



AUASB Project Plan

Project Title:	GS 019 <i>Auditing Fundraising Revenue of Not-for-Profit Entities</i> Project Plan
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Overview of Project

Information Gathering/Background

Why is this being brought to the AUASB's attention?

At the September 2020 AUASB Meeting, the AUASB approved the AUASB Technical Group's (ATG) plan to update several Guidance Statements including GS 019 *Auditing Fundraising Revenue of Not-for-Profit Entities*. The recommendation was based on feedback received from stakeholders in response to a discussion paper and survey issued to obtain broad feedback on the suite of guidance statements.

What information gathering has been completed to date?

The ATG undertook a process in 2019 to analyse the suite of guidance statements on issue to identify guidance statements that may require updating or withdrawal. As part of this process the ATG undertook a high-level review of the guidance statement and identified out of date cross-references to AUASB standards as well as the change in the way in which fundraising revenue is collected. Further feedback was sought by the ATG as part of the consultation process in 2020.

What additional information gathering needs to be completed and why?

The ATG will discuss matters with the stakeholders outlined below as required throughout the process. The ATG don't believe that a formal NFP Public Advisory Group (PAG) is required for an update however this will be determined once initial feedback has been sought from key stakeholders. However, the ATG is likely to need to access the practical expertise of auditors of NFPs when thinking about the digitisation of processes and controls and the use of technology around fundraising revenue.

Who are the relevant stakeholders, and have they provided input to the information gathering?

- Auditors of NFPs
- Australian Charities and Not-for-profits Commission (ACNC)
- Professional Bodies

As part of the information gathering, the ATG has discussed the current fundraising revenue collection with selected stakeholders including ACNC, professional bodies and assurance practitioners.



The ACNC were able to provide the AUASB with some data on audit report qualifications and trends over the last three years:

Reporting period	Total audit / review reports examined	Total modified audit / review reports	Fundraising modified opinion	Fundraising emphasis of matter
2018	195	23	23	4
2019	252	30	24	0
2020	227	18	16	3

In 2020 7% of charities' auditor/reviewer reports contained a modified opinion/conclusion. The most common modification to the opinion related to cash donations received. This is common in the not-for-profit sector due to difficulties for auditors and reviewers in gathering sufficient evidence about the completeness of the income received from cash donations; that is, an impracticability to establish control over the collection of cash donations.

Only 6% of charities' auditor/reviewer reports contained an emphasis of matter other than the basis of accounting being SPFS.

A common emphasis of matter we observed concerned material uncertainties due to the impacts of the COVID-19 pandemic.

Based on the feedback received from practitioner's stakeholders, there is a decrease in use of cash revenue collections for NFPs/Charities especially during COVID-19 pandemic. GS 019 is not widely used by the practitioners however the appendices in GS 019 are a very useful resource and stakeholders would like to see these updated and retained. The main issues faced by practitioners' stakeholders were around accounting practices and application of accounting standards. The low take up of reviews vs audits for medium sized NFPs was also noted in some cases this was impacted by the NFPs constitution requiring an annual audit and also consideration of the differential in cost of an audit vs reviews. NFPs see an audit as better value for money.

Scope

What are the major issues that need to be addressed?

Since GS 019 was issued in 2011 there has been a change in how fundraising revenue is primarily collected. Fundraising activities have mostly gone digital especially after COVID-19. Large proportion of revenue collection is done electronically and recording processes of revenue collection has become more complicated and technology driven than in the past. The lack of physical evidence has also meant that audit risks around fundraising revenue has increased. Auditors now need to consider general IT controls and other security risks such as breaching of privacy laws when dealing with credit cards.

Project Objective

The objective of this project is to withdraw GS 019 *Auditing Fundraising Revenue of Not-for-Profit Entities* issued by the AUASB in 2011 and replace with a targeted AUASB Bulletin on areas for auditors to consider for NFP fundraising revenue. This targeted Bulletin will make references to other relevant Bulletins issued, e.g. ASA 315 and the Auditor's Responsibilities for General IT Controls and ASA 315: Scalability Considerations for Audits of Less Complex Entities.

Project Scope

The scope of the project is intended to be limited to issuing an AUASB Bulletin relating to the fundraising revenue collection and the impacts of the collection methods (physical and IT) on audit procedures to be performed and any modifications to the audit report.



The current version of Guidance Statement 019 *Auditing Fundraising Revenue of Not-for-Profit Entities* (GS 019) was issued in April 2011 and is focussed on physical donations (door-to-door or postal collections, special events etc) and audit procedures of such revenue streams. Based on the outreach activities undertaken to date, the ATG has determined that, based on the information obtained, GS 019 is no longer fit-for-purpose as the guidance provided is outdated as very few NFPs/Charities collect a material amount of revenue in cash, especially during the COVID-19 pandemic. However, practitioner stakeholders have expressed that the appendices of GS 019 are still useful and should be updated and maintained. The ATG propose to create a landing page on AUASB website that will house all the AUASB resources available to NFPs including the updated appendices on:

- Example controls and audit procedures relating to fundraising revenue; and
- Example reports / qualifications

Issues Out of Scope of this project

Other feedback provided by stakeholders include low take up of reviews vs audits for medium sized NFPs and difficulty in the application of accounting standards e.g. AASB 1058 Income for NFPs, AASB 16 Leases and AASB 124 Related Party Disclosures. The AASB Tier 3 Discussion Paper will hopefully assist with removing some of the complexity for the sector in these areas.

These issues will not be addressed in this targeted Bulletin but may be considered for future Bulletins to address broader issues faced by assurance practitioners when auditing NFPs.

Project Governance

Why is this in the public interest?

The AUASB as an independent standard-setter serves the public interest by developing, issuing and maintaining high-quality audit-related standards and guidance that enhance audit and assurance quality and consistency, thereby contributing to stakeholder confidence in the Australian economy, including its capital markets, and enhanced credibility in external reporting through independent auditing and assurance.¹ One of the AUASB strategic objectives is to develop and maintain guidance for topics not specifically addressed by IAASB Standards where required. Therefore, it is in the public interest to maintain guidance on auditing fundraising revenue of Not-for-Profit entities.

Action Plan

Date	Description
November 2022	AUASB Meeting – Present scoping documents/Outline of proposed Bulletin
November 2022 – February 2023	Development of new AUASB Bulletin based on AUASB feedback
December 2022 - January 2023	Seek feedback on draft Bulletin from a small group of practitioner stakeholders
February 2023	AUASB Bulletin provided to Board for fatal flaw review. Finalise changes and issue Bulletin

¹ See [AUASB Corporate Plan](#).