Thomas Noble & Russell

Accountants | Auditors | Business Advisers

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For Impact *News for the Not-for-profit Sector*

Strategy, Value and Governance in NFP Mergers

Over the course of the last five years, Australia's not-for-profit ("NFP") sector has witnessed a number of significant changes. From the establishment of the Australian Charities and Not-for-profits Commission ("ACNC") in 2012, to the ongoing expansion of the NDIS, NFPs and their boards have had to adjust to increased governance requirements and significant funding changes.

Organisations within the sector are adapting to an environment of increasingly client-centred funding models, competition from the for-profit sector, technological disruption, and higher expectations of governance and leadership. To ensure their sustainability, it's more important than ever for NFPs to demonstrate their relevance, impact and value to the communities they serve.

In response to such challenges, there is increasing discussion within the sector about mergers and amalgamations. Whilst boards may be exploring mergers to improve existing services, attract more funding or for some other reason, a merger will not in isolation address all of an organisation's strategic challenges. A successful merger must provide real value to the clients, community and members of the organisation.

Strategy

Undertaking a merger is not a strategy, but a tactic that may assist an organisation in executing their strategy. In developing a strategy, organisations should consider the external impacts on an organisation, as well as what the organisation should start, stop and continue doing.

In assessing a merger as an appropriate tactic, boards should consider whether a merger would enable an organisation to capitalise on a strength, improve an area of weakness, make the most of an opportunity, or manage a threat. Further consideration should be given as to whether a merger is the best tactic to address such challenges.

Value

There must be a strong value proposition for organisations to merge. Potential cost savings on shared administrative functions may take some time to be realised, so

In this issue

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it is critical for boards to articulate what value a merged organisation provides its beneficiaries over that which the existing organisations offer.

Further, it's critical for organisations to understand what their current value is to their clients, community and members, and to ensure that it is retained following a merger.

Governance and leadership

Decisions on the governance and future leadership of the organisation have the potential to create significant hurdles to merger discussions, if the key issues are not identified and discussed early.

For example, decisions such as the structure of a merged organisation, its name and the composition of its board will all need to be considered with reference to factors such as the existing structures of each organisation, existing requirements of each organisation's governing documents, and any regulatory requirements.

Further, any decision in relation to the ongoing governance and leadership of a merged organisation should be assessed in terms of how it would benefit the clients, community and members of the organisation.

TNR Thomas Noble & Russell are experienced advisors to the NFP sector and have worked with some of Australia's best known NFPs. Having advised many organisations on mergers, TNR Thomas Noble & Russell can guide you through the merger process from determining 'why', to identifying and profiling 'who', to due diligence, to successful integration.

Governance

AICD calls for whistleblowing reforms

In a submission to a parliamentary inquiry into whistleblowing reforms, the Australian Institute of Company Directors has recommended a range of improvements, including expanding the number and type of people protected under the Act.

It wants a broader definition of 'disclosable conduct' and extended protection for anonymous whistleblowers.

The AICD has also called for increased penalties for corporations that victimise or harm whistleblowers.

AICD chairman Elizabeth Proust said that the current regime placed too heavy a burden on whistleblowers and failed to encourage best-practice governance.

'Presently, only current employees who are disclosing certain offences are covered,' she said.

'If we want a strong whistleblowing framework, we cannot and should not expect whistleblowers to be experts on the Corporations Act.

'There is also little reason why former employees or contractors shouldn't be protected if they report wrongdoing.

'Put simply, if a practice is illegal under any Commonwealth, State or Territory law, someone who blows the whistle should be protected.

'Company directors want to know if there is corporate wrongdoing happening within the organisations they govern, and a robust whistleblowing regime that encourages reporting can help make that happen.

'Australia needs a robust whistleblowing regime that will help improve governance practices, encourage effective internal reporting frameworks, and make sure that someone who blows the whistle gets the protection and support they deserve.'

Governance Institute calls for single whistleblowing law

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corporate whistleblowers, saying that regulator-specific provisions across many pieces of legislation fail to provide the best protection for those exposing misconduct.

In a submission lodged with Treasury, the Institute says that whistleblower provisions in the Corporations Act are very narrowly focused and require whistleblowers to have a detailed understanding of whether the misconduct they are reporting is covered by corporate law or might relate to competition, tax, workplace health and safety, bribery or corruption or industrial relations, all of which are covered by different legislation and regulators.

