

Submission to the Inquiry into the Disclosure Regimes for Charities and Not-for-Profit Organisations

Senate Standing Committee on Economics

MacKillop Family Services

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MacKillop Family Services 22 Pin Oak Crescent Flemington Victoria 3031 (03) 9381 6964 MacKillop Family Services was formed in 1997 with the refounding of seven Victorian child welfare agencies of the Sisters of Mercy, Christian Brothers and Sisters of St Joseph.

We are one of the largest Victorian providers of specialist support services to vulnerable and disadvantaged children, young people and their families through five core areas of service:

- Supporting Families experiencing disadvantage and crisis;
- Supporting Families raising a child with a disability;
- Education and training services for children and young people;
- Services for children and young people who are not able to live at home; and
- Services for the former residents of our founding agencies.

Over 90 services are provided through 11 programs in these five service areas. Our work is carried out across metropolitan Melbourne and Geelong.

1. Introduction

The nonprofit sector that is the subject of this Inquiry is sometimes referred to as the Third Sector, in recognition of the integral role it plays in the nation's economic, social and cultural life. Nonprofit organisations provide support and services for individuals and families, protect and restore the environment and built heritage, provide sporting, recreational and cultural opportunities; advocate on issues of concern; and provide a means for individuals to come together on a local level.

This role and contribution can be quantitatively measured, for example:

- There are estimated to be up to 700,000 nonprofit organizations in Australia, most of which are small and entirely dependent on the voluntary commitment of members.
- In 1999/2000 nonprofit organisations employed 604,000 people (6.8% Australians in employment), had an income of \$33.5 billion and contributed \$21 billion, or 3.3% to GDP (National Roundtable of Nonprofit Organisations The Nonprofit Sector in Australia: A Fact Sheet www.nonprofitroundtable.org.au
- 50 per cent of expenditure on community services in Australia, such as aged care and children's services, is delivered through community organizations ABS 2001, *Community Services*, 1999-2000 cat.no.8696.0, ABS Canberra
- Its reach is also extensive, in 2003 13 million Australians (86% adults) belonged to at least one nonprofit organisation; 48% belonged to at least three organisations. (National Roundtable of Nonprofit Organisations The Nonprofit Sector in Australia: A Fact Sheet www.nonprofitroundtable.org.au

It is however increasingly being recognised that it not just the services and activities that nonprofit organisations provide that make them important, it is also the way they go about their work.

"Quite recently, governments have begun to recognise the role of community organisations in building social networks and community connections that encourage civic participation and bring about highly desirable, long-term effects on health and well-being. At a time when governments are seeking to maximize their investment in human capital and increase economic and civic participation, community organisations play a crucial role." Stronger Community Organisations Project Report of the Steering Committee October 2007 p.10 Victorian Department of Planning and Community Development Melbourne

The defining characteristic and strength of the nonprofit sector lies in its diversity: from local clubs and neighbourhood associations to social enterprises, major service providers and global advocacy organisations. Herein also lies the profound challenge for governments, how to develop and engage the sector without compromising both diversity and the community strengthening processes which underpin community organizations.

"The diversity, genesis and pervasiveness of community organisations do not encourage detailed prescriptions or blueprints. Governments should recognise, facilitate and, as necessary, regulate – not attempt to predict or unduly constrain community organisations" Stronger Community Organisations Project Report of the Steering Committee October 2007 p 11 Victorian Department of Planning and Community Development Melbourne

2. The context of nonprofit regulatory reform

Regulation reform is one of the key elements of the agreed agenda of the Council of Australian Governments (COAG). This is in recognition that 'red tape' adversely impacts on business productivity and compromises return on investment. The Victorian Government has included nonprofit organisations in its *Reducing the Regulatory Burden Initiative* in recognition that nonprofits are also important to the State's economy and community and need to be freed to expend more resources on their core objectives. This is a model worthy of Commonwealth Government consideration.

The strong lobbying by the nonprofit sector of the Victorian Government for regulatory reform, and then participation in the Review process, belies the assumptions of some commentaries on the nonprofit sector. It is promoted by some that lack of transparency is deliberate and that the sector is resistant to reform. Instead the sector's strong message to the recent Victorian Government State Services Review of Not-for-Profit Regulation was to highlight the increasing burden of uncoordinated regulation, data collection and accountability requirements and to demand reform.

2.1 MacKillop Family Services: a regulatory case study

Attached to this submission is **an incomplete** list of the range of legislation, guidelines, quality assurance, data collection and reporting requirements to which MacKillop Family

Services is subject. We take our governance responsibilities and accountability requirements very seriously and have developed structures and expertise to ensure that we are able to meet obligations to all our stakeholders. We see the increased rigour required of the sector in recent years as a positive development. However it is important for the Inquiry to understand the complex regulatory environment in which many community organisations operate. As a consequence, more of our management resources are diverted away from the core business of direct service, to respond to the vast array of external monitoring and reporting requirements.

As demonstration of MacKillop Family Services commitment to public accountability and transparency, we recently adopted four key strategies that will contribute to our performance in these areas over the next 18 months:

- The establishment of a Quality and Service Development Team to lead the development and implementation of an outcome oriented approach to the design, delivery and evaluation of MacKillop's services.
- Benchmarking with other nonprofits 'back of house' and high level operational costs.
- Adoption of alternate reporting to demonstrate not only financial and service viability but also the capacity to deliver public services and public value.
- Improvement of Board and management KPI reporting.

3. Recommendations

3.1 National Taskforce on Nonprofit Regulatory Reform

The complexity of the regulatory environment in which MacKillop Family Services operates is magnified across the nonprofit sector. As a larger organization we benefit from the compliance skill and experience of professional staff yet know that the vast majority of nonprofits rely on the capacity of volunteers.

For government, regulatory complexity and the resulting lack of co-ordinated data about the sector and its operations, means there is no knowledge on which to base policy. The absence of a single reliable regulator also means that government program managers have to gather data themselves and organisations have to inefficiently repeatedly provide basic data about their organisation and operations.

This Inquiry is the first time there has been a national inquiry into the regulatory framework that governs the whole nonprofit sector (The Industry Commission 1995 and Inquiry into the Definition of Charities and Related Organisations 2001 examined parts of the sector). It is most welcome but more time and resources will be required if the issues are to be well understood and an effective and efficient new regulatory framework developed.

Australia has fallen behind globally converging regulatory standards for nonprofit organizations. Failure to act upon the recommendations of the 1995 and 2001 Inquiries

has compounded regulatory complexity and international uncompetitiveness. This leads us to recommend the establishment of a national taskforce, established in partnership with the nonprofit sector, with the greenfield task of considering the best national regulatory framework for the nonprofit sector. 'What is the minimum necessary regulation?' should be their guidestar.

Such a taskforce would provide an opportunity to closely examine and evaluate the regulatory models and reforms of other countries. This would allow Australia not only to emulate international best practice but also to ensure that its regulatory regimes are internationally competitive and do not discourage international nonprofit activity. For example, Australia was once used as the base for philanthropic foundations interested in working in Asia. Since the Singapore Government developed an encouraging regulatory environment, Singapore has replaced Australia as the Asian hub and base for international philanthropic foundations. The current confusing and ineffective regulatory framework also puts Australian organisations at a competitive disadvantage in the global market for philanthropic funds.

3.2 Purpose-Built Legislation and Regulator

A greenfield brief would give a national taskforce an opportunity to develop a single purpose-built piece of legislation and a national regulator.

The goals of such purpose-built legislation would be:

- To create a regulatory environment that encourages nonprofit organizing and the nonprofit contribution to the nation's social, economic and cultural life.
- To ensure transparency to the public about organisations' purpose and activities and its use of public funds, both government and donor.
- To provide a guide to Directors on their duties and responsibilities (recognising that governance bodies should be the central focus for ensuring the appropriate behaviour of organisations)
- To propose regulation commensurate with the level of risk (for example organisations with employees, government contracts, a certain level of capital and income should have more rigorous compliance and reporting requirements; others below such benchmarks may not be required to report.)
- To allow organisations required to report to make an electronically filed annual return to the national regulator. Such returns would offer a source of basic narrative and financial data about each organisation that could be made available on a searchable website.

