

## ***Pormpuraaw Aboriginal Shire Council***

***24 Thinraathin St, Pormpuraaw QLD 4892***

***Ph: (07) 40 604 600 or (07) 40 328 221***

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**An Ordinary Meeting of the Pormpuraaw Aboriginal Shire Council is to be on Fri, 31 May 2024 at the Pormpuraaw Council Chambers - 24 Thinraathin St, Pormpuraaw, commencing at 9.00am.**

**The attendance of each Councillor is requested.**

## **Agenda Council Meeting Date: Fri, 31 May at 9.00am.**

- 1. Present:**
- 2. Apologies:**
- 3. Declaration of any Conflict, any perceived or other Potential Conflict of Interest to be declared prior to meeting by Councillors ( Sect 150EL and Sect 150EQ of LGovt Act 2009 ):**
- 4. Related Party Declaration Form , (Sect 150EP of LGovt Act 2009):**  
Confirmation of any changes to Related Party Declaration Form by Councillors & Senior Managers:
- 5. Matters arising from the Minutes:** That Council confirm the Minutes of Council Meeting dated Wed, 24 Apr 2024 as true & correct.  
**Moved: ..... Seconded:.....**  
**CARRIED.**  
**Resolution: 2024/05/.....**
- 6. Delegations/Guests:** Scott Mead ( MeadPerry Group ) to present the results of the Corporate Plan 2024-2028 Survey by MicroSoft Teams for

Council review & Input. A Community Meeting is pencilled in for 12 Jne for Community input.

**Motion:** That Council notes the result of the Corporate Plan Survey & makes an input.

**Moved:.....Seconded:.....**

**CARRIED.**

**Resolution: 2024/05/....**

**7. Correspondence:** List of inwards correspondence tabled for information:  
FYI

**8. Reports:**

**8.1** Mayor's Report:

**8.2** CEO's Report:

- **8.2.1: Attendance Certificate:** see Attendance Certificate dated 31 May 2024 and approved for payment at \$1,594.44 each for Cr Keith Barney, Cr Romina Edwards & Cr Lucy Foote.
- **8.2.3 Council Remuneration from 01 Jly 2024:** see SPR re Council Remuneration as set by the Remuneration Tribunal under Sect 246 (3b) of the LG Regulation.  
**Motion:** That Council acknowledge & agrees to the Remuneration Tribunal rates.  
**Moved:.....Seconded:**  
**CARRIED.**  
**Resolution: 2024/05/....**
- **8.2.3: LGAQ re Policy Executive Nomination for District 12 ( Indigenous Sector ):** see docu for Nomination of Alf Lacey & Wayne Butcher as signed off by the CEO.  
**Motion:** That Council acknowledge & accepts the Nomination sign off by the CEO.  
**Moved:.....Seconded:**  
**CARRIED.**  
**Resolution: 2024/05/....**

### 8.3 Executive Manager Corporate Services (EMCS) Report:

- **8.3.1: Executive Manager Corporate Services:** see Special Purpose Report dated 26 May 2024 covering:  
General Finance,  
Grant Acquittals & Reporting,  
Current Corporate Service Project,  
WHS,  
HR,  
Admin Store,  
Accommodation  
**Motion:** That Council accepts the Special Purpose Report dated 26 May 2024 from EMCS.  
**Moved:..... Seconded:.....**  
**CARRIED.**  
**Resolution: 2024/05/....**
- **8.3.2: Financial Statement for Period Ended 30 Apr 2024:** : Reports received for above Mth end 30 Apr 2024 covering :  
Financial Statement at a Glance,  
Capital Works Program,  
2023/2024 Capital Expenditure,  
Detailed Review of Revenue & Expenditure,  
Operating Revenue,  
Operating Expenses,  
Awarded Contracts > \$200,000.00,  
Capital Expenditure,  
Council Cash Position as at 30 Apr 2024 ,  
Summary of Council's Aged Debt,  
Financial Sustainability Statement,  
Council Controlled Revenue-An Indicator of Financial Flexibility,  
Operating Surplus Ratio-A measure of Sustainability,  
Operating Cash Ratio,  
Unrestricted Cash Expenses Cover Ratio  
Council Grant Review,  
Statement of Financial Position as at 30 Apr 2024.  
**Motion:** That Council notes & accepts the Financial Statements for period ended 30 Aprh 2024 as tabled.  
**Moved:..... Seconded:.....**  
**CARRIED.**  
**Resolution: 2024/05/.....**

**8.3.3: QAO External Audit Plan 2024 ( EAP 2024 ):**

As per docu tabled & brief on 17 May the EAP 2024 has been signed off with Key Audits Dates agreed to.

**Motion:** That Council notes & accepts the EAP 2024 as tabled as tabled.

**Moved:**..... **Seconded:**.....

**CARRIED.**

**Resolution: 2024/05/.....**

**8.3.4: Internal Audit Plan 2024 ( IAP 2024):** As per docu tabled & brief on 10 May the IAP 2024 was also signed off.

**Motion:** That Council notes & accepts the EAP 2024 as tabled as tabled.

**Moved:**..... **Seconded:**.....

**CARRIED.**

**Resolution: 2024/05/.....**

**8.4 Operations Executive Manager's Report:**

- **8.4.1: Vacant Position** ( Duties taken up by CEO & Corporate Service Mgr in the Interim while Position is advert/EOI).

**8.4.2: Airport Ground Upgrade:** Funding signed off & 30% Instalment received on 24 May, still WIP.

**Motion:** That Council notes & accepts the Funding details as tabled.

**Moved:**..... **Seconded:**.....

**CARRIED.**

**Resolution: 2024/05/.....**

**8.5 Community Service Manager's Report:**

- **8.5.1: Community Service Executive Manager (CSEM):** See Special Purpose Report for Apr 2024 received covering:  
Aged Care,  
Justice Group,

Post Office,  
Customer Service Officer for Cashier & PO,  
Centrelink,  
Library,  
Disaster Management,  
Bakery,  
Hall,  
Events 2024,  
ANZAC Day,

**Motion:** That Council acknowledge & accepts the Apr  
Comm Service Report as tabled.

**Moved:** ..... **Seconded:**.....  
**CARRIED.**

**Resolution: 2024/05/....**

- **8.5.2: Aged Care Service:** See Report Apr 2024, as  
received from Comm Service

**Motion:** That Council notes & accepts the Aged Care  
Service which will be part of Comm Service Monthly  
Reports.

**Moved:**..... **Seconded:**.....  
**CARRIED.**

**Resolution: 2024/05/.....**

- **8.5.3: Aged Care Forum:** see SPR re Forum  
attended by Community Service Mgr. Council will  
need to reactivate our Aged Care Committee in due  
course.

**Motion:** That Council notes & accepts the Aged Care  
Service.

**Moved:**..... **Seconded:**.....  
**CARRIED.**

**Resolution: 2024/05/.....**

- **8.5.4: SnR 2024-2025 Project Plan:** see Docu as  
per Schedule Brief dated 10 May for 2024-2025 SnR  
Activities

**Motion:** That Council notes & accepts the SnR  
Project Plan.

**Moved:**..... **Seconded:**.....  
**CARRIED.**

**Resolution: 2024/05/....**

## 8.6 Environment Report:

- **8.6.1: Ranger: Land & Sea** ( joint Co-Ordinators of Clinton & Gavin ): Apr Report received covering Ranger activities:  
Croc Nest Survey,  
Campgrounds RnM at Chapman & Mungkan,  
Weed Control,  
Sewer Pond Maintenance,  
Equipment RnM,  
Landfill Inspection & Maintenance,  
Tree Lopp.  
**Motion:** That Council acknowledge & accepts 27 Apr Report as tabled.  
**Moved:** .....**Seconded:**.....  
**CARRIED.**  
**Resolution: 2024/05/....**

## 9. Tenders & Quotations:

## 10. Notice of Motion:

## 11. Meeting Closed:

## 12. Next Ordinary Meeting: 26 Jne 2024.

**Minutes accepted as true & correct.**

.....  
**Mayor: Ralph Kendall.**

.....  
**CEO: Edward A Natera: 26 Jne 2024**

# FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 APRIL 2024

## RECOMMENDATION:

That Council notes and accepts the financial statements for the period ended 30 April 2024.

## EXECUTIVE SUMMARY:

This report contains the financial statements for the period ended 30 April 2024.

<b>FINANCIAL STATEMENTS AT A GLANCE To 30 APRIL 2024</b>			
	Actual YTD \$	Budget YTD \$	Variance \$
Total operating revenue	15,010,752	14,757,465	253,287
Total operating expenses	15,771,926	18,212,208	2,440,282
<b>Operating Position</b>	<b>(761,173)</b>	<b>(3,454,743)</b>	<b>2,693,570</b>
Capital items	4,790,008	15,830,870	(11,040,862)
<b>Net Result</b>	<b>4,028,835</b>	<b>12,376,127</b>	<b>(8,347,292)</b>
<b>Capital Works Program</b>			
YTD - 2023/24 capital	5,754,167	23,945,776	18,191,609
Full project life capital costing	6,493,326	37,903,805	31,410,479

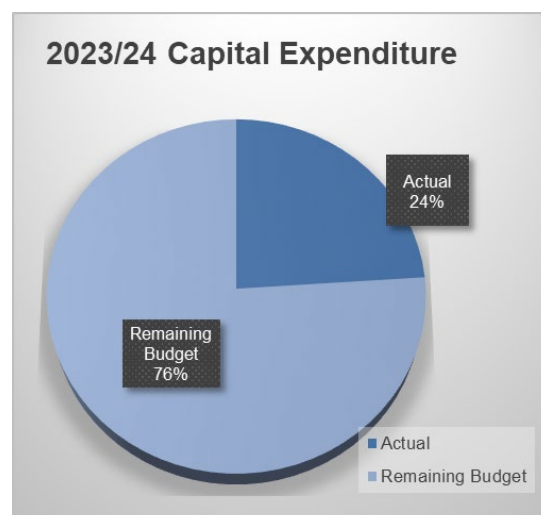
Council's net result at month end is \$4.03M, a negative variance of -\$8.35M to the budgeted forecast.

This result is mainly due to capital revenue being less than forecasted for April due to progression of capital works. The variance is being slightly offset by operating expenses being less than forecasted.

There is \$8.85M in the 23/24 adopted budget for the Council office rebuild (\$2.8M), new community houses (\$3.7M) and new staff housing (\$2.35M). These projects are significantly delayed which is impacting on the associated forecasted capital revenue.

Current capital expenditure includes CYRP2 at \$1.7M, DRFA Restoration works at \$1.4M, ATSI TIDS at \$1.2M, and the purchase a Multi Tyre Roller, Tipper Truck, Utes, a new batching plant & ISO for \$719K. The new community houses (DHPW) expenditure is at \$236K.

The new bore (3) has been completed at \$154K as well as Council building upgrades at \$233K.

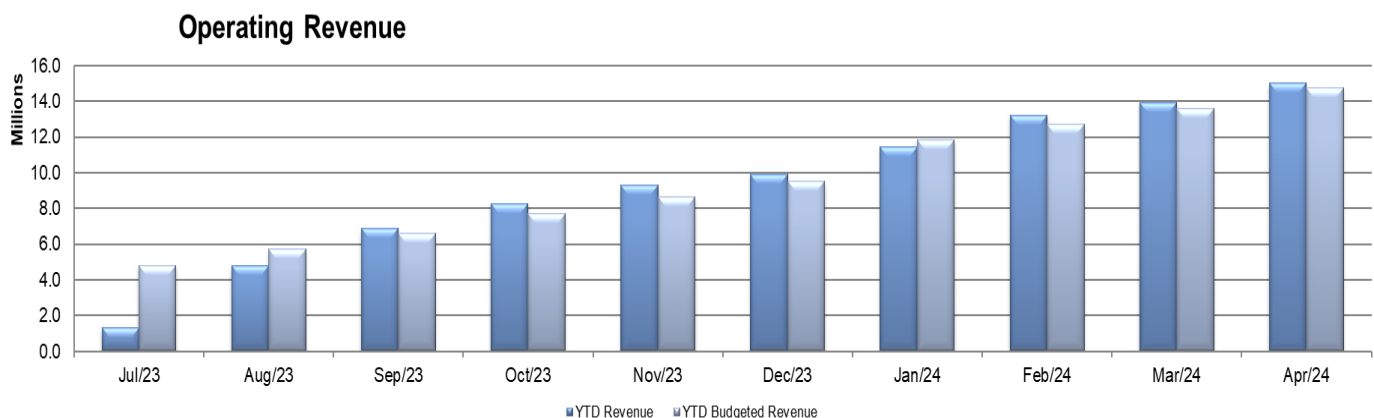


## DETAILED REVIEW OF REVENUE & EXPENDITURE

	ACTUAL YTD	ORIGINAL BUDGET YTD	VARIANCE	VARIANCE	ORIGINAL BUDGET FY 23/24
	\$	\$	\$	%	\$
<b>Recurrent Revenue</b>					
Levies & charges	519,245	507,752	11,493	2%	507,755
Fees & charges	330,877	207,660	123,217	59%	249,214
Rental income	911,699	866,650	45,049	5%	1,040,000
Interest received	2,182,241	1,100,000	1,082,241	98%	1,320,000
Sales revenue	5,035,301	5,949,120	(913,819)	-15%	7,139,039
Other incomes	141,076	256,230	(115,154)	-45%	307,500
Grants & Subsidies	5,890,313	5,870,053	20,260	0%	10,897,299
	<b>15,010,752</b>	<b>14,757,465</b>	<b>253,287</b>	<b>2%</b>	<b>21,460,807</b>
<b>Recurrent Expenditure</b>					
Employees costs	3,834,197	4,958,440	1,124,243	23%	6,270,483
Materials and services	6,839,246	8,076,638	1,237,392	15%	9,491,943
Finance costs	56,953	50,410	(6,543)	-13%	60,500
Depreciation	5,041,530	5,126,720	85,190	2%	6,152,080
	<b>15,771,926</b>	<b>18,212,208</b>	<b>2,440,282</b>	<b>13%</b>	<b>21,975,007</b>
<b>Operating Result</b>	<b>(761,173)</b>	<b>(3,454,743)</b>	<b>2,693,570</b>	<b>78%</b>	<b>(514,200)</b>
<b>Capital</b>					
Capital Revenue	188,380	125,000	63,380	51%	150,000
Capital Grants & Subsidies	4,796,948	15,705,870	(10,908,922)	-69%	18,828,493
Capital Expense	(195,320)	0	195,320	-100%	(7,527,084)
	4,790,008	15,830,870	(11,040,862)	-70%	11,451,409
<b>Result After Capital</b>	<b>4,028,835</b>	<b>12,376,127</b>	<b>(8,347,292)</b>	<b>-67%</b>	<b>10,937,209</b>

### OPERATING REVENUE:

Council's recurrent revenue as at the end of April 2024 is \$15.0M, within 2% of budget.



