



Grant Thornton

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GRANT THORNTON SUBMISSION – Consultation Paper: Governance Standards for Charities registered with the Australian Charities and Not-for-profits Commission (ACNC)

Grant Thornton Australia is pleased to provide Treasury with its comments on the Consultation Paper: Governance standards for charities registered with the Australian Charities and Not-for-profits Commission.

Grant Thornton's response reflects our position as auditors and business advisers to listed companies, privately held companies and businesses, not-for-profit organisations and wealth management groups, and this submission has benefited with input from our clients, discussions and seminars with the Australian Charities and Not-for-profits Commission (ACNC), and discussions with other key constituents.

Grant Thornton supports the broad thrust of the proposed governance standards as we believe that they meet the 3 key objectives of the ACNC mandate which is to:

- maintain, protect and enhance public trust and confidence in the sector through increased accountability and transparency
- support and sustain a robust, vibrant, independent and innovative not-for-profit sector
- promote the reduction of unnecessary regulatory obligations on the sector.

We suggest that the ACNC should provide guidance via a further public consultative process on how the 6 governance standards can be met by Charities, along the lines of that provided by the Australian Securities Exchange with its Corporate Governance standards.

This will enable those Charities that do not have formalised governance standards to assess and simplify their documentation so that they can demonstrate their compliance with the 6 governance standards. We would anticipate that those Charities that report under the Corporations Act as Limited by Guarantee companies, would be able to document their compliance given that the proposed governance standards have been generally drawn from existing Corporations Act requirements. However for some of those Charities that are not Corporations Act entities, we expect that it will take some time to be able to demonstrate compliance, and hence useful assistance from the ACNC's website would assist in this process.

Our specific comments on the 6 Governance Standards, and our *specimen wording* that we believe would comply with the proposed governance standards follow:

1 Purposes and NFP character of a charity;

We support this requirement as it is important for the public to be clear as to the purpose of the charity and that it is a not-for-profit organisation, and we would expect all Charities to currently meet this requirement. Whilst the commentary to this requirement states that it should reference its purpose to the 'governing rules and interaction with the public', we would expect that the level of disclosure should be concise. By way of example for a fictitious organisation it could state:

The CLEARR Charity (ABN 123etc) was established by AA Trust in 2012 to provide financial support for those Australians that are unable to afford basic housing. The CLEARR Charity has deductible gift recipient status and accepts donations from Governments and the public. Further details of its activities are available from its website at [www.etc](#). Its governing rules require a board of directors (responsible entities) that meet monthly, and it prepares an annual audited financial report.

2 Accountability to members (for those Charities with members)

We support this requirement as it is necessary to have public confidence and trust in a Charity's activities, and we would expect all Charities to currently meet this requirement. However, the level of public interaction will depend on how the Charity is operated. Our specimen wording illustrates a public Charity, but there are other Charities where the level of public interaction is less, if they are, say, funded privately.

The CLEARR Charity's board of directors comprise 2 members nominated by the AA Trust and nominations are sought from the public for 3 independent members. The board is subject to a 3 year rolling election process where those that have made a donation to the CLEARR Trust are eligible to vote on a 1 vote per organisation or person basis. The CLEARR Charity publishes a quarterly electronic newsletter that outlines its current activities, and invites comments from the public through its website. It also produces an annual audited financial report.

3 Compliance with Australian laws;

This is a requirement that applies to all Australians and we would expect all Charities to currently meet this requirement.

The CLEARR Charity complies with all Australian laws.

4 Responsible management of financial affairs;

We support this requirement as it is necessary to have public confidence and trust in a Charity's activities and hence be responsible in its management of its financial affairs, and we would expect all Charities to currently meet this requirement. However the level of detail will vary depending on the size of the Charity. For a smaller sized Charity the level of internal controls will quite rightly be limited, as will the quantum of insurance policies.

The CLEARR Charity manages its financial affairs in a responsible manner. It has a board of directors (responsible entities) that meet monthly and it prepares an annual audited financial report that is available on its website. It has appropriate internal controls and has appropriate insurance policies in place.

5 Suitability of responsible entities;

We support this requirement which we note has been explained in the Consultation Paper as taking reasonable steps to ensure that no-one involved in the Charity has been disqualified from the management of an organisation, or has had a serious criminal conviction. We would expect all Charities to currently meet this requirement. We do suggest that some guidance be given on previous disqualifications, as it may be that a person could have been declared a bankrupt, and is now discharged and the circumstances of that bankruptcy may have been by providing a guarantee.

The CLEARR Charity requires those charged with corporate governance (i.e. the Board), its management and staff (responsible entities) to meet community standards and hence no-one has been disqualified from working with a Charity or has a serious criminal conviction.

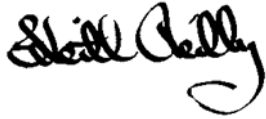
6 Duties of responsible entities.

We support this requirement which mirrors the Corporations Act requirements to act honestly, carefully and in the Charity's best interest, and we would expect all Charities to currently meet this requirement.

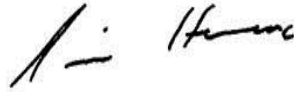
The CLEARR Charity requires those involved in its activities to act honestly, carefully and in the Charity's best interests.

If you require any further information or comment, please contact us.

Yours sincerely
GRANT THORNTON AUSTRALIA LIMITED



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