

ISSUE 12
2018

For Impact News for the Not-for-profit Sector

Improving Financial Reporting for Australian Charities



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I attended the recent Australian Accounting Standards Board (“AASB”) Outreach session run by Kris Peach, Chair of the AASB. This was one of a series of such sessions being held in major capital cities. The purpose of the session was for the AASB to obtain feedback on issues with financial reporting for NFPs, primarily charities.

The session was attended by an even mix of professional accountants and those working in the sector.

The AASB has been busy in this area, preparing the following documents:

1. AASB Discussion Paper: Improving Financial Reporting for Australian Charities – Published November 2017.
2. AASB Research Report No 5 - Financial Reporting Requirements Applicable to Charities – Published October 2017.

3. AASB’s Appendices to Charity Discussion Paper – published November 2017.

During the session we discussed a number of issues that are covered in the abovementioned Discussion Paper.

Key Issues

The major issues that are thought to exist within this area are as follows:

- Complex, duplicated and inconsistent reporting requirements across jurisdictions, i.e. States and the Commonwealth.
- Charities using different bases of reporting i.e. special purpose, making comparison difficult.
- Some entities are preparing and lodging financial statements and others are not.
- It is not clear why the current criteria and thresholds for reporting have been chosen, and on what basis the thresholds have been set or when they should be revised.
- Fundraising and administrative costs are not clearly disclosed.

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Improving Financial Reporting for Australian Charities (cont)

- Charities do not value financial reports as a communication tool – this is linked to the perceived misalignment of reporting requirements to the size and significance of a charity. There is a perceived lack of consideration of user needs in financial reporting requirements.
- Assurance requirements on financial reporting are inconsistent.

Key Areas

1. Eliminate duplicate reporting between States/Territories and the Commonwealth.
2. Regulators to set transparent and objective criteria and thresholds, and assurance requirements
3. The AASB specifying financial reporting requirements for those who publicly lodge financial statements
4. The Australian Auditing Standards Board to work with regulators to specify appropriate levels of assurance, and the skill sets required.

Major Matters Discussed

Who should report?

We discussed which charities should report financial information to the ACNC. The consensus was that as all charities obtain tax concessions and receive funding either from the general public, or from government, they should be required to be accountable for their finances.

We discussed whether or not very small charities should have no financial reporting, and the general consensus was that very small charities should have financial reporting requirements.

What information should be reported?

The AASB Discussion Paper considered some different options for financial reporting. It was generally considered that for small charities, a cash flow statement or cash basis of accounting should be required.

Almost 100% of those in attendance considered that the special purpose framework was not appropriate, and should not be allowed. Such a framework goes against ASIC policy that general purpose financial reports should be required for anybody who lodges on the public record, and probably more importantly for those present it meant that comparability was lost.

What measures should be used to determine who reports?

We discussed the current ACNC thresholds being based on revenue.

It was considered by the group that this was not a sufficient measure, as in some years a charity might have low revenue, but still be significant in terms of public interest.

The Group considered that a mix of revenue, expenses and assets should be used to determine levels of reporting.

The number of employees was discussed, but was not considered an appropriate measure as opposed to those noted above.

How many tiers of reporting should there be?

The Group considered that 3 levels of reporting was the optimum number. Any more than that created too much complexity, and any less than that might impose more burdens than necessary.

What should the thresholds be?

A graph in the discussion paper shows that 53% of charities by number have revenue of less than \$100,000 per annum, and 71% of charities have revenue of less than \$250,000 per annum. 3% of charities have revenue more than \$10,000,000 per annum.

The Group considered that the lowest tier should be those with revenue up to \$250,000. There was some discussion as to whether this lowest tier should top out at \$100,000, however most in the room thought that \$250,000 was better.

The threshold for the top tier had much less agreement. One suggestion was that \$30,000,000 might be a good threshold, however more people in the group thought that \$10,000,000 was more appropriate.

