

ATTACHMENT A**SCHEDULE OF DOCUMENTS - FOI 2572**

Doc No.	Date	Pages	Description	Decision on access¹	Exemption/s applied
1	18.09.2007	9	2007 Audit management letter to Katungul	RE	s47F - pages 1, 3, 5 & 6 (part)
2	02.12.2008	3	Audit management letter to Katungul	RE	s47F - page 2 (part)
3	20.11.2009	3	Audit management letter to Katungul	RE	s47F - pages 1 & 2 (part)
4	05.11.2020	3	Audit management letter to Katungul	RE	s47F - pages 1 & 2 (part)
5	30.09.2011	3	Audit management letter to Katungul	RE	s47F - pages 1 & 2 (part)
6	26.09.2012	2	Audit management letter to Katungul	RE	s47F - page 1

¹ RE = Release with exempt information removed.



ABN 36 472 755 795

Please reply to Merimbula Office

18 September 2007

The Board
Katungul Aboriginal Corporation
P O Box 296
NAROOMA NSW 2546

Dear Board Members,

RE : 2007 MANAGEMENT LETTER

We are pleased to advise that the 2007 Statutory Audit has been completed and report to you as follows:

1. AUDIT WORKING PAPERS

A copy of our audit working papers has been emailed to ^{s47F} for the 30 June 2007 audit. We have provided this information to you for two reasons. Firstly, the audit working papers provide a detailed summary to backup the balances in the financial statements. Secondly, this information will be very useful for preparation of the 2008 audit.

2. MANAGEMENT REPRESENTATION LETTER

Enclosed is a draft copy of a management representation letter to be issued by your Corporation to ourselves as auditors. In this letter the Corporation / Management are acknowledging responsibility for the appropriate presentation of the financial statements and that the Corporation / Management have approved the financial statements. We require you to issue this letter in order for our firm to comply with the mandatory auditing standards.

3. FINANCIAL STATEMENTS

As per the terms of our engagement we are required to audit a set of general purpose and special purpose financial reports. As per prior years we have only audited the special purpose financial report. This report contains the components of a general purpose financial report however the special purpose financial report applies the accounting policies as per Note 1 to the financial statements and not as per current accounting standards. These accounting policies are specific to your Corporation e.g. booking a liability for committed funds which is not as per current accounting standards but is appropriate to the users of your financial statements. If a general purpose financial report is still required to be prepared and audited we will be prepared to do so.

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Offices located at:

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Chartered Accountants
and Business Advisors



Liability limited by a
scheme approved
under Profession^{al}
Standards Legi^{slation}

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2007 Management Letter (Continued)

4. AUDIT FINDINGS

We are delighted to report that our audit did not reveal any significant weaknesses in procedures or controls. From our audit we are satisfied that the internal controls and procedures in place are adequate. There are, however, several matters which we wish to bring to your attention. These are as follows:

(a) *Operating Result*

The Corporation recorded an operating deficit of \$265,435.02 for the 30 June 2007 financial year (2006 \$311,394.11 surplus). The following major factors attributed to the operating deficit recorded:

- (1) As per the prior year management letter \$423,925.00 in funding was owed by NSW Health to the Corporation as at 30 June 2006 but not had been received as at that date. This was accounted for as income in the 30 June 2006 financial statements as the Corporation had expended funds on these projects in the 30 June 2006 financial year and prior. This funding although received in the 30 June 2007 financial year was not accounted for as income. To show this to the members and funding bodies the actual monies which were received are in normal income with the reversal of the \$423,925.00 accounted for in the prior financial year being shown as a negative balance below normal operating income and expenditure as can be seen on page 6 of the financial statements.
- (2) \$450,663.55 in committed expenditure has been booked in the 30 June 2007 financial statements. This decreased the operating result by this amount and is explained in detail as point 4(d) of this letter.

Other factors have affected the operating result and can be discussed further in the Board meeting. The Board and management should review all programs and operations to ensure that the Corporation achieves a satisfactory operating result. We recommend that all budgets are constantly monitored with managers authorising any expenditure that belongs to their respective projects. Explanations of budget variances should be discussed and minuted at monthly meetings of the Board. The Board should be continually vigilant to ensure that the financial results of the Corporation are kept at an acceptable level. As per discussions with the current CEO this will be the case.

