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TRAVIS RICKARD

Partner, Audit & Assurance

ADELAIDE

PROPOSED TIER 3 REPORTING FOR NFPs

As reported in For Impact Issue – 30, the deadline for submission for comments on the Australian Accounting Standards Board discussion paper – Development of Simplified Accounting Requirements (Tier 3 Not-for-Profit private sector entities) is 31 March 2023.

The proposed Tier 3 reporting simplifies recognition and measurement, and presentation requirements for Not-for-Profits (NFP) in comparison to the current financial reporting requirements. This discussion paper seeks views on proposed changes to the reporting requirements for smaller not-for-profit entities.

Significant changes many NFPs could face include, but not limited to:

Income recognition – under the current standards, many types of income received by NFPs are recognised on receipt. This effect of this has been that the matching of income and expenditure is not always possible, meaning the financial performance for the year may be distorted as a result. The proposed change could see the deferral of income recognition until expenditure outflows occur.

Financial assets – many NFPs have significant asset portfolios to generate greater returns to support their mission, often consisting of a mix of different types of assets in their portfolio. Dependent on this mix, the current accounting standard requires some financial assets to be classified as at 'fair value through profit or loss' whereby fair value movements to be presented 'above the line' which impacts the surplus/deficit before other comprehensive income. On the other hand, fair value movements in equity instruments (upon initial election) can be classified as measured at a fair value through other comprehensive incomes whereby fair value movements to be presented 'below the line'. This mix of presentation, apart from being overly complex for a NFP can also be confusing for the reader of the financial statements. The proposed standard will require all financial assets held to generate

income and capital gains to be 'at fair value through other comprehensive income', which moves all fair value movements to 'below the line', simplifying the reporting and making it more useful to the reader.

Lease accounting – under the proposed standard, a simplified approach will be taken and will remain off-balance sheet.

Consolidation – preparers will have the option to choose to prepare either consolidated financial statements or parent only financial statements with additional disclosures around the parent's significant relationships with the group.

The full list of changes is summarised in the 12-page summary from the AASB (https://aasb.gov.au/media/qzlbchnp/tier-3-snapshot_sep-22.pdf).

While the proposed changes may somewhat alleviate cost pressures, changing the rules for some organisations and not others in the NFP space

present the potential risk of disparity. Users of financial reports will need to gain a full understanding of the basis of preparation for the accounts and take this into account when comparing to other NFPs. For this discussion paper, the AASB have taken into consideration those NFPs with revenue between \$500,000 and \$3 million when applying Tier 3 reporting, consistent with a medium-sized charity registered with the Australian Charities and Not-for-profits Commission. Arguably, changing some of these requirements for future Tier 3 reporters, such as income recognition and the classification of financial assets, could be relevant to many large NFPs.

Have your say on the AASBs online survey here (<https://www.surveymonkey.com/r/AASBTIER3NFP>).

GOVERNANCE

DIGITAL SKILLS NEED BOOSTING

Infoxchange's Technology in the Not-for-Profit Sector provides a comprehensive overview of how the sector has used technology over the past 12 months.

More than 600 not-for-profit and charitable organisations across Australia and New Zealand took part in a survey that is the basis of the report. The report is an annual research project that aims to recognise areas of growth and improvement by understanding how NFPs across Australia and New Zealand use technology.

Now in its seventh year, it provides a benchmark for NFPs' technology use.

The report's key findings include:

- 78 per cent have either moved information to the cloud, or plan to
- 59 per cent don't have the systems they need to understand technology's impact
- 53 per cent of respondents don't provide cyber-security awareness training to staff
- 51 per cent don't have an information security policy
- 44 per cent lack confidence with IT and technology
- While 83 per cent allow staff to work outside the office, 43 per cent don't have the infrastructure they need to support remote work

- More than one in three organisations are yet to implement multi-factor authentication.

The report can be accessed at <https://www.infoxchange.org>.



SMITH FAMILY REPORTS MAJOR CYBER-ATTACK

The Smith Family, one of Australia's longest-running children's charities, has announced a major cyber-attack that might have exposed the details of some 80,000 donors.

The organisation initially took to Twitter to report that a team member's email account was temporarily accessed in an attempt to steal funds.

While the attempted financial theft was reportedly unsuccessful, a follow-up investigation revealed that personal information might have been accessed during the attack.

Among the information that might have been accessed was a mixture of donors names, addresses, phone numbers, email addresses, and donation amounts.

'While there is no current evidence of misuse of any individual's personal information, we are informing individuals about the incident and providing simple steps to protect their information and avoid any potential scams,' the organisation said.

They reported they were contacting donors and sponsors about the incident, regardless of whether their information had been accessed or not.

Both the Australian Cyber Security Centre and the Office of the Australian Information Commissioner have been notified.

BETTER DATA BREACH RESPONSES NEEDED

The big impact on millions of Australians of recent data breaches and the findings of the *Notifiable Data Breaches Report: January to June 2022* stresses a need for organisations to have robust information handling practices and an up to date data breach response plan.

Top sectors to notify data breaches were health service providers, finance (including superannuation), education, professional services firms and recruitment agencies.

The Office of the Australian Information Commissioner's (OAIC) report shows that human error was behind 63 per cent of breaches in the education sector and nearly 50 per cent of charity breaches. The counterpart figure for all Australian organisations is 33 per cent.

According to the report, 54 per cent of human error breaches involved personal information being sent to the wrong recipient by various methods, including unintended publication, email, post, and data storage devices.

More than half of charity breaches and 27 per cent of education breaches were malicious or criminal attacks.

The *Privacy Act 1988* requires entities to take reasonable steps to conduct a data breach assessment within 30 days of becoming aware that there are grounds to suspect that a breach has occurred. Once the entity forms a reasonable belief that there has been an eligible data breach, they must notify the OAIC and affected individuals as soon as practicable.

In the reporting period, 71 per cent (75 per cent in the previous period) of entities notified the OAIC within 30 days of becoming aware of an incident.

'A key focus for the OAIC is the time taken by entities to identify, assess and notify us and affected individuals of data breaches,' commissioner Angelene Falk said.

Commissioner Falk welcomed measures in the *Privacy Legislation Amendment (Enforcement and Other Measures) Bill 2022* before Parliament, which give the commissioner stronger information gathering powers to ensure that entities are reporting breaches and notifying individuals when they need to and increase penalties for serious or repeated privacy breaches.

The report can be accessed at <https://www.oaic.gov.au>.

“More than half of charity breaches and 27 per cent of education breaches were malicious or criminal attacks.”

NEW PAID VIOLENCE ENTITLEMENTS

Employees will soon be able to access 10 days of paid family and domestic violence leave in a 12-month period.

Full time, part time, and casual employees will all be able to access the leave, which will not accumulate if unused. The leave will be available from:

- 1 February for employees of non-small business entities (employers with 15 or more employees on 1 February), and
- 1 August for employees of small business entities (employers with fewer than 15 employees on 1 February). When counting the number of employees, those in entities are included. Casual employees are not included unless engaged on a regular and systematic basis.

From 1 February, employers are prohibited from

TAX OFFICE'S SEARCHING LOOK AT NFPS

The Australian Taxation Office is increasing its focus on NFPs that use financial vehicles to avoid tax or obtain a benefit without entitlement.

The office recently revealed that key areas of investigation were operating for purpose, self-assessing income tax exemption, ancillary funds, and emerging risks.

The tax office uses intelligence from many sources, including media reports, information from the public, and referrals from other government agencies to assess issues and risks.



including certain information about paid family and domestic violence leave on an employee's pay slip.

Employees will continue to be entitled to five days of unpaid family and domestic violence leave until they can access the new entitlement.

The new arrangements will be independently reviewed after 12 months to consider impacts on small businesses, sole traders, and people experiencing family and domestic violence.

