

13 December 2023

BERG Not for Profit consultation  
C/O- Community Cohesion Branch  
Department of Social services  
GPO Box 9820  
Canberra ACT 2601

Via email: [BERGsecretariate@dss.gov.au](mailto:BERGsecretariate@dss.gov.au)  
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Dear BERG Panel members

**Consultation: NFP sector Development Blueprint issues paper**

Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia represent over 300,000 professional accountants who work in diverse roles across public practice, commerce, industry, government and academia throughout Australia, New Zealand and internationally. We welcome the opportunity to provide feedback on the above consultation and make this submission on behalf of our members and in the public interest.

We are strong supporters of the not-for-profit (NFP) sector and many of our members are involved with the sector as advisors, auditors, employees and volunteers. We therefore welcome such a broad ranging consultation that seeks to better understand the needs and activities of the sector and design and implement reforms that will ensure it is fit for the future. Our response to this consultation has been developed from feedback from members and stakeholders involved in the Australian NFP sector.

We also commend the Blueprint panel's approach to "collect once use often," making use of the information already provided to multiple consultations on sub parts of the sector, beginning with the Productivity Commission's Report in 2010, and most recently in response to the Philanthropy Consultation in 2023. We have been an active contributor to many of those consultations sharing both our members views and details of the many resources that we have developed in support of the sector over that time. Much of this information continues to be available via our respective websites.

**Scope**

We note the Blueprint panel's terms of reference is limited to the 60,000 charities that are regulated by the ACNC and that the Blueprint's objective is to use the societal and operating issues associated with this small subset of the sector as being in some way representative of the broader Australian NFP sector. We acknowledge the practicalities of this approach but note that the Australian NFP sector is very diverse in its legal structures, its objectives and activities, and its sources of funds. The lack of comprehensive data about the entire sector exacerbates the challenges associated with understanding and addressing its needs.

Therefore we are concerned that adopting the Blueprint's approach could fail to ensure that existing challenges in the sector such as red tape reduction, digital reporting, education and governance (which the ACNC has made good progress in addressing in the charity sector) and other challenges such as digital capability, volunteering and skill needs and legal and state fragmentation (not within the ACNC's mandate) are inadequately recognised as key issues in the wider NFP sector and therefore do not achieve the necessary level of focus.

### **Our 10-year vision for the sector**

We agree with the BERG's view that an effective NFP sector is critical to our economy and support the BERG's identification of the key qualities of an NFP sector of the future as being:

- Effective and responsive to change;
- People powered and centred;
- Diverse inclusive and cross culturally capable;
- Collaborative and connected;
- Digitally enabled informed by evidence and data capable; and
- Resourced and resourceful.

In achieving this vision, we believe there is a crucial need for a more consistent and supportive regulatory framework for the entire sector. It was envisioned when the ACNC was established in 2012 that it would be a regulator for both charities and NFPs. However, this vision has only been partially fulfilled, with the ACNC's legislated regulatory focus remaining on charities for the past decade. Given the enormous strides the ACNC has made on transparency, education, and red tape reduction over that time, we continue to believe that a common Australian regulator for all NFPs should remain the government's focus and fulfilling this vision should remain a medium to long-term goal.

To this end, we recommend that thought be given in the short term to allowing the ACNC to accept voluntary registration from all currently state regulated NFP entities that engage in charitable fundraising. This would allow these charities to achieve a report once, use often reporting and governance regime and make use of the data gathering/governance, education, and other benefits already obvious from the work of the ACNC.

### **More immediate priorities for achieving this vision.**

With this broader objective in mind, there are several other areas where more effective government action is needed to better support the sector. These include:

- **Access to data** – the creation of publicly available data sets sourced from all the different NFP regulators that collect it should be a high priority. This will improve the understanding of the entire sector and its needs, informing and facilitating more targeted education of its key stakeholders and providing a solid foundation for evidence-based reforms.
- **Red tape and other structural reforms** – continuing to promote red tape reduction and reduce legislative complexity, particularly the long running fundraising initiatives which continue to struggle to progress at the state level and need to be implemented consistently in each jurisdiction.