2007 Management Letter (Continued)

4. AUDIT FINDINGS (continued)

(b) *Monies Received Not Banked*

During the audit we reviewed various documentation and files of the Corporation. During this process we located a remittance advice and cheque made out to the Corporation for \$500.00 which was posted by Eurobodalla Shire Council on 29 May 2007. This cheque was not accounted for appropriately and was not banked until the date of our audit visit in late August. As per discussions with your Treasurer ^{s47F} there were other such instances of locating monies remitted to the Corporation e.g. workers compensation refunds which may or may not have been banked. These were found when the offices were changed over and files tidied up by your Treasurer and current management. This is a serious breach of internal controls over income of the Corporation. This was discussed with your Treasurer at our audit visit with systems and procedures to be introduced/followed to ensure that all monies received by the Corporation are correctly accounted for and deposited into the Corporation's bank account on a timely basis. This is an extremely important internal control and all efforts need to be made that internal controls over income are in place at all times.

(c) *Strata Plan*

The Narooma office and car park etc., is included in a strata plan which from our understanding incorporates the restaurant next door. Current management and your Treasurer have been investigating who maintains the strata plan e.g. pays insurance, pays for repairs etc. It appears that the Corporation has managed the strata plan in the past. As per your Treasurer, the strata plan management will be handed over to a strata manager to ensure that the strata plan is managed appropriately. It should be noted that a liability for \$3,600.00 (included in committed funds liability) has been booked in the 30 June 2007 financial statements for payments owed by the Corporation to the strata plan for levies owed to 30 June 2007.

2007 Management Letter (Continued)**4. AUDIT FINDINGS (continued)****(d) *Committed Funds Liability***

An amount of \$450,663.55 has been booked as a liability as at 30 June 2007 due to the Corporation receiving funding prior to balance date for which the Corporation is committed to spend. There is no contractual requirement other than to fulfil the requirements of the funding agreement to expend the funds committed. The balance is made up of the following:-

Capital Works Scoping Project	19,855.00
Wallaga Lake Village Project	144,440.00
Motor Vehicle – Bring Them Home Project	19,358.84
Training – Ferret System	37,967.00
Body Corporate Levies	3,600.00
Equipment – Stericentre	225,442.51
	<hr/>
	450,663.35
	=====

The above amounts have been expensed in the 30 June 2007 financial year. This should be noted for budgeting purposes as the Corporation still has to cover the above amounts from its cash reserves.

(e) *Sundry Debtors and Medicare Dues*

During the financial year \$18,479.80 in Corporation debtors were written off. If not yet approved by the Board we recommend that the writing off of these debtor balances be formally approved at a Board meeting. We have a listing of the amounts written off if you require it. We recommend that the Board and management continually review all debtors to ensure that the Corporation minimises any bad debts which may occur.

\$20,211.80 has been booked as a sundry debtor for Medicare monies due to the Corporation which were written out to the participating doctor and not the Corporation. Additionally, a listing was provided to us by the Narooma Practice Manager of Medicare claims that were either not processed or lodged for periods before 30 June 2007. These amounted to \$46,997.95. No amounts have been booked in the 30 June 2007 financial statements for these arrears as it was not confirmed at the date of this report whether the Corporation will receive the full amount. Medicare normally does not pay claims over 6 months old but current management is pursuing these monies to maximise the amounts recovered. It should be noted that the Bega office claims were not subject to the same scrutiny as the practice system was not used by the Bega office before 30 June 2007. We recommend that the Board and management ensure that all Medicare claims are lodged on a timely basis to ensure that it receives the maximum amounts due to the Corporation.

2007 Management Letter (Continued)

4. AUDIT FINDINGS (continued)

(f) *Business Activity Statements*

During the audit we found that some Business Activity Statements (BASs) were not lodged and paid for on time. As a result the Corporation incurred late lodgement and interest penalties from the Australian Taxation Office (ATO) of \$5,535.70 for the 30 June 2007 financial year (2006 \$12,498.25). There was no reason put forward for this at our audit visit from the former finance manager. We recommend that in line with normal business practices that all BASs to be lodged and paid within the ATO guidelines to ensure that the Corporation does not incur any further financial penalties.

Additionally, the annual GST returns for years ended 30 June 2003, 30 June 2004 and 30 June 2005 had not been lodged at the time of our audit. We recommend that this be followed up with the ATO as soon as possible.