The favourable variance is mainly due to interest revenue being higher than forecasted (\$1.1M) and is being offset by less than forecasted sales revenue (-\$914k).



A review of the larger variances in sales revenue is below:

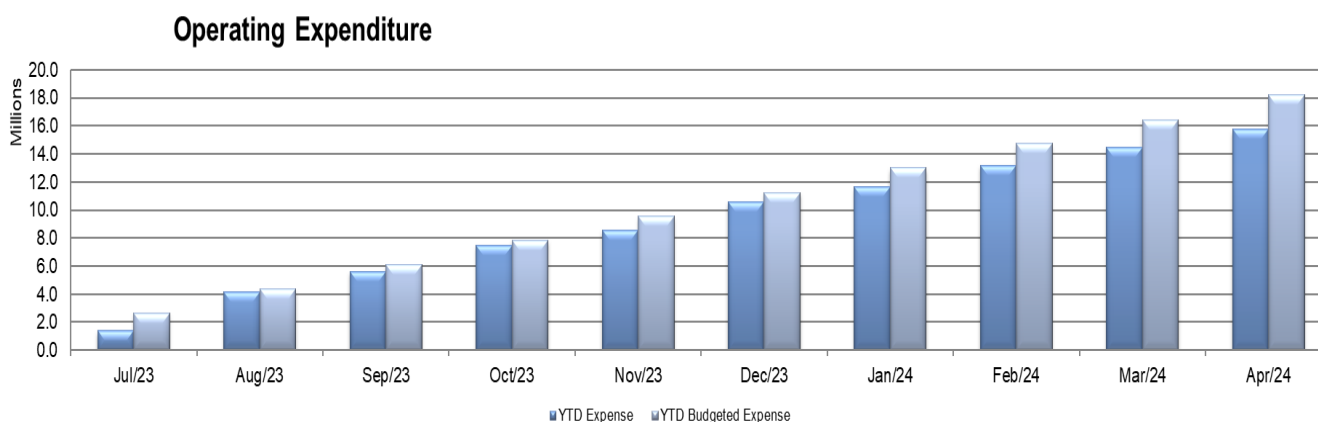
<b>-\$650,135</b>	Concrete batching revenue	Batching revenue will be less than forecasted as major capital works are delayed.
<b>-\$317,600</b>	Carbon credit sales	Due to the delayed timing of sales but expected to align with budget by end of year.
<b>-\$235,417</b>	Fuel income	Less than forecasted due to delayed capital works.
<b>\$243,506</b>	Private works income	More sales than forecasted.

Also to note, a review of the classification of revenue was undertaken to align the of revenue reported under fees & charges more closely with the definition given in the financial sustainability framework. From fees and charges as reported in the financial statements, other revenue and RISE community contributions was moved under other income. There were minor allocation adjustments between other revenue and sales revenue. These minor adjustments have had a small impact on the financial sustainability ratio for Council controlled revenue.

### **OPERATING EXPENDITURE:**

Council's operating expenditure at the end of April 2024 was \$15.77M, \$2.44M favourable to budget.

The favourable variance in expenditure is due to employee costs (\$1.12M) and material and services (\$1.23M).



Employee costs are less than forecasted by \$1.12M, due to excessive absenteeism and vacancies. The favourable variance in material and services mainly relate to administration supplies for community events (\$205K), fuel stock that relate to the progression of capital works (\$236K) and grants repaid are less than forecasted (\$308K).

### **Awarded Contracts > \$200,000.00 (GST Exclusive)**

There are no contracts awarded for amounts over \$200K in April 2024.

### **CAPITAL EXPENDITURE:**

Capital expenditure for the 2023/24 financial year is \$5,754,167.

Council has purchased the new batching plant, ISO, Multi Tyre Roller, Tipper Truck, Utes x2 and the new controller for the Splashpark. The road upgrades under CYRP and ATSI TIDS are complete. R2R road works and LRCI infrastructure works are planned to start in May and completed by June. DRFA restoration works will restart in May.

The build of the community houses (DHPW) had been delayed due to a request for a variation in the funding agreement. The variation request has been finalised with the contract for the build of ten community houses (DHPW) awarded to HC Building & Construction. Preliminary works have begun while construction is delayed with the roads closed to Pormpuraaw.

The new staff housing project site and design has been finalised with the tender to be published in April. The project is expected to be completed by December 2024. The council office rebuild design is still being finalised with the tender expected to be released shortly.

There have been significant delays with the installation of the sewerage macerators which is under review with Executive Management team.

	YTD Actual	Budget 23/24	Overall Budget	WIP 22/23
CYRP	1,672,853	1,818,923	1,820,000	146,198
DHPW	236,098	3,651,995	3,702,964	50,969
DRFA	1,384,349	7,527,084	7,527,084	-
ICCIP	153,910	877,664	1,386,229	508,845
LGGSP	14,495	2,350,000	2,350,000	-
LRCI	-	560,096	774,414	23,426
R2R	-	246,944	246,944	-
RAUP	-	44,219	44,219	-
Splashpark	36,000	40,000	40,000	-
TIDS	1,190,319	1,190,319	1,190,319	-
W4QR4	8,848	2,790,278	2,800,000	9,722
PASC Buildings	232,789	370,000	370,000	-
PASC Plant	739,746	409,932	529,087	-
DRF R1	-	1,863,152	14,917,375	-
QILSR	77,047	93,170	93,170	-
PASC Sewerage	-	112,000	112,000	-
Rapid LEO Program	7,713	-	-	-
<b>Total</b>	<b>5,754,167</b>	<b>23,945,776</b>	<b>37,903,805</b>	<b>739,160</b>

A list and breakdown of Council's capital works projects are below:

- CYRP: Road Upgrades (Cape York Program) **(Completed)**
- DHPW: New Community Houses **(WIP)**
- DRFA: Restoration of Roads 2023 Wet Weather Events **(WIP)**
- DRF R1: Airport Upgrade **(Yet to start)**
- ICCIP: Sewerage Macerator & Completion of New Bore # 3 **(WIP – Macerators, New Bore 3 - Complete)**
- LGGSP: New Staff Housing **(In planning)**
- LRCI: Concreting of Workshop Area and Art Centre Refurbishment **(WIP)**
- R2R: Road Upgrades **(Yet to start)**
- QILSR: New Boat **(WIP)**
- RAUP: Airport Fencing Upgrade **(Completed)**
- TIDS: Road Upgrades **(Completed)**
- W4QR4: Construction of Council Office Building **(In planning)**
- Splashpark: New Controller **(Completed)**
- Council Renewals: Cairns Office building, Eddie Davey bathrooms, sewerage pumps, and renewal of the Contractor Camp dongas **(WIP)**
- Plant & Equipment: New Batching Plant, Isuzu Crew Cab Tipper Truck, Used Multi Tyred Roller and Isuzu Crew Cabs x 2 **(Completed)**

## **COUNCIL CASH POSITION**

### **Council's Unconstrained Funds**

Pormpuraaw Aboriginal Shire Council  
As of 30 April 2024

	\$	\$
Cash At Bank	1,684,465	
QTC - Investment	<u>58,987,548</u>	60,672,013
Trade Debtors	1,213,131	
Provision Doubtful Debts	<u>(89,642)</u>	1,123,488
Less: Trade Creditors		(446,572)
Less: Tied Grant Funds		(8,949,367)
Less: Current Commitments		(8,378,688)
Adjustment for major commitments of tied grant funds		<u>5,765,914</u>
Total Unconstrained Funds		<u>49,786,788</u>

Please see Appendix A: Statement of Financial Position for further details on Council's assets, liabilities, and community equity.

### **Summary of Council's Aged Debt**

Council aims to minimise the amount of outstanding monies owed through regular review of debtor accounts and systematic engagement with our debtors.

As at the end of April 2024, \$235,812 is outstanding over 60 days.

Below is a snapshot of the significant aged debt:

\$87,859	For service levies & rent	Council is currently working with the debtor through legal representation to agree on debt owed and finalise a payment plan. No resolution has been achieved to date.
\$47,312	For service levies	A commercial property is in arrears. Understanding has been achieved between the Council and debtor with payments being made towards the aged debt.
\$28,182	For service levies	Debtor is a state department that is disputing the service levies. Council has escalated the matter, and it is currently under the final review.
\$54,767	For service levies	This debt relates to the service levies for 19 homeownership leasee's debtor accounts within community. Only two properties have payments recorded and are on payment plans.

## **FINANCIAL SUSTAINABILITY STATEMENT**

The Department of State Development, Infrastructure, Local Government and Planning (DSDILGP) financial sustainability ratios have been provided as an indication of the performance of Council against key financial sustainability criteria.

There are eight ratios that review sustainability measures across the categories of:

- Financial capacity
- Operating Performance
- Liquidity
- Asset management

The three asset management ratios and the population growth ratio will be presented to Council at end of year.

Below is an overview of Pormpuraaw's sustainability measures for April 2024.

Type	Measure	Target	Actual 23/24	5-Year Average
Financial Capacity	<b>Council Controlled Revenue Ratio</b>	No target	<b>5.66%</b>	<b>3.1%</b>
Operating Performance	<b>Operating Surplus Ratio</b>	Greater than 0%	<b>-5.1%</b>	<b>7.2%</b>
Operating Performance	<b>Operating Cash Ratio</b>	Greater than 0%	<b>29%</b>	<b>40%</b>
Liquidity	<b>Unrestricted Cash Expense Cover Ratio</b>	Greater than 4 months	<b>65 months</b>	<b>-</b>

### **Council Controlled Revenue Ratio – An Indicator of Financial Flexibility**

Council controlled revenue is an indicator of Council's financial flexibility, ability to influence its operating income and capacity to respond to unexpected financial shocks. This ratio is calculated by adding service levies plus statutory fees & charges and dividing by the total operating revenue.

A review was undertaken in April to improve the alignment of revenue classification under the definition of fees and charges that resulted in the 5-year average Council controlled revenue ratio moving from 2.7% to 3.1%.

### **Operating Surplus Ratio – A Measure of Sustainability**

This ratio is a measure of a local government's ability to cover its operational costs and have revenues available for capital funding or other purposes. This ratio is calculated by dividing the Operating Result by the total Recurrent Revenue being principally Operating grants, Sales revenue, Interest and Rental income.

### **Operating Cash Ratio**

The operating cash ratio is a measure of Council's ability to cover its core operational expenses and generate a cash surplus excluding depreciation and finance costs. The ratio is calculated by adding the operating result plus depreciation and finance cost divided by total operating revenue.

### **Unrestricted Cash Expense Cover Ratio**

The unrestricted cash expense cover ratio is an indicator of the unconstrained cash available to meet ongoing and emergent financial demands. The ratio is calculated by adding total cash and current investments less externally restricted cash (grants) divided by operating expenditure (less depreciation and finance costs).

The result represents the number of months Council can continue operating based on current monthly expenses. This measure is to be present to Council as a single-year result only.

