

Namoi Joint Organisation

GENERAL PURPOSE FINANCIAL STATEMENTS

for the period 11 May 2018 to 30 June 2019



NAMOI UNLIMITED

Premier agricultural region in Australia

Namoi Joint Organisation

General purpose financial statements for the period

from 11 May 2018 to 30 June 2019

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

Namoi Joint Organisation
437 Peel Street
TAMWORTH NSW 2340

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.namoiunlimited.nsw.gov.au

Namoi Joint Organisation

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:

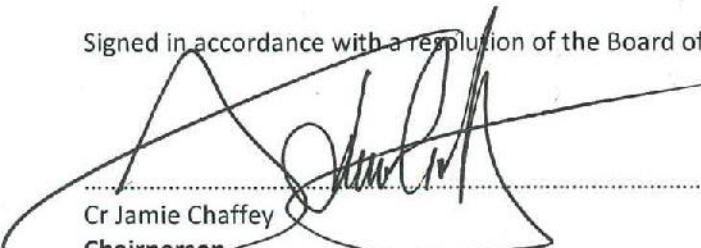
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder
- the Australian Accounting Standards – Reduced Disclosure Requirements and other pronouncements of the Australian Accounting Standards Board
- the Joint Organisations Supplement to the Local Government Code of Accounting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

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


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

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

Signed in accordance with a resolution of the Board of Namoi Joint Organisation made on 17 October 2019.



Cr Jamie Chaffey
Chairperson
17 October 2019



Cr Col Murray
Voting Representative Board Member
17 October 2019



Rebel Thomson
Executive Officer
17 October 2019

Namoi Joint Organisation

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

		Actual Period 11 May 2018 to 30 June 2019
	Notes	\$
Income from continuing operations		
Member council contributions	2a	150,000
User charges and fees	2b	22,788
Interest and investment revenue	2c	733
Grants provided for operating purposes	2d	467,890
Total income from continuing operations		641,411
Expense from continuing operations		
Employee benefits and on-costs	3a	229,025
Administrative expenses	3b	287,641
Total expense from continuing operations		516,666
Net operating result for the period		124,745
Gain on transfer of assets from former entity	2e	305,064
Net result for the period		429,809
Total comprehensive income		429,809

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

Namoi Joint Organisation

Statement of Financial Position as at 30 June 2019

	Notes	2019 \$
ASSETS		
Current Assets		
Cash and cash equivalents	4	660,113
Total current assets		<u>660,113</u>
Total non-current assets		-
Total assets		<u>660,113</u>
LIABILITIES		
Current Liabilities		
Payables	5	121,959
Income received in advance		102,434
Total current liabilities		<u>224,393</u>
Non-current liabilities		
Provisions	6	5,911
Total non-current liabilities		<u>5,911</u>
Total liabilities		<u>230,304</u>
Net assets		<u>429,809</u>
EQUITY		
Accumulated surplus		429,809
Total equity		<u>429,809</u>

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

Namoi Joint Organisation

Statement of Changes in Equity

For the period from 11 May 2018 to 30 June 2019

	2019 \$	
	Accumulated surplus	Total equity
Opening balance	-	-
Net operating result for the period	124,745	124,745
Other comprehensive income		
Gain on transfer of assets from former entity	305,064	305,064
Total comprehensive income	429,809	429,809
Closing balance	429,809	429,809

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

Namoi Joint Organisation

Statement of Cash Flows for the period from 11 May 2018 to 30 June 2019

		Period 11 May 2018 to 30 June 2019
	Notes	\$
Cash flows from operating activities:		
<i>Receipts</i>		
Contributions from member councils		277,677
User charges and fees		25,067
Investment revenue and interest		733
Grants		470,679
Other		10,945
<i>Payments</i>		
Employees and suppliers		(631,075)
Net cash provided from (or used) in operating activities		<u>154,026</u>
Net increase(/decrease) in cash and cash equivalents		154,026
Cash transferred from former entities (Namoi Councils)	2(e)	506,087
Cash and cash equivalents at beginning of reporting period		<u>-</u>
Cash and cash equivalents at end of reporting period	4	<u>660,113</u>

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

Namoi Joint Organisation

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

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Note 1 Basis of preparation

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

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

These financial statements were authorised for issue by the Board of the Joint Organisation on 17 October 2019. The Board has the power to amend and reissue these financial statements.

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

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

(a) New and amended standards adopted by Namoi Joint Organisation

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

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

(b) Historical cost convention

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

(c) 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

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

- (i) employee benefit provisions – refer Note 9.

(d) 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.

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

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

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

AASB 16 Leases

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

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

The only exceptions are short-term and low-value leases which are exempt from accounting (but not disclosure) requirements of AASB16 – Leases.

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

AASB 15 Revenue from Contracts with Customers and associated amending standards

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

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

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

Review of the JO revenue streams has been undertaken and the potential impact of AASB 15 is estimated at being a \$212,000 change to the recognition and treatment of revenue that would be deferred as income in advance liability.

AASB 1058 Income of NFP Entities

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

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

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

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

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

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

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

Review of the JO revenue streams has been undertaken and the impact of AASB 1058 and there are expected to be no change to the recognition and treatment of revenue.

AASB 2018-8 Amendments to Australian Accounting Standards – Right-of Use Assets of Non-for-Profit Entities

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

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

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

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

Note 2 Income from continuing operations

	Period 11 May 2018 to 30 June 2019	\$
(a) Member Council contributions		
Gunnedah Shire Council	30,000	
Gwydir Shire Council	30,000	
Liverpool Plains Shire Council	30,000	
Tamworth Regional Council	30,000	
Walcha Shire Council	30,000	
Total member council contributions	<u>150,000</u>	
(b) User charges and fees		
China Study Tour Fees	22,788	
Total user charges and fees	<u>22,788</u>	
(c) Interest and investment revenue		
Interest on financial assets measured at amortised cost	733	
Total interest and investment revenue (losses)	<u>733</u>	
(d) Grants		
	Operating	
	Period 11 May 2018 to 30 June 2019	
Joint Organisation Establishment	300,000	
China - Namoi Engagement Project	20,000	
Contaminated Lands Program	140,000	
New England North West Export Workshop	7,890	
	<u>467,890</u>	
Comprising		
- Commonwealth funding	20,000	
- State funding	447,890	
	<u>467,890</u>	

(e) Gain on transfer of assets from former entity Namoi Councils

On 11 May 2018, the assets and liabilities of Namoi Councils were transferred to Namoi Joint Organisation at their previous carrying amount as shown below:

	Assets and liabilities acquired: \$
ASSETS	
Current assets	
Cash and cash equivalents	506,087
Receivables	10,945
Total current assets	517,032
Total non-current asset	-
Total assets	517,032
LIABILITIES	
Current liabilities	
Payables	196,758
Total current liabilities	196,758
Non-current liabilities	
Provisions	15,210
Total non-current liabilities	15,210
Total liabilities	211,968
Net assets transferred / gain on transfer	305,064

Accounting policy for income

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

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

The methodology for determining the contribution is:

- equal contributions by all member councils in order to perform the principal functions of delivering on strategic regional priorities, regional leadership and intergovernmental cooperation

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

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

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

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

Gain on transfer of assets relates to the value of net assets received free of charge from Namoi Councils on establishment of the JO.

Note 3 Expenses from continuing operations

	Period 11 May 2018 to 30 June 2019
(a) Employee benefits and on-costs	\$
Salaries and wages	156,788
Travel expenses	15,653
Employee leave entitlements (ELE)	26,203
Superannuation	18,267
Workers compensation insurance	12,114
Total employee benefits and on-costs	229,025
(b) Administrative expenses	\$
Contractor and consultancy costs	
- Media and Communications	24,946
- Namoi Water Alliance	28,470
- Namoi Water Strategy	105,350
Remuneration of auditors	6,000
Training	10,934
Travel	
- Chair	2,044
- Ningbo delegation	3,166
- Trade & Investment – China Study Tour	56,200
- Advocacy	9,841
Meetings	2,621
Subscriptions	20,000
Other	18,069
Total administrative expenses	287,641
Auditors' remuneration	
Auditors of the Namoi Joint Organisation - NSW Auditor General:	
- Audit of financial statements	6,000
Total fees paid or payable to the Auditor-General	6,000

Accounting policy for expenses

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

Borrowing costs are expensed as incurred.

Depreciation is calculated using the straight-line method to allocate the cost of the asset, net of residual values, over

the asset's estimated useful lives.

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

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

Operating lease expense – Leases in which a significant portion of the risks and rewards of ownership are not transferred to Namoi Joint Organisation as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the period of the lease.

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

Note 4 Cash and cash equivalents

	2019 \$
Cash at bank and on hand	660,113
	<u>660,113</u>
Restricted cash and cash equivalents	
External restrictions	245,598
Unrestricted	414,515
	<u>660,113</u>

Accounting policy for cash and cash equivalents

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

External restrictions relate to unexpended funds from the former Office of Local Government (OLG), joint organisation establishment grant funds, which is refundable if not expended by 30 June 2020. There is also unexpended grants for the Contaminated Lands Program and Namoi Water Alliance.

Note 5 Payables and borrowings

	<u>2019</u>
	Current
	\$
Trade payables	110,296
Accrued expenses	6,000
Other payables - ATO GST	5,663
Total payables	<u>121,959</u>

Financing arrangements	2019
	\$

Total Facilities

The amount of total financing facilities to the JO at the reporting date is:

- Corporate credit cards	<u>4,000</u>
	<u>4,000</u>

Drawn facilities

The amount of financing facilities drawn down at the reporting date is:

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

Undrawn facilities

The amount of undrawn financing facilities available to the JO at the reporting date is:

- Corporate credit cards	<u>4,000</u>
	<u>4,000</u>

Accounting policy for payables

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

Note 6 Provisions

	2019	
	Current	Non-Current
	\$	\$
Employee benefit provisions		
Annual leave	-	-
Long-Service leave	-	5,911
Total provisions	0	5,911

Accounting policy for provisions

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

These amounts include superannuation, 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 Namoi Joint Organisation does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Note 7 Commitments

At the reporting date, Namoi Joint Organisation did not have any capital commitments or non-cancellable operating lease commitments.

Note 8 Contingencies

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

Liabilities not recognised:

1) Guarantees

(i) Statewide Limited

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

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

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

(ii) StateCover Limited

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

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

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

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

(iii) Other guarantees

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

2) Other liabilities

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

Assets not recognised:

JO has no unrecognised assets.

Note 9 Financial risk management

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

Financial risk management is carried out by the Tamworth Regional Council finance team under the delegated function as approved by the Namoi Joint Organisation Board.

The fair value of receivables and financial liabilities approximates the carrying amount.

Note 10 Related party disclosures

Key management personnel

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

The aggregate amount of KMP compensation included in the Income Statement and Other Comprehensive Income is

Compensation:

Short-term benefits	163,228
Post-employment benefits	18,267
Termination benefits	14,531
Total	<u>196,026</u>

Other transactions with KMP and their related parties

Nature of the transaction	Amount of the transactions during the period (\$)	Outstanding balances, including commitments at period end (\$)	Terms and conditions	Provisions for doubtful debts (impairment of receivables) related to the amount of outstanding balances (\$)	Expense recognised during the period relating to bad or doubtful debts (impairment expense) due from related parties (\$)
2019					
Signage ¹	528	-	30 days	-	-

¹ The JO engaged the services of a signage business, a company that is controlled by a member of the KMP of JO.

Note 11 Events occurring after reporting date

Namoi Joint Organisation is unaware of any material or significant 'non-adjusting events' that should be disclosed.



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Namoi Joint Organisation

To the Board of the Namoi Joint Organisation

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Board's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

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

Chris Harper
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

29 October 2019
SYDNEY



Cr Jamie Chaffey
Chairperson
Namoi Joint Organisation
PO Box 555
TAMWORTH NSW 2340

Contact: Chris Harper
Phone no: 02 9275 7374
Our ref: D1921522/1861

29 October 2019

Dear Cr Chaffey

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

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

- Tamworth Regional Council
- Gwydir Shire Council
- Gunnedah Shire Council
- Liverpool Plains Shire Council
- Walcha Council.

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

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

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

PERFORMANCE

Net operating result

The Joint Organisation's net operating result for the period 11 May 2018 to 30 June 2019 was \$124,745.

The Joint Organisation's primary source of income during the period was derived from operating grants of \$467,890 which contributed to 73 per cent of the Joint Organisations income from continuing operations of \$641,411. The grants related to funding from the Office of Local Government for the establishment of the Joint Organisation and from the Environment Protection Authority for the Contaminated Lands Program. The Joint Organisation also received \$150,000 of income from member council contributions.

The Joint Organisation's total operating expenses from continuing operations for the period was \$516,666 which consisted of administration expenses and employee benefits and on-costs.

The Joint Organisation also transferred the existing assets and liabilities from a former entity, Namoi Unlimited, incorporated under the *Association Incorporations Act (NSW) 2009*. This resulted in a gain of \$305,064 on the transfer of the net assets from the former entity into the Joint Organisation.

Financial position

At 30 June 2019 the Joint Organisation recognised total assets of \$660,113 and net assets of \$429,809. The Joint Organisation's only asset consists of cash and cash equivalents of \$660,113.

OTHER MATTERS

New accounting standards implemented

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

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

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

Key changes include:

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

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

Legislative compliance

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

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



Chris Harper
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Ms Rebel Thomson, Executive Officer
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment