

CONFIDENTIAL

A Report for ABC Pty Ltd

by

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‘Limited Review of the Practice’s Operations’

Executive Summary

**Strictly Confidential
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Executive Summary

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Background Information

The Practice

- ❖ ABC Pty Ltd is and operated by Client A
- ❖ ABC Pty Ltd commenced in 2000
 - Director – Client A
 - the maintenance and repair of
 - trucks
 - prime movers
 - cranes
 - specialist engineering services and modifications to transport
- ❖ Over the last few years the business has grown, expanded and contracted on several different occasions
- ❖ There are currently 10 employees with the following assigned roles
 - Operations Manager
 - Administration Manager
 - Purchasing
 - Workshop Manager
 - Administration
 - Reception & Administration
 - Workshop Employees x4

The Review

- ❖ Initial consultation between Client A and Greg Burford
- ❖ Limited onsite review of the Business to collect data, interview staff, review systems, evaluate operations, review general policies and procedures

Comprehensive Advisory Report & Action Plan

- ❖ Normally a comprehensive advisory report and action plan would be available however it is recommended that this step be taken at a later stage when the business has overcome its financial difficulties
 - Comprehensive Advisory Report
 - containing recommendations to improve the efficiency and profitability of your Business and a
 - Detailed Action Plan
 - to explain how these recommendations could be implemented

Information Technology

This area covers the use, maintenance, security, adequateness, suitability, training of Computer hardware & software and Office Machines such as printers, copiers and faxes

Back up and Recovery

- ❖ If required ensure backup of C: Drives on each desktop computer occurs on a regular basis
- ❖ Determine if backup of all other data is usable
 - Employee 1's computer is also the server
 - Ensure recovery is possible
- ❖ Ensure a surge protector is installed to reduce chance of damage to computers via electrical spikes, power surges, blackouts etc

Office Efficiency

- ❖ Control over email and internet is recommended
- ❖ Standard Operating Procedures to be established for all computer related tasks

Security

- ❖ Ensure password protection is being used for access to all computers and software packages for security

Training

- ❖ Training of all administration staff on Excel, Word and MYOB (where applicable) and any other computer software to ensure use of software is being maximised and extra efficiencies gained

Other

- ❖ Periodical testing of electronic equipment should be implemented

Human Resources

This area covers all personnel related issues such as employment contracts & job descriptions, rosters, awards, annual and long service leave, Work-cover, occupational health, safety and welfare issues, equal opportunity & sexual harassment policies, communication and training

Management of Staff

- ❖ Day to day management of the office staff is essential to ensure appropriate office efficiency and effectiveness
- ❖ Standard Operating Procedures (SOP's) for all office positions and critical tasks should be implemented
- ❖ Key Performance Indicators (KPI's) for all office staff and critical tasks should be implemented
- ❖ A formal Business policies and procedures manual should be compiled
- ❖ A formal Business Code of Conduct should be implemented

Employment Contracts & Job Descriptions

- ❖ Employment contracts should be established for all employees
- ❖ Job descriptions should be established for all employees
- ❖ Formal salary reviews should be implemented for all employees
- ❖ An induction program should be available for new employees
- ❖ Regular performance appraisals should be implemented for all employees and linked to salary reviews

Annual & Long Service Leave

- ❖ The calculations and provisions for Annual and Long Service Leave should be reviewed
- ❖ Annual leave accruals should be checked to ensure they do not exceed 4 weeks per employee
- ❖ A formal leave plan should be implemented to ensure all leave is co-ordinated and planned

Workcover

- ❖ The calculations and provisions for Workcover should be reviewed

Equal Opportunity, Workplace Bullying & Sexual Harassment

- ❖ Equal Employment Opportunity policy to be implemented
- ❖ Respectful Behaviour in the Workplace policy including a Code of Conduct to be implemented
- ❖ Sexual Harassment Policy to be implemented
 - harassment can come from other employees, management, suppliers and customers

Occupational Health, Safety & Welfare

- ❖ A review of the Operations was previously completed by an accredited OHS&W expert to ensure compliance with Safework SA requirements
- ❖ It is noted however that there is no evidence of regular, formal reviews of the Operations and completion of required paperwork
- ❖ From a brief inspection of the Workshop it is recommended that a further review of work practices occur to ensure compliance with Safework SA requirements
- ❖ I remind the Directors that OHS&W compliance is an ongoing responsibility of the Responsible Officer of the Business and not a once off task
- ❖ A Responsible Officer course should be undertaken
- ❖ It is recommended that compliance with all Safework SA requirements occur

Communication

- ❖ Staff meetings should be held on a weekly/fortnightly basis with
 - Task list
 - Due dates
 - Formal minutes
 - Appropriate follow up

Training

- ❖ A gap analysis should be performed on staff to identify specific training requirements

Banking

This area covers such things as the handling, control and security of cash, cheques and credit cards, EFTPOS, bank reconciliations, frequency & accuracy of banking, banking management reports

