

New England Joint Organisation

GENERAL PURPOSE FINANCIAL STATEMENTS

for the period from 11 May 2018 to 30 June 2019

The New England Joint Organisations mission is to lead, advocate, collaborate and deliver outcomes which deliver positive benefits for our collective communities



New England Joint Organisation

General Purpose Financial Statements

for the period from 11 May 2018 to 30 June 2019

Contents	Page
Understanding the Joint Organisation's Financial Statements	2
Statement by Members of the Board and Management	3
Primary Financial Statements:	
– Income Statement and Other Comprehensive Income	4
– Statement of Financial Position	5
– Statement of Changes in Equity	6
– Statement of Cash Flows	7
Notes to the Financial Statements	8
Independent Auditor's Reports:	
– On the Financial Statements (Sect 417 [2])	21
– On the Conduct of the Audit (Sect 417 [3])	24

Overview

New England Joint Organisation (NEJO) is constituted under the *Local Government Act 1993 (NSW)* and has its principal place of business at:

144 Otho Street
INVERELL NSW 2360

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.nejo.nsw.gov.au.

New England Joint Organisation

General Purpose Financial Statements

for the period from 11 May 2018 to 30 June 2019

Understanding the Joint Organisation's financial statements

Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of the JO for the period from 11 May 2018 to 30 June 2019.

The format of the financial statements is standard across all NSW JOs and complies with both the accounting and reporting requirements of Australian Accounting Standards – Reduced Disclosure Requirements and requirements as set down by the Office of Local Government.

About the Members of the Board Statement

The financial statements must be certified by senior staff as 'presenting fairly' the JO's financial results for the period and are required to be adopted by the JO – ensuring both responsibility for and ownership of the financial statements.

About the primary financial statements

The financial statements incorporate four 'primary' financial statements:

1. The Income Statement and Other Comprehensive Income

Summarises the JO's financial performance for the period, listing all income and expenses.

2. The Statement of Financial Position

A 30 June snapshot of the JO's financial position indicating its assets, liabilities and "net wealth".

3. The Statement of Changes in Equity

The overall change for the period (in dollars) of the JO's "net wealth".

4. The Statement of Cash Flows

Indicates where the JO's cash came from and where it was spent.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the four primary financial statements.

About the Auditor's Reports

The JO's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the JO's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the JO's financial performance and financial position.

New England Joint Organisation

General Purpose Financial Statements

for the period from 11 May 2018 to 30 June 2019

Statement by Members of the Board and Management

made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

The attached General Purpose Financial Statements have been prepared in accordance with:

- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards – Reduced Disclosure Requirements and other pronouncements of the Australian Accounting Standards Board
- the Joint Organisations Supplement to the Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these financial statements:

- present fairly JO NSW's operating result and financial position for the period,
- accord with JO NSW's accounting and other records.

We are not aware of any matter that would render these statements false or misleading in any way.


Signed in accordance with a resolution of the Board of New England Joint Organisation made on 26 August 2019.



Cr Michael Pearce
Chairperson
26 August 2019



Cr Paul Harmon
Voting Representative Board Member
26 August 2019



Paul Henry
Executive Officer
26 August 2019

New England Joint Organisation

Income Statement and Other Comprehensive Income for the period from 11 May 2018 to 30 June 2019

\$	Notes	Period 11 May 2018 to 30 June 2019
Income from continuing operations		
Member council contributions	2a	35,000
Interest and investment revenue	2b	2,981
Grants provided for operating purposes	2c	300,000
Total income from continuing operations		337,981
Expenses from continuing operations		
Administrative expenses	3	65,418
Total expenses from continuing operations		65,418
Net operating result for the period		272,563
Other comprehensive income:		–
Total comprehensive income		272,563

New England Joint Organisation

Statement of Financial Position
as at 30 June 2019

\$	Notes	2019
ASSETS		
Current assets		
Cash and cash equivalents	4	276,676
Receivables	5	1,887
Total current assets		278,563
Total non-current assets		-
TOTAL ASSETS		278,563
LIABILITIES		
Current liabilities		
Payables	6	6,000
Total current liabilities		6,000
Total non-current liabilities		-
TOTAL LIABILITIES		6,000
Net assets		272,563
EQUITY		
Accumulated surplus		272,563
Total equity		272,563

