

**From:** [REDACTED]  
**To:** [EGC](#)  
**Subject:** Local Government Electoral (Implementing Stage 1 of Belcarra) and Other Legislation Amendment Bill 2018.  
**Date:** Friday, 23 March 2018 10:00:52 AM  
**Attachments:** [REDACTED]

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23 March 2018

Committee Secretary  
Economics and Governance Committee,

Dear Secretary -

Please consider the following submission on behalf of Coolum Residents Association Inc. (CRA). CRA is a non-profit, non-partisan volunteer organization representing the views and opinions of a majority cross-section of the Coolum community.

### Summary

CRA requests inclusion of a provision in Local Government Regulation 2012 of the Local Government Act to permit relaxation of restrictions set out in Section 53.1 of the Queensland Audit Act when performing external auditing of Local Government's commercial business enterprises.

CRA believes this to be essential to advance the purposes of Local Government Regulation 2012 and ensure that budget and financial performance transparency information provided to ratepayers relating to a Local Government's commercial business entities is consistent with that required of ASX listed private sector entities as intended by National Competition Policy.

Queensland ratepayers are financial stakeholders in the financial sustainability of their Local Government and have the right to obtain such information.

Reasons supporting CRA's request are discussed in more detail below.

### Discussion

The 2016/17 Annual Report (the Report) of the Sunshine Coast Regional Council (SCRC) makes numerous assertions regarding absence of audit qualifications in its external audit report (see assertions made on pages 7, 8 -Appendix "D" and page 35 - Appendix "E"). Section 53.1 of the Queensland Audit Act prevents the external auditor from stating qualifications in Annual Reports should the audit findings identify issues, resulting in the assertions cited above to be misleading to ratepayers.

Please note that SCRC's Long-Term Financial Sustainability Statement (the Statement) shown on page 126 (Appendix "F") is **unaudited**. Despite the unaudited status of the Statement, the Mayor and CEO have signed the Certificate of Accuracy also shown on page 126 (Appendix "F"). This suggests a significant audit qualification as the Office of the Mayor is responsible to ratepayers for the provision of an audited Statement.

CRA membership is troubled by failure to address matters cited above in the discussion appearing under the heading "Other Information" on page 120 (Appendix "F") and

expressed in the first and second paragraphs of page 121.

Please note the description of responsibilities of council expressed in the first paragraph of page 125 which is vested in the Mayor's Office including financial governance. Page 39 (Appendix "F") provides details of the role of the Audit Committee in ensuring financial reporting and the external and internal audit functions. Yet despite advice of this Audit Committee, the Statement is unaudited.

Paragraph four of notes provided under the heading Sunshine Coast Regional Council's Financial Management Strategy shown on page 126 of Attachment "D" states that Queensland Treasury Corporation (QTC) has accepted Net Financial Liabilities Ratios in years 2020 and 2021 exceeding the target of 60%, subject to further review of the Sunshine Coast Runway Project Business Case. Similar QTC reservations are expressed on page 129 of the 2015/16 SCRC Financial Statements.

Advancing the intent of Local Government Regulation 2012, includes provision of adequate financial transparency regarding the sustainability of the airport expansion project mandated under the Sustainable Planning Act (2009). Adequate transparency requires that the separate Queensland Audit Office (QAO) opinion relating to the current year's Financial Sustainability Statement cited in the final paragraph of page 120 of the Report, is made available to inform ratepayers.

Germane extracts from CRA's submission dated 19 September 2016 to the Councillor Complains Review Panel outlines further concerns regarding effectiveness of QAO audits of commercial business entities of SCRC. A copy of this submission is included as Appendix "C". Note also e-mail exchanges between CRA's Financial Transparency Officer and QAO set out in Appendix "B".

The Mayor and CEO must jointly sign off on Council's financial statements included in the Annual Report. According to QAO's Independent Auditor's Report for 2014/15, the Office of the Mayor (Mayor and CEO) are responsible for internal audit controls, and that financial statements give a true and fair view and are free from material misstatement.

Earlier versions of Local Government Act legislation ensured the Minister Local Government/Department had approval authority for council's annual budgets. This safeguard no longer exists due to past delegations designed to reduce "red tape". Sunshine Coast Council's ratepayers have lost safeguards of Ministerial/Departmental monitoring and intervention in cases of internal governance failures and ongoing absence of financial reporting transparency for commercial business activities in Annual Reports. Balance sheets for the Sunshine Coast Airport have not been issued by Council since 2000/01. An **unaudited** Financial Sustainability Plan is the consequence.

