



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

Thank you for the opportunity for the Complementary Healthcare Council (CHC) to make a submission to the above inquiry.

The CHC is the leading expert association exclusively committed to a vital and sustainable complementary healthcare products industry. We are unique in representing all stakeholder groups in the industry. Our members, both Australian and New Zealand businesses, include importers, exporters, marketers, manufacturers, raw material suppliers, wholesalers, distributors, retailers, practitioners, consultants, direct marketers and consumers.

The CHC has a particular interest in this inquiry, being an incorporated body under the *Associations Incorporations Act 1991* and a not-for-profit entity.

Choice Magazine has cited evidence of “inconsistency and variability in the way (charities) communicate key information to donors”¹. This situation may be caused because charities and other not-for-profit organisations deal with many different clients in varying circumstances, rather than from an inability or reluctance to comply with accepted standards.

In its background paper, the Committee noted that “there are as many as 700,000 not-for-profit organisations in Australia”²; clearly the sector makes a valuable contribution to Australian society and to Gross Domestic Product (GDP). The Committee also noted that this contribution “often goes unrecognised and it remains largely unregulated”³. The CHC disagrees with this statement due to the fact that the bulk of not-for-profit organisations are incorporated bodies (380,000⁴ of 700,000 or 54.3%) and as such would be required to comply with ASIC regulations as well as follow the standards set by the Australian Accounting Standards Board.

¹ Choice Magazine survey, Introduction www.choice.com.au accessed 19.08.2008

² Senate Standing Committee on Economics, Inquiry into the Disclosure Regimes for Charities and Not-for-Profit Organisations, Background Paper, paragraph 7
http://www.aph.gov.au/senate/committee/economics_ctte/charities_08/backgroundpaper.pdf accessed 19.08.08

³ Senate Standing Committee on Economics, Inquiry into the Disclosure Regimes for Charities and Not-for-Profit Organisations, Background Paper, paragraph 8
http://www.aph.gov.au/senate/committee/economics_ctte/charities_08/backgroundpaper.pdf accessed 19.08.08

⁴ Senate Standing Committee on Economics, Inquiry into the Disclosure Regimes for Charities and Not-for-Profit Organisations, Background Paper, paragraph 7
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It should be noted that the harmonisation between International Financial Reporting Standards (IFRS) and the Australian Accounting Standards is still ongoing. In fact, as part of the development of “An improved Conceptual Framework for Financial Reporting”⁵, the Australian Accounting Standards Board has released an Exposure Draft (ED 164⁶) for comment by 29th September 2008, and an invitation to comment on Discussion Paper (ITC 17⁷) by 25th August 2008. One of the aspects of this on-going project is how to deal with the not-for-profit sector when developing the framework. A group of chairs and senior staff members from Australian and International standard setting bodies have prepared a report addressing these issues⁸. In the summary of the report, it is stated that “Not-for-profit entities have different objectives, different operating environments and other different characteristics to private sector businesses (profit-seeking entities)”⁸. This group also notes “that there are also many similarities between not-for-profit entities and private sector businesses”⁸.

Clearly, there is confusion even within the ranks of the Australian Accounting Standards Board (AASB) on precisely what is best practice methodology for dealing with not-for-profit entities. Given these findings, the CHC points out that this may not be the optimum time to consider imposing yet another level of regulation, through “the establishment of a single regulatory entity at the national level”⁹ when Australia’s key financial regulator is unsure of the course of action which needs to be taken. The CHC suggests that the regulation of not-for-profit entities should be part of the function of the AASB. This would ensure consistent regulations with IFRS and would be included as part of the Conceptual Framework; instead of regulations imposed by separate governing bodies. The need for new regulations to be consistent with currently accepted reporting standards cannot be overstated.

Another factor which needs to be considered is the cost-benefit analysis of “improved transparency and disclosure”¹⁰ reporting by the Not-for-Profit sector. The imposition of rigorous reporting through regulation may result in many not-for-profit organisations being unable to function efficiently and effectively. The constraints of materiality and cost¹¹ needs to be considered when setting any reporting standard.

