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Australian Accounting Standards Board

Re Reporting Service Performance Information  
ED 270

Dear Board,

I note that in your proposition for making these proposals the Board has deliberately chosen to ignore the following without any discussion or justification :

1. In 1995 the Industry Commission recommended *Rec 24 (8.1)* .The Commonwealth government should provide funds to the AASB and Public Sector Accounting Standards Boards to develop- within 2 years suitable accounting standards for Community Social Welfare Organisations.
2. .Page 8 (a) specifically refers to charities something the Board has refused to acknowledge the Senate's request but re-interpreted it to cover a different set of entities without attempting to explain any reason. Effectively you are deliberately choosing to ignore the Senate's request.
3. Nowhere have you referred to the issues and questions raised in your conferences in 2009. Is there any reason for this approach in ignoring totally previous issues and questions.

4. Nowhere have you identified the nature of the constituents that have requested this information. This refusal does make this proposal of rather limited quality in its complete coverage of the issues.
5. There is no evidence as to how many entities let alone the types that will be affected by this proposal. This lack of knowledge raises serious concern as to the development of this ED. My simple estimate of types would be all government, charities to which your standards apply, religious charities that are exempt in other legislation, Trade unions, RSL Clubs, Leagues Clubs and then co-operatives. It would be interesting to know how many types of entities you have consulted. There is no evidence of any consultation in your draft.

I also note nowhere have you attempted to define users. This for charities represents some 4-5 million persons. This does not include volunteers about 1 million persons. The draft ED seems to deliberately chosen to ignore this group of potential users? If as you suggest it is to enable users more relevant information this approach seems to be deficient.

You have previously advised that you do not necessarily design your standards to comply with the Law. It is your obligation to set this failure out at the beginning of the Standard otherwise it will be misleading and deceptive. ( I note the draft fails to state it complies with the law).

*Another concern is your stated aim is to provide financial reports are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.* I would submit that this statement conflicts with your earlier statements as to users of some 4-5 million Australians. I would submit that this is one case you should design it to be able to be readily understood by the public otherwise it will a mere cost and deliberately designed not to benefit the user.

Page 8 Second paragraph. A significant number of government supported charities already have a contract obligation of service reporting to Government this is not recognised by you in the draft.

Page 9 the paragraph commencing “however” is total nonsense as it does not differentiate between the parties that are covered by the failure of your inability to define not for profits and their variety .

#### Who would be affected?

Your refusal to identify the types of not for profit entity just makes this statement rather irrelevant except deliberately adding to redtape for no valid reason

#### What happens next ?.

Your comments here go to the credibility of the AASB and my experience since 2009 with the Board illustrates this not an accurate statement for anyone to rely on.

#### We need your feedback?

You make statements about receiving feedback yet my experience of the AASB since 2009 do not give any credence to your statements. In fact you refuse to answer questions.

#### Specific Matters for Comment

1. Again this is a very inadequate and ambiguous set of statements because of its refusal to recognise the variety of parties that fall within the undefined not for profits term. The draft fails to establish that it is an accounting issue. The only example of Charities you use which are subject to other legislation merely means you are creating merely non accounting redtape and add to costs with irrelevant additional information. It was interesting to observe at your conference in Sydney on the 11<sup>th</sup> November it was clear that your consultation claim with the ACNC is not working. I regard this as a serious if not deliberately misleading approach you claim to make. Your definition of users as set out in your documents provide” *financial reports are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena*” is clearly not in the public interest let alone for the public benefit.

2. The proposed standard is so vague and imprecise that it cannot be imposed without adding to complexity and cost for no material or illustrated benefit. The ACNC has only been established for some 3 years and should be left to deal charities as it has in its short period of existence provided far more useful information to the users than the AASB has since 2009 or even since 1995 some 20 years ago.
3. The Board should look at its conduct since at least 2009 and more accurately 1995 and see if it is really able to provide a sensible approach for charities. The Draft standard totally fails to provide any benefit to charities and merely adds to redtape and ambiguity. The examples provided in the appendix strangely only deals with a charity, not a government body not a co-operative not a union. This illustrates the clear failure of the AASB to prepare the draft for a variety of not for profits let alone any complex charities.
4. You state that the AASB has discussed further the question of consolidated financial statements. Yet you provide no evidence or reference to this discussion or even what was discussed.
5. This statement does not make sense unless it is part of an accounting standard. The evidence suggests that if a charity fails in its purpose the public will cease contributing to it. The accounting standard would not assist yet the draft refuses to recognise this.
6. The question illustrates the lack of knowledge of the Board of a common practice of charities today. The concept of a different period merely confirms the view that the Board does not have a clear understanding of many of the parties that would be affected.
7. Appendix A Comments on your definitions:  
*Effectiveness* . This vague and open to many interpretations.

