

SUBMISSION TO THE SENATEE STANDING COMMITTEE ON ECONOMICS

INQUIRY INTO THE DISCLOSURE REGIMES FOR CHARITIES AND NOT-FOR- PROFIT ORGANISATIONS

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Submission from Australia Business Arts Foundation

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Introduction

The Australia Business Arts Foundation (AbaF) is a national organization that promoted private sector support for the arts through three programs – partnering, volunteering and giving.

AbaF was established in 2000. AbaF is a company of the Australian Government, funded partially by the Department of Environment, Water, Heritage and the Arts. AbaF's national team is supported by a Board and a Council of leading business organisations. AbaF works with the business sector, the arts sector (organisations and individuals), and the philanthropic sector (foundations, trusts and individuals) in all states and territories of Australia.

1. Are current disclosure regimes for not-for-profit organisations adequate?

Most not-for-profit (NFP) arts and cultural organisations are likely to have a systematic and consistent reporting framework in place as a result of government funding requirements for applications and acquittals (federal, state and local). The arts and cultural funding agencies have also provided professional and skills development opportunities and advisory services to applicants and grant recipients in operational efficiencies and effectiveness.

Those arts and cultural organisations which seek donations are not required to disclose details of fundraising income and expenditure and if the rest of the not-for-profit sector were to be required to do so, it would be reasonable to expect the same from the arts and cultural sector.

2. What would be the potential advantages and disadvantages for not-for-profit organisations of moving towards a single national disclosure regime? How might any disadvantage be minimised?

A standardised reporting framework would build a more accurate picture of income and expenditure of NFPs and assist with benchmarking best practice. A good example of this is the “harmonisation” process instituted between the Australia Council and the state arts funding bodies, to standardise the reporting requirements of federal and state grantmakers to reduce the workload for time and resource poor arts organisations.

Disadvantage would be minimised by:

- A reasonable period of time in which to inform and educate NFPs of the new disclosure regime
- Instituting a regulatory response which is proportionate, particularly at the large and small end of the NFP environment, rather than a ‘one size fits all’ approach. There are overseas models that take this approach.
- Having the disclosure regime accepted and adopted by all state and federal governments.

3. Would a standardised disclosure regime assist not-for-profit organisations who undertake fundraising activities, and who operate nationally, to reduce their compliance costs if it meant they would only have to report on fundraising to a single entity (rather than reporting to each state and territory)?

Currently, organisations operating nationally must comply with different fundraising registration and reporting requirements in every state and territory. A standardised disclosure regime to a single entity would reduce compliance costs substantially.

4. If there was to be a nationally consistent disclosure regime, should it apply across all not-for-profit organisations, or should different regimes apply to different parts of the sector?

AbaF believes the focus of the reform should not be based merely on legal forms, tax status or activity alone, but the essential characteristics of NFP organisations. Efficiency and effectiveness would be promoted in regulatory design, policy development and community understanding if there was a whole of government approach to non-government and non-business organisations. Such an approach would permit a central regulator to be charged with building the public's trust and fidelity of such organisations, whatever their purposes, which avoids constraining missions such as protecting the taxation base, financial investors or a specific industry.

5. Does there need to be regulatory reform of the not-for-profit sector?

Absolutely. Australia has fallen behind global regulatory standards for NFP organisations, and there is an imperative to keep up. In the global market for philanthropic funds, Australian organisations are at a competitive disadvantage because of the confusing and ineffective regulatory framework.

6. Should there be a single national regulator for the not-for-profit sector?

It is essential that there is a strong champion who can bring different parts of government together to focus on broad issues, and provide leadership and integrated solutions. AbaF would support the establishment of a single national body to oversee the NFP sector along similar lines to the NZ Charities Commission. It should be responsible for the entire NFP sector, and be a stand-alone agency, not located within an existing institution.

Whatever its form, it will require significant resources, as an under resourced body will be worse than the present situation. Its role should be educative, advisory, mediative and enforcing compliance.