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Governance

Terrorism-financing risk is 'medium'

A new report that analysed more than a quarter of a million NFPs that send funds – or operate – overseas has classified as 'medium' the risk of money-laundering and terrorism financing.

Produced in partnership with the Commonwealth's financial-intelligence agency AUSTRAC, *Australia's non-profit organisation sector: money laundering and terrorism financing risk assessment* is the first survey of its kind in Australia.

The risk assessment measured vulnerabilities that could be exploited for criminal activity or to promote and support terrorism.

The survey was released by assistant minister to the treasurer Michael Sukkar, justice minister Michael Keenan, ACNC commissioner Susan Pascoe, and AUSTRAC deputy CEO Gavin McCairns.

About 54,000 of the NFPs surveyed fell under the jurisdiction of the ACNC as registered charities.

Key intelligence and data for the assessment was sourced from 23 agencies, including

Commonwealth, state and territory law-enforcement bodies, and non-profit regulators, including the ACNC, academic research, and from the sector itself through a national survey and a series of roundtables.

The report highlighted factors that increased an NFP's money-laundering and terrorism-financing risk, which will help the ACNC target its compliance and education policies.

Charities sending funds and operating overseas should take the time to read the report to ensure that they understand the risks. In fact, understanding risks associated with sending funds abroad was highlighted as one of the best ways to protect a charity against the threats surveyed.

ACNC commissioner Susan Pascoe said: 'Charities are crucial in getting funds into conflict zones and other unstable regions, and this is not without heightened risk.'

'All charities, whether they operate domestically or internationally, must understand money-laundering and terrorism-financing risks and ensure they have robust risk-based governance practices to prevent criminal misuse.'

Acting AUSTRAC CEO Peter Clark said it was vital that government, industry and the NFP sector continued working together to keep the sector safe from criminal abuse and terrorism financing. 'This risk assessment will assist our reporting entities who deal with NPOs to assess their level of vulnerability, strengthen their controls, and report suspicious activity to AUSTRAC,' said Mr Clark.

The report shows that Australian NFPs can better manage money-laundering and terrorism-financing risks by understanding them and having strong governance and internal controls and good accountability.

The assessment also identified common characteristics of NFPs at higher risk of being misused for terrorism financing.

Australia's non-profit organisation sector: money laundering and terrorism financing risk assessment can be found on the AUSTRAC and ACNC websites.

Download your copy of the report at acnc.gov.au/nfprisk.

Governance Institute discloses executive pay

The Governance Institute of Australia has decided to give more details about the remuneration of its chief executive and directors.

The pay of a dozen key management personnel last year totalled \$2,144,561 – \$1,773,089 in salaries and bonuses, \$165,704 in superannuation contributions, and \$205,768 in long-service leave.

The institute's president and board members are unpaid directors.

While NFPs are not required by law or regulation to provide this level of disclosure, the institute said that it had voluntarily provided more details consistent with many listed companies and the Australian Securities Exchange's guidelines and recommendations.

In recent months, other associations and professional bodies that had disclosed executive remuneration only on an aggregate basis, including the Tax Institute, Chartered Accountants Australia and New Zealand, CPA Australia, the Australian Institute of Company Directors and the Institute of Public Accountants, had also decided to disclose chief executives' salaries and bonuses.

The institute's chief executive Steven Burrell said that the new disclosures provided greater transparency to members.

For the financial year ended 31 December, Mr Burrell received a base salary of \$280,000 inclusive of superannuation plus a performance bonus of \$10,237.50.

In 2017 Mr Burrell will receive a base salary of \$284,200 inclusive of superannuation. Any performance bonus will be determined by the board in March after financial results for the 2017 fiscal year are finalised.

Fundraising clarifications foreshadowed

Consumer affairs ministers have clarified that Australian consumer law applies to fundraising. The ministers have issued a statement saying: 'Regulators will issue guidance clarifying the current application of [consumer law] to the activities of charities, not-for-profit entities and fundraisers.'

Ministers would 'assess the effectiveness of the proposed guidance on not-for-profit fundraising, further regulatory actions, and whether any amendment to [consumer law] is necessary during 2018–19'.

Aged-care charities profiled

Australia's aged-care charities employ more than 170,000 people, according to a report released by the Australian Charities and Not-for-profits Commission.

Australia's Aged Care Charities in 2015 was produced by the ACNC in collaboration with the Centre for Social Impact and the Social Policy Research Centre at the University of New South Wales.

