

New England Joint Organisation

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2021

'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 year ended 30 June 2021

Contents	Page
Understanding the Joint Organisation's Financial Statements	3
Statement by Members of the Board and Management	4
Primary Financial Statements:	
Statement of Income and Accumulated Surplus	5
Statement of Financial Position	6
Statement of Cash Flows	7
Notes to the Financial Statements	8
Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	22

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

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

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 year ended 30 June 2021

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 year ended 30 June 2021.

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 – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 entities 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 Statement of Income and Accumulated Surplus

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 year ended 30 June 2021

Statement by Members of the Board and Management

Statement by Members of the Board and Management 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 – Simplified Disclosures 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 statements:

- present fairly the JO's operating result and financial position for the period
- accord with JO'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 30 August 2021.



Cr Michael Pearce
Chairperson
30 August 2021



Cr Paul Harmon
Voting Representative Board Member
30 August 2021



Melissa McLeod
Executive Officer
30 August 2021

New England Joint Organisation

Statement of Income and Accumulated Surplus

for the year ended 30 June 2021

	Notes	2021 \$ '000	2020 \$ '000
Income			
Member Council contributions	B1-1	149	49
Grants and contributions provided for operating purposes	B1-2	75	241
Interest and investment income	B1-3	–	3
Total income		224	293
Expenses			
Employee benefits and on-costs	B2-1	39	65
Administrative expenses	B2-2	104	182
Total expenses		143	247
Operating result		81	46
Net operating result for the year		81	46
Accumulated surplus at 1 July		78	273
Restatement of accumulated surplus for changes in accounting policy		–	(241)
Restatement of accumulated surplus for corrections in prior period errors		–	–
Accumulated surplus as at 30 June		159	78

The above Statement of Income and Accumulated Surplus should be read in conjunction with the accompanying notes

New England Joint Organisation

Statement of Financial Position

as at 30 June 2021

	Notes	2021 \$ '000	2020 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	553	231
Receivables	C1-3	–	12
Total current assets		553	243
Total assets		553	243
LIABILITIES			
Current liabilities			
Payables	C2-1	14	12
Contract liabilities	C2-2	379	150
Employee benefit provisions	C2-3	1	3
Total current liabilities		394	165
Total liabilities		394	165
Net assets		159	78
EQUITY			
Accumulated surplus		159	78
Council equity interest		159	78
Total equity		159	78

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

New England Joint Organisation

Statement of Cash Flows

for the year ended 30 June 2021

	2021	2020
	\$ '000	\$ '000
	Notes	
Cash flows from operating activities		
Receipts:		
Member council contributions	164	54
Investment and interest revenue received	1	2
Grants	319	150
Other	11	4
Payments:		
Employee benefits and on-costs	(43)	(59)
Administrative expenses	(122)	(197)
Other	(8)	–
Net cash flows from operating activities	322	(46)
Net change in cash and cash equivalents	322	(46)
Cash and cash equivalents at beginning of year	231	277
Cash transferred from former entities	–	–
Cash and cash equivalents at end of year	553	231

C1-1

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

New England Joint Organisation

Contents for the notes to the Financial Statements for the year ended 30 June 2021

A About the Joint organisation and these financial statements	9
A1-1 Basis of preparation	9
B Financial Performance	10
B1 Sources of income	10
B1-1 Member Council contributions	10
B1-2 Grants	11
B1-3 Interest and investment income	13
B2 Costs of providing services	14
B2-1 Employee benefits and on-costs	14
B2-2 Administrative expenses	14
C Financial position	15
C1 Assets we manage	15
C1-1 Cash and cash equivalents	15
C1-2 Restricted cash, cash equivalents and investments	15
C1-3 Receivables	16
C2 Liabilities of the joint organisation	17
C2-1 Payables	17
C2-2 Contract Liabilities	17
C2-3 Employee benefit provisions	18
D Risks and accounting uncertainties	19
D1-1 Financial risk management	19
D2-1 Contingencies	19
E People and relationships	20
E1 Related party disclosures	20
E1 Key management personnel (KMP)	20
E2 Other relationships	21
E2-1 Audit fees	21
F Other matters	21
F1-1 Events occurring after the reporting date	21

