



For all creatures great and small.

28 August 2008

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: Submission from RSPCA Australia Incorporated

Background

The RSPCA in Australia is a federation comprising eight independent state and territory bodies and the federal body, RSPCA Australia Incorporated.

The first Australian Royal Society for the Prevention of Cruelty to Animals was formed in Victoria in 1871, with similar organisations established in other state and territories in subsequent years. Together, the various state and territory organisations formed RSPCA Australia in 1980 in order to give the Australian RSPCA movement a national identity and to effect commonality and facilitate the policies, direction and activities of the state and territory RSPCA bodies. RSPCA Australia's only members are the state and territory RSPCA bodies (termed the 'member Societies') and representatives from each of those bodies make up RSPCA Australia's governing Council.

All nine organisations are separate entities, varying in their legal structure, their financial turnover and the number of staff they employ. While two are companies limited by guarantees, the others are Incorporated Associations under their relevant jurisdictions. Each of the member Societies also adheres to their state or territory legislation regarding fundraising in their own jurisdiction, with RSPCA Australia complying with this legislation in all jurisdictions.

The RSPCA's mission is to prevent cruelty to animals by actively promoting their care and protection. Despite being different entities, the work of the eight member Societies is based on the same philosophy and all adhere to a common set of policies. A major area of their work is the operation of animal shelters and the management of an inspectorate to enforce animal cruelty legislation. The RSPCA cares for around 135,000 animals each year and investigates over 40,000 complaints of animal cruelty. Nationally, less than two percent of the RSPCA's income is provided by governments.

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RSPCA Australia and its member Societies take their regulatory responsibilities seriously and aim to meet community expectations in terms of their activities, transparency, disclosure and accountability.

The RSPCA supports a holistic approach to assessing the performance of a charity and aim to provide information to the community so that they can feel confident that we use their donations wisely and for the benefit of animal welfare.

Regulatory reform

The RSPCA supports the view that regulation of the not-for-profit sector should be reformed with the establishment of a single regulatory entity at the national level. The current variety of legal models for not-for-profits creates inconsistencies in requirements, both for categories of not-for-profits and from jurisdiction to jurisdiction. Organisations which undertake fundraising in more than one state or territory also need to contend with different regulatory requirements for fundraising in each jurisdiction and meeting these can be onerous. An Australia-wide regulatory system to encompass all not-for-profit groups in the area of legal structure and fundraising would reduce inconsistencies and would ideally streamline reporting.

A national regulatory system should recognise and allow for the diversity across the not-for-profit sector. There are broad differences between groups such as charities, industry associations, sports/recreation clubs, community groups, educational institutions, churches and hospitals, and even great diversity within each of these groups. Consequently, requirements should vary in accordance with the type and size of the group. For example, many large not-for-profits are currently companies limited by guarantee and therefore registered with ASIC so the requirements for such groups under a regulator should be comparative to that those under ASIC.

The RSPCA supports reform of the not-for-profit sector which would include the establishment of a single regulatory entity at the national level but accommodates the different income sources, sizes and missions of not-for-profit organisations.

Disclosure regimes

The RSPCA supports the need for transparency and accountability in the not-for-profit sector, however again believes that reporting requirements should take into account the category and the size of a not-for profit organisation. For example organisations which receive tax concessions and/or solicit for donations should have a greater reporting responsibility than those not-for-profits which do not. A large charity relying on public donations for much of its income should have different reporting to a small community recreation group relying only on membership based income.

Superficially, a common and mandatory financial reporting structure for not-for-profits, and particularly charities, would allow members of the public to compare how organisations use donated funds by using simple measures such as percentage spent on administration versus percentage spent on direct service delivery. In reality, however, such measures are of limited value.

Firstly, how such categories of expenditure are defined and measured would need to be very clearly prescribed – a difficult and complex task to achieve. Secondly, even if accurate and consistent measures were achieved, they do not, alone, necessarily give a useful picture of the organisation's effectiveness. For example a charity might choose to spend funds on employing a

sponsorship officer -an administration cost. While this might be a responsible and successful strategy in bringing in funds to support service delivery, it might also make the charity's administration costs seem excessively high in comparison to service delivery costs.

There is also a risk that pressure on minimising administrative costs can cause organisations to skimp on areas such as occupational health and safety. Not-for-profits need to be mindful of fulfilling their obligations as employers and there are costs associated with this.

The RSPCA would support the idea of a 'holistic' approach to assessing the performance of a charity or other not-for-profit. This should go beyond simply disclosing a statement of accounts and encompass areas such as governance, policies, mission and the organisation's achievements. We recommend the government play a role in raising community awareness about the areas of performance which the public should consider when deciding on which charities to support.

Taxation reform

Currently there is an inequitable system of tax concessions for charities, with differing concessions in the areas of fringe benefits tax, income tax exemption and gift deductibility. Providing additional benefits to certain charitable sectors infers that some charitable purposes are more worthy than others. RSPCA Australia maintains that any organisation which meets the definition of a charity (as defined under Recommendation 13 of the *Report of the inquiry into the definition of charities and related organisations June 2001*) should be given equal taxation benefits.

The RSPCA also recommends an additional taxation benefit be considered for charities, as per the 'Giftaid' program introduced by the UK government. <http://www.hmrc.gov.uk/charities/gift-aid.htm>. Under this program the donor is able to also 'donate' his/her tax deduction to the charity. That is, rather than the donor claiming the tax benefit from the government, the donor provides permission for the charity to claim it.

The RSPCA believes that all organisations that meet the definition of a charity should be given equal taxation benefits. Further, that the government look to introducing a scheme similar to the UK Giftaid, providing additional mechanisms for Australians to support the work of charities.

Please do hesitate to contact me if you would like to discuss our views further.

Yours sincerely



Heather Neil
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RSPCA Australia