

SUPPORTING INFORMATION

for respective items considered at

General Meeting

22 October 2019

Moreton Bay Regional Council

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SUPPORTING INFORMATION

Ref: A19068036

The following list of supporting information is provided for:

ITEM 1.1
ADOPTION OF COUNCIL POLICY - CORPORATE SOCIAL MEDIA - REGIONAL

#1 Policy 2150-110 - Corporate Social Media

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ITEM 1.1 - ADOPTION OF COUNCIL POLICY - CORPORATE SOCIAL MEDIA - REGIONAL (Cont.)

#1 Policy 2150-110 - Corporate Social Media



Policy: 2150-110

Corporate Social Media

Head of Power

Local Government Act 2009
Local Government Regulations 2012
Public Records Act 2002

Objective

The objective of this policy is to establish parameters for the appropriate use and management of council's Corporate Social Media.

Definitions

CEO means the Council's Chief Executive Officer.

Corporate Social Media means Council's approved Social Media.

Council means Moreton Bay Regional Council

Employee means all employees of Council, whether employed on a permanent, temporary or part-time basis and includes volunteers and employees of businesses and entities contracted to provide services to, or on behalf of Council.

Social Media means web-based platforms, applications and technologies that enable users to create and share content or to participate in social networking. Social Media may include social networking (e.g. Facebook, LinkedIn), micro-blogging sites (e.g. Twitter), photo sharing sites (e.g. Instagram), video sharing sites (e.g. YouTube), blogs, both personal and corporate, wikis and other online collaborations (e.g. Wikipedia), forums, discussion boards, online social groups, instant messaging (e.g. Jabber, Messenger).

Politician means the Mayor, Councillors and all other elected members of parliament.

Application

This policy applies to the use of Corporate Social Media by Councillors and employees.

Policy Statement

Council is committed to providing relevant, accurate and timely information to residents about council business, services, facilities, events, projects and disaster management.

Council supports the use of Corporate Social Media as part of an integrated approach to communication that aims to enhance the Moreton Bay Regional Council brand; build positive community sentiment; and inform and educate residents.

Corporate Social Media will be managed by Council's Communications department in accordance with guidelines outlined in Council's Social Media Handbook. No other Social Media should be used for Council business.

Content will be positive and newsworthy, generally relevant to residents on a regional level and consistent with Council's Corporate Plan and other relevant Council policies.

Policy: 2150-110 - Corporate Social Media

Version 1 – xx October 2019

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ITEM 1.1 - ADOPTION OF COUNCIL POLICY - CORPORATE SOCIAL MEDIA - REGIONAL (Cont.)



Policy: 2150-110 - Corporate Social Media

Corporate Social Media must not contain information that directly promotes a politician or political party (such as election campaign material) or is a matter of particular political sensitivity. However, the Mayor as council's regional spokesperson, or delegate, may appear if conducting official council business.

Interaction and use by Council Employees and Councillors should be consistent with the Employee Code of Conduct and the Code of Conduct for Councillors in Queensland.

Related Documents

This policy complements and is to be implemented in conjunction with other Council policies, directives and relevant documents published by other agencies including, but not limited to:

- Public Records Act 2002
- Policy 2150-002 Advertising Expenditure
 Policy 2150-047 Use of the Moreton Bay Regional Council Corporate Identity (Logo)
- Code of Conduct for Councillors in Queensland
- Moreton Bay Regional Council Employee Code of Conduct
- Moreton Bay Regional Council Social Media Handbook
- Office of the Independent Assessor Queensland Councillor Social Media Community Guideline
- Office of the Independent Assessor Your Social Media and You, A guide for elected council members in Queensland

Review Triggers

This policy will be reviewed for applicability, effectiveness, and consistency with relevant legislation, Council resolutions, and other Council documents. Reviews of this policy will occur as required, or at least once every two years.

Responsibility

This Policy is to be:

- implemented by the CEO; and
- reviewed and amended in accordance with the "Review Triggers" by the CEO.

Policy: 215	0-110	Offic	ial Version: tba		
Corporate So	cial Media				
	Document Control				
Version / Reviewed	Version Adoption (Council meeting / Minute Page) Reviewed (revision comment)	Date	Word version reference		
Version 1	DRAFT	xx.xx.2019	A19068036		

Policy: 2150-110 - Corporate Social Media Version 1 – xx October 2019

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SUPPORTING INFORMATION

Ref: A19184109

The following list of supporting information is provided for:

ITEM 3.1
MONTHLY REPORTING PACKAGE - SEPTEMBER 2019 - REGIONAL

#1 Monthly Reporting Package - September 2019

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ITEM 3.1 - MONTHLY REPORTING PACKAGE - SEPTEMBER 2019 - REGIONAL (Cont.)

#1 Monthly Reporting Package - September 2019

Moreton Bay Regional Council

Monthly Financial Report

Year to date result as at: 30 September 2019

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ITEM 3.1 - MONTHLY REPORTING PACKAGE - SEPTEMBER 2019 - REGIONAL (Cont.)

Moreton Bay Regional Council STATEMENT OF COMPREHENSIVE INCOME For the period ended 30 September 2019

25% of the

				year elapsed
	2019/20	2019/20	2019/20	Actuals to
	Original	Amended	YTD	Revised
	Budget	Budget	Actuals	Budget
	\$'000	\$'000	\$'000	2019/20
Revenue				
Operating Revenue				
Rates and utility charges	313,151	313,151	160,051	51.11%
Fees and charges	37,272	37,272	10,816	29.02%
Grants, subsidies and contributions	20,149	20,149	6,329	31.41%
Interest revenue	45,426	45,426	10,107	22.25%
Other revenue	39,452	39,452	8,289	21.01%
Share of profit of associate - Operating Cash	72,000	72,000	18,000	25.00%
Total Operating Revenue	527,449	527,449	213,593	40.50%
Expenses				
Operating Expenses				
Employee benefits	(140,406)	(140,406)	(32,164)	22.91%
Materials and services	(190,865)	(190,865)	(35,709)	18.71%
Depreciation and amortisation	(97,721)	(97,721)	(25,480)	26.07%
Finance costs	(22,409)	(22,409)	(5,694)	25.41%
Total Operating Expenses	(451,401)	(451,401)	(99,046)	21.94%
Operating Result	76,047	76,047	114,547	150.63%
Capital Revenue	96,868	96,868	28,637	29.56%
Capital Expenses	-	-	(3,780)	No Budget
NET RESULT	172,916	472.046	420 404	90.639/
NET REGUET	172,916	172,916	139,404	80.62%
Other Comprehensive Income				
Items that will not be reclassified to net result			- 1	
Increase/(decrease) in asset revaluation surplus	-	-	-	No Budget
Changes in the fair value of financial assets at fair value			- 1	ŭ
through other comprehensive income	-	-	(408)	No Budget
Total other comprehensive income for the year	-	-	(408)	No Budget
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	172,916	172,916	138,996	80.38%

Moreton Bay Regional Council STATEMENT OF FINANCIAL POSITION As at 30 September 2019

	2019/20 Amended Budget	2019/20
	as at 30 June 2020	YTD Actual
	\$'000	\$'000
Assets		·
Current Assets		
Cash and cash equivalents	330,445	378,945
Trade and other receivables	48,848	104,523
Inventories	1,081	1,178
Total Current Assets	380,374	484,646
Non-Current Assets		
Trade and other receivables	677,576	677,594
Investments	1,357,637	1,348,060
Property, plant and equipment	4,837,717	4,857,899
Total Non-Current Assets	6,872,930	6,883,552
Total Assets	7,253,304	7,368,199
Liabilities		
Current Liabilities		
Trade and other payables	44,918	28,691
Borrowings	37,334	26,403
Provisions	12,888	14,223
Other	21,427	11,429
Total Current Liabilities	116,567	80,745
Non-Current Liabilities		
Borrowings	332,801	344,307
Provisions	43,841	59,134
Total Non-Current Liabilities	376,642	403,441
Total Liabilities	493,209	484,186
NET COMMUNITY ASSETS	6,760,095	6,884,012
		· · ·
Community Equity		
Retained surplus	5,889,554	5,947,255
Asset revaluation surplus	870,541	936,757
TOTAL COMMUNITY EQUITY	6,760,095	6,884,012

Moreton Bay Regional Council STATEMENT OF CASH FLOWS For the period ended 30 September 2019

	2019/20	2019/20
	Amended Budget	
	as at	YTD
	30 June 2019	Actuals
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	413,708	112,520
Payments to suppliers and employees	(341,034)	(105,814)
Interest received	45,426	10,378
Non capital grants and contributions	20,567	6,329
Borrowing costs	(20,379)	(5,238)
Net cash inflow/(outflow) from operating activities	118,288	18,176
Cash flows from investing activities		
Payments for property, plant and equipment	(227,389)	(31,410)
Payments for investment property	-	(76)
Proceeds from sale of property, plant and equipment	21,800	1,022
Net movement in loans to community organisations	-	(50)
Grants, subsidies and contributions	56,868	38,122
Net cash inflow/(outflow) from investing activities	(148,721)	7,608
Cash flows from financing activities		
Proceeds from borrowings	25,000	_
Repayment of borrowings	(33,916)	(8,283)
Net cash inflow/(outflow) from financing activities	(8,916)	(8,283)
Net increase/(decrease) in cash held	(39,349)	17,501
Cash and cash equivalents at the beginning of the financial year	369,794	361,444
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Cash and cash equivalents at the end of the period	330,445	378,945

Moreton Bay Regional Council STATEMENT OF SOURCES AND APPLICATIONS OF CAPITAL FUNDING

For the period ended 30 September 2019

	Original Budget 2019/20 \$'000	Amended Budget 2019/20 \$'000	YTD Actuals 2019/20 \$'000
Capital Funding Sources			
Cash Utilised Capital Grants and Subsidies received	202,936 33,368	202,936 33,368	28,808 12,391
Contributed Assets and assets not previously recognised	40,000	40,000	1,715
Loans received	25,000	25,000	-
T. (1.1.0	224 225	204 205	40.040
Total Capital Funding Sources	301,305	301,305	42,913
Capital Funding Applications			
Capital Expenditure	227,389	227,389	32,915
Contributed Assets and assets not previously recognised	40,000	40,000	1,715
Loan Redemption	33,916	33,916	8,283
Total Capital Funding Applications	301,305	301,305	42,913

Analysis of Results by Segment

For the period ended 30 September Operational Plan	Operating Revenue \$'000	Operating Expenses \$'000	Operating Result \$'000	Capital Revenue \$'000	Capital Expenses \$'000	Net Result \$'000
Engineering, Construction & Maintenance	27,776	(29,027)	(1,251)	3,906	238	2,892
Community & Environmental Services	9,362	(12,968)	(3,607)	-	700	(2,907)
Governance and Corporate Services	173,842	(54,433)	119,409	16,232	(4,718)	130,923
Planning	2,613	(2,617)	(4)	8,500	-	8,496
Total Council	213,593	(99,046)	114,547	28,637	(3,780)	139,404

Analysis of Results by Entity

For the period ended 30 September	Operating Revenue	Operating Expenses	Operating Result	Capital Revenue	Capital Expenses	Net Result
Entity	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
General	186,870	(91,266)	95,604	28,454	(3,697)	120,360
Waste	26,723	(7,780)	18,943	184	(83)	19,044
Total Council	213,593	(99,046)	114,547	28,637	(3,780)	139,404

The Performance at a Glance as at 30 September 2019

Synopsis

- 25% of the financial year is complete.
- * The operating result is \$114.55 million.

Operating Revenue

- * Rates and Utility Charges are slightly above budget following the second quarterly rates levy that was run in late September.
- * Fees and Charges are tracking above budget due to animal registrations being issued for the year and a significant portion of these fees have been received
- * Operating Grants and Subsidies are above budget at this time of year.
- * In total all other revenue categories are performing slightly below the revised budget target at this time of the year.

Operating Expenditure

- * Employee Expenses and Materials and Services are below budget, predominately due to higher than expected levels of vacant positions.
- * Finance Costs are tracking to budget at this time of the year.
- * Depreciation is slightly over budget and is expected to continue to exceed budget.

Capital Revenue

- * Infrastructure cash contributions are tracking well above the budget at this stage.
- * Contributed Assets are tracking below budget, however it is expected this will increase in the coming months.
- * Capital grants and subsidies are tracking above budget at this time of year.

Capital Expenditure

* To date \$25.86 million has been spent on capital works, (which represents 16.43% of the capital program). This excludes the University project costs.

