







6 October 2021

The Board of Directors

National ELT Accreditation Scheme Ltd

PO Box 62

Figtree NSW 2525

Dear Sir / Madam,

**National ELT Accreditation Scheme Ltd**

**Audit of the Financials for the year ended 30 June 2021**

The completion report attached is part of our ongoing dialogue with the directors on the performance of our audit of National ELT Accreditation Scheme Ltd (NEAS) in accordance with the Australian Auditing Standards.

The completion report summarises the significant matters arising from our audit of the Company’s financial report for the year ended 30 June 2021. These matters have been discussed with management and their comments have been included where appropriate.

The matters in this report came to our attention during the course of our audit, which is designed primarily to enable us to form an opinion on the financial report. Our report cannot, therefore, be expected to include all possible comments and recommendations which a more extensive special examination might indicate. Should you require clarification on any matter in this report please do not hesitate to contact us.

We would like to take this opportunity to extend our appreciation to management and staff of the Company for their assistance and cooperation during the course of our audit.

This report has been prepared solely for the use of the directors and senior management of the Company. This report is not for distribution, nor should it be used by any other party for any other purpose whatsoever. No part of this document may be reproduced without prior written consent of Bentleys Sydney Audit Pty Ltd.

Yours faithfully,

**BENTLEYS SYDNEY AUDIT PTY LTD**

**CHARTERED ACCOUNTANTS**

**Michael Payne**

Director

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## INTRODUCTION

This report summarises the significant matters arising from our audit of the Company's financial report for the year ended 30 June 2021. The report provides an overview of the audit for discussion with the Management Committee, and in particular enables us to comply with the requirements of the Australian Auditing Standards (ASA), specifically ASA 260 - *Communication with Those Charged with Governance* and ASA 265- *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management.*

We have included all matters that we believe to be of significance to the financial report.

## OUTSTANDING MATTERS

The audit is substantially complete subject to the following outstanding matters:

* Subsequent events audit procedures to be performed by the auditors up to the date of the audit report;
* Receipt of signed financial statements; and
* Receipt of the management representation letter.

## SCOPE OF AUDIT

We conducted a full scope audit of the Company. No limitations have been imposed on us as auditors.

The audit procedures that we carried out were designed to provide us with reasonable assurance that the financial report, taken as a whole, is free of material misstatement. The scope of our work was outlined in our engagement letter dated 28 July 2021, along with a confirmation of our independence.

It is the responsibility of the directors to ensure, as far as possible, that accurate and reliable accounting records are maintained and to safeguard the assets of the Company by the adoption of appropriate systems and controls.

Our audit tests are not designed to disclose all errors or weaknesses in controls that exist and we report only on those that we have discovered during the course of our audit.

The audit included consideration of internal control relevant to the preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

## SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL

In accordance with ASA 265 - Communicating Deficiencies in Internal Control to Those Charged with Governance and Management, we are required to communicate in writing, significant deficiencies in internal control identified during the audit to those charged with governance on a timely basis.

The standard defines a deficiency in internal control as follows:

*(i) A control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the financial report on a timely basis; or*

*(ii) A control necessary to prevent, or detect and correct, misstatements in the financial report on a timely basis is missing.*

*Significant deficiency in internal control means a deficiency or combination of deficiencies in internal control that, in the auditor’s professional judgement, is of sufficient importance to merit the attention of those charged with governance.*

Our audit procedures did not identify any significant deficiencies that, in our professional judgment, is of sufficient importance to merit *the attention of those charged with governance*.

## RISKS OF MATERIAL MISSTATEMENT IN THE FINANCIAL REPORT

Our audit procedures were focused on those areas of National ELT Accreditation Scheme Ltd activities that are considered to represent significant audit risk. These risk areas were identified as a result of the risk assessment process undertaken during the planning phase of the audit engagement and also during the course of the audit. This process included interviews with senior management and review of internal audit working papers and reports.

The following table summarises our assessment of significant risks identified at the planning stage and during our audit, and our audit procedures to respond to the assessed risk of material misstatement in the financial report.

| **Risk of Material Misstatement** | **Response to Assessed Risk** |
| --- | --- |
| **Management override of controls** | * We have reviewed internal controls for Revenue, Expenditure and Payroll.
* We have conducted general journal testing and reviewed approval procedures in place for unusual entries.
 |
| **Revenue** There is a risk that revenue recognised from sales is not complete, leading to the risk of misstatement of revenue. | * We have carried out audit testing over the revenue streams for the year and reviewed the terms of the services being provided to ensure revenue is in line with the accounting policies of the Company.
* We have reviewed the controls and the existing monitoring procedures in place around the revenue stream such as procedure for recording receipts and general ledger posting.
* We have reviewed the revenue cut off procedures at year end to ensure that revenue has been appropriately recognised in the current period.
* We have checked for specific disclosures regarding revenue in the financial statements.
 |
| **Accounts receivable** | * We have confirmed the existence of debtors at year end by reviewing the recoverability.
 |
| **Provision for employee benefits** | * We have tested the employee entitlements balances on a sample basis to ensure that the balances are complete and accurate.
 |
| **Unrecorded liabilities** | * We have carried out creditors testing such as ageing analysis and subsequent payments testing to review if the trade creditor balances as at 30 June 2021 are genuine.
* We have also performed unrecorded liabilities testing to ensure trade creditors are complete as at 30 June 2021.
 |
| **Going concern assumption** | * We have obtained the cash flow forecasts and budgets prepared by the management for the 2022 financial year and compared the actual results to the budget for the 2021 financial year.
 |

