



## Illawarra Forum Inc

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The regional peak and resource organisation for community services in the Illawarra and Shoalhaven.

Senate Economics Committee

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

The Illawarra Forum Inc. submits the following comments on behalf of our organisation and authorised by the Manager, Ms Helen Backhouse.

This submission is not confidential.

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## Terminology

In this document we use these terms: NGO (non-government organisation); community service organisation; human service organisation or social service organisation as those:

- which provide direct community, welfare or health services to groups such as children, youth, families, women, the aged, the disabled, Indigenous communities, migrant and refugee communities, and people in social housing.
- which are incorporated associations and managed by a community-based committee.
- which are dependent on government funding to provide services. Most of this income is paid in wages. Much of this funding is time-limited and organisations need to re-apply under specific funding programs. Income from paid services or income from fundraising is minimal.
- which may have status as a Public Benevolent Institution under the Australian Tax Office.

These organisations provide services and thus need to be distinguished from aid organisations which work overseas or the traditional charities whose role is primarily fundraising for specific causes.

For the purposes of this inquiry, it is not sensible to discuss overseas aid, charities and NGO community service organisations as a single group.

See Appendix B Not-for-profit Organisations Australia 2006-7 ABS 8106.1

# 1.

## Accountability and transparency

This sector – not-for-profit NGO community service organisations – has a high level of contractual reporting and accountability requirements. The assumption of low level accountability does not apply to this sector.

### 1.1 Accountability to legislation

The NGO community services sector is highly accountable in its compliance with a range of legislation.

#### Governance & Financial Accountability

NSW Associations Incorporation Act 1984 and the Associations Incorporation Regulation 1999  
NSW Co-operatives Act 1992  
NSW Co-operative Housing and Starr-Bowkett Societies Act 1998  
ATO PAYG tax  
ATO Employer superannuation contributions  
ATO GST  
ATO Public Benevolent Institution PBI  
Australian Auditing Standards

- o NGO community service organisations are required to report regularly to the authority responsible for this legislation.

#### Employment

NSW Industrial Relations Act 1996  
NSW Occupational Health and Safety Act 2000  
NSW Workers Compensation Act 1987  
NSW Workplace Injury Management and Workers Compensation Act 1998

- o The ATO and Workcover NSW can conduct spot audits of NGO community service organisations.

#### Welfare of children and young people

NSW Children (Care and Protection) Act 1987  
NSW Children and Young Person (Care and Protection) Act 1998  
NSW Children And Young Persons Legislation (Repeal And Amendment) Act 1998  
Child Welfare (Commonwealth Agreement Ratification) Act 1941  
Child Welfare (Commonwealth Agreement Ratification) Act 1962  
NSW Community Services (Complaints, Reviews and Monitoring) Act 1993  
NSW Community Welfare Act 1987

#### Complaints

NSW Ombudsman (Community Services (Complaints, Reviews and Monitoring) Act 1993). NSW Ombudsman Act 1974  
NSW Health Care Complaints Act 1993

#### Privacy and FOI

Australian Privacy Commissioner's National Principles for the Fair Handling of Personal Information  
Commonwealth Privacy Act 1988  
Privacy Amendment (Private Sector) Act 2000 □ Commonwealth  
Privacy and Personal Information Protection Act 1998 □ NSW  
Health Records and Information Privacy Act □ NSW  
Freedom Of Information Act 1989

### 1.2 Accountability to funding bodies

The NGO community services sector is highly accountable in its compliance with funding bodies.

- Organisations are required by their funding bodies to have written policies based on legislation and procedures relating to the delivery of their services.
- Funding is dependent on achieving specific outcomes in service delivery within a specific time frame.
- Funding can be withdrawn if the NGO community service organisation does not comply with its contracts.
- Funding contracts require the organisation to undergo annual audits by an independent auditor.
- Funding management systems are required to comply with Australian Accounting Standards.

### 1.3 Accountability to the membership of the NGO community service organisation

NGO community service organisations which are incorporated associations report to their members at the Annual General Meeting and elect their management committee or board. Thus the organisations have accountability to their community.

### 1.4 NGO community service organisations & fundraising

NGO community service organisations may fundraise to enhance services by paying for staff hours or equipment (such as a computer). Indeed funding bodies encourage fundraising to supplement their grants.

### 1.5 Transparency and advocacy

The role of NGO community service organisations in advocacy is integral to transparency in community issues and concerns. In this we support the Australia Institute submission to the Inquiry - 'Agreeing to disagree'.

## 2.

### Case for a National Accreditation System for not-for profit (NGO) community service organisations

In New South Wales government departments that enter contractual arrangements with NGO community service organisations that include funding arrangements have moved to a semi-standardised Quality Management Systems (QMS) framework for accrediting those funded organisations.