Moreton Bay Regional Council

Comparative Table 2017/18 and 2018/19 to 2019/20*

Year to date result as at: 30 September 2019

25% of the year elapsed

	Amended Budget 2019/20 \$'000	YTD Actuals 2019/20 \$'000	Actuals to Amended Budget 2019/20 %	Actuals to Amended Budget 2018/19 %	Actuals to Amended Budget 2017/18	Comments
Operating Revenue						
Rates & Utility Charges	313,151	160,051	51%	25%	49%	Revenue is slightly above target after the second quarter rates levy.
User Fees & Charges	37,272	10,816	29%	31%	32%	Revenue is tracking over budget but is below the previous years.
Interest Revenue	45,426	10,107	22%	23%	25%	The % for 2019/20 is tracking below budget and is consistent with the previous year.
Operating Expenses						
Employee Expenses & Material and Services	331,271	67,872	20%	22%	22%	Expenditure is tracking below budget and is below the previous years.
External Loan Interest Expense	20,379	5,238	26%	26%	26%	Expenditure is tracking to budget and is comparable to previous years.
Capital Revenues						
Infrastructure Cash Contributions	23,500	14,532	62%	44%	58%	Infrastructure cash contributions are tracking above the previous years and exceeding budget.
Contributed Assets	40,000	1,715	4%	0%	0%	All contributed assets have been recognised to date.
Grants & Subsidies	33,368	12,391	37%	12%	27%	The % of grants and subsidies received is tracking above budget and is above the prior years.
Capital Expenditure						
Total Capital Expenditure**	157,389	25,859	16%	13%	14%	Capital expenditure is under budget at this stage.

^{*} The data presented reflects the position of Council as at 30 September 2019 compared to the position of Council as at 30 September 2018 and 30 September 2017.

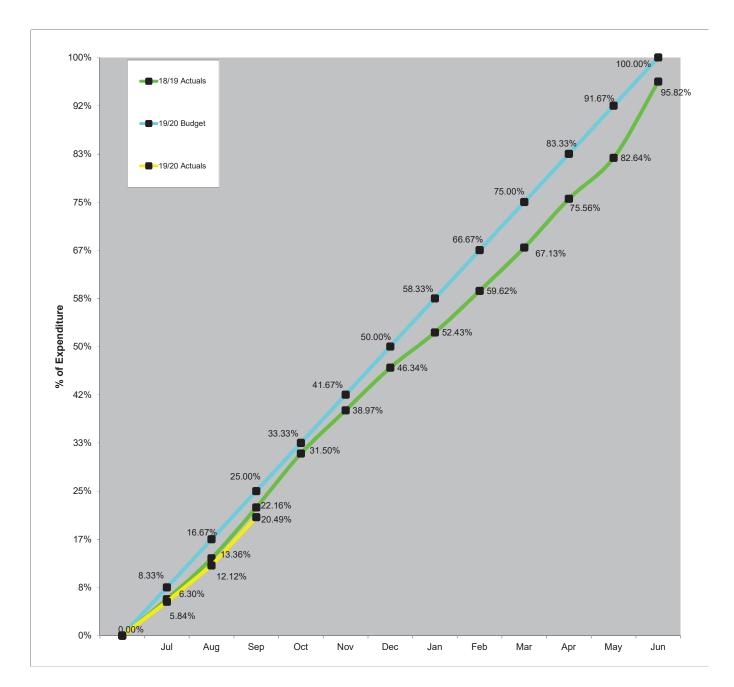
** Capital Expenditure excludes the University Projects.

The table focuses on key items of revenue and expenses across the comparative period and is useful guide in understanding what may have changed with regard to revenue and expense streams across the three financial years.

Operating Expenditure

This graph compares the major components of operating expenditure (being employee expenses plus materials and services) on a percentage expended basis for the 2019/20 and 2018/19 years. The graph includes continuing service delivery expenses and operating initiative expenses.

The budgeted expenditure trend is set at 8.33% for each month. The cumulative actual expenditure trend for each month is graphed alongside the budget expenditure.

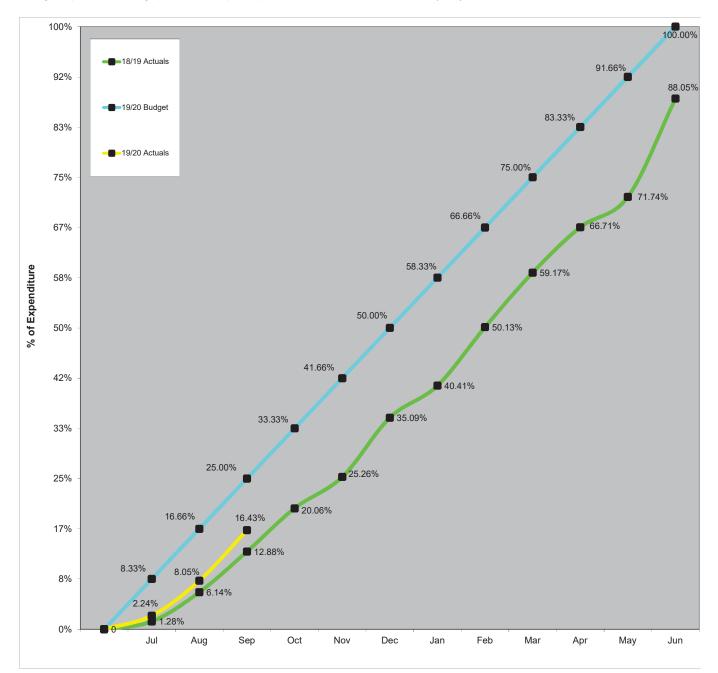


	Annual Amended Budget \$'000	Actuals to September \$'000	
2018/19	297,088	65,821	22.16%
2019/20	331,271	67,872	20.49%

Capital Expenditure

This graph compares the capital percentage expended for the 2019/20 and 2018/19 years.

The budgeted expenditure trend is set at 8.33% for each month. The cumulative actual expenditure trend for each month is graphed alongside the budget expenditure. The graph excludes capital expenditure associated with the University Project.



	Annual Amended Budget \$'000	Actuals to September \$'000	
2018/19	186,186	23,972	12.88%
2019/20	157,389	25,859	16.43%

TREASURY REPORT

The Treasury Report highlights key areas of performance and compliance relating to Council's cash, investments and borrowings.

Investments

At 30 September 2019 all of Council's investments are in accordance with the approved Investment Policy. As at this date Council held 70.54% of funds outside of the Queensland Treasury Corporation (QTC).

Investment Portfolio - Summary of Cash and Investments Held

Current	Current Cash Investments								
				Cash and					
Short				Investment					
Term				balance as at 30	Interest earned				
Rating	Institution	Return	Term	September 2019	YTD				
A1+	Qld Treasury Corp*	1.55%	Short Term (45 days)	111,786,973	511,541				
A1+	ANZ	1.47%	At Call	11,498,993	43,814				
A1+	National Australia Bank	1.5%	At Call	100,108,884	-206,052				
A1+	ANZ	2.02% to 2.7%	124 to 364 days	40,550,035	226,750				
A1+	Bankwest				65,342				
A1+	National Australia Bank	1.7% to 2.77%	91 to 357 days	30,000,000	193,490				
A1+	Westpac	2.65% to 2.77%	364 days	40,000,000	363,249				
A1	Suncorp				21,781				
A2	Bank of Queensland	1.7% to 2.75%	180 to 279 days	30,000,000	186,685				
A2	IMB	2.65%	363 days	5,000,000	33,397				
A2	AMP Bank	2% to 2.8%	180 to 272 days	10,000,000	67,726				
	Petrie Paper Mill Site Funds				49,586				
	Trust Investments				47,737				
				*					
				378,944,885	1,605,046				

^{*} The QTC rate presented is the annualised interest rate for the month as provided by the Queensland Treasury Corporation.

Council has achieved a weighted average interest rate on all cash held of 1.62% pa in 2019/20.

Non-Current Investments								
Institution	Product	Term	Invested Value \$'000	Realisable Value \$'000				
Queensland Investment Corporation	QIC Growth Fund	Greater than 5 years	100,000	108,246				

Performance to Budget - Year to Date (YTD) Summary

25% of the year has elapsed

	Original Budget	Amended Budget	Actual YTD	Actual % Achieved	
	\$'000	\$'000			
Interest Revenue on Investments	10,391	10,391	1,605	15%	Interest rates are very low
Interest on Debt held in Unitywater	34,000	34,000	8,226	24%	Tracking as per Budget
Total Investment Income	44,391	44,391	9,831	22%	

Borrowings

Debt Position	\$ '000
Debt held as at 1 July 2019	378,992
New borrowings	0
Borrowings repaid	(8,283)
Debt held as at 30 September 2019	370,710

As at 30 September 2019 the weighted average interest rate of all Council debt is 5.61%

Moreton Bay Regional Council

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SUPPORTING INFORMATION

Ref: A19210013

The following list of supporting information is provided for:

ITEM 3.2

AUDITED FINANCIAL STATEMENTS AND SUSTAINABILITY STATEMENTS FOR 2018/19 - REGIONAL

#1 Moreton Bay Regional Council Financial Statements for the year ended 30 June 2019

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ITEM 3.2 - AUDITED FINANCIAL STATEMENTS AND SUSTAINABILITY STATEMENTS FOR 2018/19 - REGIONAL (Cont.) #1 Moreton Bay Regional Council Financial Statements for the year ended 30 June 2019



MORETON BAY REGIONAL COUNCIL FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 June 2019

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ITEM 3.2 - AUDITED FINANCIAL STATEMENTS AND SUSTAINABILITY STATEMENTS FOR 2018/19 - REGIONAL (Cont.)



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STATEMENT OF COMPREHENSIVE INCOME For the year ended 30 June 2019

		74		
			Restated	
		2019	2018	
	Note	\$'000	\$'000	
Income				
Revenue				
Recurring Revenue				
Rates and utility charges	3(a)	309,891	295,462	
Fees and charges	3(b)	36,590	36,667	
Rental income		5,237	7,015	
Grants, subsidies and contributions	3(c)(i)	22,694	20,866	
Interest revenue	3(d)	44,457	45,691	
Sales revenue		3,609	3,447	
Other revenue	3(e)	31,110	49,493	
Share of profit of associate	9	88,406	69,539	
12 2 22		541,994	528,180	
Capital Revenue				
Grants, subsidies and contributions	3(c)(ii)	148,333	150,371	*
Total Revenue		690,327	678,551	*
Capital Income	3(f)	4,566	2,773	
Total Income		694,893	681,324	*
Expenses				
Recurring Expenses				
Employee benefits	4(a)	(124, 115)	(120,062)	
Materials and services	4(b)	(164,767)	(155,487)	
Depreciation and amortisation		(98,525)	(96,041)	
Finance costs	4(c)	(23,616)	(24,142)	
		(411,023)	(395,732)	٠
Capital Expenses	4(d)	(26,284)	(52,493)	
Total Expenses		(437,307)	(448,225)	٠
NET RESULT		257,586	233,099	
Other Comprehensive Income				
Items that will not be reclassified to net result				
Increase in asset revaluation surplus	15	13,259	26,569	
Changes in the fair value of financial assets at fair value	10	10,200	20,000	
through other comprehensive income		2,961	(2)	
Items that may be reclassified subsequently to net result				
Net change in available-for-sale financial assets			(311)	
Total other comprehensive income for the year		16,220	26,258	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		273,806	259,357	

The accompanying notes form part of these financial statements.

^{*} Comparative figures have been restated. Refer to Note 23 for details.



STATEMENT OF FINANCIAL POSITION As at 30 June 2019

			Restated
		2019	2018
	Note	\$'000	\$'000
Assets			100000000
Current Assets			
Cash and cash equivalents	5	361,443	313,852
Trade and other receivables	6	46,941	49,653
Inventories		1,186	1,163
		409,570	364,668
Non-current assets held for sale		-	402
Total Current Assets		409,570	365,070
Non-Current Assets			
Trade and other receivables	6	677,451	677,485
Other financial assets	7	108,528	101,721
Investments	1988	15	15
Investment property	8	28,481	28,635
Investment in associate	9	1,193,241	1,125,208
Property, plant and equipment	10	4,855,068	4,648,274
Intangible assets		40	382
Total Non-Current Assets		6,862,824	6,581,720
Total Assets		7,272,394	6,946,790
Liabilities			
Current Liabilities			
Trade and other payables	11	52,137	49.036
Borrowings	12	34,685	31,533
Provisions	13	14,631	13,778
Other liabilities	14	15,339	550
Total Current Liabilities		116,792	94,897
Non-Current Liabilities			
Borrowings	12	344,307	354,463
Provisions	13	60,014	42,582
Total Non-Current Liabilities	10	404,321	397,045
Total Liabilities		521,113	491,942
		321,110	431,342
NET COMMUNITY ASSETS		6,751,281	6,454,848
Community Equity			
Retained surplus		5,814,523	5,531,349 *
Asset revaluation surplus	15	936,758	923,499
TOTAL COMMUNITY EQUITY		6,751,281	6,454,848 *
			71.10.10.10

The accompanying notes form part of these financial statements.

^{*} Comparative figures have been restated. Refer to Note 23 for details.



