

EXAMPLE CONTROLS AND AUDIT PROCEDURES RELATING TO FUNDRAISING REVENUE

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While this document contains certain example internal controls and indicative audit procedures, it does not describe all of the internal controls or procedures necessary to establish control over fundraising revenue or to perform an audit of a not-for-profit entity's fundraising revenue in accordance with Australian Auditing Standards. The guidance in this document is neither intended to be comprehensive, nor is it intended to limit or supplant individual professional judgement. Audit programs and audit procedures for each audit need to be designed to meet the requirements of the particular engagement, which is a matter that can be determined only by the exercise of professional judgement in the light of the circumstances present in a particular case.

The example controls listed below for fundraising revenue assist in improving control over the collection of these sources of fundraising revenue. However, overall control of fundraising revenue is enhanced if the governing body implements policies governing the undertaking of fundraising activities, establishes operational and financial internal controls for fundraising and has in place procedures to ensure compliance therewith.



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Methods of Collection	Associated Risks	Example Controls	Indicative Audit Procedures
Nature of fundraising revenue – physical cash			
In-person collection (door-to-door collection, special events etc)	<ul style="list-style-type: none"> Qualitative inherent risk factor is higher as physical cash is highly susceptible to inadvertent misplacement or loss through fraud or theft. Control risk associated with the completeness of physical cash donations usually assessed as high. 	<ul style="list-style-type: none"> Establish numerical control over collection boxes Ensure appropriate sealing of collection boxes so that any opening prior to recording cash is apparent Maintain regular collection and recording of proceeds from collection boxes Establish dual control over counting and recording of proceeds independent of collectors Reconcile receipts issued with cash received Issue receipts, where appropriate Require collectors to operate in pairs so that one collector is able to observe the actions of the other Where collections are solicited from a designated geographical area, require a report on the response of each collection unit (e.g. each household) 	<ul style="list-style-type: none"> Review and test procedures implemented to collect cash donations and their systems of control Review and test policies and procedures followed by staff or volunteers when collecting cash donations Reconcile total of tax receipts issued with cash recorded and banked Design analytical procedures for each different source or geographical area from which cash donations are obtained, e.g. compare cash donations from a particular activity or geographical area with previous years or forecasted cash donations

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<p>Postal collection</p>		<ul style="list-style-type: none"> • Segregate mail opening and bank deposit functions • Ensure immediate recording of donations on opening of mail or receipt • Agree bank paying-in slips with a record of receipts by an independent person 	<ul style="list-style-type: none"> • Observe control procedures • Analyse donations received to donations requested, and compare with previous years or industry statistics (if available)
<p>Bequests and Legacies</p>		<ul style="list-style-type: none"> • Maintain comprehensive correspondence files for each bequest or legacy received or receivable • Implement systematic procedures to detect if any restrictions are imposed on the expenditure of funds, and ensure details about restrictions are communicated to those responsible for expenditure of funds • Separately record legacies with restrictions imposed and deposit in trust or separate bank account 	<ul style="list-style-type: none"> • Review correspondence relating to bequests and legacies, noting the imposition of any restrictions and the consequences of non-compliance therewith • Test controls over expenditure and approval Review procedures for recording bequests and legacies

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Methods of Collection	Associated Risks	Example Controls	Indicative Audit Procedures
Nature of fundraising revenue – digital cash			
<p>Digital donations (e.g. credit cards, EFTPOS, direct debit, Go Fund Me, PayPal, QR codes) /</p> <p>Monthly Subscriptions</p>	<ul style="list-style-type: none"> Qualitative inherent risk factor is lower than physical cash donations as digital payments are less susceptible to misplacement or theft Control risk associated with the completeness of digital donations usually assessed as med/low 	<ul style="list-style-type: none"> EFTPOS – GITC over Point-of-Sale system, daily reconciliation to accounting system GoFundMe, PayPal or other third party digital platform – Ensure the entity understands the full policy of the product including the controls in place against fraud, payment encryption technology, dual sign in to request withdrawal or any electronic bank transfer of withdrawals will require approval from authorised personnel Reviewing and approval of funding communications to ensure that only the approved NFP bank accounts details are included in the funding communications Controls around transfer of funds from third party digital platform to designated NFP bank account Monthly bank reconciliations that are reviewed and signed off 	<ul style="list-style-type: none"> Review general IT controls of the entity Consider obtaining type 1 or type 2 report from the service organisation Review funding communications and transfer of funds from third party digital platform for proper approval from authorised personnel Review of monthly bank reconciliations with specific consideration for any unusual reconciling items Estimate revenue based on # of subscribers x average donation to determine reasonableness of revenue recorded Review general IT controls over securing donors credit card details Review data retention policy

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		<ul style="list-style-type: none"> • Issue receipts, where appropriate • Enquire about procedures over establishing new subscription accounts and reviewing controls on an ongoing basis • General IT controls of the website used by donors to fill in their credit card details • Data retention policy of donor's privacy information 	
Nature of fundraising revenue – donated materials			
Donated Materials	<ul style="list-style-type: none"> • Inherent risk factors in estimating the fair value of donated materials • Qualitative inherent risk factor is higher as materials are highly susceptible to inadvertent misplacement, or loss through fraud or theft 	<ul style="list-style-type: none"> • Develop policies to ensure immediate recording of donated materials, with periodic review of policies by the appropriate level of management • Segregate incompatible tasks, for example, responsibility for receipt and recording of donated materials Supervise collections to prevent collusion or theft 	<ul style="list-style-type: none"> • Enquire about the accounting policies adopted for recording donated materials, test the extent and effectiveness of the accounting procedures and internal controls • Compare data collected on current year donated materials with budgeted material contributions or previous years' receipts • Consider confirming contributions from significant donors

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