

Wesley Mission Melbourne Submission to the Senate Standing Committee on Economics

Inquiry into the Disclosure Regimes for Charities and Not-for-profit Organisations

Introduction

Wesley Mission Melbourne welcomes the Senate Standing Committee on Economics' inquiry into the disclosure regimes relating to charities and not-for-profit organisations operating in Australia.

Our response is constituted within the Terms of Reference of the inquiry, and has considered the questions raised in the background paper released by the Senate Standing Committee on Economics. The response is structured in two key parts:

- Disclosure regimes, and
- Regulatory environment

Wesley Mission Melbourne

Wesley Mission Melbourne (WMM) is a large, multi-sectoral provider of community services. It has worked for over one hundred years to support people experiencing a range of social issues, adapting to reflect the changing issues of the day.

Wesley provides a variety of care and support to people of all ages in five areas of community service:

- Aged care;
- Disability;
- Youth;
- Homelessness, and
- Counselling services.

Today the Mission employs over 700 staff and receives the support of over 2,000 volunteers who help to deliver 57 services across metropolitan Melbourne. In 2006/07, the Mission had an operating budget of over \$38 million. Approximately 73% of revenue was government funding. The remainder was raised through fees for service, fundraising and commercial activities.

Submission

Disclosure regime

Wesley Mission Melbourne (WMM) supports standard reporting requirements for charities and NFPs in all Australian jurisdictions. This would go some way to providing increased transparency in relation to costs in such a way that potential donors or partners can make comparisons between organisations.

We consider that such transparency is also important in increasing the professionalism of the community sector (ie charities and NFPs) and its standing or reputation in the broader Australian community.

We draw the Committee's attention to the UK model of disclosure for Charities and Not-for-profits (NFPs), which provides a set of differential requirements for disclosure on the basis of organisation size. Whilst we recognise there are particular issues in relation to the operationalisation of 'organisation size', we recommend the principle of differential requirements to fit different organisational contexts.

In order to ensure that small organisations are not burdened with reporting requirements, information would be gathered via a simple form, relating to:

- Board composition and governance arrangements
- the amount of fund raising income received
- expenditure on:
 - service delivery/operations
 - administration
 - innovation.

Definitional issues would be addressed through a standard lexicon which would differentiate service delivery, development, infrastructure and administration. This would need to be developed in consultation with charities and NFPs to ensure that it made sense in the operating context of those organisations.

Larger organisations would require a more sophisticated regime that was able to provide greater degrees of explanation of costs.

We recommend differentiation of return for organisations on the basis of annual income, since this is a regime that is already established through the Accounting Standards.

Whilst we acknowledge the additional burden that data collection can place on an organisation's administration, we believe that this can be minimised by relating the disclosure standards to data that organisations already collect in relation to their activities. We also consider that the benefits of transparency and comparability that would be gained through a standardized disclosure regime outweigh any additional administration that would be placed on organisations.

Regulatory Reform

We consider that existing regulation is adequate to cover the activities that charities and NFPs undertake, and that a standardized, consistently applied disclosure regime is a preferable mechanism for control of charities and NFPs. We recommend the development of an independent national regulatory body which would monitor the disclosure regime, rather than one which imposed another layer of regulation on organisations.

Such a body would:

- set the format for the way that information is reported;
- monitor organisational compliance, and
- act when organisations fail to comply with the regime (ie by failing to supply information, or by supplying inadequate information).

In considering the matter of auditing organisation performance against the disclosure regime, we suggest that the inclusion of the organisation's annual report with the annual disclosure return would suffice. Where an organisation does not have to produce an annual report, submission of financial reports as required by those bodies to which they report would provide an alternative.

Wesley Mission Melbourne believes that the independence of the office is best protected by location outside of the Australian Taxation Office or other government body. However, we recognise the expense of establishing a new regulatory infrastructure, and therefore recommend that a specialist charity/NFP function is established within the Australian Securities and Investment Commission.

We consider that any regulatory function should be funded by the Federal Government, possibly including an administration fee structure based on annual income.

*For further information about Wesley Mission Melbourne's Submission to the Senate Standing Committee of Economics, please contact **Sue Cattermole, Director of Corporate Services, on 9666 1221.***

Wesley Mission Melbourne
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