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STANDING COMMITTEE ON ECONOMICS

Reference: Disclosure regimes for charities and not-for-profit organisations

FRIDAY, 18 JULY 2008

ROCKHAMPTON

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**SENATE STANDING COMMITTEE ON
ECONOMICS**

Friday, 18 July 2008

Members: Senator Hurley (*Chair*), Senator Eggleston (*Deputy Chair*), and Senators Bushby, Cameron, Furner, Joyce and Pratt

Participating members: Senators Abetz, Adams, Arbib, Barnett, Bernardi, Bilyk, Birmingham, Mark Bishop, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Cash, Colbeck, Jacinta Collins, Coonan, Cormann, Crossin, Ellison, Farrell, Feeney, Fielding, Fierravanti-Wells, Fifield, Fisher, Forshaw, Hanson-Young, Heffernan, Hogg, Humphries, Hutchins, Johnston, Joyce, Kroger, Ludlam, Lundy, Ian Macdonald, Marshall, Mason, McEwen, McGauran, McLucas, Milne, Minchin, Moore, Nash, O'Brien, Parry, Payne, Polley, Ronaldson, Ryan, Scullion, Siewert, Stephens, Sterle, Troeth, Trood, Williams, Wortley and Xenophon

Senators in attendance: Senators Cameron, Eggleston, Furner and Hurley

Terms of reference for the inquiry:

To inquire into and report on:

- a. the relevance and appropriateness of current disclosure regimes for charities and all other not-for-profit organisations;
- b. models of regulation and legal forms that would improve governance and management of charities and not-for-profit organisations and cater for emerging social enterprises; and
- c. other measures that can be taken by government and the not-for-profit sector to assist the sector to improve governance, standards, accountability and transparency in its use of public and government funds.

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Committee met at 1.05 pm

CHAIR (Senator Hurley)—I declare open this first meeting of the inquiry of the Senate Standing Committee on Economics into disclosure regimes for charities and not-for-profit organisations. On 18 June 2008 the Senate referred this issue to the committee for report by the last sitting day of November 2008. The committee will examine the relevance and appropriateness of current disclosure regimes for charities and all other not-for-profit organisations; models of regulation and legal forms that would improve governance and management of charities and not-for-profit organisations and cater for emerging social enterprises; and other measures that can be taken by government and the not-for-profit sector to assist the sector to improve governance standards, accountability and transparency in its use of public and government funds.

In referring this matter to the economics committee, the Senate noted two reports: firstly, a report by *Choice* magazine on charities which highlighted the wide variability and inconsistency in the way charities disclose information to the public; and, secondly, the 2001 report of the inquiry into the definition of charities and related organisations. That report made 27 recommendations, including that the government seek the agreement of all state and territory governments to establish an independent administrative body for charities and related entities. It is anticipated that the inquiry will consider the issues raised by these two reports in some detail, along with other matters reflected in the terms of reference.

Over the coming months, the government will hear from charities in capital cities, so it is important to hear also how they operate in regional Australia. I am pleased that we are here in Rockhampton today, and I am struck by the number and range of not-for-profit organisations in Rockhampton, which I take as a sign of a healthy community.

These are public proceedings, although the committee may agree to a request to have evidence heard in camera or may determine that certain evidence should be heard in camera. I remind all witnesses that, in giving evidence to the committee, they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee, and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee. If a witness objects to answering a question, the witness should state the ground upon which the objection is taken, and the committee will determine whether it will insist on an answer, having regard to the ground which is claimed. If the committee determines to insist on an answer, a witness may request that the answer be given in camera. Such a request may of course also be made at any other time.

[1.07 pm]

CALLAGHAN, Mr Peter, Chief Executive Officer, Community Employment Options Inc.

CHAIR—Welcome. Do you have any comments to make on the capacity in which you appear?

Mr Callaghan—I am also the secretary of the Queensland divisional council of National Disability Services Ltd. We represent, Australia wide, about 650 organisations, which are all not-for-profit organisations and charities.

CHAIR—Thank you. Do you have an opening statement for this inquiry?

Mr Callaghan—The not-for-profit sector represents somewhere between 700,000 and 800,000 organisations, we think. Probably six per cent of gross domestic product is represented by the funds held or managed by those organisations on an annual basis. The not-for-profit sector probably represents 30 major sectors, including health, education, Indigenous, disability, refugees, employment and training, regional economic development, animal welfare, sports organisations, industry super funds and health insurance funds, together with charitable organisations. Charitable organisations probably represent about 20,000 organisations, and these are charitable organisations as identified by the Australian Taxation Office.

Since charities were formed in the mid-1880s, they have seen monumental paradigm shifts in their function and in the marketplaces in which they operate and, to some degree, in their purpose. Today in Australia we see a mishmash of values and expectations that influence charities and the operations of those organisations. One of the shifts I have identified is from what was primarily a religious paradigm to what is now a much stronger social, economic and environmental sustainability paradigm. In turn, that shift requires a much greater level of sophistication in the structure and management of those organisations.

At the moment, we see private organisations, community based organisations and public entities all operating in the same marketplace. This has been a very interesting shift in raising the standards of charities and not-for-profit organisations. Another interesting movement in paradigm has been the drive for charities and not-for-profit organisations to be economically sustainable in their operations.

There is also a significant difference between the size and shape of organisations that comprise this sector. They range from a not-for-profit photographic club, which I am involved in locally, to very large national and multinational organisations which are tagged with the not-for-profit tag. I make the point that it is a very complex environment. When you add to that complexity the differences between incorporation laws in each state, together with the differences between those state incorporation laws and the federal laws in the jurisdiction of ASIC, it becomes even more complicated. Finally, you add in this idea of organisations that are constitutional or non-constitutional and the findings made by the tax office about whether or not an organisation is constitutional. In two cases I have heard about, one not-for-profit charity which had a commercial income of two per cent or somewhere around that level was found to be

non-constitutional and therefore not eligible for charity status, yet an organisation in another state which had a significantly larger commercial income was found to be constitutional and therefore was able to be a charity. There seems to be some differences there.

In addition to those points, the other significant addition to the mishmash is that many organisations which fall into these categories are reliant in part on government funding. There are obligations that come with that funding. In a couple of local examples we know of, one organisation has four service quality systems that operate parallel to one another because it works with four separate government departments, and another organisation has nine separate service standard systems that operate parallel to one another. That has come about due to relying on government funding from a whole range of sources, each government department with their own set of standards and their own set of service standards normally.