A case study demonstrating ineffective QAO audit processes with respect to commercial business investments by SCRC can be gleaned from the e-mail exchanges set out in Appendix "A". E-mail exchanges between QAO and CRA's Financial Transparency Officer regarding its 2014/15 Audit Report in Council's Financial Statement highlight concerns with the lack of effective governance and financial reporting transparency practices.

Given this response from QAO, CRA is of the view that repeal or revision of s.53 of the Auditor General Act (2009) is essential given the culture of concealment embedded in the Sunshine Coast Council's management structure.

Yours sincerely

Peter M Brown  
Secretary  
Coolum Residents Association Inc.  
PO Box 121  
Coolum Beach, Qld 4573

Attachments:

Appendix 'A' Exchange of emails between [REDACTED], Queensland Audit Office, and

Richard Koerner Coolum Residents Association Financial Transparency Officer 2016

Appendix 'B' Exchange of emails between QAO representatives and Richard Koerner

Coolum Residents Association Financial Transparency Officer in 2016

Appendix 'C' Coolum Residents Association submission to the Councillor Complaints  
Review Panel

Appendix 'D' pp7 and 8 from Sunshine Coast Regional Council Annual Report 2016/17

Appendix 'E' p35 from Sunshine Coast Regional Council Annual Report 2016/17

Appendix 'F' pp120-126 from Sunshine Coast Regional Council Annual Report 2016/17

Appendix 'G' p39 from Sunshine Coast Regional Council Annual Report 2016/17

## APPENDIX "A"

Exchange of emails between [REDACTED], Queensland Audit Office, and Richard Koerner  
Coolum Residents Association Financial Transparency Officer

Hello Mr Koerner

My name is [REDACTED] and I have just taken over responsibility for a  
number of ongoing matters previously handled by Ms [REDACTED]. Ms  
[REDACTED] is currently undertaking a different role within Queensland  
Audit Office.

Ms [REDACTED] forwarded to me your recent emails including relevant  
attachments and asked me to provide you with a response to your  
enquiries which I have set out below.

Email of 10 June 2016

Q1. Report on pages 27 and 28 suggests that council's owned and operated  
airports ran at a net loss in 2014/15. Figure E on page 28 further  
suggests that these airports had a cumulative loss of some 4.5 million

in 2015/15. Is this interpretation correct? If so what was the  
magnitude of net loss associated with Sunshine Coast Airport operations  
in 2014/15?

A1. Your interpretation is correct in that the loss reported in Figure E  
represents the combined results of all council controlled airports in  
Queensland for the 2014-15 financial year. Information specific to the  
operations of Sunshine Coast Airport does not constitute publicly  
available information and I am prevented from making this information  
available to you under s.53 of the Auditor General Act 2009.

Q2. It is noted that Local Government Regulation 2012 has not been  
repealed despite assertions to the contrary in paragraph three page 2 of

correspondence from the CEO dated 24 May that is attached.

A2. It is my understanding that the paragraph you refer to in the CEO's letter relates to the repeal of s.312 of the Local Government Regulation 2012 rather than the Regulation itself. This section has been repealed as indicated.

Email of 3 June 2016

Q1. As is the case for the airport expansion project, no assurance is provided in the Annual Report that the business case for [REDACTED]

[REDACTED] has been internally audited by Council. Can the QAO's audit opinion for 2014/15 be interpreted to mean that Council's financial governance and internal control obligations have been met?

A1. The objective of our financial audits is to form an opinion on the

financial statements as a whole to determine if they are free from

material misstatement. In arriving at our audit opinion we undertake audit testing which is based on a risk based methodology with the risks of material misstatement of those financial statements being assessed and transactions and balances tested during the audit. The extent of

testing undertaken is determined by the Engagement Leader for the audit. In determining what is an appropriate level of audit testing the Engagement Leader would assess the adequacy of an entity's governance framework and the effectiveness of its internal controls but in the

context of their effectiveness in preventing misstatement of the financial statements. While the audit would also have regard to the level of internal audit undertaken within an entity, internal audit activities are determined by the entity itself and not external audit. Areas of Council's operation covered by internal audit, the extent of

work undertaken during the audit and the results of audit assessments and audit testing do not constitute information publicly available and I am therefore prevented from providing you with specific information under s.53 of the Auditor General Act.

Email of 19 May

Q1. The response suggests that QAO is obligated to "express an opinion

on the financial report based on the audit". Does this assertion suggest that the 2014/15 QAO financial audit included examination of statements of comprehensive income and cash flows for such projects as the airport expansion and [REDACTED] that are not provided in Council's Annual Financial Report?

A1. The answer above provided an overview of the audit process. As audits are performed utilising sampling to determine transactions and balances to be tested, not all transactions and balances may be tested during an audit. However, testing is directed towards addressing the risk of material misstatement of the financial statements and as a consequence material and higher value transactions and balances have a greater likelihood of being selected for audit examination. I am unable to advise you of specific transactions and balances tested during the audit as this is not information publicly available in accordance with s.53 of the Auditor General Act.

I trust that this information addresses your concerns

Regards

[REDACTED]

Queensland Audit Office

## APPENDIX "B"

Exchange of emails between QAO representatives and Richard Koerner Coolum Residents Association Financial Transparency Officer in 2016

Dear Mr Koerner

Thank you for your email asking us to confirm the material in our various emails is not privileged information.

I can confirm the information we have provided is not protected information.

However, I don't think that this information will be of much value in your submission to the Councillor conduct complaints review. The review assesses the current legislative and policy framework for dealing with complaints about councillor conduct. It is focused on the framework currently in use by the Department of Infrastructure, Local Government and Planning.

I understand that the council has not responded to your information requests to your satisfaction. As we have indicated throughout our emails, section 53 of the Auditor-General Act 2009 (AG Act) defines protected information and we are unable to disclose any protection information unless it is communicated under the AG Act. The purpose of this section is to ensure the Auditor-General is not used inappropriately by third parties as a means of accessing sensitive information. If you require any information about s.53 I refer you to our submission to the Finance and Administration Parliamentary Committee inquiry into the legislative arrangements assuring the Queensland

Auditor-General's independence.

The audit opinions arising from our audit are based on the scope of work undertaken as determined by the Auditor-General Act and are expressed on the financial statements as a whole. The financial statements include all transactions and balances relating to councils operations including transactions and balance relating to its controlled entities. Our audit opinion also confirms that prescribed requirements relating to the establishment and keeping of accounts have been complied with in all material respects. Australian Accounting Standards do not require the Council to disclose operating transactions to the level of detail that you appear to require.

Regards,

[REDACTED]

[REDACTED]  
Manager – Specialist Audit Services  
Queensland Audit Office

T [REDACTED] | [REDACTED] | [www.qao.qld.gov.au](http://www.qao.qld.gov.au)

----- Original message -----

From: Richard Koerner [REDACTED]

Date: 16/09/2016 8:41 pm (GMT+10:00)

To: [REDACTED]

Subject: Sunshine Coast Council governance practices and financial reporting transparency

Attn. Mr. [REDACTED]  
Queensland Audit Office

Dear Mr. [REDACTED]



Please refer to the QAO communication of 13 June 2016 relating to clarification requests made on behalf of Coolum Residents Association (CRA) relating to the 2014/15 QAO Audit Report included with Council's Annual Report.

CRA intends to make a public submission to the review of councillor conduct complaints legislation and operations initiated by the the

Independent Complaints Review Panel (the Panel) on behalf of the Queensland Government.

It is noted the Panel's research did not include all state agencies having an important role in monitoring governance practices and financial transparency reporting of the Sunshine Coast Council's business units such as QAO and the Queensland Competition Authority.

Inclusion of e-mail exchanges relating to 2014/15 audit clarification issues and the 13 June response would be helpful in detailing a case study demonstrating ineffectiveness of the external audit process involving business units and advancing Sunshine Coast Council governance and financial transparency practices. Please confirm that material copied below does not include privileged information.

Kind regards,

Richard Koerner

CRA Financial Transparency Officer

Rec'd 14 June 2016

Good morning Mr Koerner

As previously advised, Queensland Audit Office has conducted, and will continue to conduct, annual audits of the Sunshine Coast Regional Council including its controlled entities. Audit opinions arising from our audit are based on the work undertaken in each audit and are expressed on the financial statements as a whole. The financial statements include all transactions and balances relating to councils operations including transactions and balance relating to its controlled entities. Our audit opinion also confirms that prescribed requirements relating to the establishment and keeping of accounts have been complied with in all material respects.

I do not believe that this is inconsistent with the information provided in the CEO's letter of 24 May or the Sunshine Coast Airport Community Consultation Minutes you have referred to.

We have provided you with as much specific information as we are able to given the constraints imposed by s.53 of the Auditor General Act and I do not believe we can provide you with anything further relevant to your line of enquiry.

It is a matter for the Association itself to determine whether or not any concerns they may have should be referred to the Local Government Minister.

Regards

  
Queensland Audit Office

From: Richard Koerner [mailto: ]  
Sent: Monday, 13 June 2016 4:13 PM  
To: .

Subject: Re: Enquiries relating to Sunshine Coast Regional Council  
Attn: .

Dear

Thank you for the response copied below.

The reason clarification requests were posed stems from assertions by Council's officers regarding external audit interpretations contained in attached correspondence which may be misleading to ratepayers. Please note assertions of paragraph four of page 1 and three of page 2 of the CEO's correspondence of 24 May, and Item 7 of Sunshine Coast Airport Community Consultation minutes of 8 December.

Copied below is the response from the Chair to a request for further 2014/15 financial performance transparency from Sunshine Coast Airport management..

Should the Association's financial transparency concerns be referred to the Minister Local Government given restrictions of s.53 of the Auditor General Act?

Yours sincerely,  
.

Richard Koerner

CRA Financial Transparency Officer

Cc Director-General Department of Infrastructure, Local Government and  
Planning



19 September 2016

Councillor Complaints Review Panel (via email to [ComplaintsReviewPanel@dilgp.qld.gov.au](mailto:ComplaintsReviewPanel@dilgp.qld.gov.au))

Please consider the following submission made on behalf of Coolum Residents Association Inc. (CRA). CRA is a non-profit, non-partisan volunteer organization, and represents the views and opinions of a cross-section of the Coolum community

CRA applauds Local Government Principles set out in Box 1 page 7 of the discussion paper dated August 2016; in particular items (d) and (e), and is pleased to provide feedback on how the system can and should be improved.

Please now consider comments regarding Section 4 matters:

CRA does not consider this discussion adequately addresses the situation of a council having a management staff culture of concealment or neglect relating to internal governance practices and financial reporting transparency for its commercial business activities.

Section 4.5 spells out existing roles but does not address maladministration associated with corrupt conduct involving both Mayor and CEO. CRA has lodged complaints in the past involving maladministration by former Maroochy Council's Mayor and CEO. These were lodged with the Ombudsman concerning declared water service business entities. These matters were not effectively addressed in external audits or in prices monitoring investigations by the Queensland Competition Authority (QCA). CRA is of the opinion that significant gaps remain and is surprised that QCA seems not to have been consulted by the Panel in preparation of the discussion paper. These issues predate 2009 but CRA is prepared to make the relevant documentation available to the Panel in the public interest as predatory pricing practices continue in Unitywater's services area.

Please now refer to Item 4 headed Local government planning, accountability and reporting commencing on page 30 of the information paper dated April 2016. Page 31 final paragraph states it is the Mayor's responsibility to prepare the annual budgets of a council. However this section is silent with respect to responsibilities of the CEO and council staff with respect to accountability, reporting and performance monitoring against original approved budgets. No mention is made of the CEO's responsibilities relating to accountability and reporting in Section 2.4. Where does responsibility reside for providing ratepayers effective financial reporting transparency and financial performance monitoring?

In earlier Local Government Act legislation the Minister Local Government/Department had approval authority for council's annual budgets. This safeguard no longer exists due to past delegations designed to reduce "red tape". Sunshine Coast Council's ratepayers have now lost safeguards of ministerial/departmental monitoring and intervention in cases of internal governance failures and absence of financial reporting transparency for business activities in Annual Reports.

The Mayor and CEO must jointly sign off on Council's financial statements included in the Annual Report. According to QAO's Independent Auditor's Report for 2014/15, the Office of the Mayor (Mayor and CEO) are responsible for internal audit controls, and that financial statements give a true and fair view and are free from material misstatement.

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Copied at Appendix A are e-mail exchanges with QAO regarding its 2014/15 Audit Report in Council's Financial Statement highlighting CRA's concerns with the lack of effective governance and financial reporting practices of Sunshine Coast Council.

Given this unhelpful response from QAO, CRA is of the view that repeal of s.53 of the Auditor General Act (2009) is mandatory given the culture of concealment embedded in the Sunshine Coast Council's management structure.

Please now consider CRA comments on Section 5 page 23 "Options For Change":

CRA is of the view that incremental improvement will not address serious governance failures and lack of financial reporting transparency for Sunshine Coast Council. Experience with previous complaint treatment relating to water services business entities by the Ombudsman was discouraging. CRA suggests it is unrealistic to involve the Ombudsman in the complaint process and prefers options (3) and (5) as set out in Section 5.3 Centralise and Streamline : Ideas for Consideration.

