



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **8**

Meeting Date: 16 April 2012

Subject: Update on Australian Charities and Not-for-Profits Commission (ACNC)

Date Prepared: 29 March 2012

Action Required

For Information Purposes Only

Agenda Item Objectives

To update the AUASB on recent discussions with the ACNC about their current activities and implications for audit and assurance matters.

Background

On 26th March AUASB staff held a teleconference with policy and accounting staff of the ACNC taskforce and ACNC.

It was confirmed in this meeting that the start date for the ACNC has been extended by the federal government by three months to **1 October 2012** to allow further engagement with stakeholders in finalising the legislation. It was also confirmed that the ACNC is only focusing on Charities in the short to medium term and not all Not-for-profit entities. There are approximately 60,000 Charities registered in Australia of which 20,000 are unincorporated entities, 20,000 incorporated entities, 14,000 trusts/other and 6,000 are Company's Limited by Guarantee. About half of the 60,000 Charities have deductible gift recipient status.

Further discussions were had on the ACNC proposed reporting framework based on three tiers similar to those applied to Company's Limited by Guarantee:

Tier 1 Small: revenue < \$250k and not a Deductible Gift Recipient (DGR) – no financial report required or audit or review under current legislation. An annual information statement to be provided to ACNC.

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Tier 2 Medium: revenue of up to \$1mil if a DGR; or between \$250k and \$1mil if not a DGR – a financial report to be prepared and an audit or review required. Depending on whether they are reporting entity or not the financial report may be special purpose under the reduced disclose regime or general purpose that needs to apply all accounting standards.

Tier 3 Large: revenue greater than \$1mil – a financial report to be prepared and an audit required under the proposed legislation.

From 1 October 2012, the ACNC will be assuming responsibility for Charities that are company's limited by guarantee in respect of financial reporting and audit regulation from ASIC and more generally registration of Charities that currently reside with the ATO.

The AUASB provided some feedback on the proposed legislation to the ACNC in that it seems only to cater for the requirements of an audit and not a review even though this is an option for some of the Tier 2: medium sized entities.

The ACNC also asked the AUASB if it felt the legislation should cover the area of appointment, removal and resignation of auditors which it is currently silent on. We recommended that the legislation should deal with these aspects so that the requirements are explicit and can be applied consistently. It was noted that these requirements could be based on those in the *Corporations Act 2001* if appropriate.

Matters to Consider

Susan Pascoe the Interim Commissioner of ACNC will attend the 16th April 2012 Board meeting to inform and update the AUASB on the progress of the ACNC activities.

Material Presented

Agenda Item 8

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