GS 019
(April 2011)

Guidance Statement GS 019
Auditing Fundraising Revenue of Not-for-Profit Entities

Issued by the **Auditing and Assurance Standards Board**

Australian Government
Auditing and Assurance Standards Board

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AUTHORITY STATEMENT

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The Auditing and Assurance Standards Board (AUASB) formulates Guidance Statement GS 019 *Auditing Fundraising Revenue of Not-for-Profit Entities* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001*, for the purposes of providing guidance on auditing and assurance matters.

This Guidance Statement provides guidance to assist the auditor to fulfil the objectives of the audit or assurance engagement. It includes explanatory material on specific matters for the purposes of understanding and complying with AUASB Standards. The auditor exercises professional judgement when using this Guidance Statement.

The Guidance Statement does not prescribe or create new requirements.

Dated: 21 April 2011

M H Kelsall
Chairman - AUASB

GUIDANCE STATEMENT GS 019

Auditing Fundraising Revenue of Not-for-Profit Entities

Application

1. This Guidance Statement has been formulated by the Auditing and Assurance Standards Board (AUASB) to provide guidance to auditors on the factors to consider when planning, performing and reporting on the completeness of fundraising revenue for not-for-profit entities.

Issuance Date

2. This Guidance statement is issued on 21 April 2011 by the AUASB and replaces 1054 *Auditing Revenue of Charitable Entities*, issued in July 2002.

Introduction

3. Australian Auditing Standards contain requirements, application and other explanatory material that apply to the audit of the financial report of any entity, including not-for-profit entities, irrespective of their size, legal form, or the nature of their activities. However, the AUASB recognises that the audit of not-for-profit entities gives rise to a number of specific audit issues, a significant one of which is forming a conclusion and reporting on the completeness assertion in relation to fundraising revenue from sources such as cash donations, appeals, raffles and other fundraising activities.

4. From an audit perspective, there can often be uncertainty as to whether a not-for-profit entity has received all cash donations to which it has a right from its respective fundraising or other revenue generating activities as adequate controls may not be in place over all sources of revenue. Consequently, an auditor may find it difficult to perform tests of controls and substantive procedures that are necessary to reduce assurance engagement risk, particularly in respect of the completeness of cash donations, to an acceptable level. When such a scope limitation exists, the auditor considers expressing a qualified opinion. However, the expression of a qualified opinion in respect of the completeness of cash donations as a portion of fundraising revenue ought not occur as a matter of course for all not-for-profit entities that receive cash donations.

Consideration needs to be given to materiality and mitigation of risks through internal control structures or other factors affecting the environment in which the not-for-profit entity operates.

5. The guidance provided is applicable to all audits of not-for-profit entities as typically these entities are more reliant on cash donations from fundraising activities as a significant source of their revenue base as compared to a for-profit entity. The guidance is designed to assist the auditor in exercising professional judgement in the application of the Auditing Standards. This guidance statement also contains Appendix 1 which outlines various audit risks associated with different sources of fundraising revenue and indicative audit procedures that may be adopted for each source of fundraising revenue.

Characteristics of a Not-for-Profit Entity

6. Significant diversity can exist in the activities, operations, size, and legal structures of not-for-profit entities. There is also significant public interest in the accountability of not-for-profit entities, because they are generally supported by voluntary contributions of both physical and financial resources and their purpose is largely to serve some public need, as opposed to being in business for profit. To varying degrees, such characteristics impact on the audit of not-for-profit entities, including the audit of fundraising revenue.

Regulatory Framework Affecting a Not-for-Profit Entity

7. The regulatory framework for not-for-profit entities can be complex. not-for-profit entities may operate under a variety of legal structures, such as a company limited by guarantee, a trust, an incorporated or unincorporated association, Royal Charter or pursuant to legislation enacted specifically to establish the entity (e.g. *Charitable Fundraising Act 1991*). Each of these legal structures may impose specific financial reporting and auditing requirements. A not-for-profit entity's governing documents may prescribe specific disclosure requirements to be made in its financial report or other responsibilities which impact on the scope of the audit. The legal structure may also affect the financial reporting framework, for example, the extent to which compliance with Australian Accounting Standards is required.

