

Darren McLean, Chairman & Treasurer
Cc The Quays Committee
Cc Stansure Strata Management

Dear Darren

QUAYS COMMITTEE REVIEW OF THE FINANCIALS FOR THE YE 31 MARCH 2021

As you are aware I was Chairperson and Treasurer for the above financial year, and I have always been astounded by the committee's decision to review the abovementioned financials internally; rather than professionally by an auditor - as was if fact agreed by a majority of Owners at the EGM of 30/9/21.

I was present at the AGM held on 16 June 2022 when Fiona Day mentioned, when queried by you, that the review was completed and there was nothing to report. However, this exchange was not minuted.

I am also concerned at the lack of any factual progress reporting during the overly long twelve-month review period. The so-called review has caste aspersions on my reputation and integrity; and the lack of a formal conclusion leaves those aspersions open in the minds of the Quays community.

Furthermore, I find it extraordinary that such a review was even initiated in the first instance given the following.

BACKGROUND

The 20/21 financials were audited by Dickfos Dunn Adam and an audit report was issued on 27 April 2021. Unfortunately, the audit of the financials was completed before the committee was given the opportunity to review the financials.

My committee's subsequent review revealed that several material items amounting to about \$44k were classified as Admin Fund but should have been in the Sinking Fund. The auditor was advised and subsequently authorised the reclassifications and instructed Peak Strata Management to make those changes.

The auditor issued a letter on 26 May 2021 explaining the reclassifications, attaching amended audited financials and, a new audit report, also dated 26 May 2021.

(See the attached 6 pages)

SUBSEQUENT EVENTS

At the AGM held on 24 August 2021 you and your supporters:

1. block-voted to reject the financials and audit report(s) for the YE 31 March 2021.
2. block-voted to reject the appointment of Dickfos Dunn Adam as auditor for the financial YE 31 March 2022.

At the Committee Meeting held on 21 September 2021 your committee agreed as follows:

"5. Consideration of Statement of Accounts

5.1 The audit report for the period 1 April 2020 to 31 March 2021 was tabled for review as the report was rejected at the Annual General Meeting held on 26 (sic) August 2021. The committee advised that a motion will be included on the Agenda of an Extraordinary General Meeting to have the accounts re-audited.

The committee further advised that a budget will be included on the Agenda of the Extraordinary General Meeting with an annual increase of approximately nine percent."

At the Extraordinary General Meeting held on 30 September 2021 the below motion was submitted by the committee, to audit (that is, audit for the third time) the 20/21 YE Financials.

Motion 3 quoted below, was supported by you and your supporters and carried by 48 votes to 11.

Audit of Accounts

Ordinary Resolution

Submitted by Strata Committee

That the body corporate commission an audit of all financial transactions of the preceding financial year spanning 1/4/20 to 31/3/21 for a fee not exceeding \$5000.

SUBSEQUENT ACTIONS

However, instead of enacting the lawful decision of the Owners at the above EGM and initiating the re-audit, somehow it was decided that some members of the committee would do a review. I say somehow as there is no record of any decision to do a review – no meeting or VOCM record and no confirmation at any subsequent committee meeting of such a decision.

Therefore, the committee has breached the regulations on two counts.

Despite the illegality of the review it is in fact mentioned in several committee minutes; e.g.:

CM 14/12/2021

*"REVIEW OF FY20/21 ACCOUNTS – UPDATE, STATUS AND TIMING OF REVIEW
Update from committee members is (sic) yet available at this time as committee members are working on the review. It will be brought up to date in the new year."*

CM 17/2/2022

"Review of 20/21 accounts. Marg Comber reported the review was ongoing with two accounting firms and there was nil to report to the committee at this stage."

and was in fact concluded.

However, the conclusion of the review has not been recorded anywhere and this is unsatisfactory to all Owners.

I would be grateful if you ensure that the result of the review is formally recorded in minutes of a Quays meeting as soon as possible.

Yours sincerely,



Sue Doves
Owner Lot 3006

13 March 2023

Attachment: 6 pages



DICKFOS DUNN ADAM

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Our Ref: 796979_1

27 April 2021

The Body Corporate
Linda Jones Accounts Manager
Emerald Lakes – The Quays CTS 33891
C/- Peak Body Corporate Management Pty Ltd
PO Box 1509
RUNAWAY BAY QLD 4216

Dear Body Corporate,

RE: EXTERNAL AUDIT

We have completed our audit and now enclose one signed copy of the Financial Statements for the year ended 31 March 2021 for: *Emerald Lakes – The Quays CTS 33891*

The following issues were identified during the course of the audit:

Water Recoveries and Net Water Expense

The schemes meter reads are read by either the caretaker or contractor engaged, who then provides meter reads to the body corporate manager, whom processes the water billings to owners/tenants.

The table below summarises the changes of the net water expense (i.e. representing common property usage) over the last three years. The table below shows the scheme reports a very minimal common property water cost each year as 99% of water cost is recovered from owners/tenants.

	2021	2020	2019
	\$	\$	\$
<u>Water</u>			
Expense	61,607	60,428	60,671
Water Recoveries from Owners	61,416	59,956	60,337
Net Water Cost	191	472	334
Percentage Recovery	100%	99%	99%

.../2

Our audit work is restricted to agreeing water charges to the billing financial data prepared by the body corporate manager. As a result our audit would not identify any discrepancies in billings to owners.

