



AUDIT AND BUSINESS IMPROVEMENT COMMITTEE MEETING

AGENDA

19 JUNE 2015

Your attendance is required at a meeting of the Audit and Business Improvement Committee to be held in the Council Chambers, 232 Bolsover Street, Rockhampton on 19 June 2015 commencing at 10:00am for transaction of the enclosed business.

A handwritten signature in black ink, appearing to be "C. R.", written in a cursive style.

CHIEF EXECUTIVE OFFICER
12 June 2015

Please note:

In accordance with the *Local Government Regulation 2012*, please be advised that all discussion held during the meeting is recorded for the purpose of verifying the minutes. This will include any discussion involving a Councillor, staff member or a member of the public.

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1 OPENING

2 PRESENT

Members Present:

Deputy Mayor, Councillor A P Williams
Councillor C E Smith
Mr A MacLeod
Mr M Parkinson

In Attendance:

Mr E Pardon – Chief Executive Officer
Mr J Wallace – Chief Audit Executive

3 APOLOGIES AND LEAVE OF ABSENCE

Professor David Low has tendered his apology and will not be in attendance.
The Mayor, Councillor Margaret Strelow has tendered her apology and will not be in attendance.

4 CONFIRMATION OF MINUTES

Minutes of the Audit and Business Improvement Committee held 20 March 2015

5 DECLARATIONS OF INTEREST IN MATTERS ON THE AGENDA

6 BUSINESS OUTSTANDING

6.1 BUSINESS OUTSTANDING TABLE FOR AUDIT AND BUSINESS IMPROVEMENT COMMITTEE

File No: 10097

Attachments: 1. **Business Outstanding Table for Audit and Business Improvement Committee**

Responsible Officer: Evan Pardon - Chief Executive Officer

Author: Evan Pardon - Chief Executive Officer

SUMMARY

The Business Outstanding table is used as a tool to monitor outstanding items resolved at previous Council or Committee Meetings. The current Business Outstanding table for the Audit and Business Improvement Committee is presented for Councillors' information.

OFFICER'S RECOMMENDATION

THAT the Business Outstanding Table for the Audit and Business Improvement Committee be received.

BUSINESS OUTSTANDING TABLE FOR AUDIT AND BUSINESS IMPROVEMENT COMMITTEE

Business Outstanding Table for Audit and Business Improvement Committee

Meeting Date: 19 June 2015

Attachment No: 1

Date	Report Title	Resolution	Responsible Officer	Due Date	Notes
20 March 2015	Committee Annual Self-Assessment	(1) THAT the committee considers the short 2-page template attached to this report for completion of its 2014 self-assessment. This is the same template used previously for this purpose; and (2) THAT the Key Customer Needs Survey attached to the report be completed for feedback to IA of the Committee's priorities, as input to the 2015 (next) Annual Audit Planning process.	John Wallace	03/04/2015	

7 PUBLIC FORUMS/DEPUTATIONS

Nil

8 OFFICERS' REPORTS

Nil

9 STRATEGIC REPORTS

9.1 RISK REGISTERS - QUARTERLY UPDATE AS AT 17 APRIL 2015

File No:	8780
Attachments:	<ol style="list-style-type: none">1. Current Risk Rating Heat Map as at 17 April 20152. Corporate Risk Register - Quarterly Update as at 17 April 20153. Office of the CEO Risk Register - Quarterly Update as at 17 April 20154. Community Services Risk Register - Quarterly Update as at 17 April 20155. Corporate Services Risk Register - Quarterly Update as at 17 April 20156. Regional Services Risk Register - Quarterly Update as at 17 April 2015
Authorising Officer:	Drew Stevenson - Manager Corporate and Technology Ross Cheesman - General Manager Corporate Services
Author:	Kisane Ramm - Risk Management Officer

SUMMARY

Presenting the quarterly risk register updates as at 17 April 2015 for the Committee's information.

OFFICER'S RECOMMENDATION

THAT the quarterly risk register updates as at 17 April, as presented in the attachments, be 'received'.

COMMENTARY

The attached quarterly updates of the risk registers were presented to Council's Performance and Service Committee meeting 26 May 2015.

In accordance with Council's Enterprise Risk Management Framework, and to assist the Audit and Business Improvement Committee in meeting its Terms of Reference responsibilities, those same updates have been now provided for this Committee's consideration.

Additionally, Attachment 1 Current Risk Rating Heat Map, has been produced to provide an overview of Council's 162 risks documented in the Corporate and department risk registers based on their current risk rating.

LEGISLATIVE CONTEXT

The Local Government Regulation 2012, Chapter 5, s164, requires... (1) a local government must keep a written record stating (a) the risks the local government's operations are exposed to...; and (b) the control measures adopted to manage the risks.

The production of the risk registers which include both existing and future controls ensures the Council is compliant with *section 164* as well as providing an opportunity for Council to determine that its risks are being dealt with in an appropriate manner.

RISK ASSESSMENT

The following table highlights some of the changes contained in the attachments to this quarter's update:

Risk Number	Change
<i>Office of the CEO</i>	
101, 102, 103	<p>The three risks have had their future controls completed and have now been assessed as ALARP. They have been removed from the Risks Requiring Further Treatment table. 101 remains listed in the Very High and High table.</p> <p>Risks no longer showing in the Summary Report:</p> <ul style="list-style-type: none"> • 102. Independent reporting to an audit committee is compromised or ineffective resulting in diminished or ineffective oversight of risk, control and business improvement opportunities, across the organisation. • 103. Facilitation of an audit advisory committee of Council may not be effective or meet the Committee's expectations.
112 & 113	Two newly identified risks for the newly formed Regional Promotions section. While both risks have been assessed with a Moderate current risk rating number, 113 has been assessed as ALARP. 112 is showing in the Risks Requiring Further Treatment table.
114	Newly identified risk for the Internal Audit section and will be showing in the Risks Requiring Further Treatment table.
An extract from the risk register has been included in Attachment 3 providing the details of the newly identified risks 112, 113 and 114.	
<i>Community Services</i>	
427	Reassessed from Very High 3 down to High 4.
446	New risk regarding Kershaw Gardens identified by Manager Parks – an extract from the risk register has been included in Attachment 4.
<i>Corporate Services</i>	
235	Reassessed from High 4 to Moderate 5 on the completion of the previously listed future control and as such will no longer show in the Very High and High summary table. However, a new future treatment has been identified for this risk and it will show in the Risks Requiring Further Treatment table.
250	Listed future controls have been completed and will be removed from the Risks Requiring Further Treatment table next reporting period. Current Risk Rating not changed.
<i>Regional Services</i>	
301	Reassessed by the new Manager Civil Operations who has amended the Likelihood rating which in turn has changed the Current Risk Rating from a Very High 2 to a High 4.
330	<p>Future controls for this risk have been completed and the risk has been reassessed as ALARP so it has been removed from the Risks Requiring Further Treatment table.</p> <p>Risk no longer showing in the Summary Report:</p> <ul style="list-style-type: none"> • Failure to address general long term planning needs for the community will result in lower quality development, less development overall, continued poor economic and community performance indicators, and lost opportunities in pursuit of achieving elevation of Rockhampton's reputation to an exceptional regional city.
<i>ALARP = As low as reasonably practicable.</i>	

CONCLUSION

The quarterly review of the risk registers, having been conducted by the respective managers and the Leadership Team, is now presented for the Committee's information.

RISK REGISTERS - QUARTERLY UPDATE AS AT 17 APRIL 2015

Current Risk Rating Heat Map as at 17 April 2015

Meeting Date: 19 June 2015

Attachment No: 1

CURRENT RISK RATING HEAT MAP

Management's rating after considering Controls *

	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Catastrophic
E Expected to occur at most times (>95%-100%)	1 Cor S	1	2 RS 4 Com S 1 Cor S	1 RS	1
D Will probably occur (>70%-95%)	1 OoC 1 OoC 3 Com S 3 Cor S	9	7	1	1
C Could occur at some time (>30% -70%)	1 OoC	1 CORP 1 OoC 1 RS 7 Com S 11 Cor S	2 CORP 4 OoC 7 RS 13 Com S 8 Cor S	1 CORP 2 OoC 8 RS 3 Com S 1 Cor S	1
B Might occur at some time (>5%-30%)	1 Com S	21	34	15	
A May occur in rare circumstances (<5%)	1 Cor S	2 RS 6 Com S 12 Cor S	3 CORP 2 OoC 2 RS 4 Com S 12 Cor S	3 CORP 1 OoC 5 RS 2 Cor S	1 RS
	1	21	23	11	
	1 Cor S	2 Com S 1 Cor S	2 OoC 2 Com S 2 Cor S	5 RS 1 Com S	
	1	3	6	6	1

COUNCIL'S RISK UNIVERSE		
Risk Rating	Number of Risks	%
Very High	1	0.62
High	35	21.60
Moderate	99	61.11
Low	27	16.67
Total number of risks	162	

CORP = CORPORATE RISK
 Com S = Community Services
 Cor S = Corporate Services
 OoC = Office of CEO
 RS = Regional Services

RRC RISK CALCULATOR

LIKELIHOOD	CONSEQUENCE RATINGS				
	1	2	3	4	5
E	Moderate 5	High 4	High 3	Very High 2	Very High 1
D	Moderate 6	Moderate 5	High 4	Very High 3	Very High 2
C	Low 7	Moderate 6	Moderate 5	High 4	Very High 3
B	Low 8	Low 7	Moderate 6	High 5	High 4
A	Low 9	Low 8	Moderate 7	Moderate 6	High 5

Potential Exposure	Department	Risk #	RISK	Current Risk Rating
5. (Catastrophic)	Regional Services	304	Failure of operation asset condition (roads, drainage, etc.) leading to injury or death of public/staff; damage to property/equipment - resulting in legal outcomes, financial impacts and negative publicity for Council.	Very High 2 (5,D)

* To get a Current Risk Rating the Risk Owner has considered the effectiveness of the existing controls to mitigate against the consequence and likelihood of the risk event occurring.

RISK REGISTERS - QUARTERLY UPDATE AS AT 17 APRIL 2015

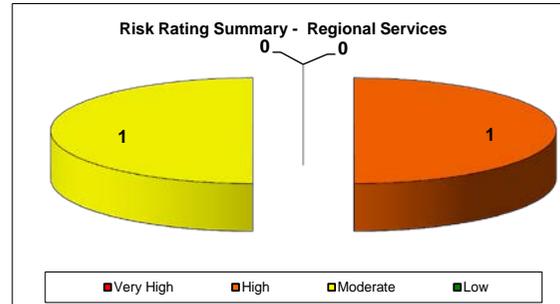
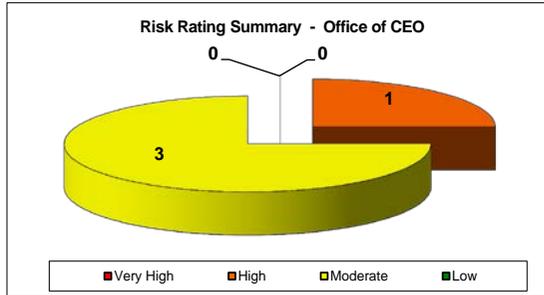
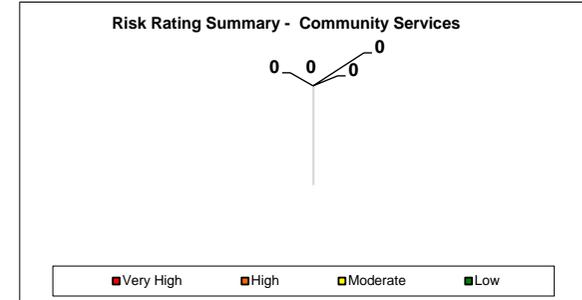
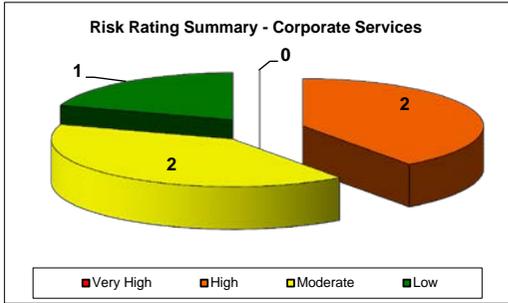
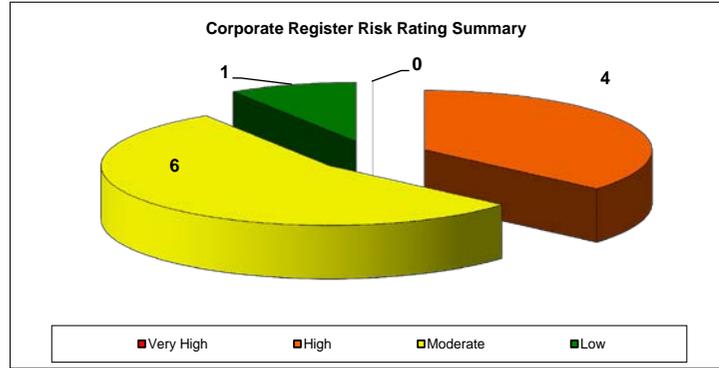
Corporate Risk Register - Quarterly Update as at 17 April 2015

Meeting Date: 19 June 2015

Attachment No: 2

ERM RISK SUMMARY REPORT

Corporate Risk Profile



CORPORATE RISKS
'Very High' and 'High'

Risk No.	Risk	Current Risk Rating	Current Controls	Risk Evaluation
1	Council processes and services are provided without due recognition of economy, efficiency and effectiveness (value for money) exposing Council to increased costs, loss in reputation and ratepayer confidence and impacting service delivery.	High 5	(1) Established Asset Management plans. (2) Non-priced based selection criteria included in the tender / quote assessment process to assist in the value for money assessment. (3) Tender evaluation plans with weighted selection criteria assessment that does not rely on price as having the highest weighting. (4) Capital Projects evaluation process includes whole of life cycle cost considerations. (4.2) Fleet asset assessment utilises a whole of life cost model as part of the acquisition and operations process. (5) Long term financial forecasts based around asset management plans adopted.	Accept Risk (ALARP)
8	Identified Disaster Mitigation Strategies not actioned resulting in increased impact/effect of disaster events on the community and potential for increased costs to Council in recovery and restoration costs.	High 5	(2) Identified disaster mitigation strategies implemented where possible within disaster management budget. (2) Appropriate funding opportunities identified and sourced to implement identified disaster mitigation strategies.	Treat Risk
9	Council's financial operations fail to support and sustain Council's service provision, financial sustainability and the community's expectations resulting in revenue shortfalls, increased debt, reduced service levels, loss of reputation and community discontent.	High 5	(1) Council's Long Term Financial Forecast includes forecasts from asset management plans. (2) Long Term Financial Forecasts are reviewed annually. (3) Asset Management Plans reviewed regularly. (4) Finance staff are adequately qualified as per the respective Position Descriptions. (5) Council lobbies other levels of government for appropriate grants and subsidies. (5) Council financially operates in a surplus position. (6) Financial controls are monitored. Finance also works closely with Internal and External Audit in regards to internal controls. (7) Project Delivery procedure developed.	Accept Risk (ALARP)
10	Actions of Council, Councillors or employees that fail to meet the standards of behaviour outlined in the Local Government Act, Council's Code of Conduct and other associated policies or procedures resulting in damage to Council's reputation, financial losses and regulatory breaches against Council or individuals.	High 4	(1-4) Policy implemented. (3) Controls within Local Government Act and policy. (2-3) Training in obligations undertaken. 30/1/15: (4) Management's ongoing review/update of authorisations and delegations (including signing of correspondence)	Treat Risk

CORPORATE RISKS
Corporate Risks Requiring Further Treatment (ALL)

Risk No.	Risk	Current Risk Rating	Future Risk Control(s)	Resources / Budget	Performance / Constraints	% Complete	Completion Date	Management's Comments	
2	Non-existent or inadequate business continuity initiatives leading to prolonged service / process disruptions resulting in adverse community reactions and possible financial loss.	Moderate 5	1. Business Continuity Framework to be developed and used to draft standardised Sectional BCPs. 2. Additional continuity plans to be implemented across the organisation. 3. Regular review and testing required.	Additional resources required.	Constraint - Lack of Resources.	(30/1/15: 80%)	30/06/2016	No new updates.	Office of CEO
8	Identified Disaster Mitigation Strategies not actioned resulting in increased impact/effect of disaster events on the community and potential for increased costs to Council in recovery and restoration costs.	High 5	(1) Annual review and report on implementation of disaster mitigation strategies. (2) Forward works program to be developed for disaster mitigation strategies to be submitted through Council's project evaluation and management system (PEMS) process, and for Natural Disaster Relief and Recovery Arrangements (NDRRA) funding applications.	Budgets for project specific mitigation strategies.	Funding and resources	50%	01/07/2015	No new updates.	Regional Services
10	Actions of Council, Councillors or employees that fail to meet the standards of behaviour outlined in the Local Government Act, Council's Code of Conduct and other associated policies or procedures resulting in damage to Council's reputation, financial losses and regulatory breaches against Council or individuals.	High 4	(1) Conduct fraud and corruption risk assessment across the organisation.	Existing	0	(30/1/15: 90%)	30/03/2015	Fraud & Control Policy adopted by Council via the Audit Committee Most appropriate training delivery being considered. Training content completed. Change completion date to 30/06/15	Office of CEO

RISK REGISTERS - QUARTERLY UPDATE AS AT 17 APRIL 2015

Office of the CEO Risk Register - Quarterly Update as at 17 April 2015

Meeting Date: 19 June 2015

Attachment No: 3

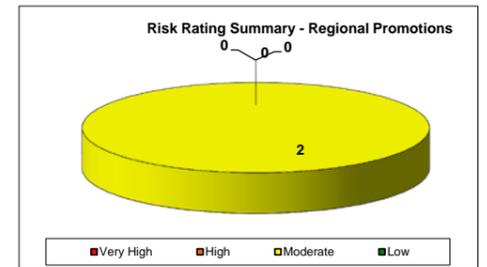
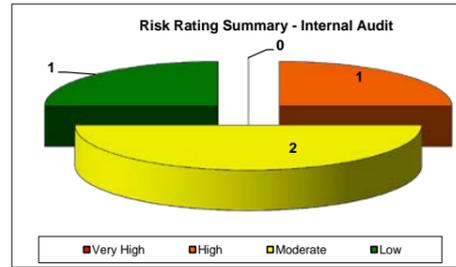
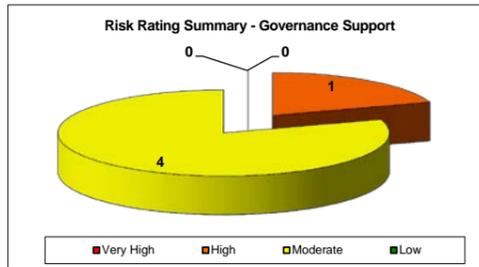
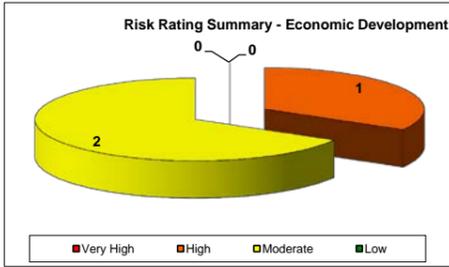
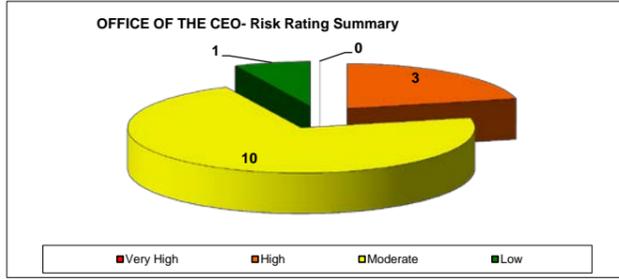
ROCKHAMPTON REGIONAL COUNCIL OFFICE OF THE CEO - RISK REGISTER - 2015																			
IDENTIFY RISKS and EXISTING CONTROL EFFECTIVENESS								RISK ANALYSIS				RISK EVALUATION & FURTHER RISK TREATMENT	FUTURE CONTROL & RISK TREATMENT PLANS					RISK ASSURANCE	
A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T
Risk Identification	Links To Planning	Risk/Failure (including consequence/s)	Risk Categories	Risk Causations	Existing Controls Implemented By Risk Owner	Control Effectiveness	Control Owner/s	Rate the Consequence	Rate the Likelihood	CURRENT RISK RATING	Potential Exposure Rating	Risk Evaluation (don't proceed to Column N if risk is accepted)	Future Risk Control/s	Control Implementation/Monitoring	Resource/Budget Needed	Performance/Constraints	% Complete	Completion Date	Risk Assurance (to be completed by Risk Owner)

Section / Unit	Risk Owner	Dept
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NEW RISKS LISTED BELOW HERE

112	CEO RP 9	River Festival has low attendance or is cancelled resulting in loss of revenue and reputational damage.	Financial	1. Bad Weather Occurance leading up to or on the day of event 2. Promotion material lacking reach or targeting 3. Dates not aligned with regional events calendar	(2) Marketing plan developed and executed. (2) Appropriate resources provided through the budget process (3) Research undertaken to ensure dates maximise attendance capacity	3.Partially Effective	Manager Regional Promotions	2	C	Moderate 6	2. Minor	Treat Risk	(1) Investigate insurance cost/benefit	Manager Regional Promotions	Budget allocation		0%	01/08/2015	none	Regional Promotions	Manager Regional Promotions	Office of the CEO
113	CEO RP 9	Promotional activity is stopped or not updated regularly, negatively impacting local businesses leading to a tarnished reputation.	Strategic	1. Lack of staff resource or inappropriate service delivery 2. Lack of access to appropriate technology	(1) Appropriate staff recruited for unit (2) Sourced appropriate technology (2) Liaising with IT on appropriate technology support	4.Substantially Effective	Manager Regional Promotions	3	C	Moderate 5	3. Moderate	Accept Risk (ALARP)								Regional Promotions	Manager Regional Promotions	Office of the CEO
114	CEO IA 1	Non Conformance with IPPF; Act or Reg.	Compliance	1. Lack of compliance management framework & process. 2. Lack of periodic evaluation, reporting & rectification against compliance elements. 3. Lack of compliance management oversight/monitoring. 4. Inadvertant non-compliance or workload related or ineffective or outdated / incomplete process(es). 5. Budget shortfall to implement mandatory IPPF compliance.	(1,2,3,4) IIA Management Framework (incl standards). (1,2,3,4) Annual Compliance,Self-Assessment and assertions by CAE. (1,2,3,4) Independent Annual Assessment by QAO. (3) Periodic Assessment by Audit Cttee. (1,2,3,4) Periodic assessment by Independent 3rd Party. (1,2,3) Formal & Informal Assessment by CEO - KPI's. (1,2,3,4). Audit Manual and Procedures exist and are implemented. (1,2,3,4) Periodic QA&IP reviews (e.g. IA Service Delivery Review).	5.Fully Effective	CAE	1	C	Low 7	4. Major	Treat Risk	External Assessment (Mandatory every 5 years)	CAE	Budget allocation \$20,000		0%	31/12/2016	1.QAO LGA annual compliance review 2. IA annual self assessment IPPF	Internal Audit	Chief Audit Executive	Office of the CEO

ERM RISK SUMMARY REPORT
Office of the CEO Risk Profile



OFFICE OF THE CEO
Risks - 'Very High' and 'High'

Risk No.	Risk	Current Risk Rating	Current Controls	Risk Evaluation
101	Service delivery coverage, quality or correct balance of these audit services may not meet the requirements of the organisation, or may conflict.	High 4	(1) & (2) Annual risk based audit planning highlights risks vs the required or appropriate need for internal audit coverage. (4) External Consultants (4) Audit Committee	Accept Risk (ALARP)
108	Misinterpretation of Local Government Act 2009 & Local Government (de-Amalgamation Implementation) Regulation 2013 causing adverse findings in current and future legal disputes and adversely affecting operational relationship between the Livingstone and Rockhampton Councils.	High 4	None at present. (Advice from the Local Government Department has been less than satisfactory to date in eliminating or clarifying the potential exposure of this risk to Council. Treatment Option 4, Sharing the risk by insurance, [LGM have been advised])	Treat Risk
109	Failure to take advantage of Rockhampton Region's economic development opportunities which can result in limited growth of Council's rate base.	High 5	1. Appointment of Manager Economic Development. 2. Appointment of Senior Resource Advisor to focus on opportunities arising for the Rockhampton Region from the Central Queensland resource sector. 3. Working with the Commonwealth and Queensland Governments and the Rockhampton Region community to maximise economic development opportunities. 4. Promotion of regional economic development opportunities in the media and at appropriate conferences and other forums.	Accept Risk (ALARP)

OFFICE OF THE CEO
Risks Requiring Further Treatment (ALL)

Risk No.	Risk	Current Risk Rating	Future Risk Control(s)	Resources / Budget	Performance / Constraints	% Complete	Completion Date	Additional Management Comments	
108	Misinterpretation of Local Government Act 2009 & Local Government (de-Amalgamation Implementation) Regulation 2013 causing adverse findings in current and future legal disputes and adversely affecting operational relationship between the Livingstone and Rockhampton Councils.	High 4	Unable to define an effective treatment plan at this stage. Retain risk by informed decision, is most likely what our position currently is. Council has sought legal opinion.	00		0%	TBD	17/4/15: Council has sought and received legal advice and is considering its position. Council has requested advice from the Minister for Infrastructure, Local Government & Planning on one particular matter before the court. We are awaiting the outcome from that request.	Office of CEO
111	Failure to collaborate with Rockhampton Region's business groups and businesses, which could lead to initiatives failing to attain their true potential, and/or possible business closures, resulting in limited growth of Council's rate base and Council's reputation affected.	Moderate 5	Enter into funding agreement with Capricorn Enterprise	Within already defined resource/budget allocation	Funding agreement needs to be signed by both parties.	0%	(29/01/15: 31/12/2015)	0	Economic Development
112	River Festival has low attendance or is cancelled resulting in loss of revenue and reputational damage.	Moderate 6	(1) Investigate insurance cost/benefit	Budget allocation		0%	01/08/2015	0	Regional Promotions
114	Non Conformance with IPPF; Act or Reg.	Low 7	External Assessment (Mandatory every 5 years)	Budget allocation \$20,000		0%	31/12/2016	0	Internal Audit

