

Australian Charities and Not-for-profits Commission: Implementation design Discussion Paper - Summary

February 2012

Overview

AGPN is developing a response to the Government's Discussion Paper on the *Australian Charities and Not-for-profits Commission (ACNC): Implementation design* and is seeking input from Network members to inform its response.

The discussion paper is the third in series of consultation papers released by Government in relation to its not-for-profits (NFPs) sectoral reform process. It follows consultation papers on the definition of a charity and on the governance arrangements for NFPs, to which AGPN also submitted responses (these submissions are available on the AGPN [website](#))

In general, it is anticipated that the changes proposed in the paper will result in increased efficiency and a reduction in red-tape for Network members. Of note, Network members will need to comply with the ACNC's new reporting requirements. This comprises submission of a generic Annual Information statement and audited financial report – based on the Standard Business Reporting (SBR) and Standard Chart of Accounts (SCOA) taxonomies. Reports to the ACNC will begin from July 2013 for the 2012-13 financial year.

A summary of key points from the current discussion paper, including an assessment of impact of the ACNC implementation on the Network, is provided below. The full Consultation Paper and its attachments can be found [here](#). A list of 15 questions posed in the consultation paper is also provided at **Appendix A**. Responses to relevant questions will be covered in AGPN's submission. Please provide all feedback, including responses to relevant questions to policy@agpn.com.au by **COB 22 February**. For any queries regarding the submission or Consultation Paper please contact Scott Brown at sbrown@agpn.com.au or (02) 6228 0832.

Context

In the 2011-12 Federal Budget, the Government announced that it would establish the Australian Charities and NFPs Commission (ACNC), and that Treasury would undertake a review into the governance obligations appropriate for registered NFPs (regardless of entity type), taking account of the findings of the *Final Report of the Scoping Study for a National Not-for-profit Regulator* (Final Report).

This Discussion Paper seeks views from the sector and other stakeholders on:

- The design and implementation of the new reporting framework for charities that will be administered by the ACNC
- The ACNC's public information portal
- The ACNC's role in the provision of education and guidance for the charitable sector

Summary of Government proposals

Reporting framework

The proposed Reporting Framework specifies the information that the ACNC will collect from charities. Charities will provide information during the registration process and thereafter each year through their annual reporting obligations. The reporting framework introduces:

- Proportional reporting through a three tiered system (small, medium and large) according to charity revenue and whether the charity has deductible gift recipient (DGR) status, as outlined in the ACNC exposure draft legislation consultation paper available on the Treasury website at treasury.gov.au.
- A *Charity Passport* that will enable Government agencies to electronically access basic information about charities that has been validated by the ACNC
- A 'fixed form' for financial information, aligned with Standard Business Reporting (SBR) and the Standard Chart of Accounts (SCOA) taxonomies, which will allow the ACNC to collect consistent and comparable information

A mock-up of the registration form is at [Attachment A](#).

A mock-up of the annual information statements for small, medium and large charities is at [Attachments B, C and D](#).

ACNC information portal

The ACNC information portal will be established in stages:

- From 1 July 2012, charities across Australia will be able to interact with the ACNC through the website (www.acnc.gov.au).
- The website will provide information on the role of the ACNC, general information on how to register as a charity and guidance material on what is a charity. It will bring together the key regulatory information that charities need in order to conduct their business with government.
- The ACNC Portal as a channel for online services and information exchange will commence from 1 July 2013.
- From 1 July 2013, registered charities transitioned from the Australian Taxation Office (ATO) will be reviewed to ensure that they meet the statutory definition of 'charity' that will take

effect from that date. (This is the subject of 'A Definition of Charity Consultation Paper', released by Treasury on 28 October 2011).

Education

Initially, the ACNC will provide education materials relating to the core ACNC regulatory functions, such as registration and reporting, with scope to expand once the ACNC has been established.

Education materials available from 1 July 2012 would explain:

- The role and functions of the ACNC as well as relevant background information
- How to apply to be a charity, including a public benevolent institution (PBI) and guidance to assist entities work out whether their entity is a charity (PBI)
- An explanation of the reporting requirements from 1 July 2013 (applying to the 2012-13 financial year), including the details of 'report once, use often' arrangements established with other regulators

Impact on the Network

Network members will need to comply with the ACNC's new reporting requirements, that is, submission of a generic Annual Information statement and audited financial report – based on the Standard Business Reporting (SBR) and Standard Chart of Accounts (SCOA) taxonomies. Overall, increased efficiency and a reduction in red-tape should be expected for Network members through the new "report-once, use often" approach, which includes: (1) use of the Government's generic reporting templates; (2) its *charity passport* system which allows multiple government agencies to access the same source of information; and (3) use of the AUSkey security validation system. The following key points may also be of particular interest to Network members:

- All entities registered as charities with the Australian Tax Office (ATO) will automatically be transferred to the ACNC starting from July 2012. For those who may be unsure of their registered status due to transitional arrangements at the time of proposed transfer, AGPN advises that they contact either the ATO or ACNC to clarify their incumbent standing. For any organisation needing to apply with the ACNC, a simple online application form is all that is needed – a copy of this form is available by following the link above.
- Reports to the ACNC will begin from July 2013 for the 2012-13 financial year.

In its Discussion Paper, the Government seeks input on 15 specific questions. These are provided below in Appendix A. AGPN will incorporate any Network feedback on these questions into its response.

Appendix A:

Consultation questions proposed in the Discussion Paper around ACNC implementation and activity.

1. Is the SBR taxonomy an appropriate basis for the reporting of financial items to the ACNC?
2. Are there barriers to the AUSkey as the ACNC online authentication tool?
3. Are the transitional arrangements clear for new and existing charities?
4. Do you think that the introduction of the *Charity Passport* would reduce reporting obligations to government? What are the obstacles to achieving one-stop shop reporting on the basis of the data being collected by the ACNC?
5. Will the information collected by the annual information statement be adequate for the purpose of achieving the appropriate level of transparency and accountability to the public?
6. Is there any additional information that should be collected and provided to the public?
7. Should the annual information statement give charities the option of providing narrative descriptions of the outcomes achieved?
8. Is the proposal for information collected through the annual information statement and financial report appropriate for each tier (see Attachments B, C and D)?
9. The ACNC Commissioner has the discretion to vary an accounting period. Under what circumstances should the Commissioner allow for an alternate accounting period?
10. Do the ATO practice statements provide an appropriate guide?
11. What assistance could the ACNC provide to support the sector's use of online engagement?
12. Are there barriers to online reporting or registration? How can the ACNC ensure that it is effective?
13. Are these proposed principles guiding the ACNC's role in providing an education function appropriate?
14. What should be the scope of the ACNC's education role?
15. Is it appropriate for the ACNC to endorse education and guidance material provided by other entities (for example, peak bodies)?