

# Ordinary Meeting of Council

**Date: Wednesday 18<sup>th</sup> December 2019**



## **Late Reports:**

- ★ **Item CEO7 - Development of a Regional Community Precinct – Design Grant**
- ★ **Item FM2 – Manager Corporate & Financial Services - Audit & Risk Management Report**

# BOULIA SHIRE COUNCIL

## Report for Ordinary Meeting held on 18/12/2019

<b>TITLE:</b>	DEVELOPMENT OF A REGIONAL COMMUNITY PRECINCT –DESIGN GRANT	<b>DOC REF:</b> Item CEO 7
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<b>REPORT BY:</b>	Lynn Moore Chief Executive Officer	<b>DATE:</b> 17/12/2019
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### **CORPORATE PLAN REFERENCE:**

Outcome 3.2 Develop, improve and maintain infrastructure to meet the needs of the community.

3.2.1

Advocate and plan for future infrastructure needs for business and industry development and expansion

**PURPOSE:** To advise council of the progress of an application for the design and construction of the Regional Community Precinct incorporating the Post Office, Library government service offices such as QGAP, cultural display area and registered offices for the Pitta Pitta. The building would included a multi purpose area to be used for Governmental agency meetings, digital training centre and Council meetings

### **BACKGROUND:**

The Boulia Shire Councils Corporate Plan clearly identifies the need to plan for future infrastructure needs for business and industry development and expansion. The development of a Regional Community Precinct facility whereby residents, business and visiting agencies can communicate and transact within the one area will be a substantive advantage to the region.

The Regional Community Precinct development will provide an improved state of the art facility in which council is able to provide general community regular council services as well as improved access to the Library, Post Office and resource areas for digital connectivity for the general public and visiting government agencies. The inclusion of a multi use area will enable council to facilitate agency meetings, community meetings/ council meetings/ art exhibitions in a temperature controlled environment. The development of this facility will then free up two prime pieces of real estate – the current post office and the current library building. The library building is well suited to conversion into a day care centre which is currently absent from our community due to lack of acceptable building space. The Post Office building has also been earmarked for future business opportunities (Art Gallery).

### **PROGRESS**

Steady progress has been made with the community consultation phase completed in 2018 and initial draft designs submitted for comment to the community / staff and council alike. The Maturing Infrastructure Pipeline Program (MIPP) assisted council with the completion of this stage of the project. The next stage was to engage an Architect to complete detailed schematic designs ready to be costed and reviewed for a future potential funding round.

### **SURPRISE RELEASE OF FUNDING OPPORTUNITY**

*Building Better Regions Fund – Infrastructure Projects Stream –  
Round 4 – Drought Support*

The Round 4 Infrastructure Projects Stream supports projects which involve the construction, upgrade or extension of infrastructure in drought-affected areas. Through these projects, it aims to provide both economic and social benefits.

The \$841.6 million Building Better Regions Fund (BBRF) supports the Australian Government's commitment to create jobs and drive economic growth while enabling regional communities to set the framework for a stronger future. Building Better Regions fund Round 4 has now been released there is a total of \$200 million available specifically targeted at communities which have been in the grip of drought.

The Infrastructure Projects Stream (of which our Regional Community Precinct project sits) supports projects that provide economic and social benefits to regional and remote areas. For most projects grant funding will be up to either 50% or 75% of our eligible project costs. Our location will determine the percentage of grant funding we may receive.

There is an option to apply for 100% funding and I have investigated the success rate of councils who have applied. It is very limited and less than 1% have been successful over the three funding rounds which I have researched. The dilemma is that if we seek an exemption, firstly we must submit a business case that includes evidence demonstrating the exceptional circumstances we are experiencing and how they are preventing us from making a cash contribution. If a co-funding exemption is sought and not approved, the application will be ruled ineligible and will not proceed to further assessment.

My strategy is to apply for 90% funding with a 10% council co-contribution with a strong business case to support this due to the fact that the council is already contributing to another Federally funded program (The Outback Way) for which we are committed to complete despite this road being the only section of the Outback Way not under State control.

This particular funding round is the best opportunity for council, albeit earlier than we had planned, as this round is specifically for drought affected communities which we have been since April 2013.

**CONSULTATION:**

- Community consultation was conducted as part of the planning phase.

**GOVERNANCE IMPLICATIONS:**

- The planning and design stage is fully funded and will have no impact on council's budget.
- Future funding for the construction of the project will be sought through the Building Better Regions Funding Round 4
- Council's 10% co-contribution to be allocated from reserves.

**RECOMMENDATION:**

- That the council endorse the application for funding to design and construct the Boulia Regional Community Precinct and request support to fund 90% of the project through the Building Better Regions Fund Round 4.
- That council agree to contribute 10% of the estimated cost of the project and these funds be allocated from Councils reserves.

**TABLED: Submission for 90% funding to BBRF**

**Chief Executive Officer**

Lynn Moore

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## BOULIA SHIRE COUNCIL

16<sup>th</sup> December 2019

### Building Better Regions Funding- Round 4

#### Boulia Regional Community Precinct- request for assistance

Boulia Shire Council is requesting consideration for 90% funding required to bring our vision for the construction of the Boulia Regional Community Precinct. Once built the council will complete the fitout from its own funds.

Boulia Shire encompasses 61,000 square kilometres of land with a network of roads (mostly gravel 1,111klms) with the Outback Way (Australia's Longest shortcut) cutting a swathe through the centre.

Our shire was one of the first shires in Queensland in 2013 to be drought declared and some relief has been felt by the flooding of the Channel Country from Tropical Cyclone Trevor (2019) but not for all properties. Our rate base is small by comparison (\$1m pa) with many of our properties still owned by families who settled here over 100 years ago.

Our vision is to provide a 'one stop shop' which will encompass the Council administration centre including meeting chambers, a new technologically advanced Library, the Australia Post Office (the only full service post office within 300klms) and business office space (mining, visiting government agency space QGap and or Centrelink).

The new piece of infrastructure will replace and incorporate several buildings within the town bringing a pathway forward for the future development of a Child Care Centre as the existing library is the ideal building to enable this to happen. The incorporation of the Australia Post Office into the new building will release a building on the main street which has been earmarked for a potential Art gallery supporting the Aboriginal artwork as well as outback photography specific to our area.

Boulia Shire Council has a mandate to preserve the past, build on the present and plan for the future. Part of that future is the sealing of The Outback Way which is transnational link between Queensland and Western Australia and will provide Boulia with an arterial lifeline to tap into passing freight transport opportunities and increased tourism traffic. It is this very lifeline and our councils commitment to support the sealing of the Outback Way which gives us cause to request assistance.

#### *How unique is our section of the Outback Way?*

It is the ONLY section of this transnational link from Qld to WA which is developed, owned and maintained by a local government authority. Our commitment to the Outback Way (Donohue Highway) project is a balancing act between our present and our future with a very small margin for error because each dollar we spend on the Donohue Highway is one dollar we cannot spend on our local roads.

We have reviewed and redeveloped our Asset Management Strategy and Plan for Roads and Airports (2019) and the external valuation and road condition report outlines the good business practises which

we endorse for our road network. We are very proud that we are managing both road maintenance and the finances in a manner which is successful for the road network. ( Ref: Shepherd Services – Valuation and Condition report Boulia Shire Nov 2019)

**The Outback Way (Donohue Highway section for Boulia) a few facts:**

The past commitment.....

Timeframe - year	Sealing the Donohue: klm	Federal Contribution	Co- Contribution (local Govt)	Co- Contribution as a % of our rate base
2018/2019	15.77klms	\$4,125,000	\$ 625,000	62%
2017/2018	10 klms	\$2,190,743	\$ 492,095	49%
2016/2017	8 klms	\$2,092,085	\$ 378,530	37%

The present commitment.....

Timeframe - year	Sealing the Donohue: klm	Federal Contribution	Co- Contribution (local Govt)	Co-Contribution as a % of our rate base
2019/2020 <b>(package 2)</b>	5.16 klm	\$1,744,000	\$ 436,000	43%
2020/2021 <b>(package 2)</b>	5.6 klm	\$1,888,000	\$ 472,000	47%

The future commitment.....

Timeframe - year	Sealing the Donohue: klm	Federal Contribution	Co- Contribution (local Govt)	Co-Contribution as a % of our rate base
2020/2021 <b>(package 2)</b>	7 klm	\$ 2,372,000	\$593,000	59%
2020/2021 <b>(package 2)</b>	7.09 klm	\$ 2,376,000	\$594,000	59%
2021/2022	Re-seals		\$ 551,000	55%
2022/2023	Re-seals		\$ 1,711,000	171%
2023/2024	Re-seals		\$ 1,413,000	141%
<i>To 2035?</i>	<i>95klms</i>	<i>\$33,250,000 (est)</i>	<i>\$6,650,000 (est)</i>	
	<b>Future Totals</b>	<b>\$37,998,000</b>	<b>\$11,512,000</b>	
<b>2035- Proposed timeframe to complete the sealing of the gravel section. This does not include the council commitment for the ongoing re-seals.</b>				

In total the Outback Way funding in package 2 by the Federal Government is \$8,380,000 of which an additional 20% is required as a co-contribution (\$2,095,000) by either the State Government or Local government. Unfortunately the ‘Donohue Highway’ section of the Outback Way is a COUNCIL road and the State have no obligation to put money on this road.

The estimate to complete the sealing of the Donohue Highway of 95klms is \$33,998,000 of which the council's commitment will be \$11,512,000 unless this road is declared a State Road.

As with all roads once built the re-seals become equally important and the councils ongoing commitment to keep this road open equals our rural rate base each year – over \$800,000.

If the Donohue Highway section of the Outback Way was in fact a 'State Road' we would not be having this conversation. The council would have the uncommitted funds to support the project. However, the commitment from the Federal Government to fund 80% with the condition that the State contributes 20% is our Achilles heel purely because the Donohue Highway is not a State road (ie; meaning a council contribution). Despite several representations to Canberra and to State and Federal politicians to explain our unusual situation we have been unsuccessful - this issue is a very real danger for the completion of the Outback Way sealing project.

Our financial situation is such that we need to make decision based on the fact that in order for this important link between the states to be completed we need to continue to financially support the project with the 20% contribution. (see table).

The Boulia Regional Community Precinct is a well thought out project with strong community support. It will see shire not only deliver services to locals but will contribute to the Queensland economy as a link across borders. We are small but have the vision for the future (as we do for the continued support for the Outback Way) and therefore we are not asking for a handout but support for the future of Boulia which will assist the government in the delivery of its services to outback Queensland.

We are grateful for your consideration of this project for funding.

Yours sincerely

A handwritten signature in black ink that reads "Lynn Moore". The signature is written in a cursive, flowing style with a large initial 'L'.

Ms Lynn Moore

Chief Executive Officer

# BOULIA SHIRE COUNCIL

## Report for Ordinary Meeting held on 18<sup>th</sup> December 2019

<b>TITLE:</b>	Manager Corporate & Financial Services - Audit & Risk Management Report	<b>DOC REF:</b> Item FM2  LATE REPORT
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<b>REPORT BY:</b>	Kaylene Sloman	<b>DATE:</b> 13/12/2019
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**CORPORATE PLAN REFERENCE:**

Key Priority 5: Robust Governance

5.2: Accountability

5.2.1 Ensure Council's financial activities are monitored and well managed

5.4: Sustainability

5.4.3 Ensure the long-term financial sustainability of the Council through prudent financial management and budgeting

**PURPOSE:**

To present the Minutes of the Audit & Risk Management Committee Meeting held on the 13<sup>th</sup> December 2019.