(g) *Workers Compensation*

During the current and prior financial years several employees have been on workers compensation for extended periods of time. As per calculations per ^{s47F} the Corporation was owed \$139,720.78 in workers compensation refunds as at 30 June 2007. Our review with current management revealed that this calculation was incorrect as it did not take into consideration that the pay rate for employees drops to a lower statutory rate after the employee has been on workers compensation for more than 26 weeks. A conservative amount of \$60,308.10 has now been included in the 30 June 2007 financial report for amounts owed for workers compensation. Current management has been in contact with the insurance company to expedite the refund process. When the final claim amounts are known we would appreciate if they could be forwarded at that time for our records.

Due to the history of workers compensation claims the Corporation is on the highest claims experience factor which significantly increases the workers compensation premium. As per discussions with the current CEO this problem has been enacted upon and procedures and policies are now in place to ensure that workers compensation issues are properly and swiftly enacted upon.

Additionally, we have signed and posted the "Workers Compensation Declaration" for 30 June 2007 to the Corporation's insurer. We recommend that if not already received, that the adjustment calculation resulting from this declaration be obtained from the Corporation's insurer as soon as possible and that a copy be forwarded to us for our records.

(h) *Fixed Assets / Insurance Coverage*

An external consultant has conducted a review of fixed assets held and has produced a fixed asset register which should be regularly updated and review by the Corporation. As per discussions with the current CEO insurance levels for fixed assets are being reviewed along with all other insurances. We recommend that insurance levels are regularly reviewed to ensure that the Corporation has adequate insurance coverage at all times.

2007 Management Letter (Continued)

4. AUDIT FINDINGS (continued)

(i) *IT Procedures*

During the audit it came to our attention that the Corporation needed to conduct an urgent review of its IT policies and procedures. The following issues came to our attention:

- (1) Important Corporation documents e.g. fixed asset register, member list etc., were kept on the C drive of a laptop. During the financial year these documents were corrupted. As there was no other back up procedures the electronic copy of these documents was lost. As such at the time of the audit we had not received an updated fixed asset register or members list. We have since received an updated fixed asset register produced by the external consultants.
- (2) The Corporation's accounting system is Quickbooks. The Quickbooks file was kept on a laptop computer and no other backup procedures were in place other than a memory stick (if at all).

It should be noted that as per the current CEO, all accounting and IT procedures have been reviewed by external consultants engaged by the Corporation with changes implemented to correct any issues identified.

(j) *Car Fleet*

During the financial year a review of vehicle procedures was conducted. This review revealed that the Corporation held excess and outdated fuel cards and no formal reconciliation process was in place. As per discussions with the current CEO procedures and policies are now in place to ensure that fuel cards are appropriately controlled and accounted for. We recommend that the management of the car fleet continued to be reviewed by management to ensure that the cars are being managed and changed over in the most efficient way.

The operational procedures review report from Morton and Cord Services Pty Ltd revealed that only one of the vehicles at that time was covered under the Corporations motor vehicle insurance policy. As per discussions with ^{s47F} the policy is a fleet policy which covers vehicle updates during the period of the policy with the vehicle details updated at the time of renewing the policy which would mean that the vehicles were insured at all times. The car fleet insurance has been reviewed by the current CEO with significant savings in premiums obtained compared to prior years. Additionally, it was noted that the Corporation paid stamp duty on the insurance policy. The Corporation had an exemption from stamp duty as it is a Public Benevolent Institution although it appears that this had lapsed. The current CEO has obtained a current exemption from stamp duty from 1 July 2007. It is not known if the Corporation can obtain a refund for stamp duty paid on insurance before this time. This has been followed up by management with a response from the insurer still to come.

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2007 Management Letter (Continued)

4. AUDIT FINDINGS (continued)

(k) *Employee Issues*

The following issues in relation to employees were found during the course of our audit:

1. In isolated cases employees who were entitled to award increases were not paid the increased rate. The Corporation then has had to back pay the employee. We recommend that all wage rates be regularly reviewed to ensure that all employees are receiving the appropriate remuneration. The current CEO has completed this review of all Katungul employees.
2. Our testing of payroll records revealed that not all timesheets were present. Timesheets are an important internal control over wages as it is one control to ensure that wages paid are valid. As per discussions with the current CEO new methods of tracking employee times worked and ensuring sufficient documentation is present before payment of wages have been introduced to tighten controls over employees hours worked.
3. Time in lieu was recently paid out to a terminated employee as part of their contract conditions. We recommend that if any time in lieu is granted that it be taken or paid out on a regular basis as per normal business practices. As per discussions with the current CEO, new policies and procedures have been introduced to ensure employees have approval to work above their contracted hours which gives management control over the amount of additional hours worked.
4. During our testing of employee leave provisions there were some significant issues. The Corporation keeps account of employee leave using manual leave cards. These have to be filled in each time an employee takes or accrues leave. Our testing revealed that in isolated cases this was not the case. As these are the only records other than what is in Quickbooks payroll they had to be relied upon for our audit. As per discussions with the current CEO the MYOB payroll system has been introduced which will ensure all leave balances are automatically updated as each pay period occurs.
5. As can be seen at Note 6 on page 16 of the financial statements there are significant amounts owed to employees for leave owed to them with several employees having large leave balances. We recommend that leave be taken as accrued as it is intended and to ensure that the Corporation does not build up significant liabilities for employee leave owed. This has been enacted upon by the current CEO. It is noted that the Corporation does not hold a separate bank account to cover employee leave entitlements. Although it is not a requirement the Board may deem it prudent to hold funds in a separate banking facility to be used for employee leave liabilities.
6. The former finance manager conducted all aspects of the payroll system e.g. recording, payment and calculation of salary sacrifice amounts etc. As per discussions with the current CEO the salary sacrifice function is to be outsourced to a company who specialises in this area. This ensures an appropriate segregation of duties and also ensures that the calculation and record keeping in employee salary sacrifice will be correct. As part of our audit we have reviewed salaries paid to employees and amounts paid as part of their salary sacrifice arrangements. We have not reviewed whether or not the Corporation has kept all associated records and documentation required as per current FBT legislation. The external consultant should ensure that this occurs.

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2007 Management Letter (Continued)

4. AUDIT FINDINGS (continued)

(k) *Employee Issues (continued)*

7. As part of our audit we review employee files for documentation that they should contain. This review revealed that at the time of the audit not all files were not kept up to date, difficult to locate and in most cases an employee had two or more files for various records. As per discussions with the current CEO and your Treasurer this system has been reviewed and all employee files are being reviewed by the current CEO and finance manager to ensure that all requirements of an employee file are met.
8. The Corporations accounts for wage deductions and salary sacrifice amounts payable in liability accounts in Quickbooks. These should be cleared out/zeroed on a regular basis but as at 30 June 2007 there existed balances in these accounts. We recommend that these accounts be regularly reviewed to ensure that they reflect actual amounts payable and that any amounts payable be paid as required.

(l) *Building Account*

As in the prior year, our audit revealed that the only transactions in the Building Account for the financial year ended 30 June 2007 were bank charges and transfers in from the main account to cover these fees. As at 30 June 2007 the balance of the bank account was actually negative (-\$11.20). As per the current CEO this account is to be renamed to "Project Generated" with the Board having formalised the policy regarding this bank account.

(m) *Payments Testing*

As a result of our payments testing conducted throughout the audit, the following audit issues were identified:

- (a) Many payments made had supporting documentation e.g. a statement or quotation, but no tax invoice was attached. As part of the current tax system a complying tax invoice is needed for every payment over \$82.50 or supporting documentation to state why one is not needed. We have copied an extract from the ATO web site which details records that the Corporation must keep. Please note the extra details needed on supplier tax invoices for amounts over \$1,000. This extract should be given to the staff for their information.
- (b) As a reminder Board members should supply the Corporation with a Statement by a Supplier (a copy is attached) for payments they receive in their capacity as a volunteer Board member. This protects both the Board member and the Corporation in regards to current GST legislation.

Our detailed payments testing did not reveal any significant exceptions. The current CEO has addressed these issues with all payments requiring appropriate supporting documentation before payment.

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2007 Management Letter (Continued)

4. AUDIT FINDINGS (continued)

(n) *Corporation Meetings*

As brought to the Board's attention in the prior year management letter a review of the Corporation's minute book revealed that no meetings had been held from 30 May 2006 until 30 October 2006. This is in breach of the Corporations constitution which requires the Board to meet at least once every 2 months. It is noted that the Board did continue to meet to resolve any significant issues. After 30 October 2006, meetings have been held within the specified timeframe and with a maximum amount of active Board members.

(o) *Maintaining a Corporation Seal Register*

During the course of our audit we review the Corporation Seal Register. This register was found to be up to date at the date of our audit visit. The Board should continue to ensure that every time the seal is used the details should be recorded in the Register with the updated Register made available at the end of each year for our review.