*Efficency* as defined here would be misleading for some charities. Some Charities work cannot be reduced to normal standards of efficiency.

*Not for profit entity* This does not define the term.

*Outcomes* for government this will be very different in expression as it would be for a union etc and charities this is too vague to provide any useful guideline for many charities.

*Outputs.* For charity that provides counselling what is intended by this statement a mere statement of hours or an estimate of the success or for leagues club and how many problem gamblers it creates.

*Performance indicators* . Again your illustrative example does not cover many examples of a charity's activities. Many charities would have several hundred government contracts for which they have to account to government these maybe regarded as a performance indicator but this definition clearly implies a different standard for those charities. This clearly illustrates you are adding redtape. A large charity with some 500 government contracts do you really think you will add anything of value except for a large costly increase in reporting.

*Service Performance* . I fear that this will merely be a collection of motherhood statements as how does one define a positive impact on society or segments of society. For example should a leagues club state how many problem gamblers it has created . This is not relevant as part of an Accounting Standard. Take the AASB which claims not to design standards in accordance with the law and not design standards for simple explanation.

*Service performance objective* . This is too vague to have any real meaning e.g the AASB public objective result is to design standards not necessarily complying with the law and are sufficiently complicated so that the user may require expert advice .Is this what the Board wants to say to the public and even the Senate?

8. Your statement implies that the Board has approved this draft yet the Chair of the Board raised the issue in November in Sydney that this may not be mandatory issue for the Board this statement leaves me rather confused as to what the Board's view is. For Charities a category you do not seem to recognise that England, Scotland, Ireland and Singapore do recognise charities. The AASB has refused to address this since 1995. The draft fails to provide any considered rational view that the standard

should be mandatory just a mere statement. Are all submissions made available to the Board or do you merely edit some of them?

9. The draft is not adequate for implementation.
10. (a) for Charities the ACNC would be more competent and therefore as the draft does not intend to comply with the law or be simple and clear for users it will merely be an imposition on charities that is meaningless and costly. I have no doubt that the ACNC would address the legalities and the relevance of any standard therefore the Board should consider allowing the standard for charities to be developed by the ACNC as the most relevant body.  
(b) It would be proper if there was separate standard for charities and from recent experience designed and implemented by the ACNC .  
(c) In its present form it will merely add to costs with no benefit to the users.
11. The first sentence is quite meaningless .The second sentence is interesting but is hard to estimate I daresay the cost to a large charity such as World Vision, Uniting Aged Care would be very different to a small volunteer charity and I would doubt whether you will get any meaningful comments from the charity sector of in excess of the very few that submit to you. How many Trade Unions, Co-operatives , Leagues clubs , RSL clubs etc will make a submissions? If you do not get a good cross section of all types of not for profits your consultation will be so limited that you will have failed in having a wide and proper consultation which is your stated objective.

I further note on the AASB website on this topic has an erroneous statement namely referring to legislation that was never passed

–Australia only defines NFP in tax legislation. A NFP is,

“generally an entity with a community or social purpose...[and] does not provide any private benefit, directly or indirectly, to a related party, such as trustee, member, director, employee, agent or officer of a trustee, donor, founder, or to an associate of any of these entities) (other than reasonable remuneration for services provided or re-imbursment of related costs)”

(Paras 1.104 and 1.103, Tax Laws Amendment (Special Conditions for Not-for-Profit Concessions) Bill 2012).

I believe that the AASB is not the proper body to determine a Service Performance reporting standard for Charities. I note the Board has been talking about this since prior to 2009 and has still has not provided a standard, and

has since 1995 refused to address the issue of a standard for charities contrary to the UK, Singapore , Scotland boards have done .

The ACNC is the only body that is able to do this possibly with some assistance from the AASB.

Yours Faithfully,

A handwritten signature in black ink that reads "John Church". The signature is written in a cursive, flowing style.

John Church  
23<sup>rd</sup> April, 2016