Basis for thresholds

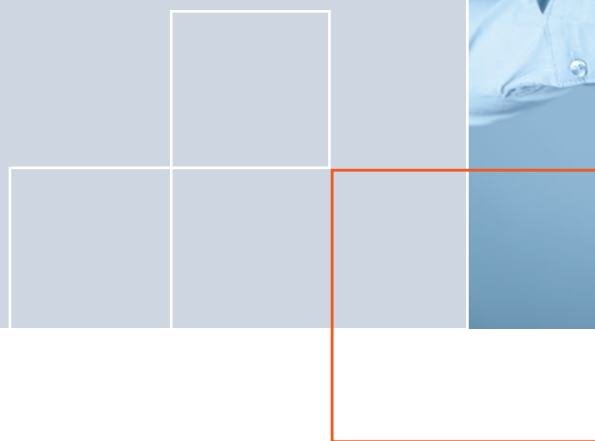
The AASB noted that they had attempted to obtain from ASIC the science behind the selection of thresholds for For-Profit company reporting, and no information was available.

The AASB is very keen to have a basis for the thresholds, so that the thresholds can be adjusted over time to cover such things as inflation, on a basis that is acceptable to all. For example, if the lowest tier threshold is set at amounts which cover 70% of charities by number, and the highest tier is set to cover the top 5% of charities, these bases can remain, and be used to adjust thresholds in the future for inflation etc.

What financial reporting is required?

The general consensus was:

- The lowest tier should do cash-based reporting



- The middle tier should do general purpose – RDR, possibly modified to reduce disclosures
- The largest tier should do full general purpose.

There was some concern that the full general purpose framework had too many disclosures. We discussed that within full

general purpose, only material disclosures are required, and not every disclosure mentioned in an accounting standard was needed.

It was also generally agreed that additional disclosures should be required for charities, and that this might be the subject of a separate AASB Standard.

These disclosures might cover:

- Transactions with related parties
- Fundraising information, possibly similar to that required by some State regulators e.g. amount from each event raised, and how it was spent.

Governance

Government to reform DGRs

The federal government intends to reform the administration and supervision of organisations with deductible-gift-recipient (“DGR”) status, Minister for Revenue and Financial Services Kelly O’Dwyer has announced.

The cost to the Commonwealth of deductions from DGR donations was \$1.31 billion in 2016-17.

Non-government DGRs will be automatically registered as a charity with the Australian Charities and Not-for-profits Commission from 1 July 2019.

A 12-month transitional period will help non-charity DGRs to comply.

The Commissioner of Taxation will have the power to exempt DGRs from this requirement in certain circumstances. Public-fund requirements will be abolished.

The Overseas Aid Gift Deduction Scheme will be integrated with the ACNC charity register and duplicate reporting requirements will be abolished. The

Commission will also provide a central location for applications and reporting.

The ACNC and ATO will receive extra funding to review a greater number of DGRs for eligibility.

To strengthen supervision of overseas activities, the government will issue external conduct standards to be enforced by the ACNC as recommended by the Commission and AUSTRAC’s report of 28 August *Australia’s non-profit organisation sector: money laundering and terrorism financing risk assessment report*.

The government will halt an unlegislated 2009-10 budget measure *Philanthropy – reforming the ‘in Australia’ requirements that apply to tax exempt entities*. The unenacted measure could prevent many DGRs from conducting legitimate activities outside Australia, such as visits to foreign medical institutions or participating in international cultural and sporting events and would not provide appropriate oversight of the overseas activities of exempted organisations such as overseas disaster relief funds.

To improve transparency for both the ACNC and Australian donors, the Commission will send charities’ declarations of political expenditure to the Australian Electoral Commission as well as details of relevant criminal activities of charities’ staff or responsible persons.

As part of the package of reforms, the register of cultural organisations’ (“ROCO”) eligibility criteria will be amended to enable organisations that promote indigenous languages to be endorsed as DGRs.

‘These sensible reforms will enhance the role of the Australian Charities and Not-for-profits Commission (“ACNC”), strengthen governance arrangements, reduce administrative complexity and ensure continued trust and confidence in the sector,’ Ms O’Dwyer said.

ACNC legislation to be reviewed

The federal government has released terms of reference for a review of the legislation governing the ACNC.



Governance (cont)

A new guide will provide charities, fundraisers and other not-for-profits much-needed clarity on how Australian consumer law applies to fundraising activities...