8. For a not-for-profit entity that is a company limited by guarantee, further consideration needs to be given to the recent changes to the *Corporations Act 2000*. Refer to *Corporations Amendment (Corporate Reporting Reform) Act 2010* which establishes a three

tier system for these entities based on annual revenue and the status of the entity, as to whether they are required to prepare a financial report and have the report audited or reviewed. If the company limited by guarantee meets the criteria and the auditor is able to conduct a review instead of an audit this guidance statement provides an illustration of a Qualified Review Report (Limitation of Scope) as set out in Appendix 4. For further information, refer to ASRE 2415 *Review of a Financial Report - Company Limited by Guarantee*.

9. The conduct of some activities undertaken by not-for-profit entities, for example, major fundraising events or other activities associated therewith may be governed by specific regulations. Such regulations may prescribe compliance and reporting obligations by the entity's governing body and the auditor in connection with the particular event. Any material non-compliance with these regulations could have a significant financial impact should any limitation be placed on the not-for-profit entity undertaking similar activities in the future.

Nature of Fundraising Revenue

10. The revenue of not-for-profit entities may be derived from a variety of sources including: cash donations from members of the public, donated materials, restricted and unrestricted grants from government. Fundraising revenue may be obtained from street, door-to-door or postal collections, special events or other methods of fundraising. Revenue from fundraising activities can be geographically dispersed, and may be directed to a not-for-profit entity from professional third parties or voluntary fundraisers. However, unlike revenue of a for-profit business entity, the collection of such revenue may not be supported by invoices or equivalent documentation, or subject to internal controls commonly found in a for-profit business entity. Consequently, from an audit perspective the control systems usually found in a for-profit business environment may not be present for some sources of fundraising revenue.

11. It can sometimes be difficult to accurately estimate the level of fundraising revenue from cash donations, contributions or grants. This is generally because:

    (a) donors' patterns of giving may change, due for example, to economic hardship or competing demands on limited resources; and

(b) some contributions, such as grants to undertake particular activities, being dependent on a tendering process. Such funding decisions are usually based on considerations by third parties over whom the not-for-profit entity has little influence. Receipt of these funds can be for a specific purpose, with their use and recognition subject to compliance with specific conditions.

12. It may be difficult to establish a relationship between cash donations and other amounts in the financial report, as expenditure levels may not have any direct relationship with such fundraising revenue.

Internal Control

13. It is important that the governing body of a not-for-profit entity maintains an effective internal control structure over its activities. The governing body has responsibility for ensuring that all fundraising and other revenues to which the not-for-profit entity gains control are accounted for properly. This involves establishing controls to ensure that cash donations are recorded correctly in the financial records of the entity, and that the revenue recognised in the financial report is calculated in accordance with Australian Accounting Standards and the entity's accounting policies adopted for revenue recognition[1]. Many aspects of a not-for-profit's control environment and individual control procedures will be the same as those of a for-profit business entity. However, the internal control structure for a not-for-profit entity is likely to be affected, to varying degrees, by the following factors:

(a) limited resources being available to achieve internal control objectives, as generally a not-for-profit entity keeps administrative staff and management tools to a minimum so that resources are allocated to activities that will help achieve its mission;

(b) the likelihood that volunteers will be involved in the not-for-profit entity. The involvement of volunteers can range from serving in a voluntary capacity on the not-for-profit entity's governing board to daily involvement in the entity's operations or management, including performing accounting and fundraising functions;

[1] See paragraphs 77 – 80, AASB ED 180 *Income from Non-exchange Transactions (Taxes and Transfers),* to be issued as an AASB Standard in June 2011.

(c) the culture that underlies various facets of the control environment, including attitudes towards the importance of accountability, how authority and responsibility are assigned, and personnel management policies and practices;

(d) the existence of any externally imposed requirements by governments, contributors, or national or international bodies affiliated with the not-for-profit entity that may require certain control procedures be implemented, such as ensuring that government grants are only expended / recognised in accordance with a grant agreement or certain expenses are approved by the governing body;

(e) the regulatory requirements relating to its fundraising activities;

(f) the existence of accountability requirements over operations in the form of key performance indicators, for example the ratio of organisational and fundraising expenditure to fundraising revenue, or cost of fundraising to funds raised; and

(g) where third party specialist fundraisers or other non-controlled entities e.g. branches or associates, undertake fundraising on behalf of a not-for-profit entity (under a documented agreement).