## **COUNCIL GRANT REVIEW**

Pormpuraaw Aboriginal Shire Council

Tied Grants by Project

For the Month Ended 30 April 2024

	Balance 1/07/2023	Revenue	Council Contribution	Expense	Balance
	\$	\$	\$	\$	\$
<b>Commonwealth Government Grants</b>					
<b>Department of Infrastructure, Transport, Regional Development &amp; Communications</b>					
<i>Financial Assistance Grant</i>	-	95,251	-	(95,251)	-
<i>Roads to Recovery</i>	-	-	-	-	-
<i>Local Roads &amp; Community Infrastructure Program - Phase 3</i>	238,130	-	-	(8,150)	229,980
<b>Total</b>	<b>238,130</b>	<b>95,251</b>	<b>-</b>	<b>(103,401)</b>	<b>229,980</b>
<b>Department of Health</b>					
<i>CHSP Home Support Programme (HACC)</i>	-	369,722	-	(556,876)	(187,154)
<i>Indigenous Employment Initiative (IEI) - Aged Care</i>	484,511	749,069	-	(397,384)	836,196
<b>Total</b>	<b>484,511</b>	<b>1,118,792</b>	<b>-</b>	<b>(954,260)</b>	<b>649,042</b>
<b>Department of Industry, Science, Energy &amp; Resources</b>					
<i>Airport Fencing Upgrade</i>	(29,753)	100,182	-	(70,429)	-
<b>Total</b>	<b>(29,753)</b>	<b>100,182</b>	<b>-</b>	<b>(70,429)</b>	<b>-</b>
<b>Services Australia</b>					
<i>Centrelink Agency</i>	-	38,683	-	(46,330)	(7,647)
<b>Total</b>	<b>-</b>	<b>38,683</b>	<b>-</b>	<b>(46,330)</b>	<b>(7,647)</b>
<b>Total - Commonwealth Govt Grants</b>	<b>692,888</b>	<b>1,352,907</b>	<b>-</b>	<b>(1,174,420)</b>	<b>871,376</b>
<b>State Government Grants</b>					
<b>Department of Environment &amp; Science</b>					
<i>QIL&amp;S Ranger Program</i>	104,654	871,307	-	(706,530)	269,431
<b>Total</b>	<b>104,654</b>	<b>871,307</b>	<b>-</b>	<b>(706,530)</b>	<b>269,431</b>
<b>Queensland Fire and Emergency Services</b>					
<i>State Emergency Services</i>	-	42,034	-	(4,590)	37,444
<b>Total</b>	<b>-</b>	<b>42,034</b>	<b>-</b>	<b>(4,590)</b>	<b>37,444</b>
<b>Department of Justice &amp; Attorney-General</b>					
<i>Community Justice Group</i>	701,037	192,146	-	(914,482)	(21,299)
<b>Total</b>	<b>701,037</b>	<b>192,146</b>	<b>-</b>	<b>(914,482)</b>	<b>(21,299)</b>
<b>State Library of Queensland</b>					
<i>Indigenous Libraries</i>	-	19,925	31,353	(50,448)	830
<i>First Five Forever Program</i>	-	3,000	-	(3,000)	-
<b>Total</b>	<b>-</b>	<b>22,925</b>	<b>31,353</b>	<b>(53,448)</b>	<b>830</b>
<b>Department of Transport and Main Roads</b>					
<i>ATSI TIDS Projects</i>	-	1,190,319	-	(1,190,319)	-
<i>CYRP Community Works Program - Phase 2</i>	(146,198)	1,819,051	-	(1,672,853)	-
<b>Total</b>	<b>(146,198)</b>	<b>3,009,370</b>	<b>-</b>	<b>(2,863,172)</b>	<b>-</b>
<b>Queensland Health</b>					
<i>ATSI Public Health Program</i>	-	198,284	-	(163,231)	35,053
<b>Total</b>	<b>-</b>	<b>198,284</b>	<b>-</b>	<b>(163,231)</b>	<b>35,053</b>

Pormpuraaw Aboriginal Shire Council

Tied Grants by Project

For the Month Ended 30 April 2024

	Balance 1/07/2023	Revenue	Council Contribution	Expense	Balance
	\$	\$	\$	\$	\$
<b>State Government Grants</b>					
<b>Queensland Reconstruction Authority</b>					
DRFA 2023 Restoration - Kowanyama Rd	-	1,272,516	-	(1,324,882)	(52,365)
DRFA 2023 Restoration - BAAS Yard Rd	-	63,583	-	(12,600)	50,983
DRFA 2023 Restoration - Northern Rd	-	614,842	-	(46,867)	567,975
DRFA - CAT E Betterment Program	(498,097)	498,097	-	-	-
DRFA 2023 Emergent Works	(42,137)	42,210	-	(73)	-
DRFA 2021 Restoration	(769,255)	769,255	-	-	-
Get Ready Qld	(1,356)	6,780	-	(5,228)	196
Total	(1,310,845)	3,267,284	-	(1,389,650)	566,789
<b>Department of Agriculture, Fisheries &amp; Forestry</b>					
Coastal Clean Up	-	60,246	-	(13,162)	47,084
Total	-	60,246	-	(13,162)	47,084
<b>Department of Education, Skills &amp; Employment</b>					
First Start Program	-	15,000	-	-	15,000
Total	-	15,000	-	-	15,000
<b>Department of Seniors, Disability Services and Aboriginal &amp; Torres Strait Islander Partnerships</b>					
Splashpark	-	350,000	-	(234,754)	115,246
Service Enhancement Plan	(17,535)	-	-	(114,036)	(131,571)
Don't Buy Sly Grog Initiative	150,000	90,000	-	(236,395)	3,605
Total	132,465	440,000	-	(585,184)	(12,719)
<b>Department of Communities, Housing &amp; Digital Economy</b>					
Qld Community Support Scheme	-	43,713	-	(34,433)	9,280
Community Transport	-	29,136	-	(60,734)	(31,598)
Forward Remote Capital Program - 7 Social Houses	1,059,920	2,555,045	-	(162,734)	3,452,231
Remote Capital Program - 3 Social Houses	-	1,669,478	-	(73,364)	1,596,115
Total	1,059,920	4,297,372	-	(331,265)	5,026,028
<b>Department of Tourism, Innovation &amp; Sport</b>					
Deadly Active Sport & Recreation Program	-	63,000	-	(33,711)	29,289
Total	-	63,000	-	(33,711)	29,289
<b>Department of State Development, Infrastructure, Local Government and Planning</b>					
Indigenous Council Funding	-	2,555,410	-	(2,555,410)	-
Pormpuraaw Future Water Plant Business Case	-	15,070	-	(15,070)	-
LGGSP - New Staff Duplex Complex	423,000	-	-	(14,495)	408,505
Works for Queensland 2021-2024	790,278	-	-	(8,848)	781,430
ICCIP	576,418	35,590	-	(153,910)	458,098
Total	1,789,695	2,606,070	-	(2,747,733)	1,648,033
<b>Total - State Govt Grants</b>	<b>2,330,729</b>	<b>15,085,038</b>	<b>31,353</b>	<b>(9,806,158)</b>	<b>7,640,962</b>
<b>Other Grant Providers</b>					
<b>Local Government Association of Queensland - LGAQ</b>					
Rapid Low Earth Orbit (LEO) Program	-	-	-	(7,713)	(7,713)
Total	-	-	-	(7,713)	(7,713)
<b>Cape York Natural Resource Management</b>					
Nest to Ocean (Turtle Program) CY397 R8	-	9,000	-	(3,605)	5,395
Total	-	9,000	-	(3,605)	5,395
<b>Total Other Grant Providers</b>	<b>-</b>	<b>9,000</b>	<b>-</b>	<b>(11,318)</b>	<b>(2,318)</b>
<b>Total Grants</b>	<b>3,023,617</b>	<b>16,446,945</b>	<b>31,353</b>	<b>(10,991,895)</b>	<b>8,510,021</b>
<b>Add back negative (unclaimed ) grant balances</b>	<b>1,504,330</b>				<b>439,346</b>
<b>Unspent grant revenue</b>	<b>4,527,948</b>				<b>8,949,367</b>

## **APPENDIX A: STATEMENT OF FINANCIAL POSITION**

### **Pormpuraaw Aboriginal Shire Council**

#### **Statement of Financial Position**

As at 30 April 2024

	<b>2023/24</b>
	<b>\$</b>
<b>Current assets</b>	
Cash At Bank	1,684,465
Cash - Trust Account	21,291
Cash - QTC Account	58,987,548
Receivables	1,123,488
Contract Asset	95,443
Inventories	550,436
Other financial assets	(65,055)
<b>Total current assets</b>	<b>62,397,615</b>
<b>Non-current assets</b>	
Property, plant and equipment	132,804,401
Other financial assets	12,908,458
<b>Total non-current assets</b>	<b>145,712,859</b>
<b>Total assets</b>	<b>208,110,474</b>
<b>Current liabilities</b>	
Payables	446,572
Contract Liability	7,580,682
Provisions	618,882
<b>Total current liabilities</b>	<b>8,646,135</b>
<b>Non-current liabilities</b>	
Provisions	198,121
<b>Total non-current liabilities</b>	<b>198,121</b>
<b>Total liabilities</b>	<b>8,844,257</b>
<b>Net community assets</b>	<b>199,266,217</b>
<b>Community equity</b>	
Asset revaluation surplus	111,359,498
Retained surplus	87,906,719
<b>Total community equity</b>	<b>199,266,217</b>



## 2024 EXTERNAL AUDIT PLAN

# **Pormpuraaw Aboriginal Shire Council**

10 April 2024



Cr Richard Tarpencha  
Mayor  
Pompuraaw Aboriginal Shire Council

Dear Cr Tarpencha

### 2024 External audit plan

We are pleased to present our external audit plan for Pompuraaw Aboriginal Shire Council for the financial year ending 30 June 2024.

The purpose of our audit is to express an opinion on the 2024 financial statements and current year financial sustainability statement.

Our audit does not guarantee that every amount and disclosure in the financial statements is free from error – our aim is to identify material errors and omissions. We target the areas that have the highest risks of material misstatement due to fraud or error.

#### Financial reporting risks and areas of audit focus

This audit plan documents our assessment of Pompuraaw Aboriginal Shire Council's business and financial reporting risks and our audit responses to these risks.

- Risk 1 – Valuation of infrastructure assets
- Risk 2 – Revenue recognition
- Risk 3 – Managing conflicts of interest and disclosure of related party transactions
- Risk 4 – 40-year leases

#### Key audit and financial reporting milestones

7 May 2024	pro forma financial statements due
15 July 2024	asset valuations due
9 August 2024	financial statements due
3 September 2024	financial statements signed by management
4 September 2024	audit report issued

If you have any questions or would like to discuss the plan, please do not hesitate to contact me on (03) 9258 9506 or Sarah Trende on (07) 4722 9750. We look forward to working with you.

Yours sincerely



Bruce Preston  
Partner

Enc.

cc. Edward Natera, Chief Executive Officer  
Cam Charlton, Chair of the Audit Committee

## Audit team



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## 1. Your business environment

In developing this plan, we met with management, reviewed internal reports, considered previously identified issues, and analysed financial and other relevant information. Below, we have highlighted the key observations informing our audit responses to significant risk.

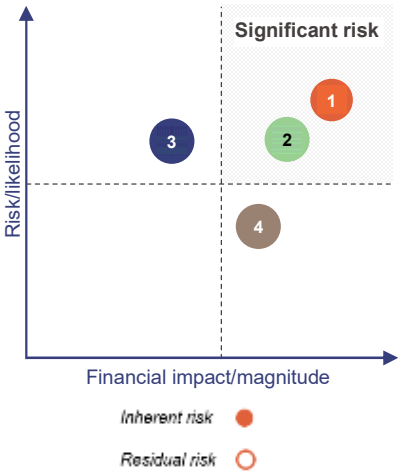
Areas/observation	Key observations
Business developments	<ul style="list-style-type: none"> <li>Operational budgets remain consistent in comparison to previous financials years with no significant changes to the way Council will conduct operations in FY24.</li> </ul>
Economic environment	<ul style="list-style-type: none"> <li>Inflation and resourcing pressures continue to impact major project budgets, resourcing, and timeframes as well as service delivery costs.</li> <li>45 local government areas have been activated for the 2022-23 Northern and Central Queensland Monsoon and Flooding event under the Disaster Recovery Funding Arrangements (DRFA) for various funding assistance measures, including Pormpuraaw Shire Council. Additional expenditure is expected to be incurred in FY 2023/24, with further claims likely to be initiated through the Disaster Recovery Funding Arrangements with the Queensland Reconstruction Authority.</li> <li>Council has been awarded \$14 million to improve the drainage and tarmac at Pormpuraaw Airport.</li> </ul>
Revenue/expense drivers	<ul style="list-style-type: none"> <li>\$23.9 million in capital works projects budgeted, with \$3.15 million unfunded.</li> <li>Employment costs have been budgeted to increase by 5.75% due to the potential of a State Wage Increase.</li> <li>Council has applied a 3% increase to all utility charges for the FY23 year.</li> <li>Capital expenditure has been based on the current asset management plans and community service requirements.</li> <li>Council's annual depreciation expenditure is approx. \$6 million and recognises the consumption of economic benefits from Council's significant infrastructure network. Significant assumptions regarding asset useful lives are applied in determining depreciation expense.</li> </ul>
Balance sheet drivers	<ul style="list-style-type: none"> <li>Council has no existing borrowings and retains a view of not borrowing into the future.</li> <li>Currently Council has invested unconstrained funds of approximately \$46.1 million in a QTC Cash Investment Fund.</li> <li>A comprehensive revaluation is planned for Land and Other Infrastructure asset classes at 30 June 2024. The valuation process requires technical experts to assist in ensuring the fair value or written down value is appropriately determined.</li> </ul>

## 2. Areas of audit focus

Our external audit plan identified items that present the greatest risk of material error to the financial statements.

This chart displays our assessment of inherent risk, and residual risk, for the identified areas of audit focus. Inherent risk is the risk the item will be misstated without the existence of appropriate internal controls. Residual risk is our assessment of risk after considering the existence of key controls. We assess these risks in terms of both likelihood and the financial impact (magnitude).

Our planned audit response is outlined in the table below.



