



# St Margaret's Anglican Church Eltham

Response to tender for audit services  
For the year ended 30 September 2019



**SAWARD / DAWSON**

chartered accountants

17 June 2019

Parish Council Members  
St Margaret's Anglican Church Eltham  
C/- Kathleen Toal – Warden  
Via email: gazzkat@optusnet.com.au

Dear Parish Council Members

**Audit and assurance services for St Margaret's Anglican Church Eltham for the year ending 30 September 2019**

Thank you for opportunity to submit a proposal for the provision of audit services for St Margaret's for the year ending 30 September 2019. We appreciate the opportunity to discuss your church activities and how we can assist in contributing to the furthering of your church's mission.

Saward Dawson is known for its long-standing commitment and proven expertise in the not-for-profit and religious sector. We pride ourselves in the provision of a full range of assurance, advisory and consulting services, as well as our role in advocacy on behalf of the sector. We are currently servicing hundreds of organisations in the not-for-profit sector throughout Australia, which includes undertaking various assurance engagements for a number of organisations whose operations and objectives are similar to yours.

We express our firm belief in the values of your organisation and the ongoing commitment to society, and believe that Saward Dawson and the services we provide would satisfy the expectations of your organisation.

We are pleased to present our proposal and would welcome the opportunity to discuss any further questions you may have.

Yours sincerely



Peter Shields  
Audit Partner

Kane Noorbergen  
Audit Manager



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# 1. St Margaret's Structure and Status

We have summarised our understanding of the church's current structure and status below:

## St Margaret's (ABN 19 171 109 073)

- Unincorporated entity - a congregation of the Anglican Diocese of Melbourne
- Registered with the Australian Charities and Not-for-profits Commission (ACNC) as a medium sized charity with the purpose of advancing religion
  - Registered as a basic religious charity and therefore eligible for exemption from financial reporting
- Income Tax exempt,
- Prepares special purpose financial statements,
- Financial Year ending 30 September



## 2. About Us – Saward Dawson

### 2.1 Background

Saward Dawson is a long established firm with extensive experience in the provision of audit and related assurance services to the not-for-profit and religious sector. Our staff not only understand the values and mission objectives of organisations like St Margaret's, our firm is a strong advocate and supporter for communities and organisations who actively contribute to society.

### 2.2 Specialists who are passionate about the not-for-profit sector

We undertake a significant number of audit engagements in the not-for-profit sector every year providing us with deep experience and the development of significant expertise in our assurance team.

We understand that our clients are not only after an audit report at the end of the process but also a professional partner who can provide additional value through accurate and timely advice, sector knowledge, training opportunities and a commitment to continuous improvement processes. It's a high bar but we strive to deliver value to our client's every day.

We also have regular involvement with the Australian Accounting Standards Board, Chartered Accountants Australia and New Zealand, Australian Auditing and Assurance Standards Board, Governance Institute of Australia, The Institute of Internal Auditors, Australian Charities and Not-for-profits Commission and many other peak bodies. This allows us to understand the current industry issues facing our clients, respond with submissions from the sector and apply the changes to our clients.

We have included a listing of some of our not-for-profit clients in Appendix 1.

### 2.3 Experienced engagement teams

We believe that our competitive advantage rests in our ability to deliver quality professional service in the context of sustained personal relationships with our team. The firm currently has more than 60 professionals enabling a wide range of services to be delivered whilst never losing contact with the key members of the service team. The audit team consists of over 20 dedicated staff.

In any engagement, clients like to deal with the same professionals each year. This means that we get the chance to know and understand your business. It also means that we can apply what we know of the industry intelligently in your company.

We have a history of stability with staff at all experience levels and are proud of our low staff turnover. Sustained relationships with key people are a key driver of our success.

## 2.4 The engagement team

A client service team would be compiled for your organisation to ensure that your audit needs are met and that you have a clear point of contact. The team would consist of a number of staff at different levels. However, your management team would have direct access to our senior staff, as required.