Patrick McClure AO has been appointed to chair the review panel and will be joined by Su McCluskey, Matthew Turnour and Greg Hammond OAM.

The Commission is responsible for maintaining, protecting and enhancing public trust and confidence in the charities and not-for-profits sector. It supports the sector's accountability and transparency and promotes the reduction of unnecessary regulatory obligations.

The *Australian Charities and Not-for-profits Commission Act 2012* and the *Australian Charities and Not-for-profits Commission (Consequential and Transitional) Act 2012* were gazetted in December 2012. The legislation requires a review after five years of operation.

The panel will inquire into and make recommendations on appropriate reforms to ensure that the Acts' regulatory environment remains contemporary, that they deliver on policy objectives and enhance the Commission's work.

The review will:

- Examine the extent to which the Acts continue to be relevant
- Assess the Acts' effectiveness
- Consider whether the powers and the functions of the ACNC Commissioner are sufficient to enable these objectives to be met, and
- Consider whether any amendments to the Acts are required.

Submissions from interested parties in response to the terms of reference are due by 28 February 2018. The panel must provide a report to government by 31 May 2018.

Boards of charities and stakeholders should take the opportunity to submit and participate in the panel's forums.

New consumer law guidance on fundraising

A new guide will provide charities, fundraisers and other not-for-profits much-needed clarity on how Australian consumer law applies to fundraising activities, Minister for Small Business Michael McCormack says.

'The guidance ... contains a simple message for the sector: be transparent, truthful and fair when fundraising,' Mr McCormack said. 'If you are upfront and honest, then your fundraising activities are unlikely to raise concerns under [...] Australian Consumer Law ("ACL").'

'When charities, fundraisers and not-for-profits better understand their obligations in providing goods and services this gives consumers confidence.'

A guide to Australian consumer law – For fundraising and other activities of charities

clarifies that if fundraising and other activities are carried out in a business-like way obligations not to mislead or to act unconscionably will apply.

Mr McCormack said that the guide, which state and federal regulators developed as a priority at the request of consumer-affairs ministers, followed a recent review of ACL.

Legislation will be introduced into parliament early in 2018 to increase maximum financial penalties available under ACL from \$1.1 million for companies to the greater of \$10 million, three times the value of the benefit from breaching the law, or 10 per cent of the company's turnover in the year preceding the breach.

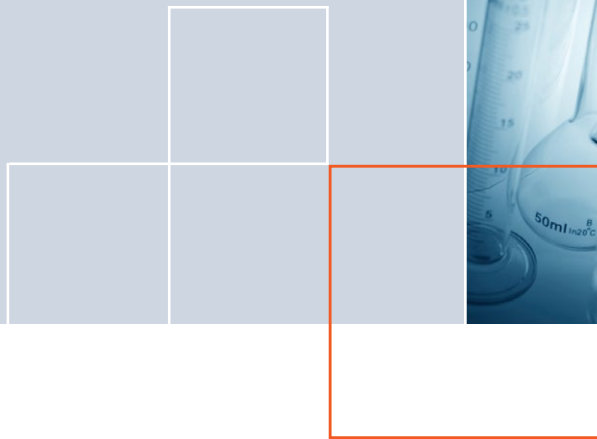
The guide is available at <http://consumerlaw.gov.au/fundraising>.

Report urges caution when donating

The Australian Competition and Consumer Commission ("ACCC") has released an independent research report on commission-based fundraising in the charity sector.

Research into the Commission-based Charity Fundraising Industry in Australia is part of a 2017 compliance and enforcement focus on consumer issues arising from commission-based sales.

By Frost & Sullivan, the report is based on interviews with three fundraising agencies, one industry association, 14 charities and 13 individuals who work or have recently worked in commission-based fundraising. More than 500 individual donors who had recently been solicited and made a donation took part.



'This year we have looked closely at misleading behaviour driven by sales commissions, including those paid to third-party marketing firms, particularly in industries that enjoy a high level of trust and where commissions may not be expected,' ACCC Chairman Rod Sims said.

'The charity sector plays an important role in delivering services and funds often to vulnerable members of our community. However, like all Australian businesses, charities need to ensure that consumers are well informed, and there is transparency [...] when third parties or commissions are involved.'