**CONTENT:**

The Committee reviewed with Tony Walsh the Internal Auditors report and recommendations on the Purchasing, payments and creditors audit that was conducted in October 2019.

David Lloyd (External Auditor) presented the draft financial statements for Council.

Further information can be found in the actual reports attached plus the minutes of the meeting.

**CONSULTATION:** Nil**GOVERNANCE IMPLICATIONS:** Nil**RECOMMENDATION:**

That the Manager of Corporate & Financial Services – Audit & Risk Management Report be received for information.

**DOCUMENTS TO BE TABLED:** Audit Report Purchasing, Payments and Creditors; Draft Financial Statements and Minutes of Audit & Risk Management Meeting on 13<sup>th</sup> December 2019

Reviewed and Approved by Chief Executive Officer | Ms Lynn Moore



# **Boulia Shire Council Internal Audit Report**

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## **Purchasing, Payments, and Creditors**

### **October 2019**

**Prepared by:**

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## 1. Executive Summary

This internal audit review is the second project performed in Year 1 of the three-year Internal Audit Plan. Following a preliminary scoping exercise carried out in March 2019, it was determined that the first priority areas for review would be Purchasing, Payments and Creditors

Overall, the control systems in place for the Purchasing, Payment and Creditors function are sound. The major issue identified in audit is the practice of not always issuing purchase orders until after the invoice is received. This mainly relates to the supply of materials and services which may be variable in quantity due to the nature of the project. Audit has made recommendations to address this matter. Audit also identified one occurrence of a duplicate payment made in the last financial year, and has made recommendations to address this for the future.

Internal audit acknowledges that staff of Boulia Shire Council (BSC) fully cooperated in the audit review and we thank all staff for their assistance.

## 2. Objectives of the Internal Audit Project

The purpose of this assignment was to:

1. Identify the key risks with the purchasing, payment and creditors function;
2. Identify control measures Council has in place;
3. Examine and assess effectiveness of control procedures and practices.

A summary of the controls and risks is included at Attachment 1. Key aspects of the controls examined are:

- Systems in place for authorising the ordering of goods and services;
- Appropriateness of delegations;
- Systems for authorising payment of accounts;
- Compliance with the Local Government Act and Regulations relating to contracts and tendering.

## 3. Scope of Work

### 3.1 Description of Project

The internal audit project involves several stages:

- Data analysis of information from the financial system;
- Interviews and enquiry with key personnel;
- Observation and walk-through of work practices;
- Testing of documents and records to identify variations from the control systems.

### 3.2 Scope Limitation

There were no known limitations to the scope of this audit.

### 3.3 Personnel Interviewed

As part of the review process, interviews (formal and informal) and walk-throughs were held with:

- Lynn Moore – Chief Executive Officer
- Kaylene Sloman – Manager of Corporate & Financial Services
- Harin Karra – Director of Works
- Evan Blackman – Senior Finance Officer
- Carol Smith – Accounts Payable Officer
- Gordon Stumbris – Contract Works Overseer
- Mari Gunderson – Storeperson
- Lynette Taylor – Post office

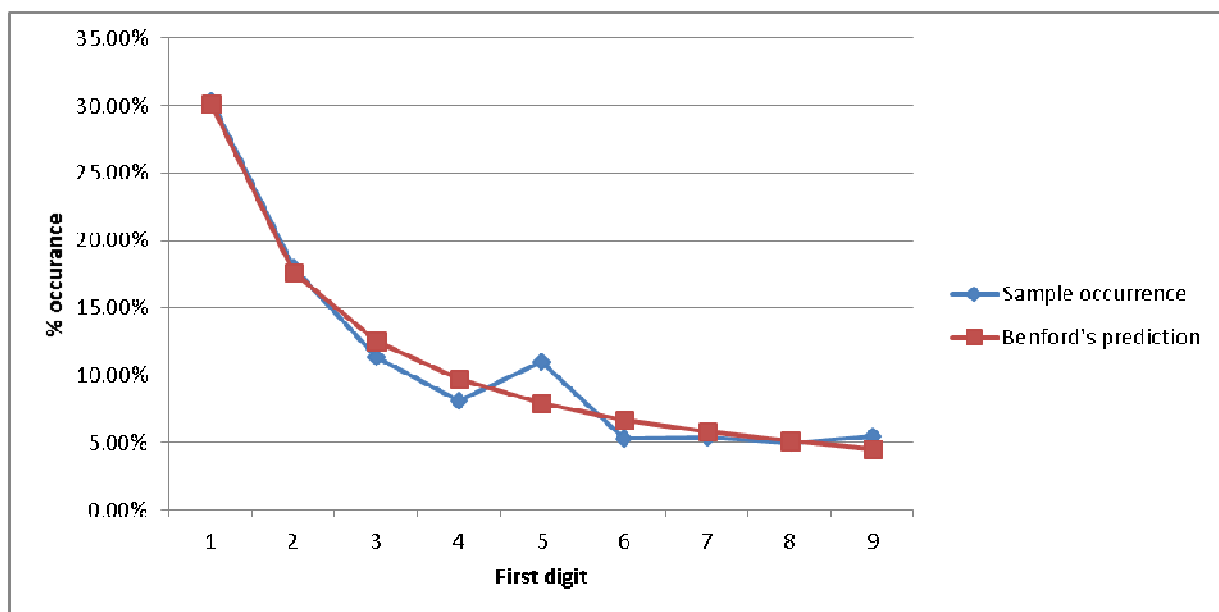
## 4. Data Analysis

### 4.1 Statistical Review

Internal audit has conducted a data download of all payments from the date of the Synergy Soft implementation (approximately July 2018) to the date of visit. This allowed some detailed analysis of data based on suppliers, amounts, payment numbers etc.

There are several thousand payments in this period, excluding payroll, super, bank fees and internal payments to BSC. Audit is able to use statistical audit programs to analyse trends in the data and patterns. This is a standard tool to help with identification of potential fraud. One such test is the frequency of certain digits in a large data set. It is often presumed that data will follow a random pattern, but with payments this is not usually the case and the audit tool will predict which digits should occur more frequently than others. The following table is an extract from the test which shows that the actual Council data set matches closely with the predictive trends.

**Boulia Shire Council  
Benford's Test Prediction**



The only significant variance was with the frequency of the digit '5'. This was easily explained by an unusually high volume of transactions which start with the number 5 (e.g. gym deposit refunds at \$50, and internal payment of rates).

This test does not provide an absolute guarantee that there has not been a fraud relating to payment transactions, but does provide reasonable assurance that there has not been random data manipulation.

The data file has also been used to extract a range of samples for conducting audit tests of purchase transactions. The sampling techniques include random sampling from all data for the full year to date, material unit sampling (based on material value of transactions), selective sampling based on branch location, and certain high value samples for contracts and tendering.

## 4.2 Duplicate Payments

In addition, the data file was interrogated using an audit program to extract any duplicate payments from the file. Most of these payments could be explained, however there was one genuine duplicate payment identified. While this appears to be an administrative error and is relatively low in value, it is important because they identify a break-down in controls. The SS financial system does not seem to have the capacity to identify duplicates which is one deficiency in control. However, Council should be applying other control techniques such as defacing the invoice once paid, and not paying on statements only.

The duplicate payment was made to a regular supplier so Council has capacity to receive a running credit. Nevertheless it is important to monitor these duplicate payments as the system controls cannot be completely relied upon.

The data test for duplicate payments is a relatively quick exercise, therefore it is suggested that these continue to be monitored periodically to ensure Council remains confident in the system and control environment.

### ***Recommendation***

That Council review its control practices to reduce the risk of invoices being paid twice. In addition, internal audit periodically run data extraction to test for duplicate payments at future audit visits for the foreseeable future.

### **Management response**

*Agree*

### **Management Comment**

**Immediate action** - conducted a Staff meeting and addressed the issue of alert message being over-ridden. This happened due to familiarity of previous PCS system, the process was to over-ride. Rectified instantly for future processing, no alert is to be over-ridden.

**Future action** – contacting SynergySoft about putting a permanent block on message so it cannot be over-ridden.

## 5. Overview of Function

The purchasing/procurement function relies on a strong system of controls, involving internal procedures and electronic controls built into the Synergy Soft (SS) financial program. In addition to the requirements of the Local Government Act and Regulation, Council has had in place a Purchasing Policy and supporting administrative procedures. The Purchasing Policy was last updated in June 2018, and is due for review. In summary, the control procedures relating to purchasing are:

Purchasing arrangements may be established which allow individual purchases without the need to obtain tenders or quotations for medium or large contractual arrangements (e.g. pre-qualified supplier list). Where purchasing arrangements do not apply:

- Purchases over \$200,000 require calling of public tenders;
- Purchases \$80,000 to \$199,999 require calling of written quotes through public advertising or Local buy-vendor Panel;
- Purchases \$15,000 to \$80,000 require at least 3 written or email quotations;
- Purchases \$10,000 to \$15,000 require at least two (2) verbal, written or email quotations are to be sourced;
- Purchases less than \$10,000 – officer's discretion. Must have segregation between requisitioning officer and officer approving the order;
- Purchase requisitions are required from relevant team before issuing a purchase order. Requisitions can be prepared in writing or using the SS system;
- Purchase orders are all prepared through SS. Purchase orders can only be authorised online by an officer with delegated authority (pre-set into the system);
- Supporting documents such as request for quote/tender documents should be attached electronically to the purchase order;
- Goods/services must be signed off as received before invoice processed for payment. This authorisation can occur through the SS system;
- Details of the invoice should be matched to purchase order before sign-off;
- Payments are checked and processed as a batch payment in the financial system by independent Accounts Payable Section;
- Actual batch payment authorisation signed by two officers with appropriate delegation.

A significant factor in the procurement function for BSC is the use of pre-qualified supplier lists. BSC calls tenders for pre-qualified suppliers periodically, and because of the extreme remoteness, these approved suppliers are used extensively. There is a large list of pre-qualified suppliers available to Council, particularly in the Operations and works area. Generally, this system is effective and well managed as a Local Buy purchasing process and provides Council with flexibility as well as meeting the legal requirements.

Purchasing is undertaken by all Departments although the number of staff with delegations is limited to just eleven positions. The most significant dollar value amounts are in the Works and Operations area due to the large amount of roadworks projects.

## 6. Review Findings

### 6.1 Medium and large Contracts

Significant purchases are a relatively small number of high value contracts consisting mainly of large plant items, roadworks or major construction projects. Generally, the control processes are very strong for these purchases. Internal Audit examined a sample of tender files and the processes followed were satisfactory. Tenders are publically advertised in various media, specifications are well documented, any variations are advised to interested parties, tender documents are kept on file, a detailed assessment process is undertaken against a range of criteria, and there is generally strong oversight by Council for large purchases. Some of the larger projects have the contract management outsourced to a consulting engineer firm with considerable experience in this work.

It was noted that in most cases quotation documents and supporting reports were kept electronically on the SS system, and attached to the purchase order. Where this was not possible, hard copy tender/quotation documents could be viewed in Council files.