RISK REGISTERS - QUARTERLY UPDATE AS AT 17 APRIL 2015

Community Services Risk Register - Quarterly Update as at 17 April 2015

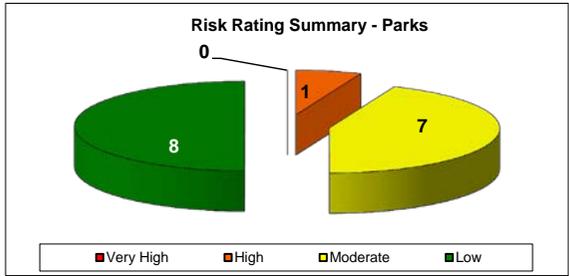
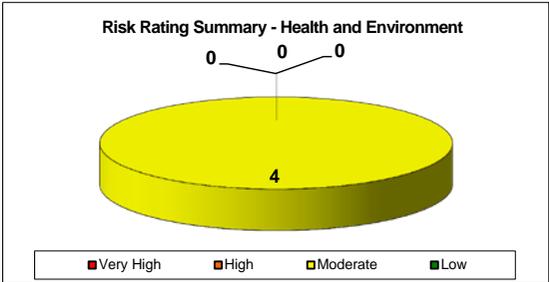
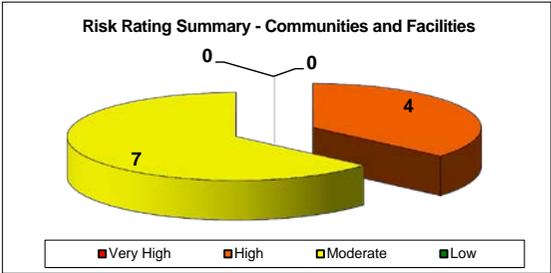
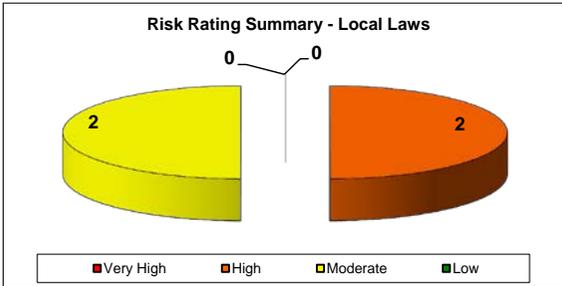
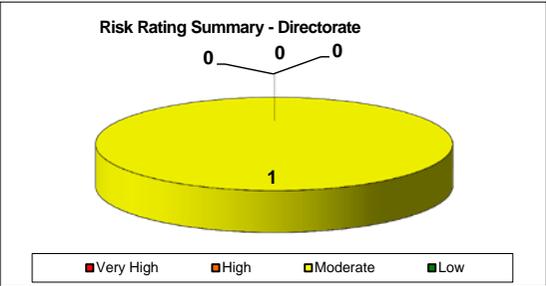
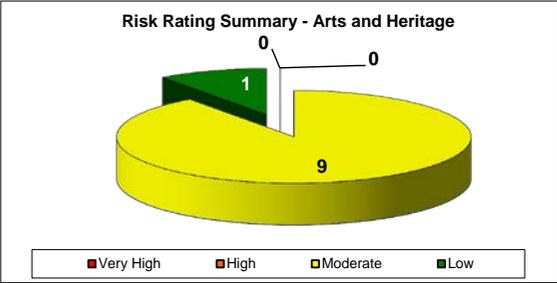
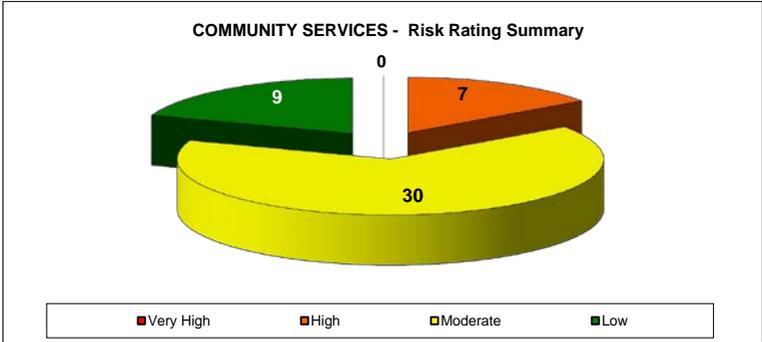
Meeting Date: 19 June 2015

Attachment No: 4

ROCKHAMPTON REGIONAL COUNCIL																					
RISK REGISTER - COMMUNITY SERVICES - 2015																					
IDENTIFY RISKS and EXISTING CONTROL EFFECTIVENESS								RISK ANALYSIS				RISK EVALUATION & FURTHER RISK TREATMENT	FUTURE CONTROL & RISK TREATMENT PLANS					RISK ASSURANCE			
A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T		
Risk Identification	Links To Planning	Risk/Failure (including consequence/s)	Risk Categories	Risk Causations	Existing Controls Implemented By Risk Owner	Control Effectiveness	Control Owner/s	Rate the Consequence	Rate the Likelihood	CURRENT RISK RATING	Potential Exposure Rating	Risk Evaluation (don't proceed to Column N if risk is accepted)	Future Risk Control/s	Control Implementation / Monitoring	Resource / Budget Needed	Performance / Constraints	% Complete	Completion Date	Risk Assurance (to be completed by Risk Owner)		
NEW RISKS LISTED BELOW HERE																					
446	COM P 5	Integrity of land-fill cap at Kershaw Gardens heavily impacted through (TC Marcia) tree fall and erosion with potential to effect public health and safety and environmental impact	Assets/Property	1. Severe weather event/s	1. Park is closed; 2. Temporary fencing installed and signage ordered. 3. CQGroup (engaged through RRWR) prepared site management plan. 4. Safety Unit prepared safety plan. 5. Staff that work on the site (or may do) have had initial briefing on safety precautions 6. Remediation scope being prepared for Council consideration and then for CQGroup to prepare	3.Partially Effective	Manager Parks	3	A	Moderate 7	4. Major	Treat Risk	1. Continuous review and updating of Site Management Plan 2. Site remediation priorities to be determined, planned and implemented	Coordinator Park Recreation Services	Estimate only \$1-2M	Public perception Funding	2%	01/12/2015	Parks	Manager Parks	Community Services

ERM RISK SUMMARY REPORT

Community Services Risk Profile



COMMUNITY SERVICES

Risks - 'Very High' and 'High'

Risk No.	Risk	Current Risk Rating	Current Controls	Risk Evaluation
414	Council fails to maintain, train and supervise adequate numbers of volunteers to assist with operations across its sites resulting in inability to deliver some services, or injury to volunteers or public.	High 4	1. Development and implementation of processes for engagement and training of volunteers. 2. Supervision of volunteer work on Council sites.	Treat Risk
417	Grant and sponsorship programs not delivered in accordance with regulations, policy and procedures resulting in loss of reputation for Council with community concerns about disbursement of funds, and withdrawal of matching funding from other levels of government meaning grant is unable to be offered.	High 4	1. Policy, procedure and funding regulations implemented and reviewed regularly.	Accept Risk (ALARP)
421	Inability to retain amenity of public buildings resulting in community concern and loss of reputation, with possible injury.	High 4	1. Cleaning schedule in place. 2. Hazard inspection reporting process.	Treat Risk
422	Inability to comply with regulatory obligations and conservation of heritage assets, asbestos inspections and treatment, resulting in facilities being non-compliant and deemed unsafe and unusable, with loss of service to community, possible injury to staff and public, and damage to reputation of Council.	High 4	1. Partial completion of conservation management plan (CMP) program, however not funded in 13-14 budget. 2. Identified assets requiring inspection included in planned maintenance subject to funding.	Treat Risk
427	17/4/15 : Council does not meet its legislative and service delivery responsibilities for Local Laws' community compliance leading to the possibility of legal action, significant damage to Council's reputation with multiple complaints, and general public dissatisfaction. 30/1/15: Failure to achieve Local Laws' earned income targets which can result in an inability to fund operations; poor service delivery and public dissatisfaction.	High 4	1. Budget submission for appropriate resources to address required compliance service levels. 2. Infringement financial management system (Pathways module).	Treat Risk
429	Inconsistent regulation and enforcement of local laws and legislation resulting in poor service and considerable public dissatisfaction.	High 4	1. Staff trained. 2. Local Law review. 3. Process and procedure review.	Treat Risk
439	Lack of fire management planning resulting in: possible injury or loss of life; damage to Council's reputation; possible litigation.	High 4	Clearing / forming control lines (in conjunction with QPWS) at base of Mt Archer/Berserker Ranges.	Treat Risk

COMMUNITY SERVICES
Risks Requiring Further Treatment (ALL)

Risk No.	Risk	Current Risk Rating	Future Risk Control(s)	Resources / Budget	Performance / Constraints	% Complete	Completion Date	MANAGEMENT'S COMMENTS	
407	Damage to Council facilities and equipment due to non-compliance by Hirers resulting in financial loss and loss of reputation.	Moderate 6	(17/11/14 Improved business systems in the Venue Operations Unit)	(1) Capital budget provided for new venue management system.	Suitability of existing commercial venue management systems.	25%	30/06/2015	17/04/15: No changes at this time - project now sits with IT to deliver and at this stage IT are unable to confirm if project will be completed by 30/06/2015	Manager Arts and Heritage
411	Child and youth risk management strategies not in place for regulated businesses, high risk activities and special events in accordance with the requirements of the Children and Young People and Child Guardian Act 2000 resulting in children being exposed to harm, Council being exposed to liability issues and reputational damage.	Moderate 5	1. Implementation of blue card policy and procedure throughout Council; 2. Development of child and youth risk management strategy; 3. Development and implementation of risk management plan for special events. (17/11/14: 4. Blue Cards needs assessment for individual on expiry of current card.)	Staff time.	1. Managers not updating PDs for Blue Card requirement; 2. HRA not supplying information to Senior Admin Officer.	17/4/15: 70% (30/1/15: 50%)	17/4/15: 30/06/2015 (30/1/15: 30/06/2014)	0	General Manager Community Services: 30/1/15
413	Child Care Centre does not meet the National Quality Standard and is unable to operate resulting in loss of service to community, loss of income and reputation for Council.	Moderate 6	Ensure policies, procedures and programs are compliant with NQS for 2014 assessment.	Staff time and training.	Staff not providing programs at acceptable standard.	90%	30/06/2015		Manager Communities and Facilities
414	Council fails to maintain, train and supervise adequate numbers of volunteers to assist with operations across its sites resulting in inability to deliver some services, or injury to volunteers or public.	High 4	1. Training procedures for volunteers being updated; 2. Responsibility for volunteers at some sites being transitioned to community organisations.	Staff time to deliver training.	1. Ability to provide training at suitable times for volunteers; 2. Staff resource to supervise work at some sites.	50%	30/06/2015	17/04/15: No change at this time	Manager Communities and Facilities
420	Damage or failure of Council facilities, plant and equipment resulting in injury to staff or public, potential litigation, and inability to deliver services.	Moderate 5	1. Complete the process of incorporating maintenance plans into Asset Register and Management Plan. 2. Develop a 5-10 year maintenance and renewal strategy based on valuations and condition assessments. 3. Develop forward budget submissions with reference to risk register, corporate plan and legislative requirements.	To be determined based on strategy.	1. Insufficient budget/staff resources.	(30/1/15: 90%)	(30/1/15: 31/03/2015)	17/04/15: Process delayed by work associated with TC Marcia	Manager Communities and Facilities
421	Inability to retain amenity of public buildings resulting in community concern and loss of reputation, with possible injury.	High 4	1. Review cleaning and maintenance schedules. 2. Develop forward budget submission with reference to risk register, corporate plan and legislative requirements.	To be determined based on strategy.	Insufficient budget resource.	90%	(30/1/15: 30/04/2015)	17/04/15: Process delayed by work associated with TC Marcia	Manager Communities and Facilities
422	Inability to comply with regulatory obligations and conservation of heritage assets, asbestos inspections and treatment, resulting in facilities being non-compliant and deemed unsafe and unusable, with loss of service to community, possible injury to staff and public, and damage to reputation of Council.	High 4	1. Complete the process of incorporating maintenance plans into Asset Register and Management Plan. 2. Develop a 5-10 year maintenance and renewal strategy based on valuations and condition assessments. 3. Develop forward budget submission with reference to risk register, corporate plan and legislative requirements.	To be determined based on strategy.	Insufficient budget resource to complete Conservation Management Plans and undertake required works.	70%	30/1/15: 30/06/2016 (17/11/14: 31/12/2014)	17/04/15: Process delayed by work associated with TC Marcia	Manager Communities and Facilities
427	17/4/15 : Council does not meet its legislative and service delivery responsibilities for Local Laws' community compliance leading to the possibility of legal action, significant damage to Council's reputation with multiple complaints, and general public dissatisfaction. 30/1/15: Failure to achieve Local Laws' earned income targets which can result in an inability to fund operations; poor service delivery and public dissatisfaction.	High 4	1. Effective Infringement financial management process to be put in place. 2. Internal Audit Process Review.	(1) System update budget. (2) Existing staff and resources.	Available budget	25%	(17/4/15: 30/06/2016) 30/06/2015	17/4/15 - Risk Register Page update - risk statement re-worded (column C) and consequence rating amended from 4 to 3 (column I) resulting in the Current Risk Rating changing from Very High 3 to High 4 (column K). Extend completion date by a year as we are relying on other areas of Council to undertake activities and this somewhat relies on budget	Manager Community Standards and Compliance
429	Inconsistent regulation and enforcement of local laws and legislation resulting in poor service and considerable public dissatisfaction.	High 4	1. Reviews to be completed - 1a) Internal Audit Process Review; 1b) Legal review of Local Laws. 2. Membership subscription to LGAQ's Legislation Compliance Service. 3. Join SEQ Regional Animal Management group (SEGRAM).	1a) Existing staff and resources. 1b - 3) Review of budget required.	Available budget	5%	(17/4/15: 30/12/2016) 31/12/2014	17/04/15: Manager Local Laws is now Manager Standards and Compliance. Completion date needs to be at least till 30/12/16 to allow for the individual reviews to occur.	Manager Community Standards and Compliance

Risk No.	Risk	Current Risk Rating	Future Risk Control(s)	Resources / Budget	Performance / Constraints	% Complete	Completion Date	MANAGEMENT'S COMMENTS	
431	Animal housing at the Zoo does not meet the required standard (inclusive of; animal husbandry, record keeping, staffing & asset renewal) resulting in: Loss of zoo licences / closure of facility; Injury or death to an animal; Negative public perception; Staff turnover; Injury or death to zookeepers.	Moderate 6	1. Documented procedures rolling review. 2. Develop, implement, and annually review development plan (linkage to budget required) to upgrade exhibitions and achieve implementation of the approved/ultimate zoo master plan. 3. Staff to monitor and contribute to review/formation of industry guidelines standards.	Annual Budget External contractors to be used. Staff time and management overview.	(17/11/14 Procedure Manual review / update is continuing.)	10%	30/06/2016	0	Manager Parks
433	Loss of information and critical cemetery records (paper/electronic) resulting in poor service delivery through: inability to provide information to families/funeral directors for future/past burial information and replace historical records - some information lost forever; and reliance on data with inefficient communication networks.	Moderate 5	(17/11/14 Delivery of replacement system by IT Services; Data transfer to new system to be programmed.)	(17/11/14: \$90,000 carried forward 13/14 revised budget.)	Alternative / replacement database system for UniCEM explored and costed.	17/04/15: 80% (17/11/14: 60%)	(17/11/14: 30/03/2015)	17/04/15: Works to transfer existing data to new system scheduled for April 2015 (postponed due to personnel availability and effects of TC Marcia)	Manager Parks
434	Insufficient interment space for future burials leading to damage to council's reputation and loss of revenue.	Low 8	(17/11/14 Development plan commenced regarding the expansion of Gracemere Cemetery pursuant to Council resolution.)	30/1/15: 2014-15 Revised budget to include option to commence planning and design for Gracemere expansion into 2014-15. Budgeted for commencement in 2015-16 FY.	Council direction - no further expansion at Rockhampton Memorial Gardens.	17/04/15: 15% (17/11/14: 5%)	01/06/2016	17/04/15: Council consideration of concept at April P&R Committee - laid on table to resolve any outstanding issues with Gracemere Redbacks	Manager Parks
439	Lack of fire management planning resulting in: possible injury or loss of life; damage to Council's reputation; possible litigation.	High 4	Manager Parks to finalise development and implementation of a regional fire mitigation strategy in collaboration with state government agencies and property owners.	(17/11/14 Nil)	Nil	70%	31/12/2014	17/04/15: Report and implementation arrangements to be considered by Council on 28 April 2015	Manager Parks
440	Tree fails resulting in: injury/death; damage to property; damage to Council's reputation; negative financial impact.	Low 7	1. Review, update and submit Street and Parks Tree Master Plan for approval to implement. 2. Programmed maintenance works to be implemented to full capacity. 3. Ergon Service Level Agreement is to be in place and implemented.	Staff time and management overview, possible external review and update Nil Nil.	Nil	60%	31/12/2015	0	Manager Parks
443	Loss of significant/ historic/ iconic botanical collections resulting in negative publicity and loss of: reputation; region's "green" status; iconic material; and research opportunities.	Moderate 6	1. Review, update and implement existing land & conservation management & succession plans. 2. Complete the identification of the current collection as part of the succession plan.	Staff time and management overview.	0	40%	30/06/2016	0	Manager Parks
444	Inadequate/ inappropriate open space does not meet the community's requirements/ expectations resulting in lack of: standardised infrastructure charges; consistency and quality of the asset including land; lack of benchmark for Council/ developer Standards; unwanted contributed assets; leading to reputational damage; social problems and; financial impacts.	Moderate 5	1. Develop & implement a Parks Infrastructure Strategy for conditioning of new development. 2. Develop a local parks contribution policy. 3. Complete & implement Landscape Guidelines (as part of CMDG). 4. Open Space Strategy to be reviewed and implemented (inc service levels).	0	0	70%	31/12/2016	0	Manager Parks
446	Integrity of land-fill cap at Kershaw Gardens heavily impacted through (TC Marcia) tree fall and erosion with potential to effect public health and safety and environmental impact	Moderate 7	1. Continuous review and updating of Site Management Plan 2. Site remediation priorities to be determined, planned and implemented	Estimate only \$1-2M	Public perception Funding	2%	01/12/2015	0	Manager Parks

RISK REGISTERS - QUARTERLY UPDATE AS AT 17 APRIL 2015

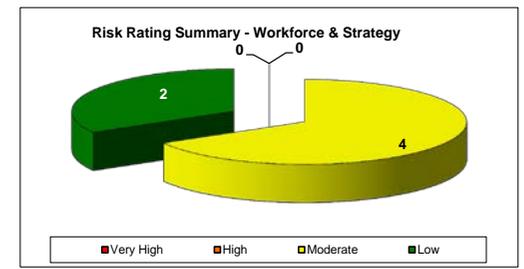
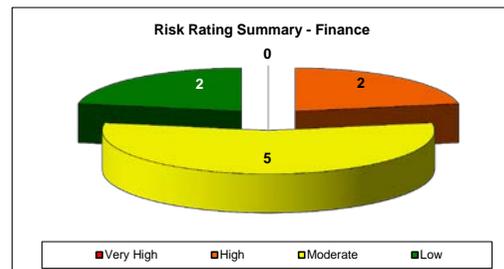
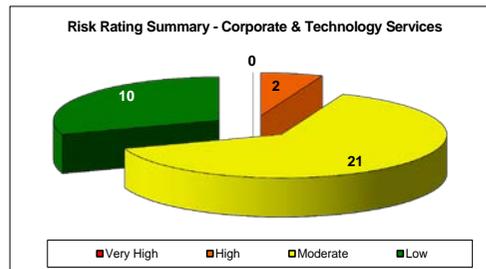
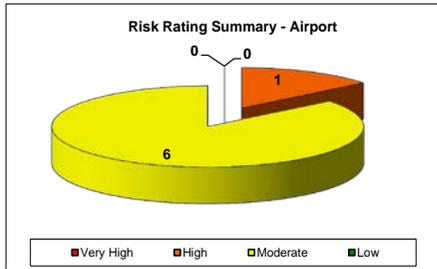
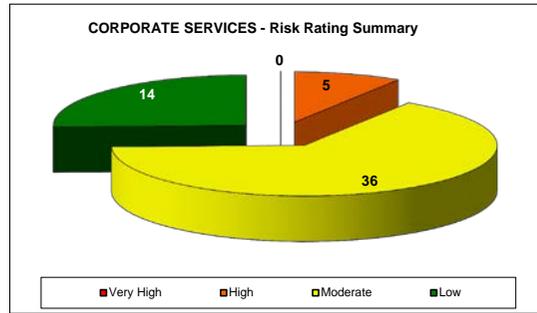
Corporate Services Risk Register - Quarterly Update as at 17 April 2015

Meeting Date: 19 June 2015

Attachment No: 5

ERM RISK SUMMARY REPORT

Corporate Services Risk Profile



CORPORATE SERVICES
Risks - 'Very High' and 'High'

Risk No.	Risk	Current Risk Rating	Current Controls	Risk Evaluation
213	Operational degradation or failure of Council's Two-way radio communication system resulting in failed regional communications for daily operations and emergency / disaster response.	High 4	1. Vendor support for current technology (due to expire Dec 14). 2. Maintenance of adequate spares in-house (limited). 3. Some internal system redundancy. 4. Use of mobile phones in service areas.	Treat Risk
223	Corporate Recordkeeping software (ECM) doesn't meet strategic records management requirements in relation to systematic electronic records archival and disposal resulting in failure to dispose/archive eRecords.	High 4	Manual system in place for the disposal of hardcopy documents only (electronic documents continue to grow exponentially)	Treat Risk
249	The operational capability of the airport is reduced or prevented altogether by an event (natural or technological) resulting in the inability of the airport to function effectively and provide normal services.	High 4	1. Offer alternate travel opportunities to the general public (ie. airline services out of Gladstone and Mackay). 2. Continually update Council website as a communication tool for the general public. 3. Plan to enable operations of the runway at reduced length for smaller capacity aircraft when necessary. (17/4/15: Airport has separate Industrial Special Risk	Treat Risk
251	The loss of revenue impacting on Council's financial position potentially resulting in higher future rate rises, additional borrowings or service level reductions.	High 5	1. Undertaken training workshops with Council on Financial Sustainability and implications of change. 2. Include a lower reliance on grants and subsidies from other levels of government in Council's long term financial forecast. 3. Conservative financial forecast estimates. 4. Conservative estimates used in conjunction with DA applications. 5. Align related capital expenditure directly with developer contributions. 6. Using historical forecasts trending with wetter seasons.	Accept Risk (ALARP)
253	Lack of funds for capital works resulting in degradation of existing assets causing unusable assets and public liability claims.	High 5	1. Align related capital expenditure directly with developer contributions. 2. Maintain Asset Management Plans and budget accordingly. 3. Budget conservatively with regular reviews of capital program.	Treat Risk

CORPORATE SERVICES

Risks Requiring Further Treatment (ALL)

Risk No.	Risk	Current Risk Rating	Future Risk Control(s)	Resources / Budget	Performance / Constraints	% Complete	Completion Date	Additional Management's Comments	
213	Operational degradation or failure of Council's Two-way radio communication system resulting in failed regional communications for daily operations and emergency / disaster response.	High 4	Commence planning and implement a replacement RRC regional two-way radio communications system. Two stage plan - 1. Replace the Rockhampton City Two-way system. 2. Integrated regional solution taking in the Gracemere infrastructure.	Budget allocated, final costing to be determined following infrastructure design and tender.	30/01/15: Planning work still progressing on schedule.	10%	TBD following infrastructure design and tender.		Corporate and Technology / Fleet Services
223	Corporate Recordkeeping software (ECM) doesn't meet strategic records management requirements in relation to systematic electronic records archival and disposal resulting in failure to dispose/archive eRecords.	High 4	The Records Archiving, Retention and Disposal (RARRD) project commenced in 2012 to develop a corporate solution to cover eRecords (including more effective hardcopy disposal recording).	Resources available. Requirements analysis to be undertaken.	(30/01/15: ECM major upgrade planned 'Go-Live' June 2015 is expected to address electronic archival and disposal.)	30%	To be advised	No new updates	Corporate and Technology / Records Management
235	Failure to have an efficient and effective Enterprise Risk Management system integrated and embedded through the whole of Council resulting in ineffective decision making having strategic, financial, legal, compliance, safety and service delivery impacts.	Moderate 5	17/6/15: Research and implement a risk management software application to support ERM functions	Budget proposed 2015/16		0%	30/06/2016	Risk Register page - Likelihood amended from 'D' to 'C' altering the Current Risk Rating from 'High 4' to 'Moderate 5' New treatment updates with proposed completion by June 2016	Corporate and Technology / Property & Insurance
242	Council's payroll function fails to accurately record and process employee wages and entitlements resulting in an inability to pay employees on time and accurately, potential employee dissatisfaction, Industrial disputes, financial impacts and reputation damage.	Moderate 7	(17/11/14: (2) Multiskilling of Administration and HR staff)	Existing resources	Emergent projects	95%	(30/1/15: 30/06/2015)	0	Workforce and Strategy / Human Resources
244	Aircraft accident, incident or malfunction occurs within the Rockhampton airport precinct resulting in possible death or injury, financial loss, interruption to airline service delivery, damage to infrastructure and reputation damage to the airport.	Moderate 6	Upgrade airport lighting system.	Budget of \$7.5m over three years has been allocated	17/4/15: Cyclone Marcia has delayed works but still tracking for June 30 completion. 21/1/15 - Stage 3 to be completed June 2015 depending on weather and material supply. In order to reduce risk main runway transformers replaced in the interim and circuit reliability improved from 0 megaohms to 0.3 megaohms. Contract awarded for stage 3 and contractors to commence Feb 2015.	17/4/2015: 70% (21/1/15: 60%)	Stage 3: 30/6/2016	0	Airport
245	Security breach or threat at the airport resulting in possible death or injury, reputation damage to the airport, additional costs, disruption to airline services due to airport closure, infrastructure damage, fines in relation to a regulatory breach.	Moderate 6	Replace hard key system on all gates and access points with proxcard electronic card system so lost cards can have access withdrawn.	Budget has been provided under Security upgrade	(17/11/14: Acquisition of special locks and software requirements has delayed installation of remainder of Salto locks. Need to extend completion date to 30/6/15.)	21/1/15: 50% (17/11/14: 40%)	(17/11/14: 30/06/2015)		Airport
247	Airport revenue decreases over a sustained period resulting in the airport performance KPI's not being met, budgetary impacts, reduced availability of funds for capital programs.	Moderate 5	Redevelop the airport terminal to increase retail revenue.	\$5-\$6m	21/1/15: At the Business Enterprise meeting on 5/11/2014 the Terminal redevelopment report was received. It is anticipated that a review will occur in the 3rd quarter.	80%	Terminal now - 30/06/2018	Risk Register page updated - Duplicate Existing Control detected [number 11] and removed. The completed Future Control is now showing as Existing Control - numer 11.	Airport
248	Airport assets not maintained, upgraded, inspected or monitored effectively in accordance with regulatory requirements resulting in possible death or injury, reputational damage, compliance failure, reduced service delivery, WH&S fine.	Moderate 6	Facility maintenance and condition assessment inspection schedules are in the process of being completed and detailed in conquest. Consultant engaged to identify critical infrastructure and to load into Conquest to ensure regular maintenance is performed.	Facilities Co-ordinator providing resources. Budget funds are available over next few years for consultant to complete critical infrastructure assets in Conquest.	(21/1/15: Main Runway condition assessment completed. Roads pavement condition assessment completed. Airport Council owned buildings condition assessment completed and priority 1 defects being addressed. Apron Lighting electrical switchboards have been assessed and staged replacement and upgrade are planned.)	(21/1/15: 80%)	(17/11/14: Stage 1: 30/06/2015)	No change	Airport

