Australian Government
Office of the Registrar of Indigenous Corporations

UPDATED OCTOBER 2014

CORPORATION REPORTING GUIDE

Corporations (Aboriginal and Torres Strait Islander) Act 2006

This guide is designed to help corporation auditors and accountants (or bookkeepers) prepare reports

corporation reports are due by 31 December each year.

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Reporting requirements under the CATSI Act

Aboriginal and Torres Strait Islander corporations must report under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* (the CATSI Act). The reports for each corporation will vary depending on its registered size and income.

What's CGOI?

Consolidated gross operating income = gross income of the corporation and any entities it controls.

Registered size and income of corporation	Report required
Small corporations with a consolidated gross operating income (CGOI) of less than $100 000.	1. General report only.
Small corporations with a CGOI of $100 000 or more and less than $5 million. Medium corporations with a CGOI of less than $5 million.	1. General report. 2. Financial report and audit report or financial report based on reports to government funders.
Large corporations or any corporation with a CGOI of $5 million or more.	1. General report 2. Financial report 3. Audit report 4. Directors' report

TIP: if you have your member list already prepared, you can simply attach it to the general report rather than writing or typing it again.

Need to know your registered size? Ring ORIC on 1800 622 431 (freecall except for mobiles) or check the public register on **www.oric.gov.au**.

Deadline for lodging reports

All corporations must lodge their reports with the Registrar by 31 December each year. If a corporation cannot meet this requirement, they may be eligible for an exemption from lodging the report, or an exemption that allows the corporation an extension to lodge the report.

If you are a member or director of a corporation, find out if your reports have been lodged. If they haven't or if you need some extra help to fill them in, call ORIC on 1800 622 431 (freecall except for mobiles) or email info@oric.gov.au.

Reporting online

Corporations now have the option of reporting online (**https://online.oric.gov.au**), saving them quite a bit of time.

Exemptions from reporting

The Registrar may grant an exemption to a corporation to lodge a particular report or extend the time in which a particular report must be lodged.

When considering an application for exemption, the Registrar must consider whether the current reporting obligations:

- make a report misleading
- are inappropriate in the circumstances or
- if it would impose an unreasonable burden on the corporation.

The Registrar must take the following into account:

1. if the corporation provides services, what the consequences would be if the corporation stopped providing those services
2. whether the corporation is at high risk of becoming insolvent or not complying with reporting requirements
3. the expected costs of complying with the reporting requirements
4. the expected benefits of having the corporation comply with the reporting requirements (including the number and position of creditors and potential creditors and the nature and extent of liabilities of the corporation)
5. any practical difficulties that the corporation might have to effectively comply with the reporting requirements
6. any unusual aspects in the way a corporation operates during the financial year concerned
7. any other matters that the Registrar considers relevant.

The Registrar will look at every case individually. Applications must be made in writing. The Registrar will then examine the application and let the corporation know in writing whether it has been granted an exemption or whether further information is required.

To apply for an exemption, complete the *Application for exemption form* and lodge with ORIC.

A corporation granted an exemption from reporting under the CATSI Act is still required to maintain proper accounts and records.

? Did you know you can complete this form online at **https://online.oric.gov.au**?

Current exemption

There is currently one exemption that applies from September 2014. It ensures that corporations which may be using an auditor or audit firm whose legal registration may be uncertain. See the Corporations (Aboriginal and Torres Strait Islander) Determination 1/2014 and explanatory statement at http://www.comlaw.gov.au/Details/F2014L01315.

Further information

Please contact ORIC on 1800 622 431 (freecall except for mobiles) or email info@oric.gov.au if you need any further information or help with:

- finding out whether your corporation has lodged this year’s reports or previous reports
- whether your corporation is eligible for exemption from preparing and lodging reports
- completing any of the documents mentioned in this guide.

This guide is designed to help corporation auditors and accountants (or bookkeepers) prepare corporation reports.

1 General report

WHO NEEDS TO PROVIDE A GENERAL REPORT?

Under the CATSI Act **all** Aboriginal and Torres Strait Islander corporations are required to submit a general report to the Registrar every financial year.

WHEN DO GENERAL REPORTS NEED TO BE LODGED?

Between 1 July and 31 December each year.

WHAT'S IN THE GENERAL REPORT?

The general report has information about the corporation, its members and officers.

Keeping this important information up to date throughout the year will make it easier to complete the general report each year. The Registrar can determine the registered size of a corporation based on the accurate income, assets and number of employees of a corporation.

