



BoysTown

Fresh start.
New hope.

Response to the Productivity Commission Draft Research Report on the Contribution of the Not for Profit Sector

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1. Overview

BoysTown is a national charity providing a range of services to disadvantaged young people including:

- Kids Helpline, a national 24/7 telephone and on-line counselling and support service for five to 25 year olds with special capacity for young people with mental health issues;
- Accommodation responses to homeless families and women and children seeking refuge from Domestic/Family Violence;
- Parenting Programs offering case work, individual and group work support and child development programs for young mothers and their children;
- Parentline, a telephone counselling service for parents and carers in Queensland and the Northern Territory;
- Paid employment to more than 300 young people each year in supported enterprises as they transition to the mainstream workforce;
- Training and employment programs that skill approximately 6,000 young people each year, allowing them to re-engage with education and/or employment, and
- Response to the needs of the peoples of the remote Indigenous communities of the Tjurabalan in Western Australia.

Consistent with the principle of disclosure it should be noted that BoysTown is a public company limited by guarantee. BoysTown also has Public Benevolent Institution (PBI) status.

As stated in our first submission to this Inquiry the Not for Profit sector is currently under severe strain caused by an ever increasing demand for services, rising costs and a competitive fundraising market whether it is in relation to securing Government funding or in attracting donations and support from corporations and the general community. BoysTown is committed to working collaboratively with Government, other Not for Profits and the general community on the further development of a diverse, viable, transparent and accountable community sector managed in accordance with standards that ensure both quality service delivery and probity. The Inquiry report clearly states that these objectives are shared by the Productivity Commission. In fact the importance of having a sustainable Not For Profit (NFP) sector that allows Government to decentralise community service delivery has been recognised by the World Bank and most Western Governments¹. However in working towards achieving these goals it is also critical that the recommended reforms do not compromise the sustainability of Not for Profit organisations as this will negatively impact on the most disadvantaged of our citizens.

¹ Holcombe, S., Nawaz, S., Kamwendo, A. & Ba, K. (2004). Managing Development: NGO perspectives?, *International Public Management Journal*, 7(2), p187

¹ Makoba, J. (2002). Nongovernmental organisations (NGOS) and third world development: An alternative approach to development. *Journal of Third World Studies*, 19(1), p53

¹ Makoba, J. (2002). Nongovernmental organisations (NGOS) and third world development: An alternative approach to development. *Journal of Third World Studies*, 19(1), p53

¹ Makoba, J. (2002). Nongovernmental organisations (NGOS) and third world development: An alternative approach to development. *Journal of Third World Studies*, 19(1), p53

¹ Zafarullah, H. (2004). *Decentralised governance and participatory development: The Asian experience*. Handbook of development policy studies, New York: M.Dekker, pp645-673

¹ Hirschmann, D. (1999) Development management versus Third World bureaucracies: A brief history of conflicting interests. *Development and change*, 30, p287-305

Consequently although BoysTown is absolutely committed to the objectives of the Inquiry it does challenge some of the suggested strategies being recommended by the Productivity Commission. This response will identify the strategies that require further consideration and will provide additional information for the consideration of Commissioners in the preparation of the final Inquiry report.

This response contains 11 recommendations. These recommendations are listed below:

Recommendation 1:

That the recommendations from the 2001 Inquiry Report into the definition of charities be used as a basis for developing a statutory definition of charitable purposes except for that part of Recommendation 4 that refers to 'contrary to public policy'

Recommendation 2:

That the proposed (Rgi strrt for)6Cor
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Recommendation 9:

That legislated long service leave provisions be reviewed in consideration of work force needs.

Recommendation 10:

That Government fund a number of trial projects across NFP's in different sectors to determine the true costs and organisational capabilities required to implement the Commission's proposed measurement model.

Recommendation 11:

That Government fund associated costs involved in organisations adopting the Standard Chart of Accounts

2. Issue: Proposed Regulatory Framework

2.1. Definition of a Charity

The Inquiry report recommends that the Australian Government adopt the statutory definition of charitable purposes consistent with the 2001 Inquiry into the definition of charities and other organisations (Recommendation 6.3). This recommendation was made in response to the current confusion in relation to the definition of a charity. BoysTown supports the overall definition of a charity as outlined in the recommendations of the 2001 Inquiry. However in Recommendation 4 of that Inquiry it is stated that an entity may be denied charitable status if it has purposes contrary to public policy. The question subsequently arises as to how public policy is defined.

