



Finance Director's Report – 2014

Annus Horribilis to New Beginnings

The interim Financial Statements for 2014 are attached to this report. The focus of the past 2 months has been to record accurately the cash movements of the association and reflect these in the statement of financial performance to 31 December 2014. This has not been a simple or trivial exercise.

It is timely to recognise the events of late 2014 to today, following the untimely and unexpected departure of Simon. Last October, the fencing community was shocked to learn of the death of Simon. What rapidly became evident was that much of the corporate knowledge and expertise and actual transactional capability of Fencing Victoria was also lost. And so began a period of urgent activity to regain the ability to conduct business, not as usual, but at a more basic survival level. Immediate actions taken included:

- Gaining access to the FV PayPal account, which is the major cash funnel for FV transactions via SportingPulse
- Taking control and becoming the registered operator of the various FV Bank Accounts at CBA and NAB. This included firstly confirming which accounts were operative and adding internet banking access profiles
- Obtaining access to the FV MYOB Accounting software. This was a major “lessons learned” exercise in that the MYOB software was installed on a PC which was no longer in the country. It would be some time until this was again available
- Assuming control of the email accounts president@fencingvictoria.org and finance@fencingvictoria.org to allow receipt of emails sent to the association. Unfortunately, this was another “point forward” scenario where it was impossible to examine emails earlier than October 2014 sent to either of these critical addresses

By the early 2015, much of the operational control of the financial activities of Fencing Victoria has been restored. Accounts are being paid in a timely manner. Cash is being optimised with the opening of a new interest-bearing account with NAB to park funds in excess of daily requirements. Rudimentary budgets have been established which sets the base income levels and fee structure for 2015, ensuring income to the association.

To address some of the business continuity challenges faced since October, new procedures and processes have been adopted. These include:

- The implementation of Xero software as the accounting package for FV. This is “cloud-based” meaning it is not installed on any one PC – rather it exists on and is accessed via the internet. This removes the issue of “information drought” should access to a particular computer be denied for whatever reason
- The establishment of automatic bank feeds from FV bank accounts to Xero which eases the reconciliation burden and ensures accurate recording of cash movements
- Re-engagement with Consumer Affairs Victoria to satisfy the obligation to lodge annual financial statements. FV has now filed returns for FY2012 and FY2013 and will be lodging FY2014 on time following the AGM in May. Further work is required to establish sufficient financial data for FY2011 which will complete all outstanding returns, plus review of FY2012 and FY2013 will be performed to confirm material accuracy of the statements lodged.
- Hiring of professional bookkeeping services to conduct the conversion from MYOB to Xero and the preparation and lodgement of BAS returns. Other services provided are the preparation of financial reports to be forwarded to FV’s accounting firm for audit and review. This will be done following the completion of the 2014 work presented here.

While it will be very evident that the reports attached are a work-in-progress, I am confident that the Financial Performance reflected in the Profit and Loss statement for 31 December is accurate as it has been compiled directly from the various bank statements for 2014, and reconciles with the cash position as per the bank statements of the Association.

2014 Profit and Loss Statement

Fencing Victoria has recorded a successful year for 2014, due in no small part to the amazing donation received in June. This allowed for the retirement of the debt of \$193,400 which frees some \$13,000 in interest expense each year. Net Profit is calculated to be \$265,637 which includes Donations of \$237,355. Excluding donations and interest expense saved, a cash profit of approximately \$21,782 for 2014 has been generated.

It should be noted that depreciation and other non-cash provisions have not been included in the reports presented. These will be calculated once the accountants prepare final financial statements. Similarly, there may be some adjustment on the cash flow allocations presented here. This will not materially alter the financial performance result however. All the dollars “in and out” have been recorded and reconciled with the 2014 opening and closing balances of the FV bank accounts.

I would prefer to present prior-year comparative figures for the Profit and Loss statement, however, closing balance discrepancies in 2013 make this meaningless.

2014 Balance Sheet

The statement of Financial Position recorded in the Balance Sheet as at 31 December 2014 explains the reason for this more fully. The 2013 comparative numbers are based on the balances from the financial statements presented at the 2014 AGM. A large entry can be seen in Suspense under Current Liabilities, owing to a discrepancy in the closing bank balances reported in 2013 compared to those found in the opening balances from the bank statements in 2014. This is currently under review. Note that the net movement in Suspense reflects funds received which cannot be identified as to source. While this is preferable to funds departing the association without identification, it is being investigated. Also under review are the large balances reported in Accounts Receivable and

Accounts Payable. I have requested full remittance advices for 2014 from the main contributors of the A/R balance to assist in reconciliation.

Also notable in this Balance Sheet are the lack of movements in Depreciation of Fixed Assets. This has been explained above, and will be performed by the accountants prior to final financial statements being prepared.

Given the questions raised above, it will be necessary to review prior year statements for reasonableness and material accuracy. Which leads to:

Current and Next Steps

In preparing the financial statements for 2014, and in working with Consumer Affairs Victoria on the lodgement of overdue annual statements, it has become apparent that questions must be asked as to the previous work presented. As the BAS reporting is performed on a cash basis, I am comfortable as to their material accuracy. All 2014 BAS's have been lodged with the ATO and paid for. The lack of clarity in the MYOB records for 2014 has accelerated the conversion to Xero from FY2015 as originally planned, to FY2014. As indicated above, the report for 2014 has been prepared based on source documents (Bank Statements etc) and accurately reconciles the cash flows of the association.

Historical information has proven more difficult to locate and verify. I have requested and am still waiting for full information from the banks to reduce the unidentified cash movements currently in suspense. Advice has also been received from the FV accountants that for good order sake, a review of 2012 and 2013 should be conducted and that a sufficiently detailed report for FY2011 to allow lodgement of a return to CAV is necessary. What is not necessary is a detailed forensic examination of the historical statements of Fencing Victoria. This would be expensive – in the order of \$50,000 – and will yield little in the way on relevant material information. It is the view of the Executive, supported by professional opinion, that this is an impost on the resources of the organisation that does not warrant the benefit. The approach adopted is to not go back and examine what has happened and cannot be changed but to move forward. That said, it is planned to perform an internal review to calculate the percentage of payments made in 2014 for which a GST credit was applicable. This will be applied to the payments made in 2012 and 2013 to determine the reasonableness of previously lodged BAS returns. Any adjustment necessary or material will be submitted in a revision of those returns, which can be performed at any time. The immediate next steps to be performed are:

- The preparation and independent review of FY2014 statements by FV accountants
- The preparation of sufficiently detailed FY2011 statements to allow lodgement with CAV. These will be based on the cash flows as per available and discoverable bank statements

These will both be completed prior to the AGM in May.

I submit this report to the Council for consideration.

Geoff Webber

25 February 2015