STATEMENT OF CHANGES IN EQUITY For the year ended 30 June 2019

		Retained Surplus	Asset Revaluation Surplus	Total Community Equity	
	Note		15		
		\$'000	\$'000	\$'000	
Balance as at 1 July 2018 (Restated)		5,531,349	923,499	6,454,848	
Net result Other comprehensive income for the year		257,586	151	257,586	
Increase in asset revaluation surplus Changes in the fair value of financial asset at fair		ē	13,259	13,259	
value through other comprehensive income		2,961	· w/	2,961	
Adjustment to equity on the recognition of assets		22,627	-	22,627	
Total comprehensive income for the year	-	283,174	13,259	296,433	
Balance at 30 June 2019		5,814,523	936,758	6,751,281	
Balance as at 1 July 2017 (Restated)		5,272,905	896,930	6,169,835 *	
Net result Other comprehensive income for the year		233,099	.51	233,099 *	
Increase in asset revaluation surplus		-	26,569	26,569	
Net change in available-for-sale financial assets		(311)		(311)	
Adjustment to equity on the recognition of assets		25,656	-	25,656	
Total comprehensive income for the year	-	258,444	26,569	285,013 *	
Balance at 30 June 2018 (Restated)		5,531,349	923,499	6,454,848 *	
1 (1440) 2014 AND 1990 (1790) (1790) (1790) (1790) (1790) (1790) (1790) (1790) (1790) (1790) (1790) (1790) (1790)					

 $\label{thm:company} \textit{The accompanying notes form part of these financial statements}.$

^{*} Comparative figures have been restated. Refer to Note 23 for details.



STATEMENT OF CASH FLOWS For the year ended 30 June 2019

	Note	2019	2018
	Note	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers		402,009	369,810
Payments to suppliers and employees		(318,379)	(305,277)
Interest received		44,728	45,945
Rental income		5,237	7,015
Non capital grants and contributions		22,694	20,866
Tax equivalent received		38,148	32,392
Borrowing costs		(21,604)	(22,392)
Net cash inflow from operating activities	CF-1	172,833	148,359
Cash flows from investing activities			
Payments for property, plant and equipment		(195,268)	(156,883)
Payments for investment property		*	(210)
Payments for financial assets at fair value (2018: available-for-			()
sale investment)			(100,000)
Proceeds from sale of property, plant and equipment		1,528	48,960
Net movement in loans to community organisations		32	6
Dividends received from associate		9,173	13,096
Grants, subsidies and contributions	22	66,297	62,318
Net cash outflow from investing activities		(118,238)	(132,713)
Cash flows from financing activities			
Proceeds from borrowings		24,000	26,000
Repayment of borrowings		(31,004)	(27,554)
Net cash outflow from financing activities		(7,004)	(1,554)
Net increase in cash and cash equivalent held	-	47,591	14,092
Cash and cash equivalents at the beginning of the financial year	_	313,852	299,760
Cash and cash equivalents at the end of the financial year	5 _	361,443	313,852
	1		

The accompanying notes form part of these financial statements.



STATEMENT OF CASH FLOWS For the year ended 30 June 2019

Notes to the statement of cash flow

CF-1 Reconciliation of net result for the year to net cash inflow from operating activities

		2019 \$'000	Restated 2018 \$'000
Net result	_	257,586	233,099
Non-cash items: Depreciation and amortisation Revaluation adjustments Change in future rehabilitation and restoratio Change in infrastructure offsets and credits Impairment of property, plant and equipment Contributed assets Share of profit of associate	n costs	98,525 154 1,206 2,836 (8) (82,036) (88,406) (67,729)	96,041 24,283 2,949 (571) (640) (88,053) * (69,539)
Investing and development activities: Net loss on disposal of non-current assets Increase in financial assets at fair value thro comprehensive income (2018: available-for-s investment)		22,528	26,628
Capital grants and contributions	-	(66,297) (47,666)	(62,318)
Changes in operating assets and liabilities: Decrease/(increase) in receivables Decrease/(increase) in other operating assets Increase in payables (Decrease) in provisions Increase in other liabilities		11,844 2,097 3,101 (1,189) 14,789 30,642	(11,625) (1,670) 1,788 (115) 140 (11,482)
Net cash inflow from operating activities	_	172,833	148,359
Reconciliation of liabilities arising from final	ncing activities		
	Note	2019 \$'000	2018 \$'000
Loans: Opening balance at beginning of financial year Loans raised - cash inflow Principal repayment - cash outflow Closing balance at end of financial year	12	385,996 24,000 (31,004) 378,992	387,550 26,000 (27,554) 385,996

CF-2

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ITEM 3.2 - AUDITED FINANCIAL STATEMENTS AND SUSTAINABILITY STATEMENTS FOR 2018/19 - REGIONAL (Cont.)



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

1 Significant accounting policies

1(a) Basis of preparation

These general purpose financial statements are for the period 1 July 2018 to 30 June 2019. They are prepared in accordance with the Local Government Act 2009 and the Local Government Regulation 2012.

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

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

1(b) Constitution

Moreton Bay Regional Council is constituted under the Queensland Local Government Act 2009 and is domiciled in Australia.

1(c) New and revised Accounting Standards

During the year, Council has adopted AASB 9 Financial Instruments. Council irrevocably elected to present subsequent changes in fair value of the Queensland Investment Corporation (QIC) investment in other comprehensive income. Council's investment in QIC that was previously classified as an available-for-sale financial asset under AASB 139 Financial Instruments: Recognition and Measurement in 2017/18, has been re-classified as financial assets at fair value through other comprehensive income (FVTOCI) in 2018/19. The change in the fair value on these investments continues to accumulate in the fair value through the other comprehensive income (FVTOCI) reserve until they are derecognised or reclassified. The cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss. No retrospective adjustments, restatements or changes to opening retained surplus have been made to the financial statements as a result of adopting AASB 9. Refer to Note 7.

Implementing AASB 9 has resulted in a change to the way Council calculates impairment provisions, which are now based on expected credit losses instead of incurred credit losses. The amount of impairment for trade receivables is insignificant and immaterial. Consequently no impairment provision has been recognised.

Council generally applies standards and interpretations in accordance with their respective commencement dates.

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards and Interpretations that have been recently issued with future commencement dates are set out below:

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ITEM 3.2 - AUDITED FINANCIAL STATEMENTS AND SUSTAINABILITY STATEMENTS FOR 2018/19 - REGIONAL (Cont.)



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

- 1 Significant accounting policies (continued)
- 1(c) New and revised Accounting Standards (continued)

AASB 16 Leases

This standard will become effective for reporting periods beginning on or after 1 January 2019. AASB 16 will require the recognition of all leases on the Statement of Financial Position. A lease liability will be initially measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-use asset will also be recognised to record the right to use the leased item over the lease term. Council has undertaken a preliminary analysis to identify and quantify the impacts of introducing AASB 16. The current assessment indicates the impact is expected to be immaterial (\$11,000).

AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities

These standards will become effective for reporting periods beginning on or after 1 July 2019. Council has assessed the impact of these standards; however, the actual impacts may differ until Council presents its first financial statements that include the date of initial application. Council intends to apply these standards initially on 1 July 2019, using the modified retrospective approach. The recognition and measurement principles of these standards will be retrospectively applied for current year and prior year comparatives as though the standards had always applied, consistent with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. Potential future impacts identifiable at the date of this report are as follows:

At 30 June 2019 Council had received pre-paid rates totalling \$6.3 million. These rates are recognised as revenue in the Statement of Comprehensive Income. If Council had applied AASB 1058 this year these rates would have been recognised as a liability in the Statement of Financial Position and Council's net result would decrease by \$6.3 million.

Special purpose grants received to construct non-financial assets controlled by Council will be recognised as a liability, and subsequently recognised progressively as revenue as Council satisfies its performance obligations under the grant. At present, such grants are recognised as revenue upfront. Based on Council's assessment no significant material impact is expected.

Other grants presently recognised as revenue upfront may be eligible to be recognised as revenue progressively as the associated performance obligations are satisfied, but only if the associated performance obligations are enforceable and sufficiently specific. Based on Council's assessment no significant material impact is expected.

Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. Council receives several grants from the Australian Government for which there are no sufficiently specific performance obligations and accordingly these grants are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.

Based on Council's assessment, the new requirement of AASB 15 is expected to have no material impact.

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ITEM 3.2 - AUDITED FINANCIAL STATEMENTS AND SUSTAINABILITY STATEMENTS FOR 2018/19 - REGIONAL (Cont.)



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

1 Significant accounting policies (continued)

1(d) Estimates and judgements

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

Investment property (Note 8)

Valuation and depreciation of property, plant and equipment (Note 10)

Impairment of non-current assets (Note 4(d))

Provisions (Note 13)

Contingencies (Note 18)

Financial instruments and financial liabilities (Note 16)

1(e) Rounding and comparatives

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

Comparative information has been reclassified where necessary to be consistent with disclosures in the current reporting period. The resulting reclassifications have had no effect on the current year or prior year net community assets.

1(f) Taxation

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

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ITEM 3.2 - AUDITED FINANCIAL STATEMENTS AND SUSTAINABILITY STATEMENTS FOR 2018/19 - REGIONAL (Cont.)



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

2 Analysis of Results by Function

2(a) Components of Council Functions

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

Engineering, Construction & Maintenance

Engineering, Construction and Maintenance is responsible for the maintenance of Council buildings, public facilities and infrastructure, provide sustainable and cost-effective solid waste management services to the community, as well as identifying, planning and delivering infrastructure to support the community and ensure a high standard of infrastructure within the Moreton Bay Region.

Community & Environmental Services

Community and Environmental Services is responsible for providing well managed and maintained community facilities, ensuring compliance with the local laws of Council, monitoring, reporting and engaging with the community to advance the protection and management of the natural environment, manage Council's property portfolio, acquire and dispose of strategic land holdings and manage Council's enterprises.

Governance

The role of the Governance section is to ensure open and accountable governance of the region and comprises the Councillors, Chief Executive Officer, Internal Audit, Legal, Financial Management, Human Resources, Information Technology Support, Communications and other related support functions.

Planning & Economic Development

The role of Planning and Economic Development is to support increased levels of employment within the region, foster a dynamic and prosperous business environment, stimulate economic activities, maintain a strategic plan of Council's longer term functions and responsibilities in relation to land use planning, planning scheme development, development assessment and engineering.



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

2 Analysis of Results by Function (continued)

Income and expenses defined between operating and capital are attributed to the following functions:

Year ended 30 June 2019	Gross program income						Gross program expenses							
	Operating		Capital		Operating Capital		Elimination of inter-function Total income		al income		Elimination of inter-function	Total	Net result	1
Function	Grants	Other	Grants	Other	transactions	Total income	Operating	Capital	transactions	expenses	Net result	Assets		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$*000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
Engineering, Construction & Maintenance	1,838	69,973	9,972	422	(15,457)	66,748	(173,367)	94	14,969	(158,304)	(91,556)	4,887,05		
Community & Environmental Services	3,250	28,525	5		(33)	31,747	(57,730)		499	(57,231)	(25,484)	85		
Governance	16,801	424,069	10,500	132,000	2,717	586,087	(181,183)	(26,378)	(2,519)	(210,080)	376,007	2,384,47		
Planning and Economic Development	100	10,387		:= :	(176)	10,311	(11,692)	-	(5)0101	(11,692)	(1,381)	2,304,47		
Total	21,989	532,954	20,477	132,422	(12,949)	694,893	(423,972)	(26,284)	12,949	(437,307)	257,586	7,272,39		

Year ended 30 June 2018	Gross program income						Gross program expenses					
	Operating Capital		tal	Elimination of inter-function	Total income			Elimination of inter-function	Total	Net result		
Function	Grants	transactions Operation C	transactions Operating Capital	transactions Control transactions expenses	Net result	Assets						
	\$1000	\$'000	\$'000	\$'000	\$1000	\$1000	\$'000	\$1000	\$'000	\$'000	\$'000	\$'000
Engineering, Construction & Maintenance	792	66,312	16,742	4,293	(14,650)	73,489	(169,179)	(445)	14,176	(155,448)	(81,959)	4,680,617
Community & Environmental Services	3,468	30,531	-	30,406	(42)	64,363	(60,365)	16,512	432	(43,421)	20,942	906
Governance	15,974	412,706	15	101,688 *	2,774	533,157	(167,112)	(68,560)	(2,602)	(238,274) *	294,883	2,265,049
Planning and Economic Development	100	10,309	-	-	(94)	10,315	(11,088)	(55,000)	6	(11,082)	(767)	2,265,045
Total	20,334	519,858	16,757	136,387 *	(12,012)	681,324	(407,744) *	(52,493)	12,012	(448,225)	233,099 •	6,946,790

Comparative information has been restated to be consistent with disclosures in the current reporting period.
* Comparative figures have been restated. Refer to Note 23 for details.



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

3 Revenue

Revenue is recognised at the fair value of consideration received or receivable, on the basis it meets the recognition criteria set out below.

3(a) Rates and utility charges

Rates are recognised as revenue at the start of the rating period. If a ratepayer pays their rates before the start of the rating period, they are recognised as revenue when they are received.

