAB bank guarantee

NAB has provided Council a bank guarantee facility for the amount of \$49,500, as security bond for the lease of the Cairns office on Grafton Street, in favour of the current lessor. As collateral for provision of the guarantee NAB holds a Security interest over Council's term deposit to the amount of \$49,500.

Contract claim

This contingent liability is for a contract-related claim that is currently in dispute. Particulars of the dispute are not disclosed here because this may prejudice Council's interests.

Contingent Assets

Insurance claim

During 2020 financial year the Dauan pontoon was impaired beyond use. An assessment concluded that the pontoon failed due to a design fault. Council lodged an insurance claim. Council's insurer has agreed to pay the claim subject to a quantity survey to value the engineered controls. A designer has been engaged and expects to complete an engineering design by January 2022. The design then needs to be priced by a quantity surveyor and submitted to the insurer. Once the insurance claim is finalised, Council is eligible to receive the value of the cost to replace the pontoon up to a value of \$2.5 million, less the insurance deductible of \$500,000 which is the cost borne by Council.

18 Superannuation

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

	Note	2021 \$	2020 \$
Superannuation contributions made to the LGIA Super Accumulation Benefits Fund		1,926,961	1,986,600
Other superannuation contributions for employees		580,672	311,352
Total superannuation contributions paid by Council for employees:	6	<u>2,507,633</u>	<u>2,297,952</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

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

	2021 \$	Restated 2020 \$
Net result	(25,720,055)	(29,691,112)
Non-cash items:		
Depreciation and amortisation	47,022,761	47,616,592
Asset contributions in capital income	(4,583,373)	(11,320,912)
(Gain)/loss on revaluation of finance lease	1,195,022	(785,376)
	<u>43,634,410</u>	<u>35,510,304</u>
Investing and development activities:		
Loss on derecognition of right of use assets	-	(1,369)
Loss on disposal of non-current assets	8,014,407	12,751,201
Capital grants and contributions	(33,943,563)	(21,780,250)
	<u>(25,929,156)</u>	<u>(9,030,418)</u>
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	(6,016,400)	10,651,836
(Increase)/decrease in inventory	(8,325)	(1,657)
Increase/(decrease) in payables	2,863,444	(810,555)
Increase/(decrease) in other provisions	2,520,958	431,932
	<u>(640,322)</u>	<u>10,271,556</u>
Net cash inflow from operating activities	<u>(8,655,124)</u>	<u>7,060,330</u>

20 Reconciliation of liabilities arising from financing activities

2021	As at 30 June 2020	Cash flows	Non-cash changes	As at 30 June 2021	
Loans	104,748	(68,539)	-	36,210	
Lease liability	1,340,702	(632,701)	2,773	710,774	
	<u>1,445,450</u>	<u>(701,240)</u>	<u>2,773</u>	<u>746,984</u>	
2020	As at 30 June 2019	Change in accounting policy	Cash flows	Non-cash changes	As at 30 June 2020
Loans	168,421	-	(63,673)	-	104,748
Lease liability	-	2,013,289	(672,583)	-	1,340,702
	<u>168,421</u>	<u>2,013,289</u>	<u>(736,256)</u>	<u>-</u>	<u>1,445,450</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

21 Correction of error

During the 2020/21 financial year Council became aware of an error in its 2019/20 financial statements. It was identified that there had been an error in interpretation of the relationship between Council's Certified Agreement and the relevant underlying award for certain staff, dating back to the 2014/15 year. This resulted in an under-payment of wages, which has since been paid during the 2020/21 year. The total prior period under-payment was \$2,751,130. The portion that related to the 2019/20 financial year was \$506,889, with \$2,244,241 relating to earlier periods.

The error described above has been corrected by adjusting the comparative amounts for 2019/20. A restated Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been included along with restated notes as detailed below:

	Original balance as presented at 30 June 2020 \$	Adjustment \$'000	Restated balance at 30 June 2020 \$
Statement of Financial Position			
Increase in trade and other payables	4,588,077	2,751,130	7,339,207
Decrease in retained surplus	449,559,746	(2,751,130)	446,808,616
Statement of Comprehensive Income			
Increase in employee benefits	25,156,410	506,889	25,663,299
Decrease in net result	(29,182,854)	(506,889)	(29,689,743)
Statement of Changes in Equity			
Decrease in opening retained surplus	478,742,600	(2,244,241)	476,498,359
Decrease in net result	(29,182,854)	(506,889)	(29,689,743)

22 Events after the reporting period

There were no material adjusting events after the balance date.

