

The Royal Australian Chemical Institute Inc.

Closing Audit Report
2021

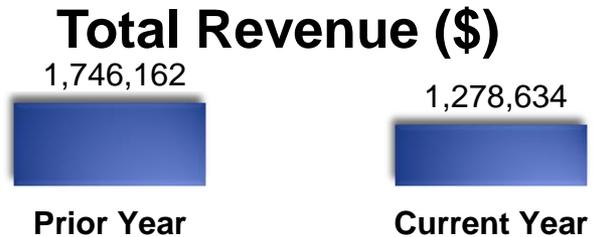


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Executive Summary

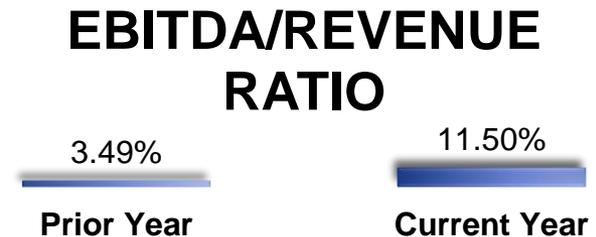
Total Revenue



EBITDA



EBITDA/Revenue Ratio



Performance

	2021 \$	2020 \$
Revenue from operating activities		
Membership Subscriptions	664,788	666,035
School Competition Income	34,697	212,176
Meetings, conference and symposium income	38,525	404,876
Sponsorships, donations and grants	34,621	166,899
Media Income	60,888	69,575
Other Income	33,104	37,850
	<u>866,623</u>	<u>1,557,411</u>
Revenue from non-operating Activities		
Investment Income	42,528	38,553
Rental Income	57,075	54,370
Government - JobKeeper & Cash Flow Boost	312,408	95,828
	<u>412,011</u>	<u>188,751</u>
TOTAL REVENUE	<u>1,278,634</u>	<u>1,746,162</u>
Expenses		
Employee Expenses	(687,530)	(626,112)
Meetings, Conference & Symposium Expenses	(80,621)	(454,273)
School Competitions	(31,620)	(163,558)
Finance & Accounting Expenses	(24,548)	(28,963)
Office & Administrative Expenses	(160,349)	(200,213)
Media & Advertising Expenses	(70,173)	(85,568)
Sponsorships & Award Expenses	(14,539)	(49,853)
Other Expenses from Ordinary Activities	(61,583)	(76,748)
TOTAL EXPENSES	<u>(1,130,963)</u>	<u>(1,685,288)</u>
EBITDA	<u>147,671</u>	<u>60,874</u>
Interest Income	121	687
Interest Expense	(2)	(7)
Depreciation Expenses	(76,308)	(51,489)
Net Profit	<u>71,482</u>	<u>10,065</u>

Comment Performance

Revenue

- Revenue decreased due to Covid-19 preventing physical events from taking place which had been key revenue drivers (eg school competitions).
- Sponsorship and meeting income consequently decreased.
- Membership subscriptions remained consistent with the prior year.
- Government assistance in the form of JobKeeper contributed towards revenue in 2021.

Costs

- Costs decreased significantly due to events being cancelled/operations being scaled down.
- No competitions were held and the main quiz event ANCQ (now ICQ) could not take place.
- Wages and overtime expenses increased given additional hours for the QLD coordinator in mentoring.

Overall

- Overall the business has achieved a higher surplus compared to the prior year, a commendable result underpinned by government assistance and reduced costs.

Factors which will Impact Future Operations

- The operating environment (given COVID-19) remains difficult.
- Subject to the end of current government restrictions, physical events are expected to recommence which is expected to restore previous income sources.

Going Concern & Materiality

Going Concern & Future Forecast Performance

- The capacity of RACI to generate positive returns in the future is dependent upon its capacity to maintain membership levels and recommence hosting conferences and events.
- At current date, we believe the going concern assumption is appropriate

Materiality

Entity	Base	2021 Interim (\$000's)
Royal Australian Chemical Institute	Turnover	17

Covid-19 Impact on Operations

- The impact of Covid-19 restrictions prevented physical events occurring for much of the year – some isolated events were being run towards the end of 2021 as restrictions eased.
- Zoom teleconferencing did allow interaction with the membership base including those in remote areas.

Reconciliation Review

Account	Findings
Cash at bank	No issues noted
Receivables	No issues noted
Investments	No issues noted
Trade Creditors	No issues noted
Leave Entitlements	No issues noted

Conclusion - record keeping is accurate allowing timely and appropriate business decisions.