Appendix A – email exchange between CRA and Queensland Audit Office



## Appendix A – email exchange between CRA and Queensland Audit Office

Rec'd 14 June 2016

Hello Mr Koerner

My name is [REDACTED] and I have just taken over responsibility for a number of ongoing matters previously handled by [REDACTED]. Ms [REDACTED] is currently undertaking a different role within Queensland Audit Office.

Ms [REDACTED] forwarded to me your recent emails including relevant attachments and asked me to provide you with a response to your enquiries which I have set out below.

Email of 10 June 2016

Q1. Report on pages 27 and 28 suggests that council's owned and operated airports ran at a net loss in 2014/15. Figure E on page 28 further suggests that these airports had a cumulative loss of some 4.5 million in 2015/15. Is this interpretation correct? If so what was the magnitude of net loss associated with Sunshine Coast Airport operations in 2014/15?

A1. Your interpretation is correct in that the loss reported in Figure E represents the combined results of all council controlled airports in Queensland for the 2014-15 financial year. Information specific to the operations of Sunshine Coast Airport does not constitute publicly available information and I am prevented from making this information available to you under s.53 of the Auditor General Act 2009.

Q2. It is noted that Local Government Regulation 2012 has not been repealed despite assertions to the contrary in paragraph three page 2 of correspondence from the CEO dated 24 May that is attached.

A2. It is my understanding that the paragraph you refer to in the CEO's letter relates to the repeal of s.312 of the Local Government Regulation 2012 rather than the Regulation itself. This section has been repealed as indicated.

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and I am therefore prevented from providing you with specific information under s.53 of the Auditor General Act.

Email of 19 May

Q1. The response suggests that QAO is obligated to “express an opinion on the financial report based on the audit”. Does this assertion suggest that the 2014/15 QAO financial audit included examination of statements of comprehensive income and cash flows for such projects as the airport expansion and [REDACTED] that are not provided in Council’s Annual Financial Report?

A1. The answer above provided an overview of the audit process. As audits are performed utilising sampling to determine transactions and balances to be tested, not all transactions and balances may be tested during an audit. However, testing is directed towards addressing the risk of material misstatement of the financial statements and as a consequence material and higher value transactions and balances have a greater likelihood of being selected for audit examination. I am unable to advise you of specific transactions and balances tested during the audit as this is not information publicly available in accordance with s.53 of the Auditor General Act.



All power consumed at council's facilities, including our administration buildings, aquatic centres, community and performance venues, as well as holiday parks, libraries, art galleries and sporting facilities, will be offset with energy from a renewable source thanks to this nation-leading project. The 15 megawatt solar farm allows council to take control of its own electricity supply, combat rising electricity costs and deliver \$22 million in savings to our ratepayers over the next 30 years.

As I speak to our residents about the many game-changing projects our council is undertaking, it is the solar farm that excites them most, recognising the project's importance to our contribution towards clean energy.

Our natural assets are the reason many of us call the Sunshine Coast home and preserving and maintaining our environment for future generations and protecting our fauna and flora, is high on our agenda. Council purchased an additional 75 hectares of environmental land this year, taking our total to over 6000 hectares.

Council has continued to advocate for strong measures to protect and preserve the regional inter-urban break – that evolving landscape that defines the Sunshine Coast from the rest of south-east Queensland and is home to some of our most recognisable features like the Glass House Mountains and the Pumicestone Passage.

The new South-East Queensland Regional Plan highlights the Sunshine Coast will need to accommodate nearly 200,000 more people through to 2041. As an area that is experiencing strong population growth, it has also been important for council to achieve some clear commitments around critical, region-shaping infrastructure, like public transport – which is a State Government responsibility, and where the region's future growth will be accommodated.

It also recognises the extensive planning undertaken by council to accommodate our increased population and minimise the urban footprint.

For the first time the regional plan clearly identifies and maps a large part of the regional inter-urban break straddling the Moreton Bay and the Sunshine Coast local government areas, and this has been one of the highest priorities for our council.

Throughout the past 12 months council has continued to maintain a strong focus on providing value-for-money services to our community – from maintaining our parks and recreational areas and improving our local road network to supporting numerous community organisations, preserving our cultural heritage and initiatives that maintain and enhance our foreshore, waterways and other natural assets.

Thanks to prudent financial management, our ratepayers can be assured council is in good hands. The organisation outperformed other major South-East Queensland councils in a Queensland Audit Office report and received eight consecutive unqualified audits.\* Our focus has remained on continuing to achieve a strong financial position, long term. Our financial stewardship has enabled us to progress major game-changing projects for the region.

