

Wanslea is a West Australian Not-for-Profit comprised of three entities: Wanslea Family Services, Wanslea Early Learning and Development (WELD) and Wanslea Charitable Group. All are incorporated associations and one is a Public Benevolent Institution. The Charitable Group complies with State law for fund raising and reports to the appropriate authority. All three are member based with the members making up the Boards of each entity.

Wanslea has operated since 1943 providing services to families and children, primarily to those experiencing difficulty parenting and keeping their children safe. WELD was established in 2010 to manage a range of child care services that seemed to be specifically excluded from being included within a Public Benevolent Institution's range of services.

Wanslea is not naturally aligned with any one peak body nor is it a member of a national advocacy organisation. Therefore, these groups, often based in Canberra, only speak for their own members not for the whole sector although they may give the impression of doing so. Given the large number of small organisations within the Not-for-Profit arena it is imperative that all voices are heard. Many of the mooted changes impact the most on smaller organisations as they lack the resources required to maintain systems that assist accountability and their voices are not being heard. Anecdotally it seems that many of these are not aware of the implications of what the future might bring.

Wanslea welcomes the opportunity to respond to this paper. There are a number of concerns that need to be raised that are precursors to this document:

- the agreed definition of charity has not yet been determined. Until this is completed much of the impact of these changes cannot be fully determined.
- one of the acknowledged purposes of the ACNC is the reduction of red tape. At this point there has been no indication of what this reduction will mean. From Wanslea's view there is only more work required in meeting the reporting requirements outlined thus far.
- is the ACNC structure filling a need demonstrated by the Not for Profit sector or is it another imposition by Government to address other issues? The desire to rein in "Not for Profit" organisations that appear to be making large surpluses that are outside the tax system and overseas aid organisations sending money overseas has created a response that seems totally over the top. Will the cost of an expensive Government Department be recouped through the regulatory processes?
- there is considerable doubt that posting information will have any impact on donors. Donors can find all the information they need from an organisation's website, and most will donate according to factors other than the state of a balance sheet.

The concept of duplication in reporting is of interest. By definition if an organisation currently has no reporting requirement and one is added, it cannot be duplication! It is however, an additional burden.

The thresholds for reporting are ridiculously low. To say an organisation with a turnover of \$1m is large ensures that those at the lower end of this group i.e. \$1m - \$3m will bear the highest cost burden in reporting. Many charities of this size are single purpose, volunteer run and seeking to maximise the return on each dollar spent. The Annual Financial Statement reporting will impact most on this group of organisations.

In West Australia Not-for-Profits are incorporated associations and have minimal reporting requirements, beyond those that are required by good governance practices. Any additional reporting is costly, and whilst there may not be duplication per se, there is always an extra cost involved in preparing and submitting reports.

Within Wanslea, as an example, there are three separate entities that need to be reported. As incorporated associations the requirements are currently minimal. All three finances are audited by a qualified auditor, Annual General Meetings are held as per the regulations and only one is a licenced charity. Preparing an Annual Information Statement will require new fields in data collection systems; some definitions around measuring volunteer hours (e.g. foster carers); potentially new ways of presenting accounts; personnel to ensure data held by the ACNC is current.

Governance Standards

Wanslea notes and supports the proposal for self assessment of compliance with the governance standards. What however is not clear in the paper is when and how the ACNC will chose to exercise its wide ranging powers. It is stated that the “enforcement powers will only be used to address serious cases of non-compliance”. There needs to be further definition of what these powers are and how and when they may be used. The Act remains vague in the area.

Draft Governance Standard 3, the paper states that a registered charity does not need to be actually charged with an indictable offence to be in breach of the proposed standard. This will give the ACNC substantial power to take action if it reasonably believes a charity has engaged in an offence or fraud.

Draft Governance Standard 4 states that an entity must take *reasonable* steps to manage its financial affairs in a *responsible* manner. It would however appear that the interpretation of *reasonable* and *responsible* is open to the discretion of the ACNC. Again further definition is required as appetite for risk will be different in organisations, depending on their size and diversity.

Draft Governance Standard 5 requires registered charities to take reasonable steps to ensure compliance with all its entities not being disqualified from managing corporations. The complexity of ensuring this should not be underestimated by the ACNC as community sector organisations are unlikely to be overly familiar with ASIC systems and processes unless they are a company limited by guarantee and this is likely to only apply to large multi service not for profits and charities.

Draft Governance Standard 6 sets out a number of duties of a registered entity and again uses the generic term *reasonable steps*, which is open to interpretation at the discretion of the ACNC. Additionally many of the duties are negative in their nature – saying what the registered entity must not do rather than what it should do eg. “not misuse its position, not misuse information, not allow it to operate whilst insolvent”. A more positive approach to the use of terminology would be beneficial to the intent of the Standard.

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Accountability for public money is important and this is already provided in large part through the existing mechanisms for acquitting against contracts and service agreements. There has been no feedback from Commonwealth Departments that they will accept postings on the ACNC site as

meeting the requirement for the provision of Annual Reports, changes in association directors, and other reports. Equally, State Government Departments are yet to indicate if they will reduce any of the red tape burden in response to these new regulations.

There are many outstanding components to be resolved before there is unanimous support for the ACNC. The issue in regard to FBT benefits for the Not-for-Profit sector staff is a huge question mark. It seems that by agreeing with the points as outlined in the document, there is agreement for the entire range of changes that are proposed.

It seems that further consultation is needed to ensure that the Commission has the full support of the Not-for-Profit and Charitable Sector and has not simply created another layer of reporting and the associated costs of another government department.