Along with that issue, there is no real focus on the boards of management of these organisations, so there is no obligation for a board member to understand governance or to be qualified in any way, shape or form. So, at the service level, you are being driven to get those qualified people in and that sort of stuff, but, at the board level, it is very higgledy-piggledy. A good example might be a not-for-profit medical centre where a customer of that medical centre would expect that a doctor be qualified to do the job, yet the board that runs that medical centre may not have any qualifications and may just be interested in people who, for one reason or another, have put their hand up to say, 'Yeah, I'll come on your board,' or have been targeted or something.

In any case, those are some of the problems that underpin the current environment in which we are working. There is another matter that we are a little bit concerned about and I am a little concerned about too, and that is the changing demographics of our communities and how that is affecting membership of not-for-profits and the pool of people you can therefore draw on for your boards of management and even for volunteers. The world is changing and certainly there is an ageing population, and membership in not-for-profits around the country, I think you will find, is crashing. People are not making themselves available to participate in not-for-profit membership or boards these days, so it takes quite a bit of work to actually encourage someone to come along and participate in a board. I accept that, as part of that, we as organisations have to look for better and more interesting ways to do boards of management to stimulate that interest.

Moving on to issues of reporting, jurisdictions and things like that, I am concerned that there is no clear pathway for small organisations, which are valuable in our community, by the way, because they do provide good-quality service and do actually provide innovation in our communities. When you visit a community like Emerald, or even communities like the gemfields just adjacent to Emerald, groups of like-minded people have got together, said, 'We've got to do something about this,' and started up a small organisation. I am concerned, though, that there is no clear pathway for those organisations to grow and develop.

An example of that is my organisation, which turns over \$6 million a year and operates across a number of regions. We employ about 80 staff, and we are still an incorporated association and report to the state government in the normal way—an annual audited statement to a state government department. So there is no clear pathway for a small organisation as they grow and develop and become an entity with more significant expectations in terms of reporting and

reporting back to the community in which they operate, and building trust in the people who are giving donations to that organisation and those sort of things. I have raised this with my board and, for about two years, we have been on the path of improving our governance capacity as an organisation. The board have implemented a governance system, with the assistance of a consultant, and our next step as an organisation is to move into the federal jurisdiction and become a company limited by guarantee. We see that as a natural progression for our organisation. But it has never been a clear pathway, and that is the concern that we are raising.

Another idea is that, for larger organisations, growing organisations and big multinational and national organisations, instead of having, say, a separate entity, we treat them under the ASIC jurisdiction and establish some sort of rating system like the Standard and Poor's system that applies to business entities. It could be a way of identifying and rating that an organisation has good governance, good strategy and good management and is good quality and sustainable. I put that on the table as part of my statement and as an idea that could be considered.

The final part of my statement relates to some other things that might be missing. One is data and research on boards of management and organisations that are charitable organisations and/or not-for-profits. The ABS, the Australian Bureau of Statistics, or the Institute for Health and Welfare could be better utilised to gather statistics so we can better identify the composition of not-for-profits and the things that are affecting them so that that becomes a base for ongoing research and development on how to improve organisations overall. That concludes my statement.

CHAIR—Thank you, Mr Callaghan. That is a very good run-down from our first witness for this inquiry. I think that most politicians along the way have had quite a deal of involvement with not-for-profit organisations and, indeed, the one that I am still a full member of has undergone a process much like the one you describe where it was initially just a small neighbourhood house. It is not now as big as yours—it has an income of just over \$1 million—nevertheless, we have had to expend a great deal of effort on governance procedures. Not being able to afford a consultant, our CEO has gone to conferences and has done a lot of the research on governance and she has done her best to try to get a broad and representative board of management. Unfortunately, as you describe, it is not always that easy to get the range that is required. Everyone is busy and to get people along to the meetings is not always easy. It is a very difficult issue. One thing we found was that it was difficult for our organisation, which has mostly government grants both state and federal, to get proper information on appropriate government procedures for the organisation. It sounds as though you would concur with that.

Mr Callaghan—Absolutely. I empathise with that CEO. I did the same myself as we were growing and developing. I did a lot of research to look at what systems were available and we finally did settle on a system that was supported by a range of tools and it is starting to work all right. It is a long process to implement a governance system into a board that probably, in most cases, has grown up with the organisation.

CHAIR—Many of the people on that board are very good-hearted and hardworking—

Mr Callaghan—They are very well-intentioned.

CHAIR—but not necessarily very au fait with what is required for good, transparent governance. Many struggle with the implementation of that.

Mr Callaghan—Absolutely.

CHAIR—Both our organisations are ones that are on the way up. There is also, I think, a parallel problem for organisations that are, for whatever reason, reducing. In some senses the governance is even more important at that stage, particularly if there are significant assets involved.

Mr Callaghan—Yes.

CHAIR—You have got consultants in, but how would you see that being dealt with? Do you have any ideas? Perhaps I will put it more bluntly: would you agree that there might need to be a central regulatory body for not-for-profit organisations?

Mr Callaghan—Yes, I would advocate that position, certainly, but maybe within the current jurisdictions of ASIC, for example. Maybe it is better placed there. Why do I think that? Actually there was one other suggestion about a unit based in the Australian Taxation Office, as well. But ASIC is the regulatory organisation for the country and so it seems to me that a unit within ASIC is probably more appropriate than establishing another regulatory environment in the community that adds to all the regulation that already exists. That is my only point about that.

CHAIR—You wouldn't want your small not-for-profit group in photography—

Mr Callaghan—The camera club—

CHAIR—to be a part of that. If this body were set up, do you have any thoughts about where you will draw the line?

Mr Callaghan—There is a natural point in time I think. We found as we were moving to around the \$2 million to \$3 million mark, there was a natural point in time when you had to then start to establish your systems much more effectively so that your organisation could effectively manage the funds that it was receiving. So it appears—certainly in our case and in other cases I am familiar with—to be around that \$2 million to \$3 million turnover. It seems to be around that sort of transition point and, say, around 50 staff.

Then another point in time comes when you get to about \$10 million and about 100 staff. That is where you really need to establish pretty good, effective systems in the organisation. There is probably a bit of wriggle room between \$2 million and \$10 million but I reckon that the camera club, the butterfly club or the local horticultural society is never going to get there, and do not intend to either. They have a purpose, and maybe it is appropriate that once an organisation goes down that path there is a clear demarcation that says: 'Okay, now you go to the federal system and start reporting in a normal business way.'

The complication, too, is the service standard systems that operate. Then you need to think about adding in a governance system. Where you are operating nine service standard systems do

you then think about adding in a governance system to that? It sometimes becomes a bit overwhelming for those not-for-profits around the \$2 million to \$3 million size.

CHAIR—Within those definitions would you make any distinction between a charity that runs mostly on volunteers and relies on donations as opposed to a service type of organisation?

Mr Callaghan—I think the important thing is the credibility of the organisation with whoever is the investor. Whether they are philanthropists or government, the important thing is the credibility of the organisation and the trust that they can develop or, through their systems, project to the community. So, yes, I think it does apply, potentially, to both.

Senator EGGLESTON—This is not an area, I must admit, that I know a great deal about. What regulation exists around the states and federally, because some of these organisations seem to be quite big and one would have thought there should be some structure in place?

Mr Callaghan—Yes, indeed. Aside from all the normal regulations of running a business, like workplace health and safety, discrimination, employment law and all that, at the state level there is the Associations Incorporation Act—of Queensland, in this case. That has reasonably minimal reporting. In fact, the only reports we provide are annual audited statements and our annual reports which we attach to them. If there is any change in what we are doing or where we are operating from we just add that into the paperwork that we submit to the department that handles that.

At the federal level, if you move to a limited company which is still in the not-for-profit realm, there is much more rigour in the reporting requirements, and there is much more rigour in following up on what it reported to ASIC, in that case. But, as far as I know, aside from all the normal regulations that affect our community, those are the two pre-eminent regulations that affect the entity of the organisation.

Senator EGGLESTON—So if a body or a board was set up to oversee these various organisations, at what level of turnover and staffing would you like to see it begin and what would be the objectives, overall, of the regulation?

Mr Callaghan—I think that the purpose of the regulation overall would be to ensure that effective governance and management of the operations was happening—bearing in mind that some of these organisations are turning over not just millions but hundreds of millions a year. So that would be the purpose of that, as well as to build trust in the people who are providing either funding or philanthropic donations to that organisation. The other purpose of having a structure like that would be to ensure that effective business was happening in the organisation as well, so that there were effective governance strategies and effective management of those organisations that are turning over a lot of money.

Senator EGGLESTON—Under existing corporations acts and companies acts, could consideration be given to there being a threshold under which the kind of charitable organisations you are talking about would be required to become companies and be incorporated and come under the structure of the existing regulatory regimes for companies and corporations, without establishing a different kind of system?

Mr Callaghan—I would be an advocate of that, using ASIC and the existing structure, and that maybe at the \$2 million to \$3 million mark an incorporated association coming under the jurisdiction of ASIC. The only benefit of establishing a committee as has been recommended in the report—or how it would make sense to me—is to actually ensure that the charities and the not-for-profit organisations have normal business structures in place, so it would have an educative as well as a ratings type of role.

Senator EGGLESTON—Would that be by setting up something under the companies regime?

Mr Callaghan—Yes, that is right—under the companies regime.

Senator EGGLESTON—So would you think it was better not to set up a duplicate organisation for charities but simply to make the existing legal structures cover charities?

Mr Callaghan—That is what I have suggested, yes. It is probably better placed in the existing jurisdiction of ASIC because similar legislation applies to both public companies and not-for-profit companies. Very similar legislation applies to both those groups. A for-profit or public company can also operate in a national or global sense, and so can not-for-profit companies and charities, so there are a lot of similarities at that level between those sorts of organisations.

Senator EGGLESTON—Would you have separate state organisations?

Mr Callaghan—Yes, definitely. I think there still needs to be those for the butterfly associations and the camera clubs of our world because they still have a very valuable role in our communities and they add to our social infrastructure. Very often a small organisation can be very innovative and very responsive to community needs but they do not necessarily need the overlay of all that reporting and all the regimes that might come with someone with \$100 million or \$200 million turnover.

Senator EGGLESTON—What about transparency if that was not the case? People are often concerned that with charities perhaps too high a proportion of the money they raise gets spent on administration rather than getting through to the supposed beneficiaries.

Mr Callaghan—I know that has been a claim. It is very costly to raise money. I do not have any evidence available to me that says that they do spend too much or too little, but I know some of the players in that market and they do say how very, very expensive it is to actually raise money from the community.

Senator CAMERON—Like with Senator Eggleston, this is a learning curve for me in the area of not-for-profits and charities, but just from listening to your quite defined views I am a bit concerned about some of the implications and I would like to get your view. To set a threshold of what you call ‘turnover’ as a definition for what legislation or laws should cover you might be a bit too simplistic because turnover is not turnover in the sense of a business; much of it is grants and much of it is fundraising that a normal business does not have to do. So there is a clear distinction between turnover, grants and charitable donations. I am just thinking out loud as I am going here, if you will just bear with me.

The other issue for me is whether ASIC is the appropriate body. I will just put this proposition to you. Wouldn't it be better to have a stand-alone operation that could understand the differences between a profit organisation and a not-for-profit organisation and could handle some of those areas of difference with a detailed knowledge and—this is the issue you raised—could provide structured educational opportunities for the not-for-profit area? That, to me, seems to be a huge issue. Why would you be spending government grants, why would you need to spend charitable donations, on consultants? Every time I hear 'consultants' I just see the dollar signs clicking over. I just think that is an issue that should be dealt with in any statutory body, where they should be able to take a not-for-profit organisation from its start-up through to a mature, well-run, effective and accountable organisation. I am just not sure. I congratulate you on having thought it through and come in here with your views, but they raise more questions in my mind than they do answers. Lastly, have you discussed this widely with other not-for-profit organisations or are these your genuinely thought through views? I am sorry this was so long.

Mr Callaghan—That is all right. On the last question, they are primarily my views, but I have discussed it with other not-for-profits as well. On the issue of size or turnover, I am coming from the question, 'Okay, what is the marketplace in which we operate?' The marketplace is quite complex at the moment, with for-profits competing with not-for-profits for the same government dollars. That is across many sectors, whether it is health, welfare, employment or training. So you have all those entities operating in a competitive way in the same marketplace. So, as a not-for-profit, we are obliged to fit into the workplace health and safety law and we come under employment law and all the same laws and legislation that for-profits have. So, given those factors, why not keep it within the same regulatory regime? I have discussed this with other not-for-profit organisations. I am not aware of the figures, but I am sure that many of them have moved to become limited companies under the ASIC regime.

The one I have intimate knowledge of is an organisation called Job Futures Ltd. It is a national consortium, and it is in the jurisdiction of ASIC and turns over about \$80 million a year in income, mostly from government sources. So we have moved that into the limited company regime. It is competing strongly with for-profits and multinational companies that are coming into the marketplace. It is not the sort of thing you would expect the local camera club or butterfly club to really be a part of, but once you get to a certain point—

Senator CAMERON—That would be a big butterfly club with \$80 million!

Mr Callaghan—That is right. But once you get to a certain point in your business turnover and staff-wise—

Senator CAMERON—That is what I cannot come to grips with. When—

Mr Callaghan—It would be some sort of arbitrary figure at best.

Senator CAMERON—You might be dead right. I am just not sure.

Mr Callaghan—Yes, I understand what you are saying.

CHAIR—We will have the rest of our inquiry to mull on these issues. Thank you, Mr Callaghan, for coming in. It has been very useful.

Mr Callaghan—My pleasure.

[1.47 pm]

JAMES, Ms Lavenia, President, Central Queensland Multicultural Association

CHAIR—Welcome, Ms James. Would you like to make an introductory statement before we begin?

Ms James—I am pleased to be here. I really want to learn from you why I am here and to assist you with your inquiry.

CHAIR—Thank you. As we have discussed with Mr Callaghan, we have been asked to inquire into not-for-profit organisations. We are particularly pleased to be in Rockhampton today, because it is important to include regional areas as well to find out what the pressures on not-for-profit organisations are, whether a new regulatory regime is needed, whether more specific laws are required for guidance and so on. Do you feel that your organisation has sufficient governance requirements on it? Do you feel that you get enough guidance in your organisation—or perhaps too much governance—on how you disburse grants and income that come into your organisation?

Ms James—To be honest with you, we really do not seek funding. I think we should, but because of the way our organisation is structured—in that all our members are voluntary; we have full-time work, and some of our members are students as well—we really do not have the capacity to be seeking funding all the time. I am aware that there are funding bodies around and that there are funding proposals that we could apply for, but we just do not have the resources to do that. That is something that we are looking towards doing.

I was only appointed to this position on our committee in December last year, when the president resigned. We are designing a new constitution in terms of where we want to be. One of our aims is to make the Central Queensland Multicultural Association the peak body in our region and have all the subcommittees—from, say, Emerald, for example—joining us. We see our role as assisting the Rockhampton Regional Council and even the university in their policies and things like that. Because most of our members are not thinking of funding as such—we are just trying to let the community know why we are in Rockhampton and what our functions are in terms of trying to make this—

CHAIR—Do you get subscriptions from your own members and/or donations?

Ms James—We do get membership subscriptions. As far as I am aware, we have only sought funding from the Queensland government for \$3,000, and that is sitting in our bank account. We have not had the opportunity to use it. So we are really not active in doing things like that.

CHAIR—Is the reason you have not applied for more funding simply to do with time restrictions, because you are volunteers, or does it have anything to do with the requirements, if you get funding, for disbursement and reporting?

Ms James—I guess, firstly, we do not have the resources to be tapping into different systems. Secondly, I think some of the requirements are quite—what would be the word?

CHAIR—Onerous?

Ms James—Yes, onerous! I actually work for the Department of Sport and Recreation, coming from the university, and I just think, ‘Wow!’ But they are the requirements that you need to meet and, because we do not have a dedicated person to look at the funding requirements, that just makes it difficult for us.

CHAIR—That is very interesting in terms of our inquiry. Your organisation is obviously in that interim period between being an almost purely voluntary organisation among yourselves and being one that may be looking at growing and applying for other funding or bringing in other funding sources. Are you aware of any body that would assist you in how to deal with rules and regulations, how to deal with governments and, indeed, how to set up your new constitution, which would require the assistance of someone with some sort of legal and accounting knowledge?

Ms James—We are just working through our networks. Some of the people on our committee are university lecturers, so we are tapping into that network and the community in Rockhampton. It is also through my network. But we are going to go ahead and send one of our representatives to some training that is happening in Rockhampton soon to do with funding application processes. We are going to send maybe our treasurer to attend that.

CHAIR—Who is running that?

Ms James—It has come through the Rockhampton Regional Council, but the person who is going to be running it is the lady who works in the Office for Women in Rockhampton, Andrea Maxwell.

CHAIR—Are you paying for that or is she running it as an information session?

Ms James—It is free training.

CHAIR—So the council is helping to facilitate that information dissemination?

Ms James—That is my understanding, yes.

CHAIR—That is very interesting.

Senator FURNER—Ms James, may I first congratulate you on your efforts and your passion to do something for your community. It is something that I personally am involved in, through not-for-profit organisations, several of them. I think it is rewarding that people are there in our society willing to advance and assist other people.

I want to refer you to a survey that was conducted by *Choice* magazine. There are some alarming comments in that survey which you are possibly unfamiliar with. For the record, I will enlighten you on them. In regard to what their readers thought charitable organisations do with

money, one comment was, 'I will not donate to charities unless I know how the money is split and what their overhead cost percentage is.' Another example of these respondents to charities was, 'Figures can be manipulated and misconstrued to paint the charity in a positive light.' Another comment was, 'There can be clever accounting used by charities—it is all very legal—that shows their fundraising costs as being minimal.' I am not expecting you to comment on those comments, but I imagine that those perceptions are challenges for an organisation like yours to dispel. I think it is important, once again, that your organisation exists. What do you believe is the best way to manage those perceptions of members of the public who are willing to donate or assist you in your endeavours to be successful as a charitable organisation?

Ms James—I think it is important for our organisation to go out there and just let them know that that is not the case and that most of us work as volunteers and that we do most of the work outside our office hours. We work on the weekend. If they were to donate to our organisation, their money could be spent wisely on trying to educate, I guess, the people of Central Queensland on multicultural issues and how we can all live happily together.

Senator FURNER—Say I was a donor to your organisation and I was inquiring about the governance of your organisation—how it is run, who is responsible, what sort of procedures and practices you have in place—how do you think you would be able to provide me with that information as a donor to your organisation?

Ms James—Because currently we do not have a structured system as such, if we were given money we would make sure that transactions were recorded correctly so if a member were to ask where the money was going we would then be able to show them where the money had been spent.

Senator FURNER—Okay. Thank you.

Senator EGGLESTON—How would your organisation react if you were told you had to comply with regulations under some state or federal government authority? Would you feel happy about that?

Ms James—We would be happy about that. If there was training involved, we would be happy to go along to that to make sure that we had the process down pat and understood how it ran.

Senator EGGLESTON—How many people are there in your organisation?

Ms James—We currently have 150 people. On top of that, we have international students. When I came on board, because of my background, I wanted international students to become members of our association because we are in this regional area. So we made them non-paying associate members of our organisation. That is why the numbers have increased slightly from previous years. They come along to whatever social functions we organise. We can pick them up if they do not have transportation. We organise for them to be picked up and dropped off again.

Senator EGGLESTON—What range of services do you offer to your members?

Ms James—To the community?

Senator EGGLESTON—No—to your members.

Ms James—We usually hold barbecues for get-togethers and we were involved with the university's multicultural fairs, which were conducted on and off for 15 years. Just this year the university has decided not to go with that, but we are working very closely with them on the fact that in October this year they are going to provide some funding for us to stage an international food festival. The Rockhampton Regional Council is organising a multicultural festival in August this year and we are part of that as well. So there are all those sorts of activities and when we have new members come into town, people from overseas countries, we try to welcome them and provide some information to them.

Senator EGGLESTON—So what size budget do you have?

Ms James—We are working with \$3,000. There is not much money there.

Senator EGGLESTON—So it is quite a small organisation?

Ms James—Yes. We would like it to grow but we just do not have the resources to tap into the different funding bodies that are around.

Senator EGGLESTON—And you depend on volunteers, do you?

Ms James—Yes.

Senator EGGLESTON—You don't have any paid staff?

Ms James—No. That is something we are looking at: to maybe employ a 0.5 person to do that sort of work for us. The other thing we are looking at is working with some non-government bodies within Rockhampton to try and attract skilled workers from overseas countries to come in to work in Rockhampton. That is something we are working towards.

Senator EGGLESTON—Do you get any assistance from any government organisation in terms of accommodation, office, staff and so on—either from state, federal or local governments?

Ms James—The Rockhampton Regional Council has been very supportive over the years. They have given us a space in one of the centres in town, and there is a LAMP officer who works closely with us. I cannot really remember what 'LAMP' stands for.

Senator EGGLESTON—Is there any statewide or national organisation for multicultural organisations or clubs like yours?

Ms James—There are a few bodies around the place but, again, we just have not really done all the research to get us going and to hook up with the other organisations that are out there.

Senator EGGLESTON—So you do not see yourself as part of a bigger organisation but really just as a local organisation?

Ms James—We would like to be part of a national organisation but, again, as I said, we are limited in resources. But that is something we are looking towards doing in the future.

Senator EGGLESTON—Thank you very much for that information.

CHAIR—For the small amount of funding that you do get, do you report to an annual general meeting or have any other reporting?

Ms James—Yes. We submit our return to the Office of Fair Trading every year. That goes through to them. We are just trying to tidy up some of the processes that there were before. The books were not really tidy. So we are in the process of tidying them up now.

CHAIR—There being no further questions, I thank you very much for coming in this afternoon.

Ms James—Thank you.

[2.02 pm]

HORNAGOLD, Mrs Margaret, Manager, Darumbal Community Youth Service

CHAIR—Good afternoon. Do you have any introductory statement you wish to make?

Mrs Hornagold—In checking up on the background to the inquiry, I had a quick look at some items on the internet in relation to inquiries into charities, and I would like to give you some background as to who we are, what we do, how we are incorporated and the service area we cover.

Darumbal Community Youth Service has been established as a not-for-profit community based organisation for 14 years now. We came about because of the Burdekin inquiry into youth homelessness all those years ago. We are based in Rockhampton but we do provide services outside of Rockhampton to neighbouring communities of the Capricorn coast—Mount Morgan and Fitzroy shires. We do get called upon from time to time to maybe offer some services to the Woorabinda Aboriginal community, but we just have to note that in line with the service agreements we have from the funding bodies to see if that does come within our scope of coverage. We provide a range of services.

We get funding from state government—primarily the Department of Communities—but we also over time have attracted dollars from the Commonwealth government for particular projects. Often those have not been recurrent or long-term projects; a lot of them have been pilots. We also did get some funding at one time from the Foundation for Young Australians as well. With that funding we run a range of programs and they have service agreements and requirements to report back to the funding bodies about how they are run and how the money is acquitted for those particular grants that we have. They fall within a range of services for Indigenous families and for young people—around education, because we have a program that tries to assist young people to remain in school, and youth justice. Also we have just taken on board a program around volatile substance misuse, which is around the abuse of solvents and young people chroming on the streets.

I have been with Darumbal for seven years. A lot of the funding that comes through is very targeted towards particular programs. But the organisation as an entity does not get funded. My salary at the moment comes from management fees from the programs—some people call them auspice fees. That pays for my salary as the manager of the overall organisation, my IT officer and my finance officer. Anyone would agree that they are three critical roles for any organisation in this modern day and age. I know that sometimes questions get asked about funding that comes through for service delivery particularly. Because the area that we work in is Indigenous affairs primarily, there is a great need for services and programs in that area. So we are asked why organisations show on their books quite a large component to do with management or administration fees. My situation with our organisation illustrates that if you did not have a manager and you did not have a finance officer—and an IT officer in this day and age—you would really be behind the eight ball.

One of the other things that we experience as a non-government organisation is that we stand alone; we do not have affiliates in other parts of the country. All of our business is conducted from our premises here in Rockhampton. But when we are tendering we are competing against a whole range of interests out there, such as other local groups, state based groups, federal groups and, potentially, international groups now. We have to build the infrastructure within our place to be competitive, because, when funding bodies look at you to see if you are attractive for them to fund, you have to have a strong governance base, a strong financial framework and strong accountability. And you need that not just now but over a period of time—maybe three years in the past.

We have recognised the things that we have to do to be competitive and stay in the game. We have taken on board a number of programs around specific purposes, because we are also aware that if you are a small organisation and you tend to run one program there is a real possibility that you will get swallowed up or be forced to combine or amalgamate with other like groups. Sometimes, that can happen not of your own accord.

I heard the question you raised with Lavenia before in relation to fundraising and some of the issues around that and how people think when they give donations to organisations. We have a particular viewpoint around fundraising. We have found it difficult to go out there and seek donations or to fundraise, given the competition and the limited resources that the general community have. Giving to appeals or donating to specific groups is getting less. It is getting tighter and tighter for people to do that. You have to have some kind of skilful marketing campaign or a prominent person who is known in the community and who can lead that campaign for you, and we do not have that.

The other thing, too, is that there is always this perception: Indigenous organisations get all this government funding, so why are they out there seeking donations from the mums and dads? I am not saying that other groups are not entitled to it, but, if they see Lifeline or some of the other groups which do a magnificent job out there on the hustings for fundraising dollars, why would they give to us? With a small regional community like this, the tendency is to give to those groups rather than to groups like ours. I guess that that is just the way that it has been.

In terms of disclosure issues for groups like ours, we have PBI status. We have had that for some time. We are very keen to retain that. One of the reasons for that is that it gives us the ability to offer benefits for potential employees, such as salary sacrifice. Everyone here at the table would be aware that the recruitment market across the country is getting close to full employment capacity and people have the ability to choose where they want to go for employment. In this area, we face a lot of competition from the mines. I am sure that you have heard that from other speakers here. In order for us to be able to attract quality people to our organisation we need some of the benefits that come through setups like salary sacrifice. We need to be able to use that to offset the low wages that are offered in this sector. I would really like to emphasise that that PBI status is something that we want to hold on to.

I know that there were some discussions recently with the federal government and with Centrelink around some of those payments. It was advocacy from the sector that sent a message back to the federal government that some categories of workers could be impacted upon because of the mooted changes. We are pleased that the federal government listened and that they are readdressing that situation.

I am not sure if this is the angle that you are looking at, but in terms of disclosure one of the things that would have been raised with you, not just here today but across all quarters, is the level of reporting that NGOs have to do. Often, the same reporting requirements are placed on organisations whether it is a grant of \$5,000 or a grant of \$50,000. Part of the difficulty, too, with funding is that we potentially have funding from one government agency but in five buckets, so that each has its own reporting schedule and key performance indicators that need to be addressed.

Part of the job that we have to do inside the organisation is to do the financial tap dance to keep those things in their own little silos, because you have to report back that way. But then you have to look at the overall picture for the organisation with regard to what it is doing and producing and whether it is addressing all its compliance requirements. We are sitting down and going through the budgets for 2008-09. It is an interesting exercise. I do not know if I have talked too much. Is there something that you want to ask me about as well?

CHAIR—It has been very useful. Thank you. This is our first inquiry in this reference, so rather than us hearing from other people you are setting the scene. We will be referring to your evidence with other groups. Do you have any kind of board of management or is there just a staffing structure?

Mrs Hornagold—We have a board of management that is elected at the AGM yearly. We have a system where there is a two-year turnover, so that people hold their position for two years and then that position becomes vacant and they stand down. It has been done that way for a number of years just to maintain some continuity and knowledge among the board members. We have all seen situations where there can be a whole sweep of the board and a whole lot of new people come in and it is quite an exercise to get everybody up to speed again on where everything is.

Our incorporation is a little bit different, too, because we have two groups of membership so that we can have on our board Indigenous and non-Indigenous people. The make-up of the board is 75 per cent Indigenous and 25 per cent non-Indigenous, so it is always in the hands or the control of Indigenous people but we recognise the input and expertise that we can at times draw upon from people in the non-Indigenous sector. For example, our treasurer at the moment is a former accountant and a non-Indigenous person. It has been very useful for us in terms of setting out our financial position and looking at our budgets and the things that we need to do. So we have a board structure and they go to an AGM every year.

CHAIR—You mentioned that you are a stand-alone organisation. Is there anywhere that you go for assistance with any queries or questions?

Mrs Hornagold—Yes. We certainly do. We have really looked for avenues to do that through. I sit on the board of the Queensland Council of Social Services, so we have QCOSS and ACOSS as points of reference in relation to any issues. We are members of Commerce Queensland. They provide advice to the employer body around industrial issues for the organisation. We also take advice from other groups. For housing, we are a member of the Queensland Youth Housing Coalition. There are Youth Affairs Network Queensland and groups like that.

CHAIR—I see. Do QCOSS or ACOSS provide any information about issues to do with governance and how you should run your organisation?

Mrs Hornagold—They do that. So do the Queensland state government, through their strengthening non-government organisations initiatives, which have been running over the last two to three years—and they had a specific Indigenous NGOs component of that. QCOSS tendered and got the funding to roll out a whole series of workshops for NGOs across the state around compliance issues, governance, chartered accounts and all those kinds of things. They came to Rockhampton and organisations went along and were part of that and got some really good advice. The Queensland University of Technology was included in that, too. They had people there who could provide a lot of information around sustainability. They looked at some models from the UK, Canada and America to see what we could draw from those down to a local level. We really try to not be blinkered to just what we do here but realise that we are part of a wider network out there.

I will alert you to the fact that we had ATSIC as a peak body for Indigenous issues and that went. The Commonwealth government is now looking at a voice or some kind of body nationally. I have been part of a group state wide that has got some funding from communities to develop a coalition in Queensland. What we do locally is form a group of Indigenous managers from the NGOs who meet regularly to feed information into and have input to the state based group, who will—I hope—once the Commonwealth group has its group set up be a pathway for issues from the local level to go through to the federal level and come back down again, too.

CHAIR—You said that that is funded by the Queensland government through their community services?

Mrs Hornagold—Yes. They funded QCOSS for the first 12 months to auspice that project. Indigenous managers were quite happy with that process because QCOSS already has a framework that we can learn from.

CHAIR—So you have that body of information. If you have any specific queries or need assistance that is relevant to your organisation, is there somebody within QCOSS that you can ring up and talk to?

Mrs Hornagold—I usually go to John Lamb, who is the head honcho—the director—there. There are other people who form the body of QCOSS, too. Because I am a board member, I can access those people as well. A lot of them have run NGOs for a number of years and so they have information that is really valuable for groups like ours.

CHAIR—Effectively, as the manager you have formed the appropriate networks.

Mrs Hornagold—Yes. Our organisation prides itself on having very strong networks. Whether for high-level advice or whether for advice for clients and knowing the best place for clients to be able to get a service and not be kept waiting, we utilise the networks that we have. We are aware that we cannot do it all. We need to have those networks and look after those networks, too.

Senator CAMERON—Thanks for coming along. I have found it very interesting. In comparison to a previous witness, Mr Callaghan, you are in a completely different situation. You depend on grants and those grants are subject to quite significant accountability measures through KPIs and reporting procedures. I assume, then, that you would not favour further impositions on your organisation under your current structure.

Mrs Hornagold—We would not. I would certainly add the rider that if they were to come in we would need sufficient funding to enable us to put in place all the processes that we need to be compliant. As I said, we felt that we needed a finance officer, so we put the bid in for that as part of the overall funding. But it is not seen by the funding bodies that they should fund that specifically.

Again, IT has always been a big issue for me in that we are required to do returns and stats recording and send those back through internet mechanisms, but in order to do that you have to have the facilities in your own place—you have to have good IT and people who know how to use the system. It is no good if you have this whizzbang thing at the other end that is getting the information but you cannot put it in in the right way to begin with. The other issue for me is local analysis of that data. Again, we can feed it into the sausage machine and it goes away over here, but if we cannot make any sense of it and if we cannot talk to it, what good is it? It is just something that you have to do and it goes away, but it means nothing for the people here. I think data collection has been an issue for a number of groups locally—the means with which to do it and record it and make some sense of it locally so that we can then be putting positions forward. Part of the paperwork I was looking at too looked at the advocacy and the lobbying roles of charities. I think that we are required to do that more and more because we are working with really marginalised people who have no voice. We have to put their issues out there to flag what they are, so we do have to take on board that lobbying and advocacy quite strongly.

Senator CAMERON—Just listening to the evidence so far, it seems to me that there are three types of organisations. There may be a lot more but the three types I see are grants reliant organisations, like your own; organisations that rely on donations; and organisations that become trading operations.

Mrs Hornagold—Yes.

Senator CAMERON—There may be more but they are the three that come to me now. It would seem to me, and I would like your view on that, that you could not have a one-size-fits-all legislative framework for accountability for those three diverging groups.

Mrs Hornagold—I do not think you can. I could be wrong but I do not see that there is a connection between the government bodies who give grants and funding and another government entity that incorporates or looks at the official mechanism, the make-up, of an organisation, whether that entity is the Office of Fair Trading, which we operate through, or whether it is ASIC or some other organisation. So there are requirements put upon you from that side of the fence that you have to do these things and then you have the funding bodies saying, ‘We want this as well,’ and there does not seem to be a fit between those two. We are not-for-profit, and part of the expectation in relation to us and a lot of other not-for-profits at the moment is that governments will tell us that we will never be funded 100 per cent; it will be subsidised funding. So where do you get the balance from? Is it through your own mechanisms of

fundraising or some other venture you might want to engage in to bring it to 100 per cent of what is required in order to deliver a service? We are seeing that quite a lot more. Do we show a profit in our books at the end of the financial year and, if so, how much can that profit be before it is seen to be too much or that we are taking too much from a program? There are no clear guidelines around that.

Senator CAMERON—Would it be a profit or a surplus?

Mrs Hornagold—If it is a surplus the government will take it back.

CHAIR—That is right.

Senator CAMERON—So you have to allocate it as a profit.

Mrs Hornagold—Yes.

Senator CAMERON—How much of your resources, as a rough percentage, do you put into accountability measures and how do you get the balance? You have to have accountability, so how do you get the balance between accountability and providing your core service?

Mrs Hornagold—I look at it this way: if we are not compliant we can be shut down and the service is taken away from the clients. We have come from a position and I can look back at a time when all of our focus and all of our energy was on client related services but, in doing that, we had a run-down facility with people working in terrible conditions. It would have taken only one of them to lodge some kind of claim to say that the duty of care towards them was being breached and we would have had to address that. We shifted offices and got into a more upmarket sort of place, more in the CBD, but it became a place where there was no room for clients. We copped a lot of flack for that, but to my mind we had to reposition ourselves in terms of safety issues for workers because that could bring us undone and we had to look at other ways in which we could engage with the client base.

We are probably coming around to the beginning of the circle again where we feel we need to be back with our clients because we have been able to get these other processes in place. We have got the finance officer. We have got the policy and procedures in place. We have done the governance training for the board. Staffing positions are in place, and they know what their roles and responsibilities are. That has been shored up behind the scenes, and we are right with that. So we are moving back to: how can we engage more with our clients? We felt we could not do both at the same time; there were just too many competing priorities. We were supported in that move by the funding bodies. They have commented to us that since we moved to our new premises they are happier about funding us because we can take on more mainstream clients rather than the most marginalised and vulnerable where we were before. We provide services to all people. We are an Indigenous controlled organisation with a majority of Indigenous staff, but our services are open to all people.

Senator CAMERON—You indicated that originally it was about homelessness and you have moved into a wider social area—petrol sniffing, substance abuse, all of that. It is pretty hard to measure in a KPI how successful you are and what your contribution to the community is. How would you deal with that under changed reporting procedures?

Mrs Hornagold—It has been more outputs based funding and outputs based reporting for us. So we get given \$20,000 and, for that \$20,000, there is a series of milestones or things we have to achieve, and that is all we have to give back to the funding body. The shift is more around outcomes: what is actually happening on the ground; what does this service mean for the people it is being delivered to? I know the Prime Minister has talked about outcomes initiatives, and so we have latched onto that too. How can we drive this to show that, yes, we get the money in and these are the things that we have to do, but now get underneath that to the people so they are able to say, ‘Yes, this really did mean something for us’? We are making that shift now in relation to the staff: how do we get that feedback and evaluation from the people we are working with, because they are the best source? If we are working with a group of young people, we ask: do you think we did this okay; would you come back again; are you able to talk and work with the workers who are delivering the service; what other things could our service do? That has been part of the standards we have been looking at: how do we engage with our people; how is it set up that our people can tell us if we are not doing the right thing; and how do we put that into place so that we make shifts and changes based on what our consumers are saying? We are going through this standard process at the moment where we are addressing all these things about the people we work for, the people who work inside the organisation and the governance arrangements.

Senator CAMERON—I think economic outcomes everywhere have been driving where the country is going. Getting the balance between market and economic outcomes and social outcomes is where you are really at the cutting edge, aren’t you?

Mrs Hornagold—Yes, that is right.

Senator CAMERON—You are really there. Has there been any academic analysis done that you are aware of as to what economic benefit your group provides in getting a young kid off the streets, off petrol sniffing, into a house and maybe into a job—has that been done?

Mrs Hornagold—I could not quote you exact texts that have been done, but I know there is work that has been done by Youth Affairs Network of Queensland, by Queensland Youth Housing Coalition and by QCOSS themselves on just what it would take for a young person to come through a service and move through these other streams, whether it is into employment or back to school or whatever it might be. You weigh that up against the cost of incarceration of a young person who is sitting inside a juvenile detention centre—the daily cost of that compared to the other possibility. So I know that there is work that has been done on that, but as I said I could not quote you the exact texts. But that is probably the extreme.

If you do not do anything, you have got a young person who could be going to a juvenile detention centre or a prison, or they could pay the ultimate price, life—where a young person takes their own life because they feel that there is nowhere else for them to go. This community, for a period of time, had the worst rate of youth suicide in the country. We were going to a funeral every Friday for a young person who had taken their own life. The community rallied behind that, and there was not improvement, because we did not see that number. When anyone takes their own life, it is a real burden on the community. I know the impact it has on a service like ours, on our workers, on all of us, because we worked with that young person: we knew them, we know their family. It just really cuts the heart out of everyone when that happens, and we have got to turn around and get back into the swing to be able to work with the next group of

people to come through the door. I guess, from a community based and non-government organisation angle, we provide that service for the clients but we also have staff who were related to that person and are going through the pain too, so we have to carry them for a period of time. These are all the things that are never costed.

I am part of a reference group at the moment with the Department of Communities, and Disability Services Queensland, working on a project called 'Fair level of funding': what is the real cost? What are the costs that we all bear that are never shown in a funding agreement? So, that is some work that is happening at the moment, and that is through the Department of Communities and DSQ in Brisbane. They engaged some people from one of the universities to come out and do a bit of a survey about all the hidden costs that are there. It will be interesting to see the end product of all that work too, because they are trying to find a formula or a methodology for how groups like ours and others are funded.

Senator CAMERON—Thank you.

Senator FURNER—Mrs Hornagold, you raised the issue—and it was not something that had crossed my mind—of the loss of skills when people move from your organisation, whether it be to the mines or into other workplaces. How can we deal with that; and, also, have you seen a marked increase in those numbers over the 14 years of the organisation's existence?

Mrs Hornagold—There certainly has been. It may just be to do with economies of scale, where everything is just costing so much that people are looking for security for themselves and for their families, and it seems at the moment that the mines are offering that—high salaries—and they can achieve what they want in a shorter period of time than they could if they worked in an organisation like ours. What we have tended to do is put a lot of effort into training and actually getting people skilled with us and just trying to build a good environment for people to work in. We know we cannot give them the actual dollars that they need, but we try to give them some of the intangible things that might make people happier to come and work in our organisation, those arrangements like time off for family business or cultural leave which they may not get in another organisation. We are certainly always competing with some of those bigger interests.

I know that there is talk at the moment of some of these awards amalgamating, but I have just gone through an exercise myself as CEO where a comparison was done between what I am paid under the social and community services award, comparing the duties of that high-level award, and what government employees are paid, and my salary is probably \$20,000 less than my government peer would be getting over here. We actually pointed that out to the DG and the Minister for Communities the last time we were in Brisbane, and they were actually a bit shocked to see the comparisons between those. That is at top level, but other workers further down the food chain experience that as well, because there is a lot of pressure on people who work in this industry, with its complexity. As I said before, there are young people who take their own lives. We are seeing more people who have got mental health issues with substance abuse. What I am really worried about at the moment is the use of crystal meth and how that will come into the community. Our workers are at the front line of that. How will they cope with it?

Senator FURNER—Approximately 12 or 14 years ago I went to Woorabinda in another type of work. Has it improved at all out there?

Mrs Hornagold—I would not like to make a value judgement because I do not live in that community all the time. There are people who call that community home, and they are quite happy to live there. Personally, I think there have probably been too many agencies involved with the community, each giving the leaders of that community advice about where they think that community should go. There has not actually been time for the community to just sit down and work out: ‘Who are we and where do we want to be?’ I look at some of the work the First Nations people in America have done with the Indian places there and I do not think the people of Woorabinda have ever had the opportunity to actually sit down amongst themselves and determine where they want to be and how they want to get there.

It is difficult if you are in a position where you depend upon the next lot of dollars from a funding body. Unless you have some other way to shore yourself up, most organisations will take that money—and take it with the riders that are attached to it. People do not want to bite the hand that feeds them. So, whenever there is a change in personnel, government policy or funding direction, you get a host of state and Commonwealth cars that head to Woorabinda with people giving advice. If we want to talk about the outcome, what is the outcome for the people who live there, particularly the young people? We see issues about rights in the paper. They have chroming and other issues there too, such as family breakdown.

What we are seeing at the moment is that alcohol bans have been imposed in the community from 1 July. So now we are being asked by government agencies to monitor how many people we see on the streets or in our services requesting help who have moved from the community to Rocky because they still want to drink. Shouldn’t there have been something that was planned before the bans came in? Shouldn’t all the service providers in the adjoining communities have been talked to about what the impact might be on them so we were ready, instead of now having to provide the feedback after the deed is done?

Senator FURNER—Thank you.

Senator EGGLESTON—Thank you for all the evidence you have given this afternoon. One of the things we are interested in is regulation of charities and small groups like yours. Do you think it would be too difficult or an imposition to require anybody who was set up as a charity or an assistance group like yours to get some sort of licence from a state regulatory authority, which could be provided fairly cheaply, and to provide a statement of income and expenditure, which might be audited by a local bookkeeper or accountant, to the regulatory authority? Although obviously your organisation is a very ethical one, some people have the view that some organisations do not use the money they receive or raise for the purposes they say it is for. I know you depend on grants, and obviously you have to report on the outcomes to whoever provided the grant. In general, do you think that kind of low-level regulation would ensure that all such small charitable organisations acted in a charitable way and met their obligations to the people they were set up to help?

Mrs Hornagold—I will come around to answering that question, because one of my observations is that it is always interesting that when questions arise about charities or not-for-profit, non-government organisations they are: how do we manage the money we get, are we doing it ethically and are we providing it to the people it is meant for? I just think that groups like ours and others get a level of funding—it is never 100 per cent—and we have to deal with the most marginalised people with the most complex issues, at times. I suppose the questions for

me are: why do governments fund us as a third sector? What do they see us as being? What are we meant to be doing? My observations are that the private sector is where a lot of the issues have arisen, through a lack of ethics and, basically ripping off sometimes—if that can be the term—and yet the impacts of what has happened with some of the big companies has now rolled down into our sector. The level of compliance that we have to go through is comparable with big companies who are on a for-profit basis.

In terms of where we sit with regulation and compliance, we have our books audited by an independent auditor. We have another finance company who comes in and does all the paperwork before the auditor gets to it. We pull in, I think, over \$1.3 million worth of funding. What we do at the moment is sufficient for our needs. I would not want to see us coming under any kind of regulatory framework but there may be a level of dollars that people can look at. I know the Queensland state government has done this with some of their compliance. If you are funded for \$100,000 or less there is a different level of compliance that you have to engage in. Again, things could be made easier in relation to how the smaller charities get their books done and the insurance. Insurance is the other big killer.

Senator EGGLESTON—That is a big issue.

Mrs Hornagold—I always baulk a bit when I hear about regulations because I think, ‘What does that mean and what are they actually looking for?’ Does regulation mean better levels of funding or does regulation mean more burdens being placed upon people to acquit and be responsible for the minimal amounts of money they get.

Senator EGGLESTON—It is a hard course to steer, isn’t it?

CHAIR—Thank you Mrs Hornagold. That concludes the committee’s inquiry this afternoon. The committee is adjourned.

Committee adjourned at 2.42 pm