



B R A C E Y   D A V I D S O N   &   C O  
C H A R T E R E D   A C C O U N T A N T S

GO007:TRD:CEM

2 December 1996

The Finance Committee  
Gosford District Tennis Association  
PO Box 118  
GOSFORD NSW 2250

Dear Committee members,

**AUDIT - 31 OCTOBER 1996**

During the course of the audit of your association's books and records for the year ended 31 October, 1996, a number of matters came to notice which we would like to draw to your attention. The matters outlined herein may not be the only weaknesses in your system of internal control.

It is not the main purpose of the audit to discover defalcations and irregularities and therefore the audit should not be relied upon for this purpose. It is the responsibility of the Association to maintain proper and adequate accounting records and proper systems of internal control.

This letter has been discussed with your Treasurer, Murray Vaughan on 26 November 1996.

A S S O C I A T E D   W I T H   D E L O I T T E   T O U C H E   T O H M A T S U

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## **1. Banking**

### **Weakness**

A comparison of cash receipts records and bank statements indicates that daily takings are banked, on occasion, up to a week or more after the day's trading. This problem occurs particularly over weekends when, apparently, takings are held at employee residences to be returned in the next week for banking.

This poor cash control has in fact led to the loss of takings on two separate occasions during the current financial year; on 30 June 1996 and 27 July 1996 when daily takings of \$373.50 and \$95.00, respectively were received but not subsequently banked.

### **Recommendation**

All individuals responsible for reconciling and banking takings should be reminded of the importance of prompt (next day) banking. The practice of banking takings several working days later should cease immediately.

The management of cash over weekends should be examined. Employees should, ideally, not be taking custody of cash at their place of residence. It places both themselves and the association (as proven on 30 June and 27 July of this year) at risk. Alternatives include the installation of an appropriate safe, contracting the services of a mobile cash security system (such as Armaguard) or banking the money through an ATM. The Finance Committee should investigate an alternative approach.

### **Treasurer's Comment**

Agreed.

## **2. Insurance Coverage**

### **Weakness**

It would seem that your "Business Pak" coverage (policy number TBA 0125) incorrectly shows the period of insurance as 29/4/95 to 29/4/96 and not 29/4/96 to 29/4/97.

In addition, the Association does not appear to have any insurance cover for such contingencies as Fraud and Dishonesty, Fidelity Guarantee, Loss of Profits, Malicious Damage, rewriting of records and claim preparation costs.

**Recommendation**

The period of your Business Pak policy should be rectified immediately. In addition the Finance Committee should consider the need for extended insurance coverage. It may be that some of the above risks are effectively covered through your existing policy. We suggest discussions to this end with your insurance broker.

**Treasurer's Comment**

Agreed.

**3. Fixed Assets**

**Weakness**

The fixed assets currently shown in the accounts are an accumulation of a number of outlays over the years. The totals are not supported by a fixed asset register and, though the application of accounting standards is not required, the balances are not depreciated over the expected useful life of the assets.

In addition, discussions with the Treasurer indicate that the current valuation of \$203,318 (based on cost as noted above) may not be a reasonable reflection of the worth of the assets held by the Association.

**Recommendation**

The Association should engage the services of an objective professional valuer to value all assets held by the Association. This exercise should result in a listing of all assets together with their current assessed value and should form the basis for an adjustment to the asset values currently recorded in the general ledger.

This listing must then form the basis of an asset register. This can be maintained by ourselves if you prefer. The asset register can and should then be used to calculate appropriate depreciation expenditure to be brought to account each year.

**Treasurer's Comment**

Agreed.

#### **4. Petty Cash**

##### **Weakness**

An examination of the usage of petty cash in the current financial year indicates that petty cash vouchers are not consistently used. The usage of such vouchers facilitates clear documentation in all cases of the nature of the outlay and can be signed by both the individual responsible for the outlay and the Treasurer on subsequent review to enhance accountability.

##### **Recommendation**

Blank petty cash voucher books should be placed in the petty cash tin and individuals using petty cash should be required to complete one for each transaction. On subsequent review by the Treasurer, they should also then be signed by him.

##### **Treasurer's Comment**

Agreed.

#### **5. The Accounting Process**

##### **Weakness**

Your accounting records are well kept by the Treasurer, however the size of your business is such that the usage of a simple accounting software package would facilitate simplification of the data entry process and of your records for ease of subsequent review and tracing of transactions. The Association already possesses a computer.

##### **Recommendation**

Your business is well suited to a simple accounting package and the Committee should examine the options available. With any package used it is important to remember to print off source books periodically for a hard copy reference (eg. a cash book, a general ledger etc.) and to regularly back up data entered onto disk after every day that data is entered. At month end, a monthly back up disk is also required.

##### **Treasurer's Comment**

Agreed.

**6. Conclusion**

As previously stated the matters outlined in this letter may not be the only weakness in your system of internal control. Should you wish to discuss any of the matters in this letter or any other matters in relation to internal control or your records, please do not hesitate to contact the writer. We are happy to assist in the implementation of the recommended internal controls should you require our assistance.

Your advice in due course as to the action taken by the Association in relation to the above matters will be appreciated.

Yours faithfully

**BRACEY DAVIDSON & CO**



**T R DAVIDSON**  
Partner