BoysTown believes that an invaluable contribution of Not for Profit agencies is their ability to influence through participation in public discourse, community understandings and Government policy in relation to issues impacting on the people we serve. The Inquiry Report confirms this view as it recognises the Influence/Advocacy function in the evaluation and measurement framework for Not for Profits. Consequently any restrictions on advocacy activities due to an implied threat that charitable status may be withdrawn if these activities are against or may challenge public policy needs is not in the community's best interest.

Recommendation 1:

That the recommendations from the 2001 Inquiry Report into the definition of charities be used as a basis for developing a statutory definition of charitable purposes except for that part of Recommendation 4 that refers to 'contrary to public policy'

2.2. Registrar for Community and Charitable Purpose Organisations

The regulation of not for profit organisations needs to balance both transparency and accountability with the need to reduce unnecessary reporting requirements that consume scarce resources and, which distract from our core business of delivering services.

Consequently, BoysTown supports Recommendation 6.4 of the report. In relation to implementation BoysTown is supportive of the view that this new Registrar should be an additional function and a separate Division in the Australian Securities and Investment Commission. This would minimise the risk of another separate bureaucracy being established within the executive arm of Government with the attendant risk of duplicity in reporting arrangements for not for profit organisations.

BoysTown is also of the view that a new legal structure for the incorporation of not for profits at a Commonwealth level is not required. Organisations already established as public companies limited by guarantee have not only committed significant financial and other resources to acquire incorporation but have established compliance systems to ensure that reporting is consistent with legislation requirements. In our view there would be significant costs involved in changing to different forms of incorporation which distracts from our core service of providing support to disadvantaged young people. Alternatively legislative amendment to the Corporations Act could be undertaken to modify existing reporting requirements to enhance their relevance for not for profit organisations. BoysTown would support the inclusion of suitable service performance reporting in any legislative amendment subject to agreement being reached with the sector on what this would entail.

Recommendation 2:

That the proposed Registrar for Community and Charitable Purpose Organisations be located in the Australian Securities and Investment Commission.

Recommendation 3:

That the Corporations Act be amended to include service performance reporting for not for profit organisations.

3. Fundraising Regulations

As previously detailed, the multiplicity of fundraising regulation across Australia creates a heavy and costly burden for national organisations who undertake fundraising across states and territories or nationally. Indeed in some jurisdictions without special dispensation it is impossible to be compliant when combined with another states regulation.

Fundraising itself takes many forms from traditional donor campaigns, through to events, appeals and art unions. In some jurisdictions art unions are covered by gaming regulations and sit outside the collections or fundraising acts. Defining fundraising activities and determining where they best fit would need to be undertaken as a first step to ensure that real benefit to organisations is provided through reform.

Harmonisation of fundraising regulation would provide cost saving benefits and increased opportunity for not for profits to raise monies from across the community. Given that there are currently considerable barriers to national fundraising the need for COAG to adopt change is urgent. Mutual recognition without harmonisation could see organisations 'shopping' for the most lenient regulation and applying from that jurisdiction, this has the potential of eroding community confidence and lowering the standards of fundraising activities.

Furthermore since this duplicitous and contradictory legislation framework for fundraising adds to the cost profile of not for profits there is an urgent need to respond to this issue. Mutual recognition and harmonisation will take considerable time without any assurance that the current differences between the States and Commonwealth will be addressed. Consequently it is our belief that the Commonwealth should urgently seek the transfer of powers from the States to allow for the development of national fundraising legislation.

The relevance of new and emerging technologies also needs to be considered in the regulation review, current regulations do not provide adequately for on-line modalities and there is a need to recognise the many other regulations require adherence to as part of online fundraising.

For example BoysTown operates and advertises its on-line fundraising in compliance with:

- The Queensland Government's Charitable and Non-Profit Gaming Act 1999 (Category 3);
- The Victorian Government's Gambling Regulation Act 2003 and the Gambling Regulation Regulations 2005;
- The New South Wales Government's Charitable Fundraising Act 1991;
- The Australian Capital Territory Government's Lotteries Act 1964;
- The Federal Government's Interactive Gambling Act 2001;
- The Federal Government's Trade Practices Act 1974;
- The Federal Government's SPAM Act 2003;
- The Federal Government's Privacy Act 1988;
- Multi-jurisdictional Responsible Play Guidelines;
- The Fundraising Institute of Australia's "Standard of Electronic Practice" 2008;
- The Australian Direct Marketing Association's "Code of Practice" in particular its Ecommerce Standards;
- The Australian Association of National Advertising "Code of Ethics"

Given the number of Federal Government Acts which are either directly or indirectly associated, a national Fundraising Act appears to be an attractive alternate to a harmonisation process.

