



Subject: Revision and Redrafting of AGS 1054 *Auditing Revenue of Charitable Entities*

Prepared by: AUASB Technical Group

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ATTACHMENT 1

Issues to consider:

1. Broadening the revision and redrafting of AGS 1054 *Auditing Revenue of Charitable Entities* to include all fundraising revenue for Not for Profit Entities and change the title accordingly to GS XXX *Auditing Fundraising Revenue of Not For Profit Entities*.
2. Continue to focus the GS XXX *Auditing Fundraising Revenue of Not for Profit Entities* on the specific area of revenue and the assertion of completeness and risks associated with auditing this assertion.
3. From discussions with some of the AUASB Board members who have clients in the NFP sector it was agreed that the issue of fundraising revenue, its completeness and the implications on the audit planning/process and opinion are still prevalent especially in the small to medium NFP entities.
4. From further research and discussions with practitioner's it appears that a significant number of the larger NFP entities that are required to prepare financial statements and have them audited under the *Corporations Act 2001* have the following communalities:
 - a. A smaller % of their total revenue comes from fundraising revenue and this seems to be on the continual decline.
 - b. They are more likely to have an internal control structure for fundraising appeal activities and these are audited so that a qualified opinion (scope limitation) on fundraising revenue is less likely to be issued. For some NFP entity's the requirement for the audit of the internal control is stipulated under the Charitable Fundraising (NSW) Act 1991. As such this requirement is also reflected in the audit opinion.
 - c. In recent years the expression of a qualified opinion in respect of completeness of fundraising revenue as a matter of course has reduced significantly due to there being appropriate internal control structures over fundraising revenue activities for these entities.

5. For the small to medium sized NFP entity's that prepare financial statements and have these audited (under requirements/regulations stipulated depending on the legal structure of the entity), the issue of completeness of fundraising revenue and the mitigating internal control structures is still very much prevalent. In these entities a high % of the total revenue is likely to be drawn from fundraising and appeal activities and mitigating controls may not be in place due to the size and nature of the entity. It is more likely in these scenarios that a qualified audit opinion (scope limitation) on the completeness of revenue may be issued.

Staff Recommendations

The technical group recommend that the revised scope for AGS 1054 *Auditing Revenue of Charitable Entities* be adopted and title change accordingly to GS XXX *Auditing Fundraising Revenue of Not for Profit Entities*.