

## **THE UNITING CHURCH IN AUSTRALIA NATIONAL ASSEMBLY**

**SUBMISSION DATED 26<sup>th</sup> June 2013.**

The Chairman,  
Australian Accounting Standards Board, Level 7,  
PO Box 204,  
Collins Street West,  
VICTORIA. 8007  
Email: standard@asb.gov.au

### **AASB ED238 on Control in the Not-for-profit Sector**

Dear Mr Chairman,

This submission represents the views of the Uniting Church in Australia with all its diversity of activities, locally and internationally, and we can be available for conversation if so desired by your Board.

As a national Australian Church and one of the largest religious institutions, aged care and other community services providers and educational bodies, we have regularly provided government assistance advice and assistance and are pleased to be able to offer our practical concerns with the Exposure Draft

### **BACKGROUND TO THE UNITING CHURCH IN AUSTRALIA**

The Church is an unincorporated body created by consistent State and Territory property trust legislation. That legislation was enacted on 22<sup>nd</sup> June 1977.

The Church is the result of the of many years of discussion to 22<sup>nd</sup> June 1977 of the Methodist Church in Australia and the majority of both the Presbyterian and Congregational Union Churches in Australia.

Enabling State and Territory Legislation created a statutory corporation in each of their geography but the “State” jurisdictions for the Church do not exactly follow those geographies. Additionally, the Church is a federated body but the main operational responsibilities are through the synods and their presbyteries. Most of the latter are limited to each presbytery’s regional geography but there are some exceptions, being mainly because of indigenous and ethnic presbyteries. As well, each statutory corporation primarily has a nominee role and not one that is a trading or operational activity.

The Church is primarily an unincorporated association of religious individuals who are able to exercise a wide variety of ministries through the authority of national Regulations and synod by-laws. There are nonetheless many different structures including unincorporated entities such as the synods, national Assembly, church constituted unincorporated bodies and congregations, companies limited by guarantee, incorporated associations, letters patent, public ancillary funds and trusts. This

structural diversity covering well over 3,000 entities across Australia is expected to be greatly impacted by the recently passed legislation for Charities and Not-for-Profit entities which primarily appears to be built on companies limited by guarantee and incorporated associations. However we do appreciate the creation of the “basic religious charity” classification which is exempt from the governance standard disclosures and lodgement of annual financial reports, and therefore we believe the proposed accounting standard.

We also need to state the Australian legislation generally makes a distinction between “charity” and “not-for-profit” whereas the Exposure Draft implies that the terminology of “not-for-profit” includes charities. We contend that this should be specifically stated in the Standard.

As well, it is extremely important to understand the diversity of the sector in its range of activities, entity structures, governance processes and accountabilities. In other words, one set of rules and requirements does not automatically work for all. Our mixture of unincorporated entities, companies limited by guarantee, incorporated associations, letters patent, trusts and public ancillary funds is not common to most charities and not-for-profit organisations, other than many religious institutions.

## **OVERALL OBSERVATIONS ON THE EXPOSURE DRAFT**

The Church readily acknowledges the wide variety of resources it has available to it are generally available in the large activities but too often are not available in most small organisations which numerically exceed the large. This is an insoluble problem because of the diversity of our organisational sizes and in-house expertise.

Our various UnitingCare and other large community services organisations, our synods and treasury operations, and our schools, each have employed professionals and utilise appropriate accounting systems to comply with the national chart of accounts as the foundation of the annual financial reports. However, many of our smaller, local community activities are resourced by volunteers who do not have the professional accounting skills to prepare annual financial statements to the level required by accounting standards. Fortunately, the Australian Charities and Not-for-profits Act exempts many those who can be classified as “basic religious charity” under that Act.

As well, access to local auditors for large entity audits, medium entity reviews and where their constitutions require audits, irrespective of financial size, is geographically difficult to impossible, for those outside urban and rural cities.

This will also cause considerable consternation as to whether they satisfy the definition of special purposes or general purposes for financial reporting. In this reporting area, we note that the Commonwealth Administrator assented to Regulation Amendment No. 3 on 19<sup>th</sup> June 2013 which is still somewhat unhelpful as it still does not absolutely define the difference between special and general purposes.

The issue of organisational control clearly does not work well within the Uniting Church as we have more than 3,000 entities across Australia of diverse size, nature and body structure. The majority of our entities are unincorporated congregations and presbyteries, yet the Synod body to whom they are ultimately accountable is also unincorporated. Several synods would have up to at least 1,000 entities which could be argued to be a group which is an impossible consolidation task.

Our community services and schools in particular will be medium or large tier organisations, many of which will be incontestably general purposes because of the multi sources of government funding. However the Australian Charities and Not-for-profits Commission through the already mentioned Regulation Amendment has prescribed that some of these can choose to be special purpose reporters and can further choose not to consolidate for financial reporting. This leads us to wonder whether there has been adequate consultation between your Board and the Commission, let alone with the major Churches.

Our proposed direction is to consolidate where such financial reporting is beneficial to stakeholders and otherwise individually report where we deem necessary.

The issues of control raised in the ED238, especially in IG 8 and IG9 are in many cases unworkable and questionable as to any cost benefit.

Similarly, as good examples with our individual schools, each school's reporting should be to key stakeholders with the largest interested group being the fee paying parents of their students. Therefore, any group financial statements serve no real purpose to any one because the fees, governance, staffing and related operational matters are not consistent across our schools if they were grouped.

## **CONCLUSION:**

The Church strongly desires to work with the AASB and the ACNC but is concerned that it has not been part of any consultative process with either of the Commission or the Australian Accounting Standards Board in this regard. We are certainly available to meet with Board representatives to explore a solution.

Yours faithfully,

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