

29 August 2008

Committee Secretary
Senate Economics Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Submitted by email: economics.sen@aph.gov.au

Dear Committee Secretary

The Senate Enquiry into Disclosure Regimes for Charities and not-for-profit organizations

The Benevolent Society welcomes the opportunity to provide comment to the Senate Standing Committee on Economics.

The Benevolent Society is a public benevolent institution and operates as a company limited by guarantee, incorporated and domiciled in Australia.

The Benevolent Society is Australia's oldest charity, established in 1813. For almost 200 years we have been leaders in identifying the evolving needs of the community and pioneering vital social reforms and services. The Benevolent Society works with individuals and communities in metropolitan, regional and rural New South Wales and in South East Queensland.

During 2007/08 we spent 55 million dollars on community programs. We support people from all backgrounds, including indigenous Australians and people from culturally and linguistically diverse communities. We provide services in metropolitan, regional and rural areas across NSW, reaching more than 15,700 children and adults each year. We do this with the support of our staff and volunteers. The Society employs 800 staff, the equivalent of 535 fulltime staff throughout NSW and SE Queensland. Approx. 900 volunteers are working across our services and programs as well as in individual roles with our support services.

Our submission

1. the relevance and appropriateness of current disclosure regimes for charities and all other Not for Profit organisations;

We believe there currently exists legal and regulatory systems that can be used to regulate, improve efficiency, transparency and governance. Many not-for-profit entities by-pass these systems because of their legal type. Other entities operating as companies have the same public accountability as proprietary companies. Improved disclosure via accounting standards would improve transparency and governance. We believe all not-for-profits over a certain size should have the same public accountability as proprietary companies and therefore should operate under the same legal structure.

- The Benevolent Society as a company limited by guarantee currently reports to the following entities:
 - Australian Securities and Investments Commission (ASIC)
 - annual lodgment of accounts
 - 31 October and changes in directors and constitution etc.
 - Government Departments (Federal, State, Local Government)
 - annual acquittal of all individual programs
 - quarterly reporting of program outcomes
 - ATO:
 - Annual self review of DGR status

- Quarterly BAS
- Annual FBT return
- Application for refund of franking credits
- Office of Charities Department of Gaming and Racing (NSW):
 - 5 yearly application to receive authority to fundraise

2. 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;

It is our view that all charities or not-for-profit organisations over a certain size should be incorporated and operated as unlisted companies limited by guarantee.

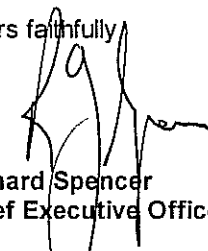
- This legal structure will allow for immediate improvement in governance, consistent reporting of general purpose financial statements, transparency, compliance with the Corporations Act 2001, consistent application of accounting standards, audit conducted in accordance with Australian Auditing Standards.
- Annual Financial report will be required to be lodged with ASIC by 31 October and AGM will be required to be held within 5 months of the end of the financial year. Thereby allowing public access ensuring accountability

3. 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.

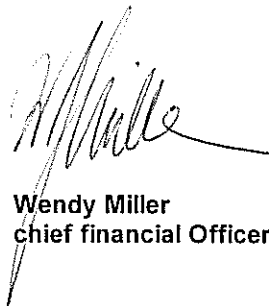
It is our view that the following measures could assist the sector to improve governance, standards, accountability and transparency.

- National harmonisation of fundraising legislation and an effort to consider the regulatory impact of different legislative regimes and the importance of industry standards (codes).
- Standard clauses in government contracts (state, federal and local) that line up with best practice financial management (e.g. the requirements to maintain separate bank accounts for each government contract, interest clauses, reporting deadlines should line up with ASIC reporting deadlines, clarity on lead agency obligations in relation to contracted community organisations, audit and certification requirements)
- We encourage development of specific financial and non-financial reporting guidance by the AASB the application of which would be mandatory and would include:
 - Standard reporting format for all Government funded acquittals
 - Remove not-for-profit entity exclusion in AASB120 Accounting for Government Grants and Disclosure of Government Assistance. This will allow consistent recognition of revenue across all reporting entities (for profit and non profit).
 - Accounting for capital grants from government and non-government entities to allow expenditure to be expensed against the grant rather than capitalized and deferred expenditure (depreciation) charged in future periods with no corresponding revenue offsets
 - Accounting standard on the disclosure of fundraising costs to allow consistent disclosure

Yours faithfully



Richard Spencer
Chief Executive Officer



Wendy Miller
chief financial Officer