

JC:AO:SA
Rockhampton Office



20 September 2016

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Rockhampton Benevolent Homes Society Incorporated
60 West Street
ROCKHAMPTON QLD 4700

Dear Alison

REPORT TO MANAGEMENT FOR AUDIT YEAR ENDED 30 JUNE 2016

This report sets out the major items arising from this year's audit.

As part of our audit, we have performed a limited review of the association's systems and controls to the extent required by Auditing Standards. Please refer to comments below regarding the deficiency in internal controls around authorisation of expenditure & review of payroll. Other systems and controls appear to be designed effectively. However, we have not tested the operation of the controls and hence do not comment on whether the systems and controls are operating effectively as designed.

We confirm that we are independent with respect to professional requirements.

Subject to satisfactory clearance of outstanding matters, we intend to issue an unqualified audit report.

As part of our audit, we have also prepared an audit report to the Department of Health and Ageing, which is required to accompany your Annual Prudential Compliance Statement. This report is unqualified.

OUTSTANDING MATTERS

- Formal adoption of the annual report by the Executive Committee, and signing of the Statement of Executive Committee.
- Receipt of signed management representation letter.

MATTERS ARISING FROM THE AUDIT

Authorisation of expenditure

Observation

Not all invoices are signed off or marked for approval prior to payment.

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Resolution/Recommendation

Internal control procedures indicate that all invoices should show evidence of approval by the relevant staff member (eg. supervisor / CEO) prior to being submitted for payment. Authorisation controls help to ensure a segregation of duties between receipt of goods and payment, thereby reducing the risk of error or inappropriate action.

Review of payroll

Observation

There is no evidence of review of payroll before payments are processed.

Resolution/Recommendation

Internal control procedures indicate that the pay runs are checked and authorised by the HR/Admin Manager, who is independent of the payroll processing function. However, we were unable to sight evidence that this process was implemented, as there is no physical sign-off on the pay runs before payments are processed. This review process would help to identify any errors in the pay run, and contribute to the accuracy and existence of the payroll expense.

Resident agreements – Supported clients (APCS)

Observation

There is some ambiguity over the accommodation price disclosures in the resident agreement for supported clients.

Recommendation

Paragraph 52F-1(1)(b) of the *Aged Care Act 1997* states that the provider must agree in writing the amount of accommodation payment that would be payable if the person is liable to pay an accommodation payment to a service (regardless of whether the resident is likely to be a low means resident).

In situations where it is not clear if a person will be a low means resident or a person who is liable to pay an accommodation price, paragraph 52F-3(3)(a) requires the provider to put in the agreement that the accommodation contribution cannot exceed the person's means tested amount and that this amount may change when either the person's means are reassessed or when the accommodation supplement applicable to the service changes.

We suggest that you clarify the above disclosures in your resident agreements going forward.

Fraud risk

In accordance with Auditing Standard ASA 240, our required objectives with regards to fraud are:

- To identify and assess the risks of material misstatement of the financial report due to fraud;
- To obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- To respond appropriately to fraud or suspected fraud identified during the audit.

The board and management are required to consider the risk of fraud within the entity, and are responsible for maintaining a system of internal control to prevent, or detect material misstatements to the financial statements arising from instances of fraud.

What have we done in our audit to address the risk of fraud?

- Considered conditions present that increase the risk of fraud.
- Conducted planning discussions with management regarding the risk or existence of fraud, policies and procedures in place to prevent and detect fraud.
- Planned the nature and extent of our audit tests having regard to the risk of fraud.
- Reviewed accounting estimates for management bias.
- Evaluated the business rationale for unusual transactions.
- Maintained professional scepticism throughout the audit.
- Reviewed the appropriateness of journal entries and year-end accounting adjustments.
- Evaluated if any identified audit misstatements are indicative of fraud.
- Incorporated unpredictable audit procedures into our audit plan and testing.

Conclusion

Management confirmed that to the best of its knowledge and belief there have been no instances of fraud during the period, and our procedures did not uncover any matters to report.

Unadjusted Audit Differences

There are no unadjusted audit differences affecting the final accounts.

Errors, Irregularities and Illegal Acts

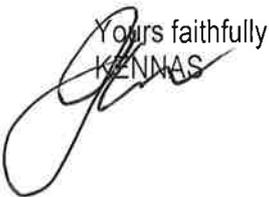
We have noted no errors or irregularities that would cause the financial report to contain a material misstatement. As part of our normal statutory audit, no apparent illegal acts have come to our attention.

Going Concern

As part of our audit we have assessed and agreed with the conclusions reached by the Executive Committee concerning the application of the going concern concept.

We would like to thank you and your staff for your co-operation and assistance during the audit. If you have any further issues to discuss, please do not hesitate to contact our office.

Yours faithfully
KENNAS



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