Risk	Description of risk	Audit response
1	<b>Valuation of infrastructure assets</b> <ul style="list-style-type: none"><li>Property plant and equipment is the most material balance in the financial statements at \$132 million</li><li>Valuation involves significant estimates and judgements, particularly in years where a comprehensive revaluation is undertaken. Council plans to complete a comprehensive revaluation of its Land and Other Infrastructure classes at 30 June 2024, with indexation adjustments (where deemed material) being made to all other asset classes.</li><li>Significant capital works program, with complex asset capitalisation</li><li>There is no market-based evidence of fair value due to the specialised nature of the assets (comparable items are rarely sold)</li><li>Infrastructure assets generally have long lives which require significant estimation</li><li>Separation between renewals and additions may not be clear and may affect reliability of sustainability ratio reporting</li><li>Management may be motivated to manipulate financial sustainability ratios as they are publicly included in sustainability statements</li></ul>	We will assess: <ul style="list-style-type: none"><li>The appropriateness of valuation methodology, including the inputs and assumptions used in determining fair value</li><li>The adequacy of management's review of asset valuations, including the inputs, assumptions and estimates used by the valuers</li><li>The appropriateness of useful life assumptions used in the calculation of depreciation</li><li>The mathematical accuracy of the valuation models</li><li>The competency, objectivity, and qualification of management experts</li><li>Whether work-in-progress is ready for use at balance date and should be capitalised, valued, and depreciated</li><li>Consideration will also be given to Council's methodology for ensuring completeness of asset information, identification of asset renewals and additions, and associated financial statement disclosures.</li></ul>
2	<b>Revenue recognition</b> <ul style="list-style-type: none"><li>Council receives a significant number of grants each year</li><li>These grants have several conditions attached and are complex to account for under AASB 15 and AASB 1058</li><li>There may be incentive to manipulate the recognition between recurrent and capital grants to improve financial sustainability ratios</li></ul>	We will: <ul style="list-style-type: none"><li>Review Council's classification of grants between recurrent and capital revenue</li><li>Assess management's processes and controls to ensure revenue has been recognised in accordance with the accounting standards AASB 15 and AASB 1058</li><li>Test a sample of grant programs and ensure their recognition is accurate based on grant/subsidy agreements and other correspondence</li></ul>

Risk	Description of risk	Audit response
<b>3</b>	<b>Managing conflicts of interest and disclosure of related party transactions</b> <ul style="list-style-type: none"> <li>Council is required to disclose related party relationships, transactions and outstanding balances, including commitments, in the annual financial statements</li> <li>Council may not have established relevant systems and internal controls to effectively identify, capture and record related party transactions</li> <li>Public interest in related party transactions of Councils</li> </ul>	We will: <ul style="list-style-type: none"> <li>Obtain and review Council assessment (identification) of related parties</li> <li>Review assessment of officers considered Key Management Personnel</li> <li>Review Council's systems and controls in place for the collection of the related party information to assess their reliability through system walkthrough</li> <li>Review controls in place to authorise and approve significant transactions and arrangements with related parties</li> <li>Obtain Council assessment of those related party transactions which require disclosure and understand rationale for disclosing/not disclosing</li> <li>Tests to search for unidentified, unrecorded related party transactions</li> </ul>
<b>4</b>	<b>40-year leases</b> <ul style="list-style-type: none"> <li>Specific accounting treatment required for reporting</li> <li>Significant balance in the financial statements</li> <li>Complex and subjective inputs to valuation calculations</li> </ul>	We will: <ul style="list-style-type: none"> <li>Obtain and review the annual revaluation and assess if adequate assumptions and judgements have been adopted in determining the fair value of the lease receivable</li> <li>Review accounting entries surrounding the lease receivable and determine it has been calculated correctly</li> <li>Ensure Council has adequate supporting documentation for leases existence</li> </ul>

## Management override of controls

Management override of controls is a presumed significant risk under auditing standards and is a pervasive risk to the financial statements.

Our strategy will be a combination of controls and substantive-based testing and includes:

- evaluating and testing key controls over manual journals and the extent of segregation of duties
- reviewing material accounting estimates and one-off items for management bias
- assessing transactions with related parties to ensure all occur at arm's length
- reviewing budget monitoring, including budget contingency
- applying a data-driven approach to journal entry testing

We will also build an element of unpredictability into our procedures, meaning management will not be aware of all procedures prior to their execution.

## Review of information systems

We continue to see frequent complex and sophisticated cyber attacks on our clients. Cyber risk vulnerabilities and exposures must be continually assessed with appropriate oversight and reporting to those charged with governance.

## Audit response

In response to these factors, we will assess relevant general information technology controls (GITCs), including the underlying databases, operating system and network (Active Directory), and information technology application controls (ITAC). We continue to refine our approach in response to expectations from regulators and the experiences of other organisations.

We have identified Synergy Soft as the key systems relevant to your financial reporting. At this time, we do not expect to place reliance general information technology controls (GITCs) or information technology application controls (ITAC). However, we will still perform a review of the internal control environment through discussions with relevant stakeholders; observations; document inspections; and data reviews relating to processes, controls, and the in-scope systems and communicate with management on any changes to our planned approach.

Our procedures will include a review of the processes and controls in place to:

- request, develop, test, and approve changes to key systems
- manage and secure access to the systems, including to manage system parameters, grant or revoke access, and restrict and monitor usage of high-privileged access
- manage users with privileged access and monitor their activities
- maintain the integrity of the data processed and stored in the systems, including through maintaining backups and managing background system processing
- support the financial statement process such as workflows, financial delegations and interfaces.

As our approach evolves, we encourage management to reassess these systems and controls in to support effective operations and resilience to cyber-attacks. A proactive approach to managing these risks will help to minimise the number of findings, the impact on our wider audit approach, and the risk of an attack causing extensive disruptions.

## What to do in the event of a cyber attack?

If your entity experiences a cyber attack up until the date of signing the management certificate, those charged with governance will need to consider whether it is quantitatively or qualitatively material and the implications for the financial statements.

*AASB Practice Statement 2 Making Materiality Judgements* provides entities with guidance on making materiality judgements when preparing general purpose financial statements. AUASB Bulletin *The Consideration of Cyber Security Risks in an Audit of a Financial Report* provides some examples of direct and indirect impacts of a cyber security event on financial statements. If a cyber security incident occurs, we will evaluate the impact and may need to adjust our risk assessments, materiality levels, and response procedures.

## Materiality

We use materiality to determine the nature, timing, and extent of audit procedures for our audit, and to evaluate misstatements. We design our procedures to detect misstatements using the performance materiality level and we report those items that are above the threshold to the audit committee.

Some items are material by their nature, thus we will consider qualitative factors. We assess these thresholds throughout the audit – they may change if the underlying benchmark or our risk assessments change significantly. Our planning materiality thresholds are disclosed below.

<b>Overall materiality</b>	<b>\$219,000</b>	2023: \$193,000
<b>Performance materiality</b>	<b>\$175,000</b>	2023: \$154,400
<b>Clearly trivial threshold</b>	<b>\$21,000</b>	2023: \$19,300
<b>Specific – property, plant and equipment<sup>1</sup></b>	<b>\$7,229,000</b>	2023: \$6,618,000

Note: <sup>1</sup> Specific materiality is only applicable to the valuation assertion of property, plant and equipment measured under the cost model and to the associated asset revaluation surplus balances.

Benchmarks

We have assessed materiality, considering a range of benchmarks. Based on our preliminary assessment of the risks, consistent with the prior period, we have used 1% of budgeted total expenditure as our benchmark for overall materiality.

Specific materiality has been calculated based on 5% of budgeted property, plant, and equipment.

Financial sustainability

For the current year financial sustainability statement, we will assess materiality on a mix of qualitative and quantitative factors, including the percentage deviation from the target range.

3. Other considerations

Commonwealth certificates

Each year, we are required under the relevant legislation and Commonwealth Government funding arrangement to provide an audit opinion on the following grants:

Grant acquittal	Basis for audit
Roads to Recovery	Part 8 <i>National Land Transport Act 2014</i> Sub section 6.2(b) <i>Roads to Recovery Funding Conditions 2019 Agreement</i>
Local Roads and Community Infrastructure Program	Section 4 <i>National Land Transport Act 2014</i> <i>COVID-19 Local Roads and Community Infrastructure Program Guideline</i>

Financial sustainability reports

The department has completed the consultation process and is working with the key industry stakeholders to implement the new sustainability framework. Councils are required to report under the new framework for 2023-24. The department's guide is available on its website [here](#).

The new framework categorises councils into tiers and requires variable reporting and benchmarking depending on your tiers. Your council is in Tier 8. Your council will be required to report against 7 metrics. The figures are required to be reported on a 5-year rolling basis as well as a single year result. We will audit measures 3,4,5,6, and 7.

#	Type	Measure	Rationale
1	Financial capacity	Council controlled revenue ratio	Capacity to generate revenue internally
2	Financial capacity	Population growth ratio	Population growth/decline pressures on council
3	Operating performance	Operating surplus ratio	Holistic overview of council operating performance
4	Operating performance	Operating cash ratio	Cash operating performance (less depreciation and other non-cash items)
5	Liquidity	Unrestricted cash expense cover ratio	Unconstrained liquidity available to council
6	Asset management	Asset sustainability ratio	Capital renewals program performance
7	Asset management	Asset consumption funding ratio	Extent to which assets are being consumed

Source: Department of State Development, Infrastructure Local Government and Planning: Financial Management (Sustainability) Guideline

## Working with internal audit

We will engage with internal audit to understand if there are any impacts on our audit through its reviews.

## Management responsibilities

Our audit does not relieve management from its responsibilities to:

- prepare financial statements in accordance with the applicable reporting framework
- develop internal controls to prepare financial statements free from material misstatement
- comply with prescribed legislative requirements
- provide our auditors full and free access to all documents and property of your entity.

As part of our audit, we may also consider your accountability for the use of public moneys, which includes:

- compliance with relevant acts, regulations, government policies and prescribed requirements
- acts or omissions resulting in a waste of public resources
- the probity and propriety of matters associated with the management of your entity.

## 4. Assessing internal controls and process

---

This year we will be re-assessing your financial statement maturity using our revised maturity model. We will discuss our assessment with management and report our results in the closing report. We may also include the results in our annual report to parliament on the results of financial audits.

We are updating our model to make it easier to use and more consistent with our other models.

The model outlines the key components that result in high-quality and timely financial reports, providing a maturity assessment for each of the 4 components. The aim of the model is to highlight strengths and bring focus to areas of development so entities could reach their desired maturity.

We are developing assessment tools that will help us better communicate with our clients about the strength of their internal controls, and the areas they can improve. These tools focus on common controls across government entities. Further information on our tools is in our fact sheet: [www.qao.qld.gov.au/reports-resources/fact-sheets](http://www.qao.qld.gov.au/reports-resources/fact-sheets).

## 5. Key financial audit milestones

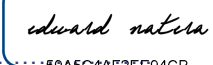
We have discussed with management to establish the following key reporting deadlines. Strong collaboration will ensure that these deliverables are mutually achievable.

Planning	Agreed date
<b>External audit plan issued to client</b>	10 April 2024
<b>Interim</b>	
Workpapers available for planning purposes	3 May 2024
<b>Interim testing visit</b>	7 May – 10 May 2024
<b>Interim report outlining preliminary audit findings issued to client</b>	3 June 2024
Proforma financial statements due to audit	7 May 2024
<b>Feedback on proforma financial statements to client</b>	20 May 2024
Position papers on known accounting issues due to audit	30 June 2024
<b>Feedback on position papers to client</b>	15 July 2024
Asset valuations due to audit	15 July 2024
Asset valuations reviewed by audit	29 July 2024
<b>Final</b>	
<b>Year-end visit</b>	12 August – 16 August 2024
Workpapers available for planning purposes	5 August 2024
Complete draft financial statements to audit	9 August 2024
<b>Feedback on draft financial statements to client</b>	23 August 2024
<b>QAO closing report summarising the audit findings issued to client</b>	30 August 2024
Audit committee clearance	3 September 2024
Financial statements signed by management	3 September 2024
<b>Audit report including our audit opinion issued to the client</b>	4 September 2024
<b>Final management report outlining the final audit findings issued to the client</b>	4 September 2024

In conjunction with management, we have identified the following key accounting issues that will require resolution this year.

Issue	Details	Position paper due date	
		Management	QAO
Revenue recognition for new grant funding	Where Council has received new sources of grant funding during the year, consideration will need to be given to AASB 15 and AASB 1058 to determine the correct method of revenue recognition in relation to these grants.	30 June 2024	15 July 2024

Please report to us any slippages to the time frames as soon as possible. Please sign and return this page to Bruce Preston by 30 April 2024.

Name: Edward Natera Chief Executive Officer	DocuSigned by:  Signed .....59A5C4AF2EE94CB...	Date 4/25/2024
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## 6. Audit fees

Our proposed audit fee (exclusive of GST) is **\$63,630** (2023: \$60,600) for Pormpuraaw Aboriginal Shire Council. This is based on our planned audit program. We will bill our fee progressively as we complete each stage of our work. The audit fee includes the following components.

Pormpuraaw Aboriginal Shire Council	
Financial audit	\$58,345
Travel	\$5,285
Total	\$63,630

Our fee estimate can be affected by:

- the effectiveness of your internal control environment
- the quality of draft financial statements and supporting workpapers
- significant accounting issues not raised with the audit team during planning
- whether the milestones are achieved within the agreed time frames
- the availability of your management and staff, and the timeliness of their responses to audit issues.

We will discuss any anticipated variations to our fee with you during the audit.

The fee above is not inclusive of the LRCI program acquittals, these will be billed separately at \$1,500 (exclusive of GST) per acquittal.

## 7. Climate-related financial disclosures

The Commonwealth Treasury has issued proposed legislation outlining the scope of mandatory climate and environmental sustainability reporting and assurance.

In June 2023, the International Sustainability Standards Board (ISSB) issued its first 2 standards – IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*.

