

**BUNBURY-HARVEY REGIONAL COUNCIL**  
**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020**  
**FINDINGS IDENTIFIED DURING THE FINAL AUDIT**

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Purchase Orders Dated After Invoice		✓	
<b>Finding Reported in the Prior Year</b>			
2. High Leave Accruals At Year End		✓	

**KEY TO RATINGS**

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

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**1. FINDING – PURCHASE ORDERS DATED AFTER INVOICE**

During our sample testing of payments made throughout the year, we identified instances where the authorised purchase orders were dated after the dates of the corresponding supplier invoices.

**Rating: Moderate**

**Implication:**

By raising purchase orders after the invoice is received there is an increased risk of unauthorised purchases, and non-compliance with Council's purchasing policy.

**Recommendation:**

We recommend purchase orders are completed for all applicable items prior to incurring the expenditure.

**Management Comment:** Improvements to procurement have been completed with 80% of all works and services creditors being issued with a purchase order prior to goods or services being received. The remaining 20% of goods or services received without having a purchase order issued are for operational requirements needing immediate attention to keep continuation of operations and in emergency situations.

**Responsible Officer:** Tony Battersby / Taryn York

**Completion Date:** 31/10/2020

**FINDING IDENTIFIED IN THE PRIOR YEAR:**

**2. FINDING – HIGH LEAVE ACCRUALS AT YEAR END**

During our review we identified five employees who have annual leave accrued balances in excess of eight weeks each at 30 June 2020 and nine employees with a current long service leave balance due.

**Rating: Moderate**

**Implication:**

Excessive accrued annual and long service leave balances increases the risk of an adverse impact through excessive financial liabilities and may also indicate over-reliance on key individuals. This over-reliance can result in business interruption when the employee takes extended leave or are no longer employed by Bunbury-Harvey Regional Council. Failure to take leave can also mask fraud.

**Recommendation:**

Bunbury-Harvey Regional Council should continue to manage and monitor the excessive leave accruals to reduce the financial liability, risk of business interruption and fraud.

**Management Comment:** COVID 19 has caused a back log of annual leave accruals with the staff experiencing the uncertainty of forced leave due to the pandemic and restricted movements on travel. The COVID 19 also caused the increase of waste disposal to our facilities which required the

**SHIRE/CITY OF XYZ**

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increase of staff availability. Staff with high level of annual leave accruals have recommenced with scheduling of programmed reduction in annual leave accruals.

**Responsible Officer:** Tony Battersby

**Completion Date:** 30/04/2021