



# WALTER AND ELIZA HALL INSTITUTE OF MEDICAL RESEARCH

Report of Federal Awards in Accordance with the OMB Uniform Guidance

Year ended 31 December 2022

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## CONTENTS

1.	SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	1
<b>1.1</b>	Independent Auditor’s Report.....	1
<b>1.2</b>	Schedule of Expenditures of Federal Awards for the year ended 31 December 2022 .....	3
<b>1.3</b>	Notes to the Schedule of Expenditures of Federal Awards .....	4
2.	COMPLIANCE AND INTERNAL CONTROLS .....	5
<b>2.1</b>	Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with the OMB Uniform Guidance .....	5
3.	SCHEDULE OF FINDINGS.....	7
<b>3.1</b>	Section I: Summary of Auditors’ Results.....	7
<b>3.2</b>	Section II: Current-Year Findings .....	8

# 1. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

## 1.1 Independent Auditor's Report

To the Directors of the Walter and Eliza Hall Institute of Medical Research,

### **Report on the Schedule of Expenditures of Federal Awards**

We have audited the accompanying schedule of expenditures of federal awards ("the Schedule") for the Research and Development Program Cluster ("the Federal Programs") funded by the United States of America Federal Awards to the Walter and Eliza Hall Institute of Medical Research ("WEHI") for the year ended 31 December 2022.

### ***Management's Responsibility for the Schedule of Expenditures of Federal Awards***

Management is responsible for the preparation and fair presentation of the Schedule that presents fairly the expenditures under the Federal Programs funded by United States of America Federal Awards, by applying generally accepted accounting rules and principles of Australia. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion of this Schedule based on our audit. We conducted our audit in accordance with the auditing standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, except for continuing education program and peer review, as discussed in the paragraphs below, and in accordance with the program audit provisions contained in Title 2 U.S. *Code of Federal Regulation* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("OMB Uniform Guidance"). Those standards, and the program audit provisions of OMB Uniform Guidance, require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to WEHI's preparation and fair presentation of the Schedule 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Personnel of RSM Australia Pty Ltd ("RSM") do not participate in a continuing education program that fully satisfies the requirements set forth in Chapter 3, paragraph 3.6 of *Government Auditing Standards*. However, RSM does participate in continuing education programs applicable in Australia.

Further, RSM did not have an external quality review by an unaffiliated audit organisation, as required by Chapter 3, paragraph 3.33 of *Government Auditing Standards*. However, RSM does participate in the RSM International internal control review program, which requires our offices to be periodically subjected to an extensive quality control review by partners and managers from other RSM International affiliated firms.

# 1. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT.)

## 1.1 Independent Auditor's Report (cont.)

### *Opinion*

In our opinion, the schedule of expenditures of federal awards presents fairly, in all material respects, the expenditures for the research and development program cluster funded by United States of America Federal Awards for the year ended 31 December 2022, by applying generally accepted accounting rules and principles of Australia.



**RSM AUSTRALIA PTY LTD**



**WARWICK JA SPARGO**

Director

Melbourne, VIC

27 September 2023

# 1. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT.)

## 1.2 Schedule of Expenditures of Federal Awards for the year ended 31 December 2022

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures (U.S. Dollars)	Passed Through to Sub-recipients (U.S. Dollars)
<b>Research and Development Cluster</b>				
<b>National Cancer Institute</b>				
<b>Passed Through The University of Texas MD Anderson Cancer Center</b>				
RANK ligand inhibition - a potential chemoprevention strategy for women at high genetic risk of breast cancer	93.000		\$184,447.40	
<b>Subtotal CFDA</b>	<b>93.000</b>		<b>\$184,447.40</b>	<b>-</b>
<b>National Human Genome Research Institute</b>				
<b>Passed Through University of Washington</b>				
The Center for Actionable Variant Analysis; measuring variant function at scale	93.172		\$175,556.34	
Center for the Multiplexed Assessment of Phenotype	93.172		\$95,918.55	
<b>Subtotal CFDA</b>	<b>93.172</b>		<b>\$271,474.89</b>	<b>-</b>
<b>National Institute of Diabetes and Digestive and Kidney Diseases</b>				
<b>Passed through Trustees of Indiana University</b>				
Molecular engineering of complementary glucose-responsive conformational switches in insulin and glucagon	93.847		(\$7,175.58)	
Non-Standard Protein Design in Molecular Endocrinology: Insulin and Glucagon	93.847		\$4,410.14	
Molecular endocrinology and principles of diabetes therapeutics: application to ultra-stable insulin analogs	93.847		\$42,292.32	
<b>Subtotal CFDA</b>	<b>93.847</b>		<b>\$39,526.88</b>	<b>-</b>
<b>National Institute of Allergy and Infectious Diseases</b>				
Understanding, tracking and eliminating malaria transmission in the Asia - Pacific Region	93.855	JDVQQBL4JDK9 LRA1T69AN9U6 D3DBY1HKFNS3 JRDEJNVPC8T3	\$494,699.23	\$423,508.52
<b>Passed through Case Western Reserve University</b>				
Defining targets of protective immunity to vivax malaria using human monoclonal antibodies	93.855		\$13,438.83	
<b>Subtotal CFDA</b>	<b>93.855</b>		<b>\$508,138.06</b>	<b>\$423,508.52</b>
<b>Grand Total</b>			<b>\$1,003,587.23</b>	<b>\$423,508.52</b>

# 1. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT.)

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## 1.3 Notes to the Schedule of Expenditures of Federal Awards

### 1.3.1 Company Description

The Walter and Eliza Hall Institute of Medical Research (“WEHI”) is the oldest research institute in Australia, established in 1915.

WEHI brings the world’s brightest minds together to make life-changing discoveries. With more than 1000 researchers from across the globe, WEHI are making discoveries for cancer, infectious and immune diseases, developmental disorders and healthy ageing. Research in a range of areas, preventing and treating diseases including breast, ovarian and blood cancers, type 1 diabetes, rheumatoid arthritis, coeliac disease and malaria.

WEHI researchers are committed to long-term discovery, collaborating with partners in science, health, government, industry and philanthropy.

### 1.3.2 Basis of presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes federal grant activity for the Federal Program and has been prepared using the Australian accounting rules and principles; it is presented on a cash basis of accounting. The information in the Schedule is presented in accordance with the program audit provisions in Title 2 U.S. *Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of activities of WEHI, it is not intended to and does not present the financial position, results of operations and cash flows of WEHI in conformity with accounting principles generally accepted in Australia. Expenses in Australian dollars are translated into US dollars based on spot rates.

### 1.3.3 Summary of Significant Accounting Policies

**Basis of accounting:** The accompanying schedule has been prepared on a cash basis of accounting and as described below.

**Expenses:** Expenses for federal awards of WEHI are determined using the cost accounting principles and procedures set forth the cost principles contained in the Uniform Guidance. Under these cost principles, certain expenses are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are present where available.

Expenses also include indirect costs, relating primarily to facilities operation and maintenance, and general, divisional, departmental administration services, which are allocated to direct cost objectives (including federal awards) based on negotiated formulas referred to as indirect cost rates. Indirect costs allocated to awards are generally based on provisional rates negotiated with the cognizant federal agency. When funding for indirect costs is restricted based on specific agreement provisions or by total program funding requirements, a lower rate may be used, which is reflected in the Schedule. In such instances, WEHI is electing to not bill or collect the full provisional rate for these specific awards. WEHI did not elect to use the 10% de minimis cost rate as covered in §200.414 Indirect (F&A) costs of Title 2 U.S. *Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

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## 2. COMPLIANCE AND INTERNAL CONTROLS

### 2.1 Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with the OMB Uniform Guidance

To the Directors of the Walter and Eliza Hall Institute of Medical Research,

#### **Report on Compliance for the Research and Development Cluster**

We have audited the Walter and Eliza Hall Institute of Medical Research's ("WEHI") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its Research and Development Cluster ("the Federal Program") for the year ended 31 December 2022.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its Federal Program.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for WEHI's Federal Program based on the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulation* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("OMB Uniform Guidance"), except as noted in the paragraphs below. Those standards and OMB Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on the Federal Program occurred. An audit includes examining, on a test basis, evidence about WEHI's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for WEHI Federal Program. However, our audit does not provide a legal determination of WEHI's compliance.

Personnel of RSM Australia Pty Ltd ("RSM") do not participate in a continuing education program that fully satisfies the requirements set forth in Chapter 3, paragraph 3.6 of *Government Auditing Standards*. However, RSM does participate in continuing education programs applicable in Australia.

Further, RSM did not have an external quality review by an unaffiliated audit organisation as required by Chapter 3, paragraph 3.33 of *Government Auditing Standards*. However, RSM does participate in the RSM International internal control review program which requires our offices to be periodically subjected to an extensive quality control review by partners and managers from other RSM International affiliated firms.

#### ***Opinion on Compliance the Federal Program***

In our opinion, WEHI complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Federal Programs for the year ended 31 December 2022.

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## 2. COMPLIANCE AND INTERNAL CONTROLS (CONT.)