If it believes that individuals or entities are failing to act in accordance with their obligations, it may take appropriate action, including a review or audit.

The ATO may revoke entitlement to tax concessions, including deductible gift recipient endorsement, if it believes that an entity has breached tax law.

It is good practice for NFPs to review their purposes and governance at least annually, the results tabled at relevant board and committee meetings.

Understanding and addressing what attracts the ATO's attention is part of good governance.

COMPLIANCE

RSL LIFECARE BACKPAYS MILLIONS

Aged and veteran services organisation RSL LifeCare Ltd has back paid staff in NSW and the ACT more than \$5.25 million and entered into an enforceable undertaking with the Fair Work Ombudsman (FWO).

The organisation self-reported its non-compliance to the FWO in 2021 after becoming aware of underpayments following an internal review during its transition to a new human resources and payroll system.

Underpaid employees were engaged in nursing and management roles at aged-care facilities and in home-care programs. They included full time, part time, and casual employees based in Sydney, Canberra, and regional NSW.

The underpayments were caused by LifeCare making

fundamental payroll and rostering errors, including an incorrect set up of a pay system and incorrect pay rules being entered.

As a result, between 2010 and 2021, employees were underpaid entitlements set out in the *RSL LifeCare NSWMA and HSU NSW Enterprise Agreement 2017-2020* and the *RSL LifeCare (ACT) Enterprise Agreement 2019-2020* (and the predecessor Enterprise Agreements).

Most of the underpayments were failures to pay overtime, often when employees got insufficient breaks between shifts and part time employees worked on rostered days off but had worked fewer than 76 hours in a fortnight. Another significant cause of the underpayments was RSL LifeCare's failure to provide shift workers with the extra week of annual

leave they were entitled to. Some employees were also underpaid weekend penalty rates.

The company has back-paid more than \$5.1 million to more than 3591 current and former employees, including superannuation and interest. Individual back payments range from less than \$1 to more than \$76,000.

FWO Sandra Parker said that an enforceable undertaking was appropriate because RSL LifeCare had cooperated, demonstrating a strong commitment to rectifying underpayments, including devoting significant resources to engaging independent experts to oversee the corrections.

‘Under the enforceable undertaking, RSL LifeCare has committed to implementing stringent measures to ensure workers are paid correctly. These measures include engaging, at the company’s own cost, audits

of its compliance with workplace laws over the next two years,’ Ms Parker said.

‘This matter demonstrates how important it is for employers to place a high priority on their workplace obligations and ensure that their systems and processes support full compliance. In this matter, fundamental shortcomings in RSL LifeCare’s payroll and rostering system led to long term breaches of its own enterprise agreements and a substantial backpayment bill.’

The company is also required to provide FWO with evidence of systems and processes it has put in place to ensure future compliance, commission an independent organisation to operate a hotline for employees to enquire about their wages and entitlements, and commission workplace relations training for human resources, payroll, and rostering staff.

PREPARE TO SELF-REVIEW TAX EXEMPTION

From 1 July, NFPs that self-assess income tax exemption and have an active Australian business number will be required to lodge an annual self-review return.

The return contains the information ordinarily used for self-assessing eligibility for income tax exemption.

A first return must be lodged for the 2023–24 income year, which means the earliest date for submitting a return is 1 July 2024.

The tax office continues to work with the NFP sector to design the form. At a minimum, it will need to satisfy three elements:

- Entitlement to income tax exemption
- Basis for entitlement (category), and
- Whether all requirements are being met.

There are three things NFPs may do to prepare:

- Ensure their contact details are correct with the ATO.
- Use ATO worksheets to review their eligibility for income-tax exemption, and
- Stay informed.

ACNC

HUNDREDS OF CHARITIES DEREGISTERED

The ACNC has revoked the registration of more than 550 charities because they failed over successive years to complete their annual reporting.

Acting ACNC commissioner Deborah Jenkins said that while many of the charities might have wound up or merged with another organisation, they still had an obligation to notify the commission.

