



REGISTRAR ISSUES GUIDANCE ON UNEXPENDED GRANTS

The Registrar of Indigenous Corporations, Anthony Beven, has today issued guidance to auditors and corporations regarding the accounting treatment of unexpended grants. It was prompted by concerns that some accounting treatments of unexpended government grants had in recent years resulted in a mis-statement of an Aboriginal and Torres Strait Islander corporation's true financial position.

The accounting standards currently allow for auditors to apply a range of methods to present unexpended grants in a corporation's financial statements. The Registrar has issued guidance on a preferred treatment to reduce the risk of mis-statement for Aboriginal and Torres Strait Islander corporations funded by government.

The Australian Accounting Standards Board has issued AASB 1004 *Contributions* for the accounting for non-reciprocal transfers made to not-for-profit entities. Nearly all corporations registered under the CATSI Act are private not-for-profit entities. The view of the Registrar is that, in most instances, their grants or funding from government should be treated as non-reciprocal and accounted for in accordance with AASB 1004.

The Registrar's preferred treatment under AASB 1004 is that any unspent component of a grant or funding should be recognised as a deferred income component (i.e. a liability) in the corporation's balance sheet.

'There have been some recent cases where a corporation's balance sheet has indicated it can pay its debts, however large liabilities to funding bodies are recorded off balance sheet in other parts of the corporation's accounts,' said Mr Beven.

'Many corporations are funded by government to provide essential services to Aboriginal and Torres Strait Islander people. Uncertainty about solvency is not only risky for the corporation it may also jeopardise the delivery of important and sometimes critical services to Aboriginal and Torres Strait Islander people and communities.'

More information on the Registrar's preferred accounting treatment of government grants or funding is provided in the Registrar's *Corporation reporting guide* available at www.oric.gov.au/resources/guides.

Media contact

Patricia Gibson
(02) 6146 4743
ORIC MR1415-06
25 August 2014