Each year ORIC partly fills in a general report form for each corporation based on information previously lodged with ORIC. Corporations can see a copy of their general report by logging into ORIC's online lodgment website, **https://online.oric.gov.au**. A printed general report is also mailed or emailed to all corporations. Corporations can contact ORIC to get another printed copy if they've not received one.

2 Financial report

WHO NEEDS TO PROVIDE A FINANCIAL REPORT?

- Small corporations with a CGOI of more than $100 000.
- Medium corporations.
- Large corporations.

Consolidated entities

The accounting standards may require a corporation to include other organisations in its financial statements. An example of when this happens is when a corporation has subsidiaries. They will need to prepare consolidated financial statements that represent the group.

When a corporation has control over another organisation, including an unincorporated one, they are known as the parent. The organisation that is being controlled is called a subsidiary.

WHO DOES NOT NEED TO PROVIDE A FINANCIAL REPORT?

Small corporations with an income of $100 000 or less are not required to prepare a financial report for the Registrar. This makes things a lot easier for corporations with little or no income.

WHEN DO FINANCIAL REPORTS NEED TO BE LODGED?

Between 1 July and 31 December each year.

WHAT'S IN THE FINANCIAL REPORT?

The financial report must contain financial statements for the year, notes to the financial statements and a directors' declaration. However, some corporations that receive public funding can choose a different financial report—see page 9.

Corporations must report on a consolidated basis if required by the accounting standards.

Accounting standards can be found at the Australian Accounting Standards Board (AASB) website **www.aasb.gov.au**.

The auditing standards can be found at the Auditing and Assurance Standards Board website **www.auasb.gov.au/standards.htm**.

WHAT'S IN THE FINANCIAL REPORT?

<table>
<tr><th>General purpose financial report
(to be prepared according to the accounting standards)</th><th>Small corporations with a CGOI more than $100 000</th><th>Medium corporations</th><th>Large corporations</th></tr>
<tr><td>FINANCIAL STATEMENTS, INCLUDING:
(a) a statement of financial position
(b) a statement of comprehensive income
(c) a statement of changes in equity showing either:
(i) all changes in equity or
(ii) changes in equity other than those arising from transactions with equity holders acting in their capacity as equity holders
(d) a statement of cash flows
(e) notes to the financial statements (prepared in accordance with all applicable accounting standards).
AASB 1053 is a new accounting standard. It provides for reduced disclosure in financial reporting. Many CATSI corporations may be eligible under this standard to apply tier 2 reduced disclosure. The summary at attachment B: AASB 1053: Application of Tiers of Australian Accounting Standards will help CATSI corporations understand this new standard and help them decide whether they are eligible.
This list is a summary only. Financial statements must comply with all applicable accounting standards.
The financial statements, notes and any other information must give a true and fair view of the financial position and performance of the corporation or consolidated entity.</td><td colspan="3">✓</td></tr>
<tr><td>DIRECTORS' DECLARATION
A copy of the resolution of the directors' declaration.
The resolution can be passed at a directors' meeting or by circulation. It must include:
– a statement that the corporation will be able to pay its debts when they are due
– a statement that the financial statements and notes comply with the CATSI Regulations, accounting standards and provide a true and fair view of the financial position and performance of the corporation
– the date the resolution was made
– a signature of a director.
ORIC has an example resolution in attachment A.</td><td colspan="3">✓</td></tr>
</table>

OPTION FOR PUBLIC-FUNDED CORPORATIONS (IF ELIGIBLE)

Small corporations with a CGOI between $100 000 and $5 million AND Medium corporations with a CGOI less than $5 million that receive public funding

These corporations may prepare and lodge a financial report as described on previous pages or, if they meet the eligibility requirements below, a financial report based on reports given to public funding bodies.

This option is only available when:

- at least 90 per cent of the corporation's CGOI during the financial year consists of government funding (Commonwealth, state or local)
- as a condition of the funding the corporation is required to lodge an annual report
- the accounting standards do not require the corporation to provide consolidated financial statements.

Financial report for eligible public-funded corporations	Public-funded small corporations with a CGOI between $100 000 and $5 million / Public-funded medium corporations with a CGOI less than $5 million
A copy of the reports given to the funding bodies.	✓
A copy of the relevant auditor's report.	✓
An income and expenditure statement and a balance sheet for any income, expenditure, assets and liabilities that have not been included in the funding reports.	✓
A copy of the resolution of the directors' declaration. The resolution can be passed at a directors' meeting or by circulation. It must include: – a statement that the corporation will be able to pay its debts when they are due – the date the resolution was made – a signature of a director.	✓

3 Audit report

WHO NEEDS TO PROVIDE AN AUDIT REPORT?

- Small corporations with a CGOI of more than $100 000.
- Medium corporations.
- Large corporations.

WHO DOES NOT NEED TO PROVIDE AN AUDIT REPORT?

- Small corporations with an income of $100 000 or less are not required to provide an audit report to the Registrar.

WHEN DOES THE AUDIT REPORT NEED TO BE LODGED?

Between 1 July and 31 December each year.

	Small corporations with a CGOI more than $100 000	Medium corporations	Large corporations
AUDIT REPORT The financial report must be audited according to the auditing standards. In conducting the audit and preparing the audit report, the auditor must form the following opinions: – whether the financial report is in accordance with CATSI Act—and if not, say why – if the Registrar has imposed additional/increased reporting requirements, whether the financial report is in accordance with those requirements – whether the auditor has been given all information, explanations and assistance necessary to conduct the audit – whether the corporation has kept financial records sufficient to enable the financial report to be prepared and audited – whether the corporation has kept other records and registers as required by the CATSI Act. The audit report must include any statements and disclosures required by the auditing standards, including a statement on whether, in the auditor's opinion, the financial statements present the financial transactions fairly according to applicable accounting standards and are based on proper accounts and records. If the auditor is of the opinion that the financial report does not comply with an accounting standard, the auditor must, to the extent practical, quantify the effect the non-compliance has on the financial report, if it is not practicable to quantify the effect fully, the report must say why. The Registrar has issued guidance to auditors and corporations to address a perceived risk that some accounting treatments of unexpended grants may result in a mis-statement of an Aboriginal or Torres Strait Islander corporation's financial position. In some actual examples the mis-statement has had serious consequences for corporations. The guidance is at **attachment C**: Accounting treatment of unexpended grants.		✓	

WHO CAN AUDIT THE FINANCIAL REPORT?

The audit report can be done by:	Small corporations with a CGOI between $100 000 and $5 million Medium corporations with a CGOI less than $5 million	Large corporations Any size corporation with a CGOI of $5 million or more
– a registered company auditor	✓	✓
– an audit firm that has at least one member who is a registered company auditor	✓	✓
– an authorised audit company	✓	✓
– a certified practising accountant or a fellow of CPA Australia	✓	✗
– a chartered member/affliate of the Institute of Chartered Accountants in Australia	✓	✗
– a member or a fellow of the Institute of Public Accountants.	✓	✗

4 Directors' report

WHO NEEDS TO PROVIDE A DIRECTORS' REPORT?

- Large corporations.
- Any size corporation with a CGOI of $5 million or more.

Consolidated entities

The accounting standards may require a corporation to include other organisations in its financial and directors' report. An example of when this happens is when a corporation has subsidiaries. They will need to prepare a consolidated directors' report that represents the group.

When a corporation has control over another organisation, including an unincorporated one, they are known as the parent. The organisation that is being controlled is called a subsidiary.

WHO DOES NOT NEED TO PROVIDE A DIRECTORS' REPORT?

Small and medium corporations with an income of less than $5 million.

WHEN DO DIRECTORS' REPORTS NEED TO BE LODGED?

Between 1 July and 31 December each year.

WHAT'S IN THE DIRECTORS' REPORT?

The report should contain information such as:

- a detailed overview of a corporation's business performance during the financial year
- reasons for the corporation's results and financial position
- directors' meetings and any sub-committees
- description of the corporation's activities
- qualifications and experience of the corporation's directors and secretary
- any court proceedings relevant to the corporation.

The directors' report helps members to understand the corporation's business.

Information required	**Large corporations**	**Any size corporation with a CGOI of $5 million or more**	**CATSI Regulation**
If details are already included in the financial report they do not have to be included in the directors' report. If they are not included, the directors' report must say so and state where they can be found in the financial report.	✓		333-10.02 (6) and (7)
General information			
A review of operations of the corporation during the year and the results of those operations.	✓		333-10.02 (1)(a)
Details of any significant changes in the corporation's state of affairs during the year.	✓		333-10.02 (1)(b)
A statement of the corporation's principal activities during the year and any significant changes in the nature of those activities during the year.	✓		333-10.02 (1)(c)
Details of any matter or circumstance that has arisen since the end of the year that has significantly affected, or may significantly affect: (i) the corporation's operations in future financial years or (ii) the results of those operations in future financial years or (iii) the corporation's state of affairs in future financial years.	✓		333-10.02 (1)(d)
Likely developments in the corporation's operations in future financial years and the expected results of those operations. **This can be left out if it could result in unreasonable prejudice to the corporation or consolidated group. But the report must say so.*	✓		333-10.02 (1)(e) *(4) and (5)
If the corporation's operations are subject to any particular and significant environmental regulation under a Commonwealth, state or territory law—details of the corporation's performance in relation to environmental regulation.	✓		333-10.02 (1)(f)

Information required	Large corporations	Any size corporation with a CGOI of $5 million or more	CATSI Regulation
Specific information			
Details of distributions paid to members during the year. Details of distributions recommended or declared for payment to members, but not paid during the year.	✓		333-10.02 (1)(g) 333-10.02 (1)(h)
The name of each person who has been a director of the corporation during the year and the period of each director's tenure.	✓		333-10.02 (1)(i)
Details of each director's qualifications, experience and special responsibilities.	✓		333-10.02 (1)(j)
The number of meetings of the board of directors held during the year and each director's attendance record at those meetings.	✓		333-10.02 (1)(k)
The number of meetings of each board committee held during the year and each director's attendance record at those meetings.	✓		333-10.02 (1)(l)
The name of each person who has been a secretary of the corporation during the year.	✓		333-10.02 (1)(m)
Details of each secretary's qualifications and experience.	✓		333-10.02 (1)(n)
The name of each person who: (i) was an officer of the corporation at any time during the year and (ii) was, when an audit firm or audit company that is an auditor of the corporation undertook an audit of the corporation, a partner in the audit firm or a director of the audit company.	✓		333-10.02 (1)(o)
A copy of the auditor's declaration under section 339-50 of the CATSI Act for the audit for the financial year.	✓		333-10.02 (1)(p)
For any application for leave made during the year under section 169-5 of the Act: (i) the applicant's name (ii) a statement whether leave was granted.	✓		333-10.02 (1)(q)

Information required	Large corporations / Any size corporation with a CGOI of $5 million or more	CATSI Regulation
Specific information		
For any proceedings that, during the year, a person has brought or intervened in for the corporation with leave under section 169-5 of the Act: (i) the person's name (ii) the names of the parties to the proceedings (iii) sufficient information to enable members to understand the nature and status of the proceedings (including the cause of action and orders made by the court).	✓	333-10.02 (1)(r)
If the notes to the financial report include additional information to give a true and fair view of financial position and performance, the directors' report must include: (i) the directors' reasons for why they decided the additional information was necessary and (ii) where the additional information can be found in the financial report.	✓	333-10.02 (3)
The date the report was made.	✓	333-10.02 (8)(b)
The report must be signed by a director.	✓	333-10.02 (8)(c)
A copy of the resolution approving the directors' report. This resolution can be passed at a directors' meeting or by circulation. ORIC has draft resolutions in **attachment A.**	✓	333-10.02 (8)(a)

Attachment A
Directors' declaration

Directors' declaration for approving financial and directors' reports under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* (CATSI Act) (minutes and resolution)

Corporation name: ____(the corporation)

ICN: ______________________

MINUTES OF DIRECTORS' MEETING

Date:	_________/________/________
Location:	____________________________
Time:	____________________________
Present:	see attached attendance list
Apologies:	see attached list of apologies
Chairperson:	____________________________
Quorum:	A quorum of directors was present at all times during the meeting.
Notice of meeting:	The notice of the directors' meeting was, with the permission of the directors, taken as being read.
Resolution:	The following resolution was passed by at least 50 per cent of directors attending the meeting.

THE DIRECTORS RESOLVED:

1. that, in their opinion, there are reasonable grounds to believe that the corporation will be able to pay its debts when they become due and payable
2. that, in their opinion, the financial statements and notes are in accordance with the Corporations (Aboriginal and Torres Strait Islander) Regulations 2007 (CATSI Regulations), including:
   i. compliance with the accounting standards
   ii. providing a true and fair view of the financial position and performance of the corporation/consolidated entity (strike out whichever is not applicable)
3. to approve the directors' report made on ______________________(insert date of directors' report)

Closure: There being no further business the meeting was declared closed at ______________ (insert time)

Confirmed: ____________________________

(Signature of chairperson/director)

____

(Name of chairperson/director)

Attachment B
AASB 1053: Application of tiers of Australian Accounting Standards

This is a summary of Australian Accounting Standard AASB 1053: *Application of Tiers of Australian Accounting Standards* and how it may affect corporations registered under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* (CATSI Act).

AASB 1053: APPLICATION OF TIERS OF AUSTRALIAN ACCOUNTING STANDARDS

To understand the changes arising from AASB 1053 it is important to know the basic purpose and composition of financial reporting standards. See the Explanatory supporting material set out on page 22.

Note: Copies of AASB 1053 are available from the AASB website: www.aasb.gov.au

WHAT IS AASB 1053?

AASB 1053 is an Australian financial reporting standard (standard) that introduces a new reduced disclosure framework for eligible corporations that currently prepare general purpose financial statements. AASB 1053 creates two different tiers of financial reporting requirements for corporations. The main difference between the tier 1 and tier 2 requirements arises at the disclosure[1] level:

Tier 1: Australian Accounting Standards[2]
Tier 2: Australian Accounting Standards—reduced disclosure requirements.[3]

The following types of corporations can adopt tier 2 financial reporting:

- for-profit private sector entities that do not have public accountability (this may apply to a small number of CATSI corporations)
- not-for-profit private sector entities (this may apply to many CATSI corporations), and
- public sector entities, whether for-profit or not-for-profit, other than the Australian Government and state, territory and local governments (unlikely to apply to CATSI corporations).

AASB 1053 came into force on 30 June 2010. This standard applies to annual reporting periods beginning on or after 1 July 2013, however it may be applied to annual reporting periods beginning on or after 1 July 2009 but before 1 July 2013. When an entity applies this standard to its annual reporting period it must disclose that fact.

1 Financial reporting standards set out the accounting rules for the recognition, measurement, classification and disclosure of accounting transactions. AASB 1053 focuses on how corporations report and disclose information in their financial statements.

2 The Australian Financial Reporting Standards comprise a set of approximately 50 financial reporting standards. AASB 1053 is one of the financial reporting standards and it is focused on disclosure requirements for various types of corporations.

3 AASB 2010–2 is a separate standard which amends the disclosure requirements of other (existing) applicable standards to which AASB 1053 refers.

CORE CONCEPTS ADDRESSED IN ACCOUNTING STANDARD AASB 1053

The new standard addresses only the fourth element of the accounting rules set out in any particular financial reporting standard—i.e. it addresses the disclosure rule element for each applicable financial reporting standard. The measurement, classification and recognition rules are unchanged by the new standard. This means the bulk of the work around financial reporting is not affected by AASB 1053.

So that the context is clear: the key elements/rules set out in the existing Australian financial reporting standards are kept intact and AASB 1053 only addresses the level of disclosure required (for some entities deemed not to be publicly accountable).

The rules governing the numbers set out in financial statements are unchanged.

HOW DOES AASB 1053 CHANGE CURRENT DISCLOSURE REQUIREMENTS?

AASB 1053 introduces new reduced disclosure rules (RDR) for eligible reporting entities. In doing so the standard splits financial reporting entities/general purpose reporting entities into two tiers.

Both tiers are still required to follow the same technical accounting rules and accounting concepts. The numbers in the financial statements will not differ under each tier.

The disclosures differ in that corporations adopting the new standard and which meet the requirements for adopting tier 2 reporting financial requirements do not have to comply with specific disclosure provisions in the existing standards.

WHAT DOES ACCOUNTING STANDARD AASB 1053 CHANGE?

AASB 1053 is an overarching standard that applies to existing standards. It specifically amends the disclosure requirements—by reducing them—in all the other accounting standards.

It is important to note that AASB 1053 **does not** change:

- which transactions should be captured or recognised in an accounting system. All accounting transactions are still relevant.
- the way measurements are applied. For example, plant and equipment assets will still be measured at cost or at fair value.
- the classifications applied as revenues, expenses, assets, equity and liabilities.

AASB 1053 reduces the disclosure required in the notes to the accounts for corporations applying the tier 2 financial reporting requirements.

KEY POINTS OF AASB 1053

No.	Effect	Comment
	What does AASB 1053 do?	
1.	AASB 1053 establishes a two tier disclosure framework for corporations that prepare general purpose financial statements (GPFS)[4] or that hold out that their financial statements are general purpose statements.	Tier 1 (full disclosure): For-profit entities with public accountability, Commonwealth, state and local government corporations with fiduciary responsibilities. Tier 2 (reduced disclosure): Not-for-profit and for-profit entities without public accountability. CATSI corporations that prepare general purpose financial reports may adopt tier 2—reduced disclosure requirements, where they meet the requirements/criteria set out in AASB 1053.
2.	AASB 1053 specifically addresses the level of disclosure corporations need to include when preparing general purpose financial statements. Tier 2 financial reporting has less onerous disclosure requirements but still provides for financial statements that are compliant with the financial reporting standards.	Note that disclosure is only one element within a financial reporting standard. The new standard affects the disclosure requirements of each existing financial reporting standard but does NOT affect other elements of financial reporting standards i.e. how the financial statements: • measure accounting events • recognise transactions • classify and present accounting information. These matters are not affected by AASB 1053 and the existing standards apply. It is important to note that the nature of the financial reporting process is not fundamentally changed by AASB 1053.
	How does AASB 1053 affect CATSI corporations?	
3.	AASB 1053 allows CATSI corporations required to prepare general purpose financial statements, or are not-for-profit entities and are not publicly accountable to adopt AASB 1053's tier 2 financial reporting. These corporations can make this decision without consulting the Registrar.	The CATSI Act sets out its own financial reporting framework, the details of which are contained in regulations and policy guidelines. The framework requires most CATSI corporations to produce general purpose financial statements (that comply with Australian Accounting Standards). The CATSI Regulations[5] use a corporation's size coupled with income to determine the actual financial reporting required. For most CATSI corporations the CATSI Regulations deem them to be reporting entities.

4 General purpose financial statements are made up of the usual profit and loss report, balance sheet, cash flow statement and statement of changes in equity that have been prepared in compliance with all the Australian Accounting Standards.

Under the accounting standards, that are given effect by Part 2M.3 of the *Corporations Act 2001*, an entity is required to produce general purpose financial statements if they are a reporting entity i.e. that parties exist that have an interest in the corporation but cannot access financial advice about the corporation on their own. Under the Corporations (Aboriginal and Torres Strait Islander) Regulations 2007 (CATSI Regulations) most CATSI corporations are deemed to be reporting entities.

No.	Effect	Comment
4.	The CATSI Regulations allow eligible corporations to adopt AASB 1053's tier 2 financial reporting requirements.	Regulators such as the Registrar retain the right to specify the reporting obligations of corporations that they regulate. At this stage the Registrar has decided not to recommend changes to the CATSI Regulations to require any CATSI corporation or any class of corporations to adopt tier 1 financial reporting requirements. This may change in the future. Instead the Registrar will rely on the proper application of the financial reporting standards to guide preparers of financial statements.
5.	CATSI corporations that hold assets on a fiduciary basis[6] may not be eligible to adopt tier 2 financial reporting.	CATSI corporations should seek appropriate professional advice about their eligibility.
Should CATSI corporations take up reduced disclosure?		
6.	One of AASB 1053's foundation principles is to provide relief for eligible corporations that do not meet a public accountability test from the full disclosure requirements of existing Australian Accounting Standards.	CATSI corporations should seek appropriate professional advice about their eligibility.
7.	Eligible CATSI corporations are able to make their own decision about adopting tier 2 financial reporting.	CATSI corporations should seek appropriate professional advice about tier 2 financial reporting.

CONCLUSION

AASB 1053 is likely to provide potential financial reporting relief for most CATSI corporations. This standard may reduce the burden of financial reporting by simplifying the level of disclosure required by tier 2 reporting corporations without affecting any other elements of a corporation's financial reports. It may also reduce a corporation's accounting and audit costs.

The nature of the reduced financial reporting requirements do not reduce the quality of general purpose financial statements that will be prepared under the tier 2 financial reporting requirements of AASB 1053.

5 The CATSI Regulations are made under the Division 333 of the CATSI Act.

6 This is typically the case for banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks.

Explanatory supporting material

CATSI REGULATIONS—FINANCIAL REPORTING REQUIREMENTS

General purpose financial statements

Aboriginal and Torres Strait Islander corporations required under the CATSI Act and Regulations to lodge financial reports are required to prepare and lodge general purpose financial statements. As such, these corporations should be complying with the Australian Accounting Standards in full.

Option for public-funded corporations (if eligible)

Aboriginal and Torres Strait Islander corporations reporting under the option for public-funded corporations (see page 9 for eligibility) may produce and lodge financial statements in accordance with the funding bodies requirements together with other material set out on page 9.

CONTEXT FOR THE ASSESSMENT OF ACCOUNTING STANDARDS

- The Australian Accounting Standards set out the rules or standards for accountants to deal with or treat accounting transactions and events. They affect the preparation and presentation of a corporation's financial statements. They are largely expressed in the form of general principles and based on accounting concepts and conventions. There are around 50 accounting standards.

  The rules set out in each accounting standard can be broken down into the following core components:

  1. **Recognition rules**: which transactions/events are captured and reported on. These are not affected by AASB 1053.
  2. **Measurement rules**: how should a transaction/event be valued or measured. These are not affected by AASB 1053.
  3. **Classification/presentation rules**: where and how should the data be presented or grouped to make it understandable. These are not affected by AASB 1053.
  4. **Disclosure rules**: explaining how the three rules above come together. AASB 1053 applies here.

  The accounting standards address various accounting rules for dealing with assets, liabilities, expenses, revenue and other transactions and events. Each accounting standard comprises the specific recognition, measurement, classification and disclosure rules that are applicable. Without the standards, financial information would lack reliability, completeness and would be difficult to understand.

- The *Corporations Act 2001* gives accounting standards legal force for companies. Part 2M.3 of the *Corporations Act 2001* sets out which incorporated entities under that law must prepare financial reporting and that reporting is to be undertaken in accordance with the Australian Accounting Standards.

  The CATSI Act also requires CATSI corporations to apply the Australian Accounting Standards.

- The Australian Accounting Standards specify whether or not an entity must produce general purpose financial statements based on the concept of a reporting entity.

  Under the accounting standards the directors of the entity self determine if they are a reporting entity. The determination rests on the self assessment of whether users exist that are likely to use their financial statements. If it is decided that no interested users are likely to exist the corporation can prepare special purpose financial statements which are not prepared in accordance with all the standards. However, under the CATSI Regulations most CATSI corporations are deemed to be reporting entities and are required to produce general purpose financial statements.

In Australia the accounting standards have been harmonised with IFRS. However, Australian accounting authorities have adopted a two tier reporting framework for Australian reporting entities based on whether an entity is a for-profit or not-for-profit entity.

Not-for-profit entities receive some relief in preparing general purpose financial statements in terms of exemptions from certain recognition, measurement, classification and disclosure requirements under AIFRS. Note AASB 1053 introduces further relief in the form of a two tier financial reporting framework where the major difference between tier 1 and tier 2 financial reporting relates to the level of disclosure required under each tier. Most financial reporting standards address the measurement, recognition, classification and disclosure requirements for financial reporting purposes. AASB 1053 has a much narrower focus which is on disclosure aspects of the financial reporting standards only. Many CATSI corporations are not-for-profit and, as such, they can produce general purpose financial statements that comply with the not-for-profit standards.

GLOSSARY OF TERMS

In order to gain an understanding of how AASB 1053 impacts on the reporting requirements for CATSI corporations the following basic terms and concepts need to be understood:

Public accountability—the phrase is defined in the standard as largely those entities with debt or equity instruments traded on a public exchange or that hold assets in a fiduciary capacity. This is typically the case for banks, credit unions, insurance companies, trustee corporations, securities brokers/dealers, mutual funds and investment banks It appears not to apply to smaller corporations which do not engage in complex and large-scale financial transactions.

General purpose financial statements are sets of financial reports prepared for a wide range of users that cannot access financial information from a corporation themselves. General purpose financial statements are prepared in accordance with the accounting standards and are usually reliable, accurate and complete. Assurance processes, such as audit, can enhance the quality of the financial statements.

Special purpose financial statements are financial statements that adhere to a few basic standards but often they do not comply fully. They are typically unreliable and are often referred to as management accounts.

A reporting entity is a corporation where it can be expected that users exist that rely on the corporation's financial statements. Often potential suppliers, creditors, lenders and grant providers will need to rely on financial information about the corporation. In most CATSI corporations the fact that grants are provided and creditors have an interest implies that they are likely to be reporting entities. However, discretion is provided to the directors in relation to this matter.

International financial reporting standards (IFRS) in simple terms are the set of financial reporting standards that apply to reporting entities that are large, generally trade internationally or whose shares are traded internationally (multinationals) and need to report in a manner that is internationally comparable.

Australian accounting standards/IFRS—the Australian version of IFRS is called Australian Equivalent to International Financial Reporting Standards (AIFRS). Under the current regime not-for-profit entities, which includes most CATSI corporations, are exempt from applying AIFRS in full.

Disclosure (summary notes) At the end of a set of financial statements the summary notes address how each of the four core elements addressed in each accounting standard—recognition, measurement, classification and disclosure—have been applied in a set of financial statements. They are commonly referred to as the notes to the accounts.

DISCLAIMER

Please note this summary does not constitute legal or financial advice.

Readers are encouraged to seek their own professional advice regarding the application of AASB 1053. Responsibility for the preparation of a CATSI corporation's financial reports rests with the directors of the corporation. Examples in this summary are purely for illustration. They are not exhaustive and are not intended to impose or imply particular rules or applications. The Registrar's interpretation of AASB 1053 may change in the future.

Attachment C
Accounting treatment of unexpended grants

This attachment provides guidance on the Registrar's preferred accounting treatment of unexpended grants in the general purpose financial statements of corporations registered under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* (CATSI Act).

The purpose of the guidance is to address a perceived risk that some accounting treatments of unexpended grants may result in a mis-statement of a corporation's financial position. It is guidance only and the application of accounting standards to unexpended grants requires professional judgement having regard to all the relevant facts and circumstances.

The Registrar encourages Aboriginal and Torres Strait Islander corporations and their auditors to regularly review the terms and conditions of all government grant or funding agreements. This will enable them to determine the appropriate accounting treatment for unexpended grants in their corporation's financial statements.

WHAT IS AN UNEXPENDED GRANT?

Government grants and funding are usually paid in advance before a service or outcome is delivered by a funded Aboriginal and Torres Strait Islander corporation.

If a corporation is unable or unwilling to meet the conditions of a grant or funding or to expend all of the grant or funding on delivering the funded service or outcome, the corporation is in most cases required to repay the unspent funds.

Where a grant or funding has been received in advance of a project commencing or where the project is only partly complete, this creates what is commonly referred to as an 'unexpended grant'.

THE ACCOUNTING STANDARD: AASB 1004 CONTRIBUTIONS

The Australian Accounting Standards Board has issued AASB 1004 *Contributions* for the accounting for non reciprocal transfers made to not for profit entities.

A non reciprocal transfer is defined in AASB 1004 as a '*Transfer in which the entity receives assets or services or has liabilities extinguished without directly giving approximately equal value in exchange to the other party or parties to the transfer.*' Government grants or funding typically fall within the definition.

Reciprocal transfers, commonly fee for service arrangements, are dealt with in accordance with AASB 118 Revenue.

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.

AASB 1004 in paragraph 12 deals with private not for profit entities and states:

> 12. *Income arising from the contribution of an asset to the entity shall be recognised when, and only when, all of the following conditions have been satisfied:*
>
> *(a) the entity obtains control of the contributions or the right to receive the contribution*
>
> *(b) it is probable that the economic benefits comprising the contribution will flow to the entity, and*
>
> *(c) the amount of the contribution can be measured reliably.*

THE REGISTRAR'S POSITION ON THE ACCOUNTING TREATMENT OF GOVERNMENT GRANTS OR FUNDING

Where a corporation has received government grants or funding in advance to perform a service or deliver an outcome, which the government has agreed to fund, the Registrar's position is that until the funds have been applied for the service or outcome under the terms and conditions attached to the grant or funding, the corporation does not control the right to receive the funding. As such, the unspent component of the grant or funding should be recognised as a deferred income component (i.e. an unexpended grant liability) in the corporation's balance sheet until the corporation has complied with the conditions of the grant or funding.

Disclosure of unexpended grants in the balance sheet should not be replaced with disclosure merely in the notes to the financial statements or as a restriction on available cash.

As a grant or funding is spent by a corporation to perform the funded services or deliver the funded outcome it should only then be accounted for as revenue with a commensurate reduction in the unexpended grant position of the corporation in its balance sheet.

ALTERNATIVE INTERPRETATION—NOT PREFERRED

An alternative interpretation of AASB 1004 adopted by some accounting practitioners is that the full amount of a grant or funding should be recognised as revenue upon receipt, with no deferred income component (i.e. no unexpended grant liability) recognised in the balance sheet.

Under this interpretation, a liability is only shown in the balance sheet where a corporation has breached the conditions of the government funding agreement, or received an invoice or demand to repay a grant or funding.

The Registrar's view is that this interpretation is not preferred as it may result in a mis-statement of a corporation's financial position. In some recent examples the mis-statement has had serious consequences for Aboriginal and Torres Strait Islander corporations.