

Individuals and Indirect Taxation Division

The Treasury

Langton Crescent

PARKES ACT 2600

28 February 2018

Dear Mr. Crowe,

**Re: Review of the Australian Charities and Not-for-Profit Commission (ACNC) legislation**

I refer to the call made for submissions to the Review of the ACNC legislation. Based on my research which examines factors influencing accounting disclosures made in the annual reports of publicly reporting Australian not-for-profit organisations (NFPs), I would like to make four key recommendations:

1. The ACNC legislation should place greater emphasis on accountability and transparency within the Australian not-for-profit sector. Whilst doing research related to the sector, I have often observed that the financial statements of many NFPs are not easily and/or publicly accessible. Given the Australian NFP sector receives more than \$140 billion annually, it would be helpful to have some basic accounting information about a large majority of organisations operating within the sector. Such increased transparency would help to build overall trust in the operations of Australian NFPs, particularly following persistent media coverage of NFP-related scandals and the recent ACNC and AUSTRAC's report highlighting the risk of Australian NFPs to money laundering and terrorism financing. A recommendation would be to require all NFPs to at least publish financial statements in line with some reduced disclosure requirements;
2. The ACNC legislation should promote more comparable and consistent financial reporting practices amongst Australian NFPs. As part of my research, I found a lack of comparability in the financial statement disclosures provided by NFPs operating within the same sub-sector. I would recommend that the legislation very clearly specifies the financial statement disclosures to be made by the whole sector (rather than just charities), similar to practices adopted in other country contexts which have a NFP-specific financial disclosure framework; and
3. The ACNC legislation should require all NFPs to provide some basic up-to-date financial information about their operations. Questions have constantly been raised

about the effectiveness with which NFPs use their resources. In many instances, these concerns have been fuelled because of a lack of information about the resource inflows and outflows of NFPs. To retain trust in as well as demonstrate the credibility of our NFPs, it would be helpful that the legislation requires these organisations to provide a one page overview of their resource inflows and resource outflows. I presume it would be very helpful, to a range of stakeholder groups, that all NFPs make the same financial disclosures pertaining to the resources they receive and to the activities on which these resources have been spent.

4. The ACNC legislation should remove reporting exemptions. It is acknowledged that NFPs operate across sub-sectors and each sub-sector is different from each other. However, the current reporting exemptions create an environment of inequitable reporting requirements as well as adds to the risk that NFPs choose to operate within a specific sub-sector in order to avoid facing any disclosure requirement, with the eventual objective of misappropriating donors' funds.

I believe that the above recommendations would promote accountability and transparency within the Australian NFP sector, encourage trust in the operations of the sector, and also assist different stakeholder groups in making decisions involving NFPs.

Your faithfully,

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