

## **Independent Audit Report to the members of the Bawinanga Aboriginal Corporation (Under Special Administration)**

We have audited the accompanying financial report of Bawinanga Aboriginal Corporation (Under Special Administration) - ("the Corporation"), which comprises the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the declaration by the special administrators.

### *Special Administrators Responsibility for the Financial Report*

The Special Administrators are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards and the Corporations (Aboriginal and Torres Strait Islander) Act 2006 (CATSI Act), and for such internal control as the Special Administrator determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on conducting the audit in accordance with Australian Auditing Standards. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### *Independence*

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

### *Basis for Disclaimer of Opinion*

1. Of grant income received by the Corporation from various government departments, including those grants received in advance and received in previous years, the financial report records \$5,482,988 as being unexpended as at 30 June 2012. The Corporation's cash position on that date amounted to \$1,635,640, which indicates a shortfall of funds of \$3,847,348 available to meet its on-going commitments with the various government funding bodies. This raises significant doubts over the Corporation's compliance with the funding bodies Grant Terms and Conditions in relation to the uses of funds and also as to whether the Corporation is a going concern.

2. Sufficient and appropriate audit evidence could not be obtained to support certain components of the cash balance as at 30 June 2012 such as the ATM machines balance of (\$61,623) and the cash on hand balance of \$27,800. The bank reconciliations relating to these accounts included a significant number of reconciling items which we are unable to verify and substantiate. As a result of these matters, we were unable to determine whether any adjustments might be necessary in respect of recorded or unrecorded cash balances at that date.
3. Other receivables amounting to \$970,894 are recorded in the Statement of Financial Position as at 30 June 2012. We were unable to obtain sufficient appropriate audit evidence to support this other receivables balance as it pertains primarily to various clearing accounts. The reconciliations relating to these accounts included a significant number of reconciling items which we are unable to verify and substantiate. As a result of these matters, we were unable to determine whether any adjustments might be necessary in respect of recorded or unrecorded other receivables balances.

4. The Corporation recorded the following inventory in its Statement of Financial Position as at 30 June 2012:

Supermarket	\$543,048
Fuel	\$867,902
Outdoor Supply	\$235,620
Women's Care	\$133,398
Workshop Supply	\$384,172

The detailed listings of the above inventory were not made available for our inspection. We are also unable to perform alternative procedures nor obtain sufficient and appropriate audit evidence supporting the recorded inventory balance. As a result of these matters, we were unable to determine whether any adjustments are necessary in respect of recorded or unrecorded inventory balances as at 30 June 2012.

5. As is common for organisations of this type, it was not practicable to obtain sufficient and appropriate audit evidence to support the valuation of arts and craft stock of \$1,209,061 recorded in the Statement of Financial Position as at 30 June 2012. Accordingly, we are unable to form an opinion whether the arts and craft stock is carried at net recoverable amount as at 30 June 2012.
6. Property, plant, and equipment of \$9,407,760 is recorded in the Statement of Financial Position as at 30 June 2012. Australian Accounting Standard AASB 136 *Impairment of Assets* requires an asset to be carried at no more than its recoverable amount. We were unable to obtain sufficient and appropriate audit evidence of the recoverable amount of the items comprising property, plant, and equipment and, accordingly, we are unable to determine whether the recoverable amounts of these assets is at least equal to their carrying value. In the event that the carrying value of these assets exceeds their recoverable amount, it would have been necessary for the carrying value of these assets to be written down to their recoverable amounts.
7. Current and non-current provisions for annual leave and long service leave amounting to \$1,187,485 and \$92,495, respectively, are recorded on the Statement of Financial Position as at 30 June 2012. We are unable to obtain sufficient and appropriate audit evidence to support the annual leave and long service leave balances as the Corporation was unable to provide us with records to support the carry forward entitlement (opening balances) and the amount of leave taken during the current financial year. We have been unable to perform alternative procedures to verify the leave provisions. As a result of these matters, we were unable to determine whether

any adjustments are necessary in respect of recorded or unrecorded provisions for employee entitlement balances.

8. The evidence available to us regarding trading sales was limited to the amount banked in the Corporation's accounting records. We are unable to obtain evidence that the Corporation has established an efficient system of controls over the Corporation's trading sales amounting to \$18,096,394 prior to entry into its financial records. In addition, we are unable to obtain sufficient and appropriate audit evidence to support trading sales for the period April to June 2012, as the sales summary reports and other pertinent documents during the period were not available for our inspection.

As a result of the above matters, our audit procedures with respect to these sources of income had to be restricted to the amounts recorded in the financial records. Accordingly, we are unable to confirm that the trading sales recorded by the Corporation for the year ended 30 June 2012 are complete.

9. We are unable to obtain sufficient and appropriate evidence to support the validity of salaries and wages amounting to \$14,816,668 recorded in the Statement of Comprehensive Income for the year ended 30 June 2012, as documents supporting these expenses were not made available for inspection such as employment or appointment contracts, timesheets and overtime approvals. Our audit procedures also noted inconsistencies between the amounts recorded in the accounting records and pay as you go summaries of employees.
10. We were unable to obtain sufficient and appropriate evidence to support some expenses paid in cash. The supporting documents relating to these expenses are not all available for our inspection. As a result of these matters, we were unable to determine whether any adjustments might be necessary to the recording of cash payments.
11. We are unable to obtain sufficient and appropriate audit evidence to support the balance of unexpended grants of \$5,482,988 because we are unable to obtain sufficient and appropriate audit evidence to support the allocation of expenses, in particular salaries and wages and administrative expenses.
12. Our opinion is issued subject to the qualifications and limitations detailed in the Declaration by the Special Administrators which accompanies this financial report. The Special Administrators were appointed on 31 October 2012. The Special Administrators were unable to confirm information in relation to transactions which occurred prior to their appointment.
13. We are unable to obtain sufficient and appropriate audit evidence that the Corporation complied with Chapters 4 and 5 of the Corporations (Aboriginal and Torres Strait Islander) Act 2006, where it requires the Corporation to maintain a detailed register of members and to keep records of all minutes of meetings.
14. We are unable to obtain sufficient and appropriate audit evidence that the Corporation complied with Chapter 7 of the Corporations (Aboriginal and Torres Strait Islander) Act 2006, where it requires the Corporation to maintain a proper account of book and record. The financial records kept by the Corporation are not sufficient for the financial reports to be prepared and audited.

*Disclaimer of Auditor's Opinion*

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial report.

*Emphasis of Matter*

We draw attention to Note 1(q) in the financial report which indicates that the Corporation incurred a significant cash shortfall which may affect its ability to support its ongoing obligation and commitments under its normal business activities. As a result, the then directors of the Corporation requested the Office of Registrar of Indigenous Corporations ("the Registrar") to place the Corporation under Special Administration effective 31 October 2012.

At the date of this report, the Corporation has and is undertaking reforms in relation to its operations and governance to resolve its financial difficulties. The future operations of the Corporation depend upon the outcome and the successful implementation of the reforms, the continued funding from government departments and its ability to source sufficient funds to address its cash deficit position. As the outcome of the reforms is not yet determinable and due to the other matters set forth above, there exists material uncertainty that casts significant doubt on the Corporation's ability to continue as a going concern and therefore the Corporation may be unable to realise its assets and discharge its liabilities in the normal course of business.



Aminul Islam  
Director

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Date: 30 November 2012