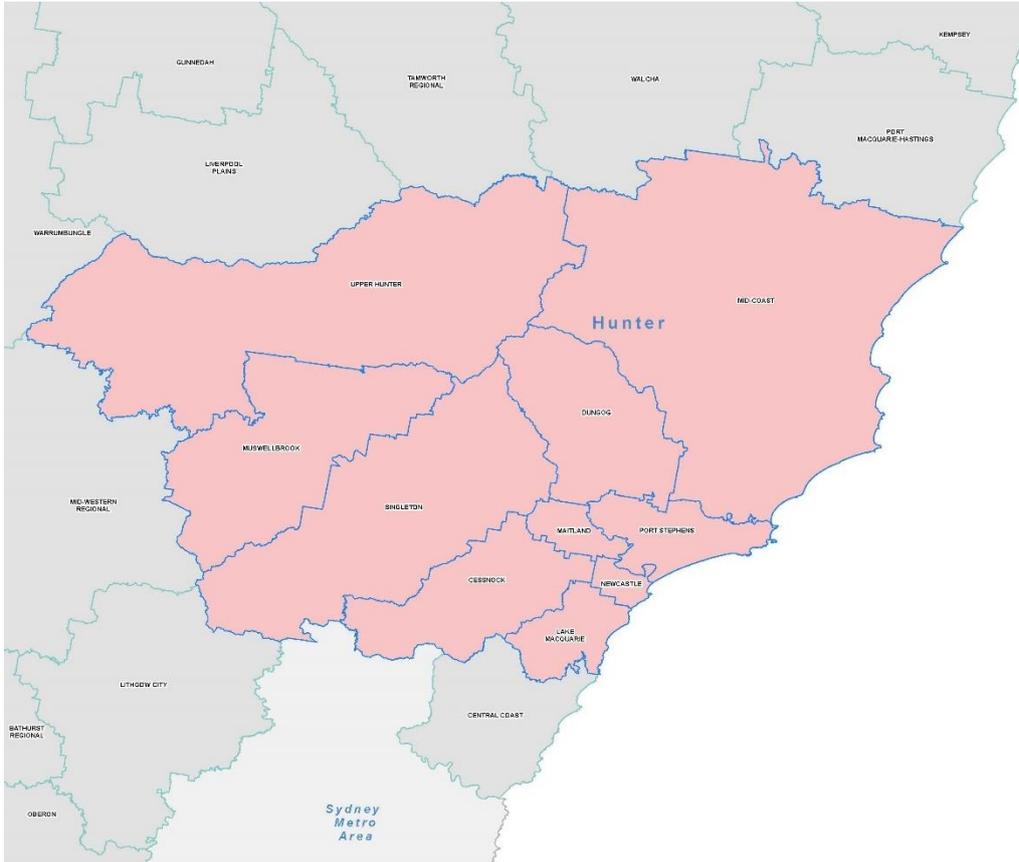


Hunter Joint Organisation



Hunter Joint Organisation Annual General Meeting Papers

10:15am, Thursday 14 November 2019

Jubilee Room, Parliament House, Sydney

Agenda

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Note. Attachments have been included at the end of the papers

1. Welcome and Apologies

2. Adoption of the Minutes of the Previous Annual General Meeting

As this is the inaugural Annual General Meeting of the Hunter Joint Organisation, there are no previous minutes for review and adoption.

3. Matters Arising from Previous Minutes

4. Nomination of Chair

As per the Local Government Act 1993, Section 400V(2), the appointment of the Chair of the Hunter Joint Organisation is for a period of two years and is therefore still filled by Cr Bob Pynsent as of July 2018.

5. Financial Reports

5.1 Hunter Joint Organisation Annual Audited Accounts 2018-19 and Management Representation Letter

Please refer to the below:

- *Attachment 1: Draft Independent Audit Report for Hunter Joint Organisation*
- *Attachment 2: Report on the Conduct of the Audit 2019*
- *Attachment 3: Draft Financial Statements – Hunter Joint Organisation Audited Accounts 2018-19*
- *Attachment 4: Engagement Closing Report*
- *Attachment 5: Auditor Final Management Letter*
- *Attachment 6: H Representation Letter*

5.2 Appointment of Auditors

As per the Local Government Act 1993, Division 3, Section 422, the NSW Auditor General's Office will act as the auditor for the Joint Organisation.

6. General Business

There is no notified general business.



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Hunter Joint Organisation

To the Board of the Hunter Joint Organisation

Opinion

I have audited the accompanying financial statements of Hunter Joint Organisation (the Joint Organisation), which comprise the Income Statement and Other Comprehensive Income for the period 9 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 9 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 9 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 9 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.

Furqan Yousuf
Delegate of the Auditor-General for New South Wales

X September 2019
SYDNEY

Mr Joe James
Chief Executive Officer
Hunter Joint Organisation
PO Box 42
RAYMOND TERRACE NSW 2324

Contact: Furqan Yousuf
Phone no: 02 9275 7470
Our ref: D1920177/1859

3 September 2019

Dear Mr James

**Report on the Conduct of the Audit
for the period 9 May 2018 to 30 June 2019
Hunter Joint Organisation**

The Hunter Joint Organisation (the Joint Organisation) was formed on 9 May 2018 by the following member councils:

- Cessnock City Council
- Dungog Shire Council
- Lake Macquarie City Council
- Maitland City Council
- Midcoast Council
- Muswellbrook Shire Council
- Newcastle City Council
- Port Stephens Council
- Singleton Council
- Upper Hunter Shire Council

I have audited the general-purpose financial statements (GPFS) of the Joint Organisation for the period 9 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 9 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 result

The Joint Organisation's net operating result for the period 9 May 2018 to 30 June 2019 was a surplus of \$449,324.

The Joint Organisation's primary income source during the period was grants contributing 47 per cent of the Joint Organisation's income from continuing operations of \$1,410,435. The Joint Organisation also received contributions of \$200,000 from member councils and project contributions \$545,000 from Strategic Services Australia Ltd.

The Joint Organisation's total operating expenses from continuing operations for the period was \$961,111 which primarily consisted of project expenses of \$511,880 and employee benefits and on-costs expenses of \$307,590.

Financial position

At 30 June 2019 the Joint Organisation had total assets of \$520,532 and net assets of \$449,324. The Joint Organisation's main assets consist of cash and cash equivalents of \$269,434 and trade and other receivables of \$196,089.

