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Joint Committee of Public Accounts and Audit
Submission to the Inquiry into Commonwealth Financial Statements 2023-24

Dr Killian Perrem
Inquiry Secretary
Joint Committee of Public Accounts and Audit
PO Box 6021
Parliament House
Canberra ACT 2600

2 December 2025

Dear Dr Perrem

Thank you for the opportunity to make a submission to the Joint Committee of Public Accounts and Audit (JCPAA) for its inquiry into any matters associated with Auditor-General Report No. 22 of 2024–25: *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2024*.

As part of the 2023–24 financial statements audit, the Australian Strategic Policy Institute (ASPI) received one moderate (Category B) audit finding relating to governance risks associated with the establishment of its US subsidiary. ASPI has taken substantial steps to address the ANAO’s concerns, including strengthening risk assessment processes, improving governance frameworks and obtaining updated legal advice.

Following this work, the ANAO downgraded the finding to a minor (Category C) during the 2024–25 audit.

Background to the Audit Finding

Governance risk – establishment of the US subsidiary

The ANAO identified governance risks relating to the establishment of ASPI’s US subsidiary (not ASPI’s Washington, DC branch, which commenced operations in 2021). The DC branch faced challenges to raise philanthropic revenue as it did not have tax-deductible status under US law and US legal advice recommended establishing an incorporated US subsidiary to enable fundraising consistent with how other think-tanks in the US operate. The Council authorised the subsidiary’s creation in early 2023.

During the course of the 2022–23 audit, ASPI (correctly as at September 2023) advised that a subsidiary had not yet been established. In April 2024, the US Internal Revenue Service (IRS) advised that they had approved the subsidiary with tax-deductible status and that they had automatically made the establishment date the date of original application on 3 April 2023. In April 2024, ASPI informed the ANAO that the subsidiary had been incorporated and backdated by the US IRS to 3 April 2023. This resulted in a material prior-period error in ASPI’s 2022–23 financial statements as ASPI had advised the ANAO in September 2023 that a subsidiary did not exist.

The ANAO found that ASPI had not undertaken a fulsome risk assessment or sufficiently considered legal and regulatory risks in Australia and the US. The ANAO suggested legal advice should be sought to clarify that establishing a subsidiary as a fundraising vehicle was consistent with the Australian Constitution and with ASPI's company constitution. The ANAO further recommended strengthening governance processes for significant business decisions.

ASPI's Response and Corrective Actions

1. Legal compliance confirmed

ASPI obtained updated legal advice from the Australian Government Solicitor (AGS) in September 2024 confirming that:

- the establishment of ASPI USA is consistent with ASPI's constitution, and
- ASPI's actions do not breach the Constitution of Australia.

Importantly, ASPI USA (the subsidiary) remained dormant until legal compliance was confirmed. The subsidiary, therefore, commenced operations on 7 September 2024 and now operates solely as a revenue-receipting entity with valid IRS 501(c)(3) tax-exempt status. The Washington branch office continues to operate as a business unit of ASPI Australia.

2. Strengthened governance and oversight

ASPI has taken comprehensive steps to improve governance arrangements, including:

- **Internal Governance Review (July 2025):**
Completion of an internal audit assessing governance structures, risk frameworks and decision-making processes.
- **Management Action Plan:**
Eleven agreed recommendations arising from the internal audit, with actions scheduled for completion by August 2025 and December 2025.
- **Revised governance documentation:**
Updated Council and Committee charters and documentation clarifying oversight, reporting lines and responsibilities for ASPI USA.
- **Enhanced risk assessment processes:**
Strengthened internal processes for major operational changes, requiring documented strategic, financial, operational and legal assessments.

3. Improved financial reporting and disclosure

ASPI implemented the ANAO recommendation to disclose the prior-period error in accordance with AASB 1060 within the 2023–24 Annual Report. ASPI has completed all US legislative and regulatory requirements, and ASPI USA prepares audited US financial statements to support consolidated reporting.

Current Status (as at December 2025)

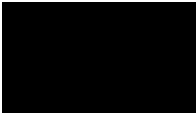
The ANAO acknowledged significant progress made by ASPI during the 2024–25 audit, noting that the most critical legal compliance matters have been addressed and governance arrangements have strengthened.

As a result, the ANAO downgraded the governance-related finding from a moderate (Category B) to a **minor (Category C)** audit finding for 2024–25. The ANAO will continue to monitor the implementation of ASPI's governance enhancements during financial year 2025–26.

ASPI acknowledges the importance of sound governance and appreciates the ANAO's feedback throughout the audit process. ASPI remains committed to strengthening governance maturity, ensuring compliance with Australian and US laws, and maintaining a high standard of financial accountability and transparency.

ASPI welcomes the Committee's consideration of this submission and is available to provide further information or clarification as required.

Yours sincerely



Justin Bassi
Executive Director
Australian Strategic Policy Institute