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|  | |  | |
| **GST DATA & CONTROLS TESTING REVIEW** | |  | |
| Report of Findings |  | |

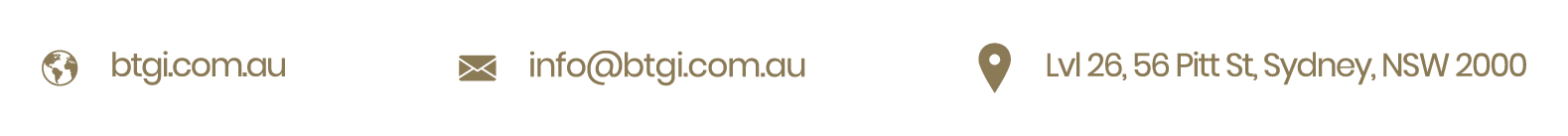
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# **1. SCOPE AND PURPOSE**

BTG International Services Pty Ltd (BTG) was engaged by {{ full\_client\_name }} to undertake a GST data and controls testing review for the {{ full\_client\_name }} GST Group ({{ client\_short\_name }}). The {{ client\_short\_name }} Group includes the following entities:

<*Add Functionality to add Group members. If more than 15, do not include the entity list then remove the last sentence above. Add checkbox for each item to indicate which entities are included in the scope >*

*<Option 1 – if 2 or less entities in-scope>*

The data period agreed with {{ client\_short\_name }} Group was {{ start\_date }} to {{ end\_date }} (Data Period). The agreed scope with {{ client\_short\_name }} Group for the GST data and controls testing review is for {{ full\_entity\_name\_in\_scope }} only <*change “only” to “and + other entity name” if more than 1*>.

*<Option 2 – if 2 or less entities out-of-scope>*

The data period agreed with {{ client\_short\_name }} Group was {{ start\_date }} to {{ end\_date }} (Data Period). The agreed scope with {{ client\_short\_name }} Group for the GST data and controls testing review excludes {{ full\_entity\_name\_in\_scope }} only <*change “only” to “and + other entity name” if more than 1*>.

*<Option 3 – <if neither Option 1 nor 2 is applicable>*

The data period agreed with {{ client\_short\_name }} Group was {{ start\_date }} to {{ end\_date }} (Data Period). The agreed scope with {{ client\_short\_name }} Group for the GST data and controls testing review excludes the following entities: <*add bullet list of all entities (full entity name) out-of-scope>*

The purpose of the analysis was to review the extent to which {{ client\_short\_name }}’s design of its indirect tax risk management and governance framework operated consistently. In doing so, BTG reviewed the end-to-end GST capture, collation and reporting processes and undertook detailed GST data and transaction testing.

This report documents all findings from the analysis conducted by BTG.

# **OBJECTIVES**

*<Include below items as checkbox where user can select which items apply to the particular engagement>*

* Ensure the GST configuration of supplies and acquisitions, starting from the Vendor, Product and Customer Master Data <*remove “Vendor” if sales review; remove “, Product and Customer Master” if acquisition review>*, are accurate.
* Monitor and test how GST was coded on acquisitions and supplies <*remove “acquisitions and” if sales review; remove “and supplies” if acquisition review>*, via detailed transaction testing over the Data Period.
* Segregation of duties and control over the use of GST codes are known and documented.
* System access is limited to GST-impacted staff, to the extent roles impacted GST reporting.
* Confirm the extent to which manual intervention was involved in addressing key GST risks where automation was not possible.
* Ensure significant and non-routine acquisitions are identified and processed correctly.
* Compare {{ client\_short\_name }}’s conceptual indirect tax processes and procedures to their actual<*add “Sales/Accounts Receivable” if sales review; add “Acquisition/Accounts Payable” if acquisition review>* operation (aligning concept to operational reality).

# **3. EXECUTIVE SUMMARY**

Our detailed analysis confirmed that {{ client\_short\_name }}’s indirect tax risk management and governance framework is designed effectively and operates at *<add selection (high, medium, low)>-*level assurance, despite there being areas for further enhancement.