‘It is the responsibility of those who lead charities to comply with their obligations,’ Ms Jenkins said.

‘To maintain registration, annual information statements must be submitted each reporting period, and if [a charity] winds up or merges, [it] must submit a form to let us know.’

Charities must meet certain obligations to maintain registration. These include reporting to the ACNC annually, notifying certain changes and ensuring activities are in line with stated purposes. If it is no longer operating or has wound up, it should request that its registration be revoked via the charity portal.

Charities that have been revoked can apply to be re-registered once they provide the commission with their outstanding reports. The ACNC strongly encourages charities to keep their annual reporting up to date to avoid revocation, loss of charity tax concessions, and having to re-register.

CONSIDER CRYPTO-ASSETS RISKS

Australian Charities and Not-for-profits Commission boss Sue Woodward has urged charities to consider fully the risks and benefits of accepting donations of crypto-assets and investing in them.

The commission's new guide *Charities and Crypto Assets* deals with crypto-asset definitions, crypto-assets and charities, accepting crypto-assets as donations, investing in crypto-assets, recording and reporting crypto-donations in annual information statements, and regulation of crypto-assets.

Crypto-assets are digital representations of value that may be transferred, stored, and traded electronically using blockchain technology. They include cryptocurrency and non-fungible tokens. They can be highly volatile and may experience significant value fluctuations.

'As charities look for new and innovative ways to raise funds, they may consider either accepting donations of crypto-assets or investing in crypto-assets,' Ms Woodward said.

'In general, the risks connected with a charity investing in crypto-assets are greater and harder to manage than the risks connected with accepting [other] donations [...].

'It is critical that those who run charities develop their understanding or seek advice to ensure they are making the right decision for their charity. They need to understand the opportunities and risks. Managing

ELECTION CATALYSES COMPLAINTS

The ACNC received 2522 concerns about charities in 2021-22, a 26 per cent rise on the previous year.

The increase was attributed to the 2022 federal election. The commission received 490 complaints about charities engaging in advocacy for or against a political party or candidate. This contrasts with 51 such complaints in 2020-21.

Nineteen charities were at risk of non-compliance and were told that they could advocate for or against a policy in line with their charitable purposes but need to ensure that they did not promote or oppose a political party or candidate.

More than 55 per cent of concerns were received from members of the public. Common concerns included individuals obtaining private benefits from charities (24 per cent), disqualifying political purposes (19 per cent) and mismanagement of funds (18 per cent).

The commission used new ways to support charities to meet their obligations and to address possible non compliance.

a charity's financial affairs responsibly is a key requirement under Governance Standard 5,' she said.

Charities' responsible people must ensure that appropriate and lawful processes manage assets. They must also ensure that they understand how crypto-assets work, as well as their potential benefits and risks, including legal and tax implications.

Charities should seek financial advice about investments. In the case of cryptocurrency assets, they should document:

- Decision-making processes
- Risk-management processes, and
- Policies and procedures for acceptance and transfer of the assets.

Registered charities should also consider how crypto-assets might affect their governance and registration obligations, including compliance with:

- ACNC *Governance Standards*, particularly Governance Standard 5, which includes the duty for responsible people to take reasonable steps to ensure their charity's financial affairs are managed responsibly, and
- ACNC *External Conduct Standards*, which may apply in circumstances where charities invest in cryptocurrencies outside Australia.