Work has been undertaken since 2004 in developing a common framework that covers:

- Governance (organisational management, financial management, human resources)
- Service Delivery (best practice, consumer participation/consultation, evidence based approaches)
- Relationships (networks, partnerships, inter / intra - agency capacity)

Each government department has adopted a slightly different approach to using this system as an accreditation process. For example, the NSW Department of Community Services is implementing the Good Practice Guidelines and the NSW Department of Ageing Disability and Home implements the Integrated Monitoring Framework. Both these processes involve employees of the government department in undertaking the monitoring and accreditation process. The NSW Department of Health requires funded organisations to undergo accreditation by private consultants at the funded organisation's expense.

Many NGO community service organisations enter funding contracts with more than one government department and often with a mix of federal and state government agencies.

This means that the NGO community service organisation has to undergo multiple lengthy and resource intensive accreditation processes with multiple agencies. As the processes differ slightly it is not currently possible for the organisations to present the same documentation to the different government departments.

Accountability and regulation of the effectiveness of governance structures and systems would be greatly enhanced by a national system for accreditation that would be recognized and honoured by all government departments entering funding contracts with NGO community service organisations.

Such a system would accredit the 'accreditors'. That is, it would provide the standards that each government department would use and each government department would then comply with these processes when accrediting organisations. The result would be that once an organisation is accredited with one government department, other government departments would recognize that accreditation and not duplicate the process.

Clearly, in the service delivery section, each department would need to ask some specific questions aligned to the area of service delivery being contracted. These should be minimal and additional to the main body of accreditation.

A national system for accreditation (QMS) should be established and implemented at government expense. Transferring the costs to NGO community service organisations could result in these organisations having to fund raise to be able to pay private consultants to undertake QMS performance reviews.

For NGO community service organisations there are many examples such as this, where government processes duplicate each other and can create considerable work without an identifiable benefit to the service delivery of organisations. Streamlining government processes and better systems for the use of data and information provided by NGO community service organisations to government agencies would allow greater public accountability for public money invested through funding contracts. The issue rests with the way in which information provided by NGO community service organisations is used by government agencies and shared across government agencies.

## Appendix A

### A profile of NGO community service organisations in the Illawarra and Shoalhaven NSW

The Illawarra Forum is the regional peak and resource organisation for community organisations, groups and individuals who work in providing social and welfare services for disadvantaged communities and people in the Illawarra and the Shoalhaven.

The roles of the Forum include:

- Supporting and resourcing community organisations and their committees
- Building expertise in the community and in the sector
- Facilitating cross-agency and coordinated planning
- Promoting innovative approaches in service systems
- Advocacy in social issues

The features of these community organisations (or human service organisations) are:

They provide direct community, welfare or health services to groups such as children, youth, families, women, the aged, the disabled, Indigenous communities, migrant and refugee communities, and people in social housing.

Most are incorporated associations and managed by a community-based committee.

Most are dependent on government funding to provide services. Most of this income is paid in wages. Much of this funding is time-limited and organisations need to re-apply under specific funding programs. Income from paid services or income from fundraising is minimal.

The range of these organisations in the Illawarra and Shoalhaven is as follows:

Fewer than 5 large local organisations with an income of \$7 – \$5 million employing 50 staff approximately

Moderate size local organisations with an income of about \$1.5 million employing 20 staff approximately

A large number of small organisations with an income of \$50,000 – \$30,000 employing 1 – 10 staff.

In addition some large national organisations such as Mission Australia, Centacare, Barnados, and employment organisations provide human services in the Illawarra and Shoalhaven.

## Appendix B

Excerpt - Not-for-profit Organisations Australia 2006-7 ABS 8106.1

At the end of June 2007, there were 40,976 not-for-profit organisations in Australia. Religious organisations accounted for 21.3% (8,743) of all not-for-profit organisations, followed by Culture and recreation organisations which accounted for 20% (8,214).

Of these 5,804 not-for-profit were **social services organisations**. Examples of these types of organisations include youth and family welfare services, childcare, services for the disabled and elderly (excluding high care residential services), refugee and homeless assistance, emergency accommodation and shelters.

These organisations employed 240,667 people at the end of June 2007 and were characterised by a large part-time and casual workforce. In addition to paid employees, there were 261,054 volunteers during the 2006-07 financial year.

Industry value added by these organisations was \$6.9b.

During the 2006-07 financial year, not-for-profit social services organisations received \$12.2b in income.

**The main source of income for these organisations was funding from federal, state and local government**, which accounted for over half (55.1% or \$6.7b) of total income. Income from services accounted for 21.6% (\$2.6b) of total income, and sales of goods 9.3% (\$1.1b).

**The main expense item for these organisations was labour costs**, which accounted for 60.7% (\$6.6b) of total expenses.

Australian Bureau of Statistics 8106.0 - Not-for-profit Organisations, Australia, 2006-07