Risk No.	Risk	Current Risk Rating	Future Risk Control(s)	Resources / Budget	Performance / Constraints	% Complete	Completion Date	Additional Management's Comments	
249	The operational capability of the airport is reduced or prevented altogether by an event (natural or technological) resulting in the inability of the airport to function effectively and provide normal services.	High 4	Develop a contingency plan for reduced or ceased terminal operation capacity and ensure all planning is integrated into any whole of council planning for business continuity management.	Require assistance from Consultant and Council Officers to formulate Continuity planning.	(17/11/14: An outline of a proposed Continuity plan has been developed and will be further refined to identify contingency plans that are in place and need to be developed.)	20%	(17/11/14: 30/06/2015)	The learning of Cyclone Marcia will be used to further progress the Business Continuity Plan. Risk Register page update - Existing Control #4 has been added: Airport has separate Industrial Special Risk insurance which includes Business Interruption insurance covering additional costs of working to get the airport operational again after an event	Airport
250	A safe environment is not effectively provided for Airport workers, passengers and the public resulting in possible death or injury, compliance breaches, safety breaches, reputational damage, insurance claims, legal action.	Moderate 5		0	0			Risk Register update from the Risk Management Officer - Completed Future Control has been moved to Existing Control column and risk reassessed as ALARP. This risk will no longer be presented in the Summary Report, unless it is later re-assessed to fall within the reporting parameters.	Airport
253	Lack of funds for capital works resulting in degradation of existing assets causing unusable assets and public liability claims.	High 5	1. Enhanced capital expenditure reporting for monitoring purposes.	No	(17/11/14 : Roads AMP adopted by Infrastructure Committee. Timing of all Capital Programs submitted to Finance.)	45%	(30/1/15: 30/06/15)	0	Finance
258	The use of inaccurate GIS data by external users will lead to litigation and a lack of integrity for internal and external users.	Moderate 5	Existing data to be reviewed.	Existing staff	Other priorities that arise.	50%	(30/1/15: 30/06/2015)	0	Finance / Asset Management and GIS

RISK REGISTERS - QUARTERLY UPDATE AS AT 17 APRIL 2015

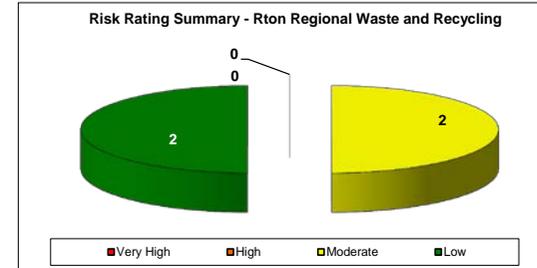
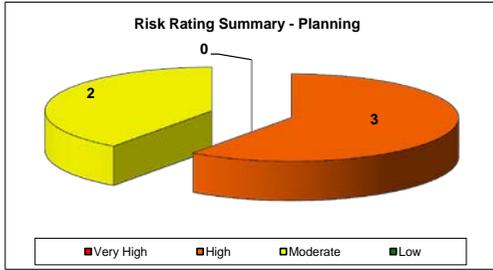
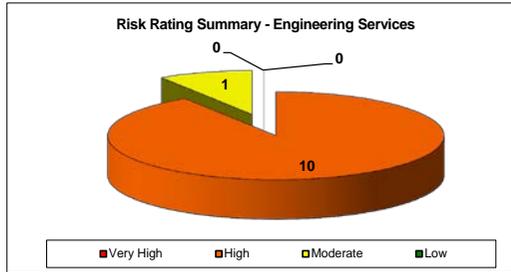
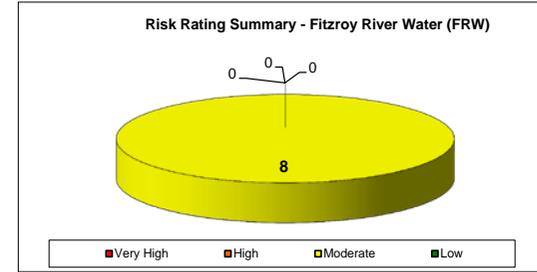
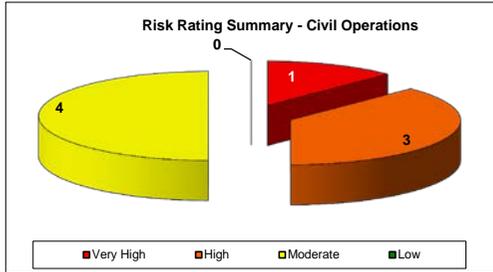
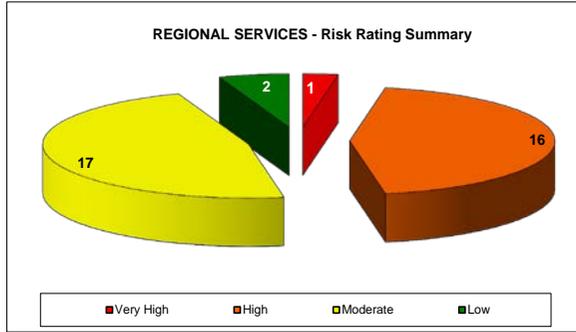
Regional Services Risk Register - Quarterly Update as at 17 April 2015

Meeting Date: 19 June 2015

Attachment No: 6

ERM RISK SUMMARY REPORT

Regional Services Risk Profile



REGIONAL SERVICES
Risks - 'Very High' and 'High'

Risk No.	Risk	Current Risk Rating	Current Controls	Risk Evaluation
301	Budget overrun (Capital Projects) resulting in inability to complete project to specification impacting on end user/fit for purpose, seeing corporate/operational plan objectives not being addressed and Council's credibility with the community being impacted.	High 4	(1) Oversee and report to General Manager Regional Services: (1a) Review fortnightly expenditure reports. (1b) Close supervision of site activities. (1c) Monitor resource utilisation onsite. (2) Funding shortfall on overall program requiring reprioritisation of projects.	Treat Risk
302	Increased input costs not factored in to budgets thus resulting in inability to fully complete stated work programs.	High 4	1. Anticipate increased input costs when drafting budget. 2. When preparing budget for main material and resource components, forecast costs are obtained where possible.	Accept Risk (ALARP)
304	Failure of operation asset condition (roads, drainage, etc.) leading to: injury or death of public/staff; damage to property/equipment - resulting in legal outcomes, financial impacts and negative publicity for Council.	Very High 2	(1) Routine and reactive inspections to identify defects. (2a) Improved inspection systems and resourcing (previous risk treatment plan) (2b) Safety matters discussed at all Toolbox sessions.	Treat Risk
308	Landslip and/or rocks on road along Pilbeam Drive at Mt Archer - poses a threat to safety of road users resulting in public liability.	High 5	1. Shut road to traffic in significant rain events. 2. Speed restricted to 40 kmh. 3. Fallen rocks warning signs installed. 4. Inspect road after major rain events and at monthly intervals to remove rocks and check that 40 kmh speed restriction and Fallen rocks warning signs are in place.	Accept Risk (ALARP)
310	Inability of Engineering Services to provide or maintain adequate levels of service for infrastructure planning, development assessment and infrastructure design resulting in reduced productivity, inadequate infrastructure, risk to the general public and workers and financial loss for Council.	High 4	(2.) Production of specific training & development plans for technical & professional staff has commenced for Design Services only at this stage.	Treat Risk
311	Breach of the Professional Engineers Act resulting in installation of unsafe infrastructure or infrastructure that does not meet legislative requirements causing the following possible impacts to Council: Service delivery delays; negative financial impacts; possible serious harm to public/workers; and reputation tarnished.	High 4	1. Employment of some RPEQ's in required positions. 2. Quality Assurance (QA) System implemented in Design Office. 3. Professional Indemnity insurance coverage. 4. Public Liability Insurance coverage.	Treat Risk
312	Inadequate Developer Contributions for Infrastructure resulting in a cost impost on ratepayers and reduction in funds available for other projects.	High 4	The Adopted Infrastructure Charges Resolution under State Planning Regulatory Provisions (SPRP) has been adopted by Council.	Treat Risk
313	Poor records and information management retrieval and storage capabilities (hardcopy and electronic) resulting in an inability to find and retrieve critical infrastructure planning information resulting in reduced productivity, inadequate infrastructure, risk to the general public and workers and financial loss for Council.	High 4	1. Drawing Register database has been developed. 2. Design Office engineering drawings are being electronically stored and made accessible through GIS. 3. As-Constructed processes are in place through the operational works process.	Treat Risk
314	Poor infrastructure delivery resulting in: an inability to decide locations of future infrastructure; lack of adequate input to PIP; and development decisions made more difficult by lack of data - resulting in reduced levels of service on infrastructure networks, financial impacts to Council and the community, and reputation damage.	High 5	1. Additional resources applied to strategic infrastructure planning. 2. Consultancy support utilised.	Treat Risk
315	Failure to maintain accuracy and value of the forward works program and adequately provide for the annual capital program resulting in projects nominated for delivery being deferred to accommodate increased costs within annual capital program and the Long Term Financial Strategy (LTFS).	High 4	1. (1.) Corporate capital planning framework currently in place. 2. (2.) Pre-project planning and design program initiated to provide early design of known fixed year projects. 3. (2.) Project Scoping confirmation process developed and implemented as part of design	Treat Risk
316	Inadvertent non-compliance with design requirements or legislative requirements leading to installation of inappropriate or unsafe infrastructure, or infrastructure that does not meet technical standards resulting in legal action against Council and / or Loss or Damage to natural /cultural assets.	High 5	1. Implementation of QA systems. 2. Employment of qualified and experienced staff. 3. Identification of professional development and training needs after completion of training gap analysis. 4. Ongoing training for Civil Designers and appropriate checklists provided as part of QA processes.	Treat Risk
319	Lack of trained personnel to operate the Disaster Coordination Centre in event of a disaster resulting in inefficient Local Disaster Coordination Centre (LDCC) operations which could lead to inefficient decision making resulting in harm to the community, major financial losses, damage to reputation and a lack of community confidence in the Local Disaster Management Group's (LDMG) ability to respond to and recover from disaster events.	High 5	1. (1.) Annual recruitment drive 2. (1.) Annual refreshers to be run for trained guardian users; and 3. (1.) Full guardian training provided for new volunteers. 4. (1.) LDCC Standard Operating Procedures developed and distributed; and 5. (1.) An annual simulated exercise is carried out.	Treat Risk
320	Reduced SES capability to respond during a disaster event, would require either a greater response from Council (which is unlikely given our resource levels) or a lesser response to the event, resulting in: community expectations unable to be met; a negative financial impact and reputational damage to Council.	High 5	1. Disaster Management Officer responsible for liaising with and assisting local SES groups. 2. Employment of full time paid SES Controller. 3. SES funding included within current budgets and appropriate funding grant opportunities identified and sourced to assist with costs. Disaster Management Officer responsible for liaising with Qld Fire and Emergency Services (QFES) and assisting SES groups.	Treat Risk
321	Failure to document and implement disaster management policy, framework and arrangements, appropriate to our region resulting in: a lack of leadership and poor decision making in disaster events; major financial losses; damage to reputation; potential increased effects of a disaster event upon the community; and potential loss of funding opportunity (NDRRA).	High 4	1. Disaster Management recognised in Corporate Plan and Policy has been adopted by Council. 2. Full time Disaster Management Officer appointed. Suitable LDMG Local Disaster Coordinator identified and appointed and appropriate training opportunities identified for LDMG members. 3. Experience gained from recent disaster. 4. Disaster Management Plan complies with the Disaster Management Act. 5. Job descriptions for the chairpersons of the disaster management sub-committees and the LDMG members have been developed.	Treat Risk
330	Failure to address general long term planning needs for the community will result in lower quality development, less development overall, continued poor economic and community performance indicators, and lost opportunities in pursuit of achieving elevation of Rockhampton's reputation to an exceptional regional city.	High 4	1. (1) Have staff employed working in this field. 2. (2) Have budget allocated for training. 30/1/15: 3. (1) Use attrition opportunities to hire new staff with required skill sets. 4. (2) Train existing staff to pursue strategic planning functions.	Accept Risk (ALARP)
331	Changes to State law that reduce revenues for essential Council services, e.g. Development Assessment will result in less capacity to provide planning services, requiring supplemental funding from other sources, e.g. increased rates.	High 4	Current fees address service level requirements.	Accept Risk (ALARP)
332	Failure to collect revenue results in less funds available and lack of confidence in Council business practices.	High 5	(1) Customer financial management system (Pathway)	Treat Risk

The previous rating of an 'E' for Likelihood indicates that we will overrun every time, this occurs between 30 - 70% of the time so the rating has been amended to a 'C' which will change the Current Risk Rating from a 'Very High 2' to a 'High 4'

MANAGEMENT'S COMMENTS 17/4/15:
What were future controls are now considered 100% complete. The treatments previously listed under the Future Risk Controls have been initially implemented and are now ongoing, so are now showing in the Existing Controls column. The likelihood rating has changed from 'E' to 'C', the Current Risk Rating from 'Very High 2' to 'High 4' and the Risk Evaluation is now ALARP.

REGIONAL SERVICES
Risks Requiring Further Treatment (ALL)

Risk No.	Risk	Current Risk Rating	Future Risk Control(s)	Resources / Budget	Performance / Constraints	% Complete	Completion Date	Management's Comments	
301	Budget overrun (Capital Projects) resulting in inability to complete project to specification impacting on end user/fit for purpose, seeing corporate/operational plan objectives not being addressed and Council's credibility with the community being impacted.	High 4	1. (2) Design Services to design high risk projects prior to drafting budget to provide design estimates. Apply cost indexation to design estimates to update estimate to proposed budget period. 2. (2) Coordinators Urban and Rural Operations to prepare estimates for new projects and the Manager Civil Operations to review estimates. 3. Project management framework including project plans to be implemented.	Additional Design resources required to provide designs and estimates for critical projects prior to drafting budget.	(17/11/14: No additional design staff appointed. Forward planning for 2016/17 Capital Works Budget has not commenced).	17/4/15: 40% (30/1/15: 10%)	17/4/15: 30/12/16 (31/1/15: 30/06/2014)	Risk Register page update - The previous rating of an 'E' for Likelihood indicates that we will overrun every time, this occurs between 30 - 70% of the time so the rating has been amended to a 'C' which will change the Current Risk Rating from a 'Very High 2' to a 'High 4'. Note that estimates are being completed and project management plans are being done. Completion date to be amended from 30/6/14 to 30/12/2016 owing to Engineering Services impact on future controls # 1	Civil Operations
303	Loss of/damage to office and depot facilities with an impact on ability to coordinate and deliver services.	Moderate 6	Obtain generator to provide emergency power to depots - liaise with Facilities to achieve outcome.	Budget required to provide connection and test run hired generator.	(17/11/14: Not carried out)	0	30/06/2015	Quotation has been organised for generator plug in point for main switch board at the three depots.	Civil Operations
304	Failure of operation asset condition (roads, drainage, etc.) leading to: injury or death of public/staff; damage to property/equipment - resulting in legal outcomes, financial impacts and negative publicity for Council.	Very High 2	(1) Fine tune and review the ongoing Civil Operation asset condition inspections, which are conducted in conjunction with Council's Asset Management Unit for assets, facilities & major projects. (Note - Civil Operations inspect rural roads but the Asset Management Unit inspect urban roads)	Staff Resources	Lack of staff in Assets - Provision of inspection services by Asset Services and reporting of defects identified has not progressed significantly and it is doubtful it will under the current structure. No change to status.	17/4/15: 40% (30/1/15: 20%)	28/02/2015	Note end date needs to be extended till Dec 2015. Also completion is at 40% as we do racus runs of the roads.	Civil Operations
306	Interruption to program of works resulting in non-achievement of corporate targets and reduction in service delivery. (This includes Capital Works program)	Moderate 5	Project management framework/tool to provide a robust and prioritised forward works program.	0	0	80%	30/06/2014	Review of Program undertaken monthly to adjust to the changing priorities. Sites to be made safe when demobilisation.	Civil Operations
310	Inability of Engineering Services to provide or maintain adequate levels of service for infrastructure planning, development assessment and infrastructure design resulting in reduced productivity, inadequate infrastructure, risk to the general public and workers and financial loss for Council.	High 4	1. (1.) Undertake staffing level review and business planning for Engineering Services. 2. (2.) Improve focus on professional development and training (including graduate development program) by management implementing appropriate training and development plans and staff completing them.	Professional Development Training Budgets required	Lack of resources and higher priorities impacting on time available for implementation and completion.	(30/1/15: 40%)	(30/1/15: 31/12/2015)	0	Engineering Services
311	Breach of the Professional Engineers Act resulting in installation of unsafe infrastructure or infrastructure that does not meet legislative requirements causing the following possible impacts to Council: Service delivery delays; negative financial impacts; possible serious harm to public/workers; and reputation tarnished.	High 4	1. (1.) Make RPEQ qualification mandatory for some positions in the future. 2. (2.) Request technical staff to obtain their RPEQ if possible.	Resources required through the Training Assistance process	1. Requires study assistance. 2. Lack of incentive to obtain RPEQ qualification - owing to the level of responsibility and potential liability that attaches to the RPEQ rather than the organisation.	(30/1/15: 10%)	31/12/2016	0	Engineering Services
312	Inadequate Developer Contributions for Infrastructure resulting in a cost impost on ratepayers and reduction in funds available for other projects.	High 4	1. Further assessment & refinement of existing adopted charges resolution to ensure adequacy and accuracy. 2. Council adoption of SPA compliant Priority Infrastructure Plan (PIP).	0	Lack of willingness of Council to apply full charges.	(30/1/15: 80%)	30/1/15: Completion date to be aligned with adoption of new planning scheme and LGIP. (17/11/14: 31/12/2014)	0	Engineering Services / Strategic Infrastructure
313	Poor records and information management retrieval and storage capabilities (hardcopy and electronic) resulting in an inability to find and retrieve critical infrastructure planning information resulting in reduced productivity, inadequate infrastructure, risk to the general public and workers and financial loss for Council.	High 4	1. Plan and implement completion and population of central registry for planning studies. 2. (1.) Continued population of drawing register database and scanning and loading of engineering drawings into GIS. 3. (2.) Retrieval of historical development plans to be scanned and loaded into GIS. 4. Identify and acquire (if necessary) appropriate storage areas for records.	Require dedicated Project Admin/technical librarian support	Lack of a plan and resources.	(30/1/15: 30%)	30/06/2018	0	Engineering Services
314	Poor infrastructure delivery resulting in: an inability to decide locations of future infrastructure; lack of adequate input to PIP; and development decisions made more difficult by lack of data - resulting in reduced levels of service on infrastructure networks, financial impacts to Council and the community, and reputation damage.	High 5	1. Increased budgeted use of consultancy support to address areas of concern. 2. Continued push for more in-house engineering resources.	Consultancy Support	Budgets and competing priorities	(30/1/15: 70%)	01/06/2015	0	Engineering Services / Strategic Infrastructure
315	Failure to maintain accuracy and value of the forward works program and adequately provide for the annual capital program resulting in projects nominated for delivery being deferred to accommodate increased costs within annual capital program and the Long Term Financial Strategy (LTFs).	High 4	1. Continued refinement of forward works program. 2. (2. & 3.) Development of indicative estimating tool. 3. Develop Network specific prioritisation processes.	Budget, IT Support, Software.	Availability of personnel to do this work.	50%	01/07/2016	0	Engineering Services
316	Inadvertent non-compliance with design requirements or legislative requirements leading to installation of inappropriate or unsafe infrastructure, or infrastructure that does not meet technical standards resulting in legal action against Council and / or Loss or Damage to natural / cultural assets.	High 5	(3. & 4.) Improved focus on professional development & training by completing and implementing appropriate training and development plans.	Training Budget	Budget and available time.	(30/1/15: 90%)	01/07/2015	0	Engineering Services / Design Services

Risk No.	Risk	Current Risk Rating	Future Risk Control(s)	Resources / Budget	Performance / Constraints	% Complete	Completion Date	Management's Comments	
319	Lack of trained personnel to operate the Disaster Coordination Centre in event of a disaster resulting in inefficient Local Disaster Coordination Centre (LDCC) operations which could lead to inefficient decision making resulting in harm to the community, major financial losses, damage to reputation and a lack of community confidence in the Local Disaster Management Group's (LDMG) ability to respond to and recover from disaster events.	High 5	1. (2.) Develop information package on roles and responsibilities and remuneration etc to assist with recruitment drive. 2. (3.) Educate managerial staff as to their responsibilities under the Disaster management policy. 3. (1.) Consider implications of sourcing volunteer staff from outside of Council.	Administration and communications support to develop professional recruitment drive. Leadership team direction and support for release of personnel from normal duties.	Adequate time to develop and prepare recruitment resources.	(30/1/15: 40%)	01/07/2015	0	Engineering Services / Disaster Management
320	Reduced SES capability to respond during a disaster event, would require either a greater response from Council (which is unlikely given our resource levels) or a lesser response to the event, resulting in: community expectations unable to be met; a negative financial impact and reputational damage to Council.	High 5	Implement MOU with EMQ regarding shared management responsibilities for the SES, supported with appropriate funding and training.	0	Lack of time and resources to develop MOU.	(30/1/15: 60%)	01/07/2015	0	Engineering Services / Disaster Management
321	Failure to document and implement disaster management policy, framework and arrangements, appropriate to our region resulting in: a lack of leadership and poor decision making in disaster events; major financial losses; damage to reputation; potential increased effects of a disaster event upon the community; and potential loss of funding opportunity (NDRRA).	High 4	1. Identify LDMG members that require training in disaster management arrangements. 2. Review Disaster Management Policy and seek commitment from Council departments.	QFES Training Packages	Lack of understanding of policy requirements. Disaster Management Roles are in addition to substantive full time roles and so available time to put towards these roles is limited.	(30/1/15: 40%)	01/01/2015	0	Engineering Services / Disaster Management
322	Failure to comply with legislative requirements for water and sewerage services resulting in fines, loss of reputation and environment or health impacts.	Moderate 5	1. Conduct condition assessment and review maintenance strategy for monitoring equipment. 2. Alternative power supply to be installed at critical sites. 3. Seek Council approval, and implement Sewerage Treatment Plant Strategy.	(1, 2 & 3) Budget (3) Project delivery staff	(30/1/15: (1) High level risk condition assessment completed by Assets during financial valuation of water and sewerage assets. (3) STP strategy adopted by Council and projects underway.) 17/11/14: (1) Staff availability. (2 & 3) Budget. (3) Staff capacity and capability.	(30/1/15: 15%)	31/12/2019	0	FRW
323	Failure to adequately maintain process assets resulting in fines, loss of revenue, disruption to services and loss of reputation.	Moderate 5	1. Seek Council approval and implement Sewerage Treatment Plant Strategy. 2. Implement rolling condition assessment program.	1. Project Delivery Staff 2. Budget	30/1/15: (1) STP strategy adopted by Council and projects underway. (2) High level risk condition assessment completed by Assets during financial valuation of water and sewerage assets. 17/11/14: 1. Budget. 2. Staff capacity & capability.	(30/1/15: 10%)	31/12/2019	0	FRW
324	Inadequate physical security resulting in disruption or loss of critical services and supply, serious injury or death, damage to assets, theft; and damage to reputation.	Moderate 5	1. Conduct audit of signage at all sites and update as necessary. 2. Finalise and implement FRW Maintenance Strategy.	(1 & 2) Staff (1) Budget	Staff availability	20%	31/12/2014	0	FRW
325	Failure of Water Treatment Plant resulting in loss of supply for extended period, financial loss, loss of reputation, public health risk, safety risk; and breach of license conditions.	Moderate 6	1. Security cameras and equipment to be installed and monitored via SCADA software. 2. FRW Maintenance Strategy. 3. Investigate backup power options.	(1, 2 & 3) Staff (1) Budget	(1) Awaiting budget approval. (2 & 3) Staff availability.	(30/1/15: 20%)	31/12/2014	0	FRW
326	Failure of Sewerage Treatment Plant resulting in breach of EPA license; serious disruption of services; serious litigation and financial loss; loss of reputation.	Moderate 5	1. Site specific SOPs. 2. Investigate backup power options. 3. Implement RRC's STP upgrade strategy.	(1, 2, 3) Staff. (3) Budget.	(1, 2) Staff availability. (3) Project staff. (3) Budget.	(30/1/15: 35%)	30/06/2017	0	FRW
327	Failure to supply safe drinking water due to contaminated raw water resulting in health related issues; serious disruption to services; financial loss; loss of reputation.	Moderate 6	17/4/15: 1. GM to present report to Council from independent review undertaken of FRW water treatment processes in dealing with high organic/manganese load in raw water supply. 2. FRW to prepare all hazards treatment option report for Council consideration.	0		17/04/15: 30%	30/06/2015	Independent review undertaken of FRW water treatment processes in dealing with high organic/manganese load in raw water supply. GM to present report to Council at next meeting. FRW preparing all hazards treatment option report for Council consideration. Due July 2015.	FRW

Risk No.	Risk	Current Risk Rating	Future Risk Control(s)	Resources / Budget	Performance / Constraints	% Complete	Completion Date	Management's Comments	
329	Failure to plan effectively and establish future requirements for water and sewerage infrastructure resulting in environmental license non-compliances; severely impacted service delivery; additional costs; loss of reputation.	Moderate 6	1. Work with Department of Energy and Water Supply on Raw Water Supply Reliability model. 2. Prepare a regional Water Supply strategy.	Staff	nil	(30/1/15: 30%)	30/06/2015	0	FRW
332	Failure to collect revenue results in less funds available and lack of confidence in Council business practices.	High 5	1. Develop process and workflow to facilitate collection. 2. Review with Council re threshold for collection activity.	Can be done with existing resources.	Constraints - age of some overdue payments may make collection difficult.	(30/1/15: 90%)	31/12/2015	Tarnya Fitzgibbon is working on report to present to Council	Planning / Development Assessment
334	Failure to manage hazard conditions and negative impacts on environmental resources will result in increased property damage and loss of environmental functionality and aesthetic amenity which will damage the reputation of Council for management of these services, as well as possible lawsuits for property damage.	Moderate 5	1. Utilize best practices and fact based data to inform Officer recommendations. 2. Enhance training of officers in communication of message.	Within existing resources.	Constraints - turnover of: staff, policy, and decision makers.	(30/1/15: 80%)	31/12/2015	Continuous training & staff meetings	Planning

9.2 FINANCIAL SECTION UPDATE

File No: 8151

Attachments:

1. RRC Signed Interim Management Letter
2. Shell Statements 2014/15
3. Memo - Asset Treatment Recommendations for 2014-15 and Fair Value disclosure

Authorising Officer: Ross Cheesman - General Manager Corporate Services

Author: Alicia Cutler - Manager Finance
Gerhard Van der Walt - Revenue and Accounting Coordinator

SUMMARY

This report intends to deal with the Interim Audit Report for 2014/15, budget revisions year-to-date which will also detail financial impacts from Tropical Cyclone Marcia and lastly detail preparations for the financial year end and audit.

