



EFA Account Auditing Report

Issues uncovered since October 2017

Summary For Members

Over the past year, the board has diligently worked through a range of issues with the records of the organisation, particularly the financial accounts. With the help of newly appointed professional accountants and auditors, we believe we can now confidently say to members that the financial reports provided at the AGM give a true and fair view of the financial state of the organisation.

This process has required a variety of corrections to be made to the accounts over the past year as new information progressively came to light during our investigations. The most material items are summarised below.

I thank the Treasurer, Shaun Haddrill, for his assistance throughout the year.

Background

Upon being co-opted to the board in October 2017, I noted that there was no audit and risk committee in EFA's governance structure. The board agreed to form one, and I agreed to chair the committee.

The audit committee members were:

Justin Warren - Chair

Shaun Haddrill - EFA Treasurer and committee member

The audit committee has regularly reported to the board on its progress in auditing and correcting the organisation's financial and other records over the past year.

Major Findings

General record-keeping failures

The audit committee, in concert with the board, uncovered multiple issues of poor record-keeping that threatened the ability of EFA to comply with its statutory obligations. These included:



- Incorrect incorporation registration numbers being displayed on the organisations website and in other printed materials;
- Postal details were not maintained with the ATO, leading to delays in correspondence;
- Having an ABN displayed despite EFA no longer being registered for GST;
- Numerous accounting errors.

Poor Accounting

The EFA's accounts were poorly maintained with several significant and material items missing or incorrectly accounted for over a multi-year period.

The underlying reason for these errors appears to be a reliance on cash-based accounting rather than using accrual accounting. This led to significant understatements of liabilities, particularly superannuation and PAYG taxes.

These errors were a major contributor to the organisation's poor financial performance. It is the audit committee's view that it was not possible for past management and boards to correctly understand the organisation's true financial position or performance, which was a direct contributor to poor decision making.

Members were also, therefore, unable to correctly understand the financial position and performance of the organisation, which undermined their ability to provide oversight and to hold the board to account.

The key material errors in the accounts included:

- Payroll was not recorded in the accounting system for some years, and incorrectly recorded in others. It was not possible to determine if staff had been correctly paid until these records were corrected.
- PAYG tax withholdings were either not recorded, or recorded incorrectly. This led to a substantial discrepancy between what EFA owed in taxes (according to the Australian Tax Office) and what was recorded as a liability on EFA's balance sheet.
- Similarly, superannuation liabilities were either not recorded, or recorded incorrectly. The true nature of these errors was only brought to the board's attention in late 2018.
- Several significant invoices were not recorded in the accounts, resulting in delays in payment to suppliers.
- Transactions in PayPal were not recorded in the primary accounts. Payments to and from PayPal were recorded in aggregate, which under-reported income and expenses. This also contributed to misunderstanding payroll payments made to staff, leading to overpayment of staff.

Current Status

The audit committee is pleased to say that it is now confident that the material errors in the accounts have been corrected. Barring new information coming to light, members can be



confident that the financial reports now provide a true and fair view of the financial position and performance of the organisation.

At time of writing there are still a couple of minor audit items outstanding, relating to the supplying a handful of invoices to the auditors as evidence of cash outlays. The invoices in question relate to expenses for:

- Facebook advertising
- Do Gooder subscription payments
- The executive officer's mobile phone bill

These expenditures were authorised by the board at the time, and while the majority of invoices are available, some few copies are missing from the organisation's archives and need to be retrieved from primary sources. This has taken longer than anticipated, but we hope to complete these tasks in time for the AGM.