

BUNBURY-HARVEY REGIONAL COUNCIL
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021
FINDINGS IDENTIFIED DURING THE FINAL AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Auditors Not Notified of DWER Breach	✓		
FINDINGS REPORTED IN THE PRIOR YEAR			
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. A significant rating may be reported as a matter of non-compliance in the audit report in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit report, it should be addressed 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. AUDITORS NOT NOTIFIED OF THE DWER BREACH

Finding

As noted in Note 19 and 27 of the financial statements for the BHRC, on 5 July 2021, DWER issued an Environmental Protection Notice to the Council, which placed restrictions on the Stanley Road site due to contamination concerns. The BHRC was not forthcoming with disclosing the breach to the auditors and only provided information when the auditors made enquires relating to the matter.

**Rating: Significant
Implication**

Risk that omitting key information such as breaches of key legislation and regulations could materially impact the financial statements as such breaches could result in the BHRC's licence to operate being revoked and therefore presenting a going concern issue.

Recommendation

We recommend in future, breaches, and any other relevant information, is reported to the auditor as soon as the BHRC becomes aware of such instances.

Management Comment

We were unaware of the requirements to report this issue to the auditors as it did not relate to the 2020/21 financial year. The budget for the 2021/22 financial year reflected the expected impact of the EPN.

Going forward, all notices will be reported immediately as required.

Responsible Person: CEO, Karen McDonald
Completion Date: 3 December 2021

**BUNBURY-HARVEY REGIONAL COUNCIL
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FINDINGS IDENTIFIED DURING THE FINAL AUDIT**

FINDINGS REPORTED IN THE PRIOR YEAR

2. HIGH LEAVE ACCRUALS AT YEAR END

Finding 2021

During our review we identified six (6) employees who have annual leave accrued balances in excess of eight weeks each at 30 June 2021 and six (6) employees with a current long service leave balance due.

Finding 2020

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 the Bunbury-Harvey Regional Council. Failure to take leave can also mask fraud.

Recommendation

The 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

One (1) of the six (6) employees with excess annual leave and two (2) of the six (6) employees with excess long service leave has now left BHRC and leave was paid out.

We will work towards scheduling leave for the remaining employees to reduce the accruals

**Responsible Person: CEO
Completion Date: 30/06/2022**