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Victorian Auditor-General's Office

**Swinburne Student Amenities Association Limited**  
**Closing report to the Board**  
**Year ended 31 December 2014**

Our aim is to provide assurance to Parliament on the accountability and performance of the Victorian public sector.

## Contents

<b>1</b>	<b>Purpose of the report</b> .....	<b>3</b>
<b>2</b>	<b>Scope of the audit</b> .....	<b>3</b>
<b>3</b>	<b>Audit conclusion</b> .....	<b>3</b>
<b>4</b>	<b>Disposition of key audit risks</b> .....	<b>3</b>
4.1	Summary of audit risks relating to the financial report .....	3
4.2	Detailed audit risks relating to the financial report.....	4
4.3	Risks from fraud, irregularities, or regulatory non-compliance .....	5
4.4	Other areas of audit focus .....	5
<b>5</b>	<b>Audit adjustments and unadjusted differences</b> .....	<b>5</b>
<b>6</b>	<b>Internal control issues</b> .....	<b>6</b>
6.1	Deficiencies in the design or operation of key internal controls .....	6
<b>7</b>	<b>Additional matters for communication</b> .....	<b>7</b>
7.1	Management representations .....	7
	<b>Appendix A – Outstanding issues</b> .....	<b>8</b>

## 1 Purpose of the report

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This closing report has been prepared to communicate significant issues arising from our audit and as such is incidental to the audit. This document forms the basis for discussion at the Board meeting of 20 February 2015 and is a key tool for discharging our responsibilities in relation to communicating with those charged with the governance of Swinburne Student Amenities Association Limited (SSAA).

## 2 Scope of the audit

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The Auditor-General is an independent officer of Parliament appointed to report to Parliament on the management of public sector resources.

The *Audit Act 1994* requires the Auditor-General to form an opinion on your financial report and provide a copy of the auditor's report to you, the Minister responsible for your entity and the Minister for Finance. The audit has been conducted to gather sufficient appropriate evidence to form that opinion.

The audit approach focused on key financial report audit risks. This involved gaining an understanding of significant financial reporting processes and a combination of internal control testing and substantive audit procedures to assess the residual risk of material misstatement of the financial report.

We also considered the issues of waste, probity and lack of financial prudence in the use of public resources.

We did not design our audit approach to identify matters that may be appropriate to report to you. Consequently, this report cannot be relied upon as a comprehensive report of all significant accountability and governance issues. You cannot assume that any matters reported to you indicate that there are no additional matters that you should be aware of in meeting your responsibilities.

## 3 Audit conclusion

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Subject to satisfactory resolution of the outstanding items outlined in Appendix A, we conclude that the financial report of SSAA is presented fairly.

After the issue of the auditor's report we are required to undertake additional procedures. Any issues identified from this review will be reported to the accountable officer for remedial action. These have been outlined in Appendix A.

We have arrived at this opinion after consideration of the issues outlined below.

## 4 Disposition of key audit risks

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This section examines the key risks of material misstatement identified in the audit, our audit response in relation to each and the results of our procedures.

### 4.1 Summary of audit risks relating to the financial report

The table below summarises the risks identified in the audit strategy and whether or not these risks have been satisfactorily addressed by audit procedures.

**Table: Summary of audit risks relating to the financial report**

Risk		Fraud	Error	Significant judgements	Pervasive or Specific (P or S)	Risk addressed by audit procedures (Y or N)
1	Revenue recognition	✓	✓	✓	S	Y
2	Fair value of financial assets		✓	✓	S	Y
3	Form and content of financial report		✓	✓	P	Y
4	Risk of fraud through management override of controls	✓			P	Y

## 4.2 Detailed audit risks relating to the financial report

The table below provides additional details about the risks summarised in in section 4.1 as well as providing detail about the audit procedures performed to respond to those risks.

**Table: Detailed audit risks relating to the financial report**

Description of risks	Audit procedures performed	Results of procedures
<b>Revenue recognition</b>		
Revenue recognition policies may use assumptions and require exercise of management judgement. Budgetary pressures and performance targets may influence the revenue recognition.	We have: <ul style="list-style-type: none"> <li>performed cut-off procedures</li> <li>assessed whether treatment of revenue is consistent with AASB 118 <i>Revenue</i> and AASB 1004 <i>Contributions</i>.</li> </ul>	We are satisfied that revenue has been appropriately recorded and recognised in the correct accounting period.
<b>Fair value of financial assets</b>		
Performance of the financial markets may continue to fluctuate and impact the fair value of financial assets and investments. The required disclosures are complex and extensive.	We have: <ul style="list-style-type: none"> <li>monitored the post balance date performance of investments</li> <li>directly confirmed their fair value at year-end with external sources</li> <li>reviewed the sufficiency and accuracy of note disclosures.</li> </ul>	We are satisfied the investments are accurately recorded at fair value in the financial report.
<b>Form and content of financial report</b>		
The financial reporting requirements of the Australian accounting standards and the <i>Australian Charities and Non-for-profits Act 2012</i> are extensive and complex.	We have reviewed 'shell' accounts and the draft financial report to ensure they comply with the requirements of the Australian accounting standards and the <i>Australian Charities and Non-for-profits Act 2012</i> .	We are satisfied the financial report complies with Australian Accounting Standards and the <i>Australian Charities and Not-for-profits Commission Act 2012</i> .
<b>Risk of fraud through management override of controls</b>		
There is a risk of fraud due to management override of controls. While the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities.	We have assessed the processes in place to prevent and detect fraud and management override of controls. ASA 240 imposes specific audit procedures, including: <ul style="list-style-type: none"> <li>testing the appropriateness of journal entries and other adjustments made in preparing the financial report</li> <li>reviewing accounting estimates for biases, and</li> <li>reviewing significant unusual transactions.</li> </ul>	We did not identify any fraud due to management override of controls.