23 Financial instruments and financial risk management

Financial risk management

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

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

The Council's audit committee oversees how management monitors compliance with the Council's financial risk management policies and procedures, and reviews the adequacy of the framework in relation to the risks faced by the Council. The Council audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

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

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

23 Financial instruments and financial risk management (continued)

Credit risk

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

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

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

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

The carrying amount of financial assets at the end of the reporting period represent the maximum exposure to credit risk.

Liquidity risk

Exposure to liquidity risk

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

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

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

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
2021					
Payables	10,202,651	-	-	10,202,651	10,202,651
Loans - QTC	36,210	-	-	36,210	36,210
	<u>10,238,861</u>	<u>-</u>	<u>-</u>	<u>10,238,861</u>	<u>10,238,861</u>
2020					
Payables	6,840,686	-	-	6,840,686	6,840,686
Loans - QTC	74,219	36,894	-	111,113	111,113
	<u>6,914,905</u>	<u>36,894</u>	<u>-</u>	<u>6,951,799</u>	<u>6,951,799</u>

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

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

23 Financial instruments and financial risk management (continued)

Market risk

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

Interest rate risk

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

Based on the carrying value of Council's financial instruments at balance date, any fluctuation in interest rates would not have a material impact on the financial position or performance of Council.

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.

24 Transactions with related parties

(a) Transactions with key management personnel (KMP)

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

KMPs include the Mayor, Councillors, Council's Chief Executive Officer and the Executive Management team. Effective 1 July 2020, the Executive Management team consists of the Chief Operating Officer, Chief Engineer and Chief Financial Officer in 2020/21. In 2019/20 the Executive Management team consisted of the Chief Operating Officer, and Chief Financial Officer. Compensation paid to KMPs for 2020/21:

	2021	2020
	\$	\$
Short-term employee benefits	2,197,266	1,774,427
Post-employment benefits	104,934	73,009
Termination benefits	297,752	-
Long-term employee benefits	(24,922)	37,192
	<u>2,575,030</u>	<u>1,884,627</u>

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

(b) Transactions with other related parties

Other related parties include the close family members of KMP and any entities controlled or jointly controlled by KMP or their close family members. Close family members include a spouse, parent, child and dependant of a KMP or their spouse. Per Ailan Kastom, an Uncle, Aunty or sibling who represents one of those roles to a KMP has been considered to be a related party.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

24 Transactions with related parties (continued)

(b) Transactions with other related parties (continued)

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

Details of transactions

Employee expenses for close family members of KMPs	(i)	335,713	736,606
Purchase of materials and services from entities controlled by KMPs	(ii)	11,600	64,471
Grants and donations for close family members of KMPs	(iii)	5,416	6,632
Fees and charges charged to entities controlled by KMPs	(iv)	4,202	8,415

(i) All close family members of key management personnel were employed through an arm's length process. They are paid in accordance with Council's Certified Agreement for the job they perform. Council employs 363 staff (335 full time equivalent staff) of which 4 are close family members of key management personnel.

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

Accommodation	10,800	43,200
Contractor	800	-
Ferry charters	-	19,880
Consumables	-	1,035
Fuel and electricity	-	356
	<u>11,600</u>	<u>64,471</u>

Included in the above is \$10,800 of accommodation charges relating to the usage of a house on Masig from Councillor Mosby. All purchases were at arm's length, on normal terms and conditions and were in the normal course of Council's operations.

(iii) Grants and donations totalling \$5,416 (2020: \$6,632) were made during the reporting period to related parties of KMPs as community members under Council's Grants and Donations Procedure.

(iv) The fees and charges charged to entities controlled by KMPs were at arm's length. \$4,202 (2020: \$Nil) was charged for accommodation and hall fire for Gur A Baraadhaw Kod Torres Strait Sea and Land Council, an entity which a number of Councillors are Directors. In 2019/20, \$7,158 was charged for a commercial lease for M&M Mini Mart at Hammond Island, a business owned by Ex Councillor Sabatino and \$1,257 for licensing fees for Maria Tamaru Tamu for office space use on Warraber Island, as close family member of Ex Councillor Clara Tamu.