The report found that some charities operated on a model in which third-party marketing firms earn fees for each donor that signs up from face-to-face or telemarketing approaches. The fee is commonly calculated by a multiple (typically eight to 17 times) of the monthly donation to which the donor commits.

'Not all charities use third-party fundraising agencies, but this research raises some concerns about the level of transparency by some charitable organisations around these relationships and disclosure regarding the size and structure of fees paid to these agencies,' Mr Sims said.

'We found it surprising just how many multiples of the monthly donations some charities were paying third-party fundraisers for face-to-face [and] telemarketing services.'

Under this model, some contracts between charities and agencies include a 'claw-back' feature so that fees are refunded to the charity should donors cancel within a certain time period (most commonly three months). About half of donors cancel within the first 12 months.

The ACCC does not regulate the charity sector but has a role to play in ensuring that commercial fundraising agencies that charities use are meeting their obligations under Australian consumer law.

'The ACCC will continue to engage with the sector and is urging charities to increase transparency to consumers when [using] the services of commercial fundraising agencies,' Mr Sims said.

'Consumers who want to donate are advised to contact the charity and ask how they can donate directly. It's important to note that this report does not explore other forms of fundraising a charity may [use], such as postal mail-outs, online campaigns, lotteries [and] fundraising activities carried out by the charity itself.'

If consumers are contacted or approached by someone representing a charity, these are the types of questions they might want to ask:

- Do you work directly for the charity or do you work for a fundraising agency?
- Are commissions paid on my donation? and
- If I sign up to a monthly donation, how are commissions or fees paid on my donation?

FIA authority to oversee new fundraising code of practice

The Fundraising Institute Australia ("FIA") has established an independent authority to oversee its new code, which was launched in July 2017 and was enforceable from 1 January 2018.

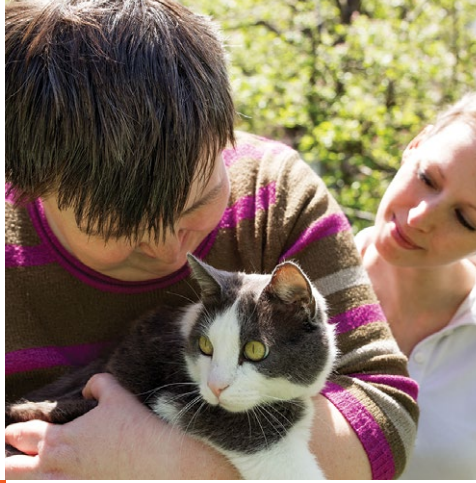
The FIA has more than 1,500 members and is the largest representative body

for the \$12.5 billion fundraising sector, which is supported by some 14.9 million Australians. FIA members include charities and other fundraising NFPs operating domestically and internationally as well as the organisations and professionals that provide services to them.

The code is voluntary and self-regulatory, aiming to raise standards of conduct across the sector by going beyond the requirements of government regulation. Its content is derived from the International Statement of Ethical Principles in Fundraising.

The seven-member Code Authority will be responsible for compliance monitoring, complaints about administration, and making recommendations for improvements to self-regulation. It will report quarterly to the FIA's board of directors. It includes charity, donor and supplier representatives.

The Fundraising Institute Australia (FIA) has established an independent authority to oversee its new code which was launched in July and was enforceable from 1 January.



Governance (cont)

AUSTRAC's regional NFP sector risk assessment 2017

Non-profit Organisations and Terrorism Financing – Regional Risk Assessment 2017 was released by AUSTRAC. It examines terrorism financing risks facing non-profit organisations (“NPOs”) in Australia, New Zealand and South-East Asian countries.

This assessment aims to enhance the capacity of the countries involved to understand and develop responses to better mitigate NPO risks, while also deepening the intelligence picture of regional terrorism financing risk. It is also a critical step for countries in meeting international standards to identify their subset of high-risk NPOs.

This regional risk assessment was coordinated by AUSTRAC, Bank Negara

Malaysia and Indonesia’s financial intelligence unit Pusat Pelaporan dan Analisis Transaksi Keuangan (PPATK).

