



4 February 2013

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The Treasury  
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Dear Manager,

**Exposure Draft: Requirements for annual financial reports under the  
ACNC framework, accompanying ACNC Regulation 2012**

Thank you for providing us with the opportunity to comment on the Exposure Draft. The following comments reflect the views of the AUASB technical group and focus particularly on matters related to auditing and assurance and the auditing standards issued by the AUASB. The comments provided are in the order in which they arise in the draft regulations and Explanatory Material.

*Draft Regulations*

*Financial Statements and Notes Reg 8 (5)*

If the registered entity applies 60-G of the ACNC Act 2012 with the discretion of the Commissioner and the information statement or financial report is prepared under Joint or Collective reporting, the financial report would not comply with the accounting standards i.e. AASB 10 *Consolidated Financial Statements*. In any event the financial report prepared would be a special purpose financial report.

This may have some impact on the complexity of the financial report and the time and cost associated with the audit or review of the registered entity and the financial report. The wording of the audit report or review conclusion would need to indicate the financial report has been prepared in accordance with a special purpose framework as outlined in ASA 800 *Special Considerations – Audits of Financial reports Prepared in Accordance with Special Purpose Frameworks*.

*Draft amendment of Corporations Regulations 2001*

A medium registered entity can generally choose to have their financial report reviewed rather than audited. The proposed amendment to the *Corporations Regulations 2001* will allow these reviews to be performed by a wider class of individuals than the current Registered Company Auditor (RCA). In addition to RCAs, audit firms and authorised audit companies, a member of a professional body would be able to conduct a review, provided they hold the relevant designation of a professional body, as prescribed by the regulations.

A member of a professional body is subject to professional standards issued by Accounting Professional & Ethical Standards Board (APESB) which includes APES 110 *Code of Ethics for Professional Accountants* which sets out the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour to which the member must comply. By broadening the definition of who can perform a review under the

s324BE (1)(b) of the *Corporations Act 2001*, the accounting bodies will need to ensure that those individuals conducting reviews are meeting the professional standards to continue to maintain a high standard and quality in the delivery of assurance services. This would also include ensuring that under APES 210 *Conformity with Auditing and Assurance Standards* the appropriate AUASB review standards are being applied in the engagement circumstances.

On page 12 of the Explanatory Material, there is reference to appropriate professional standards, however, no specific discussion of what these may include and who issues and regulates these professional standards. In addition, there is reference to “internal rules” imposed by the accounting bodies which could be further elaborated on. More information on these requirements for those conducting reviews of medium sized entities may be useful and helpful in maintaining the quality of future review engagements performed under the *ACNC Act 2012*.

*Explanatory Material*

Page 12 of the Explanatory Material describes who can conduct a review of a medium registered entity. The Explanatory Material does not however, provide sufficient and relevant information on the applicable review engagement standards issued by the AUASB. The Explanatory Material should explicitly state that under s60-35 of the ACNC Act 2012, AUASB standards must be complied with in conducting a review of a medium sized entity, which at the time of this Explanatory Material is likely to include ASRE 2400 *Reviews of Financial Reports Performed by an Assurance Practitioner Who is Not the Auditor of the Entity*.

We hope these comments are helpful in progressing the development of the ACNC Regulation. If you would like to follow up any of the issues raised, or other matters related to audit and assurance or the AUASB auditing standards, please do not hesitate to contact Richard Mifsud, Executive Director, [rmifsud@auasb.gov.au](mailto:rmifsud@auasb.gov.au) or Marina Michaelides, Senior Project Manager, [mmichaelides@auasb.gov.au](mailto:mmichaelides@auasb.gov.au).

Yours sincerely,



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Chairman