OFFICER'S RECOMMENDATION

THAT the update and information as per this report be received.

COMMENTARY**1. Interim Audit Report**

The attached audit report is pleasing as only one new audit control point was raised, while numerous points from 2013/14 audit reports were resolved. There is a keen awareness from Council to ensure that the resolved points remain resolved, while the year-end should provide opportunity to resolve some of the remaining deficiencies remaining in the report.

Officers from Deloitte will give detailed feedback to the meeting regarding the Interim Audit Report.

2. February 2015 Budget Revision for the 2015/16 financial year

The main outcomes from the February Budget Revision are that the adopted Operational Budget surplus of \$4,644,557 changes to an anticipated deficit for the year of \$5,037,656. The major reason for this worsening position is the financial challenge of Tropical Cyclone Marcia on the 2014/15 financial year. A second and more distant reason is that Council is feeling the impact of the general decline in economic activity by way of decreases in revenue (mostly Fees in Charges) spread across the range of services provided by Council. Fees and Charges were revised downwards, while in many cases cost savings were also achieved. A summary of some main operational changes are:

Increased revenue / decreases expenditure

Anticipated revenue TC Marcia	5,434,209
Increase in FAGS	1,340,765
Increase interest received	554,595
Decrease interest paid	364,170
Total	<u>7,693,739</u>

Increased expenses / decreases revenue

Anticipated expenditure TC Marcia	18,785,111
Lesser transfer of corporate & admin cost to capital	1,800,000
Combined decrease in Fees & Charges	4,467,042
Total	<u>25,052,153</u>

From the above it is obvious that the revised budget could have deteriorated further, but for various saving measures implemented along with the replacement impact of TC Marcia, i.e. where functions that would have progressed (with their associated cost) were replaced or delayed due to the disaster event priorities.

The weaker operational outcome of \$9,682,213 is to some extent offset by a net decrease in the capital budget amounting to \$9,308,934. In addition to this decrease in the capital budget the general expectation is that carry-over projects will be fairly substantial from 2014/15 to 2015/16.

3. Preparations for year-end financial statements

All the normal preparations for year-end are well underway with the detailed management plan for financial statement preparation finalised and implemented. The status of some other major preparations are as per detail below.

3.1 Shell Statements - 30 June 2015

Shell statements have been completed as per the attachment. It has been a relatively quiet year in terms of new or revised accounting standards, with the Fair Value Measurement note stabilising this year before more serious reconsideration for 2015/16.

Other features are that de-amalgamation still features in comparative figures, but for all practical purposes this chapter is closed (Notes 16, 30). The similar position mostly applies to the weather events of 2011 and 2013 (Note 33). The 2015 TC Marcia event is introduced but not yet detailed as all relevant information is not available. There should be a relatively small number of asset considerations for the Buildings and Site Improvements asset classes, while the road damages should also be restricted to a few roads and possibly only Pilbeam Drive (up Mt Archer). Buildings and Site Improvements are mostly dealt with under insurance considerations and due to the overall huge workload of the insurance companies our bigger works are still waiting on scoping through their preferred agent, Lend Lease. Due to the specific nature and complexity of slippages on Pilbeam Drive a specialist assessment of damage is currently being undertaken, with a timeframe which may stretch into July. Overall the asset considerations appears to be more manageable when compared to previous events, but accounting are currently to some extent in limbo with regards to the major damage assessments, which may have some impact on our weather event position paper timeframe.

Another noticeable change to the shell statements is that residual values have been removed from all asset classes other than Plant & Equipment (Note 17a & 17b). This is in line with the recent deliberations of the Australian Accounting Standards Board supporting the non-recording of residuals for infrastructure assets. Council is recommending a two-tiered approach to this transition where stage one would be minimalist compliance approach for 2014/15, and an inclusive approach for future years after proper consultation with other stakeholders in the total asset management function as well as external advice. The minimalist approach for 2014/15 is a very basic reconsideration of assets with residuals, in terms of opportunities for componentisation and applying remaining useful lives to this componentisation. Work in this regard is currently underway and the final position paper should be available on the 1st July with other key asset position papers.

3.2 Treatment of assets including revaluation considerations.

The status and treatment of the various asset classes are summarised in the attached document titled Asset Treatment Recommendations for 2014/15.

As per the attached the Roads Asset Class is in a staged revaluation, with 2014/15 being the first year of the three year staged revaluation cycle. The first steps have also been taken with the revaluation of the Bridges Asset Class, but this will only come to fruition during 2015/16.

Indexation for other asset classes were considered, with the Buildings Asset Class exceeding the Council 5% threshold for indexation since its last revaluation date of June

2012. This asset class is thus in the process of being indexed as indicated in the attached documentation.

3.3 Policies, Position Papers and related documents.

All accounting policies have been reviewed in recent months. Asset related policies were adopted by Council during March 2015, while various policies were presented to Council on the 9th June 2015. The last of the reviewed policies will be presented to Council on Budget day, i.e. the 9th July 2015.

Various position papers were reviewed during the interim audit timeframe, and will receive a final review during July. The infrastructure work papers are due 1st July 2015 as per the audit Client Strategy, and the same date would apply for position papers in this regard. This would include position papers for the recent weather event, residual values, and overall compliance with AASB 116.

LEGISLATIVE CONTEXT

Local Government Act 2009

Local Government Regulation 2012

Various Australian Accounting Standards

CONCLUSION

Following de-amalgamation the expectation was that this would be a financial year of consolidation and attendance to various delayed requirements and expectations, including audit management report points. The aims were mostly being achieved and the financial year was performing marginally better than budget, until Council had to deal with the various impacts of TC Marcia. Having dealt with three major disaster events in less than five years has presented numerous challenges to Council. From a financial perspective the demands on Council resources have grown per event, and the cumulative impact of the three events may well be the outstanding feature of the last few years.

FINANCIAL SECTION UPDATE

RRC Signed Interim Management Letter

Meeting Date: 19 June 2015

Attachment No: 1



9 June 2015

Cr Margaret Strelow
The Mayor
Rockhampton Regional Council
PO Box 1860
Rockhampton, QLD 4700

Dear Cr Strelow

Interim Audit Report for Rockhampton Regional Council

The 2014-15 interim audit for Rockhampton Regional Council is now completed in line with our client strategy document presented to the Audit and Business Improvement Committee on 20 March 2015.

The purpose of this report is primarily to bring to your attention any significant deficiencies identified in the operation of your entity's key controls that we had intended to rely upon, and the impact of these matters on our strategy.

It also sets out emerging financial reporting risks that, because of their likely effect on the financial statements require, resolution before the audit of the statements can be finalised.

Our interim assessment in relation to the key cycle-level controls we have reviewed is that they are generally designed and implemented appropriately and operating effectively.

In combination, our assessment of your entity and cycle-level controls confirms our original client strategy assessment that the controls are operating in a manner that supports the reliable processing of information.

The results of our interim work indicate that major changes to our planned strategy are not required.

Full details of all issues raised during the audit to date, together with management's comments, are provided in our attached Interim Management Report.

We are satisfied with the responses provided by management and no formal response is required.

Please contact me should you wish to discuss these issues or any issues regarding the audit process.

Yours sincerely

Stephen Stavrou
Partner
(As delegate of the Auditor-General of Queensland)

cc. Mr Evan Pardon
Chief Executive Officer



Interim Management Report

Rockhampton Regional Council 2014-15

Draft issued: 30 April 2015

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1. Executive Summary

1.1 Controls assessment report

During the planning phase and this interim phase of the financial audit, we have gained an understanding of your entity, including the entity-wide controls and cycle-level controls you have designed and implemented.

Our Client Strategy document outlined our preliminary assessment of the design and implementation of your entity-wide controls, together with comments for possible business improvements in these areas.

As part of our audit strategy we identify key cycle-level controls that we intend to rely on in our audit. We have tested these key cycle-level controls and determined that these controls are operating in a manner that supports the reliable processing of information. In the course of completing our cycle-level control testing, we have not identified any issues that pose a significant business or financial risk.

1.2 Financial reporting issues

The following financial reporting issues have been identified which may have a material impact on your annual financial statements.

Component	Issue	QAO analysis	Status
1.2.1 Valuation of infrastructure assets	<p>Infrastructure assets represent a significant portion of Council's assets and as such are a key focus area. In the absence of a market value, establishing the value of infrastructure assets requires significant judgement in determining:</p> <ul style="list-style-type: none"> the written down current replacement cost of the modern equivalent asset the remaining useful life and depreciation sensitive to physical condition assessments judgements about technological and economic obsolescence. <p>The introduction of AASB 13 <i>Fair Value Measurement</i> in the prior year significantly increased the level of disclosure of key assumptions required in the financial statements for which there is opportunity for further improvement in the current year.</p>	<p>Council have engaged external consultants, Pavement Management Services (PMS), to perform a full revaluation (including condition assessments) of the pavement component (formation and surface) of the road network asset class in the current year.</p> <p>In addition a condition assessment is also expected to be performed on the bridges asset class prior to year end.</p> <p>As part of our interim procedures we have reviewed the scope of the revaluation and noted that this appears appropriate.</p> <p>Whilst Council expect the condition assessments to be completed by 30 June 2015, uncertainty exists around updating the fixed asset register with the updated valuation information.</p> <p>We recommend that management critically assess its timetable for the revaluation process and consider whether additional resources are needed to support the overall process. We will review management's assessments of the results of revaluations and condition assessments as part of year-end audit procedures.</p>	<p>Consideration of the matter is underway.</p> <p>It is expected that Council will document and support its position on the matter by the end of the year.</p>

Component	Issue	QAO analysis	Status
<p>1.2.2 Queensland weather events</p>	<p>Significant cyclone activity across Queensland during February 2015 resulted in parts of the state being declared a disaster zone. We understand that several assets across Council were damaged.</p> <p>The most likely impact on our 2014-15 financial statement audit relates to the recording and valuation of non-current assets and recognition of grant revenue.</p>	<p>Management have noted that the majority of the damage caused by the cyclone included power outages, shutdown of Rockhampton airport and minor damage to infrastructure and other assets. Expenditure to date is estimated at around \$9m and is largely related to the clean-up of debris and waste following the cyclone.</p> <p>Council are currently preparing NDRRA funding and separate insurance claims in relation to the event, and will perform an assessment of carrying values of damaged assets prior to year-end.</p> <p>Management's preliminary assessment is that the extent of damage of infrastructure assets is unlikely to be material. We will review management's assessments as part of year-end audit procedures.</p>	<p>Consideration of the matter is underway.</p> <p>It is expected that Council will document and support its position on the matter by the end of the year.</p>
<p>1.2.3 Residual values of infrastructure assets</p>	<p>In February 2015 the Australian Accounting Standards Board (AASB) released a tentative decision relating to a request to clarify the definition of 'residual value' in particular cost savings and the re-use of in-situ materials in the context of not for profit entities.</p> <p>This tentative decision released by the AASB concluded that a residual value should only be recognised when the entity expects to receive consideration from an asset at the end of its useful life. It notes that cost-saving from reusing in-situ material would indicate that the asset has not met the end of its useful life. The AASB emphasised that there is little impact on depreciation if the entity appropriately separates the assets into their components and make appropriate estimations of the useful life of each asset.</p> <p>As per the 30 June 2014 financial statements, the following asset classes for Council currently have residual values associated with them:</p> <ul style="list-style-type: none"> • Site improvements \$5.99m (this represents 7% of the gross carrying value) • Plant and equipment \$11.2m (18%) • Road and drainage network \$308.2m (27%) • Water \$9.5m (2%) • Sewerage \$5.2m (2%) • Airport \$22.3m (34%) <p>The calculation and quantum of the depreciation charge for the above asset classes may be impacted by the application of AASB's decision.</p>	<p>As some of Council's assets, including Roads and Pavements, include a residual value for in-situ materials, there is a potential impact on how these assets are to be accounted for by Council.</p> <p>As such, we encourage management to assess the potential impact of the decision and develop a position prior to year-end to ensure the timely consideration of the impacts.</p> <p>This is currently being considered by the QAO, along with the proposed treatment of other entities across the sector. We will work with Council to ensure that a resolution can be reached in a timely manner.</p>	<p>Consideration of the matter is underway.</p> <p>It is expected that Council will document and support its position on the matter by the end of the year.</p>

1.3 Report to parliament issues

The *Auditor-General Act 2009* requires the Auditor-General to report to Parliament an issue raised during an audit if he considers it to be significant. Material deficiencies and significant deficiencies will be considered for reporting to Parliament. However, whether these issues are reported depends on a number of factors including action taken to resolve these issues prior to the completion of the audit.

If the Auditor-General intends to include an issue from this audit in a future report to Parliament, you will be given an opportunity to comment on the issue raised and your comments will be reflected in the report.

1.4 Scope limitation

Management is responsible for the financial statements and the maintenance of effectiveness of internal controls over financial reporting, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our audit of the financial statements involved examining and assessing selected internal controls over financial reporting, including obtaining an understanding of internal control over financial reporting, assessing the risk that a significant weakness exists, and testing and evaluating the operating effectiveness of internal controls based on assessed risk.

2. Interim audit issues

2.1 Ratings definitions and remedial action plan

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

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

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

Category*	Client impact	Prioritisation of remedial action
Material deficiency	A significant deficiency that will lead to a material misstatement of the financial report and will result in qualification if not corrected.	Requires immediate management action.
Significant deficiency	A deficiency or combination of deficiencies that may lead to a material misstatement of the financial report.	Requires prompt management action to resolve within 2 months.
Deficiency	The control is not working or non-existent and, therefore, will not prevent, detect or correct misstatements in the financial report.	Requires a management action plan in this reporting period.
Other matter	Matters relevant to those charged with governance not related to deficiencies in internal control.	Implementation at management's discretion.

* Note that a change in category risk ratings has been implemented since the prior year.

2.2 Detailed findings (Refer Appendix A)

Appendix A outlines the observation, implication, recommendation, management comments and action plans for each audit finding identified in our interim visit.

2.3 Progress on previously reported findings (Refer Appendix B)

Appendix B outlines the progress of prior year issues and summarises the current year status.

Appendix A – Detailed Findings

This attached Appendix outlines the observation, implication, recommendation, management comments and action plans for each audit finding identified in our interim visit.

Current year findings

Risk Category	Area	Observation	Implication	Recommendation	Management Comments and Action Plan
Deficiency	IT General	<p>2.2.1 Patch testing and management</p> <p>Regularly updating Windows servers supporting the Finance One and Aurion applications is essential in maintaining appropriate levels of security and availability for these applications.</p> <p>Whilst there is a process to test updates being applied to these servers, there is no process to document the outcomes of testing performed. This documentation would evidence any issues resulting in testing and would contribute to assessing the risk of applying the updates to the live IT environment.</p> <p>In addition, the server hosting the IT network (Windows Active Directory) is currently running Windows Server 2003. This operating system will reach end of life in July 2015.</p>	<p>A lack of documentation of testing performed increases risk that issues identified as part of testing of updates are not adequately assessed prior to the patches being applied to the critical servers. This may lead to system issues or downtime that may impact the integrity and availability of systems and data.</p> <p>Running end of life software such as Windows Server 2003 means Microsoft will no longer issue security updates for any version of Windows Server 2003, increasing the risk of Council's IT environment being exposed to security vulnerabilities or unexpected reliability/availability issues.</p>	<p>We recommend that management:</p> <ol style="list-style-type: none"> 1. Enhance its current Windows update process to document the testing performed on patches prior to the updates being applied to critical servers. 2. Consider upgrading the Windows Server 2003 software (such as with Windows AD) to Windows 2008 including the latest patches for that operating system. In the interim, risk assess; identify; document and monitor mitigating controls for servers running Windows Server 2003 that cannot be upgraded prior to July 2015. 	<ol style="list-style-type: none"> 1. Update process will be amended to include patch test results on the Change Control entry. 2. There is an established plan in place (as reported to ISSG) to upgrade the Domain Controllers from Windows 2003 to 2012. Other servers will be upgraded as required – many of them (Citrix, ECM, etc) are already being upgraded in the next couple of months. Remaining servers will be upgraded as necessary. IT is aware of the risks and will document identified servers and maintain appropriate server and perimeter controls to mitigate issues. Note that server upgrade completion should not be a required outcome to consider this item complete.

Appendix B – Progress on previously reported findings

The following prior year findings have been satisfactorily resolved:

- Expenditure Approval
- Procurement Process
- Formal review of store held fuel cards
- Accounting for property, plant and equipment
- Review of management estimates
- Payroll Masterfile
- General Journals
- Information Security Policy
- Management of IT security
- User access to corporate IT systems

The following points identified in our final management letter for the year ended 30 June 2014 remain open:

Risk Category	Area	Observation and Recommendation	Interim Update	Management Response and Action Plan
Deficiency	Expenditure and Revenue	<p>2.3.1 Elimination of internal revenue and expenses</p> <p>In order to drive accountability of departments, Council re-allocates certain costs internally to relevant departments. We noted that there were a number of internal re-allocations which required elimination in the financial statements. These included:</p> <ul style="list-style-type: none"> • Rates on council-owned properties, where the associated revenue and expenditure for rates were being recorded by Council at gross values rather than netting these off • Internal recharges of certain costs between the various departments <p>The recognition of both the internal revenue and expense by Council results in an overstatement of these line items. There is a risk that this gross up of revenue and expenses and the re-allocation of costs between business units will mislead the users of the financial statements as to the actual revenues and expenses of Council. This may also impact the calculation of financial sustainability ratios.</p> <p>We recommend that Council perform a detailed review of all transactions between the departments and ensure that revenue and expenditure for Council owned properties and other internal charges are eliminated within the financial statements.</p>	<p>During our interim audit, we note that the elimination of internal transactions has now been included as part of the financial reporting process.</p> <p>We will assess management's treatment of internal transactions as part of the year-end audit procedures.</p> <p>As such, this finding remains open as at interim.</p>	<p>All internal transactions will be eliminated as part of the year-end financial statement process.</p> <p>Due date: 30 June 2015</p>

Risk Category	Area	Observation and Recommendation	Interim Update	Management Response and Action Plan
Deficiency	Expenditure	<p>2.3.2 Capitalisation of overheads</p> <p>It is standard practice for Council and the local government sector to allocate overhead costs to certain capital projects (e.g. Fitzroy Water, whose main focus is around delivery of water and sewer capital projects). In order for these costs to be capitalised under AASB 116 <i>Property, Plant and Equipment</i> (AASB 116) paragraph 16, the overheads need to be directly attributable to the capital projects undertaken.</p> <p>Capitalisation of overhead costs that are not directly attributable or incremental to capital projects is not allowed under AASB 116. This will misstate the carrying value of assets and Council's operating result. AASB 116 paragraph 19 (d) specifically states "administration and other general overheads" as examples of costs that are not able to be capitalised. In addition, incorrect apportionment of overheads between expense line items may reduce the understandability of the financial statements.</p> <p>We recommend that Council review the calculation of overheads and the existing allocation methodology to capital projects to ensure that costs capitalised are directly attributable as required by AASB 116. Council should also consider the disclosure and allocation of capitalised overheads to expenses line items within the financial statements to ensure that the disclosure of expenses at an individual line item level is accurate and appropriate.</p>	<p>Management have prepared a draft position paper outlining how capitalised overheads are directly attributable under AASB 116. Central finance/administration overheads are no longer being charged to capital project.</p> <p>We have reviewed the draft position paper provided by management and noted that management's assessment is appropriate.</p> <p>We will audit management's treatment of overheads as part of the year-end procedures on capital projects and that appropriate overheads have been capitalised.</p> <p>As such, this finding remains open as at interim.</p>	Due date: 30 June 2015

Risk Category	Area	Observation and Recommendation	Interim Update	Management Response and Action Plan
Deficiency	Accounts Payable	<p>2.3.3 Accruals Process</p> <p>During our 2013-14 interim audit procedures we noted two instances of invoices relating to the prior year which had not been appropriately recorded. We acknowledge that management go through a process of accruing for invoices which have been received until early August as part of the year end procedures. However, as all open purchase orders are not reviewed at year end, all commitments and related accruals may not be accurately captured. Furthermore, a review of procurement processes identified a number of significantly aged open purchase orders dating back to late 2010. This further constrains the accruals process as accurate data is not able to be obtained.</p> <p>Significant delays between receipt and recording of invoices may result in unrecorded liabilities at any given point in time. Failure to reflect the liabilities may result in misstatement of financial statements and inaccurate understanding of funds available to Council.</p> <p>We recommend that Council implement a process to ensure prompt recording of all invoices received by Council. In order to facilitate this process further we recommend that a detail review of the aged purchase orders be performed and any purchase orders that are significantly aged be closed and unlikely to result in a financial obligation for the business.</p>	<p>We acknowledge that there has been a significant effort by management in the current period to close aged purchase orders which are no longer required, to assist with the accruals process at year end.</p> <p>Management have also implemented procedures to ensure that aged purchase orders are not accumulated going forward.</p> <p>Further, management is seeking to refine the year-end accruals process to incorporate a review of open purchase orders to ensure that any services incurred (which have not yet been invoiced) have been appropriately accrued for.</p> <p>We will reassess this finding as part of year-end audit procedures, therefore the finding remains open as at interim.</p>	<p>Due date: 30 June 2015</p>
Deficiency	Property, Plant and Equipment	<p>2.3.4 Maintenance of fixed asset register</p> <p>The reconciliation process between Geographical Information System (GIS) and the fixed asset register (Conquest) has previously resulted in identification of a significant amount of unrecorded assets. We recommend that finance and asset management representatives should continually reassess Council's policies and processes in relation to all asset classes included within property, plant and equipment.</p> <p>Management have performed an initial assessment of the integrity of the asset data held in GIS and Conquest. Based on this assessment, approximately \$270m (15%) of Council's total asset base of \$1.8b requires further assessment to improve the integrity of the data within the system.</p>	<p>The following has been undertaken by Council in the current period:</p> <ul style="list-style-type: none"> Revisions have been made to several fixed asset policies in the current year Management have also implemented several asset management plans with additional plans to be finalised by year-end GIS and Conquest reporting lines have been restructured to be under the same co-ordinator and reporting to the finance team. The As Designed – As Constructed (ADAC) 	<p>Progress is being made on an ongoing basis.</p> <p>Due date: 30 June 2017</p>