OTHER MATTERS

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.

Furqan Yousuf
Delegate of the Auditor-General for New South Wales

cc: Cllr Bob Pynsent, Chairperson, Cessnock City Council
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment

Financial Statements 2018-19

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

Hunter Joint Organisation
59 Bonville Avenue
Thornton NSW 2322

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.strategicservicesaustralia.com.au

Statement by Members of the Board

Statement by Members of the Board made pursuant to Section 413 (2c) 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 my knowledge and belief, these statements:

- present fairly Hunter Joint Organisation’s operating result and financial position for the period
- accord with Hunter Joint Organisation’s accounting and other records.

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

Signed in accordance with a resolution of the Board of the Hunter Joint Organisation made on 12 September 2019.

Cr Bob Pynsent

Chairperson

Date: 12/9/19

Cr Loretta Baker

Voting Representative

Board Member

Date: 12/9/19

Income Statement and Other Comprehensive Income

Statement for the period 9 May 2018 to 30 June 2019

	Notes	Actual Period 9 May 2018 to 30 June 2019 \$
Income from continuing operations		
Member council contributions	2a	200,000
Other income	2b	545,000
Interest and investment revenue	2c	4,641
Grants provided for operating purposes	2d	660,794
Total income from continuing operations		1,410,435
Expenses from continuing operations		
Employee benefits and on-costs		307,590
Project expenses		511,880
Depreciation and amortisation		3,348
Administrative expenses	3	138,293
Total expenses from continuing operations		961,111
Net operating result for the period		449,324
Other comprehensive income		-
Total comprehensive income		449,324

The above Statement of Profit and Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

Statement of Financial Position as at 30 June 2019

	Notes	2019 \$
ASSETS		
Current assets		
Cash and cash equivalents	4	269,434
Receivables	5	196,089
Prepayments		777
Total current assets		466,300
Non-current assets		
Plant and equipment	6	54,232
Total non-current assets		54,232
Total assets		520,532
LIABILITIES		
Current liabilities		
Payables	7	58,273
Borrowings	7	3,000
Provisions	8	9,589
Total current liabilities		70,862
Non-current liabilities		
Provisions	8	346
Total non-current liabilities		346
Total liabilities		71,208
Net assets		449,324
EQUITY		
Accumulated surplus		449,324
Total equity		449,324

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

Statement of Changes in Equity for the period from 9 May 2018 to 30 June 2019

	2019 \$	
	Accumulated surplus	Total equity
Opening balance	-	-
Net operating result for the period	449,324	449,324
Other comprehensive income	-	-
Total comprehensive income	449,324	449,324
	-	-
Closing balance	449,324	449,324

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

Statement of Cash Flows for the period from 9 May 2018 to 30 June 2019

	Period from 9 May 2018 to 30 June 2019 \$
Cash flows from operating activities	
Receipts:	
Contributions from member councils	172,060
Other Income	381,016
Investments revenue and interest	44
Grants and contributions	660,794
Payments:	
Employees and suppliers	(889,901)
Net cash provided from operating activities	324,013
Cash flows from investing activities	
Payments:	
Purchase of property, plant and equipment	(57,579)
Net cash provided from (or used in) investing activities	(57,579)
Cash flows from financing activities	
Credit card facility	3,000
Net cash provided from financing activities	3,000
Net increase in cash and cash equivalents	269,434
Cash and cash equivalents at beginning of reporting period	-
Cash and cash equivalents at end of reporting period	<u>269,434</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the period from 9 May 2018 to 30 June 2019

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Note 1: Basis of preparation

The Hunter Joint Organisation (the "JO") was established on 9th May 2018 and the financial statements include the results of the Hunter Joint Organisation 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 Hunter Joint Organisation on 12/09/2019. 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. Hunter Joint Organisation 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 Hunter Joint Organisation

The following new standards are effective for the first time in 30 June 2019. There is not expected to be a material impact on reported financial position, performance or cash flows of the entity although some additional disclosures and presentation changes have arisen:

- AASB 9 Financial Instruments and associated amending standards

b. Historical cost convention

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

c. Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Joint Organisation's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the JO and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Hunter Joint Organisation makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- i. Employee benefit provisions – refer Note 9.

Significant judgements in applying the Joint Organisation's accounting policies

- i. None applicable

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 that are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

Note 2: Income from continuing operations

	Period from 9 May 2018 to 30 June 2019 \$	
(a) Member Council contributions		
Cessnock City Council		20,000
Dungog Shire Council		20,000
Lake Macquarie City Council		20,000
Maitland City Council		20,000
MidCoast Council		20,000
Muswellbrook Shire Council		20,000
Newcastle City Council		20,000
Port Stephens Council		20,000
Singleton Council		20,000
Upper Hunter Shire Council		20,000
Total member council contributions		200,000
(b) Other income		
Strategic Services Australia Limited		545,000
Total Other income		545,000
(c) Interest and investment revenue		
Interest on financial asset measured at amortised cost		4,641
Total interest and investment revenue (losses)		4,641
(d) Grants		
	Operating Period 9 May 2018 To 30 June 2019 \$	Capital Period 8 May 2018 To 30 June 2019 \$
OLG Joint Organisation establishment funding	300,000	-
Contaminated Land Program	176,700	-
DPC funding	108,194	-
Litter prevention and reduction	75,900	-
Total grants	660,794	-
Comprising:		
- Commonwealth funding	-	-
- State funding	624,094	-
- Other funding	36,700	-
	660,794	-

Accounting policy for income

The JO recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the JO, and specific criteria have been met for each of the JO's income streams as described below. The JO bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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; and
- Contributions by participating member Councils for other functions of enhancing strategic capacity and direct service delivery.

User charges and fees are recognised as revenue when the service has been provided.

Interest Income is recognised using the effective interest rate at the date that interest is earned.

Grant revenue – Control over grants is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or 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.