The establishment of a national regulator will require a well resourced agency. At present private donors, government funders, and the media on behalf of the general public all call for greater reported detail on nonprofit organisational accounts and activities. However at the same time they express a strong desire for less expense on administration and fundraising and do not wish any of their contributions to go towards such expenses. Such measures are not costless for either organisations or governments.

However the opportunity costs of stifling nonprofit organising and the cost of compliance with the current regulatory complexity should be viewed as offsets to the cost of effective reform.

3.3 Standard Chart of Accounts and/or Accounting Standards

Transparency and comparability of financial information from nonprofit organisations would be achieved by the development of a standard chart of accounts and/or accounting standards designed specifically for nonprofits.

This has been the conclusion of a number of government reviews.

- In 1995 the Industry Commission recommended that the Commonwealth Government should provide funds to the Australian Accounting Standards Board and Public Sector Accounting Standards Board to develop within two years suitable accounting standards for Community Service and Welfare Organisations The Industry Commission noted that "the development of specific accounting standards for the sector would improve accountability of CSWOs It would help donors and the public generally to compare the performance of CSWOs; governments to assess the effectiveness of CSWOs in providing the services for which they are funded; and CSWOs to minimize the costs of accounting and reporting." Industry Commission 1995 Charity organisations in Australia, Industry Commission, Melbourne, pxiii
- The 2007 Victorian State Services Authority Review of Not-for-Profit Regulation noted the benefits of a standard chart of accounts designed for nonprofits as: better targeted accounting standards; appropriate definitions; clarity regarding treatment of accounts; and improved quality and comparability of NFP financial data.

Preliminary analysis conducted for the Review by the Allen Consulting Group estimated that potential savings to Victorian nonprofit organisations from the development of NFP accounting standards could be in the order of \$5.58 million.

3.4 Australian Bureau of Statistics funding

In comparison to the business and government sectors there is a dearth of data and collected knowledge about the Third Sector. The ABS should receive long term funding to compile and update baseline data on the whole of the nonprofit sector. This would improve recognition of the contribution of the sector, government policy-making and the sector's own planning.

4. Conclusion

MacKillop Family Services welcomes this first national inquiry into the regulation of the nonprofit sector as an opportunity to highlight the need for a comprehensive review of nonprofit regulation with the dual aims of:

- Creating a regulatory environment that encourages nonprofit organising and the nonprofit contribution to the nation's social, economic and cultural life; and
- Ensuring transparency to the public about nonprofit organisations' purpose and activities and their use of public funds, both government and donor.

This comprehensive review should be the task of a national taskforce, formed in partnership with the nonprofit sector, with the objective of developing a single purposebuilt piece of legislation and a national regulator.

Public knowledge about the sector and its operations would be greatly assisted by the development of a standard chart of accounts and/or accounting standards designed for nonprofit organisations; and funding the Australian Bureau of Statistics to compile and update data on the sector.

MacKillop Family Services

COMPLIANCE REPORTING

1. Service Delivery

	Compliance Requirements
Substitute Care	Children, Youth and Young Families Act 2006
	Adolescent Community Placement – Principles and Program Framework, September 1991
	Permanent Care Order Guidelines 1993
	Adolescent Support Program Document, 1993
	Capital Development Guideline 7.7 Fire Risk Management in Community-Based Houses, Sep 2001
	Departmental Instructions relating to Community Services, September 1991 (D1/91/7)
	Children In Residential Care 1998 Program Guidelines
	High Risk Adolescent Quality Improvement Initiative - Service Specifications, December 1997
	Mental Health Act 1986
	Aboriginal Child Placement Principle November 2000
	Adolescent Support Program Document, April 2001
	Minimum Standards and Outcome Objectives for Residential Care Services in Victoria, 2002
	Protecting Children Volumes 1 May 1994 Protecting Children Volume 2 Protecting Children Volume 3 - Part 1 Protecting Children Volume 3 - Part 2
	Protection and Placement Output: Definitions for Performance Measures 2002
	Voluntary Placements Handbook July 1993
	Baseline Standards for Out of Home Care, December 1995
	Working With Children Regulations 2006