### 6.2 General Procurement Procedures

Whilst the purchasing procedures are well established and understood throughout the organisation, the main audit issue has been the frequency of purchase orders being created after invoice date. From a significant sample, there was a high percentage of discrepancies with the issue of purchase orders (27%). These mainly relate to purchases from the pre-qualified supplier list. The explanation given is that many of the purchases from the supplier list are difficult to quantify exactly, particularly for materials and equipment hire required on ongoing works projects. The SS system does not allow variations to purchase orders above the amount of the order, so in many cases it has been easier for staff to not issue the order until they know exactly how much is required on the job.

While these supply arrangements are usually being made by someone with a delegated authority, not having an up-front purchase order exposes the organisation to some risk. Without purchase orders, Council does not know if an officer is requesting materials/services within their delegation, nor the value of those commitments on Council's finances until after the invoices are received. Ideally, the solution is to ensure that an exact quantity and price is quoted, however, this is not always possible. It is therefore proposed that Council reinforce the requirement for purchase orders to be issued up-front for all purchase of equipment, goods and services which can be identified as discrete projects, but the procedure be revised to allow some flexibility where variations in quantities supplied may occur.

#### ***Recommendation***

That Council revise its purchasing procedures as follows:

- Staff are always to issue a purchase order before the purchase is made, and quantify the supply requirements as accurately as possible.
- If a supply exceeds the order but is minor (at manager's discretion but no more than \$10,000), a separate payment be created for the excess amount. However, the payment must refer to the original order in the SS system.

- If an over-supply is significant (e.g. greater than \$10,000), a new purchase order is required for the excess amount with sufficient explanatory notes.
- For ongoing contractor services (e.g. trade supplies), unique purchase orders are required where the work is clearly identified as a discrete project.

### Management response

*Agree*

#### Management Comment

**We were** - Contract Works Overseer (CWO) had extensive record on all costings on Contractors works but not purchase orders due to the variability of materials and job requirement changes.

**Now** – trialling on individual purchase orders with tolerance of \$10,000 for each contractor.

### 6.3 Declaring Conflicts of Interest

One of the standard audit tests is to examine whether any staff authorising payment transactions may have a material personal interest in that transaction. However, this is almost impossible to test as the staff below Key Management Personnel level are not required to declare a register of interests. The current purchasing procedure requires staff to voluntarily declare any material conflict of interest and remove themselves from any process where a conflict may exist. This process is consistent with the legislation. However, it does not provide the highest level of risk management. Alternatives are:

Option	Risk Evaluation	Comments
Current practice – voluntary disclosure of conflicts if they arise – absent self from process	Highest risk of breach as difficult to identify interests without voluntary disclosure	Can be mitigated with regular training and guidelines
Require inclusion of a clause in standard tender and quotation reports, declaring that the officer does not have a material personal interest	Reduces the risk of a breach and ensures staff involved in purchasing are always mindful of this issue. However, still not able to be tested by audit as interests are not known.	Additional bureaucratic impost but can be managed with standard report templates
Require staff with delegated authority to complete a declaration and disclose material personal interests in a register	Provides lowest risk of breach, however also requires monitoring of register in relation to purchasing decisions	Additional bureaucratic process, and may be considered an extreme measure if current risk is not great.

Any of the above options do require some guidance and training for staff on what are material interests and also other personal interests (e.g. family relationships) which may create a conflict.

Following discussion with management, we have proposed that the most suitable option is to require staff with delegations to complete a declaration and register of material interests. Given the relatively low number of staff with delegations, this should not be administratively difficult. We have provided advice on a suitable template in that regard.

***Recommendation***

That Council require all staff with purchasing delegations to complete a conflict of interest declaration and register of material interests.

**Management response**

*Agree*

**Management Comment**

This was already under consideration by ManEx with a form being developed but not actioned.

This form has been put to Council with Policy and it was adopted Monday 18<sup>th</sup> November 2019. Staff with delegation are currently completing forms.

## **6.4 Policies and Procedures**

Overall, the documentation available in relation to the purchasing function was sufficient and effective. It was noted that the Purchasing Policy was last adopted in June 2018 with an annual review scheduled, which is now overdue.

***Recommendation***

That the Purchasing Policy be reviewed and adopted by Council as soon as possible.

**Management response**

*Agree*

**Management Comment**

The Purchasing Policy was under review due to SynergSoft implementation and has now been put to Council and it was adopted Monday 18<sup>th</sup> November 2019 with significant changes to processes.

Authorised:



Tony Walsh  
Walsh Accounting  
Internal Auditor



**ATTACHMENT ONE - Internal Audit Plan**  
**Purchasing, creditors and payments (incl tendering and contract processes)**

Risk identification	Typical Control Measures	Audit Testing
<ul style="list-style-type: none"> <li>• The risk that entire payments have been made that should not have been made.</li> <li>• The risk that overpayments or underpayments have been made.</li> <li>• The risk that payments have been made to the wrong payee.</li> <li>• The risk that payments have been reported in the wrong period.</li> <li>• The risk that creditors have been overstated or understated.</li> <li>• The risk of fraud due to inappropriate contracting practices (e.g. related party transactions).</li> <li>• The risk of fraud resulting from management override of controls.</li> <li>• The risk of inappropriate purchases due to lack of probity over purchasing systems and credit card use.</li> </ul>	<ul style="list-style-type: none"> <li>• Duties are segregated between purchasing and accounts payable.</li> <li>• Purchase requisitions and orders are made in accordance with Council Purchasing Policy and the Act.</li> <li>• Purchase orders are used only by persons with appropriate delegation and with no conflict of interest.</li> <li>• Receiving records are made of all goods received.</li> <li>• Deliveries are checked, and claims are made for short shipments, etc.</li> <li>• All invoices and receiving records are directed to accounts payable, rather than purchasing.</li> <li>• Invoices are checked against purchase orders and receiving records.</li> <li>• Documentation is properly cancelled or defaced to avoid re-submission.</li> <li>• All documents which are not matched are investigated on a regular basis.</li> <li>• Bank transfers are controlled and counter-signed.</li> <li>• Supplier statements are reconciled regularly.</li> <li>• The creditors listing is supported by goods received records.</li> <li>• Unprocessed invoices are reviewed at year end.</li> <li>• Open orders are reviewed.</li> <li>• Supervision is effective.</li> </ul>	<ol style="list-style-type: none"> <li>1. Sample test check purchasing documents over full year to date (a range of sampling techniques will be used). Testing will include: <ul style="list-style-type: none"> <li>• Adequacy of supporting documents</li> <li>• Adequacy of approvals</li> <li>• Compliance with procedures</li> <li>• Compliance with delegations</li> <li>• Evidence goods/services received</li> <li>• Authorisation procedures</li> <li>• Sufficiency of oversight and monitoring</li> </ul> </li> <li>2. Enquiry of key personnel to establish knowledge of and adherence to procedures</li> <li>3. Analytical review of data set e.g. duplicate payments, statistical trends</li> <li>4. Observation of work practices</li> <li>5. Documentation review – Purchasing Policy, Delegations Manual, Operating Procedures</li> <li>6. Sample test check quotations and tenders for major purchases. Testing will include compliance with purchasing procedures, adequacy of documents, adequacy of selection process.</li> </ol>

**Boulia Shire Council**

**Financial Statements**

for the year ended 30 June 2019

**DRAFT**

# **Boulia Shire Council**

## **Financial Statements**

### For the year ended 30 June 2019

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**Bouliia Shire Council**  
**Statement of Comprehensive Income**  
**For the year ended 30 June 2019**

	Note	Council	
		2019	2018
		\$	\$
<b>Income</b>			
<b>Revenue</b>			
<b>Recurrent Revenue</b>			
Rates, levies and charges	3(a)	1,269,480	1,107,663
Fees and charges		358,264	386,309
Rental income		333,553	334,275
Interest received		323,217	303,342
Sales revenue	3(b)	3,138,398	4,436,768
Other income		384,119	73,717
Grants, subsidies, contributions and donations	4(a)	5,940,377	5,274,693
		<u>11,747,408</u>	<u>11,916,767</u>
<b>Capital Revenue</b>			
Grants, subsidies, contributions and donations	4(b)	6,624,964	5,367,713
<b>Total Revenue</b>		<u>18,372,372</u>	<u>17,284,480</u>
<b>Total Income</b>		<u>18,372,372</u>	<u>17,284,480</u>
<b>Expenses</b>			
<b>Recurrent Expenses</b>			
Employee benefits	6	(3,056,328)	(3,316,847)
Materials and services	7	(6,371,632)	(9,229,539)
Finance costs		(46,614)	(76,892)
Depreciation	8	(3,679,360)	(3,236,714)
		<u>(13,153,933)</u>	<u>(15,859,992)</u>
<b>Capital Expenses</b>	5	(440,378)	(362,003)
<b>Total Expenses</b>		<u>(13,594,311)</u>	<u>(16,221,995)</u>
<b>NET RESULT</b>		<u>4,778,061</u>	<u>1,062,485</u>
<b>Other Comprehensive Income</b>			
<b>Items that will not be reclassified to net result</b>			
Increase / (decrease) in Asset Revaluation Surplus	15	17,922,851	-
<b>Total Other Comprehensive Income for the Year</b>		<u>17,922,851</u>	<u>-</u>
<b>Total Comprehensive Income for the Year</b>		<u>22,700,912</u>	<u>1,062,485</u>

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

**Boulia Shire Council**  
**Statement of Financial Position**  
**as at 30 June 2019**

		Council	
	Note	2019 \$	2018 \$
<b>Current Assets</b>			
Cash and cash equivalents	9	16,408,614	13,902,852
Receivables	10	766,378	2,491,291
Inventories		275,114	325,138
<b>Total Current Assets</b>		<u>17,450,106</u>	<u>16,719,281</u>
<b>Non Current Assets</b>			
Property, plant and equipment	11	174,597,856	152,645,009
<b>Total Non-Current Assets</b>		<u>174,597,856</u>	<u>152,645,009</u>
<b>Total Assets</b>		<u>192,047,962</u>	<u>169,364,290</u>
<b>Current Liabilities</b>			
Payables	12	1,095,237	1,079,964
Borrowings	13	52,282	15,185
Provisions	14	98,107	171,546
<b>Total Current Liabilities</b>		<u>1,245,626</u>	<u>1,266,696</u>
<b>Non-Current Liabilities</b>			
Borrowings	13	1,061,742	1,147,358
Provisions	14	199,875	110,427
<b>Total Non-Current Liabilities</b>		<u>1,261,617</u>	<u>1,257,786</u>
<b>Total Liabilities</b>		<u>2,507,243</u>	<u>2,524,482</u>
<b>Net Community Assets</b>		<u>189,540,719</u>	<u>166,839,807</u>
<b>Community Equity</b>			
Asset Revaluations Surplus	15	103,435,167	85,512,316
Retained Surplus		86,105,552	81,327,491
<b>Total Community Equity</b>		<u>189,540,719</u>	<u>166,839,807</u>