They included:

- Education – where specific regulatory advice was provided
- Self-evaluations (introduced in 2021-22) – where the commission asked charities to evaluate their compliance against the governance standards. In 2021-22, the commission recommended that 316 charities, which had been identified as being at risk of non-compliance, complete a self-evaluation. Thirty-seven cases were finalised in 2021-22. Charities were required to provide information about their governance, which was assessed for compliance against the governance standards (and, if applicable, external-conduct standards). Typically, after completing each assessment, targeted education was provided
- Self-audits (introduced in 2020-21) – where the commission required charities to return a survey that allowed it to conduct a high-level assessment of their compliance and provide advice. In 20 cases charities identified areas for improvement

and told the commission how they would improve. This outcome underscored how important it is for charities to consider regularly whether their governance arrangements are sufficient, as well as the value of ACNC programs that prompt them to do so

- Reviews (introduced in 2020–21) – where the commission assessed a charity’s compliance on a particular issue. The commission received extra government funding to conduct compliance reviews focused on specific issues and risks in the sector. In 2021–22, the commission finalised 55 reviews. It looked at charities that were involved in the 2020 bushfire response, had large boards, or

provided support to vulnerable children overseas, and

- Investigations – where the commission investigated significant breaches of obligations. Ninety-six investigations were finalised, resulting in a range of outcomes, including the revocation of 15 charities’ registration for serious and continual non-compliance.

In 2021–22, the commission referred 41 charities to other government agencies that it thought might be able to act.

YOUR ACNC OBLIGATIONS IN A NUTSHELL

Charities must meet ACNC obligations to remain registered, including:

OBLIGATION	EXPLANATION
Keep charity status	<p>A charity must make sure it continues to be entitled to registration under the ACNC Act. This includes meeting all of the criteria for initial and ongoing registration, including that it:</p> <ul style="list-style-type: none"> • Continues to be a charity, which means it must: remain an NFP and have a charitable purpose, which is for the public benefit and complies with the governance standards and, if applicable, external-conduct standards • Has an ABN, and • Is not involved in terrorist or other criminal activity.
Keep records	<p>Charities must keep financial and operational records.</p> <p>A charity’s financial records need to record correctly and explain its transactions and financial position. These records must also allow the charity to prepare true and fair financial statements.</p> <p>A charity must also keep operational records that explain its activities.</p> <p>Charities operating overseas have specific record-keeping requirements for their overseas activities and resources sent overseas.</p>
Notify the ACNC of changes	<p>Charities have a duty to notify the ACNC of changes to their legal name, address for service, responsible people (those who are members of a charity’s governing body, including directors or committee members, or its trustees) and governing document.</p> <p>Charities should notify the ACNC of changes as soon as they reasonably became aware of the change to their details, but no later than 28 days for medium and large charities and 60 days for small charities.</p> <p>They must also notify the commission if they think they are failing to meet obligations in a significant way, and, as a result, they are no longer entitled to be registered.</p>
Report annually	<p>Charities must report annually to the ACNC (except charities that are Aboriginal and Torres Strait Islander corporations registered with the Office of the Registrar of Indigenous Corporations).</p> <p>Charities must submit an annual information statement, which is due within six months of the end of a charity’s reporting period and is submitted online in the charity portal. Some charities are also required to submit an annual financial report.</p> <p>Except for basic religious charities, charities must comply with the ACNC’s governance standards. These set out minimum standards to help promote public trust and confidence in charities.</p> <p>Charities that operate overseas (including sending funds) must comply with the ACNC’s external-conduct standards. These require charities to take reasonable steps to ensure appropriate behaviour, governance, oversight, and record-keeping when undertaking activities or providing resources overseas.</p>

ASIC HIGHLIGHTS KEY REPORTING AREAS

The Australian Securities & Investments Commission is urging directors, report preparers, and auditors to assess whether financial reports provide useful and meaningful information. The commission has highlighted key areas for companies to get right for the 31 December year-end.

While NFPs have not been specifically mentioned, many of the focus areas are relevant. Among them are asset values, provisions, solvency, going-concern assessments and events occurring after year-end and before completing reports. Disclosures in financial reports about uncertainties, key assumptions, and sensitivity analysis are also important.

See Appendix *ASIC focus areas for 31 December 2022 reports* for the detail.

ASIC stated that appropriate experience and expertise

should be applied in reports and audits, particularly in more difficult and complex areas such as asset values and other estimates.

Directors and auditors should be given sufficient time to consider reporting issues and to challenge assumptions, estimates, and assessments.