The report can be downloaded from www.austrac.gov.au website.

The special administrator will work with the corporation’s staff and members, as well as VACCHO, to improve Mungabareena’s governance, structures and financial position.

ACNC

ACNC Commissioner appointed

Assistant Minister Sukkar has announced that Gary Johns has been appointed as full-time ACNC Commissioner for five years.

Dr Johns is a director of the Australian Institute for Progress and an adjunct professor at the Queensland University of Technology Business School.

He is a respected leader in the charities and not-for-profits sector, having served as a member of the Prime Minister’s community-business partnership, advising the government on practical strategies to foster a culture of philanthropic giving, volunteering and investment in Australia.

He is also a columnist at *The Australian* Newspaper and has written several books on the charities and not-for-profits sectors.

Dr Johns has wide-ranging experience in regulation, public service and policy, serving as an Associate Commissioner of the Productivity Commission, a senior consultant

at ACIL Tasman and an Associate Professor at the Australian Catholic University.

He served in the House of Representatives from 1987-1996, representing the electorate of Petrie and holding several roles in the Keating government.

Streamlining non-government-school reporting

The ACNC can access financial information provided by non-government schools to the federal Department of Education and Training, significantly reducing red tape for schools registered with the ACNC.

More information may be found on the ACNC website at acnc.gov.au/nongovschools.

ORIC and ACNC renew understanding

The Office of the Registrar of Indigenous Corporations (“ORIC”) and the ACNC have announced a renewal of their memorandum of understanding.

Both regulators are committed to acting collaboratively to minimise the regulatory burden for Aboriginal and Torres Strait Islander corporations in complying with reporting and other notification obligations.

A key component of the MOU is a commitment to reporting once, using often. Aboriginal and Torres Strait Islander charities that are registered with ORIC and report to it are not required to report the same information to the ACNC. Public information reported to ORIC is shared with the ACNC to ensure that public databases of both agencies are consistent and up-to-date.

To see the MOU go to oric.gov.au/publications/mou.

New ACNC toolkit to help connect MPs and charities

The ACNC has launched a new online toolkit to help charities and their local Members of Parliament connect and discuss important issues.



The *MP Charity Toolkit* allows searches by federal electorate, and a series of 20 factsheets cover topical charity-sector issues, including fundraising, tax concessions, and safe giving. The ACNC will add state electorates at a later date.

The toolkit was developed in partnership with the Assistant Minister to the Treasurer, Michael Sukkar.

Mr Sukkar welcomed the toolkit's launching, describing it as a valuable resource for MPs and their staff.

'[It] will help my colleagues in the federal parliament continue to engage with their local charities and support them in their charitable endeavours.'

The sector and the public would also benefit, he said, enabling them to quickly and easily find nearby charities.

'Registered charities looking to collaborate with another similar charity, or reach out to discuss local issues, will also be able to use the new search function. Similarly, members of the public looking to donate their time, or goods and services, [...] will now be able to find charities of all sizes in their federal electorate.'

The search function is simple to use and links direct to the ACNC's charity register - Australia's first online database of charities.

The toolkit is available at acnc.gov.au/mp.

New corporate partnerships factsheet available

A new ACNC factsheet – *Charities and Corporate Partnerships* – provides advice on how charities can work with businesses and corporates to develop a relationship

that helps the charity achieve its goals and benefit the wider community.

Charities often contact the ACNC about wanting to foster partnerships with business. Some do this extremely well and have long-standing and highly successful arrangements.

But the Commission warned in a statement: 'We do see examples [...] where charities have entered into arrangements where they are receiving very little benefit in return for "giving away" their brand. Many other organisations are not sure where to start.'

The factsheet looks at:

- Why charities should be interested in corporate partnerships
- The types of partnerships available, and why charities should consider a wide variety of partnership options
- Researching local businesses and corporates when thinking about a partnership
- The work charities need to do before entering a partnership and how they should approach a prospective corporate partner, and
- Risk management, due diligence and the steps involved in maintaining a healthy partnership.

The factsheet is available on the ACNC website at acnc.gov.au/corporatepartnerships.

