



Life Activities Clubs Victoria Inc

Registered Incorporated Association: A0054351A ABN: 85 104 164 408

Submission re: Requirements for Annual Financial Reports under the ACNC Framework

Who we are

Life Activities Clubs Victoria Inc. (LACVI) represents a network of incorporated Life Activities Clubs throughout Victoria that are run by volunteers on a non-profit basis.

Life Activity Clubs provide people in retirement or approaching retirement (typically aged 50 and over) with opportunities to enjoy a full, satisfying and connected community life and maintain lifelong wellbeing.

There are currently 24 Life Activities Clubs in Victoria (including 6 in regional centres) with each Club offering its members a wide range of recreational and social activities that provide physical, mental and social stimulation. The activities provided for the 4000 club members are determined by the interests of the members of each Club.

Submission

It is obvious that views differ widely across our membership and it is therefore not possible for any submission adequately to represent the breadth of opinion from such a diverse constituency. Having said that, the primary author of this submission works in a Not-For-Profit, has been involved in NFPs almost right through his life and has considerable experience analysing and interpreting his cohort's needs and aspirations. Other members of the Board who have endorsed this submission could claim comparable experience and expertise.

Against this background, the following comments are provided on the issues relevant to this Consultation.

It is clear that the proposed requirements will be not be applicable to our organisation at this stage, but along with many other NFPs, we see great advantage in the ACNC assuming responsibility for the regulation of all incorporated associations, including small ones like ours.

Although it might be some years before we are required to comply with any of these provisions, we expect to apply them now (to the extent reasonable) simply because they are good practice and will facilitate the transition when compliance becomes mandatory.

Victorian Legislation

The framework on which the Exposure Draft is predicated is essentially the same as that enshrined in the recently enacted Victorian Associations Incorporation Reform Act 2012 and as such, we support it to a large extent. We agree strongly that the reporting and auditing/reviewing requirements should be proportionate to the size of the organisation and the level of risk to which the public might be exposed. As a

small Not-For-Profit, we are well below the lowest threshold, representing negligible risk (if any) to the public and constitute a Tier 1 organisation for the purposes of the Victorian legislation.

The Victorian legislation does however have one major flaw that would be fatal to many organisations if replicated by the ACNC. Tier 1 organisations are not normally required to have their financial statements audited or reviewed, BUT IF THEY DO, they are essentially required to use a qualified accountant with a current practising certificate applying the full range of auditing standards and reporting against the full range of accounting standards. This is likely to prove fatal to many small organisations.

Even small membership organisations should have their accounts reviewed. This gives confidence to the often financially-naïve members, promotes fidelity and diligence by the Committee of Management, and offers the opportunity for the reviewer to suggest improvements in process, attitude and skills designed to lift the standard of governance across the organisation. Indeed, many small organisations are required by their existing constitutions to have their accounts audited or reviewed, and many others do so to maintain an acceptable level of confidence among their members.

Unfortunately, there are far too few suitably qualified professionals to do this work, and far fewer who would do it on a pro bono basis (or highly discounted basis that such small organisations could afford) and even if there were, their reports would need to be qualified to the extent that even the best of financial statements would not engender confidence by other than the most sophisticated and financially literate members. (To make matters worse, even if resources were available to enable reviews of small organisations, the reviewers would need to give priority to their pro bono or discounted services over their normal work because the reporting deadlines for NFPs are generally shorter than those for many other financial reports.) This situation will no doubt create such havoc among many organisations that they will fail and cease delivering some of the services the Victorian community now enjoys.

We will be seeking a change to the Victorian legislation to address this presumably inadvertent, but most unfortunate blunder, but it is critical that the ACNC does not fall foul of the same thinking at a national level.

Standard Chart of Accounts

There appears to be another issue that may cause concern for many organisations. A great deal of work went into developing a Standard Chart of Accounts (including work to incorporate minor modifications required to meet particular requirements extant in some jurisdictions) and many organisations, large and small, recast their accounts and modified their procedures to take advantage of the undertakings by all governments to accept reports in this format as sufficient for virtually all purposes, specifically acquittal purposes. It would be a matter of considerable concern, not to say a huge waste of both public and private resources, if the adequacy of SCOA-compliant reports was not enshrined in the ACNC's reporting requirements. If it is not, any auditor or reviewer with a view of the world that is different to that on which the SCOA are based, could criticise, even qualify, his/her report to comment on any perceived deficiency, notwithstanding that the statements complied fully with the Standard.

Draft Regulations

In light of the foregoing comments, in particular the importance of rational scaling of the reporting and audit/review requirements, we have little to add to the draft regulations. They will not be relevant to our organisation for some years at least and given that their application relies heavily on the accounting standards, we will continue to endeavour to influence the AASB to ensure the standards take account of issues such as entity size and extent of public exposure to risk. Membership organisations should generally be exempt, or very lightly regulated, with respect to reporting and review matters.

Having said that, we do endorse a requirement for the responsible entities of all organisations, irrespective of size and other factors, to make a declaration along the lines of the proposed Regulation 9.

Lindsay Doig
President, Life Activities Clubs Victoria Inc.
11 February 2013