The Sunshine Coast's first national sporting team completed a stellar year for the region winning the inaugural Super Netball grand final. The Sunshine Coast Lightning had a stunning victory with a 65-48 win over Sydney team the Giants at the Brisbane Entertainment Centre in June.

The Lightning squad members have become great role models in the Coast community and the team's success has had a significant impact on the community's youth by providing a pathway to pursue elite sporting careers.

We are one team – councillors and staff working together as valued partners with our community, business, industry and other tiers of government – continuing to bring the future to us, shape it and create opportunity as we go.

This is the heart of our council's vision for the Sunshine Coast – a region that is healthy, smart, creative.

**Mark Jamieson**  
Mayor

\* Source: Appendix G of Local government entities: 2015-16 results of financial audits (Report 13: 2016-17) (page 81)





## Message from the Chief Executive Officer

The adoption of the new Corporate Plan 2017-2021 and refreshing the vision to be “Australia’s most sustainable region – healthy, smart, creative” reflects council’s commitment to advancing the region to the next level environmentally, economically and socially.

The Corporate Plan now sets out a comprehensive blueprint to take our region into the future. Having a clear vision and plan for our region is crucial, given the growth our region will continue to experience in the next 20 years and beyond. Today we have a population of approximately 300,000 people – within 20 years we will reach nearly 500,000 residents.

Council has a solid record of achievement, wonderful staff and a great track record of service delivery to our customers, and to become a truly outstanding organisation we commenced a review of our structure to ensure it is best-aligned with our corporate priorities, strategies and service obligations.

The Next Steps project commenced in May to review our operations to ensure we are fit for the future, with a goal to achieve an optimum health for the organisation by 2020 while continuing to deliver on the Corporate Plan 2017-2021.

As a fit for the future organisation we will invest in capabilities identified as core and critical to council. This will strengthen our operating model to focus on customer service, business and strategic partnering and stakeholder engagement. Our new structure will be implemented during the 2017/18 financial year to drive greater accountability and outcomes for our customers.

Council achieved another year of strong financial management, receiving a clean audit report for the eighth consecutive year. Our organisation again outperformed other major South-East Queensland councils in a Queensland Audit Office report on the financial health of Queensland councils.\*

Of eight South-East Queensland councils, our organisation was the only council to achieve the highest possible results in financial sustainability, financial statement preparation and internal control effectiveness.

Construction work commenced on the first stage of the new Maroochydore city centre, that included roads, footpaths, cycleways, lighting, parks and landscaping. The \$25 million civil works included the installation of underground services and smart city infrastructure that will position the city centre amongst the most technologically advanced in Australia. The project includes an underground waste collection system where waste will be transported from commercial buildings and apartments through underground vacuum pipes.

Council made a commitment to establish the Sunshine Coast City Hall in the new Maroochydore city centre. This is a significant project that will take a number of years to finance, design, construct and commission. The City Hall would include a full range of services for our customers. There would be the requirement for this new city centre facility to be a modern and smart workplace to enable our organisation to continue to develop and provide the best value to our customers across the Sunshine Coast.

One of the biggest infrastructure projects delivered by council was opened to the public at the end of 2016. The \$20 million upgrade of Maroochydore’s Evans Street, constructed by council’s workforce, was part of a major road improvement project to help improve traffic flow, increase road safety, improve cycle and pedestrian connectivity, and allow for forecast traffic volumes. This project now provides a vital link into the new Maroochydore city centre.

# Highlights for 2016/17

## Corporate Plan 2017-2021

Council adopted an updated Corporate Plan that builds on the long-term aspirational vision to be Australia's most sustainable region.

The updated vision statement reflects where council will be investing its efforts and highlights the importance of building a region that is Healthy, Smart, Creative.

These attributes define the approach to the economy, engagement with our community, the environment and how council operates as an organisation.

## Strong financial management

Sunshine Coast Council received a clean audit report for the eighth consecutive year, outperforming other major South-East Queensland councils in a Queensland Audit Office (QAO) report on the financial health of Queensland councils.\*

Of eight South-East Queensland councils, Sunshine Coast Council was the only council to achieve the highest possible results in financial sustainability, financial statement preparation and internal control effectiveness.

Queensland Treasury Corporation undertook a credit review and council maintained its rating of strong with a neutral outlook. The rating reflects council's strong operating performance with historical and forecast operating surpluses, a strong liquidity position and solid debt servicing capacity. The neutral outlook reflects council's continuing ability to produce strong financial performance and flexibility to absorb unforeseen financial shocks.

## Council budget

A record \$722 million budget focusing on delivering Australia's leading healthy, smart and creative region was handed down in June 2017.