⁵ An Improved Conceptual Framework for Financial Reporting: Chapters 1 and 2

http://www.aasb.com.au/admin/file/content102/c3/ACCED164_06-08.pdf accessed 22.08.08

⁶ An improved Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics and Constraints of Decision –useful Financial Reporting Information

http://www.aasb.com.au/admin/file/content102/c3/ACCED164_06-08.pdf accessed 19.08.08

⁷ Request for Comment on IASB Discussion Paper *Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Reporting Entity*

http://www.aasb.com.au/admin/file/content102/c3/ITC17_06-08.pdf accessed 19.08.08

⁸ A Report on the Application to Not-for-profit Entities in the Private and Public Sectors

<http://www.aasb.com.au/admin/file/content102/c3/NSS-4%20Comment%20Document%20on%20Phase%20A%20ED%20and%20Phase%20D%20DP%20-%20FINAL.pdf> accessed 19.08.08

⁹ Senate Standing Committee on Economics, Inquiry into the Disclosure Regimes for Charities and Not-for-Profit Organisations, Background Paper, paragraph 27

http://www.aph.gov.au/senate/committee/economics_ctte/charities_08/backgroundpaper.pdf accessed 19.08.08

¹⁰ Choice Magazine survey, Introduction www.choice.com.au accessed 19.08.2008

¹¹ A Report on the Application to Not-for-profit Entities in the Private and Public Sectors page 16

<http://www.aasb.com.au/admin/file/content102/c3/NSS-4%20Comment%20Document%20on%20Phase%20A%20ED%20and%20Phase%20D%20DP%20-%20FINAL.pdf> accessed 19.08.08

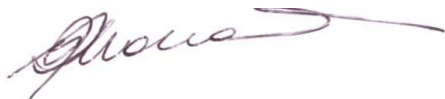
As noted by the Committee “approximately 6.8% of Australians”¹² are employed by the not-for-profit sector, therefore it is in Australia’s best interest to ensure that this sector remains strong and is able to fulfil its goals and objectives without unnecessary regulatory burdens. Consideration should also be given to the fact that not all not-for-profit entities are charity organisations. The CHC is a member based organisation, funded by member contributions and reports back to members the use of those funds¹³. The CHC also complies with IFRS where appropriate and reports to all relevant funding and regulatory bodies.

While not engaged in fund-raising activities as such, the CHC acknowledges there may be a need to harmonise state and territory regulation in this area so that the “variety of reporting and disclosure requirements”¹⁴ for entities which do fund-raise is simplified. It may not be necessary to shift responsibility for this function to a national regulatory body, rather the harmonisation of reporting and disclosure requirements may be sufficient to reduce compliance costs in this area for entities operating over multiple jurisdictions.

The CHC would welcome the opportunity to discuss any matters relating to this submission. If you require further information please do not hesitate to contact me.

I look forward to further information on the outcomes of this consultation process.

Yours sincerely,



Dr Wendy-Jane Morrow
Executive Director

25 August 2008.

¹² Senate Standing Committee on Economics, Inquiry into the Disclosure Regimes for Charities and Not-for-Profit Organisations, Background Paper, paragraph 7
http://www.aph.gov.au/senate/committee/economics_ctte/charities_08/backgroundpaper.pdf accessed 19.08.08

¹³ Complementary Healthcare Council Annual Report 2006-2007 page 14
http://www.chc.org.au/docs/Annual_Report_07.pdf accessed 19.08.08

¹⁴ Senate Standing Committee on Economics, Inquiry into the Disclosure Regimes for Charities and Not-for-Profit Organisations, Background Paper, paragraph 12
http://www.aph.gov.au/senate/committee/economics_ctte/charities_08/backgroundpaper.pdf accessed 19.08.08