Risk Category	Area	Observation and Recommendation	Interim Update	Management Response and Action Plan
		Management have identified that approximately \$221m relates to underground stormwater infrastructure which can be difficult and costly to verify. However, Council is committed to improving the integrity of the asset information are currently managing this through focusing on high risk areas, with the plan to assess the entire asset class within the next three years.	<p>system is being implemented in the current period, which will allow both systems to be updated with the same dataset to prevent differences.</p> <ul style="list-style-type: none"> The ongoing rolling revaluations of the various asset classes (roads/pathways in the current year, stormwater planned for 16/17) will assist with the identification of any unreconciled items. Council are implementing a detailed review of the information held in GIS and Conquest for each asset class, and where linkages can be made. This is planned to be performed across the asset classes over the next 3 years. <p>We will assess the work performed by management in relation to this as part of our year-end audit procedures, as such the finding remains open as at interim.</p>	
Deficiency	Property, Plant and Equipment	<p>2.3.5 Recording contributed assets</p> <p>During the prior year audit, we identified a significant number of assets which had reached the recognition criteria under AASB 1004 in previous periods. Council had been providing operational and maintenance works for these assets for several years. It was recommended that Council perform a comprehensive review of internal procedures relating to the capture and recognition of contributed assets to ensure that such contributed assets are recorded in the correct period. It was recommended that Council also consider the nature and timing of information received from state agencies and developers in relation to contributed assets, to improve alignment of the recognition process.</p>	<p>Based on our interim testing, we have not identified contributed assets recorded in the incorrect period or incorrectly recorded. The ADAC system is in the process of being implemented by Council together with the guidelines for the internal process workflow.</p> <p>We will review the ADAC process and finalised procedures implemented by Council as part of our year end audit procedures.</p> <p>As such, the finding remains open as at interim</p>	<p>No additional comment at this stage. The implementation of ADAC will improve this process. An internal process is currently being finalised into a work instruction to assist Council employees.</p> <p>Due date: 30 June 2015</p>

Risk Category	Area	Observation and Recommendation	Interim Update	Management Response and Action Plan
Deficiency	Property, Plant and Equipment	<p>2.3.6 Infrastructure asset disposals</p> <p>For infrastructure assets, authorisation for a disposal is obtained indirectly through approval for repairs or restoration work performed. Whenever work is performed on infrastructure assets, a review of the plan is done to assess what assets have been disposed as a result by the relevant asset manager. We noted that there is no formalised process or policy in place for the disposal of infrastructure assets and minimal review or reconciliations are performed to ensure that the assets physically disposed of have been reflected as such within the Conquest system. We recommend that Council consider formalising processes and procedures for the disposal of infrastructure assets which includes a review or reconciliation of assets disposed of on a periodic basis.</p>	<p>Council has updated the asset disposal policy in the current year to include a quarterly review and approval of these disposals by the Finance Manager.</p> <p>We understand that the quarterly review will include a reasonableness check of the costs disposed of against the cost of the replacement asset. However, as the updated asset policy was only adopted by Council in late March 2015, the above process had not yet been implemented at the interim visit.</p> <p>As such, the finding remains open as at interim and we will assess the process implemented by management at year-end.</p>	<p>Asset Disposal Policy was revised adoption by Council at the at Performance & Service committee on 24 March 2015. This new policy and process is to be implemented by Council by year-end.</p> <p>Due date: 30 June 2015</p>

Risk Category	Area	Observation and Recommendation	Interim Update	Management Response and Action Plan
Deficiency	Reserves	<p>2.3.7 General Reserves</p> <p>The Rockhampton Regional Council Financial Statements for 2013/14 financial year contain 9 capital reserve accounts and 2 operational reserve accounts at Note 29 together with explanatory paragraph disclosure. While reserves can be created under the Local Government (Finance, Plans and Reporting) Regulation 2010 for budgetary purposes, the Regulation does not impose specific requirements for reporting reserves in the financial report.</p> <p>The practice of reserve accounting (i.e. transferring amounts of retained surplus to and from equity reserves based on internal cash budgeting decisions) is tied to cash accounting, and therefore, is inconsistent with the Australian accounting standard requirements. As none of the equity reserve balances referred to above are specifically required by current Australian accounting standards, and the practice has its origins to the old cash accounting era at councils, the practice could be viewed to be inconsistent with AIFRS accounting standards. Further, the view of the Queensland Audit Office (as expressed to the local government sector) is that such reserves note disclosure could be considered to be "non-IFRS" disclosures.</p> <p>Numerous reserves disclosed in the financial report can lead to unnecessarily complex and significantly longer financial reporting process without providing any added benefits to the users. Presenting non-IFRS financial information prominently in the financial statements, particularly where there is no consistent basis of measurement or presentation reduces the comparability of the financial information between entities</p>	<p>We note that management intend to address this point as part of the 30 June 2015 financial statements.</p> <p>As such, we will reassess this at year end and the finding remains open as at interim.</p>	<p>No update as at interim. Council will address this issue in the 2014/15 financial statements.</p> <p>Due date: 30 June 2015</p>

Risk Category	Area	Observation and Recommendation	Interim Update	Management Response and Action Plan
Deficiency	IT General	<p>2.3.8 Password Management</p> <p>Rockhampton Regional Council utilises a password safe for central storage of key system passwords in line with better practice. The master password for this password safe should be restricted and not known to all users. However, the master password for the password safe is known by the users of the password safe (vs. each user having an individual account) and this reduces accountability. Also, this password has not been changed in the financial year and there is no policy that requires a change in password.</p> <p>Unauthorised access to Council's IT environment may occur resulting in inappropriate modification to production data and systems holding financial information.</p> <p>We recommend that Council provide individual users access to the password safe with individual logins that restrict access based on job role. Periodically change the master password on the password safe and ensure this is changed when employees familiar with the password leave the organisation.</p>	<p>We note that management have implemented Password Manager Pro to restrict access to generic passwords.</p> <p>However, there is still no process to regularly change passwords for generic logon accounts (i.e. not service accounts).</p> <p>As such, this finding remains open at interim.</p>	<p>Technology Infrastructure Passwords have been moved to Pleasant Password Server as Password Manager data structure was not suitable. Pleasant Password Server meets the requirement of the recommendation.</p> <p>A further review of password management software will be undertaken to consolidate to one system across all of IT Services.</p> <p>Due date: 30 June 2015</p>

Risk Category	Area	Observation and Recommendation	Interim Update	Management Response and Action Plan
Deficiency	IT General	<p>2.3.9 Identification of segregation of duties conflicts</p> <p>Segregation of duties and role based authorisation of users restricts system access to perform inappropriate or unauthorised tasks.</p> <p>There is currently no formal process for identifying segregation of duties conflicts. When a new or transferred employee requires access in Aurion, the access is provided based on the profile of the previous user and not based upon the role of the new user within the organisation. We acknowledge that Council currently has a project underway which aims to reconfigure access to key financial applications to be based on employee roles and positions in Aurion, which commenced on 12/03/2014. The separation of roles for segregation is still underway and has been delayed by the de-amalgamation activities between Livingstone Shire Council and Rockhampton Regional Council.</p> <p>Inadequate segregation of duties creates the risk that erroneous, fraudulent or inappropriate changes could be made to the production environment.</p> <p>We recommend that Council establish a segregation of duties matrix and user's access should be based upon their role, and those roles should separate critical functions to different employees. Where it is not possible to separate critical functions, a regular review of actions performed in critical financial data and other control mitigations should be performed.</p>	<p>We note that management have prepared a draft segregation of duties position paper in March 2015, identifying its key segregation of duties conflicts as well as mitigating controls.</p> <p>The next step for management is to incorporate the matrix as part of user access administration procedures in IT systems to ensure access granted to users are in line with the matrix.</p> <p>Therefore the finding remains open as at interim.</p>	Due date: 30 June 2015

FINANCIAL SECTION UPDATE

Shell Statements 2014/15

Meeting Date: 19 June 2015

Attachment No: 2

ROCKHAMPTON REGIONAL COUNCIL**Financial statements**For the year ended 30 June 2015

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ROCKHAMPTON REGIONAL COUNCIL

Statement of Comprehensive Income

For the year ended 30 June 2015

	Note	2015 \$	2014 \$
Continuing operations			
Income			
Recurrent revenue			
Rates, levies and charges	3(a)		116,994,729
Fees and charges	3(b)		25,510,203
Interest received	3(c)		3,671,158
Sales revenue	3(d)		12,201,532
Other recurrent income	3(e)		7,129,349
Grants, subsidies and contributions	4(a)		14,476,055
			<u>179,983,026</u>
Capital revenue			
Grants, subsidies and contributions	4(b)		51,762,850
Total revenue			<u>231,745,876</u>
Capital income	5		187,437
Total income from continuing operations			<u>231,933,313</u>
Expenses			
Recurrent expenses			
Employee benefits	6		(63,056,569)
Materials and services	7		(43,393,227)
Finance costs	8		(9,653,666)
Depreciation and amortisation	9		(43,430,070)
			<u>(159,533,532)</u>
Capital expenses	10		(9,464,289)
Loss on restructure of local government	30		(859,080,932)
Total expenses from continuing operations			<u>(1,028,078,753)</u>
Surplus/(deficit) for the year from continuing operations			<u>(796,145,440)</u>
Discontinued operations			
Surplus/(deficit) for the year from discontinued operations	11		25,997,851
Net result attributable to Council			<u>(770,147,589)</u>
Other comprehensive income			
Items that will not be reclassified to net result			
Increase / (decrease) in asset revaluation surplus	25		67,139,608
Total other comprehensive income for the year			<u>67,139,608</u>
Total comprehensive income for the year			<u>(703,007,981)</u>

Council has made a retrospective restatement as a consequence of correction of prior period error(s) and therefore, in accordance with AASB 101 has presented restated comparative information in the prior reporting period. Details are disclosed in Note 34.

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

ROCKHAMPTON REGIONAL COUNCIL

Statement of Financial Position

As at 30 June 2015

	Note	2015 \$	2014 \$
Current assets			
Cash and cash equivalents	12		29,899,637
Investments	13		57,000,000
Trade and other receivables	14		18,407,067
Inventories	15		1,730,165
			<u>107,036,869</u>
Assets classified as held for sale and transfer	16		14,100,261
Total current assets			<u>121,137,130</u>
Non-current assets			
Property, plant and equipment	17		1,832,457,658
Intangible assets	19		2,048,277
Total non-current assets			<u>1,834,505,935</u>
TOTAL ASSETS			<u>1,955,643,065</u>
Current liabilities			
Trade and other payables	20		33,556,769
Provisions	21		12,167,403
Borrowings	22		14,407,449
Other liabilities	23		533,319
Total current liabilities			<u>60,664,940</u>
Non-current liabilities			
Provisions	21		13,153,563
Borrowings	22		143,495,888
Other liabilities	23		2,472,710
Total non-current liabilities			<u>159,122,161</u>
TOTAL LIABILITIES			<u>219,787,101</u>
NET COMMUNITY ASSETS			<u>1,735,855,964</u>
Community equity			
Retained surplus	24		1,278,390,958
Asset revaluation surplus	25		457,465,006
TOTAL COMMUNITY EQUITY			<u>1,735,855,964</u>

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

ROCKHAMPTON REGIONAL COUNCIL

Statement of Changes in Equity
For the year ended 30 June 2015

	Total		Retained surplus/(deficiency) Note 24		Asset revaluation surplus Note 25	
	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$
Balance at beginning of year		2,438,863,945		2,048,538,547		390,325,398
Net result attributable to Council		(770,147,589)		(770,147,589)		-
Other comprehensive income for the year						
Adjustment to asset revaluation surplus:						
Property, plant & equipment		67,139,608		-		67,139,608
Total comprehensive income for year		(703,007,981)		(770,147,589)		67,139,608
Balance at end of year		1,735,855,964		1,278,390,958		457,465,006

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

ROCKHAMPTON REGIONAL COUNCIL

Statement of Cash Flows

For the year ended 30 June 2015

	Note	2015	2014
		\$	\$
Cash flows from operating activities			
Rates, levies and charges			141,850,260
Fees and charges			28,378,088
Grants, subsidies and contributions			15,750,053
Interest received			4,819,030
Other income			21,000,424
Net GST paid			191,442
Payments to suppliers			(49,626,140)
Payments to employees			(75,939,211)
Interest expense			(11,318,546)
Net cash inflow from operating activities	31		<u>75,105,400</u>
Cash flows from investing activities			
Government subsidies and grants			16,040,634
Capital contributions			10,417,141
Payments for property, plant and equipment			(86,554,353)
Payments for intangible assets			(644,590)
Net transfer from/(to) cash investments			35,000,000
Proceeds from sale of property plant and equipment			1,875,404
Transfer on restructure of local government	30		(33,003,070)
Net cash outflow from investing activities			<u>(56,868,834)</u>
Cash flows from financing activities			
Proceeds from borrowings			10,306,321
Repayment of borrowings			(16,159,797)
Net cash (outflow)/inflow from financing activities			<u>(5,853,476)</u>
Net increase/(decrease) in cash and cash equivalents held			<u>12,383,090</u>
Cash at beginning of reporting year			27,897,808
Cash at end of reporting year	12		<u><u>40,280,898</u></u>

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

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

1 Significant accounting policies**1.1 Basis of preparation**

These general purpose financial statements are for the period 1 July 2014 to 30 June 2015 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*. Consequently, these financial statements have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board.

These financial statements have been prepared under the historical cost convention, except for the following:

- financial assets and liabilities, certain classes of property, plant and equipment and investment property which are measured at fair value;
- assets held for sale which are measured at fair value less cost of disposal.

Recurrent/capital classification

Revenue and expenditure are presented as "recurrent" or "capital" in the Statement of Comprehensive Income on the following basis:

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

The following transactions are classified as either "Capital Income" or "Capital Expenses" depending on whether they result in accounting gains or losses:

- disposal of non-current assets
- discount rate adjustments to restoration provisions
- revaluations of investment property and property, plant and equipment.

All other revenue and expenses have been classified as "recurrent".

1.2 Statement of compliance

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

1.3 Constitution

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

1.4 Date of authorisation

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

1.5 Currency

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

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

1.6 Adoption of new and revised Accounting Standards

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

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

	Effective for annual report periods beginning on or after:
AASB 9 <i>Financial Instruments</i> (December 2009)	1 January 2018
AASB 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
AASB 15 <i>Revenue from Contracts with Customers</i>	1 January 2017
AASB 1056 <i>Superannuation Entities</i>	1 July 2016
AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	1 January 2018
AASB2013-9 <i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i> [Operative dates: Part A Conceptual Framework – 20 Dec 2013; Part B Materiality – 1 Jan 2014; Part C Financial Instruments – 1 Jan 2015]	Refer Title column
AASB 2014-1 <i>Amendments to Australian Accounting Standards</i>	Part D - 1 January 2016; Part E - 1 January 2018
AASB 2014-3 <i>Amendments to Australian Accounting Standards-Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
AASB 2014-4 <i>Amendments to Australian Accounting Standards-Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i>	1 January 2017
AASB 2014-6 <i>Amendments to Australian Accounting Standards-Agriculture: Bearer Plants</i>	1 January 2016
AASB 2014-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i>	1 January 2018
AASB 2014-8 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)- Application of AASB 9 (December 2009) and AASB 9 (December 2010)</i>	1 January 2015
AASB 2014-9 <i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]</i>	1 January 2016
AASB 2014-10 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]</i>	1 January 2016
AASB 2015-1 <i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]</i>	1 January 2016
AASB 2015-2 <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]</i>	1 January 2016
AASB 2015-3 <i>Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality</i>	1 July 2015
AASB 2015-4 <i>Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent [AASB 127 & AASB 128]</i>	1 July 2015

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12 & AASB 128]	1 January 2016
AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB1049]	1 July 2016

1.7 Critical accounting judgements and key sources of estimation uncertainty

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

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

Discontinued operations - Note 1.15 and Note 11
 Assets classified as held for sale - Note 1.17 and Note 16
 Valuation of property, plant and equipment - Note 1.17(c) and Note 17
 Impairment of property, plant and equipment - Note 1.19 and Note 17
 Provisions - Note 1.22 (e), Note 1.24 and Note 21
 Contingencies - Note 27 and Note 32
 Capital income - Note 5
 Capital expenses - Note 10

1.8 Reporting entities

The financial statements include the value of all revenues, expenses, assets, liabilities and equity of the Council.

The following controlled entities are not consolidated with the Council's financial statements as the transactions and balances are not material to the Council's operations.

The Rockhampton Art Gallery Trust

The Rockhampton Art Gallery Trust's operations are audited by the Auditor-General of Queensland. The financial statements receive a qualified audit opinion, as is normal for organisations of this type, because it cannot demonstrate that it has identified and recorded all revenue from donations.

The results for the 2014/15 financial year are as follows:

Art Gallery		
	2015	2014
	\$	\$
Receipts		51,290
Disbursements		(48,433)
Net surplus/deficit		2,857
Assets		68,712
Liabilities		-
Net assets		68,712

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statementsFor the year ended 30 June 2015

1.9 Revenue

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

(a) Rates, levies and charges

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

(b) Grants and subsidies

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them. An equivalent amount is transferred from retained earnings to the relevant reserve until the funds are expended. Unspent non-reciprocal capital grants are placed in the unspent or constrained grants reserve.

Where grants are received that are reciprocal in nature, revenue is recognised over the term of the funding arrangements. Council does not currently have any reciprocal grants.

(c) Non-cash contributions

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

Physical assets contributed to Council by developers in the form of road works, stormwater, water and wastewater infrastructure and park assets are recognised as revenue when the development becomes "on maintenance" (i.e. Council obtains control of the assets and becomes liable for any ongoing maintenance) and there is sufficient data in the form of drawings and plans to determine the approximate specifications and values of such assets. All non-cash contributions are recognised at the fair value of the contribution received on the date of acquisition.

(d) Cash Contributions

Council receives cash contributions from property developers to construct assets such as roads and footpaths and to connect new property developments to water and sewerage networks in the local government area. Where agreements between Council and the developers relating to these contributions are determined to fall within the scope of AASB Interpretation 18 *Transfers of Assets from Customers* these contributions are recognised as revenue when the related service obligations are fulfilled.

Developers may also make cash contributions towards the cost of constructing existing and proposed water supply and sewerage headworks in accordance with Council's planning scheme policies. (Headworks include pumping stations, treatment works, mains, sewers and water pollution control works). Cash contributions in relation to water supply and sewerage headworks are not within the scope of AASB Interpretation 18 because there is no performance obligation associated with these contributions. Consequently, these cash contributions are recognised as income when received.

For new development applications, since the 3rd January 2012, developers pay infrastructure charges for trunk infrastructure, such as pumping stations, treatment works, mains, sewers and water pollution control works. These infrastructure charges are not within the scope of AASB Interpretation 18 because there is no performance obligation associated with them. Consequently, those infrastructure charges are recognised as income when received.

(e) Interest received

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

(f) Sales revenue

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

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

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

(g) Fees and charges

Fees and charges are recognised upon unconditional entitlement to the funds. Generally this is upon lodgement of the relevant applications or documents, issuing of the infringement notice or when the service is provided.

(h) Other recurrent income

Other revenue is recognised as a receivable when it is probable that it will be received and the amount is known, otherwise the amount is recognised upon receipt. Rental revenue is recognised as income on a periodic straight line basis over the lease term.

1.10 Financial assets and financial liabilities

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

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

Financial assets

Cash and cash equivalents (Note 1.11)

Investments (Note 1.12)

Trade and other receivables - measured at amortised cost (Note 1.13)

Financial liabilities

Payables - measured at amortised cost (Note 1.21)

Borrowings and borrowing costs - measured at amortised cost (Note 1.23)

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

The fair value of financial instruments is determined as follows:

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

The fair value of borrowings, as disclosed in Note 22 to the accounts, is determined by reference to published price quotations in an active market and/or by reference to pricing models and valuation techniques. It reflects the value of the debt if the Council repaid it in full at balance date. As it is the intention of the Council to hold its borrowings for their full term, no adjustment provision is made in these accounts.

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

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

All other disclosures relating to the measurement and financial risk management of financial instruments are included in Note 35.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statementsFor the year ended 30 June 2015

1.11 Cash and cash equivalents

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

1.12 Investments

Term deposits in excess of three months are reported as investments, with deposits of less than three months being reported as cash equivalents.

1.13 Trade and other receivables

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

The collectability of receivables is assessed periodically and if there is objective evidence that Council will not be able to collect all amounts due, the carrying amount is reduced for impairment. The loss is recognised in finance costs. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the effective interest rate.

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

Because Council has the power under the *Local Government Act 2009* to sell an owner's property to recover outstanding rate debts, Council will only impair rate receivables when outstanding debt exceeds unimproved capital values.

Loans and advances are recognised in the same way as other receivables. Security is not normally obtained.

1.14 Inventories

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

Inventories held for distribution (internal consumption) are:

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

Inventory for distribution is valued at cost, adjusted when applicable for any loss of service potential.

1.15 Discontinued operations

The de-amalgamation of Livingstone Shire Council from Rockhampton Regional Council occurred as at 1 January 2014 as per the Local Government (De-amalgamation Implementation) Regulation 2013. In line with AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations* the revenue and expense of the discontinued operations have been separated. Note 11 supplies a summary of the operational results of the discontinued operations and Note 30 supplies a summary of the assets and liabilities in the disposal which have been recorded in accordance with AASB 3 *Business Combinations*.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

1.16 Other assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale or disposal process, rather than through continuing use. This condition is regarded as met only when the sale or disposal is highly probable and the non-current asset (or disposal group) is available for immediate sale or disposal in its present condition. Management must be committed to the sale or disposal, and/or directed by law or regulation, which should be expected to qualify for recognition as a completed sale or disposal within one year from the date of classification.

When the above commitment to a sale or disposal process exists, all appropriate assets and liabilities are classified as held for sale. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less cost to sell. Details of land held for sale can be found in Note 16.

1.17 Property, plant and equipment

Each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss. Items of plant and equipment with a total value of less than \$5,000, and infrastructure assets, site improvements, airport assets and buildings with a total value of less than \$10,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

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

- Land
- Site Improvements
- Buildings
- Plant and Equipment
- Infrastructure Assets:
 - Road and Drainage Network
 - Bridge Network
 - Water Assets
 - Sewerage Assets
- Airport Assets
- Heritage and Cultural Assets
- Work in Progress

(a) Acquisition of assets

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

Property, plant and equipment received in the form of contributions, are recognised as assets and revenues at fair value by Council valuation where that value exceeds the recognition thresholds for the respective asset class. Fair value is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

(b) Capital and operating expenditure

Direct labour and materials and an appropriate proportion of overheads incurred in the acquisition or construction of assets are treated as capital expenditure. Assets under construction are not depreciated until they are completed and commissioned, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

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, while expenditure that relates to replacement of a major component of an asset to maintain its service potential is capitalised.

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.

(c) Valuation

Land, site improvements, buildings, airport, heritage and cultural and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*. Other plant and equipment and work in progress are measured at cost.

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging professionally qualified valuers (internal/external) 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 Council's 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 mostly internal resources to assess the condition and cost assumptions associated with all property, plant and equipment assets, measured on the revaluation basis, the results of which are considered in combination with the Australian Bureau of Statistics Indexes for Queensland, and other measures deemed suitable. For the 2014/15 year management has engaged independent, professionally qualified valuers to determine suitable indices for the buildings, airport, bridge and heritage and cultural asset classes. Together these are used to form the basis of a management valuation for property, plant and equipment asset classes, measured on the revaluation basis, in each of the intervening years.

The Producer Price Indexes for Queensland provided by Australian Bureau of Statistics that are used for property, plant and equipment assets are:

Buildings - Index Number ; 30 Building construction Queensland ;

Water and Sewerage - Index Number ; 3020 Non-residential building construction Queensland ;

Road and Drainage Network, Bridge Network and Airport - Index Number ; 3101 Road and bridge construction Queensland ; and

Site Improvements used the combination of indices above.

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 debited to the appropriate revaluation surplus of that asset class. Should this revaluation surplus be exhausted, then the remainder of the revaluation decrease is charged as an expense.

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.

(d) Capital work in progress

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

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

(e) Depreciation

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

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

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

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.

Landfill rehabilitation assets are depreciated on a straight line basis over the period remaining until the forecast date of closure of the landfill area. Council annually assesses the remaining life of landfill cells and accordingly, depreciation rates are adjusted to reflect these estimates.

Depreciation methods and estimated useful lives of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. The condition assessments performed as part of Councils asset management processes, for assets measured at depreciated current replacement cost are used to estimate the useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are shown in Note 17.

(f) Land under roads

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

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

1.18 Intangible assets

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

Expenditure on research activities relating to internally-generated intangible assets is recognised as an expense in the period in which it is incurred.

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

It has been determined that there is not an active market for any of the Council's intangible assets. Therefore, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

Amortisation methods and estimated useful lives are reviewed at the end of each reporting period and adjusted where appropriate. Details of the estimated useful lives assigned to each class of intangible assets are shown in Note 19.

1.19 Impairment of non-current assets

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

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

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

1.20 Leases

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

(a) Operating leases

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

1.21 Payables

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

1.22 Liabilities - employee benefits

Liabilities are recognised for employee benefits such as wages and salaries, annual leave and long service leave in respect of services provided by the employees up to the reporting date. Liabilities for employee benefits are assessed at each reporting date. Where it is expected that the leave will be paid in the next twelve months or that Council does not have an unconditional right to defer settlement of the liability for at least 12 months, the liability is treated as a current liability. Otherwise the liability is treated as non-current. Council has adopted the changes in AASB 119 *Employee Benefits* during the 2013/14 year. This standard is effective for periods commencing on or after 1 January 2013.

(a) 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 20 as a payable.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

(b) Annual leave

A liability for annual leave is recognised. Amounts expected to be settled within 12 months are calculated on current wage and salary levels and includes related employee on-costs. Amounts not expected to be settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values. This liability represents an accrued expense and is reported in Note 20 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.

(c) 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 20 as a payable.

(d) 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 28.

(e) Long service leave

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the Council's employment or other associated employment which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value. This liability is reported in Note 21 as a provision.

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.

1.23 Borrowings and borrowing costs

Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these liabilities are measured at book value at date of reporting.

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.

