# National ELT Accreditation Scheme Limited

## Audit Completion Report
## 30 June 2024

Prepared 3/09/2024

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03/09/2024

The Board of Directors
NEAS
2/63 Dixon Street
Haymarket
NSW 2000

Dear Sir / Madam,

**Audit of the Financials for the year ended 30 June 2024**

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 2024. 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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## 1. INTRODUCTION

This report summarises the significant matters arising from our audit of the Company's financial report for the year ended 30 June 2024. 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.

## 2. 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.

## 3. 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 15 May 2024, 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.

## 4. 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*.

## 5. 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 (sample procedures) |
|---|---|
| **Management override of controls** | • We have reviewed internal controls for Revenue, Expenditure and Payroll.<br>• We have conducted general journal testing and reviewed approval procedures in place for unusual entries. |
| **Revenue**<br>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.<br>• 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.<br>• We have reviewed the revenue cut off procedures at year end to ensure that revenue has been appropriately recognised in the current period.<br>• 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.<br>• We have reviewed the provision for doubtful debts at year end |
| **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 2024 are genuine.<br>• We have also performed unrecorded liabilities testing to ensure trade creditors are complete as at 30 June 2024. |
| **Going concern assumption** | • We have obtained the cash flow forecasts and budgets prepared by the management for the 2025 financial year and compared the actual results to the budget for the 2024 financial year. |

## 6. SUMMARY OF CORRECTED MISSTATEMENTS

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

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

## 7. AUDITOR'S INDEPENDENCE

In accordance with our ethical requirements in relation to the audit engagement for the year ending 30 June 2024, 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.

## 8. 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. |

# 9. FINDINGS DURING THE AUDIT 30 JUNE 2024

## 9.1 JB Were Management Fees

| **Issue** |
|---|
| During the audit process, it was realised by the client that they had not posted the management fees from JB Were into the accounts. |
| **Significance** |
| Important |
| **Observation** |
| The management fees for four years had not been included in Xero (FY 2021, FY 2022, FY 2023, FY2024). It was decided by the client to include two years of fees in the FY 2024, and then two more years in FY 2025 (post year end).<br>This therefore shows a lack of control over the reconciliation of the JB Were reports. |
| **Implication/Risk** |
| Expenses may therefore be misstated for the past few financial years. |
| **Recommendation** |
| To ensure all relevant financial costs are included in each financial year. |
| **Management response** |
| *In each of the past years as identified, the nature of the non-recognition resulted in the management fees not been separated, but the investment return for the year being understated by an equal amount, with the result that there was no effect on the reported profit or loss for the year, OTHER than to the extent that the management fee charges included GST.*<br>*The GST impact (mis-stated) each year represented an overstatement of the loss or understatement of the reported profit of approximately $1k per year.*<br>*The GST paid and unclaimed was adjusted in the June 2024 BAS return for the two years adjusted (2021 and 2022) in the 2024 accounts. The remaining years (2023 and 2024) will be adjusted in the 2025 year.*<br>*This issue will be reviewed as part of the reconciliation of the JBWere investment reporting review (refer 10.1)* |

## 9.2 Prepaid insurance amounts

| |
|---|
| **Issue** |
| The amount of insurance that is prepaid was not included in prepayments. |
| **Significance** |
| Important |
| **Observation** |
| It was noted that for all three types of insurance paid for by the business in FY 2024, none had been included in prepayments for the relevant months post year end. |
| **Implication/Risk** |
| Profits may therefore be understated (or losses overstated) as costs relating to later periods are included in the financial year. |
| **Recommendation** |
| Ensure all invoices that span different financial periods are appropriately allocated to each year using prepayments and accruals. |
| **Management response** |
| *Agreed with comment. The value of the prepayment not recognised was not considered material to the result (refer appendix 2).* |