*<data in below paragraph will be based on the table for testing population section>*

Of the {{ ap\_population\_count }} Accounts Payable transactions analysed over the data period, we confirm that {{ ap\_accuracy\_percentage }} of transactions were coded and reported correctly from a GST perspective. With respect to Accounts Receivable, of the {{ ar\_population\_count }} transactions reported, {{ ar\_accuracy\_percentage }} were coded and reported correctly from a GST perspective.

These results demonstrate the effectiveness of {{ client\_short\_name }}'s Group Tax and Finance team in accurately capturing the GST on sales and acquisitions.

To further enhance {{ client\_short\_name }}’s indirect tax risk management and governance framework and its GST controls, we suggest the following: *<below are default items but can be edited as needed>*

1. A review of the Vendor Master Data to ensure that the information is up to date. We recommend that the review be conducted on a periodic basis.
2. GST training be provided to all relevant AP /AR and Finance staff on a regular basis.
3. Revisit the GST reconciliation policy to ensure variances are cleared in the GL at least on a quarterly basis. This will ensure that any errors are corrected in a timely manner.

## **3.1 GST RISK MANAGEMENT, GOVERNANCE AND TESTING**

**RISK RATINGS**

|  |  |
| --- | --- |
| Risk Rating | Explanation |
|  | The GST control is designed effectively and operates as intended. No further changes are required. |
|  | The GST control exists and is designed effectively but does not operate as intended to address GST risks of misstatement. |
|  | The GST control exists but is not designed and operating effectively as intended to address GST risks of misstatement. |
|  | No GST control exists, and as such, the risk of GST misstatement is high. |

Our assessment of {{ client\_short\_name }} ’s GST risk management and governance framework and its operation is based on ATO guidelines as well as BTG’s extensive experience in undertaking GST risk-based reviews/audits.

*<For 3.2 & 3.3, see if the plotting of black circle can be automated. The placement will be based on overall rating matrix>*

## **3.2 OVERALL RISK RATING**

## **RISK RATING BY CATEGORY**

*<add selection on which test categories below are applicable>*

Accounts Receivable

Accounts Payable

Business Activity Statement and Bespoke Tests

\*\*\*

For any questions regarding this report, please get in touch with me on 0414 736 285.

Best regards,



Nabil Chammas

Chief Executive Officer

BTG International

# **4. INFORMATION OBTAINED**

In undertaking our analysis, the following information was provided: *<Include below items as checkbox where user can select which items apply to the particular engagement>*

1. Vendor Master Data;
2. Customer Master Data;
3. Product Master Data;
4. Acquisition/ Accounts Payable for the Data Period
5. Sales/ Accounts Receivable data for the Data Period;
6. GST Transactional data for the Data Period;
7. Chart of Accounts;
8. Access to invoices;
9. Copies of Business Activity Statements (BASs) and supporting workpapers for BASs lodged over the Data Period; and
10. Copies of GST-related documentation, including correspondence with the Australian Taxation Office (ATO), if any.

# **KEY CONTROLS TESTING**

The tests conducted on the data varied depending on the type of transaction (i.e., the tests were tailored to either accounts receivable or accounts payable transactions) and extended to bespoke tests relevant to {{ client\_short\_name }}’s business.

The tests have been summarised in the tables below by test category.

*<Add selection to identify which tests below under each test categories is applicable; and which fields are to be added in each engagement. To follow on additional items in bespoke test>*