Borrowings are classified as current liabilities except for the principal amount that is due and payable, under the contractual terms of the loan agreement, 12 months after the end of the reporting period. This amount is classified as a non-current amount. Further details are provided in Note 22.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statementsFor the year ended 30 June 2015

1.24 Restoration provision

A provision is made for the cost of restoration of landfill facilities and quarries where it is probable the Council will be liable, or required, to incur such a cost on the cessation of use of these facilities. Further details can be found in Note 21.

Landfill restoration

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

The provision is measured at the expected cost of the work required, discounted to current day values using an appropriate rate. The Commonwealth Government guaranteed securities, with a maturity date corresponding to the anticipated date of restoration, is considered an appropriate rate.

Changes to the provision resulting from the passing of time (the unwinding of the discount) are treated as a finance cost.

Quarry rehabilitation

The provision represents the present value of the anticipated future costs associated with the closure of the quarries and rehabilitation of these sites. The calculation of this provision requires assumptions such as application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. The provision recognised for quarry rehabilitation is reviewed at least annually and updated based on the facts and circumstances available at the time. Management estimates that the restoration will occur on an ongoing basis.

The provision is measured at the expected cost of the work required, discounted to current day values using an appropriate rate. The Commonwealth Government guaranteed securities, with a maturity date corresponding to the anticipated date of restoration, is considered an appropriate rate.

Changes to the provision resulting from the passing of time (the unwinding of the discount) are treated as a finance cost.

1.25 Asset revaluation surplus

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

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

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

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

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statementsFor the year ended 30 June 2015

1.26 Retained surplus**(a) Surplus funds**

This represents the amount of Council's net funds not set aside in reserves to meet specific future needs.

(b) Capital and operational reserves

Both the capital and operational reserves represent funds that are accumulated within Council to meet future needs. In each case the amount relates to a perceived future requirement which is not currently a liability.

1.27 National competition policy

The Council has reviewed its activities to identify its business activities. Details of these activities are disclosed in Note 36.

1.28 Rounding and comparatives

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

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

1.29 Trust funds held for outside parties

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

The monies are disclosed in the notes to the financial statements for information purposes only in Note 29.

1.30 Carbon pricing

In 2011 the Australian Government introduced a Clean Energy Legislation package which introduced a pricing mechanism for greenhouse gas emissions in the Australian economy from 1 July 2012. This legislation was repealed on the 17 July 2014 to effectively remove Carbon Pricing from 1 July 2014.

For Rockhampton Regional Council, the Lakes Creek Landfill was above the emissions threshold and as such was liable for Carbon Tax on the emissions during the period in which the legislation was effective.

1.31 Taxation

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

The Council pays Payroll Tax to the Queensland Government on certain activities.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statementsFor the year ended 30 June 2015

2 Analysis of results by function**(a) Components of Council functions**

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

Resourcing

Includes recognition and allocation of general rate and grant revenue as well as interest revenue and expenses not allocated to business units.

Office of CEO

Incorporates the offices of the Mayor, Councillors and the Chief Executive Officer. Includes regional development, governance and Council innovation as well as marketing engagement functions.

Regional Services

Includes roadworks, street lighting, stormwater drainage, recoverable works, depot and workshop operations, engineering administration and engineering planning. Also includes development assessment and development compliance.

Corporate Services

Includes communication and information technology, administration services, financial services, workforce and strategy, asset management, rationalisation and realisation of land and building assets, organisational development services and fleet and plant services. Also includes the lease of caravan parks and Gracemere saleyards.

Community Services

Includes libraries, art services, theatre and venue management, heritage preservation, child care, aged services, and community assistance. Management, maintenance and operation of Council facilities, reserves and parks. Maintenance and beautification of entrances into the region and road reserves where these are Council controlled. Local law enforcement (dog registration and regulation of parking) within Council boundaries. Manages operations of public health, environmental health, health planning and natural resource management.

Airports

Encompasses Rockhampton Airport operations.

Waste & Recycling

Includes waste collection and disposal, recycling collection, and management of Council's landfill facilities.

Fitzroy River Water

Council's commercialised water and sewerage business. Includes provision of water and sewerage services to the residents of Rockhampton Regional Council including operation of the barrage, water treatment plant, reservoirs, water distribution network, water quality control, sewerage treatment plants, trunk sewers, sewerage pump stations, sewerage mains and services.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

2 Analysis of results by function

(b) Revenue, expenses and assets have been attributed to the following functions:

Functions	Income		Total Income	Total Expenses	Net Result	Assets
	Recurring					
	Grants	Other				
	2015	2015	2015	2015	2015	2015
	\$	\$	\$	\$	\$	\$
Resourcing						
Office of CEO						
Regional Services						
Corporate Services						
Community Services						
Airports						
Waste & Recycling						
Fitzroy River Water						
Total						

Prior Year

Functions	Income		Total Income	Total Expenses	Net Result	Assets
	Recurring					
	Grants	Other				
	2014	2014	2014	2014	2014	2014
	\$	\$	\$	\$	\$	\$
Resourcing	3,258,489	74,192,294	77,450,783	830,877,710	(753,426,927)	225,386,070
Office of CEO	-	34,721	34,721	5,511,110	(5,476,389)	31,606
Regional Services	17,403,907	53,617,679	71,021,586	59,198,406	11,823,180	878,491,126
Corporate Services	915,189	3,005,242	3,920,431	16,886,747	(12,966,316)	42,758,454
Community Services	6,821,104	8,646,203	15,467,307	52,411,266	(36,943,959)	169,188,370
Airports	25,976	13,991,295	14,017,271	13,665,344	351,927	79,227,199
Waste & Recycling	539,745	16,774,304	17,314,049	18,368,392	(1,054,343)	29,994,561
Fitzroy River Water	2,529,528	81,917,419	84,446,947	56,901,709	27,545,238	530,565,679
Total	31,493,938	252,179,157	283,673,095	1,053,820,684	(770,147,589)	1,955,643,065

The analysis of results by function for the year reflects the restructure of local government. This loss on restructure is included in the total expenses for Resourcing. This note should be read in conjunction with Note 11, Note 16 and Note 30.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2015

	Note	2015 \$	2014 \$
3 Revenue analysis			
(a) Rates, levies and charges			
General rates			47,296,140
Separate rates			16,021,095
Special rates			109,701
Water			27,475,150
Sewerage			23,681,427
Garbage charges			13,667,728
Rates and utility charge revenue			128,251,241
Less: Discounts			(9,809,308)
Less: Pensioner remissions			(1,447,204)
Net rates and utility charges			116,994,729
(b) Fees and charges			
Airport fees			10,183,557
Waste and recycling fees			4,723,052
Venues, events, tourism and cultural fees			3,612,948
Building, plumbing and development fees			3,248,618
Local laws and health licencing fees			1,071,971
Irrigator and commercial water fees			1,549,947
Other fees			1,120,110
			25,510,203
(c) Interest received			
Investments			3,229,240
Overdue rates and utility charges			441,918
			3,671,158
(d) Sales revenue			
Recoverable and private works			12,201,532
			12,201,532
The amount recognised as revenue from contract works during the period is the amount receivable in respect of invoices issued during the period.			
The contract work carried out is not subject to retentions.			
(e) Other recurrent income			
Rental / lease income			2,963,257
Commission and collection fees			1,920,670
Other income			2,245,422
			7,129,349

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2015

Note	2015 \$	2014 \$
4 Grants, subsidies and contributions		
(a) Recurrent - grants, subsidies and contributions are analysed as follows:		
General purpose grants		2,743,390
Government subsidies and grants		11,454,479
Contributions		278,186
Total recurrent revenue		<u>14,476,055</u>
(b) Capital - grants, subsidies, and contributions are analysed as follows:		
(i) Monetary revenue designated for capital funding purposes:		
Government subsidies and grants		12,957,824
Contributions		4,950,369
		<u>17,908,193</u>
(ii) Non-monetary revenue received is analysed as follows:		
Developer assets contributed by developers at fair value		23,867,849
Other physical assets contributed at fair value		9,986,808
		<u>33,854,657</u>
Total Capital Revenue		<u>51,762,850</u>
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 recurrent Government subsidies and grants		1,049,775
Non-reciprocal grants for expenditure on capital Government subsidies and grants		82,222
		<u>1,131,997</u>
5 Capital income		
Gain on the disposal of non-current assets		
(a) Proceeds from disposal of land		541,989
Less: Book value of land disposed		(195,769)
		<u>346,220</u>
(b) Proceeds from disposal of plant and equipment		1,126,810
Less: Book value of plant and equipment disposed		(1,335,827)
		<u>(209,017)</u>
(c) Proceeds from disposal of site improvements		120,565
Less: Book value of site improvements disposed		(70,331)
		<u>50,234</u>
Total capital income		<u>187,437</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

	Note	2015 \$	2014 \$
6 Employee benefits			
Total staff wages and salaries			56,425,284
Councillors' remuneration			1,015,410
Annual, sick and long service leave entitlements			7,376,533
Superannuation	28		6,754,242
			<u>71,571,469</u>
Other employee related expenses			2,407,134
			<u>73,978,603</u>
Less: Capitalised employee expenses			(10,922,034)
			<u><u>63,056,569</u></u>
Councillor remuneration represents salary and other allowances paid in respect of carrying out their duties.			
Total Council employees at the reporting date:			
Elected members			8
Administration staff			459
Depot and outdoors staff			349
Total full time equivalent employees			<u><u>816</u></u>
7 Materials and services			
Audit of annual financial statements by the Auditor-General of Queensland			218,962
Advertising and marketing			696,452
Administration supplies and consumables			896,722
Communications and IT			2,561,293
Consultants			2,932,570
Contractors			6,449,452
Donations paid			1,126,166
Insurance			1,890,359
Electricity			6,156,652
Repairs and maintenance			19,170,827
Rentals - operating leases			250,777
Other materials and services			1,042,995
			<u>1,042,995</u>
			<u><u>43,393,227</u></u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

	Note	2015 \$	2014 \$
8 Finance costs			
Finance costs charged by the Queensland Treasury Corporation			9,002,213
Bank charges			385,193
Impairment of receivables			115,617
Quarry rehabilitation - change in present value over time	21		24,845
Landfill sites - change in present value over time	21		125,798
			<u>9,653,666</u>
9 Depreciation and amortisation			
(a) Depreciation of non-current assets			
Site improvements			2,868,291
Buildings			5,957,811
Heritage and Cultural assets			156,533
Plant and equipment			5,472,810
Road and drainage network			15,393,920
Bridge network			410,360
Water			5,643,705
Sewerage			5,412,311
Airport			1,376,417
Total depreciation of non-current assets	17		<u>42,692,158</u>
(b) Amortisation of intangible assets			
Computer software			737,912
Total amortisation of intangible assets	19		<u>737,912</u>
Total depreciation and amortisation			<u>43,430,070</u>
10 Capital expenses			
Write off of non-current assets			
Intangible assets			3,828
Buildings			273,355
Plant and equipment			3,695
Site improvements			211,570
Road and drainage network			7,170,223
Bridge network			481,596
Water			747,944
Sewer			523,580
Quarry rehabilitation - change from revision of future restoration expenditure	21		29,779
Quarry rehabilitation - increase in rehabilitation provision for future costs, due to a change in discount rate	21		18,719
Disaster events			
2015 Cyclone Marcia asset adjustments	33		-
Flood event 2013 asset adjustments	33		-
Flood event 2011 asset adjustments	33		-
Total capital expenses			<u>9,464,289</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

11 Discontinued operations

The de-amalgamation of Livingstone Shire Council from Rockhampton Regional Council occurred as at 1 January 2014 as per the *Local Government (De-amalgamation Implementation) Regulation 2013*. Rockhampton Regional Council have considered all relevant impacts, legislation, transactions and modelling on its assets and liabilities as at 31 December 2013 and beyond, as a result of the de-amalgamation process. In accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, all revenue and expenses for the de-amalgamating Livingstone Shire Council have been separated for the six months ended 31 December 2013, and summarised as per Note 11.

Revenue and expenses were mainly apportioned on the basis of geographical location. Where a geographical apportionment was not possible, a population based distribution method was used, while other allocation methodologies were only used where they provided meaningful separation.

	2015	2014
	\$	\$
Income		
Revenue		
Recurrent revenue		
Rates, levies and charges		26,043,939
Fees and charges		2,867,885
Interest received		1,133,657
Sales revenue		1,129,258
Other recurrent income		381,944
Grants, subsidies and contributions		1,273,997
		32,830,680
Capital revenue		
Grants, subsidies and contributions		18,908,651
Total revenue		51,739,331
Capital income		448
Total income		51,739,779
Expenses		
Recurrent expenses		
Employee benefits		(13,364,908)
Materials and services		(9,925,555)
Finance costs		(2,419,799)
Depreciation and amortisation		(9,646)
		(25,719,908)
Capital expenses		(22,020)
Total expenses		(25,741,928)
Surplus/(deficit) from discontinued operations		25,997,851
Cash flows from discontinued operations		
Net cash inflows from operating activities		5,340,510
Net cash (outflows) from investing activities		(5,034,243)
Net cash (outflows) from financing activities		(3,154,390)
Net cash (outflows)/inflows		(2,848,123)

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

	Note	2015 \$	2014 \$
12 Cash and cash equivalents			
Cash in operating bank account			1,882,256
Cash in other banks and on hand			27,500
Deposits and investments held with QTC			27,989,881
Balance as per statement of financial position			29,899,637
Component of cash held for transfer to Livingstone Shire Council			10,381,261
Balance as per statement of cash flows			40,280,898

Cash at bank funds are held with the Commonwealth Bank. Deposits at call consist of funds held in a Queensland Treasury Corporation Cash Fund, which has a short term credit rating of x and a long term rating of x, with a floating interest rate (xx% for 30 June 2015).

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

Unspent government grants and subsidies		372,693
Unspent developer contributions		16,434,564
Cash balance to be transferred to Livingstone Shire Council		10,381,261
Total unspent restricted cash		27,188,518

13 Investments

Opening balance		59,000,000
Add back assets held for transfer to Livingstone Shire Council		33,000,000
Transfers (to)/from operating bank account		(2,000,000)
Amount transferred on restructure of local government	30	(33,000,000)
Closing balance of term deposits		57,000,000

Term deposits at fixed interest rates are held with the following financial institutions: xx. Maturity ranges from x months to x year and bear interest rates from x% to x%.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

	Note	2015 \$	2014 \$
14 Trade and other receivables			
Current			
Rateable revenue and utility charges			7,277,106
Less: impairment			(30,940)
			<u>7,246,166</u>
Water charges yet to be levied			308,487
GST recoverable			639,820
Other debtors			9,085,367
Less: impairment			(483,683)
			<u>9,549,991</u>
Prepayments			1,610,910
			<u>18,407,067</u>
Interest is charged on outstanding rates at a rate of 11% per annum. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable.			
Community loans arise from time to time and are subject to negotiated interest rates.			
Movement in accumulated impairment losses (trade and other receivables) is as follows:			
Opening balance			451,220
Impairment debts written off during the year			(63,582)
Additional impairments recognised			126,985
Closing balance			<u>514,623</u>
15 Inventories			
Inventories held for sale			
Other trading stocks			235,559
			<u>235,559</u>
Inventories held for internal use:			
Quarry and road materials			355,039
Stores and materials			1,139,567
			<u>1,494,606</u>
Valued at cost, adjusted when applicable for any loss of service potential.			<u>1,730,165</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

	Note	2015 \$	2014 \$
16 Assets classified as held for sale and transfer			
Land held for sale	(a)		3,719,000
Assets held for transfer to Livingstone Shire Council	(b)		10,381,261
			<u>14,100,261</u>

(a) On an intermittent basis Council decides to sell vacant land and where this land is expected to be sold within the year it is classified under assets held for sale and transfer. These assets are measured at the lower of the assets' carrying amounts and their fair values less costs to sell. These assets are not depreciated or amortised. Note 18 describes the valuation techniques that were used to determine the fair value of the land, which is categorised as a level 2 and 3 valuation.

(b) The de-amalgamation of Livingstone Shire Council from Rockhampton Regional Council occurred as at 1 January 2014 as per the *Local Government (De-amalgamation Implementation) Regulation 2013*. Assets and liabilities anticipated to be transferred to the Livingstone Shire Council are as follows:

Cash, investments and cash equivalents			10,381,261
Assets of Livingstone Shire Council classified as held for sale and transfer	(b)		10,381,261
Net assets and liabilities to be transferred			<u>10,381,261</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2015

17 (a) Property, plant and equipment

Basis of measurement	Note	Land	Site improvements	Buildings	Plant and equipment	Road and drainage network	Bridge network	Water	Sewerage	Airport	Heritage and cultural assets	Work in Progress	Total
		Fair value	Fair value	Fair value	Cost	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Cost	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Asset values													
Opening gross value as at 1 July 2014													
Additions at cost													
Contributed assets at valuation													
Transfers between classes													
Disposals													
Assets classified as held for sale - land													
Revaluation adjustment to asset revaluation surplus													
Flood event 2013 asset adjustments													
2015 Cyclone Marcia asset adjustments													
Write offs													
Transfer to intangible assets													
Closing gross value as at 30 June 2015													
Accumulated depreciation and impairment													
Opening gross value as at 1 July 2014													
Depreciation provided in period													
Depreciation on disposals													
Revaluation adjustment to asset revaluation surplus													
Flood event 2013 asset adjustments													
2015 Cyclone Marcia asset adjustments													
Depreciation on write offs													
Accumulated depreciation as at 30 June 2015													
Net value at 30 June 2015													
Range of estimated useful life in years													
Additions comprise:													
Renewals													
Other additions													
Total additions													

ROCKHAMPTON REGIONAL COUNCIL
Notes to the financial statements
For the year ended 30 June 2015

17 (b) Property, plant and equipment - prior year

Basis of measurement	Note	Land	Site improvements	Buildings	Plant and equipment	Road and drainage network	Bridge network	Water	Sewerage	Airport	Heritage and cultural assets	Work in Progress	Total
		Fair value	Fair value	Fair value	Cost	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Cost	Cost
Asset values		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value as at 1 July 2013 - Rockhampton Regional Council		104,130,460	67,227,197	235,678,918	61,462,121	1,076,032,170	32,903,029	460,593,592	320,926,015	65,513,798	21,319,922	33,946,882	2,479,734,104
Add assets held for transfer to Livingstone Shire Council		50,774,106	29,769,721	39,182,819	18,756,814	583,452,462	28,689,388	237,382,288	109,891,720	-	330,990	12,809,340	1,111,039,648
Opening gross value as at 1 July 2013		154,904,566	96,996,919	274,861,738	80,218,936	1,659,484,633	61,592,417	697,975,880	430,817,735	65,513,798	21,650,912	46,756,222	3,590,773,756
Adjustment to opening value		-	-	-	-	-	-	-	-	-	-	-	-
Additions at cost		58,488	923,167	2,294,192	6,232,708	16,657,308	575,639	6,444,438	8,493,673	27,246	23,028	42,438,074	84,167,060
Contributed assets at valuation	4(b)(i)&(j)	3,000	-	-	110,191	38,063,426	71,278	3,654,895	3,344,440	-	149,764	-	45,396,994
Reassessment of landfill restoration cost		-	(714,734)	-	-	-	-	-	-	-	-	-	(714,734)
Transfers between classes		2,931	8,209,130	3,065,904	161,045	5,235,710	26,142	2,600,062	2,277,323	122,106	-	(21,720,355)	-
Disposals		(195,769)	(161,480)	-	(4,828,172)	-	-	-	-	-	-	-	(5,185,421)
Assets classified as held for sale - land	16	(1,614,521)	-	-	-	-	-	-	-	-	-	-	(1,614,521)
Revaluation adjustment to asset revaluation surplus	25	25,517,410	10,501,709	-	-	-	-	61,507,089	(34,222,052)	-	-	-	63,304,157
Flood event 2011 asset adjustments	33(i)	-	-	-	-	1,089,030	-	-	-	-	-	-	1,089,030
Write offs	10 & 11	-	(1,753,224)	(1,244,305)	(245,145)	(9,769,684)	(663,061)	(3,288,748)	(2,528,574)	-	-	-	(19,492,741)
Transfer to intangible assets	19	-	-	-	-	-	-	-	-	-	-	(644,590)	(644,590)
Assets transferred to Livingstone Shire Council	30	(50,850,647)	(28,162,865)	(39,557,263)	(19,492,335)	(589,195,195)	(29,043,666)	(238,475,913)	(110,427,863)	-	(329,190)	(23,924,355)	(1,129,459,292)
Closing gross value as at 30 June 2014		127,625,458	85,638,622	239,420,266	62,177,228	1,121,565,228	32,558,749	530,417,703	297,754,682	65,663,150	21,494,514	42,904,996	2,627,420,598
Accumulated depreciation and impairment													
Opening gross value as at 1 July 2013 - Rockhampton Regional Council		-	19,007,226	101,742,049	25,698,739	258,572,048	9,266,863	163,590,938	163,189,616	22,135,147	3,932,800	-	767,135,426
Add assets held for transfer to Livingstone Shire Council		-	6,379,585	16,195,238	7,743,675	74,122,598	6,493,639	90,162,284	24,179,297	-	-	-	225,276,316
Opening balance as at 1 July 2013		-	25,386,812	117,937,289	33,442,414	332,694,646	15,760,502	253,753,222	187,368,915	22,135,148	3,932,800	-	992,411,748
Adjustment to opening value		-	-	-	-	-	-	-	-	-	-	-	-
Depreciation provided in period	9(a)	-	2,868,367	5,957,811	5,482,220	15,394,080	410,360	5,843,705	5,412,311	1,376,417	156,533	-	42,701,804
Depreciation on disposals		-	(91,149)	-	(3,406,753)	-	-	-	-	-	-	-	(3,497,902)
Revaluation adjustment to asset revaluation surplus	25	-	5,762,214	-	-	-	-	25,887,470	(34,631,568)	-	-	-	(2,961,884)
Flood event 2011 asset adjustments	33(i)	-	-	-	-	235,460	-	-	-	-	-	-	235,460
Depreciation on write offs	10 & 11	-	(1,541,654)	(970,949)	(241,450)	(2,577,442)	(181,466)	(2,540,804)	(2,004,995)	-	-	-	(10,058,760)
Assets transferred to Livingstone Shire Council	30	-	(6,021,380)	(16,193,410)	(7,500,425)	(73,290,304)	(6,524,082)	(80,138,628)	(24,179,297)	-	-	-	(223,847,526)
Accumulated depreciation as at 30 June 2014		-	26,363,210	106,730,741	27,776,006	272,456,440	9,465,314	192,604,965	131,965,366	23,511,565	4,089,333	-	794,962,940
		127,625,458	59,475,412	132,689,525	34,401,222	849,108,788	23,093,435	337,812,738	165,789,316	42,151,585	17,405,181	42,904,996	1,832,457,658
Range of estimated useful life in years		Not depreciated	10 - 102	10 - 80	3 - 40	4 - 130	10 - 100	15 - 120	15 - 100	12 - 120	15 - 75		
Additions comprise:													
Continuing operations		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Renewals		-	246,944	640,465	4,201,020	12,325,082	575,639	3,280,978	2,178,527	22,559	-	4,954,481	28,427,695
Other additions		58,488	668,713	1,599,434	1,153,980	4,305,394	-	3,163,461	6,315,146	4,687	23,028	25,981,084	43,273,415
Total additions		58,488	917,657	2,239,899	5,355,000	16,630,476	575,639	6,444,439	8,493,673	27,246	23,028	30,935,565	71,701,110

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2015

18 Fair value measurements

(a) Recognised fair value measurements

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

- Properly, plant and equipment
 - Land
 - Site improvements
 - Buildings
 - Road and drainage network
 - Bridge network
 - Water
 - Sewerage
 - Airport
 - Heritage and cultural assets

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 22 is provided by the Queensland Treasury Corporation and represents the contractual undiscounted cash flows at balance date (level 2).

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

Council also has assets measured at fair value on a non-recurring basis as a result of being reclassified as assets held for sale. This comprises land held for sale as disclosed in Note 16. A description of the valuation techniques and the inputs used to determine the fair value of this land is included below under the heading "Land (level 2)" and "Land (level 3)".

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)

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 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 all Council 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 2015.

	Note	Level 2		Level 3		Total	
		(Significant other observable inputs)		(Significant unobservable inputs)			
		2015	2014	2015	2014	2015	2014
		\$		\$		\$	
Recurring fair value measurements:							
Land			78,569,000				78,569,000
Land - no active markets				49,056,458			49,056,458
Site Improvements				59,475,412			59,475,412
Buildings				132,689,524			132,689,524
Road and drainage				849,108,788			849,108,788
Bridge network				23,093,435			23,093,435
Water				337,812,738			337,812,738
Sewerage				165,789,316			165,789,316
Airport				42,151,585			42,151,585
Heritage and cultural assets				17,405,181			17,405,181
Total recurring fair value measurements			78,569,000	1,676,582,437			1,755,151,437
Non-recurring fair value measurements:							
Land held for sale			2,524,000	1,195,000			3,719,000

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(b) Valuation techniques used to derive fair values for level 2 and level 3 valuations

Council adopted AASB13 *Fair Value Measurement* in 2013/14 and reviewed each valuation to ensure compliance with the requirements of the new standard. There have been no changes in valuation techniques as a result of this review. The last full valuation of road (footpaths and road furniture) and drainage, buildings, airport, bridge and heritage and cultural assets were valued under AASB116 *Property, Plant and Equipment*.

Where land is used for community benefit purposes there is generally a difference between the current use and highest and best use, including cemeteries, parks, sporting facilities and the showgrounds.

Specific valuation techniques used to value Council assets comprise:

Land (level 2) / Land held for sale (level 2)

Land fair values were determined by independent valuer, APV Valuers & Asset Management effective, 30 April 2014. Level 2 valuation inputs were used to value land in freehold title as well as land used for special purposes which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre. A general review of the land market was carried out by Herron Todd White (Central Qld) Pty Ltd at 31 March 2015 which found no material movements in value, and as a result no valuation adjustment was undertaken.