It argues that a whistleblower should be protected, irrespective of the regulator or agency initially approached and whether the allegation is referred to another body to investigate. Disclosures within the corporate sector should not be confined to the Australian Securities and Investments Commission and the tax office.

‘We do not believe that a whistleblower should be required to have a nuanced knowledge of legislation to know which regulator or law enforcement agency [to] approach to qualify for protection,’ said the Institute’s Chief Executive Steve Burrell.

‘It is a strong disincentive to making disclosures if employees or concerned members of the public feel that they require legal advice before making any such disclosure.

‘A stand-alone Act that covers disclosure of any sort of misconduct – not just financial misconduct – and that provides protection regardless of which regulator the whistleblower discloses to is what we need. Australia should follow the lead of the United States and United Kingdom where there are general provisions for allegations of misconduct made in good faith, and which do not attract retribution. This is a much better option than one which mandates the same provision in multiple pieces of legislation.’

The Institute believes that it is important to distinguish between protecting the whistleblower who has acted in good faith and any subsequent action taken.

Mr Burrell said, ‘If a whistleblower talks to a regulator such as ASIC or a law-enforcement agency which believes it is not the appropriate body to investigate the allegation, [the] regulator should be able refer it to the appropriate body.

‘Whistleblowers should have protection providing it concerns disclosure of potentially illegal activities that ASIC or another regulator or law-enforcement agency can investigate. Nor should disclosures of unlawful activity be confined to ASIC. Importantly, if this cross-referral recommendation is accepted, it is critical that the whistleblower has the same confidentiality protection they had when they first made the disclosure.

‘Regulators and policy-makers have quite rightly homed in on the important link between a good corporate culture and ethical corporate conduct. A robust and independent whistleblowing process that makes employees feel comfortable about fearlessly reporting wrongdoing is a critical asset in building the kind of positive, ethical culture that supports strong corporate outcomes.’

Managing charity money

The Australian Charities and Not-for-profits Commission (“ACNC”) has released *Managing charity money – a guide for board members on managing finances and meeting ACNC duties.*

It provides insights into good practice in financial management, focusing on practical steps that charities can take to ensure that their finances are used appropriately and protected from misuse.

It also explains the obligations that charities have to the ACNC, such as providing financial reports and ensuring that they operate profit-free.

Governance (cont)

ACNC releases guide on managing information and data

The ACNC has released *Managing people's information and data*, which provides charities with a broad overview of their responsibilities and the laws that may apply on data collection and protection, as well as practical tips for charity board members.

ACNC Commissioner Susan Pascoe said that the guide was a timely reminder for charities that the public want to see responsible management of people's information and data.

'The community expects a charity to be responsible and ethical when managing information and data about its donors, supporters, staff and volunteers, and the people it helps,' Ms Pascoe said.

'Understanding and meeting community expectations is crucial for protecting a charity's reputation and public support for its work.

'The people in charge of a charity should make sure that its information and data management practices reflect its values and those of the community.'

The ACNC sees information and data management as an important part of good governance and encourages charities to consider them carefully.

Beyond legal requirements, charities' responsible persons need to consider public perception of their information and data management. Maintaining public trust, confidence and support is crucial for a charity's work.

The guide can be found at acnc.gov.au/informationanddata.

The 'must-have' guide for aged care directors

With profitability, return on assets and equity under pressure in what is soon to be the largest employer in the country, the Governance Institute's *Adding value to governance in aged care* is a 'must have' for the sector's directors and senior management.

Aged care is a major part of the Australian economy. About 2,000 providers employ some 350,000 staff.

Increasing Choice in Home Care reforms changed the regulatory framework as of 27 February 2017, and the new guide addresses a broad range of issues, including the sector's unique challenges.

Among topics are:

- factors to consider before taking a board position;
- what a board should consider before appointing a new member;
- the relationship between board and management;
- interaction with stakeholders;
- volunteer management; and
- risk management responsibilities.

Adding value to governance in aged care is the definitive guide for directors committed to dealing with the high regulatory burden, increasing consumer choice and changes to funding.