Peter Shields and Kane Noorbergen will oversee the delivery of service to the organisation. A brief profile of their professional experience follows:



**Peter Shields**  
**Audit Partner**

**Registered**  
**Company Auditor**

Peter Shields, the audit partner, has many years of experience working in various capacities with commercial and non-profit organisations including responsibility for a large number of not-for-profit audit engagements. His involvement has included both internal and external audit and numerous consulting engagements.

Peter is a regular presenter for Chartered Accountants Australia and New Zealand (CA ANZ), Christian Management Australia and the Australian not-for-profit Accountant's Network forum.

Peter is also a member of the ACNC professional advisors group, the CA ANZ Audit Module Advisory Panel, and the Australian Audit Standard Board Roundtable Group and until recently chaired the Chartered Accountant Audit Advisory Committee for Australia and New Zealand.

Peter has also been involved with a number of board and audit committees.



**Kane Noorbergen**  
**Audit Manager**

Kane Noorbergen, a manager in our Audit and Assurance Division, is a qualified chartered accountant specialising in audit and technical advice to the not-for-profit sector.

Kane has managed the engagements of clients across a variety of sectors, assisting them with their audit and financial reporting requirements.

Kane will be your main point of contact during the audit.

Please refer to our website at [www.sawarddawson.com.au](http://www.sawarddawson.com.au) for further background on the Principals of the firm and other senior members of staff.



### 3. Audit vs Review

We understand that the church has requested a review. We have included the following information for the Finance Council to review, to ensure that the most appropriate assurance service is selected for the church.

Some charitable organisations have the ability to choose between an audit or a review, depending on the organisation's revenue turnover, its governing rules and whether it is classified as a Basic Religious Charity with the ACNC. If the organisation's turnover is between \$250,000 and \$1 million, it would be classified as a medium charity with the ACNC.

A medium charity, must follow the below requirements:

- Prepare financial statements at minimum that comply with 6 Australian Accounting Standards, on an accrual accounting basis,
- Have the organisation's financial statements reviewed *or* audited, and
- Submit these financial statements to the ACNC on an annual basis.

The main difference between an audit and a review is the level of assurance provided. A summary of the differences as follows:

	Audit	Review
<b>Positive outcomes</b>	<ul style="list-style-type: none"> <li>- Higher level of assurance, higher level of examination of the organisation's financial report based on more detail and evidence gathered to support transactions and balances.</li> <li>- The auditor provides an opinion as to whether the financial statements present fairly, in all material respects, the organisation's financial position, results of operations and cash flows.</li> </ul>	<ul style="list-style-type: none"> <li>- Generally cheaper than an audit.</li> <li>- Takes less time.</li> <li>- Involves procedures to ensure basic accounting records and reconciliations are being maintained.</li> </ul>
<b>Negative outcomes</b>	<ul style="list-style-type: none"> <li>- Takes more time.</li> <li>- Higher costs.</li> </ul>	<ul style="list-style-type: none"> <li>- Lower level of assurance, lower level of examination of organisation's financial report. The report provides a statement that the reviewer is not aware of any material modifications that should be made to the financial statements.</li> <li>- A review does require evidence of the entity's internal control, assessing fraud risk, testing to source records or other procedures ordinarily performed in an audit.</li> </ul>

If you would like specific advice in relation to which assurance service would best suit your organisation, please contact us.

We will include a fee for a review and an audit in this document.

## 4. The Audit/Review Process

Our audit would be undertaken in accordance with the relevant Auditing Standards issued by the Australian Auditing and Assurance Standards Board.

### 4.1 First-year audit engagement considerations

We believe that the first-year audit is an opportunity for both the organisation and the auditor to consider a number of the broader issues relevant to the organisation's activities.

We undertake an interim planning process designed to obtain a thorough understanding of the organisations operations, controls, risks and drivers of performance. During this process, we will also review the work of your previous auditor to ensure that your 2018 figures meet the Australian Accounting Standards and capture any historical audit issues. We understand that the 2018 financial report audit process has not yet been finalised.

