

Dear Stanmore Public P&C Executive

I have performed a limited scope audit on the 2016 financial statements prepared on a cash basis, consistent with previous years. This has been done as a parent of the school in a volunteer capacity.

### **Resignation**

As my last child is in year 6 this year, I will no longer be able to perform the audit in future years.

### **Significant improvement in rigour**

Since I first audited the financial statements of the P&C there has been a monumental leap forward in the rigour in which the financial records are kept and financial statements have been drawn up. Both Mark O'Donnell and Vanessa Bortolin have improved accounting processes and record keeping substantially and I commend them on their efforts.

The introduction of Xero has been a significant improvement this year and acts as a central repository of information and records including invoices supporting expenses. Kept up to date, Xero will facilitate rapid reporting on results and reduce potential reporting errors compared with previous excel based financial records.

Continued rigour from the new treasurer will be essential to get the most out of Xero and to maintain appropriate records.

Likewise, there has been a gradual shift away from cash based transactions. There is still an enormous way to go and I suspect, there will always be a cash component, however each step to reduce cash transactions reduces cash fraud risk. I encourage you to continue to promote take up of online applications such as paypal and online canteen orders that you currently offer.

### **Basis of preparation**

For many years now the financial statements have been prepared on a cash basis, which while not unusual for a P&C, is much less usual for a business. Now that the P&C is carrying on the business of the Canteen, it may consider that a change in reporting is more appropriate. I note that in recent years, commitments have been disclosed in the notes to allow an approximation of liabilities on the balance sheet. I also acknowledge that monthly reporting is often performed largely (but not strictly) on an accruals basis.

Should you continue to carry on a business and there is a change to accruals reporting in the financial statements, the P&C executive may wish to consider a general audit opinion (ie true and fair view). In my opinion, this should not be carried out by the parent community as it currently is, but look to appoint a registered auditor. This will most likely come at a cost, but you could seek to get a heavily reduced rate. My reasons for suggesting a registered auditor is that the business is significantly more complex than just the traditional fund raising activities. Given that the business now employs staff, entitlements, taxes and

superannuation all need to be accounted for.

Further, there is also a substantially higher transaction risk given the large volume of small, often cash based transactions. The current limited scope audit is based purely around what transactions have gone through the bank account and offers no assurance over the completeness of transactions (ie whether there should have been more income or expenses than there are). A controls based general audit will assess the adequacy of the controls around processing transactions (eg the procedures followed in the canteen) and assess any weaknesses in this process. I note here that processes currently followed appear to be highly labour intensive, time consuming and potentially open to undetected errors. By the nature of the business, with only 1 full time employee, there is very little segregation of duties which allows for the possibility of fraud.

No opinion is offered this year over the GST exemption as it falls outside the limited scope of the audit, however should you continue to carry on the business advice confirming this exemption would be appropriate. I understand that the P&C Association has sought a ruling on behalf of all P&C run canteens.

### **Canteen**

While I understand the reason for taking on the canteen on a temporary basis, I question its continued benefit to the P&C. I suggest the P&C executive carefully consider whether it is meeting the objectives of the P&C and whether the additional risk that is being adopted is worth it.

I note that the canteen in the last six months of the year was significantly less profitable than it was in the first six months when volunteers were more available. As volunteer fatigue set in and staff were added to cover shifts, the profitability decreased significantly.

Using rough calculations, I have shown below what the canteen results would look like if the average wage cost for the second six months had been the average wage cost for the year (adjusted result):

	<b>Actual result</b>	<b>Adjusted</b>
	<b>\$</b>	<b>\$</b>
Gross Profit	115 731	115 731
Less wages	89 142	112 590
Less other	11 161	11 161
Net Profit /(loss)	<u>15 427</u>	<u>(8 020)</u>

The canteen is only profitable in 2016 due to high volunteer rates in the first six months which have subsequently fallen off. There may be savings by streamlining some of the processes and revenue could be increased, whether these would be sufficient to cover expenses and the additional risks taken on, is not possible for me to estimate.

Further there is a high reliance on one individual customer of close to \$30,000 a year income. Should you lose this customer, the canteen would go from unprofitable to deeply unprofitable.

