

Auditor's report on the Financial Report of an organization receiving subventions from Macao Social Welfare Bureau

澳門特別行政區政府
社會工作局
GOVERNO DA RAEM
INSTITUTO DE ACÇÃO SOCIAL



澳門會計專業聯會
UNION OF ASSOCIATIONS
OF PROFESSIONAL
ACCOUNTANTS OF MACAU

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18 May 2017

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Objectives of today's workshop

- 1) To study the requirements of SWB audits
- 2) To explore potential issues of SWB audits
- 3) To discuss the format of reporting on an SWB engagement

Today's Agenda

- 1) Back to the basics: The 5 Elements of an Assurance Engagement
- 2) Macau Auditing Standards vs International assurance practices framework (Discussions on a full scope audit and an AUP engagement)
- 3) External independent audit requirements in the SWB's Guideline
- 4) What "relevant regulations" are
- 5) Audit Expectation Gap
- 6) How the Macau Auditing Standards and Auditing Guidelines are applied in SWB audits
- 7) Extent of internal control 'audit'
- 8) Comparison of audit requirements of charitable organizations between Macau and Hong Kong
- 9) Auditor's report for SWB audits
- 10) NGO audits are regarded as higher risk engagements
- 11) Reference materials and points to take away

Agenda Point 1

Back to the basics: The 5 Elements of an Assurance Engagement

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Elements of an Assurance Engagement

Note: ISA 4400 (AUP) is not an assurance engagement. However, the '5 elements' should also be considered in an AUP engagement.

International Framework for Assurance Engagements

Five elements of an assurance engagement

- (a) A **three party** relationship involving a **practitioner**, a **responsible party**, and **intended users**;
- (b) An appropriate **subject matter**;
- (c) Suitable **criteria** (*i.e. reporting framework and auditing framework*);
- (d) Sufficient appropriate **evidence** (*i.e. the auditor has performed sufficient appropriate audit procedures to gather sufficient appropriate evidence*); and
- (e) A written assurance **report** in the form appropriate to a reasonable assurance engagement or a limited assurance engagement.

For detailed discussions and explanations of the above 5 Elements, please refer to the International Framework on Assurance Engagements issued by IAASB included in the IAASB 2017 Handbook Volume 3, pages 70-104

<https://www.iaasb.org/system/files/publications/files/2016-2017-IAASB-Handbook-Volume-3.pdf>

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How the 5 Elements are applied to the SWB audits

	The 5 Elements	SWB Audit
1	Three parties: 1) Practitioner 2) Responsible party 3) Intended users	1) Registered auditor 2) Management of entity 3) SWB
2	Appropriate subject matter (matters?)	The Entity's Annual Financial Report [not the Financial Statements of the parent body] to be prepared by the responsible party
3	Suitable criteria which should be clearly understood and accepted by the 3 parties: 1) Reporting criteria (See the next slide) 2) Auditing criteria	1) Reporting: 定期資助撥款指引 (?) 2) Auditing: Macau Auditing Standards and Guidelines
4	Sufficient appropriate evidence	To be gathered by the auditor
5	A written report	The format is to be determined according to the level of assurance expected by the user(s)

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Reporting criteria accounting jargons

- General purpose framework
- Special purpose framework
- Fair presentation framework
- Compliance framework

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Reporting criteria –
Definitions of ‘general
purpose reporting
framework’ and
‘special purpose
reporting framework’

Source: Glossary of
Terms, IFAC

- General purpose framework - A financial reporting framework designed to meet the common financial information needs of a wide range of users. The financial reporting framework may be a fair presentation framework or a compliance framework.
- Special purpose framework - A financial reporting framework designed to meet the financial information needs of specific users. The financial reporting framework may be a fair presentation framework or a compliance framework.

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Reporting criteria –
Definitions of ‘general
purpose reporting
framework’ and
‘special purpose
reporting framework’

Sources:

- ISA 200.13(a)
- Glossary of Terms, IFAC

Further guidance can be
found on Page 227 of
Guide to Using ISA,
Volume 1, IFAC, 3rd edition

The term "fair presentation framework" is used to refer to a financial reporting framework that requires compliance with the requirements of the framework and:

- (i) Acknowledges explicitly or implicitly that, to achieve fair presentation of the financial statements, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or
- (ii) Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial statements. Such departures are expected to be necessary only in extremely rare circumstances.

The auditor reports on whether the financial statements 'present fairly, in all material respects' or 'give a true and fair view of' the information that the financial statements are designed to present.

Examples: IFRS, HKFRS, and MFRS

The term "compliance framework" is used to refer to a financial reporting framework that requires compliance with the requirements of the framework, but does not contain the acknowledgements in (i) or (ii) above.

The auditor reports on whether the financial statements are prepared, in all material respects, in accordance with, for example, 'Jurisdiction X Corporations Act.'

Examples: See the next slide

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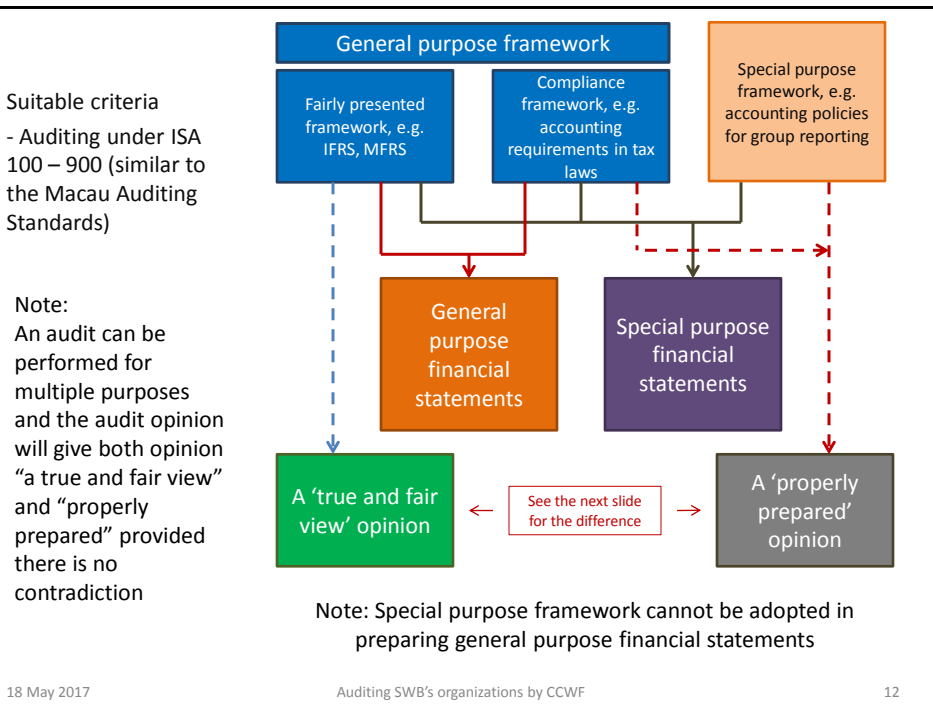
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Examples of special purpose frameworks

(Source: ISA 800 A1)

- A tax basis of accounting for a set of financial statements that accompany an entity’s tax return;
- The cash receipts and disbursements basis of accounting for cash flow information that an entity may be requested to prepare for creditors;
- The financial reporting provisions of a contract, such as a bond indenture, a loan agreement, or a project grant.
- The financial reporting provisions established by a regulator to meet the requirements of that regulator (such as SWB’s 社會服務設施定期資助撥款指引);

A “Restriction of Use” paragraph should be added on special purpose financial statements, such as those submitting to SWB (Specifically required under the existing ISA 800)



Agenda Point 2

Macau Auditing Standards
VS
International assurance practices framework

Macau Auditing Standards vs International assurance practices framework

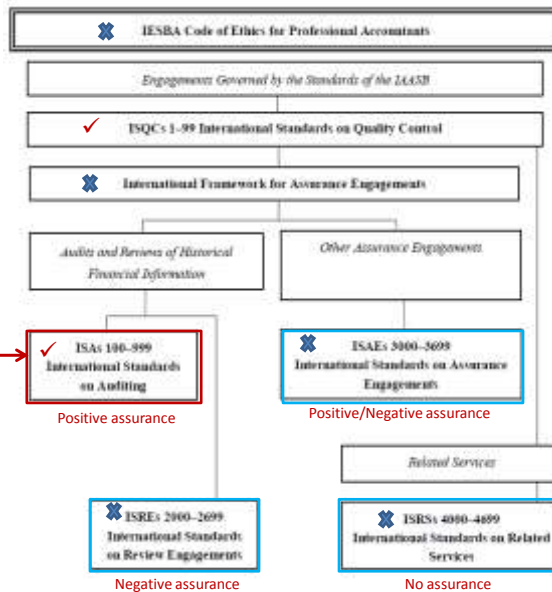
現時澳門核數準則的框架

- 2004 《註冊核數師職業道德守則》
- 2004 《核數準則》 **
- 2004 《核數實務準則》 **
- 2007 《核數實務準則》 應用技術指引
 - 第 1 號 - 核數報告 (ISA 700)
 - 第 2 號 - 核數業務約定書 (ISA 210)
 - 第 3 號 - 工作紀錄 (ISA 230)

** The Macau Auditing Standards are largely based on the International Standards on Auditing 2002 version

- ✓ Proposed to be adopted in Macau with modifications in 2018
- ✗ Not yet adopted in Macau

Professional standards issued by IFAC



International Assurance Standards that may be applied to perform an audit or procedures with an audit nature

A hybrid approach, i.e. a combination of these four, may be applied by some agents.

Depending on the purpose the engagement and/or level of assurance accepted by intended users:-

- 1) A full scope audit of historical financial statements (**reasonable assurance**): ISA 100 – 900 ★
- 2) A review engagement (**limited assurance**): 2000 series, i.e. either ISRE 2400 or 2410
- 3) An assurance engagement other than historical financial statement audit or review (**reasonable or limited assurance**): ISAE 3000
- 4) Performing Agreed-Upon Procedures (AUP) (**no assurance**): ISRS 4400 ★

★ We concentrate our discussion today on these two approaches

Note:
In the context of HK, HK SWD requires entities receiving subvention from HK SWD to undertake a full scope audit of the parent **and** a tailor-made “review” similar to ISRE 2400 for the subvention received. The arrangement will be discussed later.

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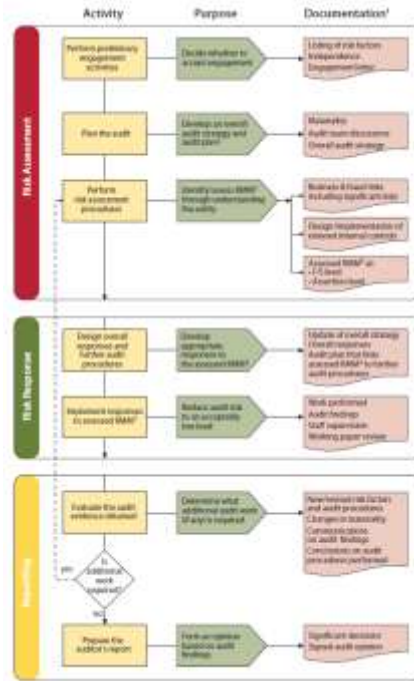
A full scope audit of financial statements

**International Standards on Auditing
100 – 900 are applied**

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The IFAC Audit Process
 - International Standards on Auditing 100 – 900 are applied
 (Full Scope Audit)

Note: Detailed application guidance is given in Guide to Using ISA. See 'reference materials' page later.



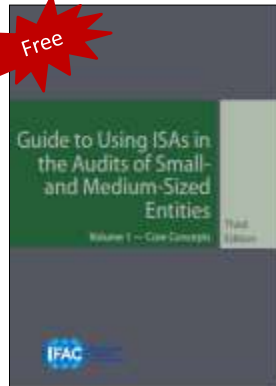
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Reference materials

2011 (3rd) edition, 2 volumes
 243 pages and 323 pages

Source:
<http://www.ifac.org/publications-resources/guide-using-international-standards-auditing-audits-small-and-medium-sized-en>



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Performing Agreed-Upon Procedures

ISRS 4400 is applied

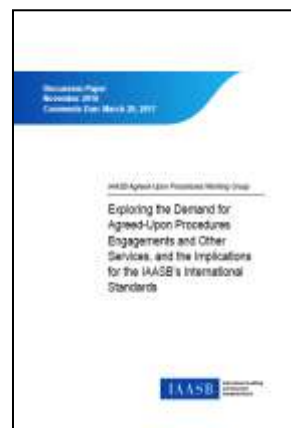
Recent development of using AUP to replace an audit

ICAEW, 2013



<https://www.icaew.com/-/media/corporate/files/technical/assurance-options/web-agreedupon.ashx>

IAASB, 2016



<https://www.ifac.org/publications-resources/discussion-paper-exploring-demand-agreed-upon-procedures-engagements-and>

Characteristics of Agreed-Upon Procedures

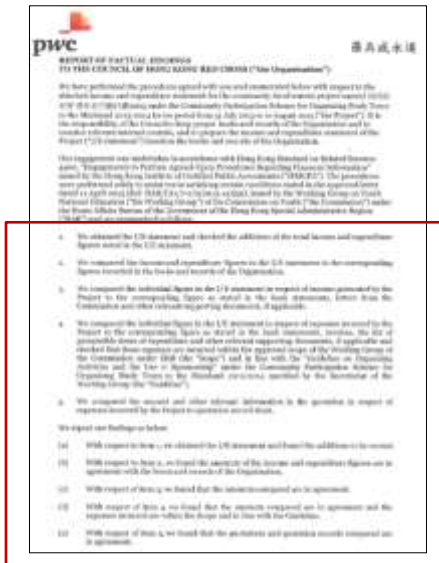


The above discussion paper gives detailed information about AUP.

- A fact finding exercise, i.e. **no assurance can be provided by the practitioner** (the auditor) and the user of the report is required to form his own opinion about the findings
- The procedures must be agreed in advance
- Unclear or misleading terminologies (e.g. audit, review, reasonable, appropriate, etc.) are forbidden
- AUP can be very effective when the '3 Parties' are knowledgeable about the nature of AUP
- Financial statement 'audit' and internal control 'audit' can be structured into an AUP; however, the engagement letter and the report will be lengthy.

(See attached slide for an illustrative example reported by PwC HK on The Red Cross and by PwC US on a SEC matter.)

An illustrative example reported by PwC HK on The Red Cross



(Show the PDF file on screen)

AUP Engagement can be complicated. Let's see another illustrative example on AUP engagement.



PwC's AUP report on SEC matters (Stored in a separate PDF file)
<https://www.sec.gov/Archives/edgar/data/1658638/000119312517382201/d31220dex993.htm>

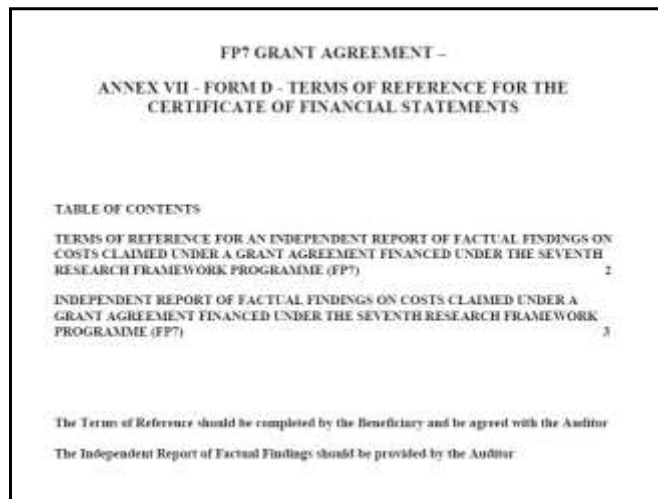
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A good example of using AUP in a 'mature market' - European Union's Grant (This scheme is similar to the one operated by SWB in Macau.)

Show the document on the screen



http://ec.europa.eu/research/participants/data/ref/fp7/95396/fp7-ga-annex7d_en.pdf

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Agenda Point 3

External independent audit requirements in SWB's Guideline

External independent audit requirements in SWB's Guidelines

社會服務設施
定期資助撥款指引

- Three areas of interest:
- 1) What the relevant regulations are
 - 2) How the MAS and Auditing Guidelines are applied
 - 3) Extent of internal control 'audit'

In the accounting profession, the auditor will be concerned about the controls relevant to the audit.

(二)外部審計

These 19 words lead us to think of (1) Sarbox s404; (2) the auditor's role in a contract; and (3) the 'audit expectation gap'

自二〇一七年起設施必須於每年六月三十日前向社工局提交對上一年的財務報告及外聘核數師編制的審查報告；且報告內所審查的內容及範圍應符合社工局的相關規定。

委託的外部核數師及核數公司應為「核數師暨會計師註冊委員會」的註冊核數師及核數公司，並符合十一月一日第71/99/M 號法令規定，登錄及刊登在《澳門政府公報》公佈的名單內。

受委託的外部核數師須就年度財務報表進行獨立審核，且審核應按照澳門特別行政區的《核數準則》及《核數實務準則》實施。

→ A full scope audit

核數師在審核過程中，倘發現內部控制不足之處，應在管理建議書中提出改善建議，設施須將核數師發出的管理建議書一併送交社工局。

設施須按上述規定，於翌年第二季內，向社工局提交已審核的年度財務報表、獨立核數報告、連同倘有核數師的管理建議書。

Source: <http://www.ias.gov.mo/hw/social-service-facilities/regime-financeiro-e-contabilistico-dos-equipamentos-subsidiados.2>

Agenda Point 4

What “relevant regulations” are

受資助社會服務設施
財務執行指引

Puzzle:
Is the auditor required to audit the governance requirements and internal controls prescribed in the Guideline?

Source:
<http://www.ias.gov.mo/tw/social-service-facilities/regime-financeiro-e-contabilistico-dos-equipamentos-subsidiados-2>

名稱	索引	PDF	Word	其他格式
社會服務設施定期資助撥款指引				
《附錄一》 審計化活動資助制度指引 (機構 / 社團 / 社團指引)				
《附錄二》 非運通款項撥付				
《附錄三》 “合理成本結算”內審計科目清單				
《附錄四》 財務報告格式				
《附錄五》 財務報告格式				
《附錄六》 預算表格式				
《附錄七》 受資助設施 - 固定資產管理程序指引				
《附錄八》 受社會工作與志願服務機構、社團的軟件管理與安全				
《附錄九》 機構 / 社團 - 報章報刊申請				
《附錄十》 社會服務設施 / 撥款項目人員資料表 (只適用於電子匯帳平台開通之前)				
年度活動資助指引				
年度活動資助-活動材料使用指南				
審計科目表				
審計科目清單 (“合理成本結算”內審計科目清單)				

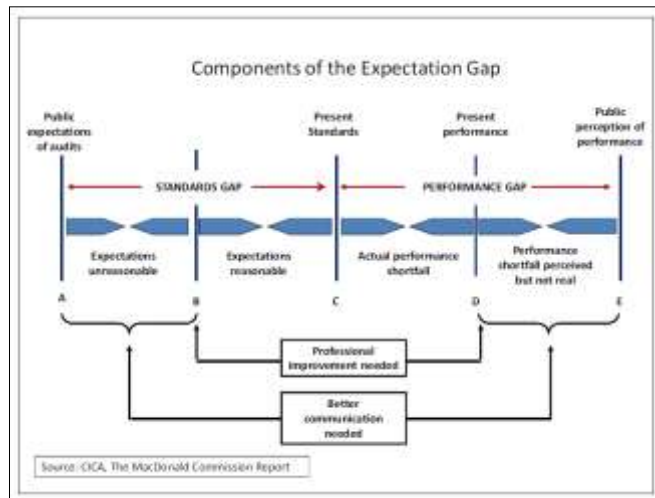
Agenda Point 5

Audit Expectation Gap

Audit expectation gap

There should be at least two criteria (i.e. standards or frameworks) used in a financial statement audit:
 1) Reporting framework
 2) Auditing framework

Personnel of the not-for-profit organizations and the regulators may not understand the auditing standards nor the roles and responsibilities of the auditor



For further reading:
https://www.massey.ac.nz/massey/fms/Colleges/College%20of%20Business/School%20of%20Accountancy/Documents/Discussion%20Papers/DPS_072.pdf?BAA19DBC06B2A4CF0EC2FE24E0371AEE (30 pages)

An example of audit expectation gap – Audit report expected by the Education Bureau of Hong Kong

In accordance with section 40BB(4) of the Education Ordinance (EO), the auditor appointed by the School Management Committee (SMC) **shall** report as to whether such account and balance sheet **present fairly** the financial transactions of the SMC during the accounting year to which the account and balance sheet relate.

In this regard, the AASC of HKICPA, together with the EDB, have developed a two-part report to address the relevant reporting requirements, within the constraints of HKSAs. The first part of the report would address whether the financial statements “present fairly” in accordance with HKFRSs or give a “true and fair view” in accordance with HKFRSs. The second part of the report would state whether the financial statements “**are prepared, in all material respects, in accordance with**” the requirements set by the EDB.

Source:
http://www.hkicpa.org.hk/file/media/section6_standards/standards/Audit-n-assurance/cir/auditofsch1016.pdf

(Show the Draft Audit Report (page 6) on the screen)

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Suggested steps to be taken to minimize the audit expectation gap in the context of SWB audits

Note:
 Later in this presentation, for illustration purpose, a Special Purpose Reporting Framework is formulated (according to my best guess of SWB's needs) and is included in the Notes to the Financial Statements.

- **Union** should **clarify with SWB** (1) the scope of the ‘special purpose reporting’ framework, (2) the wordings of the audit report (particularly the ‘audit’ of internal controls), and (3) the extent of internal control ‘audit’ (e.g. any “nil” return for internal control recommendation and **any tests of implementation and/or operating effectiveness?**)
- Explain to your client **differences between an “true and fair view” audit and an “compliance” audit**
- Point out to the management that the SWB regulations are very rigid and **full compliance is expected**; therefore their (clients’) full co-operation is vital
- Alert management their **responsibilities for maintaining proper internal controls** (not just those specified in the Guideline), keeping proper accounting books and preparing the financial statements (information) in accordance with the SWB Guidelines
- Remind management that the auditor’s responsibilities are to carry audit procedures and **prepare the auditor’s report only**
- Remind the management that you are not allowed to draft the financial statements (information) under **the ethical code**, i.e. the auditor cannot audit his own work
- Draft the **engagement letter** carefully to include all pre-conditions, discuss the engagement letter with the key management thoroughly and obtain the signed engagement letter before commencement of the audit

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Agenda Point 6

How the Macau Auditing Standards and Auditing Guidelines are applied in SWB audits

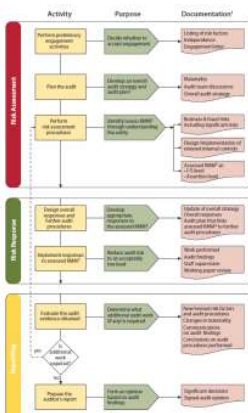
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Macau Auditing Standards and Auditing Guideline and audit approach

The IFAC Audit Process



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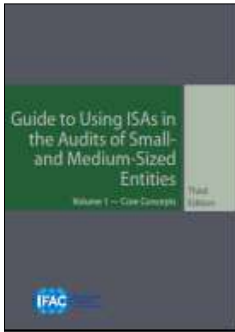
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- The existing Macau Auditing Standards (MAS) use the methodology similar to the IFAC Audit Process approach, i.e. the risk-based audit methodology; however, the standards allow the auditor to use the substantive approach or a mix of the system-based and substantive approaches
- The auditor must perform a review of internal control system before deciding the audit approach: the risk-based or substantive approach (a walkthrough test may be useful)
- If the auditor chooses to use the substantive approach, the auditor should document the rationale (e.g. internal controls are not operating effectively)
- Determination of materiality levels (see the next slide) must be documented
- The existing MAS do require the auditor to communicate internal control weaknesses to the client and the scope is wider (normally include governance issues) than those requirements in the SWB Guidelines, but SWB's requirements are more specific
- The existing MAS do not include AUP, i.e. ISA 4400; therefore, ISA 4400 cannot be applied in SWB audits
- The sample audit report No. 12 in the MAS Guideline No. 1 is suitable to be used for the SWB audits; however, the report needs to be modified
- For recurring income and expenses, apart from reviewing the internal controls, the most effective audit method is to substantiate one month transactions and to carry out a reasonableness test on other months using the substantive analytical procedure
- When the auditor wants to rely on controls and performs tests of controls, the auditor must ensure that the controls are homogeneous (Note: Homogeneous processes differ from homogeneous controls.); e.g. same control procedures performed by different persons are not homogeneous controls

Determination of materiality levels

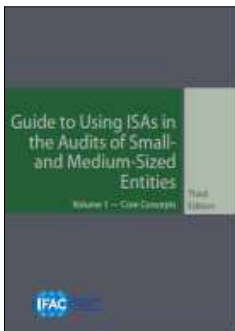
- Overall materiality
- Specific materiality
- Performance materiality



Benchmark for determining the overall materiality (The 'rule of thumb')

Characteristics of entity	Relevant financial statement line item	Percentage
Entities with fluctuating earning from year to year	Average of the profit/loss for the past 5 years	5%
Not-for-profit organization ★	Either total income	1%
	or total expenses	1%
	or total assets	0.5%
Mutual fund entity	Net assets	0.5%
Start-up entity	Total assets	1%

Extent of tests of manual transactional controls operating effectiveness



Control Operates	Suggested minimum sample	Coverage % of Test
Multiple times per day	Attribute sampling to determine the sample size ★	
Weekly	10	19%
Monthly	2 - 4	25%
Quarterly	2	50%
Yearly	1	100%

Note:

For automated controls, test of one sample of each control is enough.

★ The use of the Attribute Sampling is well illustrated in Volume 2 of IFAC's Guide to Using ISA as well as in the textbook, Auditing & Assurance Services, (preferably the 3rd International Edition), by Eilifsen, Messier, Glover, and Prawitt, which is recommended by CRAC for preparing the Macau Authorized Auditor Examination.

Agenda Point 7

Extent of internal control 'audit'

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Extent of internal control 'audit'

Commentary:

- 1) From the auditor's perspectives, some 'internal control' requirements may not be regarded as internal control measures. These requirements may be 'pre-conditions' for grants or corporate governance issues.
- 2) These requirements can be fulfilled by annual declaration by the chief representative of the entity

A technical issue
(See the example of PCAOB AS No. 5 to be shown later)

- The SWB Guideline uses a rule-based approach and has specified the 'internal controls' on the following areas:
 - Bank account
 - Petty cash fund
 - Income and expenses accounting
 - Fixed assets
 - Purchasing function
- The SWB Guideline does not specify any requirements of testing the design and implementation effectiveness or/and operating effectiveness
- The SWB Guideline requires that if the auditor becomes aware of any internal control weakness during the course of the audit, the auditor should make written recommendations
- The Macau Auditing Standards require the auditor to communicate to the client any areas to improve internal controls which implicitly include improvement on corporate governance
- The SWB Guideline is silent on the format of the internal control recommendation reporting, i.e. any "nil" reporting necessary
- The auditors can express an opinion on internal controls as of a particular date only (See the example in PCAOB AS 5 shown later)
- FYI, HK SWD does not require the auditors to audit internal controls; instead, HK SWD teams will visit the entities separately and perform audits of internal controls

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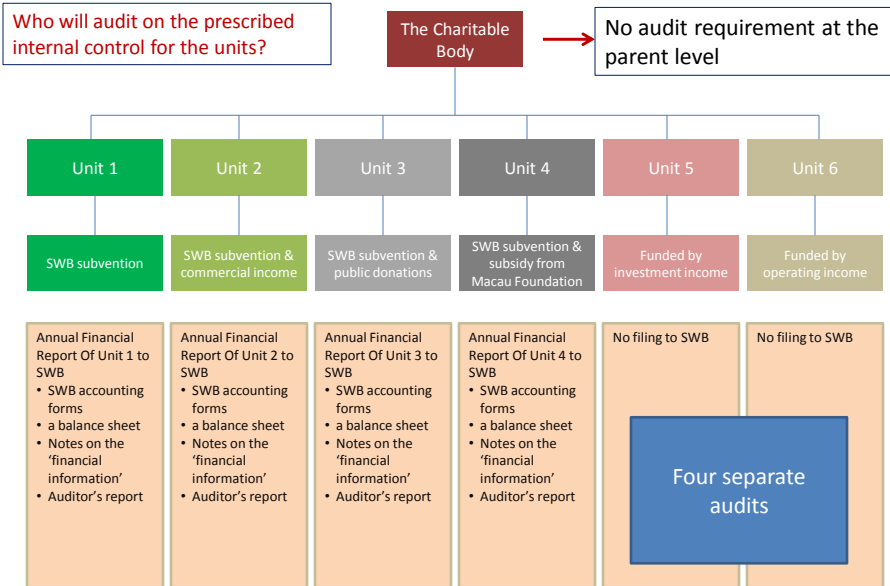
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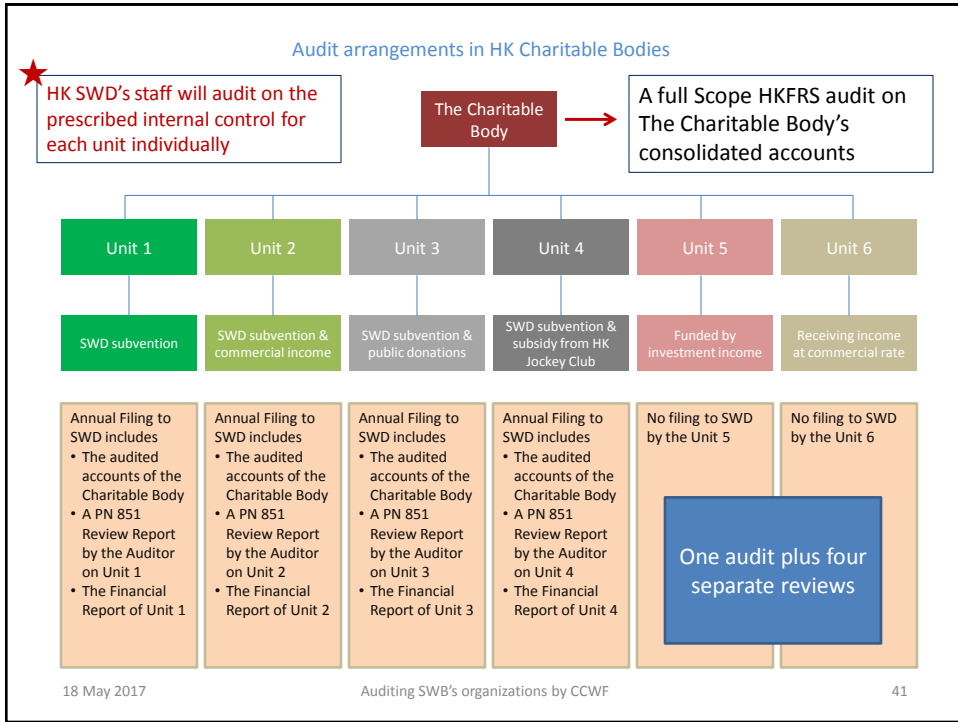
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Agenda Point 8

Comparison of audit requirements of charitable organizations between Macau and Hong Kong

Perceived audit requirements of charitable organizations in Macau





A full scope audit report on a charity by a HK CPA

KPMG's audit report on Oxfam 31 March 2016 Financial Statements

(Stored in a separate PDF file on page 10)

http://www.oxfam.org.hk/filemgr/1326/OHK2_01516SignedAuditAccount.pdf

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HKICPA's Practice Note 851

PRACTICE NOTE 851 REVIEW OF THE ANNUAL FINANCIAL REPORTS OF NON-GOVERNMENTAL ORGANIZATIONS <i>(Revised April 2016) (revised September 2016) (Interim 2016)</i>	
Contents	Paragraph
Introduction	1-4
Scope (see clause)	1-15
Objectives	16
Underpinning of review engagement	17-25
Review procedures and evidence	26-32
Management representations	33-34
Conclusion and reporting	35
Appendix I - Example engagement letter for review of the annual financial report	
Appendix II - Example review report on the annual financial report - unqualified conclusion	

A review engagement is to perform enquiries and analytical procedures. No 'additional' audit procedures will be performed on the Financial Report of the unit

The purpose of Practice Notes issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) is to assist auditors in applying Auditing Standards of general application to particular circumstances and industries.

They are persuasive rather than prescriptive. However they are indicative of good practice and have similar status to the explanatory material in Statements of Auditing Standards (SASs), even though they may be developed without the full process of consultation and exposure used for SASs. Auditors should be prepared to explain departures when called upon to do so.

PN 851 is stored separately in a PDF file.

A real case of PN 851



Review conclusions as recommended by PN 851

Review conclusions

On the basis of the results of our review and having regard to the audit procedures performed by us in relation to the audit of the financial statements of the Charity for the year ended [31/3/2001]:

- a. in our opinion the Annual Financial Report has been properly prepared from the books and records of the Charity; and
- b. no matters have come to our attention during the course of our review, which cause us to believe that the Charity has not:
 - i. properly accounted for the receipt of Lump Sum Grant, Provident Fund, Tide-over Grant and other social welfare subventions and expenditure in respect of Funding and Services Agreement activities and support services;
 - ii. kept separate Operating Income and Expenditure Account for each subvented service unit as required by the Lump Sum Grant Manual (LSG Manual) published by the Social Welfare Department of the Government of the HKSAR;
 - iii. prepared the Annual Financial Report in accordance with the format and requirements set out in the LSG Manual; and
 - iv. employed the staff quoted in the Tide-over Grant and Provident Fund arrangements during the year ended [31/3/2001].

This report is intended for filing with the Social Welfare Department of the Government of the HKSAR and should not be used for any other purpose.

Review report as required by HK SWD

"We have audited the financial statements of XYZ for the year ended 31 March ZZZZ and have issued an unqualified /qualified auditors' report thereon dated XX/YY/ZZZZ.

We conducted our review of the attached Annual Financial Report of XYZ for the year ended 31 March ZZZZ in accordance with the Practice Note issued by the Hong Kong Society of Accountants. The review includes considering the procedures and records relevant to the preparation of the Annual Financial Report and performing procedures to satisfy ourselves that the Annual Financial Report has been properly prepared from the books and records of XYZ, on which the above audited financial statements of XYZ are based."

PN 851 uses a positive assurance in (a) and a negative assurance (i.e. 'double negative' opinion) in (b). **This is a compromise.**

Review conclusions as used by PN 851

Review conclusions

On the basis of the results of our review and having regard to the audit procedures performed by us in relation to the audit of the financial statements of the Charity for the year ended [31/3/2001]:

- a. in our opinion the Annual Financial Report has been properly prepared from the books and records of the Charity; and
- b. no matters have come to our attention during the course of our review, which cause us to believe that the Charity has not:
 - i. properly accounted for the receipt of Lump Sum Grant, Provident Fund, Tide-over Grant and other social welfare subventions and expenditure in respect of Funding and Services Agreement activities and support services;
 - ii. kept separate Operating Income and Expenditure Account for each subvented service unit as required by the Lump Sum Grant Manual (LSG Manual) published by the Social Welfare Department of the Government of the HKSAR;
 - iii. prepared the Annual Financial Report in accordance with the format and requirements set out in the LSG Manual; and
 - iv. employed the staff quoted in the Tide-over Grant and Provident Fund arrangements during the year ended [31/3/2001].

This report is intended for filing with the Social Welfare Department of the Government of the HKSAR and should not be used for any other purpose.

Agenda Point 9

Auditor's report for SWB audits

Extracted from Macau "Technical Guidelines for the Application of *Technical Auditing Standards* No.1 – Audit Report"

The audit report shall include the following basic elements:

- (1) Title;
- (2) Addressee;
- (3) Introductory paragraph;
- (4) Management's responsibility for the financial statements; (**Embedding the Reporting criteria**)
- (5) Auditor's responsibility; (**Embedding the Auditing criteria**)
- (6) Audit opinion;
- (7) Other reporting matters;
- (8) Auditor's signature;
- (9) Date of the audit report;
- (10) Auditor's address.

Note: Before ISA 800 was promulgated, the auditor would disclose the 'special purpose' information and restriction of use under item (7).

Remark: It is noted that some Macau auditors still issue audit reports without these three basic elements.

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Sample of Audit Report 12
Unqualified Opinion (Non-commercial organisations)

Does not distinguish "fair presentation" or "compliance" frameworks

Independent Audit Report
To [Addressee of the audit report]

I have audited the accompanying financial statements [Listed on page _ to page _] of [entity being audited], which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity, and cash flow statement for the year then ended, and a summary of significant policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and presentation of these financial statements in accordance with the [applicable accounting standards, laws or regulations]. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and maintain the adequate and accurate accounting records.

Auditor's Responsibility
My responsibility is to express an opinion on these financial statements based on our audit. I conducted my audit in accordance with the *Auditing Standards* and the *Technical Auditing Standards* of Macao SAR. Those Standards require that the auditor complies with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements 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 management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion – Unqualified opinion
In my opinion, the financial statements referred to above give a true and fair view, in all material respects, the financial position of [entity being audited] as of December 31, 20X1, and the operating results and cash flow for the year then ended in accordance with the [applicable accounting standards, laws or regulations].

[Other reporting matters required by particular regulations and standards should be inserted in this paragraph where appropriate.]

XYZ {Auditor's signature}


The phrase 'true and fair' should not be used together with the phrase 'in all material respect', which should be used in conjunction with 'present fairly'.

Note: Opinion on consistency of accounting policies is not included in the sample report!

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PCAOB Auditing Standard No. 5
An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements

**Reporting on internal controls can only be for a particular date*



If SWB requires an audit of internal controls, should we issue an integrated audit report similar to the one in the US?


Note: This is required by Sarbox s404 resulting in a 300% increase in audit fee incurred by a listed company in the US in 2004.

[Opinion paragraph]
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of W Company as of December 31, 20X8 and 20X7, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 20X8 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, W Company maintained, in all material respects, effective internal control over financial reporting as of **December 31, 20X8*, based on [*Identify control criteria, for example, "criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."*].

Source:
https://pcaobus.org/Standards/Auditing/pages/auditing_standard_5.aspx
(56 pages)

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Hong Kong Standard on Auditing 700 - Forming an Opinion and Reporting on Financial Statements



Example of a dual-purposes auditor's report

[Opinion]
In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 20X1, and of its [profit][loss] and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

This report covers both the 'fair presentation' framework and the 'compliance framework'

Source:
HKICPA Members' Handbook V III, HKSA 700, Illustration 1.

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<核數實務準則>
應用技術指引第1
號 - 核數報告

Macau Auditing Standards permit a multi-purposes audit

5.

因此，核數師在核數報告中所表達的對財務報表的意見，應清楚說明已審核的財務報表是否根據適用的會計原則編製，並在所有重要方面是否真實、公允地反映被審核實體的財務狀況、經營結果和現金流量。同時，亦應對財務報表是否符合特定法例的規定表達意見；例如，保險公司是否按照保險法例的規定，適當和及時地記錄其保險業務。

<核數準則>

This is a legal requirement in Macau:

(四) 核數師應在核數報告中清楚指明編製財務報表所採用的會計原則，並說明財務報表是否根據該原則編製，在所有重要方面是否真實、公允地反映被審核實體財務狀況、經營結果和現金流量，以及所採用的會計處理方法是否符合一貫性原則。

Example (Extracted from Luso Bank's 2015 Annual Report)

Audit opinion

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of Luso International Banking Limited as at 31 December 2015 and of its operating results and cash flows for the year then ended in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region. The accounting policies used in the preparation of the financial statements for the year ended 31 December 2015 are consistent with those used in the preceding year.

Illustrative Unqualified Opinion on dual purposes financial statements prepared for both the “fair presentation” and “compliance” frameworks in one audit

Independent Auditor’s Report

To [Addressee of the audit report]

I have audited the accompanying financial statements on pages _ to _ of [name of entity], which comprise the balance sheet as of 31st to _ December 2016 and the income and expenditure account for the year then ended, and a summary of significant policies and other explanatory notes.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of these financial statements in accordance with the **General Financial Reporting Standards of Macao and SWB’s 社會服務設施定期資助撥款指引**. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and maintain the adequate and accurate accounting records.

Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on our audit. I conducted my audit in accordance with the *Auditing Standards* and the *Technical Auditing Standards* of Macao SAR. Those Standards require that the auditor complies with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the entity’s preparation and presentation of the financial statements 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 management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion – Unqualified opinion

In my opinion, the financial statements referred to above **give a true and fair view** of [entity being audited]’s financial position as of December 31, 20X1, and of its **operating results** for the year then ended in accordance with the *General Financial Reporting Standards of Macao* and have been properly prepared, [in all material respect], in accordance with SWB’s 社會服務設施定期資助撥款指引. [The accounting policies used in the preparation of the financial statements for the year ended 31 December 2016 are consistent with those used in the preceding year.]

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist [name of entity] to comply with the financial reporting provisions of SWB’s 社會服務設施定期資助撥款指引 referred to above. As a result, the financial information may not be suitable for another purpose. Our report is intended solely for [name of the entity] and SWB and should not be distributed to or used by parties other than [name of the entity] or SWB.

X Y Z {Auditor’s signature}
[Date]

Note:

- 1) It is **not recommended** to adopt a multi-purposes audit report in an SWB audit because there may be conflicts between the SWB accounting forms and the *General Financial Reporting Standards* or the *MFRS*.
- 2) Consider using columnar B/S, P/L and disclosures when more than one centres operated by one ‘entity’

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Illustrative Unqualified Opinion on sole purpose accounting forms (financial information) prepared for the “compliance” framework only

Independent Auditor’s Report

To [Addressee of the audit report]

I have audited the accompanying financial information on pages _ to _ of [name of entity], which **comprises** [list of the accounting forms], and [a summary of significant policies and] other explanatory notes.

Management’s Responsibility for the Financial Information

Management is responsible for the preparation and presentation of this financial information in accordance with the **SWB’s 社會服務設施定期資助撥款指引**. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and maintain the adequate and accurate accounting records.

Auditor’s Responsibility

My responsibility is to express an opinion on this financial information based on our audit. I conducted my audit in accordance with the *Auditing Standards* and the *Technical Auditing Standards* of Macao SAR. Those Standards require that the auditor complies with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the entity’s preparation and presentation of the financial information 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 management, as well as evaluating the overall presentation of the financial information.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion – Unqualified opinion

In my opinion, the financial information referred to above **has been properly prepared**, [in all material respect], in accordance with the **SWB’s 社會服務設施定期資助撥款指引**. [The accounting policies used in the preparation of the financial information for the year ended 31 December 2016 are consistent with those used in the preceding year. (?)]

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note X to the financial information, which describes the basis of accounting. The financial information is prepared to assist [name of the entity] to comply with the financial reporting provisions of SWB’s 社會服務設施定期資助撥款指引 referred to above. As a result, the financial information may not be suitable for another purpose. Our report is intended solely for [name of the entity] and SWB and should not be distributed to or used by parties other than [name of the entity] or SWB.

X Y Z {Auditor’s signature}
[Date]

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Final remarks on audit
report on charity's
financial statements

It is not uncommon that some statutes, memorandum and articles of association and trust deeds require some specific matters to be reported by the auditor. Such matters may include whether:

- The charity has kept accounting records in accordance with the relevant laws and regulations; or
- The financial statements are in agreement with the accounting records; or
- The trustees' report is consistent with the financial statements; or
- Necessary information and explanations have been made available to the auditor.

The auditor is reminded to make enquiries to the management and carry out proper research, and report such information as "other matters" in the auditor's report.

**In my view,
SWB audits can be more easier to understand if ...**

建議微調 社會服務設施定期資助撥款指引

原文	修改後
<p>二、資助制度的結構</p> <p>(四) 年度結餘</p> <p>設施須每曆年按本章第（三）節的規定對財政收支情況作結算，並編制年度財務報告。</p>	<p>二、資助制度的結構</p> <p>(四) 年度結餘</p> <p>設施須每曆年按本章第（三）節的規定對財政收支情況作結算，並編制年度財務報告。<u>編制年度財務報告所採用的會計政策必須符合社工局的相關規定。</u> (This is the reporting criteria)</p>
<p>三、財務會計制度</p> <p>(二)外部審計</p> <p>自二〇一七年起設施必須於每年六月三十日前向社工局提交對上一年的財務報告及外聘核數師編制的審查報告；<u>且報告內所審查的內容及範圍應符合社工局的相關規定。</u></p>	<p>三、財務會計制度</p> <p>(二)外部審計</p> <p>自二〇一七年起設施必須於每年六月三十日前向社工局提交對上一年的財務報告及外聘核數師<u>審核該財務報告所編制的審查報告。</u> 且報告內所審查的內容及範圍應符合社工局的相關規定。 (Clearly identify the subject matter)</p>

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<p>If the suggested changes are accepted</p>	<ul style="list-style-type: none"> • The reporting framework is the <u>“the Basis of Accounting”</u> which will be discussed later • The auditor will perform <u>a normal audit</u> in accordance with the Macau Auditing Standards and the Charity Body is the engagement party • The auditor will not be required to ‘audit’ all of the <u>prescribed internal controls</u> in SWB’s Guideline; however, in accordance with the Macau Auditing Standards, the auditor will be required to test the relevant internal controls for the audit purpose and make recommendations for improvement • The audit report will take the format as the <u>Sample Report No. 12</u> given in the Auditing Guideline No. 1 with an additional ‘restriction of use’ paragraph to indicate that those are special purpose financial statements (See the next slide for illustration) • The audit opinion will read as “the financial statements have been <u>prepared, in all material respect, in accordance with the Basis of Accounting</u> fully described in Note X to the financial statements
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The Financial Report will comprise the following financial statements

- Statement of Financial Position
- Statement of Income and Expenses
- Statement of Subvention Summary (This can be shown separately as a principle statement in the Financial Report or insert in one of the Notes to the Financial Statements)
- Notes to Financial Statements

Notes to financial statements (For illustration purposes)

You should work together with the client to tailor-make this note to disclose the relevant information about the client.

1. Background information

[Name] (the 'Centre') is a not-for-profit entity and is established to provide [description of services] at [addresses] in Macao SAR. The Centre is registered with [the Social Welfare Bureau of Macao SAR] under the [name of the law/regulation] and receives subvention(s) from SWB to finance its operations. [The Centre also engages on a commercial operation to provide [description of services].]

The Centre is one of the operating units of [name of company] which is incorporated in Macau and is ultimately owned by Mr. A.

[Or]

[The Centre is operated and controlled by Mr. A.]

★ 2. Basis of Accounting

Notes to financial statements (For illustration purposes)

Another option: “Basis of Accounting” which is a layman term can be replaced by a specific accounting term “Special Purpose Reporting Framework” to specify clearly the reporting framework being used.

See another example in HKICPA’s recommendation on ED’s accounts.

These financial statements are prepared in compliance with the [name of the agreement] between [the Centre] and SWB dated [date] [and the Supplements], and SWB’s 社會服務設施定期資助撥款指引 (the Guideline). The [Centre]’s accounting policies, which are summarised in Note 3, are developed based on the Guideline and the accounting practices generally accepted in Macau.

These financial statements are for the use by the management of the Centre and SWB and the accounting policies may not be consistently applied. Comparative information is limited to showing the opening balances of certain account movements.

[These financial statements give the financial position and the operating results of the Centre alone, not of its controlling entity.]

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★ 3. Summary of significant accounting policies

Notes to financial statements (For illustration purposes)

Note: When similar transactions have more than one accounting treatment, details should be disclosed. For example, expenses covered by SWB subvention and expenses not covered by SWB subvention may subject to different accounting policies.

- a) Accounting convention
- b) Government grant
- c) Income
- d) Expenses
- e) Donation received
- f) Inventory
- g) Property, plant and equipment
- h) Accounts receivable
- i) Accounts payable
- j) Accumulated surplus
- k) General fund

[Other policies]

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Notes to financial statements (For illustration purposes)

4. Property, plant and equipment

(Form A3 should be inserted here)

5. 人員開支資助

(人員開支資助結算表 should be inserted here)

6. 經常、行政及活動開支資助

(經常、行政及活動開支資助結算表 should be inserted here)

7. 基金

(Movements in each fund and restriction of use should be disclosed here)

8. 儲備

(Movements in each fund and restriction of use should be disclosed here)

[Other Notes]

Illustrative Unqualified Opinion on sole purpose financial statements prepared for the "Special Purpose Reporting" framework

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of these financial statements in accordance with the **Basis of Accounting as more fully disclosed in Note [2] to the Financial Statements**. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and maintain the adequate and accurate accounting records.

Another option:

The term "Basis of Accounting" can be replaced by the term "Special Purpose Reporting Framework" to specify clearly the reporting framework being used.

**Illustrative Unqualified Opinion on sole purpose
financial statements prepared for the “Special
Purpose Reporting” framework**

Opinion – Unqualified opinion

In my opinion, the financial statements referred to above have been prepared, in all material respect, in accordance with the Basis of Accounting described in Note [2] to the financial statements

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note [2] to the financial statements, which describes the Basis of Accounting. These financial statements are prepared for the sole purpose of reporting [name of the entity]’s financial position and performance in accordance with the financial reporting to SWB. As a result, the financial statements are prepared with accounting policies which may not be consistent with the prior year, and may not be suitable for another purpose. Our report is intended solely for the management of [name of the entity] and SWB, and should not be distributed to or used by parties other than the management of [name of the entity] or SWB.

Another option:

The term “Basis of Accounting” can be replaced by the term “Special Purpose Reporting Framework” to specify clearly the reporting framework being used.

**Let’s see a real example of report on a set of
financial statements using
the special purpose financial reporting framework**

<http://www.gicin.z.org.nz/wp-content/uploads/2015/10/GI-Cancer-2015-Financial-Statements-signed.pdf>

In my view,
if AUP is applied to replace a full scope SWB audit,
the consequences may be ...

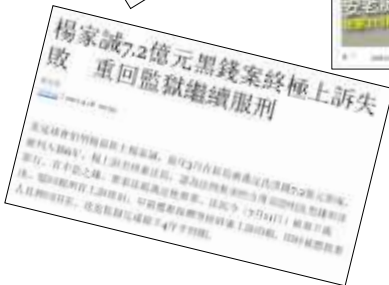
Potential issues if AUP is used to replace a full scope audit in the context of SWB audit

- 1) As AUP is not a 'recognized' methodology within the Macau Auditing Framework, SWB needs to amend the Guideline or issue an addendum to allow the auditor to apply AUP
- 2) The 'responsible party' (management) may not know what are required to be included in the AUP engagement letter, i.e. the exact procedures to be performed
- 3) Only those procedures with expected 'good finding' or those easy tasks may be 'agreed' with the auditor (No unpredictability)
- 4) If SWB prepares a set of 'standard procedures', the procedures may not be specific enough, or may be too many for certain entities and too little for some entities
- 5) If SWB wants the auditors to perform tests of those controls specified in the 'Guideline', it will be necessary to state the sample size for each of the AUP engagements
- 6) If no standard procedures are published, SWB may be requested to confirm the engagement letter [individually?] before the auditor commences work; otherwise, there may be disputes at the end
- 7) The AUP engagement letter and the report will be very lengthy, and the auditor will require more time to prepare these documents, and SWB requires significant time to follow up the findings
- 8) AUP is less effective in helping the entities improve their governance

Agenda Point 10

NGO audits are regarded as higher risk engagements

Carry out risk assessment before acceptance!



NGO audits are regarded as higher risk engagements



<https://www.oecd.org/tax/exchange-of-tax-information/42232037.pdf>
65 pages

- NGO audits are regarded as higher risk engagements by the accounting profession in jurisdictions outside Macau
- NGO are arguably PIE (Public Interest Entities)
- Most of the NGO do not have good governance structures and practices, i.e. risk assessment and internal controls are relatively weak
- Occupational frauds are common in NGO: always consider the Fraud Triangle – Pressure, Opportunity and Justification
- NGO are targets of money laundering activities
- Audit teams should be reminded to maintain professional skepticism at all time

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Five common types of charity fraud:

Internal fraud

- *Misuse of charity money*
- *False expenses*

External fraud

- *False invoicing*
- *Unauthorized fundraising*
- *Credit card scams*



Five common types of charity fraud and how to prevent them


20 June 2016 by Third Sector Centre, Be the First to Comment
<http://www.thirdsector.org.uk>

Voluntary organisations can be an easy target for criminals, but there are steps they can take to minimise this risk

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A man in this photo recently squandered millions of dollars through financial mismanagement and was detained by authorities (source)

How to Spot Financial Fraud in a Non-Profit: 2 Warning Signs

By Steve MacLellan
The Staff Accountant

Sign #1: You can't get financial data

Sign #2: Bullying Behaviour by Management

* * * * *

Sign #3: Over generous management (This is added by CCWF)

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Detection and Prevention of Fraud in NFP Organizations Recommended by CPA Canada

Signs for fraud (exercise your professional skepticism):

- Reconciliations are not being performed or reviewed on a timely basis and cash is not being deposited in the bank in a timely manner
- Employees, particularly those with access to assets and/or financial accounting records, appear to be living beyond their means
- Key records go missing when you are looking for them
- The financial results suggest that the NPO is doing well but the organization is suffering from a lack of cash flow, or the cash flow is not commensurate with what one would expect
- Costs are escalating at a rate that is unexpected and inconsistent with the budget
- If it is an employee committing the fraud, they tend to work longer hours when others are not around to observe their activities

Recommendations on preventing fraud:

- Separate cash handling duties (*Note: Proper segregation of duties - Authorization, Custodian and Recording functions should be separated wherever possible*)
- Implement rigorous cash handling procedures
- Set up policies to prevent cheque and mail fraud
- Safeguard your information technology infrastructure
- Establish sound business practices, especially in protecting confidential data

Source:
<https://www.cpacanada.ca/en/connecting-and-news/news/professional-news/2016/january/not-for-profit-fraud>

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Before acceptance of
a SWB audit
engagement

- Perform a proper pre-acceptance risk assessment
- Appropriate skills of NGO audits
- Consider available resources (particularly when you decide to use a substantive audit approach!)
- Consider the engagement economics (recovery of costs)
- Consider the balance of the social responsibility and reputation risk
- Consider any conflict of interest
- If it is anticipated that an adverse opinion or a disclaimer opinion will be necessary, pursuant to the best practice of the audit professional ethics (in the International code of Ethics), the auditor should turn down the engagement

Agenda Point 11

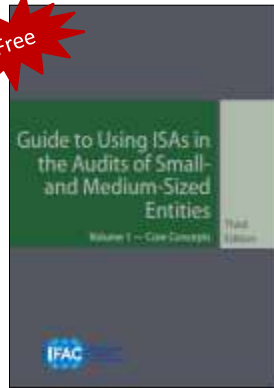
**Reference materials
&
Points to take away**

Reference materials

2011 (3rd) edition, 2 volumes
243 pages and 323 pages

Source:

<http://www.ifac.org/publications-resources/guide-using-international-standards-auditing-audits-small-and-medium-sized-en>



Note:

1. The English version can be downloaded free of charge from IFAC website
2. The Chinese version is available at CICPA's on-line book store.
3. The use of the Attribute Sampling is well illustrated in Volume 2 of this book as well as in the textbook, Auditing & Assurance Services, (preferably the 3rd International Edition), by Eilifsen, Messier, Glover, and Prawitt, which is recommended by CRAC for preparing the Macau Authorized Auditor Examination.

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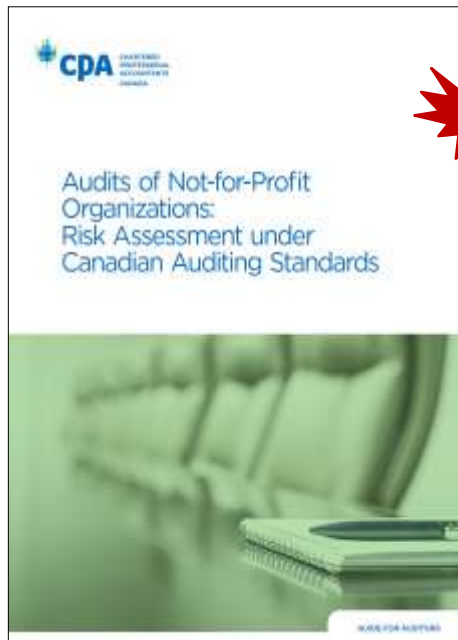
Reference materials:
Audits of Not-for-Profit Organizations
by CPA Canada

(126 pages, 2015 Edition)

<https://www.google.com.hk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&cad=rja&uact=8&ved=0ahUKEwiEtrLx147TAhUHbrwKHbVmAbIQFggeMAE&url=https%3A%2F%2Fwww.cpacanada.ca%2Fmedia%2Fsite%2Fbusiness-and-accounting-resources%2Fdocs%2Fguide-for-auditors-audits-of-not-for-profit-organizations-risk-assessment-under-cas-july-2015.pdf&usg=AFQjCNeOO7oZMMWTboVnOf742zOIQ5A>

Note:

Canadian Auditing Standards
have been fully converged with
International Auditing Standards





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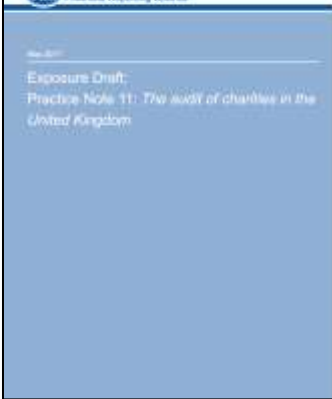
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Reference materials

UK FRC
Practice Note 11
The Audit Of Charities in the United Kingdom (Exposure Draft)
74 pages, 2017 Edition



PRACTICE NOTE 11
THE AUDIT OF CHARITIES IN THE UNITED KINGDOM

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<https://www.frc.org.uk/Our-Work/Publications/Audit-and-Assurance-Team/Invitation-to-Comment-Proposal-to-revise-PN-11-T/Exposure-Draft-Practice-Note-11-The-Audit-of-Ch.aspx>

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Reference materials:

Guide to Corporate Governance for Subvented Organisation, June 2015
Second Edition, 145 pages

Source:
http://www.eu.gov.hk/en/reference/publications/guide_to_cg_for_so_2015.pdf (2015 Edition)









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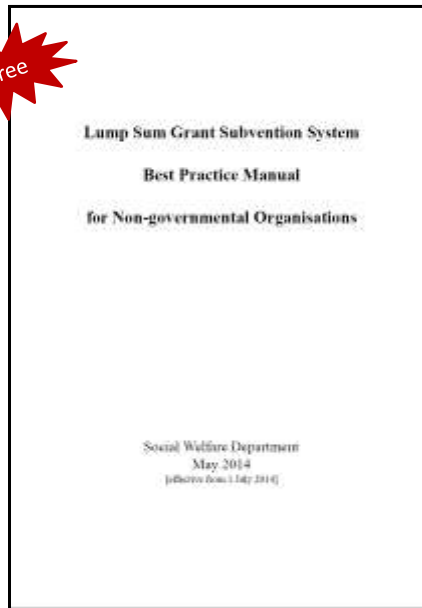
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Reference materials:

Advice on NGO
governance

Lump Sum Grant
Subvention System
Best Practice Manual
for Non-governmental
Organisations (2014)
39 pages
[http://www.swd.gov.hk/
doc/ngo/BPM/Best%20Prac
tice%20Manual-E.pdf](http://www.swd.gov.hk/doc/ngo/BPM/Best%20Practice%20Manual-E.pdf)



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Reference materials:

Advice on internal
control for NGO

Social Welfare Services
Lump Sum Grant
Manual 2nd Edition
(2000), Appendix 7
(Pages 79-109)
[http://www.swd.gov.hk/
doc/ngo/LSGManualv
er2eng.pdf](http://www.swd.gov.hk/doc/ngo/LSGManualv2eng.pdf)



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Points to take away

- 1) SWB audits may not be as easy as it appears and the auditor may have a higher audit risk
- 2) Perform proper risk assessment and consider your firm's resources
- 3) Study SWB's Contracts, Guidelines and the appendix, and the client's constitutional documents carefully
- 4) Familiarise yourself with the explicit internal control specified in the SWB's Guidelines
- 5) Prepare checklists for various relevant Contracts and Guidelines
- 6) Start contacting your client earlier and communicate the audit requirements and logistics to the client
- 7) Train your staff ASAP
- 8) Assist your client in preparing a summary of accounting policies which should incorporate the practices dictated by the SWB's regulations, and should follow IAS 20, "*Accounting for Government Grants and Disclosure of Government Assistance*"
- 9) Maintain professional skepticism throughout the audit
- 10) The engagement letter and the representation letter are not a matter of formality; you should prepare them properly

The End

Thank you for your attention

Auditor's report on the Financial Report of an organization receiving subventions from Macao Social Welfare Bureau

澳門特別行政區政府
社會工作局
GOVERNO DA RAEM
INSTITUTO DE ACÇÃO SOCIAL



澳門會計專業聯會
UNION OF ASSOCIATIONS
OF PROFESSIONAL
ACCOUNTANTS OF MACAU

Discussion Session