	2019	2018
	\$'000	\$'000
General rates	256,252	242,895
Cleansing charges	40,914	39,769
Other special levies, rates and charges	17,096	16,742
	314,262	299,406
Less: Pensioner and other rebates	(4,371)	(3,944)
eansing charges ner special levies, rates and charges	309,891	295,462

3(b) 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 or when the service is provided.

	2019	2018
	\$'000	\$'000
Administration	4,347	4,614
Community facilities	4,389	4,308
Development services	18,569	19,230
Waste management	5,212	4,424
Animal control	3,980	3,921
Other fees	93	170
	36,590	36,667

3(c) Grants, subsidies and contributions

Grants and subsidies that are non-reciprocal are recognised as revenue upon receipt. Where Council is obligated to repay grant and subsidy Income an expense is recognised once that obligation is known.

Physical assets contributed to Council by developers in the form of infrastructure are recognised as revenue when the development becomes "on maintenance" (i.e. Council obtains control of the assets) 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 on the date of acquisition. 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.

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.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

3	Revenue (continued)			
3(c)	Grants, subsidies and contributions (continued)			
			2019	2018
		Note	\$'000	\$'000
(i)	Operating			
	Government grants and subsidies		21,108	19,637
	Other grants, subsidies, contributions		1,586	1,229
			22,694	20,866
(ii)	Capital			
	Government grants and subsidies		20,477	16,757
	Infrastructure cash contributions Contributed assets		44,967	41,323
	Other capital income		82,036	88,053
	Outer dapital modifie		853 148,333	4,238 150,371
04.13	No. and the second seco		140,000	130,371
3(d)	Interest revenue			
	Interest received is accrued over the term of the investment.			
	Interest from financial institutions		9,331	9,603
	Interest from Unitywater		33,987	35,070
	Interest from overdue rates and utility charges		1,139	1,018
			44,457	45,691
3(e)	Other revenue			
	Tax equivalent	22	23,153	42,029
	Other income		7,957	7,464
			31,110	49,493
3(f)	Capital income			
			2019	2018
			\$'000	\$'000
	Gain on sale of assets classified as held for sale			481
	Reinvestment on financial assets at fair value through other comprehensive income (2018: available-for-sale			401
	investment)		4,400	2,098
	Reversal of loss on impairment of assets held for sale		8	167
	Adjustment to landfill and Bio-solids composting sites		158	27
			4,566	2,773
4	Expenses			
(a)	Employee benefits			
	Total staff wages and salaries		101,822	100.005
	Annual, sick, long service leave and other entitlements		13,388	11,987
	Superannuation	19	12,776	12,391
	Manufacture and the second of		127,986	124,383
	Other employee related expenses		4,003	4,352
	Less: Capitalised employee expenses		131,989	128,735
)	(7,874) 124,115	(8,673) 120,062
	Total full time equivalent employees at 30 June 2019 were 1,			120,002



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

4	Expenses (continued)			
4(b)	Materials and services			
			2019	2018
		Note	\$1000	\$'000
	Contractors		89,235	79,52
	Utilities		20,873	19.51
	Materials		9,845	9.33
	Labour hire services		6,131	5,17
	Legal costs		4,450	6,66
	Information technology hardware/software		4,232	6,98
	Commissions and contributions		3,887	6,84
	Expensed capital		3,697	2,86
	Fuel		3,538	3,00
	Other materials and services		3,351	2,30
	Donations and grants		3,063	2,10
	Security		2,879	2,38
	Insurance premiums		2,735	2,70
	Printing, postage and stationery		2,054	2,02
	Councillors' remuneration		1,877	1,83
	Consultants		1,360	66
	Cleaning		1,324	1,29
	Audit of annual financial statements by the Auditor-			
	General of Queensland		236	23
			164,767	155,48
	Councillor remuneration represents regular payments and allowances paid in respect of carrying out their duties.	other		
4(c)	Finance costs			
	Finance cost on loans		21,591	22,36
	Other		2,025	1,77
			23,616	24,14
!(d)	Capital expenses			21,11
n(u)	Capital expenses			
	Book value of property, plant and equipment disposed of Less: Proceeds from the sale of property, plant and		24,056	45,18
	equipment		(1,528)	(18,554
	Adjustment to landfill and Bio-solids sites		262	2,08
	Loss on impairment of assets classified as held for sale		-	
	Management fee on financial assets at fair value through other comprehensive income (2018: available-for-sale			
	investment)		504	6
	Revaluation down of investment property	8	154	56
	Revaluation down of property, plant and equipment	10	-	23,71
	Infrastructure credits recognised	13	3,113	530
			3,113 (277) 26,284	



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

5 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, all cash and cheques receipted but not banked at year end, deposits held at call with financial institutions, other short-term investments with original maturities of twelve 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.

	2019	2018
	\$'000	\$'000
Cash at bank and on hand	11,386	8,986
Deposits at call	155,057	109,866
Term deposits	195,000	195,000
	361,443	313,852

Cash and cash equivalents at 30 June 2019 includes \$14,877,100 received from the State government to mitigate the direct impacts on households of the State Waste Levy, which comes into effect from 1 July 2019. This money has been set aside to help fund the Council's 2019-20 Levy expense.

Conditions over contributions

Council cash and cash equivalents are subject to a number of external restrictions that limit amounts available for discretionary or future use. These include:

Externally restricted contributions recognised as income during the reporting period that were unspent at the reporting date:

	2019 \$'000	2018 \$'000
Government grants and subsidies	1,094	152
Waste levy refund received in advance	14,877	
	15,971	152

Externally restricted contributions recognised as income during the previous reporting period that were spent at the current reporting date:

	2019 \$'000	2018 \$'000
Government grants and subsidies	152	336

Trust funds held for outside parties

In accordance with the Local Government Act 2009 and Local Government Regulation 2012, a separate trust bank account and separate accounting records are maintained for funds held on behalf of outside parties. Funds held in the trust account on behalf of outside parties include those funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies paid into the trust account by Council. Council performs only a custodial 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. Council holds \$10.266 million in trust monies at 30 June 2019 (2018: \$10.154 million).



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

6 Trade and other receivables

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

Debts are regularly assessed for collectability and allowance is made, where appropriate, for impairment. All known bad debts were written-off at 30 June. If an amount is recovered in a subsequent period it is recognised as revenue.

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

Loans and advances are made to community organisations, and are recognised in the same way as other receivables. Security is not normally obtained.

The subordinated debt receivable from Unitywater is an interest only loan with the interest rate to be set by Queensland Treasury Corporation annually.

	2019	2018
	\$'000	\$'000
Current		
Rates and utility charges	8,837	7,824
Loans to community organisations	93	91
Accrued receivable from Unitywater	20,871	24,936
Other debtors	10,269	7,627
GST recoverable	3,344	3,535
Prepayments	3,527	5,647
	46,941	49,660
Less: Allowance for impaired debts	1.00)	(7)
	46,941	49,653
Non-current		
Loans to community organisations	426	460
Subordinated debt receivable from Unitywater	677,025	677.025
	677,451	677,485

7 Other non-current financial assets

Managed funds invested with Queensland Investment Corporation (QIC) are recognised as a financial asset and carried at fair value, represented by net market value less any impairment. Net market value is determined as the redemption value provided by QIC. Unrealised changes in net market value are recognised in other comprehensive income and accumulated in the fair value through other comprehensive income (FVTOCI) reserve. Where the investment is disposed of or determined to be impaired, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to revenue or expense in the Statement of Comprehensive Income. Refer to Note 1(c).

2019 \$'000	2018 \$'000	
108.528		
	101,721	
108,528	101,721	
	\$'000 108,528	



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

8 Investment property

Investment property is property held for the primary purpose of earning rentals and/or capital appreciation but does not include residential properties, swimming pools, aerodrome hangers and caravan parks.

Investment property is measured using the fair value model. This means all investment property is initially recognised at cost (including transaction costs) and then subsequently revalued annually at the reporting date by a registered valuer. Where investment property is acquired at no or nominal cost it is recognised at fair value.

Property that is being constructed or developed for future use as investment property is classified as investment property. Investment property under construction is measured at fair value, unless fair value cannot be reliably determined for an individual property (in which case the property concerned is measured at cost until fair value can be reliably determined).

Gains or losses arising from changes in the fair value of investment property are recognised as incomes or expenses respectively for the period in which they arise. Investment property is not depreciated and is not tested for impairment.

		2019	2018
	Note	\$'000	\$'000
Fair value at beginning of financial year		28,635	44,970
Additions from subsequent expenditure recognised		-	210
Net (loss) from fair value adjustments	4(d)	(154)	(565)
Disposal	8.3		(15,980)
Fair value at end of financial year	_	28,481	28,635

Investment property fair values were determined by independent valuer Australis Asset Advisory Group as at 30 June 2019.

For investment property classified as level 2 (\$26.120 million), fair value has been determined using a market approach using the income capitalisation method.

The income capitalisation method of valuation involves capitalising the estimated net income of the property at an appropriate capitalisation rate (net yield) that has been determined through the analysis of market based sales evidence for properties of similar nature and specification.

The market approach utilises inputs such as capital value and price per square metre, which is derived by assessing market based sales evidence of comparable properties.

For investment property classified at level 3 (\$2.361 million), this is a specialised building and fair value has been measured utilising the cost approach, determined by using current replacement cost.



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

9 . Investment in associate

Council holds 58.2382% of participation rights in Unitywater, a water distribution and retail business established in accordance with the South-East Queensland Water (Distribution and Retail Restructuring) Act 2009, to deliver water and waste water services to customers within the local government areas of Moreton Bay Regional Council, Sunshine Coast Regional Council and Noosa Council. The participation rights effectively represent an investment in an associate by Moreton Bay Regional Council.

Associates are entities over which Moreton Bay Regional Council exerts significant influence. Significant influence is the power to participate in the financial and operating policy decisions but is not control or joint control. Accordingly as Council has no control over Unitywater AASB 10 Consolidated Financial Statements is not applied.

Investments in associates are accounted for in the financial statements using the equity method and are carried at the lower of cost and recoverable amount. Under this method, the entity's share of post-acquisition profits or losses of associates is recognised in the Statement of Comprehensive Income and the interest in the equity of the associate is recognised in the Statement of Financial Position. The cumulative post-acquisition movements, being the share of profits less dividends received and accrued, are adjusted against the cost of the investment.

Summarised financial information in respect of the associate is set out below.

2019 \$'000	2018 \$'000
3,902,190 (1,865,263)	3,777,942 (1,858,898)
2,036,927	1,919,044
1,186,270	1,117,612
730,579	696,248
151,800	119,405
88,406	69,539
1,193,241	1,125,208
1,125,208 88,406 (20,373) 1,193,241	1,056,084 69,539 (415) 1,125,208
	\$'000 3,902,190 (1,865,263) 2,036,927 1,186,270 730,579 151,800 88,406 1,193,241 1,125,208 88,406 (20,373)



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

10 Property, plant and equipment

10(a) Recognition

Items of property, plant and equipment with a total value of less than \$5,000 except for land and network assets (which have a recognition threshold of greater than \$1), are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised and included in the relevant asset class.

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

10(b) Measurement

Property plant and equipment assets are initially recorded at cost. Subsequently, each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss.

Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including freight in, architect's fees and engineering design fees and all other establishment costs. Direct labour and materials and an appropriate proportion of overheads incurred in the acquisition or construction of assets are also included in their cost.

Property, plant and equipment received in the form of contributions, are recognised as assets and revenues at fair value.

10(c) Depreciation

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and commissioned ready for use, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

10 Property, plant and equipment (continued)

10(c) Depreciation (continued)

Depreciation methods, estimated useful lives and residual values of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. Any condition assessments for assets measured at written down current replacement cost are used to estimate the useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are shown in Note 10(g).

10(d) Impairment of non-current assets

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

10(e) Valuation

Land, buildings and infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB 116 *Property, Plant and Equipment and AASB 13 Fair Value Measurement.* All other non-current assets, principally plant and equipment and cultural and heritage assets 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 assets does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every four years. This process involves the valuer physically sighting Council assets where practical and making an independent assessment of the condition of the assets at the date of inspection. Where assets are not physically inspected unit rates are used to determine the fair value.

In the intervening years, Council uses a suitable index to assess whether a desktop valuation is required based on materiality. A desktop revaluation involves the application of suitable indexes undertaken at the reporting date when there has been a material movement in value for an asset class subsequent to the last comprehensive revaluation. During the financial year an analysis performed by management has indicated that, on average, the variance between an indexed asset value and the valuation by an independent valuer when performed is not significant and the indices used by Council are sound with the exception of the land asset class which was indexed upwards using an appropriate index. Further details in relation to the land indexation is contained under Note 10(f).

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

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life. Separately identified components of assets are measured on the same basis as the assets to which they relate. Details of valuers and methods of valuations are disclosed in Note 10(f).



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

10 Property, plant and equipment (continued)

10(f) Fair value measurements

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

- Level 1 the fair value is based on quoted prices (unadjusted) in active markets for identical assets.
- Level 2 the fair value is estimated using inputs that are directly or indirectly observable for the assets, such as prices for similar assets.
- Level 3 the fair value is estimated using unobservable inputs for the asset.