Insights from the ACNC annual report

The ACNC has tabled its 2016–17 annual report, its fifth to parliament since it was established in December 2012.

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ACNC Assistant Commissioner David Locke revealed that more and more Australians were accessing the ACNC's charity register – Australia's first searchable database of charities.

'In 2016–17, searches of the ACNC [register] jumped by 37 per cent compared [with] last year. We have now had over two million searches [...] and this is increasing all the time.'

He added: 'We're pleased that members of the public and donors are increasingly using the [register] to ensure that charities are registered with the ACNC and to find out information about their governance and financials.'

Commenting on the first anniversary of the registered charity tick, Mr Locke said: '(It) is a simple, attractive logo that registered charities can use to show their charity status. Over 10,000 charities have downloaded their copy of the logo, including some of Australia's [best-known] charities. We are seeing the [tick] displayed in all kinds of places, from fundraising brochures to mini vans.'



ACNC (cont)

More than 2,800 new charities were added to the register, bringing the number of registered charities to more than 55,000.

Disappointingly, the ACNC data-integrity project team also reviewed the records of more than 42,000 charities and worked with them to correct almost 7,000 errors.

The ACNC's work to ensure that registered charities are complying with the ACNC Act also remained a strong focus for the regulator in 2016–17.

'This year the ACNC addressed more public concerns about charities than ever before. The ACNC is [...] also working proactively with a wide range of federal and state agencies to identify misconduct and mismanagement in the administration of charities,' Mr Locke said.

'Our compliance work has changed from predominantly reacting to concerns, to proactively identifying risk and undertaking targeted investigations and enforcement action.

'In 2016–17, we managed 18 per cent more compliance cases than we did the previous year and took more enforcement action. The registrations of 22 charities were revoked following compliance investigations – more than double the number of 2015–16.'

Charities need to comply with the ACNC Act and governance standards. These are legal obligations, and, where there are serious breaches, the ACNC will take firm but fair action.

Red-tape reduction was a priority for the ACNC in 2016–17, as it will be again in 2017–18. Significant progress was made towards reducing red tape for charities in 2016–17; legislation has been passed in

South Australia, Tasmania and the Australian Capital Territory, resulting in streamlined reporting requirements and saving thousands of charities vital resources.

Use of the charity passport, the ACNC's data-sharing portal, has also increased; 20 government agencies use it to access charity data.

The ACNC's 2016–17 annual report is available at acnc.gov.au/annualreport

Key findings from the *Australian Charity Report 2016*

Australian charities have reported \$142.8 billion in revenue in the past year, according to new research launched by Assistant Minister Michael Sukkar.

The *Australian Charities Report 2016* examined the 2016 annual reports to the ACNC of more than 52,000 charities.

Key findings were:

- Registered charities had a total revenue of \$142.82 billion
- Charities that provided education services, such as universities and non-government schools, had the largest annual revenue. The group made up 18.6% of the total number of charities but accounted for 45% of the sector's total revenue
- Charity revenue was generated through membership fees, user-pays services, and other income sources (49.7%), government grants and contract payments (43%), and donations and bequests (7.3%)

- The most common charity type is religious (31%). However, the group takes in only 6.6% of the sector's total revenue
- Most (67%) of registered charities are small, their annual revenues less than \$250,000
- Big charities with revenue of a million dollars and more make up 17% of charities, medium-sized (\$250,000 – \$1 million) 16%, and small (\$50,000 – \$250,000) 67%
- Charities employ 10.6% of Australian workers
- 49.6% of charities have no paid staff
- On average, each charity has 58 volunteers; in total there are 2.9 million volunteers
- Over half of all charities operate in either New South Wales (39.7%) or Victoria (31.1%)
- Only a small number (8.4%) of charities help communities overseas. The top 10

Australian charities have reported \$142.8 billion in revenue in the past year, according to new research launched by Assistant Minister Michael Sukkar.



countries in which charities assist are: India, the Philippines, New Zealand, Indonesia, Papua New Guinea, Cambodia, United States, Thailand, Fiji and Nepal.

The Australian Charities Report was produced by the ACNC, the Centre for Social Impact and the Social Policy Research Centre at the University of New South Wales.