**Accounts Payable**

| Test No. | Test | Key GST Risk being tested | Information to Review | Who | Schedule | Methodology | Appendix 4 of GST Governance, Data Testing and Transaction Testing Guide and Page 13 of  Guide to Independent Data Testing by Third-Party Advisors |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 1 | GST code applied consistently per {{ client\_short\_name }}supplier | Input Tax Credits under/over claimed to the extent GST charged. | Vendor Master Data  AP transaction data  GST account data  Sample Invoices | BTG |  | Combination | GST codes in General Journal entries  Reversals  Correct calculation of GST for purchases  Tax code anomalies  Duplicate acquisitions  Correct tax code and amount - Acquisitions |
| 2 | ABN and GST registration of {{ client\_short\_name }} suppliers current. | GST charged by registered non-resident suppliers incorrectly coded, effectively resulting in recoverable GST being expensed.  ABN/GST registration details being outdated in the Vendor Master database, resulting in over-claimed Input Tax Credits (ITCs). | Vendor Master Data  GST account data  Sample Invoices  ATO ABN Tool | BTG |  | Combination | Supplier summary with ABN validity check |
| 3 | Manual adjustments with respect to acquisitions. | Human and transposition errors | Sample manual journals, specifically GST correction journals.  Assess the revised manual journal templates to limit the risk of error and request information that can drive process efficiencies (e.g. journal user for training purposes). | BTG |  | Combination | GST codes in General Journal entries |
| 4 | Transactions between GST Group entities disregarded. | GST recognised on intra-GST group acquisitions | Review intra-GST Group transactions and test GST treatment. | BTG |  | Combination | N/A |
| 5 | To the extent payments processed outside of AP/SAP system, test whether GST reported correctly. | GST on payments processed via EFT/Direct debit being incorrectly expensed to P&L due to no tax invoice being held. | Speak to the AP team. | BTG |  | Combination |  |
| 6 | AP user access and control are documented | Segregation of the set-up, data entry and authorisation functions | Review the policy on AP user access and control  Inspect the audit trail on the sample. | BTG |  | Combination | N/A |
| 7 | Structural changes to AP systems and processes | Identify systems used to capture GST transactions, including new systems and upgrades.  Identify accounting systems interface gaps. | Review Process Maps that document the pre and post-system changes.  Test the operation of the structural changes via sample testing. | BTG |  | Combination | N/A |
| 8 | AP to GL interface reconciliation | Ensure data, including GST data, is flowing between them appropriately | Detailed transactional level reconciliation | BTG |  | Re-perform | Delays in entering transactions into the business system |
| 9 | Roles and responsibilities and escalation of AP issues | Review plan to monitor AP data issues | Review RACI  Review relevant policies  Review audit trail  Live demo for processes, e.g. setting up a pre-existing vendor; manual overrides | BTG |  | Combination | N/A |

**Accounts Receivable**

| Test No. | Test | Key GST Risk being tested | Information Reviewed | Who | Schedule | Methodology | Appendix 4 of GST Governance, Data Testing and Transaction Testing Guide and Page 13 of  Guide to Independent Data Testing by Third-Party Advisors |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 1 | GST code applied consistently per {{ client\_short\_name }}customers | GST on supplies incorrectly coded, and GST charged on GST-free supplies or vice versa. | Product Master Data  GST account data  Sample Invoices  Product Master | BTG |  | Combination | Gaps in sales invoice or sequence numbers (where applicable)  Gaps in trading, from Point of Sale data  GST codes in General Journal entries  Reversals  Correct calculation of GST for taxable sales  Tax code anomalies  Duplicate acquisitions  Correct tax code and amount - Sales |
| 2 | Adjustments to sales following the GST treatment of underlying supply. | GST on adjustment event not matching the GST treatment of the underlying supply. | GST account data  Sample journals  Sample Invoices | BTG |  | Combination | Reversals  Correct calculation of GST for taxable sales  Tax code anomalies |
| 3 | Transactions between GST Group entities disregarded. | GST recognised on intra-GST group supplies. | Review intra-GST Group transactions and test GST treatment. | BTG |  | Combination | N/A |
| 4 | Exports comply with Section 38-185 of the GST Act. | Exported goods not exported within the 60-day timeframe. | Customer Master Data  Sample transactions  Sample invoices | BTG |  | Inspect |  |
| 5 | Attribution of GST on supplies | GST attributed to the wrong tax period. | GST account data  Sample Invoices | BTG |  | Inspect | Delays in entering transactions into the business system |
| 6 | AR user access and control are documented | Segregation of the set-up, data entry and authorisation functions | Review the policy on AR user access and control  Inspect the audit trail on the sample. | BTG |  | Combination | N/A |
| 7 | Structural changes to AR systems and processes | Identify systems used to capture GST transactions, including new systems and upgrades.  Identify accounting systems interface gaps. | Review Process Map that documents the pre and post-system changes  Test the operation of the structural changes via sample testing | BTG |  | Combination | N/A |
| 8 | AR to GL interface reconciliation | Ensure data, including GST data, is flowing between them appropriately | Detailed transactional level reconciliation | BTG |  | Re-perform and/or inspect | Delays in entering transactions into the business system  Reconciliation of Point of Sale data to main business system data |
| 9 | Roles and responsibilities and escalation of AR issues | Review plan to monitor AR data issues | Review RACI  Review relevant policies  Review audit trail  Live demo for processes, e.g., setting up a pre-existing customer; manual overrides (if applicable) | BTG |  | Combination | N/A |

