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Welcome to the newest edition of our Not-for-Profit Newsletter. Please feel free to contact us if you have any questions about the content of this Newsletter.

In this edition

In keeping with the ACNC's focus on improving governance in charities, they have recently launched a 'Governance Toolkit'. This includes comprehensive guides, checklists and templates. Additionally, they have also developed a self-evaluation tool that charities can use to assess whether they are meeting their obligations with respect to Annual General Meetings.

This edition also includes several topics with respect to financial reporting and new accounting standards that are now in force. It is important that charities understand the requirements of the new standards and how they may impact their financial reporting.

We also cover other compliance activities of the ACNC and ethics related topics, as well as new legislation and guidelines that that may impact some NFPs.

Governance

Get your NFP starter pack

The Governance Institute has released its *Not-for-profit Sector starter pack*.

The pack includes guidance on:

- Board structure
- Conflicts of interest in not-for-profit organisations
- Issues to consider when developing a communications policy
- Issues to consider for a chief executive officer who is also appointed as the company secretary
- Issues to consider when developing a policy for managing related-party transactions
- Risk-management policy
- Separation of authority between board and management
- Stewardship, and
- Volunteer management

The pack can be obtained [here](#).





Four external-conduct standards come into force

Registered charities that operate overseas, including those classified as 'basic religious', must comply with four new external-conduct standards to maintain their ACNC registration. They operate in addition to existing governance standards.

- The standards cover:
- How charities control their funds, goods and other resources
- The need for an annual review of overseas activities and record-keeping
- Anti-fraud and anti-corruption guidelines, and
- Measures aimed at protecting vulnerable individuals.

Charities with activities outside Australia, however minor, must comply with them.

The ACNC has published guidance on the standards [here](#).

Unless requested, the commission does not require information specifically related to the new standards

Cash payments limited to \$10,000

The Treasury has concluded its consulting on exposure draft legislation and explanatory material that would introduce an economy-wide cash payment limit.

A limit of \$10,000 would apply to payments made or accepted by businesses for goods and services, as well as donations made to not-for-profit entities.

Transactions of more than \$10,000 will need to be paid electronically or by cheque.

The new limit will begin on 1 January and for certain entities that report to the Australian Transaction Reports and Analysis Centre from 1 January 2021.

New ACNC governance toolkit

The ACNC has launched its 'Governance Toolkit', a collection of resources to help charities manage financial abuse, cybersecurity, working with partners and safeguarding vulnerable people.

Each topic within the toolkit contains a comprehensive guide, useful templates, policy outlines, interactive checklists and more.

ACNC commissioner Gary Johns urged charities to focus on good governance. 'The resources are tools for charities and their responsible persons to use to assess their policies and management procedures, and consider where improvements can be made,' Dr Johns said. '[It's] our view that a well-governed charity is better able to meet its purpose and achieve its goals.'

Charities may adapt the material for their own circumstances. Short quizzes on each topic help you to determine if your charity is well-governed.

'The assessments provide an opportunity for charities to test their own understanding of key risk areas,' Dr Johns said. 'Some charities may want to use these assessments as part of inducting new staff members or volunteers into their organisation.'

See the toolkit [here](#).

It's part of a governance hub – a dedicated home for key resources on charity governance. Hub users may find guidance on ACNC Governance Standards and External Conduct Standards and consult the small-charities' resource library.

The governance hub is available [here](#).

Free child-safe software for small charities

Melbourne-based organisation Duty of Care is donating to small charities new software on child-safe accreditations.

The software is designed to support charities in their safeguarding obligations, including monitoring staff and volunteer child-safe accreditations and maintaining records of accreditation checks.

The software is free for charities that have an annual turnover of less than \$250,000 and fewer than 20 staff. You may find out more [here](#).

ACNC Activities

Help with AGMs

The ACNC has developed a handy self-evaluation tool that charities may use to assess whether they are meeting governance obligations.

With the AGM season in full swing, self-evaluation gives you a chance to see if your charity is meeting ACNC standards.

Download the tool [here](#).

The ACNC does not require charities to hold an AGM, however, they should check their rules and legislation that applies to them to find out whether they are required to do so.

