



Grant Thornton

ACNC Implementation Design Discussion Paper
Australian Charities and Not-for-profits Commission
Implementation Taskforce
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Dear Sir/Madam

SUBMISSION – DISCUSSION PAPER – AUSTRALIAN CHARITIES AND NOT-FOR-PROFITS COMMISSION: IMPLEMENTATION DESIGN

Grant Thornton Australia Limited (Grant Thornton Australia) appreciates the opportunity to provide comments to the ACNC taskforce on the Discussion Paper ‘Australian Charities and Not-for-profits Commission: Implementation design’ dated 9 December 2011.

Our comments in the form of responses to the questions posed in the Discussion Paper are attached to this letter.

In addition to those specific responses, we believe the following should be considered when developing the implementation design:

- We are concerned with the sector’s ability to adopt the SBR taxonomies and the Standard Chart of Accounts within the timeframe set-out under the implementation design. While we strongly support the adoption of those elements, our experience within the not-for-profit sector is that there has been little take-up of these to date. Under the implementation design the Annual Information Statements require the reporting of information within specific categories. Many charities will not currently have the facility to readily produce this information in accordance with the Standard Chart of Accounts. This may mean these organisations will need to significantly modify their internal reporting mechanisms and we feel this may not be able to be achieved within a timeframe to allow for accurate reporting for the financial year 2012-13.
- Reference is made to reporting being made in accordance with “Accounting Standards”. We believe that further clarity needs to be provided as to the definition of “Accounting Standards” particularly in relation to the application of the “Reporting Entity” concept.

At present there is significant debate as to the future of this concept and we believe that, as a transitional measure until such time as there is clarity on this issues, entities should be able to report using their current reporting frameworks.

Should have any queries in relations to these matters please do hesitate to contact me on 07 3222 0307.

Yours faithfully
GRANT THORNTON AUSTRALIA LIMITED



Simon Hancox
National Industry Leader – Not-for-profit

RESPONSES TO DISCUSSION QUESTIONS

1. *Do you think that the introduction of the Charity Passport would reduce reporting obligations to the government? What are the obstacles to achieving one-stop shop reporting on the basis of the data being collected by the ACNC?*

We would support the introduction of a *Charity Passport* to reduce reporting obligations to government. The level to which this will facilitate the reduction of the administrative burden to the sector will be driven by the quantum of the information available to be included within the *Charity Passport*. Consultation will be required with the various levels of government to determine their information requirements and this will need to be co-ordinated with the information collected on the registration application and the annual information statements. To enhance the usefulness of this tool there needs to be a mechanism whereby charities can feedback to the ACNC the types of information they are providing to multiple government agencies.

2. *Will the information collected by the annual information statement be adequate for the purpose of achieving the appropriate level of transparency and accountability to the public?*

The data collected on the annual information statement (“AIS”) represents a substantial increase to the publically available information in relation to charities. We believe this an appropriate starting point for transparency and accountability, however there will need to be a continued monitoring of the contents of those statements to ensure the information is meeting the needs of users. As more of this information becomes publically available, users will become more aware of their needs and the AIS should be updated to reflect these changes.

Whilst we broadly support the tiered AISs as drafted, we have identified several points that we believe require further consideration:

- Both the Tier 2 and Tier 3 financial information requires assets and expenditures to be disaggregated to a certain level. We are concerned that some charities may need to substantially alter their internal reporting structures or spend considerable time to prepare the AIS in the format required.
- Particularly in relation to the Tier 3 AIS, provision should be made for attachments to the form where responses for some questions are likely to be lengthy.
- The Tier 3 AIS requires a ‘summary of the three main fundraising activities undertaken by your charity in the past 12 months’. Guidance will need to be provided regarding how to determine the ‘main fundraising activities’ as this could be considered on various qualitative and quantitative bases.

3. *Is there any additional information that should be collected and provided to the public?*

It is important given the classification of some of the information, particularly in relation to fundraising, that a facility be included for the organisations to provide further information where they consider it will assist users to interpret the data reported. Additionally, an education programme should be undertaken by the ACNC to enhance public understanding of the variety of fundraising activities and the differing cost structures associated with each.

4. *Should the annual information statement give charities the option of providing narrative descriptions of the outcomes achieved?*

We would view the AIS as being the minimum level of information that charities have to provide. The form should facilitate the charities providing additional information to fully inform the public of their activities. For example, we would support a facility within the AIS for a charity to attach a copy of their annual report (as opposed to their financial report) as these documents are often used by charities to detail achievements and outcomes of their activities.

5. *Is the SBR taxonomy an appropriate basis for the reporting of financial items to the ACNC?*

We would support the use of the SBR taxonomy and the Standard Chart of Accounts as an appropriate basis for the reporting of financial items to the ACNC. The ACNC however needs to consider in its interactions with charities the limited number of software packages that are currently SBR-enabled, particularly given the simplicity of the accounting packages used by the majority of charitable organisations.

6. *Is the proposal for information collected through the annual information statement and financial report appropriate for each tier (see Attachments B, C and D)?*

Please refer to our comments at Question 2.

In addition, there needs to be clarification as to what constitutes a Risk Management Plan as our client feedback indicates that this term is not fully understood within the sector.

7. *The ACNC Commissioner has the discretion to vary an accounting period. Under what circumstances should the Commissioner allow for an alternate accounting period?*

Given the number of different funding models that exist in the sector, we believe that the initial decision as to the appropriate year-end be that of the charity, rather than be at the discretion of the Commissioner. For example, Schools are funded on a calendar year basis and many grant funding periods are not tied to a 30 June year-end. We don't see that having alternate year-ends would significantly affect the comparability of the performance of the charitable organisations. Any changes to an entity's accounting period should be at the discretion of the Commissioner.

Further, in keeping with the objective of reducing compliance costs, we see great benefit in allowing charities to have year-ends outside those applicable to the corporate sector.

8. *Do the ATO practice statements provide an appropriate guide?*

As per our comments in Question 7, we do not believe the relatively restrictive ATO practice statements provide an appropriate guide.

9. *Are the transitional arrangements clear for new and existing charities?*

Whilst we believe that the transitional arrangements for new and existing charities are sufficiently clear, we have concerns as to whether the sector as a whole is aware of those transitional arrangements.

10. *What assistance could the ACNC provide to support the sector's use of online engagement?*

Principally the ACNC should provide guidance to registered entities about how to access online facilities and provide a help desk support system for timely resolution of issues encountered.

11. *Are there barriers to online reporting or registration? How can the ACNC ensure that it is effective?*

We have not identified any barriers to online reporting or registration.

12. *Are there barriers to the AUSKey as the ACNC online authentication tool?*

We have not identified any barriers to using the AUSKey as the ACNC online authentication tool.

13. *Are these proposed principles guiding the ACNC's role in providing an education function appropriate?*

We consider the proposed principles guiding the ACNC's role in providing an education function to be appropriate.

14. *What should be the scope of the ACNC's education role?*

We agree with the stated scope that the ACNC's education role in its foundational stages should be focussed on producing materials relating to its core regulatory and reporting functions with its educative role to be expanded once the ACNC is established.

15. *Is it appropriate for the ACNC to endorse education and guidance material provided by other entities (for example, peak bodies)?*

We do not envisage any problems with the ACNC endorsing education and guidance material provided by other entities, providing that the materials are submitted to the ACNC by the third party for approval. Given the limited resources available to the ACNC and the continued work that needs to be done in developing the ACNC's role, we do not see this as a priority for the ACNC.