

CPA Australia Podcast Transcript - Episode 34

- Intro: Hello and welcome to the CPA Australia Podcast, your source for business, leadership, and public practise accounting information.
- Ram S.: Hello and welcome. I'm Ram Subramanian, Policy Adviser in Reporting at CPA Australia. Joining us for this podcast is Melville Yates, Director for Reporting and Red Tape Production at the Australian Charities and Not for Profits Commission. The ACNC recently released the online form for the 2017 Annual Information Statement along with new guidance and support materials that have been developed to assist charities complete the AIS Form for lodgement with the ACNC.
- The ACNC has also developed a new online hub to host the redesigned Annual Information Statement and associated material. Mel is here to talk to us about the changes made to the 2017 AIS and to provide some insights into how charities should go about completing and lodging the 2017 AIS. Welcome, Mel.
- Melville Yates: Thank you.
- Ram S.: Now to begin with, could you tell us what the main changes are to the 2017 AIS that charities should look out for?
- Melville Yates: Sure. There's been a number of changes and I'll just go through them in a summary fashion. We've improved a number of the questions so that they're easier to understand. We're now collecting FTE, which is known as full time equivalent staff numbers. There's a couple of new data elements in the financial section so that includes revenue from goods and services and revenue from investments. We've also added a number of questions that will help us with streamlined reporting arrangements with some of the states and territories. Some of those details include collecting incorporated association numbers, fund raising details, annual general meeting details, and also membership requirements for those charities.
- We've re-written all of the guidance materials. The AIS Hub has been created so that's a one stop shop for charities to complete their ACNC reporting, which contains all of the resources that they need to do that in the one place. We've actually improved the AIS form itself. When I use the acronym AIS I'm talking about the Annual Information Statement, which most charities would be familiar with. We've made the questions easier to understand. We have improved functionality for auto-filling and auto-calculation, which helps speed up completion of the AIS.
- We've also enabled charities to view and update responsible persons while they complete their AIS to make sure that their details are always up to date. We've got a new preview function so charities can check over their responses before

they actually submit and AIS and we've improved the layout. When you actually lodge the AIS there's now a more prominent submit button to ensure that charities don't actually forget to submit the AIS when they've completed the form. There's a document on the podcast page which summarises many of those changes.

Ram S.: You mentioned some additional information that's been collected as part of the streamlined reporting arrangements that you have and I presume this is part of the Red Tape Production objective that the ACNC has. In some respects would you say that even though it might seem like charities will have to provide a little bit more information in fact it is reducing their compliance burden elsewhere because they don't have to provide that same information to other regulators who they may have previously provided that information to.

Melville Yates: That's exactly right. The idea is that we will collect these questions, these answers to the questions so that we can share the information with other state and territory regulators so that eventually ... There's already some active streamlined reporting around arrangements and over time they will increase but eventually it will mean that charities will be able to report to the ACNC and they won't need to then complete reporting to state and territory regulators.

Ram S.: Mel, another follow on question to do with that piece of information you provided us with right there. The FTE or the full-time equivalent number that is now a new piece of information that is required under the 2017 AIS, how does a charity go about calculating that number?

Melville Yates: That's a really good question. We've actually created a tool which I'll include a link to on the podcast page. That allows charities to actually calculate the number of full-time equivalent staff they have in order to complete their reporting.

Ram S.: One of the comments we hear is that the ACNC is changing the information required in the AIS often making it harder for charities to comply. There are of course benefits in a standardised form and an information set as charities can set up their information systems and accounting systems to capture this information every year and provide it through the AIS. What are the ACNC's reasons behind the period changes it is making to the AIS?

Melville Yates: There's a number of reasons for the changes and I guess at a high level one of the most important ones is to improve the questions so that we're getting the answers that we actually need to the questions that we're asking so there's been a little bit of confusion. We've worked very hard to iron out that confusion with some of those questions. We also undertook extensive consultation during 2016 between August and October. We travelled around the country and we had some, we had a number of consultation sessions with the sector, with professionals, with advisors, with other regulators as well as other stakeholders to road test and seek feedback about some of the changes that we were proposing.

I'll note that some of those changes that we consulted on have not actually been implemented because of problems that came out through that consultation process. We do want to minimise changes over time so as the form gets refined we're getting to a point where we feel that the wrinkles have been smoothed out so we should see less changes going forward. I do note that as a government regulator we are subject to government policy changes and so if the government does require us to collect particular pieces of information then obviously we have to implement those requests from government so there could be changes in that space as well going forward.