	Compliance Requirements
	Minimum Standards and Outcome Objectives for Residential Care Services in Victoria, 2002
	Counting Rules for Child Protection & Placement Output Group Performance Measures
	DHS Management Response to Inhalant Use, February 2003
	Flexipack Guidelines, November 1995
	Funding Arrangements for Placement & Support Service Providers, Community Care Division 2001
	The Home-Based Care Handbook November 2003
	Practice Standards in Foster Care 1984
	Procedural Guidelines Shared Family Care, Placement and Support Grant Funding
	Protection and Placement Output: Definitions for Performance Measures 2002
	Residential Care Services - Substance Abuse Guidelines, February 2003
	Wrongs Act 1958
	Wrongs and Other Acts (Law of Negligence) Act December 2003
Funding	Community Services Act 1970
agreements and instructions	Departmental Instructions relating to Community Services, September 1991
	Funding Arrangements for Placement & Support Service Providers, Community Care Division 2001
	Service agreement information kit for agencies 2003-06
	Community Care Policy and Funding Plan 2003-2006
Adoption	Immigration (Guardianship of Children) Act 1946
	Adoption Act 1984 Adoption Standards 1986
	National Principles in Adoption 1997
	Adoption Regulations 1998 Adoption and Permanent Care Procedures Manual 2000
	Adoption (Amendment) Regulations 2002
Disability	Disability Act 2006
Services	Victorian Intellectually Disabled Persons' Services Act 1986
	Disability Services Standards

	Compliance Requirements
Family Support	Service agreement information kit for agencies 2003-06
Services	Community Care Policy and Funding Plan 2003-2006
	Family Services Program: Service Standards and Quality Improvement Program, August 1996
	Guidelines for Completion of Strengthening Parent Support Program Data 2001/2002
	Protocol Between Protective Services and Families First, 1993
Education	Education Act 1958
Services	Education Regulations 2000
	Transport Accident Act 1986
	School Focussed Youth Services Program Guidelines 2003
	Psychologists Registration Regulations 2001
	Registered Schools Board Regulations 1996

2. Human Resources

	Compliance Requirements
HR reporting	Workplace Relations Act 1996
Industrial Relations	
EEO	Equal Opportunity Act 1995 for prevention of harassment and discrimination
	Racial and Religious Tolerance Act (2001) Racial Discrimination Act (1975) Sex Discrimination Act (1984) Disability Discrimination Act (1992)
Disputes and grievances	Compliance with Dispute and Grievance Settling procedures set out in Workplace Agreement
OHS	Occupational Health and Safety Act 1985 <u>Victorian Codes of Practice:</u> Noise (1992)

	Compliance Requirements
	Provision of OHS Information in Languages other than English (1992) Plant (1995) First Aid in the Workplace (1995) Plant (Amendment No.1) (1998) Workplaces (1998) Manual Handling (2000) Hazardous Substances (2000) Dangerous Goods Storage & Handling (2000) Prevention of Falls (2004)
	Regulations: OHS (Noise) 1995 OHS (Plant) 1995 Equipment (Public Safety)(General) (1995) OHS (Confined Spaces) 1996 OHS (Incident Notification) 1997 OHS (Issue Resolution) 1999 OHS (Manual Handling) 1999 Dangerous Goods (Storage & Handling) (1999) OHS (Hazardous Substances) 1999 OHS (Lead) 2000 OHS (Asbestos) 2003 OHS (Prevention of Falls) 2003
Workers compensation	Accident Compensation Act 1985
Information privacy	Information Privacy Act 2000 (Victoria); Health Records Act 2001 (Victoria); and Privacy Amendment (Private Sector) Act 2000 (National).
Whistleblowers protection	Encouragement and facilitation of disclosures, protection of whistleblowers and establishment of a system for investigations under the Whistleblowers Protection Act 2001

3. Finance and Taxation

	Compliance requirements
Annual Reporting – Financial Statements	Corporations Act 2001 Accounting Standards and the Corporations Regulations 2001 Other mandatory professional reporting requirements Lodge Financial Statements with ASIC within 4 months of end of financial year

Financial and operating delegations	Delegations policy
Tax compliance	GST Tax Laws FBT Laws (relating to PBI organisations)