## 9.3 Accounting policy disclosure change

| **Issue** |
|---|
| Recent changes to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* has meant that only material accounting policy information must be disclosed. |
| **Significance** |
| Good practice |
| **Observation** |
| Recent mean we are likely to see the end of pages and pages of 'boilerplate' accounting policies in financial statements, which seldom contribute to a lay user's understanding of an entity's accounting practices beyond what is already noted in similar language in accounting standards.<br><br>In future reporting periods only 'material accounting policy information' must be disclosed. Currently IAS 1 requires disclosure of 'significant' accounting policies, but the term 'significant' is not defined in IFRS and the IASB decided that it was easier to use the term 'material' because it is already defined in IFRS and IFRS Practice Statement 2 provides guidance on assessing materiality. |
| **Implication/Risk** |
| Accounting policy information relating to immaterial transactions, other events or conditions need not be disclosed because it is 'immaterial'.<br><br>Accounting policy information is expected to be material if users of an entity's financial statements would need it to understand other material information in the financial statements. (IAS 1, paragraph 117B) |
| **Recommendation** |
| These amendments are effective for periods beginning on or after 1 January 2023 we encourage you to consider and have further discussion regarding adoption of these changes in FY2025. |
| **Management response** |
| *To be discussed with Bentley's as to the impact of this change on the published financial statements, in the lead up to the audit at the end of the 2024/25 financial year.* |

## 10. FINDINGS FROM PRIOR YEAR AUDITS

### 10.1 JB Were investment accounting

| **Issue** |
|---|
| Accounting for the JB Were investments may not be correct |
| **Significance** |
| Good practice |
| **Observation** |
| FY 2022: We observed that some dividends received via dividend reinvestment plans (DRPs) may not be accounted for appropriately. Management could not definitively conclude that the shares allotted from DRPs were reflected in the investments balance on the balance sheet.<br>FY 2023: An update to the JB Were portfolio has been received in late August and reflected in the current year results. This JB Were report has not been finalised at the date of this letter but a material variance is not expected to occur.<br>**FY2024: A correction was required to correctly reflect the Fair Value gain for the year and the investment income.**<br>**There also appear to be variances between reports received showing the cost base of the investments held by JB Were, and therefore additions/disposals in the cash flow statement may not be correct. We are satisified that the overall market value is materially correct.** |
| **Implication/Risk** |
| Dividend revenue may be understated if adjustments are not made to recognise these dividends which are not received in cash.<br>Cash flow statement disclosures may be incorrect. |
| **Recommendation** |
| A reconciliation of share holdings should be carried out to ensure any non-cash dividends are appropriately recorded. |
| **Management response** |
| *FY 2022 and FY 2023: Dividends received via DRP schemes within the JBWere portfolio are reported in the JBWere report at each month end. As the JBWere portfolio is revalued in the NEAS accounts monthly, the DRP dividends received and reinvested are recorded as and when included in the JBWere monthly report. JBWere monthly reports will be reviewed in future for any DRP transactions.*<br>*FY 2024: One additional point is noted. JBWere revise the year end (30/6) figures after the balance date as part of their own internal processes when their accounts and audit are finalised (advised by JBWere to be mid to late September) – it is not possible to adjust the NEAS accounts* |

*for any “late” adjustments made by JBWere. Such would be captured in the next financial year in the NEAS accounts.*

*It has been revealed following correspondence with JBWere that there appears to be some small deficiency in the JBWere online portfolio reporting. JBWere are currently undertaking a substantial update of their portal based client reporting. Once complete we will review the (newly) available reporting with the aim of being able to address the apparent deficiencies in the prior periods.*

*Management does not believe there is any inaccuracy in the reporting of the balances or overall movements in the investments held by JBWere on behalf of NEAS as at the reporting date.*