5. CONCLUSION

We would like to take this opportunity to thank the staff and your Treasurer for their assistance provided during the course of the audit.

Yours faithfully,

KOTHES

Chartered Accountants

s 47F

THIS DOCUMENT HAS BEEN RELEASED UNDER
THE FREEDOM OF INFORMATION ACT (AT 10/1/2011)
BY THE DEPARTMENT OF HEALTH

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MORTON & CORD SERVICES PTY. LTD.

ABN 41 001 455 920

CHARTERED ACCOUNTANTS: B.M. MORTON FCA, G.J. CORD FCA, M.A. HES CA

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2 December 2008

The Governing Committee
Katungul ACCMS
PO Box 296
NAROOMA NSW 2546

Dear Committee,

RE: AUDIT MANAGEMENT LETTER

We have recently attended your office as part of our audit of your organization for the year ended 30 June 2008 and have some issues that arose from those visits.

1. PAYG reconciliation.

It was alarming that the organisation had overstated the wages in the monthly BAS' by \$390,098 and therefore overstating PAYG(W) obligations by \$65,037. It seems that the error occurred in December and was a result in a quarterly report being transposed onto the December BAS instead of the monthly report.

We have now (with the approval of the CEO) rectified the error but stress that more stringent measures to verify the monthly wages are put in place. Upon next visit we will discuss possible solutions for this problem.

2. Reinstatement of land & building & plant & equipment

We were pleased to see that the organisation had taken steps to reinstate these items owned by the organisation into the balance sheet. Your accounts now comply with Australian Accounting Standards.

We note that the governing committee established depreciation rates based on a useful life basis. This treatment conforms with appropriate standards and pronouncements.



3. Governing Committee group certificates

It appears that the Governing Committee are not issued with group certificates. While the reimbursement of out of pocket expenses are an exception to this, it would seem that other payments might be construed as payments for services eg unexpended travel allowances. Our advice is to keep more comprehensive records of actual expenses or record payments that are reportable as wages appropriately.

4. Salary sacrifice payments

During the year salary sacrifice payments were being added to gross wages and the reporting package was incorrectly identifying excess amounts to the liability account "PAYG withholding payable". This error was picked up by the bookkeeper and subsequently rectified.

5. Approval of credit card expenses.

There seems to be no approval process for credit card expenses incurred by the organisations two cards. While substantive audit procedures found no irregularities however, we would suggest that some process be put in place to mitigate control and inherent risks.

6. NAB Direct Payments File Detail Report

At the time of the final audit visit in August, ^{s47F} was still listed on the lodgement details with NAB Direct Payments File Detail Report. The bookkeeper informed us that she was working with the NAB to rectify the problem.

7. Payroll Issues

- Applications for leave in at least one instance was approved after the days off were taken. Although isolated, we stress that all appropriate leave requests be received in adequate advance and approved by management to properly provide services required.
- In isolated occasions hours paid for employees were incorrect. For example: one employee's timesheet stated she worked for 27 hours, 45 minutes for the week. The employee was then paid for 27.45 hours work. This should have been recorded as 27.75 hours. Although a small difference, care should be taken to ensure that employees are not underpaid.
- Substantive testing revealed that some employee timesheets were missing. Although this was not a reoccurring problem care should be taken to ensure that all payroll documents are kept intact.

8. Accounting accruals

Care should be taken to ensure that all accounting records are up to date and accurate. During our audit visit we noted that *income in advance* and *accrued expenses* were not reversed. In order to give properly manage the finances of the organisation these balance sheet items must be kept up to date.

9. Going Concern

Although our audit procedures and discussions with the CEO left us satisfied that the organisation was a viable going concern, we were concerned with the amount owed to the ATO. Although a large portion of this was in error as previously mentioned, we suggest a formal action plan be put in place to ensure all obligations are met on time.

10. Accounting support

We understand that several attempts have been made to seek recurrent funding from OATSIH to support the expanding role of the financial manager. The role is becoming complex and by its nature ever more time consuming therefore we suggest that the board again attempt to gain funding sufficient in order for the organisation to be able to better meet financial management goals, funding acquittals and day to day operations required by medium sized entities.

11. GST reporting basis

We note that the organisation still reports its GST obligations on a cash basis. For an entity this size (greater than 2 million dollar turnover) that you are required to report obligations on an accruals basis. Assistance should be sought from you external bookkeeper on this matter.