**Business Activity Statement (BAS)**

| Test No. | Test | Key GST Risk being tested | Information to Review | Who | Schedule | Methodology | Appendix 4 of GST Governance, Data Testing and Transaction Testing Guide and Page 13 of  Guide to Independent Data Testing by Third-Party Advisors |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 1 | Documentary evidence that a Preparer and a Reviewer have separately reviewed the BAS | Segregation of duties | BAS workpapers | BTG |  | Inspect | N/A |
| 2 | GL to BAS reconciliation | Ensure data, including GST data, is flowing between them appropriately | Detailed transactional level reconciliation | BTG |  | Re-perform | BAS reconciliation  Monthly trends |
| 3 | GST classification and calculation | Review sample transactions for miscoding. | BAS workpapers  GST/AP/AR and master account data  Sample Invoices  ATO ABN Tool | BTG |  | Re-perform | Monthly Trends |

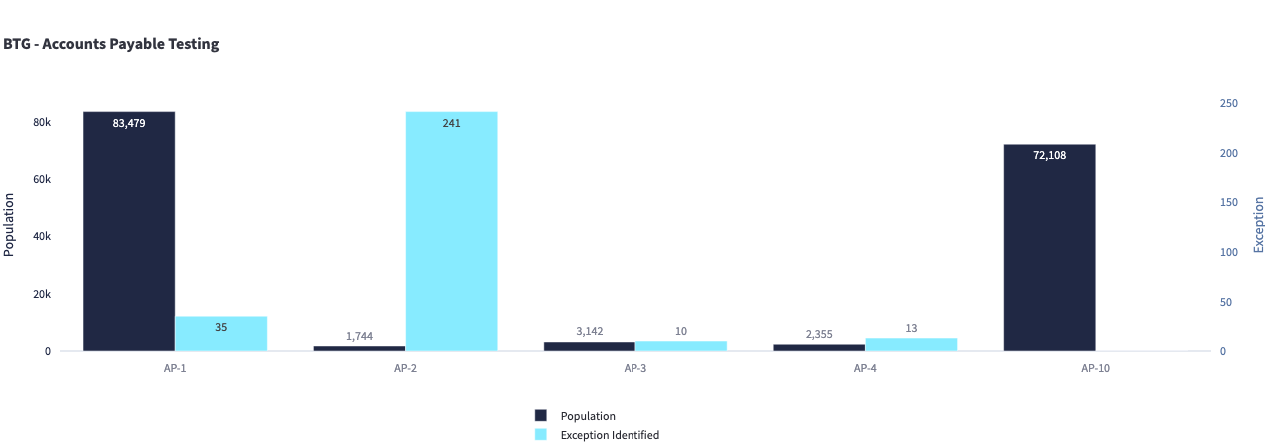
{{ client\_short\_name }} **-specific Tests**

| Test No. | Test | Category | Key GST Risk being tested | Information Reviewed | Who | Schedule | Methodology | Appendix 4 of GST Governance, Data Testing and Transaction Testing Guide and Page 13 of  Guide to Independent Data Testing by Third-Party Advisors |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1 | Volume/Promotion rebates or discounts accounted for correctly. | Accounts Receivable | GST on volume rebates/discounts not following the GST treatment of the underlying supply. Including “Bundled products”:  – GST Classification  – Attribution | Sample invoices  Sample transaction journals  BAS workings | BTG |  | Inspect | N/A |
| 2 | RCTIs | Accounts Payable | RCTIs are prepared in accordance with the approved form. | Sample RCTIs  Speak to AP | BTG |  | Inspect | N/A |
| 3 | Foreign exchange (FX) rate applied in {{ client\_erp\_system }}. | AP & AR | The FX rate applied in {{ client\_erp\_system }}is different to that quoted by the customer/ supplier, resulting in a significant FX gain/loss. | GST account data  Sample invoices issued in non-AUD denoted currency. | BTG |  | Combination |  |