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

**Boulia Shire Council**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2019**

<b>Council</b>	<b>Note</b>	<b>Asset revaluation surplus 15 \$</b>	<b>Retained Surplus \$</b>	<b>Total \$</b>
<b>Balance as at 1 July 2018</b>		85,512,316	81,327,491	166,839,807
Net result		17,922,851	4,778,061	22,700,912
<b>Total Comprehensive Income for the Year</b>		<u>17,922,851</u>	<u>4,778,061</u>	<u>22,700,912</u>
<b>Balance as at 30 June 2019</b>		<u>103,435,167</u>	<u>86,105,552</u>	<u>189,540,719</u>
<b>Balance as at 1 July 2017</b>		85,512,316	80,265,006	165,777,322
Net result		-	1,062,485	1,062,485
<b>Total Comprehensive Income for the Year</b>		<u>-</u>	<u>1,062,485</u>	<u>1,062,485</u>
<b>Balance as at 30 June 2018</b>		<u>85,512,316</u>	<u>81,327,491</u>	<u>166,839,807</u>

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

**Boulia Shire Council**  
**Statement of Cash Flows**  
**For the year ended 30 June 2019**

	Note	Council	
		2019	2018
		\$	\$
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		6,890,034	5,163,005
Payments to suppliers and employees		<u>(9,361,516)</u>	<u>(12,438,752)</u>
		(2,471,482)	(7,275,747)
Interest received		323,217	303,342
Rental income		333,553	334,275
Non capital grants and contributions		5,940,377	5,274,693
Borrowing costs		<u>(46,614)</u>	<u>(76,892)</u>
<b>Net Cash Inflow (outflow) from Operating Activities</b>	19	<u>4,079,050</u>	<u>(1,440,329)</u>
<b>Cash Flows from Investing Activities</b>			
Payments for property, plant and equipment		(8,228,920)	(5,337,348)
Proceeds from sale of property plant and equipment		79,187	398,693
Grants, subsidies, contributions and donations		<u>6,624,964</u>	<u>5,367,713</u>
<b>Net Cash Inflow (outflow) from Investing Activities</b>		<u>(1,524,769)</u>	<u>429,058</u>
<b>Cash Flows from Financing Activities</b>			
Repayment of borrowings	13	<u>(48,519)</u>	<u>(46,922)</u>
<b>Net Cash Inflow (outflow) from Financing Activities</b>		<u>(48,519)</u>	<u>(46,922)</u>
<b>Net Change in Cash and Cash Equivalent Held</b>		<u>2,505,762</u>	<u>(1,058,193)</u>
<b>Cash and Cash Equivalents at the Beginning of the Financial Year</b>		13,902,852	14,961,044
<b>Cash and Cash Equivalents at End of the Financial Year</b>	9	<u>16,408,614</u>	<u>13,902,852</u>

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

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**1 Significant Accounting Policies**

**1.A Basis of Preparation**

These general purpose financial statements are for the period 1 July 2018 to 30 June 2019. They are prepared in accordance with the *Local Government Act 2009* and the *Local Government Regulation 2012*. They comply with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS). Therefore in some instances these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation gains and losses within a class of assets and the timing of recognition of non-reciprocal grant revenue.

These financial statements have been prepared under the historical cost convention except where stated.

**1.B Constitution**

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

**1.C Currency**

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

**1.D New and revised Accounting Standards**

This year Council has applied AASB 9 Financial Instruments for the first time. AASB 9 replaces AASB 139 and relates to the recognition, classification and measurement of financial assets and financial liabilities. Implementing AASB 9 has resulted in a change to the way council calculates impairment provisions, which are now based on expected credit losses instead of incurred credit losses.

On 1 July 2018 (the date of initial application), council re-assessed the classification, measurement category and carrying amount of each financial instrument (listed below) in accordance with AASB 9. There were some changes to classification, but this did not result in changes to measurement categories(listed below). Carrying amounts were also unchanged, except for receivables which decreased by \$300 due to an increase in impairment under the new rules. A corresponding adjustment was made to retained earnings as at 1 July 2018.

Financial asset/liability	Measurement category (unchanged)
Cash and cash equivalents	Amortised cost
Receivables	Amortised cost
Other financial assets	Amortised cost
Borrowings	Amortised cost



**Bouliia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

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

<b>Standard and impact</b>	<b>Date council will apply the standard</b>
<p><b>AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities</b></p>	
<p>AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-to-profit (NFP) entities, in conjunction with AASB 15, and AASB 2016-8. These Standards supersede the majority of income recognition requirements relating to public sector</p> <p>Identifiable impacts at the date of this report are:</p> <p>Some grants received by the Council will be recognised as a liability, and subsequently recognised progressively as revenue as the Council satisfies its performance obligations under the grant. At present, such grants are recognised as revenue upfront.</p> <p>Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. Council receives several grants from the Federal Government and State Government for which there are no sufficiently specific performance obligations these are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.</p> <p>Depending on the respective contractual terms, the new requirements of AASB 15 may potentially result in a change to the timing of revenue from sales of the Council's goods and services such that some revenue may need to be deferred to a later reporting period to the extent that the Council has received payment but has not met its associated performance obligations (such amounts would be reported as a liability in the meantime).</p> <p>Prepaid rates will not be recognised as revenue until the relevant rating period starts. Until that time these receipts will be recognised as a liability (unearned revenue). There will be no impact upon the recognition of other fees and charges.</p> <p>Based on Council's assessment, if Council had adopted the new standards in the current financial year it would have had the following impacts:</p> <ul style="list-style-type: none"> <li>- Revenue decrease of \$553,403 due to deferral of grant funding, pre-paid rates, and other sales related revenue (based on the facts available to Council at the date of assessment).</li> <li>- there would be an equal reduction in the reported equity as the reduced Revenue will require an increase in recognition of contract liabilities, and statutory receivables.</li> <li>- net result would be lower on initial application as a result of decreased revenue.</li> </ul> <p>A range of new disclosures will also be required by the new standards in respect of the department's revenue.</p> <p><b>Transition method</b></p> <p>The Council intends to apply AASB 15, AASB 1058 and AASB 2016-8 initially on 1 July 2019, using the modified retrospective approach. The recognition and measurement principles of the standards will be retrospectively applied for the current year and prior year comparatives as though the standards had always applied, consistent with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.</p> <p>The Council intends to apply the practical expedients available for the full retrospective method. Where revenue has been recognised in full under AASB 1004, prior to 1 July 2019, but where AASB 1058 would have required income to be recognised beyond that date, no adjustment is required. Further, Council is not required to restate income for completed contracts that start and complete within a financial year. This means where income under AASB 1004 was recognised in the comparative financial year (i.e. 2018/19), these also do not require restatement.</p>	<p>1-Jul-19</p>

**Peppercorn Leases**

Council is the lessee of a number of Deed of Grant in Trust leases, for which no or little lease payments are made. These have been identified as peppercorn leases which are currently not recognised in Council's financial statements. Council does not intend to elect not to apply the fair value measurement requirements to these leases until such time as this requirement is mandated.

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**1.E Estimates and Judgements**

Where necessary judgements, estimates and assumptions have been used in preparing these financial statements. Those that have a significant effect, or risk of causing an adjustment to council's assets or liabilities relate to:

Valuation and depreciation of property, plant and equipment (Note 11)

Impairment of property, plant and equipment (Note 11)

Provisions (Note 14)

Contingent liabilities (Note 17)

Financial instruments and financial liabilities (note 21)

**1.F Rounding and Comparatives**

The financial statements are in Australian dollars and have been rounded to the nearest \$1.

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

**1.G Taxation**

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') and payroll tax on certain activities. The net amount of GST recoverable from the ATO or payable to the ATO is shown as an asset or liability respectively.

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

## **2. Analysis of Results by Function**

### **2(a) Components of Council Functions**

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

#### **Corporate Support**

Secure revenue from governments and ratepayers to finance the general activities of Council  
Provide support functions for the Mayor and Councillors, Council and committee meetings and statutory requirements including disaster management, civic receptions and regional services  
Provide Council and corporate management of the organisation including:-  
Financial and administrative services  
Encourage and monitor the planning and construction of the building environment  
Information technology  
Human resources and payroll  
Plan and design Council's infrastructure and provide general engineering and operational support  
Provision of tourism attractions and museums and assist with the promotion and development of the local tourism industry  
Provide leadership and key industry contacts for the diversification and growth of local industry  
Procure and service Council's mobile fleet

#### **Environmental and Natural Resources**

Ensure a high level of environmental health is maintained for all residents and visitors. Protect the natural environment and undertake projects to enhance economic and environmental return from use of reserves. Protect and enhance the environmental and natural resources within the Shire. This includes:-  
Property pest management  
Stock route management  
Animal control  
Environmental licenses and approvals

#### **Community and Lifestyle Services**

Enhance community development and equity through targeted assistance and development activities  
Provide activities and services to improve the lifestyle of residents including:-  
Providing accessible and quality library materials to residents  
Providing entertainment venues for all residents  
Community centres and halls  
Providing community housing for both staff and non-staff members of the Shire  
Community services  
Provision of clean and appropriate recreational & sporting facilities and areas and other public spaces for community and tourist use  
Parks and gardens  
Cemeteries

#### **Health and Welfare**

Assist with the provision of facilities and activities to enhance the health and welfare of residents. Lobby government for improved facilities.

#### **Water, Sewerage and Garbage**

##### ***Water Infrastructure***

Supply urban residents and businesses with a clean and reliable water supply  
Improve the conservation of water use by the community

##### ***Sewerage Infrastructure***

Provide sewerage services to the urban community

##### ***Garbage Infrastructure***

Provide urban residents and businesses with an efficient refuse collection and disposal service

#### **Roads**

Provide, maintain and upgrade roads, streets and drainage to the highest standard within limits of resources  
Undertake road construction and maintenance works for third parties

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**2 Analysis of Results by Function**

**(b) Income and Expenses defined between Recurring and Capital are attributed to the following functions:**

**Year ended 30 June 2019**

Functions	Gross Program Income				Total Income	Gross Program Expenses		Total Expenses	Net Result from Recurring Operations	Net Result	Assets
	Recurrent		Capital			Recurrent	Capital				
	Grants	Other	Grants	Other							
	2019	2019	2019	2019		2019	2019				
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Corporate Support	83,937	1,286,134		-	1,370,071	(209,636)	(440,378)	(650,014)	1,160,435	720,057	25,681,362
Environmental & Natural Resources	2,233,855	26,634		-	2,260,489	(125,080)		(125,080)	2,135,409	2,135,409	255,616
Community & Lifestyle Services	- 17,250	878,637		-	861,387	(4,183,365)		(4,183,365)	(3,321,978)	(3,321,978)	21,418,801
Health & Welfare	815,281	-		-	815,281	(13,272)		(13,272)	802,009	802,009	
Water Sewerage & Garbage	449,608	405,101	2,185,622	-	3,040,331	(783,730)		(783,730)	70,979	2,256,601	7,922,740
Roads	5,586,514	(1,042)	4,439,342		10,024,814	(7,838,850)		(7,838,850)	(2,253,378)	2,185,964	136,769,442
<b>Total Council</b>	<b>9,151,945</b>	<b>2,595,464</b>	<b>6,624,964</b>	<b>-</b>	<b>18,372,372</b>	<b>(13,153,933)</b>	<b>(440,378)</b>	<b>(13,594,311)</b>	<b>(1,406,524)</b>	<b>4,778,062</b>	<b>192,047,961</b>

