Executive Summary

Auditor’s report
We expect to issue an unqualified audit report on the financial report of Concliation Resources Australia (CRA) for the year ended 30 June 2023 subject to completion of the outstanding matters.

We can confirm the basis of preparation of the financial report and accompanying disclosure is appropriate.

Audit focus areas
- Revenue recognition
- Risk of fraud through management override of controls

Adjustments and audit differences
We noted 2 adjustments that were posted that had nil affect on the surplus for the year.

Finalising audit
We have completed the audit for Live & Learn Environmental Education, with the exception of:
- Obtaining signed management representation letters; and
- Updating our review of any subsequent events.
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Introduction

AUDIT SCOPE

We have carried out the audit in accordance with the terms agreed on in our Engagement Letter. This includes expressing an audit opinion on the statutory financial statements for the year ended 30 June 2023.

This report has been prepared for board of Conciliation Resources Australia. The report outlines the audit process and status, audit findings, adjustments and future issues facing the organisation.

The review did not constitute a complete examination of all relevant data and was not designed to uncover all processing errors and therefore may not have detected all breaches and irregularities that could have occurred.

This report is intended to inform by exception only and therefore does not cover the generally sound internal control procedures and accounting controls that operate within your organisation.

The assistance provided by management and staff throughout the course of the audit was greatly appreciated.

We would be pleased to discuss these further, or any other matters, at your convenience.
AUDITOR’S REPORT

We advise that we are prepared to give audit clearance for Conciliation Resources Australia’s financial statements for the year ended 30 June 2023 disclosing an operating surplus of $0.

We understand these financial statements as presented to us are to be approved and signed by the directors. We will issue our signed unqualified audit report subject to completion of outstanding matters.
Audit Timeline

18 MAY 2023
Pre Year-end Discussion and Planning including Interim Visit

30 JUN 2023
End of Financial Year

2 Nov 2023
Audit Field Work Commenced

14 Dec 2023
Draft Financial Statements Provided to Management

10 Jan 2024
Closing Meeting with Management

TBA
Financial Statements Approved for signing
Audit Focus Areas—Revenue Recognition

Risk
Revenue recognition is a presumed fraud risk under Australian Auditing Standard ASA 540 and inherent in all revenue generating entities.

Major revenue sources for the organisation include:

  + Grant/Project income

Due to the nature of the organisation’s revenue generating activities, there is a risk that revenue may not be appropriately recognised in accordance with Accounting Standards.

Audit Approach

  + Performed substantive procedures on significant revenue streams during the period to ensure that amounts received are treated appropriately.
  + Performed substantive testing around year end to ensure the revenue was recognized in the appropriate period.
  + Gained comprehension and evaluated primary controls related to revenue recognition, including the suitability of their design and their operational efficiency.
  + Assessed the appropriateness of the accounting policies and disclosures.
  + Substantively tested a sample of transactions to supporting documents.
  + Ensure appropriate recognition of revenue.

Conclusion

We have completed substantive audit procedures to address the relevant assertions. We considered AASB 15 and AASB 1058 to the significant revenue streams generated by the entity and identified the revenue recognition was not in accordance to the aforementioned standards. Revenue was recognised in the same period the expense was incurred. The timing of recognition is aligned with matching of related expenses.
Audit Focus Areas- Management override of controls

**Risk**
Audit standards require us to consider the risk of management override and the consistency of management’s judgements from one period to the next.

We have assessed the processes in place to prevent and detect fraud, and carry out specific procedures as imposed by ASA 240 The Auditor’s Responsibility Relating to Fraud in an Audit of a Financial Report.

**Audit Approach**

+ Reviewed the internal control procedures adopted within the entity to assess the adequacy of controls which might both prevent and detect fraud;
+ Reviewed the appropriateness of the treatment of any significant unusual transactions, or transactions that are outside the normal course of business.
+ Made samples and investigated the nature of journal entries posted during the year and after year-end based on risk factors identified by the audit team.
+ Challenged management’s estimates and judgements made in preparation of the financial statements.
+ Obtained fraud questionnaires from Management in order to verify the organisation’s perception of fraud risk and to ascertain the mitigating steps taken to address this risk.

**Conclusion**
Management confirmed that to the best of its knowledge and belief there have been no instances of fraud during the period.

Our audit work completed to date has not identified any evidence of management over-ride of controls or matters to report.
# Accounting Adjustments

## ADJUSTED DIFFERENCES

<table>
<thead>
<tr>
<th>Description</th>
<th>Asset $</th>
<th>Liability/Equity Increase/Decrease $</th>
<th>Revenue $</th>
<th>Expense $</th>
<th>Surplus/(Deficit) $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Surplus Management Accounts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>1 FX translation gain/(loss) through OCI on NAB-GBP bank account</td>
<td>29,446</td>
<td></td>
<td>-</td>
<td>-</td>
<td>(0)</td>
</tr>
<tr>
<td>2 FX translation gain/(loss) through OCI on interest-free long term loan with CRUK</td>
<td>14,735</td>
<td></td>
<td>-</td>
<td>-</td>
<td>(0)</td>
</tr>
<tr>
<td><strong>Surplus Statutory Accounts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$0</td>
</tr>
</tbody>
</table>

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## Audit Findings - Current Year

### CURRENT YEAR FINDINGS AND MANAGEMENT ACTION

<table>
<thead>
<tr>
<th>Audit Finding</th>
<th>Rating</th>
<th>Risk and Implication</th>
<th>Recommendation/Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Memorandum of Understanding (MOU)</td>
<td>High</td>
<td>Potential non-compliance with regulatory requirements in Australia and increased risk of non-compliance with donor agreements.</td>
<td>We strongly advise management to revisit the Memorandum of Understanding (MOU) and revise its contents. Paying particular attention to the reporting requirements, the accounting treatment of received funds, utilisation of restricted/unrestricted funds, and identifying the roles and responsibilities of each party in relation to the donor contract performance obligations.</td>
</tr>
<tr>
<td>2 Matching principle used for revenue recognition.</td>
<td>High</td>
<td>Non-compliance with Australian accounting standards specifically, AASB15 and AASB1058 under the current matching principle treatment.</td>
<td>We advise management to proactively identify deliverables and performance obligations specified in grant agreements and donor contracts. It is essential to align the recognition of revenue with the successful completion of the associated outcomes. Doing so, can lead to a more accurate and transparent representation of CRA’s financial performance in accordance with the terms and conditions outlined in these agreements.</td>
</tr>
</tbody>
</table>

Conciliation Resources Australia AOR — 30 June 2023
Audit Findings - Current Year

CURRENT YEAR FINDINGS AND MANAGEMENT ACTION

<table>
<thead>
<tr>
<th>Audit Finding</th>
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<th>Risk and Implication</th>
<th>Recommendation/Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sustainability Challenges/ Operational Autonomy</strong></td>
<td>Medium</td>
<td>Viability of the Company’s longer term capacity to operate independently from parent entity and potentially breaching its legal, regulatory and operational compliance requirements.</td>
<td>Management and the Board should consider preparing a strategic plan with the longer-term aim of making CRA an independent, standalone organisation in Australia. CRA is a Company Limited by Guarantee regulated by ASIC and ACNC as well as various Australian Government Departments including DFAT. As such, its policies, processes and practices should be catered to the requirements of the Australian regulatory bodies.</td>
</tr>
</tbody>
</table>

Since CRA’s inception in 2020, the Company’s retained earnings (accumulation of results for the year) amount to $8,103.

The Company’s financial stability and ongoing operations are largely contingent on regular inflows of funds from its parent entity.

