

15 August 2017

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Dear Sir,

### **FINANCIAL MANAGEMENT SYSTEMS AND PROCEDURES REVIEW**

We have completed our financial management systems review of the Bunbury-Harvey Regional Council (“The Council”) in accordance with the requirement of Regulation 5(1) of the Local Government (Financial Management) Regulations 1996 and are pleased to submit our report to you.

Australian Auditing Standards require us to obtain an understanding of the internal control structure and accounting systems applicable to financial reporting at the Bunbury-Harvey Regional Council as part of our audit process.

During May 2017, we carried out audit procedures necessary for us to comply with the requirements of the auditing standards in respect to audit planning, risk assessment, assessment of fraud and assessment of the control environment.

During our review of certain areas, sample testing was conducted to determine whether the processes we had documented as being in place were supported by the selection of a random sample. We have considered the effectiveness of management’s internal controls over financial reporting, however our review is not designed to provide assurance on internal controls.

There were no areas where we were unable to perform procedures which would enable us to comply with Australian Auditing Standards.

The areas that were reviewed included:

- Purchases/Payments/Payables
- Receipts/Receivables/Cash Management
- Payroll
- Other Revenue
- Fixed Assets

## **Background**

The Council utilises the AUTHORITY system to process its accounts. This system has been in operation for a number of years.

We report as to our work done and our findings as follows.

## **Purchasing / Payments/Payables**

Review Objective and Scope

The primary objectives of the review were:

- To ensure proper processes were followed with regards to the Purchasing Policy.
- To ensure payments have made in accordance with the Local Government (Financial Management) Regulations 1996.

Review Approach

We documented the Purchasing Cycle and reviewed a sample of 5 tenders, purchase orders, invoices and related payments from July 2016 to April 2017 to determine whether purchases were authorised, supported and then correctly allocated to the general ledger.

Our review of the controls over payments and accounts payable did not identify any significant control weaknesses, nor were any exceptions noted in performance of our sample based testing.

In addition to the above, our review examined the set-up of vendors in the AUTHORITY subsystem to determine whether the appropriate processes were followed to authorise and establish vendors as creditors. This review was performed to ensure a control environment is established to protect from fictitious vendor payments. We selected 5 new vendors set-up in the creditor subsystem and noted no exceptions. In all cases, vendors were appropriately approved. Security access rights in the subsystem were shown to be adequately segregated to protect from unauthorised access.

## **Receipts/Receivables/Cash Management**

Review Objective and Scope

The primary objectives of the review were:

- To review processes in place are followed with regards to the collection and control of cash and recording of financial information.

Review Approach

We documented the Receipts Cycle, which includes Accounts Receivable and Bank reconciliations for the Council to determine whether any matter has come to our attention which causes us to believe appropriate procedures are not in place regarding the Receipt of Income. In addition, testing of receipts was performed.

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In our review of the performance of Accounts Receivable and Bank reconciliations, we noted the timely performance of each reconciliation (performed at least monthly) and evidence of appropriate review by upper management.

With respect to the recording of receipting, in our sample of a random 5 receipts, we noted appropriate documentation, including ticking and marking, to demonstrate adequate controls in place in the processing of receipts against the relevant debtor balances raised in the subsystem.

Based on our review and testing of the Receipts Cycle, we have not identified any significant weaknesses in these systems and procedures.

## **Payroll**

### Review Objective and Scope

The primary objectives of the review were:

- To review processes followed with regards to Payroll.
- That the process followed complied with the Council's Policy and legislative requirements.

We documented the Payroll Cycle and reviewed the processing and balancing controls for the pay run. Commencements and Termination were also reviewed. Finally, we reviewed the controls around authorising and recording annual leave obligations.

No matters came to our attention with regards to the payroll process at the Bunbury-Harvey Regional Council.

## **Other Revenue**

### Review Objective and Scope

The primary objective of the review was:

- To ensure proper processes are followed with regards to processing and collection of other revenue for cash receipts at the Administration Office.

### Review Approach

We documented the cash receipts processes at the Administration office as well as conducting a high level review of the procedures in place.

Our review included reviewing the rates process for a sample of 5 cash receipts being received during the financial year ended 30 June 2017.

During our review, no matters in relation to the cash receipts processes at the Administration Office.

## **Fixed Assets**

### Review Objective and Scope

The primary objectives of the review were:

- To ensure the acquisition and disposal of fixed assets are in compliance with the Council's Policies.

### Review Approach

We documented the Fixed Asset Cycle and reviewed 5 disposals and 5 additions for the period July 2016 to April 2017.

During our review of the Fixed Asset Cycle we found no matters or recommendations and conclude that the controls in place regarding fixed assets are adequate.

## **Conclusion**

Based upon our work, we have concluded that the Financial Management Systems and procedures currently adopted by the Bunbury-Harvey Regional Council are operating effectively for the Council's current level of operation. Our review identified no control matters that need to be addressed in this report.

This report has been prepared for the distribution to the addressee for the purpose of our engagement. We disclaim any assumption of responsibility for any reliance on this report to any person other than the addressee, or for any other purpose other than that for which it was prepared.

Finally, we would like to take this opportunity to thank David Ransom and all the staff that assisted in the review for their assistance during our visit.

If you have any questions or wish to discuss anything raised in the report, please do not hesitate to contact Graeme Morissey or myself on (08) 9480 2000.

Yours sincerely



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