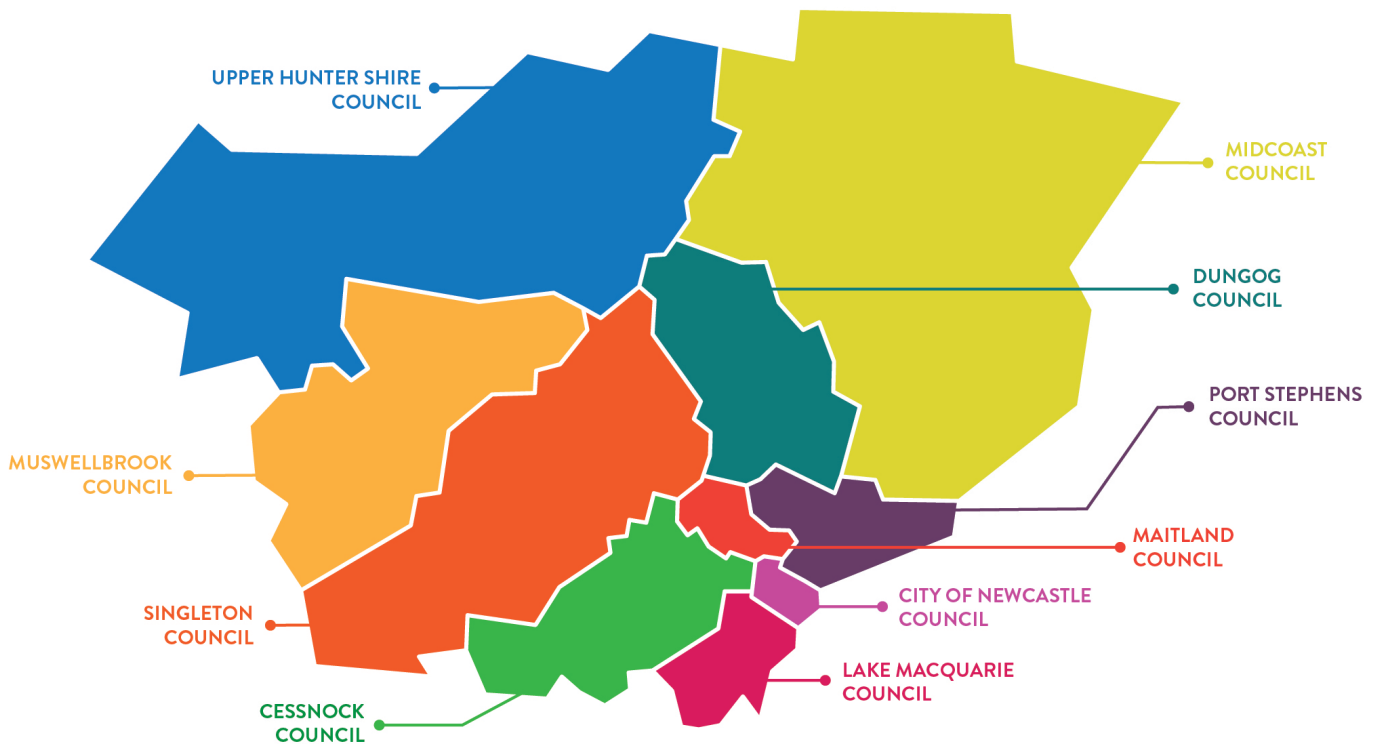




4 Sandringham Avenue, PO Box 3137,  
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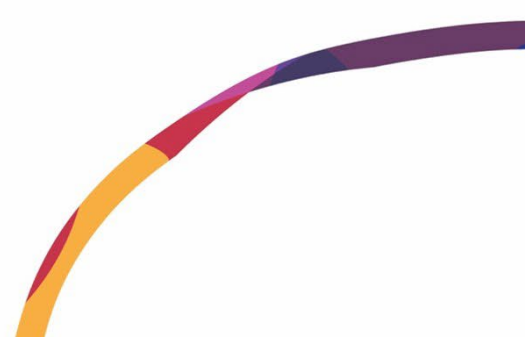
## Hunter Joint Organisation Board Annual General Meeting

11:30am, Thursday 29 June 2023



**Microsoft Teams Link:**

[Click here to join the meeting](#)



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## 1. Welcome and Apologies

### 1.1 Acknowledgement of Country

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*The Hunter Joint Organisation acknowledges the country and history of the traditional custodians of the lands upon which we meet today. We pay our respects to the Elders past, present and emerging, of our region, and of Australia.*

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

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### **Hunter Joint Organisation AGM Meeting Minutes**

**Wednesday 1 December 2021**

**Hunter JO Boardroom, 4 Sandringham Avenue, Thornton NSW (Video Conference)**

#### **Voting Directors Present**

Cr Bob Pynsent,	Cessnock City Council
Cr Sue Moore,	Singleton Shire Council
Cr Kay Fraser,	Lake Macquarie City Council
Cr David West,	MidCoast Council
Cr Ryan Palmer,	Port Stephens Council
Cr Rod Scholes,	Muswellbrook Shire Council

#### **Non-Voting Members Present**

Greg McDonald,	General Manager, Upper Hunter Shire Council
Gareth Curtis,	General Manager, Dungog Shire Council
Jeremy Bath,	CEO, Newcastle City Council
David Evans,	General Manager, Maitland City Council
Morven Cameron,	CEO, Lake Macquarie City Council
Lotta Jackson	General Manager, Cessnock City Council
Adrian Panuccio,	General Manager, MidCoast Council
Wayne Wallis,	General Manager, Port Stephens Council
Fiona Plesman,	General Manager, Muswellbrook Shire Council
Alison McGaffin	Director, Hunter & Central Coast, Regional NSW (DPIE)

#### **Apologies**

Cr Loretta Baker,	Maitland City Council
Cr Nuatali Nelmes,	Newcastle City Council
Cr John Connors,	Dungog Shire Council
Cr Maurice Collison,	Upper Hunter Shire Council
Jason Linnane,	General Manager, Singleton Council

#### **Staff in attendance**

Joe James, CEO

Lisa Lord, Head of Finance

Steve Wilson, Director, Regional Policy & Programs

Louisa Bulley, Executive Officer (Secretariat)

**Also in Attendance**

Cameron Hume, RSM Australia Partners

[Meeting opened at 1:03pm]

**Item 1 Welcomes and Apologies**

**1.1 Acknowledgment of Country**

*The Chair welcomed the Directors to the meeting, and noted the apologies.*

***Resolved: That the apologies be noted.***

***Moved: Sue Moore, Seconded: Kay Fraser***

***Carried.***

**Item 2 Adoption of Minutes from the Previous Meeting**

*The minutes of the previous meeting were noted.*

***Resolved: That the minutes of the previous Annual General Meeting of 14 November 2019 be endorsed and adopted by the Board***

***Moved: David West, Seconded: Sue Moore***

***Carried.***

**Item 3 Business Arising from Previous Minutes**

*Nil.*

**Item 4 Nomination of Chairperson**

*It was noted that the election of a new Chairperson would take place in 2022, as the current Chairperson Cr Bob Pynsent would be retiring as Mayor of Cessnock.*

**Item 5 Financial Reports**

**5.1 Hunter Joint Organisation Annual Audited Accounts 2020-21 and Management Representation Letter**

*The CEO spoke to the audited financial statements for 2020-21. Cameron Hume, RSM Partners spoke to the audit reports.*

***Resolved: That the annual audited accounts for 2020-21 be accepted.***

***Moved: Kay Fraser, Seconded: Sue Moore***

***Carried.***

**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.*

***Resolved: THAT the auditors be appointed by the NSW Auditor General's Office***

***Moved: David West, Seconded: Kay Fraser***

***Carried.***

**Item 6. General Business**

**6.1 Tabling of Public Interest Disclosures 2020-21**

The Hunter JO Public Interest Disclosures for 2020-21 for all member of the Board and the CEO were provided to the Chair within the meeting for tabling.

***Resolved: That the Public Interest Declarations for the Hunter JO Board Members for the 2020-21 financial year be tabled and noted.***

***Moved: David West, Seconded: Sue Moore***

***Carried.***

## **6.2 Hunter JO Annual Performance Statement 2020-21**

The report was taken as read.

**Resolved:**

- ***THAT the Hunter JO Annual Performance Report 2020-21 be endorsed for delivery to the Office of Local Government***
- ***That the Hunter JO Annual Performance Statement 2020-21 be endorsed for publication on the Hunter JO Website***
- ***That the Hunter JO Annual Performance Statement 2020-21 be circulated to councillors of all member councils following the first meeting of the Hunter JO in 2022***

***Moved: Sue Moore, Seconded: Ryan Palmer***

***Carried.***

## **6.3 Delegation of Authority following Local Government Election**

The report was taken as read.

**Resolved:**

- **The General Manager Advisory Committee recommends that:**
  - **The Hunter JO Board delegate to the Chief Executive Officer, Joe James, authority to carry out business of the Hunter JO following the Local Government Elections on 4 December 2021, until the first meeting of the new Hunter JO Board when the election of the new Chair will be held**
  - **That this delegation to the Chief Executive Officer only be exercised in maintaining the regular business of the Hunter JO and its project delivery**

***Moved: David West, Seconded: Sue Moore***

***Carried.***

Meeting closed 1:22pm

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**Recommendation:**

- **That the minutes of the previous Annual General Meeting of 1 December 2021 be endorsed and adopted by the Board**

### 3. Matters Arising from Previous Minutes

#### 3.1 Confidential Session: Procurement Issue

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*The Chair will provide a verbal update to the Board in closed session.*

### 4. Nomination of Chairperson

---

*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 June 2020.*

### 5. Financial Reports

#### 5.1 Hunter Joint Organisation Annual Audited Accounts 2021-22 and Management Representation Letter

---

*Please refer to the below:*

- *Attachment 1: Draft Independent Audit Report for Hunter Joint Organisation (to be provided upon receipt by Audit Office of signed financial statements)*
- *Attachment 2: Draft Report on the Conduct of the Audit 2021-22*
- *Attachment 3: Draft Financial Statements – Hunter Joint Organisation Audited Accounts 2021-22*
- *Attachment 4: Draft Engagement Closing Report*
- *Attachment 5: Auditor Final Management Letter (to be provided upon receipt by Audit Office of signed financial statements)*
- *Attachment 6: Draft Hunter JO Representation Letter*

***At the time of sending the above reports are still in draft format, with the inclusion of an additional paragraph currently under consideration by the Auditor (to be found as Attachment 7).***

#### **Recommendation:**

- **THAT the annual audited accounts for 2021-22FY be received and accepted**

#### 5.2 Appointment of Auditors 2022-23

---

*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.*

#### **Recommendation:**

- **THAT the auditors be appointed by the NSW Auditor General's Office**
-



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

Contact: Furqan Yousuf  
Phone no: 02 9275 7470  
Our ref: D2309982/1859

19 June 2023

Dear Mr James

## Report on the Conduct of the Audit for the year ended 30 June 2022 Hunter Joint Organisation

I have audited the general-purpose financial statements (GPFS) of the Hunter Joint Organisation (the Joint Organisation) for the year ended 30 June 2022 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 2022 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.

### SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit observation during my audit of the Joint Organisation's financial statements. This observation was addressed as part of my audit.

#### Management's going concern assessment

Management assessed whether the Joint Organisation can continue operating for the foreseeable future, and at least the next 12 months, to support the preparation of 30 June 2022 financial statements on a going concern basis. The assessment considered the following factors:

- the cash and bank balance of \$165,000 on 30 June 2022 and \$15,742 at 31 May 2023
- a legally binding funding agreement with the Arrow Collaborative Services Limited (Arrow) to receive continued financial support for the Joint Organisation. Any funding under this agreement will be treated as donation and will not carry any repayment obligation
- a projected positive net cashflow forecast for the next 12 months after taking into account the agreed funding of \$150,000 from Arrow for the financial year 2023-24
- Board approved 2023-24 budgets for the Joint Organisation and Arrow reflecting the agreed funding commitment of \$150,000.

### **Non-compliance with the procurement regulations under the Local Government Act 1993**

Since its establishment the Hunter Joint Organisation (HJO) has been engaging Arrow Collaborative Services Limited (Arrow), to deliver entirely all of the HJO's grant programs funded by the State and Local Governments.

In doing so, HJO has not complied with the requirements of section 55 of the Local Government Act 1993 (LG Act). The LG Act requires HJO to invite tenders before entering into any contract above the estimated expenditure amount of \$250,000.

During the financial year 2022, HJO has transferred a total of \$2.1 million (2021: \$2.4 million) to Arrow to deliver various grant contracts and other projects.

## **PERFORMANCE**

### **Net result**

The Joint Organisation's net result for the year ended 30 June 2022 was a deficit of \$244,697.

The Joint Organisation's primary income source during the year was from operating grants of \$1,362,275 which contributed to over 50 per cent of the Joint Organisation's income from continuing operations of \$2,523,146. The Joint Organisation also received \$552,500 of income from member council contributions.

The Joint Organisation's total operating expenses from continuing operations for the year ended 30 June 2022 was \$2,767,842 which primarily consisted of project expenses of \$2,112,499, employee benefits and on-costs of \$311,505 and administration expenses of \$321,813.

### **Financial position**

At 30 June 2022, the Joint Organisation had total assets of \$316,008 and total liabilities of \$443,927. The Joint Organisation's main assets consist of cash and cash equivalents of \$165,473 and property, plant and equipment of \$87,333.

## **OTHER MATTERS**

### **Legislative compliance**

My audit procedures identified instances of non-compliance with the procurement regulations under the Local Government Act 193, as explained above.

