



11 February 2016

General Manager
Law Design Practice
The Treasury
Langton Crescent
PARKES ACT 2600

Online submission: www.treasury.gov.au

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Dear Madam/Sir

Private Ancillary Fund and Public Ancillary Fund Amendment Guidelines 2015

CPA Australia welcomes the opportunity to respond to the above Consultation. CPA Australia represents the diverse interests of more than 155,000 members in 118 countries. Our vision is to make CPA Australia the global accountancy designation for strategic business leaders. We make this submission on behalf of our members and in the broader public interest.

CPA Australia supports the amendments to both sets of guidelines to recognise the introduction of the Australian Charities and Not-for-profits Commission (ACNC). We also support the introduction of the red tape reduction measures to ensure that material provided to the ACNC is not requested separately by the Australian Taxation Office.

We provide our specific comments to the proposed amendments to the two sets of guidelines below.

Proposed amendment to Guideline 26.1 (both sets of guidelines)

CPA Australia recommends the proposed note not be inserted for the following reasons:

- The proposed note introduces unnecessary complexity for private and public ancillary funds that are not charities registered with the ACNC. Such entities will need to refer to the Australian Charities and Not-for-profits Commission Act 2012 (ACNC Act), the accompanying Regulations and Corporations Act 2001 to identify the requirements for financial statements. In our view the current term “accounting standards”, as defined in the Income Tax Assessment Act 1997 achieves the same outcome.
- Referring to a financial report prepared in accordance with the ACNC Act could lead to the unintended consequence of requiring a “responsible entities’ declaration”, which forms part of the contents of a financial report under the ACNC Act. In our view this would result in an inappropriate requirement as a responsible entity has a defined meaning under the ACNC Act with no equivalent definition under both sets of guidelines.

Proposed amendments to Guideline 28 (Private Ancillary Fund Guidelines)

We support the introduction of thresholds for assurance requirements as this will balance the level of compliance against the risks associated with entities of different size. A similar approach has been adopted in other legislation including the ACNC Act and Corporations Act 2001 (as applicable to public companies limited by guarantee).

To allow for a review, in addition to the current audit requirement, we suggest including the words “Except as set out below” in the beginning of Guideline 28 (similar to current Guideline 28 of the Public Ancillary Fund Guidelines 2011).

The proposals state that entities with revenue and assets under \$500,000 can opt for a review rather than an audit. This differs from the thresholds for charities registered under the ACNC Act and public companies limited by guarantee under Corporations Act 2001, which require an audit for entities with revenue above \$1m, an option for review or audit for entities with revenue between \$250,000 and \$1m, and no requirement for an audit or review for entities with revenue under \$250,000. In our view, to achieve the proposed red tape reduction, and in the absence

of a specific reason to set a different threshold, the thresholds for audit or review should be aligned with the requirements under the ACNC Act and Corporations Act 2001 (as applicable to public companies limited by guarantee).

Public Ancillary Fund Guidelines 2011

We note that for public ancillary funds, the current thresholds require an audit for entities with revenue and assets above \$1m with a review option for entities below this threshold. For reasons similar to those stated in the above paragraph, we recommend aligning the threshold requirements applicable to public ancillary funds with those under the ACNC Act and Corporations Act 2001 (as applicable to public companies limited by guarantee).

If you require further information on any of our views expressed in this submission, please contact Ram Subramanian, CPA Australia by email at [REDACTED].

Yours sincerely

Dr Eva Tsahuridu
Manager – Accounting Policy