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## Governance

### Protecting whistleblowers gains momentum

The federal government has committed to extending to the private sector whistleblower protections in the Fair Work (Registered Organisations) Act.

It will also support a parliamentary inquiry into whistleblower laws, set up an 'expert advisory panel' to develop draft legislation to act on the inquiry's report and introduce legislation into parliament by December.

The Senate referred an inquiry into whistleblower protections in the corporate, public and not-for-profit (NFP) sectors to the Joint Parliamentary Committee on Corporations and Financial Services for reporting by 30 June. Submissions are due by 10 February.

The terms of reference are:

- The development and implementation in the corporate, public and NFP sectors of whistleblower protections, taking into account the substance and detail contained in the Registered Organisation Commission (ROC) legislation passed by parliament in November
- The types of wrongdoing to which a comprehensive whistleblower-protection

regime for the corporate, public and NFP should apply

- The most effective ways of integrating whistleblower-protection requirements for the corporate, public and NFP sectors into Commonwealth law
- Compensation arrangements in whistleblower legislation across different jurisdictions, including the bounty systems used in the United States of America
- Measures needed to ensure effective access to justice, including legal services, for persons who make or may make disclosures and require access to protection as whistleblowers
- The definition of detrimental action and reprisal, and the interaction between, and, if necessary, separation of criminal and civil liability
- The obligations on corporate, NFP and public-sector organisations to prepare, publish and apply procedures to support and protect persons who make or may make disclosures, and their liability if they fail to do so or fail to ensure that the procedures are followed
- The obligations on independent regulatory and law-enforcement agencies

to ensure the proper protection of whistleblowers and investigation of whistleblower disclosures

- The circumstances in which public interest disclosures to third parties and the media should attract protection
- Any other matters relating to the enhancement of protections and the type and availability of remedies for whistleblowers in the corporate, not-for-profit and public sectors, and
- Any related matters.

Other commitments include that the government will:

- Set up an 'expert advisory panel' to develop draft legislation to act on the report
- Introduce legislation into parliament by December with the support of, at a minimum, the standards now set in the Act, and
- Commit to supporting enhancements to whistleblower protections and commit to a parliamentary vote on the legislation no later than 30 June 2018.

## Non-compliance laws to tighten

Ethical responsibilities of accountants and auditors over non-compliance with laws and regulations are about to increase significantly.

Substantial revisions of APES 110 *Code of Ethics for Professional Accountants* are on their way. Proposals were released as a Christmas present by the Accounting Professional and Ethical Standards Board (APESB), and revised ethical and auditing standards have been released internationally and are the basis for our local requirements.

The proposals address breaches of laws and regulations dealing with matters such as fraud, corruption and bribery, money-laundering, tax payments, financial products and services, environmental protection, and public health and safety.

Non-compliance with laws and regulations comprises acts of omission and commission, intentional or unintentional, committed by a client or by those charged with governance, by management or by individuals working for or under the direction of a client that are contrary to prevailing laws and regulations. In shorthand, it's known as NOCLAR.

Proposed new ethical requirements apply to all categories of professional accountants, including auditors, professional accountants in public practice and in entities, including those in businesses, government, education, and the NFP sector.

The proposals set out a framework to guide accountants in what actions to take in the public interest when they become aware of a possibly illegal act committed by a client or employer.

Confidentiality requirements in the code have been revised to require an accountant to determine whether non-compliance needs to be disclosed to an appropriate regulatory authority.

It will no longer be appropriate to ignore non-compliance or just to resign.

Responsibilities under the code differ depending on whether you are:

- A professional accountant in public practice providing services other than audits of financial statements
- An auditor undertaking an audit of financial statements
- A professional accountant employed by an entity, and
- A 'senior professional accountant'.

A senior professional accountant is described as a director, officer, or senior employee able to exert significant influence over, and

make decisions regarding, the acquisition, deployment and control of an entity's human, financial, technological, physical and intangible resources.

Because of their roles, positions and spheres of influence, there is a greater expectation for them to take whatever action is appropriate in the public interest to respond to non-compliance or suspected non-compliance.

Their responsibilities require them to:

- Obtain an understanding of the matter
- Address the matter
- Determine whether further action is required, and
- Determine whether to disclose the matter to an appropriate authority.

Documentation of the steps is encouraged. The responsibilities of other professional accountants are not so extensive but still quite onerous.