In October 2023, the Australian Accounting Standards Board (AASB) issued Exposure Draft SR1 *Australian Sustainability Reporting Standards (ASRS) 1 General requirements for disclosure of Climate-related Financial Information* for public feedback. The AASB’s approach is to take a ‘climate-first’ approach. It is proposing that references to sustainability in the ISSB standards be replaced with ‘climate-related’ in the Australian equivalents.

In January 2024, the Commonwealth Treasury issued proposed legislation on how it will mandate application of climate-related financial disclosures to entities reporting under the *Corporations Act 2001* (Corporations Act). These proposals are expected to affect many Queensland government owned corporations (GOCs).

It will be up to Queensland Treasury to determine how the standards apply to the public sector entities under its jurisdiction that are outside of the Corporations Act (such as departments and statutory bodies). Queensland Treasury is currently evaluating how the content of the proposed standards will apply to these entities. This will include those registered as companies who are required to report under the new standards.

### The impact on your entity

Your entity is not included in the scope of the draft Commonwealth legislation. Therefore, you are not a mandatory reporting entity and will need to follow the guidance from Queensland Treasury.

## 8. Our performance

---

Client service and audit quality are priorities for us. We have mechanisms in place to ensure our audit activities are effective, comply with quality requirements and are of value to you.

Each year, we engage an independent research provider to survey with our clients on our engagement, audit process and reporting. Your feedback will enable us to enhance the value of our services and our relationship with you.

We have reflected on our debrief discussions and your feedback on the prior year audit resulting in early communication between Team Leader and Council. Furthermore, communication with Council through the appropriate channels will remain at the forefront of our mind.



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## **Pormpuraaw Aboriginal Shire Council**

Strategic 3 Year Internal Audit Plan 2023-2026  
and Detailed Internal Audit Plan 2023-2024



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## Disclaimer

The services provided in connection with the engagement comprise an advisory engagement which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently, no opinions or conclusions intended to convey assurance are expressed. This internal audit report has been prepared based on the scope requested by the Pormpuraaw Aboriginal Shire Council Audit Committee.

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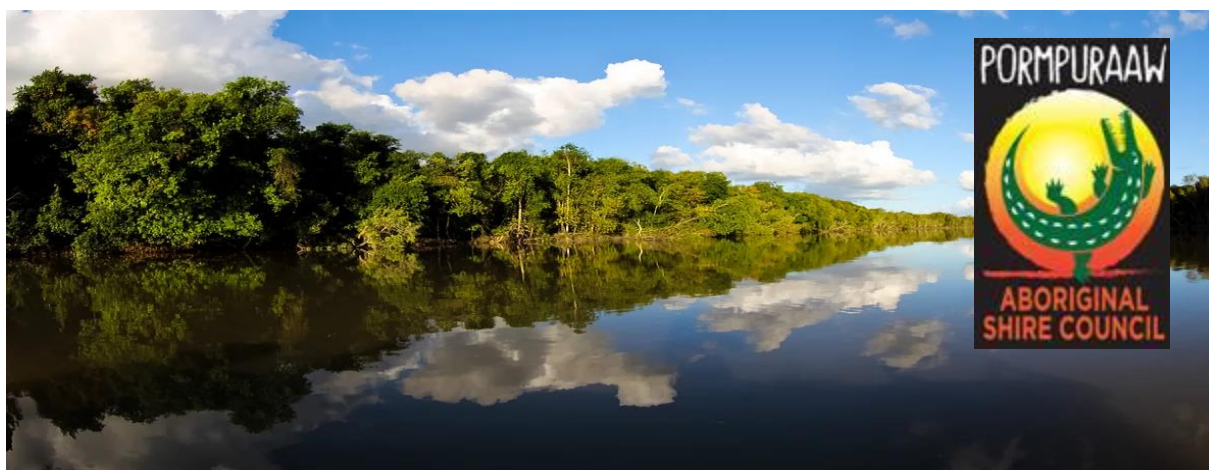
## Executive summary

### Objective

The objective of the internal audit plan is to identify and document those areas of significant financial and operational risk to the Council with a view to finding practical recommendations for improvement.

The Council aim to establish and maintain a system of an independent objective appraisal to examine and evaluate its activities as a service to the Council and Community.

The aim of the internal audit function is:



Internal audit is an essential element of all Councils' governance frameworks. The internal audit function monitors the Council's risk management, internal control and compliance with both state and federal legislation. Furthermore, per the *Local Government Regulation 2012*, Councils must endorse an internal audit plan.

It is planned that the internal audit function will also include an assessment and evaluation of the control measures that the Council has adopted, or is to adopt, to manage the financial and operational risks to which its operations are exposed.



**Key areas to be considered over the next three-year period are as follows:**

Areas to be considered	Year			Proposed date
Review of sustainability including a focus on the new ratios	2023/24			April - May 2024
Revaluation of property, plant & equipment including comprehensive roads	2023/24			June 2024
Review of the Asset Management Plan and integration in the Financial Management planning and budget process.		2024/25		To be agreed
Overall review of Policy documents to ensure compliance with a focus on procurement		2024/25		To be agreed
Revaluation of property, plant & equipment		2024/25		To be agreed
Review of Cyber risks and data security			2025/26	To be agreed
Revaluation of property, plant & equipment			2025/26	To be agreed

## Evaluation of the risks

The benefit of the internal audit process is dependent on an effective and comprehensive operational risk assessment being performed. It is planned that an ongoing review will provide the Council and its management with an assessment of the key risks that must be controlled or mitigated to enable Pormpuraaw Aboriginal Shire Council to achieve its strategic objectives.

The operational risks and, therefore, the scope of the internal audit function has been determined from:

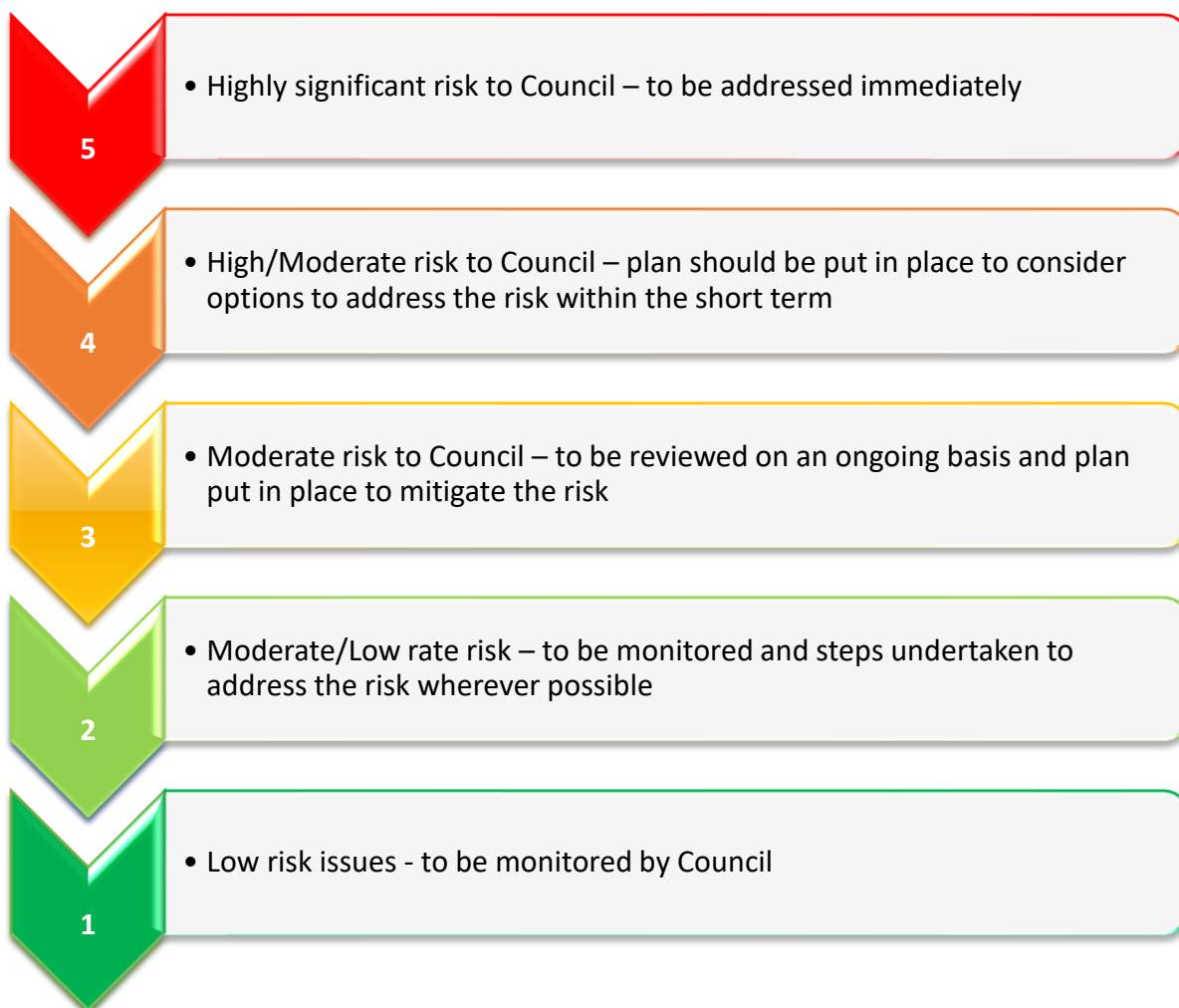




## Summary of risks

Risk rating	Risk
High	<ol style="list-style-type: none"> <li>1. Fraud</li> <li>2. Cyber risk and data security</li> <li>3. Risk management strategies</li> <li>4. Council election and transition</li> <li>5. Retention and recruitment of key personnel</li> <li>6. Asset management</li> <li>7. Asset valuation</li> <li>8. AASB 13 Fair value measurement</li> <li>9. Impairment of infrastructure assets</li> <li>10. Climate change and natural disasters</li> <li>11. Carbon credit trading</li> <li>12. Profit share arrangement</li> <li>13. Waste, water and sewerage management</li> <li>14. Global pandemics</li> <li>15. Management of infrastructure projects</li> <li>16. Legislation and Local Government registers</li> <li>17. Land Holding Act leases</li> <li>18. Treatment of existing and future houses under 40-year lease housing arrangements</li> <li>19. New Local Government sustainability framework</li> <li>20. Financial management and monthly financial reporting</li> <li>21. Related party transactions</li> </ol>
High/Moderate	<ol style="list-style-type: none"> <li>22. Efficiency and effectiveness of procurement process</li> <li>23. Lack of adherence to policies and procedures</li> <li>24. Treatment of DRFA funding</li> <li>25. Effective investment policy and cash management strategy</li> <li>26. Financial sustainability</li> <li>27. Sustainability ratios</li> </ol>
Moderate	<ol style="list-style-type: none"> <li>28. Complex and new accounting standards</li> <li>29. Landfill provision</li> <li>30. Changes in Government Policy that will impact on funding</li> <li>31. Climate and sustainability reporting</li> <li>32. Council's ongoing strategic direction</li> <li>33. Risk management and workplace health &amp; safety</li> <li>34. Computer maintenance and support</li> <li>35. Code of conduct and conflicts of interest</li> </ol>
Moderate/Low	<ol style="list-style-type: none"> <li>36. Ineffective financial management</li> <li>37. Communication</li> <li>38. Strategic planning and reporting</li> </ol>
Low	

## Risk rating key



# Financial and operational risks

## High risk

### 1. Fraud

People commit fraud because circumstances exist that allow them to do so. The threat of fraud can come from inside or outside the Council, but the likelihood that a fraud will be committed is greatly decreased if the potential fraudster believes that the rewards will be modest, that they will be detected, or that the potential punishment will be unacceptably high.

Recent fraud attempts in the Queensland public sector highlight the need for the Council to implement effective fraud control measures.

#### Potential Consequence of risk:

Financial loss

Loss of public trust on the Council and its management.

Disruption to operations

Litigations and legal disputes

Financial, reputational and legal damage to the Council.

Inability to conduct core business.

#### Plan to mitigate the risk:

Create fraud risk mitigation strategy with robust anti-fraud processes and procedures.

Use of external IT consultant to assist with protection and ongoing mitigation strategies around the evolving risks.

Constant staff training in code of conduct, procurement policy, cash handling, petty cash and record keeping obligations.

Routine evaluation and update of definition of fraud.

Access controls and tracking of electronic documents.

**A detailed review of fraud was performed in previous years by internal audit. Follow up review to be considered for the 2024-25 financial year to review processes and consider progress of the implementation of previous recommendations.**

## 2. Cyber risk and data security

Reported attacks on critical infrastructure through information technology is on the rise. The council must take a proactive approach to tackle cybersecurity rather than waiting for a breach to occur and then act on it.

This is an ever-increasing risk for all organisations and requires ongoing consideration to ensure that internal controls and IT processes evolve as the risk of cyber breaches continues to evolve.

### Potential Consequence of risk:

Financial, reputational and legal damage to the Council.

Inability to conduct core business.

Financial loss

### Plan to mitigate the risk:

Improve oversight.

Identify and monitor IT risks.

Update disaster recovery and business continuity processes to include recent changes in IT environments.

Budgets for on-going software and hardware upgrades.

Full backup system.

Development of strong communication with IT experts to ensure that pro active advice is being provided.

**A detailed review of fraud was performed in previous years by internal audit. Follow up review to be considered for the 2024-25 financial year to review processes and consider progress of the implementation of previous recommendations.**



### 3. Risk management strategies

Adequate risk management involves comprehensive risk management policies, up to date risk registers, risk management plans, and processes in place for reducing or mitigating risks.