### 2.1 Independent Auditor's Report (cont.)

#### Report on Internal Control over Compliance

Management of WEHI is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered WEHI's internal control over compliance with the types of requirements that could have a direct and material effect on its Federal Program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its Federal Program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of WEHI's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**RSM AUSTRALIA PTY LTD**



**WARWICK JA SPARGO**

Director

Melbourne, VIC  
27 September 2023



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### 3. SCHEDULE OF FINDINGS

#### 3.1 Section I: Summary of Auditors' Results

##### Federal Awards

Internal control over major programs

- Material weakness/es identified? Yes
- Significant deficiencies identified not considered to be material weaknesses? Yes
- Types of auditor's report issued on compliance for major programs. Unmodified
- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

##### Identification of major programs:

- Research and development cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee is a low-risk auditee. No

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## 3. SCHEDULE OF FINDINGS (CONT.)

### 3.1 Section II: Current-Year Findings

#### 2022.1 Indirect Costs in the Schedule of Federal Expenditure

**Observation:**

We identified in the draft 31 December 2022 Schedule of Expenditures of Federal Awards that Management had not included the indirect costs expenses in accordance with the awards with the federal agencies, which amounted to \$74,340. This amount has been assessed as material.

Management have amended the Schedule of Expenditures of Federal Awards to include indirect costs based on the negotiated indirect cost rates.

**Implication:**

There is a risk that the Schedule of Expenditures of Federal Awards is understated due to the exclusion of the indirect costs. It is important that WEHI assess and demonstrate to the funder the whole-of-organisation effort in delivering these programs.

**Recommendation:**

We recommend that Management implement procedures at year end to ensure indirect costs are accounted for on all programs within the Schedule of Expenditures of Federal Awards in accordance with the awards.

**Management's Views and Corrective Action Plan:**

Going forward, grants will be allocated to labs net of indirect costs so that there is no risk of over expenditure on the programs. The Schedule of Expenditures of Federal Awards will also reflect the correct direct and indirect costs components.

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## 4. SCHEDULE OF FINDINGS (CONT.)

### 4.2 Section II: Current-Year Findings (cont.)

#### 2022.2 Lack of Supporting Evidence of Approval of Cost Reallocations

**Observation:**

We identified a manual adjustment of AUD\$23,339 (USD\$16,785) to reduce the allocation of salaries of one staff member to one program. We were unable to obtain the relevant supporting documentation for the evidence of approval of the adjustment. This amount has been assessed and considered not material.

Management have amended the Schedule of Expenditures of Federal Awards to correct the error in the salaries' allocation.

**Implication:**

There a lack of control and supervision over the costs being reported in the Schedule of Expenditures of Federal Awards and could result in fraudulent reporting and acquittals.

**Recommendation:**

We recommend that Management implement procedures to ensure all relevant supporting documentation for the approval of salaries and wages cost reallocations are retain as audit evidence.

**Management's Views and Corrective Action Plan:**

WEHI researchers are best placed to determine how staffing should be allocated to grants and they are aware of their obligations under the grant agreement. Transfers are made based on a written request from the Divisional Coordinator based on instructions from the Principal Investigator on the grant and we will ensure that evidence of approval for the adjustments is attached to the requests going forward. On a quarterly basis the Principal Investigator will also review costing allocations for the previous quarter and certify they are an accurate reflection of time spent. Management does not consider the use of timesheets or similar processes appropriate.

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### 3. SCHEDULE OF FINDINGS (CONT.)

#### 3.2 Section II: Current-Year Findings (cont.)

##### 2022.3 Renewal of policies and procedures

###### Observation:

It has been identified that the following 2 policies and procedures have not been reviewed in line with the set review date stated:

1. PL8 - Procurement Policy (Last effective date: 26 June 2020. Next review date: 2021)
2. PL58 - Delegations of Authority (last effective date: 7 July 2021. Next review date: 2022)

###### Implication:

Policies and procedures provide specific principle, bases, conventions, rules and practices applied by an entity. Failure to timely review the policies may lead to practices and departures due to outdated guidance.

###### Recommendation:

It is recommended that each policy is reviewed in accordance with the scheduled review dates, to ensure that policies and procedures are relevant to the current practices and guidelines.

###### Management's Views and Corrective Action Plan:

Management noted that the Procurement policy has been reviewed and updated (27 July 2023) since the date the audit was conducted.

The Delegations of Authority policy is currently under review and the version which was provided was still relevant at the date of the audit.

The Governance, Risk and Compliance team also perform an annual review of policies and notify teams when their respective policies are due for renewal and ensure that the policies are reviewed and updated on a timely basis.

