



PHILANTHROPY
Australia

3 February 2010

The Manager
Corporate Reporting and Accountability Unit
Corporations and Financial Services Division
The Treasury
Langton Crescent
PARKES ACT 2600

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Patrons
Sir Gustav Nossal AC CBE
Lady Southey AC

Dear Sir,

**SUBJECT: Submission on Corporations Amendment
(Corporate Reporting Reform) Bill 2010**

Philanthropy Australia welcomes the opportunity to comment on the proposed legislation reforming financial reporting and audit requirements in the Corporations Amendment (Corporate Reporting Reform) Bill 2010 to the *Corporations Act 200.1*

Philanthropy Australia is the national peak body for philanthropy and is a non-profit membership organisation. Our members are trusts and foundations, families and individuals who want to make a difference through their own philanthropy and to encourage others to become philanthropists. Philanthropy Australia supports the philanthropic endeavour of our members by, amongst other things, promoting strong and transparent governance standards in the philanthropic sector. The majority of Philanthropy Australia's members are involved in the provision of funds for charitable purposes. When allocating their funds our members consider the financial viability and governance of the recipient, often, at least in part, through assessing the information provided in the recipient's financial report. Philanthropy Australia's members are also acutely aware of the administrative burden placed on charitable not-for-profit companies limited by guarantee by Australia's current financial reporting regime.

Philanthropy Australia supports in general the proposed legislation as a step forward in reducing onerous reporting and audit requirements for a range of unlisted public company entities, particularly charitable not-for-profit companies limited by guarantee

Philanthropy Australia would welcome the amendments to Australian regulation to be considered as a part of a broader objective of harmonising regulatory regimes throughout Australia

Chapter 1: Companies limited by guarantee

Philanthropy Australia supports the measures and the three tiers approach outlined in this chapter of the draft explanatory material. However we question the threshold levels.

We propose that the \$250,000 be replaced by \$500,000 because \$250,000 is really a very small number and with a growing organisation it could easily be exceeded. In reference to *Table 1.1 Size of companies limited by guarantee* in the draft explanation paper, lifting the threshold to \$500,000 would mean administrative relief for organisations producing 54% of Cumulative Total Revenue and 45% Cumulative Total Assets.



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Therefore Philanthropy Australia proposed the following tier levels

Tier 1: Revenue less than \$500,000 p.a (rather than \$250,000) which does not have DGR status

Tier 2: Revenue \$500,000 p.a. (rather than \$250,000) to \$1,000,000 p.a and organisations with revenue less than \$500,000 p.a (rather than \$250,000) which have DGR status

Tier 3: Revenue more than \$1,000,000 p.a. irrespective of whether the organisation is a DGR or not.

Proposals for a change in the assurance requirements for unlisted public companies beneath a certain threshold are welcomed as measures that should reduce the costs of compliance, while also providing the members of these entities with some comfort that the entity's financial statements are being subjected to either an audit or review by an independent third party.

Consideration may need to be given to the need to amend legislation pertaining to changing the auditor of a company required to be audited in accordance with the Corporations Act 2001. The proposals in this Chapter suggest that companies are able to move from an audit to a review; and from a review of an audit, almost on an annual basis. Such movement is not able to be undertaken readily under current legislation, whereby the permission of ASIC is required to change an auditor. These amendments could mirror the requirements for proprietary companies change of auditor.

Chapter 7: IFRS declaration

We note that the purpose of this amendment is to ensure international recognition of Australia's adoption of IFRS and to created consistency between the auditor's report, directors' declaration and the notes to the financial statements. However, it should be noted that not-for-profit entities and government bodies will not typically have a requirement to declare compliance with IFRS.

Uniform regulations

Philanthropy Australia believes Australia needs a consistent financial reporting regime for all not-for-profits, regardless of their basis of incorporation. Philanthropy Australia encourages Governments around Australia to develop and introduce consistent laws for not-for-profit entities (i.e., companies limited by guarantee, incorporated associations). We recommend that the Commonwealth Treasury liaises with State legislators, through the existing COAG processes, to promote consistency in legislation.

We believe that a combination of a consistent financial reporting regime for all not-for-profits and an annual reporting regime that will assist charitable not-for-profits to explain what they are trying to do and how they are going about it will result in a more transparent and accountable charitable not-for-profit sector.

Philanthropy Australia trusts that these comments on the proposed Bill are useful and would be happy to have further discussions with Treasury, as appropriate.

Yours sincerely,

Gina Anderson
Chief Executive Officer