



Council of Social Service of New South Wales

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Manager
Philanthropy and Exemptions Unit
Indirect, Philanthropy and Resource Tax Division
The Treasury
Langton Crescent
PARKES, ACT 2600

14 February 2013

Dear Sir/Madam

Submission: Australian Charities and Not-for-profits Commission – Financial reporting requirements

The Council of Social Service of NSW (NCOSS) is the peak body for the non-government human services sector in NSW. Through its organisational membership, NCOSS represents a vast network of service delivery and consumer groups.

NCOSS has a vision of a society where there is social and economic equity, based on cooperation, participation, sustainability and respect. We work with our members, the Government and other relevant agencies, towards achieving this vision in New South Wales.

NCOSS supports a strong, dynamic and effective non-government community sector (sector) because of its capacity to address disadvantage and improve social justice outcomes. The sector has these capabilities not because it's funded by government but because it is the sector. These capabilities work for government and are complementary to the work of government. Together better outcomes are achieved. They can be hindered however by government policies and processes which seek to standardise practice.

The sector must and should be accountable for its work – to clients, communities and to its funders. This is about ethical and best practice, not just regulatory requirements. NCOSS calls for balance in regulatory regimes that are sought to be imposed on the sector. Most of all we would argue that regulation should not undermine the unique characteristics of the sector that allow it to deliver improved social justice outcomes.

On 17 December 2013, Treasury released for consultation the *Australian Charities and Not-for-profits Commission – Draft Financial Reporting Requirements* and explanatory material. It outlined the proposed financial reporting requirements which are to apply to charities registered with the Australian Charities and Not-for-profits Commission (ACNC). Feedback was sought on the content and application of the draft regulations.

Having considered the two documents NCOSS has concluded that the requirements for annual financial reports as outlined in the draft "*Australian Charities and Not-for-profits Commission Regulation 2012 Parts 1 & 3*" appear reasonable.

The reporting framework as outlined in the *Exposure Draft – Explanatory Material* did raise some issues. The paper noted that reporting requirements under the Act are proportional to the size of

the organisation, there being “three tiers for small, medium and large registered entities.

- *A small registered entity is an entity with annual revenue of less than \$250,000.*
- *A medium registered entity is an entity with annual revenue of \$250,000 or more and less than \$1 million.*
- *A large registered entity is an entity with annual revenue of \$1 million or more.”¹*

Small registered entities are not required to provide an annual financial report, however both medium and large registered entities are required to do so. Large registered entities are expected to have their financial reports audited. Medium sized registered entities may either have their financial reports audited or choose to have them reviewed.

NCOSS is of the opinion that the requirements for large and small registered entities are reasonable and appropriate.


There are however concerns that smaller, medium sized, registered entities (ie those entities with an annual revenue at the lower end of the range of \$250,000 and \$1 million) may not have the capacity to meet these requirements. These smaller organisations are less likely to use their resources to employ an accountant. Many outsource this aspect of their administration whilst others employ bookkeepers, often on a part time basis. Consequently they may not have the capacity to:

- decide whether they would be best served having their financial reports audited or reviewed; and/or
- decide whether they should prepare a General Purpose Financial Report or adopt a Reduced Disclosures Requirements regime; and/or
- appropriately identify what should be reported and what support material (ie notes) would be required regarding what is and is not reported; and/or
- ensure that the statements and notes comply with the accounting standards issued by the Australian Accounting Standards Board (AASB).

This is more likely to be an issue during the transition period and could be managed through a process of education and support.

A further more general concern is that the regulations and explanatory material are written for accountants, yet many of the organisations who need to comply with these regulations will be relying on non-accountants to interpret them. It is essential that the explanatory material be written in plain English or that appropriate guides and other support mechanisms be available particularly during the transition period.

Yours sincerely



Alison Peters
Director

¹ Exposure Draft – *Explanatory Material: Requirements for annual financial reports under the ACNC framework.*
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