

BUNBURY-HARVEY REGIONAL COUNCIL
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022
FINDINGS IDENTIFIED DURING THE FINAL AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Buildings revaluation not completed	✓		
2. General journals not independently reviewed	✓		
3. 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. BUILDING REVALUATIONS NOT COMPLETED

Finding 2022

During our review, we noted that Buildings had not been revalued since June 2017, which is greater than 5 years as required by *Local Government (Financial Management) Regulations 1996 section 17A(4)(b)*.

Rating: Significant

Implication

Non-compliance with *Local Government (Financial Management) Regulations 1996 section 17A(4)(b)*.

Recommendation

We recommend the Council complete a revaluation of Buildings to comply with regulations.

Management Comment

Council will undertake a formal building valuation in FY22-23, to ensure ongoing compliance.

Responsible Person: Vicki Gregg
Completion Date: May 2023

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2. GENERAL JOURNALS NOT INDEPENDENTLY REVIEWED

Finding 2022

During our testing, we noted that general journals posted from June 2022 had not been independently reviewed.

Rating: Significant

Implication

Risk of erroneous or fraudulent journals being entered.

Recommendation

We recommend that the Council implement controls to ensure general journals are independently reviewed and signed as evidence of this independent review.

Management Comment

BHRC will ensure all journal entries are up-to-date, posted and independently reviewed and signed off as evidenced.

**Responsible Person: Vicki Gregg
Completion Date: March 2023**

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3. HIGH LEAVE ACCRUALS AT YEAR END

Finding 2022

During our review we identified four (4) employees who have annual leave balances in excess of eight weeks each at 30 June 2021 and six (6) employees with a current long service leave balance due.

Finding 2021

During our review we identified six (6) employees who have annual leave balances in excess of eight weeks each at 30 June 2021 and six (6) 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

We have had significant reductions in excess leave due to long term employee departures in FY21-22.

BHRC will continue undertake an ongoing review of the accrued leave balances, continue to manage and monitor excess leave, and address any excess leave balances to reduce the financial liability.

Responsible Person: Peter Keane

Completion Date: June 2023