By running the canteen, the P&C have taken on considerably more risk. While insurance covers some of these risks there are many more that remain exposed. Some of these include (but not an exhaustive list):

- Cash fraud
- Compliance with regulations and laws especially in respect to
  - o Taxation and compliance
  - o Employee entitlements
  - o Employee relations
  - o Health and safety and workplace practices
  - o Preparation and serving of food
- Complexity of administration handled by volunteers requires specialised skills and time
- Reputational risk of the P&C
- Public liability particularly in relation to the serving of food

While these risks can be managed, this will come at a cost, both cash and time and the P&C executive should consider whether they feel they are able to recoup sufficient income to justify these risks and costs to the business.

#### ***Insurance***

I note that the current insurance policy that the P&C holds is for Workers Compensation covering employees of the Canteen. I understand that the P&C Association also has a blanket insurance cover that offers professional indemnity insurance for the office holders and I believe this is also basic public liability cover, however, I do not know whether this covers Canteen operations and whether more extensive cover is appropriate. I recommend that the P&C management review their insurance needs and whether their existing cover is appropriate.

#### ***Employee contracts***

I note that not all of the employees have employment contracts. I understand that the full time employee does not currently have a signed contract, I recommend that this is drawn up and signed as soon as practicable.

Yours Sincerely

Megan Wakeley

**Stanmore Public School P&C Association**

**Financial Statements**

**(Prepared on a Cash Basis)**

**31st December 2016**

## Income and Expenditure Statement for the year ending 31 December 2016

(Prepared on a Cash Basis)

	Not e	2016 \$	2015 \$
<b>Income from P&amp;C Fundraising</b>			
PLUS – Recycled Uniforms	2	4,028	3,728
Big Night Out	2	35,383	38,263
Commission Free Sale	2	21,500	0
Election Day BBQ	2	11,216	8,546
Other	2	43,920	70,123
		116,047	120,660
<b>Income from P&amp;C Canteen</b>			
Canteen takings cash/online	3	147,246	n/a
Canteen takings other	3	28,713	n/a
		175,959	n/a
<b>Total Income from all P&amp;C activities</b>		292,006	120,660
<b>Expenditure from P&amp;C Fundraising</b>			
PLUS – Recycled Uniforms	2	713	865
Big Night Out	2	9,137	6,904
Election day BBQ	2	2,344	2380
School Purchases	4	27,304	132,127
Other	2	19,097	21,956
		58,595	164,232
<b>Expenditure from P&amp;C Canteen</b>			
Cost of Goods Sold	3	60,971	n/a
Wages and entitlements	3	84,989	n/a
Other	3	11,163	n/a
		157,123	n/a
<b>Total Expenditure from all P&amp;C</b>		215,718	164,232
<b>Net income from P&amp;C activities</b>		<b>76,288</b>	<b>(43,572)</b>

<b>Grants and donations</b>	7	2,647	4,784
<b>Net Income /(loss) after donations</b>		<b>78,935</b>	<b>(38,788)</b>

## Balance Sheet as at 31 December 2016

(Prepared on a Cash Basis)

	2016 \$	2015 \$
<b>Assets</b>		
<b>Cash at bank</b>		
<u>P&amp;C General Accounts</u>		
Commonwealth Chq acct – General P&C	126,674	84,552
Westpac Chq acct – General P&C	18,130	n/a
	144,804	84,552
 <u>P&amp;C Building Fund</u>		
Commonwealth Chq Acct – Building Fund	(500)	5,232
Westpac Reserve – Building Fund	5,579	n/a
	5,079	5,232
 <u>P&amp;C Canteen Accounts</u>		
Commonwealth Chq Acct – Canteen	8,253	n/a
Commonwealth Debit Visa card – Canteen	1,983	n/a
Westpac Chq Acct – Canteen	0	n/a
Westpac Reserve Acct - Canteen	8,500	n/a
	18,736	n/a
	168,619	89,784
 <b>Cash on Hand – Canteen Float</b>	 100	 n/a
	168,719	89,784
 <b>Capital</b>		
Current year earnings	78,935	(38,788)
Retained Earnings brought forward	89,784	128,602
Total	168,719	89,784