Whilst some of the areas of the organization have adequate controls in some areas others (outlined above) need improvement to ensure that assets of the organization are used appropriately.

It appears that the Board minutes do not adequately demonstrate that the organizations goals are being met. We remind the Board it is extremely important to monitor and record all aspects of the Service's operations through the secretarial minutes.

In relation to the above points we ask you for your reply as soon as possible.

Yours faithfully
s 47F

MORTON & CORD SERVICES PTY. LTD.

ABN 41 001 455 929

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222.

20 November 2009

The Governing Committee
Katungul ACCMS
PO Box 296
NAROOMA NSW 2546

Dear Committee,

RE: AUDIT MANAGEMENT LETTER

In completing the audit of your organisation for the year ended 30 June 2009, we have a number of issues that we would like to bring to your attention and request your reply on.

1. Goods & Services Tax (GST)

We understand that ^{s47F} is the organisations general maintenance person. In our investigation of payments, we have discovered that the abovementioned is not registered for GST yet you have been claiming input tax credits on his invoices. We suggest that you make a GST amendment in the Organisations next BAS.

2. Cancellation of invoices

During our testing of payments, we have noted that not all invoices are being stamped "paid". This process eliminates any chance of double payment by the organisation.

3. Payroll

During our testing of payroll we have made the following observations:

- ^{s47F} rate of pay in her contract is 29.352p/h but payroll period is 35.42. We could not find in the employees file at the time of audit, any updated pay rates.
- ^{s47F} according to her file had been terminated on 16 February 2009 and has been given a centrelink separation certificate but was still at work as at 7 April 2009



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- s47F was paid 370.18 in higher duties allowances however at the time of the testing it was not approved in writing on her file. Upon further investigation it was a legitimate payment however the employee file remained incomplete.
- We could not locate s47F employment contract.
- s47F employee file could not be located.
- s47F informed us that the workers compensation premiums were never properly calculated and a recent audit indicated they were entitled to a refund of some \$18,000. This was included in income for the year ended 30 June 2009.
- On two occasions leave loading has not been calculated correctly. Care must be taken when preparing employee leave payments.
- s47F (and others) – eg leave loading is calculated on her personal carers leave and Katungul special leave. There is no provision in the **Health Services Union of Australia (Aboriginal and Torres Strait Islander Health Services) Award 2002** to pay leave loading on these amounts. Leave loading is only paid on annual leave entitlements as per 27.1.2 of the abovementioned award.
- On several occasions when we checked the employees file there is no application and subsequent approval for 'special leave' as per the awards specifications.
- Most employee files we test checked remained incomplete. A more diligent approach to employee records is crucial.

4. Superannuation

Employee superannuation has been calculated on the total employee's package including fringe benefits. Katungul or any other organisation for that matter is not liable to pay superannuation on any salary sacrificed amounts. Upon discussion with the CEO and Chairman, we have re-performed the outstanding superannuation liability to reflect the changes. Katungul, moving forward will no longer pay superannuation on salary sacrificed amounts.

5. Security of electronic information

The EFT transfer software has two passwords, one for both Damien and Cheryl. Cheryl knows both passwords. This is a both an inherent and control risk to the organisation. Payments made from Katungul's

bank accounts should be verified using two independent passwords from two members of the organisation.

6. Going Concern

As per Australian Auditing Standards for all entity's, we must assess your organisation's ability to remain as a going concern annually. Through the measurements put in place last year the organisation has improved its financial situation considerably. We note that a large current liability owed for superannuation has been settled in July 2009 and has eased the pressure on the organisation. We also note that the Organisation has entered into a payment arrangement for any outstanding amounts owed to the ATO at terms on which both parties have agreed to.

Although the organisation has improved its position we stress that the current management needs to continue their constant monitoring of the budgets to ensure the continued effects of the current budget structure.

7. Corporate fuel cards

Testing of the fuel card accounts still indicates that employees are following the correct procedures. Odometer readings should always be reported and cards should not be used in multiple vehicles.

8. Employee bonus

There is an amount in the accounts that arose from a bonus paid to an employee. This amount was omitted from that employee's group certificate at 30 June 2009. Therefore we have classed the transaction as a loan to the employee until the amount is reclassified as wages and added to the employee's gross earnings. The amount is under the organisations materiality level.

9. GST reporting basis

We note that the organisation has recently changed to an accruals basis for GST reporting in line with the ATO rules.

