

Response to Exposure Draft “Requirements for annual financial reports under the ACNC framework.”

Submission to the Indirect, Philanthropy and Resource Tax Division of The Treasury

Response to the “Requirements for annual financial reports under the ACNC framework – Exposure Draft” relating to the operations of the Australian Charities and Not-for-profits Commission (ACNC)

About this submission

This submission is made as an individual and should not be interpreted as the view of my employer.

The time frame provided for submissions to this Exposure Draft was unrealistic for many organisations as the two months chosen is a period in which there are generally no meetings of governing bodies of charities i.e. mid-December to mid-February.

This timeframe has therefore prevented me from adequately consulting with the governing body to which I report. The timeframe also coincided with the closure of the financial year accounts for our charity and therefore there was limited chance to involve financial practitioners in consideration of this response. Those using the feedback on the Exposure Draft should be aware that many because of the response timeframe many organisations may not have responded and their points of view will be missing from this consultation.

Transition between tiers

1. The exposure draft provides little detail on the key issue of organisations transitioning from one reporting tier to another. More detail is needed on how the Commissioner will decide on those matters.

General Purpose accounts

2. The accounting standards devised by the AASB seem to be devised with For-profit listed organisations in mind. The environment and requirements of not-for-profit charitable organisations are significantly different. It would be beneficial if the ACNC and the AASB could work together to devise accounting standards more suitable for the sector rather than relying on Reduced Disclosure Requirements.
3. There will be a trend for auditors to insist upon General Purpose financial reports even where Special Purpose financial reports are suitable. This will be because the use of Special Purpose needs to be defended and auditors will be concerned about the potential accusations that they failed to impose adequate standards on a charity.

Reviews versus Audits

4. With the necessity for financial reviewers to be registered and generally coming out of the same professional bodies as financial auditors, it is likely that reviews will be a difficult option to use in practice. This professional body requirement will limit the number of people registered for reviews and will result in the cost of a financial review being similar to a cost of a financial audit.

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