Note 3: Expenses

	Period from 9 May 2018 to 30 June 2019 \$
Administrative Expenses	
Finance & Administrative services (Strategic Services Australia Limited)	60,624
Remuneration of auditors	19,000
IT expenses	1,885
Board meeting expenses	24,527
Motor Vehicles expenses	3,489
Office space rent & outgoings	17,400
Insurance	1,451
Travel & accommodation	7,611
Other	2,306
Total administrative expenses	138,293
Auditors' remuneration	
Auditors of Hunter Joint Organisation– NSW Auditor-General	
(i) Audit and other assurance services	
Audit of financial statements	19,000
Other assurance services	-
Total remuneration for audit and other assurance services	19,000
(ii) Other non-assurance services	-
Total fees paid or payable to the Auditor-General	19,000

Accounting policy for expenses

Employee benefit expenses are recorded when the service has been provided by the employee.

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Borrowing costs are expensed as incurred.

Depreciation is calculated using the straight-line method to allocate the cost of the asset, net of residual values, over the asset's estimated useful lives.

Impairment – Property, plant and equipment assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

Note 4: Cash and cash equivalents

	2019
	\$
Cash at bank and on hand	269,434
Deposits at call	-
	269,434

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: 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.

Note 5: Receivables

	2019
	Current
	\$
Trade receivables	191,492
Other (Interest)	4,597
Total	196,089
Net receivables	196,089

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.

Note 6: Property, plant and equipment

By asset class	At 8 May 2018			Movements during the period			At 30 June 2019		
	Gross carrying amount	Acc. Dep and impairment	Net carrying amount	Additions	Disposals	Depn. And impairment	Gross carrying amount	Acc. Dep. and impairment	Net carrying amount
Office equipment	-	-	-	1,876	-	(99)	1,876	(99)	1,777
Vehicles	-	-	-	55,703	-	(3,249)	55,703	(3,249)	52,455
Totals	-	-	-	57,579	-	(3,348)	57,579	(3,348)	54,232

Accounting policy for property, plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the JO and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement and Other Comprehensive Income during the financial period in which they are incurred.

When property, plant and equipment are acquired by the JO for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The useful life of Office equipment is determined as five years, and Vehicles as three years.

Note 7: Payables and borrowings

	2019
	Current
	\$
Payables	
Trade payables	23,531
Accrued expenses	3,780
Other payables	30,962
Total payables	58,273
Borrowings	
Credit Cards	3,000
Total borrowings	3,000

Accounting policy for payables and borrowings

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

The financial liabilities of the JO comprise trade and other payables and bank overdraft. Trade payables represent liabilities for goods and services provided to the JO prior to the end of financial period that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Financing arrangements	2019
	\$
Total facilities	
The amount of total financing facilities available to the JO at the reporting date is:	
- Corporate credit cards	3,000
	3,000
Drawn facilities	
The amount of financing facilities drawn down at the reporting date is:	
- Corporate credit cards	3,000
	3,000
Undrawn facilities	
The amount of undrawn financing facilities available to the JO at the reporting date is:	
- Corporate credit cards	Nil
	Nil

Note 8: Provisions

	2019	
	Current	Non-current
	\$	\$
Employee benefit provisions		
Annual leave	9,589	-
Long-service leave	-	346
Total provisions	9,589	346
Current provisions not expected to be settled within the next 12 months	Nil	n/a

Accounting policy for provisions

Provisions are recognised when: the JO has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

Short-term obligations

Liabilities for wages and salaries (including non-monetary benefits and annual leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service) are recognised in respect of employees' services up to the end of the reporting period, and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits, and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

The obligations are presented as current liabilities in the Statement of Financial Position if the JO does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Note 9: Commitments

The Hunter Joint Organisation has no commitments at the period ended 30 June 2019.

Note 10: Contingencies

Nil.

Note 11: Financial risk management

Risk Management

The Hunter Joint Organisation'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 finance team under policies approved by the Hunter Joint Organisation Board.

The fair value of receivables and investments approximates the carrying amount

Key management personnel

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

The aggregate amount of KMP compensation included in the Income Statement and Other Comprehensive Income is \$155,231.

Other related parties

Type of related party:	Nature of the transactions	Amount of the transactions during the period	Outstanding balances, including commitments at period end	Terms and conditions	Provisions for doubtful debts	Expense recognised during the period relating to bad or doubtful debts
2019						
Strategic Services Australia Ltd – local gov't owned operating entity	Loan to SSA – balance @ 30 June	\$159,152	\$0	Net 30 days	\$0	\$0
	Interest received	\$4,596	\$0	Net 30 days	\$0	\$0
	Rent paid	\$6,000	\$0	Net 30 days	\$0	\$0
	Grant funds obtained and transferred to related party to undertake grant functions	\$252,600	\$0	n/a	\$0	\$0
	Admin fees paid	\$187,579	\$0	Net 30 days	\$0	\$0
	Admin fees received	\$21,115	\$0	Net 30 days	\$0	\$0
	IT costs incurred	\$1,584	\$0	Net 30 days	\$0	\$0
	Project contributions	\$545,000	\$0	Net 30 days	\$0	\$0
Hunter Councils Incorporated – local gov't owned association	Rent paid	\$12,000	\$0	Net 30 days	\$0	\$0
Lake Macquarie City Council	Subscriptions	\$20,000	\$4,400	Net 30 days	\$0	\$0
	Project Funding	\$4,000				
Newcastle City Council	Subscriptions	\$20,000	\$4,400	Net 30 days	\$0	\$0
	Project Funding	\$4,000				
Port Stephens Council	Subscriptions	\$20,000	\$4,400	Net 30 days	\$0	\$0
	Project Funding	\$4,000				

Mid Coast Council	Subscriptions Project Funding	\$20,000 \$4,000	\$4,400	Net 30 days	\$0	\$0
Upper Hunter Shire Council	Subscriptions Project Funding	\$20,000 \$3,000	\$3,300	Net 30 days	\$0	\$0
Singleton Council	Subscriptions Project Funding	\$20,000 \$3,300	\$0	Net 30 days	\$0	\$0
Dungog Shire Council	Subscriptions Project Funding	\$20,000 \$2,400	\$2,640	Net 30 days	\$0	\$0
Muswellbrook Shire Council	Subscriptions Project Funding	\$20,000 \$2,700	\$0	Net 30 days	\$0	\$0
Cessnock City Council	Subscriptions Project Funding	\$20,000 \$4,000	\$4,400	Net 30 days	\$0	\$0
Maitland City Council	Subscriptions Project Funding	\$20,000 \$4,000	\$0	Net 30 days	\$0	\$0

Note 13: Events occurring after reporting date

There have been no subsequent events post 30 June 2019.

