

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

2014 - 2015

Department/Agency: Australian Charities and Not-for-Profits Commission

Question: SBT56-59

Topic: Australian Charities and Not-for-Profits Commission

Reference: written - 31 October 2014

Senator: Xenophon, Nick

Question:

56. How many charities have registered with the ACNC?
 - a. On notice, can the ACNC provide a breakdown of how many are small, medium and large?
57. Has the ACNC undertaken any surveys of the sector to gauge satisfaction or areas for improvement in the ACNC's activities?
 - a. If so, what are the results?
58. The general responsibility for this sector used to rest with the ATO, although those activities were focussed more on dealing with tax concessions than regulating charities. What additional information has the activities of the ACNC given us, beyond the level of information previously collected by the ATO?
 - a. What are the benefits of having this information?
59. Does the ACNC communicate with overseas regulators in terms of developing best practice etc.?
 - a. How is the ACNC viewed internationally?

Answer:

56. Since the establishment of the ACNC on 3 December 2012 to 31 October 2014, the ACNC has registered 4,758 charities.

During this period the ACNC has revoked the charity status, or removed from the Charity Register, over 6,000 organisations.

- a) Registered charities were asked to indicate their size as part of their 2013 Annual Information Statement submission to the ACNC. Of the 45,375 charities that had submitted their 2013 Annual Information Statement by the end of October 2014, the breakdown of small, medium and large was as follows:

Small: 31,119 (69%)

Medium: 6,878 (15%)

Large: 7,378 (16%)

The 2013 Annual Information Statement is the first time that this information has been captured on this scale.

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The ACNC considers the proportions are a reasonable and accurate estimate of the breakdown of small, medium and large across the whole population of registered charities (approximately 60,000 charities).

57. The ACNC encourages feedback in a number of ways and continuously uses this information to improve our services.

Registration customer satisfaction survey

All registration applicants are surveyed, regardless of the outcome of their application, to gauge their level of satisfaction with our service.

The year-to-date figure indicates that 94.5% of respondents were satisfied or very satisfied with the ACNC's quality of service.

The survey also accepts comments, some recent examples of feedback include:

- *Very helpful and informative. The ACNC Analyst guided us to be better at what we aim to do and help us to stream line our application.*
- *The ACNC Analyst was of great help to us. As a committee member for a local charity, I had no experience in the requirements to become registered as a charity or a DGR but I was determined to try! The ACNC Analyst was fantastic, taking me through every step, re-explaining when needed and providing advice on our best options. The whole committee is extremely happy and would like to say thank you to the ACNC Analyst.*
- *I only have positive things to say - I sincerely appreciate the efforts of the ACNC to assist our charity become registered.*
- *I was pleasantly surprised by the speed of processing and response.*

Advice Services

The ACNC also records complaints and compliments through the Advice Services email account and phone line. Since the establishment of the ACNC on 3 December 2012 to 31 October 2014, the ACNC has received 139 complaints and 478 compliments. During this period the ACNC has received over 70,000 calls and 75,000 emails.

The majority of complaints/concerns about the ACNC are regarding information technology issues. The majority of compliments about the ACNC are regarding prompt service, helpful staff and clarity of information.

Sector surveys

A number of sector surveys have also indicated a high level of support for the ACNC.

[PWC CSI Community Index report](#)

The 2014 report findings, published in October, found that:

- CEOs believe there is a role for better regulation of the not-for-profit sector:
 - 90 per cent want a national registry of not-for-profit organisations

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- 84 per cent think there should be a reporting framework for the not-for-profit sector
- 87 per cent say state-based regulation should be nationalised.

[Pro Bono Australia State of the Not for Profit Sector survey](#)

- The 2014 survey findings, published in September, showed that 82% of respondents believed the ACNC is important or extremely important for developing a thriving Australian Not for Profit sector.
- Only 6% of respondents supported a return of regulatory functions to the Australian Taxation Office and 5% supported self-regulation.
- These figures are similar to those reported in 2013.

[Grant Thornton](#)

- The 2013/14 Grant Thornton Australia and New Zealand Not-for-profit sector survey, published in October, stated that the recent introduction of the ACNC was welcomed by 83% of Australia respondents who said they felt the sector needed a regulator. Most respondents were ready to meet their ACNC obligations.

[Australian Institute of Company Directors 2014 NFP Government and Performance Study](#)

- The Australian Institute of Company Directors (AICD) 2014 NFP Governance and Performance Study, published in October, examined the governance practices and opportunities of NFP organisations and is the largest and most comprehensive of its kind in Australia. The report stated:

Directors want the Commonwealth government to keep the Australian Charities and Not-for-profits Commission. There were a significant number of unprompted requests from the sector for the Commonwealth government to retain the Australian Charities and Not-for-profits Commission (ACNC). The questionnaire made no mention of the ACNC yet many written comments strongly supported its retention.

Similarly, the ACNC was not raised by the group moderator but in seven of the eight focus groups directors raised the topic of the future of the ACNC and expressed strong views that it should be retained.

58. Prior to the establishment of the ACNC there was no national public register of charities. The ATO had a paper based list of the charities it had given tax concession status to at some stage in the past but they had no obligation to keep even basic information such as contact addresses up to date. Some of their information was many years out of date and the ATO's list was not published.

It was impossible to say with any degree of certainty how many charities receiving tax concessions were active and operating in Australia. The sector itself lacked accurate information and it made it very difficult to often see where there was duplication of charitable activity and where there was unmet need. It meant for example, that someone thinking about setting up a new charity may not realise that there were already multiple charities doing the same work in the same location.

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For the public this meant that they lacked a single trusted source of data about a charity's status, purposes, activities, beneficiaries or governance arrangements. If as a member of the public you wanted to find out information about a charity this was often not possible. The ACNC's records show that approximately 7% of small charities (defined in the ACNC legislation as those with total annual revenue of less than \$250,000) registered with the ACNC have their own website. Australian Government departments, funders and other agencies often lacked even basic information about charities. This resulted in them requesting information multiple times from charities, causing unnecessary red tape.

This lack of public information was a live issue as long ago as 2008 when an article in 'Choice' magazine raised public concern about the lack of information on how donations are used. The article found that donors overwhelmingly wanted information about the use of their donated dollar, yet the availability of such information varied widely.

The Productivity Commission Report also found that increased transparency and public scrutiny of not-for-profit organisations was warranted to maintain public trust in the sector.

The lack of access to information has been raised as a concern by some in the sector:

"[In reference to abolition of the ACNC] is one other serious assault on consumer protections ...it's essential for donors to have complete confidence that the charities they are donating to are clean, well governed and operated on a financially sound basis" Taxpayers Association.

The ACNC, through the online ACNC Charity Register, provides the public (including potential donors), charities and governments with a free, up-to-date and trusted source of data about the charitable status, purposes, activities, beneficiaries and governance arrangements of Australian charities. The ACNC has made extensive efforts to identify charities that have ceased operating and has already removed or revoked over 6,000 charities. By the end of the 2014/15 financial year the ACNC aims to have up to date verified information on all Australian charities on the Register that the public can rely upon with confidence.

The [ACNC Charity Register](#) is populated and kept up-to-date through registered charities completing the Annual Information Statement. Just under 46,000 have already done so (over 85% compliance rate in the first year of reporting).

The ACNC Register already contains the governing documents of 25,000 charities, 8,000 sets of accounts voluntarily provided and published. From the 2014 reporting year, the ACNC is also collecting and publishing charities' financial information. This includes basic financial information for all charities (except for basic religious charities), as well as reviewed or audited financial statements for medium charities, and audited financial statements for large charities.

The value of this data was demonstrated in analysis by Curtin University of 2013 Annual Information Statements, released in the Australian Charities 2013 report, a census report on charities registered with the ACNC. The analysis provided the first comprehensive, evidence-based research of the charity sector of its kind in Australia.

58 a. The information collected by the ACNC and published on the Charity Register benefits the public, charities, and government.

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The information collected by the ACNC is critical to protecting and enhancing public trust and confidence in the charity sector, which is vital to the sustainability of the sector.

The 2010 Australian Productivity Commission Research Report on the Contribution of the Not-for-profit Sector, for example, found that increased transparency and public scrutiny of not-for-profit organisations was warranted to maintain public trust in the sector.

Research commissioned by the ACNC found that 77% of participants believed a public register of charities to be ‘very important’ (see [Public trust and confidence in Australian charities, 2013](#)).

The need for a public register of charities to support public trust is also in line with international standards. For example, the International Center for Not-for-Profit Law argues that a ‘public register of civic organisations is necessary to protect citizens’.

The [Australian Charities 2013 report](#), based on Annual Information Statements submitted by charities to the ACNC, was valuable for anyone wanting to understand more about the charity sector, from the general public and charitable organisations, to researchers and policy makers. Charities could also find out more about similar charities, facilitating opportunities for greater collaboration, learning and good practice. The collection and analysis of these first Annual Information Statements also provided an evidence base as the foundation for future research and greater understanding about the charity sector.

As the volume of available data grows, a clearer picture will evolve of issues such as where and how the sector is growing, who is receiving their support, their funding sources, and the sector’s contribution to the economy. It will also support better policy decisions and better strategic planning for governments and charities alike.

The information collected by the ACNC can also help to reduce red tape for charities by being a single repository for charity information that can then be shared by the ACNC with other government agencies. The function, implemented through the ACNC Charity Passport, can significantly reduce the number of times charities have to provide the same information to different government agencies.

59. The ACNC has regular and ongoing communications with charity regulators from other countries including: New Zealand, England & Wales, Singapore, Canada, Scotland, Northern Ireland, the Republic of Ireland and the USA.

59 a. Feedback on the ACNC’s performance against its international counterparts has been obtained from:

USA’s National Association of State Charity Officials (NASCO) National Conference

The ACNC was invited to attend the 2014 NASCO conference including the regulator-only day to present on the ACNC reporting framework and red tape reduction initiatives, in particular the Charity Portal, on-line registration process and Charity Passport.

Feedback on the work of the ACNC was extremely positive, for example:

“The single portal would also provide free and easier access for the public to information about charities’ activities. It will allow government agencies to better use

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their resources to protect charitable assets. Unlike the ACNC's Charity Passport, state regulators in the US cannot automatically access electronic data from annual filings made by charities to federal regulator (IRS)," Ms Gardenswartz, NASCO President and First Assistant Attorney General (Antitrust, Tobacco and Consumer Protection Unit), Colorado's Attorney General's office.

"Australia was an obvious place to look when advancing this project as the ACNC has achieved a lot in short period of time. The ACNC's 'report once, use often' model with its website and searchable public Charity Register, its user friendly online filing and reporting portal combined with the level of guidance they offer the sector, provides inspiration as to what is possible." Ms Karen Gano, President, Multistate Registration and Filing Project and Connecticut Assistant Attorney General for Charities

For more information see the ACNC's [media release](#).

6th International Charity Regulator meeting, April 2014

The meeting hosted by the ACNC in Melbourne was attended by charity regulation and revenue agency delegates from eight common law countries.

Topics discussed included how regulation aids good governance, red tape reduction, wealth accumulation and measuring expenditure, transparency and accountability and public registers and regulator's independence.

All regulators commented on the ACNC's success in having 85% compliance in the first year of reporting – this was greater than any had achieved in their first year.

International regulator compliance teleconferences

In October 2014 the ACNC convened a teleconference of seven of its international counterparts to discuss the common issues of how best to work with organisations operating overseas and charities who do not lodge their annual returns. The group of 20 participants also discussed evaluating the effectiveness of a regulator's compliance activity.

House of Commons Public Administration Select Committee

Prior to the commencement of the ACNC on 3 December 2012, Susan Pascoe AM represented the ACNC as Commissioner Designate at the House of Commons Public Administration Select Committee's Post-legislative Scrutiny Inquiry into the Regulation of Charities and the Charities Act 2006. The Commissioner was joined by the ACNC's General Counsel.

The Commissioner and General Counsel were invited to present to the Select Committee on the objects and functions of the ACNC, the numerous inquiries which led to its establishment, and to provide a comparison between the two jurisdictions.