



Australian Government



Australian
Charities and
Not-for-profits
Commission

Kams Sub 7

31 March 2023

The Auditing and Assurance Standards Board (**AuASB**)

Submitted via email: enquiries@auasb.gov.au

Our reference: ACNCSUB2023/3

AuASB Discussion Paper – Expanding Key Audit Matters (KAMs) beyond listed entities

The Australian Charities and Not-for-profits Commission (**ACNC**) welcomes the opportunity to comment on AuASB Discussion Paper – Expanding Key Audit Matters beyond listed entities.

The ACNC is the national regulator of charities established by the *Australian Charities and Not-for-profits Commission Act 2012* (Cth) (**ACNC Act**). It currently has oversight of around 60,000 registered charities. The objects of the ACNC are to:

- Maintain, protect, and enhance public trust and confidence in the Australian not-for-profit sector.
- Support and sustain a robust, vibrant, independent, and innovative Australian not-for-profit sector.
- Promote the reduction of unnecessary regulatory obligations on the Australian not-for-profit sector.

The ACNC maintains a free and searchable online public register of charities (**the Charity Register**). The Charity Register helps the public to understand the work of the charity sector and enables charities to be transparent by publishing information about their activities, operations, and finances. Financial reports provided by charities are available on the Charity Register.

Feedback

Our comments are limited to the potential impact of amendments to ASA 701 on ACNC registered charities and are based on the ACNC's current legislative framework. We have not sought or received any feedback from the charity sector on the impact of KAM disclosures to resolve information needs, or as a means of enhancing the regulatory environment of charities. The ACNC only regulates charities; it has no role in the regulation of other not-for-profit entities.

The ACNC requires all large charities (defined as charities with annual revenue of \$3 million or more) to provide audited financial reports. Medium charities (revenue of \$500,000 or more but less than \$3 million) provide financial reports that are either reviewed or audited.

Under section 60-45 (3) of the ACNC Act, an auditor's report must (relevantly) include:

- *any material defect or irregularity in the financial report; and*





- *any deficiency, failure, or shortcoming in respect of the matters mentioned in paragraph 60-30(3)(b), (c) or (d).*

We believe the above requirement supports what would be required if large charities were to be included in ASA 701.

It is our view the overall objectives of the communication of KAMs required by ASA 701 (and as described in the purpose of the ASA 701) are beneficial.

In assessing the implications of requiring the communication of KAMs on the charity sector we have considered the options outlined in the Discussion Paper (in the context of the ACNC's objects noted above) and it is our view:

- The drivers and benefits of expanding the application of the KAM disclosure requirements beyond the current requirements of ASA 701 are not clear.
- Charities do not merit inclusion within the scope of ASA 701 solely due to their not-for-profit nature, as they are already subject to similar audit requirements.
- The ACNC reporting tiers should not be used as a guide for inclusion. We consider most medium and large charities are likely to be substantially smaller than the listed entities currently covered under ASA 701.

In forming the above view, we have specifically considered the communication of KAMs based upon other available options including the definition of Listed Entity and Public Interest Entity (PIE) in APES 110 Code of Ethics for Professional Accountants.

In summary, we currently agree with Option 1 and do not support Option 2 or Option 3.

Further questions

If there are any further questions, please contact Mel Yates at Melville.Yates@acnc.gov.au or 03 9275 9595.

Sincerely,

Sue Woodward AM

Commissioner
Australian Charities and Not-for-profits Commission