Mr Joe James
Chief Executive Officer
Hunter Joint Organisation
PO Box 42
RAYMOND TERRACE NSW 2324

Contact: Furqan Yousuf
Phone no: 02 9275 7470
Our ref: D1920170/1859

3 September 2019

Dear Mr James

Engagement Closing Report
Audit for the period 9 May 2018 to 30 June 2019
Hunter Joint Organisation

We have audited the Hunter Joint Organisation's (the Joint Organisation) general purpose financial statements (GPFS).

Attached is the Engagement Closing Report, which details findings relevant to you in your role as one of those charged with governance. This report gives you and the Chairperson the opportunity to assess the audit findings, before the representation letter and the Statement by Members of the Board and Management, required for the GPFS under section 413(2)(c) of the *Local Government Act 1993* (the LG Act), are signed.

This report is not intended for publication or distribution to persons other than those described above.

If you need more information about the audit, please contact me on 02 9275 7470 or Mr Cameron Hume, Partner, RSM Australia Partners on 02 8226 4802.

Yours sincerely



Furqan Yousuf
Delegate of the Auditor-General of New South Wales

cc: Clr Bob Pynsent, Chairperson, Cessnock City Council

Engagement Closing Report

Audit for the period 9 May 2018 to 30 June 2019

Hunter Joint Organisation



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1. INTRODUCTION

We have audited the Hunter Joint Organisation’s (the Joint Organisation) general purpose financial statements (GPFS).

This report informs the Chief Executive Officer and Chairperson of audit findings relevant to their responsibilities and oversight of the Joint Organisation’s financial statements. We will inform you if significant new matters are found while finalising the audit.

An audit is designed to obtain reasonable assurance the financial statements are free from material misstatement. It is not designed to identify all matters of governance interest, nor is it conducted to express an opinion on the effectiveness of internal control. Matters of governance interest identified during the audit are included in this report.

2. AUDIT OVERVIEW

The table below provides an overview of findings identified during the audit of the Joint Organisation.

Impact assessment		
	High	Matters identified which had a high impact on the financial statements and/or audit.
	Moderate	Matters identified which had a moderate impact on the financial statements and/or audit.
	Low	No matters or matters identified which had a low impact on the financial statements and/or audit.

Section	Outcome	Reference
Audit outcome:		
GPFS	Unqualified opinion	 3.1
Response to key issues and audit risks	Matters partially addressed	 4.1
Misstatements	Misstatements noted	 4.2
Compliance with legislative requirements	No matters noted	 4.3

3. AUDIT OUTCOME AND REPORTS

3.1 Audit outcome

We are likely to express an unmodified opinion on the GPFS.

The Independent Auditor’s Report will be signed after the outstanding matters listed below are completed and the signed financial statements and management representation letter is received.

The following matters are outstanding at the date of this report:

- our review of the updated financial statements
- finalising our engagement quality review procedures.

Other Information’ section

The Joint Organisation’s Annual Performance Statement will include information in addition to the financial statements and Independent Auditor’s Report. For the purposes of our audit this is considered ‘other information’. Auditing Standards require us to consider whether the other information is materially consistent with the financial statements, is materially consistent with the knowledge we obtained during the audit, and otherwise appears not to be materially misstated. Where matters are identified, we are required to disclose them in the Independent Auditor’s Report.

At the date of signing the Independent Auditor’s Report, we expect to have received the Statement by Members of the Board and Management, pursuant to section 413(2)(c) of the LG Act, included in the Annual Performance Statement.

3.2 Report on the Conduct of the Audit

We will issue the Report on the Conduct of the Audit required by section 417(3) of the LG Act at the same time as the Independent Auditor’s Reports. The Report on the Conduct of the Audit will incorporate comments we consider appropriate, based on the audit of Joint Organisation’s financial statements.

3.3 Auditor-General’s Report to Parliament

The 2019 Auditor-General’s Report to Parliament will incorporate the results of the audit.

3.4 Management Letter

We issue Management Letter detailing matters of governance interest identified during the audit. Our current audit identified five issues.

A Management Letter will be sent to you during September 2019, which expands on matters summarised in this report.

4. AUDIT FINDINGS

4.1 Response to key issues and audit risks

The Annual Engagement Plan, sent on 8 August 2019, identified key issues affecting the Joint Organisation and how the audit team planned to respond to them. The results of the audit work are detailed below.

Issue or risk	Audit outcome
Financial sustainability	
As a newly established entity, the Joint Organisation has reported an annual expenditure of \$0.96 million and closing cash balance of \$0.27 million at 30 June 2019. Future cash inflows may fluctuate based on grant funding from the Office of Local Government and the NSW State Government.	We evaluated the Joint Organisation’s liquidity at 30 June 2019 and management’s assessment of the going concern principle. Based on discussions with management and review of financial information, we have concluded that the going concern principle is appropriate at 30 June 2019.

Issue or risk	Audit outcome
New Accounting Standards	
<p>OLG issued Circular 18-20 'Guidance to Joint Organisations on transitioning to the new Australian Accounting Standards' to provide guidance on the financial accounting options Joint Organisations must elect on transition to:</p> <ul style="list-style-type: none"> • AASB 9 'Financial Instruments' • AASB 15 'Revenue from Contracts with Customers' • AASB 16 'Leases' • AASB 1058 'Income of Not-for-Profit Entities'. <p>It is important the Joint Organisations assesses the impact of these new standards and is adequately prepared for the first-time adoption. This includes potential changes to systems, processes, policies and training of staff.</p>	<p>Due to the size and nature of its operations, the Joint Organisation has not formally assessed the financial impact from the implementation of the new accounting standards. Whilst management has considered the impact of the standards to be immaterial, we recommend the Joint Organisation to:</p> <ul style="list-style-type: none"> • perform a detailed assessment of the impact of the new standards on their financial statements, existing systems and processes • document the accounting treatment of leases and major income streams, quantifying the impact and highlighting significant management assumptions.

4.2 Misstatements

Auditing Standards require matters of governance interest and significant misstatements identified during the audit to be communicated to those charged with governance.

Misstatements (both monetary and disclosure deficiencies) are differences between what has been reported in the financial statements and what is required in accordance with the Joint Organisation's financial reporting framework. Misstatements can arise from error or fraud. Misstatements that resulted from failures in internal controls and / or systemic deficiencies will be reported in the Management Letter.

