



**CHARTERED SECRETARIES
AUSTRALIA**

Leaders in governance

9 September 2008

Call for national regulatory framework for NFPs

Chartered Secretaries Australia (CSA) is calling for a national regulatory framework for not-for-profits (NFPs), many of which are struggling to understand their compliance obligations under the current fragmented, inconsistent and complex regime.

In a submission to a Senate Inquiry CSA claims that often NFPs are reporting either too much, or too little, to their stakeholders and is encouraging the Inquiry to look at what, and how much, information charities and other NFP organisations should be giving to their stakeholders.

Though reform of company law for the 'for-profit' sector has progressed, there has been no similar reform for NFPs.

"NFPs are currently forced into company structures which take no account of their non-profit objectives and their special needs," said CSA chief executive Tim Sheehy. "There is a split between those NFPs governed by the federal company law regime and those that operate under state and territory laws."

CSA is calling for a single Commonwealth statutory regime that will encompass all NFPs. This would need to be undertaken by a referral of relevant powers by the States, similar to the referrals given for company regulation.

"This is an opportunity for an overarching consideration of the regulatory issues that have an impact on the efficiency and accountability of the NFP sector as a whole," said Mr Sheehy.

"It is a sector that plays a significant role in Australia's economy and is essential to the fabric of our society," he said.

CSA also recommends that all NFPs should provide a publicly available, short-form report of no more than two pages disclosing the organisation's objectives, amounts and sources of funding, activities that the fundraising supports, details of the directors and related-party issues.

"CSA believes that the members and stakeholders of all NFPs should have access to clear, simple and transparent reporting which allows them to see the

MEDIA RELEASE

financial and governance position of the organisation, and assures them that it is being managed prudently," Mr Sheehy said.

Once a national regulatory framework for NFPs is in place, CSA also recommends different levels of financial reporting obligations depending on the organisation's income and assets.

"The reality is that the costs of preparing full financial reports and having them audited can be prohibitive for smaller organisations," said Mr Sheehy.

In addition, CSA supports the introduction of a specific NFP accounting standard.

Another shortcoming identified by CSA is the current lack of expertise in the NFP sector within the Australian Securities and Investments Commission (ASIC), which regulates those NFPs that are companies. CSA is recommending that ASIC establish a specialist unit with NFP expertise, and also develop a plain English guide for NFPs, with a view to this expertise being in time exported to a specialist regulator.

"NFPs perform invaluable roles in our society. CSA believes that with a simplified and de-cluttered disclosure regime, NFPs will be able to get on with their vital work, and still meet the legitimate interests of their stakeholders for prudent management and good governance," concluded Mr Sheehy.

For further information contact Tim Sheehy at Chartered Secretaries Australia on (02) 9223 5744 or 0419 490 594; or Viv Hardy at CallidusPR on (02) 9283 4113 or 0411 208 951.

About Chartered Secretaries Australia

Chartered Secretaries Australia (CSA) is the peak professional body delivering accredited education and the most practical and authoritative training and information on governance, as well as thought leadership in the field.

MR/2008/10