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Independent Audit Report to the members of the Bawinanga Aboriginal Corporation

We have audited the financial report of Bawinanga Aboriginal Corporation ("the Corporation") for the year ended 30 June 2010, which comprise the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors Responsibility for the Financial Report

The Directors of the Corporation are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations (Aboriginal and Torres Strait Islander) Act 2006 (CATSI Act). This responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with the Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Corporation, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion:

Independence

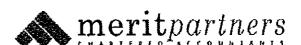
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In conducting the audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Liability limited by a scheme approved under Professional Standards Legislation.

Basis for Qualified Auditor's Opinion

- 1. The financial report of Bawinanga Aboriginal Corporation as at 30 June 2009 was audited by another auditor, Frank W Redpath whose report dated 29 September 2009, expressed an unqualified opinion on those statements. We were unable to obtain sufficient appropriate audit evidence regarding the comparatives.
- 2. The Corporation only records amounts received from its bush deliveries when these amounts are banked, as it is not practical to establish control over the proceeds from bush deliveries prior to their initial entry in to the accounting records. Our audit relating to bush deliveries was therefore limited to ensuring that the amounts banked are properly recorded in the accounts.
- 3. Sufficient and appropriate audit evidence could not be obtained to support certain components of the cash balances as at 30 June 2010 i.e. ATM machines balances of \$34,160 and cash on hand balance of \$27,800.
- 4. We have been unable to obtain sufficient and appropriate audit evidence to support the collectability of the arts and craft trade receivables balance of \$385,212 at 30 June 2010.
- 5. As is normal to entities operating in the similar industries, sufficient and appropriate audit evidence can not be obtained for the valuation of arts and craft stock as at 30 June 2010. Accordingly we are unable to obtain appropriate evidence to support the valuation of the arts and craft stock of \$901,946 as at 30 June 2010.
- 6. We have been unable to obtain sufficient and appropriate audit evidence to support the valuation of the intangible assets balance of \$306,622 at 30 June 2010.
- 7. Current and non-current provisions for employee benefits of \$484,304 are recorded on the Statement of Financial Position as at 30 June 2010. We were unable to obtain sufficient appropriate audit evidence to support this balance.
- 8. Sufficient and appropriate audit evidence could not be obtained for net assets written-off during the year amounting to \$831,609. The amounts relate to net assets carried over from the previous years which we could not substantiate through our audit procedures. Accordingly, as the evidence available to us regarding the write-offs was limited, our audit procedures with respect to write-offs had to be restricted to the amounts recorded in the financial records.



Qualified Auditor's Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the limitations on our scope referred to in the above paragraphs not existed:

- the financial report presents fairly, in all material respects, the financial position of (a) Bawinanga Aboriginal Corporation as of 30 June 2010 and of its financial performance and its cash flows for the year then ended in accordance with the Corporations (Aboriginal and Torres Strait Islander) Act 2006 and its Regulations and Australian Accounting Standards (including Australian Accounting Interpretations);
- (b) there was adequate evidence provided by the Corporation that:
 - (i) the prescribed accounting records and registers required to be kept by the Corporation have been properly kept throughout the year; and
 - (ii) other records and registers have been kept by the Corporation as required by the Corporations (Aboriginal and Torres Strait Islander) Act 2006.

Partner

DARWIN

Date: 15 December 2010