'Boards of aged care providers will be subject to increasing scrutiny and pressures as the forces of demographics press up against the issues of affordability and sustainability in the sector. Boards will need to ensure that they are capable of making informed and effective decisions and have in place governance frameworks to enable this,' said the Institute's Steve Burrell.

'A lot of boards, particularly not-for-profits, may not be prepared for the regulatory change sweeping the sector and the demands this brings. Boards need to have a designated skillset to overcome the multiple challenges their organisations are facing.'

Adding value to governance in aged care is a practical guide for anyone involved in aged care because large-scale organisational change will be required in terms of workplace arrangements, staff roles, IT, business processes and capital expenditure to deliver the best consumer-driven care.

'Importantly, the guide does not tell boards how to run their organisations. But it does step directors through the issues that they should consider in terms of their governance responsibilities,' said Mr Burrell.

Checking compensation insurance

The ACNC has asked not-for-profits to check the currency of their workers' compensation insurance.

Serious consequences follow if mandatory insurance has lapsed.

Any person – paid or volunteer – who governs an organisation can be held personally liable for the costs of an uninsured workers' compensation claim. Compensation regulators may also prosecute organisations and individuals for compliance breaches.

Speak to your insurer or insurance broker to ensure that your organisation is meeting its

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compensation obligations or contact your local workers' compensation authority at:

ACT: www.worksafe.act.gov.au/workers_compensation

NSW: www.workersinsurance.icare.nsw.gov.au

NT: www.worksafe.nt.gov.au/WorkersCompensation

QLD: www.worksafe.qld.gov.au/insurance

SA: www.rtwsa.com/insurance

TAS: www.workcover.tas.gov.au/insurance

VIC: www.worksafe.vic.gov.au/insurance-and-premiums

WA: www.workcover.wa.gov.au/employers

Help for Parents and Citizen's Associations

Management committees of many Parents and Citizens' Associations change annually, making it hard to maintain registration with the ACNC.

Like all charities registered with the Commission, P&Cs are obliged to meet ACNC requirements, including updating responsible persons listed on the register, notifying changes of contact details, and submitting annual information statements.

If you are involved in a P&C, watch the ACNC webinar that explains the obligations of registered charities. The transcript and video of the webinar are available at acnc.gov.au/webinars.

ACNC activities

Charity Compliance 2015 and 2016 report

The ACNC has launched its *Charity Compliance 2015 and 2016* report, which shows that the vast majority of registered charities are run by dedicated and honest people.

However, bad behaviour by a small number of individuals damages trust and confidence in the sector.

The ACNC investigates concerns and takes strong action where required. In most cases, the Commission is able to resolve issues by providing regulatory advice and guidance, suggesting that most charities are receptive when contacted.

Commissioner Pascoe said, 'However, where we find serious misconduct and mismanagement, the ACNC will take firm action, including revocation of charity status.

'Over the two-year period of the report, the ACNC revoked the status of 28 charities. A further 9 had their registrations revoked following a review of their entitlement to charity status.

'Revocation is the most serious enforcement action taken by the ACNC and results in the loss of Commonwealth charity tax concessions.

'We have published this report as we believe that there are many lessons registered charities can learn from compliance matters. We also feel it's important that we, as the charity national regulator, are transparent and accountable to the sector and the public and hold ourselves to the same standards that we hold charities to.

'Our secrecy and privacy provisions limit the information that can be publicly released, however we are able to release aggregated data and de-identified case studies to provide insights into the ACNC's compliance work. The case studies in particular give the sector and the public an insight into the kinds of issues we find when investigating concerns, and how we work with charities to resolve them.

ACNC activities (cont)

'We have also included lessons for other charities in the case studies so that they can use this information to improve their own organisation's governance.'

The report also sets out the ACNC's areas of focus for the next 12 months.

'The ACNC will continue to investigate concerns that could significantly [affect] public trust and confidence in the not-for-profit sector,' Ms Pascoe said.

'Public trust and confidence is vital to the long-term sustainably of the sector, and we are hoping that by publishing this report, members of the public feel assured that there is a "cop on the beat".

'Similarly, we want to make charities aware of the common issues we have found over the past two years so they can self-assess their governance and process to ensure they are on the right track.