# **TESTING POPULATION**

<*Data for this section will be coming from the sampling table to be provided by assurance team. c/o Jhun on the template>*

**Accounts Payable (<Test #>)**

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**Accounts Receivable (<Test #>)**

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Description automatically generated A picture containing text, font, receipt, tool

Description automatically generated**

# **DETAILED FINDINGS**

***<Selection of tests here should be based on the selection in section 5. The ratings field will be based on Overall Rating Matrix as well. To follow on Findings and Recommendation>***

**Accounts Payable**

| **N**o. | **Test** | **Findings** | **Recommendations** | **Rating** |
| --- | --- | --- | --- | --- |
| 1 | GST code applied consistently per WMA supplier  (Provided in Tranche 1) | Our sample testing identified instances in which ITCs were over and under-claimed. The breakdown is as follows:  **ITCs over-claimed: $18,802.77.** This amount is comprised of the following:   1. one instance (GST of $2,705.26) where WMA inadvertently claimed 1/11th of the payment to an unregistered foreign vendor despite no GST being charged. This has been disclosed as a taxable acquisition in the BAS. 2. twelve instances of ITCs overclaimed amounting to $14,656.05 from *AP Test 2 - ABN and GST registration of WMA supplier’s current.* Refer to the test findings below for details; and 3. ten instances of ITCs overclaimed amounting to $1,441.46 from *AP Test 3 – Manual adjustments relating to acquisitions.* Refer to the test findings below for details.   **ITCs under-claimed:** **$49,061.75.** This amount is comprised of the following:   1. thirty-four instances where GST of $48,784.08 had been incorrectly expensed upon invoice entry; and 2. three instances of GST under-claimed amounting to $277.67 from *WMA-specific Test 2 – FX rate applied in SAP*. Refer to the test findings below for details. | We recommend that WMA:   1. Discloses the ITC overclaim to the ATO via a Voluntary Disclosure. 2. Claim the unclaimed ITCs on its next BAS per section 93-5 of the GST Act. 3. Consider the recommended enhancement to the GST controls as detailed in *AP Test 2* - *ABN and GST registration of WMA supplier’s current* below. |  |
| 2 | ABN and GST registration of WMA suppliers current.  (Provided in Tranche 1) | A detailed review of WMA’s Master Data for active vendors was undertaken in alignment with the ATO’s ABN Tool. We selected sample invoices for vendors with invalid/ missing/ cancelled ABNs, and vendors who were deregistered for GST or non-residents. Our findings below were based on the ABN lookup check and sample testing performed:   * 1. Some of the vendors’ ABN and GST registration details were not updated or were incorrect in Master Data. However, based on the sample tax invoices reviewed, we noted that the ABNs were correctly stated on the tax invoices.   2. Based on the samples selected, we noted that one vendor, not registered for GST, had incorrectly charged GST on six invoices in 2021. As a result, WMA overclaimed GST. (Please also refer to *AP Test 1* *GST code applied consistently per WMA supplier* above.)   3. We noted six invoices issued by Weir Minerals Indonesia PT with Indonesian VAT that WMA incorrectly recorded as Australian GST. As a result, WMA overclaimed GST. (Please also refer to *AP Test 1* *GST code applied consistently per WMA supplier* above). | We recommend that WMA perform the following:   * + 1. A review of their Vendor Master Data to ensure that the information is up to date. We recommend that the review be conducted on a periodic basis and suggest that, where possible, ABN/GST registration checks be undertaken as part of the invoice processing process. These enhanced controls should be documented accordingly.     2. Reassess, enhance and document the GST controls in the end-to-end AP process to ensure any GST-related errors are detected and corrected in a timely manner.     3. GST training be provided to all relevant AP /AR and Finance staff on a regular basis. |  |
| 3 | Manual adjustments with respect to acquisitions.  (Tranche 2) | Based on our sample review of employee expense claims, we noted the following ten instances of GST overclaimed (please refer to *AP Test 1 GST code applied consistently per WMA supplier*) :   1. Six instances in which there were no GST amounts printed on the tax invoices; 2. Three instances of which the receipts were submitted and not tax invoices (each instance had GST inclusive amounts exceeding $1,000); and 3. One instance was related to a foreign vendor invoice with no GST disclosed. | WMA to enhance the employee expenses process, especially the GST controls around the review of supporting documentation submitted and approval of the transaction posting. Where possible, WMA can provide GST training to relevant personnel involved in employee expense processing. |  |