The provision of uniform, modern regulation will have the benefit of providing substantial savings to organisations as well as the development of new income streams. Given that the monies raised and saved are reinvested by charitable organisations back into the provision of services to the community the opportunity to make reform which provides for very real impact seems most appropriate. As detailed within the draft report the increasing reliance of Government for funding could possibly be changed through the provision of national fundraising regulation.

Recommendation 4:

That the Productivity Commission recommends to the Commonwealth Government that national fundraising legislation be introduced as a matter of priority.

4. Not for Profit Funding

4.1 Payroll Giving

Workplace giving (payroll giving) enables employees to make a difference to the community through regular donations from their pre-tax pay to charities. The tax benefits of philanthropic giving in general are an important factor and motivator for individuals.

In a recent survey conducted by the Australian Charities Fund, ANZ and The Centre for Social Impact called Project Ignite, 37% of respondents indicated that tax effectiveness was their primary motivation for workplace giving.

BoysTown supports the recommendation that options are explored by the Australian Government to increase the awareness of and participation in planned giving. International research shows that when governments provide additional benefits significant financial gains can be achieved for charitable organisations.

The British Government added a further 10% to all work place giving donations made between April 2000 and March 2004. This saw the value of donations during this period double. Furthermore a subsidy scheme for employers was introduced in the UK in 2005. This subsidy covered the associated cost of establishing a work place payroll giving scheme. As a result of this scheme almost 3,500 employers introduced workplace giving, growing the amount of employees able to donate through this mechanism by over 250,000.

The New Zealand government has legislated that all donations made via workplace giving receive 33% tax relief regardless of the employee's tax bracket.

Recommendation 5:

That the Commonwealth Government introduce tax incentives and employer subsidies to increase the growth of payroll giving.

5. Government Funding

BoysTown supports the draft Recommendations 11.1-11.4 outlined in the Inquiry report concerning the administration of Government funding.

6. Competitive Neutrality and Taxation

The Inquiry's report canvasses the possibility of removing tax concessions on inputs where there is competition between NFPs and for profit organisations. The two examples presented in the report where competition is most evident between NFPs and for profit organisations are hospitals in the health sector and the activities of clubs and commercial gaming operators in the gambling industry. The rationale presented for such action is the need to ensure competitive neutrality in

contestable markets and the public benefit of open competition. In response to this policy debate BoysTown would like to place on the public record the potential impacts on organisations in the social services sector if tax concessions on inputs were removed.

The removal of input tax concessions such as Fringe Benefits exemptions to staff of PBI's and Deductible Gift Recipient (DGR) organisations and exemption from payroll tax would threaten the viability and sustainability of most Not for Profit agencies and would increase social disadvantage in the community.

The issue of competitive neutrality only applies to contestable markets. In the NFP sector contestable markets generally occur where Government decides to fund a particular social good. In this situation NFPs can compete with for profit services in tendering processes. However unlike for profit organisations, NFPs also operate in uncontested markets. In these circumstances there is an unmet community need that Government chooses not to fund due to competing claims on scarce Government monies. In these situations NFPs will seek to respond to these unmet community needs either through cross subsidisation of services via internal reallocation of resources and or fundraising. Some in both Government and the NFP sectors describe this as 'filling gaps'.

This is the reason why there is considerable diversity amongst Not for Profit organisations in relation to sources of income. Some large, national, Not for Profit organisations are known to have over three-quarters of their income derived from government funding. In effect these organisations have become sub-contractors to Government in the provision of funded services. In contrast, many grass roots organisations have no significant Government support and exist on community goodwill and volunteer labour. For BoysTown, approx 35% of funds are sourced from Government and with 65% originating from our own fundraising efforts. This mix of Government and self funding would most likely be near to the norm across the NFP sector particularly amongst those agencies involved in social service delivery. According to the Inquiry's analysis, organisations providing health, education and social services obtain their funds in equal amounts from government funding and fees and charges with only a small amount being derived from philanthropic giving²

Consequently any intention to withdraw input tax concessions from NFPs and replace these subsidies by providing full cost recovery in Government contracts including market based salaries for staff will only be compensatory to those organisations already predominantly involved in delivering Government services. For all other organisations this will have a devastating impact on their continued capability to deliver services to the most disadvantaged for the following reasons:

1. Many organisations such as BoysTown deliver services in response to gaps in the Government funded safety net and entitlement system. For example Kids Helpline, Australia's only national telephone and online counselling service is able to currently respond to about 300,000 out of a total of 490,000 attempts to reach the service by children and young people. The barrier to responding to more contacts is funds. The Government contributes about a third of Kids Helpline's operating costs. This is demonstrated by the breakdown of the 2009-10 financial figures and revenue sources for Kids Helpline, outlined in Appendix 1. Consequently despite there being an undeniable community need the service exists due to BoysTown's ability to raise funds from the community and corporate partners.

² Productivity Commission Draft Research Report: Contribution of the Not For Profit Sector, 2009: 7.3

Parmenie, BoysTown's domestic violence program provides crisis and transitional housing as well as counselling and support to women and children leaving situations of domestic violence. Each year in Australia approximately 350,000 women will experience physical violence and 125,000 women will experience sexual violence³. Almost one in four children in Australia has witnessed violence against their mother or stepmother⁴. New government research shows that each year violence against women costs the nation \$13.6 billion⁵. There is considerable research indicating high levels of unmet need for places of safety for women and their children experiencing domestic violence. The National Plan to Reduce Violence against Women notes that: 'The current capacity of services to meet the needs of women and their children is compromised across Australia because of insufficient funding. Insufficient funding prevents the widespread implementation and accessibility of services'.⁶ Governments at both a Commonwealth and State level have not been able to increase their funding support to respond to this level of need.

The Parmenie program responds to this significant community need by providing housing support and counselling assistance to a total of 45 women and 109 children annually (1 April 2008 – 31 March 2009). BoysTown fully funds this program which costs approx \$750,000 annually. The capital establishment was also fully funded by BoysTown.

Consequently organisations such as BoysTown with objectives associated with social justice fundraise to acquire resources to respond to these social issues. If tax subsidies were removed, then BoysTown and like organisations would find great difficulty in being able to continue services that Government choose not to provide despite meeting significant community need. This would come about due to the diversion of funds that are raised from the community to meet social need towards Government's general revenue via the tax system. Also if fringe benefit concessions were removed then either NFP would need to find additional funds to pay market rate salaries or replace existing salaried staff with volunteers. This would have the impact of reducing the professionalism of services dealing with complex and high risk human issues. For organisations such as BoysTown the loss of input tax concessions would be significant from a financial perspective and would compromise our ability to continue services that do not receive greater levels of Government funding. Consequently the withdrawal of input tax concessions will directly lead to a reduction in services to the most disadvantaged of our citizens across the whole NFP sector.

2. Further implications of any withdraw of input tax inputs relate to the risks to fundraising activities. As stated in the Inquiry report taxation influences giving behaviour. Donors would be more reluctant to give in circumstances where a portion of their donation was ending up in Government coffers. This would further exacerbate reduced levels of services by NFP due to the factors stated earlier.

³ Australian Federal Government (2009), 'The National Plan to Reduce Violence against Women: Immediate government actions', April 2009

⁴ Australian Federal Government (2009), 'Time for Action: The National Council's Plan for Australia to Reduce Violence Against Women and their Children 2009-2021', March 2009

⁵ KPMG (2009) *The Cost of Violence against Women and their Children*. Safety Taskforce, Department of Families, Housing, Community Services and Indigenous Affairs, Australian Government

⁶ Australian Federal Government (2009), 'The National Plan to Reduce Violence against Women: Immediate government actions', April 2009: Outcome 3.

