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Dear Mr Ryan

### **Review of the 'Good governance principles and guidance for NFP organisations'**

CPA Australia represents the diverse interests of more than 160,000 members in 118 countries. We make this submission on behalf of our members and in the broader public interest.

CPA Australia commends the AICD for the ongoing development of this significant resource, particularly the context of the current statutory review of the ACNC legislation and, more generally, the widening social and economic significance of the not-for-profit sector. We are pleased to provide the following brief responses to your review consultation.

#### ***Consultation questions***

**1. Do you support the approach of providing supporting practices? If not, what alternative do you recommend?**

CPA Australia supports this approach though cautions against such statements becoming so prescriptive as to be possibly seen as exhaustive statements of obligation which substitute the professional judgment of responsible persons working within or across the NFP sector. Notwithstanding the above comment, we believe the following detail is required: In respect of the first dot-point which addresses risk appetite, there may be a need to add additional commentary about ensuring alignment of risk appetite with the overarching charitable or NFP purpose.

- In respect of the third dot-point dealing with a review process every second year, emphasis might be given to the practice applying at shorter intervals or on a discretionary basis arising from monitoring of internal capacity and factors arising in the external environment.

**2. What resources would be most valuable in supporting users of the Principles to apply them in their organisations?**

CPA Australia supports and commends the AICD in its endeavours to develop case studies, samples, and templates which will give an applied understanding and support practical application of the Principles. However, we also note that there are invariably challenges in balancing accuracy with accessibility, and creating the appetite to avail of such resources.

**3. Do the proposed 10 principles adequately capture the high-level principles of good governance in the NFP context? Should any be added, changed or removed?**

CPA Australia agrees broadly with the revised structure and high-level description of each of the proposed principles. However, we make the following specific suggestions:

- Existing Principle 4, or proposed Principle 5, dealing with risk should direct careful regard towards safeguarding the NFP's resources and reputation.
- Principle 10 - in both the current and proposed structure dealing with stakeholder engagement, attention should be drawn to adopting suitable processes for identification and prioritisation of stakeholders.

**4. Do the proposed supporting practices appropriately capture the features of good governance relevant to each principle? Should any be changed, added or removed?**

We have reviewed each of the identified supporting practices proposed for development under each of the revised principles. At this early stage of development each seems highly valid and CPA Australia would be pleased to provide feedback across the course of their development. The following specific points are made:

- Under Principle 2 (Board roles and responsibilities), in addition to 2.3 dealing with delegation, a further supporting practice could be developed to address further matters of reliance and oversight.
- Under Principle 3 (Board composition), critical matters of diversity are addressed in proposed supporting practice 3.2. In development of resources under this theme, it might be beneficial to explain how diversity considerations with the NFP should be identified and developed having regard to the purpose and strategy, particularly where the NFP may have been created to redress or ameliorate for the impact of a historical failure of diversity.
- Under Principle 6 (Organisational performance), in addition to the four items identified for supporting practice guidance, prominent mention should also be given to maintaining solvency and going concern issues.
- Under Principle 7 (Accountability), there are matters identified pertaining separately to stakeholders and members. Additionally, it may be beneficial to address the distinction between the interests of stakeholders and the rights of members and how these are reconciled with the specific NFP context.
- Under Principle 9 (Integrity and ethics), a number of fundamental aspects of good governance are addressed. Additionally, here, or alternatively under Principle 6 dealing with Organisational performance, safeguarding against the problematic character and threat of related-party transactions and relationships should be addressed also.

If you require further information on our views expressed in this submission, please contact Dr John Purcell FCPA, Policy Adviser – ESG, on +61 3 9606 9826 or at [john.purcell@cpaaustralia.com.au](mailto:john.purcell@cpaaustralia.com.au).

Yours sincerely



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