Whilst some of the areas of the organisation have adequate controls, other areas (outlined above) need improvement to ensure that assets of the organisation continue to be used appropriately.

In relation to the above points we ask you for your reply as soon as possible.

Yours faithfully

s 47F

MORTON & CORD SERVICES PTY. LTD.

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5 November 2010

The Governing Committee
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PO Box 296
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Dear Committee,

RE: AUDIT MANAGEMENT LETTER

In completing the audit of your organisation for the year ended 30 June 2010, we have a number of issues that we would like to bring to your attention and request your reply on.

1. Goods & Services Tax (GST)

GST in some instances is not being calculated correctly. The organisation needs to ensure that each individual invoice is scrutinised to separate GST taxable supplies, GST free supplies and input taxed supplies. For example, fresh food bought for health promotion field events and tea/coffee supplies for clients and patients attending the clinics do not attract GST unless it is prepared by a service provider. Woolworths invoices should be apportioned as above.

2. Cancellation of invoices

During our testing of payments, we have noted that not all invoices are being stamped "paid". This process eliminates any chance of double payment by the organisation. We also note that all invoices are being approved for payment. This practice will ensure that the organisations assets are protected from misuse.

3. Payroll

During our testing of payroll we have made the following observations:

- s47F do not have a contract on file.
- s47F current rate of pay was not documented on her file.



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- **s47F** current rate of pay is not documented on her employee file.
- On several occasions when we checked the employees file there is no application and subsequent approval for 'special leave' as per the awards specifications.
- Most employee files we test checked remained incomplete. A more diligent approach to employee records is crucial.

4. Employee files

The majority of employee files are not complete. We suggest that all current Katungul ACC&MS staff member's files be reviewed and completed as necessary.

5. Security of electronic information

The EFT transfer software has two passwords, one for both **s47F** and **s47F** knows both passwords. This is a both an inherent and control risk to the organisation. Payments made from Katungul's bank accounts should be verified using two independent passwords from two members of the organisation.

6. Going Concern

It is pleasing this to see that budgets have been made and adhered to in order to keep Katungul ACC&MS a going concern. We have noted a significant increase in profitability from previous years in order to replenish cash assets that will be needed in the future.

7. Employee payments

There needs to be better documentation of employee bonuses and higher duties allowance payments. We reviewed the minutes and although approved by the Committee, we feel that more specific information should be noted. We suggest that a spreadsheet be attached to the minutes detailing the following:

- Who the payment was made to
- Why the payment is being made
- The relevant date range for the payment
- Date of the payment
- Provision for recommendation from the CEO and subsequent approval by the board

8. Minutes

We feel that the minutes should more accurately reflect the financial reports and current financial situation of Katungul ACC&MS. This ensures that the organisations finances are being monitored and documented from month to month.

9. Funding

We note that you are now running your clinics from Moruya. It would be very important to review all your current budgets because you receive no recurrent funding for this clinic. In order to maintain services for your clients you may need to raise additional revenue.

In a review of your minutes we noted that your organisation is trying to provide a full time Bega clinic to your clients. After reviewing your budgets we suggest you may need additional funding to provide all staff and requisites to operate on a full time basis.

We feel that the minutes should more accurately reflect the financial reports and current financial situation of Katungul ACC&MS. This ensures that the organisations finances are being monitored and documented from month to month

Whilst some of the areas of the organisation have adequate controls in some areas others (outlined above) need improvement to ensure that assets of the organisation are used appropriately.

In relation to the above points we ask you for your reply as soon as possible.

Yours faithfully

s 47F

MORTON & CORD SERVICES PTY. LTD.

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30 September 2011

The Governing Committee
 Katungul ACCMS
 PO Box 296
 NAROOMA NSW 2546

Dear Committee,

RE: AUDIT MANAGEMENT LETTER

In completing the audit of your organisation for the year ended 30 June 2011, we have a number of issues that we would like to bring to your attention and request your reply.

1. Goods & Services Tax (GST)

GST errors from last year's audit management letter were being addressed satisfactorily. However we found some occasions where non GST registered suppliers were being incorrectly labelled "not tax" in your MYOB general ledger system. It will not affect the calculation of GST and is a minor issue in our opinion.

2. Supplier Invoices

Supplier invoices on two occasions were found to be incorrect. ^{s47F} gives Katungul an invoice in her own name however then ABN she uses is for her company. This should be rectified. ^{s47F} did not give Katungul a proper tax invoice. Under Australian law, improper tax invoices require that the payer withhold 46.5% of the payment.

