Auditors and assets

In most Australian states, incorporated associations are required to have their accounts audited once a year if their turnover is above a certain level.

Even if your organisation doesn't have to be audited, it is a good idea to have an audit to provide some reassurance that your accounts are complete and accurate. This is especially important if you're fund-raising or receiving government grants

The auditor must be a member of the Institute of Chartered Accountants, CPA or another prescribed body, must hold a recognised tertiary qualification majoring in accounting, with an auditing component, and must be registered with the Australian Securities and Investments Commission.

When preparing your material for the auditor, review the previous year's accounts and ask yourself the following questions with which to brief your auditor:

- Have there been any significant changes in your activities or management?
- Have you made any significant changes in your accounting procedures?
- Has any new legislation affected your accounting procedures?
- Are there any matters arising out of the previous year's audit?

The auditor will perform tests on your accounting systems, review your internal accounting controls, examine corroborating documents, analyse your procedures, and check your cash accounts and other balances.

The auditor may want to see petty cash records and receipts, chequebooks, financial statements, asset register, bank statements and reconciliations and GST records.

Once the auditor has reviewed your accounting principles and financial statements, you will receive a report which will include a statement of financial position, a statement of activities, a statement of cash flows, and footnotes. The footnotes include information such as the nature of your organisation's operations, a summary of significant policies or events, and information on your organisation's commitments and risks.

The auditor may also discover weaknesses in your internal financial systems and in their report or covering letter recommend changes to your processes and procedures.

The chart below shows the types of records you should have available.

The subsidiary records and audit trails on the following page may also be appropriate.

Principal accounting records

Computers have virtually taken over manual bookkeeping records, but the underlying components are worth mentioning here:

- Cash books to record all cash receipts and payments. All transactions in the cash book should be reconciled monthly with bank statements. Today, internet banking allows speedy and accurate reconciliations.
- A general ledger to record all assets and liabilities, income and expenditure. It contains summaries of all transactions for a given period, and keeps a running total of all assets and liabilities.
- A general journal to record one-off transactions, especially at balance date. This is used mostly at year end when many adjustments may have to be made.
- A register of members to record names, addresses and other information about members. This is required under constitutions and various laws.
- A petty cash book to record small payments from petty cash, such as for pens, pencils and taxi fares.
- Payroll records are required under taxation and various employment legislation.
- Statutory records, including minutes of all meetings. Various laws stipulate the records that must be maintained.
- Asset register – depending on the size and complexity of the organisation-to record specific details of major assets.

Source: The Institute of Chartered Accountants of Australia, Voluntary Treasurer's Handbook, 2000.

Asset register

An asset register allows you to keep track of your assets and provides a fair estimate of their worth. It meets your taxation, statutory and sale-of-business obligations. It is also an appropriate place to record serial numbers, make, model, etc.

You need an asset register to:

- Process the purchase of fixed assets in accordance with your organisation's authorisation and record keeping procedures
- Maintain adequate accounting records of assets – cost, description, and where they are kept in the organisation
- Maintain accurate records for depreciation
- Provide management with information to help plan future asset investments
- Record the retirement and disposal of assets

You can start your asset register by recording all physical assets, regardless of the funding source.

The types of physical assets that need to be recorded include:

- Office equipment
- Motor vehicles
- Furniture
- Computers
- Communications systems
- Equipment

After that, check each asset item at least once a year.

As a general rule, record each asset separately. The exception is multiple assets that combine to perform one function if the value of the individual components is less than $3,000 but the total value of the asset is more than $3,000. Examples are personal computers consisting of a monitor, keyboard and central processing unit, or a set of books and periodicals.

You should treat assets needing replacement as a maintenance cost.

When the purchase cost is not known, record the asset at the cost of a comparable item at current prices.

Subsidiary records and audit trails

- Receipt books for collecting all money. Tax deductible funds should always issue receipts showing their Deductible Gift Recipient (DGR) number. Duplicate copies of receipt books provide a sound audit trail.
- Bank deposit books. Used to record details of cash and cheques deposited in banks, deposit books provide a necessary audit trail for both manual and computer-based systems.
- Cheque books. One of the most frequently used documents in any enterprise, since nearly all payments are made by cheque.
- Documentary evidence (vouchers etc) to support payments, including any petty cash disbursements. This is a necessary audit trail that must be retained for several years.
- Tax invoices. Vital if the entity is registered for GST and wishes to claim input tax credits. May be examined by a tax inspector one day.
- Stock sheets. Usually prepared at the end of accounting periods to record all stock on hand, such as books held for resale.
- Supplementary daily or weekly cash or sales journals. Used by small organisations with no staff. Usually participants do the record keeping. Can be an important audit trail.
- Working papers to support amounts shown in financial statements circulated to board and committee members. These are important, since they explain how figures have been compiled and assumptions used in their compilation. Vital audit trail, and may be used in any legal processes.
- Budget papers for all income and expenditure and other activities. These papers show how figures have been compiled, and are useful when comparing actual results against budget. Important planning documents which help estimating in future years.
- Treasurer's report. A crucial document, since it deals with the organisation's detailed financial report. Attempts to give a clear and concise overview of the organisation's financial health and likely outcomes for the year.

The Institute of Chartered Accountants of Australia, Voluntary Treasurer's Handbook, 2000.

Record assets in the register in the month they are bought. The cost should include installation costs, computer cabling, transportation and other associated costs incurred to make the asset usable. Use purchase orders, invoices and delivery dockets to provide the detail.

You also need to record leased assets. There are two types of leasing arrangements: operating lease and finance lease. A finance lease finances the cost of a leased asset. These finance leases must be recorded in the assets register. An operating lease is when the leased item is 'given back' at the end of the lease period.

Disposal of assets

When you dispose of an asset – sell, give away or throw away – update your asset register to include the date of disposal, the disposal amount and the method of disposal. Cease depreciation at the end of the month you disposed of the asset.

Treat trading in an asset as a disposal. When you sell an asset, record the proceeds in your financial records as well as your assets register.

Do not delete assets from your assets register until after the end of the financial year as the information needs to be incorporated into the annual statement of your financial position. At the beginning of the next financial year, record disposed of assets separately.

Basic asset register

ID No	Description	Brand	Model No.	Serial No.	Purchase $	Current $	Location
1.	2.4Ghz, Intel2.66 DDR memory 80Gb HDD	Dell	Dimension 2400	Xyz1234-d	$2400	$1200	Patrick
2.	2.2Ghz, Intel2.66 DDR Memory 80Gb HDD	Dell	Dimension 2000	Xyz1234-d	$2000	$1000	Peter