

26 November 2021

National Indigenous Australians Agency
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Exposure Draft – Corporations (Aboriginal and Torres Strait Islander) Amendment Regulations 2021

As the representatives of over 300,000 professional accountants, CPA Australia and Chartered Accountants Australia and New Zealand (CA ANZ) welcome the opportunity to comment on the changes proposed in the Exposure Draft (“the ED”) applicable to corporations under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* (CATSI Act) and associated Regulations. We have restricted our comments to the proposed statutory financial reporting and assurance requirements in the ED.

We are strong supporters of regulatory reform to promote consistent and comparable legislative reporting requirements in the not-for-profit (NFP) sector. Inconsistent reporting requirements within the various state and federal legislation is a considerable challenge for the NFP sector, and so we support aligning NFP reporting requirements with those of the Australian Charities and Not-for-profits Corporation (ACNC). However, we offer the following specific comments on various aspects of the proposals.

Size thresholds

We welcome and support the proposals to align the size classification thresholds for medium and large corporations with the new thresholds applicable to medium and large charities registered with the ACNC. This proposal significantly simplifies the current size classification criteria that is based on gross operating income, gross assets and number of employees.

We recommend that the size threshold for small corporations be set at revenue of \$500,000, rather than \$250,000, as this would also result in consistent size classification thresholds being applied to both corporations and ACNC registered charities.

For the same reasons, we also support the proposal to use “consolidated revenue”, rather than “gross operating income”, as the basis for determining whether a corporation is small, medium or large. However, we recommend that guidance be provided on what constitutes “revenue”, similar to the [guidance](#) provided by the ACNC, to ensure consistent application of this terminology by corporations.

Reporting requirements

We do not support the proposal that all corporations that are required to prepare financial reports should prepare “general purpose financial statements (GPFS) that are in compliance with Australian Accounting Standards”. Applying this level of accountability in financial reporting is only appropriate for those entities where the benefits of providing these reports exceeds the costs to prepare them. While we appreciate that this is an existing requirement that applies to medium and large corporations we do not believe that it is appropriate for such a requirement to apply to NFP corporations that are not “reporting entities” under [Statement of Accounting Concepts 1 Definition of the Reporting Entity \(SAC 1\)](#).

In line with the reporting requirements for ACNC registered charities, it is our view that NFP corporations with financial reporting obligations should be:

- allowed to apply SAC 1 and so be eligible to continue to choose to prepare special purpose financial statements (SPFS) or GPFS as is appropriate, and
- be required to comply with only the Australian Accounting Standards that apply to [ACNC registered charities preparing and lodging SPFS](#).

Adopting the same approach that is currently permitted by the ACNC will ensure NFP corporations are not subject to unnecessary regulatory burden while the Australian Accounting Standards Board (AASB) completes its development of a GPFS framework for smaller NFP entities. We would also strongly encourage the Office of the Registrar of Indigenous Corporations (ORIC) to engage with the AASB to ensure it provides input into the development of these reporting requirements. Once complete, this AASB reporting framework project should result in a much more suitable GPFS framework for smaller NFP entities subject to ORIC oversight.

We also draw your attention to the fact that some corporations that are for-profit entities are impacted by the AASB’s recently completed framework reform project for the for-profit sector. This reform work means that, for accounting periods commencing on or after 1 July 2021, these for-profit corporations will no longer be able to apply the “reporting entity concept” under SAC 1, to prepare SPFS where eligible. We therefore recommend that the wording of proposed Regulation 23 and its reference to “reporting entity” be reconsidered in this context to ensure the wording more clearly supports the implementation of the AASB’s new two-tier GPFS framework applicable to for-profit entities.

Remuneration reporting

We support the proposal to introduce a remuneration report. However, we recommend, on a cost/benefit basis, that this requirement should only apply to large corporations and not to both medium and large corporations as currently proposed. This will also align with the new remuneration reporting requirements that are applicable only to large charities.

Audit and review requirements

We support the proposals to amend Regulation 28 to introduce an option for medium sized corporations to have their financial reports reviewed rather than audited as we believe this is a regulatory response that better balances the costs and benefits of quality financial reporting.

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

Yours sincerely

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