You must notify the ACNC of certain changes that your charity may make at its AGM (such as its legal name, responsible persons or governing documents).

The ACNC has developed a range of resources to help charities with their AGMs. Check them out [here](#) and [here](#).

Online AIS submission available

This year's annual information statement may be submitted online via the charity portal. Charities operating on a July-June financial year have until 31 January to submit the statement.

By submitting early, charities can ensure avoiding delays should they need to contact the ACNC for help.

Read the commission's 2019 annual-information guide [here](#).

'Double defaulter' charities revoked

More than 1200 charities have had their registrations revoked for repeatedly failing to submit two successive annual information statements.

The ACNC can impose financial penalties for lodging statements late or revoke charity registration when charities become 'double defaulters' for failing to lodge two successive statements.

Submitting an annual statement is a requirement to maintain charity registration. Charities without registration are ineligible for Commonwealth tax concessions.

Dr Johns said: 'We are committed to maintaining an accurate, up-to-date register that provides a transparent source of charity information that the public can trust.'

The ACNC will continue to work with charities to help them meet their obligations. When charities fail to comply with the ACNC Act and governance standards the commission takes action.

'The public can rest assured that charities who have been revoked will clearly show 'revoked' on their listing so the public can donate with confidence to charities that meet their obligations,' Dr Johns said.

Revoked charities must submit overdue statements and can apply to re-register through the charity portal.

Charities may check the register to identify which statements are overdue. To search the register, visit [here](#).



Financial Reporting Insights

New disclosure standard might replace RDR

The AASB is proposing to replace reduced-disclosure requirements with a new disclosure standard.

Exposure draft 295 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* proposes that the standard would apply to entities that report under Tier 2 of the differential-reporting framework set out in AASB 1053 *Application of Tiers of Australian Accounting Standards*.

The simplified-disclosure standard is based on international counterparts and adapted for differences in recognition and measurement requirements. It will also accommodate NFPs' specific circumstances.

The proposals in draft 295 will not change which entities are permitted to apply Tier 2 reporting requirements and their recognition and measurement requirements, which are the same as for Tier 1.

Draft 295 is proposed in conjunction with a forthcoming draft on the proposed removal of special-purpose financial statements. The result will reduce disclosures required and therefore the cost for entities that have to transition from SPFSs to general-purpose counterparts if the AASB's proposal to remove SPFS is implemented.

The proposals will also provide some immediate relief for public-sector and NFP private-sector entities that are currently reporting under the reduced-disclosure regime.

They are not intended to replace the AASB's separate project of reshaping financial-reporting frameworks for the NFP private and public sectors, and further changes might be suggested following AASB consultations with other NFP regulators.

AASB proposes new ROU class

The AASB has decided to propose further amendments to AASB 16 Leases to specify that NFPs' right-of-use assets under concessionary leases fall into a separate ROU class.

A fatal-flaw-review version of the amending standard is expected to be issued shortly. You will have 30 days to comment.

AASB 15 examples clarified

The AASB has decided to amend illustrative examples 4A and 4B attached to AASB 15 *Revenue from Contracts with Customers* to clarify how paragraph 35(a) should be applied.

The amendments do not change the examples' conclusions.

A fatal-flaw-review version of the amending standard is expected to be issued shortly with a comment period of 30 days.

The board has also discussed a revised version of a draft staff FAQ presenting additional research-grant examples. Staff will meet with university and medical-research-sector stakeholders before finalising the FAQ.

Year-enders must apply new standards

AASB 15 *Revenue from Contracts with Customer* is operative for NFPs for financial years that began on 1 January. Implementation guidance and illustrative examples may be consulted.

Several other standards became operative from the same date, including AASB 1058 *Income of Not-for-Profit Entities*, AASB 16 *Leases* and AASB 2018-8 *Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities*.

If you are looking for an application of accounting standards, they are identified in AASB 1057 *Application of Australian Accounting Standards*. Its objective is to specify the types of entities and financial statements to which Australian Accounting Standards (including Interpretations) apply.

Fraud and NOCLAR

Possible NFP whistleblower exemption

The Australian Securities & Investments Commission has been in consultations on proposed guidance for companies on new legal obligations regarding whistleblower policies.

