

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

Dear Sir/Madam

## **INQUIRY INTO THE DISCLOSURE REGIMES FOR CHARITIES AND NOT-FOR-PROFIT ORGANISATIONS**

I am the CEO of a medium to large regional Charity, having the status of a not-for-profit company limited by guarantee, and enjoying full DGR status. We provide services for people with disabilities and the frail aged and their carers in a range of regional communities in NSW. We carry out no fundraising, seek no donations, but rather rely on income earned by our own operations and grants to operate. My Board of Directors has authorized the following response to your invitation for submissions.

### **a. The relevance and appropriateness of current disclosure regimes for Charities and all other not-for-profit organizations.**

Prior to 2000 and the introduction of the New Tax System including the GST, and in 2002 the introduction of Quality Assurance and Case Based funding for Disability Employment Services, our organization received block funding, reported our financial performance to ASIC annually, and every five years or so was scrutinized by the NSW Department responsible for registering Charities.

The various Departments, both State and Federal, which funded our operations required annual financial returns, usually of one or two pages and it would be fair to say that our compliance and disclosure costs were minimal.

Over the last six to eight years however this situation has reversed to the point where our compliance and disclosure obligation has become a complex, inefficient burden requiring additional staff, taking much of the time of existing administrative and management staff, and moving our focus from **support to report**.

We are funded by State and Federal grants, through various Departments, and currently our reporting/disclosure obligations are...

**ASIC** - Annual Financial Returns.

**ATO** - Monthly PAYG,

**ATO** - Quarterly BAS

**ATO** - Annual Reconciliations

**FaHCSIA** - Ongoing Case Based Funding reporting for all 53 service users, necessary to trigger payments through FOFMS.

**FaHCSIA** - Annual Disability Census.

**FaHCSIA** - Annual independent Quality Assurance Audit

**FaHCSIA** - Biannual CBF/DMI Audit

**Commonwealth Dept of Health and Ageing** – Quarterly NRCP Returns  
**Commonwealth Dept of Health and Ageing** – Annual Audited Financial Accountability Report  
**Commonwealth Dept of Health and Ageing** – Annual Departmental Quality Assurance Audits  
**DEEWR** – Ongoing EA 3000 reporting on each of 18 service users necessary to trigger payments.  
**DEEWR** – Annual Independent Quality Assurance Audit.  
**DEEWR** – Irregular performance evaluation audits  
**DADHC ( NSW )** – Quarterly MDS/HADS reporting of outcomes at a service level  
**DADHC ( NSW )** – Semi independent Quality Assurance audits every three years in the Western Region.  
**DADHC ( NSW )** – Semi independent Quality Assurance audits every three years in the Southern Region ( a completely different audit in each region )  
**DADHC ( NSW )** – Annual acquittals for each service  
**NSW Department of Gaming and Racing** – Five Yearly report for Charity Status renewal.

As a regional/rural organization we have a geographic community of interest, rather than a service or disability specific organization as exist in the larger metropolitan areas, hence we invariably run multiple small services funded through various levels of government and departments.

**b. Models of regulation and legal forms that would improve governance and management of charities and not-for-profit organizations and cater for emerging social enterprises.**

**Financial:**

- Introduce a set of Accounting Standards for Australian Charities and Not-For-Profit organizations, agreed to and required by ASIC and all Departments and levels of Government providing funding in this area.
- Introduce a Common Chart of Accounts that meets the above Accounting Standards, and tie this to funding as above.
- Standardize financial reporting requirements to fit with the above two dot points.
- Within this reporting regime, allow for the capacity to retain surplus funds for future use.

**Quality Assurance:**

- As all State Disability Services Acts and the HACC Standards have their foundations in the Commonwealth Disability Services Act, introduce a consistent national approach to QA in this sector.
- Currently an organization such as ours undergoes multiple QA assessments wherein the same things are viewed and assessed each time that a different department implements its QA system, however a system that acknowledges or recognizes other credible assessments must be possible. Much of what is assessed in each process are generic management functions, so I would propose a system wherein one external, credible QA agency assumes the role of "Lead Assessment Agency" for an organization, with any specialized

audit requirements at a service-type level able to be assessed separately, without the need to reassess functions covered by the "Lead Agency".

**Funding:**

Much good work has already been done in the area of Case Based Funding in FaHCSIA and DEEWR with FOFMS and EA 3000 respectively, however we still are required to complete an Annual Disability Census, providing information that could easily be gathered from these systems without great modifications.

**Reporting:**

The HADS/MDS is the most universally disliked, criticized, time consuming and apparently inefficient system I have encountered in 20 years in this field. Whilst the sector understands that it helps address accountability and transparency through the CSTDA, there just must be a better way/system/program.

**c. Other Measures that can be taken by government**

- Currently we are required to have Police Checks for all staff. These are obtained from the NSW Police Service and cover only NSW Records and Offences. With the mobility of today's workforce, we employ people who have moved from the ACT, Queensland, Victoria and even overseas, hence the NSW Police Check is almost useless in these cases. The introduction of a National Police Record Check must be possible.
- The capped \$30,000 (Grossed up) FBT exemption for employees in this sector is one of the only ways we are able to attract and retain quality staff in the current competitive employment environment. It has not been increased or indexed to account for inflation or due to changing income tax rates since it was first introduced. An increase in the grossed up amount of this cap to acknowledge these factors is highly recommended.

Yours sincerely

**Hugh Packard**

CEO – 18<sup>th</sup> August 2008