As part of the first year process we would also consider the level of financial reporting and make recommendations in relation to the compliance with Australian Accounting Standards and other content to ensure that you meet your statutory obligations and governance requirements.

### 4.2 Timetable

We will consult with you prior to the commencement of the audit process to determine a critical date summary that clearly sets out the key financial reporting and audit timing expectations. This would include the date at which the audit management letter will be reviewed by the Parish Council and the requirements for the AGM. We will agree an audit timetable with you based on your requirements.

We confirm we will seek to undertake audit planning in September and undertake audit fieldwork during October to meet your reporting requirements for the AGM scheduled for 10 November 2019.

### 4.3 Checklist

We will provide a checklist of information required for the audit prior to the commencement of the audit. These requirements would normally form part of the underlying working papers prepared by you and so should not pose any substantial additional pressures on your accounting personnel. However, we have found that it is important to utilise such a checklist to ensure that the audit process is able to proceed smoothly.



#### 4.4 The work stages

The audit/review would typically be undertaken in three parts.

The first stage is our planning and systems review work which we will generally undertake before year-end. We would gain an understanding of the organisation including documentation of financial processes, controls and reporting. Where appropriate this would be followed by regular controls testing. We would then decide on our audit approach.

Following this we undertake our post year end visit which is typically focused on the substantiation of the assets, liabilities, revenue and expenses. We expect that most of our audit work would be undertaken on your premises as we generally find that this is the most efficient method of completing the audit.

We then proceed to the final stage which relates to the reporting stage. This will include the review and preparation of financial statements and reporting any issues that may arise from the audit via the management letter.

#### 4.5 Audit Specialist Software

At Saward Dawson we utilise audit software called Caseware. This product is widely used across the world in the automation of the audit process. Our audit files are prepared and reviewed in an electronic format. Where possible, we request supporting documentation from clients also in an electronic format.

Caseware is used to import the client's trial balance and document our audit processes in a systematic and efficient manner. We are also able to:

- plan and document our audit engagements in accordance with the requirements of the Australian auditing standards
- track up to five years of historical financial information and perform key ratios and variance analysis
- track audit adjustments, and provide clients with a listing of journals
- track unadjusted audit differences for communication to those charged with governance as part of the audit process
- interrogate clients' financial transactions based on prescribed risk criteria
- prepare statutory financial statements in accordance with the clients reporting obligations together with providing:
  - a listing of adjustments posted during the audit process
  - a listing of many reclassifications posted during the audit process
  - a reconciliation of your trial balance showing where your individual accounts have been disclosed in the financial statements

#### 4.6 Management Letter and meet with the Parish Council and/or Finance Committee

Our management letter will report any material control weaknesses noted, together with other issues and areas for improvement for the Parish Council to consider. This management letter is a vital part of the process of improving the effectiveness and efficiency of the accounting process and should be a helpful tool for process improvement.

## 5. Presentation of the financial statements

The formal responsibility for the preparation of financial statements and the maintenance of appropriate books and records ready for audit rests with the governing committee. We are able to assist and advise as necessary.

Where we are requested to assist with the preparation of financial statements we ensure we provide additional supporting documentation in relation to the financial statement disclosures and reconciliations from your general ledger to each of the disclosures in the financial statements.

We have included in our fee the preparation of special purpose financial statements comply with the requirements of the ACNC reporting obligations. We note that the financial statements for the year ended 30 September 2018 have not yet been finalised or provided for our assessment in providing this quote. As such our fee has been based on an unqualified audit opinion being issued for 2018.

## 6. Professional Fees

Our commitment to a high quality of service and professional application of the technical reporting requirements can be delivered at a fair professional fee. Our fees are calculated on an hourly basis and where possible we will provide a quote prior to commencing the audit each year. We have provided a discount against our standard fees in support of your work.

