



# AUSTRALIAN ALPACA ASSOCIATION LIMITED

Audit Closing Report to the Board

Year ended 30 June 2022

November 2022

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## 1. AUDIT CLOSING REPORT

Dear Board members,

We are pleased to present our closing report to the Board of Australian Alpaca Association Limited (AAA) in relation to our audit of the financial report for the year ended 30 June 2022.

As at the date of this report we are in a position to issue an unmodified audit report on the financial statements of the AAA subject to the satisfactory completion of the following matters:

- Final review of financial statements
- Subsequent events procedures
- Board members' clearance
- Receipt of the signed management representation letter
- Receipt of the signed Directors' Declaration and Directors' Report

Included in the attached report are matters arising from our audit of the financial report of Australian Alpaca Association Limited for the year ended 30 June 2021 which we consider appropriate for the attention of the Board. These matters have been discussed with senior management of the Company and their comments have been included, where appropriate.

We would like to take this opportunity to extend our appreciation to management and staff for their assistance and cooperation during our audit. If there are any matters which you would like to discuss concerning our audit, please do not hesitate to contact myself.



Ged Stenhouse  
Partner  
Date: 23 November 2022

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## 2. EXECUTIVE SUMMARY

We intend to issue an unmodified independent auditors report on the financial statement of Australian Alpaca Association Limited (Alpaca) for the year ended 30 June 2022.

The audit procedures were designed to support the audit opinion and they cannot be expected to identify all weaknesses or inefficiencies in Australian Alpaca Association Limited's systems and working practices.

Our responsibilities as auditors, is to form and express an opinion, in accordance with Australia Auditing Standards on whether the financial report of Australian Alpaca Association Limited being the annual financial statements that have been prepared by management with the oversight of Audit Committee are prepared in all material respects, in accordance with the Australian Accounting Standards – Simplified Disclosures and the Corporations Act 2001. The audit of the financial report does not relieve management or Audit Committee of their responsibilities.

Finally, we confirm that we have complied with all regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff has not been compromised.

### 3. AREAS OF AUDIT SIGNIFICANCE

In performing our audit we have identified the following areas which we consider in our professional judgement give rise to a significant risk in the audit of the financial report for the year ended 30 June 2022.

#### 3.1 Revenue recognition

Account description	Type	2022 \$	2021 \$
Revenue	Income	700,624	748,530
Risks identified	Audit Approach	Findings	
Revenue may be recognised incorrectly.	RSM completed analytical review over membership revenue and selected other revenue items on a sample basis to ensure revenue is recognised in accordance with the Accounting Standards and appropriate cut off is attained at 30 June 2022	We are satisfied that revenue is materially stated in accordance with the Accounting Standards.	

#### 3.2 Management override of controls

Risk identified	Audit Approach	Findings
Manipulation of information may be achieved through journal entries.	We have reviewed unusual and large journals as part of our audit testing.	There are no matters to report.

## 4. IDENTIFIED MISSTATEMENTS

### Clearly trivial items

We have not included misstatements identified that are considered by us to be clearly trivial, either taken individually or in aggregate.

### Unadjusted misstatements

The following adjustments were not taken up by management:

Description	Account	Assets Dr/(Cr)	Liabilities Dr/(Cr)	Equity Dr/(Cr)	Profit and Loss Dr/(Cr)
		\$	\$	\$	\$
Adjustment to ensure GST liability agrees to BAS submitted for June 2022	Accounts Payable	-	(7,931)	-	-
	Expenses	-	-	-	7,931
Correction to record an unrecorded liability	Accounts Payable	-	(9,936)	-	-
	Expenses	-	-	-	9,936
<b>Total</b>		-	<b>(17,867)</b>	-	<b>17,867</b>

### Disclosure deficiencies in the financial statements

We did not identify any disclosure deficiencies in the financial statements for the year ended 30 June 2022.

### Adjusted misstatements

The following adjustments were posted by management as a result of our audit.

Description	Account	Assets Dr/(Cr)	Liabilities Dr/(Cr)	Equity Dr/(Cr)	Profit and Loss Dr/(Cr)
		\$	\$	\$	\$
Adjustment for accrued audit fee	Accrued expenses	-	-	-	1,200
	Accounting and Audit fees	-	(1,200)	-	-
Recognition of revenue incorrectly deferred.	Income- Grants	-	-	-	(20,133)
	Income in Advance	-	20,133	-	-
<b>Total</b>		-	<b>18,933</b>	-	<b>(18,933)</b>

## 5. INTERNAL CONTROL OBSERVATIONS

The design and implementation of internal controls related to the following areas were assessed during our audit for the year ended 30 June 2022:

- Revenue, Receivables and Receipts;
- Purchases, Payables, and Payments;
- Inventory;
- Property, Plant & Equipment;
- Payroll;
- Information systems; and

We remind you that the directors are responsible for maintaining effective internal control. We have obtained an understanding of the design and implementation of the internal controls relevant to the accounting and financial control systems in order to plan our audit and determine the nature, timing and extent of audit procedures. Our audit of the financial report was not designed to assess, nor do we provide an opinion on, the design and implementation of the internal controls.

