

REVIEW OF NOT-FOR-PROFIT GOVERNANCE ARRANGEMENTS

SUBMISSION FROM PILBARA ASSOCIATION OF NON GOVERNMENT ORGANISATIONS (PANGO)

PANGO agrees that many of the current governance requirements placed on the not for profit sector are duplicative, burdensome and unclear. The streamlining and centralising of core organisational governance principles for the not for profit sector is important for bringing about increased accountability and transparency, whilst reducing the amount of time and resources needed to comply with governance, resulting in more time and resources for actual service delivery to the community. However, it is also important to understand that the ability of not for profit organisations to conform to these new requirements is reliant on adequate resources and support from government. This is particularly true for the not for profit sector in the mining resource area of the Pilbara where HR and operational costs are some 30-40% higher than those in metropolitan areas.

Many NGOs in the Pilbara region lack the resources to develop detailed and prescriptive governance policies. The current governance arrangements place substantial compliance burden on organisations, which have scarce financial and human resources to meet the high costs associated with compliance. Moreover, in the Pilbara many organisations struggle to find people to serve on their Boards and also struggle to achieve a quorum at meetings, making it difficult to progress issues, make decisions and respond to changes in the environment.

A single scheme of governance requirements that applies across the entire not for profit sector and applies across all Australian jurisdictions is welcomed by PANGO, as long as this takes into account the many NGOs that have limited resources to meet these requirements.

There should be a minimal set of core organisational governance principles that guide all not for profit entities. These principles should not be overly prescriptive but should cover core governance requirements. These core principles should also apply to both Indigenous and non-Indigenous not for profit entities, rather than having different requirements for Indigenous and non-Indigenous. The level of regulation should be proportional to the size of the not for profit entity.

Where possible, the new governance requirements should replace and not be additional to existing governance requirements, as this would only place even further burden on organisations that are already struggling with their governance compliance.

If, in the transitional period, there is some duplication of governance requirements or additional requirements, then not for profit entities, particularly the smaller ones, need to be supported by

government through this transitional phase, to meet the increased burden placed on them. Support should also be given to those smaller not for profit organisations that may need to change existing governance procedures, as they are unlikely to have the resources to do this themselves. The proposed guidance materials to be produce by the ACNC will be an important part of that support.

Comments in relation to consultation questions:

Qu. 18 – there should be minimum insurance requirements for all not for profit entities to cover them for unforeseen circumstances, however, the cost for this should be covered by government in funding agreements

Qu. 20 – all not for profit entities should be required to submit at least an annual financial return or an audited annual return, dependent on the income level of the organisation. Again, this cost should be covered in government funding agreements.

Qu. 25 – the development of model governing rules is a good idea as many of the smaller not for profits do not have the resources to develop their own. The model rules should still have the option to be modified according to need and situation of the organisation.

Qu. 26 – governance rules should include meeting requirements and dispute resolution. However, they should be realistic as regards rules for a quorum and the number of meetings, as many NGOs in the Pilbara struggle to recruit Board members and also struggle to achieve a quorum.

Qu. 30 – The proposed core organisational governance principles should not be cumbersome, should be easily implemented and support should be provided to assist smaller organisations to make the required changes.

In closing, PANGO would like to recommend the principles based approach to governance developed by the Commission of England and Wales as a good model to follow, particularly if templates and best practice examples were made available for each principle.

26th January 2012