We advise that our fees for 30 September 2019 have been estimated as follows:

<b>AUDIT</b>	<b>Scale Costs</b>	<b>Discount</b>	<b>Fees (GST Exclusive)</b>
<b>St Margaret's Anglican Church</b>	\$6,438	(\$1,488)	\$4,950
Financial statement audit			
Preparation of the Special purpose financial statements for the year ending 30 September 2019			\$1,000
		GST	\$595
		Total	\$6,545

As the church is not required to have an audit it may choose to have a review. A review is a lower scope than an audit and provides negative assurance in relation to the financial statements.

<b>REVIEW</b>	<b>Scale Costs</b>	<b>Discount</b>	<b>Fees (GST Exclusive)</b>
<b>St Margaret's Anglican Church</b>	\$3,938	(\$988)	\$2,950
Financial statement Review			
Preparation of the Special purpose financial statements for the year ending 30 September 2019			\$1,000
		GST	\$395
		Total	\$4,345

In calculating our fees we have made the following assumptions:

- Information requested in our checklist is completed and provided at the commencement of the audit. Both Saward Dawson and your team will make their best efforts to optimise the audit process over time.
- Disbursements and out-of-pocket costs such as postage and printing will be charged in addition to the above costs.
- Audit fees will be billed on an instalment basis during the audit and are payable on 14 day terms.
- An engagement letter will be provided to you at the start of each engagement outlining our fees. Over the coming years, we aim to limit our fee increases to incorporate CPI unless there were significant changes in the organisation's operations or risk profile which would require additional procedures to be performed.
- We are able to perform additional or in depth procedures of specific areas or risk on request. We will agree a separate fee with you for any such arrangements.

## 7. Saward Dawson Church Finance Guide

Saward Dawson produces and regularly updates a financial handbook for church treasurers. The online resource contains three sections, The Church Treasurer's Handbook, Church GST Handbook and the Church Finance Resource Centre. This guide helps church treasurers around Australia with the daily and on-going running of their churches.

As a client of Saward Dawson, the church would have access to this valuable resource.

## 8. Audit Independence

We adhere to the independence requirements of the Australian Professional Ethical Standards and understand the importance of ensuring the services we provide in addition to audit / review services do not impede our independence as auditors. We monitor this and would decline consulting engagements that could be considered to compromise our independence.

We have an independence policy and process at Saward Dawson that considers relationships with the client and additional work requested. Where particular staff have a potential conflict or possible independence issue, they are not able to be included as engagement staff. As a firm we review our independence with all staff on an annual basis. Staff are regularly made aware, through our induction and regular training, of both independence and confidentiality requirements under the Australian Professional Ethical Standards.

## Summary

We believe that Saward Dawson has the experience and skills required to provide the company with the range of services required. Our firm is sufficiently small to maintain strong relationships whilst being large enough to provide a complete range of quality services.

We look forward to the opportunity of working with St Margaret's and we would be pleased to discuss any questions that you or the Parish Council may have.

# Appendix 1

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Sample of audit engagements of faith based entities and organisations:

- All Saints Anglican Church East St Kilda
- Australian Christian Churches Australia
- Bayside church
- Baptist Union of Victoria
- Baptist Union of Australia
- Churches of Christ Community Care Ltd
- Churches of Christ Financial Services Ltd
- CityLife Church
- Crossway Baptist Church
- CBM Australia
- CMS Victoria
- Discovery church
- Eastern College
- Global Interaction
- International Justice Mission
- Leprosy Mission Australia
- Lutheran Church of Australia Victorian District
- Lutheran Education of Victoria, New South Wales and Tasmania
- Life Ministry Centre
- Melbourne Church of Christ
- One Community Church
- Planetshakers Group
- Presbyterian Church of Victoria
- Prison Fellowship Australia
- Stairway Church
- St Jude's Anglican Church Carlton
- Tear Australia
- Whitley College

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