They should make appropriate enquiries of management to ensure that key processes and internal controls have operated effectively during periods of remote work.

The circumstances in which judgements on accounting estimates and forward-looking information were made and the basis for those judgements should be properly documented at the time and disclosed if appropriate.

AASB ISSUES FOUR AMENDING STANDARDS

The Australian Accounting Standards Board has issued four amending standards with a range of application dates. They address leases, non-current liabilities with covenants, editorial corrections and repeals of standards, and fair-value measurements

of non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash inflows.

STANDARD	DESCRIPTION	EFFECTIVE DATE
AASB 2022-5 <i>Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback</i>	Amends AASB 16 <i>Leases</i> to add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in AASB 15 <i>Revenue from Contracts with Customers</i> to be accounted for as a sale. AASB 16 already requires a seller-lessee to recognise only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. The amendments made by this standard ensure that a similar approach is applied by also requiring a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that does not recognise any amount of the gain or loss related to the right of use it retains.	Applies to annual periods beginning on or after 1 January 2024. Earlier application is permitted.
AASB 2022-6 <i>Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants</i>	Amends AASB 101 <i>Presentation of Financial Statements</i> to improve the information an entity provides in its financial statements about long term liabilities with covenants where the entity's right to defer settlement of those liabilities for at least 12 months after the reporting period is subject to the entity's compliance with conditions specified in the loan arrangement.	For annual periods beginning on or after 1 January 2024, earlier application permitted. AASB 2022-6 itself applies to periods beginning on or after 1 January 2023 to defer the revised liability-classification requirements in AASB 101 from that date for another year.

<p>AASB 2022-7 <i>Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards</i></p>	<p>Makes editorial corrections to six standards and to practice statement 2 <i>Making Materiality Judgements</i>.</p>	<p>For annual periods beginning on or after 1 January.</p>
<p>AASB 2022-10 <i>Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-profit Public Sector Entities</i></p>	<p>Amends AASB 13 <i>Fair Value Measurement</i> for fair-value measurements of non-financial assets of NFP public-sector entities not held primarily for their ability to generate net cash inflows.</p> <p>Specifically, for such an asset, this standard:</p> <ul style="list-style-type: none"> • Specifies that the entity is required to consider whether the asset's highest and best use differs from its current use only when, at the measurement date, it is classified as held for sale or held for distribution to owners in accordance with AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> or highly probable that the asset will be used for an alternative purpose to its current use • Clarifies that the asset's use is 'financially feasible' if market participants would be willing to invest in the asset's service capacity, considering both the capability of the asset to be used to provide needed goods or services to beneficiaries and the resulting cost of those goods or services • Specifies that, if both the market selling price of a comparable asset and some market participant data required to measure the fair value of the asset are not observable, an entity uses its own assumptions as a starting point in developing unobservable inputs and adjusts those assumptions to the extent that reasonably available information indicates that other market participants (including, but not limited to, other not-for-profit public sector entities) would use different data, and • Provides guidance on how the cost approach is to be applied to measure the asset's fair value, including guidance on the nature of costs to include in the replacement cost of a reference asset and on the identification of economic obsolescence. 	<p>Applies prospectively to annual periods beginning on or after 1 January 2024, earlier application permitted.</p>

AASB SEEKS FEEDBACK ON SIX STANDARDS

The AASB is seeking feedback on its assessment of whether certain requirements in standards applying to NFP public and private sector entities continue to meet their original objectives.

Invitation to Comment 50 *Post-implementation Review – Income of Not-for-profit Entities* considers the accounting for income of NFP entities set out in AASB 1058 *Income of Not-for-Profit Entities* and appendix F of AASB 15 *Revenue from Contracts with Customers*.