It forms part of the umbrella *Australian Charities Report*, an annual analysis of data reported by charities in annual information statements.

The report profiled 1465 registered charities that listed their main activity as aged-care services.

Some findings were:

- Australia's aged-care industry supports over 1.3 million older people and is growing rapidly
- While many aged-care charities focus on the delivery of residential aged care and home care, some undertake a much wider range of activities, including providing cultural and recreational opportunities, social services and religious services
- Aged-care charities tend to be larger than most, with combined income of more than \$12.5 billion
- Aged-care charities benefit from more than \$160m in donations and bequests each year, and
- 93 per cent of them reported that they had volunteers.

CEO of Aged & Community Services Australia Pat Sparrow said that the report highlighted the important role aged-care charities played, both socially and economically.

'This report identifies the multiple ways [in which] aged-care charities make an economic and social contribution many times their relative size,' Ms Sparrow said.

'For instance, although aged care charities make up just 2.9 per cent of all registered charities, they account for 9.3 per cent of the charity sector's total income. They also constitute 14.1 per cent of all the charity sector's employees.'

'Importantly, not-for-profit organisations provide great care to thousands of older Australians, while also providing employment opportunities for more than 170,000 people.'

'Any research which paints the picture of the contribution that not-for-profit aged-care providers make to Australian society and the economy is welcomed by our organisation.'

Australia's Aged Care Charities and the *Australian Charities Report 2015* are available to download at australiancharities.acnc.gov.au.

Political-advocacy reminder

The ACNC has received several queries about the rights of registered charities to advocate in the federal government's marriage-law survey.

To help charities and the public understand this complex area of charity law, the ACNC website has posted guidance that explains advocacy, outlines what charities can and can't do when undertaking activities, and provides some examples to help charities understand the boundaries. For more information visit acnc.gov.au/politicaladvocacy.

Charitable-investment fundraisers might need a licence

The Australian Securities and Investments Commission has notified the ACNC of new obligations for charitable-investment fundraisers.

From 1 January, charities that issue financial products might also need an Australian Financial Services licence.

Licence applications can take about three months, and ASIC recommends that affected charities apply as soon as possible.

Charitable-investment fundraisers can find more information and further guidance on charitable schemes on the ASIC website.

NFPs access tax concessions

From 1 April, NFPs falling under the small-business turnover threshold of \$10m had access to several small-business concessions, including for fringe-benefit tax and the FBT work-related devices and car-parking exemptions.

NFPs not exempt from income tax – such as clubs, societies and associations – may benefit from a 27.5 per cent small-business company tax rate and a \$20,000 instant-asset write-off.

For more information about tax-concessions changes, including information on exceptions, visit the ATO website.

ACNC activities

2017 Annual Information Statement released

New guidance material and an enhanced online form are among key improvements to the ACNC's 2017 annual information statement.

The statement – at a new website hub – creates a one-stop shop at which charities may report.

It contains a comprehensive range of support and guidance materials and aims to make it easier for charities to fulfil their reporting requirements and provide accurate, high-quality and timely information through their statements.

Improvements to guidance materials include:

- A complete re-design of the AIS guide, the 2017 document broken up into shorter sections
- New menus that help charities navigate more easily around the online document
- Expanded help containing almost 50 direct links to relevant sections of the guide, enhancing charities' ability to cross-reference relevant guidance material – and minimise errors
- Updates to the AIS checklist, providing a reference point for the information and documents charities need to have handy before they start their statement, and
- A tip sheet outlining some of the common mistakes charities make when filling in their statements and how to avoid them.

Further additions to the hub are planned, including links to a fully updated suite of reporting guidance and instructive how-to videos aimed at helping charities complete or learn more about specific sections of the statement.

Key improvements to the AIS include:

- Easier-to-understand questions, especially those related to charity finances, activities and beneficiaries
- Improved auto-filling and auto-calculation of responses to certain questions, allowing charities to quickly progress through sections of the statement
- The ability for charities to view and update their responsible persons, ensuring that their organisations' details are up to date

- A new preview function, allowing charities to check their responses before submission, and
- An improved layout, including a more prominent 'Submit' button to ensure charities don't forget to submit their statement.

ACNC commissioner Susan Pascoe said: 'Completing and submitting [a statement] is a major part of registered charities' ongoing obligation to report annually.

'In addition, the information gathered through [statements] helps us cut red tape and [...] contribute to a greater understanding of the sector.

'We see the hub as a landing place [where charities] can easily access the information and guidance they need.'

