

Australian
Council for
International
Development

AASB Agenda
Consultation
2022-2026



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ACFID appreciates the opportunity to comment on the Australian Accounting Standards Board domestic work program for the period 2022 to 2026. ACFID would be happy to provide additional clarity on any of the issues raised in our comments.

About ACFID

The Australian Council for International Development (ACFID) is the peak body for Australian non-government organisations involved in international development and humanitarian action.

OUR VISION

Our vision is of Australia acting with compassion and fairness for a just, sustainable, and equitable world.

OUR SHARED PURPOSE

Our purpose is to lead, unite and support international development and humanitarian organisations to realise our vision.

ABOUT ACFID

Founded in 1965, ACFID currently has 130 members and 22 affiliates operating in more than 90 developing countries. The total revenue raised by ACFID's members amounted to \$1.86 billion (2018-19) — \$701 million of which was raised by 1.26 million individual donors. ACFID's members range between large Australian

multisectoral organisations that are linked to international federations of non-government organisations (NGOs), agencies with specialised thematic expertise, and smaller community-based groups, with a mix of secular and faith-based organisations.

ACFID's members comply with ACFID's Code of Conduct, a voluntary, self-regulatory sector code of good practice that aims to improve international development and humanitarian action outcomes and increase stakeholder trust by enhancing the transparency, accountability and effectiveness of signatory organisations. Covering 9 Quality Principles, 33 Commitments and 92 Compliance Indicators, the Code sets good standards for program effectiveness, fundraising, governance and financial reporting. Compliance includes annual reporting and checks, accompanied by an independent complaints-handling process.

ACFID Response to Questions

As a general comment our members are under constant pressure to minimise the cost of compliance with regulation and standards. Members raise funds from the Australian community, including from government. Donors, in turn, expect those funds to be used efficiently and effectively to achieve the charitable purposes of each of our members. Generally, donors have an expectation that donations are applied directly to development and humanitarian programs. It follows that members are under constant pressure to minimise the costs of administration, accountability, fundraising, marketing and overheads. Members run a 'tight ship' concerning accounting and compliance staff and have little capacity to take on new demands. In particular, our smaller sized members often rely on volunteers to undertake administrative and accounting functions, or may have one, two, or less, staff members covering all management, administrative and compliance functions. The comments below are made with this background.

Question 1. Are there any inactive projects on which you think should be retained in the AASB 2022-26 work program?

We have no comment to make on the for-profit sector projects as they are not applicable to our members.

We also have no comment on the 'Long term discount rates' project which applies to public sector entities and is also not applicable to our members.

Concerning the 'Definition of fundraising' project, at face value, we think that there is some merit in harmonising the

requirements of the different State, Territory and Commonwealth regulators, particularly if it results in clarity, consistency and a reduction in compliance costs. We note that the Australian Charities and Not for Profits Commission has been working with State and Territory regulators to try and harmonise their requirements concerning fundraising law and regulation. We understand they have made some progress, although we are not sure if this extends to a common definition of fundraising.

We also point out that the ACFID Code of Conduct, for the purposes of transparency and consistent financial disclosure, includes [definitions](#) of fundraising, and the components of fundraising including donations and gifts, bequests and legacies, grants and fundraising from commercial activities. The Code also includes definitions of fundraising costs. If the definition of fundraising is included in your work program, we would be happy to work with you on the project.

Question 2(a) Do you agree that the AASB should add any of the proposed external reporting projects to the work program?

The ACFID Code of Conduct requires members to publish an [annual report](#) that meets a minimum standard of disclosure. While this would not be expected to meet the standards of sustainability reporting, it does place requirements on members concerning non-financial reporting.

The ACFID Code also includes a range of non-mandatory Good Practice Indicators. These are aspirational activities to help members improve their practice and asks members to include, in annual reports, information on:

- stakeholder relationships
- clear and measurable goals,
- outcomes, source and sustainability of funding
- risk management,
- adaptation to challenges
- environment sustainability.

While not covering the full gamut of sustainability reporting required by some of the large for-profit sector organisations, we believe that these are something our sector can work towards without overtaxing their resources and capabilities.

Our members do not have the resources to meet current private sector sustainability reporting requirements, such as those imposed by the *National Greenhouse and Energy Reporting Act 2007* on the top 500 companies. We therefore think there would need to be sector differentiation concerning any requirements.

On balance, we are generally supportive of sustainability reporting being on the AASB program of work. If so, we would be keen to work with you to ensure that we capture key elements in a way that will not impose additional burdens on our members.

Our views on service performance reporting are similar. This would seem to be consistent with the direction of ACFID Code of Conduct reporting requirements but would need to be balanced with compliance burden considerations.

We believe there is merit in including the digital finance reporting project in the

forward work program, particularly if it helps streamline reporting to regulators and provides relief from compliance costs. We would think that from the perspective of our sector, the Australian Charities and Not for Profits Commission, Department of Foreign Affairs and Trade, Australian Taxation Office and State and Territory fundraising and charity regulators would be key stakeholders. Of course, there may also be opportunities for ACFID to also streamline reporting requirements for members. However, there may be limitations as smaller organisations may not have access to appropriate technology and expertise which should be considered in the development of any standard here.

Question 2(b) Are there any other projects you think the AASB should include as part of this work program for 2022-2026?

We have nothing additional to add.

Question 2(c) What priority would you give to each of the potential projects – high, medium or low?

Sustainability reporting and service performance reporting should have medium priority. Digital performance reporting is lower priority.

Question 3(a) Do you agree that the AASB should add any of the proposed research projects to the work program?

We consider that there is merit in adding sustainability reporting, service performance reporting and digital financial reporting to the research program. As mentioned above, sustainability reporting and service performance reporting is broadly consistent with mandatory and non-mandatory requirements in the ACFID Code of Conduct and what is considered to be good practice in our memberships.

In particular, research into the needs of, implementation by and impact on the not-for-profit sector would help define the value of these initiatives and help define their scope. The experience of other jurisdictions may provide some useful insights and help identify any pitfalls and unintended consequences. As mentioned above, these are likely to be sensitive matters in our sector and research will be critical in achieving appropriate balances between the value of the standards and any additional compliance costs imposed. It may also help identify segments of the sector where such standards may be inappropriate, unworkable, or where there may need to be some differentiation.

Question 3(b) Are there any other research projects you think the AASB should include as part of its work program for 2022-2026?

We have nothing to add.

Question 3(c) What priority would you give to each of the potential projects — high, medium or low?

Sustainability reporting and service performance reporting should be given high priority to design, test options and test appetite and demand for non-financial reporting, before committing to developing a standard. Digital financial reporting should be rated as medium.

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Cover photo: Sumaiya Akter, age 12, attends a school funded by UNHCR in Kutupalong Refugee Camp. It is difficult for many Rohingya girls to obtain an education due to requirements to help parents with work at home, social pressures against educating girls, early marriage and general lack of access to higher education. Photo: Roger Arnold/UNHCR

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