## SUMMARY OF CORRECTED MISSTATEMENTS

We detail the **corrected** misstatements in Appendix 1.

We detail the **uncorrected** misstatements in Appendix 2.

## AUDITOR’S INDEPENDENCE

In accordance with our ethical requirements in relation to the audit engagement for the year ending 30 June 2021, we confirm that, to the best of our knowledge and belief that no other services provided by Bentleys Network.

The nature of the services provided by Bentleys Network does not compromise the general principles relating to auditor independence as set out in APES 110: Code of Ethics for Professional Accountants.

## SUMMARY PERFORMANCE RATINGS ON AREAS REVIEWED

The table below presents a summary of the audit findings. In the table, we have provided summaries of each finding and a visual indicator of the significance of each, as assessed by Bentleys Sydney Audit Pty Ltd.

Key to Summary

| **Critical**  | Addresses a fundamental control weakness or significant operational issue that should be resolved by management as a priority.  |
| --- | --- |
| **Important** | Addresses a control weakness or operational issue that should be resolved by management within a reasonable period of time. |
| **Good Practice** | Addresses a potential improvement opportunity in operational efficiency/effectiveness. |

##

##  FINDINGS DURING THE AUDIT 30 JUNE 2021

## Year-end accounts closure

| **Issue** |
| --- |
| Misstatements were identified during the audit. |
| **Significance** |
| Important |
| **Observation** |
| During the audit, we identified a number of misstatements which arose from incomplete year end account closure procedures. Audit adjustments had to be prepared for expense accruals (also see prior year point 10.2) and for the fair value adjustment of FVTPL assets. |
| **Implication/Risk**  |
| There is a risk that the accounts are misstated as a result of incomplete account closure procedures. |
| **Recommendation** |
| We suggest management include a review of unrecorded liabilities and of the adjustment for the fair value movement of FVTPL assets as part of account closure procedures.  |
| **Management response** |
| *A review of unrecorded liabilities and of the adjustment for the fair value movement of FVTPL assets as part of account closure procedures will be scheduled for June – July 2022.* |

## Fixed assets write off

| **Issue** |
| --- |
| The fixed assets were written off incorrectly. |
| **Significance** |
| Important |
| **Observation** |
| During the review of fixed assets, we noted that the disposal of fixed assets were journalled incorrectly. The fixed assets disposed of were treated as if fully depreciated as opposed to a calculation of a loss on disposal being prepared. However, we note that management has accepted the adjustment and reallocated the $11,857 loss.  |
| **Implication/Risk**  |
| There is a risk that the disposal of fixed assets in the accounts is classified incorrectly.  |
| **Recommendation** |
| We suggest management consider the correct accounting treatment for future similar transactions.  |
| **Management response** |
| *Management will consider the correct accounting treatment for future similar transactions, according to the delegations policy.* |

## Suspense account

| **Issue** |
| --- |
| Use of a suspense account. |
| **Significance** |
| Good practice |
| **Observation** |
| During the audit, we observed the use of a suspense account.  |
| **Implication/Risk**  |
| Suspense accounts provide an opportunity for the recording of fraudulent transactions as they are unspecified. |
| **Recommendation** |
| We do not recommend the use of a suspense account as all ledger accounts should be clearly described as to its nature. Suspense/clearing accounts should be reconciled and reviewed periodically (monthly) as part of good governance.  |
| **Management response** |
| *Suspense/clearing accounts will be reconciled and reviewed periodically (monthly) as part of good governance.* |

## FINDINGS FROM PRIOR YEAR AUDITS

## Payroll not accrued up to year end

| **Issue** |
| --- |
| The payroll expense for the year does not include the last 4 days of the year. |
| **Significance** |
| Important |
| **Observation** |
| It was noted that the payroll for the last 4 days of the financial year was paid as part of the first payrun in July 2020. An accrual for these 4 days was not made to ensure the payroll expense for the 2020 financial year was complete. **Outcome in FY2021:** We have identified the same issue in the current year. |
| **Implication/Risk**  |
| The payroll expense for the year is understated.  |
| **Recommendation** |
| We recommend that an accrual is made for any payroll expenses that have not been paid/accrued for the financial year.  |
| **Management response** |
| *Accrual will made for any payroll expenses that have not been paid/accrued for the financial year.*  |

