

ARTS MARGARET RIVER INC **MANAGEMENT REPORT 2012**

The following observations were made while conducting the annual audit

MYOB ACCOUNTING

There appears to have been a break down in the MYOB accounting system.

The creditors control account was adjusted by several general journals that resulted in a net adjustment of \$15,046.33 which appears in the Profit and Loss Report. There are also unexplained adjustments in the suspense account totaling \$3,021.30.

Although I can confirm the account balances there has to be a question as to the accuracy of the figures posted into the individual accounts. The figures reported in the P&L do not correctly reflect the flows through the accounts. The Committee needs to be aware of the possibility that financial reports during the year may not be correct.

BALANCE SHEET REVIEW

Assets

Working Capital

Working Capital is an indication of Arts Margaret River (AMR) capacity to meet its current payment obligations, so it is a key financial bench mark for the organisation. Trends over time will indicate how AMR is funding its operations.

	2012	2011	2010	2010
Current Assets	\$101,175	\$105,219	\$112,943	\$54,692
Less:				
Current Liabilities	\$44,638	\$ 40,809	\$ 85,302	\$26,052
Working Capital	\$56,537	\$ 64,410	\$ 27,641	\$28,640

Working capital has decreased slightly, and can be attributed to the money spent on upgrading the office computers.

Floats

I was unable to confirm the floats on hand at the year end, because there were no signed declarations confirming the floats held at the date. Each year end all cash on hand should be counted, and signed declarations obtained.

The cinema float has been reduced by \$150, due to it being included in the banking. Cinema receipts need to be short banked to restore the float.

Security Hire Deposit (Cinema)

I understand that this is money held by suppliers, but have been unable to verify the amount. Last year I requested that AMR obtain confirmation of the funds being held by the respective distributors. *This is still an outstanding item.*

Office Equipment

There has been a major computer upgrade costing \$10,230. Unfortunately the asset register doesn't reflect these items.

Liabilities

Creditors

The figure on the Balance Sheet agrees with the item on the payables schedule, but as I have already reported there have been several journal adjustments to get the list of payables to agree with the trade creditors' account.

GST and Payroll Liabilities

These amounts have been checked, and reflect current amounts due to be paid. I had to do some work to bring the super payables control account into balance so it correctly reflected the amounts owed. See my later comments.

Provision for R&W (Readers & Writers) Next Year

This is an amount from 2012 income that has been placed aside as seed capital for next year's festival.

Lotterywest 2012/13

Funds from Lotterywest grant not yet expended.

Accrued AMRSC TDF Funding

Balance of unexpended Shire funding for technical services support costs.

Shire Loan – Raked Seating

This is the balance of the Shire interest free loan. Repayments are \$500 half yearly; the loan will be repaid on 30th June 2015.

Profit and Loss Report

The accounting problems that I have mentioned make it difficult to make any comment in regard to expenses, because of all of the adjustments made to the account payable control account.

Job Codes

AMR use job codes for tracking event income. I conducted a test by checking that the total of all job codes P&L's matched the consolidated P&L which is used for overall reporting. There is a major variance which leads me to question the reliability of the job code reports being tabled for committee review. *The job codes must be reconciled to the consolidate P&L on an ongoing basis.*

Last year I made the same comment, the bookkeeping lapse during the year may be the cause. Justine is reconciling job codes for the new year, so they will be a reliable source of management data.

Insurance

The building is insured by the Shire, AMR has cover for contents it owns. A start has been made on an asset register, which will assist in determining the assets owned by AMR, but it is still incomplete. The register has been prepared as a word document; it would be more useful if it was converted to a spread sheet.

Contents cover is limited to a total claim of \$80,000. I doubt that this would cover AMR assets, and recommend a review to confirm the level of cover.

I note that electronic equipment claims are limited to \$5,000. AMR purchased \$10,000 worth of computers during the year, so this suggests there is a gap in the amount of cover. The Committee may decide that the premium cost for additional cover is excessive and choose to carry the risk. This is OK, provided the Committee has had a chance to decide.

Receipt & Payment Review

Internet receipts can be matched to receipts, the area of difficulty is accounting for cash receipts. I was unable to reconcile May cash receipts to the banking because the way in which funds were being grouped for banking. Part of the problem was/is the daily banking sheet. I realise it is a working record, but it must match the banking figure so the funds can be tracked.

Payments made electronically are authorised by two members using the internet, from a remote location. This is simple and timely, but there is no evidence that the payments are being checked. The Committee member authorizing a payment should sign the source document, initial it as evidence of confirmation, and sign the electronic payment summary, and then authorise the payment electronically.

Grants

Last year I indicated that the records were incomplete, that is still the case.

It is essential that the records get organised. Each grant should be supported by the following records;

- Application
- Approval
- Evidence supporting payments being the paid invoices
- Acquittal

The records must be in hard copy format and where required they need to be signed.

Conclusion

The failure in the bookkeeping process has made it difficult for me to confirm the detailed movement of funds, although I have been able to verify the account balances.



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