3. Cancellation of Invoices

During our testing of payments, we have noted that not all invoices are being stamped "paid". This process eliminates any chance of double payment by the organisation. However the payment requisition form is being stamped "entered" but proper cancellation is best practice.

4. Payroll

During our testing of payroll we have made the following observations:



Liability limited by a scheme approved under the Professional Standards Legislation.

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- s47F has had a wage increase. No evidence on file or authorisation.
 - Tax tables within the MYOB system were found to be from the 2010 financial year. This has since been rectified.
 - s47F received a "higher duties allowance" in November 2011. We could not find any evidence of the approval for such a payment. She was also paid her normal wage that fortnight.
 - Most employee files we test checked remained incomplete. A more diligent approach to employee records is crucial.

5. Employee files

The majority of employee files are not complete. We suggest that all current Katungul ACC&MS staff member's files be reviewed and completed as necessary.

6. Security of electronic information

The EFT transfer software has two passwords, one for both s47F s47F knows both passwords. This is a both an inherent and control risk to the organisation. Payments made from Katungul's bank accounts should be verified using two independent passwords from two members of the organisation.

7. Going Concern

Katungul has made a loss of \$150,173 after depreciation and debt write offs. Although Katungul has had unfunded expenses in regards to the Moruya clinic, we feel that the Organisation needs to properly manage program expenses, wages and cash flow. We have not qualified the audit report this year as a going concern issue.

8. Minutes

Board minutes are improving however more documentation need to be kept regarding the financial affairs of the Organisation. Minutes should state the board has reviewed the reports received from the finance department and have made decision accordingly.

9. Funding

We note that the dental van is earmarked as an asset to be owned by Katungul. NSW health has funded \$125,000 to be spent on the upkeep and fit-out of the van. No title has been passed yet and we note that this is under negotiation with NSW health. The board should make it this a priority to finalise.

10. Employee Provisions

Katunugul is accruing sick leave as 50% of the calculated entitlement. This is not a requirement of Australian Accounting Standards and is up to the determination of the board and management. We do not have an issue with this practice however feel that the account is a material balance and should be noted.

Katungul is slowly improving its controls and processes. We still feel that much more attention needs to be focused on the maintenance of employee files. Board minutes are also slowly improving but more specific documentation should be stated in the minutes.

In relation to the above points we ask you for your reply as soon as possible.

Yours faithfully
Morton & Cord

s 47F

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THE FREEDOM OF INFORMATION ACT 1982 (CTH)
BY THE DEPARTMENT OF HEALTH

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THE FREEDOM OF INFORMATION ACT 1982 (CTH)
BY THE DEPARTMENT OF HEALTH



**Chartered
Accountant**

26 September 2012

The Chairperson
Katungul Aboriginal Corporation Community
and Medical Services
PO Box 296
NAROOMA NSW 2546

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Dear Sir / Madam,

Re: Management Letter

We have completed the audit for the year ended 30 June 2012. During the course of our audit work, the following matters came to our attention upon which we would like to comment:

1) Qualified Auditors Opinion

During the year it was discovered that the former CEO of Katungul Aboriginal Corporation Community and Medical Services had misused a substantial amount of Corporation funds. It has been determined that the misused funds comprise government funding paid to Katungul Aboriginal Corporation Community and Medical Services, from the Department of Health and Ageing. The Registrar of Indigenous Corporations has commenced legal proceedings to recover the misused funds from the former CEO. As at the date of this report, the total amount of misused funds and the outcome of legal proceedings are not yet known.

2) Board Minutes

It is noted that Minutes of all Board Meetings were not able to be made available to the auditor by the Corporation. It is a requirement of the Act that official Minutes of all meetings must be maintained in an approved format and kept by the Corporation as a permanent record of meeting proceedings.

It should be appreciated that our audit procedures are designed primarily to enable us to form an opinion on the financial statements of the association, and may therefore not bring to light all the errors or weaknesses that may exist in terms of internal controls, procedures and in the systems. It is the Trustee's responsibility to maintain an adequate system of internal control as the principle safeguard against irregularities which an audit examination may not disclose.

We would like to thank you and your staff for your assistance and co-operation while conducting our work.

Should you require any further assistance, please do not hesitate to contact our office.

Yours faithfully,

MCS Audit Pty Ltd
Authorised Audit Company
s 47F

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BY THE DEPARTMENT OF HEALTH