Communicating Deficiencies in Internal Control

14. The auditor may also need to consider any obligations under ASA 265 *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management* to communicate significant or other deficiencies in internal control while performing the audit.

Audit of Fundraising Revenue

Audit Planning

15. In forming an opinion on management's assertions about whether fundraising revenue is presented fairly in all material respects, the auditor develops an audit plan based on an assessment of:

(a) inherent and control risk – in accordance with ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its*

Environment. For the audit of fundraising revenue, as well as other material account balances or classes of transactions, the auditor assesses inherent risk and obtains an understanding of the internal control structure to assess control risk, and to determine whether the evaluation and testing of controls and the application of substantive tests will reduce assurance engagement risk to an acceptably low level with respect to the assertions about the completeness and recording of fundraising revenue;

(b) fraud risk – in accordance with ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* when the auditor performs risk assessment procedures and related activities under ASA 315, the auditor needs to perform certain procedures[2] to obtain information for use in identifying, assessing and responding to risks of material misstatement due to fraud. ASA 240 paragraphs 26 and 47 deem that there are risks of fraud in revenue recognition and the auditor needs to document their conclusion on the risks associated with revenue recognition even if they are of the opinion that it is not applicable in the engagement circumstances; and

(c) materiality of fundraising revenue – in accordance with ASA 320 *Materiality in Planning and Performing an Audit*, and the discussion of materiality in Accounting Standards AASB 1031 *Materiality*. In determining the materiality of fundraising revenue, qualitative materiality considerations may be significant, given the characteristics of a not-for-profit entity, and the nature of and sources from which fundraising revenue is derived. Qualitative factors that the auditor may consider include:

(i) governing documents or reporting frameworks prescribing specific recognition and/or disclosure requirements in the financial report;

(ii) whether law, regulation or the applicable financial reporting framework affect users' expectations regarding the measurement or disclosure of certain items;

(iii) key disclosures in relation to the industry in which the entity operates;

2 See ASA 240, paragraphs 17-29.

(iv) whether attention is focused on a particular aspect of the entity's business that is separately disclosed in the financial report; and

(v) indicators of deviations from normal activities such as the reversal of a trend, turning a loss into a profit or creating or eliminating the net asset position in the balance sheet.

Completeness of Fundraising Revenue

16. ASA 315 states that the auditor needs to perform risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatement at the financial report and assertion levels. Sufficient appropriate audit evidence needs to be obtained to provide a basis on which to conclude whether the cash donations portion of fundraising revenue included in a not-for-profit entity's financial report is, in all material respects, complete. In some cases there may be assurance engagement risk that cash donations may not be recorded from all sources, and consequently, materially understated.

17. In accordance with ASA 330 *The Auditor's Responses to Assessed Risks*, "the auditor shall design and perform further audit procedures whose nature, timing and extent are based on and are responsive to the assessed risks of material misstatement at the assertion level". ASA 330 states that in designing these further audit procedures consideration should be given to the likelihood of material misstatement due to the particular characteristics of the relevant class of transactions and whether the risk assessment takes account of relevant controls, their operating effectiveness and the overall responsibility by management/governing body for effectively monitoring these activities/controls, in determining the extent of substantive procedures to be undertaken[3].

18. ASA 330 also requires the auditor to evaluate before the conclusion of the audit whether the assessments of the risks of material misstatement at the assertion level remain appropriate and whether sufficient appropriate audit evidence has been obtained[4].

19. As the revenue of each not-for-profit entity may be derived from, and obtained by, different sources and methods, each source has its own distinct inherent and control risk. In assessing whether cash

[3] See ASA 330 *The Auditor's Responses to Assessed Risks*, paragraphs 8-23.
[4] ASA 330 *The Auditor's Responses to Assessed Risks*, paragraphs 25-27.

donations as a portion of fundraising revenue are properly stated the auditor's considerations may include an assessment of the following:

(a) nature of the various sources of fundraising revenue received by the not-for-profit entity, the risks associated with their method of receipt, including any specific risks in the context of the entity's activities;

(b) loss of incoming resources through fraud: the possibility that the not-for-profit's records of incoming resources to which it is legally entitled may be incomplete as a result of fraud. A common type of fraud against not-for-profit entities is the diversion of donations to bank or building society accounts which the not-for-profit governing body does not control;

(c) effectiveness of the controls that are applied, given that some controls can usually be established for each source of fundraising revenue; and

(d) materiality of each source of fundraising revenue in relation to all of the not-for-profit entity's revenue.