Land (level 3) / Land held for sale (level 3)

Where there was no observable market evidence for a land asset due to its configuration, Council zoning restrictions, contamination or similar factors that result in there being no directly comparable market evidence, level 3 valuation inputs were used. For these assets significant assumptions needed to be made to determine the fair value. These were subsequently valued at the level 3 valuation input hierarchy by using the professional judgment of a Registered Valuer who adjusted the price per square metre of sales from sites not in close proximity which provided only a low level of comparability. The highest and best alternate use was utilised in the determination of the replacement cost where there was no directly comparable market evidence for the current use.

Land classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less cost to sell at the time of reclassification. The fair value of the land was determined using the sales comparison approach described in the preceding paragraphs.

The following table provides a summary of the unobservable inputs and an assessment of the sensitivity of these to the fair value measurement.

Sensitivity of valuation to unobservable inputs

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Price per square metre	\$0.50 - \$1 000	The higher the price per square metre, the higher the fair value.

Buildings (level 3)

The fair value of buildings is measured at written down current replacement cost. The last comprehensive revaluation was undertaken by AssetVal Pty Ltd, Registered Valuers, under AASB 116 *Property Plant & Equipment*, as at 30 June 2012. Indexation was applied to the depreciated replacement cost values in line with the movement in the Producer Price Index (6427) from the Australian Bureau of Statistics; Table 17 - Index number 30 - Building Construction for Queensland from June 2012 (last valuation) to 31 March 2015.

Current replacement cost (CRC)

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. Published or available market data for recent projects, and/or published cost guides are utilised to determine the estimated replacement cost, including allowances for preliminaries and professional fees.

Accumulated depreciation

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit different useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component. An assessment of the economic life and remaining economic life of the various assets has been derived from valuer experience.

Estimated useful lives are disclosed in Note 17.

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Sensitivity of valuation to unobservable inputs

The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation:

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Replacement cost per square metre		The higher the replacement cost per square metre, the higher the fair value.
Remaining useful life		The longer the remaining useful life, the higher the fair value.

Site Improvements (level 3)

The fair value of site improvements were determined by Cardno (Qld) Pty Ltd, Registered Valuer, as at 30 April 2014, at written down current replacement cost. A review of indices was carried out at 30 June 2015 which found no material movements in value, and as a result no valuation adjustment was undertaken.

Current replacement cost (CRC)

Where site improvement assets 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. The unit rates (labour and materials) and quantities applied to determine the CRC of an asset are based on the full replacement cost, including components that may not need to be replaced. The unit rates were derived from valuer databases and cost curves, scheduled rates for construction of assets or similar assets, published cost guides and supplier quotations and calibrated where applicable. Valuation unit rates (replacement costs) were increased by 15% to allow for project overheads including survey, environmental and investigation costs, engineering design, planning, and project management.

Accumulated depreciation

In determining the level of accumulated depreciation, the asset has been disaggregated into significant components which exhibit different useful lives. Allowance has been made for the consumed or expired future economic benefits of the asset by reference to the useful life and condition of the asset. The condition assessments were made using a six point scale with a scale of 0 indicating an asset with a very high level of remaining service potential; whereas a rating of 5 indicates a condition of an asset at the end of its useful life.

Estimated useful lives are disclosed in Note 17.

Sensitivity of valuation to unobservable inputs

The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation:

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Material cost	20% - 75% of replacement cost	The higher the material cost, the higher the fair value.
Labour cost	15% - 70% of replacement cost	The higher the labour cost, the higher the fair value.
Replacement cost		The higher the replacement cost, the higher the fair value.
Condition rating		The worse the asset condition, the lower the fair value.
Useful life		The longer the useful life, the higher the fair value.

Infrastructure assets (level 3)

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

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

The unit rates (labour and materials) and quantities applied to determine the CRC of an asset or asset component were based on 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 depreciated replacement cost was determined using methods relevant to the asset class as described under individual asset categories below.

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Road and drainage network (level 3)**Current replacement cost (CRC)**

Council categorises its road infrastructure according to the NAASRA functional road classifications and then categorises these into sealed and unsealed. Both urban and rural roads are managed in segments of varying lengths. This can be dependent on construction type, environment and surroundings. All road segments are then componentised into formation, pavement and surface (where applicable). Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. Council also assumes a segment is constructed to the same standard and uses consistent unit rates.

For the assets included in Year 1 of the rolling 3 year valuation of the road and drainage assets (unsealed and sealed roads, carparks, access roads, floodways and kerbs), the valuation is currently in progress and specific wording will be provided in the final financial statements. For assets subject to valuation in the further stages of the valuation (footpaths, road furniture and drainage assets) CRC was calculated by internal valuation by reference to asset linear and area specifications, estimated labour and material inputs, services costs, and overhead allocations. For internal construction estimates, material and services prices are based on existing supplier contract rates or supplier price lists and labour wage rates were based on Council's Enterprise Bargaining Agreement (EBA). All direct costs were allocated to assets at standard usage quantities according to recently completed similar projects. Where construction is outsourced, CRC was based on the average unit rates of completed similar projects over the last few years.

A rolling valuation of road and drainage assets will be undertaken over 3 years commencing in the 2014/15 year with sealed and unsealed roads, floodways, kerbs, access roads and car parks. The 2014/15 valuation was undertaken by independent Registered Valuers, Pavement Management Services Pty Ltd, effective 30 April 2015. The last full valuation of road and drainage infrastructure was undertaken effective 30 June 2012 by suitably qualified officers of Rockhampton Regional Council under AASB116 *Property, Plant and Equipment*. A review of indices as at 30 June 2015 using the ABS Producers' Price Index "Roads and Bridges Construction - Queensland (3101) A2333727L" found that there was no material movement in values, and as a result no valuation adjustment was undertaken for the remaining assets not subject to valuation in the current year.

Accumulated depreciation

In determining the level of accumulated depreciation, roads were disaggregated into significant components which exhibited different useful lives.

Assessment of expired service potential and remaining useful lives was undertaken based on a straight line basis derived from the associated benchmark life for the type of asset or condition information where reliable information is available.

Estimated useful lives are disclosed in Note 17.

Road and drainage sensitivity of valuation to unobservable inputs

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

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Number of labour hours	Varies depending on type of assets	The higher the labour hours, the higher the fair value.
Number of plant hours and type of plant used	Varies depending on type of assets	The higher the plant hours and more costly the plant used in the process, the higher the fair value.
Standard material usage quantities	Varies depending on type of assets	The higher the usage quantities, the higher the fair value.
Remaining useful life		The longer the remaining useful life, the higher the fair value.

Bridge network (level 3)

The fair value of the bridge network is measured at written down current replacement cost. The last comprehensive revaluation was undertaken by AssetVal Pty Ltd, Registered Valuers, under AASB 116 *Property Plant & Equipment*, as at 30 June 2012. A review of indices was carried out at 30 June 2015 which found no material movements in value, and as a result no valuation adjustment was undertaken.

Current replacement cost

Where Council bridges 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. Published or available market data for recent projects, and/or published cost guides are utilised to determine the estimated replacement cost, including allowances for preliminaries and professional fees.

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Accumulated depreciation

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit different useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component. An assessment of the economic life and remaining economic life of the various assets has been derived from valuer experience.

Estimated useful lives are disclosed in Note 17.

Sensitivity of valuation to unobservable inputs

The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation:

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Number of labour hours	5 -100 hours/component	The higher the labour hours, the higher the fair value.
Raw material usage quantities	Varies depending on type of assets and application	The higher the usage quantities, the higher the fair value.
Remaining useful life		The longer the remaining useful life, the higher the fair value.

Water and Sewerage (level 3)

The fair value of water and sewerage assets were determined by AssetVal Pty Ltd, Registered Valuer, as at 30 April 2014, at written down current replacement cost. The historic evaluation of the ABS Producer Price Index 6427, Table 17: 3020 non-residential building construction Queensland, revealed a definite movement for water and sewer assets since the last valuation, however when combined with a local assessment of the major components of plant, wages and materials which indicated a more stagnant localised position as at 30 June 2015, no material movements were found, and as a result no valuation adjustment was undertaken.

Current replacement cost (CRC)

The water and sewer assets are segregated into active and passive assets. For passive assets (water and sewer mains; water meters) unit rates were applied based on similar recent project costs, unit rate databases, indices, Rawlinson's construction rates and quotations and reviews by Council engineers. The active assets of treatment, pumping and storage assets were componentised and valued independently, with allowances for complexity, size, function and site factors. Raw costs were increased by up to 30% depending on project complexity to allow for project overheads including survey, environmental and investigation costs, engineering design, planning and project management.

Accumulated depreciation

In determining the level of accumulated depreciation for major assets, the assets have been disaggregated into significant components which exhibit different patterns of consumption (useful lives). A condition assessment is applied on a component basis, which is based on factors such as the age of the asset, overall condition at the time of inspection, economic and/or function obsolescence. The condition assessment directly translates to the level of depreciation applied. The condition assessments were made using an eleven point scale with a scale of 10 indicating an asset with a very high level of remaining service potential; whereas a rating of 0 indicates a condition of an asset at the end of its useful life. Where site inspections were not conducted the remaining useful life was calculated on asset age and estimated useful life.

Estimated useful lives are disclosed in Note 17.

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Sensitivity of valuation to unobservable inputs

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Number of labour hours per component	5-100 hours/linear metre	The higher the labour hours, the higher the fair value.
Raw material usage quantities	Varies depending on type and application	The higher the usage quantities, the higher the fair value.
Condition rating	Water:	The higher the condition score, the higher the fair value.
	Sewer:	
Remaining useful life	Water:	The longer the remaining useful life, the higher the fair value.
	Sewer:	

Airport (level 3)

The fair value of the airport assets are measured at written down current replacement cost. The last comprehensive revaluation was undertaken by AsseVal Pty Ltd, Registered Valuers, under AASB 116 *Property Plant & Equipment*, as at 30 June 2012. A review of indices was carried out at 30 June 2015 which found no material movements in value, and as a result no valuation adjustment was undertaken.

Current replacement cost

Where Council airport assets 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. Published or available market data for recent projects, and/or published cost guides are utilised to determine the estimated replacement cost, including allowances for preliminaries and professional fees.

Accumulated depreciation

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit different useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component. An assessment of the economic life and remaining economic life of the various assets has been derived from valuer experience.

Estimated useful lives are disclosed in Note 17.

Sensitivity of valuation to unobservable inputs

The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation:

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Number of labour hours per component	5-100 hours/linear metre	The higher the labour hours, the higher the fair value.
Raw material usage quantities	Varies depending on type and application	The higher the usage quantities, the higher the fair value.
Remaining useful life		The longer the remaining useful life, the higher the fair value.

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Heritage and Cultural Assets (level 3)

The fair value of heritage buildings is measured at written down current replacement cost; with the fair value of artworks, heritage collections, rare books and museum collections valued on a market based approach. The last comprehensive revaluation was undertaken by byjoel, Registered Valuer for artworks, and AssetVal Pty Ltd, Registered Valuers, for all other items, under AASB 116 *Property Plant & Equipment*, as at 30 June 2013. Based on the indexed based review conducted by AssetVal Pty Ltd; and byjoel (Artworks), as at 30 June 2014 which found no material movement in values and taking account of the low value of the asset class, no valuation adjustment was undertaken in the current year.

Current replacement cost

As Councils heritage 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. Published or available market data for recent projects, and/or published cost guides are utilised to determine the estimated replacement cost, including allowances for preliminaries and professional fees. The artworks and collections were valued under a market based approach reflecting the intrinsic importance, rarity and uniqueness in their values.

Accumulated depreciation

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit different useful lives. An assessment of the economic life and remaining economic life has been derived by the valuer from experience valuing similar assets.

Heritage buildings - estimated useful lives are disclosed in Note 17.

Sensitivity of valuation to unobservable inputs

The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation:

(a) Heritage and cultural assets - buildings and collections

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Heritage buildings:		
Replacement cost per square metre		The higher the replacement cost per square metre, the higher the fair value.
Remaining life		The longer the remaining life, the higher the fair value.
Collections - heritage and museum:		
Rate per unit or metre		The higher the input unit rate, the higher the fair value.

(b) Artworks

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Replacement cost		The higher the replacement cost, the higher the fair value.

(c) Changes in fair value

The changes in level 3 assets with recurring fair value measurements are detailed in Note 17 (Property, plant and equipment).

There have been no transfers between level 1, 2 or 3 measurements during the year.

(d) Valuation processes

The Council engages external, independent and qualified valuers to determine the fair value of the land, site improvements, buildings, infrastructure, airport and heritage and cultural assets on a regular basis within a five year cycle. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation using appropriate indices.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period and reviewed by Finance and the Chief Executive Officer and received by the Audit and Business Improvement Committee.

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Notes to the financial statements

For the year ended 30 June 2015

	Note	2015 \$	2014 \$
19 Intangible assets			
Net carrying value at period end:			
Computer software			2,048,277
			<u>2,048,277</u>
Computer software			
Opening gross carrying value			3,930,504
Add assets held for transfer to Livingstone Shire Council as at 30 June 2013			1,700,999
Adjustment to opening value			494,955
Transfer from work in progress	17		644,590
Value of asset write off in the period			(11,117)
Assets transferred to Livingstone Shire Council as at 31 December 2013	30		(1,711,990)
			<u>5,047,941</u>
Accumulated amortisation			
Opening balance			1,959,972
Add assets held for transfer to Livingstone Shire Council as at 30 June 2013			843,235
Adjustment to opening value			494,955
Amortisation in the period	9(b)		737,912
Amortisation written off in the period			(7,291)
Assets transferred to Livingstone Shire Council as at 31 December 2013	30		(1,029,119)
			<u>2,999,664</u>
			-
Net carrying value at period end			<u>2,048,277</u>
Estimated useful life in years - x to x years			
Straight line amortisation has been used.			
20 Trade and other payables			
Current			
Creditors and accruals			14,464,383
Annual leave			7,890,940
Sick leave			127,482
Other entitlements			692,703
Balance of cash payable for restructure of local government	16 & 30		10,381,261
			<u>33,556,769</u>

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Notes to the financial statements

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	Note	2015 \$	2014 \$
21 Provisions			
Current			
Quarry rehabilitation			50,264
Landfill restoration			1,024,447
Carbon tax			371,000
Long service leave			10,721,692
			<u>12,167,403</u>
Non-current			
Quarry rehabilitation			483,301
Landfill restoration			11,084,006
Long service leave			1,586,256
			<u>13,153,563</u>

Details of movements in provisions:

Quarry rehabilitation

Balance at beginning of financial year		460,222
Add back liabilities held for transfer to Livingstone Shire Council as at 30 June 2013		192,575
Increase in provision due to change in time		28,126
Increase/(decrease) in provision due to change in discount rate		18,719
Increase/(decrease) in estimate of future cost		29,779
Liabilities transferred to Livingstone Shire Council as at 31 December 2013	30	(195,856)
Balance at end of financial year		<u>533,565</u>

This is the present value of the estimated cost of restoring the quarry sites to a usable state at the end of their useful life. The projected cost is \$x and this cost is expected to be incurred over the period x to x.

Landfill restoration

Balance at beginning of financial year		14,879,142
Add back liabilities held for transfer to Livingstone Shire Council as at 30 June 2013		9,655,646
Decrease in provision for rehabilitation asset expenditure		(2,181,754)
Increase in provision due to change in time		162,674
Decrease in provision due to change in discount rate		(1,243,678)
Increase/(decrease) in estimate of future cost		528,944
Liabilities transferred to Livingstone Shire Council as at 31 December 2013	30	(9,692,521)
Balance at end of financial year		<u>12,108,453</u>

This is the present value of estimated future closure, maintenance and monitoring cost of landfill sites to the end of their useful lives and regulated periods. The projected cost is \$x and this cost is expected to be incurred over the period x to x.

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	Note	2015 \$	2014 \$
Carbon tax liability			
Balance at beginning of financial year			-
Increase in liability			371,000
Balance at end of financial year			<u>371,000</u>
Long service leave			
Balance at beginning of financial year			11,529,052
Add back liabilities held for transfer to Livingstone Shire Council as at 30 June 2013			4,684,723
Long service leave entitlement arising			1,906,699
Long service entitlement extinguished			(522,850)
Long service entitlement paid			(691,347)
Liabilities transferred to Livingstone Shire Council as at 31 December 2013	30		(4,598,329)
Balance at end of financial year			<u>12,307,948</u>

The non-current portion of long service leave is discounted to the present value.

22 Borrowings**(a) Bank overdraft**

The Council does not have a bank overdraft facility.

(b) Unsecured borrowings

Unsecured borrowings are provided by the Queensland Treasury Corporation. All borrowings are in Australian dollar denominated amounts and carried at amortised cost, interest being expensed as it accrues. No interest has been capitalised during the current or comparative reporting period. Expected final repayment dates vary between x to x.

There have been no defaults or breaches of the loan agreement during the period. Principal and interest repayments are made quarterly in arrears.

Details of borrowings at balance date are:**Current**

Queensland Treasury Corporation		14,407,449
		<u>14,407,449</u>

Non-current

Queensland Treasury Corporation		143,495,888
		<u>143,495,888</u>

Details of movements in borrowings:**Queensland Treasury Corporation**

Opening balance		160,602,426
Add liabilities held for transfer to Livingstone Shire Council as at 30 June 2013		79,419,045
Loans raised		10,306,321
Principal repayments		(16,159,797)
		<u>234,167,995</u>
Liabilities transferred to Livingstone Shire Council as at 31 December 2013	30	(76,264,659)
Book value at year end		<u>157,903,336</u>

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	Note	2015 \$	2014 \$
<p>The QTC loan market value for all loans at the reporting date was x. 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.</p>			
23 Other liabilities			
Current			
Unearned revenue		533,319	533,319
		533,319	533,319
Non-current			
Developer contributions		2,472,710	2,472,710
		2,472,710	2,472,710

The developer contribution liability reflects cash contributions from developers for which the related service obligations have yet to be fulfilled by Council. Refer Note 1.9 (d).

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24 Retained surplus/(deficiency)

	Note	\$	\$	\$	\$
Movement in retained surplus		Capital reserve	Operational reserve	Surplus funds	Total retained surplus
Balance as at 1 July 2013		74,382,505	10,618,315	1,963,537,727	2,048,538,547
Net result attributable to Council				(770,147,589)	(770,147,589)
Movements in capital reserves are analysed as follows:					
(i) Unspent capital grants reserve		(675,177)		675,177	-
(ii) Constrained grants and contributions reserve		(11,543,868)		11,543,868	-
(iii) Airport development reserve		(477,266)		477,266	-
(iv) Capital works reserve		(1,175,470)		1,175,470	-
(v) Plant reserve		1,892,059		(1,892,059)	-
(vi) Water reserve		(1,929,392)		1,929,392	-
(vii) Sewerage reserve		(370,716)		370,716	-
(viii) Waste management reserve		(78,905)		78,905	-
(ix) Year end uncompleted works reserve		(12,463,519)		12,463,519	-
Movements in operating reserves are analysed as follows:					
(i) Operating projects reserve			(1,455,142)	1,455,142	-
(ii) Asset maintenance reserve			(19,542)	19,542	-
Balance as at 30 June 2014		47,560,251	9,143,631	1,221,687,076	1,278,390,958
Net result attributable to Council					
Movements in capital reserves are analysed as follows:					
(i) Unspent capital grants reserve					
(ii) Constrained grants and contributions reserve					
(iii) Airport development reserve					
(iv) Capital works reserve					
(v) Plant reserve					
(vi) Water reserve					
(vii) Sewerage reserve					
(viii) Waste management reserve					
(ix) Year end uncompleted works reserve					
Movements in operating reserves are analysed as follows:					
(i) Operating projects reserve					
(ii) Asset maintenance reserve					
Balance as at 30 June 2015		47,560,251	9,143,631	1,221,687,076	1,278,390,958

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

	Note	2015 \$	2014 \$
25 Asset revaluation surplus			
Movements in the asset revaluation surplus were as follows:			
Balance at beginning of the year			390,325,398
Net adjustment to non-current assets to reflect a change in current fair value:			
Road and drainage network - flood and other adjustments			853,570
Site improvements - revaluation			4,739,495
Sewerage - revaluation			409,516
Water - revaluation			35,619,617
Land revaluation			25,517,410
			<u>67,139,608</u>
Balance at end of the year			<u>457,465,006</u>
Asset revaluation surplus analysis			
The closing balance of the asset revaluation surplus is comprised of the following asset categories:			
Land			48,314,787
Site improvements			6,607,543
Buildings			28,353,361
Road and drainage network			229,586,865
Bridge network			2,048,224
Water			51,283,891
Sewerage			69,918,398
Airport			16,940,328
Heritage and cultural assets			4,411,609
			<u>457,465,006</u>
26 Commitments for expenditure			
Operating leases			
Minimum lease payments in relation to non-cancellable operating leases are as follows:			
Within one year			4,728
One to five years			16,736
			<u>21,464</u>
Contractual commitments			
Contractual commitments at end of financial year but not recognised in the financial statements are as follows:			
Airport			5,726,308
Waste and Recycling			4,931,186
Fitzroy River Water			1,908,763
Communities			2,592,567
Other			514,814
			<u>15,673,638</u>
27 Contingent liabilities			
Details and estimates of maximum amounts of contingent liabilities are as follows:			
(i) Community loans			
Under approval from Queensland Treasury, Council has guaranteed loans to Diggers Memorial Bowls Club (\$x) and Rockhampton Basketball Inc (\$x) as at 30 June 2015.			
			<u>209,414</u>

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

	Note	2015 \$	2014 \$
(ii) Local Government Workcare			
<p>The Rockhampton Regional Council is a member of the Queensland local government workers compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided 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:</p>			
		4,160,251	
(iii) Local Government Mutual			
<p>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.</p> <p>The financial statements for 30 June 2013 reported an accumulated surplus and it is not anticipated any liability will arise.</p>			
(iv) As at 30 June 2015, the following cases were filed in the courts naming the Rockhampton Regional Council as defendant:			Number of cases
Workplace Health and Safety prosecution			
<p>The workplace health and safety prosecution matter has been finalised and there are no outstanding claims in relation to the case.</p>			
		1	
(v) All outstanding matters have been finalised in relation to the de-amalgamation of Livingstone Shire Council from Rockhampton Regional Council.			

28 Superannuation

The Rockhampton Regional Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB 119 *Employee Benefits*.

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

The scheme has three elements referred to as:

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

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

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

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

The Regional DBF is a defined benefit plan as defined in AASB119. The Council is not able to account for the Regional DBF as a defined benefit plan in accordance with AASB119 because the scheme is unable to account to the Council for its proportionate share of the defined benefit obligation, plan assets and costs. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

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

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

As at the reporting date, the assets of the scheme are sufficient to meet the vested benefits.

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

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

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

There are currently 72 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 entities. Rockhampton Regional Council made less than 4% of the total contributions to the plan in the 2014/15 financial year.

	2015 \$	2014 \$
The next actuarial investigation will be conducted as at 1 July 2015.		
The amount of superannuation contributions paid by Rockhampton Regional Council to the scheme in this period for the benefit of employees was:		
Rockhampton Regional Council		6,754,242
Livingstone Shire Council		1,434,419
		<u>8,188,661</u>

29 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	2,086,597
	<u>2,086,597</u>

The Rockhampton Regional Council performs only a custodial role in respect of these monies and because the monies cannot be used for Council purposes, they are not brought to account in these financial statements.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

30 Disposal due to the de-amalgamation of Livingstone Shire Council

On 11 April 2013 the Queensland State Government enacted the *Local Government (De-amalgamation Implementation) Regulation 2013* for the purpose of de-amalgamating several local government areas, including Rockhampton. Rockhampton Regional Council would continue with different boundaries and Livingstone Shire Council would be established as a new local government area. The de-amalgamation took effect on 1 January 2014. As part of the de-amalgamation process, the transfer committee for Livingstone Shire Council determined the assets and liabilities to transfer from Rockhampton Regional Council to Livingstone Shire Council. No compensation was received by either Council for the assets and liabilities transferred and a loss on restructure has been recorded in accordance with AASB 3 *Business Combinations*.

Cash was apportioned based on the opening balances inherited by Council on amalgamation and the reconstruction of the cash flows for the period of amalgamation. Similarly, loans were allocated based on the opening balances on amalgamation and the direct allocation of new borrowings and repayments over the period of amalgamation. Other assets and liabilities were mainly apportioned on the basis of geographical location. Where a geographical apportionment was not possible, a population based distribution method was used, while other allocation methodologies were only used where they provided meaningful separation.

	Note	2014 \$	2015 \$
(a) Analysis of assets and liabilities over which control was lost			
Current assets			
Cash, investments and cash equivalents	30(b)		43,384,331
Trade and other receivables			3,929,796
Inventories			1,043,515
Land held for sale			15,799
Non-current assets			
Property, plant and equipment			905,611,761
Intangible assets			682,871
Current liabilities			
Trade and other payables			(4,275,874)
Provisions			(3,941,340)
Loans			(6,581,722)
Other liabilities			(126,785)
Non-current liabilities			
Provisions			(10,545,365)
Loans			(69,682,937)
Other liabilities			(433,118)
		859,080,932	859,080,932
Compensation received			-
Loss on restructure of local government			859,080,932
(b) Net cash outflow on disposal of Livingstone Shire Council			
Cash floats and petty cash transferred on restructure			3,070
Initial cash transfer made on restructure			33,000,000
			33,003,070
Balance of cash payable to Livingstone Shire Council	20		10,381,261
			43,384,331

In addition to the above, \$963,510 in trust monies was transferred to Livingstone Shire Council. As the Council only performed a custodial role in respect to these monies, they have not been brought to account in calculating the net loss on local government de-amalgamation.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

	Note	2014 \$	2015 \$
31 Reconciliation of net result attributable to Council to net cash flow from operating activities			
Net result attributable to Council			(770,147,589)
Non-cash operating items:			
Depreciation and amortisation			43,439,719
Landfill rehabilitation			849,220
Carbon tax			371,000
Change in restoration provisions expensed to finance costs			190,800
			<u>44,850,739</u>
Investing and development activities:			
Capital grants, subsidies and contributions			(70,671,502)
Capital income			(139,387)
Capital expenses			9,437,813
Loss on restructure of local government			859,080,932
			<u>797,707,856</u>
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables			(1,158,795)
(Increase)/decrease in inventories (excluding land)			(467,749)
Increase/(decrease) in payables			3,437,466
Increase/(decrease) in provisions			692,501
Increase/(decrease) in other liabilities			190,971
			<u>2,694,394</u>
Net cash inflow from operating activities			<u><u>75,105,400</u></u>

32 Contingent assets

Council has an agreement with RLX Investment Company Pty Ltd for a lease over Council controlled reserves, known as the Gracemere Saleyards. The lease commenced 1 January 2010 for a period of thirty years. The lessee has agreed as part of the agreement to construct fixtures upon the land for their own purpose. It has been agreed that a sum of approximately \$14 million will be expended in additions and refurbishments over the term of the lease. Council obtaining control of this asset is contingent upon the expiration/surrender of the lease agreement. Until such time that the fixtures revert back to Council control they will not be included in Council's non-current assets.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

33 Accounting for natural disaster events

2015 Cyclone Marcia

In February 2015, the Rockhampton area experienced Tropical Cyclone Marcia with considerable damage to the botanic assets, some structural damage to roads, buildings and other site improvements and local creek flooding and run off. Information is being collated regarding the impact on the assets to ensure that the values reflect their damaged condition.