All fair value measurements are recurrent and categorised as either level 2 or level 3 in the fair value hierarchy. None of Council's valuations of assets are eligible for categorisation into level 1 of the fair value hierarchy.

The following table represents Council's assets as at 30 June 2019 as either level 2 or level 3 in accordance with AASB 13.

	Level 2		Lev	Level 3		tal
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Buildings Land	1,007 116,404	1,090 104,707	317,912	306,843	318,919	307,933
Stormwater Infrastructure	110,404	104,707	518,164 1,497,576	459,121 1,492,871	634,568 1,497,576	563,828 1,492,871
Transport Infrastructure			1,765,633	1,701,695	1,765,633	1,701,695
Waterways and Canals			233,737	236,162	233,737	236,162
	117,411	105,797	4,333,022	4,196,692	4,450,433	4,302,489

In the course of revaluing land the nature of the inputs are reviewed and as such, Council recognises transfers between level 2 and 3 in the fair value hierarchy. Details of the valuation movement are shown in Note 15, where the below table reflects the additional detail of hierarchy movement. It is Council's policy is to recognise such transfers at the end of the reporting period.

	Level 2	Level 3	Total
	2019	2019	2019
	\$'000	\$'000	\$'000
Land			
Opening balance as at 1 July 2018	104,707	459,121	563,828
Additions	-	7,118	7,118
Disposals	(234)	(1,156)	(1,390)
Internal transfer	-	410	410
Asset revaluation surplus	11,931	52,671	64,602
Closing Balance as at 30 June 2019	116,404	518,164	634,568



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

10 Property, plant and equipment (continued)

10(f) Fair value measurements (continued)

For the below asset classes, management have performed an analysis of suitable indices for the intervening period being the period since valuation by an independent valuer to 30 June 2019. This analysis identified that the movement in the indices was not material except for the land asset class, therefore no indexation has been applied to any asset class other than land

Buildings (Level 2 and 3)

The fair value of buildings were determined by independent valuer Australis Asset Advisory Group as at 31 March 2016 and pools by independent valuer Cardno (QLD) Pty Ltd as at 31 May 2017.

For buildings classified as level 2, fair value has been derived by utilising inputs such as market based sales evidence of comparable properties within the relevant geographic location.

For buildings and pools classified as level 3, no active market exists and fair value has been determined using the current replacement cost method valuation and is deemed to be a Level 3 input.

Land (Level 2 and 3)

The fair value of land was determined by independent valuer. Australis Asset Advisory Group as at 31 December 2016 and indexed with the Queensland Valuer General's property market movement report as at 31 May 2019.

For land classified as level 2, fair value has been derived by utilising inputs such as price per square metre, which is derived by assessing market based sales evidence of land in the relevant geographic location and of a comparable land use and/or zoning.

For land classified at level 3 no active market exists and fair value has been measured utilising a discounted price per square metre. The price per square metre is based upon market based sales evidence and is discounted because the land has specific characteristics or particular restrictions.

Stormwater Infrastructure (Level 3)

The fair value of stormwater infrastructure was determined by unit rates provided by independent valuers AssetVal Pty Ltd as at 31 December 2018.

Due to the specialised nature of Council's stormwater infrastructure there is no active market for the assets. As such, fair value has been determined using the current replacement cost method of valuation and is deemed to be a Level 3 input. Level 3 input have been determined by utilise unit rates provided by suitably qualified valuation specialist.

Transport Infrastructure (Level 3)

The fair value of transport unit rates was determined by independent valuers AssetVal Pty Ltd as at 31 December 2017 and bridge infrastructure was determined by independent valuer Cardno Pty Ltd as at 31 December 2017.

Due to the specialised nature of Council's transport infrastructure there is no active market for the assets. As such, fair value has been determined using the current replacement cost method of valuation and is deemed to be a Level 3 input. Level 3 input have been determined by utilise unit rates provided by suitably qualified valuation specialist.

Waterways and Canals (Level 3)

The fair value of canal assets was determined by independent valuer AssetVal Pty Ltd as at 31 March 2018 and seawall assets was determined by external consultants BFA JFA Consultants Pty Ltd as at 4 August 2017.

Due to the specialised nature of Council's waterway and canal infrastructure, the valuations have been determined using the current replacement cost method of valuation and is deemed to be a Level 3 input. Level 3 input have been determined by utilise unit rates provided by suitably qualified valuation specialist.

Note



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

10 Property, plant and equipment (continued)

10(g) Movements

30 June 2019

For the year ended 30 June 2019 Gross value / cost Less accumulated depreciation Book value as at 30 June 2019

Basis of measurement

Opening net value as at 1 July 2018 (Restated)
Plus capital expenses
Transfers between asset classes
Plus contributed assets
Plus restoration asset so the reviously recognised
Plus restoration assets
Less disposals
Less depreciation provided in period
Revaluation adjustment to asset revaluation surplus
Transfer from assets withdrawn from held for sale
Transfers from WIP to other non PP&E assets or expense
Transfers from work in progress
Book value as at 30 June 2019

Range of estimated useful life in years

Land	Buildings	Transport Infrastructure	Stormwater Infrastructure	Waterways and Canals	Land Improvements	Park Equipment	Plant and Equipment	Cultural and Heritage	Work in Progress	Total
\$'000	\$'000	\$*000	\$'000	\$*000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
634,568	525,415			325,362	221,625	135,728	112,358	2,573	99,444	6,401,28
	(206,496)		(433,451)		(62,223)	(53,471)	(51,399)		-	(1,546,218
634,568	318,919	1,765,633	1,497,576	233,737	159,402	82,257	60,959	2,573	99,444	4,855,06

Land	Buildings	Transport Infrastructure	Stormwater Infrastructure	Waterways and Canals	Land Improvements	Park Equipment	Plant and Equipment	Cultural and Heritage	Work in Progress	Total
Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost	Cost	Cost	Cost	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
563,828	307,933	1,701,695	1,492,871	236,162	120,478	77,673	58,379	2,562	86,693	4,648,274
-						-	-	-	198,965	198,965
-	(17)	8	(346)		355	(5)	5		-	100,000
39	20		44,977		905	2,177	-	-	-	82,036
	2.0	7,938	14,144		543	2	-	-		22,627
-		-			15,433		-	-	-	15,433
(1,390)	(2,452)	(8,309)	(8,096)	(31)	(1,103)	(716)	(1,959)			(24,056)
-	(12,004)	(42,580)	(20,352)	(2,539)	(6,390)	(6,014)	(8,304)	-		(98,183)
64,602	-		(51,343)				-			13,259
410			-	-	-	-	-	-		410
-	-								(3,697)	(3,697)
7,079	25,439	72,963	25,721	145	29,181	9,140	12,838	11	(182,517)	
634,568	318,919	1,765,633	1,497,576	233,737	159,402	82,257	60,959	2,573	99,444	4,855,068
unlimited	1 - 128	3 - unlimited	4 - 157	9 - unlimited	3 - 100	5 - 100	1 - 110	unlimited		



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

10 Property, plant and equipment (continued)

10(g) Movements (continued)

30 June 2018 (Restated)

Book value as at 30 June 2018

For the year ended 30 June 2018

Gross value / cost Less accumulated depreciation

Land	Buildings	Transport Infrastructure	Stormwater Infrastructure	Waterways and Canals	Land Improvements	Park Equipment	Plant and Equipment	Cultural and Heritage	Work in Progress	Total
\$1000	\$'000	\$'000	\$'000	\$1000	\$'000	\$'000	\$'000	\$'000	\$'000	\$1000
563,828	503,778	2,311,926				126,015	107,332	2,562	86,693	6,122,665
-	(195,845)	(610,231)	(425,750)	(89,133)	(56,137)	(48,342)	(48,953)	-	-	(1,474,391
563,828	307,933	1,701,695	1,492,871	236,162	120,478	77,673	58,379	2,562	86,693	4,648,274

Basis of measurement

Opening net value as at 1 July 2017 Opening net value as at 1 July 2017 not previously recognised * Plus capital expenses

Transfers between asset classes

Plus contributed assets Plus contributed assets not previously recognised *

Plus assets not previously recognised

Plus restoration assets

Less disposals

Less depreciation provided in period

Less depreciation provided in period not previously recognised * Revaluation adjustment to asset revaluation surplus 4(d)

Revaluation adjustment to capital expense Transfer to assets classified as held for sale Transfer from assets withdrawn from neld for sale

Transfers from WIP to other non PP&E assets or expense Transfers from works receivable

Transfers from work in progress Book value as at 30 June 2018

Range of estimated useful life in years

ALC: KIT	Buildings	Transport Infrastructure	Stormwater Infrastructure	Waterways and Canals	Land Improvements	Park Equipment	Plant and Equipment	Cultural and Heritage	Work in Progress	Total
air Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost	Cost	Cost	Cost	Assessed 1
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
549,475	309,599	1,623,134	1,403,469	213,187	96,293	75.843	59,576	2,538	72,666	4,405,780
-	-	1,450	1,680	+	-	66	72		-	3,268
-		-	-			-	-	-	159,955	159,955
-	(14)	(5,416)	113		5,305	12	-		-	
53	-	31,155	45,311		1,352	1,100	-	-		78,971
14	-	2,679	5,642	-	615	132	-	-	-	9,082
-		2,692	22,964					-	-	25,656
-			-	-	7,321	-	-	-		7,321
(7,102)	(129)	(13,849)	(4,039)	(16)	(355)	(245)	(3,461)	-	-	(29,196)
-	(11,861)	(39,690)	(19,779)	(2,400)	(5,516)	(5,684)	(9,653)	-	-	(94,583)
-		(43)	(45)	-	(6)	(5)	(3)	-	-	(102)
1,390				25,179		-	-	-		26,569
-		(23,718)	-				-	(4)		(23,718)
(2,410)	-	-					-	-	-	(2,410)
18,000	-		-	-	-	-	-	-	-	18,000
-	-	-		-		-	-	-	(3,072)	(3,072)
-		45,842	20,518	-	192	201	-	-	-	66,753
4,408	10,338	77,459	17,037	212	15,277	6,253	11,848	24	(142,856)	
563,828	307,933	1,701,695	1,492,871	236,162	120,478	77,673	58,379	2,562	86,693	4,648,274

^{*} Not previously recognised adjustments as disclosed in Note 23 Restated balances.



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

11 Trade and other payables

Creditors are recognised when goods or services are received, at the amount owed. Amounts owing are unsecured and are generally settled on 30 day terms.

Liabilities are recognised for employee benefits such as vested sick leave and annual leave in respect of services provided by the employees up to the reporting date. The liability is calculated using the present value of remuneration rates that will be paid when the liability is expected to be settled and includes related on-costs.

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

Council has an obligation to pay sick leave on termination to certain employees and therefore a liability has been recognised for this obligation.

	2019	2018
Current	\$'000	\$'000
Trade creditors and accruals	41,510	38,328
Employee entitlements	10,627	10,708
	52,137	49,036

12 Borrowings

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

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

Borrowing costs, which includes interest calculated using the effective interest method and administration fees, are expensed in the period in which they arise. Costs that are not settled in the period in which they arise are added to the carrying amount of the borrowing. Borrowing costs are treated as an expense, as assets constructed by Council are generally completed within one year and therefore are not considered to be qualifying assets.

Current	2019 \$'000	2018 \$'000
Loans - Queensland Treasury Corporation	34,685	31,533
Non-current		
Loans - Queensland Treasury Corporation	344,307	354,463

The QTC loan market value at the reporting date was \$443,262,184. This represents the value of the debt if Council repaid it as at 30 June 2019.

No assets have been pledged as security by the Council for any liabilities.

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ITEM 3.2 - AUDITED FINANCIAL STATEMENTS AND SUSTAINABILITY STATEMENTS FOR 2018/19 - REGIONAL (Cont.)



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

13 Provisions

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 Council's employment or other associated employment which would result in 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. Long service leave is treated as current where Council does not have an unconditional right to defer settlement beyond twelve months. All other long service leave is treated as non-current.

Restoration and rehabilitation

The provision is made for the cost of restoration in respect of refuse landfill sites and bio-solids composting sites where it is probable Council will be liable, or required, to incur such a cost on the cessation of use of these facilities. The provision is measured at the expected cost of the work required discounted to current day values using an appropriate rate.

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

Changes in the provision not arising from the passing of time are treated as an adjustment to the provision and associated asset. Once the related asset has reached the end of its useful life, all subsequent changes in the liability are recognised in profit and loss. Changes to the provision resulting from the passing of time (the unwinding of the discount) is treated as a finance cost.

