

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

27 August 2008

Dear Committee Secretary

RE: Inquiry into the Disclosure regimes for charities and not-for-profit organisations

Community Resource Network Inc. (CRN) is a not-for profit organisation located in outer-suburban Sydney, New South Wales. We work with and advocate on behalf of approximately 200 not-for-profit organisations who provide services to communities in the local government areas of Blacktown and Baulkham Hills. The agencies we work with include both government-funded and unfunded services. Our work is primarily focused on strengthening the capacity of small to micro NFP's who are part of the human services system.

Small not-for-profit organisations are those with operating budgets of one million dollars or less and micro not-for-profit organisations are agencies with operating budget of \$100,000 or less¹. It is important to consider the impact of legislative changes on such agencies because, particularly in New South Wales (NSW), they are considered to be a 'significant percentage' of non-government human service providers funded by the government departments.²

CRN therefore has concerns about the current regulatory regime for charities and NFP's and the impact of change upon them. Our response to the Inquiry's Terms of Reference addresses these concerns, as follows.

(1) The relevance & appropriateness of current disclosure regimes for charities and all other not-for profit organisations;

CRN does not have a strong view on current disclosure regimes for charities. However we do have concerns about the accountability measures to which small to micro NFP's in receipt of government funding are subject.

¹ New South Wales Department of Community Services (2005) NSW Department of Community Services Funding Policy, pg 10.

http://www.community.nsw.gov.au/docswr/_assets/main/documents/funding_policy.pdf.

² *ibid*

Organisations receiving funding from more than one government agency usually have completely different reporting formats and accountability mechanisms for each funding agency. This imposes a significant compliance burden on these small NFP's. There is a need to reduce this reporting burden. At a minimum, a coordinated approach to reporting is needed within and between state and federal governments.

CRN also acknowledges that the sector is diverse. Organisations vary greatly in size i.e. in annual turn over and staff employed and in organisational capacity. In micro organisations with community based boards of management, volunteer committee members and/or staff may not be highly skilled. Taking a 'one size fits all' approach to improving reporting and accountability may be inappropriate for such a diverse sector.

(2) Models of regulation and legal forms that would improve governance and management of charities and not-for-profit organisations and cater for emerging social enterprises;

CRN believes that any new regulation needs to focus on coordinating and reducing the amount of reporting required of small to micro not-for-profit organisations.

CRN also believes regulation of charities and not-for-profit organisations should start with a clear legal definition of what constitutes a charity and a not-for-profit organisation. Clarity around such issues would assist in developing appropriate regulation and it would assist non-profits with compliance. Therefore, we believe that it would be a useful start for the Federal Government to implement the recommendations from *The Inquiry into the Definition of Charities & Related Organisations (June 2001)*.

CRN sees merit in the model of a single national regulatory body for charities and not-for-profit organisations, independent of the Federal & State Governments. A system of regulation similar to the United Kingdom's 'Charity Commission'³ requires further investigation in an Australian context.

The advantages of such a system are that it:

- streamlines the process of complying with regulatory requirements;
- stakeholders and the community can easily access information about non-profit organisations; and it
- reduces jurisdictional confusion.

³ (<http://www.charity-commission.gov.uk/>).

(3) Other measures that can be taken by government and the not-for-profit sector to assist the sector to improve governance standards, accountability and transparency in its use of public and government funds.

CRN supports the development of national accounting standards for not-for profit organisations. We believe this will assist in improving financial accountability and transparency. An example of such standards would be the Australian Centre for Philanthropy and Non-profit Studies' standard chart of accounts.⁴

A Code of Conduct, such as the one developed and administered by the Australian Council for International Development⁵, will also assist not-for profit organisations to improve their governance and management structures.

CRN believes that the development and administration of the Code should be done in consultation with the Australian Council of Social Service and other national human services sector peak bodies.

A range of capacity building initiatives should be undertaken by all levels of government which would help to strengthen the sector, the provision of community services and the impact of government funding. An example might be the provision of standardised training for directors and Boards of NFP's.

Thank you for this opportunity to make a submission to Committee's Inquiry. If we can be of further assistance please contact Community Resource Network at any of the contact points below.

Yours sincerely

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⁴ <https://wiki.qut.edu.au/display/CPNS/Standard+Chart+of+Accounts>.

⁵ <http://www.acfid.asn.au/code-of-conduct/about-the-code>