2013 flood event

In January 2013, the Rockhampton area experienced a major rainfall event within a 24 hour period from Cyclone Oswald which led to flash flooding as well as a moderate flood in the Fitzroy River. As a result of this event, road infrastructure asset values were adjusted to reflect their damaged condition.

In the current year the flood restoration works and asset entries were finalised. Any remaining estimated corrections to previous years were reinstated to the asset values.

2011 flood event

In January 2011, the Rockhampton area experienced a major flood from Cyclone Yasi and in the reporting period ended 30 June 2011, similar entries were performed to that of the January 2013 event above. However, adjustments were required to this data in the 2012/13 financial year, as below:

Corrections to revaluation adjustments posted at 30 June 2012 due to incorrect asset dimensions being used.

Reversal of asset write-offs in the year ended 30 June 2011 due to the preliminary nature of information used.

In the current year the flood restoration works and asset entries were finalised. Any remaining estimated corrections to revaluation adjustments undertaken in 2012/13 were reinstated to the asset values, as below.

	Note	\$			
		Cost	Accumulated Depreciation	Asset Revaluation Surplus	Capital Expenses
(a) Current Year					
(i) 2015 Cyclone Marcia:					
Asset adjustments	17 & 25				
Write off of assets for 2015 Cyclone Marcia	17 & 25				
(ii) 2013 flood event:					
Asset adjustments	17 & 25				
Write off of assets for 2013 flood event	17 & 25				
(b) Prior Year					
(i) 2011 flood event:					
Reinstatement of asset values - 2012/13 adjustments not required	17 & 25	1,089,030	235,460	853,570	-
Increase in asset values due to 2011 flood event	17 & 25	1,089,030	235,460	853,570	-

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2015

34 Correction of error

(a) Restatement of Opening Balances for 1 July 2013:

The opening balances for assets and equity as at 1 July 2013 have been amended in the financial statements for the below items as were the comparative amounts for 2013/14.

The additional assets recognised (existing assets not previously recognised and contributed assets) incorporate depreciation to 1 July 2014 in the asset values.

Note	Comparatives 2013/14 prior to adjustment		Correction of error	Comparatives 2013/14 restated	
	Opening balance 1 July 2013	Closing balance 30 June 2014		Opening balance 1 July 2013	Closing balance 30 June 2014
Property Plant and Equipment - asset value					
Property Plant and Equipment - accumulated depreciation					
Total Property Plant and Equipment					
Asset revaluation surplus					
Retained surplus					
Equity					

Note: no retrospective adjustment has been made to the depreciation expense for the 2013/14 year, as the effect of the above adjustments on annual depreciation has been assessed as immaterial.

(b) Correction of error by asset class:

Asset values

- (i) Assets not previously recognised
 - (ii) Contributed assets - prior years
 - (iii) Assets previously recognised incorrectly
 - (iv) Disposals (renewals) not previously recorded
- Total asset values**

Note	Land	Site Improvements	Buildings	Plant and Equipment	Road and drainage network	Bridge network	Water	Sewerage	Airport	Total
(i)										
(ii)										
(iii)										
(iv)										
Total										

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2015

	Land	Site Improvements	Buildings	Plant and Equipment	Road and drainage network	Bridge network	Water	Sewerage	Airport	Total
Accumulated depreciation										
(vi) Assets previously recognised incorrectly										
(vii) Disposals (renewals) not previously recorded										
Total accumulated depreciation										
Total correction of errors										
Corrections to opening balances (1 July 2013) :										
Assets:										
Asset value										
Accumulated depreciation										
Total property plant and equipment										
Equity:										
Asset revaluation surplus										
Retained surplus/(deficiency)										
Net impact										

(c) As identified in the 2014/15 year as part of the valuation process

During the process of valuing Council's assets at 30 June 2015 for year 1 of the rolling 3 year road and drainage valuation (unsealed and sealed roads, carparks, access roads, floodways and kerbs) and in preparation for valuations in the 2015/16 year (bridge asset class and year 2 of the road and drainage asset class rolling valuation, namely footpaths), additional assets not previously recognised and recognised incorrectly were identified and brought to account.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2015**35 Financial instruments**

Rockhampton Regional Council's activities expose it to a variety of financial risks including interest rate risk, credit risk, and liquidity risk.

Exposure to financial risks is managed in accordance with Council approved policies on financial risk management. These policies focus on managing the volatility of financial markets and seek to minimise potential adverse effects on the financial performance of the Council.

The Council minimised its exposure to financial risk in the following ways:

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

- When the Council borrows, it borrows from the Queensland Treasury Corporation unless another financial institution can offer a more beneficial rate, taking into account any risk. Borrowing by the Council is constrained by the provisions of the *Statutory Bodies Financial Arrangements Act 1982*.

Rockhampton Regional Council measures risk exposure using a variety of methods as follows:

Risk exposure	Measurement method
Credit risk	Ageing analysis
Liquidity risk	Maturity analysis
Interest rate risk	Sensitivity analysis

(i) Credit risk

Credit risk exposure refers to the situation where the Council may incur financial loss as a result of another party to a financial instrument failing to discharge their obligations.

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 these debts.

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.

The Council is exposed to credit risk through its investments with the Queensland Treasury Corporation (QTC) and deposits held with banks or other financial institutions. The QTC Cash Fund is an asset management portfolio that invests with a wide variety of high credit rating counterparties. Deposits are capital guaranteed. Other investments are held with highly rated and regulated banks and whilst not capital guaranteed, the likelihood of a credit failure is remote.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any provisions for impairment.

No collateral is held as security relating to the financial assets held by the Council.

The following table represents the Council's maximum exposure to credit risk:

	Note	2015 \$	2014 \$
Financial assets			
Cash and cash equivalents	12		29,899,637
Investments	13		57,000,000
Receivables - rates	14		7,246,166
Receivables - other	14		9,549,990
Other credit exposures			
Guarantee	27		4,369,665
			<u>108,065,458</u>

Past due or impaired

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amounts as indicated.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2015

The following represents an analysis of the age of the Council's financial assets that are either fully performing, past due or impaired:

30-Jun-15	Fully performing	Less than 30 days	Past due			Less impairment	Total
	\$	\$	30-60 days \$	61-90 days \$	Over 90 days \$	\$	\$
Receivables							
Net receivables							
30-Jun-14			Past due				
	Fully performing	Less than 30 days	30-60 days	61-90 days	Over 90 days	Less impairment	Total
	\$	\$	\$	\$	\$	\$	\$
Receivables	10,499,061	2,747,915	315,183	49,330	3,699,290	(514,624)	16,796,157
Net receivables	10,499,061	2,747,915	315,183	49,330	3,699,290	(514,624)	16,796,157

(ii) Liquidity risk

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

The Council manages its exposure to liquidity risk by maintaining sufficient undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in the borrowings Note 22.

The following table sets out the liquidity risk of financial liabilities held by the Council in a format as it might be provided to management. The amounts disclosed in the maturity analysis represent the contractual undiscounted cash flows at balance date.

	0 to 1 year	1 to 5 years	Over 5 years	Total	Carrying amount
	\$	\$	\$	\$	\$
2015					
Trade and other payables					
Loans - QTC					
2014					
Trade and other payables	14,464,383	-	-	14,464,383	14,464,383
Loans - QTC	22,752,408	90,898,238	86,096,417	199,747,063	157,903,336
	37,216,791	90,898,238	86,096,417	214,211,446	172,367,719

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

(iii) Interest rate risk

The Council is exposed to interest rate risk through its finance lease borrowings, borrowings from the Queensland Treasury Corporation and investments held with financial institutions.

The risk in borrowing is effectively managed by borrowing from financial institutions which provide access to a mix of floating and fixed funding sources such that the desired interest rate risk exposure can be constructed. Interest rate risk in other areas is minimal.

The Council does not undertake any hedging of interest rate risk.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements
For the year ended 30 June 2015

Interest rate sensitivity analysis

The following interest rate sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss should there be a 1% increase in market interest rates. The calculations assume that the rate would be held constant over the next financial year, with the change occurring at the beginning of that year. It is assumed that interest rates on overdue rates would not change. If the rates decreased by 1% the impact would be equal in amount in the reverse direction.

	Net carrying amount		Profit/Loss		Equity	
	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$
Financial assets		86,872,137		868,721		868,721
Financial liabilities		(157,903,336)		(1,579,033)		(1,579,033)
Net total		(71,031,199)		(710,312)		(710,312)

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

36 National competition policy**(a) Business activities**

Before the end of each financial year, the Minister for Local Government must decide for the financial year, the expenditure amounts (the "threshold amounts") for identifying a "significant business activity".

A significant business activity where the threshold expenditure has been set by the Minister for the year ended 30 June 2015 follows :-

(a) for water and sewerage combined activities - \$13,300,000

(b) for other activities - \$8,900,000

The Council has resolved to commercialise the following activities which fall into the expenditure guidelines above.

Waste and Recycling
Fitzroy River Water
Airport

(b) Activities to which the code of competitive conduct is applied

A "business activity" of a local government is any activity that involves trading in goods or services. The code of competitive conduct (CCC) must be applied to the following business activities:

(a) A building certifying activity that:

- (i) involves performing building certifying functions within the meaning of the Building Act, section 8; and
- (ii) is prescribed under a regulation*.

*Section 38 of the *Local Government Regulation 2012* lists the local government's whose activities are prescribed building certifying activities.

(b) A roads activity, other than a roads activity for which business is conducted only through a sole supplier arrangement, that involves:

- (i) the construction or maintenance of state controlled roads for which the local government submits an offer to carry out work in response to a tender invitation.
- (ii) construction or road maintenance on another local government's roads which the local government has put out to tender.

Each local government may elect to apply a Code of Competitive Conduct (CCC) to any other identified business activities. However, for any with current expenditure of \$312,000 or more, the local government must decide, by resolution each year, whether to apply the CCC to that activity.

In general, applying the competitive code of conduct means that the competitive neutrality principle is applied to the business activity.

Under the competitive neutrality principle, an entity that is conducting a business activity in competition with the private sector should not enjoy a net advantage over competitors only because the entity is in the public sector.

The competitive neutrality principle may be applied by commercialisation or full cost pricing. This includes removing any competitive advantage or disadvantage, where possible, and charging for goods and services at full cost.

In addition the cost of performing community service obligations, less any revenue received from carrying out those obligations, must be treated as revenue for the business activity.

ROCKHAMPTON REGIONAL COUNCIL

Notes to the financial statements

For the year ended 30 June 2015

A community service obligation is an obligation the local government imposes on a business activity that is not in its commercial interest. For example, giving a concession to pensioners.

A local government's financial statements must contain an activity statement for each business activity to which the CCC applies.

The Rockhampton Regional Council applies the competitive code of conduct to the following activities:

Building Certification

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

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

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

(c) Financial performance of activities subject to competition reforms:

Revenue for services provided to the Council
 Revenue for services provided to external clients
 Community service obligations

Less : expenditure
 Surplus/(deficiency)

Building Certification	
2015	2014
\$	\$
	-
	158,901
	113,567
	272,468
	272,468
	-

(d) Community Service Obligations were paid during the reporting period to the following activities:

Activities	CSO description	Actual
Building Certification	Non-commercial private certification services	\$
Fitzroy River Water	Combined lines charges (capital) Combined line charges (operational) Manholes/access chambers (capital) Remissions to community and sporting bodies Storage of water allocations Site rental Ergon Energy 270 Limestone Creek Road Marlborough water supply return on capita	
Rockhampton Airport	Capricorn Rescue Helicopter Service Royal Flying Doctor Service	
Waste and Recycling	Non commercial community services	

ROCKHAMPTON REGIONAL COUNCIL

Financial statementsFor the year ended 30 June 2015

Management Certificate

For the year ended 30 June 2015

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 1 to 55, 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.

M.F. Strelow

Mayor

Date:

E.A. Pardon

Chief Executive Officer

Date:

ROCKHAMPTON REGIONAL COUNCIL
Current-year Financial Sustainability Statement
 For the year ended 30 June 2015

Measures of Financial Sustainability

Council's performance at 30 June 2015 against key financial ratios and targets:	How the measure is calculated	Actual - Council	Target
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)		Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.		greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)		not greater than 60%

Note 1 - Basis of Preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the *Financial Management (Sustainability) Guideline 2013*. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2015.

Certificate of Accuracy For the year ended 30 June 2015	
This current-year financial sustainability statement has been prepared pursuant to Section 178 of the <i>Local Government Regulation 2012</i> (the Regulation).	
In accordance with Section 212(5) of the Regulation we certify that this current-year financial sustainability statement has been accurately calculated.	
_____ M.F. Strelow Mayor Date:	_____ E.A. Pardon Chief Executive Officer Date:

ROCKHAMPTON REGIONAL COUNCIL
Long-Term Financial Sustainability Statement
 Prepared as at 30 June 2015

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2015	Projected for the years ended								
				30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Consolidated												
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%										
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%										
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%										

Council's Financial Management Strategy

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

Certificate of Accuracy	
For the long-term financial sustainability statement prepared as at 30 June 2015	
This long-term financial sustainability statement has been prepared pursuant to Section 178 of the <i>Local Government Regulation 2012</i> (the Regulation).	
In accordance with Section 212(5) of the Regulation we certify that this long-term financial sustainability statement has been accurately calculated.	
_____ M.F. Strelow Mayor Date:	_____ E.A. Pardon Chief Executive Officer Date:

FINANCIAL SECTION UPDATE

Memo - Asset Treatment Recommendations for 2014-15 and Fair Value disclosure

Meeting Date: 19 June 2015

Attachment No: 3



Memo

Date: 2 June, 2015
To: General Manager – Corporate Services
Finance Manager
Author: Karen Gemmell
Attachment: ABS Producer Price Indexes
Subject: Asset Treatment Recommendations for 2014/15 and Fair Value disclosure

SUMMARY

The Accounting Standards (AASB116 Property Plant and Equipment) require that the revaluations of assets are made with sufficient regularity that the carrying amount of the Property Plant and Equipment assets do not differ materially from their fair value at the end of each reporting period. The fair value of assets is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

There were no asset classes that were required to be revalued within their 5 year cycle in the 2014/15 year.

As part of the annual review of the fair values of assets, council has investigated the need to carry out revaluations on the remaining asset classes. The Buildings asset class is recommended for indexation due to the material movement of the appropriate index. There are no other material movements in the indices for the other asset classes.

RECOMMENDATION – for the treatment of fair values in all asset classes :

Buildings

Reference is made to the attached ABS Producer Price Index 6427, Table 17 Building Construction Queensland Index (30). This indicates an increase of 8.80% for the period July 2012 (previous revaluation - June 2012) to March 2015. This index is considered robust, valid and appropriate and historically has been used to monitor the fair value of the building assets. It is recommended that indexation of 8.8% be applied to the assets in the 2014/15 year for Buildings.

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Airport

Reference is made to the attached ABS Producer Price Index 6427, Table 17 Road and Bridge Construction Queensland Index (3101). This indicates an increase of 2.73% for the period July 2012 (previous revaluation – June 2012) to March 2015. It is recommended that no indexation be applied for the 2014/15 financial year for Airport assets.

Bridge Infrastructure

Reference is made to the attached ABS Producer Price Index 6427, Table 17 Road and Bridge Construction Queensland Index (3101). This indicates an increase of 2.73% for the period July 2012 (previous revaluation – June 2012) to March 2015. It is recommended that no indexation be applied for the 2014/15 financial year for Bridge Infrastructure.

Road and Drainage Infrastructure

Valuation assessments are in progress in the 2014/15 year for the road and drainage asset class as part of a 3 year rolling valuation of that class. Assets subject to independent valuation in the current year are unsealed and sealed roads; floodways; carparks; access roads and kerbs. The valuation is being undertaken by registered valuers, Pavement Management Services Pty Ltd.

Reference is made to the attached ABS Producer Price Index 6427, Table 17 Road and Bridge Construction Queensland Index (3101). This indicates an increase of 2.73% for the period July 2012 (previous revaluation – June 2012) to March 2015. It is recommended that no indexation be applied for the 2014/15 financial year for Road and Drainage Infrastructure assets not subject to valuation in year 1 of the 3 year rolling valuation.

Heritage & Cultural

As this asset class comprises less than 1% of the value of property, plant and equipment and considering the results of the desktop review undertaken for this asset class in 2013/14; along with the general nature of the assets, no specific reviews of the fair value movements were commissioned by Council in the 2014/15 year. The desktop reviews conducted by AssetVal Pty Ltd (Heritage Buildings and collection assets) and ByJoel (Artworks) in 2013/14, indicated an increase in the cost value of the asset class of 2.42%. It is recommended that no indexation be applied for the 2014/15 financial year for Heritage & Cultural assets.

Water and Sewer

Reference is made to the attached ABS Producer Price Index 6427, Table 17 Non-Residential Building Construction Queensland (3020). This indicates an increase of 6.16% for the period July 2014 (previous revaluation – 30 April 2014) to March 2015. As the valuation was undertaken within the last financial year, a local assessment of the major components of plant, wages and materials was undertaken which indicated a generally stagnant localised position as at 31 March 2015. It is recommended that

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no indexation be applied for the 2014/15 financial year for the Water and Sewer asset classes.

Site Improvements

As the site improvement asset class is a mix of items covered by more than one of the indices referred to in this memo, an average of the movement in indices, from July 2014 (previous revaluation – 30 April 2014) to March 2015, resulted in an increase of 3.05%. It is recommended that no indexation be applied in 2014/15 for Site Improvements.

Land

As the land assets were subject to valuation in the 2013/14 year a general market review of the principal property markets within the Rockhampton Regional Council area was conducted by Herron Todd White with a general indication of a reduced volume of sales and a general decline in property values of approximately 5%. It is recommended that no indexation be applied for the 2014/15 financial year for Land assets.

Fair Value Disclosures:

Accounting Standard AASB13 *Fair Value Measurement* requires that Council disclose (in the financial statements) and consistently follow its policy for determining when transfers between levels of the fair value hierarchy are deemed to have occurred. The levels of the fair value hierarchy refer to the inputs used in determining the fair values and are categorised as:

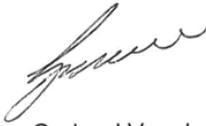
- Level 1 – quoted prices (unadjusted) in active markets
- Level 2 – inputs other than quoted prices that are observable for asset either directly or indirectly.
- Level 3 – unobservable inputs

During the financial year there have been no transfers between any levels of the fair value hierarchy. The fair value note in the Financial Statements will include the following wording:

There have been no transfers between level 1, 2 or 3 measurements during the year.

Please do not hesitate to contact me if you require any further information.

SIGNATURE IN AGREEMENT WITH RECOMMENDATIONS



Gerhard Van der Walt
Revenue and Accounting Services Coordinator
Date:

APPROVED



Ross Cheesman
General Manager – Corporate Services
Date:



Alicia Cutler
Finance Manager
Date:

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AUSTRALIAN BUREAU OF STATISTICS - EXTRACT FROM
PRODUCER PRICE INDEX TABLES

6427.0 Producer Price Indexes, Australia
Table 17. Output of the Construction industries,
subdivision and class index numbers

	Index Number ; 30 Building construction Queensland ;	Index Number ; 3020 Non- residential building construction Queensland ;	Index Number ; 3101 Road and bridge construction Queensland ;
Unit	Index Numbers	Index Numbers	Index Numbers
Series Type	Original	Original	Original
Data Type	INDEX	INDEX	INDEX
Frequency	Quarter	Quarter	Quarter
Collection Month	3	3	3
Series Start	Sep-1998	Sep-1996	Sep-1998
Series End	Mar-2015	Mar-2015	Mar-2015
No. Obs	67	75	67
Series ID	A2333712W	A2333721X	A2333727L
Jun-2012	100.0	100.4	102.5
Sep-2012	101.4	100.4	103.3
Dec-2012	100.9	98.5	103.5
Mar-2013	100.8	98.8	104.1
Jun-2013	101.7	99.1	104.5
Sep-2013	101.9	99.6	105.5
Dec-2013	102.4	99.7	106.1
Mar-2014	103.0	100.0	106.7
Jun-2014	103.800	100.600	107.000
Sep-2014	105.700	103.600	107.400
Dec-2014	106.900	104.100	104.900
Mar-2015	108.800	106.800	105.300
Asset Class	Buildings	Water Sewer	Roads and drainage Airport Bridge

SUMMARY OF INDEX MOVEMENTS

Date of Last Valuation	Movement in Fair Value			Average of all indices
	Buildings - Index 30 - Building construction	Water & Sewerage - Index 3020 Non-residential building	Road, Bridge & Airport - Index 3101 - Road & Bridge construction	Site Improvements - average other indices
June 2012		April 2014	June 2012	April 2014
Jun-09	100.5	102.1	95.2	99.27
Jun-12	100.0	100.4	102.5	100.97
Mar-14	103.0	100.0	106.7	103.23
Jun-14	103.8	100.6	107.00	103.80
Dec-14	106.9	104.1	104.90	105.30
Apr-15	108.8	106.8	105.30	106.97
Movement June 14 to Mar 15		6.16%		3.05%
Movement June 12 to Mar 15	8.80%		2.73%	

10 NOTICES OF MOTION

Nil

11 URGENT BUSINESS/QUESTIONS

Urgent Business is a provision in the Agenda for members to raise questions or matters of a genuinely urgent or emergent nature, that are not a change to Council Policy and can not be delayed until the next scheduled Council or Committee Meeting.

12 CLOSED SESSION

In accordance with the provisions of section 275 of the *Local Government Regulation 2012*, a local government may resolve to close a meeting to the public to discuss confidential items, such that its Councillors or members consider it necessary to close the meeting.

RECOMMENDATION

THAT the meeting be closed to the public to discuss the following items, which are considered confidential in accordance with section 275 of the *Local Government Regulation 2012*, for the reasons indicated.

13.1 Loss/Theft Items reported to Auditor General - March to May 2015

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.

13.2 Audit Plan Item - C1

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.

13.3 IA Plan Progress Report

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.

13.4 QA&IP Assessment and Update

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.

13.5 RISK-BASED INTERNAL AUDIT PLAN July 2015-June 2016

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.

13.6 Update from Chief Executive Officer

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.

13 CONFIDENTIAL REPORTS

13.1 LOSS/THEFT ITEMS REPORTED TO AUDITOR GENERAL - MARCH TO MAY 2015

File No: 3911

Attachments: 1. Loss/Theft Report - 1 March to 31 May 2015

Authorising Officer: Drew Stevenson - Manager Corporate and Technology
Ross Cheesman - General Manager Corporate Services

Author: Kellie Anderson - Coordinator Property and Insurance

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage .

SUMMARY

Coordinator Property & Insurance reporting on Loss/Theft items including those reported to the Auditor General for the period 1 March to 31 May 2015.

13.2 AUDIT PLAN ITEM - C1**File No:** 5207**Attachments:** 1. Fraud Management & Control-C1**Authorising Officer:** Evan Pardon - Chief Executive Officer**Author:** John Wallace - Chief Audit Executive

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage .

SUMMARY

The planned business improvement review for – Fraud Management and Control (C1) is provided for the information of the Committee.

13.3 IA PLAN PROGRESS REPORT**File No:** 5207**Attachments:** 1. Progress Report as at 2-6-15**Authorising Officer:** Evan Pardon - Chief Executive Officer**Author:** John Wallace - Chief Audit Executive

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage .

SUMMARY

The Internal Audit Progress Report is provided for the information of the Committee.

13.4 QA&IP ASSESSMENT AND UPDATE**File No:** 5207**Attachments:** 1. IA Maturity Assessment**Authorising Officer:** Evan Pardon - Chief Executive Officer**Author:** John Wallace - Chief Audit Executive

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage .

SUMMARY

The attached maturity model assessment is provided for the information of the Committee.

13.5 RISK-BASED INTERNAL AUDIT PLAN JULY 2015-JUNE 2016**File No:** 5207**Attachments:** 1. **Business Improvement Plan July 2015 - June 2016****Authorising Officer:** **Evan Pardon - Chief Executive Officer****Author:** **John Wallace - Chief Audit Executive**

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage .

SUMMARY

The attached whole-of-organisation Business Improvement Plan is provided for the information of the Committee. The Plan covers the period: July 2015 to June 2016.

13.6 UPDATE FROM CHIEF EXECUTIVE OFFICER**File No:** 5207**Attachments:** Nil**Authorising Officer:** Evan Pardon - Chief Executive Officer**Author:** Evan Pardon - Chief Executive Officer

This report is considered confidential in accordance with section 275(1)(h), of the *Local Government Regulation 2012*, as it contains information relating to other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage .

SUMMARY

The Chief Executive Officer will provide a verbal update on matters of importance.

14 CLOSURE OF MEETING