The full report and an interactive data cube can be found at australiancharities.acnc.gov.au.

Australians trust charities: ACNC report

A new report published by ACNC has confirmed that public trust and confidence in charities remains strong. The ACNC's two-year *Public Trust and Confidence report* found that 86% of Australians trusted charities and 91% supported them by volunteering or donating.

Overall, charities were the fifth most-trusted institution in Australia after doctors, police, the High Court, and the Australian Taxation Office. Women and older Australians were slightly more likely to trust charities, but trust was high across all age groups.

ACNC Assistant Commissioner Murray Baird welcomed the findings.

'The ACNC's 2017 *Public Trust and Confidence report*, the third of its kind, shows that trust and reputation are increasingly important factors that drive generosity. The report found that trust is underpinned by transparency, [...] 76% of Australians stating that it is important that they know how charities use their donated dollar.

"[The] ACNC can confirm that the overwhelming majority of charities are doing

the right thing. And where we have found evidence of misconduct by charities we have and will continue to take firm action to protect charitable funds and beneficiaries.'

The ACNC was established in part to maintain and enhance public trust and confidence in the Australian charity sector.

The latest *Public Trust and Confidence report* is available at acnc.gov.au/trustandconfidence.

AAT confirms ACNC decision on Waubra Foundation

The Administrative Appeals Tribunal has confirmed an ACNC decision that the Waubra Foundation was not entitled to be registered as a health-promotion charity.

It was the first decision by the AAT in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and the *Charities Act 2013*.

The ACNC welcomed the tribunal's decision and the greater clarity it provided about issues raised in the application.

The AAT affirmed that the foundation was not entitled to be registered as an 'institution whose principal activity is to promote the prevention or the control of diseases in human beings' (health-promotion charity) or as an 'entity with a purpose of promoting or protecting human rights'.

Waubra Foundation's registration with the ACNC as a charity was unaffected by the proceedings.

Murray Baird said that the decision added to the ACNC's understanding of the concept of a health-promotion charity and of the purpose of promoting and protecting human rights.

Overall, charities were the fifth most-trusted institution in Australia after doctors, police, the High Court, and the Australian Taxation Office.

For more on the case and the AAT decision, refer to the Australasian Legal Information Institute ("Austlii") website.

More information about the health-promotion charity subtype may be found at acnc.gov.au/HPC, and more information about the 'promoting or protecting human rights' subtype may be found at acnc.gov.au/charitysubtypes.

Organisations lose charity status

The ACNC has announced the revocation of the following organisations after investigations into their activities and operations.

They are:

- City of Wollongong Aerial Patrol Inc – the decision to revoke status was backdated to 1 July 2013
- Australian Multicultural Christian Society Incorporated – the decision to revoke charity status was backdated to 21 June
- GLCS Group Incorporated – the decision to revoke charity status was backdated to 1 July 2013.



ACNC (cont)

The ACNC has recently revoked the statuses of the Australian Council on Alcoholism and Drug Dependence, Childs Vision Pty Ltd, Cm & Ja Whitehouse Foundation, Guardian Youth Care Limited and Guardian Disability Services Limited following investigations.

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/compliancedecisions.

David Locke said that the ACNC takes a proportionate approach to compliance.

'In instances where our investigations find minor breaches of the ACNC Act

or Governance Standards [...], we work with the charity to resolve [them through] education, guidance and support,' Mr Locke said.

'However, when we find serious breaches [...] or mismanagement we will take firm action, including revocation [...]

'Revoking a charity's status is reserved for the most serious of cases and results in the loss of generous Commonwealth charity tax concessions. Revoked charities are also no longer able to display the ACNC's [tick].'

Assistant Commissioner Locke encouraged members of the public to raise concerns about charities with the ACNC.

'We receive over 100 concerns about charities each month,' Mr Locke said.

'Many of [them] are raised by members of the public and provide the [Commission] with vital information to help us with our enquires.

Mr Locke encouraged people to raise concerns by calling 13 ACNC or by visiting acnc.gov.au/raiseaconcern.

The ACNC has also revoked the registration of 86 charities for twice failing to submit their annual information statements. These organisations will lose access to tax concessions.