ITC 51 *Post-implementation Review of Not-for-Profit Topics– Control, Structured Entities, Related party Disclosures and Basis of Preparation of Special Purpose Financial Statements* considers appendix E of AASB 10 *Consolidated Financial Statements*, appendix E of AASB 12 *Disclosure of Interests in Other Entities*,

AASB 124 *Related Party Disclosures* by NFP public-sector entities, and AASB 1054 *Australian Additional Disclosures* relating to special-purpose financial statements.

The AASB is seeking comment by 31 March 2023.



EXTENDING KAMS?

When the Auditing and Assurance Standards Board issued *ASA 701 Communicating Key Audit Matters in the Independent Auditor's Report* it committed to reconsidering the standard's scope.

The board has subsequently issued *Discussion Paper – Expanding Key Audit Matters beyond listed entities* seeking feedback from stakeholders on whether the communication of KAMs should be expanded.

Three options are proposed. Do you support requiring the communication of KAMs in auditors' reports for:

- Listed entities only (that is, no amendment to ASA 701)
- Listed entities and certain other types of entities, or
- All audited financial reports?

Option 2 'certain other types of entities' include the following NFPs:

- NFP private sector entities can be segmented based on existing tiers and reporting obligations by the ACNC. For example, this might result in the communication of KAMs for large not-for-profit entities that are required to prepare and lodge audited financial reports with the commission, and
- Registrable superannuation funds, consistent with current legislation aligning super funds' financial and accounting reporting obligations with those of public companies.

Comments close on 31 March 2023.

GOVERNMENTS

ROC TO BE ABOLISHED

From no later than 6 June 2023, the Registered Organisations Commissioner's regulatory powers and functions will transfer to the general manager of the Fair Work Ombudsman and the Registered Organisations Commissioner will be abolished.

New enforcement options will regulate registered organisations, including infringement notices and enforceable undertakings.

Registered organisations will continue to have the same reporting and compliance obligations under the *Fair Work (Registered Organisations) Act 2009*.

NSW LOCAL GOVERNMENT INTEGRITY MEASURES PROPOSED

NSW Minister for Local Government Wendy Tuckerman has released an independent review into councillor misconduct in NSW. The review proposes the biggest changes to local government integrity measures in more than 30 years.

Undertaken by Gary Kellar, the review has 49 recommendations aimed at improving the integrity, transparency, and accountability of the state's more than 1200 councillors.

Mrs Tuckerman said that it was clear from recent Independent Commission Against Corruption public inquiries and the number of council interventions that changes were needed to build community trust in local government.

'Mr Kellar's recommendations include harsher penalties for councillor misconduct and ensures the framework for dealing with misconduct is more independent, effective, and efficient,' she said.

Review of the Councillor Misconduct Framework – Consultation Guide on the recommendations of the Kellar Report and potential changes to the NSW councillor misconduct framework, was published by the NSW Department of Planning and Environment. Its recommendations included:

- A new, independent framework for dealing with councillor misconduct
- The establishment of an independent Councillor Conduct Commission to oversee independent councillor-conduct review panels
- Mandatory councillor training, including pre-nomination training of candidates for election, and
- Tougher penalties and sections to deal with misconduct, including the ability to impose monetary penalties on individuals.

