

REVIEW OF NOT-FOR-PROFIT GOVERNANCE ARRANGEMENTS
CONSULTATION PAPER (DECEMBER 2011)
RESPONSE BY HAMMONDCARE

Introduction

HammondCare is an independent Christian charity that was founded in 1932. Each day, we serve more than 2,600 people with complex health or aged care needs, regardless of their circumstances, in sub-acute hospitals, residential aged care facilities and in their own homes. We are considered leaders in dementia care and palliative care.

HammondCare's annual revenues in FY11 were \$140m making it one of the 50 largest Australian charities by revenue.

HammondCare is a public benevolent institution and a deductible gift recipient.

With now almost 80 years' experience operating as a charity in Australia, HammondCare is well placed to contribute to the current national discussion regarding the future direction and regulation of the Australian charitable sector.

HammondCare continues to support the new approach signalled by the signing of the National Compact in March 2010 by the Government and the not-for-profit sector to work together, including to reduce red tape and streamline reporting requirements. HammondCare has welcomed the reform measures already undertaken since then to establish an Office for the Not-for-profit Sector within the Department of Prime Minister and Cabinet and to create the Not-for-profit Reform Council.

HammondCare is supportive of the Government's review of the governance arrangements for not-for-profits and agrees that a more robust and standardised approach to governance across the sector will enhance community trust and support. It is important, however, that any initiatives to improve governance do not duplicate aspects of governance regimes to which not-for-profit entities like HammondCare are already subject.

Disclosure requirements and managing conflicts of interest

The Consultation Paper refers to consideration being given as to the level of disclosure required in relation to related party transactions. While HammondCare acknowledges that this is an important aspect of governance in the sector, it is concerned about the creation of overlapping obligations. The Australian accounting standards and the *Corporations Act 2001* (Cth) regulate entry into related party transactions by companies limited by guarantee. The not-for-profit governance framework should not introduce the same or similar measures in this area.

The Consultation Paper also notes that consideration is being given to whether the law should require all not-for-profits to abide by a conflict of interest policy. HammondCare, as a company limited by guarantee, is already subject to obligations under the *Corporations Act* in relation to the management of conflicts of interest. Those obligations should not be duplicated in the governance of companies limited by guarantee operating in the not-for-profit sector.

Risk management

Risk management is a critical aspect of the operation of any organisation, be it in the not-for-profit sector or otherwise. The occupational health and safety obligations of entities like HammondCare are already comprehensively regulated under state law. It is the task of the occupational health and safety legislative regime to ensure that occupational health and safety obligations are met by an organisation (whether not-for-profit or for profit).

Similarly, requirements to hold particular classes of insurance are imposed at a statutory level and of course depend upon the particular activities in which an organisation is engaged.

To introduce occupational health and safety or insurance requirements to the governance framework for the not-for-profit sector will simply duplicate existing measures in this area and increase the existing regulatory burden.

Summary of position

HammondCare welcomes the introduction of a comprehensive regulatory framework for the not-for-profit sector. Caution needs to be exercised in the design of any governance measures to ensure that they do not duplicate existing and adequate governance systems, particularly for organisations like HammondCare which are already subject to the rigours of corporate governance.

HammondCare

12 January 2012