Infrastructure offsets and credits

Infrastructure offsets occur when infrastructure has been contributed to Council by a developer in lieu of paying infrastructure charges. Terms and conditions surrounding the delivery of the contributed infrastructure and the realisation of the offset are set out in "Infrastructure Agreements" that the Council and the developer(s) enter into. When the value of the contributed infrastructure is greater than what the developer would have paid in infrastructure charges to Council an infrastructure credit results. The credit is recognised when the contributed asset is accepted as "on maintenance" (when Council accepts ownership of the asset) by Council. Once the credit is created the developer is entitled to be refunded that amount in cash or can use it to offset any infrastructure charges for future developments that the developer may undertake.

13

ITEM 3.2 - AUDITED FINANCIAL STATEMENTS AND SUSTAINABILITY STATEMENTS FOR 2018/19 - REGIONAL (Cont.)



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

Provisions (continued)		
	2019	2018
Current	\$'000	\$'000
Long service leave	14,415	13,565
Bio-solids composting site rehabilitation	72	71
Refuse restoration	144	142
	14,631	13,778
Non-current		
Long service leave	3,005	3,023
Bio-solids composting site rehabilitation	1,023	985
Refuse restoration	53,970	37,428
Infrastructure credits	2,016	1,146
	60,014	42,582

Movements in the provisions during the financial year are set out below:

2019 2019

Е	alance at beginning of financial year
F	Provisions arising
	Provisions extinguished
F	rovisions paid
В	alance at end of financial year

Long service leave \$'000	Infrastructure credits \$'000
16,588	1,146
3,367	3,113
(674)	(277)
(1,861)	(1,966)
17,420	2,016

Balance at beginning of financial year
Amount incurred and charged against the provision
Increase in provision due to unwinding of discount
Increase in provision due to change in estimate
Increase in provision due to change in discount rate
Unused amounts reversed
Balance at end of financial year

Bio-solids composting site rehabilitation	Refuse landfill sites restoration
\$'000	\$'000
1,056	37,570
(33)	(23)
24	1,078
*	(1,049)
87	16,657
(39)	(119)
1,095	54,114

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ITEM 3.2 - AUDITED FINANCIAL STATEMENTS AND SUSTAINABILITY STATEMENTS FOR 2018/19 - REGIONAL (Cont.)



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

13 Provisions (continued)

Site	Expected site closure year	Post closure monitoring cost completion year
Bunya landfill site	2091	2105
Dakabin landfill site	2048	2062
Caboolture landfill site	2053	2067
Ningi landfill site	closed	2032
Woodford landfill site	closed	2032
Bio-solid compositing site	closed	2032

14 Other liabilities

-					
C					
	ш	8 1	1.5	211	18

Revenue received in advance
Waste levy refund received in advance

14,

462 550 14,877 -15,339 550

The State government made an advance payment to Council in June 2019 to mitigate the impacts on households for 2019-20 of the State Waste Levy, which takes effect from 1 July 2019. The Council will be liable to the State for payment of the Levy on most forms of commercial and household waste delivered to its disposal sites from 1 July 2019. The State is required to make an annual payment to the Council that essentially refunds the Council for the portion of the Levy that relates to households. Council will fund the portion of the Levy that relates to commercial waste through charges to commercial users of disposal sites from 1 July 2019. As the receipt from the State in June 2019 is for a refund of Council's 2019-20 Levy expense, the full amount has been recognised as a liability as at 30 June 2019.



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

15 Asset revaluation surplus

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

Where a class of assets is decreased on revaluation, that decrease is offset first against the amount remaining in the asset revaluation surplus in respect of that class. Any excess is treated as an expense. When an asset is disposed of, the amount in the surplus in respect of that asset is retained in the asset revaluation surplus and not transferred to retained surplus.

	Balance at		Balance at end of
	beginning of year	Movements	year
	\$'000	\$'000	\$'000
2019		0.501.00.00	
Land	134,813	64,602	199,415
Buildings	72,235		72,235
Stormwater infrastructure	653,848	(51,343)	602,505
Waterways and canals	62,603	-	62,603
	923,499	13,259	936,758
	Balance at		Balance at end of
	beginning of year	Movements	year
	\$'000	\$'000	\$'000
2018		10000000	
Land	133,423	1,390	134,813
Buildings	72,235		72.235
Stormwater infrastructure	653,848	-	653,848
Waterways and canals	37,424	25,179	62,603
	896,930	26,569	923,499
		The state of the s	

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ITEM 3.2 - AUDITED FINANCIAL STATEMENTS AND SUSTAINABILITY STATEMENTS FOR 2018/19 - REGIONAL (Cont.)



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

16 Financial instruments

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

- credit risk
- liquidity risk
- market risk

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

Financial risk management

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

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

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

Council does not enter into derivatives.

Credit risk exposure

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

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

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

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

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ITEM 3.2 - AUDITED FINANCIAL STATEMENTS AND SUSTAINABILITY STATEMENTS FOR 2018/19 - REGIONAL (Cont.)



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

16 Financial instruments (continued)

Cash and cash equivalents

The Council may be exposed to credit risk through its investments in the QTC Cash Fund. The QTC Cash Fund is an asset management portfolio that invests with a wide range of high credit rated counterparties. Deposits with the QTC Cash Fund are capital guaranteed. Other investments are held with highly rated/regulated banks and financial institutions and whilst not capital guaranteed, the likelihood of a credit failure is assessed as remote.

Other non-current financial assets

Other non-current financial assets are held with Queensland Investment Corporation (QIC), which is highly rated and regulated, and whilst not capital guaranteed, the likelihood of a credit failure is considered remote.

Trade and other receivables

In the case of rate receivables, interest is charged on outstanding debts at a rate of 11% per annum (as from 1 July 2019 9.83%) and Council has the power to sell the property to recover any defaulted amounts. In effect this power protects the Council against credit risk in the case of defaults.

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

By the nature of the Councils operations, there is a geographical concentration of risk in the Council's area. However, the region has a wide variety of industries, reducing the geographical risk.

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

At 30 June 2019, the exposure to credit risk for trade receivables by type of counterparty was as follows:

2040

	720,865	721,491
Other	10,269	7,620
Community organisations	519	551
Associates	697,896	701,961
GST recoverable	3,344	3,535
Rates and utility charges	8,837	7,824
	\$'000	\$'000
	2019	2018

A summary of the Council's exposure to credit risk for trade receivables is as follows:

3 , 3	40,040	44,415
Total gross carrying amount	43,840	44,473
More than 90 days	633	650
Past due 61-90 days	3,076	229
Past due 31-60 days	52	39
Not past due	40,079	43,555
Not nost due		
	\$'000	\$'000
	2019	2018

The above analysis does not include the non-current receivable of \$677.025 million (2018: \$677.025 million), which represents a fixed rate of 5.02% loan to Unitywater. The credit risk on these loans is considered low. Refer to Note 6 for further information.

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

16 Financial instruments (continued)

Liquidity risk

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

The Council's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Council's reputation.

Council is exposed to liquidity risk through its normal course of business and through it's borrowings with QTC.

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

	0 to 1 year	1 to 5 years \$'000	Over 5 years	Total contractual cash flows \$'000	Carrying Amount \$'000
2019	\$ 000	\$ 000	3 000	\$ 000	\$ 000
Trade and other payables	41,510	-	-	41,510	41,510
Loans - QTC	54,081	209,604	221,046	484,731	378,992
	95,591	209,604	221,046	526,241	420,502
2018					
Trade and other payables	38,554	-	-	38,554	38,328
Loans - QTC	52,153	207,190	248,813	508,156	385,996
	90,707	207,190	248,813	546,710	424,324

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.

Council does not have access to a fixed overdraft facility.

Market risk

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

Interest rate risk

Council is exposed to interest rate risk through borrowings with QTC and investments through QTC and other financial institutions.

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



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

16 Financial instruments (continued)

Sensitivity

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

The Council does not account for any fixed-rate financial assets or financial liabilities at Fair Value through Profit or Loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

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

	Net carrying	Effect on Net Result		Effect on Equity	
	amount \$'000	1% increase \$'000	1% decrease \$'000	1% increase \$'000	1% decrease \$'000
2019 QTC cash fund Other investments	116,811 146,775	1,168 1,468	(1,168) (1,468)	1,168 1,468	(1,168) (1,468)
Net total	263,586	2,636	(2,636)	2,636	(2,636)
2018 QTC cash fund	61,224	612	(612)	612	(612)
Other investments	150,363	1,504	(1,504)	1,504	(1,504)
Net total	211,587	2,116	(2,116)	2,116	(2,116)

In relation to the QTC loans held by the Council, the following has been applied:

QTC Fixed Rate Loan - financial instruments with fixed interest rates which are carried at amortised cost are not subject to interest rate sensitivity.

Fair value

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

The fair value of borrowings with QTC is based on the market value of debt outstanding. The market value of a debt obligation is the discounted value of future cash flows based on prevailing market rates and represents the amount required to be repaid if this was to occur at balance date. The market value of debt is provided by QTC and is disclosed in Note 12.

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



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

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Contractual commitments for capital expenditure

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

	2019	2018
	\$'000	\$'000
Property, plant and equipment	86,570	59,264
These expenditures are due for payment:		
Not later than one year	83,647	43,257
One to five years	2,923	16,007
	86,570	59,264

Contractual commitments for operating expenditure

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

	2019 \$'000	2018 \$'000
Waste and maintenance services	214,474	77,242
These expenditures are due for payment:		
Not later than one year	46,505	39,487
One to five years	87,139	34,106
More than five years	80,830	3,649
	214,474	77,242

Operating lease income

Future operating lease rental commitments receivable for property, plant and equipment comprise:

	2019 \$'000	2018 \$'000
The minimum lease receipts are as follows:		
Not later than one year	3,018	2,798
One to five years	6,184	5,620
Later than five years	3,342	3,947
	12,544	12,365



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

18 Contingencies

Contingent liabilities

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

Legal claims

Council is subject to a number of compensation claims with regards to the compulsory acquisition of land and contract disputes. Information in respect of individual claims has not been disclosed in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets on the basis that Council considers such disclosures would seriously prejudice the outcome of the claims. In total the claims amount to approximately \$12 million (2018: approximately \$10m).

Local Government Mutual

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

As at 30 June 2018 the financial statements of LGM Queensland reported a members' equity balance of \$75,834,341.

Local Government Workcare

Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. Council's maximum exposure to the bank guarantee is \$3,153,058.

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ITEM 3.2 - AUDITED FINANCIAL STATEMENTS AND SUSTAINABILITY STATEMENTS FOR 2018/19 - REGIONAL (Cont.)



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

19 Superannuation - Regional Defined Benefit Fund

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

The scheme is a defined benefit plan, however Council is not able to account for it as a defined benefit plan in accordance with AASB 119 because LGIAsuper is unable to account for its proportionate share of the defined benefit obligation, plan assets and costs.

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

Technically Moreton Bay Regional Council can be liable to the scheme for a portion of another local governments' obligations should that local government be unable to meet them. However the risk of this occurring is extremely low and in accordance with the LGIAsuper trust deed changes to council's obligations will only be made on the advice of an actuary.

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

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

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

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

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

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

There are currently 62 entities contributing to the scheme and any changes in contribution rates would apply equally to all 62 entities. Moreton Bay Regional Council made 5.24% of the total contributions to the scheme for the 2018-2019 financial year.

	Note	2019 \$'000	2018 \$'000
Superannuation contributions made to the Regional Defined			
Benefits Fund		831	855
Other superannuation contributions for employees		11,945	11,536
Total superannuation contributions paid by Council for	1990	Trailministra	
employees:	4(a)	12,776	12,391

Contributions Council expects to make to the Regional Defined Benefits Funds for 2019-20 is \$849,318.



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

20 National competition policy

Business activities to which the code of competitive conduct is applied

Council applies the competitive code of conduct to the following activity:

Waste Function

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

	Waste Function
Revenue	2019 \$'000
Revenue for services provided to Council	2,831
Revenue for services provided to external clients	51,809
Community service obligations	539
	55,179
Expenditure	44,471
Surplus/(deficiency)	10,708

Community Service Obligations:

The CSO value is determined by Council and represents an activity's cost(s) which would not be incurred if the activities primary objective were to make a profit. 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 Council.

Activities and CSO Description	2019
	\$'000
Waste	
Pensioner Discounts	539

21 Events subsequent to balance date

Council is in the process of listing for sale properties with an estimated value of \$8.9 million that are surplus to Council requirements. Some of these properties are yet to be actively marketed.

During the financial year a Crime and Corruption Commission (CCC) investigation resulted in one Councillor being charged with official corruption. In accordance with section 182A of the Local Government Act 2009, that Councillor is currently suspended from office. The CCC's investigation remains ongoing. To the best of Council's knowledge at the date of this financial report, there is no material impact in relation to the matters identified through the CCC investigations, on this financial report.

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ITEM 3.2 - AUDITED FINANCIAL STATEMENTS AND SUSTAINABILITY STATEMENTS FOR 2018/19 - REGIONAL (Cont.)



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

22 Related party transactions

(a) Associate

Council has a participating interest in the Northern SEQ Distributor-Retailer Authority (trading as Unitywater) governed by a Participation Agreement.

