



Helping people help themselves.  
St. Laurence Community Services

22 December 2011

The Manager  
Philanthropy & Exemptions Unit  
Personal & Retirement Income Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600  
[NFPReform@treasury.gov.au](mailto:NFPReform@treasury.gov.au)

Dear Sir/Madam

**RE: Review of not-for-profit governance arrangements**

I write to you on behalf of the St Laurence Community Services Inc to provide some limited feedback to the above discussion paper and to provide you with some information about the governance of this organisation. Information about St Laurence is available from the web: [www.stlaurence.org.au](http://www.stlaurence.org.au).

The format for our feedback is a letter as distinct to a more thorough submission due to the short consultation period attached to the public consultation on the discussion paper and the heavy work schedule presently before the Management Team.

In short the Board of Directors is supportive of the overall directions for the future governance standards that ought to be applicable to all Australian charitable organisations as suggested in the discussion paper.

As directors of St Laurence, a not-for-profit, public benevolent institution, each director is well aware and conscious of the fiduciary duties that attach to the position.

An additional duty attaches to board of charitable organisations. It is suggested that the stewardship responsibilities that many not-for-profit charities hold brings significant and very different duties and obligations on directors as compared to many private companies driven by shareholders. Stewardship is about the distant future; how charities have a moral obligation to hand on to future generations what past generations strived to build and achieve. Such a 'common good' approach does not sit well with companies and corporations which is why states regulate for the common good. The concept of stewardship is not easily or readily understood by incoming directors to boards of charitable organisations.

St Laurence has a board of 11 directors. Presently, five directors have completed the AICD company directors' course. I refer you to the qualifications and experience of each director which is contained in the 2010-11 Annual Report (refer website). Additionally of an executive management team of six, half of the executives are members and graduates of the AICD.

In relation to the matter of governance the starting point for the directors wherever possible has been to apply the benchmark applicable to company directors under the company law. I attach a copy of the recently revised St Laurence Corporate Governance Charter (originally endorsed in 2001) the directors have approved to provide guidance to the governance process. All Board documents and procedures are reviewed by the directors in accordance with a Review Schedule (timeframes: annually to three yearly)

The matters covered in this Charter address most of the questions raised in the discussion paper and should be taken as our position in regards to these queries.

We see no reason why similar corporate governance standards would not, and could not, be followed by any other charitable organisation.

At the same time we acknowledge that size has a significant impact on capacity when it comes to matters of governance. This is certainly applicable to how well charitable organisations, alongside private and public entities, are governed. From this perspective, the St Laurence Board has on occasion made the resources of the management available to smaller local charitable organisations in order *inter alia* to assist these deliver a better standard of governance.

If the Commonwealth is to bring about a raising of the standard of governance across the charitable sector some mentoring mechanism will need to be created if diversity is to be maintained.

It is noted that some recent documents relating to the charitable sector produced by the Productivity Commission and the Treasury (including those pertaining to the proposed Australian Charities and Not-for-profit Commission, e.g. *Australian Charities and Not-for-profit Commission: Implementation design*) have rightly included a focus on the management of risk. This is not a new matter. It was identified in the 1995 Industry Commission's report into the charitable sector and back in the 1979 Senate Social Welfare Committee report.

It is my opinion, based on experience of being an operator in two national church networks over the past 20 years, that the understanding of risk within this sector remains poor. Many risk frameworks operating in charitable organisations draw on the risk parameters determined by various state/territory governments as outlined in the many and varied contracts an organisation enters with a funder. This may provide a minimum coverage of operational and governance risk; it does not provide incentive to boards to explore and understand the risk environment in which they operate. Very few charitable organisations would have meaningful statements of risk appetite and the number that have developed the mechanisms to track risk and the effectiveness of mitigation strategies would be minimal.

The understanding of risk across the various sub-sectors of the charitable sector would be varied; the disability sector's preparedness to understand risk represents a most significant risk to governments in the context of the impending implementation of the National Disability Insurance Scheme.

The second attached document is the St Laurence Integrated Risk Management Framework. This document is provided to illustrate to the Treasury an example of the expertise and depth of knowledge on this topic which is available in the sector. A number of St Laurence directors who sit on government boards have assessed this framework and the integrated software platform to be superior to those in use within the public sector. An assessment of the framework by an external company found the framework was at the forefront of risk management instruments in Australia.

In conclusion, we caution that any future regulator should be able to demonstrate a real and significant reduction in the administrative burdens placed on charitable organisations by all three levels of Australian government. This must be demonstrated and independently verified prior to the regulator being established.

St Laurence would like to have some guarantee that any future Commonwealth regulator, regulating mechanism will offer a value add to charitable organisations which continue to face an up hill battle with restrictive and often unhelpful compliance practices administered by all levels of Australian government.

If I can be of further assistance to the review please do not hesitate to contact me on (03) 5282-00287.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Toby', followed by a long horizontal line extending to the right.

Mr P Toby oConnor  
BA(Hons) MA MSocPol GAICD  
**Chief Executive Officer**

ATT: 2