## Expected credit loss provision

| **Issue** |
| --- |
| An expected credit loss provision (bad debt provision) was not included in the preliminary results for the year |
| **Significance** |
| Important |
| **Observation** |
| It was noted that an assessment of expected credit losses had not been made when preparing the 2020 financial information for review. Under AASB 9 Financial Instruments, an expected credit loss provision should be considered.**Outcome in FY2021:** Although a provision had been made as at 30 June 2021, we noted the provision appeared to be understated.  |
| **Implication/Risk**  |
| Trade receivables may be over-stated in the management accounts.The true recoverable amount from trade receivables may be over-stated which will impact on future cashflow forecasts.  |
| **Recommendation** |
| An assessment of expected credit losses should be made on a periodic basis and at a minimum at each financial year end.  |
| **Management response** |
| *Assessment of expected credit losses will be made on a frequent (quarterly) basis and at a minimum at each financial year end.* |

##

## Revenue Recognition – Annual Returns

| **Issue** |
| --- |
| Annual return fees being recognised immediately |
| **Significance** |
| Important |
| **Observation** |
| It was noted that annual return fees covering a year are being recognised immediately. **Outcome in FY2021:** We have identified the same issue in the current year. |
| **Implication/Risk**  |
| Revenue is not in line with reporting standards and could be overstated. |
| **Recommendation** |
| This was discussed with Patrick and who advised that the bulk of the work relating to annual return fees is done in the first month, and that it is being recognised on a consistent basis each year. We recommend that management assess this on an ongoing basis to ensure that revenue recognition is corrected if there are changes to the work being performed.We note this treatment has not changed for FY2021.  |
| **Management response** |
| *This will be assessed on an ongoing basis to ensure that revenue recognition is corrected if there are changes to the work being performed.* |

##

## CEO – Member of Audit Committee

| **Issue** |
| --- |
| The CEO is a member of the Audit and Investment Committee |
| **Significance** |
| Important |
| **Observation** |
| It was noted that the CEO is a current member of the Audit and Investment Committee**Outcome in FY2021:** We have identified the same issue in the current year. |
| **Implication/Risk**  |
| There is a risk of the CEO appearing to be involved in the audit committee that he is in place to oversee and approve the financial reporting process, of which the CEO is involved with in preparing. This creates a conflict of interest. |
| **Recommendation** |
| We recommend that if the CEO continues to attend Audit and Investment Committee meetings he is as an observer only, not a member for the audit portion of the meetings.We note this position is still held in FY2021.  |
| **Management response** |
| *A new board member will be appointed on the 14 October 2021 to provide a quorum for the Finance, Audit and Investment Committee. It must be noted that the CEO has attended the Finance, Audit and Investment Committee as an observer in the last twelve months.* |

##

## RESOLVED MATTERS FROM THE PRIOR YEAR

| **Matter No.** | **Issue** | **Observation** | **Resolution** |
| --- | --- | --- | --- |
| **FY2020 2.1**  | Disposals of assets processed as part of the audit adjustments in FY 2019 were reversed in the general ledger / asset register. | It was noted that disposal entries posted as part of the FY2019 audit were reversed in the current period. The related assets then had additional depreciation charged against them in FY2020. | No such issue noted in the current year; hence we consider this matter resolved.  |
| **FY2020 2.4** | It was noted that adjustments raised as part of the FY2020 audit for the bad debt / expected credit loss provision have been entered as credit notes in Xero. | A bad debt provision should be included in the financial statements and the debtor continue to be followed up to pay the outstanding amount. | We have not noted instances of bad debts being processed as credit notes during this year’s audit. On this basis, we consider the matter to be resolved.  |
| **FY2020 3.3** | It was noted that the CEO is issued a business credit card but monthly expenditure is not reviewed by anyone other than the CEO. | We recommend that a member of the board reviews the monthly credit card statement and signs it to confirm it is approved. | No issues noted in the current year hence we consider the matter to be resolved. |
| **FY2020 3.4** | The Society Cheque Account with CBA has an address in Castlecrag rather than the business address of NEAS. | We recommend that the address is updated to the correct business address. | No issues noted in the current year hence we consider the matter to be resolved. |

## CONTACT DETAILS

Should you have any queries in relation to any aspect of this document, please do not hesitate to contact Michael Payne or Lindsay Hewlett on the below details.

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## Appendix 1: Summary of Corrected Misstatements

See attached document

## Appendix 2: Summary of Uncorrected Misstatements

[See attached document](https://drive.google.com/file/d/1UmQ_PCgyGveFmkO3vkioxdxgT10yjWD9/view?usp=sharing)