

22<sup>nd</sup> August 2012

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Forsyths Business Services Pty Ltd  
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Dear Councillor Woods

## **AUDIT OF ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012**

We are pleased to report that we have completed the audit of New England Weeds Authority's ("the Authority") records for the year ended 30<sup>th</sup> June 2012 and have reported on the general purpose financial statements as required by the provisions of Section 417(2) of the *Local Government Act 1993*.

Under Section 417(3) of the *Local Government Act 1993* we are also required to report on the conduct of the audit.

### **Audit Objectives**

The overall objectives of the audit were to enable us to form an opinion as to whether, in all material respects, the financial statements:

- present fairly the Authority's financial position as at 30<sup>th</sup> June 2012 in accordance with the requirements of the *Local Government Act 1993* and prescribed Regulations and the Australian Accounting Concepts and Standards; and
- present a view which is consistent with our understanding of the Authority's financial position, the results of its operations and its cash flows.

### **Scope of the Audit**

Audit procedures were primarily aimed at achieving audit objectives and did not seek to confirm for management purposes the effectiveness of all internal controls. The planning of the audit procedures was based on an assessment of the risk of the existence of errors and/or irregularities, which could materially affect the financial statements.

The Authority is responsible for preparing financial statements which give a true and fair view of the financial position and performance of the Authority and that comply with Accounting Standards in Australia, in accordance with the *Local Government Act 1993*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

We conducted an independent audit of the financial statements in order to express an opinion on them to the Authority. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial statements are free

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of material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement and Statement of Cash Flows and the Original Budget disclosures in Notes 2(a) and 16 to the financial statements and accordingly, we express no opinion on them. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial statements present fairly, in accordance with the *Local Government Act 1993*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Authority's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Authority.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial statements. These and other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the Authority.

In accordance with Section 417(3) of the *Local Government Act 1993* we make the following comments in relation to the results and financial trends.

### **Operating Result**

The Authority recorded an operating surplus of \$26,000 for the year ended 30 June 2012 (2011: surplus of \$185,000), after taking into account depreciation of \$57,000. Income decreased by \$195,000 from the prior year due a decrease in the grant from the Border Rivers-Gwydir Catchment Management Authority of \$178,000. The Border Rivers-Gwydir Catchment contract was awarded to the Northern Inland Weeds Advisory Committee (NIWAC) (which is a non-incorporated entity and is therefore being managed by New England Weeds Authority). Materials and contract costs decreased by \$62,000 due to the reductions in grant income flowing through into reduced expenditure.

### **Budget Result**

The budget amounts included in the Income Statement are those adopted in the original budget and exclude revotes from the previous year and variations to the budget during the year.

The actual operating surplus for the year of \$26,000 exceeds the original budget result of \$1,000 due to decreases in expenses (mostly relating to the NIWAC grant). The Authority normally

budgets for a break even result each year as the main objective of the Authority is to utilise all of the revenue allocated each year and maintain static reserves.

### Working Capital

The Net Current Asset position as at year end is an important financial indicator as it discloses the working capital available to the Authority to fund day to day operations. However, included in Current Assets are assets which are "Restricted" by regulation or other externally imposed requirements and, therefore, are not available for other than their restricted purpose. The table below reconciles net current assets after external restrictions:

	\$'000 2012	\$'000 2011
<b>Current Assets</b>	765	721
<b>LESS: Current Liabilities</b> (excluding Leave expected to be paid greater than 12 months)	<u>90</u>	<u>71</u>
<b>Net Current Assets</b>	675	650
<b>LESS: Restricted Cash &amp; Investments</b>		
Regional banking funds	1	5
NIWAC funds	31	-
Unexpended grants	<u>181</u>	<u>243</u>
<b>Net funds after restrictions</b>	<u><u>\$462</u></u>	<u><u>\$402</u></u>

The above analysis shows that the Authority presently has unrestricted funds of \$462,000 to fund working capital needs and is in a strong financial position.

### Performance Indicators

The Code of Accounting Practice requires the mandatory disclosure of certain performance indicators. These financial indicators are useful in assessing performance and financial position of the Authority.

The key financial indicators disclosed in the consolidated financial statements are:

		2011/12	2010/11
UNRESTRICTED CURRENT RATIO	To assess the adequacy of working capital and the ability to satisfy obligations in the short term for the unrestricted activities of the Authority.	9.52 : 1	6.66 : 1

The performance indicators above reflect the strong financial position of the Authority.

It is pleasing to report that the Authority's systems and records have been well maintained during the year and the audited accounts will be submitted to the Department of Local Government well within the prescribed time provided for in Division 2 of the *Local Government Act 1993*.

Under Section 419 of the *Local Government Act 1993*, the Authority is required to call a public meeting for the purpose of presenting the audited financial statements and the auditor's report. A Principal of this firm is available to attend this meeting to address any questions in respect of the audit report or the conduct of the audit.

We take this opportunity of thanking the Authority staff for their co-operation and assistance during the course of the audit.

Yours faithfully

**Forsyths Business Services Pty Ltd**



**Paul R Cornall**  
**Principal**