The budget included a capital works program totalling \$237 million to support the region's unique lifestyle, economy and environment.

Council continued its commitment to the region's gamechanging projects, Maroochydore City Centre, the Sunshine Coast Solar Farm and the Sunshine Coast Airport expansion.

## Holiday parks

Council's six holiday parks experienced very strong occupancy with revenue up by \$1.6 million (11%) on previous year. This has been achieved through significant capital improvements over the past five years, together with continued favourable weather conditions and the ability to easily book online. Holiday Parks generated \$16 million in revenue and provided council with a \$7.5 million surplus.

\* Source: Appendix G of Local government entities: 2015-16 results of financial audits (Report 13: 2016-17) (page 81)



## 4. INDEPENDENT AUDITOR'S REPORT

(General Purpose Financial Statements)

### INDEPENDENT AUDITOR'S REPORT

To the Councillors of Sunshine Coast Regional Council

#### Report on the Audit of the Financial Report

##### Opinion

I have audited the accompanying financial report of Sunshine Coast Regional Council (the council) and its controlled entities (the group).

In my opinion, the financial report:

- a) gives a true and fair view of the council's and group's financial position as at 30 June 2017, and of their financial performance and cash flows for the year then ended
- b) complies with the *Local Government Act 2009*, the *Local Government Regulation 2012* and Australian Accounting Standards.

The financial report comprises the statements of financial position as at 30 June 2017, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the certificate given by the Major and Chief Executive Officer.

##### Basis for opinion

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

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

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

##### Other information

Other information comprises the information included in Sunshine Coast Regional Council's annual report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current year financial sustainability statement and long-term financial sustainability statement.

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



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

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

### **Responsibilities of the council for the financial report**

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

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

### **Auditor's responsibilities for the audit of the financial report**

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the council's or group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.
- Conclude on the appropriateness of the council's and group's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's or group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council or group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

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

#### **Report on other legal and regulatory requirements**

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2017:

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



CG STRICKLAND CA  
as delegate of the Auditor-General

Queensland Audit Office  
Brisbane

## 5. CURRENT YEAR FINANCIAL SUSTAINABILITY STATEMENT

Certificate of Accuracy - for the Current Year Financial Sustainability Statement

### Current Year Financial Sustainability Statement Sunshine Coast Regional Council For the year ended 30 June 2017

#### Measures of Financial Sustainability

Council's performance at 30 June 2017 against key financial ratios and targets:

		Consolidated 2017	Council 2017	Target
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	13.0%	5.5%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	83.0%	83.0%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-0.5%	-0.3%	not greater than 60%

#### Note 1 - Basis of Preparation


The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the *Financial Management (Sustainability) Guideline 2013*. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2017.

#### Certificate of Accuracy

For the year ended 30 June 2017

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

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



Cr Mark Jamieson  
Mayor  
Sunshine Coast Regional Council



Michael Whittaker  
Chief Executive Officer  
Sunshine Coast Regional Council

Dated 5 October 2017

Dated 5 October 2017

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

### INDEPENDENT AUDITOR'S REPORT

To the Councillors of Sunshine Coast Regional Council

#### Report on the Current-Year Financial Sustainability Statement

##### Opinion

I have audited the accompanying current year financial sustainability statement of the Sunshine Coast Regional Council and the consolidated entity for the year ended 30 June 2017, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the *Local Government Regulation 2012*, in my opinion, in all material respects, the current year financial sustainability statement of Sunshine Coast Regional Council and the consolidated entity for the year ended 30 June 2017 has been accurately calculated.

##### Basis of opinion

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

I am independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board APES 11 0 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the statement in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

##### Emphasis of matter- basis of accounting

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

##### Other Information

Other information comprises the information included in Sunshine Coast Regional Council's annual report for the year ended 30 June 2017, but does not include the current year financial sustainability statement and my auditor's report thereon. At the date of this auditor's report, the other information was the general purpose financial statements and long-term financial sustainability statement.

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

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

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



### Responsibilities of the council for the current year financial sustainability statement

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

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

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

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

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

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

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

  
CG STRICKLAND CA  
as delegate of the Auditor-General



Queensland Audit Office  
Brisbane

126 Sunshine Coast Council

## 6. UNAUDITED LONG-TERM FINANCIAL SUSTAINABILITY STATEMENT

Certificate of Accuracy – for the Long Term Financial Sustainability Statement

### Long-Term Financial Sustainability Statement

Sunshine Coast Regional Council

For the year ended 30 June 2017

Measures of Financial Sustainability Council	Measure	Target	Actuals at 30 June 2017	Forward Estimates										
				30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026		
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	Between 0% and 10%	5.5%	5.7%	5.1%	8.3%	6.3%	8.6%	10.8%	7.6%	8.6%	9.5%		
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	83.0%	83.0%	79.4%	73.6%	79.9%	72.6%	74.9%	69.8%	73.6%	73.1%		
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	not greater than 60%	-0.3%	34.7%	54.7%	76.1%	76.4%	9.7%	5.7%	5.4%	4.1%	3.2%		

### Sunshine Coast Regional Council's Financial Management Strategy

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

The above table shows whether Sunshine Coast Regional Council is performing within accepted target ranges. It clearly indicates that council is achieving or out-performing the identified benchmarks in both of the key liquidity measures apart from the years 2019/20 to 2020/21 for the Net Financial Liabilities Ratio.

Consultation with Queensland Treasury Corporation (QTC) was undertaken for the financial assessment of the Sunshine Coast Airport Runway Project, particularly Council's ability to manage the Net Financial Liabilities ratio. QTC have stated their acceptance of Council exceeding the target Net Financial Liabilities ratio range for years 2019 to 2021, subject to further review of the Sunshine Coast Runway Project business case.

For the Asset Sustainability ratio, there is an ongoing review of asset management plans that will confirm the desired level of expenditure on the renewal and refurbishment of council assets. This will enable a review of the capital program to ensure an appropriate level of work is scheduled for existing assets.

### Certificate of Accuracy

#### For the year ended 30 June 2017

This long-term financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012* (the regulation). In accordance with Section 212(5) of the Regulation we certify that this current-year financial sustainability statement has been accurately calculated.

  
 Cr Mark Jamnikovic  
 Mayor  
 Sunshine Coast Regional Council  
 Dated 5 October 2017

  
 Michael Whittaker  
 Chief Executive Officer  
 Sunshine Coast Regional Council  
 Dated 5 October 2017

# Corporate governance

Sunshine Coast Council continues to be a responsible local government, operating in accordance with legislation and focusing on the ethical business activities and relationships between councillors, senior management, employees, the community, government departments, business clients and other key stakeholders.

Council has a governance framework that enhances organisational performance, whilst monitoring and maintaining compliance with legislative and other controls.

The framework in conjunction with the Governance in Action Program focuses on:

- Building awareness of organisational responsibilities and accountabilities
- Strong financial stewardship and fiscal responsibility
- Monitoring and maintaining compliance with legislation, policy, standards and controls
- Integral practices, procedures and ethical decision making with continuous improvement activities and transparent reporting
- Involving the community as a key stakeholder in decision making and consultation opportunities.

## Risk management

Risk management is the identification, assessment and prioritisation of risks. It also includes the steps taken to minimise such risks. Council has a Risk Management Policy, Risk Management Guideline and Risk Management Framework to assist in identifying risks and opportunities in all aspects of council operations. The policy and framework are based on AS/ NZS/ISO 31000:2009 which is an international standard for risk management.

The following risk types are monitored and reported:

### Strategic risks

- Council receives a quarterly report at the confidential session of the ordinary meeting
- Audit Committee receives a report each meeting

### Operational risks

- Audit Committee receives information on strategic risks and all operational risks exceeding the set risk tolerance
- Directors monitor their department risks each quarter

### Project risks

- Governance committees overseeing large projects monitor project risks.

## Audit Committee

The overall objective of the Audit Committee is to assist the council and the Chief Executive Officer to discharge their duties in accordance with the Audit Committee Charter including:

- Corporate governance, financial reporting, internal control structure, risk management systems, external and internal audit functions
- Maintaining an independent and objective forum promoting transparency, accountability and an ethical culture throughout council
- Maintaining, by scheduling regular meetings, open lines of communications with council, Executive Management, External Audit and Internal Audit, to exchange information and views.

Four formal Audit Committee meetings were held throughout the year with the Committee comprised of both councillors and independent external representatives as follows:

- Mr Peter Dowling AM (Independent Chair)
- Mr Len Scanlan (Independent Member)
- Cr Tim Dwyer
- Cr Christian Dickson

Key activities undertaken by the Audit Committee during the year include:

- Monitoring the Financial Statement annual preparation process and reviewing the draft Financial Statements prior to certification
- Overseeing governance reporting including risk management, work health and safety
- Reviewing both external and internal audit plans, reports and recommendations.

External Auditors, Directors and Internal Auditors also attend meetings and contribute toward a culture of continuous improvement. The Audit Committee is an Advisory Committee reporting to council.