Appendix 1 to this guidance statement sets out, for illustrative purposes only, the risks associated with various sources of fundraising revenue, the controls which a not-for-profit entity may implement in respect of those fundraising revenues, and some indicative substantive procedures which the auditor may consider in relation to the audit of each source of fundraising revenue.

Forming an Opinion and Reporting on a Financial Report

Forming an Opinion

20. In order to form an opinion under ASA 700[5] *Forming an Opinion and Reporting on a Financial Report* "the auditor shall conclude as to whether the auditor has obtained reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error". In relation to the above the auditor needs to consider:

(a) whether sufficient appropriate evidence has been obtained and under ASA 330[6] in particular, the auditor needs to

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5 See ASA 700 *Forming an Opinion and Reporting on a Financial Report*, paragraphs 10-15.
6 See paragraphs 17 and 18 of this guidance statement.

consider the controls and the effectiveness of controls over each source of fundraising revenue;

(b) whether uncorrected misstatements are material, individually or in aggregate[7], under ASA 450 *Evaluation of Misstatements Identified during the Audit*; and

(c) whether the financial report, in all material respects, is in accordance with the requirements of the applicable financial reporting framework[8]. This evaluation shall include consideration of the qualitative aspects of the entity's accounting practices, including indicators of possible bias in management's judgements, In particular consideration may be given to whether:

   (i) adequate disclosure of significant accounting policies for fundraising revenue has been made, their selection appropriate and that they have been consistently applied within the reporting framework;

   (ii) accounting estimates made by management are reasonable;

   (iii) information presented in the financial report is relevant, reliable, comparable and understandable; and

   (iv) the financial report provides adequate disclosures to enable intended users to understand material transactions and events in the information conveyed in the financial report.

Communication with Those Charged with Governance

21. The auditor may also need to consider any obligations under ASA 260 *Communication with Those Charged with Governance* to communicate significant findings from the audit.

Reporting

22. Where the auditor obtains sufficient appropriate audit evidence to conclude that fundraising revenue reported in a not-for-profit entity's financial report is, in all material respects, presented fairly in

[7] See ASA 450 *Evaluation of Misstatements Identified during the Audit*, paragraph 11.
[8] See ASA 700 *Forming an Opinion and Reporting on a Financial Report*, paragraphs 13-15.

accordance with Australian Accounting Standards and other relevant professional reporting requirements, the auditor issues an unmodified audit opinion. This may be the case where for example, a not-for-profit entity receives most of its fundraising revenue in the form of grants, contributions or fees and adequate and effective controls are in place over these sources of revenue and there is only an immaterial amount from cash donations and other fundraising sources.

23. Where considered fundamental to the users' understanding of the financial report, the auditor may deem it necessary to draw to the attention of users, the inherent risk of the not-for-profit entity's operating environment as it relates to revenue recognition from fundraising sources. This may be achieved by the inclusion of an Emphasis of Matter paragraph, in accordance with ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*[9]. Appendix 2 provides an illustration of an auditor's report with the inclusion of an example Emphasis of Matter paragraph.

24. A not-for-profit entity may derive a material proportion of its fundraising revenue from sources for which there are limited controls e.g. street collections. It may be impracticable to maintain effective controls due to resource constraints, prior to the recording of fundraising revenue in the financial records. Accordingly, it may not be possible to obtain reasonable assurance about the completeness of fundraising revenue from these sources. In the absence of other evidence and qualitative factors, and where cash donations as a portion of total fundraising revenue is material, the scope of the auditor's work may be limited in so far as being able to obtain sufficient appropriate audit evidence to conclude whether the financial records reflect fundraising revenue from the point at which the not-for-profit entity should have gained control of the cash donations.

25. ASA 705 *Modifications to the Opinion in the Independent Auditor's Report* describes the circumstances when a modification to the auditor's opinion is required including when the auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial report as a whole is free from material misstatement. In these circumstances the auditor would issue a qualified audit opinion as illustrated in Appendix 3.