New England Joint Organisation

Statement of Changes in Equity

for the period from 11 May 2018 to 30 June 2019

\$	2019 Accumulated surplus	2019 IPP&E revaluation reserve	Total equity
Opening balance	–	–	–
Net operating result for the year	272,563	–	272,563
Other comprehensive income	–	–	–
Total comprehensive income (c&d)	272,563	–	272,563
Closing balance	272,563	–	272,563

New England Joint Organisation

Statement of Cash Flows

for the period from 11 May 2018 to 30 June 2019

\$	Notes	Period 11 May 2018 to 30 June 2019
Cash flows from operating activities		
Receipts:		
Member council contributions		38,500
Investment and interest revenue received		2,981
Grants		300,000
Other		554
Payments:		
Administrative expenses		(65,359)
Net cash provided (or used in) operating activities	7b	<u>276,676</u>
Cash flows from investing activities		
Receipts:		
Sale of investment securities		200,000
Payments:		
Purchase of investment securities		(200,000)
Net cash provided (or used in) investing activities		<u>–</u>
Cash flows from financing activities		
Nil		
Net increase/(decrease) in cash and cash equivalents		276,676
Plus: Cash and cash equivalents – beginning of reporting period		–
Cash and cash equivalents – end of reporting period	7a	<u><u>276,676</u></u>

New England Joint Organisation

Notes to the Financial Statements for the period from 11 May 2018 to 30 June 2019

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Basis of preparation	9
2	Income from continuing operations	12
3	Expenses from continuing operations	14
4	Cash and cash equivalent assets	15
5	Receivables	15
6	Payables	16
7	Statement of cash flows – additional information	16
8	Contingencies and other liabilities/assets not recognised	17
9	Financial risk management	17
10	Related party transactions	18
11	Events occurring after the reporting date	19
 Additional council disclosures (unaudited)		
12	JO information and contact details	20

New England Joint Organisation

Notes to the Financial Statements

for the period from 11 May 2018 to 30 June 2019

Note 1. Basis of preparation

Basis of preparation

The Joint Organisation (JO) was established on 11 May 2018 and the financial statements include the results of the JO from establishment until 30 June 2019 and the financial position at 30 June 2019.

Future reporting periods will be from 1 July to 30 June of the relevant year.

These financial statements were authorised for issue by the Board of the Joint Organisation on 26 August 2019. The Board has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, the Local Government Act 1993 (NSW) and Regulations, and the Joint Organisation Code of Accounting Practice and Financial Reporting. The JO is a not-for-profit entity.

The financial statements are presented in Australian dollars and are rounded to the nearest dollar.

(a) New and amended standards adopted by JO

The following new standards are effective for the first time in 30 June 2019. There will be no material impact on reported financial position, performance or cash flows of the entity although some additional disclosures and presentation changes may have arisen:

- *AASB 9 Financial Instruments and associated amending standards*
- *AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*
- *AASB 2014-1 Amendments to Australian Accounting Standards*
- *AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9*
- *AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9*
- *AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*
- *AASB 2017-3 Amendments to Australian Accounting Standards – Clarifications to AASB 4*
- *AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*

(b) Historical cost convention

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

(c) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

New England Joint Organisation

Notes to the Financial Statements

for the period from 11 May 2018 to 30 June 2019

Note 1. Basis of preparation (continued)

(d) New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods (and which have not been early adopted by the JO).

The JO's assessment of these new standards and interpretations (where they have been deemed as having a material impact on the JO's future financial performance, financial position and cash flows) are set out below:

AASB 16 Leases

AASB 16 will result (for YE 19/20 and beyond) in almost all operating leases being recognised on the Statement of Financial Position by the JO (alongside existing finance leases) with the distinction between operating and finance leases removed.

Under the new standard, a financial liability (i.e. a lease liability) and an asset (i.e. a right to use the leased item) will be recognised for nearly all arrangements where the JO commits itself to paying a rental fee for the use of a specific asset.

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 - Leases.

As at the date of authorisation of these financial statements the JO had no leasing arrangement. Therefore the JO does not expect any significant impact on the financial statements. However, some additional disclosures may be required from next year.

AASB 15 Revenue from Contracts with Customers and associated amending standards.