[Appendix One](#) lists and explains the nature and impact significant corrected misstatements and disclosure deficiencies contained in the GPFS.

Based on our evaluation, none of the misstatements reported are due to fraud.

4.3 Compliance with legislative requirements

The Annual Engagement Plan and Terms of Engagement explain that audit procedures are targeted specifically towards forming an opinion on the Joint Organisation's financial statements. This includes testing whether the Joint Organisation has complied with legislative requirements that may materially impact the financial statements.

Our audit procedures did not identify reportable findings on compliance with legislative requirements.

5. THE AUDIT PROCESS

5.1 Management co-operation

We appreciated the co-operation and help received from the Joint Organisation's staff, in particular Mr Graham Dean.

5.2 Next year's audit

We welcome your comments about the audit process.

APPENDIX ONE – GENERAL PURPOSE FINANCIAL STATEMENTS

Table one: Corrected monetary misstatements and disclosure deficiencies

Corrected monetary misstatements

Management corrected the following monetary misstatements in the current year's GPFS. We agree with management's determination and confirm this treatment complies with Australian Accounting Standards.

Description	Assets	Liabilities	Net result for the period	Other comprehensive income
Effect of correction	Increase/ (decrease)	(Increase)/ decrease	(Increase)/ decrease	(Increase)/ decrease
	\$	\$	\$	\$
Factual misstatements				
To recognise the contributions received as income on receipt	(65,365)	173,559	(108,194)	--
Subtotal	(65,365)	173,559	(108,194)	--
Total impact of corrected misstatements	(65,365)	173,559	(108,194)	--

Corrected disclosure deficiencies

Management corrected the following disclosure deficiencies in the current year's GPFS. We agree with management's determination and confirm this treatment complies with Australian Accounting Standards.

AASB reference	Disclosure title	Description of disclosure deficiency
AASB 124	Related party disclosure	<p>The related party disclosure in the draft financial statements did not include the transactions with member councils.</p> <p>As per the requirements of AASB 124 'Related Party Disclosures' the member councils are considered related parties for the Joint Organisation.</p> <p>The transactions with councils are appropriately disclosed in the revised financial statements.</p>

OUR VISION

Our insights inform and challenge government to improve outcomes for citizens.

OUR PURPOSE

To help parliament hold government accountable for its use of public resources.

Mr Joe James
Chief Executive Officer
Hunter Joint Organisation
PO Box 42
RAYMOND TERRACE NSW 2324

Contact: Furqan Yousuf
Phone no: 02 9275 7470
Our ref: D1920171/1859

5 September 2019

Dear Mr James

Management Letter on the Audit for the Year Ended 30 June 2019

We have completed our audit of the Hunter Joint Organisation's (JO) general purpose financial statements (GPFS) for the for the year ended 30 June 2019. This letter outlines:

- matters of governance interest we identified during the current audit
- unresolved matters identified during previous audits
- matters we are required to communicate under Australian Auditing Standards.

We planned and carried out our audit to obtain reasonable assurance the financial statements are free from material misstatement. Because our audit is not designed to identify all matters that may be of governance interest to you, there may be other matters that did not come to our attention.

The Management Letter may be sent to the Minister, if the Minister requests it.

For each matter in this letter, we have included our observations, risk assessment and recommendations. The risk assessment is based on our understanding of your business. Management should make its own assessment of the risks to the organisation.

We have kept management informed of the issues included in this letter as they have arisen. A formal draft of this letter was provided on 2 September 2019. This letter includes management's formal responses, the person responsible for addressing the matter and the date by which this should be actioned.

As soon as practicable, we recommend you:

- assign responsibility for implementing the recommendations
- develop an action plan, including a timetable, to implement the recommendations
- nominate an individual or establish a committee to monitor and report on progress.

The Auditor-General may include items listed in this letter in the Report to Parliament. We will send you a draft of this report and ask for your comments before it is tabled in Parliament.

If you would like to discuss any of the matters raised in this letter, please contact me on 02 9275 7470 or Mr Cameron Hume, Partner, RSM Australia Partners on 02 8226 4802.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Furqan Yousuf', with a stylized flourish at the end.

Furqan Yousuf
Delegate of the Auditor-General of New South Wales

cc: Cllr Bob Pynsent, Chairperson, Cessnock City Council

Final management letter

Audit for the year ended 30 June 2019

Hunter Joint Organisation



We have rated the risk of each issue as ‘Extreme’, ‘High’, ‘Moderate’ or ‘Low’ based on the likelihood of the risk occurring and the consequences if the risk does occur.

The risk assessment matrix used is consistent with the risk management framework in [TPP12-03](#) ‘Risk Management Toolkit for the NSW Public Sector’.

This framework may be used as better practice for Joint Organisations.

		CONSEQUENCE			
		Low	Medium	High	Very high
LIKELIHOOD	Almost certain	M	M	H	E
	Likely	L	M	H	H
	Possible	L	M	M	H
	Rare	L	L	M	M

The risk level is a combination of the consequences and likelihood. The position within the matrix corresponds to the risk levels below.

RISK LEVELS	MATRIX REFERENCE
 Extreme:	E
 High:	H
 Moderate:	M
 Low:	L

For each issue identified, we have used the consequence and likelihood tables from [TPP12-03](#) to guide our assessment.

Consequence levels and descriptors

Consequence level	Consequence level description
Very high	<ul style="list-style-type: none"> Affects the ability of your entire entity to achieve its objectives and may require third party intervention; Arises from a fundamental systemic failure of governance practices and/or internal controls across the entity; or May result in an inability for the auditor to issue an audit opinion or issue an unqualified audit opinion.
High	<ul style="list-style-type: none"> Affects the ability of your entire entity to achieve its objectives and requires significant coordinated management effort at the executive level; Arises from a widespread failure of governance practices and/or internal controls affecting most parts of the entity; or May result in an inability for the auditor to issue an unqualified audit opinion.
Medium	<ul style="list-style-type: none"> Affects the ability of a single business unit in your entity to achieve its objectives but requires management effort from areas outside the business unit; or Arises from ineffective governance practices and/or internal controls affecting several parts of the entity.
Low	<ul style="list-style-type: none"> Affects the ability of a single business unit in your entity to achieve its objectives and can be managed within normal management practices; or Arises from isolated ineffective governance practices and/or internal controls affecting a small part of the entity.

