

1 April 2022

Standing Committee
Victorian Council of Churches Inc.
Level 6
608 St. Kilda Road
MELBOURNE VIC 3004

Dear Committee Members

AUDIT REVIEW MANAGEMENT LETTER 2021

We have recently completed the review of the financial report of Victorian Council of Churches Inc. for the year ended 31 December 2021.

It should be appreciated that our review procedures are designed primarily to enable us to form a conclusion on the financial report and therefore may not necessarily disclose all weaknesses that may exist in the systems. However, we aim to use our knowledge gained during the performance of our work to make comments and suggestions which we hope will be of use in improving accounting systems and internal procedures.

In addition, although our procedures are planned to provide a reasonable expectation of detecting material misstatements in the accounting records resulting from error or fraud, primary responsibility for the prevention and detection of errors or fraud rests with management through the implementation and operation of an adequate system of internal control.

Our review disclosed the matters in the attached report, which have been discussed with the Treasurer.

If you require further clarification of any items please do not hesitate to contact either Firdaus Rashid, or myself. Finally, we thank you and your staff for the assistance provided during the course of the review.

Yours faithfully
DFK KIDSONS PARTNERSHIP



Michael Port
Partner

MANAGEMENT LETTER

VICTORIAN COUNCIL OF
CHURCHES INC.



Observations and issues

Rating Implications

Recommendations

1. Reconciliation of Opening Retained Earnings

The opening balance of Retained Earnings in the general ledger of the Council did not reconcile with the prior year financial statements.

In addition, some prior year audit adjustments provided during the review for the 2020 financial year had not been recorded in the ledger system (Xero).

Medium

An adjustment was required to reconcile the ledger to the opening financial statements, and this resulted in additional cost / time to review and correct the opening balances.

We recommend:

- Each year the final retained earning balance in the financial statements should be reconciled to the general ledger and the ledger rolled over to a new year to avoid errors in the financial statements.
- The agreed audit adjustments should be taken up so that the ledger system will agree to the final financial statements.

2. Reconciliation of general ledger accounts

We noted many asset and liability account reconciliations had not been performed during the 2021 financial year. This resulted in variances between the correct balances and the ledger system.

High

Increased risk of fraud as errors or misappropriation of funds may remain unnoticed.

We recommend that general ledger reconciliations are prepared at a minimum on a monthly basis.

Monthly bank reconciliations should be reviewed by the Treasurer.

An additional accounting resource should be engaged to allow for these reconciliation procedures to be completed.