Because we are continuing to streamline reporting for charities there also might be a need to add questions, as you've highlighted earlier, in order to reduce the red tape burden for charities. We might collect some data elements and share that with other state and territory regulators, which will avoid the need for those charities to submit reporting to a various state or territory government for example.

Ram S.: Thanks, Mel. Improved guidance material has also been developed to assist with the completion of the 2017 areas. Can you tell us what improvements have been made to the guidance material?

Melville Yates: Absolutely, so they're quite extensive. We undertook a complete re-design of the AIS guide so the 2017 document is now broken up into shorter sections, which correspond with the AIS form itself. We've created new menus, which will help charities navigate more easily around the document. We've also expanded help text throughout the AIS and there's nearly 50 direct links from the help text to relevant sections of this guide. This really enhances charity's ability to cross reference relevant guidance material and also minimise errors while they complete their AIS.

We've also made updates to the checklist, which we have available. Now all of these things are available on the podcast page so the checklist provides a reference point for the information and the documents that charities need to have available before they start completing their AIS. There's also a tip sheet which outlines some of the common problems and mistakes that we see so that when charities do fill in their AIS they'll be able to avoid those pitfalls.

Ram S.: You mentioned common problems and mistakes that charities make when completing the AIS. Can you tell us in your experience over the last few years, has there been a general improvement in the quality of information that comes through from charities when they complete their AIS and submit it to the ACNC?

Melville Yates: I'm really happy to say that there has been. When we actually started the first year of reporting, which included financial elements was 2014 so there was quite an extensive project that we undertook to work through the errors that we identified. In 2015 that number reduced and we contacted around about 6,800 charities. In 2016 we're still completing that data integrity project but we contacted around 1350 charities. There's been a marked improvement and a

marked reduction in the number of charities that we have had to go back and contact in order for them to correct their mistakes.

Ram S.: There's now a dedicated online hub as well that charities will access to complete the AIS. Can you tell us about this new facility and how it will work going forward?

Melville Yates: Yes, sure. The Hub as we call it or the 2017 AIS Hub, which there is a link that will be provided on the podcast page. Basically that creates a one stop resource for charities that want to complete their AIS. It's got a comprehensive range of support, guidance materials, and what it does is it aims to make it much easier for charities to complete their reporting and provide accurate high quality and timely information. Essentially, it contains everything that a charity needs to complete its AIS there in one location, one central location.

Going forward there also will be additions to The Hub so we are updating guidance materials as we speak as well as some instructive how to videos, which are aimed at helping charities to complete their reporting and also learn about some of the specific sections within the 2017 AIS.

Ram S.: Clearly we are in the digital age so almost everything we do we can do online but I'm assuming there will be some charities out there who don't have the ability to access the online hub, perhaps because of the location they're in or whatever the individual circumstances might be. Does the ACNC have facilities provided to such charities to lodge their AIS manually or using paper-based information?

Melville Yates: We do. We are a digital by default agency so it's around about 98-99% of our returns are done electronically, which is an amazing feat when we think about across the Australian government we are a bit of a lead in that area. We do offer a paper form but it's really on an exception basis so there's less than 500 charities generally that will use that online form to complete their reporting. Absolutely, we do cater for all mediums so while the default is digital we do offer a paper form if that is required by charities.

Ram S.: Thanks for that. All charities have to of course complete and lodge in AIS. In addition to this some charities also have to prepare large financial reports. There is some financial information that is included in financial reports that are also required to be included in the AIS. What are the reasons for the ACNS to require the same financial information to be lodged separately, once through the financial reports and again through the AIS?

Melville Yates: That's a good question, Ram. We do collect some standard information from all charities, which is basically a summary of some key position and performance indicators of the charity. They are the data elements within the financial section of the AIS so it's not in detail and generally it is some key totals or some key figures. The information that goes on the public register for medium and large

charities also includes financial statements. Really, the reason that we collect the figures in the AIS is to allow everyone to compare those same indicators across the charity spectrum to look at key information about assets, liabilities, expenses, revenue, and the like in order to make those comparisons if they want to make those.

The financial statements, which are non-standardized ... Each charity may actually prepare and submit financial statements, which are slightly different to the next charity, that allows, in comparison with the AIS figures, that allows a more comprehensive view of a charity's financial performance and financial position. Now, we don't have the ability to scrape information from financial reports so where a charity does submit a financial report to us they can be submitted in any number of formats.

