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Australian  
**Charities** and  
Not-for-profits  
Commission

21 January 2022

Australian Accounting Standards Board

Our reference: ACNCSUB2022/1

## **ACNC submission – ITC48 Extended External Reporting**

The Australian Charities and Not-for-profits Commission (**ACNC**) welcomes the Australian Accounting Standards Board's (**AASB**) Invitation to Comment on the draft Position Statement relating to Extended External Reporting (**ITC 48**).

### **About the ACNC and the charity sector**

1. The ACNC is the federal charities regulator with the following statutory objects – to:
  - a. maintain, protect and enhance public trust and confidence in the Australian not-for-profit sector;
  - b. support and sustain a robust, vibrant, independent and innovative Australian not-for-profit sector; and
  - c. promote the reduction of unnecessary regulatory obligations on the Australian not-for-profit sector.
2. The ACNC is careful to balance each of these objects and has considered them in responding to ITC 48.
3. The ACNC regulates over 59,000 charities in Australia which are a sub-sector of the Not-for-profit (NFP) sector. It is with regard to the impact of the proposed change on the charities subsector within which we frame our response.

### **Question 1 –Do you agree with the need for the AASB to adopt an immediate position, or should the AASB continue not to adopt a position until a wider international consensus has been identified?**

4. The ACNC has not identified an urgent need for this type of reporting for charities at this time.
5. We would suggest that the uncertainties in the area of EER referred in ITC 48 are likely to be even greater in the case of charities, as noted below, our view is that more research is needed on the subject of EER disclosure information needs for not-for-profit entity stakeholders.



GPO Box 5108 Melbourne VIC 3001  
Tel 13 ACNC Fax 1300 232 569

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**Question 2. Assuming that an immediate position is adopted as contemplated by the proposal, should the position be applied on a voluntary or mandatory basis?**

6. Taking into account the ACNC Act's third object, to promote the reduction of unnecessary regulatory obligations on the sector, our view is that any position must be applied on a voluntary basis, given that there is no identified urgent need for charities, and because ITC 48 notes the level of uncertainty about what form such reporting will ultimately take. This means that the AASB's position may subsequently change.
7. Many charities, particularly smaller charities, do not currently undertake reporting of this type and to mandate it could add significant cost and administrative burden for these charities, potentially diverting charity resources away from core activities. At this stage, it is unclear whether such reporting by charities would be of sufficient interest to charity stakeholders such that the benefits of this reporting would outweigh the costs.

**Question 3. Assuming that an immediate position is adopted and regardless of whether the position is adopted on a voluntary or mandatory basis, do you agree that the recommendations of the TCFD provide an appropriate framework for this position?**

8. The Task Force on Climate-related Financial Disclosures (**TCFD**) recommendations appear to focus on the risks that climate change poses to businesses and financial markets, with the information needs of investors of particular interest. Charities generally do not have investors and climate change could affect charities in quite different ways to for-profit organisations, noting that the charity sector is very diverse.
9. The TCFD does not appear to be directly relevant to charities. Our view is that further research and consultation with the sector is needed on the question of Extended External Reporting charity stakeholder information needs.

**Next steps**

10. If you have queries about this submission, please contact our Reporting Team at [reporting@acnc.gov.au](mailto:reporting@acnc.gov.au).

**The Hon Dr Gary Johns**  
Commissioner  
Australian Charities and Not-for-profits Commission