A About the Joint organisation and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by the Board of the Joint Organisation on 30 August 2021. 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 – Simplified Disclosures, the *Local Government Act 1993* (NSW) and Regulations, and the Joint Organisation Code of Accounting Practice and Financial Reporting. NEJO is a not for-profit entity. The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

COVID-19 Impacts

COVID-19 has had no impact on the operations of New England Joint Organisation. There has been no financial impacts to date, and it is anticipated COVID-19 will have no financial impacts in future years.

New and amended standards adopted by JO

The JO has early adopted AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*, the adoption of this standard has not affected the reported financial position or performance of the JO, however certain disclosures have been added, amended or omitted.

Historical cost convention

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

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.

B Financial Performance

B1 Sources of income

B1-1 Member Council contributions

	2021 \$ '000	2020 \$ '000
Armidale Regional Council	31	7
Glen Innes Severn Council	17	8
Inverell Shire Council	20	5
Moree Plains Council	17	5
Narrabri Shire Council	20	8
Tenterfield Shire Council	16	8
Uralla Shire Council	16	8
Gwydir Shire Council	12	–
TOTAL MEMBER COUNCIL CONTRIBUTIONS	149	49

Accounting policy

Contributions by member councils are recognised as revenue at the point in time 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:

- Member contributions are paid by all member councils on the basis of a flat fee, plus a per capita fee, plus an increase in accordance with the annual rate peg amount 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.

B1-2 Grants

	Timing	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
Office of Local Government (OLG) Joint Organisation Establishment Funding	1	–	241	–	–
Office of Local Government (OLG) Joint Organisation Capacity Building Grant	1	75	–	–	–
Total grants		75	241	–	–
Comprising:					
– Commonwealth funding		–	–	–	–
– State funding		75	241	–	–
– Other funding		–	–	–	–
		75	241	–	–
Timing of revenue recognition for grants					
Grants recognised over time (1)		75	241	–	–
Grants recognised at a point in time (2)		–	–	–	–
Total grants		75	241	–	–

The timing column notation (above) identifies the revenue recognition pattern for material items of Council's revenue:

- (1) indicates income recognised under AASB 15 or AASB 1058 “over time”,
(2) indicates income recognised under AASB 15 or AASB 1058 “at a point in time”.

Accounting policy

Grants – enforceable agreement with sufficiently specific performance obligations

Grant revenue arising from an agreement which is enforceable and contains sufficiently specific performance obligations is recognised as or when control of each performance obligations is transferred.

The performance obligations vary according to the agreement but include completion of contract milestones and reporting. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Performance obligations may be satisfied either at a point in time or over time and this is reflected in the revenue recognition pattern. Point in time recognition occurs when the beneficiary obtains control of the goods / services at a single time (e.g. completion of the project when a report / outcome is provided), whereas over time recognition is where the control of the services is ongoing throughout the project (e.g. provision of community health services through the year).

Where control is transferred over time, generally the input methods or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

Capital grants

Capital grants received under an enforceable contract for the acquisition or construction of infrastructure, property, plant and equipment to identified specifications which will be under JO's control on completion are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project.

For acquisitions of assets, the revenue is recognised when the asset is acquired and controlled by the JO.