4. Other Governance Issues

	Compliance requirements
Freedom of Information	Compliance with Freedom of Information Act 1982
Insurance	DHS Non-government insurance guidelines
Information technology	Compliance with software licence requirements
Fire Safety	Building Regulations 1994 – Section 11 (form 15)
	Capital Development Guideline 7.7 Fire Risk Management in Community-Based Houses, Sep 2001
	Fire Risk Management Standard 2002 Departmental Instructions relating to Community Services, September 1991 (D1/91/7) Fire Risk Management Standard 2002
	Lead Tenant/Home Based Care Services Fire Safety Standard, March 2000
	DHS Fire Risk Management Standard, March 2000
Building	Compliance with Building Act 1993
regulations	Building Regulations 1994 – Section 11 (form 15)

Victorian Acts & Regulations

Fundraising Appeals Regulations 1999
Gambling Regulation Regulations 2005
Liquor Control Reform Act 1998
Building Regulations - 2006
Business Names Regulations 2003
Consumer Credit (Victoria) (Administration) Regulations 2006

HUMAN RESOURCES

Accident Compensation Regulations 1990

Accident Compensation Regulations 2001

Emergency Management Regulations 2003

Working With Children Regulations 2006

Drugs Poisons and Controlled Substances (Volatile Substances) Regulations 2004

PLACEMENT & SUPPORT

DHS Management Response to Inhalant Use, February 2003

DHS Practice Bulletin 2004/02

DHS Practice Instruction "Sharing information in out-of home care" - Home based care handbook

High Risk Adolescent Quality Improvement Initiative - Service Specifications, December 1997

Interagency Protocol between Victoria Police and nominated agencies 2004

Office of Housing, 1999, 'Housing Standards Policy Manual'

Procedural Guidelines Shared Family Care, Placement and Support Grant Funding

Protection and Placement Output: Definitions for Performance Measures 2002

OAS for OofHC

Residential Care Services - Substance Abuse Guidelines, February 2002

The Home-Based Care Handbook November 2003

Voluntary Placements Handbook July 1993

Disability

DHS Disability Service Standards

DHS Disability Services Policy and Funding Plan 2003-2006

Family Options Procedures Manual

Flexible Packages Case Management Manual

Funding

Great Break and Holiday Respite Regional Guidelines

Looking After Children (LAC) Framework / Assessment of Action and records

Looking After Children (LAC) Framework / Care and Placement Plan

Looking After Children (LAC) Framework / Essential Information Record

Looking After Children (LAC) Framework / Review of Care and Placement Plan

Making a Difference Procedures Manual

Quarterly Data Collection

RAPT Procedures Manual

Special Support Unit Orientation Manual

DHS Disability Policy

Client Expenditure (CERS)

