

1 April 2022

Review of Associations Incorporation Act 2015
Department of Mines, Industry Regulation and Safety Consumer Protection Division
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To whom it may concern

Associations Incorporation Act 2015 Statutory Review

As the representatives of over 300,000 professional accountants in Australia, Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia thank you for the opportunity to provide feedback on the statutory review of the requirements of the Western Australian Associations Incorporation Act 2015. We have focused our feedback on those areas where we consider we can add the most value, namely the financial reporting, audit and use of technology proposals included in the consultation.

CA ANZ and CPA Australia have been longstanding advocates for legislative reform to achieve consistent and coordinated reporting requirements for the Australian not-for-profit (NFP) sector, including those applying to incorporated associations. Many of our members are involved with the sector as advisors, employees or volunteers. Whilst significant progress has been made in achieving a streamlined NFP regulatory framework across Australia, there is scope to further improve the consistency of statutory financial reporting requirements of relevant Commonwealth and State/Territory laws and regulations applicable to the sector. Therefore, we are strong supporters of regulatory reform that promotes the transparency of the sector and its activities, to stakeholders and the public, in a way that minimises complexity and cost for these entities.

Financial reporting tiers

We recommend that the existing tiers of reporting for Western Australian Associations be realigned as soon as possible to remain consistent with the revised thresholds that now apply to registered charities reporting to the Australian Charities and Not-for-Profits Commission (ACNC). As noted above, State/Territory lawmakers and regulators working cooperatively with the Commonwealth have already made great strides in reducing NFP regulatory red tape. Promoting consistent and comparable NFP reporting requirements nationwide is of enormous value to the sector and the gains already made in this area should be preserved by ensuring the realignment of the incorporated association financial reporting thresholds with those applicable under the revised ACNC laws that apply to financial reporting by registered charities from 1 July 2022¹.

¹ <https://www.acnc.gov.au/tools/topic-guides/charity-size>

We also believe that these new thresholds should be applied to all Western Australian Incorporated Associations (ACNC registered or not) given the similarities in the size and nature of these organisations and the limited resources they have available to achieve their objectives.

In reviewing its reporting requirements for incorporated associations, we would also encourage the Western Australian Government to become an active participant in the Australian Accounting Standards Board's (AASB) project that is currently underway to develop a fit-for-purpose NFP financial reporting framework. The availability of a high quality and fit-for-purpose financial reporting framework supports the government's key objective of providing cost effective reporting reform to the wider NFP sector, of which many incorporated associations are a part.

Appointment and removal of an auditor

The provisions for the appointment and removal of an auditor are an important means by which the independence of the auditor is protected. Therefore, it is necessary to have some degree of rigor around those processes. However, good regulatory outcomes require that these processes be targeted to where there is the greatest need for that protection. That is, rather than amending the existing provisions, or proposing fixed term appointments, an improved outcome in this area can be obtained by increasing the reporting thresholds that determine when an audit of a financial report is required. This will decrease the pressure on the availability of suitably qualified auditors, while still ensuring that the appointment and removal process for those associations where an audit is required is subject to important procedural safeguards. Such safeguards ensure that the auditor can communicate with the members of the organisation, or the regulator, where they have concerns, even in circumstances where the governing body of the entity wants to change the auditor.

It may also be beneficial for the regulator to provide additional guidance to associations on the value of an audit and the importance of procedural rigour around auditor appointment and change, as an important safeguard for maintaining audit quality.

Suggested wording improvements

We recommend the following improved wording for audit and review requirements contained within the Act:

- **Section 78 Review or audit to be conducted in accordance with auditing standards**

This section requires that "A reviewer or auditor must conduct a review or audit under this Part in accordance with the auditing standards". We suggest changing the wording to "applicable auditing and/or review standards" in both section 78 and the associated definition in section 62.

- **Section 81 Reviewer's report on financial statements or financial report, and section 82 Auditor's opinion and report on financial statements or financial report**

These sections set out the content of the auditor's/auditor's review report. We believe the requirements with respect of the content of the auditor's/auditor's review report should be dictated by the applicable auditing and/or review standards issued by the AUASB. Accordingly, we recommend that these sections be modified to refer to compliance with the requirements of applicable auditing and/or review standards issued by the AUASB.

For further assistance in revising this wording, we refer you to the AUASB's "[A guide for Prescribing Assurance and Related services.](#)"

Electronic voting

We support the proposals to introduce the use of technology to allow members to attend and vote at general meetings using electronic means. We recommend that the statutory provisions should allow for the conduct of hybrid meetings that will provide members with a choice of attending such meetings either in person or electronically.

If you have any questions about our submission, please contact either Amir Ghandar (CA ANZ) amir.ghandar@charteredaccountantsanz.com or Ram Subramanian (CPA Australia) at ram.subramanian@cpaaustralia.com.au.

Yours sincerely

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