#### **Potential Consequence of risk:**

Risk that Council will not be prepared when adverse events occur.

Non-compliance with the legislation may lead to fines and penalties.

#### **Plan to mitigate the risk:**

Existing risk management framework to be reviewed and updated internally.

Detailed risk management plan to be developed and a Risk Management Committee to be considered.

### 4. Council election and transition

Council elections are scheduled to be held in 2024. This may result major changes to existing council members. Changes in the elected Council members may result in disruption and challenges to Council operations.

#### **Potential Consequence of risk:**

Lack of understanding of the council process, procedure and level of authority by new members.

Potential delays in approval of agreements, payments, and execution of existing projects.

Potential lack of experience and financial literacy of new Council members.

Related party declarations and registers to be updated and disclosures to include different related parties (pre and post elections).

#### **Plan to mitigate the risk:**

Mentoring process to be implemented by the council with involvement of executive management and current councillor when possible.

Forecast major payments in advance, negotiate with suppliers and contractors for uninterrupted business.

Proper induction process and extensive training focused on getting the newly appointed councillors up to date on local government best practices and governance.

Financial literacy training

Updating related party registers and associated disclosures in the financials.

## 5. Retention and recruitment of key personnel

As with most remote communities, the retention and recruitment of key management personnel is a risk to the ongoing success of the Council.

The attraction and retention of skilled and professional staff to a community is important if it is to remain vibrant and self-sufficient and be able to sustain itself into the future. It is noted that there has been turnover in the key position in the management team during recent years.

### Potential Consequence of risk:

Functional operational structure is required in enable Council to achieve its key objectives.

Loss of key personnel due to excessive workloads.

Loss of funding opportunities if key positions are not filled by people with the necessary level of expertise.

Challenges in replacing key positions with people with the necessary level of expertise.

High employee turnover and difficult to recruit suitably qualified staff.

Council is at risk of not being able to deliver its core services.

Ineffective planning and missed opportunities.

### Plan to mitigate the risk:

Compliance with all relevant employment legislation, competitive remuneration packages, good working conditions.

Effective employment practices, policies and procedures in accordance with statutory requirements are in place.

Long term planning (including succession planning and removal of single points of failure)

Review of position descriptions

Greater emphasis on local up-skilling, considering 'skills audit' of the community.

**Detailed review of organisational structure performed as part of the 2018-19 internal audit program. Consider a follow up review in future years.**



## **6. Asset management**

Assets form an integral part of providing services to the community; a robust Asset Management Plan supports the governance and accountability of Council.

Comprehensive asset management is a key to the financial sustainability of the Council. The Council has an obligation to ensure that present assets are managed efficiently and effectively and that decisions regarding the acquisition of new assets and the sale and maintenance of assets are undertaken in an open and transparent process.

### **Potential Consequence of risk:**

Risk that Council cannot provide the desired level of service to the community.

If appropriate strategies are not developed Council is also at risk of not achieving organisational long-term goals and effective alignment of the infrastructure assets required to meet a changing environment.

### **Plan to mitigate the risk:**

Ongoing development and implementation of asset management strategy.

For water asset management, Council will engage an external consultant to undertake the plan review and update the plan.

Council will also conduct training to its managers and supervisors to ensure proper implementation and compliance with the plan.

Cyclical condition assessments undertaken.

Collection and maintenance of asset information.

## 7. Asset valuation

Valuation of non-current assets is considered to a highly complex and specialist area. An external valuer has been engaged to perform a comprehensive valuation for the 2023-24 financial year for road assets. All categories other than roads are subject to a desktop valuation in 2023-24.

### Potential Consequence of risk:

Incorrect valuation methodology for non-current assets.

Incorrect accounting treatment of the necessary revaluation adjustments.

Potential audit qualification.

### Plan to mitigate the risk:

Ongoing part the internal audit review. Ensure that a suitably qualified, professional external valuer is engaged.

The methodology to be adopted for all asset categories will be discussed and agreed with the external auditors prior to the valuer commencing the valuation exercise.

Impairment review to be performed on an annual basis by external consultant.

Accounting entries resulting from the revaluation to be reviewed in detail by external consultant as part of the internal audit/accounting assistance role.

**Full review of the comprehensive valuation and desktop exercises will form part of the internal audit program for the 2023-24 financial year.**





## 8. AASB 13 Fair value measurement

AASB 13 Fair Value Measurement specifies valuation methods which must be implemented and a fair value hierarchy which classifies the inputs.

### Potential Consequence of risk:

Financial Statements being prepared on the incorrect basis is a high risk.

Qualification of the financial statements and potential penalties due to non-compliance.

Issues arising from the external audit as a result of inadequate disclosure in the financial statements.

AASB 13 Fair Value Measurement specifies valuation methods which must be implemented and specifies a fair value hierarchy which classifies the inputs.

### Plan to mitigate the risk:

Ongoing - to be overcome via the use of an external consultant to prepare the year-end financial statements and accounting assistance.

Instructions clearly provided to the external valuer specifying that the assets are to be measured in accordance with AASB 13.



## 9. Impairment of infrastructure assets

In recent years, the Council has been impacted by a number of significant weather events resulting in damage to infrastructure assets. Various claims have been approved by the Queensland Reconstruction Authority “QRA” and the work to restore the assets has been ongoing.

This has resulted in significant year-end impairment adjustments being necessary in the financial statements. This will continue to be a focus area for external audit and a challenging area to ensure that any decrease to the fair value of assets is correctly accounted for.

### **Potential Consequence of risk:**

Failure to correctly identify impairment of asset

Misstatement of the balance of property, plant and equipment.

### **Plan to mitigate the risk:**

Full review of all current QRA claims and impact of recent weather events to be performed as part of the accounting assistance role for the 2023-24 financial year.

Full analysis to be prepared of DRFA funding during the year to identify all emergent works and replacement of assets.

Funding to be classified as capital where appropriate.

Where expenditure is considered capital in nature, ensure that the relevant impairment loss has been adjusted and the subsequent expenditure is then capitalised.



## **10. Climate change and natural disasters**

Increased focus on challenges and risks as a result of climate change such as frequent natural disasters. Council operations are exposed to the risk of natural disasters such as cyclones and flooding.

### **Potential Consequence of risk:**

Damage to assets, loss of documents and data.

In event of emergencies no ability to communicate with outside world.

Failure to deliver essential services during above events, e.g., Aged Care etc.

Delay in community recovery and financial loss

### **Potential Consequence of risk:**

Natural disaster plan in place.

External backup of data currently done in Cairns and Pormpuraaw with one person taking home the backup disk each night.

Council to manage the community's expectations in terms of what are the processes should a natural disaster occur – consider a booklet/information system.

Council to continuously review available solutions relating to natural disaster scenarios.



## **11. Carbon credit trading**

In recent years Council have received revenue from the generation and sale of carbon credits. The risk exists that this process will not be adequately monitored or reported in the financial statements.

This is a complex and emerging field with processes, legislation and accounting views being developed. At present, there is no available accounting standard to provide clear guidance on carbon accounting.

### **Potential Consequence of risk:**

Incorrect accounting treatment in the financial statements.

Council needs to ensure that adequate systems are in place to monitor the level of credits generate and sold.

Risk management strategies to be documented and monitored on a regular basis. These should include consideration of understanding and reliance around inhouse/external expertise, changes in legislative requirements, Council's preferred approach around abatement contracts and sale strategies.

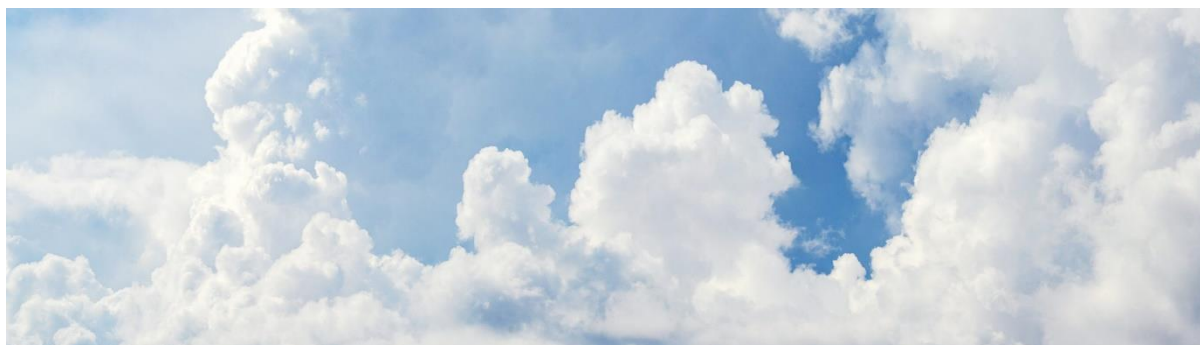
### **Potential Consequence of risk:**

Review the existing processes in place to ensure appropriate.

External consultant to assist with the correct year end accounting treatment for any unsold credits as at 30 June and also review the treatment of revenue generated in the year to ensure the treatment is correct.

**Detailed review was performed as part of the 2022-23 internal audit program. This documented existing processes and provided recommendations around accounting for carbon.**

**As carbon accounting is still an emerging field, developments for the 2023-24 will be reviewed and incorporated into the year end processes.**



## **12. Profit share arrangement**

In 2019 Council was approached by the CDEP provider in the Pormpuraaw Community, Jobfind Centres Australia Pty Limited, trading as RISE Ventures with a proposal for an ongoing partnership improve the education, training, and employment outcomes for jobseekers in relation to delivery of Community Development Program ("CDP") services in the Pormpuraaw community. A Memorandum of Understanding ("MOU") was signed to outline the arrangement.

It is noted that the MOU was updated in previous years to provide a more comprehensive outline of Council's risks and responsibilities in the arrangement. Despite the new MOU, Council encountered several concerns around the current arrangement with RISE such as failing to provide financial reports on prescribed time, inaccurate reports, unexplainable expenses in financial report and absence of proper communication channels.

### **Potential Consequence of risk:**

Incorrect accounting treatment and the disclosure requirements in Council's financial statements depending on the prescribed requirements in the MOU.

Potential missed financial reward if relationship is not set up and monitored appropriately.

Underpayment of profit share from RISE to the council.

### **Plan to mitigate the risk:**

Addressed as part of the 2022-23 internal audit program with a review of financial information provided. Recommendations in the report to be implemented and reviewed.

Ongoing - activities to be monitored by Council and any share of profit to be pursued on a timely basis.

Proper communication channel to be established to ensure access to timely and accurate financial reports.

Review of set up of MOU and ongoing arrangements was included as part of the 2020-21 internal audit program with follow up work performed in 2021-22 and 2022-23 to review the level of financial information available to support the profit allocation.

### **13. Waste, water and sewerage management**

Local governments are required to maintain and manage waste, water and sewerage systems. Failure to provide acceptable water quality, waste management and the effective treatment of sewerage.

**Potential Consequence of risk:**

Risk of endangering public health.

If Council fails to effectively manage waste throughout the community it risks creating adverse impacts on the environment.

**Plan to mitigate the risk:**

Manage and maintain council's water infrastructure and distribution network as required by law and regulation.

Manage and maintain council's sewerage infrastructure network at an acceptable environmental standard.

Manage effective and efficient waste collection and recycling services.

### **14. Global pandemics**

The outbreak of COVID-19 has had serious consequences and impact throughout the world. There has been significant economic, social and political disruption.

**Potential Consequence of risk:**

Disruption to operations.

Loss of revenue due to travel restrictions and lockdowns.

Delays in certain grant funding streams.

Increased IT risks as a result of staff working from home.

High levels of absenteeism and increased levels of sick leave pay.

Delays in completion of capital projects as a result of travel restrictions, labour and materials shortages.

Lack of adequate disclosure in the financial statements around the known impacts on Council activity.

**Potential Consequence of risk:**

Business continuity plan to be reviewed and updated on an ongoing basis.

Consider financial implications - cash flow management is critical where there is a loss or delay in revenue streams.

Close liaison with IT providers to ensure remote access is set up correctly.

Protect the health of staff by ensuring staff advice and management actions are clear, relevant, timely and accurate.

Develop a communications strategy for employees, customers, funding bodies and suppliers.

## **15. Management of infrastructure projects**

Council undertakes ongoing infrastructure projects, involving significant amounts of funding and spanning over a number of years. It is crucial that these projects are managed effectively to ensure maximum benefit to the Community.

### **Potential Consequence of risk:**

Selection of infrastructure projects which do not best match the needs of the Community.

Projects not being implemented in the most efficient or effective way, causing loss of contracts, financial insolvency or harm to the Council's reputation.

### **Plan to mitigate the risk:**

Implementation of project management planning and training in conjunction with risk assessments.

Ongoing maintenance of projects and implementation of project management systems.

## **16. Legislation and Local Government registers**

It is an ongoing challenge for Councils to strive for compliance with the *Local Government Regulation Act 2012* and other relevant legislation. Requirements around necessary policies and governance best practice are constantly evolving.

Financial Statements prepared on the incorrect basis. Non-compliance with the *Local Government Regulation Act 2012* and other relevant legislation.

### **Potential Consequence of risk:**

Qualification of the financial statements and potential penalties as a result of non-compliance.

Issues arising from the external audit as a result of non-compliance with legislation.

Adverse commentary by the Auditor-General in Reports to Parliament.

Poor result for Council from QTC Sustainability Report

Potential penalties and reputational damage as a result of non-compliance.

### **Plan to mitigate the risk:**

Legislative and WH&S compliance allocated to appropriate personnel.

Attendance training/seminars/regional forums

**Overall Policy and Governance review to be considered for the 2024-25 internal audit program.**

## **17. Land Holding Act leases**

It was noted that in recent years a number of residential houses have been transferred to beneficiaries under the *Land Holding Act 2013* "the Act".

Under the arrangement, the correct accounting treatment for the residential houses transferred under the Act, should be the removal of the houses from the Council assets register. As these transfers had not previously been identified the houses remained in the balance of property, plant, and equipment as at 30 June 2022. This was identified and reflected in the 2022-23 financial statements with a correction of prior year error adjustment noted.

### **Potential Consequence of risk:**

Misstatement of balance of property, plant and equipment and the related capital expense as a result of the transfer of the houses to a third party.

### **Plan to mitigate the risk:**

Confirmation to be sought during the year end accounting from the Aboriginal and Torres Strait Islander Housing Unit, Department of Communities, Housing and Digital Economy to confirm the status of houses in relation to the LHA leases.

This has been identified and rectified during the 2022-23 financial year and will be monitored as part of accounting assistance role moving forward.

## **18. Treatment of existing and future houses under 40-year lease housing arrangements**

Ensure any new lease agreements entered into during financial years are correctly recorded in the financial statements.

During the 2022-2023 financial year, the Department of Housing made a retrospective adjustment to the rent and rates from 1 July 2022. A letter sent via email on 30 June 2023, which was only identified after the financial statements had been signed. Poor communication from the department creates a risk of misstatement in the financial statements.

### **Potential Consequence of risk:**

Loss of revenue source for Council.

Incorrect accounting treatment resulting in potential management letter issues or qualifications.

Untimely communication around the change in rates.

### **Plan to mitigate the risk:**

**Ongoing review. To be addressed as part of the 2023-24 year end accounting assistance.**

Timely communication with the department and implementing the current rate based on the effectivity date implied in the issued report.



## **19. New Local Government sustainability framework**

*The Financial Management (Sustainability) Guideline 2023* will take effect from the 2023-24 financial reporting period and the 2024-25 financial year budget process.

There is an expansion to the number of relevant financial sustainability measures from three to nine to include additional measures of financial capacity, operating performance, liquidity, asset management, and debt servicing capacity.

The Department has allocated each council to a category for sustainability reporting and monitoring purposes. Pormpuraaw ASC has been categorised as Tier 8 Indigenous. It has been proposed that grouping of councils will allow for the establishment of fit-for-purpose targets for each monitoring measure.

### **Potential Consequence of risk:**

Council not implementing a system and of review and monitoring to calculate and understand the new Sustainability Framework on a timely basis.

As the targets will be monitored for the year ended 30 June 2024, it is critical that the new framework is understood and results throughout the year be assessed so any necessary improvements be made prior to 30 June 2024.

### **Plan to mitigate the risk:**

**Review of the implementation of the new Framework is to be included in the 2023-24 financial year.**

Key measures will be documented and assessed and presented on a monthly basis at the Council meetings.

## 20. Financial management and monthly financial reporting

Poorly managed financial delegations and deficient internal and budget controls. Failure to monitor forward estimates/life-cycle costs/long-term financial sustainability measures.

Monthly reporting to Council on the financial activities is critical to the decision-making process. Ensuring that the monthly finance reports are accurate, timely and presented in a way that is easily understood should be a priority.

### Potential consequence of risk:

Overly complex, inaccurate or out of date monthly financial information can lead to poor or inappropriate decisions being made.

Lack of clear understanding of the financial information presented if reports are not in a user-friendly format.

### Plan to mitigate the risk:

Regular budget reviews and monthly reporting

10-year financial modelling

Asset valuations performed in accordance with financial standards and QAO recommendations.

Timely reporting and accurate monitoring around grant revenue and expenditure.

**Consideration of implementation of template for month end financial reporting to Council as part of the internal audit program for the 2024-25 financial year with a focus on clear, concise and user-friendly reporting whilst also ensuring compliance with all relevant legislation.**



## **21. Related party transactions**

AASB 124 Related Party Disclosures has recently been amended to extend disclosure requirements to not-for-profit public sector entities. There is a risk that Council may not meet reporting requirements.

With the upcoming 2024 elections influencing the accuracy of the related party register and the completeness of disclosures, it is crucial to update and thoroughly review the register to ensure the correctness of the disclosed information. Proactive measures are essential to mitigate any potential reporting discrepancies associated with these changes.

### **Potential Consequence of risk:**

Non-compliance with accounting standards resulting in potential qualification of financial statements.

### **Plan to mitigate the risk:**

Update the related party register on frequent manner and monitor changes frequently.

In previous years, the processes to record related party transactions have been addressed via accounting assistance and is to be considered as a potential internal audit project for the 2023-24 financial.



## High/Moderate risk

### 22. Efficiency and effectiveness of procurement process

Procurement process is a key to the success of the Council. Without the proactive, regular review procurement process, inefficiencies within this process may develop overtime.

**Potential Consequence of risk:**

External audit matters arising issue.

**Plan to mitigate the risk:**

Perform detailed process review.

Document and understand the process control environment to evaluate the efficiency and effectiveness.

Facilitate workshops to discuss the risks, controls and better practices to be implemented.

### 23. Lack of adherence to policies and procedures

In recent years Council has taken made significant process in updating policies and procedures throughout operations. It is important that policies and procedures are consistently being followed by all staff.

**Potential Consequence of risk:**

Breaches of legislation, health and safety risks, potential audit issues

**Plan to mitigate the risk:**

Ongoing internal monitoring,

Annual training to be prioritised to ensure responsible Officers are fully up to date with legislation.



## 24. Treatment of DRFA Funding

It is noted that there had previously been some inconsistencies between Councils in relation to their classification and treatment of the DRFA funding.

The risk exists that there will be an incorrect treatment revenue and expenditure in the financial statements.

### Potential Consequence of risk:

Incorrect accounting treatment of DRFA income and expenditure.

Distortion of the sustainability ratios.

Potential audit qualification.

### Plan to mitigate the risk:

Full analysis to be prepared of DRFA funding during the year to identify all emergent works and replacement of assets.

Funding to be classified as capital where appropriate.

Where expenditure is considered capital in nature, ensure that the relevant impairment loss has been adjusted and the subsequent expenditure is then capitalised.

## 25. Effective investment and cash management strategy

Section 47 of the SBFA Act requires local governments to invest in a prudent and appropriate manner. In recent years, Council has built up a significant amount of cash at bank, and as a result, has the opportunity to develop and adopt effective investment policy to enhance the return of excess cash.

### Potential Consequence of risk:

Absence of effective investment and cash management policy as directed by investment policy guideline issued by Queensland Government.

As a result of the wide-ranging objectives of any local government, detailed consideration around the best use of cash reserves for the community is necessary. This becomes increasingly important as the cash balance increases.

Whilst a high bank balance has been generating a high level of return via interest in recent years, Council needs to continuously assess the best use of community resources.

### Plan to mitigate the risk:

Develop a comprehensive investment policy based on the nature of the operations of Council.

**Council to consider the use of an internal audit project to facilitate an overall review of the investment strategy and potential alternative approaches to the current cash management strategy. Project to incorporate community engagement to be undertaken to consider potential investment opportunities back into the Pormpuraaw Community for example - sports facilities, art projects, facilities for children etc.**

## 26. Financial sustainability

Ensuring financial sustainability is paramount for the Council amid changes in government policies that impact revenue streams. To maintain adequate funding for delivering corporate objectives and facilitating future growth, a detailed review of potential enterprise opportunities is considered essential. This comprehensive approach aims to navigate challenges and secure a stable financial foundation for the Council's ongoing endeavours.

Strong financial management is the key to the ongoing financial sustainability of Council.

It is noted that new ratios will be implemented in 2023-24.

### Potential Consequence of risk:

Future losses and a resulting decrease in the cash surplus position of Council.

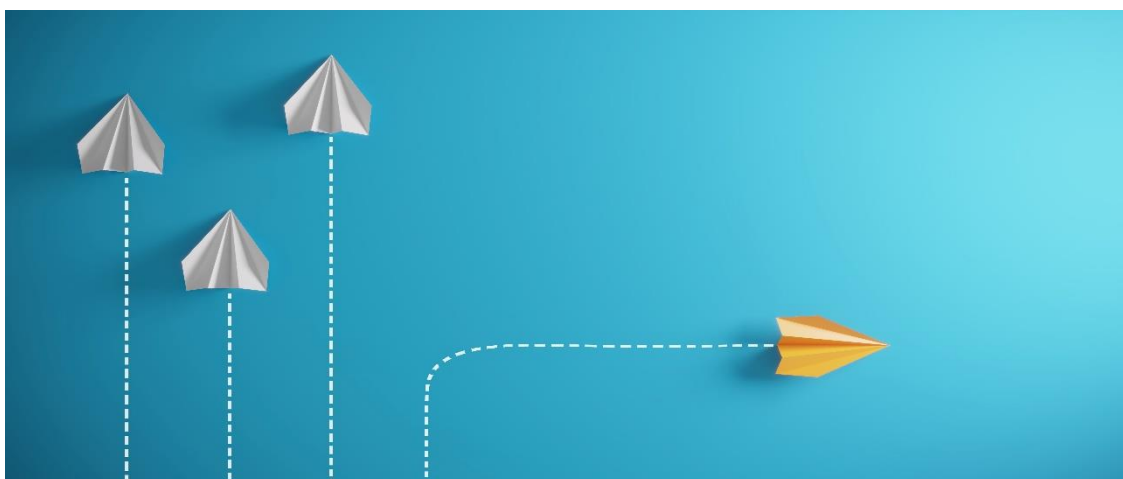
Negative impact on the Council financial sustainability ratios.

Loss of employment opportunities within the Community.

### Plan to mitigate the risk:

Ongoing liaison with State and Commonwealth departments to ensure that Council are up to date with all actual and proposed developments wherever possible.

To maximise the changes in legislation, new business opportunities/funding streams/ own use revenue to be investigated and/or progressed.



## Moderate risk

### 27. Complex and new accounting Standards

Australian Accounting Standards are constantly being updated and reissued. Council needs to ensure that the internal accounting systems are in place to capture all relevant changes in the preparation of the year-end financial statements.

**Potential Consequence of risk:**

Non-compliance with accounting standards resulting in potential qualification of financial statements.

We note that the revenue standards AASB 15 and 1058 together with AASB 16 'Leases' were successfully implemented in the 2019-20 financial year.

The challenge now exists to implement an efficient process for analysing and measuring requirements on an ongoing basis.

**Plan to mitigate the risk:**

Ongoing - to be overcome via the use of an external consultant to prepare the year-end financial statements, and accounting assistance.

We note that a review of the new standards was performed as part of previous internal audit programs. The approach adopted is still considered appropriate and will be addressed via year-end accounting assistance, where necessary.

### 28. Landfill provision

Accounting for landfill provisions is complex and involves significant judgement and estimates. The provision can be material and the correct measurement and treatment is essential to ensure fair presentation in the financial statements.

**Potential Consequence of risk:**

Incorrect accounting for rehabilitation, monitoring and aftercare costs

**Plan to mitigate the risk:**

To be addressed as an ongoing part the year end accounting assistance role.

### 29. Changes in Government Policy that will impact on funding

There is an ongoing operational risk for all Councils that Government policy in relation to funding streams and programs will change.

#### **Potential Consequence of risk:**

Current funding sources will be lost.

Council will not be eligible for replacement new programs.

#### **Plan to mitigate the risk:**

Ongoing liaison with State and Commonwealth departments to ensure that Council are up to date with all actual and proposed developments wherever possible.

### 30. Climate and sustainability reporting

Climate and sustainability reporting is one of the latest developments in financial reporting. Although local governments are not mandated to follow climate reporting standards, in future councils will have to adhere to climate reporting standards, given that AASB has released an exposure draft for disclosure of climate-related financial information.

#### **Potential Consequence of risk:**

The complexity of the accounting and reporting requirements. Lack of understanding of new reporting requirements.

Additional resources may have to be allocated to align with the reporting requirements.

Potential delays in finalisation of financial statements and annual audits.

#### **Plan to mitigate the risk:**

Draft policies and procedures, for upcoming ESG reporting requirements.

Conduct awareness programme for importance of ESG reporting and establish foundation for reporting channels.

Obtain assistance of the experts, if required





### 31. Council's ongoing strategic direction

There is an increased focus for Councils to be maximizing own source funds as the financial sustainability ratios are becoming increasingly important as they now have implications for eligibility for future funding.

#### **Potential Consequence of risk:**

Future losses and a resulting decrease in the cash surplus position of Council.

Negative impact on the Council's financial sustainability ratios.

Loss of employment opportunities within the Community.

#### **Plan to mitigate the risk:**

Ongoing.

To maximise the changes in legislation, new business opportunities/funding streams/own use revenue to be investigated and/or progressed

### 32. Risk management and workplace health & safety

It is important that there are formal procedures in place.

Training of key personnel and culture of the organisation to convey the importance of personal responsibility.

#### **Potential Consequence of risk:**

Potential injury to Council employees/community members.

Significant risk of potential legal action should any issues arise.

#### **Plan to mitigate the risk:**

Ongoing review of procedures in place.

Utilise Workplace Health & Safety Officer to ensure adherence to health and safety and ensure enough budget has been allocated for improvements in this area.

### 33. Computer maintenance and support

Operational risks exist for Council in relation to the correct use of computer systems, data integrity and backup systems in place.

**Potential Consequence of risk:**

Loss of data, security issues.