- ❖ An adequate review of Banking was not undertaken and as such no comment can be made
- ❖ It is noted however that Bank Reconciliations are not being currently performed
- ❖ The last Bank Reconciliation being as at 31 December 2012
- ❖ Bank reconciliations are an extremely important tool used to ensure all transactions are bona fide and as such should be conducted on a timely basis

Invoicing and Accounts Receivable

This area covers such things as the billing/invoicing of customers, review of the Debtors Aged Trial Balance and the collection from and follow up of debtors

Accounts Receivable

- ❖ Implementation of formal weekly review process of the Debtors Aged Trial Balance to monitor delinquent accounts, write offs, reasons for non payment etc
- ❖ Bad debts should be written off
- ❖ A debt collection service should be used
- ❖ The implementation of a standard procedure for the collection of debt
- ❖ The practice of allowing payment terms to most customers should be reviewed

Invoicing

- ❖ Invoicing should be completed on a regular and timely basis

Service Sheet / Work Order Procedure

- ❖ The service sheet is completed by the mechanic and then interpreted by Administration to write up an invoice
- ❖ This is quite a laborious and time consuming exercise and should be reviewed to explore alternate ways of achieving this task
- ❖ There may be a software package available on the market that could expedite this process and consequently save money or alternatively voice recording of the work carried out by the mechanic may be more intelligible

Purchasing and Accounts Payable

This area covers such things as the purchasing of all products and services by the Business including authority to purchase, purchase orders, orders on credit, payment of accounts, discounts, competitive pricing, preferred suppliers

- ❖ Purchase orders should be completed for all orders
- ❖ Ensure competitive prices are being obtained from all suppliers
- ❖ A review of creditor payment patterns should be conducted to ensure maximum use is being made of discounts and payment terms
- ❖ It is noted that whilst payment terms are given to most clients no advantage is taken of any Supplier payment terms
- ❖ No payments are currently being checked to the Bank Statement

Payroll

This area covers such things as the payment of salaries and wages to staff, deductions, superannuation and Work-cover

- ❖ Ensure all relevant Awards are complied with
- ❖ Payroll to be completed on MYOB rather than manually
- ❖ Review rates to ensure comply with awards
- ❖ Ensure CPI pay increases implemented on a timely basis
- ❖ Review deductions/superannuation/work cover/annual & long service leave etc
- ❖ The Payroll function is currently under review and being addressed by Employee 1
- ❖ It is noted that
 - Payroll is an extremely important aspect of a business and should be completed and recorded accurately in addition to PAYG, Superannuation and Workcover
 - 2009/2010 payroll incorrect
 - 2010/2011 has not been entered
 - Payroll being calculated manually
 - MYOB taxation rates are out of date
 - MYOB card files for employees are incomplete

Administration

This area covers such things as the efficiency of the office, the work area, storage and filing, general office and administration issues

- ❖ A thorough review of this area was not undertaken due to time constraints however the following were noted

MYOB

- ❖ MYOB is currently used as the Business accounting software package
- ❖ It is recommended that users of MYOB are thoroughly trained to ensure that the benefits of this software are being utilised such as
 - Management reports
 - Recurring transactions

Quoting

- ❖ It is understood that quoting is a time consuming, major part of the Business and needs to be carried out thoroughly and accurately so as not to jeopardise the sales
- ❖ It is recommended however that a review of this process is undertaken to ascertain whether efficiencies can be obtained
- ❖ It is noted that Quote #0135 for XYZ Pty Ltd is extremely detailed with items costed to the cent, including an item for \$2.00 and 13 items under \$100 although a note at the bottom of the quote explains that prices are approximate

Business Management

This area covers such things as the daily and weekly management of the Business, management reporting, management control and KPI's of the Business

Summary

- ❖ It should be noted that the directors are husband and wife and it is assumed that a good deal of communication regarding the business occurs between the two directors
- ❖ However, given that the business is in such a poor financial situation it is recommended that a formal approach to running the Business is adopted
- ❖ The directors have had no formal Management training and would certainly benefit from assistance in this area at this particular time
- ❖ Adopting formal Business management processes will ensure that the greatest opportunity is given for the Business to survive

Daily & Weekly Reports

- ❖ Daily / weekly reports to be investigated to improve control over the business
 - Cash flow
 - Work in progress
 - Work not started yet
 - Overtime worked
 - Absenteeism
 - Debtor's Aged Trial Balance

Monthly Reports

- ❖ Implementation of a formal monthly report package for review by the Directors
- ❖ Additional reports to be investigated to improve control over business
 - Workshop report
 - Near misses
 - Lost time injuries
 - Work in progress
 - Work not started yet
 - Absenteeism
 - Overtime worked
 - Employee suggestions

- Office report
 - Copy of office meeting minutes
 - Office KPI's
 - Personnel issues
 - OHS&W issues

Profit & Loss / Balance Sheet

- ❖ No review was performed on the Profit & Loss and Balance Sheet however it should be noted
 - The Profit & Loss report is being reviewed as part of the review of the 2006, 2007, 2008 and 2009 Income Tax Returns

Strategic Management

This area covers long term planning for the Business

- ❖ This area has not been addressed as part of this limited review
- ❖ It is noted however that there has never been a review of the Business and there does not appear to be any short or long term Business Plans