- **Incentives** to encourage the sector to invest in important matters such as improved governance, technology including cyber security and sustainability, all of which are essential to a viable sector in the future but require funding over and above that required for normal service delivery.
- **Grant reform** – reforming and standardising grant documentation to ensure that it supports a clear understanding of how the funds are to be used such that reporting is made easier and grant acquittal requirements make use of data already being prepared to satisfy them.
- **Education** – the need to upskill the sector's largely volunteer workforce to enable them to respond to the demands that the sector be more accountable and sustainable, via improved governance and reporting and making it easier, and financially possible, for them to access professional advice.

Further comments on these matters are included in our responses to specific questions from the consultation paper, which are set out in the **Attachment** to this letter. Should you have any questions about the matters raised in this submission or wish to discuss them further, please contact either Karen McWilliams (CA ANZ) at [karen.mcwilliams@charteredaccountantsanz.com](mailto:karen.mcwilliams@charteredaccountantsanz.com) or Ram Subramanian (CPA Australia) at [ram.subramanian@cpaaustralia.com.au](mailto:ram.subramanian@cpaaustralia.com.au).

Yours sincerely

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## Attachment

### 1. Ensuring the NFP sector is data capable and informed by evidence.

(Questions 3.1.4, 6.1.4 and 9)

A digitally enabled and digitally literate NFP sector that can make decisions based on relevant, reliable and comprehensive data, and report its activities to its stakeholders in an understandable and digitally accessible way is a key piece of our vision for a viable and effective sector into the future. We believe there are several key areas where government has a role to play in improving the data capabilities of the NFP sector. These are:

- Providing public and sector wide access to the wide range of data collected by NFPs nationwide.** The publicly available ACNC register has clearly demonstrated the value of accessible sector information to both government for policy purposes and to the wider community, allowing more transparency and accountability over the charities sector's activities and achievements in support of its beneficiaries. We believe there would be considerable value to be gained from creating and making publicly available, data sets containing information similar to that currently published by the ACNC, from the other regulators that govern Australia's NFP sector, including the ATO, ASIC, ORIC and State and territory regulators of incorporated associations. This initiative would require collaboration between Commonwealth and State/Territory regulators in achieving the intended outcomes. It would similarly benefit both government policy outcomes, the wider community and NFP entities themselves, via benchmarking. (For more details on this issue see our [Philanthropy submission](#)).
- Supporting the wider uptake of digital reporting solutions such as those utilised by the ACNC in its Annual Information statement** - Whilst the initial investment in digital technologies for data collection and reporting may be high and require government support, we expect this to be offset by lower costs in subsequent years and by the significant benefits the digitised data will provide, as evidenced by the ACNC register data.
- promoting the uptake of operational technology based solutions** - the use of digital technology is essential for the effective and efficient operation of charities and can significantly improve both stakeholder engagement and access to virtual fundraising. This was highlighted in CA ANZ's 2020 publication "[Steering charities and not-for-profit organisations through the pandemic.](#)" However, the costs remain prohibitive for many charities faced with more immediate challenge to deliver services. This is exacerbated by the fact that, as recorded in the [ACNC Charities Report 9th edition](#), the majority of Australia's charities have revenue under \$1million. Those charities (and NFPs more broadly) that do invest in technology then face significant cybersecurity risks, which, in our experience, are poorly understood. We therefore encourage the development of government funded programs to help smaller NFPs overcome a low understanding of technology and its applications, a major barrier to effective technology investment. Similar programs to those that currently exist for the small business sector such as the technology investment boost tax deduction, the Australian Small Business Advisory Service (ASBAS) and the recently

announced Small Business Cyber Security Health Check program could be developed for NFPs and highlight the government's commitment to a strong sustainable sector in the future.