The Joint Organisation's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the GPFS
- staff provided all accounting records and information relevant to the audit.

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

cc: Clr Sue Moore, Chairperson, Hunter Joint Organisation





# HUNTER JOINT ORGANISATION

General purpose financial statements  
for the year ended 30 June 2022

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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  
4 Sandringham Ave  
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.hunterjo.com.au](http://www.hunterjo.com.au)

## HUNTER JOINT ORGANISATION

### Statement by Members of the Board and Management

#### **Statement by Members of the Board and Management 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 – 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 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 29 June 2023

---

**Cr Sue Moore**

**Chairperson**

**Date:**

---

**Cr Jay Suvaal**

**Voting Representative Board  
Member**

**Date:**

---

**Joe James**

**Chief Executive Officer**

**Date:**

## HUNTER JOINT ORGANISATION

### Statement of Income and Accumulated Surplus for the year ended 30 June 2022

		<b>2022</b>	2021
	Notes	<b>\$'000</b>	\$'000
<b>Income</b>			
Member council contributions	B1-1	<b>553</b>	552
Grants provided for operating purposes	B1-2	<b>1,362</b>	1,772
Interest and investment income	B1-3	<b>0</b>	1
Other Income	B1-4	<b>608</b>	601
<b>Total Income</b>		<b><u>2,523</u></b>	<u>2,926</u>
<b>Expenses</b>			
Employee benefits and on-costs		<b>312</b>	314
Administrative expenses	B2-1	<b>321</b>	246
Depreciation	C1-3	<b>23</b>	12
Project Expenses	B2-2	<b>2,112</b>	2,513
<b>Total expenses</b>		<b><u>2,768</u></b>	<u>3,085</u>
<b>Net result for the year</b>		<b><u>(245 )</u></b>	<u>(159 )</u>
Accumulated surplus at 1 July		<b>117</b>	276
Restatement of accumulated surplus for changes in accounting policy			
Restatement of accumulated surplus for corrections in prior period errors			
<b>Accumulated surplus as at 30 June</b>		<b><u>(128 )</u></b>	<u>117</u>

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

## HUNTER JOINT ORGANISATION

### Statement of Financial Position as at 30 June 2022

	Notes	2022 \$'000	2021 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash equivalents	C1-1	165	595
Receivables	C1-2	64	7
Other		0	1
<b>Total Current Assets</b>		<b>229</b>	<b>603</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	C1-3	87	31
<b>Total Non-Current Assets</b>		<b>87</b>	<b>31</b>
<b>Total Assets</b>		<b>316</b>	<b>634</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	C2-1	59	108
Contract liabilities	C2-2	15	
Borrowings	C2-3	287	346
Employee benefit provisions	C2-4	61	53
<b>Total Current Liabilities</b>		<b>422</b>	<b>507</b>
<b>Non-Current Liabilities</b>			
Employee benefit provisions	C2-4	22	10
<b>Total Non-Current Liabilities</b>		<b>22</b>	<b>10</b>
<b>Total Liabilities</b>		<b>444</b>	<b>517</b>
<b>Net Liabilities / Assets</b>		<b>(128 )</b>	<b>117</b>
<b>EQUITY</b>			
Accumulated Deficit / Surplus		(128 )	117
<b>Total Equity</b>		<b>(128 )</b>	<b>117</b>

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

## HUNTER JOINT ORGANISATION

### Statement of Cash Flows for the year ended 30 June 2022

	2022	2021
Notes	\$'000	\$'000
<b>Cash flows from operating activities</b>		
<b>Receipts:</b>		
Contributions from member councils	1,028	608
Grants	951	1,526
Interest received	0	0
Other	264	684
<b>Payments:</b>		
Employees	(279 )	(286 )
Non-employee cash outflows (include suppliers)	(2,256 )	(2,206 )
Borrowing costs		
<b>Net cash flows from operating activities</b>	<u>(292 )</u>	<u>326</u>
<b>Cash flows from investing activities</b>		
<b>Receipts:</b>		
Proceeds from sale of property, plant and equipment	39	0
<b>Payments:</b>		
Payments for property, plant and equipment	<u>(119 )</u>	<u>0</u>
<b>Net cash flows from investing activities</b>	<u>(80 )</u>	<u>0</u>
<b>Cash flows from financing activities</b>		
<b>Payments:</b>		
Repayment of loan (principal)	<u>(58 )</u>	<u>0</u>
<b>Net cash flows from financing activities</b>	<u>(58 )</u>	<u>0</u>
<b>Net change in cash and cash equivalents</b>	<u>(430 )</u>	<u>326</u>
<b>Cash and cash equivalents at beginning of year</b>	<u>595</u>	<u>269</u>
<b>Cash and cash equivalents at end of year</b>	<u>C1-1 165</u>	<u>595</u>

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

## HUNTER JOINT ORGANISATION

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## A. About the Joint Organisation and these financial statements

### A1. Basis of preparation

These financial statements were authorised for issue by the Board of the Joint Organisation on 29 June 2023. 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. HJO is a not-for-profit entity. The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

#### *(a) New and amended standards adopted by Hunter Joint Organisation*

The Hunter Joint Organisation 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 Hunter Joint Organisation, however certain disclosures have been added, amended or omitted.

#### *(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 JO'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:

- Employee benefit provisions – refer Note C2-3

#### **Going concern**

In preparing the financial report, management have made an assessment of the ability of the Joint Organisation to continue as a going concern, which contemplates the continuity of business operations, realisation of assets and settlement of liabilities in the ordinary course of business.

Management believe that it is reasonably foreseeable that the joint organisation will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors;

- The Joint Organisation has entered into a funding agreement with a related entity Arrow Collaborative Services Limited to provide an agreed level of funding annually. The Funding received is to be treated as a donation and not required to be repaid. The Joint Organisation can request further finding via this funding agreement, if required.
- The Joint Organisation has a cash and cash equivalents balance of \$165,000 as at balance date;
- Management have projected a positive cash balance at 30 June 2024 based on the best estimate cashflow assumptions.

### **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

	2022	2021
	\$'000	\$'000
Cessnock City Council	47	47
Dungog Shire Council	29	29
Lake Macquarie City Council	103	105
Maitland City Council	59	58
Midcoast City Council	65	65
Newcastle City Council	100	98
Muswellbrook Shire Council	33	33
Port Stephens Council	51	52
Singleton Council	36	35
Upper Hunter Shire Council	31	30
<b>Total member council contributions</b>	<b>553</b>	<b>552</b>

#### 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:

- 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.