9 See ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, paragraphs 6-7.

Conformity with International Pronouncements

26. There is no equivalent International Auditing Practice Statement (IAPS) or Auditing Standard to this Guidance Statement.

Appendix 1

(Ref: Para. 5)

EXAMPLE CONTROLS AND AUDIT PROCEDURES RELATING TO FUNDRAISING REVENUE

While this Appendix 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 Appendix 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.

Fundraising Revenue & Risks	**Methods of Collection**	**Example Controls**	**Indicative Audit Procedures**
Cash donations • Inherent risk high, as cash donations are highly susceptible to inadvertent misplacement, or loss through fraud or theft • Control risk associated with the completeness of cash donations usually assessed as high	• Direct cash donations (e.g. door-to-door or street collection, or small special events e.g. raffle)	• 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	• 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.

Fundraising Revenue & Risks	**Methods of Collection**	**Example Controls**	**Indicative Audit Procedures**
		area, require a report on the response of each collection unit (e.g. each household)	compare cash donations from a particular activity or geographical area with previous years or budgeted cash donations
	• Postal cash donations e.g. received from a fundraising appeal	• 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	• Observe control procedures • Analyse donations received to donations requested, and compare with previous years or industry statistics (if available)
Monthly Subscriptions / Mailing List Donations • Inherent risk medium, as monthly credit card payments and standing orders are less susceptible to	• Standing Order, Credit card, Direct debit and online EFT	• Monthly bank reconciliations that are reviewed and signed off • Issue receipts, where appropriate • Enquire about procedures over establishing new subscription accounts and reviewing controls on an ongoing basis	• Review of monthly bank reconciliations with specific consideration for any unusual reconciling items • Estimate revenue based

Fundraising Revenue & Risks	**Methods of Collection**	**Example Controls**	**Indicative Audit Procedures**
misplacement or theft • Control risk associated with the completeness of credit card or online subscriptions usually assessed as med/low			on # of subscribers x average donation to determine reasonableness of revenue recorded
Fundraising campaigns and other special events • Given the range and size of specific fundraising events that a not-for-profit entity may undertake, each event will have its own inherent and control risk, though like cash donations, assurance engagement risk in respect of the completeness of fundraising revenue	• Telemarketing campaigns • Bingos, raffles and lotteries • Social events • Large appeals	• Establish procedures to ensure compliance with any regulatory requirements that pertain specifically to the fundraising event • Ensure persons responsible for handling collections from ticket sales account for each pre numbered ticket sold, and provide a reconciliation to tickets issued for sale • Independent person to reconcile tickets issued against tickets sold or returned unsold, with the person being segregated from the	• Review compliance with any regulations that are applicable to the fundraising event • Comparison of cash donations actually received to past results for similar special events and statistics for response rates for NFPs in general • To determine completeness of revenue recorded from social events, assess the

Fundraising Revenue & Risks	**Methods of Collection**	**Example Controls**	**Indicative Audit Procedures**
from these sources is usually high		person responsible for counting and depositing monies received	reasonableness of related expenditure, compare amounts recorded with past revenue and expenditure for the event • For each material fundraising event, review procedures adopted by the charitable entity for capturing and recording fundraising revenue which it controls
Donated materials • Inherent risk in estimating the fair value of donated materials		• Develop policies to ensure immediate recording of donated materials, with periodic review of policies by the appropriate level of management • Segregate incompatible tasks, for	• Enquire about the accounting policies adopted for recording donated materials, test the extent and effectiveness of the

Fundraising Revenue & Risks	Methods of Collection	Example Controls	Indicative Audit Procedures
		example, responsibility for receipt and recording of donated materials • Supervise collections to prevent collusion or theft	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
Bequests and Legacies • Potential for breach of restrictions (if any) regarding the use of a bequest or legacy through inadequate implementation of accounting controls		• 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	• 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

Fundraising Revenue & Risks	Methods of Collection	Example Controls	Indicative Audit Procedures
		of funds • Separately record legacies with restrictions imposed and deposit in trust or separate bank account	• Review procedures for recording bequests and legacies
Pledges • Inherent risk associated with estimation of the realisable value of pledges receivable is particularly significant	• Solicited from regular or special fundraising campaigns and can be made by telephone, other electronic methods or in writing	• Establish a method of recording and maintaining control over pledges when obtained, including procedures to ensure detection of, and compliance with, restrictions or conditions (if any) • Establish a collections policy for pledges, for the purposes of providing for uncollectible pledges	• Review and test the process used by management to estimate pledges receivable • Review the ageing of pledges • Consider obtaining confirmation of unusual or significant pledges • Compare pledges receivable with subsequent receipt of donations • Determine whether the materialisation ratios used to estimate pledges receivable are

Fundraising Revenue & Risks	Methods of Collection	Example Controls	Indicative Audit Procedures
			reasonable
Contributions from grants or restricted income • Potential for breach of the conditions or restrictions on the use of the grant	• Contributions from government possibly following from tendering process • Receipt from major donors or supporters	• Maintain comprehensive records of applications made and implement follow-up procedures for grant applications not discharged	• For evidence on the completeness assertion, examine grant applications and correspondence • Confirm grants received or receivable with grantor bodies

Appendix 2

(Ref: Para. 23)

EXAMPLE AUDITOR'S REPORT GENERAL PURPOSE FINANCIAL REPORT- UNMODIFIED OPINION, EMPHASIS OF MATTER

Financial report is prepared for a general purpose by the governing body of the entity and is in accordance with Australian Accounting Standards. The financial report is *not* prepared under the *Corporations Act 2001*.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Financial Report

We have audited the accompanying financial report of [name of not-for-profit entity] [which comprises…….][10], for the year ended [insert date].

Governing Body's Responsibility for the Financial Report

The [members of the governing body] are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and [relevant reporting framework], and for such internal control as the governing body determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

[10] or identify the individual components when appropriate.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 [governing body], as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial report of [name of not-for-profit entity], presents fairly, in all material respects (or gives a true and fair view of) the financial position as at [year end], and (of) its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards and [relevant reporting framework].

Emphasis of Matter

We draw attention to Note X to the financial report which describes the revenue recognition policy of [name of not-for-profit entity], including the limitations that exist in relation to the recording of cash receipts from [name of source of fundraising revenue]. Revenue from this source represents a significant proportion of [name of not-for-profit entity's] revenue. Our opinion is unmodified in respect of this matter.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

Appendix 3

(Ref: Para. 25)

EXAMPLE AUDITOR'S REPORT GENERAL PURPOSE FINANCIAL REPORT- QUALIFIED OPINION (LIMITATION OF SCOPE)

Financial report is prepared for a general purpose by the governing body of the entity and is in accordance with Australian Accounting Standards. The financial report is *not* prepared under the *Corporations Act 2001*.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Financial Report

We have audited the accompanying financial report of [name of not-for-profit entity] [which comprises…….][11], for the year ended [insert date].

Governing Body's Responsibility for the Financial Report

The [members of the governing body] are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and [relevant reporting framework], and for such internal control as the governing body determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

[11] or identify the individual components when appropriate.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 [governing body], as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

[Identify type(s) of fundraising revenue] are a significant source of fundraising revenue for the [name of not-for-profit entity]. The [name of not-for-profit entity] has determined that it is impracticable to establish control over the collection of [identify type(s) of fundraising revenue] prior to entry into its financial records. Accordingly, as the evidence available to us regarding fundraising revenue from this source was limited, our audit procedures with respect to [identify type(s) of fundraising revenue] had to be restricted to the amounts recorded in the financial records. We therefore are unable to express an opinion whether [identify type(s) of fundraising revenue] of [name of not-for-profit entity] recorded is complete.

Example Basis for Qualified Opinion

Cash donations are a significant source of fundraising revenue for the XYZ Society. The XYZ Society has determined that it is impracticable to establish control over the collection of cash donations prior to entry into its financial records. Accordingly, as the evidence available to us regarding fundraising revenue from this source was limited, our audit procedures with respect to cash donations had to be restricted to the amounts recorded in the financial records. We therefore are unable to express an opinion whether cash donations the XYZ Society recorded are complete.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial report of [name of not-for-profit entity], presents fairly, in all material respects (or gives a true and fair view of) the financial position as at [year end], and (of) its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards and [relevant reporting framework].

