



**Australian Government**  
**Australian Accounting  
Standards Board**

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BERG Not-for-Profit consultation  
c/- Community Cohesion Branch  
Department of Social Services  
GPO Box 9820  
Canberra, ACT 2601  
(by email: BERGSecretariat@dss.gov.au)

15 December 2023

Dear Blueprint Expert Reference Group (BERG),

**Not-for-Profit Sector Development Blueprint Issues Paper**

The Australian Accounting Standards Board (AASB) appreciates the opportunity to provide comments to the Blueprint Expert Reference Group in relation to the Not-for-Profit Sector Development Blueprint Issues Paper (the Issues Paper).

The AASB is an Australian Government agency under the *Australian Securities and Investments Commission Act 2001*. The AASB develops, issues and maintains principles-based Australian accounting and reporting standards and guidance that meet the needs of external report users (including financial reports) and are capable of being assured and enforced.

The mission of the AASB also includes contributing to developing a single set of accounting and external reporting standards for worldwide use. In support of this, the Australian Accounting Standards (AAS) promulgated by the AASB incorporate the IFRS Accounting Standards issued by the independent International Accounting Standards Board. The AASB develops one set of accounting standards to cover all sectors. However, modifications are made for the not-for-profit (NFP) private sector and the public sector when warranted. For example, to address Australian-specific legislation, user needs or public interest issues relevant to financial or other external reporting, and undue cost or effort considerations, to name a few.

In this context, we would like to take this opportunity to provide the following comments to the consultation to outline several projects on the AASB work program that may be important considerations, particularly in the context of some observations noted in the Issues Paper, for example regarding:

- challenges regarding the outcomes measurement (page 14 of the paper);
- lack of bespoke accounting standard for charities which limits consistency in accounting, reporting and auditing along with the mosaic of regulatory requirements for NFP entities (page 23 of the paper);
- lack of publicly available sector data beyond charities (page 25 of the paper); and
- productivity gains that could be achieved through better administration of grants and contracts (page 30 of the paper).

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The AASB has made further progress on its work on the NFP Financial Reporting Framework project<sup>1</sup> including the publication of the Discussion Paper *Development of Simplified Accounting Requirements (Tier 3 Not-for-Profit Private Sector Entities)* (DP) in September 2022 with the proposals to:

- (a) develop a Tier 3 stand-alone accounting standard with simplified accounting requirements that are based on common transactions of smaller NFP private sector entities with revenue between \$500,000 to \$3 million;<sup>2</sup> and
- (b) remove the ability to prepare special purpose financial statements by NFP entities.

With broad support from stakeholders based on the feedback on the DP,<sup>3</sup> the Board decided to proceed with its proposal with the aim to issue an exposure draft of a Tier 3 Standard applicable to smaller NFP private sector entities in H2 2024. Recognising the importance of the accounting requirements and the reporting requirements and thresholds set by the respective regulators, the AASB recommends the BERG in its recommendations to encourage discussion with NFP regulators and legislatures on the importance of harmonising the criteria and thresholds for a regulatory framework to enable consistent, comparable and transparent financial reporting by NFP private sector entities.

The AASB also recognises the importance of outcomes measurement and reporting service performance information to enable users to evaluate accountability and for other decision-making purposes. As such, following the feedback from its Agenda Consultation 2022-2026, the AASB has reinitiated its Service Performance Reporting project with the aim to develop a nationally standardised approach. Any future pronouncements that the AASB may develop is expected to establish scalable principles to ensure NFP entities can report information about their service performance in a cost-effective way. In this effort, the AASB decided to use, at least initially, the New Zealand Public Benefit Entity Financial Reporting Standards 48 *Service Performance Reporting* as the primary point of reference.

The AASB is currently assessing feedback received on several post-implementation reviews (PIR) of NFP pronouncements including income and revenue recognition requirements (ITC 50). Stakeholders also provided comments on how to improve the accounting requirements for grants that many NFP private sector stakeholders consider complex, noting the variety of the grant agreements in the sector. The AASB will consider the next steps it may take in 2024 and we would welcome the opportunity to discuss how the stakeholder feedback on ITC 50 could be considered when assessing how to improve the administration of grants.

Lastly, the AASB has an evidence-informed approach to obtain sufficient appropriate evidence for the AASB to make informed decisions. With several high-priority NFP projects underway, analysing NFP financial reports is crucial to understanding and promptly addressing accounting and reporting challenges of the sector. However, many NFP financial reports, particularly those of unincorporated associations not lodged with the ACNC, are not generally made available publicly. To address this problem, we propose that BERG consider enhancing the mechanisms for collecting and compiling NFP financial reports that are not lodged with the ACNC.

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1 The NFP Financial Reporting Framework [project summary](#) contains the decisions made by the Board to date.

2 [AASB Research Report 19](#) *Common Financial Statement items: Charities with \$0.5-\$3million in revenue* provides the findings on the common financial line items to support the development of the Tier 3 reporting requirements applicable to smaller NFP private sector entities.

3 AASB Agenda Papers [3.0](#), [3.1](#) and [3.1.1](#) for the May 2023 AASB Board meeting contain staff analysis of the feedback on the DP.

The AASB would welcome the opportunity to engage with BERG, where invited to do so, to provide further information regarding these and other AASB projects.

If you have any questions regarding this letter, please contact Fridrich Housa, Director ([fhousa@aab.gov.au](mailto:fhousa@aab.gov.au)), or myself ([kkendall@aab.gov.au](mailto:kkendall@aab.gov.au)).

Yours faithfully,

A handwritten signature in black ink, appearing to read "Kendall", written in a cursive style.

Keith Kendall

AASB Chair