The first charities to complete their 2017 statements will follow a standard financial year – 1 July to 30 June. The ACNC encourages early submission.

Charities can visit the hub or start work on their statements at acnc.gov.au/2017AIS.

Red-tape reductions

In the effort to continue to streamline reporting for registered charities, ACNC commissioner Susan Pascoe has exercised her discretion to accept annual financial reports lodged with some state and territory regulators for the 2017 financial year.

The move will save registered charities that are facing duplicate reporting obligations significant time and resources.

Ms Pascoe has extended by a month to 31 January the due date for submission of statements for charities using a standard reporting period.

For charitable ancillary funds with a reporting period ending 30 June, the due date for statements has been extended to 28 February.

For ancillary funds with an approved substituted-accounting period, the 2017 AIS due date has been extended to the 15th day of the seventh month after the close of the period.

If your ancillary fund's approved substituted-accounting period is 1 January to 31 December, then the 2017 AIS would be due on 15 July.

From next year, the due date for statements from charitable ancillary funds will be six months from the end of the reporting period.

Keep statements accurate

The ACNC reminds charities to keep the information that they report accurate and up to date.

It is publicly available on the charity register, the free, searchable, online charities database.

The ACNC has sent out notices to around 1500 charities that it believes have made errors in 2016 information statements. If your charity received an error notice, correcting it should be a priority.

You may withhold information

Registered charities can apply to the ACNC to have information withheld from the register.

When charities apply to have information withheld, the ACNC removes them from the register while the request is reviewed.

The ACNC determines is information may be withheld based on requirements in its Act. Information may be withheld that:

- Is commercially sensitive and publication could cause harm to the charity or a person
- Is inaccurate or misleading
- Is likely to offend
- Could endanger public safety, and
- Is covered by ACNC regulations.

If the request does not meet these requirements, the commission will notify the charity and the information is again made public on the register.

A policy statement on withholding information states that publication of information on the register is generally in the public interest as transparency and accountability contribute to public trust and confidence in charities. The commission's starting point is that publication is in the public interest with very few exceptions.

To find more information about withholding information, visit acnc.gov.au/withhold.

GrantConnect launched

To streamline and centralise government grants, the federal government has developed GrantConnect, a whole-of-government grants-information system.

Government grant-funding is spread across many programs and departments and until recently to apply for the right grant was challenging.

GrantConnect is free to use and links individuals and organisations to relevant opportunities.

You can find more information about GrantConnect at grants.gov.au.

RSL SA enters into compliance agreement

Following an investigation into the operations of RSL SA that highlighted serious governance and financial-management concerns, the ACNC has entered into a compliance agreement with the charity's new board.

'The ACNC's investigation into RSL SA uncovered major governance and financial-management concerns,' ACNC assistant commissioner David Locke said.

The ACNC investigation found that RSL SA failed to ensure that its board:

- Took reasonable steps to ensure that it did not allow the charity to operate while insolvent
- Acted in good faith and in the best interests of the charity
- Disclosed perceived, or actual, conflicts of interest
- Managed the charity's financial affairs responsibly, and
- Notified the ACNC of changes as required under the ACNC Act.

Mr Locke highlighted the level of cooperation shown by the interim RSL SA president Bronson Horan and his board. 'Mr Horan and his board have acknowledged that the charity failed to comply with the ACNC Act and governance standards. By entering into this compliance agreement, RSL SA's new board have formalised their commitment to resolving the concerns raised by the ACNC.'

The agreement requires the charity to:

- Produce strategic planning, business planning and budgeting documents covering the short, medium and longer term
- Appoint board members external to RSL SA with specialist skills and experience to help the charity's compliance and business practices
- Provide better training and induction for board members
- Maintain conflict-of-interest and property-and-assets registers and establish policies covering conflicts of interest, fraud prevention and allowances for those on the board, and

- Report to the ACNC in a timely and appropriate manner.

Mr Locke explained that RSL SA had 12 months to satisfy the agreement.

'The ACNC will be monitoring the board's compliance through monthly progress reports, and were there to be any failure to comply we would consider taking further enforcement action', he said.

'It is paramount that the public can have confidence in the management and administration of this charity and know that sound financial decisions will be made that are in the interests of the veterans and their families that this charity was established to serve.

'If the ACNC were to take further regulatory action, this could include revocation of charity status, which would strip the charity of its entitlement to Commonwealth charity-tax concessions.

'As the charity regulator, our priority is to ensure that charities are well-run and accountable, both to their members and the public.'