Likelihood levels and descriptors

Likelihood level	Frequency	Probability
Almost certain	The event is expected to occur in most circumstances, and frequently during the year	More than 99 per cent
Likely	The event will probably occur once during the year	More than 20 per cent and up to 99 per cent
Possible	The event might occur at some time in the next five years	More than 1 per cent and up to 20 per cent
Rare	The event could occur in exceptional circumstances	Less than 1 per cent

Summary of issues

Issue	Detail	Likelihood	Consequence	Risk assessment
1	Lack of segregation of duties	Almost certain	High	 High
2	Information Technology access controls	Possible	High	 Moderate
3	Non-compliance with procurement policy	Likely	Medium	 Moderate
4	Related party disclosure policy	Possible	Medium	 Moderate
5	Cost sharing arrangements	Possible	Low	 Low

Issue 1: Lack of segregation of duties

Likelihood	Consequence	Systemic issue	Category	Risk assessment
Almost certain	High	Yes	Operational	 High

Observation

Segregation of duties is a crucial aspect of internal control to prevent fraud and error. We noted that the Accountant has the responsibility and ability to initiate and approve journal entries without system-enforced segregation of duties between the journal initiator and approver.

We acknowledge that the relatively small size of the entity makes it difficult to maintain effective segregation of duties consistently over the course of the financial-year.

Implications

Lack of system-enforced segregation of duties on journal processing may increase the risk of unauthorised transactions resulting in misstatements in the financial statements.

Recommendation

Management should consider the need for compensating detective controls which may include an independent review of high-risk and randomly selected transactions.

Management response

Agree

As stated above, segregation of duties is difficult in such a small entity.

To address this issue, the accountant (who has sole access to the accounting software package, MYOB) will produce a monthly report of ALL transactions for that month which will then be reviewed by the CEO.

The CEO will, in turn, seek clarification on a sample of entries. Additionally, the CEO will report to the Board at each meeting on the status of this procedure.

Person responsible:	Date (to be) actioned:
Accountant / CEO	Immediately

Issue 2: Information Technology access controls

Likelihood	Consequence	Systemic issue	Category	Risk assessment
Possible	High	Yes	Operational	 Moderate

Observation

Deficiencies in Information Technology (IT) user access controls within the finance system include lack of review of audit logs of privileged access activities.

Users with privileged access have a wide level of access to system data, files and accounts, including the ability to change key system configurations. These may also be referred to as 'super users' or 'administrator access'.

Implications

Lack of review of audit logs of privileged user access increases the risk of inappropriate activities or unauthorised transactions occurring which may remain undetected.

Recommendation

Management should, as a priority, strengthen the access controls over IT privileged users. The controls should at a minimum include:

- recording and monitoring of logs for all accesses
- removing the ability to delete the audit logs by the privileged users
- evidencing reviews of all privileged users' access audit logs by an independent officer.

Management response

Agree

The CEO is to have his "privileged access" ability revoked.

The Accountant, who will then be the sole user with "privileged access", will investigate what reports are available from MYOB detailing masterfile / configuration changes. When available, this report will be provided to the CEO for review and authorization on a regular basis.

It is intended to limit "super user" rights to alter the above logs.

The CEO will report to the Board on a regular basis on this issue.

Person responsible:

Date (to be) actioned:

Accountant / CEO

Immediately

Issue 3: Non-compliance with procurement policy

Likelihood	Consequence	Systemic issue	Category	Risk assessment
Likely	Medium	Yes	Operational	 Moderate

Observation

We tested the operating effectiveness of controls in the procurement process for a sample of purchases and identified the following:

- the JO does not use purchase order requisition forms
- lack of appropriate controls to ensure the required number of quotes have been obtained in compliance with the JO's procurement policy.

Implications

Failing to complete the purchase order requisition form reduces transparency and probity of the procurement decision. The issue concerning quotations can create an opportunity for inappropriate or fraudulent procurement and will result in non-compliance with the JO's procurement policy and NSW Local Government tendering guidelines.

Recommendation

Management should, as a priority:

- consider using purchase order requisition form
- remind staff of the JO's policy on obtaining the correct number of quotations.

Management response

Agree, with reservations.

Procurement is currently undertaken in accordance with the policy in place for Strategic Services Australia Limited – which includes the obtaining of quotes and purchase order forms for capital items. Non-capital items are purchased within the approved operational budget, with individual items purchased on a price competitive basis, or specific needs basis (e.g. specialist consulting services).

The SSA policy will be reviewed to conform with the statutory requirements of the Joint Organisation and presented to the Board for ratification

Person responsible:	Date (to be) actioned:
CEO	By 31 Jan 2020

Issue 4: Related party disclosure policy

Likelihood	Consequence	Systemic issue	Category	Risk assessment
Possible	Medium	No	Reporting	 Moderate

Observation

The JO does not have a formally endorsed related party disclosure policy in place to assist with identifying and recording of related party transactions.

A related party disclosure policy is important as it provides guidance to management in identifying key management personnel (KMP) and the JO to comply with the disclosure requirements of AASB 124 'Related Party Disclosures'.

Implications

In the absence of a documented policy, there is a risk that JO is not consistent with the principles that it applies to determine whether a related party transaction is material for disclosure in its financial statements. This could result in non-compliance with the AASB 124 'Related Party Disclosures'.

Recommendation

We recommend that management should formalise a related party disclosure policy to ensure compliance with the requirements of AASB 124 'Related Party Disclosures'.

Management response

Agree

A policy will be developed and presented to the Board for adoption.

Person responsible:

CEO

Date (to be) actioned:

By 31 Jan 2020

Issue 5: Cost sharing arrangements

Likelihood	Consequence	Systemic issue	Category	Risk assessment
Possible	Low	No	Operational / Reporting	Low

Observation

There is no formal cost sharing and service level agreement between the JO and Strategic Services Australia Pty Ltd (SSA).

During our testing of JO's employee benefit expenses for 2018–19, we noted the following:

- employment expenses for the Chief Executive are shared between the JO (80 per cent) and SSA (20 per cent). The net charge to the JO for the period was \$105,840. The JO was charged \$126,955 during the period SSA's CEO acted as the interim CEO of the JO and received income of \$21,115 from SSA post the appointment of the JO's CEO.
- \$60,624 of Administration overhead charges are allocated to the JO.

A formal agreement ensures the roles and responsibilities of all staff are clearly defined for each entity. It also establishes clear expectations and performance standards that should be met by all parties.

Implications

Without a formal agreement there is a risk of gaps in service delivery and lack of accountability. There is a risk that JO may incur costs for services that are not received.

Recommendation

The JO should formalise a cost sharing agreement with SSA that appropriately reflects the levels of services received by each entity.

Management response

Agree

A document will be developed outlining the cost-sharing arrangements between the Joint Organisation and Strategic Services Australia. This will be presented to the Board for ratification on an annual basis.

Person responsible:

Accountant / CEO

Date (to be) actioned:

By 31 Jan 2020

Furqan Yousuf

Delegate of The Auditor General of NSW
Audit Office of New South Wales
GPO Box 12
SYDNEY NSW 2001

12 September 2019

Representation Letter Hunter Joint Organisation

We provide this Representation Letter in connection with your audit of the financial statements of Hunter Joint Organisation (the Joint Organisation) for the period from 8 May 2018 to 30 June 2019, so you can express an opinion on whether the financial statements give a true and fair view in accordance with:

- the *Local Government Act 1993* (the LG Act)
- the Australian Accounting Standards
- the Joint Organisations Supplement to the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (the Code).

We acknowledge our responsibility for keeping proper accounts and records, and preparing the financial statements. We approved the financial statements on 22 August 2019 and confirm they are free of material misstatements, including omissions.

We confirm, to the best of our knowledge and belief, having made the enquiries we considered necessary to appropriately inform ourselves, the following representations made to you during your audit.

GENERAL

We believe, in all material respects, the financial statements present a view that is consistent with our understanding of the Joint Organisation's financial position as at 30 June 2019, and its financial performance for the period from the 8 May 2018 to 30 June 2019.

We have fulfilled our responsibilities, as set out in the Annual Engagement Plan dated 8 August 2019 and the [Terms of Engagement](#), for preparing the financial statements in accordance with Australian Accounting Standards, the LG Act, and the Code.

We confirm the financial statements are fairly presented in accordance with these requirements.

We confirm there has been no deficiencies in financial reporting practices and changes to accounting policies, including voluntary changes not arising from the initial adoption of an Accounting Standard or an Office of Local Government (OLG) / the Department of Planning, Industry and Environment (the Department) mandate, are properly disclosed in the financial statements.

ACCOUNTING RECORDS AND TRANSACTIONS

We have given you:

- all financial records and related data, other information, explanations and help necessary to conduct the audit
- minutes of all meetings (e.g. Board, Audit, Risk and Improvement Committee or other management meetings)
- all legal issues and legal opinions that may be relevant to the financial statements
- information about all deficiencies in internal control of which we are aware
- additional information you have requested from us for the audit
- unrestricted access to all people in the Joint Organisation from whom you determined it necessary to obtain audit evidence from.

All transactions have been recorded in the accounting records and are reflected in the financial statements, including all 'off-balance sheet' agreements or instruments.

COMPLIANCE WITH LEGISLATION AND OTHER REQUIREMENTS

We have no knowledge of any breaches or possible breaches of laws and regulations, contracts, agreements or licensing conditions, the effects of which should be considered when preparing the financial statements.

With respect to our operations during the year, we have complied with all:

- cabinet and other government directives [including Ministerial orders issued under the LG Act]
- OLG and Department guidelines, circulars and financial reporting requirements
- contractual agreements where non-compliance could materially affect the financial statements
- directions, regulation and requirements imposed by relevant regulatory bodies.

There has been no communication to / from regulatory authorities or OLG / the Department concerning:

- breaches of or non-compliance with laws, regulations, licensing conditions or other requirements
- deficiencies in financial reporting practices that could have a material effect on the financial statements.

We have notified you of:

- the existence of all entities approved by the Minister under Section 358 of the LG Act
- all transactions or arrangements capable of being regarded as 'private sector funded infrastructure', or outsourcings of significant areas of activity
- all Ministerial orders issued under the LG Act.

All operations and activities undertaken are specifically allowed by the LG Act and the Joint Organisation's enabling proclamation.

INTERNAL CONTROLS

We have established and maintained adequate internal control to ensure we:

- prepare reliable financial statements
- maintain adequate financial records
- apply appropriate accounting policies
- record all material transactions in accounting records underlying the financial statements

- minimise the risk of fraud and errors
- detect fraud and errors should they occur
- minimise the risk of significant breaches of legislation and other mandatory requirements and detect breaches if they occur.

We have no known deficiencies in internal controls.

FRAUD AND ERROR

We acknowledge our responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud and error.

We have disclosed to you our assessment of the risk the financial statements may be materially misstated because of fraud.

We have no knowledge of any fraud or suspected fraud affecting the Joint Organisation involving:

- management
- employees who have significant roles in internal control
- others where the fraud could materially affect the financial statements.

We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Joint Organisation's financial statements communicated to us by employees, former employees, analysts, regulators or others.

Fraud includes misstatements resulting from fraudulent financial reporting and misstatements resulting from the misappropriation of assets.

FINANCIAL STATEMENTS

Classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying values or classification of assets or liabilities.

Impairment of receivables

The impairment of receivables is sufficient to cover the expected credit losses from possible default events. We have written off all bad debts where we have no reasonable prospects of recovering further cashflows.

Inventories

The Joint Organisation has no obsolete or excess inventory. Inventory is stated at an amount that does not exceed the lower of cost or net realisable value.

We have no plans to abandon product lines or other plans or intentions that will result in excess or obsolete inventory.

Other current assets

We expect to realise all other current assets for at least the amounts they are stated at in the financial statements.

Non-current assets

The Joint Organisation has satisfactory title of all assets. There are no liens or encumbrances on assets, nor has any asset been pledged as collateral.

We depreciate physical assets and amortise intangibles on a systematic basis over their useful lives. Useful lives are adjusted for all material items of infrastructure, property, plant and equipment and intangibles such as software, that are or are becoming technically, functionally or commercially obsolete, or have been abandoned or are otherwise unusable.

Depreciation and amortisation rates have been reviewed against estimated asset usage and useful lives. Any adjustment to reflect the most recent assessment of the useful lives has been recognised and disclosed in the financial statements. We have provided you with the basis of all relevant assumptions in depreciation models.

The carrying amount of each physical non-current asset does not materially differ from its fair value at the end of the reporting period. Significant fair value assumptions, including those with high estimation uncertainty, are reasonable.

We have considered the requirements of AASB 136 'Impairment of Assets', when conducting our annual assessment of the impairment of assets, including intangibles and cash generating units (CGUs). We have ensured no asset or the CGU's carrying amount exceeds its recoverable amount. We have communicated to you all indicators of impairment and where these exist we have conducted an appropriate impairment assessment of the relevant asset or CGU.

Liabilities

We have recognised all liabilities including those arising under derivative financial instruments in the financial statements.

Provisions, contingent assets and contingent liabilities

We have properly recorded and / or disclosed in the financial statements:

- arrangements involving restrictions on cash balances, compensating balances and line-of-credit or similar arrangements
- agreements or options to repurchase assets previously sold
- material or contingent liabilities or assets including those arising under derivative financial instruments.

Post-employment benefits

All post-employment benefits have been identified and properly accounted for and all events impacting the post-employment benefit plans have been brought to the actuary's attention.

Commitments

We have properly recorded and / or disclosed losses arising from the fulfilment of, or inability to fulfil any sale, purchase or lease commitment in the financial statements.

We have disclosed all material commitments for leases, plant and equipment, and purchases of other non-current assets, such as investments or intangibles, in the financial statements.

Related Party Transactions

We have appropriately accounted for and disclosed related party relationships and transactions, in accordance with the requirements of Australian Accounting Standards and confirm that:

- material related party transactions and their related balances, including receivables, payables, sales, purchases, loans, transfers, leases, commitments, indemnities and guarantees (written or oral) have been properly recorded and disclosed in the financial statements
- we have identified Joint Organisation's KMP and, where appropriate, disclosed all compensation paid or payable (including non-monetary compensation) to them for the period.

We have disclosed to you the identity of Joint Organisation's related parties, [and its controlled and / or related entities] as defined in AASB 124 'Related Party Disclosures'. These include the Joint Organisation's key management personnel (KMP) and their related parties, including their close family members and their controlled and jointly controlled entities.

We have disclosed to you the relationships, transactions and balances between KMPs and their related parties and the Joint Organisation of which we are aware that may be either qualitatively or quantitatively material.

We have made available to you details and records of:

- agreements or transactions between KMP and their related parties and the Joint Organisation [and its controlled and / or related entities]
- equity interests or directorships held by KMP and their related parties in other entities, which are party to any agreements or transactions with the Joint Organisation [and its controlled entities and / or related entities]
- external accounting or legal advice received on these agreements, transactions or interests.

Environmental issues

We have considered whether environmental matters could materially impact the financial statements and conclude we are not aware of:

- any material liabilities or contingencies arising from environmental matters, including those resulting from illegal or possibly illegal acts
- environmental matters that may result in material impairment of assets.

Where we are aware of matters referred to in the points above, we have disclosed all related facts to you.

Uncorrected accounting misstatements

There were no monetary misstatements or disclosure deficiencies identified during the audit of the financial statements.

Insurance

We have established procedures to assess the adequacy of insurance cover on all assets and insurable risks. We believe, where appropriate, assets and insurable risks are adequately covered by insurance.

Litigation and claims

We confirm all known actual or possible litigation and claims that should be considered when preparing the financial statements have been disclosed to you. The effects of these events have been accounted for and disclosed in accordance with the applicable financial reporting framework.

We have provided to you all information regarding material outstanding legal matters.

Accounting estimates

We confirm the significant assumptions used in making accounting estimates are reasonable and have been disclosed in the financial statements.

We confirm the measurement processes, including related assumptions, used by management to determine accounting estimates in the context of the applicable financial reporting framework are appropriate and have been consistently applied.

We confirm the disclosures related to accounting estimates are complete and appropriate.

Fair value measurements and disclosures

Where assets and liabilities are recorded at fair value, the value attributed to these assets and liabilities is, in the opinion of the [*relevant governing body*], the fair value.

We confirm the significant assumptions used in fair value measurements and disclosures are reasonable and appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Joint Organisation.

We confirm the measurement methods, including related assumptions, used by management in determining fair values within the applicable financial reporting framework are appropriate and have been consistently applied. We have considered:

- possible credit value adjustments and debit value adjustments for the credit risk of counterparties
- non-performance risk including, but not limited to the Joint Organisation's own credit risk
- the impact of embedded derivatives.

We confirm the fair value disclosures in the financial statements are complete and appropriate.

Going concern

We confirm the going concern basis [is / is not] appropriate for the financial statements.

We have given you our plans for future action, including our assessment of the feasibility of these plans.

After balance date events

No events have occurred between the end of the reporting period and the date of this letter that require adjustment to, or disclosure in, the financial statements.

Electronic presentation of the audited financial statements and audit report

With respect to publication of the financial statements on our website, we:

- acknowledge we are responsible for the electronic presentation of the financial statements on our website
- will ensure the electronic version of the audited financial statements and the Independent Auditor's Report on our website are identical to the final signed hard copy of the audited financial statements and the Independent Auditor's Report
- will clearly differentiate between audited and unaudited information in the construction of our website as we understand the risk of potential misrepresentation between unaudited and audited information in the absence of appropriate controls
- have assessed the controls over the security and integrity of the data on our website and adequate procedures are in place to ensure the integrity of the published information
- will ensure that where the Independent Auditor's Report is published on our website, the related financial statements are also published in full.

OTHER

Other Information included in the Joint Organisation's Annual Performance Statement

We have informed you of all documents we expect to issue that may comprise 'other information' (financial and non-financial, excluding the financial statements and auditor's report) in our Annual Performance Statement.

We have provided you with the other information included in our Annual Performance Statement. We confirm it is consistent with the financial statements and does not contain any material misstatements.

Other information

We understand your examination was made in accordance with Australian Auditing Standards and was, therefore, designed primarily for the purpose of expressing an opinion on the financial statements of the entity taken as a whole, and your tests of the financial records and other auditing procedures were limited to those you considered necessary for that purpose.

Joe James
CEO

Graham Dean
Manager, Finance & Administration