AASB 15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

The JO should assess each revenue stream but particular impact is expected for grant income and rates which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

As at the date of authorisation of these financial statements the JO has no revenue from contract. Therefore the JO does not expect any significant impact on the financial statements. However, some additional disclosures may be required from next year.

AASB 1058 Income of NFP Entities

AASB 1058 supersedes all the income recognition requirements relating to JOs, previously in AASB 1004 Contributions.

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

New England Joint Organisation

Notes to the Financial Statements

for the period from 11 May 2018 to 30 June 2019

Note 1. Basis of preparation (continued)

AASB 1058 also applies when a JO receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the JO's objective is principally to enable the asset to further the JO's objectives.

Upon initial recognition of the asset, this standard requires the JO to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable the JO to acquire or construct a recognisable non-financial asset to be controlled by the JO (i.e. an in-substance acquisition of a non-financial asset), the JO recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. The JO will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable the JO to acquire or construct a recognisable non-financial asset to be controlled by the JO, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

As at the date of authorisation of these financial statements the JO does not expect any significant impact on the financial statements resulting from the new income recognition requirements. However, some additional disclosures may be required from next year.

AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities

This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases

As per a NSW Office of Local Government recommendation, the JO has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost.

As at the date of authorisation of these financial statements the JO has no Right of Use Assets. Therefore the JO does not expect any significant impact on the financial statements. However, some additional disclosures may be required from next year.

New England Joint Organisation

Notes to the Financial Statements

for the period from 11 May 2018 to 30 June 2019

Note 2. Income from continuing operations

	Period 11 May 2018 to 30 June 2019
\$	
(a) Member Council contributions	
Armidale Regional Council	5,000
Glen Innes Severn Council	5,000
Inverell Shire Council	5,000
Moree Plains Council	5,000
Narrabri Shire Council	5,000
Tenterfield Shire Council	5,000
Uralla Shire Council	5,000
<u>TOTAL MEMBER COUNCIL CONTRIBUTIONS</u>	<u>35,000</u>

Accounting policy for contributions by member councils

Contributions by member councils are accounted for when the amount to be paid for the period has been determined and communicated to councils. The contribution may be in the form of a cash payment or non-monetary contribution (which is recorded at its fair value).

The methodology for determining the contribution is:

- equal contributions by all member councils in order to perform the principal functions of delivering on strategic regional priorities, regional leadership and intergovernmental cooperation
- contributions by participating member councils for other functions of enhancing strategic capacity and direct service delivery.

(b) Interest and investment revenue (including losses)

Interest on financial assets measured at amortised cost

– Cash and investments	2,981
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>2,981</u>

Accounting policy for interest and investment revenue

Interest and investment income is recognised using the effective interest rate at the date that interest is earned.

New England Joint Organisation

Notes to the Financial Statements

for the period from 11 May 2018 to 30 June 2019

Note 2. Income from continuing operations (continued)

	Operating Period 11 May 2018 to 30 June 2019	Capital Period 11 May 2018 to 30 June 2019
\$		

(c) Grants

Office of Local Government (OLG) joint organisation establishment funding	300,000	–
Total grants	300,000	–

Grant revenue is attributable to:

– State funding	300,000	–
	300,000	–

Accounting policy for grants

Control over grants is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted asset at the date of transfer.

A liability is recognised in respect of grant income that is reciprocal in nature to the extent that the requisite service has not been provided at reporting date.

New England Joint Organisation

Notes to the Financial Statements for the period from 11 May 2018 to 30 June 2019

Note 3. Expenses from continuing operations

	Period 11 May 2018 to 30 June 2019
\$	
Administrative expenses	
Contractor and consultancy costs	
– Contractor and consultancy costs - JO Establishment Costs	32,649
– Contractor and consultancy costs - Administration Support	18,000
Auditors remuneration ⁽¹⁾	6,000
IT expenses	4,805
Travel	1,534
Other - Advertising	1,814
Other	616
<u>TOTAL ADMINISTRATIVE EXPENSES</u>	<u>65,418</u>

Administrative expenses (continued)

(1) Auditor remuneration

During the year the following fees were paid or payable for services provided by the auditor of the JO, related practices and non-related audit firms

Auditors of the JO – NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements	6,000
Remuneration for audit and other assurance services	<u>6,000</u>
Total Auditor-General remuneration	<u>6,000</u>

Accounting policy for expenses

Other expenses are recorded on an accruals basis as the JO receives the goods or services.

New England Joint Organisation

Notes to the Financial Statements for the period from 11 May 2018 to 30 June 2019

Note 4. Cash and cash equivalent assets

\$	2019
Cash and cash equivalents	
Cash on hand and at bank	76,676
Cash-equivalent assets	
– Short-term deposits	200,000
Total cash and cash equivalents	276,676
Restricted cash and cash equivalents	
External restrictions	240,583
Unrestricted	36,093
	276,676

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

External Restrictions relates to unexpended funds from Office of Local Government (OLG), joint organisation establishment grant funds, which is refundable if not expended by 30 June 2020

Note 5. Receivables

\$	2019	
	Current	Non-current
Purpose		
Net GST receivable	1,887	–
<u>TOTAL NET RECEIVABLES</u>	<u>1,887</u>	<u>–</u>

Accounting policy for receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

The JO applies the simplified approach for receivables in providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

New England Joint Organisation

Notes to the Financial Statements for the period from 11 May 2018 to 30 June 2019

Note 6. Payables

\$	2019	
	Current	Non-current
Payables		
Accrued expenses:		
– Other expenditure accruals	6,000	–
<u>TOTAL PAYABLES</u>	<u>6,000</u>	<u>–</u>

Accounting policy for payables

The JO measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the JO comprise expenses for audit services. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 7. Statement of cash flows – additional information

\$	Notes	2019
(a) Reconciliation of cash assets		
Total cash and cash equivalent assets	4	276,676
Less bank overdraft		–
Balance as per the Statement of Cash Flows		<u>276,676</u>
(b) Reconciliation of net operating result to cash provided from operating activities		
Net operating result from Income Statement		272,563
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables		(1,887)
Increase/(decrease) in other accrued expenses payable		6,000
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		<u>276,676</u>

New England Joint Organisation

Notes to the Financial Statements

for the period from 11 May 2018 to 30 June 2019

Note 8. Contingencies and other liabilities/assets not recognised

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of JO's financial report.

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Statewide Limited

JO is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. JO's share of the net assets or liabilities reflects JO's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this period may result in future liabilities or benefits as a result of past events that JO will be required to fund or share in respectively.

(ii) StateCover Limited

JO is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically JO.

JO has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

(iii) Other guarantees

JO has provided no other guarantees other than those listed above.

2. Other liabilities

JO has provided no other liabilities other than those listed above.

ASSETS NOT RECOGNISED:

JO has no unrecognised assets.

Note 9. Financial risk management

Risk management

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

Financial risk management is carried out by the JO's finance team under policies approved by the JO Board.

At the reporting date the JO had no material liquidity, collection or other financial risks

New England Joint Organisation

Notes to the Financial Statements
for the period from 11 May 2018 to 30 June 2019

Note 10. Related party transactions

\$

a. Key management personnel

Key management personnel (KMP) of the JO are those persons having the authority and responsibility for planning, directing and controlling the activities of the JO, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is zero.

b. Other transactions with KMP and their related parties

JO has determined that transactions at arm's length between KMP and JO as part of JO delivering a public service objective (e.g. access to library or JO swimming pool by KMP) will not be disclosed.

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
2019	Ref					
Administrative Support	1	18,000	-	12 months	-	-

- 1 The JO entered into an arrangement for Administrative Support (until an Executive Officer was appointed) with Inverell Shire Council, an entity that has members of the NEJO's KMPs as a Councillor and Senior Management Staff. Amounts were billed at an agreed rate and paid in arrears on a monthly basis.

New England Joint Organisation

Notes to the Financial Statements for the period from 11 May 2018 to 30 June 2019

Note 11. Events occurring after the reporting date

The JO is unaware of any material or significant 'non-adjusting events' that should be disclosed.

New England Joint Organisation

Notes to the Financial Statements for the period from 11 May 2018 to 30 June 2019

Note 12. JO information and contact details

Principal place of business:

144 Otho Street
INVERELL NSW 2360

Contact details

Mailing address:

PO Box 138
INVERELL NSW 2360

Telephone: 0448 129 208

Internet: www.nejo.nsw.gov.au

Email: executiveofficer@nejo.nsw.gov.au

Officers

EXECUTIVE OFFICER

Paul Henry

RESPONSIBLE ACCOUNTING OFFICER

Paul Pay

AUDITORS

Audit Office of NSW
GPO BOX 12
SYDNEY NSW 2001

Board members

CHAIRPERSON

Cr Michael Pearce

OTHER MEMBERS

Cr Paul Harmon
Cr Simon Murray
Cr Carol Sparks
Cr Peter Petty
Cr Katrina Humphries
Cr Cathy Redding

Other information

ABN: 18 864 549 400



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

New England Joint Organisation

To the Board of the New England Joint Organisation

Opinion

I have audited the accompanying financial statements of the New England Joint Organisation (the Joint Organisation), which comprise the Income Statement and Other Comprehensive Income for the period 11 May 2018 to 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the period 11 May 2018 to 30 June 2019, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Members of the Board and Management.

In my opinion:

- the Joint Organisation's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Joint Organisation's accounting records
 - present fairly, in all material respects, the financial position of the Joint Organisation as at 30 June 2019, and of its financial performance and its cash flows for the period 11 May 2018 to 30 June 2019 in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Joint Organisation in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of joint organisations
- precluding the Auditor-General from providing non-audit services.

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

Other Information

The Joint Organisation's Annual Performance Statement for the period 11 May 2018 to 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Board is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by Members of the Board and Management.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

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

If, based on the work I have performed, I conclude there is a material misstatement in the other information, I must report that fact.

I have nothing to report in this regard.

The Board's Responsibilities for the Financial Statements

The Board is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Board determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Joint Organisation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Joint Organisation will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Joint Organisation carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read 'CHarper', with a long, sweeping horizontal stroke extending to the right.

Chris Harper
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

2 September 2019
SYDNEY



Cr Michael Pearce
Chairperson
New England Joint Organisation
PO Box 138
INVERELL NSW 2360

Contact: Chris Harper
Phone no: 02 9275 7374
Our ref: D1917850/1863

2 September 2019

Dear Cr Pearce

**Report on the Conduct of the Audit
for the period 11 May 2018 to 30 June 2019
New England Joint Organisation**

The New England Joint Organisation (the Joint Organisation) was formed on 11 May 2018 by the following councils (member councils):

- Inverell Shire Council
- Armidale Regional Council
- Glen Innes Severn Shire Council
- Moree Plains Shire Council
- Tenterfield Shire Council
- Uralla Shire Council
- Narrabri Shire Council.

I have audited the general purpose financial statements (GPFS) of the Joint Organisation for the period 11 May 2018 to 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Joint Organisation's GPFS.

This Report on the Conduct of the Audit (the Report) for the Joint Organisation for the period 11 May 2018 to 30 June 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

PERFORMANCE

Net operating result

The Joint Organisation's net operating result for the period 11 May 2018 to 30 June 2019 was \$272,563.

The Joint Organisation's primary income source during the period was from operating grants of \$300,000 which contributed to 89 per cent of the Joint Organisations income from continuing operations of \$337,981. The funding received was for the establishment of the Joint Organisation and was received from the Office of Local Government. The Joint Organisation also received \$35,000 of income from member council contributions.

The Joint Organisation's total operating expenses from continuing operations for the period was \$65,418 which consisted of administration costs.

Financial position

At 30 June 2019 the Joint Organisation had total assets of \$278,563 and net assets of \$272,563. The Joint Organisations main assets consist of cash and cash equivalents of \$276,676.

OTHER MATTERS

New accounting standards implemented

AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'

Effective for annual reporting periods beginning on or after 1 January 2018.

AASB 9 replaced AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.

Key changes include:

- a simplified model for classifying and measuring financial assets
- a new method for calculating impairment
- a new type of hedge accounting that more closely aligns with risk management.

The revised AASB 7 includes new disclosures as a result of AASB 9.

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Joint Organisation's accounting records or financial statements. The Joint Organisation's:

- accounting records were maintained in a manner and form to allow the GPFS to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



Chris Harper
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Ms Brooke Southwell, Executive Officer
Mr Paul Henry, Former Executive Officer
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment