External Audit Management Letter

University of Melbourne Student Union Inc.

March 2015
31 March 2015

Mr. Justin Bare
General Manager
University of Melbourne Student Union Inc.
3rd Floor
Union House
University of Melbourne VIC 3010

Dear Justin,

We are writing in connection with our external audit of the University of Melbourne Student Union Inc. (UMSU) for the year ended 31 December 2014.

We enclose our findings on matters that arose during our engagement that we wish to draw to your attention.

Our audit is designed to investigate risk areas and provide management with findings and improvement suggestions. Because of the test nature of an audit, there is a risk that some material misstatement, fraud or irregularity may remain undiscovered. These matters communicated to you are not intended to be a comprehensive coverage of all such matters that may exist.

The attached comments are made as a result of an impartial review and are in no way intended as a reflection on the integrity or ability of any staff member.

These findings are prepared under the terms of our engagement solely for your information.

If we can elaborate on our comments or assist you in any other way, please do not hesitate to contact us.

Yours sincerely

Scott Phillips
Partner
ShineWing Australia (formally Moore Stephens)
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1. Interest Income

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<td>The University of Melbourne Student Union Inc. (UMSU) holds a cash reserve account which earns deposit interest. Per UMSU’s Financial Regulations, amended in December 2014, interest earned on cash reserves shall be allocated 100% to the General Reserve account.</td>
<td>Interest Income meets the definition of revenue per accounting standards and therefore must be included within total revenue for the year in the income statement.</td>
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<td>We noted that interest earned during the year was posted direct to reserves.</td>
<td>UMSU revenue for the year was under-stated. As such, we have made an adjustment to the financial statements to correctly record the interest income in the profit and loss statement.</td>
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<td></td>
<td>This adjustment has resulted in a profit of $35,972 for the year ended 31 December 2014, rather than a loss of $9,937.</td>
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Recommendation

We suggest UMSU update their treatment of interest income to recognise the interest fully in the profit and loss statement and then at year end transfer the amount to the cash reserve account. This will ensure UMSU is in line with Australian Accounting Standards and the Associations Financial Regulations.

Management Comment

In 2014 UMSU amended its Financial Regulations in a manner that was consistent with the recommendation made by Moore Stephens (now ShineWing.)

This subsequent recommendation will be considered.
2. EFT Machines

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<tr>
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<tr>
<td>Audit noted that throughout the year, many of the EFT machines were linked to MUSUL bank accounts. At 31 December 2014, all but one EFT machine has been changed to now be linked to UMSU’s bank account.</td>
<td>If funds relating to UMSU are being passed through bank accounts owned by MUSUL there is the potential for funds to be misallocated between both entities</td>
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**Recommendation**

We recommend that any remaining EFT machines relating to UMSU are linked to UMSU bank accounts. This will avoid any misallocations of funds occurring and will better assist in the record keeping of any transactions passing through these EFT machines.

**Management Comment**

This recommendation is accepted and UMSU will initiate discussions with MUSUL Services to ensure that the integrity of these transactions is maintained.
### 3. Sundry Income

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<tr>
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<th>Implication</th>
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<tr>
<td>Audit noted that the Sundry Creditors account includes both prepayments made and income received relating to the Destination Melbourne, Summer School and Mentoring programs.</td>
<td>Prepayments have not been classified and reflected on the balance sheet while liabilities have been understated (by the amount of prepayments). We suggest that the following classifications are used.</td>
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| Accounting standards do not permit assets and liabilities to be netted off unless the amounts can be settled simultaneously. | - **Income in Advance** for funds received and not yet expended.  
- **Prepayments** for expenses paid for programs which have not yet taken place |

If the income received or expenses made relate to programs which were incurred prior to 31 December, the amounts should be recorded in the profit and loss statement of UMSU.

### Recommendation

We recommend that from 1 January 2015, the correct accounting classification is applied to prepaid income and expenses relating to these programs.

### Management Comment

This recommendation is accepted and UMSU will pass this recommendation on to MUSUL Services who provide finance and accounting services to UMSU.