



Australian Government

Registered Organisations Commission

Registered Organisations Commission (ROC)

Financial reporting workshop

2 July 2019



Overview of topics



Loans, grants and
donations statements



Audit of financial
statements



Loans, grants and donations statements

- Section 237 of the RO Act – organisations and branches to notify particulars of loans, grants and donations
- Loans, grants and donations quiz!





Audit of financial statements

- What is an audit
- Purpose of an audit
- Common misconceptions
- Management responsibilities
- Independence
- Stages of an audit
- Registered auditors – RO Act





What is an audit?

An audit is an objective examination and evaluation of the financial statements of an organisation to make sure that the records are a fair and accurate representation of the transactions they claim to represent



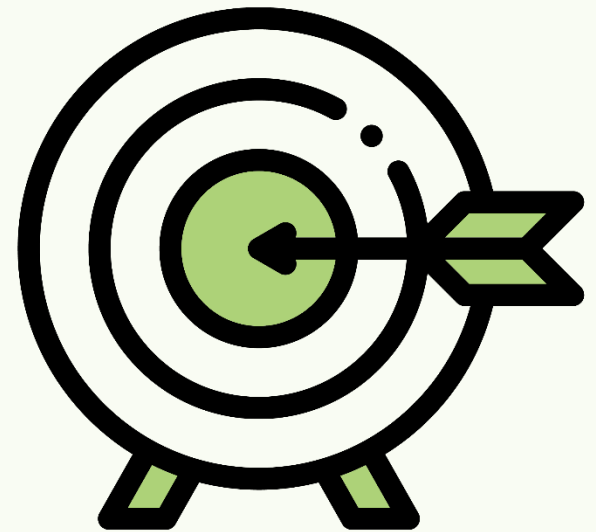


The purpose of an audit?

To enhance the degree of confidence of intended users in the financial report

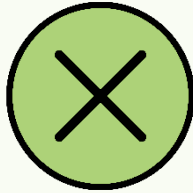
- achieved by the expression of an opinion that:
 - the financial report is presented fairly in accordance with the Australian Accounting Standards and the RO Act

The auditor is to obtain reasonable assurance that the financial report as a whole is free from material misstatement, whether due to fraud or error





Common misconceptions



- Check every figure in the financial report
- Look at every transaction
- Process journal entries, authorise transactions or make changes to source documents
- Select accounting policies



- Not responsible to detect or quantify fraud
- Are not responsible for the content and composition of the financial statements



Management responsibility

Activities general considered to be management responsibilities include:

- setting policies and strategic direction;
- authorising transactions;
- deciding which recommendations of a third party to implement;
- taking responsibility for the preparation and fair presentation of the financial statements
- taking responsibility for designing, implementing and maintaining internal controls

The audit of the financial report does not relieve management or those charged with governance of their responsibilities



Independence

Concept of Independence is fundamental to compliance with the principles of integrity and objectivity.

- Independence of Mind
 - expression of a conclusion without being affected by influences that compromise professional judgement
- Independence in Appearance
 - avoidance of facts and circumstances a reasonable and informed third party would be likely to conclude that the integrity, objectivity or professional scepticism of the auditor has been compromised





Independence

- Audit firm preparing accounting records or financial statements can create a self-review threat when the audit firm subsequently audits the financial statements
- Activities considered a normal part of the audit process include:
 - application of accounting standards or policies and financial statement disclosure requirements
 - evaluating appropriateness of financial and accounting controls
 - proposing adjusting journal entries





Stages of an audit: Planning

- Understanding the business
- Reviewing board minutes
- Understanding and evaluating key internal controls
- Understanding the laws and regulations to be complied with
- Applying analytical procedures





Stages of an audit: Audit Evidence

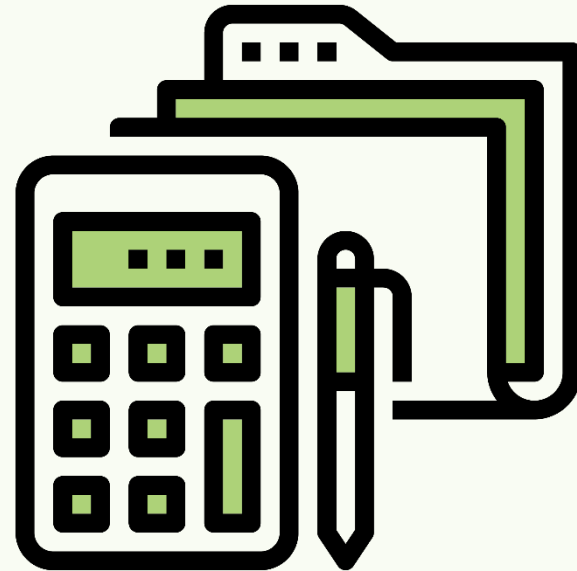
- Direct confirmation with third parties
- Tracing transactions and balances to supporting documents
- Physical verification of assets
- Review movements between expenses
- Analytical review
- Going concern





Stages of an audit: Reporting

- Issue audit opinion
- Management report



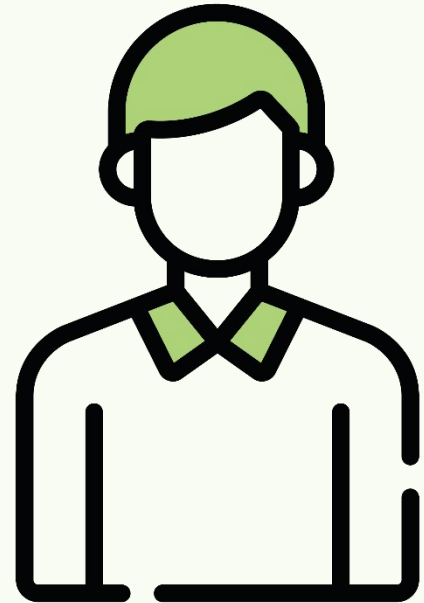


Registered auditors

Auditor of a reporting unit can be:

- An individual who is a registered auditor; or
- A firm, at least one of whose members is a registered auditor; or
- A company, at least one of whose directors, officers or employees is a registered auditor

A reporting unit must ensure that there is an auditor of the reporting unit at any time when an auditor is required for the purposes of this Part in relation to the reporting unit (s.256(1))





Rotation requirements – s.256A

An individual must not play a significant role in the audit of a reporting unit:

- a) for more than 5 consecutive financial years; or
- b) for more than 5 out of 7 consecutive financial years





Significant role – s.256A(4)

- a) the individual holds the position of auditor of the reporting unit; or
- b) if a firm or company holds the position of auditor of the reporting unit – the individual is a registered auditor who, on behalf of the firm or company:
 - i. participates in the preparation of the audit report in relation to a financial report; or
 - ii. participates in the conduct of an audit in relation to the reporting unit





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Auditor quiz





For more information or to contact us



ROC website

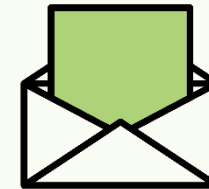
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