## 11. RESOLVED MATTERS FROM THE PRIOR YEAR

| Matter No. | Issue | Observation | Resolution |
|---|---|---|---|
| **FY23 9.1** | A complete review of the recoverability of year end trade receivable balances had not been carried out. | It was noted that a complete review of the assessment the recoverability of trade receivables and any necessary expected credit loss provision had not been made when preparing the 2024 financial information for review.<br><br>This issue has been raised in management letters for the audits carried out in FY 2020, FY 2021, FY 2022, and FY 2023 and each year audit adjustments have been necessary in this area.<br><br>Under AASB 9 Financial Instruments, an expected credit loss provision should be considered. One of the balances considered doubtful had not signed a contract until post year end. We noted this balance was not reflected as income but rather as deferred income | In the current year audit, it was noted that a year end provision adjustment had been made to reflect the management position on year end debtors. |
| **FY23 9.2** | The on-boarding process for customers was not followed to company standards. | It was noted that in one instance, an agreement had not properly been put in place before invoicing a customer which led to an overdue debtor and uncertainty of recoverability of this debt. | No such issue noted in current year. |
| **FY23 9.3** | Use of a suspense account. | During the audit, we observed the use of a suspense account.<br><br>It was noted that a suspense account was used in the year and still remained at year end for clearing some reconciliation entries. This issue has been raised in prior years as well and it was noted previously that such balances would be corrected and cleared. | No such account noted in current year. |

# 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 the following page

## National ELT Accreditation Scheme Limited (NEAS Australia)
**Year End: 30 June 2024**
**Adjusting journal entries - normal adjusting**
**Date: 1/07/2023 To 30/06/2024**

| Auditor | Senior | Manager | Partner |
|---|---|---|---|
| | | LH 3/09/2024 | |

**4-100**

| Number | Date | Name | Account No | Reference | Annotation | Debit | Credit | Recurrence | Misstatement |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 30/06/2024 | Investment Income (JBWere) - realised gain or l | 41015 | D. 9 | | 33,061.59 | | | |
| 1 | 30/06/2024 | Fair value adjustment of FVTPL assets | 4-1016 | D. 9 | | | 33,061.59 | | |
| | | To adjust for unrealised gain in the P&L during the year | | | | | | | Factual |
| 2 | 30/06/2024 | GST | 21300 | | | 456.73 | | | |
| 2 | 30/06/2024 | GST | 21300 | | | 2,219.99 | | | |
| 2 | 30/06/2024 | Annual Return Fees -Domestic | 41001 | | | 16,236.00 | | | |
| 2 | 30/06/2024 | Application Fees- Domestic | 41002 | | | 1,840.00 | | | |
| 2 | 30/06/2024 | NEAS Assist Consulting | 41006 | | | 2,727.27 | | | |
| 2 | 30/06/2024 | Investment Income (JBWere) - realised gain or l | 41015 | | | | 24,419.80 | | |
| 2 | 30/06/2024 | JB Were - Management expenses | 91010 | | | 22,199.81 | | | |
| 2 | 30/06/2024 | Trade Debtors New | 11220J | | | | 21,260.00 | | |
| | | Client TB changes | | | | | | | Judgmental |
| 4 | 30/06/2024 | Provision for Bad Debts | 11221 | | | 9,812.00 | | | |
| 4 | 30/06/2024 | Provision for Doubtful Debt | 21590 | | | 29,260.00 | | | |
| 4 | 30/06/2024 | Doubtful debt | 61950 | | | | 29,260.00 | | |
| 4 | 30/06/2024 | Bad Debt | 68980 | | | | 9,812.00 | | |
| | | Journal to reduce year end provision for bad/doubtful debt (see A.14, C.73, C.74) | | | | | | | |
| | | | | | | **117,813.39** | **117,813.39** | | |

**Net Income (Loss)** **-93,015.41**

# Appendix 2: Summary of Uncorrected Misstatements

See the following page

## National ELT Accreditation Scheme Limited (NEAS Australia)
**Year End: 30 June 2024**
**Adjusting journal entries - unrecorded (factual)**
**Date: 1/07/2023 To 30/06/2024**

| Auditor | Senior | Manager | Partner |
|---|---|---|---|
| | | LH<br>3/09/2024 | |

**4-110**

| Number | Date | Name | Account No | Reference | Annotation | Debit | Credit | Recurrence | Misstatement |
|---|---|---|---|---|---|---|---|---|---|
| 3 | 30/06/2024 | Prepaid Expense | 11146 | | | 5,223.00 | | | |
| 3 | 30/06/2024 | Insurance | 64007 | | | | 5,223.00 | | |
| | | Insurance invoices missed in prepayments (see r.71) | | | | | | | |
| | | | | | | **5,223.00** | **5,223.00** | | |

**Net Income (Loss)** **-87,792.41**