The revisions flow from a revision of the *Code of Ethics for Professional Accountants* that has been released by the International Ethics Standards Board with two new sections and consequential amendments. The new sections are 225 *Responding to Non-compliance with Laws and Regulations*, which applies to members in public practices, and 360 of the same title, which applies to members in business.

It is proposed that the changes become operative from 15 July (the same date as the international standard).

As the new requirements have been finalised internationally, don't expect any changes to result from the local exposure process. It is policy to comply with international rules.

Every accountant needs to know about their new NOCLAR responsibilities. Entities will need to consider their internal policies and procedures on compliance and the implications of reporting non-compliance. The time to start thinking about it is now.

## Directors banned in wake of housing-corporation collapse

The Federal Court in Canberra has banned former directors of the Southside Housing Aboriginal Corporation from managing indigenous corporations.

The orders were made in civil penalty proceedings brought by the registrar of indigenous corporations Anthony Beven.

Fred Monaghan and Teresa Monaghan have been banned from managing Aboriginal and Torres Strait Islander corporations for five years and ordered to pay a pecuniary penalty to the Commonwealth of \$38,500 each.

Kim Peters has been banned from managing Aboriginal and Torres Strait Islander corporations for six months.

Southside Housing was established in 1995 to provide affordable housing for Aboriginal and Torres Strait Islander people in Canberra. It owned and managed seven properties funded by the federal government.

The registrar put the corporation into special administration in December 2013 after an examination revealed that most tenants were not paying rent, the corporation had large outstanding debts, two of the corporation's houses were unfit for human habitation and the others required substantial repairs.

All three former directors were found to have breached their duties by not ensuring that the corporation kept adequate books and records. Mr and Ms Monaghan were also found to have improperly used their positions and failed to exercise due care and diligence in managing the corporation and its houses. Ms Peters was found to have taken several steps and actions to try to address the problems, confronting the corporation.

In his reasons for judgment, Justice Griffiths said: '... [These] proceedings vividly highlight the need for there to be appropriate training for people who are directors or officers ... none of the [former directors] had the appropriate knowledge, experience or understanding of their roles and responsibilities as directors.'

Mr Beven said: 'This case highlights the importance of having the right skills on the board of a corporation, particularly when it is managing publicly-funded assets or complex operations.'

## School funding revoked

The Administrative Appeals Tribunal has affirmed a federal Department of Education and Training decision to revoke government funding of Malek Fahd Islamic School Limited.

The AAT decided that the school authority was unable to satisfy the requirements of the Education Act or be able to do so in the foreseeable future.

Concerns centred on the school's independence, financial management and governance.

Education minister Simon Birmingham noted that the tribunal referred 'in particular to the ongoing burden of the uncommercial arrangements with the Australian Federation of Islamic Councils' and that 'findings make it clear that, at a minimum, MFISL continues to be operated for profit.'

The Australian Education Act 2013 requires school authorities to operate on a not-for-profit basis, be financially viable, be ‘fit and proper’, and ensure that funding provided is used only for school education. Schools must meet the requirements to receive federal funding.

### ACNC releases cash-reserves guidance

The Australian Charities and Not-for-profits Commission has released *Charity reserve: financial stability and sustainability*, which encourages charities to maintain cash reserves to ensure financial stability.

The fact sheet provides general guidance on reserves, covering:

- What reserves are and where they come from
- Why it is important to have reserves
- Appropriate levels of reserves, and
- Who has responsibility for reserves?

ACNC commissioner Susan Pascoe said that the myth that charities should not make a profit or have money in reserve damaged the sector. She hoped that the guidance’s release would help to correct misinformation.

Reserves play an important role in the financial stability and long-term sustainability of a charity, and managing them is an important part of a charity’s overall financial management, a crucial element of good governance.

In line with good governance and proper risk-management, a charities’ boards, committees and governing bodies should consider an appropriate level of reserves and a strategy for building or spending them that is consistent with its purpose.

‘Charities are often trying to get by on very little and sometimes are worried that if they build up healthy reserves, they’ll struggle to secure funding. We need to explain to the public that charities need to operate on a sustainable footing to be able to continue their work from one year to the next. Making a profit allows a charity to build reserves and become sustainable,’ Ms Pascoe said.

‘Charities should have reserves set aside to cover unexpected events or costs – a fund set aside for a rainy day. Even small charities would benefit from a small reserve.

‘Maintaining an appropriate level of reserves is responsible financial management. It is important that charity boards properly consider maintaining and managing reserves. This guidance outlines the key considerations for developing a good reserves policy.

‘It is important for charities to be transparent about finances. Charity boards should make an effort to explain to funders, donors and the public why they need reserves and the justifications for the decisions they make.’

The guidance document can be found on the ACNC website at [acnc.gov.au/charityreserves](http://acnc.gov.au/charityreserves).

If a charity is a private ancillary fund or a public ancillary fund, it will have different obligations concerning accumulating and distributing reserves.

### ACNC releases fundraising agencies guidance

The ACNC and fundraising organisations have released guidance aimed at helping charities protect themselves, fundraisers and the public.

The commission’s partners are the Fundraising Institute of Australia and the Public Fundraising Regulatory Association.

*Working with fundraising agencies* helps charities manage their links with fundraisers and enter into new agreements while ensuring that they meet their charity-status obligations.

Recent media reports have alleged that some agencies have used inappropriate workplace practices and might have broken Australian employment laws. The allegations undoubtedly damage public trust and confidence in Australia’s charity sector.

The guidance addresses:

- Fundraising and charity governance
- Working with fundraising agencies
- Considerations for working with a fundraising agency
- Practical steps for ensuring good governance, and
- Taking fundraising governance seriously.

ACNC commissioner Susan Pascoe highlighted the risk to public trust and confidence as the impetus for releasing the guidance.

‘Charity boards cannot outsource their responsibilities,’ Ms Pascoe said.

‘Charities run the real risk of damaging public trust and confidence in both their brand and the sector more widely if they are being inappropriately represented by third-party fundraisers in the community.

‘The board should be satisfied that the fundraising agency they have contracted is aware of its legal obligations, has appropriate policies and processes to ensure compliance, and also shares the values of the charity. A charity must have appropriate oversight of all

of the activities conducted by a fundraising agency in the name of the charity.’

Paul Tavatgis, chief executive of the PFRA – a self-regulatory body for face-to-face fundraising in Australia – welcomed the guidance and encouraged charities to consider committing to the association’s rules that define how face-to-face fundraisers should behave.

FIA chief executive Rob Edwards welcomed the ACNC’s position on governance practices for charities that used fundraising agencies.

‘As the national peak body representing professional fundraising in Australia, FIA believes that the fundraising sector can only remain sustainable when there is strong public trust. The FIA’s *Principles & Standards of Fundraising Practice* are the professional fundraiser’s guide to ethical, accountable and transparent fundraising. [It is] critical to how the fundraising profession is viewed by donors, government and the community’.

Other ACNC resources on fundraising are *ACNC Governance Standards*, *Fundraising: engaging people in vulnerable circumstances*, and *Charities and fundraising: FAQs*.

### Fundraising and the vulnerable

In collaboration with the Fundraising Institute of Australia, the ACNC has published guidance to help charities that engage with vulnerable people.

*Fundraising: people in vulnerable circumstances* outlines how charities can recognise people in vulnerable circumstances and suggests ways of engaging them respectfully when fundraising.

The guidance is available at [acnc.gov.au/vulnerablepeople](http://acnc.gov.au/vulnerablepeople).

### Factsheet backgrounds charities

A new ACNC factsheet gives background and context to the number of registered charities and answers frequently-asked questions, hoping to clarify common misconceptions.

The factsheet explains the law affecting charities and NFPs and compares it with other jurisdictions.

ACNC commissioner Susan Pascoe said that the issue of charity numbers had been discussed widely in recent months, eliciting a range of views.

‘Given the public discussion and the range of views on this topic, we thought that it was important, as the regulator, to help shape the debate. This is a complex topic and we feel that the new factsheet provides a good grounding for reasonable discussion,’ Ms Pascoe said.

The new information sheet and FAQs can be found on the ACNC website at [acnc.gov.au/toomanycharities](http://acnc.gov.au/toomanycharities).

### ACFID revises conduct code

Australia's peak body for overseas humanitarian and development NFPs, the Australian Council for International Development (ACFID), has agreed to a revised code of conduct.

The main changes include:

- A revised purpose and objectives
- A revised set of values
- Nine principles, 32 commitments and 89 compliance indicators, which replace the 54 principles and 145 obligations in the current code
- Strengthened compliance assessment on application for new members

- Triennial rather than annual compliance self-assessment for members
- A new set of good-practice indicators that will facilitate continuous improvement, and
- Improved guidelines, templates and tools distributed via a revised good-practice toolkit and code portal to support compliance and move towards better practice.

The revised code starts on 1 June.

During the first half of 2017, ACFID will update code-related policies, processes and tools to reflect the new version, which requires ACFID members to report regularly on their compliance.

Members must have a publicly available complaints mechanism.

A sample of member agencies with a June financial year-end will report to ACFID in line with the revised code by 30 November.

Assessments will be made as if they were new applicants for ACFID membership, and by the end of a three-year transition period all members will have been externally verified against the same set of compliance indicators.

ACFID chief executive Marc Purcell said: 'The upgraded [code] has been developed over 18 months with extensive consultation in the sector and with relevant third parties, including the Australian Charities and Not for Profit Commissions and Department of Foreign Affairs and Trade.

'When Australians make a donation, they have a right to know their money is being well-spent. We would advise them to visit the ACFID website and check [that] their chosen organisation is signed-up to the ACFID code of conduct.'

## ACNC activities

### Tick ticked

The ACNC has launched a 'tick of charity recognition', also known as the 'registered charity tick', which allows donors to identify quickly and easily a registered charity.

Displaying the tick is optional, however nearly 2000 registered charities have already logged into their portals to download it.

Many have used it on their websites, and the ACNC is encouraging them to link the image to their listing on the charity register, giving donors immediate access to a wealth of information.

For more information about the tick, visit [acnc.gov.au/registeredcharitytick](http://acnc.gov.au/registeredcharitytick).

### Avoid making mistakes in your 2016 AIS

Charities that report using the standard 1 July to 30 June financial year are required to submit their 2016 annual information statements (AIS) before 31 January.

To help charities avoid making mistakes, the ACNC has published 10 top tips:

- Check that the financial information you enter is correct
- Know your financial report type
- Will you provide a consolidated financial report? Consolidated financial reports are accepted, but don't forget that financial-information questions are only for registered charities and not entire groups
- Make sure you attach all required documents. For medium and large charities these include: statements of profit or loss and other comprehensive income, statements of financial positions, statements of changes in equity, statements of cash flows, notes to the financial statements, reviewer's report/auditor's report signed and dated, and signed and dated responsible persons' declarations about the statements and notes
- Preparing a special purpose financial statement? Remember the accounting standards. You need to comply and state that the financial statement is prepared in accordance with the six mandatory accounting standards, and
- Preparing a general-purpose financial statement? Check the completeness and quality of the related-party disclosures. Make sure you comply with all relevant accounting standards and provide sufficient detail of transactions between related parties and key management-personnel compensation.

- Make sure that your address for service email is not your personal email
- Will you report as a basic religious charity? Know the requirements
- Make sure you select the right activities for your charity
- Remember to provide financial information

The ACNC has also released a series of instructional videos to help charities to complete their statements. The screencasts take viewers step-by-step through several obligations.

A checklist covers everything.

### Basic religious charities reclassify

In 2015–16, the ACNC began to identify registered charities that might have incorrectly classified themselves as a basic religious charity (BRC).

More than 300 contacted by the ACNC changed their subtype from BRC, providing financial information to the commission as part of their annual information statements. Information on the charity register was corrected.

### Third charity report released

Recently released, the *Australian Charities Report 2015* contains new information about the size, activities and impact of Australia's charities.

The third edition, it is the first to compare findings with those of previous years.

The report amounts to the ACNC's annual flagship research and is essentially a charity-sector census. Produced by the Centre for Social Impact in partnership with the Social Policy Research Centre at the University of New South Wales, it analyses data submitted in 2015 annual information statements by almost 51,000 registered charities.



The report found that:

- Total income had grown 2 per cent to more than \$134 billion
- Donations and bequests grew 2.4 per cent to \$11.2 billion
- There were nearly three million volunteers
- Nearly half of all charities were run solely by volunteers
- 1.2 million Australians were employed by a registered charity (around 10 per cent of the total workforce), and
- The majority (67 per cent) of charities were small, with annual revenue of \$250,000 or less.

The report is a valuable resource for charities, donors, governments, researchers and the community to understand better the sector.

It and shorter summary reports as well as an interactive data cube are available at [australiancharities.acnc.gov.au](http://australiancharities.acnc.gov.au).

## Public benevolent institutions clarified

The ACNC has published a new commissioner's interpretation statement on public benevolent institutions, which are set up to help relieve poverty, sickness, disadvantage and suffering.

Registered charities with PBI status are granted deductible-gift-recipient status by the Australian Taxation Office.

Many organisations seek registration as PBIs, and the statement provides clear guidance on the criteria for qualification. It defines a PBI and how the commission will apply the law in considering applications.

The statement outlines the ACNC's current understanding of the law concerning PBIs and how organisations may fit the charity subtype. It is binding on ACNC staff making decisions about PBIs.

According to the *Australian Charities Report 2015*, 16 per cent of registered charities – more than 8000 – are PBIs. The percentage of registered charities with PBI status increases to 30% when focussing on large registered charities, those with annual revenue of \$1 million or more.

## Six charities lose status after investigations

The ACNC has revoked the charity status of six organisations following compliance investigations. They are:

- Shaolin Temple Foundation (Australia) Ltd: Status revoked on 8 December, with the effective date of revocation 2 December 2015. It has been operating

since 2006 and is based in New South Wales. The Shaolin Temple Foundation was endorsed by the Australian Taxation Office (ATO) to access the following Commonwealth charity tax concessions – GST, income-tax exemption, and FBT rebate

- Camp Gallipoli Foundation Incorporated: Status revoked on 15 December, with the effective date of revocation 10 February 2014. Camp Gallipoli Foundation Incorporated has been operating since 2014 and is based in South Australia. It was endorsed by the ATO to access the following Commonwealth concessions – GST and income-tax exemption
- International Development Organisation: It has been operating since 2013 and is based in New South Wales. It was endorsed by the ATO to access GST concession, income-tax exemption, and FBT rebate
- Islamic Development Organisation Inc: It has been operating since 2011 and is based in New South Wales. It was endorsed by the ATO to access GST concession, income-tax exemption, and FBT rebate
- Diamond's House of Faith: Diamond's House of Faith has been operating since 2001 and is based in New South Wales. It was endorsed by the ATO to access GST concession, income-tax exemption, and FBT rebate, and
- Village Green Community Foundation: Revoked the organisation's charity status on 12 October following a compliance investigation, and backdated the revocation date to 1 July 2013. The organisation will lose access to federal tax concessions.

Commissioner Susan Pascoe said that while the ACNC could not provide further details due to secrecy provisions in its Act, the commission's approach to compliance activity was proportionate. 'Members of the public can be assured that compliance revocations are reserved for the most serious of cases,' she said.

## ACNC issues penalty notices

The ACNC has issued several penalty notices to charities for failing to lodge outstanding annual information statements.

Notices have been sent to 40 large charities with annual revenue of \$1 million or more, and combined assets of more than \$70,000,000. The charities' statements were more than eight months overdue.

They were given multiple reminders, including a final warning letter.

Penalised charities might be fined up to \$4500.

## Beware of advocacy risk

During and following the federal election campaign, the ACNC received 19 complaints about the conduct of 11 registered charities. Five of the matters have progressed to an investigation, one charity receiving a show-cause notice, which will give it a chance to explain itself.

Registered charities should familiarise themselves with the ACNC guidance on this topic. *Charities, elections, and advocacy* is available for download at [acnc.gov.au/advocacy](http://acnc.gov.au/advocacy).

## Street Swags takes action to address ACNC concerns

Registered charity Street Swags has voluntarily undertaken to address concerns that the ACNC has raised about its governance.

Assistant commissioner David Locke said that a voluntary undertaking was appropriate when a charity had fully cooperated with an ACNC investigation and made obvious attempts to comply with ACNC regulations.

'Where appropriate, the ACNC works with charities to address concerns and to ensure charities understand and comply with their obligations,' Mr Locke said.

'Our investigation found a lack of financial controls and conflict of interest policies.

'The ACNC will continue to monitor Street Swags's activities closely. If the conditions of [the undertaking] are breached, the commission will take further action.

'The ACNC has a range of formal powers it can use, including warnings, directions, removing responsible persons, enforceable undertakings and revocation.'

Street Swags director Paul Daly confirmed that he and his board were working to address the concerns raised by the ACNC. 'The board is acutely aware of its fiduciary responsibility to demonstrate good governance and stewardship,' Mr Daly said.

## ACNC and RSL working together to resolve concerns

The ACNC is working with RSL National, the peak body for Australian returned-service persons' leagues, after a media report uncovered related-party transactions totalling more than \$2 million. The ACNC has written to RSL NSW to seek information.

Assistant commissioner Locke said he was encouraged by the level of cooperation shown by the RSL's new acting national president Robert Dick.

‘Mr Dick and the RSL’s national body have shown that they are committed to working with the ACNC to ensure that the beneficiaries and assets of the charity are protected,’ Mr Locke said.

Mr Dick said: ‘RSL National will work closely with the ACNC over the coming weeks as they conduct an investigation into concerns that the league may not be meeting its obligations as a charity. We have also agreed to provide the [commission]

with the interim report findings from the forensic investigation being undertaken by KordaMentha and any additional supporting documentation to assist them with their inquiry into these matters.’

# Financial reporting insights

## **AASB 1058 *Income of Not-for-Profit Entities* issued**

Under the new AASB 1058 *Income of Not-for-Profit Entities*, revenue from grants and donations will be recognised when any associated performance obligation to provide goods or services is satisfied, and not immediately upon receipt as currently occurs.

More assets will be recognised in the financial-position statement under the new requirements, including leases with significantly below-market terms and conditions.

In addition to AASB 1058, two related amending standards are AASB 2016–7 *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities*, and AASB 2016–8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*.

AASB 1058 establishes principles for NFPs that apply to transactions where the consideration to acquire an asset is significantly less than fair value principally to enable an NFP to further its objectives, and the receipt of volunteer services.

AASB 1058 applies for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted provided that entities apply AASB 15 *Revenue from Contracts with Customers* in the same period.

AASB 1058 clarifies and simplifies income-recognition requirements that apply to NFPs in conjunction with AASB 15. The standards supersede income-recognition requirements private-sector NFPs and most of the income-recognition requirements for public-sector NFPs previously in AASB 1004 *Contributions*.

The requirements of AASB 1058 address transactions that are not contracts with customers. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or

service), or a contribution by owners, related to an asset (such as cash or another asset).

AASB 1058 applies when an NFP receives volunteer services or enters into other transactions where the consideration to acquire an asset is significantly less than the fair value of the asset, principally to enable the entity to further its objectives. In the latter case, the entity recognises and measures the asset at fair value in accordance with an applicable Australian accounting standard, for instance, AASB 116 *Property, Plant and Equipment*.

Upon initial recognition of the asset, AASB 1058 requires NFPs to consider whether any other financial-statement elements (called ‘related amounts’) should be recognised, such as contributions by owners, revenue, or a contract liability arising from a contract with a customer, a lease liability, a financial instrument, or a provision. Related amounts are accounted for in line with applicable standards.

If a transaction is a transfer of a financial asset to enable an entity to acquire or construct a recognisable non-financial asset to be controlled by the entity (that is, an in-substance acquisition of a non-financial asset), the entity recognises a liability for the excess of the fair value of the transfer over any related amounts recognised.

The entity recognises income as it satisfies its obligations under the transfer similarly to income recognition on performance obligations under AASB 15. If the transaction does not enable an entity to acquire or construct a recognisable non-financial asset to be controlled by the entity, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

When an entity receives volunteer services and can reliably measure the fair value of those services, it may elect to recognise the services as an asset (provided the relevant

asset-recognition criteria are met) or an expense. Local governments, government departments, general government sectors (GGSs) and the whole of governments are required to recognise volunteer services if they would have been purchased if not provided voluntarily and the fair value of those services can be measured reliably.

Significant transitional relief has been provided as well as numerous illustrative examples.

AASB 2016–7 *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities* amends the mandatory effective date (application date) of AASB 15 *Revenue from Contracts with Customers* for NFPs so that AASB 15 is required to be applied by such entities for annual reporting periods beginning on or after 1 January 2019 instead of 1 January 2018.

Earlier application of AASB 15 is permitted by NFPs for annual reporting periods beginning before 1 January 2019 provided AASB 1058 is also applied.

AASB 2016–8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities* inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 *Financial Instruments* and AASB 15.

The amendments *Appendix C Australian implementation guidance for not-for-profit entities*, to AASB 9 address the initial measurement and recognition of non-contractual receivables arising from statutory requirements. They include taxes, rates and fines.

The amendments *Appendix F Australian implementation guidance for not-for-profit entities*, to AASB 15 address identifying a contract with a customer, identifying performance obligations, and allocating a transaction price to performance obligations.

# Audit

## Enhanced audit-reporting standards apply

A new suite of enhanced audit-reporting standards applies to periods ending on or after 15 December. The new and revised standards affect general-purpose and special-purpose financial statements.

Preparers should also pay attention to a new format for an auditor's report, and, in particular, changes to the descriptions of management's responsibilities for a financial report, description of an auditor's responsibilities and an audit's key features.

The suite of enhanced reporting standards are:

- ASA 700 *Forming an Opinion and Reporting on a Report*
- ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report (listed entities)*
- ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*

- ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*
- ASA 720 *The Auditor's Responsibilities Relating to Other Information*
- ASA 805 *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statements*
- ASA 810 *Engagements to Report on Summary Financial Statements*
- ASA 570 *Going Concern*, and
- ASA 260 *Communicating with Those Charged with Governance*.

Conforming amendments resulting from the changes affect the following standards: ASA 210 (engagement terms), ASA 220 (quality control), ASA 230 (audit documentation), ASA 510 (initial engagements), ASA 540 (accounting estimates), ASA 580 (representations), ASA 600 (audit of groups) and ASA 710 (comparatives).

As well as the significant changes to the format and content of auditors' reports, there are significant changes to:

- An auditor's responsibility over 'other information'
- Going-concern basis, and
- Audits of accounting disclosure.

The new auditing standards are likely to drive changes to financial statements in terms of:

- Better alignment of financial-reporting disclosures with 'other information' contained in the annual report
- Improved going concern disclosures, and
- Removal of immaterial disclosure and improved disclosures generally.

# State and territory-based regulators and the ATO

## South Australia harmonises reporting

South Australia has passed legislation to harmonise reporting. From 1 December, registered charities that hold a Collections for Charitable Purposes Licence will no longer need to report annually to Consumer and Business Services (CBS) provided they meet certain conditions and continue to report annually to the ACNC.

From 1 January, the reporting agreement will extend to registered charities that are South Australian prescribed associations.

A two-year transitional reporting arrangement is in place to give affected South Australian charities time to adjust to ACNC reporting requirements. To find out more read see the ACNC website transitional reporting arrangements.

SA consumer and business services Minister John Rau said: 'It was a positive move for the sector and [will] make it easier for charities to meet their responsibilities and mandatory reporting requirements to government agencies.'

'I am pleased that South Australia is one of the states that is leading the way in this space and can be an example to other states on how sharing information can reduce red tape and achieve greater compliance.'

'The changes will not prevent a charity from being licensed under the CCP Act if not registered under the ACNC Act. However registration under the ACNC Act is mandatory to access Commonwealth taxation concessions and other Commonwealth benefits.'

Fundraising Institute Australia CEO Rob Edwards told Pro Bono Australia News that while the new law did not apply outside South Australia it had national implications because it demonstrated that state governments were prepared to harmonise and review their fundraising regulations.

Mr Edwards said: 'We have already seen NSW question whether they should still engage in fundraising regulation. If the states are prepared to align with the ACNC on reporting requirements, we can press ahead with support for proposals to change Australian consumer law to include fundraising with increasing confidence that they will result in reduced regulation.'

# GAAP Consulting

## GAAPinars for NFPs

Our 10-part November–December GAAPinar series has concluded. The series had a particular focus on 31 December year-end issues and areas that have challenged preparers and auditors.

The topics were relevant to NFPs and their auditors:

### Financial reporting

- *What's new in GAAP, GAAS, APES and the regulators?*
- *NFP reporting and ACNC activities – the latest*
- *AASB 9 Financial Instruments – getting started (changes, transition, key concepts, implementation plan)*

- *AASB 15 Revenue from Customer Contracts – getting started (changes, transition, key concepts, implementation plan)*
- *AASB 3 Business combinations or not – issues and effects*

### Auditing

- *Understanding financial instruments disclosures and auditing disclosures*
- *Enhanced audit-reporting standards – further insights*
- *Risk-based auditing applied to smaller entities such as schools*

### Ethics and laws

- *New standard on awareness of illegal acts*
- *Business law for accountants and auditors*

The experts from *GAAP Consulting* delivered 15 CPD/CPE hours.

For those who missed taking part, recordings of the sessions are available. Contact [colin@gaap.com.au](mailto:colin@gaap.com.au) for further information.

Our 2017 GAAPinar program will be released shortly.



**Colin Parker**  
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## Contact Us

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