We recommend the Body Corporate review current systems and processes regarding water recharging to ensure common property cost reported is in line with body corporate expectation of common property water cost and any discrepancies would be investigated;

Caretaker Fee

It was noted that the caretaker does not issue invoices every month to support their caretaker fee. Although our audit confirmed the remuneration paid agreed to the caretaker contract, the body corporate claims GST on the expense, without a valid GST invoice there is a risk of non-compliance with ATO requirements for claiming GST credits.

We recommend the body corporate request invoices from the caretaker to support the GST reclaim and ensure compliance with ATO requirements.

Repairs to Units

During our audit we noted the scheme incurred significant expenditure for works within individual units from contractor Render 4 U (e.g. water damage repairs). For repairs works within units it is not always clear from the description on the invoice and works carried out whom should be responsible for the repairs (owner or body corporate). Within the strata legislation there are factors to take into account to confirm if the works relate to common property boundaries (e.g. plumbing works caused by common property plumbing issue).

Our audit work is restricted to agreeing the payments to the invoices and as a result there is a risk we would not identify instances where costs should be borne by the owner.

We recommend the Body Corporate confirms adequate approval controls are in place to ensure costs expensed which relate to repairs within individual units are valid costs to the scheme. In particular for any works where there is any risk that the works should be covered by the owner. For example include approval on the invoice which confirms validation that works within the unit fall within common property boundaries.

Invoice approval controls

As raised in our audit letter in prior year, we note some invoices (e.g. utilities and BCM expenses) do not require approval by the building manager/caretaker and a committee member prior to payment or payment approval stamp. At the time of audit, payments could be made from the bank account by one signatory. *We recommend the implementation of two signatories for EFT payments from the bank account, to include a committee member and that the caretaker/Building Manager should not be able to approve their own reimbursements or payments.*

Negative Administrative Fund Reserve

We note the administrative fund reserve balance at year end is \$34,049 (negative), representing deficit funds at year end through cumulative spend for the scheme being in excess of income receipted. *We recommend body corporate gives consideration to this negative position when considering future levies against budget spend to ensure sufficient funds are available for the scheme to meet their commitments and debts when they fall due.*

We would like to take this opportunity to express our appreciation for the assistance provided during the conduct of our audit. Please do not hesitate to contact me with any queries.

Our Tax Invoice is also enclosed.

Yours faithfully
DICKFOS DUNN ADAM


T. L. ADAM



DICKFOS DUNN ADAM

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Our Ref: 808417_1

26 May 2021

The Body Corporate
Linda Jones Accounts Manager
Emerald Lakes – The Quays CTS 33891
C/- Peak Body Corporate Management Pty Ltd
PO Box 1509
RUNAWAY BAY QLD 4216

Dear Body Corporate,

RE: EXTERNAL AUDIT

Following the reclassifications of various expenses between sinking and administrative funds, please find attached the amended audited financials for the year ended 31 March 2021 for: Emerald Lakes – The Quays CTS 33891

These accounts and audit report replace our documents sent reference 796979_1 dated 27 April 2021.

Please do not hesitate to contact me with any queries or we can be of any further assistance.

Yours faithfully
DICKFOS DUNN ADAM

A handwritten signature in black ink, appearing to read 'Tracy Adam', with a stylized flourish at the end.

T ADAM

Audit and Assurance

Registered Company Auditors
Tracey Adam, Gavin Dunn.
Liability limited under a scheme
approved under Professional
Standards Legislation.



DICKFOS DUNN ADAM

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**EMERALD LAKES – THE QUAYS CTS 33891
INDEPENDENT AUDITOR'S REPORT TO THE OWNERS OF
EMERALD LAKES – THE QUAYS CTS 33891**

Opinion

We have audited the accompanying financial report, being a special purpose financial report of Emerald Lakes – The Quays CTS 33891, which comprises the Balance Sheet as at 31 March 2021, the Statement of Income and Expenditure of the Administration Fund and Sinking Fund for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of Emerald Lakes – The Quays CTS 33891 as at 31 March 2021, and its financial performance for the year then ended in accordance with the accounting policies disclosed within the supporting notes and the *Body Corporate and Community Management Act 1997*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Body Corporate in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist Emerald Lakes – The Quays CTS 33891 to meet the requirements of the *Body Corporate and Community Management Act 1997*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Those Charged with Governance for the Financial Report

The Body Corporate Manager has been delegated the responsibility for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of the *Body Corporate and Community Management Act 1997*.

The committees' responsibility includes such internal control as the committee determines is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the committee are responsible for assessing the schemes' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the committee and owners intend to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing Emerald Lakes – The Quays CTS 33891 financial reporting process.

EMERALD LAKES – THE QUAYS CTS 33891
INDEPENDENT AUDITOR'S REPORT TO THE OWNERS OF
EMERALD LAKES – THE QUAYS CTS 33891

Auditor's Responsibilities for the Audit of the Financial Report

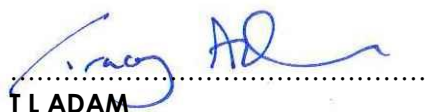
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material, if, individual or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Body Corporate Manager.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Body Corporate Manager and Committee regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DICKFOS DUNN ADAM
Audit & Assurance


T L ADAM

Dated: 26 May 2021
SOUTHPORT