## 4.3 Risks from fraud, irregularities, or regulatory non-compliance

The governing body and management have responsibility for maintaining internal controls that prevent or detect fraud or error and for ensuring regulatory compliance. The audit committee should be informed by management of any fraud or material errors.

We are not responsible for preventing or detecting fraud. However, we are required to consider the risk of material misstatement due to fraud when performing our risk assessments and analytical procedures.

The recent changes to the *Audit Act 1994* require us to notify the Independent Broad-based Anti-corruption Commission (IBAC) where we become aware of any matter that appears to involve corrupt conduct. If we need to notify IBAC, this will override the existing confidentiality provisions in the *Audit Act*.

Aside from the required standard risk due to management override of controls (as detailed in section 4) our audit procedures did not identify any further areas of material fraud risk or exposure, or regulatory non-compliance.

## 4.4 Other areas of audit focus

### 4.4.1 Waste, probity and financial prudence

In forming an opinion on the financial report, consistent with section 3A of the *Audit Act 1994*, we have considered waste, probity and lack of financial prudence.

Our audit procedures have not identified any material issues concerning waste, probity or lack of financial prudence.

### 4.4.2 Accounting policies

The audit committee/governing body should be made aware by management of the material accounting policies adopted or changes to policies; and of methods used to account for material unusual transactions.

We are not aware of any material unusual transactions or of accounting policies adopted that relate to controversial or emerging areas where there is a lack of authoritative guidance.

## 5 Audit adjustments and unadjusted differences

In the course of our audit we may identify amounts that we believe should be recorded differently in the financial report. In the interest of better practice and enhanced public accountability we have requested that management adjust the financial report for all identified amounts. Material amounts must be adjusted in the financial report.

The following differences were identified by audit and have been adjusted in the financial report.

**Table: Adjusted audit differences**

Component(s) affected	Amount of adjustment	Underlying cause of difference
Dr Accrued income Cr Intercompany cash	\$58,027 \$58,027	Dividend for December quarter was incorrectly recorded as intercompany cash instead of accrued income.
Dr LSL expense Cr LSL provision	\$1,606 \$1,606	Long service leave amounts expected to be settled in more than 12 months were not at present value.

There are no unadjusted audit differences.

## 6 Internal control issues

As advised in our arrangement letter, the governing body and management are responsible for establishing and maintaining effective internal controls which will enable the preparation of the financial report that presents fairly and is free from material misstatement, whether due to fraud or error.

We have considered the internal control framework as part of our audit procedures. Our audit of the financial report was not designed to assess, nor do we provide an opinion on, the effectiveness of internal control. However, we communicate to you (using our interim and final management letters) any significant weaknesses identified in the design or implementation of internal control over financial reporting that come to our attention during the audit.

### 6.1 Deficiencies in the design or operation of key internal controls

During the course of our audit we have noted areas that could be improved. On completion of the audit, we will issue the final management letter containing the moderate risk rated matters, identified in the final phase of the audit, which are summarised below.

Nature of deficiency/control breakdown	Rating (E/H/M)	Implication	Recommendation
<i>Financial statement disclosures</i>			
Executive officers remuneration has not been disclosed in the financial report in accordance with FRD21B. Executive remuneration is required to be separated into Base and Total remuneration.	Moderate	SSAA are not complying with the <i>Financial Management Act 1994</i> when not applying the Financial Reporting Directions issued by the Minister for Finance.	Management review the disclosure of executive officers remuneration, and align these with the requirements of FRD21B.
SSAA currently hold \$4,440,113 in available for sale financial assets. These assets are held in a pooled investment account with Swinburne University of Technology. The investment is split between both parties based on a historical allocation. There is no formal agreement in place confirming this allocation.	Moderate	There is no audit evidence that the split between the two entities is correct.	Management review the current investment arrangements in place between SSAA and Swinburne University and formalise the arrangement.

To provide management with adequate time to action these 2014 issues, a full follow up will be conducted by VAGO as part of the planning the 2015 audit. A full status update will be provided as part of the 2015 management letter.

## **7 Additional matters for communication**

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The following section includes additional matters and findings from the audit which the auditing standards require us to communicate to those charged with governance.

### **7.1 Management representations**

As part of our evidence gathering, we plan to obtain formal management representations in relation to a number of matters. A management representation letter has been requested and will be required to be signed by the chief executive officer on the same date as the certification of the financial report. A draft copy of the letter has been included with this report for your information. We do not rely solely on these representations, except where they are the only audit evidence reasonably available.

There were no representations made by management on which we found it solely necessary to rely for the purpose of forming our audit opinion.

## Appendix A – Outstanding issues

The following items relating to the completion of our audit procedures are outstanding at the date of this report and need to be resolved before we issue our auditor's report.

Item	Action required	Responsibility
Subsequent events update	Review transactions and events up to date of signing	Management and audit
Financial report certification	To be signed on adoption of the accounts by the Board	Management
Management representation letter	To be signed on same date as the certification	Management

After the issue of the auditor's report we are required to undertake the following procedures. Any issues identified from this review will be reported to the accountable officer for remedial action.

Item	Action required	Responsibility
Annual report	Review contents of annual report and confirm that correct audit report is included	Management and audit
Website	Review website for correct audit report	Management and audit