'[We] will be focusing on five key areas of compliance: fraud and financial mismanagement; terrorism; harm to beneficiaries; political activities; and lodgement and accuracy of annual information statements.'

To read the full report visit acnc.gov.au/compliancereport.

ACNC revokes status of hundreds of charities

The ACNC has revoked the registration of 590 charities that have failed to submit annual reports two years running.

In February 2017, Commissioner Susan Pascoe warned more than 1,300 registered charities that failing to submit outstanding annual information statements would result in the loss of charity status.

'As the national charity regulator, it is important that we provide the Australian community with accurate and up-to-date information on the charity register,' Ms Pascoe said.

'This information is largely collected from the annual information statements required from charities to meet their basic requirements to retain charitable status.

'The organisations that have lost their charity status were warned multiple times to submit their outstanding reports.

'Pleasingly, more than 700 charities – over 55 per cent – that were initially at risk of revocation have recognised the importance of being accountable and transparent in their operations, and have submitted their outstanding statements. This group have retained their registration with the ACNC and will continue to access Commonwealth charity tax concessions.

'This is a positive outcome for these charities. Revocation for failing to report is always a last resort for the ACNC, and we prefer to work with charities to get them back on track.'

Revoked charities will no longer be able to display the ACNC's tick on the register.

'Revoking charities that fail to meet their obligations is an important part of maintaining trust and confidence in the not-for-profit sector,' said Ms Pascoe. 'The public need to be confident that the national regulator is displaying only eligible charities on the register.

'The [register] provides the public and donors with accurate and up-to-date information about Australia's 54,000 charities. Since it was launched in late 2012, it has been searched over 1.7 million times.'

Donors, grant-makers and volunteers can search the register at acnc.gov.au/findacharity.

The list of revoked charities can be found at acnc.gov.au/doubledefaulters.

Six charities revoked

The ACNC has revoked the charity status of six organisations following investigations into their operations. They were:

- Nest Egg Guardians, which was endorsed by the tax office to access a GST concession, income-tax exemption, and FBT rebate. The organisation also had deductible-gift-recipient status
- Brighter Horizons Limited, which had been operating since 2014 and received a GST concession, and income-tax exemption. Its revocation was backdated to 4 August last year
- Walking Wounded Ltd, which had been operating since 2014 and was endorsed by the ATO as a deductible-gift recipient and received a GST exemption, income-tax exemption, and FBT rebate. Its revocation was backdated to 16 October 2014
- Gulf Aboriginal Development Company Limited, which was operating from 2000 and was endorsed for GST concession, income-tax exemption, and an FBT rebate. The revocation was backdated to 1 July 2013, and
- Harvest Angels Inc, which had been operating from 2015 and was endorsed for GST, income-tax and FBT concessions.

The ACNC has also revoked the charity registration of Catch the Fire Ministries Inc., which has been operating since 1999. It had

GST, income-tax and FBT concessions.

The charity said that the Commission had investigated the organisation's non-charitable political purpose. Catch the Fire had solicited donations for the Rise Up Australia Party. Charities are not allowed to promote or fund political candidates.

In April last year the ACNC issued guidance on political advocacy called *Charities, elections and advocacy*. The guide sets out what needs to be considered, what activities the Commission considers acceptable and those that might bring a charity's status into question. The Commission strongly encourages senior staff and board members to study the guide.

The ACNC has had 37 concerns raised in the past year on the above issues and has investigated several. You can read the guide at acnc.gov.au/advocacy.

You can find the full list of the ACNC's compliance activity at acnc.gov.au/compliancedecisions.

Acting ACNC Commissioner Murray Baird said that the regulator takes its job seriously and will revoke registration if organisations are unentitled to charity registration or fail to meet proper standards.

'Part of the ACNC's role is to shine a light on Australia's charity sector, and take action where there has been wrongdoing,' said Mr Baird.

'The [Commission] is committed to protecting public trust and confidence in Australia's charity sector.

'We are continuously working with the public and the sector to identify and investigate charities that are deliberately breaching the ACNC Act.

'We receive about 60 concerns every month, and the majority are raised by members of the public. A large proportion are also from the charity sector itself.

'We assess all concerns, and investigate where appropriate to ensure [that] charities registered with the ACNC are transparent and accountable.'

