



COMMUNITY EMPLOYERS WA

24 April 2013

Reporting and Red Tape Reduction Directorate  
Australian Charities and Not-for-profits Commission  
GPO Box 5108  
Melbourne Vic 3001

Dear Sir / Madam,

## **RE: Draft 2014 Annual Information Statement (AIS) Public Consultation Paper**

The purpose of this submission is to provide Community Employers WA's (CEWA) comments on the consultation paper for the development of the 2014 Annual Information Statement (AIS).

CEWA is a registered Employer Organisation with the Industrial Relations Commission of Western Australia, and represents non-government, not-for-profit employers in the community services sector of Western Australia. CEWA now has 120 members comprising many of the largest and smaller Community Sector employers in WA, and continues to grow in numbers and influence.

CEWA is pleased that the sector has been consulted in relation to the development of the 2014 AIS. However, as previously stated with other recent Public Consultation papers, we are **extremely concerned** at the limited time given to respond to this paper. This is a significant change for the Sector and it takes time to consider the implications, to consult with the multitude of organisations which will be affected by these changes and to provide a meaningful and informed response. To expect the sector to do this within 6 weeks given their already excessive work-loads, is simply unreasonable. It does not reflect Best Practice for Engagement with the Sector (as the National Compact Consultation Paper is endeavouring to promote), and demonstrates a lack of understanding and respect for the views and opinions of those who have dedicated much of their professional lives to supporting people in need and working in the sector.

In future **we would strongly recommend a minimum 3 month consultation period be set and that Consultation Papers not be issued simultaneously** – at present there are three papers all requiring a detailed response within one week of each other ie. the AIS paper, the Code of Best Practice for Engagement with the not-for-profit sector and the Definition of a Charity paper. Government

Agencies need to consult with each other to improve the communication with the sector and the call for comment and input, particularly when such significant changes are proposed.

### **Overarching comments:**

CEWA is **totally opposed** to the increased level of regulation and administrative burden the AIS will place on the NFP Sector. We believe this is yet another unnecessary level of red-tape and administrative reporting burden that is unwarranted and will provide limited benefit to the broader community. The AIS goes well beyond the initial intention of the establishment of the ACNC to be 'light touch' and to reduce the amount of compliance work organisations need to undertake. It seems that with every Consultation Paper which the ACNC and Treasury are releasing, there is more and more administrative burden being placed on the sector.

Instead of making it easier for Community organisations to focus on their Missions, they are being forced to increase their administrative teams and to report additional information to the ACNC. Whilst in isolation, any one request may seem minor, the cumulative effect of what is being sought, will undoubtedly negatively impact the efficiency of service delivery of many community sector organisations and will create the real likelihood of Boards becoming more risk averse and even more compliance and reporting driven. This will not ultimately be beneficial for the creation of a Civil Society, and arguably will be felt most heavily in smaller organisations who work in local communities. Their capacity to stay abreast of the myriad of changes being rolled out is under strain and we have already seen some of them simply ceasing to exist, in part because of the red-tape and reporting burden. Similarly, medium and larger organisations will need to divert scarce resources away from service delivery to review, consult, assess, monitor and report to various agencies.

The imposition of the AIS together with the Financial Reporting Standards, is likely to result in community organisations being primarily financially driven rather than mission driven. As obligations continue to increase in terms of signing off on a myriad of forms, submitting reports and other compliance matters, it will be inevitable that many organisations will spend an increasing amount of their time and resources, dealing with compliance issues and looking at all decisions largely from a legal and financial basis. This will be to the detriment of those who need their support the most – their clients.

CEWA understands that the Community Sector is a significant provider of services and that a substantial part of the work they do is funded by governments and by the Australian public. We accept and support that good governance is essential to providing confidence to all stakeholders that their funds are being appropriately utilised and accounted for, and that there is a high degree of accountability and transparency needed to evidence this. However, **the issue is one of balance and CEWA believes that the changes proposed will significantly and negatively impact that balance.** As stated earlier, the primary focus of Community organisations should be fulfilling their Mission, on supporting people in need in whatever work they undertake, and in doing so as efficiently and effectively as possible. The imposition of more reporting regimes, additional forms and standards will not improve their capacity to maintain their primary focus, and will do little to enhance what is already a high level of trust and respect that the Sector has developed over many years.

CEWA is yet to see any meaningful reduction in red-tape and reporting requirements, indeed it is increasing. Whilst there have been promises of reductions in time, of the Charity Passport and of harmonisation across all the State Governments, from a Western Australian perspective, there has been no real progress which will benefit Community organisations. We remain extremely concerned that the improvements won't eventuate to the levels promised and the end result will be worse than what existed prior to the establishment of the ACNC.

## **Draft 2014 Annual Information Statement:**

In the limited time available for soliciting responses, CEWA has consulted with a number of member Community organisations to seek their input to this submission. Many have also completed the online Survey monkey.

The key concerns expressed by CEWA members can be grouped into three main areas.

### **Increased reporting burden**

There will be additional cost and workload for all organisations in preparing financial reports in the format required, particularly for those organisations which don't use the same codes and headings as the NSCOA. This will be an ongoing annual cost and some agencies are concerned that they may have to **employ additional resources** to assist with this workload. Understandably, many organisations simply don't have the financial capacity to employ more people – they are often already stretched in funding the work they are doing. The result for these organisations will thus be that they will need to familiarise themselves with a new level of reporting and spend additional time in learning how to complete the new reports in the formats and timeframes required.

To expand that further, it won't necessarily be as straight forward as one person filling out the form and submitting it online to the ACNC. For many there will be a need for overview by perhaps the CFO and the CEO, for the Audit and Risk committee to review and sign off on the report or perhaps the board. Depending on the declarations that are required to be signed off, some boards may ask for auditors to provide a higher level of risk assurance. All of this takes time and potentially costs money.

Most organisations indicated that they would need to design new IT report extraction programs to pull the data out of their accounting systems in the format required by the ACNC. Some thought they may have to buy new software to enable them to report to the ACNC and that it won't be as simple as transferring their data to the proposed GL codes. The exact cost of this not readily available, but when incurred by almost every organisation, is likely to be significant for the sector as a whole.

### **Increased level of disclosure**

CEWA heard of significant concern amongst many members of the proposed level of disclosure. One area in particular which stands out is the requirement to provide salary sacrifice information. **This is not necessary and should be withdrawn from the reporting.** No other organisations or businesses in other industry sectors are required to disclose their salary information and many of them do have

access to salary benefits of various kinds. To single out the Community Sector in requiring them to disclose salary sacrifice information is inequitable, invasive and unjust.

Furthermore, the ACNC is not, and must not become a conduit for collecting information on behalf of the Australian Taxation Office. If this information is required by the ATO (notwithstanding that they already have this in the PAYG statements from employees), then it should be sought directly, not through another government agency.

No other industry sector across Australia be it public or private, is required to publish the level of information being sought – and if it is available, it isn't all collated in one location. In fact, many of the for-profit organisations who compete directly with not-for-profit organisations for the tendering and provision of various government contracts, are subsidiaries of multi-national organisations and publish little or no data whatsoever on their Australian activities. Requiring Community organisations to do so will create an 'un-level playing field' to the disadvantage of the NFP sector.

CEWA does not understand what the ACNC is seeking to achieve in breaking down the disclosure of reserves into three categories. If it is to show which organisations are more financially robust than others, the Assets and Liabilities within the Balance Sheet will provide users with relevant information. The disclosure of Restricted Purpose Funds may be against the wishes of donors who have provided funds anonymously and don't want them disclosed, even in aggregate. It will potentially raise more questions and will do little to provide meaningful information to the broader community.

### **Potential misinterpretation of information**

The consultation paper states that the AIS data will be loaded onto the ACNC register and that the ACNC plans to publish regular sector snapshots using AIS data. **There is a real risk that this data will be used for comparison of community organisations with a lack of contextual analysis.** We have often seen in other environments, the over simplification of data, assumptions made based on poor research or on limited information. In other sectors, league tables get drawn up without consideration of non-numerical aspects and conclusions are reached with ill considered or at best, disclaimers.

For many organisations, their financial information is not widely published for competitive reasons. If donors seek more information, it is often made available to them on a confidential basis. To now require community organisations to disclose their financial results through the AIS and the Financial Reporting regulations, and for it to be published on the ACNC register with the potential for overly simplistic comparisons to be made, will create an imbalance of disclosure against many for profit organisations and will be of little meaningful value to the broader community.

The publication of the AIS will result in the return being effectively a marketing document for community organisations, requiring yet again more time to ensure it portrays the organisation in the way the Board wishes it to be done – albeit primarily from a financial perspective with a maximum 300 word outline of all their activities. Again, this will not be a simple form filling exercise for many, but a time consuming and detailed dissertation designed to minimise the risk of misinterpretation and to promote the attributes of the organisation. No doubt some organisations may feel it necessary to engage external support to complete the AIS in as positive a manner as possible.

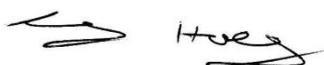
## Conclusion:

CEWA is **totally opposed** to the introduction of the Annual Information Statement. It will unnecessarily increase the compliance burden and costs for an already stretched sector. The introduction of the AIS goes well beyond the original purpose of the ACNC and the desire to be 'light touch', especially when information is being sought through this reporting, for the Tax Office. The salary sacrifice information should not be part of this reporting regime.

Of particular additional concern is the potential for misuse and misinterpretation of the reports. There is minimal tangible evidence that the current system of reporting and oversight isn't working well and to now impose a whole new compliance and reporting framework across the sector, may well change the face of many community organisations in the next few years.

Finally, we would recommend that the ACNC continues to meet regularly with the sector across the country and at various levels within organisations where possible. If this is to be a true consultation and partnership approach, as this sector knows better than most, meaningful progress will only come through ongoing engagement and support.

Yours sincerely,



Chris Hall  
Co-Chair



Tony Pietropiccolo AM  
Co-Chair

Cc: Minister Julie Collins – Minister for Community Services

Cc: Shadow Minister Kevin Andrews – Shadow Minister for Families, Housing & Community Services