## B1-2 Grants

	<b>Operating</b>	
	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
OLG Joint Organisation establishment / capacity building funding	0	150
Accelerating Events	344	
RID	74	
Waste Action, Recycle	429	485
Contaminated Land Program	85	140
Small Business promotion	387	396
Litter prevention and reduction	0	0
CRIP & Resilience programs	0	210
Cruise Hunter	0	10
Upper Hunter CRC Education	0	48
OEM Disaster preparedness	13	13
Coastal Engagement	9	96
Simtables	0	210
Other	21	14
<b>Total grants</b>	<b>1,362</b>	<b>1,772</b>

### Comprising:

Commonwealth funding		
State funding	934	1,353
Other funding	428	419
	<b>1,362</b>	<b>1,772</b>

### Timing of revenue recognition

Grants recognised over time		
Grants recognised at a point in time	1,362	1,772
<b>Total grants</b>	<b>1,362</b>	<b>1,772</b>

### Other Funding is made up of additional contributions from Hunter Councils for the following project

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
Small Business promotion	387	396
Other	21	22

## **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.

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 of costs 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 the 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.

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

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
Interest on financial assets measured at amortised cost		<b>1</b>
Other		
<b>Total interest and investment income</b>	<b>-</b>	<b>1</b>

#### Accounting policy

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

### B1-4 Other income

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
Procurement rebates		
Admin Fees	<b>600</b>	600
Gain on disposal of property, plant and equipment	<b>6</b>	
Other	<b>2</b>	<b>1</b>
<b>Total other income</b>	<b>608</b>	<b>601</b>

#### Accounting policy

Other income is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

Gains and Losses on disposals are determined by comparing proceeds with carrying amount. The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the assets is de-recognised.

## B2. Costs of providing services

### B2-1 Administrative expenses

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
Finance & Administrative Services	155	91
Remuneration of Auditors	15	15
IT Expenses	10	18
Board Meeting Expenses	8	13
Motor Vehicle Expenses	11	10
Office Space rent & outgoings	79	53
Insurance	9	9
Travel & Accommodation	13	8
Other	21	29
<b>Total Administrative Expenses</b>	<b>321</b>	<b>246</b>

#### Accounting policy

##### Employee benefit 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.

##### Administrative expenses

Administrative expenses are recorded on an accruals basis as the Hunter Joint Organisation receives the goods or services.

## B2-2 Other expenses

---

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
Project Expenses	2,112	2,513
<b>Total Administrative Expenses</b>	<b>2,112</b>	<b>2,513</b>

## C. Financial position

### C1. Assets we manage

#### C1-1 Cash and cash equivalents

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
Cash at bank and on hand	<u>165</u>	<u>595</u>
	<u>165</u>	<u>595</u>
<b>Restricted cash and cash equivalents</b>		
Unrestricted	<u>165</u>	595
	<u>165</u>	<u>595</u>
<b>Reconciliation of cash and cash equivalents</b>		
Total cash and cash equivalents per Statement of Financial Position	<u>165</u>	595
<b>Balance as per Statement of Cash Flows</b>	<u>165</u>	<u>595</u>

#### 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, however are included as cash and cash equivalents in the Statement of Cash flows.

## C1-2 Receivables

	2022	2021
	\$'000	\$'000
Receivables from member councils	5	4
Grant receivables	25	3
Trade Receivables	34	0
<b>Total</b>	<b>64</b>	<b>7</b>
Less: Provision for impairment:		
- Specify category of receivables	-	-
<b>Net Receivables</b>	<b>64</b>	<b>7</b>

### 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 of financial assets measured is assessed using the simplified expected credit loss model where lifetime credit losses are recorded on initial recognition. To measure the expected credit losses, debtors have been grouped based on shared credit risk characteristics and the days past due.



### C1-3 Property, Plant & Equipment

	As at 1 July 2021			Movements During the Period			As at 30 June 2022		
	Gross carrying amount	Acc. Depn and Impairment	Net Carrying amount	Additions	Disposals	Depn and impairment	Gross carrying amount	Acc. Depn and Impairment	Net Carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Office Equipment	2	(1)	1	0	0	(1)	2	(2)	(0)
Furniture & Fittings	0	0	0	0	0	0	0	0	0
Vehicles	56	(26)	30	108	29	(22)	135	(48)	87
Other	0	0	0	0	0	0	0	0	0
<b>Totals</b>	<b>58</b>	<b>(27)</b>	<b>31</b>	<b>108</b>	<b>29</b>	<b>(23)</b>	<b>137</b>	<b>(49)</b>	<b>87</b>

#### Accounting policy

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 expensed during the year in which they are incurred.

When property, plant and equipment are acquired by the JO for significantly less than fair value, 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 useful life of Office equipment is determined as three years and Vehicles as five years.

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

## C2. Liabilities of the Joint Organisation

### C2-1 Payables

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
Trade Payables	13	15
Accrued Expenses	17	26
Other Payables	29	67
<b>Total payables</b>	<b>59</b>	<b>108</b>

#### Accounting Policy

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

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.

### C2-2 Contract Liabilities

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
Funds received prior to performance obligation being satisfied (upfront payments) - AASB 15 (i)	15	-
<b>Total contract liabilities</b>	<b>15</b>	<b>0</b>

(i) The contract liability relates to grants received prior to the 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 NSW transferring a good or service to the customer, JO NSW presents the funds which exceed revenue recognised as a contract liability.

## C2-3 Borrowings

	<b>2022</b>	2021
	<b>\$'000</b>	\$'000
<b>Borrowings</b>		
Loan - Arrow Collaborative Services	288	346
Credit Cards	(1)	0
<b>Total borrowings</b>	<b>287</b>	<b>346</b>

### Financial Arrangements

#### Total Facilities

Total financing facilities available to the JO at the reporting date are:

Corporate credit cards	6	6
	<u>6</u>	<u>6</u>

#### Drawn Facilities

Financing facilities drawn down at the reporting date are:

Corporate credit cards	0	0
	<u>0</u>	<u>0</u>

#### Undrawn Facilities

Undrawn financing facilities available to the JO at the reporting date are:

Corporate credit cards	6	6
	<u>6</u>	<u>6</u>

### Accounting Policy

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

## C2-4 Employee benefits

	2022		2021	
	Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
Annual leave	61		53	-
Long-service leave	-	22	-	10
<b>Total employee benefit provisions</b>	<b>61</b>	<b>22</b>	<b>53</b>	<b>10</b>
Current employment provisions not expected to be settled within the next 12 months	Nil	n/a	Nil	n/a

### Accounting policy

#### *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 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, payroll tax and workers compensation expenses that 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.

## D. Risks and accounting uncertainties

### D1. Financial risk management

#### **Risk management**

The Hunter Joint Organisation 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 approximates the carrying amount.

