

18 May 2021

Directors  
University of Newcastle Students' Association Limited  
Ae Building University of Newcastle  
University Drive  
Callaghan NSW 2308

## 2020 Audit – Communication with those charged with governance

Dear Directors,

We are pleased to present you with our report on the audit of University of Newcastle Students' Association Ltd ('the organisation') for the year ended 31 December 2020.

The report includes an analysis of the audit outcomes, key audit risk areas, our conclusion, internal control deficiencies and any other recommendations.

We welcome any comments you may have or any additional areas in which you seek comfort or assurance from the audit process.

I look forward to the opportunity of discussing the results of the audit.

Yours faithfully,

**Vishal Modi**  
Director

Dated this 18<sup>th</sup> day of May 2021

## Audit Snapshot

Audit Aspects	Outcome		Reference
Any expected modifications/additions to the auditor's report	No		Section 2
Were significant audit adjustments required	No		Section 4
Are unadjusted differences considered immaterial	Yes		Section 4
Transactions and balances verified in accordance with audit plan	Yes		
Audit risks and exposures addressed	Yes		Section 5
Any significant audit risks requiring comments	No		Section 5
Any high or medium priority internal control deficiencies identified	Yes		Section 6
Any instances of fraud or error in respect to operations noted	No		Section 7
Any material uncertainties, conditions or events identified affecting going concern noted	No		Section 7
Any instances of non-compliance with laws and regulations noted	No		Section 7
Any instances of non-compliance with corporate policies and procedures noted	No		Section 7
Any outstanding items	No		Section 7
Audit Process	Outcome		Reference
Level of preparedness for audit sufficient	Yes		
All information required supplied in a timely manner	Yes		

## **1 Auditor's responsibilities in relation to the audit**

As stated in our engagement letter, our responsibility is to form and express an opinion on the financial statements in accordance with the Australian Auditing Standards. Our responsibility is to plan and perform procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments we considered internal control relevant to the organisation's preparation and fair presentation of the financial report. Such considerations were solely for the purpose of designing audit procedures and not for the purpose of expressing an opinion on the effectiveness of the internal controls. We are responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to the responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

## **2 Audit opinions**

The expected audit report to be issued is unmodified (i.e. clean audit opinion) for the year ended 31 December 2020.

## **3 Materiality**

Misstatements, including omissions, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users of the financial report. The determination of materiality is a matter of professional judgement, and is affected by our perception of the financial information needs of users of the financial report. Having considered the nature of the organisation, the industry and economic environment in which the organisation operates and the relative volatility of alternative benchmarks, we have determined overall planning materiality based on the organisation's:

- Total revenue

The overall materiality was not required to be reassessed during the audit.

## 4 Audit adjustments

### Corrected differences

We are to inform the directors of corrected differences that were brought to the attention of management as a result of our audit procedures. The table below summarises the impact of the journals.

<b>Adjustment</b>	<b>Assets Dr/(Cr)</b>	<b>Liabilities Dr/(Cr)</b>	<b>Equity Dr/(Cr)</b>	<b>Revenue Dr/(Cr)</b>	<b>Expenses Dr/(Cr)</b>
Provision for audit fees	-	(5,500)	-	-	5,500
Provision for annual leave entitlement	-	(9,878)	-	-	9,878
Recognition of prepayments (insurance)	10,833	-	-	-	(10,833)
<b>Total</b>	<b>10,833</b>	<b>(15,378)</b>	<b>-</b>	<b>-</b>	<b>4,545</b>

### Unadjusted differences

Australian Auditing Standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

There are no uncorrected misstatements to report.