Other grants

Assets (e.g. cash) received from other grants are recognised at fair value when the asset is received. The JO considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

B1-2 Grants (continued)

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

B1-3 Interest and investment income

	2021 \$ '000	2020 \$ '000
Interest on financial assets measured at amortised cost		
– Cash and investments	–	3
Total interest and investment income (losses)	–	3

Accounting policy

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

B2 Costs of providing services

B2-1 Employee benefits and on-costs

	2021 \$ '000	2020 \$ '000
Salaries and wages	33	49
Travel Allowance expenses	1	7
Employee leave entitlements (ELE)	1	3
Superannuation	3	5
Workers' compensation insurance	1	1
Total employee costs	39	65
Total employee costs expensed	39	65

Accounting policy

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

B2-2 Administrative expenses

	Notes	2021 \$ '000	2020 \$ '000
Contractor and consultancy costs– Administration Support		–	78
Contractor and consultancy costs– Road Survey consulting		–	72
Tourism Promotional Campaign Expenses		75	–
Audit Fees	E2-1	6	6
IT expenses		1	2
Accounting Fees		5	5
Advertising		1	–
Subscriptions		15	15
Training		–	2
Travel		–	2
Email Hosting		1	–
Total administrative expenses		104	182
Total administrative expenses		104	182

Accounting policy

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

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2021 \$ '000	2020 \$ '000
Cash and cash equivalents		
Cash on hand and at bank	553	31
Cash-equivalent assets		
– Short-term deposits	–	200
Total cash and cash equivalents	553	231

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	553	231
Balance as per the Statement of Cash Flows	553	231

Accounting policy

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; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

C1-2 Restricted cash, cash equivalents and investments

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Total cash, cash equivalents and investments	553	–	231	–
attributable to:				
External restrictions (refer below)	379	–	150	–
Internal restrictions (refer below)	–	–	–	–
Unrestricted	174	–	81	–
	553	–	231	–

	2021 \$ '000	2020 \$ '000

Details of restrictions

External restrictions – included in liabilities

OLG Capacity Building Grant	75	150
OLG Capacity Building Grant Stage 2	150	–
Bushfire Community Recovery and Resilience Fund	154	–
External restrictions – included in liabilities	379	150

External restrictions – other

External restrictions included in cash, cash equivalents and investments above comprise:

Council has internally restricted cash, cash equivalents and investments as follows:

Total restrictions	379	150
---------------------------	------------	------------

Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.

C1-3 Receivables

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Purpose				
Accrued revenues				
– Interest on investments	–	–	1	–
Net GST receivable	–	–	11	–
Total	–	–	12	–
Total net receivables	–	–	12	–

Accounting policy

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

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.

C2 Liabilities of the joint organisation

C2-1 Payables

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Payables				
Trade payables – operating expenditure	3	–	9	–
Accrued expenses:				
ATO – net GST payable	10	–	–	–
– Salaries and wages - PAYG	1	–	3	–
Superannuation Payable	–	–	–	–
Total payables	14	–	12	–
Total payables	14	–	12	–

Accounting policy

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.

Payables

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

C2-2 Contract Liabilities

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Notes				
Grants and contributions received in advance:				
Unexpended operating grants (received prior to performance obligation being satisfied) (i)	154	–	–	–
Unexpended operating contributions (received prior to performance obligation being satisfied) (i)	225	–	150	–
Total grants received in advance	379	–	150	–
Total contract liabilities	379	–	150	–

Notes

(i) The contract liabilities relates to grants and contributions received prior to revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

Accounting policy

When an amount of consideration is received from a customer / fund provider prior to JO transferring a good or service to the customer, JO presents the funds which exceed revenue recognised as a contract liability.

C2-3 Employee benefit provisions

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Annual leave	1	–	1	–
Long service leave	–	–	2	–
Total employee benefit provisions	1	–	3	–

Description of and movements in provisions

	ELE provisions		
	Annual leave \$ '000	Long service leave \$ '000	Total \$ '000
2021			
At beginning of year	1	2	3
Other	–	(2)	(2)
Total ELE provisions at end of year	1	–	1
2020			
Other	1	2	3
Total ELE provisions at end of year	1	2	3

Accounting policy

Short-term obligations

Liabilities for wages and salaries (including non-monetary benefits, annual leave and accumulating sick 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.

D Risks and accounting uncertainties

D1-1 Financial risk management

JO's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

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

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

D2-1 Contingencies

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 the JO's financial report.

LIABILITIES NOT RECOGNISED

1. Guarantees

(ii) 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 year may result in future liabilities or benefits as a result of past events that JO will be required to fund or share in respectively.