3. The diversity and innovation of the NFP sector would be reduced by the loss of input tax concessions. To maintain viability more NFPs would be required to only deliver Government funded services. This would reinforce the structural imbalance in the sector which has seen increased dependence on Government funding in recent years. As stated in the Inquiry report Government funding is becoming increasingly important to NFPs and is increasing as a proportion of total revenue⁷.
4. Many NFPs currently provide additional funding support to Government contracted services to enhance quality. This is recognised by Government in their tendering decisions. For example, the tendering process for Job Services demonstrates this point. In this case, the competitive tendering process was not driven by pricing as the price for service was set, but rather by the ability or the deemed ability of an organisation to provide real outcomes for the unemployed. Many of the not for profit organisations successful in securing this business had established regional programs for the disadvantaged which were able to support the work of employment services at no real cost to the funding body. These additional benefits to clients and Government in the form of a higher capacity level to achieve outputs and outcomes from funding programs by integrating these services with other supports provided independently by NFP would be lost if tax input concessions were withdrawn as the cost profile of NFPs would be increased and the ability to fund these additional supports would be compromised.
5. Service provision to the most disadvantaged clients would also be negatively impacted by the withdrawal of tax concessions to NFPs. In a previous Productivity Commission report published in 2002 on Job Services it was found that when there was undue emphasis placed on the generation of fee income in Government contracts based on the achievement of outputs and outcomes, that the most disadvantaged clients were provided only cursory support as providers focused on those clients where it was more likely that outcomes could be achieved in a shorter time frame⁸. This practice is known in the industry as 'parking'. Currently in NFPs, barriers to 'parking' are based both on organisational values and the presence of independent funding that allows an organisation latitude in working with people with complex issues, where the achievement of outcomes will be time consuming. However if cost pressures rise on NFPs there is an increased risk that 'parking' may become more widespread due to increased competitive pressures across both for profit and NFP organisations in the sector.

In summary the withdrawal of tax concessions to NFP's would result in a 'perfect storm' for NFP organisations in the social services sector that are not predominantly delivering government funded services. Increased cost profiles, a reduced ability to fundraise, the closure of non-Government funded services, a higher dependence on Government funding and a decrease in the quality of services delivered to the community and to the most disadvantaged of clients are highly probable in these circumstances. It is our belief that these negative impacts on the community far out weigh any community advantage from the achievement of competitive neutrality in the social service sector. Furthermore these consequences are not consistent with Commissioner's objectives of further facilitating the development of a vibrant, diverse and sustainable NFP sector.

⁷ Productivity Commission, 2009: Draft Research Report on the Not for Profit Sector: 7.3

⁸ Productivity Commission, 2002: Independent Review of the Job Network. 9.14

If tax concessions are withdrawn, NFPs will require a transitional period to allow for structural readjustment. Furthermore to prevent the collapse of services currently being provided that are not receiving significant Government support, compensation will be required from Government to off set the loss of income and the higher cost profile of service delivery. This compensation will need to be provided in both the transitional phase and on an ongoing basis. In implementing any taxation change to the existing concessions for NFP organisations a no-disadvantage rule will need to be applied where those NFPs which have maintained their independence from Government by developing diverse income sources are not penalised.

Recommendation 6:

That input tax concessions not be withdrawn for NFPs working in the social service sector.

7. Gift Deductibility

Draft Recommendation 7.2 of the report calls for an extension of gift deductibility to include all charitable institutions and charitable funds as endorsed by the proposed national Registrar for Community and Charitable Purpose Organisations. This is in response to current inconsistencies in both the definition of eligible organisations and in how gift deductibility status is being implemented.

BoysTown supports the extension of gift deductibility status as outlined in the draft recommendation. We also wish to place before the Commissioners for their consideration that this action should be linked with the introduction of performance reporting for all NFP organisations. As noted in the report current statutory reporting by NFPs does not include commentary on issues associated with service performance. Furthermore widening gift deductibility for all charitable organisations will increase competition for donor support. By increasing the number of eligible agencies for gift deductibility the public has a right to be informed as to the NFPs activities and the value of this work for the beneficiaries of the service and for the broader community. Otherwise the public will not be able to compare how its donations are used.

A further consideration is what if any impact this will have on organisations with Public Benevolent Institution status. The report seems to be silent on whether it supports the retention of this concession. In view of the commentary in relation to the potential impact on NFP's not significantly funded by Government, from any change in the application of taxation concessions on inputs, it is our position that current provisions for PBI be retained.

Recommendation 7:

That the proposed introduction of broader eligibility for gift deductibility be linked to the introduction of reporting requirements on service performance.

Recommendation 8:

That the current tax concessions for Public Benevolent Institutions be maintained.

8. The not for profit workforce

The ability of the not for profit sector to recruit and retain a skilled and motivated workforce is integral to performance. It has been the experience of BoysTown that whilst workers are attracted for a number of reasons the most common is their drive to be involved with an organisation that is making 'a difference'. Other important factors identified include:

- Ongoing professional and personal development opportunities
- Career Progression
- Working Conditions
- Remuneration (of which salary packaging is an attractive option)

Long service leave forms part of the working conditions but has not been identified as an important factor in the decision making process of our potential workforce.