New enforceable undertaking for Islamic federation

The ACNC has agreed to enter a second enforceable undertaking with the Australian Federation of Islamic Councils, a registered charity.

The commission has been investigating AFIC, which is also known as Muslims Australia. It entered an enforceable undertaking with the federation in August. An independent auditor was appointed to examine the charity's governance and record-keeping practices.

In May, a new AFIC board was elected and Rateb Jneid was elected president. Working closely with the new board, the ACNC has agreed to enter a second enforceable undertaking to ensure that significant outstanding compliance issues are addressed.

The enforceable undertaking details actions that AFIC must take to maintain registration as a charity. The undertaking is enforceable by law.

The issues highlighted by the enforceable undertaking include:

- The not-for-profit nature of the charity
- The charity's accountability to its members
- The charity must take reasonable steps to ensure that its board members comply with their duties, including not to misuse their positions, to disclose conflicts of interest, and manage finance responsibly, and

- The charity must keep appropriate and accurate financial records.

David Locke welcomed AFIC's commitment to rectifying the range of issues highlighted by the ACNC.

'AFIC [has] complied with the requirements of [the first] enforceable undertaking. This was the first step in improving [...] governance within the charity and increasing transparency of [its] activities. [An] audit was conducted and recommendations [...] made.

Mr Locke said, however, that several governance issues remained.

'The ACNC has agreed to enter into a second enforceable undertaking with AFIC to ensure that the charity is operating as a not-for-profit organisation and that conflicts of interest are being appropriately managed. It is important that the charity can ensure that it is fully in compliance with the ACNC Act and [governance standards].

'We have agreed that the charity will appoint a governance expert to [help them to implement] the auditor's recommendations, and the charity's board members are also required to undertake governance training.'

A list of all ACNC compliance decisions can be found at acnc.gov.au/compliance/decisions.

Double defaulters risk losing status

Almost 200 charities are at risk of losing their ACNC registration for twice failing to submit their annual information statements.

The charities failed to submit statements for 2014 or 2015 and are overdue this year.

Many are small religious organisations and parents' and citizens' associations. They risk losing access to generous Commonwealth tax concessions.

'Each year registered charities are required to submit [statement],' commissioner Pascoe said. 'This is one of the ongoing obligations charities must meet to maintain their registration [...], which is a prerequisite to obtaining [...] tax concessions. Failing to submit two [statements] is grounds for revocation of charity status.

'Not only is it a legislative requirement to submit an [annual statement], it is also a way for registered charities to demonstrate their commitment to transparency and accountability.'

The ACNC has published a list of charities at risk of losing registrations at acnc.gov.au/doubledefaulters.

Charities lose status and tax concessions

The ACNC, has revoked the charity status of the African Australian Network Limited, Global Helping Hands Foundation – Australia, and the Immigrant Womens' Health Information Service Inc following investigations into their activities and operations.

Based in Victoria, the African Australian Network Limited has been operating since September 2013. The decision to revoke its charity status, which was announced on 17 July, was backdated to 19 May.

Global Helping Hands Foundation – Australia has been operating since November 2007 and is based in Victoria. The decision to revoke its status, which was announced on 17 July, was backdated to 5 May.

The Immigrant Womens' Health Information Service Inc has been operating since July 2000 and is based in New South Wales.

The decision to revoke status announced on 19 July, was backdated to 20 June.

The ACNC is prevented from disclosing further details due to secrecy provisions in the ACNC Act. However, the commission publishes revocations on the register.

The charities were endorsed by the ATO to receive tax concessions.

The charity status of Survivor Foundation Incorporated has been revoked – backdated to 17 July – following an investigation into the organisation's operations and activities. The organisation, based in Perth, accessed tax concessions.

Following referral by the ACNC to the ATO, all four organisations will lose access to Commonwealth charity tax concessions, including access to tax-deductible gifts.

Ms Pascoe said that the ACNC was committed to protecting public trust and confidence in Australia's charity sector.

'We are continuously working with the public, the sector and other government agencies to identify and investigate charities that breach the ACNC Act,' she said.

'When investigating compliance issues, the ACNC has a range of regulatory powers at its disposal, including guidance and support, warnings, directions and enforceable undertakings.

'Where we find serious circumstances of mismanagement, or deliberate breaches of the ACNC Act [...] we will revoke charity status.'

For more information about the ACNC's compliance activity, including the full list of charities that have had their registrations revoked following compliance investigations, visit acnc.gov.au/compliance/decisions.