ASIC sought feedback on exempting public companies (companies limited by guarantee) that are small NFPs or charities from the requirement to implement a whistleblower policy. It also sought to know the most appropriate threshold that should apply.

Prison term for false BASs

An Adelaide woman has been given a year-long prison term after being convicted of a criminal offence for submitting false business activity statements on behalf of her charity.

An ATO audit found that she had overstated the GST input-tax credits the organisation was entitled to, gaining a financial advantage of more than \$34,000.

The woman was ordered to pay reparations of \$34,265. Her prison term was commuted to a two-year good-behaviour bond.

The charity was stripped of its ABN and tax concessions.

IIA asks 20 critical questions on ethics

The Institute of internal Auditors - Australia has released the new guide *Latest 20 Critical Questions – What Directors should ask about Ethics and Fraud Control* available [here](#).

The killer question is: 'How does management, the audit committee and board clearly know that ethics are strong, and fraud and corruption prevention arrangements are operating effectively?'



Ethics

Get to know conflicts of interest

The restructured *Code of Ethics for Professional Accountants (including Independence Standards)* is operative from 1 January next year. The revision is substantial. Sixty requirements apply to members in business, including in not-for-profits.

Our April-June newsletter described the conceptual framework and risks members faced in applying it. We continue our journey by reviewing the requirements for conflicts of interest (Section 210). Largely unchanged, it's nonetheless an important topic. Let's recap.

There is only one mandatory requirement – a member shall not allow a conflict of interest to compromise professional or business judgement. This is supported by application guidance. It is generally necessary to:

- Disclose the nature of the conflict of interest and how any threats created were addressed to the relevant parties, including to the appropriate levels within the employing organisation affected by a conflict, and
- Obtain consent from the relevant parties for the member to undertake professional activity when safeguards are applied to address the threat.

If disclosure or consent is not in writing, the member is encouraged to document:

- The nature of the circumstances giving rise to the conflict of interest
- The safeguards applied to address the threats when applicable, and
- The consent obtained.

When addressing a conflict of interest, members are encouraged to seek guidance from within the employing organisation or from others, such as a professional body, legal counsel or another member.

When making such disclosures or sharing information within the employing organisation and seeking guidance of third parties, the principle of confidentiality applies.





Governments and the ATO

Charities and regulators

Charities that are incorporated associations in Tasmania, South Australia and the ACT are reminded that they no longer need to submit to their state and territory regulators. Instead, they will report to the ACNC via annual information statements. Medium and large charities will need to submit annual financial reports. The ACNC shares relevant data with state regulators.

The two-year transitional period for affected charities to meet ACNC reporting requirements has ended. From 2019, medium and large charities that are incorporated associations must use accrual accounting and ensure their annual reports meet ACNC reporting requirements, including ACNC audit and review requirements.

For charities that are incorporated associations in Victoria and New South Wales, 2019 is the second year of a two-year transitional period. Affected charities will be required to prepare a full financial report that meets ACNC requirements (with conditions for comparative information).

From 2020, charities will need to ensure annual financial reports include comparative information. They must also meet ACNC audit-review requirements. For incorporated associations in the Northern Territory, the first year of a two-year transitional reporting period began on 1 July.

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New NSW guidelines on fundraising

Fair Trading NSW has published updated guidelines that explain the requirements and obligations of NSW fundraisers. The guidelines should help to reduce red tape and increase compliance by making legislative requirements clearer and easier to understand.

They explain the regulatory framework that governs charitable fundraising and provide guidance on what can be considered a charitable purpose and what people should do before conducting online appeals and crowdfunding.

The guidelines cover topics such as the scope of fundraising activities, organisational requirements and the type of record-keeping and reporting that is required.

Find out more [here](#).



Sun sets and rises on ancillary funds

The *Taxation Administration (Private Ancillary Fund) Guidelines 2019* ensure that eligible funds obtain or maintain deductible-gift-recipient status. *Private Ancillary Fund Guidelines 2009* were scheduled to sunset on 1 October.

The revised guidelines do not alter the meaning and operation of their preceding counterpart. Minor technical changes have been made to reflect drafting practice and omit provisions that are no longer operative. Transitional provisions are included in the draft guidelines to ensure continuity of operation between the sunset and the new sunrise.

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