



29 April 2014

Dr Kathleen Dermody
Committee Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

**Office of the Chief Executive
Alex Malley, FCPA**

CPA Australia Ltd
ABN 64 008 392 452
Level 20, 28 Freshwater Place
Southbank VIC 3006 Australia
GPO Box 2820
Melbourne VIC 3001 Australia
T +61 3 9606 9689
W www.cpaustralia.com.au
E alex.malley@cpaustralia.com.au

Via email: economics.sen@aph.gov.au

Dear Dr Dermody

Inquiry into the Australian Charities and Not-for-profits Commission (Repeal) (No. 1) Bill 2014

CPA Australia welcomes the opportunity to comment on the inquiry into the Australian Charities and Not-for-profits Commission (Repeal) (No. 1) Bill 2014 (ACNC repeal bill no. 1). CPA Australia is one of the world's largest accounting bodies and represents the diverse interests of more than 150,000 members in public practice, industry, commerce, government, not-for-profits and academia in 121 countries throughout the world. Our vision is for CPA Australia to be the global professional accountancy designation for strategic business leaders. We make this submission on behalf of our members and in the broader public interest.

CPA Australia's interest in the charities and not-for-profit sector stems from our public interest remit and the significant role our membership plays in this sector. Our members provide valuable paid and pro bono services to the charities and not-for-profits sector as public practitioners and through direct involvement in the governance and management of charitable and not-for-profit entities.

The charities sector in Australia is presently faced with uncertainty on multiple fronts, including uncertainty over future funding arrangements and statutory obligations. CPA Australia recommends addressing the prevailing uncertainty as a top priority, including resolution of the status of the Australian Charities and Not-for-profits Commission (ACNC). This will provide charities with some much needed clarity on their statutory obligations and determine the resources needed to meet these obligations.

The charities sector relies predominantly on financial support in the form of private and public funding to cater to some crucial aspects of society's needs. To continue to receive societal support, the sector needs to maintain public trust and confidence. This can be achieved by demonstrating that it is operating effectively and efficiently in the utilisation of resources received for their intended purposes. In our view, a regulatory regime that oversees a governance framework (that includes appropriate measures for accountability and transparency) is essential to ensure continuing public trust and confidence in the sector.

Some elements of a regulatory regime exist at the Commonwealth and State/Territory levels, but it is disjointed, inconsistent and absent in some cases. During consultations that preceded the formation of the ACNC, CPA Australia premised its support for the formation of the ACNC on the basis that the new Commonwealth regulator would be the catalyst for achieving national consistency in charity regulation that would ultimately result in a significant reduction in red tape for the charities sector, whilst also fostering public trust and confidence. It remains our belief that to achieve the desired outcomes, a concerted, significant effort is needed from both Commonwealth and State/Territory Governments and regulatory agencies that goes beyond what a single charity regulator can achieve unilaterally.

It is CPA Australia's view that the debate for the repeal of the ACNC should include consideration of how to address the regulatory framework issues that will remain if the ACNC is disbanded, including how to address the excessive red tape and regulatory burden imposed on the sector through:

- inconsistent State/Territory based incorporated associations legislation
- inconsistent State/Territory based fundraising legislation
- multiple compliance and reporting obligations, which are part of funding arrangements with government agencies, including acquittals processes

The debate should also consider how to deliver a nationally consistent regulatory framework that includes:

- a uniform framework of good governance, including accountability and transparency, to ensure continuing public trust and confidence
- a framework that provides guidance, support and education to the sector on operating effectively, efficiently and in compliance with relevant laws
- a mechanism to enable the collection of more reliable macro-data to better understand the sector and the issues it faces
- a regulatory function to address non compliance with relevant laws or regulations

The Government publicised its intention to pursue reduction in unnecessary red tape and foster accountability of the charities sector. We support this intention and believe there is a strong need to reduce the burden of compliance on charities, without compromising the requirements of good governance and accountability.

The ACNC repeal bill no. 1 is phase one of a two-phased approach employed to remove the ACNC and associated legislation, which will not be effective until the second, yet to be published ACNC repeal bill is enacted. Further details on the regulatory framework that will replace the ACNC are also expected in the second ACNC repeal bill. We find the two-phased legislative approach adopted problematic as we are unable to give due consideration to the entire suite of proposals that are being developed.

We will provide our consolidated and comprehensive views on the entire suite of proposals when the second Bill is consulted on, but in the meantime this submission provides our position and views on the sector specific issues that need to be addressed.

If you require further information on any of our views expressed in this submission, please contact Ram Subramanian, CPA Australia

Yours sincerely

Alex Malley FCPA
Chief Executive