**Plan to mitigate the risk:**

Installation of terminal server in Cairns office in which the server in Pormpuraaw office shadows.

Ongoing consideration of cloud backup options and upgrade of all software.

Synergy provides ongoing software support.

### 34. Code of conduct and conflicts of interest

Remote and small councils are more likely to have employees with either family or personal connections to local suppliers. This reflects the council area's population size and the limited number of local businesses.

Failure to address and manage conflicts of interest may result to fraud or corruption.

**Potential Consequence of risk:**

Erode public confidence and damage the Council's culture and reputation.

**Plan to mitigate the risk:**

Ongoing focus on development of the Code of Conduct including development a conflict-of-interest framework, related policy, procedures and guidelines.

Proactively establish a workplace culture and environment that will not tolerate dishonest or corrupt behaviour – lead by example.

## Moderate/Low risk

### 35. Ineffective financial management

Poorly managed financial delegations and deficient internal and budget controls.  
Failure to monitor forward estimates / life cycle costs / long term financial sustainability measures.

**Potential Consequence of risk:**

Qualification of the financial statements and potential penalties as a result of non-compliance.

Adverse commentary by the Auditor General in Reports to Parliament.

Loss of revenue source for Council and loss of significant investment income.

**Potential Consequence of risk:**

Regular budget reviews and monthly reporting.

10-year financial modelling

Asset valuations performed in accordance with financial standards and QAO recommendations.

Suitably qualified professional staff

### 36. Communication

In previous years, there appeared to be concern over poor communication throughout the existing Council structure.

**Potential Consequence of risk:**

Poor communication in any organisation can result in ineffective or inappropriate decisions being made.

Lack of harmony within the workforce.

**Potential Consequence of risk:**

Included as part of the internal audit program in 2018-19 in the overall review of Council organisational structure.

Follow up proposed for future internal audit programs.

Consider monthly managers meetings to discuss overall strategic issues.

Ongoing internal monitoring.

### 37. Strategic planning and reporting

Having a clear strategy is only the beginning. An organisation must also have a detailed plan for implementing the strategy and a set of measures to indicate how well the implementation is going.

Councillors changing outcomes/strategies of current Corporate Plan.

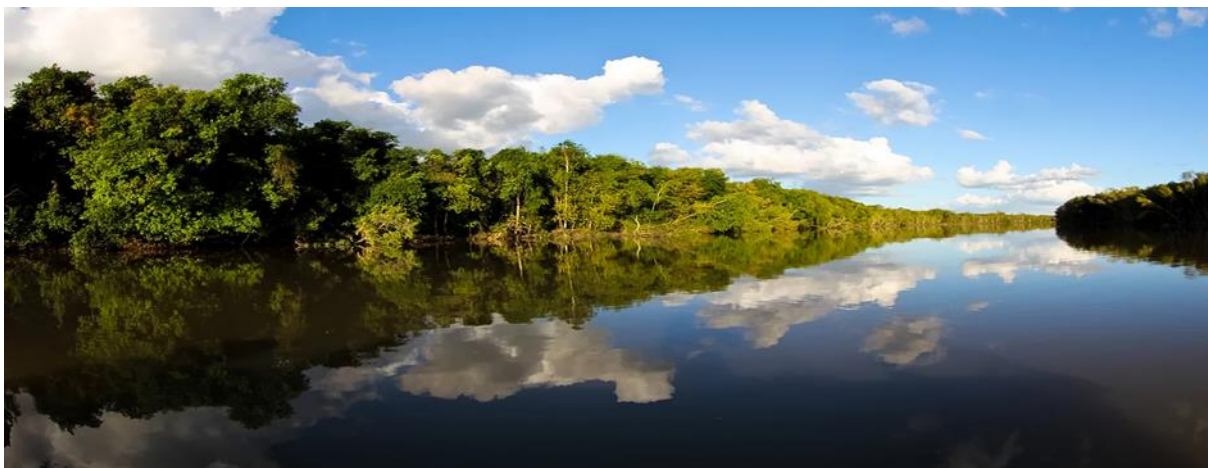
**Potential Consequence of risk:**

Risk of developing meaningless strategic goals and objectives resulting in programmes being either over or under-resourced.

**Plan to mitigate the risk:**

Further training for Councillors and employees

Strong adherence to endorsed Policies and Strategies



## Strategic internal audit plan

Council has determined that the most effective form of internal audit will be delivered via the appointment of an external consultant. It is proposed that three discrete engagements will be performed every financial year during the period 1 July 2023 to 30 June 2026. The proposed internal audit plan outlines the relevant risks, a summary of scope and the timing of the proposed projects.

Year	Internal Audit Area Performed	Risk Rating	Follow up review*
2023-24 Visit 1	Review of sustainability including a focus on the new ratios	High/ Moderate	2024-25
2023-24 Visit 2	Revaluation of property, plant & equipment	High	2024-25
2023-24 Visit 1	Review of the Asset Management Plan and integration in the Financial Management planning and budget process	High	2025-26
2024-25 Visit 2	Review of overall review of Policy documents to ensure compliance with a focus on procurement	High	2025-26
2024-25 Visit 3	Revaluation of property, plant & equipment	High	2025-26
2025-26 Visit 1	Review of Cyber risks and data security	High	2026-27
2024-25 Visit 2	Revaluation of property, plant & equipment	High	2026-27

\*Evaluation of the implementation of internal audit recommendations

## Review of status of previous recommendations

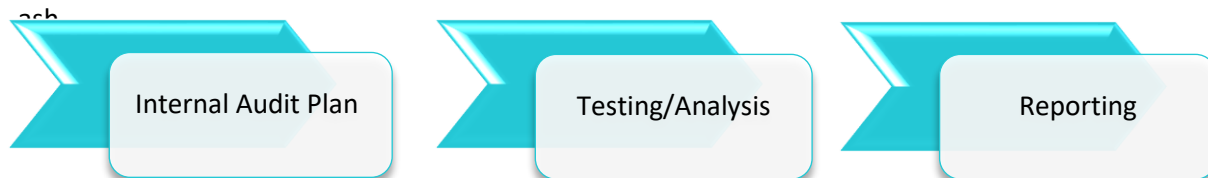
Year	Internal Audit Area Performed in prior year	Risk Rating	Recommendations	Status	Follow up review
2021-22 2022-23	Review of systems in place to record and manage carbon credit trading	High	<ul style="list-style-type: none"> <li>Develop a policy to provide guidance to employees, continually manage and monitor the trading of carbon credits. Comply with the regulatory and legislative requirements on the trading of carbon credits while maximising returns.</li> <li>Establish a documented process to ensure consistent standards and approaches are carried out to communicate, manage and monitor the burning activities. Obtain burning permits as required and adhere to conditions imposed on a permit to reduce unwanted risk or nuisance to other people, property or to the environment.</li> <li>Recognise the sale carbon credits as revenue according to relevant accounting standard AASB 102. Measure the cost of inventories from generating ACCUs for sale according to relevant accounting standard AASB 102.</li> </ul>	Report sent out in draft for client comment.	In progress.
2020-21 2022-23	Review of the arrangement and ongoing activities of the existing arrangement with RISE Ventures	High/Moderate	2020-21 New Memorandum of Understanding drafted and signed in the prior year.	Continued into the 2021-22 and 2022-23 financial internal audit programs with a focus on review of financial information available from	2020-21 Completed  2022-23 Ongoing

			2022-23 Rigid monitoring for transparency and timeliness of financial statements, profit share and payment	third party to support the profit share calculations.  Report sent out in draft for client comment.	
<b>2020-21</b>	<b>Review QAO Financial Statement preparation self-assessment to be implemented in 2020-21</b>	Moderate/Low (prior year)	No recommendations necessary – self-assessment completed and discussed with external audit/QAO	To be completed on an annual basis	N/A
<b>2020-21 2021-22</b>	<b>Review of desktop revaluation of property plant and equipment</b>	High	<ul style="list-style-type: none"> <li>Indexation factors applied for the 2020-21 and 2021-22 financial year were supported by actual and forecast data and appear reasonable.</li> <li>Condition assessments to be undertaken by Council to determine if there had been any impairments of assets as at 30 June 2021 and 30 June 2022.</li> <li>Whilst the suggested upwards movements were not considered material, Council has decided to apply the indexation for the year ended 30 June 2021 &amp; 30 June 2022. This is to ensure good practice and also to avoid big spikes in revaluation adjustments in future years, should the upward trend continue.</li> </ul>	<p>The indexation was applied as part of the year end accounting work and reviewed in detail by internal audit. Report sent out in draft for client comment.</p> <p>Complete for 30 June 2020-21 and 2021-22.</p> <p>To be reviewed on an annual basis.</p>	Complete for prior years. Will be addressed on an ongoing basis.
<b>2022-23</b>	<b>Review of comprehensive revaluation of property plant and equipment</b>	High	<ul style="list-style-type: none"> <li>Review of the cumulative indices reveals a high level of change. However, Council is satisfied that, in line with Queensland Treasury's guidance:</li> </ul>	30 June review did not suggest any significant changes to the rates applied in the valuation.	Completed

# Detailed approach for 2023-24 internal audit

## Delivery approach

In order to implement our internal audit plan in an efficient and timely manner, our annual engagement process will be integrated via three key phases.



The areas identified as falling within the scope of the 2023-24 internal audit plan are as follows:

- Review and implementation of investment and cash management strategy
- Review of desktop and comprehensive revaluation of property plant and equipment
- Review of related party transactions and disclosures, and new Council officers' induction process.

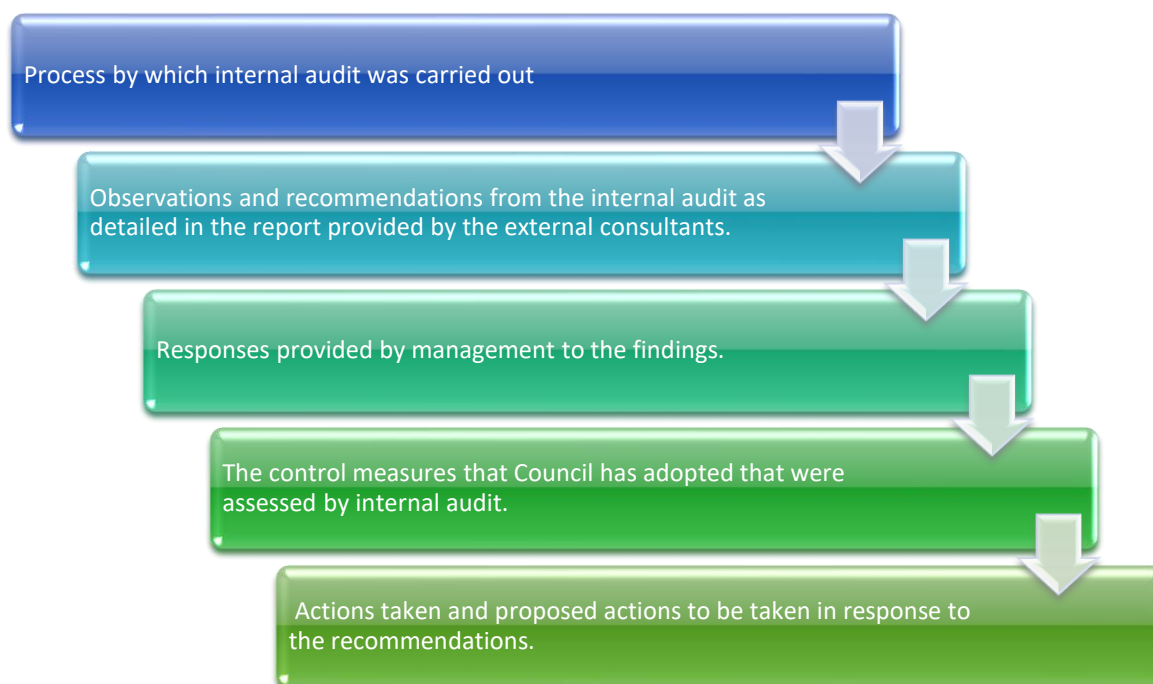
Visit 1	Action Plan	Outcome
<b>Review of financial sustainability ratios</b>	<p>Document and discuss with management the measures and targets under the new Framework.</p> <p>Review the Council's projected financial sustainability ratios and compare them against the new Sustainability Framework for Queensland Local Governments.</p> <p>Make enquiries to understand challenges and potential areas for improvement around the implementation and monitoring of the new targets.</p> <p>Evaluate and assess the actual financial sustainability ratios for prior years. Compare them against the budget/targets for the same years and investigate items with significant variances.</p>	<p>Recommendations for improvement will be provided around the processes in place for monitoring the targets and also around potentials way to improve the results.</p>



Visit 2	Action Plan	Outcome
<b>Review of desktop valuation of property, plant and equipment</b>	<p>It is noted that a comprehensive valuation of PP&amp;E was last conducted in 2022-23 (Except for roads assets) and included as part of the internal audit program for that year.</p> <p>For 2023-24, a desktop valuation will be done for all assets (except roads), while comprehensive valuation will be performed for roads.</p> <p>Review of the methodology and any recommended indices will be performed.</p>	<p>Ensure that the valuation exercise is satisfactory for audit purposes and the necessary accounting entries have been processed.</p> <p>Ensure that the asset register balances are correct.</p>

## Internal audit report and progress report

An internal audit progress report will be prepared after each of the internal audit visits. This will outline all the risks identified in this plan and provide an ongoing status update on each of the risks. This will outline the following:



Progress reports will be prepared for Audit Committee meetings to provide an update on the status of each internal audit project for the year.