Financial reporting insights

How to make materiality judgements

The International Accounting Standards Board recently issued practice statement 2 *Making Materiality Judgements*. The AASB will shortly follow suit with something analogous, perhaps with an NFP context.

While just 'guidance', the statement (along with a *Framework*) warrants serious considerations by directors, CFOs and auditors to ensure that the needs of users of financial statements are met. Materiality rules in AASB 101 *Presentation of Financial Statements* are supported by the statement.

The statement provides companies with non-mandatory guidance on how to make materiality judgements when preparing general-purpose financial statements based on International standards.

The publication encourages companies to apply judgement instead of IFRS requirements as a checklist so that statements focus on the information that is most useful to investors.

The concept of materiality is important in preparing statements because it helps entities to determine the information to include and exclude. Entities make materiality judgements not only over information disclosure and presentation but also when making decisions about recognition and measurement.

Some entities that are unsure about their materiality judgements use disclosure requirements in IFRS as a checklist. The statement is aimed at steering them towards making better judgements.

It gathers the materiality requirements in IFRS standards and adds practical guidance and examples that companies might find helpful in deciding whether information is material. The statement is not mandatory and neither changes requirements nor introduces new ones. Colin Parker, principal, *GAAP Consulting*, says however that 'it is sure to become part of financial-reporting and auditing DNA despite its mere guidance status'.

Hans Hoogervorst, chairman of the IASB, said: 'The practice statement provides companies with the tools to make their financial statements more useful and concise. For change to happen, however, companies, auditors and regulators will have to work together.'

The new statement is part of the IFRS board's disclosure initiative that, in turn, forms a key part of its work in improving financial reporting.

Consider AASB 9 Financial Instruments comparatives determinations

Comparatives determinations for AASB 9 *Financial Instruments* begin on 31 December.

31 December balancers should by now have completed the 'effect' assessment of the standard, made their transitional choices, drafted detailed accounting policies and prepared their opening balance sheets. But many NFP entities have yet to start even rudimentary understanding and implementation of this complex standard.

While not-for-profits have been granted a reprieve from AASB 15 *Revenue from Customer Contracts* and its related AASB 1058 *Income for Not-For-Profit Entities* until reporting periods commencing 1 January 2019, 1 January next year marks the transition dates for these standards with an opening balance-sheet requirement.

New year's day 2019 is also the date AASB 16 *Leases* becomes operative. Comparatives as at 31 December next year and transition into AASB 16 and third-balance-sheet requirements as at 1 January next year are just three months away.

A look at AASB 1058 *Income of Not-For-Profit Entities*

AASB 1058 *Income of Not-For-Profit Entities* and AASB 15 *Revenue from Contracts with Customers* and its NFP appendix specify the income-recognition requirements that apply to NFPs.

Both standards apply to annual reporting periods beginning on or after 1 January 2019.

They supersede income-recognition requirements of private-sector NFPs and most of the counterpart requirements of public-sector NFPs that were in AASB 1004 *Contributions*.

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) received by an entity.

AASB 1058 applies when an NFP gets 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 the applicable Australian standard (for instance, AASB 116 *Property, Plant and Equipment*).

When an asset is recognised, the standard requires the entity to consider whether any other financial statement elements (called ‘related amounts’) should be recognised, such as (a) contributions by owners, (b) revenue, or a contract liability arising from a contract with a customer, (c) a lease liability, (d) a financial instrument, or (e) a provision. Related amounts are accounted for in accordance with the applicable Australian standard.

If the 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 of 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, the entity may elect to recognise the services as an asset (provided the relevant asset-recognition criteria are met) or an expense.

Fraud and NOCLAR

Committee urges stronger protection for whistleblowers

A joint parliamentary committee on financial services has called for significantly stronger protection for people who report illegal conduct.

Its report follows last year’s Senate referral to the committee after an inquiry into whistleblower protection in corporate, public and not-for-profit sectors.

The report addressed the following terms of reference:

- The development and implementation in the corporate, public and NFP sectors of whistleblower protections, considering the substance and detail of the Registered Organisation Commission legislation passed by parliament in November 2016
- The types of wrongdoing to which a comprehensive whistleblower-protection regime should apply
- The most effective ways of integrating whistleblower-protection requirements into Commonwealth law
- Compensation arrangements in whistleblower legislation across different jurisdictions, including consideration of bounty systems used in the US
- 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 a whistleblower

- 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 procedures are followed
- The obligations on independent regulatory and law-enforcement agencies to ensure 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, and
- Any related matters.

