

1 February 2013



Manager
Philanthropy and Exemptions Unit
Indirect, Philanthropy and Resource Tax Division
The Treasury

By email: nfpreform@treasury.gov.au

Dear Sir/Madam,

Re: development of Governance standards for charities registered with the ACNC

Vision Australia is pleased to provide views for your consideration on elements of a new reporting framework for charities. We commend the Australian Government and Treasury for its ongoing consultation as it develops a better system for Not-For-Profits (NFP) to operate within, allowing greater focus and resources to be directed towards service delivery.

Vision Australia supports the development of principle based regulation as a positive step to assist the not for profit sector understand the objectives of obligation and accountability. These principles are, in fact, underpinned by the more prescriptive requirements of the Corporations Act that governs all companies that typically populate this sector. As a result, it is important to defer to legislation in the first instance and refer to these governance standards as the minimum set of standards to apply to the sector.

Our responses to the '*Development of governance standards*' consultation paper questions are as follows.

A. Draft governance standard 1: Purposes and NFP character of a charity

Does draft standard one establish the appropriate principles? Yes.
Is the wording of draft governance standard one appropriate? Yes.

Vision Australia's response:

Vision Australia supports the proposed draft governance standard as our Constitution clearly states our purpose and commits the entity to that purpose. Our Constitution sets out our purpose, provides guidance on membership, conduct and proceedings at general meetings, members' votes, directors, powers, duties and proceedings including all provisions relevant to the Chief Executive Officer and all executive officers, inspection of records and service of documents, indemnity and winding up. These are further explained in the Annual and Financial Reports which

clearly set out our Corporate Governance principles and other important information addressing key governance issues.

B. Draft governance standard 2: Accountability to members

Does draft standard two establish the appropriate principles? Yes.
Is the wording of draft governance standard two appropriate? Yes.

Vision Australia's response:

Vision Australia's Constitution sets out our purpose, provides guidance on membership, conduct and proceedings at general meetings, members' votes.

C. Draft governance standard 3: Compliance with Australian laws

Does draft standard three establish the appropriate principles? Yes.
Is the wording of draft governance standard three appropriate? Yes.

Vision Australia's response:

Vision Australia supports the proposed approach for the ACNC to take regulatory action for serious breaches of law, to protect the assets of registered charities and ensure that the interests of those who benefit from their services are not harmed by illegal conduct.

D. Draft governance standard 4: Responsible management of financial affairs

Does draft standard four establish the appropriate principles? Yes.
Is the wording of draft governance standard four appropriate? Yes.

Vision Australia's response:

Vision Australia supports the proposed approach. We have protocols and procedures in place relating to our financial affairs and the protection and responsible allocation of funds including:

- The existence of the Audit, Finance and Business Risk Committee to oversee the financial management and control environment. The committee is constituted by directors that are appropriately skilled in financial review.
- A robust internal audit program to ensure controls are appropriate and applied as part of the control environment
- Segregation of roles to ensure that the organisation's assets are protected and unauthorised use of funds is not possible without premeditated conspiracy and a significant breach of internal controls
- A Delegations of Authority that delegates levels of binding the organisation to any financial commitment on a descending scale from Board to managers to a limited number of general employees
- A comprehensive insurance program to protect against insurable events
- Financial statements audited by a large, independent accounting firm
- Monthly management accounts report against budget, are reviewed by the Audit, Finance and Business Risk Committee and identify any issues that require adjustment

E. Draft governance standard 5: Suitability of responsible entities.

Does draft standard five establish the appropriate principles? Yes.
Is the wording of draft governance standard five appropriate? Yes.
Are there any concerns with allowing the ACNC to disqualify responsible entities and maintain a disqualified responsible entities register? No.

Vision Australia's response:

Vision Australia supports the proposed approach to suitability and disqualification of entities from managing corporations or being responsible entities, with an obligation on charities to maintain appropriate due diligence to ensure charities are not managed or controlled by people who present a risk to financial position or the proper pursuit of purposes. We also support the proposed approach for disqualified persons including the maintenance and operation of a register similar to that which is currently maintained by ASIC. We also support the concept of there being flexibility to allow for exemptions of individuals in appropriate circumstances, such as the example provided in the consultation paper where ex-offenders may be a responsible entity of a charity for the rehabilitation of offenders.

F. Draft governance standard 6: Duties of responsible entities.

Does draft standard six establish the appropriate principles? Yes
Is the wording of draft governance standard six appropriate? Yes

Vision Australia's response:

Vision Australia supports the overall proposed approach towards duties and management of potential or actual conflicts and accepts that these would be substantially the same as the duties of directors under the Corporations Act 2001. The duties to act with reasonable care and diligence, not to improperly use information or position, to act in good faith, in the best interests of the company and for a proper purpose; and obligations to disclose matters involving personal interests or related party transactions provide an appropriate and necessary framework.

Are there any additional protections which should only be provided to volunteer responsible entities? If so, what would these protections be?

In relation to any additional protections for volunteer entities, Vision Australia considers that it is important to ensure that volunteers to act in the best interest of the organisation should have protection from sanctions, provided that they have acted within their role. For example, directors of charities are mainly volunteers who are subject to the provision of the Corporations Act and have no protection but act in a capacity that dictates a level of knowledge and skill that is above that of the normal volunteer. Volunteer engagement and safe harbour are issues that will depend on individual circumstances that need to be balanced by other obligations as indicated above.

G. Timing issues

Are the transitional arrangements proposed adequate?

Vision Australia's response:

Vision Australia believes the transitional arrangements, including timing, are adequate.

Thank you for the opportunity to provide our views and we look forward with interest to the next stage of this important work.

Yours sincerely

Stephen Crook
Financial Controller
Company Secretary
Vision Australia
www.visionaustralia.org.au