Fraud

Former Wagga CEO convicted

Selena Lyons, the former chief executive officer of Riverina Medical and Dental Aboriginal Corporation ("RivMed"), has been convicted in the Wagga Wagga Local Court of 24 charges of dishonestly misusing her position to gain a personal advantage.

Ms Lyons was found guilty of claiming travel expenses to which she knew she was not entitled.

The court found that on 24 occasions between October 2011 and April 2014 Ms Lyons used her position to authorise payments to herself for travel and accommodation. The payments were either for days that Ms Lyons was not travelling

for work purposes, or when another organisation had already paid for her travel, accommodation and meals.

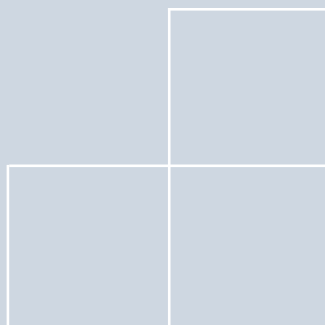
Getting tough on fraud – top tips

Fraud is a problem across all areas of the economy, including the NFP sector.

Surveys indicate that there is more fraud in the NFP sector than in the for-profit world.

Protecting yourself against fraud and reacting effectively to fraud has never been more important. Fraud can lead to significant losses, reputational damage and – in the case of big frauds – sometimes the collapse of an organisation.

The Fundraising Institute Australia (FIA) has established an independent authority to oversee its new code which was launched in July and was enforceable from 1 January.



Effective fraud advice can help you significantly reduce costs and enable you to spend more of your resources on outcomes that matter.

Here are six tips on how NFPs can tackle fraud:

- Strengthen your culture – An anti-fraud culture needs senior management support and has to be led from the top. Introduce a fraud policy, incorporate an external whistleblowing service (such as www.reportfraud.org.au) and a fraud-response plan. Place fraud as a repeat agenda item at regular management meetings; this will focus your thinking on the constant threat to your organisation. Train your staff to look out for fraud indicators.
- Prevention is better than cure – Spending relatively small amounts of time and money on fraud prevention and detection could save you significant amounts of time and money in the future. Remember, the biggest threat to your organisation is not always a financial one – the reputational damage caused by fraud, especially if it is shown that you made no attempt to minimise the risk, can be enormous.
- Look for weaknesses – There are many red flags that can give you an indication that all is not well. You are particularly vulnerable when cash payments are involved, so try to reduce these to a minimum. Always ask for evidence of expenses.
- Keep monitoring – Tackling fraud is an ongoing challenge. Fraud monitoring should not be something that is

reviewed once a year on a tick sheet; it needs constant review. If you want your organisation to become more fraud resilient, you need to continually work at reducing the threats.

- Audit – External auditors have specific fraud responsibilities under auditing standard ASA 240 *The Auditor’s Responsibility Relating to Fraud in Audit of a Financial Report*. Engage HLB Mann Judd to assist you. HLB Mann Judd can provide your Board with additional assurance on such issues as credit-card expenditure and key internal controls.
- Don’t bury your head in the sand – Fraud opportunities exist in organisations big and small. It’s not good enough to say, ‘We don’t have a fraud problem in our organisation’. The fact is that you have probably not yet uncovered it. Don’t wait for fraud to deliver a knockout punch; think about what preventative measures you could introduce. If you spot that something is amiss, get help sooner rather than later.

ENFP LinkedIn community

Come and join us!

The Exclusive Not-For-Profit (“ENFP”) LinkedIn group provides you with information on our exclusive events, access to our “For Impact: News for the Not-for-profit Sector” newsletter updates, and enables you to collaborate and network with like-minded individuals. This community also provides an opportunity to access expertise in many areas to assist you day-to-day.

Contact Kim Kelloway on
+61 2 9020 4000 to join.

Financial Reporting

Making materiality judgements – new guidance

An Australian Accounting Standards Board’s practice statement on materiality judgements includes examples relevant to NFPs and public-sector entities.

Practice Statement 2 *Making Materiality Judgements* provides practical guidance and examples that might help in discussions with auditors and regulators. The statement’s aim gives guidance on materiality when preparing general-purpose financial statements.