In accordance with Australian Auditing Standards, we are required to communicate with the directors any significant deficiencies in the design and implementation of internal controls identified during our audit of the financial report.

Whilst we have not identified any significant deficiencies in internal controls relating to the prevention or detection of fraud and error, we did note a number of control observations which are detailed in the following table:

### Control Observations or recommendations

Control	Observation	Risk	Recommendation	Response
Month end reconciliation process	During the audit it was noted that there is no formal process where month end reconciliations are reviewed to ensure they are completed appropriately.	Reconciliations are not completed appropriately or in a timely manner causing errors in management and statutory accounts.	Implement a formalised month end process where at the end of each month: <ul style="list-style-type: none"> <li>• Finance staff member completes all necessary reconciliations.</li> <li>• An independent employee with oversight reviews all important reconciliations and signs as evidence of review.</li> </ul>	Month end reconciliations are conducted on: <ul style="list-style-type: none"> <li>All bank accounts – they are independently reviewed</li> <li>Copies of supporting documentation is available on the Share Drive</li> <li>Other accounts such as debtors &amp; creditors are reviewed weekly and monitored independently – no formal documentation is collated at present</li> <li>Advances &amp; Prepayments are very limited in turn-over, this is a low risk area</li> <li>Assets are even lower in turn over – Regions are tasks with annual statements to asset values &amp; conditions ;</li> </ul>

Control	Observation	Risk	Recommendation	Response
Changes to bank vendor details	During the audit it was noted that the accounting system allows changes to bank vendor details without requiring authorisation in the system to take place. There is a mitigating control that the system automatically notifies all users that the bank details have changed through email.	Phishing emails are received where someone impersonates a supplier and requests bank details to be changed.	Implement a formalised process for changes to bank vendor details where for any bank detail change: <ul style="list-style-type: none"> <li>The bank detail change must be confirmed through phone call or email with the known contact at the supplier.</li> <li>The change must be approved by another employee and documented.</li> </ul>	<p>Currently any changes to a vendor Bank Account is logged within MYOB – in the “Contact Log” function.</p> <p>In addition MOYB distributes email messages to both myself and the Members Services Officer - warning that the action/change has taken place.</p> <p>We don't get many changes of details, but do get quite a few new vendors – all are verified by referral to original invoice documents.</p> <p>Given the level of risk involved, if a change of bank account is requested it will now be verified by an email to the registered contact or alternatively a telephone call.</p>
A Review process for payroll	During the audit it was noted that the fortnightly pay run is only approved and authorised from the banking portal.	There is a risk that the pay run is manipulated before it is uploaded to the banking portal.	Implement a formalised process where for each pay run: <ul style="list-style-type: none"> <li>The pay run is approved through email and filed.</li> <li>The authorisers to release the payment in the banking portal review and compare the uploaded payment file back to the approved pay run.</li> </ul>	<p>During 2021-2022 we were down a member of staff and the Acting Finance Officer ran the payroll – then emailed the President to approve the payments at the bank.</p> <p>In 2022-2023 – the Finance Officer – processes the payroll &amp; I in my role approve that payroll both with STF to the ATO and at the bank</p> <p>It is reviewed prior to approval and as the payroll is small in value – any discrepancies are easily detected.</p>
Segregation of duties	Due to the size of the accounting department, it is difficult to maintain adequate segregation of duties.	This makes it difficult for proper controls and segregation of duties to be in place, which weakens the control environment of the Company.	Adopt clear guidelines for those who have an oversight role and ensure that there is always a separation between finance staff and the oversight/review role.	<p>As the approving Officers – The Treasurer, President or Acting Finance Manager - do not process payments.</p> <p>It is always actioned by the Finance Officer with appropriate delegated approvals attached to MYOB Records</p>



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## 6. AUDIT ISSUES AND FINDINGS

### 6.1 Bank signatories

Summary of prior year finding	Update on finding
In the bank confirmation received there were old employees who no longer work at the Company who were listed that have access to the bank accounts.	The previous CEO is listed as a bank signatory at 30 June 2022  This remains a risk.
Status: Ongoing	

### 6.2 Fair Value of Investment Property

Summary finding	Recommendation
The Investment Property is carried at Fair Value. The last external valuation was done for this property in June 2019.	In order to comply with Accounting Standards AASB 116: Property Plant and Equipment, property valued at Fair Value should be valued by an external valuer at least every 3 to 5 years.