Fire Policy

Health Care

Locked Doors and Windows

Menstrual Management

Moving Interstate

Policy and Funding Plan

Privacy

Respite

Restraint & Seclusion policy

Victorian Standards for Disability Services

DHS Disability Guidelines

ABI Assisted Community Living

Access to Disability Services Programs

Accommodation Staff Handbook

Accommodation Standards and Design Guidelines

Aids and Equipment guidelines

Chronic Illness Case management

Community Visitors Handbook

Duty of Care

Dyshpagia Interim Guidelines

Early Choices

Emergency Crisis Accommodation

Entry, Exit & relocation

Family Choice Program

Fire Safety Evacuation

Flexible Support Packages

Forensic Service Policy

HIV positive guidelines

Home First guidelines

Human Relations & Sexuality

Inclusive Consultation for people with disability

Individual Program Planning

Insurance Guidelines

Metro Access Guidelines

Motor Vehicles

Neuropsychological Assessments

Pricing Principles

Protection against Infection

QDC Consent list

QDC Guidelines

Tube Feeding

DHS Disability Practice Instructions

Behaviour Intervention Support

Family Options Polices and Procedures

Food Safety

Home First Business Rules

Incident Reporting

Responding to Allegations of Abuse

Restraint & Seclusion Joint Practice Instruction

DHS Disability Protocols

Acquired Brain Injury and Mental Illness

Disability Services Cultural & Linguistic Strategy

Family Intervention Support Services

Corrections, Justice & Disability Services

Disability & Juvenile Justice

Protective Services & Intellectual Disability

Intellectual Disability & Psychiatric Services

Police

Department of Education & Training directives

Census Data

Assessment and reporting

Curriculum & Standards

Human Resources

Initiatives & Programs

ICT in Schools

Professional Development

Key Learning Areas

Student Welfare

Bullying

Transport

Wellbeing

Traffic Safety Education

Admin procedure and Forms

Emergency & Security Management

Evaluation & Audit

Facilities

Tax

Regional Programs

Safety in Schools

Standards & Accountability

Associations

Adult, Community & Further Education

Merit Protection Boards

Victorian Curriculum & Assessment Authority

Victorian Institute of Teaching

Victorian Learning & Employment Skills Commission

Victorian Qualifications Authority

Catholic Education Commission

Superannuation: Employees in Catholic Education

Participation of Women in Catholic Education VIC

Education about AIDS and Care of AIDS sufferers

Accreditation to teach in a Catholic School

Accreditation to teach Religious Education in a Catholic School

Hepatitis B Policy

Confidentiality

Affirmative Action

Pastoral Care

Curriculum, Assessment and Reporting

Curriculum Dev P-12

Curriculum Assessment P-12

Reporting student outcomes

Commercial Sponsorship Arrangements

LOTE

Email and Internet use by staff

Criminal Records Check

Pathways and Transition in Post Compulsory Years

Privacy

Excursions

Catholic Education Office

Educating for Peace

Employment of Staff

Personal Files for Catholic Employees

Enrolment Policy

Christian Education for Personal Development

HIV / AIDS Education

Access to Records

Research Access

Enrolment of students under minimum age

Drug Issues in Catholic Schools

School Fees in primary schools

Sexual Harassment Policy

Enrolment of Year 7 students

Professional Development of Staff

Mandatory reporting of Abuse

Procedures for the management of allegations against lay staff

Privacy Policy in Catholic Schools

Leadership: Role of RE Co-ordinator

Registered Schools Board

Annual Return

Requirements for registration

Conditions for registration

Special Category registration

Procedure for registration of new schools

Refusal to grant registration to a school

Procedures for continuing registration of Existing Schools

Review of registered schools

Closure of a school or section of a school

Cancellation of registration

Registration - Resources

Family & Community Services Service Agreement

DHS - Service Agreement

Community Care Funding Plan

Service Standards

Family Services Program - Service Standards and Quality Framework - August 1996

HACC Standards

Disability Standards

Parent Support

Guidelines for program data - 2001/2002

Protocols

Protocol Between Protective Services & Families First

Research & Advocacy

NHRMC - Guidelines approved under Section 95A of the Privacy Act 1988 - December 2001

Privacy

Case Recording: Policy Advice and Practice Guidelines for Protective Workers (February 1997)

Child Protection & Care Practice Instruction 2003/01 Physical security of client files

Child Protection & Care Practice Instruction 2003/03 Placement referral process

Department of Human Services Interim Privacy Policy Guideline: Use and disclosure for primary and related purposes

Department of Human Services Privacy Policy

Department of Human Services Privacy Policy Making Privacy Work

MFS - An Introduction to Privacy - Complying with Legislation

Sharing information in out of home care 2003/10 - Child protection and care practice instruction

Fire Safety

Fire Risk Management Standard 2002

Departmental Instructions relating to Community Services, September 1991 (D1/91/7)

Lead Tenant/Home Based Care Services Fire Safety Standard, March 2000

DHS Fire Risk Management Standard, March 2000

AS 3806-2006: Compliance Standards

AS/NZS 4360 - 2004: Risk Management

AS/NZS 4360 - 2004: Risk Management Guidelines

Manual Handling (code of Practice No. 25, 2000)

Plant (Code of Practice No. 19, 1995)

Plant (Amendment no.1 to Code of Practice No. 19, 1995) (1998)

Hazardous Substances (Code of Practice No. 24, 2000)

Workplaces (Code of Practice No. 3, 1988)

Dangerous Goods Storage & Handling (Code of Practice no. 27, 2000)

Provision of Occupational Health and Safety Information in Languages Other than English (Code of Practice No.16, 1992)