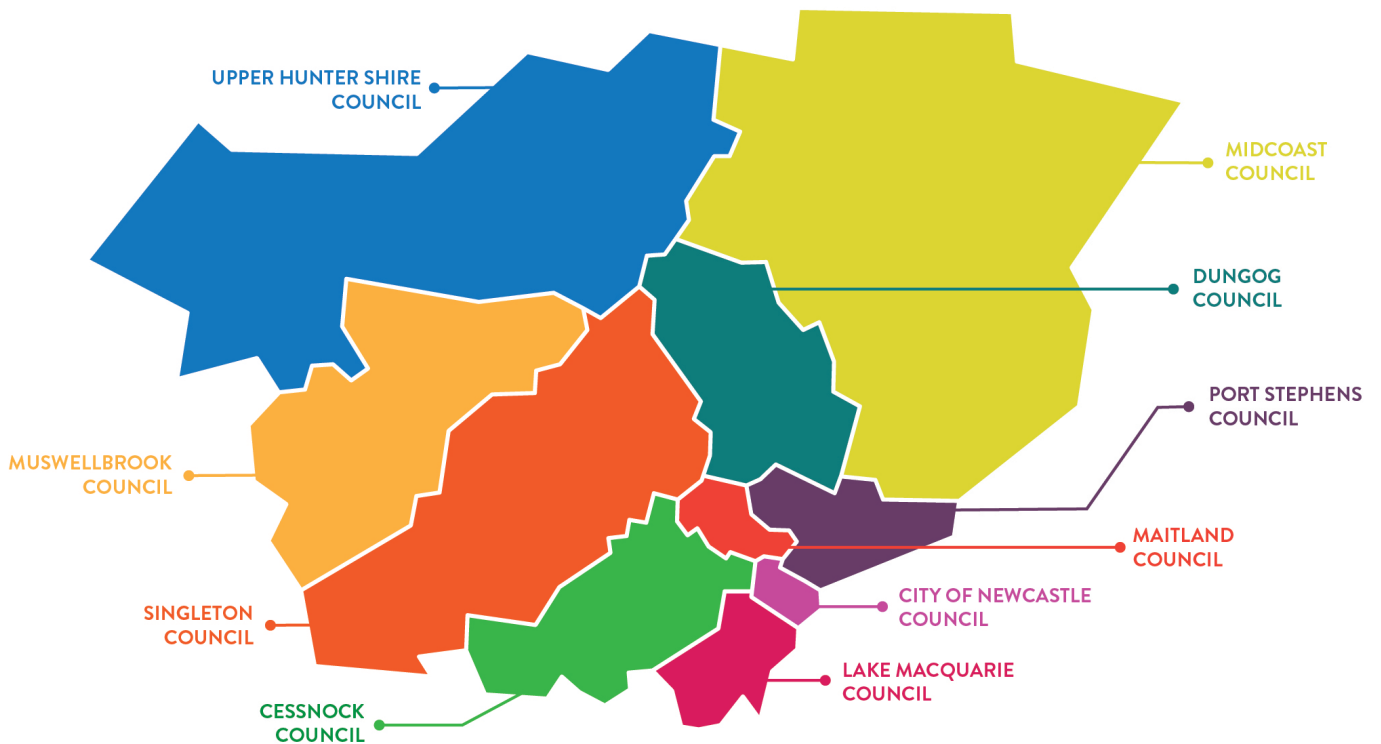




4 Sandringham Avenue, PO Box 3137,  
Thornton NSW 2323. 02 4978 4040  
www.hunterjo.com.au

## Hunter Joint Organisation Board Extraordinary Meeting

11:00am, Friday 20 October 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**

**Thursday 29 June 2023**

**Coquun Boardroom, 4 Sandringham Avenue, Thornton NSW**

#### **Voting Directors Present**

Cr Sue Moore,	Singleton Shire Council (Chairperson)
Cr Jay Suvaal,	Cessnock City Council
Cr Kay Fraser,	Lake Macquarie City Council
Cr Claire Pontin,	MidCoast Council
Cr Ryan Palmer,	Port Stephens Council
Cr Philip Penfold,	Maitland City Council
Cr John Connors,	Dungog Shire Council
Cr Maurice Collison,	Upper Hunter 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
Adrian Panuccio,	General Manager, MidCoast Council
Tim Crosdale,	General Manager, Port Stephens Council
Derek Finnegan,	General Manager, Muswellbrook Shire Council
Jason Linnane,	General Manager, Singleton Council

#### **Apologies**

Cr Steve Reynolds,	Muswellbrook Shire Council
Cr Nuatali Nelmes,	Newcastle City Council
Morven Cameron,	CEO, Lake Macquarie City Council
Ken Liddell,	General Manager, Cessnock City Council
Alison McGaffin	Director, Hunter & Central Coast, Regional NSW (DPIE)

#### **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 11:30am]

**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: Kay Fraser, Seconded: Ryan Palmer**

**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 1 December 2021 be endorsed and adopted by the Board**

**Moved: Kay Fraser, Seconded: Ryan Palmer**

**Carried.**

**Item 3 Business Arising from Previous Minutes**

*Nil.*

**Item 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 Sue Moore as of February 2022.*

**Item 5 Financial Reports**

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

*The CEO spoke to the audited financial statements for 2021-22, and noted the delay in the receipt of the financial statements, due to additional work being completed on the audit.*

*Cameron Hume, RSM Partners spoke to the audit reports.*

**Resolved: That the annual audited accounts for 2021-22 be accepted.**

**Moved: Ryan Palmer, Seconded: Philip Penfold**

**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: John Connors, Seconded: Ryan Palmer**

**Carried.**

**Closed Session**

*The Board held a closed session at the request of the Chairperson. The below was resolved out of the closed session.*

**Resolved: That the Procurement Issue report provided to the Hunter JO Board on 9 June 2022, be brought back to the Board at its August 2023 meeting for consideration, with the report and recommendations updated in line with the legal advice received on this issue.**

**Moved: John Connors, Seconded: Philip Penfold**

**Carried.**

Meeting closed 12:22pm

---

**Recommendation:**

- **That the minutes of the previous Annual General Meeting of 29 June 2023 be endorsed and adopted by the Board**

### 3. Matters Arising from Previous Minutes

---

*Nil.*

### 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 Sue Moore as of February 2022.*

## 5. Financial Reports

### 5.1 Hunter Joint Organisation Annual Audited Accounts 2022-23 and Management Representation Letter

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The below reports have been provided following completion of the Hunter JO Audit for the 2022-23 financial year:

- Attachment 1: Draft Financial Statements – Hunter Joint Organisation Audited Accounts 2022-23
- Attachment 2: Engagement Closing Report for the year ended 30 June 2023
- Attachment 3: Hunter JO Management Representation Letter

*The Engagement Closing Report has been circulated as a Confidential Item, as it falls within the definition of 'excluded information' contained in Schedule 2(2) of the Government Information (Public Access) Act 2009.*

The remaining reports will be provided by the Auditor following receipt of the signed financial statements.

- Independent Auditor Report for Hunter Joint Organisation
- Report on the Conduct of the Audit 2022-23
- Auditor Final Management Letter

#### **Recommendation:**

- **That the annual audited accounts for 2022-23FY be received and accepted**

### 5.2 Appointment of Auditors 2023-24

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*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**

## 6. General Business

### 6.1 Tabling of Hunter JO Board Pecuniary Interest Declarations

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*The Pecuniary Interest Declarations for the 2022-23 financial year will be tabled within the meeting.*

### 6.2 Change of Signatory for Hunter JO Banking

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**Report Author: Louisa Bulley, Executive Officer**

**Responsible Officer: Steve Wilson, Director Hunter JO**

#### Executive Summary

This report provides, for approval, an overview of proposed changes regarding the company signatories for Hunter JO banking, in line with the Interim Leadership Arrangements for Arrow and Hunter JO.

#### Background

As endorsed at the 10 August 2023 Hunter JO Board Meeting, an Interim Leadership Arrangement is now in place, in line with the CEO's resignation and departure, as of 29 September 2023.

In order to maintain day-to-day operations, additional signatories must be put in place, replacing Joe James, particularly in relation to banking.

#### Report

As part of the implementation of the Interim Leadership Arrangements, a review has been completed of company signatories, Directors and Company Secretaries.

Updates have been made relating to the Company Secretary and banking approvals for Arrow Collaborative Services and its associated entities. This report, however, deals with day-to-day banking approvals, for which there are currently two signatories, Joe James and Lisa Lord.

As the Interim Leadership Arrangements place both Lisa Lord and Steve Wilson in leadership roles within the company, it is recommended that Steve Wilson be made a signatory for the Hunter Joint Organisation banking, with Lisa Lord already in place as a signatory.

**Recommendation: That the Board approve Steve Wilson as a cheque signatory for banking purposes for the Hunter Joint Organisation, as per his delegation for the Interim Leadership Arrangements.**



# HUNTER JOINT ORGANISATION

General purpose financial statements  
for the year ended 30 June 2023

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DRAFT

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 Avenue,  
Thornton NSW 2322

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

The attached general purpose financial statements have been prepared in accordance with:

- the Local Government Act 1993 (NSW) 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 Friday 20 October 2023

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**Cr Sue Moore**

**Chairperson**

**Date:**

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**Cr Jay Suvaal**

**Voting Representative Board  
Member**

**Date:**

---

**Stephen Wilson**

**Director – Hunter Joint  
Organisation, Acting CEO**

**Date:**



## HUNTER JOINT ORGANISATION

### Statement of Income and Accumulated Surplus for the year ended 30 June 2023

	Notes	2023 \$'000	2022 \$'000
<b>Income</b>			
Member council contributions	B1-1	565	553
Grants provided for operating purposes	B1-2	3,906	1,362
Other Income	B1-4	619	608
<b>Total Income</b>		<b>5,090</b>	<b>2,523</b>
<b>Expenses</b>			
Employee benefits and on-costs	B2-1	552	312
Administrative expenses	B2-2	279	321
Depreciation	C1-3	23	23
Project Expenses	B2-3	4,276	2,112
<b>Total expenses</b>		<b>5,130</b>	<b>2,768</b>
<b>Net result for the year</b>		<b>(40)</b>	<b>(245)</b>
Accumulated surplus at 1 July		(128)	117
<b>Accumulated surplus as at 30 June</b>		<b>(168)</b>	<b>(128)</b>