(iii) 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.

(iv) 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.

E People and relationships

E1 Related party disclosures

E1 Key management personnel (KMP)

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

The aggregate amount of KMP compensation included in employee expenses is:

	2021 \$ '000	2020 \$ '000
Compensation:		
Short-term benefits	34	56
Post-employment benefits	3	5
Other long-term benefits	–	–
Termination benefits	–	–
Total	37	61

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	Ref	Transactions during the year \$ '000	Outstanding balances including commitments \$ '000	Terms and conditions	Impairment provision on outstanding balances \$ '000	Impairment expense \$ '000
2021						
Administrative Support	2	–	–	12 Months	–	–
2020						
Administrative Support	2	78	–	12 Months	–	–

2. The JO entered into an arrangement for Administrative Support with Inverell Shire Council, an entity that has members of the NEJO's KMPs as a Councillor. This included the provision of Administration Support, Information Technology and Finance Services. The amount was billed in arrears at the end of the financial year.

E2 Other relationships

E2-1 Audit fees

	2021 \$ '000	2020 \$ '000
During the year, the following fees were incurred 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	6
Remuneration for audit and other assurance services	6	6
Total Auditor-General remuneration	6	6
Total audit fees	6	6

F Other matters

F1-1 Events occurring after the reporting date

No other matters have arisen subsequent to balance date that would require these financial statements to be amended.



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 New England Joint Organisation (the Joint Organisation), which comprise the Statement by Members of the Board and Management, the Statement of Income and Accumulated Surplus for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, and Statement of Cash Flows for the year ended 30 June 2021 and notes comprising a summary of significant accounting policies and other explanatory information.

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 prepared, 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 2021, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards–Simplified Disclosures
- 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 (including Independence Standards)' (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.

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–Simplified Disclosures and the *Local Government Act 1993*, and for such internal control as the Board determines 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.

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.

The scope of my audit does not include, nor 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.



Chris Harper
Director, Financial Audit

Delegate of the Auditor General for New South Wales

20 October 2021
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: D2118485/1863

20 October 2021

Dear Chairperson

Report on the Conduct of the Audit for the year ended 30 June 2021 New England Joint Organisation

I have audited the general purpose financial statements (GPFS) of the New England Joint Organisation (the Joint Organisation) for the year ended 30 June 2021 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 year ended 30 June 2021 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 year ended 30 June 2021 was \$81,000.

The Joint Organisation's primary source of income during the year was member council contributions of \$149,000 which contributed 67 per cent of the Joint Organisation's income from continuing operations of \$224,000. The Joint Organisation also recognised \$75,000 of grants for operating purposes relating to capacity building.

The Joint Organisation's total operating expenses from continuing operations for the year ended 30 June 2021 was \$143,000 which primarily consisted of employee benefits and on-costs of \$39,000 and administrative expenses of \$104,000.

Financial position

At 30 June 2021, the Joint Organisation had total assets of \$553,000 comprising entirely of cash at bank and net assets of \$159,000.

OTHER MATTERS

Impact of new accounting standards

AASB 1060 'General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2'

The Joint Organisation adopted the new accounting standard AASB 1060 'General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2' in its 2020–21 financial statements.

AASB 1060 sets out a new, separate disclosure Standard to be applied by all entities that are reporting under Tier 2 of the Differential Reporting Framework in AASB 1053 'Application of Tiers of Australian Accounting Standards'. AASB 1060 has been developed based on a new methodology and principles to determine the Tier 2 disclosures that are necessary for meeting user needs.

AASB 1060 reduces the reporting requirements of entities using the current Tier 2 reporting requirements for preparing general purpose financial statements.

The adoption of AASB 1060 has not affected the reported financial position or performance of the Joint Organisation, however certain disclosures have been added, amended or omitted.

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

Delegate of the Auditor-General for New South Wales

cc: Ms Melissa McLeod, Executive Officer
Mr Paul Cornall, Forsyths
Ms Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment