



Response to the
Requirements for annual financial reports
under the ACNC framework
- Exposure Draft

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Mission Australia welcomes the opportunity to comment on the draft regulations *Australian Charities and Not-for-profits Commission Regulation 2012*, for annual financial reporting under the *Australian Charities and Not-for-profits Commission Act 2012 (ACNC Act)*. We do so having joined our Australian not for profit sector colleagues during the passage of the ACNC legislation in calling for further consultations on governance standards and financial requirements for entities registered with the ACNC.

Mission Australia supported the establishment of the ACNC as the independent national regulator for the NFP sector. We have also long advocated for transparency in financial reporting consistent with the objects of the *ACNC Act* to maintain, protect and enhance public trust and confidence in the Australian NFP sector. Mission Australia therefore supports the proposed financial reporting obligations and considers them appropriate for promoting such transparency. We would however wish them to be applied in a way to support the other objects of the ACNC, namely; to support and sustain a robust, vibrant independent and innovative NFP sector and to promote the reduction of unnecessary regulatory obligations.

As a large national, not for profit organisation, operating as a company limited by guarantee, Mission Australia is required to (and does) comply with Australian Accounting Standards Board accounting standards. The financial reporting requirements under the *Corporations Act (2001)* also apply. We therefore consider the proposed financial reporting requirements in the draft regulation for a large registered entity to be broadly consistent with our current financial reporting obligations, noting the additional requirement for an annual information statement by all registered entities.

The *ACNC Act* aims to promote the reduction of unnecessary regulatory obligations on the NFP sector and the transition to an independent national regulator should not create additional financial reporting obligations. The revised explanatory memorandum to the *Australian Charities and Not-for-profits Commission Bill 2012* similarly provides that the proposed framework will strike a balance between minimising the compliance burden on registered entities and ensuring accountability and transparency of the NFP sector. Mission Australia supports the ACNC Commissioner in allowing reports given under an Australian law to an Australian government agency as being a financial report under the *ACNC Act* until the 2014-15 financial year. Beyond the transition period it is unclear how the reduction of unnecessary regulatory obligations and reduction of the duplication of reporting and compliance burden will be promoted as it is not stated in the draft regulation and explanatory material.

In our *Submission to the Inquiry into the Australian Charities and Not-for-profits Commission Bills*¹, August 2012 we indicated Mission Australia and its related entities currently report to, or are regulated by, nearly 30 regulators and accompanying legislation. For example, Mission Australia and its controlled entities have financial reporting obligations to the ACNC both on an individual and consolidated basis. For example, its entities such as Mission Australia Housing Limited and Mission Australia Housing (Victoria) Limited, as registered community housing entities, are currently

¹ Specifically the Australian Charities and Not-for-profits Commission Bill 2012; Australian Charities and Not-for-profits Commission (Consequential and Transitional) Bill 2012; Tax Laws Amendment (Special Conditions for Not-for-profit Concessions) Bill 2012)

required to report to state housing registrars under state legislation in addition to the ACNC and will continue to be required to do so.

Significant reform through the Council of Australian Governments (COAG) will be required to achieve the ACNC objective of reducing regulatory burdens and duplication of reporting standards for charities consistent with the 'report once use often' and 'one-stop shop' principle of the ACNC. Until such progress has been made there is a risk that the new reporting requirements will add to the regulatory burden on the NFP sector.

Some medium sized charities and their responsible entities are likely to struggle with the new reporting requirements and also in deciding whether they are 'reporting' or 'non-reporting' entities. We note that the Exposure Draft Explanatory Material states that the AASB and the ACNC will work together to develop guidance on financial reporting for entities registered with the ACNC. It is critical that the ACNC be sufficiently resourced to provide such education and advice to the NFP sector to assist entities in meeting the reporting standards during the transition period.

In summary, Mission Australia supports the proposed draft regulations for annual financial reporting for entities registered under the ACNC, consistent with the need for transparency in the NFP sector. The regulations should be applied in a manner which supports the other objects of the ACNC Act to support and sustain a robust, vibrant independent and innovative NFP sector and also to promote the reduction of unnecessary regulatory obligations. They must not be applied so as to impose greater reporting burdens on a sector transitioning to the national regulator. Further progress is also required by COAG to achieve all of the objects of the *ACNC Act*. Adequate resourcing of the ACNC will be critical to its role for supporting and educating all NFP entities to enable them to meet the reporting requirements, taking into account the wide diversity of entity size and structure.