Assessment of Control Environment

Focus Area	Summary of Matter	Risk level
Segregation of Duties	<ul style="list-style-type: none">There is a conflict of duties in relation to the Association's accounting function given resource constraints. This is unavoidable given the staffing levels and close management review of monthly financial reports does mitigate the risk. We also note that our review of Board minutes indicates close and appropriate scrutiny of Association's performance (which is an important financial governance control).	Open
Key Person Risk	<ul style="list-style-type: none">We note that significant knowledge of processes and operations vests in a small number of employees. This presents a risk from a business continuity perspective. We recommend that the current business operations manual be updated, so that the continuity of key roles and integrity of processes is preserved.	Open
Credit Card Policy	<ul style="list-style-type: none">We note that the Association has a business operation manual in place which broadly considers credit cards. We previously recommend that a detailed credit card policy be drafted – this has now been addressed.	Closed

Assessment of Control Environment

Rating	Risk level	Action
High		<ul style="list-style-type: none">• Required to be addressed
Medium		<ul style="list-style-type: none">• Presents opportunity for material misstatement to occur
Low	X	<ul style="list-style-type: none">• Should be considered for improvement and /or current control structure maintained.

Significant Accounting and Audit Matters

Focus Area	Summary of Matter	Our Conclusion
Cash and Cash Equivalents	<ul style="list-style-type: none"> By its nature cash is susceptible to fraud and error 	<ul style="list-style-type: none"> Reviewed all reconciliations and investigated reconciling items where appropriate. Reviewed cut off of receipts and payments to ensure correct accounting treatment.
Accounts Receivable	<ul style="list-style-type: none"> Risk of non - recoverability 	<ul style="list-style-type: none"> Tested existence and recoverability of trade receivables - substantively tested the balance of trade receivables by reference to subsequent receipts for invoices.
Investments	<ul style="list-style-type: none"> Significant by amount and/or nature 	<ul style="list-style-type: none"> We reviewed and confirmed the accuracy and carrying value.

Significant Accounting and Audit Matters (cont'd)

Focus Area	Summary of Matter	Our Conclusion
Trade Creditors & Other Payables	<ul style="list-style-type: none"> By its nature trade creditors is susceptible to fraud and error 	<ul style="list-style-type: none"> Tested completeness and accuracy of trade payables and prepaid/unearned income - our audit procedures included a test of creditor balances to supporting supplier statements and subsequent payment. Additionally, cut off procedures included a search for unrecorded liabilities.
Compliance with accounting standards	<ul style="list-style-type: none"> Compliance with legislative requirements for financial reporting. 	<ul style="list-style-type: none"> The accounts are a general purpose financial report prepared in accordance with Australian Accounting Standards.
Compliance with audit standards	<ul style="list-style-type: none"> Audit standards are enforceable. Auditor independence needs to be considered. 	<ul style="list-style-type: none"> Formal meeting with management including appropriate fraud enquiry. Audit in accordance with ASA 240. Audit independence maintained through the audit engagement.

Significant Accounting and Audit Matters (cont'd)

Focus Area	Summary of Matter	Our Conclusion
Revenue	<ul style="list-style-type: none"> Assessment of revenue cycle. By its nature revenue is susceptible to fraud and error 	<ul style="list-style-type: none"> Tested existence and completeness of revenue - documented and tested system controls over revenue streams. Selected a sample of revenue items during the period and agree to supporting documentation, testing completeness and recognition of revenue. No issues in testing noted.
Expenditure	<ul style="list-style-type: none"> Assessment of expenditure cycles. By its nature expenses is susceptible to fraud and error 	<ul style="list-style-type: none"> Tested existence and completeness of expenditure - documented and tested system controls over expenditure streams. Selected a sample of ledgers during the period and agree to supporting documentation. No issues in testing noted.
Payroll	<ul style="list-style-type: none"> Assessment of cost of payroll cycles. By its nature payroll is susceptible to fraud and error 	<ul style="list-style-type: none"> Tested existence, accuracy, occurrence and completeness of payroll - documented and tested system controls over payroll streams. Selected a sample of payruns during the period and agreed to employee file information. No issues in testing noted.

General

We would like to take this opportunity to thank the staff of Royal Australian Chemical Institute for the co-operation offered during our audit.

In accordance with our firm policy, we advise that neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to the Association or any other party in respect of this report, including any errors or omissions therein, arising through negligence or otherwise however caused.

This report is not to be used for any purpose other than those specified herein, nor may extracts or quotations be made without our express pre-written approval.