| 4 | Transactions within intra-GST Group entities disregarded.  (Provided in Tranche 1) | Based on our sample review, we noted thirteen intra-GST AP transactions that were not eliminated in the BAS. These transactions were not subject to GST and were declared as GST-free acquisitions.  We note that this only impacted the disclosure on the BAS and that there was no GST receivable over/under-claim. | It is recommended that any intra-GST group transactions be excluded going forward, and a check be included as part of the BAS preparation process. |  |
| 5 | To the extent payments processed outside of AP**/**SAP system, test whether GST reported correctly.  (Tranche 2) | Payments processed outside the AP/SAP system relate to bank charges and bank guarantee charges only. No GST misstatements were identified from these transactions. | No further changes required. |  |
| 6 | AP user access and control are documented.  (Tranche 2) | Based on our review of the user access list, all AP users have access to AR functionalities in SAP and vice versa. WMA advised that all AP and AR users are members of the Shared Services Centre (GBS) and are granted access to both AP and AR.  Having said this, WMA confirmed in an email dated 27th April 2023 that the segregation of duties is based on the following business structure, and members can only access the module within SAP if it’s relevant to their role:   * + 1. Vendor master team: only process vendor master and do not process invoices;     2. Invoice processing team: only process invoices;     3. Payment processing team: only process payments;     4. Approval team: only approve payments.   We further sighted the following user access documents to ensure the segregation of duties controls are in place:   1. FIN-030 SAP Access Rights Review Policy (2) outlines the user access request process; 2. An SAP Access Rights Review policy detailing the procedures for the periodic access authorisation, review and revocation of individual access to SAP-sensitive transactions. A user would only be granted access to sensitive transactions on legitimate business needs as determined by the individual’s supervisor. The policy also confirmed that a review is conducted by the financial controller or delegate on a quarterly basis.   On this basis, we consider that segregation of the set-up, data entry and authorisation functions exist. | WMA to grant SAP user access/functionalities in accordance with their duties and responsibilities. |  |
| 7 | Structural changes to AP systems and processes  (Provided in Tranche 1) | In the second half of FY 2021, WMA upgraded its ERP system from SAP Legacy to SAP SGT. Some of the key changes were as follows:   1. Updating/mapping the Australian GST tax codes for AP transactions to match the pre-set VAT/GST codes and naming convention in the SAP SGT system. 2. Configuration of suitable depreciation key to properly compute periodic depreciation percentages in accordance with Australian tax requirements. We note that this has no GST implications.   WMA confirmed that the changes were tested within a UAT environment and operated as intended.  Based on interviews conducted with WMA’s IT team and an inspection of the relevant change documentation, we are of the view that the system change did not give rise to the GST misstatement described in the test findings of this report. | No further changes required. |  |
| 8 | AP to GL interface reconciliation  (Provided in Tranche 1) | A detailed reconciliation was undertaken to reconcile the source transactions to GST GL accounts over the Data Period.  We were able to reconcile the GST data, as reporting is driven by the SAP system. | No further changes required. |  |
| 9 | Roles and responsibilities and escalation of AP issues  (Tranche 2) | WMA’s RACI Matrix reflects the roles and responsibilities of staff that have GST-impacted duties as they relate to the AP process.  The RACI Matrix is consistent with the current roles and responsibilities documented in the GST BAS Guide. | No further changes required. |  |
| 10 | 3-Way (PO and goods receipt and invoice) match invoice processing  (Provided in Tranche 1) | Using a risk-based sampling methodology, we noted that there was no GST mismatch between PO, goods receipt, and the supporting invoice. | No further changes required. |  |