The aim of the reform is to encourage Australian businesses to appropriately motivate and respond to internal disclosures.

The report makes several recommendations including:

- Consolidating existing private-sector whistleblowing protections into a stand-alone Act
- Broadening the definition of ‘disclosable conduct’ to include contraventions of any Commonwealth law, and state and territory laws
- Introduce a system of financial rewards for whistleblowers whose disclosures result in the successful prosecution
- Extending protections to current and former staff, contractors and volunteers, and anonymous whistleblowers
- Stronger protections against victimisation, and
- The establishment of a Whistleblower Protection Authority to investigate reports of wrongdoing, seek remedies for whistleblowers where they suffer victimisation and to act as a central authority on all disclosures.

Minister for Revenue and Financial Services Kelly O’Dwyer has released the terms of reference for an expert panel on whistleblower protections and confirmed its members.

The panel will advise the government on the legal framework to achieve the goals, informed by public consultations.

It will review and comment on draft legislation that the government expects to introduce this year.

The legislation will:

- Establish whistleblower protections for people who disclose information about tax avoidance and other breaches of tax laws administered by the commissioner of Taxation, and
- Strengthen existing corporate whistleblower protections under statutes administered by ASIC and APRA.

Fraud tools and tips

The ACNC has provided advice on fraud prevention and good governance for charities in *Protect your charity from fraud* acnc.gov.au/fraudguide and *Governance for Good* acnc.gov.au/governanceforgood.

The top 10 tips from *Protect your charity from fraud* (adapted) are:

Tip	How to
Clear, written financial procedures, delegations and limits	Have financial controls that staff and volunteers follow. For example: <ul style="list-style-type: none"> • Have two cheque signatories (and do not sign cheques in advance) • Have two people involved in handling and recording money received, and • Set clear financial delegations limiting authority to approve purchases and other transactions to set amounts.
Robust human-resources procedures	Ensure recruitment processes are sound, and provide training and communication to staff and volunteers about fraud-prevention measures, including financial controls and how to report suspicions.
Code of conduct	Demonstrate and encourage ethical behaviour. Display prominently your code of conduct.
Financial responsibility	<ul style="list-style-type: none"> • Ensure those with financial responsibility are competent and understand their role and responsibilities. • Have written role descriptions setting out expectations of staff, including their financial responsibilities.
Fraud-prevention policy	<ul style="list-style-type: none"> • Have a fraud-control policy setting out who must do what to prevent, identify and respond to fraud. • Consider use of fraud/non-compliance with rules and regulations (NOCLAR) whistleblowing reporting mechanism as a preventive and detection control.
Internet banking security	Ensure your accounts and online banking passwords are secure and limit who can have access to them. Regularly change your passwords.
Limit cash handling	Large amounts of cash can encourage theft and fraud, so limit the amount to be handled by your staff and volunteers. Bank promptly.
Regularly check your accounts and any grant funding	<ul style="list-style-type: none"> • Review your accounts regularly and identify anything that does not make sense. • Keep a record of all grant applications and how the grant funds were used. • Monitor performance against its budget, and if you see a significant variation in spending or income, ask for more information.
Ask questions	<ul style="list-style-type: none"> • Members of your board or management committee should feel comfortable to ask questions about the financial information they receive before each board or committee meeting. • Make people accountable and do not take anything for granted.
Understand the importance of reporting fraud	<ul style="list-style-type: none"> • Make sure your staff and volunteers understand the importance of reporting fraud to senior management and that a clear process is in place to report concerns to the police and the ACNC as soon as possible. • This will help to protect your charity from fraud and enable the ACNC to work with you to take appropriate steps to protect better your charity.

While these tips are written for charities, the principles have application to all not-for-profit entities.

The ACNC has reminded members of a charity’s governing body such as board and committee members, trustees and directors – what the ACNC calls ‘responsible persons’ – that they have legal duties towards the charity.

They must act in the charity’s best interests to avoid conflicts of interest and to act with reasonable care and diligence. They should act in a way that protects the charity’s assets and ensures that the charity’s financial affairs are managed in a responsible manner and for its charitable purpose. This helps protect against fraud.

Their role includes:

- Making sure that everyone involved in the charity (including trustees, board and committee members, and staff and volunteers) is aware of the risk of fraud and what it can mean for the charity
- Using proper financial controls and procedures suited to the size and nature of the charity, and

- Acting responsibly and in the interests of the charity, if a charity becomes the victim of fraud or other financial crime. This includes notifying the police and the ACNC and taking appropriate steps to manage the consequences of the fraud.

