

Board Briefing - CONFIDENTIAL

To: The Board of Wireless Institute of Australia

From: Chris Chapman, Treasurer, Wireless Institute of Australia

16 February 2016

This briefing is a follow-up to the initial briefing provided on 3 February. I provide this as an independent assessment of the financial processes and governance of the financial operations of the WIA for the Board. Given there is a level of dissatisfaction and possible intent to bring the Board and/or Institute to disrepute from some members, this briefing focusses on areas of potential concern as well as more general observations.

This briefing consists of a number of findings, observations and recommendations.

Findings & Observations

1. Approval of the ongoing contract services of Fred Swainston through Train Safe.
Fred Swainston's appointment was approved at the August Board meeting and commenced on 17th August 2015 for a period of not more than 6 weeks. The most recent Board approval for continuation of Fred's services was for a period of 6 weeks from 28th September 2015. This approval is noted in the Board Minutes of 22nd September 2015. This approval covers the period 28th September until 8th November. Since this date (8th November) there has been no authority to continue with or pay Train Safe or Fred Swainston for services. As Acting Executive Office Manager, Fred Swainston has been raising invoices and receiving payment without documented Board approval.
2. Accounting System & Procedural compliance – inadequate financial management
As noted in my briefing of 3rd February there is a lack of documentation covering procedures and the use of the accounting system and related tools. Since the resignation of the previous Treasurer the National Office has not performed a number of key operational procedures and there has been very limited reporting to the Board (Ref Board Minutes, September 2015 through January 2016); **this has created a number of accounting irregularities, inefficiencies and exposures for the WIA. The accuracy of the Institute's accounting system has been compromised.** The following are examples:
 - The starting position for 2015 P&L as reported from our accounting system shows **a loss of \$152,537**. Clearly this is not correct. The incorrect number is a symptom of inadequate accounting procedures in the National Office. (Ref attached report)
 - **Accounts Receivables; Accounts Receivables is at \$17,661.40 as at 31 December 2015.** Some of these accounts may have been paid, but a manual reconciliation is required. There is no evidence of Accounts Receivable management and this brings the Institute's Accounts Receivable position into question.
 - **Accounts Payable; \$19,676.78 as at 31 December 2015.** This is most likely not a true representation of our position, but illustrates a lack of process compliance.
 - Incorrect accounting of expenses (eg. Allocating expenses to incorrect account codes, not tracking expenses at a sufficient level of detail to meet our corporate reporting obligations)

- Incorrect reporting of revenue; due to inadequate understanding of accounting standards, lack of adherence to procedures and/or lack of understanding of business requirements.
 - Journaling of Members Subscription income to the P&L Statement has not occurred
 - The Board has not been presented with monthly P&L Statements or accurate financial reporting since the previous Treasurer resigned.
 - The creation of a relatively large backlog of additional work to correct the company accounts and prepare for the audit review for 2015
3. Accounting Method; Accrual verses Cash Accounting – there has been some discussion Cash Accounting would simplify the Institute’s Accounting Systems. Accrual Accounting is more complex and with the exception of the Institute’s Five Year Membership income, Cash Accounting may be more suitable. The WIA could consider this option, but general advice received suggests that as we collect money for future years (our 5 Year Membership Class) a formal assessment by an auditor would likely require we use the Accrual Accounting Method. Any proposed change would need to consider impacts to existing internal procedures, GST payments, and the Institute would still be left with an obligation to use the Accrual Method for income from the Five Year Membership class.

Recommendations

Office Management

1. The Board considers a review of governance and corporate oversight to ensure reviews of key contracts and financial approvals, payments and reporting from the National Office.
2. A special resolution may be considered to retrospectively approve payments to Train Safe since 8th November and a special notation that review processes have been updated to ensure such oversights do not occur in the future.
3. The Board consider the requirement to extend the contract with Train Safe and Fred Swainston beyond the appointment date for the permanent Executive Office Manager (15th February 2016). An appropriate period for training and handover (1-2 weeks?) should be considered. The Board should expect a complete set of Procedures be available for the new Executive Office Manager to ensure efficient handover and a correct operation of Institute’s business.

Accounting Systems & Procedures

4. The Treasurer to implement new procedures that meet the reporting and corporate obligations of the Institute.
5. The Board approve the request for John Longayroux to act as assistant to the Treasurer (per a separate request to the Board).
6. The National Office works with the Treasurer to update corporate records for accounting purposes, and implements checks and measures as requested by the Treasurer to ensure the underlying issues (correct procedures, education, documentation, data feeds) of these exposures be addressed.

Accounting Method

7. Subject to the Audit Review being complete, the Treasurer will seek formal advice from both the Audit Review team and an independent accountant as to the most appropriate accounting method for the Institute. The advice will be provided to the Board at the March meeting for consideration. Until this time, the existing accounting method will continue to be used.