## 5 Audit risk areas

The areas below are audit risk areas that we identified based on our understanding of the organisation and discussions with management, as well as any additional risks that arose during the audit fieldwork. This is not a complete list of all audit risks considered or all audit procedures performed. We have presented the risks in three categories: significant, high and normal. These are defined as follows:

<b>Significant</b>	A judgmental assessment of inherent risk as significant relates to those risks which require special audit consideration (in terms of the nature, timing or extent of testing) because of: the nature of the risk, the likely magnitude of the potential misstatements (including the possibility that they risk may give rise to multiple misstatements) and the likelihood of the risk occurring.
<b>High</b>	A judgmental assessment of inherent risk as high relates to a risk that requires additional audit consideration beyond what would be required for a normal risk, but which does not rise to the level of a significant risk.
<b>Normal</b>	A judgmental assessment of inherent risk as normal is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgment. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring. We do not, as a matter of course, discuss normal risks with those charged with governance unless we seek their confirmation on the judgment that has been applied.

## Audit risk area

## Audit response and conclusion

### R1. Revenue recognition

The main source of revenue for the company is in the form of funding from University of Newcastle and grants.

There is an inherent risk that revenue is not recognised in the correct accounting period. Particularly revenue in advance may not be complete.

Under Australian Accounting Standards, the company is required to apply accrual basis of accounting. The timing of the recognition of revenue is important to the financial statements in its entirety and also under Australian Auditing Standards there is a rebuttable presumption of fraud in relation to revenue recognition.

Substantive tests of details were performed including, agreeing income to supporting documents and to ensure revenue has been recognised in the correct accounting period.

We have also reviewed the appropriateness of revenue recognition in accordance with the applicable accounting standards.

### Conclusion

● Revenue is recognised in accordance with the requirements of the accounting standards.

### R2. Expenditure and payroll

Non-payroll expenditure for the organisation includes student services, software, professional fees and administration expenses.

Payroll expenditure includes salaries & wages and superannuation.

There are a number of key risks in relation to the expenditure cycle including:

- Risk that expenditure is expensed in the period when it should have been capitalised;
- General risk of unauthorised expenditure; and
- Expenses incurred may not be recorded in correct periods.

We reviewed expenditure general ledger accounts for transactions that might be considered capital in nature.

We performed analytical procedures to identify abnormalities and differences from our expectations.

We have performed tests of details by vouching expenses to supporting documentation.

Our audit of payroll expenses included verification of supporting documents and payroll reconciliations.

### Conclusion

● Expenditure including payroll are fairly stated.

### R3. Unrecorded liabilities

There is an inherent risk that liabilities disclosed at year end are not complete resulting in an understatement of current and/or non-current liabilities in the general ledger and financial statements.

We performed an unrecorded liability review to identify any potential omitted liabilities as at 31 December 2020.

### Conclusion

● There is no indication of material liabilities omitted at year end.

## 6 Assessment of internal controls

We have summarised below internal control deficiencies we have become aware of throughout the audit engagement together with management comments. None of these issues raised have a bearing on the view of whether the financial report presents a true and fair view.

All issues identified during the course of our fieldwork are categorised and reported in accordance with the categories defined below. The categories are:

<b>Category A</b>	Those matters which pose significant business or financial risk, including financial reporting risk, to the client and should be addressed as a matter of urgency. This assessment is derived from considering the likelihood and consequence of the underlying risk.
<b>Category B</b>	Those matters which pose moderate business or financial risk, including financial reporting risk. This assessment is derived from considering the likelihood and consequence of the underlying risk.
<b>Category C</b>	Those matters which are procedural in nature or minor administrative failings. These could include minor accounting issues or relatively isolated control breakdowns which need to be brought to the attention of management.