## Statement of Funds Available As at 31 December 2016

(Prepared on accruals basis: balance sheet less committed funds)

	2016				
	P&C General Operating Fund	Building fund	Canteen Operating Acct	Canteen Visa Debit card	Total
	\$	\$	\$	\$	\$
Cash at bank – cheque account, Paypal & float	144,804	5,079	16,853	1,983	168,719
Estimated commitments or income (see note 5)	(64,451)	0	(3,408)	0	(67,859)
<b>Funds available as at 31 December 2016</b>	<b>80,353</b>	<b>5,079</b>	<b>13,445</b>	<b>1,983</b>	<b>100,860</b>
Cookbook funds for SAKG (see note 6)	(33,491)				(33,491)
<b>Adjusted funds available as at 31 December for</b>	<b>46,862</b>	<b>5,079</b>	<b>13,445</b>	<b>1,983</b>	<b>67,369</b>



**General P&C**

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**Statement of Cash Flows**  
**For the year ended 31 December 2016**

	\$	\$
Total Cash Balance at 31 December 2015		89,784
Less Paypal 2016 Balance		0
Income for 2016	292,006	
Less P&C activity expenditure for 2016	(215,718)	76,288
Donations and Grants		2,647
<b>Total Cash Balance at 31 December 2016</b>		<b><u>168,719</u></b>

## Notes to the Financial Statements

### 31 December 2016

#### 1. Accounting Policies

Unless otherwise stated and consistent with prior years, these financial statements have been prepared on a cash basis.

Additional information on committed funds not yet paid has been supplied in the Statement of Funds Available to provide relevant financial information. Detail on these committed funds is provided in note 5.

#### 2. Fundraising Activities

Event	Income \$	Expense \$	Profit/(loss) \$
PLUS – Recycled Uniforms	4,028	713	3,315
BNO	35,383	9,137	26,246
Commission Free Sale –Cobden	21,500		21,500
Election Day BBQ	11,216	2,344	8,872
School purchases (note 4)		27,304	(27,304)
Other			
Welcome movie night	1,991	2,035	(44)
Bunnings BBQ	2,248	1,227	1,021
Mother’s Day photo & frame	5,264	1,159	4,105
K-2 Disco	5,267	1,311	3,956
5cent coin	2,897	45	2,852
Art Show	3,372	1,512	1,860
Book Drive	8,788	327	8,461
Father’s Day BBQ	3,334	3,056	278
Kindy Tea Towels	2,541	1,782	759
Christmas Trees	795	0	795
EOY Movie Night	4,113	3,732	381
Fundraising event 2015	0	321	(321)
Cook Book	2,361	388	1,973
Entertainment Books	680		680
Bank fees		898	(898)

Miscellaneous	269	1,304	(1,033)
Total Other	43,920	19,097	24,823
<b>Total Fundraising</b>	<b>116,047</b>	<b>58,595</b>	<b>57,452</b>

### 3. Canteen

In early 2016, the P&C took over the running of the Stanmore Public School canteen as a community service after the incumbent proprietor fell ill.

At the beginning of the year, the canteen was run with a paid canteen manager and volunteer staff. Volunteer fatigue increased as the year progressed and a number of other staff have been employed on a casual basis to meet the needs of the canteen. Employing staff has meant that the P&C have registered with the ATO and collects and submits income tax and the superannuation guarantee levy for all employed staff.

The P&C have taken advantage of the tax ruling sought by the NSW P&C association to exempt P&C run canteens from GST.

The P&C have taken out workers compensation insurance to cover the canteen operations. This is in addition to the insurance cover that the P&C receives as being part of the P&C association.

The financial viability of running the canteen will continue to be regularly assessed.