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



# HUNTER JOINT ORGANISATION

## Statement of Financial Position as at 30 June 2023

	Notes	2023 \$'000	2022 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash equivalents	C1-1	18	165
Receivables	C1-2	0	64
Other		2	0
<b>Total Current Assets</b>		<b>20</b>	<b>229</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	C1-3	67	87
<b>Total Non-Current Assets</b>		<b>67</b>	<b>87</b>
<b>Total Assets</b>		<b>87</b>	<b>316</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	C2-1	144	59
Contract liabilities	C2-2	0	15
Borrowings	C2-3	4	287
Employee benefit provisions	C2-4	65	61
<b>Total Current Liabilities</b>		<b>213</b>	<b>422</b>
<b>Non-Current Liabilities</b>			
Employee benefit provisions	C2-4	42	22
<b>Total Non-Current Liabilities</b>		<b>42</b>	<b>22</b>
<b>Total Liabilities</b>		<b>255</b>	<b>444</b>
<b>Net Assets</b>		<b>(168)</b>	<b>(128)</b>
<b>EQUITY</b>			
Accumulated Surplus		(168)	(128)
<b>Total Equity</b>		<b>(168)</b>	<b>(128)</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 2023

	Notes	2023 \$'000	2022 \$'000
<b>Cash flows used in operating activities</b>			
<b>Receipts:</b>			
Contributions from member councils		1,001	1,028
Grants		2,984	951
Other		518	264
<b>Payments:</b>			
Employees and suppliers		(835)	(279)
Non-employee cash outflows		(3,815)	(2,256)
<b>Net cash used in operating activities</b>		<b>(147)</b>	<b>(292)</b>
<b>Cash flows from investing activities</b>			
<b>Receipts:</b>			
Proceeds from sale of property, plant and equipment		0	39
<b>Payments:</b>			
Payments for property, plant and equipment		0	(119)
<b>Net cash flows from investing activities</b>		<b>0</b>	<b>(80)</b>
<b>Cash flows from financing activities</b>			
<b>Payments:</b>			
Repayment of loan (principal)		0	(58)
<b>Net cash flows from financing activities</b>		<b>0</b>	<b>(58)</b>
<b>Net change in cash and cash equivalents</b>		<b>(147)</b>	<b>(430)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>165</b>	<b>595</b>
<b>Cash and cash equivalents at end of year</b>	C1-1	<b>18</b>	<b>165</b>

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 12 October 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) Historical cost convention*

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

#### *(b) 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.

#### 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 C2-4

#### Going concern

In preparing these financial statements, 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.

As at 30 June 2023, the Joint Organisation has a net asset deficiency of \$168,000. However, the financial statements have been prepared on a going concern basis.

Management are of the opinion 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 statements after consideration of the following factors:

- The Joint Organisation has entered into a Funding Deed (the Deed) with Arrow Collaborative Services Limited (a related entity) on 26 May 2023. The Deed provides an agreed level of funding to the Joint Organisation on an annual basis, with the option for the Joint Organisation to request further funding if required (subject to approval of Arrow Collaborative Services Limited).
- The Funding provided by Arrow Collaborative Services Limited under the Deed is considered grant revenue for the Joint Organisation and may be spent on operating activities as determined by the Joint Organisation. As such, it is recognised as revenue upon receipt as the grant has no sufficiently specific performance obligations.
- On 26 May 2023, Arrow Collaborative Services Limited signed a written notice of funding commitment of \$150,000, to be provided to the Joint Organisation for the 2023-2024 financial year. This funding is received by the Joint Organisation on an ongoing monthly basis.

- The Joint Organisation’s budgeted revenue, expenditure and cash flow forecast for the 2023-24 financial year was approved by the board on 8 June 2023. These forecasts take into account the funding provided by Arrow Collaborative Services Limited and demonstrate the Joint Organisation:
  - will have sufficient cash available to enable it to pay its debts as and when they fall due throughout the 2023-24 financial year.
  - will achieve a surplus for the year ended 30 June 2024.

### **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.

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## B. Financial Performance

### B1. Sources of Income

#### B1-1 Member Council contributions

	2023	2022
	\$'000	\$'000
Cessnock City Council	49	47
Dungog Shire Council	30	29
Lake Macquarie City Council	105	103
Maitland City Council	61	59
Midcoast City Council	66	65
Newcastle City Council	101	100
Muswellbrook Shire Council	34	33
Port Stephens Council	52	51
Singleton Council	36	36
Upper Hunter Shire Council	31	31
<b>Total member council contributions</b>	<b>565</b>	<b>553</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 2023 \$'000</b>	Operating 2022 \$'000
Accelerating Events	517	344
Regional Illegal Dumping Program	243	74
Waste Action, Recycle	319	429
Contaminated Land Program	90	85
Small Business promotion	299	387
Hunter Tourism	710	0
Airport	400	0
Circular Economy	703	0
Net Zero	93	0
Disaster preparedness	448	13
Coastal Engagement	24	9
Simtables	60	0
Other	0	21
<b>Total grants</b>	<b>3,906</b>	<b>1,362</b>
<b>Comprising:</b>		
Commonwealth funding total		
State funding total	3,607	1,332
Other Funding total	299	408
	<b>3,906</b>	<b>1,362</b>
<b>Timing of revenue recognition</b>		
Grants recognised at a point in time	3,906	1,362
<b>Total grants</b>	<b>3,906</b>	<b>1,362</b>

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

	<b>2023 \$'000</b>	2,022 \$'000
Small Business promotion	299	387
Other	0	21
	<b>299</b>	<b>408</b>

## 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.

### **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

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## B1-4 Other income

	2023	2022
	\$'000	\$'000
Project Contributions (related party)	617	600
Gain on disposal of property, plant and equipment	0	6
Other	2	2
<b>Total other income</b>	<b>619</b>	<b>608</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 asset is de-recognised.

Refer to Note E1-2 for further details on Project Contribution income received from related parties.

## B2. Costs of providing services

### B2-1 Employee Benefits and Oncosts

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
Wages & Salaries	428	201
Superannuation	45	42
Oncosts	67	68
Training costs	12	1
<b>Total Administrative Expenses</b>	<b>552</b>	<b>312</b>

#### Accounting policy

##### Employee benefit expenses

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

## B2-2 Administrative expenses

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
Finance & Administrative Services	151	155
Remuneration of Auditors	28	15
IT Expenses	7	10
Board Meeting Expenses	2	8
Motor Vehicle Expenses	22	11
Office Space rent & outgoings	36	79
Insurance	9	9
Travel & Accommodation	15	13
Other	9	21
<b>Total Administrative Expenses</b>	<b>279</b>	<b>321</b>

### Accounting policy

#### Administrative expenses

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

## B2-3 Project expenses

	<b>2023</b>	2022
	<b>\$'000</b>	\$'000
Project Expenses - Grant Fund related	4,276	2,112
<b>Total Administrative Expenses</b>	<b>4,276</b>	<b>2,112</b>

### Accounting policy

#### Project Expenses

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

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## C. Financial position

### C1. Assets we manage.

#### C1-1 Cash and cash equivalents

	2023	2022
	\$'000	\$'000
Cash at bank and on hand	<u>18</u>	<u>165</u>
	<u>18</u>	<u>165</u>
<b>Reconciliation of cash and cash equivalents</b>		
Total cash and cash equivalents per Statement of Financial Position	<u>18</u>	<u>165</u>
<b>Balance as per Statement of Cash Flows</b>	<u>18</u>	<u>165</u>

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## C1-2 Receivables

	2023	2022
	\$'000	\$'000
Receivables from member councils	-	5
Grant receivables	-	25
Trade Receivables	-	34
<b>Total</b>	<b>-</b>	<b>64</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 2022			Movements During the Period		As at 30 June 2023		
	Gross carrying amount	Acc. Depn and Impairment	Net Carrying amount	Additions	Depn and impairment	Gross carrying amount	Acc. Depn and Impairment	Net Carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Office Equipment	2	(2)	0	3	(1)	5	(3)	2
Vehicles	135	(48)	87	0	(22)	135	(70)	65
<b>Totals</b>	<b>137</b>	<b>(50)</b>	<b>87</b>	<b>3</b>	<b>(23)</b>	<b>140</b>	<b>(73)</b>	<b>67</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 five years and Vehicles as three 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>2023</b>	2022
	<b>\$'000</b>	\$'000
Trade Payables	66	13
Accrued Expenses	35	17
Other Payables	43	29
<b>Total payables</b>	<b>144</b>	<b>59</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>2023</b>	2022
	<b>\$'000</b>	\$'000
Funds received prior to performance obligation being satisfied (upfront payments) - AASB 15 (i)	-	15
<b>Total contract liabilities</b>	<b>0</b>	<b>15</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 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

	2023	2022
	\$'000	\$'000
<b>Borrowings</b>		
Loan - Arrow Collaborative Services	-	288
Credit Cards	4	(1)
<b>Total borrowings</b>	<b>4</b>	<b>287</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	4	0
	<u>4</u>	<u>0</u>

#### Undrawn Facilities

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

Corporate credit cards	2	6
	<u>2</u>	<u>6</u>

### Changes in liabilities arising from financing activities

	2022	Cashflows	Non-cash movements		2023
	\$'000	\$'000	\$'000		\$'000
			Acquisition	Other	
Loan - Arrow Collaborative Services	288	(288)	0	0	0
<b>Total liabilities from financing activities</b>	<b>288</b>	<b>(288)</b>	<b>0</b>	<b>0</b>	<b>0</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.

## C2-4 Employee benefits

	2023		2022	
	Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
Annual leave	65		61	
Long-service leave	-	42	-	22
<b>Total employee benefit provisions</b>	<b>65</b>	<b>42</b>	<b>61</b>	<b>22</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 and financial liabilities approximates the carrying amount.

### D2. Contingencies

There are no contingent assets or contingent liabilities as at 30 June 2023

## 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 \$167,000.

## 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>2023</b>						
Arrow Collaborative Services Local government owned entity	Loan to Arrow - balance as at 30/6/23		-	Net 30 days	-	-
	Rent and Admin fees paid	189		Net 30 days	-	-
	Grant Funds obtained and transferred to related party to undertake grant functions	3,607		n/a		
	Admin fees received	267		Net 30 days	-	-
	Professional fees paid	370				
	Project Contributions received	350		Net 30 days	-	-
Hunter Councils Incorporated Local government owned entity	Rent paid	30		Net 30 days	-	-
Lake Macquarie City Council	Subscriptions	105		Net 30 days	-	-
	Project Funding	32		Net 30 days	-	-
Newcastle City Council	Subscriptions	101		Net 30 days	-	-
	Project Funding	32		Net 30 days	-	-
Port Stephens Council	Subscriptions	52		Net 30 days	-	-
	Project Funding	32		Net 30 days	-	-
Mid Coast Council	Subscriptions	66		Net 30 days	-	-
	Project Funding	32		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	22		Net 30 days	-	-
Dungog Shire Council	Subscriptions	30		Net 30 days	-	-
	Project Funding	15		Net 30 days	-	-
Muswellbrook Shire Council	Subscriptions	34		Net 30 days	-	-
	Project Funding	17		Net 30 days	-	-
Cessnock City Council	Subscriptions	49		Net 30 days	-	-
	Project Funding	32		Net 30 days	-	-
Maitland City Council	Subscriptions	61		Net 30 days	-	-
	Project Funding	32		Net 30 days	-	-

## 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 Local government owned entity	Loan to Arrow - balance as at 30/6/22		288	Net 30 days	-	-
	Rent and Admin fees paid	188		Net 30 days	-	-
	Grant Funds obtained and transferred to related p:	948		n/a		
	Admin fees received	200		Net 30 days	-	-
	Professional fees paid	15				
	Project Contributions	600		Net 30 days	-	-
Hunter Councils Incorporated Local government owned entity	Rent paid	59		Net 30 days	-	-
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	-	-

## E2. Other relationships

### E2-1 Audit Fees

	2023	2022
	\$'000	\$'000
<b>Auditors of the JO - NSW Auditor-General</b>		
Audit of financial statements	28	35
<b>Total fees paid or payable to the Auditor- General</b>	<b>28</b>	<b>35</b>

## F. Other matters

### F1. Commitments

There are no commitments at reporting date.

### F2. Events occurring after reporting date.

No events have occurred after reporting date that require disclosure.

### F3. Changes from prior year

Change to audit fees to prior year, with an unexpected increase for 2022 fees, not known as at publication of 2022 Audit reports.



Mr Steve Wilson  
Acting Chief Executive Officer  
Hunter Joint Organisation  
PO BOX 3137  
THORNTON NSW 2322

Contact: Cassie Malone  
Phone no: 02 9275 7388  
Our ref: R008-16585809-45506

17 October 2023

Dear Mr Wilson

**Engagement Closing Report  
for the year ended 30 June 2023  
Hunter Joint Organisation**

We have audited the Hunter Joint Organisation (the Joint Organisation's) 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 the Chief Executive Officer and the Chairperson the opportunity to assess the audit findings, before the representation letter and the Statements 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 Joint Organisation.

If you need more information about the audit, please contact me on 02 9275 7388 or Alex Hardy, Director, Prosperity Audit Services) on 02 4907 7222.

Yours sincerely



Cassie Malone  
Delegate of the Auditor-General for New South Wales

cc: Cr Sue Moore, Chairperson

# Engagement Closing Report

for the year ended 30 June 2023

Hunter Joint Organisation

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## 1. INTRODUCTION




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





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

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

## 2. AUDIT OVERVIEW

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

Impact assessment		
	<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	Impact	Reference
<b>Audit outcome:</b>			
GPFS	Unqualified opinion	 Low	<a href="#">3.1</a>
Response to key issues and audit risks	Matters partially addressed	 High	<a href="#">4.1</a>
Misstatements	Misstatements noted	 Low	<a href="#">4.2</a>
Compliance with legislative requirements	Matters noted	 High	<a href="#">4.3</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
Audited 2022-23 financial statements of Arrow Collaborative Services Limited (Arrow)	Management to provide Arrow’s audited 2022-23 financial statements (and accompanying audit opinion). Audit team to assess for impacts on the appropriateness of the going concern assumption for the Joint Organisation, with specific regards to Arrow’s	Management and audit team

Outstanding Item	Action Required	Responsibility
	ability to provide future financial support to the Joint Organisation.	
Conflict of interest and related party declarations	Conflict of interest declarations by key management personnel to be provided. Audit team to review and assess the adequacy of related party transactions disclosed in the draft financial statements.	Management and audit team
Statement by Members of the Board and Management	Statement by Members of the Board and Management to be signed when financial statements are approved.	Management
Representation Letter	Management to sign the representation letters on the same date as the Statement by Members of the Board and Management.	Management
Final review of signed financial statements	Review and agree all amendments to the final financial statements.	Management and audit team
Subsequent events update	Review and assess impact of any significant transactions and events up to the date the financial statements are signed.	Audit team
Finalisation of quality review procedures	The audit team's quality review procedures will continue until the date of signing.	Audit team

Promptly resolving these matters will avoid delays in issuing the Independent Auditor's Report.

#### '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 significant issues and observations which include high risk management letter points in the Report on the Conduct of the Audit:

- non-compliance with the LG Act relating to tendering requirements
- absence of robust internal controls and governance over expenditure processes
- absence of robust risk and compliance processes and frameworks
- absence of information technology (IT) security and cyber security frameworks

Refer to [Section 3.4](#) for further details on these issues and observations.



### 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

We issue Management Letters detailing matters of governance interest identified during the audit.

A Management Letter will be sent to you during November 2023, when formal management responses have been received. The table below highlights the high risk audit findings which will be reported in the Management Letter.

Risk assessment*	Issue	Draft management response
 High	<p><b>Non-compliance with the <i>Local Government Act 1993 (LG Act)</i></b></p> <p>The Joint Organisation engages Arrow to deliver all State and Local Government-funded grant programs. This arrangement has been in existence since the establishment of the Joint Organisation.</p> <p>The LG Act requires the Joint Organisation to invite tenders before entering into any contracts outlined at section 55. This includes contracts above \$250,000.</p> <p>Similar to last year, the Joint Organisation has continued to not comply with these requirements in the 2023 financial year.</p> <p>Payments made to Arrow for 2022-23 financial year totalled \$3.9 million (2021-22: \$2.1 million).</p> <p>The Joint Organisation obtained legal advice in August 2022 which confirmed this non-compliance.</p> <p>This observation was first raised in the Management Letter for the year ended 30 June 2021.</p>	<p>As per communications provided to the Auditors Office, we have been working with the Hunter JO Board and Office of Local Government and are now awaiting their opinion re: final outcome to resolve this issue.</p> <p>The legal advice received by the Hunter JO identifies that the proposed resolution (on which we are currently working with the Office of Local Government) will ensure Hunter JO's future compliance with the requirements of the Local Government Act.</p>
 High	<p><b>Absence of robust internal controls and governance over expenditure processes</b></p> <p>The Joint Organisation is responsible for the expenditure of public monies. The processes around expenditure incurred by the Joint Organisation require improvement.</p> <p>We identified the following:</p> <ul style="list-style-type: none"> <li>• expenditure reimbursements, or expenditure incurred on credit cards, are not reviewed or approved by appropriately delegated personnel before being paid. We also could not sight evidence of the Joint Organisation's governing body (the Board) performing any reviews of costs incurred by, or reimbursed to, the Joint Organisation's employees. A lack of segregation of duties increases the risk of fraud and error</li> <li>• an expenditure policy (applicable to Board members only) has not been reviewed since June 2018</li> <li>• there are no expenditure policies or procedures applicable to employees of the Joint Organisation</li> </ul>	<p>We acknowledge the identified gaps in our internal controls and will be enhancing our existing systems to address gaps identified through the audit.</p> <p>A full review of all policies is already being undertaken in which identified gaps will be considered.</p> <p>All documentation re laptop purchase has been provided to Audit Office - now complete.</p>

Risk assessment*	Issue	Draft management response
	<ul style="list-style-type: none"> <li>• there are no travel or accommodation policies or procedures. Expenditure incurred for 'meals &amp; accommodation' and 'catering &amp; functions' for the period 1 July 2022 to 30 June 2023 totalled \$9.1 thousand.</li> <li>• \$1.8 thousand was incurred at a restaurant after attendance at a Local Government conference. Of this amount:                             <ul style="list-style-type: none"> <li>- \$1.2 thousand related to 'three course meals' for 25 people. The Board of the Joint Organisation consists of 21 individuals</li> <li>- the remaining amount (\$605) was predominantly for alcoholic beverages</li> </ul> </li> <li>• instances where charges incurred by employees of the Joint Organisation were not supported by invoices or receipts</li> <li>• all motor vehicle tolls incurred by employees are paid for by the Joint Organisation, including those related to personal use. We could not sight any documented evidence approving this arrangement. Expenditure incurred for 'parking and tolls' for the period 1 July 2022 to 30 June 2023 totalled \$10.2 thousand.</li> <li>• the Joint Organisation purchased a laptop for an employee of the Joint Organisation in June 2023 but failed to deduct the cost from employee's salary package on a timely basis. Management advised this was deducted from the employee's final payment in September 2023.</li> </ul>	
 High	<p><b>Absence of robust risk and compliance processes and frameworks</b></p> <p>The Joint Organisation's risk management environment requires improvement. We could not sight evidence of:</p> <ul style="list-style-type: none"> <li>• a robust risk management framework</li> <li>• key register such as a risk register, legislative compliance register, conflicts of interest register, gifts and benefits register etc</li> <li>• regular and reinforced conflicts of interest disclosure requirements. We observed the process to obtain conflicts of interest disclosures from key management personnel did not commence until 25 September, after submission of the Joint Organisation's financial statements for audit. These disclosures were obtained by the Joint Organisation in October 2023.</li> </ul>	<p>Hunter JO Board Planning and Governance Calendar included in each Hunter JO Board Meeting Agenda</p> <p>A risk framework and register is in development with initial stages to be provided for Hunter JO Board's consideration at December 2023 meeting, in line with assessment made in June 2022 report, provided by the Audit Office to the Hunter JO Board in June 2023.</p> <p>Implementation of an ARIC is a significant financial and resource imposition on an organisation the size of the Hunter JO. The JO have been waiting for the guidelines to be finalised by the Office of Local</p>

Risk assessment*	Issue	Draft management response
	<p>Observations around the lack of risk assessment processes and risk registers were first raised in the Management Letter for the year ended 30 June 2022.</p> <p>Management provided its 'Forward Planner and Governance Calendar' as evidence of the Joint Organisation's effective risk environment for the 2023 financial year. This document is operational in nature, outlining future board meeting dates and due dates for various reporting documentation.</p> <p>The Joint Organisation is also yet to establish an Audit, Risk and Improvement Committee (ARIC), a risk management framework that complies with the OLG's draft guidelines, or an internal audit function. Guidance issued by the OLG identifies that councils and joint organisations will be required to comply with these requirements from 1 July 2024. This was raised in the Management Letter for the year ended 30 June 2022.</p> <p>It is not uncommon for joint organisations to have less complex risk profiles than larger operational councils. However, joint organisations are still responsible for the expenditure of public monies and delivering outcomes on behalf of member councils. The identification and appropriate management of risk is necessary to ensure the Joint Organisation is compliant with Australian risk management standards. This is also outlined in the OLGs draft 'Guidelines for risk management and internal audit for local government in NSW' which will become compulsory for all councils and joint organisations from 1 July 2024.</p>	<p>Government prior to determining the most efficient and effective ARIC approach. To date guidelines are still not finalised and we note that establishment of an ARIC is not compulsory until July 2024 and we are working toward that timeline.</p>
 High	<p><b>Absence of information technology (IT) security and cyber security frameworks</b></p> <p>The Joint Organisation does not have:</p> <ul style="list-style-type: none"> <li>• a framework to ensure its IT service providers will comply and align with the Joint Organisation's IT security expectations and requirements</li> <li>• sufficient internal IT security-related documentation such as policies or frameworks around IT security and IT risk management</li> <li>• cyber security policies.</li> </ul> <p>Observations around the Joint Organisation's IT framework were first raised in the Management Letter for the year ended 30 June 2021.</p> <p>The absence of formal IT security policies and procedures may result in an increased likelihood of inappropriate access to key</p>	<p>Hunter JO continues to review its IT Framework and service provisions and given costs and capability restraints, is prioritising the review of necessary systems of control.</p> <p>Engagement with external IT services provider is underway to build a road map for implementation of security frameworks commensurate to the level of risk and size of the organisation.</p>



Risk assessment*	Issue	Draft management response
	<p>systems, inconsistent practices and an increased likelihood of inappropriate changes and/or access to key systems.</p> <p>Lack of cyber security controls may increase the risk of successful cyber-attacks, financial loss, reputational damage, disclosure of confidential information and an inability to provide services.</p>	

\* Refer to the Management Letter for the definitions of the risk assessments.

## 4. AUDIT FINDINGS

### 4.1 Response to key issues and audit risks

The Annual Engagement Plan sent on 2 August 2023, 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>Non-compliance with the <i>Local Government Act 1993</i></b>	
<p>Section 55 of the <i>Local Government Act 1993</i> (the LG Act) requires councils and joint organisations to invite tenders prior to entering into any contract exceeding \$250 thousand.</p> <p>Since its establishment, the Joint Organisation has engaged Arrow Collaborative Services Limited (Arrow) to deliver all of the Joint Organisation's grant programs (which are funded by the State and Local Governments). This was undertaken without inviting tenders prior to entering into arrangements with Arrow, which is not in compliance with section 55 of the LG Act.</p> <p>During the 2021-22 financial year, the Joint Organisation transferred \$2.1 million (2020-21: \$2.5 million) to Arrow to deliver a number of grant contracts and other projects.</p> <p>This was reported as a high risk observation in last year's Management Letter.</p>	<p>The Joint Organisation has continued to breach the requirements of the LG Act. Payments to Arrow for the 2022-23 financial year totalled \$3.9 million.</p> <p>This will be reported as a repeat high risk observation in this year's Management Letter. Refer to <a href="#">Section 3.4</a>.</p>
<b>Information Technology General Controls</b>	
<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>As part of our audit, we reviewed the Joint Organisation's IT control environment over its key finance system (MYOB).</p> <p>Similar to last year, we noted a lack of approved overarching IT Risk Management Framework and absence of various security policies relating to areas such as:</p> <ul style="list-style-type: none"> <li>• third party security</li> <li>• access controls</li> <li>• incident response plans</li> <li>• business continuity plans</li> <li>• disaster recovery plans</li> <li>• physical security of IT assets.</li> </ul>

Issue or risk	Audit outcome
<p><b>Cyber security</b></p> <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>This will be reported as a high risk observation in this year's Management Letter. Refer to <a href="#">Section 3.4</a>.</p> <p>As part of our 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>Our audit work identified that the Joint Organisation's consideration of, and response to, cyber security risks continues to require improvement.</p> <p>This will be reported as a high risk observation in this year's Management Letter. Refer to <a href="#">Section 3.4</a>.</p>
<p><b>Grant income</b></p> <p>It is estimated the Joint Organisation will receive over \$4 million in grant funding during 2022–23, which represents a significant portion of the Joint Organisation's income.</p>	<p>During the 2022-23 financial year, the Joint Organisation received \$3.9 million in grant funding (2021-22: \$1.4 million). This comprised 77 per cent of the Joint Organisation's total revenue (2021-22: 54 per cent).</p> <p>As part of our audit, we reviewed a sample of grants to ensure:</p> <ul style="list-style-type: none"> <li>• revenue recognition complied with applicable accounting standards, in particular AASB 15 'Revenue from Contracts with Customers', AASB 1058 'Income of Not-for-Profit Entities'</li> <li>• the financial statement disclosures complied with applicable accounting standards.</li> </ul> <p>We did not identify any material issues.</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.

The [Appendix](#) lists and explains the nature and impact of the misstatements contained in the GPFS.

### 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 assessing whether the Joint Organisation has complied with legislative requirements that may materially impact the financial statements.

#### **Non-compliance with the *Local Government Act 1993 (LG Act)***

Similar to last year, the Joint Organisation has continued to not comply with the tendering requirements of section 55 of the LG Act these requirements in the 2023 financial year. Refer to [Section 3.4](#).

#### **Compliance with upcoming amendments to the *Local Government (General Regulation) 2021***

The LG Act requires all councils (including county councils) and joint organisations to have established an Audit, Risk and Improvement Committee (ARIC) or to have entered into an arrangement with another council or joint organisation to share an ARIC from 4 June 2022.

Amendments are currently being made to the *Local Government (General Regulation) 2021* to require all councils and joint organisations to have a risk management framework and an internal audit function and to prescribe membership requirements for audit risk and improvement committees. Councils and joint organisations will be required to comply with these requirements from 1 July 2024 and, commencing with the 2024-25 annual report, to attest to their compliance with the requirements in their annual reports.

The Joint Organisation is yet to establish:

- an Audit, Risk and Improvement Committee (ARIC)
- a risk management framework that complies with the OLG's draft guidelines
- an internal audit function.

Refer to [Section 3.4](#).

Apart from these matters, our audit procedures did not identify any other reportable findings on compliance with legislative requirements.

## 5. THE AUDIT PROCESS

### 5.1 Management co-operation

We appreciated the co-operation and help received from the Joint Organisation.

### 5.2 Next year's audit

Your comments about the audit process are welcomed.

## APPENDIX

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

#### Uncorrected monetary misstatements

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 Lisa Lord on 8 September 2023.

Description	Assets	Liabilities	Net result for the year	Equity
Effect of potential correction	Increase/ (decrease)	(Increase)/ decrease	(Increase)/ decrease	(Increase)/ decrease
	\$'000	\$'000	\$'000	\$'000
<b>Factual misstatements</b>				
Omission of wages accrual for the period 21 June - 30 June 2023	--	(8)	8	--
Reclassification of 'income earned in advance' to 'income'	--	18	(18)	--
<b>Subtotal</b>	<b>--</b>	<b>10</b>	<b>(10)</b>	<b>--</b>
<b>Total impact if misstatements were corrected</b>	<b>--</b>	<b>10</b>	<b>(10)</b>	<b>--</b>

#### Uncorrected disclosure deficiencies

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

### Table four: Corrected monetary misstatements and disclosure deficiencies

#### Corrected monetary misstatements

We did not detect any reportable monetary misstatements that were corrected in the GPFS.

#### 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 101 'Presentation of Financial Statements'	Note A1 'Basis of Preparation'	Disclosures around the appropriateness of the going concern assumption were included.
AASB 101 'Presentation of Financial Statements'	Throughout the financial statements	The financial statements submitted for audit required correcting to: <ul style="list-style-type: none"> <li>remove disclosures not relevant to the Joint Organisation (Note A1 'Basis of Preparation')</li> </ul>

AASB reference	Disclosure title	Description of disclosure deficiency
Various	Various	<ul style="list-style-type: none"> <li>• include disclosures relating to capital grants (Note B1-2 'Grants')</li> <li>• amend the accounting policy to align with the OLG Code of Accounting Practice (Note C1-1 'Cash and cash equivalents')</li> <li>• include disclosures relating to the loan with Arrow (Note C2-3 'Borrowings')</li> <li>• revise the comparative figures to ensure these match the 2022 audited financial statements.</li> </ul> <p>Various amendments were made to the financial statements for formatting and clarity purposes.</p>

## OUR VISION

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

## OUR PURPOSE

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



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Cassie Malone  
Audit Leader, Financial Audit  
Audit Office of New South Wales  
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20 October 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 2023 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 20 October 2023 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 2023, 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 19 June 2023 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
- 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
- all relevant information on the impact of crises (including natural disasters) on the Joint Organisation, including any changes in procedures and controls
- 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 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.

We have disclosed to you all communications 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 materially impact the financial statements.

We considered the substance of those communications when preparing 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 crises (including natural disasters)
- existing operations or programs that the Joint Organisation will permanently cease as a result of 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 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 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 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 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 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 in accordance with the requirements of AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'
- 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 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 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.

**Stephen Wilson**  
Director – Hunter Joint Organisation

**Lisa Lord**  
Head of Finance & Administration

## Appendix A – Uncorrected Misstatements

Description	Assets	Liabilities	Net result for the year	Equity
Effect of potential correction	Increase/ (decrease) \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000
<b>Factual misstatements</b>				
Omission of wages accrual for the period 21 June - 30 June 2023	--	(8)	8	--
Reclassification of 'income earned in advance' to 'income'	--	18	(18)	--
<b>Subtotal</b>	<b>--</b>	<b>10</b>	<b>(10)</b>	<b>--</b>
<b>Total impact if misstatements were corrected</b>	<b>--</b>	<b>10</b>	<b>(10)</b>	<b>--</b>