**Accounts Receivable**

| No. | Test | Findings | Recommendations | Rating |
| --- | --- | --- | --- | --- |
| 1 | GST code applied consistently per WMA customer.  (Provided in Tranche 1) | Based on the samples reviewed, we confirm that supplies were coded consistently from a GST perspective. | No further changes required. |  |
| 2 | Adjustments to sales following the GST treatment of underlying supply.  (Provided in Tranche 1) | Based on the samples reviewed, we confirm that adjustments to sales follow the GST treatment of the underlying supply. | No further changes required. |  |
| 3 | Transactions within intra-GST Group entities disregarded.  (Provided in Tranche 1) | Based on our sample review, WMA inadvertently accounted for transactions with GST group member Weir Slurry Group Inc during the Data Period.  These transactions were not subject to GST and were declared as GST-free export supplies.  We note that there is no GST payable shortfall and that this only impacts BAS disclosure. | It is recommended that any intra-GST group transactions be excluded going forward, and a check be included as part of the BAS preparation process. |  |
| 4 | Exports comply with Section 38-185 of the GST Act.  (Tranche 2) | Based on transaction value, we selected the top twelve transactions for review. Our analysis only found one supply that was exported outside the 60 days per section 38-185 of the GST Act. WMA confirmed that the delay resulted from a cyber-attack and the system being shut down for over a month. In addition, there were supply chain issues arising from Covid.  Under these circumstances, we are of the view that the Commissioner would exercise his discretion to provide an extension to export the goods per paragraph 212 of GST Ruling 2002/6 and Practice Statement PSLA 2006/16.  The total population during the data period was sixteen thousand six hundred and thirty-eight transactions. Despite the above, we sighted the Standard Operating Procedures for export shipment, which states that email confirmation from the freight forwarder stating that shipment must be exported within 60 days is required as part of the process. | No further changes required. |  |
| 5 | Attribution of GST on supplies  (Provided in Tranche 1) | During the Data Period, all AR invoices were lodged in the BAS period based on the invoice issue date. As such, GST on supplies was attributed to the correct tax period. | No further changes required. |  |
| 6 | AR user access and control are documented.  (Tranche 2) | Based on our review of the user access list, all AP users have access to AR functionalities in SAP and vice versa. WMA advised that all AP and AR users are members of GBS and have been granted access to both AP and AR. However, WMA confirmed in an email dated 27th April 2023 that the segregation of duties is based on the following business structure, and the members can only access the module within SAP that is relevant to their roles:   1. Vendor master team: only process vendor master and do not process invoices; 2. Invoice processing team: only process invoices; 3. Payment processing team: only process payments; 4. Approval team: only approve payments.   In validating controls around the segregation of duties, the following user access documents were reviewed:   1. FIN-030 SAP Access Rights Review Policy (2) outlines the user access request process; 2. An SAP Access Rights Review policy detailing the procedures for the periodic access authorisation, review and revocation of individual access to SAP-sensitive transactions. A user would only be granted access to sensitive transactions on legitimate business needs as determined by the individual’s supervisor. The policy also confirmed that a review is conducted by the financial controller or delegate on a quarterly basis.   Other than having access to both AP and AR at the same time, we confirm that segregation of the set-up, data entry and authorisation functions exist. | WMA to revisit/restrict SAP access to AP and AR team members in accordance with their defined roles. |  |
| 7 | Structural changes to AR systems and processes  (Provided in Tranche 1) | In the second half of FY 2021, WMA upgraded its ERP system from SAP Legacy to SAP SGT. One of the key changes was optimising the invoice creation process and automating the manual AR invoice preparation.  WMA confirmed that the changes were tested within a UAT environment and operated as intended.  Based on interviews conducted with WMA’s IT team and an inspection of the relevant change documentation, we are of the view that the system change did not give rise to the GST misstatement described in the test findings of this report. | No further changes required. |  |
| 8 | AR to GL interface reconciliation  (Provided in Tranche 1) | A detailed reconciliation was undertaken to reconcile the source transactions to GST GL accounts over the Data Period.  We were able to reconcile the GST data, as the reporting is driven via the SAP system. | No further changes required. |  |
| 9 | Roles and responsibilities and escalation of AR issues  (Tranche 2) | WMA’s RACI Matrix reflects the roles and responsibilities of staff that have GST-impacted duties as they relate to the AR process.  The RACI Matrix is consistent with the current roles and responsibilities documented in the GST BAS Guide. | No further changes required. |  |