## 2. Policy and regulatory reforms to increase giving to charities.

(Questions 5.1.1, 5.1.2, 5.1.3, 5.1.4)

We acknowledge the concerns of the sector regarding declining volunteer numbers and the changing face of the philanthropy landscape. However, it is important to recognise that philanthropy only provides a small fraction of the revenue received by charities and other NFPs to meet their operational funding, compared to the amounts received via government grants or revenue from sales of goods and services. While increases in giving are important, such initiatives should not be seen as a means of reducing overall government funding to the sector. This is because the work of charities enables the provision of a wide range of essential services, specifically targeted to the specialised needs of their communities more effectively and at a lower cost, with the tangible and intangible benefits more than justifying the tax concessions they receive, and the grant money expended.

Nevertheless, there are several reforms we believe would be valuable in assisting charities to better engage with their communities and so encourage increased giving, either financially or via volunteering. These include:

- **Red tape reforms to eliminate the complexity of the state based fundraising regimes.** We commend the efforts of the Commonwealth and State/Territories for their joint efforts through a working group to [agree a common set of fundraising principles](#) that will form the basis of streamlined fundraising regulation in the future. As members of the #fixfundraising coalition, we have been actively advocating for this reform and urge the government to continue its efforts to achieve streamlined and simplified fundraising regulation across Australia. However, the benefits of consistency will not be achieved if states make "state-based modifications" as they implement their requirements. Therefore, every effort must be made to ensure this does not occur.
- **Red tape reforms to promote consistency of reporting** - The ACNC's work to streamline reporting requirements and standardise reporting thresholds remains incomplete given its inability to extend these to charities that are not registered with it (see response point 3 below). Without more comprehensive reform and alignment of reporting requirements across all states and legal structures, the work by the Australian Accounting Standards Board (AASB) on the development of a Tier 3 accounting standard (suitable for smaller NFPs that struggle to report using more complex international accounting standards) and their intention to recommence a project on service performance reporting to enable charities to better "tell their story", will fail to achieve maximum benefit for the entire sector. The CPA Australia research report "[Annual reports of Australian NFP organisations: insights from internal and external stakeholders](#)" demonstrated the value of NFPs reporting more comprehensively on their priorities and achievements and CA ANZ's publication "[Enhancing Charity and Not-for-Profit Reporting](#)" showcases our commitment to more comprehensive and useful NFP reporting. While we acknowledge that there are significant challenges associated with reporting on outcomes, the AASB's service performance reporting project will be able to draw on the existing experience of New Zealand, where a service performance reporting regime is in

operation, to ensure the project results in the provision of meaningful information. (see our Philanthropy submission).

- **Increase available data about the sector** - as noted in our response at 1 above, the success of the ACNC's charity register and the information contained in it, including the charity programs initiative, collected by the Annual Information Statement has been a clear demonstration of the power of data to drive better outcomes for the sector. These have included increasing trust, increasing accountability and providing donors with the information they need to target their giving more effectively. Therefore, we recommend that a dataset from the various regulators that govern Australia's NFP sector be obtained and made publicly available to provide a more representative picture of the entire sector.
- Providing additional funding to encourage **the uptake of digital solutions** for both reporting and operational needs, increasing the awareness of digital risks and opportunities, including increasing the access of NFPs to qualified professionals and awareness of the needs of NFPs in such areas as cyber security. (see our response point 1 above)
- Promotion of **social impact investing** - revisit and build on the work done by Treasury and the Department of Social Services in 2017 on this topic (as detailed in our [Philanthropy submission](#)) as a means of broadening the incentives to provide philanthropy from just the tax system.

### 3. Overcoming Regulatory complexities

(Questions 6.1.1 and 6.1.2)

The regulatory burden borne by the sector has eased significantly over the last decade through various reforms at the Commonwealth and State/Territory levels, but further reductions are needed. Key areas are.