Since the ACNC was established it has received more than 2,500 concerns. Anyone concerned about a charity can contact the Commission by calling 13 ACNC or by visiting its website at acnc.gov.au/raiseaconcern.

Charities risk consequences of overdue annual reporting

More than 4,000 charities risk sanctions after missing the deadline for their annual reporting to the ACNC.

Registered charities that report on a standard 30-June financial year were required to submit their annual information statements by 31 January.

Ms Pascoe said charities that have failed to submit their statements were encouraged to do so immediately to avoid sanctions and possible status revocation.

'The Australian public value transparency in the charity sector, and meeting ACNC obligations is a simple and effective way to achieve this,' she said.

Registered charities that fail to meet their obligations may face financial penalties, and will lose the right to display the ACNC's tick. Ultimately, they risk revocation.

Commissioner Pascoe said that most charities have had several years to familiarise themselves with the ACNC's annual-reporting requirements.

> More than 4,000 charities risk sanctions after missing the deadline for their annual reporting to the ACNC.

'The 2016 [statement] is the fourth annual report that registered charities have been required to submit…,' she said.

'Each year we send charities multiple reminders to ensure they know when their reporting is due, and how they can access our range of guidance materials and support services.

'Since the ACNC was established in December 2012, financial penalties have been used sparingly. Issuing financial penalties to charities is not something we take lightly. However, if deemed appropriate we will penalise those who are wilfully avoiding their reporting obligations.'

Fines may be up to $4500, depending on the size of the charity.

For charities that have double-defaulted, failing to submit two statements, the risk grows. 'Failing to submit two [statements] is grounds for revocation…,' Ms Pascoe said.

Resources to help charities complete their 2016 statements, including a checklist, worksheet and a step-by-step guide, can be found at acnc.gov.au/2016AIS.

ACNC activities (cont)

2017 Annual Information Statement released in July

The 2017 Annual Information Statement was released in late July and was accompanied by a range of resources and a redesigned online guide for easier use.

Several improvements to the 2017 online form have been made, including improved auto-calculation and the ability to update responsible-persons' information.

Charities in Tasmania and South Australia will benefit from streamlined reporting arrangements, with other States likely to benefit in coming months.

ACNC releases screencasts

The ACNC has released two new screencasts to help charities use key functions of the charity portal.

The step-by-step videos walk through the processes of *Changing a responsible person* and *Changing your charity's sub-type*.

The Commission has also published a range of information on the obligations charities have to state and territory regulators. You can access this information and a range of general advice on fundraising at acnc.gov.au/fundraising.

New charity data available on data.gov.au

Data from more than 46,000 registered charities' 2015 annual information statements, including financial details, has been uploaded to data.gov.au as part of the ACNC's commitment to openness.

The general public, journalists, academics, and charities themselves have access to the latest ACNC reporting.

For most charities the information filed will be for the financial year 1 July 2014 to 30 June 2015.

The new material amounts to the ACNC's biggest upload and allows users to download, compare, filter and sort by different variables. The commission will update the dataset weekly as more statements are received.

Data.gov.au provides an easy way to access public datasets from the federal and state and territory governments. The main purpose of the site is to encourage public access to government data by providing it in useful formats under open licences. It was created following the *Government's Declaration of Open Government* and response to the Government 2.0 Taskforce Report.

The data may be accessed at data.gov.au/dataset/acnc2015ais.

Financial Reporting

Issues paper asks big questions

A new issues paper asks big questions aimed at firing up debate on how financial reporting and accountability in the not-for-profit and charitable sectors can be improved.

Launched by Anglicare Australia, the ACNC and the Australian Accounting Standards Board, the paper responds to calls for improved reporting by NFPs and charities.

David Gilchrist, the paper's author and a director of the management consultancy firm Baxter-Lawley, said that to pin down how better reporting in the sectors should look is problematic.

'This report is the first step in developing an understanding of how we might move forward,' said Dr Gilchrist.

Better Financial Reporting for Australian NFPs focuses on the transaction-neutral framework of the AASB. It asks whether the framework meets the needs of financial-information users and whether there needs to be a more nuanced, sector-specific path.

The paper notes that it is difficult to identify users of NFP and charity financial reports and equally difficult to identify their information needs.