**Business Activity Statement (BAS)**

| No. | Test | Findings | Recommendations | Rating |
| --- | --- | --- | --- | --- |
| 1 | Documentary evidence that a Preparer and a Reviewer have separately reviewed the BAS  (Provided in Tranche 1) | Documents evidencing the segregation of duties between BAS preparer and reviewer were sighted. | No further changes required. |  |
| 2 | GL to BAS reconciliation  (Tranche 2) | We identified reconciliation variances between the GL and BAS over the Data Period due to manual adjustments. These manual adjustments relate to the following:   1. GST on Novated leases was incorrectly reported as a reduction of GST payable instead of an increase of GST payable per BAS working papers for August and September 2021, resulting in an underpayment of GST of $14,380.94. 2. A manual adjustment was included in the August 2021 BAS to correct an error made in the prior month. We note that the GST reporting was correct. However, no correction entry was posted to the GL to reflect the manual adjustment, which created a variance.   WMA confirmed these variances were also identified as part of the reconciliation process. The cause of the errors will be investigated and corrected accordingly. | We recommend that WMA:   1. Discloses the underpaid GST to the ATO via a Voluntary Disclosure. 2. Ensure manual adjustments to the GST payable account (i.e., GST on novated lease) are reviewed before posting. 3. Continue to perform the GST reconciliation on a monthly basis. It’s also worth revisiting the GST reconciliation policy to ensure variances are cleared in the GL at least on a quarterly basis. This will ensure that any errors are corrected in a timely manner. |  |
| 3 | GST classification and calculation  (Provided in Tranche 1) | As previously indicated, we have identified instances of GST misstatement. Please refer to the details below:   1. *AP Test 1 - GST code applied consistently per WMA supplier;* 2. *AP Test 2 - ABN and GST registration of WMA supplier’s current*; 3. A*P Test 3 - Manual adjustments with respect to acquisitions;* 4. *AP Test 4 & AR Test 3 - Transactions within intra-GST Group entities disregarded;* 5. *BAS Test 2 – GL to BAS reconciliation (item i);* and 6. *WMA Specific Test 2 - FX rate applied in SAP.* | Please refer to the recommendations made for the following tests:   1. *AP Test 1;* 2. *AP Test 2;* 3. *AP Test 3;* 4. *AP Test 4;* 5. *AR Test 3;* 6. *BAS Test 2;* 7. *WMA Specific Test 2* |  |

**WMA-specific Tests**

| **N**o. | **Test** | **Category** | **Findings** | **Recommendation** | **Rating** |
| --- | --- | --- | --- | --- | --- |
| 1 | Volume/Promotion rebates accounted for correctly.  (Provided in Tranche 1) | Accounts Receivable | We noted that the GST on volume rebates was accounted for correctly, following the GST treatment of the underlying supplies. | No further changes required |  |
| 2 | FX rate applied in SAP.  (Provided in Tranche 1) | Both | Account payable:   1. We identified three instances in which WMA did not convert foreign currency based on the FX conversion rate indicated on supplier invoices. As a result, WMA under-claimed GST. (Please also refer to *AP Test 1* *GST code applied consistently per WMA supplier* above).   Account Receivable:   1. We identified nine invoices where WMA did not state the GST payable in AUD or provide sufficient information to the recipient to work out the GST payable in AUD on the tax invoices issued by WMA (in accordance with GSTR 2001/2 *Goods and Services Tax: foreign exchange conversions*). | We recommend that WMA comply with tax invoice requirements regarding FX-denoted invoices in accordance with *GSTR 2001/2 Goods and Services Tax: foreign exchange conversions*. |  |