For information about scams and general advice, visit the Australian Competition and Consumer Commission’s SCAMwatch website.

New research assesses whistleblowing

Griffith University’s Centre for Governance and Public Policy is running a three-year research project to assess organisational responses to whistleblowing in the public and private sectors.

The centre’s survey of organisational processes and procedures is open, and charities and NFPs may participate.

For more information and how to get involved visit whistlingwhiletheywork.edu.au.

NOCLAR nears

Members of CA ANZ, CPA Australia and IPA are reminded that their new responsibilities for non-compliance with laws and regulations (NOCLAR) under APES 110 *Code of Ethics for Professional Accountants* apply from 1 January.

ReportFraud whistleblowing goes live

ReportFraud whistleblowing service, will be launched in October.

More than ever, it’s important that organisations are aware that fraud and non-compliance with laws and regulations (NOCLAR) can damage reputations and bottom lines.

Some of Australia’s biggest and best-known organisations have recently experienced crippling frauds and non-compliance with rules and regulations. Commonly recurring crimes and infractions include:

- Theft or misappropriation of assets
- Accounts-payable frauds
- Corruption
- Theft of intellectual property, and
- Receipt of unauthorised gifts.

Fraud costs companies about 5 per cent of revenue a year. However, the cost to reputations can be even more devastating.

ReportFraud gives you peace of mind, relying on your best asset – your people – to provide greater visibility and transparency across your organisation to prevent fraudulent and non-compliant activity.

Importantly, our service is designed to ensure whistleblowers' anonymity.

A *ReportFraud* subscription allows stakeholders to report through five channels. It also provides a policy framework, annual health checks, and practical material to create awareness of fraud among management, employees and others who interact with you.

Many organisations believe that once they have subscribed to a whistleblowing service the job is done. This could not be further from the truth.

Our *ReportFraud* team works with you to implement the service. It's important to ensure that all your 'fraud'-team members are aware of the *ReportFraud* communication methods and how to use them. Regular reinforcement of our methodology among your employees is essential.

Our motto *If you see something, say something* is a call to action.

Can you afford NOT to investigate how *ReportFraud* can help your organisation manage its risks and guarantee whistleblower confidentiality?

We would also like to hear from forensic accountants who might like to undertake investigations of alleged frauds or non-compliance with laws and regulations that we identify.

Questions? Andrew Parker, chief executive officer, *ReportFraud*, andrew@reportfraud.org.au, and 0401 858 889, and Colin Parker, colin@gaap.com.au and 0421 088 611, are happy to answer them.

Governments

Charity red-tape reduction progresses in Victoria

The ACNC continues to engage in productive discussions with officials across Commonwealth and state and territory governments to reduce red tape for registered charities.

Consumer Affairs Victoria has committed to exempt Victorian ACNC-registered associations from state reporting by the end of the year, streamlining for fundraisers to follow soon after.

The announcement follows the Victorian government's passing the *Consumer Acts Amendment Act* in May, which will allow ministers to exempt certain ACNC charities from reporting direct to Consumer Affairs Victoria.

You can read more about the ACNC's efforts at streamlining reporting at acnc.gov.au/redtapereduction.

Reduced red tape for ACT's charities

A memorandum of understanding has been signed between the ACNC and Access Canberra that will significantly reduce red tape for registered charities in the Australian Capital Territory.

As of 1 July, more than 600 charities registered with the ACNC will no longer be required to report to the ACT government. They will continue to report to the ACNC.

You can find more information on acnc.gov.au/redtapereduction and the ACT Government website.

WA clarifies online crowdfunding for charitable purposes

The Western Australian government's industry-regulation department has released guidelines for the licensing of online crowdfunding for social causes.

The guidelines clarify the government's position on online crowdfunding, detailing exemptions to the normal requirement of a licence.

No licence is needed for someone raising money online for himself or herself. Equally, parents raising money for their children or family members and those funding funeral expenses or helping someone who is terminally ill are exempt from licence provisions. Collecting to repatriate the deceased is also exempt.

GAAP Consulting

NFPs – Let us unravel your AASB 15 and AASB 1056 accounting

Do you know how to implement AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-For-Profit Entities*? It's not easy – every contract needs to be understood according to how it is to be accounted for. And implementation dates are fast approaching. Let the experts at *GAAP Consulting* get you on track with an analysis of one of your contracts.