The Company may face challenges in achieving financial sustainability independently, relying on external support to bridge funding gaps.
## Required Communication to the Directors

<table>
<thead>
<tr>
<th>Matter</th>
<th>How we addressed this matter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance with laws and regulations</td>
<td>We have made enquiries in relation to any non-compliance with laws and regulations during the course of our audit. We have also reviewed the Laws and Regulations audit questionnaire completed by management. We have not identified any instances of non-compliance with laws and regulations as a result of our enquiries.</td>
</tr>
<tr>
<td>Going concern</td>
<td>We have discussed our assessment of going concern in other parts of this report</td>
</tr>
</tbody>
</table>
| Independence                         | In conducting our audit, we have complied with the independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and s290 of *APES 110 Code of Ethics for Professional Accountants*.  
We have obtained independence declarations from all staff engaged in the audit. We also have policies and procedures in place to identify any threats to our independence, and to appropriately deal with and if relevant mitigate those risks.  
We have not become aware of any issue that would cause any member of the engagement team, Accru Melbourne or any Accru network firm to contravene any ethical requirement or any regulatory requirement that applies to the audit engagement.  
The *Australian Charities and Not-for-profits Commission Act 2012* requires the auditor to make a declaration to the directors regarding independence. A signed copy is provided and forms part of the annual report. |
| Related parties                      | Our audit procedures did not identify any significant matters relating to related parties. All related party information, transactions and balances as advised by management have been adequately disclosed in the financial report. |
| Responsibilities relating to fraud   | Management have confirmed that there were no matters of fraud identified for the period under audit, or subsequently.  
It should be noted that our audit is not designed to detect fraud however should instances of fraud come to our attention we will report them to you.  
We have not identified any instances of fraud during the course of our audit. |
| Subsequent events                    | At the date of this report, other than already disclosed, we are not aware of any subsequent events, which would require an adjustment to balances in the financial statements or disclosure in the notes to the financial statements.  
We will continue to make assessments of subsequent events up to the date of the financial statements are signed. |
| Other Information                    | Our procedures have not identified any material misstatement within the other information contained within the financial report                                                                                             |
Other Services and Innovation

Internal Audit

Our internal audit approach is governed by the Australian Auditing Standards (ASRS 400), as well as the independence requirements of APES 110 Code of Ethics. We use a risk-based methodology and engage closely with management so that we focus on areas of most significance and deliver value.

Our audit approach entails:

+ **Risk assessment**
+ **Evaluation of internal controls**

Our internal audit approach is conducted after an in-depth discussion to determine your internal audit requirements.

Data Analytics

As an organisation becomes larger the more directors tend to face an increasing level of responsibility regarding internal controls and fraud detection. Many organisations now use automated processes and with the increase in the number and size of transactions, employees and suppliers, the risk of a misappropriation of funds occurring can also increase.

Accru uses specialised software to create exception reports, calculations & queries, allowing us to analyse the whole data file of your accounting system. Through operational data analysis and identification of control breakdowns, we look for irregularities such as duplicate bank account details or duplicate tax file numbers. These irregularities can then be reported to management for further investigation.

Tax Compliance

Our Corporate Client team can assist with review of your management reporting information including general ledger reconciliations, Business Activity Statements and other regular tax compliance matters such as PAYG withholding.

Advice in other areas such as Salary Packaging, Fringe Benefits Tax and Reportable Benefits would be provided on an as needs basis following discussion and agreement with management on the applicable scope and advice required.

Corporate Finance

Accru Finance Solutions ensures clients are able to obtain competitive banking and finance services to meet their individual needs. We provide independent lending advice to our clients.

Our Finance Solutions team can review the capital structure including all borrowings and can recommend effective borrowing structures. We are able to source and negotiate funding for your various borrowing needs. Accru Wealth Management Pty Ltd is the holder of an Australian Credit Licence (ACL 238520).

Investment Strategy & Advice

Our Wealth Management experts can provide tailored advice on various cash management and investment strategies including short and medium term solutions for improving returns on consolidated funds.

Due to our Australian Credit License we can provide truly independent advice and have access to alternative cash markets and various other managed funds providers.