(c) Commitments to/from related parties

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

	2021	2020
	\$	\$
Badu Island Foundation Ltd	-	6,000
	<u>-</u>	<u>6,000</u>

Badu Island Foundation Ltd is not considered a related party for the 2020/21 financial year as Councillor Nona was not the Chair of the organisation for this period. All commitments were at arm's length, on normal terms and conditions and were in the normal course of Council's operations.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

24 Transactions with related parties (continued)

(d) Loans and guarantees to/from related parties

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

(e) Outstanding balances

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

Receivables	Current \$	Over 30 Days \$	Over 60 Days \$	Over 90 Days \$	Total \$
2021					
Rates and charges	-	-	-	95,753	95,753
Social housing	476	1,042	900	187,949	190,367
Other fees and charges	-	-	-	524	524
Total	476	1,042	900	284,226	286,644
2020					
Rates and charges	37	-	-	155,468	155,505
Social housing	1,109	900	925	142,519	145,453
Other fees and charges	-	-	-	860	860
Total	1,146	900	925	298,847	301,818

\$228,740 has been recognised in current and prior years for the allowance for bad or doubtful debts owed by related parties.

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

24 Transactions with related parties (continued)

(e) Outstanding balances (continued)

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

2021

Related party	Relationship	Customer	Nature of transactions	Over 90 Days \$
Laurie Nona	Manager	Badu Art Centre	Rates and charges	85,615
Getano Lui (Jnr)	Councillor	Getano Lui (Jnr)	Social housing	57,133
Adeah Kabai	Mother	Joyce Kabai	Social Housing	30,463
Lama Trinkoon	Spouse	Ivy Trinkoon	Social housing	27,879
Torenzo Elisala	Father	Tenny Elisala	Social Housing	27,521
Jimmy Gela	Councillor	Jimmy Gela	Social Housing	25,405
Rocky Stephen	Director	Kos & Abob Fisheries (TSI)	Rates and charges	10,137
Francis Pearson	Defacto	Alice Pearson	Social housing	9,619
Dimas Toby	Spouse	Telita Banu	Social housing	4,665
Rocky Stephen	Councillor	Rocky Stephen	Social housing	1,322
Dimas Toby	Councillor	Dimas Toby	Social housing	1,063
Amounts less than \$1,000				3,404
				<u>284,226</u>

2020

Related party	Relationship	Customer	Nature of transactions	Over 90 Days \$
Laurie Nona	Manager	Badu Art Centre	Rates and charges	73,461
Laurie Nona	Chair	Badu Island Foundation	Rates and charges	71,746
Getano Lui (Jnr)	Councillor	Getano Lui (Jnr)	Social housing	49,333
Lama Trinkoon	Spouse	Ivy Trinkoon	Social housing	33,877
Torenzo Elisala	Father	Tenny Elisala	Social housing	27,385
Francis Pearson	Defacto	Alice Pearson	Social housing	12,414
Rocky Stephen	Director	Kos & Abob Fisheries (TSI)	Rates and charges	10,137
Dimas Toby	Spouse	Telita Banu	Social housing	7,165
Rocky Stephen	Father	Daniel Stephen	Social housing	5,395
Keith Fell	Councillor	Keith Fell	Social housing	1,842
Rocky Stephen	Councillor	Rocky Stephen	Social housing	1,286
Dimas Toby	Councillor	Dimas Toby	Social housing	1,063
Total of balances less than \$1,000				3,741
				<u>298,845</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

24 Transactions with related parties (continued)

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

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

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

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

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

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

2021

Related party	Relationship	Customer	Nature of transactions	Debt balance written off \$
No debt balances were written off during the period as statute barred debt				-

2020

Related party	Relationship	Customer	Nature of transactions	Debt balance written off \$
Getano (Jnr) Lui	Councillor	Getano (Jnr) Lui	Social housing	4,141
Keri Akiba	Councillor	Keri Akiba	Social housing	3,423
Ted Fraser Nai	Uncle	Gabriel Nai	Social housing	2,870
Rocky Stephen	Father	Daniel Stephen	Social housing	1,603
Dimas Toby	Councillor	Dimas Toby	Social housing	1,063
Torenzo Elisala	Spouse	Wosomo Daina	Social housing	818
Torenzo Elisala	Mother	Meleta Elisala	Social housing	818
				<u>14,736</u>

Torres Strait Island Regional Council

Notes to the financial statements

For the year ended 30 June 2021

24 Transactions with related parties (continued)

(g) Transactions with related parties that have not been disclosed

Most of the entities and people that are related parties of council live and operate within the Torres Strait Island Region. Therefore, on a regular basis ordinary citizen transactions occur between council and its related parties. Some examples include:

- Utility and other fees and charges
- Sales of gas, fuel and power cards
- Hire of council buildings and equipment
- Accommodation hire

Torres Strait Island Regional Council
Financial statements
For the year ended 30 June 2021

Management Certificate
For the year ended 30 June 2021

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

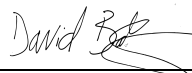
In accordance with section 212(5) of the Regulation we certify that:

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



Mayor
Phillemon Mosby

Date: 16/09/2021



Acting Chief Executive Officer
David Baldwin

Date: 16/09/2021

INDEPENDENT AUDITOR'S REPORT

To the councillors of Torres Strait Island Regional Council

Report on the audit of the financial report

Opinion

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

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2021, and of its financial performance and cash flows for the year then ended
- b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the certificate given by the Mayor and Acting Chief Executive Officer.

Basis for opinion

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

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

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

Other information

Other information comprises financial and non-financial information (other than the audited financial report) in an entity's annual report.

At the date of this auditor's report, the available other information in Torres Strait Island Regional Council's annual report for the year ended 30 June 2021 was the current year financial sustainability statement and long-term financial sustainability statement.

The councillors are responsible for the other information.

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

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

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

Responsibilities of the councillors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2021:

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

Prescribed requirements scope

The prescribed requirements for the establishment and keeping of accounts are contained in the *Local Government Act 2009*, any other Act and the Local Government Regulation 2012. The applicable requirements include those for keeping financial records that correctly record and explain the council's transactions and account balances to enable the preparation of a true and fair financial report.



17 September 2021

Sri Narasimhan
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Torres Strait Island Regional Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2021

Measures of Financial Sustainability

	How the measure is calculated	Target	30 June 2021 Result
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	Between 0% and 10%	-112%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense	greater than 90%	28%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	not greater than 60%	-39%

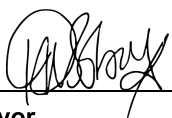
Note 1 - Basis of Preparation

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 2021.

Certificate of Accuracy
For the year ended 30 June 2021


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

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



Mayor
Pillemon Mosby

Date: 16/09/2021



Acting Chief Executive Officer
David Baldwin

Date: 16/09/2021

INDEPENDENT AUDITOR'S REPORT

To the councillors of Torres Strait Island Regional Council

Report on the current-year financial sustainability statement

Opinion

I have audited the accompanying current-year financial sustainability statement of Torres Strait Island Regional Council for the year ended 30 June 2021, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Acting Chief Executive Officer.

In accordance with s.212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current-year financial sustainability statement of Torres Strait Island Regional Council for the year ended 30 June 2021 has been accurately calculated.

Basis of opinion

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

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

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

Emphasis of matter – basis of accounting

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

Other Information

Other information comprises financial and non-financial information (other than the audited financial report) in an entity's annual report.

At the date of this auditor's report, the available other information in Torres Strait Island Regional Council's annual report for the year ended 30 June 2021 was the general purpose financial statements and long-term financial sustainability statement.

The councillors are responsible for the other information.

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

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

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

Responsibilities of the councillors for the current-year financial sustainability statement

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

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

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

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

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

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

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



Sri Narasimhan
as delegate of the Auditor-General

17 September 2021

Queensland Audit Office
Brisbane

Torres Strait Island Regional Council
Unaudited Long-Term Financial Sustainability Statement
Prepared as at 30 June 2021

Measures of Financial Sustainability

	Measure	Target	Actuals at 30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	30 June 2029	30 June 2030
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	-112%	-79%	-70%	-66%	-61%	-56%	-52%	-47%	-43%	-39%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	28%	62%	0%	0%	0%	0%	0%	0%	0%	0%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	-39%	-28%	-26%	-24%	-24%	-25%	-26%	-27%	-28%	-29%

Council's Financial Management Strategy


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

The above ratios have been calculated using Council's most recently adopted original budget. Council bases its asset sustainability ratio on confirmed renewal program funding. Council's forecasting ability has a dependency on donor program lifecycles, traditionally occurring in four to five year intervals.

Certificate of Accuracy
For the long-term financial sustainability statement prepared as at 30 June 2021

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

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



Mayor
Phillemon Mosby

Date: 16/09/2021



Acting Chief Executive Officer
David Baldwin

Date: 16/09/2021