**Year ended 30 June 2018**

Functions	Gross Program Income				Total Income	Gross Program Expenses		Total Expenses	Net Result from Recurring Operations	Net Result	Assets
	Recurrent		Capital			Recurrent	Capital				
	Grants	Other	Grants	Other							
	2018	2018	2018	2018		2018	2018				
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Corporate Support	3,340,933	1,177,574	148,074	-	4,666,581	(682,030)	(362,003)	(1,044,033)	3,836,477	3,622,548	21,450,600
Environmental & Natural Resources	11,081	78,821	-	-	89,902	(151,280)	-	(151,280)	(61,378)	(61,378)	69,479
Community & Lifestyle Services	52,721	563,563	1,301,447	-	1,917,731	(3,529,170)	-	(3,529,170)	(2,912,886)	(1,611,439)	23,392,836
Health & Welfare	95,000	825	-	-	95,825	(46,504)	-	(46,504)	49,321	49,321	-
Water Sewerage & Garbage	-	361,718	656,943	-	1,018,661	(519,425)	-	(519,425)	(157,707)	499,236	7,831,910
Roads	1,774,958	4,459,573	3,261,249	-	9,495,780	(10,931,583)	-	(10,931,583)	(4,697,052)	(1,435,803)	116,619,464
<b>Total Council</b>	<b>5,274,693</b>	<b>6,642,074</b>	<b>5,367,713</b>	<b>-</b>	<b>17,284,480</b>	<b>(15,859,992)</b>	<b>(362,003)</b>	<b>(16,221,995)</b>	<b>(3,943,225)</b>	<b>1,062,485</b>	<b>169,364,289</b>

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

	Council	
	2019	2018
	\$	\$
<b>3 Revenue Analysis</b>		
Revenue is recognised at the fair value of the consideration received or receivable, at the time indicated below.		
<b>(a) Rates, Levies and Charges</b>		
Rates are recognised as revenue at the start of the rating period. If a ratepayer pays their rates before the start of the rating period, they are recognised as revenue when they are received.		
General rates	994,590	826,799
Water	170,022	166,832
Sewerage	115,816	115,774
Garbage charges	106,405	111,990
Total rates and utility charge revenue	1,386,833	1,221,395
Less: discounts	(117,158)	(113,042)
Less: pensioner remissions	(195)	(690)
	1,269,480	1,107,663
<b>(b) Sales Revenue</b>		
The sale of goods is recognised when the customer has taken delivery of the goods. Revenue from services is recognised when the service is rendered.		
Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. This revenue and the associated costs are recognised by reference to the stage of completion of the contract activity 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. The contract work carried out is not subject to retentions.		
<b>Sale of services</b>		
Contract and recoverable works	3,138,398	4,436,768
	3,138,398	4,436,768
<b>4 Grants, Subsidies, Contributions and Donations</b>		
All grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them.		
Where grants are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled. Council does not currently have any reciprocal grants.		
<b>(a) Recurrent</b>		
General purpose grants	2,774,372	2,260,059
State government and other subsidies and grants	3,163,261	3,005,998
Contributions	2,744	8,636
	5,940,377	5,274,693
<b>(b) Capital</b>		
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.		
State government subsidies and grants	6,243,162	5,367,713
Commonwealth government subsidies and grants	381,802	-
	6,624,964	5,367,713
<b>Conditions over contributions</b>		
Contributions recognised as income during the reporting period and which were obtained on the condition that they be expended in a manner specified by the contributor but had not been expended at the reporting date:		
Non-reciprocal grants for expenditure on services	-	487,774
	-	487,774

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

		Council	
		2019	2018
		\$	\$
<b>5</b>	<b>Capital Expenses</b>		
	<b>Gain / Loss on Disposal of Non-Current Assets</b>		
	Proceeds from the sale of property, plant and equipment	79,187	321,191
	Less: Book value of property, plant and equipment disposed of	(519,565)	(683,194)
		<u>(440,378)</u>	<u>(362,003)</u>
<b>6</b>	<b>Employee Benefits</b>		
	Total staff wages and salaries	2,252,597	2,596,320
	Councillors' remuneration	172,486	295,973
	Annual, sick, long service leave and entitlements	322,527	445,799
	Superannuation	308,150	291,417
		<u>3,055,760</u>	<u>3,629,509</u>
	Other employee related expenses	28,181	96,742
		<u>3,083,941</u>	<u>3,726,251</u>
	Less: Capitalised employee expenses	(27,613)	(409,404)
		<u>3,056,328</u>	<u>3,316,847</u>
	Councillor remuneration represents salary and other allowances paid in respect of carrying out their duties.		
	Total council employees at the reporting date:	<b>2019</b>	<b>2018</b>
	Elected members	5	5
	Administration staff	15	14
	Depot and outdoors staff	22	23
	Total full time equivalent employees	<u>42</u>	<u>42</u>
<b>7</b>	<b>Materials and Services</b>		
	Administration supplies and consumables	1,102,637	834,362
	Audit of annual financial statements by the Auditor-General of Queensland	39,407	59,444
	Communications and IT	86,682	113,567
	Consultants	0	25,875
	Donations paid	47,017	60,535
	Housing	151,463	213,289
	Repairs and maintenance	127,971	186,988
	Roads	4,278,957	7,221,362
	Water & Sewerage	354,449	209,381
	Other materials and services	183,048	304,735
		<u>6,371,632</u>	<u>9,229,539</u>
<b>8</b>	<b>Depreciation</b>		
	Buildings & structures	708,783	663,420
	Plant & vehicles	403,468	428,660
	Furniture & equipment	73,395	45,697
	Road infrastructure	2,141,969	1,733,109
	Water infrastructure	128,424	136,632
	Sewerage infrastructure	48,203	48,171
	Aerodrome infrastructure	175,118	181,025
	Total depreciation	<u>3,679,360</u>	<u>3,236,714</u>

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

	<b>Council</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>9 Cash and Cash Equivalents</b>		
Cash and cash equivalents include cash on hand, all cash and cheques receipted but not banked at the year end and deposits held at call with financial institutions.		
Cash at bank and on-hand	226,301	125,149
Deposits at-call	16,182,313	13,777,703
Balance per Statement of Cash Flows	16,408,614	13,902,852

Cash and deposits at call are held in the Queensland Treasury Corporation and Commonwealth Bank of Australia in normal business accounts.

Cash and deposits at call are held in the Commonwealth Bank of Australia in normal at call and business cheque accounts. The bank currently has a short term credit rating of AA2 and longer term rating of P-1.

**Restricted Cash**

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

	-	-
	-	-

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 for security deposits lodged and auspicing projects. 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 statements.

**Trust Funds**

**Trust Funds Held for Outside Parties**

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

Auspicing	48,962	47,896
Security deposits	19,665	24,012
	68,627	71,908

**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. All known bad debts were written-off at 30 June. If an amount is recovered in a subsequent period it is recognised as revenue.

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

**Current**

Rateable revenue and utility charges	167,494	143,857
Other debtors & Accrued Revenue	505,706	2,187,250
Loss Allowance	(141,222)	(98,960)
GST recoverable	234,400	63,578
Prepayments	-	195,566
	766,378	2,491,291

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

Movement in accumulated impairment losses (other debtors) is as follows:

Opening balance at 1 July	98,960	97,405
Impairment provided for during the year	42,263	1,555
Closing Balance at 30 June	141,223	98,960

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**11 Property, Plant and Equipment**

**Council - 30 June 2019**

Note	Land and Improvements	Buildings and Structures	Plant and Vehicles	Furniture & Equipment	Road Infrastructure	Water Infrastructure	Sewerage Infrastructure	Aerodrome Infrastructure	Work in Progress	Total
	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	\$
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
	789,328	26,851,859	5,755,464	1,445,233	145,145,676	7,613,073	3,089,745	6,077,997	3,645,785	200,414,160
	-	-	1,161,875	83,676	-	-	-	-	6,983,370	8,228,921
5	-	(681,444)	(226,753)	(43,926)	-	-	-	(349,503)	-	(1,301,626)
16	-	-	-	-	9,855,459	-	-	1,291,363	-	11,146,822
	-	1,243,835	-	-	5,833,675	373,695	503,277	382,784	(8,337,266)	-
	<b>789,328</b>	<b>27,414,250</b>	<b>6,690,586</b>	<b>1,484,983</b>	<b>160,834,810</b>	<b>7,986,768</b>	<b>3,593,022</b>	<b>7,402,641</b>	<b>2,291,889</b>	<b>218,488,277</b>
<b>Accumulated Depreciation</b>										
	-	8,372,617	2,830,969	711,693	30,548,969	2,251,738	1,228,685	1,824,480	-	47,769,151
8	-	708,783	403,468	73,395	2,141,969	128,424	48,203	175,118	-	3,679,360
5	-	(331,263)	(145,076)	(43,926)	-	-	-	(261,796)	-	(782,061)
16	-	-	-	-	(6,910,000)	-	-	133,971	-	(6,776,029)
	-	-	-	-	-	-	-	-	-	-
	-	8,750,137	3,089,361	741,162	25,780,938	2,380,162	1,276,888	1,871,773	-	43,890,421
<b>Total Written Down Value as at 30 June 2019</b>										
	789,328	18,664,113	3,601,225	743,821	135,053,872	5,606,606	2,316,134	5,530,868	2,291,889	174,597,856
	-	-	-	-	-	-	-	-	-	-
	N/A	20-100	2-20	3-10	10-1000	30-80	25-75	20-100	-	-
Additions comprise:										
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	-	913,426	955,316	-	-	-	503,277	382,784	-	2,754,803
	-	330,409	206,559	83,676	5,833,675	373,695	-	-	-	6,828,014
	-	-	-	-	-	-	-	-	-	-
	-	1,243,835	1,161,875	83,676	5,833,675	373,695	503,277	382,784	-	9,582,817



**Bouliá Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**Council - 30 June 2018**

Basis of measurement

**Asset Values**

Opening Gross Value as at 1 July 2017

Additions

Disposals

Transfers between classes

**Closing Gross Value as at 30 June 2018**

Note	Land and Improvements	Buildings and Structures	Plant and Vehicles	Furniture & Equipment	Road Infrastructure	Water Infrastructure	Sewerage Infrastructure	Aerodrome Infrastructure	Work in Progress	Total
	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	\$
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	799,328	25,761,994	6,279,567	1,306,818	144,673,307	7,532,028	3,081,090	6,077,997	889,397	196,401,526
	-	-	221,369	138,415	-	-	-	-	4,977,564	5,337,348
5	(10,000)	(569,242)	(745,472)	-	-	-	-	-	-	(1,324,714)
	-	1,659,107	-	-	472,369	81,045	8,655	-	(2,221,176)	-
	<b>789,328</b>	<b>26,851,859</b>	<b>5,755,464</b>	<b>1,445,233</b>	<b>145,145,676</b>	<b>7,613,073</b>	<b>3,089,745</b>	<b>6,077,997</b>	<b>3,645,785</b>	<b>200,414,160</b>

**Accumulated Depreciation and Impairment**

Opening Balance as at 1 July 2017

Depreciation provided in period

Depreciation on disposals

**Accumulated Depreciation as at 30 June 2018**

	-	7,860,362	2,815,164	665,996	28,815,860	2,115,106	1,180,514	1,643,455	-	45,096,457
8	-	663,420	428,660	45,697	1,733,109	136,632	48,171	181,025	-	3,236,714
5	-	(151,165)	(412,855)	-	-	-	-	-	-	(564,020)
	-	<b>8,372,617</b>	<b>2,830,969</b>	<b>711,693</b>	<b>30,548,969</b>	<b>2,251,738</b>	<b>1,228,685</b>	<b>1,824,480</b>	-	<b>47,769,151</b>

**Total Written Down Value as at 30 June 2018**

Residual value

Range of estimated useful life in years

	789,328	18,479,242	2,924,495	733,540	114,596,707	5,361,335	1,861,060	4,253,517	3,645,785	152,645,009
	-	-	-	-	-	-	-	-	-	-
	N/A	20-100	2-20	3-10	10-1000	30-80	25-75	20-100	-	

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**11 Property, Plant and Equipment**

**(a) Fair Value Measurements**

Plant and equipment with a total value of less than \$5,000, and infrastructure assets and buildings with a total value of less than \$10,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

Replacement of a major component of an asset, in order to maintain its service potential, is treated as the acquisition of a new asset. However, routine operating maintenance, repair costs and minor renewals to maintain the operational capacity and useful life of the non-current asset is expensed as incurred.

Expenditure incurred in accordance with Natural Disaster Relief and Recovery Arrangements on road assets is analysed to determine whether the expenditure is capital in nature. The analysis of the expenditure requires Council engineers to review the nature and extent of expenditure on a given asset. For example, expenditure that patches a road is generally maintenance in nature, whereas a kerb to kerb rebuild is treated as capital. Material expenditure that extends the useful life or renews the service potential of the asset is capitalised.

Land under the roads and reserve land which falls under the *Land Act 1994* or the *Land Title Act 1994* is controlled by the Queensland Government pursuant to the relevant legislation. This land is not recognised in these financial statements.

**(i) Recognised Fair Value Measurements**

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

Property, plant and equipment

- Land and improvements
- Buildings and other structures
- Aerodrome infrastructure
- Road infrastructure
- Water infrastructure
- Sewerage infrastructure

Council does not measure any liabilities at fair value on a recurring basis.

Council has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in other notes.

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in Note 13 is provided by the Queensland Treasury Corporation and represents the contractual undiscounted cash flow at balance date (Level 2).

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

In accordance with AASB 13 *Fair Value Measurements* are categorised on the following basis:

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

**(b) Measurements**

Property plant and equipment assets are initially recorded at cost. Subsequently, each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss. 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. Direct labour and materials and an appropriate proportion of overheads incurred in the acquisition or construction of assets are also included in their cost.

**(c) Depreciation**

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

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate. Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to the Council. Major spares purchased specifically for particular assets that are above the asset recognition threshold are capitalised and depreciated on the same basis as the asset to which they relate.

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

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

**(d) Impairment**

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

**Bouliā Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**(e) Valuation**

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 5 years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection.

In the intervening years, Council uses internal engineers and asset managers to assess the condition and cost assumptions associated with all infrastructure assets, the results of which are considered in combination with an appropriate cost index for the region. Together these are used to form the basis of a management valuation for infrastructure asset classes in each of the intervening years. With respect to the valuation of the land and improvements and buildings and structures asset classes in the intervening years, management perform a "desktop" valuation. A desktop valuation involves management reviewing additions, deletions and changes in assumptions such as useful life, residual value and condition rating. Suitable indices are sourced which are applied to each of these asset classes. Management, in consultation with consulting engineers, also assess indices on an annual basis for material movements in relevant indices.

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

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.

The following table categorises fair value measurements as either Level 2 or Level 3 in accordance with AASB 13. Council does not have any assets or liabilities measured at fair value which meet the criteria for categorisation as Level 1.

The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of 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.

The table presents the Council's assets and liabilities measured and recognised at fair value at 30 June 2019.

**Council**

	Note	Level 2 2019	Level 2 2018	Level 3 2019	Level 3 2018	Total 2019	Total 2018
		(Observable inputs)		(Unobservable inputs)			
		\$	\$	\$	\$		
<b>Recurring Fair Value Measurements</b>							
Land and improvement	11	789,328	789,328	-	-	789,328	789,328
Buildings and structures	11	1,480,000	1,480,000	17,184,113	16,999,242	18,664,113	18,479,242
Road infrastructure	11	-	-	128,143,872	114,596,707	128,143,872	114,596,707
Water infrastructure	11	-	-	5,606,606	5,361,335	5,606,606	5,361,335
Sewerage infrastructure	11	-	-	2,316,134	1,861,060	2,316,134	1,861,060
Aerodrome infrastructure	11	-	-	5,399,196	4,253,517	5,399,196	4,253,517
		2,269,328	2,269,328	158,649,921	143,071,861	160,919,249	145,341,189

There were no transfers between levels during the year.

Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period.

**Specific Valuation Techniques Used to Value Council Assets Comprise:**

**Land (level 2)**

Council obtains independent valuations at least every 5 years for all rental properties. The last valuation was undertaken by J Long Values as at 30 June 2014.

**Buildings (Level 2 and 3)**

The fair value of buildings were also determined by independent valuer, APV Valuers and Asset Management effective 30 June 2016. Where there is a market for Council building assets, fair value has been derived from the sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach were price per square metre.

Where Council buildings are of a specialist nature and there is no active market for the assets, fair value has been determined on the basis of replacement with a new asset having similar service potential including allowances for preliminaries and professional fees. The gross current values have been derived from reference to market data for recent projects and costing guides issued by the Australian Institute of Quantity Surveyors, Rawlinson's (Australian Construction Handbook). Where a depth in market can be identified, the net current value of a building asset is the difference between the market value of the asset as a whole (including land) and the market value of the land component. Where there is no depth of market, the net current value of a building asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset.

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component, residual value at the time the asset is considered to be no longer available for use and the condition of the asset. Condition was assessed taking into account both physical characteristics as well as holistic factors such as functionality, capability, utilisation and obsolescence.

While the unit rates based on square metres can be supported by market evidence (Level 2), the estimates of residual value, useful life, pattern of consumption and asset condition that are used to calculate accumulated depreciation comprise unobservable inputs (Level 3). Where these other inputs are significant to the valuation the overall valuation has been classified as Level 3.

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**Infrastructure Assets (Level 3)**

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

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

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

**1(a) Road Infrastructure - Calculation of Current Replacement Cost**

**Roads and Aerodrome**

*Current Replacement Cost*

The Road Network has been segmented. Unit rates are applied to the individual road components seal, pavement, formation, footpaths, floodways, culverts and kerb and channel of each road in order to determine the replacement cost.

The unit rates assume an incremental Greenfields approach and exclude Brownfield cost components. These unit rates are estimated using information collated from cost guides, historical costs, contractor rates, future works, regional information and the Queensland Road Alliance project data. Primary factors used in assumptions on unit rates are:- 1) Raw materials have been sourced locally from gravel pits for unsealed roads; 2) Water is available at low to moderate cost for rural road work (<20 km); 3) Contract crushing utilised for aggregate for sealing and aggregation of sealing projects and renewals to reduce low quantity works and increase economies of scale; 4) Quality of material used in pavement construction and extent of compaction of formation varied based on road type and hierarchy.

The last full independent valuation of road infrastructure was undertaken effective 31 May 2019 and was conducted by Shepherd Services Pty Ltd.

*Accumulated Depreciation*

The remaining useful life was measured based primarily on inspected physical condition data for visible assets and chronological construction dates for underground or inaccessible assets. The condition data was collected through an extensive survey that consisted of physical inspection of 68.5% of rural shire roads and 100% inspection of urban sealed roads. The physical condition score was then combined with any relevant obsolescence factors to arrive at an adopted remaining useful life. The condition score was utilised on a sliding scale of those assets where physical condition is difficult to accurately measure due to short maintenance cycles or other circumstances.

The condition rating inputs can be defined in the following table:

	Description	% of Life Remaining
10	New asset	100%
9	Near new asset or refurbished asset	90%
8	Excellent condition, minimal deterioration noted	80%
7	Very good condition with early stages of deterioration	70%
6	Good condition, some signs of deterioration	60%
5	Fair to good condition, clear signs of deterioration evident	50%
4	Poor to fair condition with clear deterioration. Moderate maintenance requirements	40%
3	Poor condition, clear deterioration, high maintenance required. Renewal required.	30%
2	Very poor condition with severe deterioration.	20%
1	Extremely poor condition with almost failed	10%
0	Failed asset, inhabitable, inoperable	0%

Remaining lives used in the depreciation calculations are estimated using Three (3) different methods: condition, known age and estimated age.

Estimated useful lives and residual values are disclosed in Note 11.

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**2(a) Water and Sewerage Infrastructure - Calculation of Written Down Current Replacement Cost**

**Water and Sewerage**

*Current Replacement Cost*

Water and sewerage infrastructure fair values were determined by independent valuers, AssetVal Pty Ltd effective 30 June 2014. CRC was calculated based on expected replacement costs. In all cases the assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life.

<b>AssetVal's Cost Models were derived from the following sources:</b>
• AssetVal database
• Schedule rates for construction of asset or similar assets
• Cost curves derived by experience
• Price index tables
• Recent contract and tender data
• Relevant Indices for building and construction, and
• Suppliers' quotations

Factors taken into account in determining replacement costs included:

- Development factors - the area in which development takes place (e.g. Rural areas would have little or no restoration requirements, whereas a high density area would have large amounts of high quality footpaths, road pavements and associated infrastructure that would require reinstatement, and would also require traffic control).
- Soil Factors - The types of soil or other surface material (e.g. Areas where soil is sandy are difficult to excavate and would require shoring while areas where the soil is generally free of rock would not present any great difficulty for excavation).
- Depth Factors - All water assets are in trenches at or above 600mm in depth. Most sewerage assets are in trenches less than 1.5m and Council will reline sewers rather than replace them.

*Accumulated Depreciation*

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

<b>Description</b>		<b>% Life Remaining</b>
10	Brand new or rehabilitated to new	100%
9	Near new with no visible deterioration	90%
8	Excellent overall condition early stages of deterioration	80%
7	Very good overall condition with obvious deterioration evident	70%
6	Good overall condition, obvious deterioration, serviceability impaired very slightly	60%
5	Fair overall condition, obvious deterioration, some serviceability loss	50%
4	Fair to poor overall condition, obvious deterioration, serviceability loss	40%
3	Poor overall condition, obvious deterioration, some serviceability loss, high maintenance costs	30%
2	Very poor overall condition, severe deterioration, very high maintenance costs. Consider renewal.	20%
1	Extremely poor condition, severe serviceability problems, renewal required immediately	10%
0	Failed asset, No longer serviceable. Should not remain in service	0%

Where site inspections were not conducted (i.e. for passive assets and active assets for which no site inspections were undertaken), the remaining useful life was calculated on an age basis after taking into consideration current and planned maintenance records.

For wastewater gravity mains the assumption that the pipes will be relined was adopted. The fair value for sewer gravity mains was determined as follows:

- For all pipes, replacement cost was determined based on replacement by trench excavation, useful life was determined as the pipe useful life plus the reline useful life, and the pipe fair value was based on age.
- Where pipes have been relined, the total pipe useful life was determined as the pipe age when the reline occurred plus the reline life.
- The relining of pipes was valued at reline rates and depreciated over the reline life (70 years). The reline fair value was based on age.

In August, 2014, 1.45 kms of the sewerage system was relined after initial visual assessments of the CCTV footage indicated that a number of joint displacements, intruding junctions, fracturing longitudinally and circumferentially as well as root and debris within the invert of the assets. The relining work utilised EX PVC lining. The product is guaranteed for between 20 - 25 years by Abergeldie Complex Infrastructure, the company that undertook the work. However, discussions with our Engineer, Stuart Bourne have indicated 3 studies that have been completed that have stated that PVC pipe has a longevity in excess of 100 years and that it would be further protected by being inside the existing sewerage pipes.

The relining is treated as an addition and depreciated as a separate component to the existing pipe and that the remaining useful life of the existing pipe would then be consistent with the useful life of the relining.

Given the studies that predict that PVC piping has a useful life of in excess of 100 years, we have given the relining a useful life equivalent to the remaining useful life of the existing pipe.

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**(iii) Changes in Fair Value Measurements Using Significant Unobservable Inputs (Level 3)**

The changes in Level 3 assets with recurring fair value measurements are detailed in Note 11 (e).

**(iv) Valuation Processes**

Council's valuation policies and procedures are set by the finance committee of the executive management team which comprises the Chief Executive Officer and the Manager Corporate and Financial Services. They are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information. Council's current policy for the valuation of property, plant and equipment is set out in Note 11 (e). Non-recurring fair value measurements are made at the point of reclassification by a registered valuer.

**12 Payables**

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

Liabilities are recognised for employee benefits such as wages and salaries, annual leave and long service leave in respect of services provided by the employees up to the reporting date. Liabilities for employee benefits are assessed at each reporting date.

Salaries and Wages

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is reported in Note 12 as a payable.

Annual Leave

A liability for annual leave is recognised. Amounts expected to be settled within 12 months (the current portion) are calculated on current wage and salary levels and includes related employee on-costs. Amounts not expected to be settled within 12 months (the non-current portion) are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values. This liability represents an accrued expense and is reported in Note 12 as a payable.

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

Sick Leave

Council has an obligation to pay sick leave on termination to certain employees and therefore a liability has been recognised for this obligation. This liability represents an accrued expense and is reported in Note 12 as a payable.

Superannuation

The superannuation expense for the reporting period is the amount of the contribution the Council makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 18.

	<b>2019</b>	<b>Council</b>	<b>2018</b>
	<b>\$</b>		<b>\$</b>
	<hr/>		<hr/>
<b>Current</b>			
Creditors and accruals	597,931		440,454
Annual leave	255,695		355,824
Sick leave	220,734		202,489
Other entitlements	20,877		81,197
	<hr/>		<hr/>
	<b>1,095,237</b>		<b>1,079,964</b>
	<hr/> <hr/>		<hr/> <hr/>

**13 Borrowings**

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

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

<b>Current</b>			
Loans - Queensland Treasury Corporation	52,282		15,185
	<hr/>		<hr/>
	<b>52,282</b>		<b>15,185</b>
	<hr/> <hr/>		<hr/> <hr/>
<b>Non-current</b>			
Loans - Queensland Treasury Corporation	1,061,742		1,147,358
	<hr/>		<hr/>
	<b>1,061,742</b>		<b>1,147,358</b>
	<hr/> <hr/>		<hr/> <hr/>
<b>Loans - Queensland Treasury</b>			
Opening balance at beginning of financial year	1,162,543		1,209,465
Loans raised	-		-
Principal repayments	(48,519)		(46,922)

The QTC loan market value at the reporting date was \$1,284,220.40. This represents the value of the debt if Council repaid it at that date. As it is the intention of Council to hold the debt for its term, no provision is required to be made in these accounts.

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

All borrowings are in \$A denominated amounts and carried at amortised cost, interest being expensed as it accrues. Expected final repayment date is 15th June 2035. There has been no defaults or breaches of the loan agreement during the period.

Principal and Interest repayments are made quarterly in arrears.

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**14 Provisions**

*Long Service Leave*

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

Where employees have met the prerequisite 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.

	Council	
	\$	\$
<b>Current</b>		
Long service leave	98,107	171,546
	98,107	171,546
<b>Non-Current</b>		
Long service leave	199,875	110,427
	199,875	110,427
Details of movements in provisions:		
<b>Long Service Leave</b>		
Balance at beginning of financial year	281,974	282,076
Long service leave entitlement arising	64,670	31,345
Long service entitlement extinguished	-	-
Long service entitlement paid	(48,662)	(31,447)
Balance at end of financial year	297,982	281,974

**15 Asset Revaluation Surplus**

The asset revaluation surplus comprises adjustments relating to changes in value of property, plant and equipment that do not result from the use of those assets. Net incremental increases and decreases on revaluation are offset within a class of assets.

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

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

	Council	
	\$	\$
<b>Movements in the Asset Revaluation Surplus were as follows:</b>		
Balance at beginning of financial year	85,512,316	85,512,316
Net adjustment to non-current assets at end of period to reflect a change in current fair value:		
Land and improvements	-	-
Buildings and other structures	-	-
Road infrastructure	16,765,459	-
Aerodrome infrastructure	1,157,392	-
Sewerage	-	-
Water	-	-
Balance at end of financial year	103,435,167	85,512,316

**Asset Revaluation Surplus Analysis**

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

Land and improvements	604,432	604,432
Buildings	12,429,290	12,429,290
Road infrastructure	85,056,749	68,291,290
Sewerage	702,920	702,920
Water	2,566,680	2,566,680
Aerodrome infrastructure	2,075,097	917,705
	103,435,167	85,512,316

**Reserves**

**16 Contractual Commitments**

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

Plant and Vehicles	72,722	657,800
Business Systems	-	137,224
Water Infrastructure	-	148,591
Buildings	-	-
	72,722	943,615

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**17 Contingent Liabilities**

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

**Local Government Mutual**

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

As at 30 June 2019 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

**Local Government Workcare**

The Council is a member of the Queensland Local Government Worker's Compensation Self-Insurance Scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the Self Insurance Licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's Workers Compensation Authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$41,244.01.

**18 Superannuation - Regional Defined Benefit Fund**

Council contributes to the LGIA Super Regional Defined Benefits Fund (the scheme), at the rate of 12% for each permanent employee who is a defined benefit member. This rate is set in accordance with the LGIA super trust deed and may be varied on the advice of an actuary. The Regional Defined Benefits Fund is a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation and is also governed by the *Local Government Act 2009*.

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

Any amount by which the scheme is over or under funded may affect future benefits and result in a change to the contribution rate, but has not been recognised as an asset or liability of the Council.

The last completed actuarial assessment of the scheme was undertaken as at 1 July 2018. The actuary indicated that "At the valuation date of 1 July 2018, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date." The Council is not aware of anything that has happened since that time that indicates the assets of the scheme are not sufficient to meet the vested benefits, as at the reporting date.

No changes have been made to prescribed employer contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions.

The next triennial actuarial review is not due until 1 July 2021.

The most significant risks that may result in LGIASuper increasing the contribution rate, on the advice of the actuary, are:

Investment risk - The risk that the scheme's investment returns will be lower than assumed and additional contributions are needed to fund the shortfall.

Salary growth risk - The risk that wages or salaries will rise more rapidly than assumed, increasing vested benefits to be funded.

There are currently 62 entities contributing to the scheme and any changes in contribution rates would apply equally to all 62 entities. Boulia Shire Council made less than 1% of the total contributions to the plan in the 2018-19 financial year.

	Council	
	\$	\$
Superannuation contributions made to the Regional Defined Benefits Fund	22,369	25,549
Other superannuation contributions for employees	285,781	265,868
Total superannuation contributions paid by Council for employees: 6	308,150	291,417

**Reconciliation of Net Result for the Year to Net Cash Inflow (outflow) from Operating Activities**

<b>19</b> Net result	4,778,061	1,062,485
Non-cash items:		
Depreciation and amortisation	3,679,360	3,236,714
	3,679,360	3,236,714
Investing and development activities:		
Net (Profit)/Loss on disposal of non-current assets	440,378	362,003
Capital grants and contributions	(6,624,964)	(5,367,713)
	(6,184,586)	(5,005,710)
Changes in operating assets and Liabilities:		
(Increase)/ decrease in receivables	1,724,913	(841,451)
(Increase)/decrease in inventory	50,021	(24,597)
Increase/(decrease) in payables	15,271	132,333
Increase/(decrease) in other provisions	16,009	(103)
	1,806,214	(733,818)
Net cash inflow from operating activities	4,079,050	(1,440,329)

**20 Reconciliation of Liabilities Arising From Finance Activities**

	As at 30 June 2018	Cash Flows	As at 30 June 2019
Loans 13	1,162,543	(48,519)	1,114,024
	1,162,543	(48,519)	1,114,024



**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**21 Financial Instruments**

Boulia Shire Council has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

**Financial Risk Management**

Boulia Shire Council is responsible for the establishment and oversight of the Risk Management Framework, together with developing and monitoring Risk Management Policies.

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

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

Boulia Shire Council does not enter into derivatives.

**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 State / Commonwealth Bodies or financial institutions in Australia, in line with the requirements of the *Statutory Bodies Financial Arrangements Act 1982*.

No Collateral is held as security relating to the financial assets held by Boulia Shire Council.

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

	<u>Note</u>	<b>Council</b>	
		<b>2019</b>	<b>2018</b>
<b>Financial Assets</b>		<b>\$</b>	<b>\$</b>
Cash and equivalents	9	16,408,614	13,902,852
Receivables - rates	10	167,494	143,857
Receivables - other	10	364,484	2,088,290
<b>Other Credit Exposures</b>			
Guarantees	17	41,244	38,688
<b>Total Financial Assets</b>		<u>16,981,836</u>	<u>16,173,687</u>

*Cash and Cash Equivalents*

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

*Other Financial Assets*

Other investments are held with financial institutions, which are rated AA2 and P-1 based on rating agency Standard and Poor ratings, and whilst not capital guaranteed, the likelihood of a credit failure is assessed as remote.

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

*Receivables*

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

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

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

	<b>Council</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Not past due	484,909	2,221,790
Past due 31-60 days	110	169,114
Past due 61-90 days	3,790	98
More than 90 days	170,443	3,683
Impaired	(141,223)	(98,960)
<b>Total</b>	<b>518,029</b>	<b>2,295,725</b>

**Liquidity Risk**

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

Boulia Shire Council is exposed to liquidity risk through its normal course of business and through its borrowings with QTC.

The Council manages its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in Note 13.

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

**Council**

	<b>0 to 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total Contractual Cash Flows</b>	<b>Carrying Amount</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2019</b>					
Trade and other payables	597,931	0	0	597,931	597,931
Loans - QTC	94,897	379,588	1,047,663	1,522,148	1,095,947
	<b>692,828</b>	<b>379,588</b>	<b>1,047,663</b>	<b>2,120,079</b>	<b>1,693,878</b>
<b>2018</b>					
Trade and other payables	440,454	0	0	440,454	440,454
Loans - QTC	94,897	379,588	1,138,764	1,613,249	1,162,543
	<b>535,351</b>	<b>379,588</b>	<b>1,138,764</b>	<b>2,053,703</b>	<b>1,602,997</b>

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

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**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 with QTC and other financial institutions.

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

*Sensitivity*

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

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

	Net Carrying Amount	Effect on Net Result		Effect on Equity	
		1% increase	1% decrease	1% increase	1% decrease
	\$	\$	\$	\$	\$
<b>Council</b>					
<b>2019</b>					
QTC Cash Fund	16,182,313	161,823	(161,823)	161,823	(161,823)
Other investments	-	-	-	-	-
Loans - QTC*	1,114,024	-	-	-	-
<b>Net Total</b>	<b>17,296,337</b>	<b>161,823</b>	<b>(161,823)</b>	<b>161,823</b>	<b>(161,823)</b>
<b>2018</b>					
QTC Cash Fund	13,777,703	137,777	(137,777)	137,777	(137,777)
Other investments	-	-	-	-	-
Loans - QTC*	1,162,543	-	-	-	-
<b>Net Total</b>	<b>14,940,246</b>	<b>137,777</b>	<b>(137,777)</b>	<b>137,777</b>	<b>(137,777)</b>

\*QTC Generic Debt Pool - the Generic Debt Pool products approximate a fixed rate loan. There is negligible impact on interest sensitivity from changes in interest rates for Generic Debt Pool borrowings.

**Fair Value**

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

The fair value of borrowings with QTC is based on the market value of debt outstanding. The market value of a debt obligation is the discounted value of future cash flows based on prevailing market rates and represents the amount required to be repaid if this was to occur at balance date. The market value of debt is provided by QTC and is disclosed in Note 13.

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

**22 Events after the reporting period**

There were no material adjusting events after the balance date.

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**23 Transactions with Related Parties**

**(a) Transactions with Associates**

Nil

**(b) Transactions with Joint Ventures**

Nil

**(c) Transactions with Key Management Personnel (KMP)**

KMP include the Mayor, Councillors, Council's Chief Executive Officer and some Executive Management. The compensation paid to KMP for 2018/19 comprises:

	2019	2018
	\$	\$
Short-term employee benefits	506,189	736,762
Post-employment benefits	26,313	79,671
Long-term benefits	95,154	25,372
<b>Total</b>	<b>627,656</b>	<b>841,805</b>

Detailed Remuneration disclosures are provided in the annual report.

**(d) Transactions with other Related Parties**

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

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

Details of Transaction	2019	2018
	\$	\$
Employee expenses for close family members of key management personnel	158,267	171,473
Purchase of materials and services from entities controlled by key management personnel	307,631	132,963

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

The council employs 42 staff of which only 3 are close family members of key management personnel.

(ii) The purchases of materials and services from entities controlled by key management personnel were on an arm's length basis in accordance with Council's procurement policies. The total disclosed includes the following:

Payments charged by entities controlled by key management personnel	Details of related party	2019	2018
		\$	\$
Purchase of materials and services from entities controlled by key management personnel	Anthony Britton, a contractor employed by Council to undertake various construction works throughout the course of the year, is a related party of Councillor Rebecka Britton. He was engaged on commercial terms and all transactions have occurred in accordance with Council's relevant procurement policy.	126,713	65,663
Purchase of materials and services from entities controlled by key management personnel	Councillor Rebecka Britton is a sole trader, who throughout the financial year provided cleaning services to Council. The engagement occurred in accordance with Council's procurement policy.	-	20,855
Purchase of materials and services from entities controlled by key management personnel	Tim Edgar, a contractor employed by Council to undertake various electrical works throughout the course of the year, is a related party of Councillor Rebecka Britton. He was engaged on commercial terms and all transactions have occurred in accordance with Council's relevant procurement policy.	111,823	-
Purchase of materials and services from entities controlled by key management personnel	Dannileah Stewart, a contractor employed by Council to undertake various cleaning works throughout the course of the year, is a related party of Councillor Rebecka Britton. He was engaged on commercial terms and all transactions have occurred in accordance with Council's relevant procurement policy.	53,488	-
Purchase of materials and services from entities controlled by key management personnel	Various other minor and immaterial related party transactions.	15,607	46,445
<b>Total</b>		<b>307,631</b>	<b>132,963</b>

**(e) Loans and guarantees to / from Related Parties**

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

**(f) 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 Boulia Shire Council. Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties. Some examples include:

- Payment of rates
- Gym membership
- Dog registration
- Venue hiring
- Borrowing books from a council library

Council has not included these types of transaction in its disclosure, where they are made on the same terms and conditions available to the general public.

**Boulia Shire Council  
Financial Statements  
For the year ended 30 June 2019**

**Management Certificate  
For the year ended 30 June 2019**

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, as set out on pages **3 to 26**, 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  
Eric Britton**

\_\_\_\_\_  
**Chief Executive Officer  
Lynn Moore**

Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

# Boulia Shire Council

Current Year Financial Sustainability Statement

Certificate of Accuracy - for the Current Year Financial Sustainability Statement

Independent Auditor's Report (Current Year Financial Sustainability Statement)

**Boulia Shire Council**  
**Current-year Financial Sustainability Statement**  
**For the year ended 30 June 2018**

**Measures of Financial Sustainability**

	How the Measure is Calculated	Actual	Target
Council's performance at 30 June 2019 against key financial ratios and targets:			
Operating Surplus Ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-11.97%	0% and 10%
Asset Sustainability Ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	86.02%	> 90%
Net Financial Liabilities Ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-127.20%	< 60%

**Note 1 - Basis of Preparation**

The current year Financial Sustainability Statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the Financial Management (Sustainability) Guideline 2013. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2019.

**Certificate of Accuracy**

For the year ended 30 June 2019

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**  
**Eric Britton**

\_\_\_\_\_  
**Chief Executive Officer**  
**Lynn Moore**

Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

# Boulia Shire Council

Long Term Financial Sustainability Statement - Unaudited

Certificate of Accuracy - for the Long Term Financial Sustainability Statement



**Boulia Shire Council**  
**Unaudited Long-Term Financial Sustainability Statement**  
**Prepared as at 30 June 2019**

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2019	Projected for the years ended								
				30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028
<b>Council</b>												
Operating Surplus Ratio	Net result divided by total operating revenue	0% to 10%	-11.97%	-19.95%	-24.46%	-28.16%	-28.07%	-28.16%	-27.89%	-27.72%	-27.69%	-27.66%
Asset Sustainability Ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	> 90%	86.02%	105.67%	111.53%	100.88%	73.42%	72.22%	79.62%	72.12%	79.62%	68.70%
Net Financial Liabilities Ratio	Total liabilities less current assets divided by total operating revenue	< 60%	-127.20%	-57.14%	-52.58%	-53.25%	-53.62%	-53.96%	-54.29%	-54.60%	-54.89%	-54.65%

**Council's Financial Management Strategy**

Council aims to operate within a set of conservative guide-posts to ensure we are financially sustainable in the short, medium and long term. As part of our financial strategy, we have adopted seven (7) key financial performance Indicators to guide our financial health. In addition to the financial Indicators, we have the above three (3) sustainability indicators that have been set by the Department of Local Government, Community Recovery and Resilience to help monitor the long-term sustainability of all Councils across Queensland. Throughout the financial year, these indicators are calculated and reported on monthly at Council meetings, as part of a full suite of financial reports. Should there be any deviation outside these parameters, the executive management and Council will be fully informed and may take corrective action as required.

**Certificate of Accuracy**  
**For the Long-term Financial Sustainability Statement prepared as at 30 June 2019**

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  
Eric Britton

\_\_\_\_\_  
Chief Executive Officer  
Lynn Moore

Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

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## BOULIA SHIRE COUNCIL

### MINUTES OF THE AUDIT & RISK MANAGEMENT COMMITTEE

MEETING HELD ON 13<sup>th</sup> December 2019

Boulia Shire Council's Administration Building, CEO's Office

**ATTENDEES:** Eric (Rick) Britton – Council representative & Chairperson  
David Lloyd - PKF – External Auditor (By teleconference)  
Dale Hassell – Qld Audit Office Representative – (By teleconference)  
Tony Walsh – Walsh Accounting – Internal Auditor (By teleconference)  
Lynn Moore – CEO (Observer)  
Kaylene Sloman – Manager Corporate & Financial Services (Minute taker – Observer)

**APOLOGIES:** Peter O'Regan – Independent financial expert

Opened: 9:01 am

**1) CONFIRMATION OF MINUTES FROM PREVIOUS MEETING**

The minutes of the Audit and Risk Management Committee meeting held 22<sup>nd</sup> May 2019 and be accepted. **CARRIED**

**2) Reviewed Internal Auditor Report Purchasing, Payments and Creditors October 2019 - Tony Walsh, Walsh Accounting, Internal Auditor**

Tony Walsh addressed the meeting. Reviewed the recommendations and discussed as outlined in report.

***Duplication Payments***

On review duplicated payments were found – only one unexplained.

- That most of the duplications were explained except for one, this was for a frequent regular account, not a major issue however it identified it can be done.
- Kaylene Sloman confirmed that a review has been done with all the staff in this area and a process has been put in place so that it will not occur again.
- The issue occurred because of an 'override option' function was a feature of the previous PCS system. This 'override option' function is now highlighted to a supervisor automatically.

***General Procurement Procedures***

A number of orders were identified as having been raised after the date the invoice was issued to the Council.

- There was a discussion held while in Boulia which included Harin Karra, Director of Works and Operations to workshop this issue. The main issue appeared to be around earthworks including plant for the ordering quantities. This identified a control issue and that the financial committed costs for road operational costs etc would not be reported on accurately. Therefore Council would not be aware of the full commitment.
- There needs to be more oversight, education and enforcement in this area and this will be an ongoing management issue to review.

*David Lloyd entered the meeting 9.10am*

***Declaring Conflicts of Interest***

Potential issue for staff who can order goods and services. Proposed declaration of interest form for all staff with a delegation.

- This is not mandatory that Council does this but it is best practice that all council staff that have a financial delegation to complete a declaration.
- Kaylene Sloman confirmed the form and policy was put to Council and accepted on 18<sup>th</sup> November 2019. Only one outstanding now to be completed.

***Policies and Procedures***

Purchasing policy was not reviewed in June 2019 however it has since been reviewed and put to Council.

- Kaylene Sloman confirmed that the policy was put to Council 18<sup>th</sup> November 2019 and accepted.

Tony Walsh - on future visits they will do periodic checking on duplications and purchase orders. Tony Walsh - some Council's keep a register of some degree with all the auditors both internally and externally raised issues and recommendation so that they can be review, suggested that it would be good if Council could do something like this.

- Lynn Moore – Council has for the last 3 – 4 years used Software Pulse to keep this register so that it can be reviewed periodically.
- Kaylene Sloman – this register in Pulse is tabled at the alternative audit and risk management committee meetings.

All agreed, no further questions.

**3) Review Draft Financial Statements 2018-19**

David Lloyd addressed the meeting, due to the revaluation of Roads and Aerodromes by Shepherd Services plus the impact of moving from PCS to SynergySoft this has caused a number of delays due to mapping of the accounts.

Discussion on Landfill Provision by Tony Walsh was raised, as there was no note for this. David Lloyd advised that Council only has one Landfill site and the amount was immaterial. Dale Hassell advised that capping costs on Landfills progressively will need to be reviewed for future statements.

By Tuesday next week the finalised Statements will be ready for signing.

Dale Hassell - confirmed that a pdf copy of the signed statements emailed to QAO is okay.

No further questions / discussion.

**4) General Business - Nil**

**Meeting closed at 9:45 am.**