## 7. CHANGES IN ACCOUNTING STANDARDS

Standard	Matter	Key Requirements	Application Date
AASB 101 Presentation of Financial Statements	AASB 2020-1  Amendments to Australian Accounting Standards – Classification of Liabilities as current of non-current	AASB 2020-1 amends AASB 101 and require a liability to be classified as current when entities do not have a substantive right to defer settlements at the end of the reporting period for at least 12 months.  This may affect the classification of some liabilities between current and non-current.	Periods beginning on or after 1 January 2023.
AASB 10  Consolidated Financial Statements	AASB 2014-10  Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The AASB issues an amendment to clarify that any gain or loss is recognised on a transfer to an associate or joint venture, is dependent on whether the assets or subsidiary constitute a business, as defined in AASB 3 Business Combination.  Full gain or loss is recognised when the assets or subsidiary constitute a business that meet the AASB 3 definition. Otherwise, any gain or loss that results from the sale of contribution of assets is only recognised to the extent of that is attributable to the investors' interests if the assets or subsidiary does not constitute a business.	Period beginning on or after 1 January 2022.
AASB 128  Investments in Associates and Joint Ventures		This amendment addresses the current inconsistency between AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures.	(The mandatory effective date has been deferred to 1 January 2022 by AASB 2017-5)

Standard	Matter	Key Requirements	Application Date
AASB 138 Intangible Assets	IFRIC Agenda decision on treatment of Configuration and Customisation costs for cloud computing arrangements.	<p>The IFRS Interpretations Committee (IFRIC) issued a final agenda decision in relation to Configuration or Customisation Costs in a Cloud Computing or Software as a Service arrangement.</p> <p>In Cloud computing arrangements, generally the customer does not recognise a software asset, as there is no right to the underlying software. Therefore customisation and configuration costs in deploying that software also cannot be an intangible asset. They should be either recognised as a prepayment, if they are not distinct from the underlying software contract, or as an expense if they are distinct.</p> <p>For further information, please refer to <a href="#">RSM Australia's article on this topic</a>.</p>	Immediate – clarification of existing AASB
AASB 2 Inventories	IFRIC Agenda decision on costs necessary to sell inventories	<p>Inventory is recognised at the lower of cost or net realisable value.</p> <p>The IFRIC clarified that when considering net realisable value, an entity should consider all costs necessary to make the sale, and should not only include incremental costs. Estimation of the costs necessary to make the sale in the ordinary course of business will require the application of judgment, but cannot be restricted to those costs deemed incremental.</p>	Immediate – clarification of existing AASB

Standard	Matter	Key Requirements	Application Date
AASB 101 Presentation of Financial Statements	Preparation of financial statements when a entity is no longer a going concern	<p data-bbox="748 225 1854 331">Financial statements should be prepared on a going concern basis, unless management has decided to liquidate the entity or cease trading or has no realistic alternative but to do so.</p> <p data-bbox="748 432 1854 601">The IFRIC confirmed that, where an entity prepares financial statements on a non-going concern basis, for example on a “liquidation” or “orderly termination of business” basis, it is not necessary to restate the comparative year’s results on the same basis. Instead, they would be presented on a going concern basis, and the accounting policy note should explain the difference in approaches between the two years.</p>	Immediate – clarification of existing AASB

For more information, visit: [www.rsm.global/australia/service/audit-and-assurance-services](http://www.rsm.global/australia/service/audit-and-assurance-services)

## 8. REQUIRED COMMUNICATIONS TO BOARD

In accordance with Australian Auditing Standards, we are required to communicate with the Board the following matters.

Matter	Key Requirements
<b>Compliance with laws and regulations</b>	Nothing has come to our attention to suggest any material instances of non-compliance with laws and regulations.
<b>External confirmations</b>	There were no instances where management refused or denied us to send a request for an external confirmation.
<b>Going concern</b>	No events or conditions have been identified during the audit that may cast doubt on Australian Alpaca Association Limited's ability to continue as a going concern for 12 months from the date of our auditor's report.
<b>Independence</b>	<p>We are not aware of any other relationships between member firms of RSM and Australian Alpaca Association Limited's that, in our professional judgement, may reasonably be thought to bear on our independence or the objectivity of the audit engagement team.</p> <p>We confirm that in our professional judgement, RSM is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff has not been compromised.</p> <p>We confirm that RSM, the audit engagement team and others in the Firm as appropriate have complied with the independence requirements of section 307C of the <i>Corporations Act 2001</i>.</p>
<b>Other Information</b>	Our procedures have not identified any material misstatement within the other information contained within the financial report.
<b>Related parties</b>	Our procedures regarding related parties did not identify any significant matters.
<b>Responsibilities relating to fraud</b>	<p>We have made enquiries of the directors and management regarding whether they have knowledge of any actual, suspected or alleged fraud involving management and employees who have significant roles in internal control.</p> <p>Based on our enquiries and audit procedures, we did not become aware of any fraud during our audit.</p>
<b>Subsequent events</b>	<p>At the date of this report, other than already disclosed, we are not aware of any subsequent events, which would require an adjustment to balances in the financial statements or disclosure in the notes to the financial statements.</p> <p>We will continue to make assessments of subsequent events up to the date of the financial statements are signed.</p>

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