Transactions with Unitywater

The amount of revenue and expenditure included in the Statement of Comprehensive Income, and the amount receivable or payable to Unitywater are as follows;

	2019	2018
Revenue	\$'000	\$'000
Interest on loans	33,987	35,070
Taxation equivalents	23,153	42,029
Dividends	20,373	42,029
Other revenue	216	1,426
	77,729	78,940
		70,010
Expenses		
Material and services	7,567	6,493
	7,567	6,493
Amounts receivable		
Interest	8,497	8,767
Dividends	11,200	0,101
Taxation equivalents	1,174	16,169
Other	113	2
	20,984	24,938
Loans		
Loans	677,025	677,025
	677,025	677,025
Amounts payable		
Material and services	4 629	1 200
THIS IN USE TOUC	1,628 	1,308
	1,020	1,308

Unitywater operates under an income tax equivalent regime; with all tax paid being distributed to the participating Councils on a pro-rata basis to their participation rights. Income tax equivalent payments from Unitywater are recognised as revenue when the significant risks and rewards related to the corresponding assets have been transferred to Council.

Dividends received by Council from Unitywater are recorded as a reduction in the carrying value of the non-current asset.

Participant loans provide for a fixed interest rate with monthly interest only payments.

Further detail regarding Unitywater is contained in Note 9 Investment in associate.



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

22 Related party transactions (continued)

(b) Key management personnel

(i) Details of compensation

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of Council directly or indirectly. The Mayor, Councillors, CEO and the Executive Management Team are the KMP of Council for 2018/19 year.

Total compensation for key management personnel of Council is set out below:

	4,535	4,772
Termination benefits	89	126
Other long-term benefits	50	53
Post-employment benefits	437	436
Short-term benefits	3,959	4,157
	\$'000	\$'000
	2019	2010

(ii) Transactions with other related parties - KMP's close family members and organisations in which the KMP and/or their close family members have controlling interests (individually or jointly)

Details of transactions between Council and KMP are disclosed below:

Expense	2019 \$'000	2018 \$'000
Employee expenses for close family members of KMP ¹	196	216
Purchase of material and services from entities controlled by close family member of KMP	5.50	142
Revenue		
Infrastructure contributions and development fees received from entities controlled by KMP^2	24	

¹All close family members of key management personnel were employed through an arm's length process. They are paid in accordance with the relevant award for the job they perform. Council employs 1611 staff of which only 2 are close family members of KMP.

²A company controlled by KMP, paid infrastructure contributions and development application fees to Council. Contributions and fees paid were in accordance with Council's normal terms and conditions.

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ITEM 3.2 - AUDITED FINANCIAL STATEMENTS AND SUSTAINABILITY STATEMENTS FOR 2018/19 - REGIONAL (Cont.)



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

22 Related party transactions (continued)

(c) Outstanding balances

There were no balances outstanding at the end of reporting period in relation to transactions with related parties.

No expenses has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

(d) Loans and guarantees to/from related parties

Apart from its associate (Unitywater) council does not make loans to or receive loans from related parties. No guarantees have been provided.

(e) Commitments to/from related parties

There were no commitments outstanding at the end of reporting period in relation to transactions with related parties.

(f) Transaction with related parties not disclosed

On a regular basis ordinary citizen transactions occur between Council and its related parties. Examples include rates, use of Council pools, payment of animal registration and library borrowings. Council has not included these types of transactions in its disclosure where they are made on the same terms and conditions available to the general public.

(g) LGIAsuper

Information about superannuation is included in Note 19.



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

23 Restated balances

Contributed assets not previously recognised

During 2018/19, Council identified a prior period error that related to contributed assets that had commission dates prior to 1 July 2018. As a result, for 2017/18 Council had understated its contributed revenue and property, plant and equipment by \$9.082 million and applicable depreciation of \$0.103 million. Prior to 1 July 2017, contributed revenue and property, plant and equipment had been understated by \$3.351 million and applicable depreciation of \$0.083 million. To correct the impact of the prior period error, Council has adjusted the 2017/18 comparative amounts in the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes where indicated.

Details of the adjustments impacting financial statement line items is provided below:

30 June 2018 Comparative year

Financial statement line item / balance affected	Note	Actual 2018 \$'000	Adjustments 2018 \$'000	Restated Actual 2018 \$'000
Statement of Comprehensive Income (Extract)				
Capital Revenue				
Grants, subsidies and contributions	3(c)(ii)	141,289	9,082	150,371
Total Revenue	-	669,469	9,082	678,551
Total Income	_	672,242	9,082	681,324
Recurring Expenses				
Depreciation and amortisation		(95,939)	(102)	(96,041)
Total Expenses	_	(448,123)	(102)	(448,225)
NET RESULT	_	224,119	8,980	233,099
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1	250,377	8,980	259,357
Statement of Financial Position (Extract)				
Non-Current Assets				
Property, plant and equipment	10	4,636,026	12,248	4,648,274
Total Non-Current Assets	<u></u>	6,569,472	12,248	6,581,720
Total Assets	_	6,934,542	12,248	6,946,790
NET COMMUNITY ASSETS	_	6,442,600	12,248	6,454,848
Community Equity				
Retained surplus		5,519,101	12,248	5,531,349
TOTAL COMMUNITY EQUITY	_	6,442,600	12,248	6,454,848
Statement of Changes in Equity (Extract)				
Retained Surplus				
Balance as at 1 July 2017	_	5,269,637	3,268	5,272,905
Net result		224,119	8,980	233,099
Total comprehensive income for the year	_	249,464	8,980	258,444
Balance at 30 June 2018		5,519,101	12,248	5,531,349



MANAGEMENT CERTIFICATE For the year ended 30 June 2019

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

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

- 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 40, present a true and fair view, in accordance with Australian Accounting Standards, of the Council's transactions for the financial year and financial position at the end of the year.

Cr Allan Sutherland

Mayor

Date: 9 / 10/19

Mr Graeme Kanofski Acting Chief Executive Officer

Date: 9 / 10 / 19



INDEPENDENT AUDITOR'S REPORT

To the Councillors of Moreton Bay Regional Council

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Moreton Bay Regional Council (the council).

In my opinion, the financial report:

- gives a true and fair view of the council's financial position as at 30 June 2019, and of its financial performance and cash flows for the year then ended
- b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the management certificate given by the Mayor and the Acting Chief Executive Officer.

Basis for opinion

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

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

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

Other information

Other information comprises the information included in Moreton Bay Regional Council's annual report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current year financial sustainability statement and long-term financial sustainability statement.

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

GENERAL MEETING - 491 22 October 2019

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ITEM 3.2 - AUDITED FINANCIAL STATEMENTS AND SUSTAINABILITY STATEMENTS FOR 2018/19 - REGIONAL (Cont.)



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

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

Responsibilities of the council for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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ITEM 3.2 - AUDITED FINANCIAL STATEMENTS AND SUSTAINABILITY STATEMENTS FOR 2018/19 - REGIONAL (Cont.)



Better public services

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

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

Report on other legal and regulatory requirements

In accordance with s.40 of the Auditor-General Act 2009, for the year ended 30 June 2019:

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

14 October 2019

Carolyn Dougherty as delegate of the Auditor-General

Queensland Audit Office Brisbane

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ITEM 3.2 - AUDITED FINANCIAL STATEMENTS AND SUSTAINABILITY STATEMENTS FOR 2018/19 - REGIONAL (Cont.)



CURRENT-YEAR FINANCIAL SUSTAINABILITY STATEMENT For the year ended 30 June 2019

Measures of Financial Sustainability

Council's performance at 30 June 2019 against key financial ratios and targets:

	How the measure is calculated	Actual	Target
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	24.2%	between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	54.8%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	20.6%	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 2019.

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ITEM 3.2 - AUDITED FINANCIAL STATEMENTS AND SUSTAINABILITY STATEMENTS FOR 2018/19 - REGIONAL (Cont.)



CERTIFICATE OF ACCURACY For the year ended 30 June 2019

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

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

Cr Allan Sutherland Mayor

Date: 9 / 10 / 19

Mr Graeme Kanofski Acting Chief Executive Officer

Date: 4 / 10 / 19

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ITEM 3.2 - AUDITED FINANCIAL STATEMENTS AND SUSTAINABILITY STATEMENTS FOR 2018/19 - REGIONAL (Cont.)



INDEPENDENT AUDITOR'S REPORT

To the Councillors of Moreton Bay Regional Council

Report on the current year financial sustainability statement

Opinion

I have audited the accompanying current year statement of financial sustainability of Moreton Bay Regional Council (the council) for the year ended 30 June 2019 comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Acting Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Moreton Bay Regional Council for the year ended 30 June 2019 has been accurately calculated.

Basis of opinion

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

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

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

Emphasis of matter - basis of accounting

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

Other Information

Other information comprises the information included in Moreton Bay Regional Council's annual report for the year ended 30 June 2019, but does not include the current year financial sustainability statement and my auditor's report thereon. At the date of this auditor's report, the other information was the general purpose financial statements and the long-term financial sustainability statement.

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

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

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

Responsibilities of the council for the current year financial sustainability statement

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

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

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

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

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

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

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ITEM 3.2 - AUDITED FINANCIAL STATEMENTS AND SUSTAINABILITY STATEMENTS FOR 2018/19 - REGIONAL (Cont.)



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.
- Evaluate the overall presentation, structure and content of the statement, including the disclosures, and whether the statement represents the underlying transactions and events in a manner that achieves fair presentation.

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

Carolyn Dougherty
as delegate of the Auditor-General

14 October 2019

Queensland Audit Office Brisbane

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ITEM 3.2 - AUDITED FINANCIAL STATEMENTS AND SUSTAINABILITY STATEMENTS FOR 2018/19 - REGIONAL (Cont.)



LONG-TERM FINANCIAL SUSTAINABILITY STATEMENT Prepared as at 30 June 2019

Measures of Financial Sustainability

	Actual			Projected for the years ended								
	Measure	Target	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028
Operating surplus ratio	Net result divided by total operating revenue	between 0% and 10%	24.2%	14.4%	18.2%	18.2%	17.4%	16.2%	15.4%	14.8%	15.1%	14.4%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	54.8%	68.7%	80.1%	71.9%	71.9%	78.6%	81.7%	84.1%	81.5%	79.5%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	20.6%	21.4%	22.1%	25.8%	35.2%	28.2%	34.5%	38.4%	38.8%	39.6%

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.

Every financial year the Council must prepare a long term financial forecast in accordance with section 171 of the Local Government Regulation 2012. This high level planning document sets the financial sustainability framework in which the Council should operate within the next ten financial years. One of the key outcomes from this planning process is to ensure that the three relevant measures of financial sustainability that are disclosed (above) are within the target ranges as set by the Department of Local Government, Racing and Multicultural Affairs in accordance with the Financial Management (Sustainability) Guideline 2013.

The financial sustainability framework of the long term financial forecast forms the basis for the preparation of the Councils annual budget. The targets set during the long term financial forecast process must be adhered to during the budget process to ensure consistency between the long term forecast planning horizon and the short term annual commitments of the budget. This will place the Council on the path for ensuring future viability and financial sustainability for the region.

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ITEM 3.2 - AUDITED FINANCIAL STATEMENTS AND SUSTAINABILITY STATEMENTS FOR 2018/19 - REGIONAL (Cont.)



CERTIFICATE OF ACCURACY For the long-term financial sustainability statement prepared as at 30 June 2019

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

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

Cr Allan Sutherland Mayor

Date: 9 / 10 / 19

Mr Graeme Kanofski

Acting Chief Executive Officer

Date: 9 10 19

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SUPPORTING INFORMATION

Ref: A19228276

The following list of supporting information is provided for:

ITEM 3.3

AUDITOR-GENERAL OBSERVATION REPORT 2018/19 - REGIONAL

#1 Moreton Bay Regional Council 2019 Financial Management Report

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ITEM 3.3 - AUDITOR-GENERAL OBSERVATION REPORT 2018/19 - REGIONAL (Cont.) #1 Moreton Bay Regional Council 2019 Finanal Management Report

QueenslandAudit Office

Better public services

Your ref:

Our ref: 2019-4133

Carolyn Dougherty 3149 6129

17 October 2019

Councillor A Sutherland Mayor Moreton Bay Regional Council PO Box 159 CABOOLTURE QLD 4510

Dear Councillor Sutherland

Final Management Report for Moreton Bay Regional Council

We have completed our 2019 financial audit for Moreton Bay Regional Council. I issued an unmodified audit opinion on your financial statements.

The purpose of this letter is to provide the council with details on audit matters and other important information related to the audited financial statements.

Please note that under section 213 of the Local Government Regulation 2012, you must present a copy of this report at the next ordinary meeting of the council.

Reporting on issues

Issues and other matters formally reported to management and an update on actions taken by management to resolve these issues are included in Appendix A to this letter. Our rating definitions for internal control deficiencies is shown in Appendix B.

Report to parliament

Each year we report the results of all financial audits and significant issues to Parliament.