Our AASB 15 team is led by Carmen Ridley, AASB member. Check out our contract-review service and book us today.

A leading auditor said of our service: 'I think this is an excellent idea, and I will certainly mention it to our clients.'

The *GAAP Consulting* team can also assist you with:

- AASB 15 and AASB 1058 training

- Reviewing and monitoring of your implementation plan
- The development of detailed accounting policies, and
- Reviewing your financial-reporting template.

Contact Colin to discuss our contract-review service and how we can help you to implement AASB 15 and AASB 1058.

November–December GAAPinars series and those with a NFP favour

Our next series of GAAPinars starts on 2 November. A what’s-new wrap, it’s free.

We’re offering a dozen GAAPinars and 18 hours of CPD/CPE. Watch them in your boardroom or on your laptop. Log in from somewhere remote. Watch recorded sessions later.

If estate agents harp on about location, location and location, at *GAAP Consulting* our chant is relevance, relevance and even more relevance. Topics and dates are:

Topic	Date
1. What’s new in GAAP, GAAS, APES and the regulators?*	2 November
2. Implementation of NOCLAR for accountants*	7 November
3. Implementing AASB 9 <i>Financial Instruments</i> *	9 November
4. Accounting for sale of goods under AASB 15 <i>Revenue from Customer Contracts</i> *	16 November
5. Accounting for long-contracts under AASB 15 <i>Revenue from Customer Contracts</i> *	16 November
6. NOCLAR for auditors	21 November
7. NFP reporting and ACNC activities*	28 November
8. Financial reporting and auditing update for 31 December 2017	30 November
9. Preparing for the transition into AASB 17 <i>Leases</i> *	30 November
10. Knowing your AFSL risks?	5 December
11. Business law for accountants and auditors*	7 December
12. Learning the lessons from ASIC audit inspections	14 December

* Denotes a GAAPinar that should be of particular interest to NFP Boards, accountants and auditors. There are eight of them.

Sessions 4 and 5, and 8 and 9 are double-headers, the first session starting at noon and the next at 2.30pm.

Each session costs \$297, discounts available, including for sole practitioners and multi-offices.

Contact me if you’d like to know more or download our GAAPinar brochure from www.gaap.com.au.

The expertise of our presenters Carmen Ridley (current AASB member), Sonya Sinclair, Stephen Newman and Colin Parker (former AASB member) is our trump.

What do subscribers think of our GAAPinars? Here are some comments:

- ‘All have been extremely useful and well received by our team’
- ‘Two things I look forward to about November – a week of horse racing in Melbourne and the GAAPinars’, and
- ‘I have a great interest in your work and perspectives and will get along to webinars.’

Registrations are open. Lock in the dates and register today.

Face-to-face training on revenue, financial instruments and leases

Members of the *GAAP Consulting* team will soon be sharing their insights and discussing your implementation issues concerning AASB 15 *Revenue from Customer Contracts*, AASB 9 *Financial Instruments* and AASB 16 *Leases*.

Up to 14 hours of CPD/CPE are available. Each session is bookable separately. The sessions are targeted at senior auditors, CFOs and members of their finance teams.

Course material has been updated. Examples and case studies will be provided and emphasis placed on implementation. Participants are encouraged to provide questions in advance.

Melbourne

- 21 November – Masterclass on AASB 15 *Revenue from Customer Contracts* (all day)
- 11 December – Introduction to AASB 16 *Leases* (half-day) and Introduction to AASB 9 *Financial instruments* (half-day)

Brisbane

- 6 December – Masterclass on AASB 15 *Revenue from Customer Contracts* (all day)
- 7 December – Introduction to AASB 16 *Leases* (half-day) and Introduction to AASB 9 *Financial instruments* (half-day)

Sydney

- 15 December – Masterclass on AASB 15 *Revenue from Customer Contracts* (all day)
- 18 December – Introduction to AASB 16 *Leases* (half-day) and Introduction to AASB 9 *Financial instruments* (half-day)

Anchor presenters are Carmen Ridley (current AASB member) and Colin Parker (former AASB member) with support from Sonya Sinclair (Sydney) and Stephen Newman (Melbourne).

Numbers are strictly limited. A brochure will be available shortly. Express your interest now to Andrew Parker (0401 858 889 or andrew@gaap.com.au).

Content queries? Please contact Colin Parker (0421 088 611 or colin@gaap.com.au).



Colin Parker
GAAP Consulting

Contact Us

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