8.1 Portable Long Service Leave

Long Service Leave forms part of industrial relations legislation which differs between states, although the original intent to value the longevity of an employee in recognition of the skills and experience gained within the organisation remains a constant. The notion of portable long service leave undermines this intent and provides no real benefit to the employer in that there is no incentive for an employee to stay with an organisation to benefit from this additional leave. The potential is that portable long service leave may indeed encourage increased turnover for individual organisations placing even more strain on the recruitment and training budgets.

Whilst it may be argued that the Community Sector as a whole would benefit it has been the experience of BoysTown that the public sector has been the largest alternate employer of our workforce and not other not for profits, thereby negating this perceived benefit.

Portable Long Service would also create a real expense for organisations as currently long service leave is only partially accrued using the actuarial method rather than the full provision in alignment with accounting standards.

An alternate to portable long service could be shorter qualifying period/s allowing leave to be accessed by an employee earlier than what is currently legislated. This would allow for the intent of long service leave to remain in place, provide employees with additional leave benefits in recognition of service and provide employers with a more stable and long term workforce. Currently in Queensland long service leave can be accessed by staff after 10 years of continuous service.

Recommendation 9:

That legislated long service leave provisions be reviewed in consideration of work force needs.

8.2 Workforce remuneration

The Fringe Benefit Tax concession provides an opportunity for not for profits who qualify to compete with the public sector. The capacity to offer salary packaging

has been a point of difference in the recruitment and retention of staff and whilst not all staff can or want to take up the packaging option it remains a significant benefit to both the employer and employee. It is important to recognise that many services/programs are provided by not for profits without any or limited government funding, any negative changes to current FBT concessions could significantly impact the capacity of organisations to continue the delivery of these services.

There has been no change to the exemption caps set in July 2000, in effect over time the benefit of packaging has been eroded. Further commentary pertaining to the FBT concession is covered under Tax Concessions – Competitive Neutrality.

9. Innovation and Measurement

9.1 Innovation

BoysTown strongly supports the introduction of Social Innovation Funds to support research collaborations into innovative solutions to social problems as outlined in draft Recommendation 9.1.

However in relation to the proposed Centre for Community Service Effectiveness – refer to draft Recommendation 5.4 - given that competitive tendering for funding will continue to be a fact of life for NFP organisations, there is a real concern that this worthy idea will be compromised by issues around Intellectual Property. NFPs who invest in research and evaluation may be reluctant to provide this data freely to potential competitors without some assurance of reciprocity. This issue will need to be addressed with the NFP sector if the implementation of this Centre, is approved.

9.2 Measurement Framework

In relation to the measurement framework outlined in Chapter 3 of the Report BoysTown supports the need for a common measurement tool for the sector that defines the value of its impact in enhancing community life. In relation to the proposed model, BoysTown already has information and data systems in place that would support the implementation of the model. However a critical issue in implementing this measurement framework is cost. The measurement of inputs, outcomes, and externalities are very difficult and costly. Furthermore organisations with a diverse range of programs will be challenged in measuring the impact and value of say a parenting strategy compared to a youth employment initiative.

Consequently it is recommended that Government fund a number of trials in the use of this measurement framework with selected NFP's cross different sectors. These trials could then be evaluated in order to identify the costs and organisational capabilities required to implement this measurement framework.

Recommendation 10:

That Government fund a number of trial projects across NFP's in different sectors to determine the true costs and organisational capabilities required to implement the Commission's proposed measurement model.

9.3 Standard Chart of Accounts

Draft Recommendation 5.3 and 6.2 deals with the need for common reporting standards across NFPs to ensure consistent measurement of inputs, reduced reporting requirements and to promote transparency.

However it is our view that the Standard Chart of Accounts in itself will not ensure these objectives. In our experience the critical issue that leads to different reporting practices in financial statements is income recognition. NFP organisations are inconsistent in their accounting practices in regard to how grant funds and income are recognised in financial accounts. Consequently to achieve standardisation in financial reporting the Accounting Standards Board will need to continue their work in developing common accounting standards for NFPs. The auditing standards will then need to be made consistent with these modified accounting standards.

It is also our view that the Standard Chart of Accounts is more suited to organisations whose income is primarily derived from Government sources. BoysTown and like organisations that have a diversity of revenue sources will need a broader set of accounts to cater for fundraising and other activities. Furthermore this proposed change to the Standard Chart of Accounts will involve switching costs to organisations.

Recommendation 11:

That Government fund associated costs involved in organisations adopting the Standard Chart of Accounts.