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor’s report will vary depending on the nature of the auditor’s other reporting responsibilities.]

[Auditor’s signature]

[Date of the auditor’s report]

[Auditor’s address]

Appendix 4

(Ref: Para. 8)

EXAMPLE AUDITOR'S REVIEW REPORT WITH A QUALIFIED CONCLUSION FOR A LIMITATION ON SCOPE

The following example auditor's review report is to be used only for those entities that meet the revenue and status requirements as described in ASRE 2415 *Review of a Financial Report - Company Limited by Guarantee*.

Financial report of a company limited by guarantee prepared under the *Corporations Act 2001*. The financial reporting framework is designed to achieve fair presentation.

INDEPENDENT AUDITOR'S REVIEW REPORT

[Appropriate Addressee]

Report on the Financial Report

We [I][12] have reviewed the accompanying financial report of [name of not-for-profit entity], which comprises the statement of financial position as at [insert date], the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.[13]

Governing Body's Responsibility for the Financial Report

The [members of the governing body] are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our [My] responsibility is to express a conclusion on the financial report based on our [my] review. We [I] conducted our [my] review in accordance

[12] When an individual is taken to be a registered company auditor under section 324BE of the *Corporations Act 2001*, the auditor's report is to be written in singular form.

[13] When the auditor is aware that the financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial report is presented.

with Auditing Standard on Review Engagements ASRE 2415 *Review of a Financial Report - Company Limited by Guarantee*, in order to state whether, on the basis of the procedures described, we [I] have become aware of any matter that makes us [me] believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the not-for-profit entity's financial position as at [insert date] and its performance for the year ended on that date; and complying with the Australian Accounting Standards and *Corporations Regulations 2001*. ASRE 2415 requires that we [I] comply with the ethical requirements relevant to the review of the financial report.

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us [me] to obtain assurance that we [I] would become aware of all significant matters that might be identified in an audit. Accordingly, we [I] do not express an audit opinion.

Independence

In conducting our [my] review, we [I] have complied with the independence requirements of the *Corporations Act 2001*. We [I] confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the governing body of [name of not-for-profit entity], would be in the same terms if given to the governing body as at the time of this auditor's report.[*]

Basis for Qualified Conclusion

[Identify type(s) of fundraising revenue] are a significant source of fundraising revenue for the [name of not-for-profit entity]. The [name of not-for-profit entity] has determined that it is impracticable to establish control over the collection of [identify type(s) of fundraising revenue] prior to entry into its financial records. Accordingly, as the evidence available to us regarding fundraising revenue from this source was limited, our audit procedures with respect to [identify type(s) of fundraising revenue] had to be restricted to the amounts recorded in the financial records. We therefore are unable to express an opinion whether [identify type(s) of fundraising revenue] of [name of not-for-profit entity] recorded is complete.

[*] Or, alternatively, include statements (a) to the effect that circumstances have changed since the declaration was given to the relevant directors; and (b) setting out how the declaration would differ if it had been given to the relevant directors at the time the auditor's report was made.

Example Basis for Qualified Conclusion

Cash donations are a significant source of fundraising revenue for the XYZ Society. The XYZ Society has determined that it is impracticable to establish control over the collection of cash donations prior to entry into its financial records. Accordingly, as the evidence available to us regarding fundraising revenue from this source was limited, our audit procedures with respect to cash donations had to be restricted to the amounts recorded in the financial records. We therefore are unable to express an opinion whether cash donations the XYZ Society recorded is complete.

Qualified Conclusion

Except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, based on our [my] review, which is not an audit, we [I] have not become aware of any matter that makes us [me] believe that the financial report of [name of not-for-profit entity] is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the not-for-profit entity's financial position as at [insert date] and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and *Corporations Regulations 2001*.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the review report will vary depending on the nature of the auditor's other reporting responsibilities].

[Auditor's signature][14]

[Date of the auditor's review report][15]

[Auditor's address]

[14] The auditor's review report is required to be signed in one or more of the following ways: the name of the audit firm, the name of the audit company or the personal name of the individual auditor as appropriate. Under ASRE 2415 the review report can be signed by a registered company auditor which includes an individual who meets the requirements of section 324BE of the *Corporations Act 2001*.

[15] The date of the auditor's report is the date the auditor signs the report.