#### Summary results for the canteen - 2016

	\$
Canteen income	175,959
Less cost of goods sold	(60 971)
Gross Profit	<u>114,988</u>
Less operating expenses	(96,152)
Net Profit	<u>18,836</u>

#### Canteen income

	\$
Canteen cash	87,276

Canteen online	58,002
Canteen prepaid lunches	1,968
Canteen other	28,713
Total Canteen income	<u>175,959</u>

**Canteen operating expenses**

	\$
Wages incl superannuation	84,989
Other	
Cleaning	2,402
Online sales commission	1,859
Purchases (fridge and shared oven cost)	2,920
Insurance	1,420
Repairs and maintenance	924
Xero subscriptions	631
Errors in cash	90
Misc	917
Total other	<u>11,163</u>
Total operating expenses	<u>96,152</u>

**Net Canteen profit by month**

On an accruals basis therefore includes pay as you go (PAYG) tax payable for staff for period Oct to Dec 2017- see note 5. This basis gives a more accurate representation of the monthly cost of running the canteen.

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
\$(1096)	\$4276	\$3450	\$2455	\$4883	\$2008	\$423	\$2905	\$287	\$(340)	\$582	\$(4406)

**4. Purchases for the school**

Book Drive	8,461
Classroom Resources (35teachers @\$400 each)	14,000
Air conditioning for canteen	2,800
Upgrade BBQ	1,358
Mural Canteen	569
Shade Structure	116
Total Purchases	<u>27,304</u>

## 5. Financial commitments and amounts receivable not recorded in financial statements

Financial commitments and income not yet paid or banked and thus not recorded in the financial statements:

	Operating account (cheque)	Canteen Account
	\$	\$
Refurbish school toilets committed	(60,000)	
Canteen – reimbursement equipment purchase	(3000)	
Canteen Oct to Dec 16 PAYG payable		(4,031)
Canteen employee super guarantee not yet paid		(121)
Canteen sales inv- received Feb17		744
Movie night – sponsorship Urbane – received Feb17	500	
BNO – commitment 2015 Sail Boat	(200)	
BNO – commitment 2016 Sail Boat	(200)	
Bird proofing COLA	(1551)	
Net financial commitments not recorded in financial statements	<u>(64,451)</u>	<u>(3,408)</u>

The P&C have committed to refurbish the school toilets although no work has commenced. An estimate of costs has been provided.

## 6. Cookbook

The proceeds from the sale of the Cookbook are quarantined for future use by the Kitchen Garden program although specific initiatives are yet to be agreed and approved. There are 188 cookbooks remaining available for sale.

Summary of proceeds to date are:	Funds Raised
	\$
Opening Balance – 31 Dec 2016	31,661
Funds Raised 2016	2,361
SAKG literature items for garden	(380)
SAKG shade structure	(116)
SAKG Thank You	(35)
Proceeds 31 Dec 2016	<u>33,491</u>

## 7. Grants and Donations

	2016	2015
	\$	\$
Grants	0	800
Donations	2,647	3,984
	<u>2,697</u>	<u>4,784</u>



## **Stanmore Public School Parents & Citizens Association Executive Declaration**

The executives of the Stanmore Public School Parents and Citizens Association have determined that the association is not a reporting entity and that this special purpose financial report has been prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The executives of the association declare that:

1. The financial statements and notes, as set out on pages 1 to 7:
  - a) comply with Accounting Standards as stated in Note 1; and
  - b) give a true and fair view of the association financial position as at 31 December 2016 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the executives' opinion there are reasonable grounds to believe that the association will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the association.

**President:** \_\_\_\_\_  
Rebecca Cox

**Treasurer:** \_\_\_\_\_  
Vanessa Bortolin

**Dated 21st February 2017**

**Stanmore Public School Parents and Citizens Association****Independent Audit Report for year ended 31 December 2016**

I have audited the financial statements of the Stanmore Public School Parents and Citizens Association, which have been prepared on a cash basis, for the year ended 31 December 2016. The procedures I have performed include:

- confirming the opening and closing bank balances to bank statements
- verifying a number of key expenditure items to invoices
- analysing and challenging fundraising income and expenditure to the previous year results

No opinion is offered over completeness or accuracy of income in the financial statements or accrual items in the notes to the financial statements or on the Statement of Funds Available.

No opinion is offered over the appropriateness of insurance cover or of tax accounting and commitments.

In my opinion, based on the procedures set out above, the financial statements have been properly drawn up for the purpose of reporting to the Stanmore Public School Parents and Citizens Association for the period to 31 December 2015.

Megan Wakeley  
21 February 2017