- **Inconsistent regulation of NFPs in the sector** – while charities of all legal types have benefited from the red tape reduction activities of the ACNC, especially in the reporting space, many other NFPs are still subject to inconsistent requirements imposed by both Commonwealth legislation e.g., ASIC, the ATO and by inconsistencies between these and state and territory-based regulators. As already demonstrated by the work of the ACNC in this area, the benefits of further standardisation will significantly reduce the resources being diverted from the NFPs core activities to unnecessary compliance work.
- **Resolve issues with fundraising on a state basis.** As noted in our response point 1 above, we commend the Commonwealth and State/Territories for their joint efforts to streamline fundraising regulation and urge the government to continue its efforts to achieve this goal promptly. However, the benefits of consistency will not be achieved if states make “state-based modifications” as they implement their requirements and so every effort must be made to ensure this does not occur.
- **Grant acquittals** – there is a need to ensure that grant acquittal reporting is streamlined and ensure that reporting information already provided to regulators is being used efficiently.



## 4. Future proofing the NFP sector

(Questions 7.1.1, 7.1.2, 7.1.3)

The increased focus on long term sustainability is not only a growing corporate issue but also one of relevance to the NFP sector. In November 2022, CA ANZ published [“Purpose, people and planet – an environmental and social approach to sustainability in not-for-profits and charities”](#), a playbook which notes that many corporate donors, grantors and shared value partners are setting goals and targets for social and environmental issues such as diversity and inclusion, reducing emissions and eliminating modern slavery from their supply chain. It is inevitable that they look to NFPs in their value chain to contribute to these goals and as such, sustainability makes financial sense.

We believe that the NFP sector has much to gain from incorporating sustainability into their operating models but doing so will involve additional skills and costs that will need to be recognised and valued. It will therefore be important for government to play a role in raising awareness and support the sector to invest in governance, planning, technology, and other capability-building activities that are essential for the sector to operate effectively, and efficiently and sustainably but which do not meet service delivery outcomes. Specific support could include.

- support that is comparable to certain tax incentives available to small business to NFPs, such as the technology investment boost, the skills and training boost, and the small business energy incentive. Smaller NFPs also need support and incentives to invest in those areas.
- incentive payments to NFPs to encourage them to access tailored advice from approved professional advisors of their choice. We suggest the Commonwealth Government model such a program along similar lines to the Victorian Government’s Small Business Special Advice Pathways Program.
- Other support programs such as the small business cyber health check to the NFP sector

In raising the understanding of the need for and value of overheads, we believe that the ongoing work to improve financial reporting requirements, including via the development of service performance reporting requirements and promotion of the uptake of digital reporting will assist. Improved reporting and better access to those reports will promote transparency, allow charities to tell their story in a meaningful way and more effectively compete for scarce donation and grant resources by clearly demonstrating the nature of their priorities and how these are achieved. We note that the AASB is actively engaged in a project to improve financial reporting for NFPs and that internationally the [International Financial Reporting for Non-Profit Organisations \(IFR4NPO\)](#) project aims to develop international financial reporting (including service performance reporting) guidance for NFPs. The proposed guidance arising from this project may also be of relevance to the reporting of effectiveness of Australian NFPs. We also note that the Treasury [“Measuring what matters – second consultation process”](#) could inform the direction of impact reporting by NFPs.

## 5. Improvements in government funding

(Question 8.1.1)

In addition to the additional government funding to raise awareness of and support NFP investment in sustainability and digital engagement raised in responses 1 and 2 above we also recommend that the following improvements could be made to the way government contracts with charities.

- grant acquittal reporting should be standardised and use information already provided to regulators wherever possible. The [Commonwealth Grant Guidelines](#) issued by the government in 2017 was intended to simplify the grant acquittals process (for government grants) but we do not know if government agencies follow these guidelines in seeking acquittals.
- Grant extensions need to be clear and provided well in advance to allow NFPs to effectively plan for programmes to be continued, especially if they need to retain access to resources and staff for this to occur efficiently.
- Grant terminology regarding expected outcomes should be clear, comprehensive and standardised wherever possible to make it easier to measure and report on outcomes and promote consistent accounting for grants within the sector.