Consistent with previous years, we intend to include the results of our audit of Moreton Bay Regional Council in our report to Parliament on the results of the Local Government sector. We will discuss the proposed content of our report with your Chief Financial Officer and will continue to consult as we draft our report.

Formally, you and the Chief Executive Officer will have an opportunity to comment on our report and for these comments to be included in the final report.

Audit fee

The final audit fee for this year is \$280,000 exclusive of GST (2018: \$230,000) which is \$44,000 higher than our original estimated audit fee of \$236,000. This increase represents the cost of additional time spent analysing and testing data in response to matters arising during the course of the audit, including a councillor being charged by the Crime and Corruption Commission.

We would like to thank you and your staff for their engagement in the audit this year.

Queensland Audit Office Level 13, 53 Albert Street, Brisbane Qld 4000 PO Box 15396, City East Qld 4002 Phone C Email c Web v

07 3149 6000 qao@qao.qld.gov.au www.qao.qld.gov.au

Queensland Audit Office (QAO)

Moreton Bay Regional Council

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If you have any questions about this letter or would like to discuss any matters regarding our audit service, please contact me on 3149 6129.

Yours sincerely

Carolyn Dougherty Director

Enc.

cc: Mr G Kanofski, Acting Chief Executive Officer
Councillor M Constance, Chairperson of the Audit Committee

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ITEM 3.3 - AUDITOR-GENERAL OBSERVATION REPORT 2018/19 - REGIONAL (Cont.)

Appendix A

Issues formally reported to management

This table provides you with a summary of issues that we have formally reported to management.

Financial reporting issues

No.		lss	ue		Our recommendation	Status update from management
19FR-1	Delays in recordi	ng contributed assets	s (Risk rating: High)	The Council adopt measures	Management note the recommendation.	
	Observation				to ensure the timely recording of contributed asset	The value of contributed assets not previously recorded in a timely manner has
	As a result of delays in processing contributed asset information through Council's Asset Capture Workflow process, there are 1,007 assets (2018: 2,219) with a net value of \$12,303,607 (2018: \$17,897,190) that were under control of Council in previous financial years that have been brought to account during the 2018–19 financial year.			information into council's systems to ensure revenue, non-current assets and depreciation expense are not materially misstated in the financial report.	declined from 2017/18. Council has a robust process in place that provides visibility on the number of contributed jobs (assets) in the workflow process at any one time. Council relies on external parties to provide the necessary data to enable asset recognition of contributed assets. In	
	Financial Year	Net Value of Assets	Number of Assets			some circumstances the data behind the
	2017–18	9,029,300	617 176			assets may be inadequate and when this occurs recognition of the assets spatially
		1,720,826				and financially cannot proceed until the
	2015–16 Pre-2015–16	1,030,162 523,318	136 78			data matters are resolved and this
	This represents a material misstatement to revenue disclosed in Council's 2017–18 financial report. We acknowledge the work internal audit have completed in this area and note that a number of process improvements have					unfortunately can lead to delays. Management will continue to monitor and work toward improving the timeliness of contributed asset recognition.
	been made which will not be realised until the 2019–20 financial year.		ıl year.		Responsibility of:	
	Implications					Accounting Services Manager
	•	na contributed asset in	formation into Council	's systems		Status:
	Delays in processing contributed asset information into Council's systems increases the risk that revenue, non-current assets and depreciation expense				Work in progress	
	will be materially u	inderstated in the finan	cial report.			Action date:
		or period errors occur led which can impact tl				30 June 2020

ITEM 3.3 - AUDITOR-GENERAL OBSERVATION REPORT 2018/19 - REGIONAL (Cont.)

New internal control deficiencies reported since our interim management letter dated 23 March 2019

No.	Issue	Our recommendation	Status update from management
19CR-1	Lack of supporting documentation for recruitment and selection of employees Rating – Significant deficiency Observation From our review over the recruitment of a selection of employees, we observed that there was: • limited documentation supporting the recruitment process undertaken • a lack of documentation supporting the assessment process for suitable candidates • a lack of documentation to support the approval of successful candidates • several instances where appointment letters and employment contracts were inappropriately approved in accordance with the CEO delegation. Implications Without appropriate documentation and compliance with the CEO delegation, Council is unable to demonstrate that an appropriate recruitment process has taken place.	 That Council ensure: all documentation in relation to recruitment is kept and appropriately stored in the document management system that appointment matters including approvals comply with the CEO's instrument of delegations. 	Management acknowledge this significant deficiency. Procedure to be included in Council's Policy and guide document for recruitment and selection. **Responsibility of:** Acting Manager Human Resources **Status:** Work in progress **Action date:** 31 January 2020

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ITEM 3.3 - AUDITOR-GENERAL OBSERVATION REPORT 2018/19 - REGIONAL (Cont.)

No.	Issue	Our recommendation	Status update from management
19CR-2	Lack of a formal recruitment and selection policy Rating – Deficiency Observation Whilst Council has a guide for recruitment and selection, there is no formal policy in place. Implications Without such a policy it increases the risk of people gaining employment at Council through a process which isn't transparent and exposes Council to potentially employing staff who do not have the required competencies and/or cultural fit.	 That council develop a recruitment and selection policy which includes the following: key details of the applicable legislation the process for recruitment (i.e. advertising, selection process including the make-up of interview panels, assessment tools to be used and the basis for selection/criteria) the documentation required to be kept to ensure a transparent process (e.g. lists of suitable candidates, interview notes, moderation of results, memorandum of recommendation) the process for identification and management of conflicts of interest the required pre-appointment checks (i.e. police, reference and qualification checks) which officers can appoint staff and the delegations for approving relevant employment documents the process for making interim or temporary appointments the circumstances for the use of recruitment firms. 	Management acknowledge this deficiency. A review of Council's guide for recruitment and selection to be undertaken. A Council policy to be developed outlining the framework of recruitment and selection at Council. *Responsibility of:* Acting Manager Human Resources *Status:* Work in progress *Action date:* 31 January 2020

ITEM 3.3 - AUDITOR-GENERAL OBSERVATION REPORT 2018/19 - REGIONAL (Cont.)

New other matters reported since our interim management letter dated 23 March 2019

Addit committee chairperson not independent of Council Rating – Other matter Observation The Department of Local Government, Racing and Multicultural Affairs – Bulletin 08/15 refers to the Queensland Treasury's Audit Committee Guidelines (the guidelines) to assist councils in implementing and maintaining efficient and effective audit committee chairperson should be independent of the entity. The benefits to Council from an independent audit committee chairperson are as follows: • the provision of advice and assurance to the Chief Executive Officer from an objective and independent perspective • addressing issues without preconceived ideas or bias and assisting in objective debate on issues • providing insights into best practice procedures adopted in other entities. An independent chairperson can perform their role unencumbered by any management responsibilities and can provide an opportunity for the Chief Executive Officer to receive advice and assurance from an independent perspective.	Current audit committee chairperson appointment meets better practice in terms of an efficient and effective audit committee. The Department of Local Government, Racing and Multicultural Affairs - Bulletin 08/15 refers to the Queensland Treasury's Audit Committee Guidelines (the guidelines) to assist councils in implementing and maintaining efficient and effective audit committee chairperson should be independent of the entity. The benefits to Council from an independent audit committee chairperson are as follows: The provision of advice and assurance to the Chief Executive Officer from an objective and independent perspective addressing issues without preconceived ideas or bias and assisting in objective debate on issues providing insights into best practice procedures adopted in other entities. An independent chairperson can perform their role unencumbered by any management responsibilities and can provide an opportunity for the Chief Executive Officer to receive advice and assurance from an independent	No.	Issue	Our recommendation	Status update from management
As the Moreton Bay Regional Council audit committee is currently chaired by a Councillor, Council may not be realising the benefits of having an independent audit			Audit committee chairperson not independent of Council Rating – Other matter Observation The Department of Local Government, Racing and Multicultural Affairs - Bulletin 08/15 refers to the Queensland Treasury's Audit Committee Guidelines (the guidelines) to assist councils in implementing and maintaining efficient and effective audit committees. One of the guidelines indicators for better practice was that the audit committee chairperson should be independent of the entity. The benefits to Council from an independent audit committee chairperson are as follows: • the provision of advice and assurance to the Chief Executive Officer from an objective and independent perspective • addressing issues without preconceived ideas or bias and assisting in objective debate on issues • providing insights into best practice procedures adopted in other entities. An independent chairperson can perform their role unencumbered by any management responsibilities and can provide an opportunity for the Chief Executive Officer to receive advice and assurance from an independent perspective. Implications As the Moreton Bay Regional Council audit committee is currently chaired by a Councillor, Council may not be realising the benefits of having an independent audit	That Council considers whether the current audit committee chairperson appointment meets better practice in terms of an efficient and effective audit	Management note the recommendation. Management will consider this matter with the new Council following the 2020 Local Government Elections. Responsibility of: Chief Executive Officer Status: Not started Action date:

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No.	Issue	Our recommendation	Status update from management
19CR-4	Internal audit function not reporting directly to the Chief Executive Officer	That Council reviews this current internal audit function reporting structure to	Management note the recommendation. Management will consider this matter when the
	Rating – Other matter	ensure that it is efficient and effective.	new CEO and Executive Management Team are in place in early 2020.
	Observation		Responsibility of:
	The Department of Local Government, Racing and Multicultural Affairs - <i>Bulletin 08/15</i> listed one of the		Chief Executive Officer
	indicators of an efficient and effective internal audit function		Status:
	to include that the function reports directly to the Chief Executive Officer. This sends a clear signal about the		Not started
	importance of the internal audit function and facilitates regular contact between the Chief Executive Officer and		Action date:
	internal audit.		31 May 2020
	The Moreton Bay Regional Council organisational structure dated 30 July 2019 has the Principal Internal Auditor reporting to the Director Finance and Corporate Services.		
	Implications		
	This reporting structure for the internal audit function may not be efficient and effective.		

ITEM 3.3 - AUDITOR-GENERAL OBSERVATION REPORT 2018/19 - REGIONAL (Cont.)

Previously raised control deficiency addressed since our interim management letter dated 23 March 2019

No.	Issue	Our recommendation	Status update from management
18FR-2.1	TechnologyOne – Managing user access Rating – Control deficiency Observation Improvements are needed in the management of access to Council systems. It was noted that: • Users can request for access to the system by specifying 'same-as' rather than specifying the access privileges needed • Council did not have a formalised periodic monitoring process for high privileged user access to Council systems. Implications A user can inherit additional access to system beyond their job requirements. In addition, there is an increased risk that unauthorised access and transactions in the system remain undetected.	That Council: continue with its plan to implement a position-based security. In the interim, users and/or approvers should specify the access privileges when requesting system access; and establish periodic monitoring processes to review the activities of these high privileged users.	ICT have developed an onboarding process for new AD accounts based on position ID. Accounts are created with the base set of permissions assigned to that role. Users are also provided with an entry level Technology One profile (where required) based on the team they are working with. The onboarding process will be developed further as the HRP component of Technology One is enabled during 2019-20. **Responsibility of:** Information & Communication Technology Manager **Status:** Completed QAO comment: This issue is resolved subject to audit verification. We will test the operating effectiveness of the implemented components of the onboarding process during our 2019 –2020 audit.

ITEM 3.3 - AUDITOR-GENERAL OBSERVATION REPORT 2018/19 - REGIONAL (Cont.)

Appendix B—Our rating definitions



Internal control rating definitions

	Definition	Prioritisation of remedial action
Significant deficiency	A significant deficiency is a deficiency, or combination of deficiencies, in internal control that requires immediate remedial action. Also, we increase the rating from a deficiency to a significant deficiency based on: the risk of material misstatement in the financial statements the risk to reputation the significance of non-compliance with policies and applicable laws and regulations the potential to cause financial loss including fraud, or where management has not taken appropriate timely action to resolve the deficiency.	This requires immediate management action to resolve.
Deficiency	A deficiency arises when internal controls are ineffective or missing, and are unable to prevent, or detect and correct, misstatements in the financial statements. A deficiency may also result in non-compliance with policies and applicable laws and regulations and/or inappropriate use of public resources.	We expect management action will be taken in a timely manner to resolve deficiencies.
Other matter	An other matter is expected to improve the efficiency and/or effectiveness of internal controls, but does not constitute a deficiency in internal controls. If an other matter is not resolved, we do not consider that it will result in a misstatement in the financial statements or non-compliance with legislative requirements.	Our recommendation may be implemented at management's discretion.

Financial reporting issues definitions

	Potential effect on the financial statements	Prioritisation of remedial action
High	We assess that there is a high likelihood of this causing a material misstatement in one or more components (transactions, balances and disclosures) of the financial statements, or there is the potential for financial loss including fraud.	This requires immediate management action to resolve.
Medium	We assess that there is a medium likelihood of this causing a material misstatement in one or more components of the financial statements.	We expect management action will be taken in a timely manner.
Low	We assess that there is a low likelihood of this causing a material misstatement in one or more components of the financial statements.	We recommend management action to resolve; however, a decision on whether any action is taken is at management's discretion.