## E. People and relationships

### E1. Related party disclosures

#### E1-1 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 employee expenses is \$170,989.73

## E1.2 Other related parties

Type of related party:	Nature of transactions	Transactions during the year	Outstanding balances	Terms and Conditions	Impairment provision on outstanding balances	Impairment Expense
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>2022</b>						
Arrow Collaborative Services	Loan to Arrow - balance as at 30/6/22		288	Net 30 days	-	-
Local government owned entity	Rent and Admin fees paid	188		Net 30 days	-	-
	Grant Funds obtained and transferred to related party to undertake grant functions	948		n/a		
	Admin fees received	200		Net 30 days	-	-
	Professional fees paid	15				
	Project Contributions	600		Net 30 days	-	-
Hunter Councils Incorporated	Rent paid	59		Net 30 days	-	-
Local government owned entity						
Lake Macquarie City Council	Subscriptions	103		Net 30 days	-	-
	Project Funding	50		Net 30 days	-	-
Newcastle City Council	Subscriptions	100		Net 30 days	-	-
	Project Funding	70		Net 30 days	-	-
Port Stephens Council	Subscriptions	51		Net 30 days	-	-
	Project Funding	63		Net 30 days	-	-
Mid Coast Council	Subscriptions	65		Net 30 days	-	-
	Project Funding	33		Net 30 days	-	-
Upper Hunter Shire Council	Subscriptions	31		Net 30 days	-	-
	Project Funding	20		Net 30 days	-	-
Singleton Council	Subscriptions	36		Net 30 days	-	-
	Project Funding	25	5	Net 30 days	-	-
Dungog Shire Council	Subscriptions	29		Net 30 days	-	-
	Project Funding	19		Net 30 days	-	-
Muswellbrook Shire Council	Subscriptions	33		Net 30 days	-	-
	Project Funding	18		Net 30 days	-	-
Cessnock City Council	Subscriptions	47		Net 30 days	-	-
	Project Funding	39		Net 30 days	-	-
Maitland City Council	Subscriptions	59		Net 30 days	-	-
	Project Funding	47		Net 30 days	-	-

Type of related party:	Nature of transactions	Transactions during the year	Outstanding balances	Terms and Conditions	Impairment provision on outstanding balances	Impairment Expense
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>2021</b>						
Arrow Collaborative Services Local government owned entity	Loan to Arrow - balance as at 30/6/21		346	Net 30 days	-	-
	Interest Received	1		Net 30 days	-	-
	Rent and Admin fees paid	125		Net 30 days	-	-
	Grant Funds obtained and transferred to related party to undertake grant functions	1,712		n/a		
	Admin fees received	195		Net 30 days	-	-
	IT costs incurred	7		Net 30 days	-	-
	Professional fees paid	5				
	Project Contributions	600		Net 30 days	-	-
Hunter Councils Incorporated Local government owned entity	Rent paid	36		Net 30 days	-	-
Lake Macquarie City Council	Subscriptions	105		Net 30 days	-	-
	Project Funding	53		Net 30 days	-	-
Newcastle City Council	Subscriptions	98	3	Net 30 days	-	-
	Project Funding	70		Net 30 days	-	-
Port Stephens Council	Subscriptions	52		Net 30 days	-	-
	Project Funding	58		Net 30 days	-	-
Mid Coast Council	Subscriptions	65		Net 30 days	-	-
	Project Funding	31		Net 30 days	-	-
Upper Hunter Shire Council	Subscriptions	31		Net 30 days	-	-
	Project Funding	24		Net 30 days	-	-
Singleton Council	Subscriptions	35		Net 30 days	-	-
	Project Funding	21		Net 30 days	-	-
Dungog Shire Council	Subscriptions	29	1	Net 30 days	-	-
	Project Funding	14		Net 30 days	-	-
Muswellbrook Shire Council	Subscriptions	33		Net 30 days	-	-
	Project Funding	35		Net 30 days	-	-
Cessnock City Council	Subscriptions	47		Net 30 days	-	-
	Project Funding	49		Net 30 days	-	-
Maitland City Council	Subscriptions	58		Net 30 days	-	-
	Project Funding	45		Net 30 days	-	-

## E2. Other relationships

### E2-1 Audit Fees

	2022 \$'000	2021 \$'000
<b>Auditors of the JO - NSW Auditor-General</b>		
Audit of financial statements	15	15
Other assurance services		
<b>Total fees paid or payable to the Auditor- General</b>	<b>15</b>	<b>15</b>

## F. Other matters

### F1. Commitments

There are no commitments and contingencies noted at reporting date.

### F2. Events occurring after reporting date

There have been no significant events subsequent to reporting date.

### F3. Changes from prior year

There have been no changes in accounting policies, errors or changes in accounting estimates during the year.



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

Contact: Furqan Yousuf  
Phone no: 02 9275 7470  
Our ref: D2309965/1859

19 June 2023

Dear Mr James

**Engagement Closing Report  
for the year ended 30 June 2022  
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.

I consider this report to fall within the definition of 'excluded information' contained in Schedule 2(2) of the Government Information (Public Access) Act 2009. It may not be distributed to persons other than Management and those you determine to be charged with governance of the Council.

If you need more information about the audit, please contact me on 02 9275 7470 or our Audit Service Provider (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 Sue Moore, Chairperson, Hunter Joint Organisation

# Engagement Closing Report

Audit for the year ended 30 June 2022

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

Section	Outcome	Reference
<b>Audit outcome:</b>		
GPFS	Unqualified opinion	 <a href="#">3.1</a>
Response to key issues and audit risks	Matters partially addressed	 <a href="#">4.2</a>
Misstatements	Misstatements noted	 <a href="#">4.3</a>
Compliance with legislative requirements	Matters noted	 <a href="#">4.4</a>

## 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:

Outstanding item	Action required	Responsibility
Updated financial statements	Management to provide the updated set of financial statements	Management
Review of updated financial statements	The audit team to review the updated version of the financial statements	Audit team
Subsequent events update	Management and the audit team to assess potential impacts on the financial statements of significant	Management and audit team

Outstanding item	Action required	Responsibility
	transactions and events after year-end, up to the date the financial statements are signed	
Finalisation of quality review procedures	The audit team's quality review procedures will continue until the date of signing	Audit team

### '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 and the knowledge we obtained during the audit. Where matters are identified, we are required to disclose them in the Independent Auditor's Report.

### 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 *Local Government Act 1993* at the same time as the Independent Auditor's Report. The Report on the Conduct of the Audit will incorporate comments we consider appropriate, based on the audit of the Joint Organisation's financial statements.

We plan on reporting the following matters in the Report on the Conduct of the Audit:

- Non-compliance with the tendering requirements under the *Local Government Act 1993* (refer section 3.4).
- Management's going concern assessment (refer section 4.1).

### 3.3 Auditor-General's Report to Parliament

The 2023 Auditor-General's Report to Parliament will incorporate the results of the audit.

### 3.4 Management Letter

A Management Letter from the final phase of my audit will be sent following the completion of the audit. The following audit findings assessed as high-risk will be reported in the Management Letter.

#### Risk assessment, Issue and Management Response

##### Non-compliance with the tendering requirements under the *Local Government Act 1993*

Since its establishment the Joint Organisation has been engaging Arrow Collaborative Services Limited (Arrow) [formerly known as Strategic Services Australia Limited], to deliver entirely all of the Joint Organisation's grant programs funded by the State and Local Governments.

In doing so, the Joint Organisation has not complied with the requirements of section 55 of the *Local Government Act 1993* (LG Act). The LG Act requires the Joint Organisation to invite tenders before entering into any contract above the estimated expenditure amount of \$250,000.

During the financial year 30 June 2022 and 30 June 2021 the Joint Organisation transferred the following amounts to Arrow to deliver a number of grant contracts and other projects:

Disbursement category	\$000's	
	2022	2021
Project funding disbursement	500	1,152
Grant disbursements	1,022	660
SSA Funding Environment	590	630
	<b>2,112</b>	<b>2,442</b>

**Risk assessment, Issue and Management Response**

Procurement activities in Local Government are governed by strict considerations of probity, transparency and accountability, as they involve expenditure of public funds for public purposes.

**Management Response:**

X

The Management Letter will be issued once formal management responses have been received.

**4. AUDIT FINDINGS**

**4.1 Response to key issues and audit risks**

The Annual Engagement Plan sent on 7 March 2022, 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
<b>Impact of COVID-19 pandemic and going concern assessment</b>	
<p><b>Impact of Covid-19 pandemic</b></p> <p>The COVID-19 pandemic and its consequential impact has affected the way the Joint Organisation delivers its services.</p> <p>This may have a flow on impact to the way the audit is conducted.</p> <p>A documented assessment of the continuing impact and response to the COVID-19 pandemic by the Joint Organisation will be required.</p>	<p>Management assessed that Covid-19 did not have material impact on the 30 June 2022 financial statements. We did not identify material issues with management’s assessment.</p>
<p><b>Management’s going concern assessment</b></p> <p>The Joint Organisation reported the following balances in their 30 June 2022 financial statements:</p> <ul style="list-style-type: none"> <li>• Net result (deficit) for the year: \$245,000</li> <li>• Total Current assets: \$229,000</li> <li>• Total Current liabilities: \$422,000</li> <li>• Accumulated deficit: \$128,000</li> </ul> <p>Australian accounting standards require management to assess whether the Joint Organisation can continue operating for the foreseeable future, and at least the next 12 months, to support the preparation of financial statements on a going concern basis.</p> <p>A documented going concern assessment was requested from management.</p>	<p>Management assessed and concluded the going concern assumption to be appropriate for the 30 June 2022 financial statements. The assessment considered the following factors</p> <ul style="list-style-type: none"> <li>• the cash and bank balance of \$165,000 on 30 June 2022 and \$15,742 at 31 May 2023</li> <li>• a legally binding funding agreement with the Arrow Collaborative Services Limited (Arrow) to receive continued financial support for the Joint Organisation. Any funding under this agreement will be treated as donation and will not carry any repayment obligation</li> <li>• a projected positive net cashflow forecast for the next 12 months after taking into account the agreed funding of \$150,000 from Arrow for the financial year 2023-24</li> <li>• Board approved 2023-24 budgets for the Joint Organisation and Arrow reflecting the agreed funding commitment of \$150,000.</li> </ul>
	<p>Management lodged two extension requests to the regulator (Office of Local Government within the Department of Planning and Environment) to execute the legally binding funding agreement with Arrow and organise Board’s approval for the \$150,000 funding commitment in the 2023-24 budgets.</p> <p>The audit team has reviewed the appropriateness of cashflow movement assumptions used in</p>

Issue or risk	Audit outcome
<b>Information Technology General Controls</b>	management’s assessment. We did not find material issues.
<p>Australian Auditing Standards require the auditor to understand the Joint Organisation’s control activities and obtain an understanding of how it has responded to risks arising from Information Technology (IT).</p>	<p>The audit team reviewed the Joint Organisation’s IT control environment over it key finance system. We noted a lack of approved overarching IT Risk Management Framework and absence of various security policies, such as:</p> <ul style="list-style-type: none"> <li>• Third Party Security</li> <li>• Access Control Policy</li> <li>• Incident Response Plan</li> <li>• Business Continuity Plan</li> <li>• Disaster Recovery Plan</li> <li>• Physical Security Policy.</li> </ul> <p>This matter will be reported in our final management letter.</p>
<b>Cyber security (Implementation of Information Technology (IT) Security Framework)</b>	<p>The Joint Organisation relies on digital technology to deliver services, organise and store information, manage business processes, and control critical infrastructure. The increasing global interconnectivity between computer networks has dramatically increased the risk of cyber security incidents. Such incidents can harm the Joint Organisation’s service delivery and may include the theft of information, denial of access to critical technology, or even the hijacking of systems for profit or malicious intent.</p> <p>Cyber security risks may represent a risk of material misstatement to the Joint Organisation’s financial statements.</p> <p>As part of the 2021–22 financial audit we assessed whether cyber security risks represent a risk of material misstatement to the Joint Organisation’s financial statements. Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• assessing whether the risk assessment process considers cyber security risks</li> <li>• determining how the roles and responsibilities for cyber security are established</li> <li>• obtaining an understanding of the process: <ul style="list-style-type: none"> <li>– for safeguarding of assets that may be exposed to security breaches</li> <li>– to monitor and detect security breaches or incidents</li> <li>– for disclosing cyber security risks and incidents.</li> </ul> </li> </ul> <p>The systems within the scope of the review included MYOB.</p> <p>As noted above, we identified that the Joint Organisation does not have an approved overarching IT security policy and framework in place.</p> <p>This matter will be reported in our final management letter.</p>

## 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 lists and explains the nature and impact of the misstatements contained in the GPFS.

- Table one reports significant uncorrected misstatements and disclosure deficiencies
- Table two reports the effect on the reported net operating result of misstatements that have not been corrected in the period in which they occurred
- Table three reports significant corrected misstatements and disclosure deficiencies.

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.

The matter below is reported in this context. The significant audit finding below will be reported to the Minister, in the Report on the Conduct of the Audit and the Management Letter.

- Non-compliance with the procurement regulations under the *Local Government Act 1993*.

For details, refer to section 3.4 of this report.

# 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 the finance staff.

## 5.2 Audit fees

The estimated audit fee of \$16,000 excluding GST was communicated in the Annual Engagement Plan. The fee was based on estimated hours, the audit team structure and charge-out rates, known changes in the Joint Organisation's operations and audit requirements.

We had to perform additional audit procedures in relation to the review of management's going concern assessment. Refer to section 4.1 for details. These additional procedures were not included in the original fee estimate. We will need to assess the full extent of the overruns and recovery of additional fees will be discussed with management when the audit is completed.

The audit team is happy to discuss how the Joint Organisation can avoid additional audit fees in future.



### 5.3 Next year's audit

An efficient audit relies on:

- regular and open communications between the audit team and management
- management responding promptly to the audit team's questions and documentation requests
- timely preparation of the financial statements and resolution of financial reporting issues
- management implementing appropriate quality controls over financial statement preparation
- conducting revaluations of property, plant and equipment before year-end in order to identify and resolve potential issues in a timely manner.

Your comments about the audit process are welcomed.

DRAFT

## APPENDIX– GENERAL PURPOSE FINANCIAL STATEMENTS

### Table one: Uncorrected monetary misstatements and disclosure deficiencies

The following uncorrected monetary misstatements were identified and discussed with management. Management believes the effect of not correcting these misstatements is immaterial, individually and in aggregate, to the GPFS as a whole. We agree with management's determination and do not consider the uncorrected misstatements significant enough to modify the opinion in the Independent Auditor's Report. Management is required to attach the schedules of uncorrected misstatements to the Representation Letter. The misstatements were discussed with Ms Lisa Lord on 15 July 2022.

Description	Assets	Liabilities	Equity	Net operating result for the year
Effect of correction	Increase/ (decrease)	(Increase)/ decrease	(Increase)/ decrease	(Increase)/ decrease
	\$	\$	\$	\$
<b>Factual misstatements</b>				
Revenue recognition incorrectly deferred to next financial year. The grant agreements do not include sufficiently specific performance obligations. Hence revenue should be recognised upon receipt of grant	--	15,000	--	(15,000)
<b>Subtotal</b>	--	<b>15,000</b>	--	<b>(15,000)</b>
<b>Total impact of corrected misstatements</b>	--	<b>15,000</b>	--	<b>(15,000)</b>

### Uncorrected disclosure deficiencies

We did not detect any reportable uncorrected disclosure deficiencies that remain uncorrected in the GPFS.

## Table two: Effect of misstatements on the reported net operating result

To fully understand the current year's financial result, those charged with governance should consider the impact of misstatements from previous years corrected in the current period and current period errors that remain uncorrected.

This table illustrates the effect of misstatements that have not been corrected in the period in which they occurred.

Description and effect	Net operating result for the year
	(Increase)/decrease \$'
<b>Net operating result (deficit) as reported</b>	(244,697)
Prior year transactions recorded in the current year's net operating result*	39,722
Current year misstatements that have not been corrected	15,000
<b>Adjusted current year net operating result</b>	<b>(189,975)</b>

\* This includes expense relating to FY21 recorded in FY22. This misstatement of unrecorded liability/expense was reported in last year's engagement closing report.

## Table three: 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 operating result for the year	Other comprehensive income
	Increase/(decrease) \$	(Increase)/decrease \$	(Increase)/decrease \$	(Increase)/decrease \$
<b>Factual misstatements</b>				
Reverse Grant income/disbursement for project 9001 as invoice was raised in error*	(258,443)	258,443	-	-
<b>Subtotal</b>	<b>(258,443)</b>	<b>258,443</b>	<b>-</b>	<b>-</b>
<b>Total impact of corrected misstatements</b>	<b>(258,443)</b>	<b>258,443</b>	<b>-</b>	<b>-</b>

\* Misstatement identified by management.

**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 570	Going concern assessment	Management were requested to include appropriate going concern disclosures.

DRAFT

## 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.



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Furqan Yousuf  
Audit Leader, Financial Audit  
Audit Office of New South Wales  
GPO Box 12  
SYDNEY NSW 2001

29 June 2023

## 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 year ended 30 June 2022 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 – Simplified Disclosures
- the Joint Organisations Supplement to the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (the Code).

We acknowledge our responsibility for keeping proper accounts and records and preparing the financial statements. We approved the financial statements on 31 October 2022 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 2022, and its financial performance for the year then ended.

We have fulfilled our responsibilities, as set out in the in the Annual Engagement Plan dated 7 March 2022 and the [Terms of Engagement](#), for preparing the financial statements in accordance with Australian Accounting Standards – Simplified Disclosures, the LG Act, the Code.

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

We confirm there have 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) within the Department of Planning, Industry and Environment 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
- information on all government financial assistance received by the Joint Organisation due to the impact of COVID-19 or other crises (including natural disasters)

- information on all the Joint Organisation fees that have been reduced or waived due to the impact of COVID-19
- information on rent holidays or concessions granted to lessees of Joint Organisation property due to COVID-19
- information on rent holidays or concessions received by the Joint Organisation as lessee due to COVID-19
- 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
- information about all changes in procedures and controls arising as a result of COVID-19 or other crises (including natural disasters)
- all relevant information on the impact of COVID-19 or other crises (including natural disasters) on the Joint Organisation
- 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.

We have examined all actions taken by the Joint Organisation in response to COVID-19 or other crises (including natural disasters) and ensured that these are appropriately reflected in the financial statements.

For financial records and related data provided electronically to the audit team, we confirm:

- the information has been obtained directly from our accounting systems, and is complete and unaltered
- scanned information is complete and unaltered from the original source document
- we have put processes and controls in place to ensure that information that has been converted in a form that can be provided remotely (such as email) is complete and accurate.

## **COMPLIANCE WITH LEGISLATION AND OTHER REQUIREMENTS**

We have reviewed legislation we are required to comply with, contracts agreements and licensing conditions to detect breaches or possible breaches which may impact the financial statements.

We have no knowledge of any breaches or possible breaches of legislation, 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 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 concerning:

- breaches of or non-compliance with legislation, 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 outsourcing 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.

We have notified you of all:

- new programs that the Joint Organisation has or will implement as a result of COVID-19 or other crises (including natural disasters)
- existing operations or programs that the Joint Organisation will permanently cease as a result of COVID-19 or other crises (including natural disasters).

## **INTERNAL CONTROLS**

We have established and maintained adequate internal controls to:

- prepare reliable financial statements
- maintain adequate financial records
- apply appropriate accounting policies
- record all material transactions in accounting records underlying the financial statements
- ensure there is appropriate oversight of emergency procurement and new suppliers added to the supplier masterfile
- minimise the risk electronic signatures are inappropriately applied
- ensure security settings for remote connections and secure individual access mechanisms are in place and operating effectively
- monitor and detect unauthorised computer access to the network
- appropriately manage new programs implemented as a result of COVID-19 or other crises (including natural disasters)
- provide oversight of staff working remotely
- minimise the theft of the Joint Organisation's assets
- 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.

## **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.

## **SERVICE ORGANISATIONS**

We have:

- no knowledge of any fraud, non-compliance with legislation or uncorrected misstatements attributable to the service organisation's management or employees that materially affect the financial statements
- advised you of the impact of COVID-19 or other crises (including natural disasters) on our shared service arrangements including the impact on our service organisations.

## **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 trade and lease receivables and contract assets**

We have reviewed the Joint Organisation's methodology for determining expected credit losses for trade and lease receivables, and contract assets and we confirm:

- the impairment estimate is based on the best available information about past events, current conditions and forecasts of economic conditions at the reporting date
- the impairment of trade and lease receivables, and contract assets is sufficient to cover the expected credit losses from possible default events
- the financial statements appropriately disclose the judgements, assumptions and estimation uncertainty for determining expected credit losses for trade and lease receivables, and contract assets
- we have written off all debts where we have no reasonable prospects of recovering any further cashflows.

### **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.

We have:

- reviewed depreciation and amortisation rates against estimated asset usage and useful lives considering the impact of COVID-19 or other crises (including natural disasters)
- recognised and disclosed in the financial statements the most recent assessment of the useful lives
- provided you with the basis of all relevant assumptions in depreciation models.

We have considered the impact of COVID-19 or other crises (including natural disasters) on the carrying amount of each physical non-current asset and we confirm that at the end of the reporting period:

- the carrying value of each physical non-current asset does not materially differ from its fair value
- significant fair value assumptions, including those with high estimation uncertainty, are reasonable
- the financial statements appropriately disclose the judgements, assumptions and estimation uncertainty in determining the fair value of non-current assets.

When conducting our annual assessment of the impairment of assets, including intangibles, right of use assets and cash generating units (CGUs), we confirm:

- the requirements of AASB 136 'Impairment of Assets' have been considered
- the impact of COVID-19 or other crises (including natural disasters) have been considered
- where recoverable amount has been calculated using discounted cash flows, the assumptions and discount rates used reflect current market conditions
- no asset or 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.
- insurance recoveries as a result of COVID-19 or other crises (including natural disasters).

## **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.

For defined benefit plans:

- the actuarial assumptions underlying the valuation of the plan:

- accord with the Joint Organisation's best estimate of future events and are consistent with our knowledge of the business
- have been updated to reflect current economic conditions
- the actuary's calculations have been based on complete and up to date member information
- the amounts included in the financial statements derived from the work of the actuary are in accordance with the requirements of AASB 119 'Employee Benefits'
- the financial statements disclose the significant changes to assumptions and estimates including any estimation uncertainty in the assumptions used.

## **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 plant and equipment, and purchases of other non-current assets, such as investments or intangibles, in the financial statements.

## **Contracts**

We have reviewed our contracts for the impact of COVID-19 or other crises (including natural disasters) to assess:

- the impact of force majeure provisions
- whether any contracts have become onerous and requiring a provision to be recognised in the financial statements
- the impact of contract renegotiations or modifications on the financial statements.

We confirm:

- where a contract is onerous, a provision has been recognised in the financial statements
- any contract modifications have been reflected in the financial statements in accordance with the relevant accounting standard.

## **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 the Joint Organisation's key management personnel (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 the 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 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 [and its controlled and / or related entities] 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
- 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
- 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**

We acknowledge the attached schedule of uncorrected misstatements has been brought to our attention and we have considered the impact on the financial statements. We conclude the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

We have also considered the impact of uncorrected misstatements from previous periods and conclude the aggregate of these is immaterial to the previous and current 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 including the impact of COVID-19 or other crises (including natural disasters) are adequately covered by insurance.

## **Accounting estimates**

We confirm the methods, the data, and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

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 Board, 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
- the impact of the current economic conditions and the impact of COVID-19 or other crises (including natural disasters)
- 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, appropriate and disclose details of estimation uncertainties.

## **Going concern**

We have considered the impact of COVID-19 or other crises (including natural disasters) on the Joint Organisation and confirm the going concern basis is 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.

## **Impairment of financial assets**

We have recognised an allowance for all expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss (FVPL).

At the reporting date we have recognised a loss allowance based on:

- 12-month ECL for debt financial assets not held at FVPL (other than trade receivables) where there has been no significant increase in credit risk since initial recognition
- lifetime ECL for trade receivables, and other debt financial instruments not held at FVPL where there has been a significant increase in credit risk since initial recognition.

We confirm:

- the impairment estimate is based on the best available information about past events, current conditions and forecasts of economic conditions at the reporting date
- the impairment is sufficient to cover the ECLs from possible default events
- the financial statements appropriately disclose the judgements, assumptions and estimation uncertainty for determining ECLs
- we have written off all debts where we have no reasonable prospects of recovering any further cashflows.

## **Financial instruments**

We have provided you with:

- appropriate explanations for all reclassifications of financial instruments during the year, in accordance with the requirements of Australian Accounting Standards
- details of any changes in the Joint Organisation's business model for financial assets under AASB 9 'Financial Instruments'
- all financial guarantees issued by the Joint Organisation.

## **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 of the financial statements 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**  
Chief Executive Officer

**Lisa Lord**  
Head of Finance & Administration



**From:** [Joe James](#)  
**To:** [Martin Doerr](#); [Lisa Lord](#)  
**Cc:** [Cameron Hume](#)  
**Subject:** RE: HJO 2022 Audit - draft Engagement Closing Report and Report on the Conduct of the Audit  
**Date:** Wednesday, 21 June 2023 10:00:00 AM  
**Attachments:** [image001.png](#)  
[image002.png](#)  
[image003.png](#)  
[image004.png](#)

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Hi Martin

Thanks for the documents.

Management's response to the item in section 3.4 is below:

*On 9 June 2022, Management provided a report to the Board on this audit finding. The recommendation in that report was that the Board resolve, pursuant to section 55(3)(i) of the Local Government Act, that a satisfactory result will not be achieved by inviting tenders where a tender would neither represent value for money for the HJO, nor a fair process for invited tenderers given: (a) such a tenderer would be competing against Arrow, a related entity of the HJO, that has built specific organisational competency and capability over many years, and (b) comparison of market rates and Arrow's cost base for providing these services.*

*At that time the Board resolved that: (1) the item be deferred, and that the Hunter JO Board seek independent legal advice on how to proceed, and (2) that the legal advice be privileged and sought through the Chair, to be shared only with Mayors on the Hunter JO Board and not General Managers or the CEO of the Organisation.*

*Management understands that resolution of this matter by the Board is ongoing but management is not privy to the contents of the advice nor the pathway to resolution.*

As an aside, the Chair has asked for this item to be on the agenda for the AGM (in closed session).

Sincerely

Joe

---

**From:** Martin Doerr <Martin.Doerr@rsm.com.au>  
**Sent:** Monday, June 19, 2023 11:10 AM  
**To:** Joe James <ceo@hunterjo.com.au>; Lisa Lord <lisal@arrowco.com.au>  
**Cc:** Cameron Hume <Cameron.Hume@rsm.com.au>  
**Subject:** HJO 2022 Audit - draft Engagement Closing Report and Report on the Conduct of the Audit

Hi Joe and Lisa,

Please find attached the draft Engagement Closing Report (ECR) and Report on the Conduct of the

Audit for your review and comment. Can you please provide management's response for the item raised in section 3.4.

We are currently finalising our reviews of the wording for the Going Concern note disclosure in the financial statements.

Please feel free to contact me if you have any queries.

Kind regards,  
Martin

**Martin Doerr**  
Principal – Assurance & Advisory

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