### Current year recommendation

Title	Observation	Recommendation	Management Response
<b>C1. Activity statements</b>	We noted that the activity statements (business activity statements and instalment activity statements) for the year were lodged and paid well after the due date of lodgement resulting in general interest charges.	We recommend that the activity statements be lodged and paid before the lodgement/payment due dates per the ATO to ensure compliance with regulations and save interest costs.	
<b>C2. Payroll</b>	<p>During our testing on payroll we noted a variance in the hourly rate for an employee (Tyler Bridges). The hourly rate as per contract is \$23.57 and as per actual payroll the rate is \$22.79. The impact is not material and is under \$300 for the period.</p> <p>We also noted that some employees have standard hours of 36.75 per week (73.5 hours per fortnight) as per their employment contract but the payroll advice (in Xero) has 38 hours per week (76 hours per fortnight). We note that the hourly rate of pay has been updated to ensure the actual pay is not misstated.</p>	We acknowledge the variance is not material, however we recommend that the hourly rate and standard hours as per the payroll module of Xero be reviewed against the contract for all employees and be updated where necessary.	

Title	Observation	Recommendation	Management Response
<b>C3. Bank signatories</b>	The list of bank account signatories included one director who ceased in the role at the end of the financial year.	We recommend that the list of bank account signatories be reviewed and updated where necessary.	
<b>C4. Leave provisions</b>	We noted that employee leave provisions were not recognised as a liability at balance date.	<p>We recommend that going forward the employee leave provisions are recognised as a liability on the balance sheet and regularly updated for movements (accruals and leave taken).</p> <p>We also recommend that a signed copy of the timesheets (including leave taken) be kept on the employee files.</p>	
<b>C5. Allocations in general ledger</b>	<p>During our testing of expenditure we noted some inconsistencies in allocations to general ledger accounts. For example, two payments made to Brand New Ideas were coded to Category 2 – Sports and Rec. however a third payment was coded to Category 3 – Clubs Admin.</p> <p>Similarly, we noted amounts paid to Bing Lee for purchase of Fridge were coded to Category 14 – Student Media.</p>	<p>We recommend that the classification / coding for general ledger account be noted on the invoices that is consistent with the organisations understanding of the 'services and fees' schedule in the agreement with University of Newcastle.</p> <p>We also recommend that the organisation consider uploading the invoices in the Xero file for ease of access.</p>	

## 7 Other reporting requirements

Area	Response
Fraud	<p>● We are not aware of any known or suspected material fraud, nor has it been brought to our attention by management. We will obtain in writing, representations regarding the existence of fraud, policies and procedures in place to prevent and detect fraud, noting no instances of fraud of which management are aware.</p> <p>Those charged with governance may contact Vishal Modi on (02) 9251 4600 if they are aware of any known or suspected fraud.</p>
Financial report disclosures	<p>● The disclosures in the financial report are neutral, consistent, and clear. Certain financial report disclosures are particularly sensitive because of their significance to financial report users.</p>
Errors, irregularities and illegal acts	<p>● We have not noted any errors or irregularities that would cause the financial report to contain a material misstatement. As part of our normal statutory audit no apparent illegal acts have come to our attention.</p>
Compliance with laws & regulations	<p>● We are not aware of any known or suspected non-compliance with laws or regulations applicable to the organisation that may be material to the financial report.</p> <p>We will also receive representations from management confirming that the company is in compliance with all laws and regulations that impact the organisation.</p>
Appropriateness of accounting policies	<p>● We considered management's assessment of the effects of any accounting policy changes on the organisation's financial statements for the current financial year as well as their assessment of any potential effects arising from those standards applicable for the first time in subsequent financial periods.</p> <p>We consider that the accounting policies adopted in the financial statements are appropriately applied and disclosed.</p> <p>We noted no transactions entered into by the company during the year for which there is a lack of authoritative guidance or consensus.</p>
Going concern	<p>● As part of our audit, we have assessed and agreed with the conclusions reached by the Board and management concerning the application of the going concern concept.</p>
Disagreements with management	<p>● There have been no disagreements with management during the course of the audit.</p>
Management representations	<p>● We have requested certain representations from management that are included in the draft management representation letter.</p>
Independence	<p>● We confirm that, as at the date of this report, the Firm and the members of the Audit Team continue to meet the independence requirements of Australian Auditing Standards and Professional and Ethical Standards in relation to the audit.</p>