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29 August 2008

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

VIA EMAIL: economics.sen@aph.gov.au

Dear Sir/Madam,

RE: INQUIRY INTO THE DISCLOSURE REGIMES FOR CHARITIES AND NOT-FOR-PROFIT ORGANISATIONS

Thank you for the opportunity to make a submission in respect of the above inquiry.

Peter Wetzig, trading as Governance Culture, advises and consults on corporate governance to *inter alia* a number of religious not-for-profit organisations, churches and other Christian ministries, and charities in Australia. These organisations are primarily incorporated under either the Corporations Act 2001 (Cwlth) or the various state Associations Incorporation Acts.

It is submitted that all three terms of reference can be conveniently addressed under the heading of effective and appropriate governance regimes for not-for-profit (“NFP”) organisations. As a starting point, I support the enumeration of the essence of good governance, set out in the submission of Chartered Secretaries Australia (CSA), namely:

- Stewardship
- Accountability
- Transparency
- Integrity

It is also noted that many NFP are small with meagre resources and often relying substantially on volunteer workers and applicable governance regimes ought to

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reflect this fact. Accordingly, the benefits of additional governance requirements must be balanced with the costs of administering the regime¹. The recent reform of incorporated associations in Queensland and its recognition of a stepped reporting and governance regime may be a good starting point with respect to reporting and disclosure for the NFP sector.

It is submitted that appropriate and effective governance is essential to confidence in the NFP sector and organisations. However, it is noted that historically governance frameworks have developed around the need to demonstrate confidence in effective for profit (publicly listed companies) governance from an investor and community (social responsibility) perspective focused primarily on shareholder and community return/value. It is submitted that this approach is poorly translated to the NFP section notwithstanding the attempt to do so in the Australian Standard².

Although, financial information and reporting is important to stakeholders (donors) of NFP, as these organisations are vision rather than profit driven, pursuit of the vision of the NFP and its long term strategy for its fulfilment are arguably of equal importance. Therefore the governance and reporting needs of NPF carry their own separate and unique issues and challenges.

Further, there is a dual compliance requirement of charities where State/Territory requirements also place several layers of compliance costs on these entities struggling to attract funding. A national or co-operative regime could reduce the costs of compliance or operation.

It is submitted that a reporting regime that is focused on demonstrating appropriate and effective governance of the NFP would serve all stakeholders in

¹ “By getting the underlying regulatory framework right, accountability and confidence in the sector generally will be improved, leaving not-for-profit organisations more time to concentrate on the important services they provide to the community.” Accountability and Corporate Governance in Not-For-Profit Companies, Woodward and Marshall, 2004 University of Melbourne

² Appendix C of AS8000-2003 *Good Governance Principles* - Standards Australia

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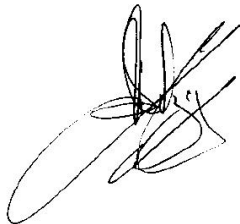
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demonstrating stewardship, accountability, transparency and integrity. An important element in this is effective oversight and monitoring of operational management by an independent board and reporting to the community at least annually, through a web published annual report.

As NFP organisations vary widely in their vision, nature and breadth of operations, any governance regime must provide maximum flexibility. It is submitted that those in the best position to make meaningful contribution to the design of such a regime are those from the NFP community and close industry consultation is urged. However, in so doing there has been in the past considerable resources committed to studying and analysing the needs of the NFP sector to which the committee could usefully refer.

Yours sincerely,



PETER R WETZIG

Principal Consultant