APPENDIX ASIC FOCUS AREAS FOR 31 DECEMBER 2022 REPORTS

TOPIC	FOCUS AREA
Impairment of non-financial assets	<p>Goodwill, indefinite useful life intangible assets and intangible assets not yet available for use must be tested annually for impairment. Entities adversely impacted in the current environment may have new or continuing indicators of impairment that require impairment testing for other non-financial assets.</p> <p>The appropriateness of key assumptions supporting the recoverable amount of non-financial assets.</p> <p>Disclosure of estimation uncertainties, changing key assumptions, and sensitivity analysis or information on probability weighted scenarios.</p>
Values of property assets	<p>Factors that could adversely affect commercial and residential property values should be considered such as changes in office space requirements of tenants, future economic or industry impacts on tenants, the financial condition of tenants and restructured lease agreements.</p> <p>The lease accounting requirements, the treatment of rental concessions by lessors and lessees, and the impairment of lessee right of use assets.</p>
Expected credit losses (ECL) on loans and receivables	<p>Whether key assumptions used in determining ECLs are reasonable and supportable.</p> <p>Any need for more reliable and up to date information about the circumstances of borrowers and debtors.</p> <p>Short-term liquidity issues, financial condition and earning capacity of borrowers and debtors.</p> <p>The extent to which history of credit losses remains relevant in assessing ECLs.</p> <p>Disclosure of estimation uncertainties and key assumptions.</p> <p>ECLs should be a focus for companies in the financial sector and other sectors. Financial institutions should have particular regard to the impact of current economic and market conditions and uncertainties on ECLs. This includes assessing whether there are significant increases in credit risk for particular groups of lenders, the adequacy of data, modelling, controls and governance in determining ECLs, and disclosing uncertainties and assumptions.</p>
Value of other assets	<p>The net realisable value of inventories, including whether all estimated costs of completion and necessary to make the sale have been taken into account in determining net realisable value.</p> <p>The value of investments in unlisted entities.</p>
Provisions	<p>Consideration should be given to the need for and adequacy of provisions for matters such as onerous contracts, leased property make good, financial guarantees given and restructuring.</p>
Subsequent events	<p>Events occurring after year-end and before completing the financial report should be reviewed as to whether they affect assets, liabilities, income or expenses at year-end or relate to new conditions requiring disclosure.</p>
General disclosure considerations	<p>When considering the information that should be disclosed in the financial report, directors and preparers should put themselves in the shoes of users and consider what information investors would want to know.</p> <p>Disclosures should be specific to the circumstances of the entity and its businesses, assets, financial position, and performance.</p> <p>Changes from the previous period should be considered and disclosed.</p>
Disclosures in the financial report	<p>Uncertainties may lead to a wider range of valid judgements on asset values and estimates. The financial report should disclose uncertainties, changing key assumptions and sensitivities. Entities should also explain where uncertainties have changed since the previous financial reports.</p> <p>The appropriate classification of assets and liabilities between current and non-current categories on the statement of financial position should be considered. That may have regard to matters such as maturity dates, payment terms and compliance with debt covenants.</p>
Assistance and support from others	<p>Entities should appropriately account for each type of support and assistance from government, lenders, landlords, and others during the reporting period.</p> <p>Material amounts should be disclosed with the duration of the support or assistance and any impact from its discontinuation.</p>
Other	<p>Aged care providers should review the treatment of bed licences following the announcement in May 2021 that the licences will be discontinued on 1 July 2024 and subsequent information from the Department of Health.</p> <p>Consideration of whether off-balance sheet exposures should be recognised on the balance sheet, such as interests in non-consolidated entities.</p>

CONTACT US



SYDNEY
Aidan Smith
Head of Not-for-Profits
T: +61 (0)2 9020 4000
E: asmith@hlbnsw.com.au



ADELAIDE
Corey McGowan
Partner
T: +61 (0)8 8133 5030
E: cmcgowan@hlbsa.com.au



AUCKLAND
Jason Edwards
Partner
T: +61 64 303 2243
E: jason@hlb.co.nz



BRISBANE
Adrian Narayanan
Partner
T: +61 (0)7 3001 8800
E: anarayanan@hlbqld.com.au



FIJI
William Crosbie
Managing Partner
T: +679 670 2430
E: william.crosbie@hlbnadi.com.fj



MELBOURNE
Nick Walker
Partner
T: +61 (0)3 9606 3888
E: nwalker@hlbvic.com.au



PERTH
Lucio Di Giallonardo
Managing Partner
T: +61 (0)8 9227 7500
E: lucio@hlbwa.com.au



SYDNEY
Kim Kelloway
Head of Markets & Clients
T: +61 (0)2 9020 4285
E: kkelloway@hlbnsw.com.au



WOLLONGONG
Ben Fock
Partner
T: +61 (0)2 4254 6500
E: bfock@hlbw.com.au

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