Sometimes we get financial reports given to us which are a picture, effectively a picture. We do accept Excel files, we do accept Word documents, PDFs, Power Points, and a whole range of other file types but we don't actually have the technical capability to scrape that information from the financial reports in order to self-populate the AIS elements. That's why charities are asked to provide some of that key information as part of the AIS in addition to providing financial statements depending on the size of the charity.

Ram S.: Financial reports lodged with the ACNC have to be audited or reviewed. What about the AIS? Does this need to be audited or reviewed as well?

Melville Yates: That's a really good question, Ram. The financial information that's collected in the AIS relates to some key figures as I just mentioned. It should reflect the financial reports that may have been prepared by the charity if the charity is required to prepare them. Now, medium and large charities do have a requirement to prepare and submit financial reports with their AIS and also they need to be reviewed or audited in the case of large charities.

In those instances the AIS figures will obviously reflect the assurance process that that charity has undertaken. Now, in the case of small charities because they don't have to submit financial reports some small charities do prepare them but it's not a mandatory requirement then the AIS figures again should reflect what is in the financial statements, but they don't have an assurance requirement around them. Some small charities do get an audit or a review undertaken and that's the choice of the charity but essentially the AIS data elements should reflect the financial statements depending on the size of the charity and the associated audit or review requirements that go along with that.

Ram S.: Can you tell us about how other regulators and agencies can benefit from the data collected by the ACNC through the AIS?

Melville Yates: Absolutely, and I think this is the real benefit for charities. We adopt a report once use often framework for reporting. We mentioned a little bit earlier that

where we collect information we try and share that or make that available to other government departments across the commonwealth but also across states and territories so that where a charity has provided information to the ACNC we share that information and make that available so that those charities don't have to provide the same information again to whatever government department it is that needs that information.

We also publish the data that's given to us as part of the annual information statements on data.gov.au. Now, that's a very large and significant data source which is managed by the government. It's free to access so that is a very useful data source about charities that's publicly available and free of charge. We also have published an annual charities report which has really increased awareness and understanding of charities and also the significance of the charity sector to the Australian economy. This is used now by academics, by think tanks, by policy professionals as well as data analysts to influence and inform economic and social policy in Australia and that ultimately should benefit all Australians.

Ram S.: Do you have any final tips for listeners about the completion and lodgement of the AIS?

Melville Yates: Absolutely, so there's a number of things that charities can do. I would really encourage charities to look at the AIS checklist for 2017 as well as the AIS guide. They're really rich sources of information that will assist charities to complete their reporting in a timely and correct fashion. We encourage charities to distribute those to their board members and that will help decide ahead of time who is actually responsible for completing certain sections of the AIS. Always check that the address for service for your charity is up to date in the ACNC Charity Portal. That's a really key piece of information because that's the way that the ACNC stays in contact and stays in touch with charities so we have to have an up to date address for service.

Also, we encourage charities to actually contact their accountants or their auditors if they have to have an audit done. Don't leave that until the last minute, get in touch early to start to make those arrangements and start to get those in people's calendars for charities which have to hold an AGM, so that's particularly relevant, for example, incorporated associations that have to have an annual AGM. Schedule that sooner rather than later so don't wait, book that in now because obviously the AGM needs to be held before the AGS is submitted.

Really, one of the basic things is to submit the AIS as soon as you can. Don't put it off until tomorrow, do it today if it can be done today. The earlier that charity submit their AIS means that there will be less people using the charity portal at peak times so that will save you time by completing your reporting early. Obviously, if anyone gets stuck or needs any assistance we have an enormous amount of information that's on our website and we're always happy to assist with answering any questions, advice@acnc.gov.au is the contact address for assistance if anyone requires that.

Ram S.: Mel, thank you very much for sharing your thoughts and providing us with some very useful information for charities on completing the 2017 Annual Information Statement. Thank you.

Melville Yates: Thank you, Ram, thanks very much.

Ram S.: For listeners out there, the information and reference material that we spoke about during this podcast will be available on the same web page where the podcast resides. Please do refer to this additional material if you need to. Thank you.

Outro: Thanks for listening to the CPA Australia Podcast. To download the transcript and find more information on today's episode visit www.cpaaustralia.com.au/podcast/34.