



AUSTRALIAN
COUNCIL
FOR
INTERNATIONAL
DEVELOPMENT

Submission to the Australian Accounting Standards Board – Exposure Draft ED 270 Reporting Service Performance Information

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About ACFID

The Australian Council for International Development (ACFID) unites Australia's non-government aid and international development organisations to strengthen their collective impact against poverty. Our vision is of a world where gross inequality within societies and between nations is reversed and extreme poverty is eradicated.

Founded in 1965, ACFID currently has 128 members and 15 affiliates operating in more than 100 developing countries. The total revenue raised by ACFID's membership from all sources amounts to \$1.5 billion (2013/14), \$838 million of which is raised from over 1.5 million Australians (2013/14). ACFID's members range between large Australian multi-sectoral organisations that are linked to international federations of NGOs, to agencies with specialised thematic expertise, and smaller community based groups, with a mix of secular and faith based organisations.

The ACFID Code of Conduct is a code of good practice for the aid and development sector which aims to improve the outcomes of international development and increase stakeholder trust by enhancing the transparency and accountability of signatory organisations. Covering over 50 principles and 150 obligations, the Code sets good standards for program effectiveness, fundraising, governance and financial reporting. In particular, the Code sets out clear standards for annual and financial reporting information (see our [Code and Good Practice Toolkit](#) for more information). All ACFID full members are committed to full adherence of the ACFID Code. Compliance includes annual reporting and checks. The Code has an independent complaints handling process

Introduction

ED 270 applies to any not-for-profits required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act 2001 which is a reporting entity and any other NFP reporting entity that prepares general purpose financial statements. This would include the majority of ACFID members.

The ED requires service performance information to be reported at least annually in relation to:

- a) the entity's service performance objectives;
- b) key outputs, including the inputs used to produce those outputs;
- c) any outcomes the entity is seeking to influence; and
- d) the entity's efficiency and effectiveness in achieving its service performance objectives.

The required information does not need to be included as part of the financial statements, rather, it is intended to supplement financial statements, and whether it needs to be reported as a matter for the relevant regulator.

ACFID agrees in-principle with the enhanced transparency and accountability in reporting sought by the new standard. However, ACFID is concerned about the capacity of small to medium-sized not for profits in meeting the additional reporting requirements.

ACFID recommends that:

- a threshold test be introduced for mandatory reporting to reduce the burden on small to medium-sized NFPs (a threshold similar to the small and medium charities definitions in the ACNC Act would be appropriate)
- support and guidance could be provided for small to medium sized NFPs to provide supplementary reports on a voluntary basis.
- greater clarity is needed as to which reporting entity becomes responsible for reporting the service performance information in cases where all of its activities are undertaken through a trust fund.
- clarity should be provided as to whether the definition of “society” can be viewed globally.

More detail on these recommendations follow in the sections below.

Matters for Comment

The AASB has particularly requested comments on 10 specific matters and 2 general matters. ACFID has provided comments on 6 of these specific matters as well as general comments.

Specific Matters for Comment

1. **Paragraph 20** - An entity is required to report service performance information that:
 - a) is useful for accountability and decision-making purposes;
 - b) shall be appropriate to the entity’s service performance objectives;
 - c) clearly shows the extent to which the entity has achieved those service performance objectives; and
 - d) should enable users to assess the efficiency and effectiveness of the entity’s service performance.

Comment: ACFID agrees in-principle to the above aims but is concerned for small to medium sized members who would not have the resources to achieve these aims, and/or who may need time to put systems and processes in place to achieve the higher standard of reporting.

5. This [draft] Standard proposes that the reporting entity for which service performance information is reported shall be the same as that used for the entity’s financial statements.

Comment: ACFID agrees with this approach. However, ACFID recommends that greater clarity is needed as to which reporting entity becomes responsible for reporting the service performance information in cases where all of its activities are undertaken through a trust fund.

6. This [draft] Standard allows an entity to present its service performance information in:
 - the same report as the financial statements;
 - a separately issued report; or
 - in a variety of different reports.

Comment: ACFID support the flexibility allowed in this approach.

8. The [draft] Standard includes defined terms in Appendix A.

Comment: ACFID agrees with the definitions provided at Appendix A, with one proviso. *Outcomes* are defined as: “The impacts on society or segments of society...” – Clarity should be provided as to whether the definition of “society” can be viewed globally, considering the majority of the activities ACFID members are engaged in are in a variety of communities outside of Australia.

9. The AASB’s view is that this [draft] Standard should be mandatory as it, in conjunction with an entity’s financial statements, provides useful information for users to assess the performance of NFPs...

Comment: ACFID is supportive of the broad objective of enhancing accountability through the supplementary reporting being proposed. However, ACFID but recommends that a threshold test be introduced for mandatory reporting to reduce the burden on small to medium-sized NFPs.

10. It is proposed that this [draft] Standard will be applicable for annual reporting periods beginning on or after 1 July 2018.

Comment: ACFID views the time frame for the introduction of the standard as a reasonable one, although remains concerned about the burden being placed on small to medium-sized NFPs. Support and guidance should be provided for small to medium sized NFPs to provide supplementary reports on a voluntary basis.

11. and 12. **General matters for comment**

Comment: ACFID agrees in-principle with the enhanced reporting sought by the new standard, given the primacy that ACFID, as a peak body, attaches to transparency and accountability. As already expressed, ACFID retains a concern for the capacity of small to medium-sized NFPs in meeting the additional reporting requirements.