The paper's aim is to start developing a reporting framework that is fit-for-purpose, resource efficient (meets a cost-benefit test), and sensitive to the relative financial risks of organisations involved.

The paper doesn't aim to provide answers but raises a set of 13 core questions intended to facilitate discussion.

The questions are:

1. Who are the users of NFP and charitable organisations' financial reports?
2. What are their financial reporting needs?

3. Do standards support the provision of high-quality financial information to users of NFP financial reports?
4. Do reporting arrangements allow NFPs and charities to meet their obligations in a cost-effective manner?
5. Should volunteer time be allowed and donated assets be required to be reported in financial reports as in AASB1058, or in some different way, or not at all?
6. If volunteer time and donated assets should be reported, how should they be valued and reported?
7. Should restricted assets be separated from unrestricted assets in the statement of financial position for NFPs?
8. Regardless of the answer to question 7, how should restricted assets be valued?
9. Should capital grant income be reported in the statement of financial performance?
10. Should income relating to contracts for outcomes delivery over more than one financial period be matched to expenses incurred on an annual basis if the income is not at risk?
11. Should a different test be applied to NFP and charitable organisations to determine whether consolidation should be undertaken?
12. Are the income levels appropriate segregation points for differentiating reporting requirements?
13. Should there be more tiers added? If so, how should they be segregated and what should they be required to report?

NFPs need more AASB help

An Australian Accounting Standards Board report finds that Australia's adoption of International Financial Reporting Standards ("IFRS") has been relatively smooth for most Australian businesses.

Extra support, however, is warranted for not-for-profits, including public-sector entities, charities and incorporated associations, to meet user needs and to reduce costs associated with preparing financial information.

Review of Adoption of International Financial Standards in Australia sets out responses from Australian stakeholders from all sectors that, through interviews and forums conducted by the AASB, shared their views and experiences of the past 10 years – since Australia adopted IFRS.

AASB Chair Kris Peach said, 'The research report finds that while IFRS standards are currently appropriate as a base, extra modifications and guidance for specific standards are needed to support the NFP sector. The AASB is undertaking and considering projects specifically to meet this need.'

The projects include:

- Exposure draft 277 *Reduced Disclosure Requirements for Tier 2 Entities*
- Benchmarking AASB Standards against International Public Sector Accounting Standards Board Standards to identify further areas that might warrant modification, and
- Reshaping the Australian Financial Reporting Framework – leading and working with key regulators and policy-makers to simplify and clarify reporting requirements.

Projects being considered are:

- Fair-value guidance for the NFP public sector
- Accounting for volunteer services
- Review of Australian-specific disclosure paragraphs in AASB standards, and
- Definition of contributions by owners.

'The [report] has provided important feedback and proves again how vital consultation with all sectors is when developing and maintaining world-class accounting standards,' Ms Peach said.

Improving reduced disclosure

Financial reports are set to become more relevant and concise for many not-for-profit and non-listed entities under changes proposed by the AASB.

The Board has reviewed standards specifying information to be disclosed in financial reports of entities eligible to use the reduced-disclosure regime ("RDR").

Proposals in exposure draft 277 *Reduced Disclosure Requirements for Tier 2 Entities* aim to address concerns about the length and relevance of reports produced under the regime.

Kris Peach said, 'We are keenly aware of the need to cut unnecessary or overly detailed disclosures and to increase the relevance of required disclosures. These proposals strike a good balance between preparer effort and user needs.'

In practice, few entities that may adopt RDR have done so, many instead issuing 'special purpose' reports.

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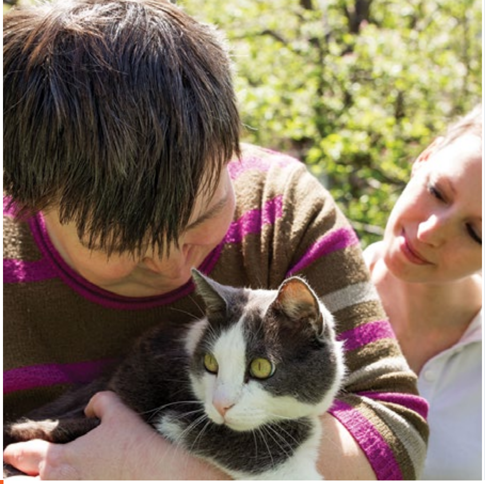

Financial Reporting (cont)

Kris Peach said, 'With increasing concern from regulators, investors and the broader community about the transparency and comparability of special-purpose financial reports, it is our hope that these proposals will encourage more entities to adopt general-purpose financial reports using the RDR regime.'

In particular, the AASB is proposing to reduce the disclosures required around financial instruments and interests in other entities based on feedback from constituents that these disclosures were too detailed and of little interest to users.

Data Integrity Project results available

The ACNC last year contacted nearly 7,000 charities to ensure that information in their 2015 annual information statements was accurate and up to date.

The most common faults were miscalculated figures and incorrect reporting of the size of charities.

The survey's purpose was to ensure that the public can confidently rely on information on the charity register. The commission also uses the information to improve the annual information statement form and develop guidance and education materials.

You can find the full report, with the commission's top tips for avoiding reporting errors, at acnc.gov.au/dataintegrity.

Changes for residential and home-care providers

The federal Department of Health is making changes to financial-reporting requirements for residential aged care and home-care package providers.

A single template called the Aged Care Financial Report ("ACFR") will consolidate the:

- Annual Prudential Compliance Statement ("APCS");
- Building activity component of the Survey of Aged Care Homes ("SACH"); and
- Home Care Financial Report ("HCFR").

A general-purpose financial report will continue to be required, and the ACFR will need to be submitted with the general-purpose report.

Providers are not required to submit an audit opinion with their ACFR.

Providers of home care that do not also provide residential care will not be required to submit a general-purpose report, needing only to complete the home-care section of the ACFR.

Under the new arrangements, the residential-segment format will be replaced by mandated line items at both the approved provider and residential-segment level. However, providers will be able to include mandated line items in their general-purpose report or ACFR.

The new arrangements are mandatory for all residential and packaged home-care providers in the 2016-17 financial year. Providers who report on 30 June will submit their new reports by 31 October.

Providers will complete the ACFR online, data to be entered into a new portal. Residential aged care providers will also upload and submit their audited GPFR through the portal.

Audit

ACNC publishes new templates

The ACNC has recently published new templates designed to be used by auditors for financial reporting.

Developed with the assistance of the Australian Auditing and Assurance Standards Board ("AuASB"), the templates are intended to suit general-purpose and special-purpose reports for a range of charitable organisations.

The free resources are available at acnc.gov.au. Other free templates to help charities manage finances, governance and more are also available on the ACNC website.

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Governments

Non-compliant college loses funding

The federal Department of Education and Training stopped funding the Islamic College of South Australia on 14 April 2017.

The college received $4 million in federal funding last year.

'It is disappointing that after the number of chances this school has been given and the constructive work the department has been doing with the [school] authority since November 2015 the school has still failed to meet the reasonable standards and expectations placed on them,' said education minister Simon Birmingham.

The school authority was not meeting strict conditions imposed in April last year that included improvements to governance and financial management and regular reporting on progress being made on the changes.

'School governance should be of the highest standard and funding should be exclusively used for the education and welfare of students,' said Mr Birmingham.

'The Australian Education Act 2013 requires, among other obligations, that school authorities operate [as] not-for-profit, be financially viable, be a 'fit and proper person', and ensure that funding provided is used only for school education,' he added.

AAT upholds decision to revoke school's funding

The Administrative Appeals Tribunal has affirmed the federal Department of Education and Training's decision to revoke the approval of Malek Fahd Islamic School Limited to receive federal funding.

The AAT was not satisfied that the school authority was able 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.

'I note the AAT decision refers "in particular to the ongoing burden of the uncommercial arrangements with AFIC" and that "findings make it clear that, at a minimum, MFISL continues to be operated for profit", said Mr Birmingham.

'I remain committed to ensuring that all school authorities meet the requirements of the Education Act to ensure that our taxpayer dollars and any private investment by parents is being spent to benefit Australian students.'

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FINANCIAL REVIEW CLIENT CHOICE AWARDS 2017 WINNER, 2015 + 2016 WINNER

BRW CLIENT CHOICE AWARDS 2014 WINNER, 2013 WINNER