

**Submission to the
ACNC Implementation Design
Discussion Paper**

Introduction

Research Australia is the peak body representing the health and medical research sector in Australia. Independent of government, Research Australia's activities are funded by its members, many of which are Not-for-Profit (NFP) entities, including charities.

Charities make a significant contribution to the funding of health and medical research in Australia, although the exact size of this contribution is difficult to measure. In fact, a lack of data about the size and nature of this contribution is a significant impediment to policy development for the health and medical research sector and is potentially preventing charities and philanthropy from making a greater contribution.

The implementation of reporting by charities to the ACNC has the potential to address this issue, although Research Australia is cognisant of the need to avoid imposing additional and unnecessary reporting requirements on the sector, particularly in the transitional period.

The following responses to the specific consultation questions are provided within this context. Research Australia has chosen not to respond to some consultation questions.

Responses to the specific consultation questions

1. Do you think that the introduction of the Charity Passport would reduce reporting obligations to government? What are the obstacles to achieving one-stop shop reporting on the basis of the data being collected by the ACNC?

The Charity Passport has the potential to reduce reporting obligations, and Research Australia is supportive of this initiative. Whether this potential is realised will depend on the extent to which there is greater standardisation of the reporting and governance requirements placed on the sector by Commonwealth, State and Territory agencies. While the ACNC is unable to achieve this standardisation by itself, it would appear to be perfectly placed to drive this standardisation.

2. Will the information collected by the annual information statement be adequate for the purpose of achieving the appropriate level of transparency and accountability to the public?

On the whole this would seem to be adequate.

3. Is there any additional information that should be collected and provided to the public?

Research Australia submits that there is other data that should be collected and provided to the public, but that careful consideration needs to be given to what this data should be.

Research Australia recognises that the provision of information to the public is a key tool in promoting public accountability and confidence in the NFP sector and charities in particular. Public accountability and confidence need to be viewed at more than just the individual entity and donor level. One of the challenges for the public, policymakers and the sector itself is to understand what the sector is doing, what outcomes it is achieving, and the value of these outcomes.

It also needs to be recognised that the NFP sector does not operate in isolation, and that there are fields to which it contributes in which the private (for-profit) sector and the public sector are also undertaking activities. It is important that we are able to understand the contribution of the NFP sector in the context of the whole field of activity. To achieve this, data needs to be collected in a manner that facilitates comparisons of similar activities undertaken by the private, public and not for profit sectors.

Deficiencies in the data available on the NFP sector were identified as an issue by the Productivity Commission in its Research Report, *Contribution of the Not For Profit sector*, January 2010. One of the five elements identified by the Commission as essential to an integrated framework was

‘knowledge systems that support understanding of the sector by itself, government and business, as well as building an evidence base for learning about effective social intervention and public policy measures’. (Introduction, p.xxxiii)

A number of recommendations were made by the Productivity Commission in the report in support of this element, including the preparation of an Information Development Plan (IDP) by the Australian Bureau of Statistics (ABS). A draft plan was subsequently prepared by ABS in July 2010. (5256.0.55.001 - Information Paper: Non-Profit Institutions - A Draft Information Development Plan, Jul 2010). The Productivity Commission also recommended the creation of an Office for Not-For-Profit Sector Engagement, in part to promote the development and implementation of the proposed IDP.

Research Australia submits that the ACNC could play a role in the collection of data as part of the implementation of the IDP. Research Australia further submits that the ACNC should work with the Australian Bureau of Statistics and the NFP sector to finalise the Information Development Plan. When this task has been completed, further consideration should be given to additional information that should be

collected by the ACNC as part of the annual return, and what data could be provided to the public in respect of both charities and (eventually) other NFP entities.

Data Collection and the health and medical research sector

The health and medical research sector provides a good example of the need for better data and some of the complexities associated with its collection and analysis.

The health and medical research sector is very diverse, with research undertaken by a combination of:

- public sector entities such as universities, hospitals and statutory authorities like the CSIRO;
- NFP entities such as the Medical Research Institutes e.g. the Walter & Eliza Hall Institute of Medical Research and
- private sector companies, such as Cochlear Limited.

The NFP sector makes a significant contribution to Australian health and medical research. Excluding higher education institutions, \$560 million was expended by NFP entities undertaking health and medical research in 2008/09. Higher education institutions were responsible for spending more than \$2 billion on health and medical research in the same period.*

Just as there are a diverse range of entities undertaking research, there is significant diversity in the entities funding research, including Commonwealth, State and Territory Governments, the private sector and charities. Charities providing funding for research include those that are dedicated to funding research into health and medical research, charities that fund a range of activities (including research) around a particular disease and other charities which fund a broad range of activities which will from time to time include health and medical research.

It is currently difficult to get an overall understanding of funding activity in the health and medical research sector. While, for example, detailed information is held by the key Commonwealth Government funding agency, the National Health and Medical Research Council (NHMRC), about the activities it funds, there is no reliable source of information about the amount provided by charities to fund research, or the types of health and medical research charities are funding (for example cancer or cardiovascular research).

Collection of data on charitable activity in the health and medical research sector would assist philanthropists, governments and the private sector to more efficiently and equitably direct resources to areas in need of research. Ultimately this would improve the effectiveness of the contribution made by charities to health and medical research and instill public confidence that donations to charities are being utilised effectively.

The importance of philanthropy in the health and medical research sector is also recognised in the current Strategic Review of the Health and Medical Research Sector, which has been commissioned by the Commonwealth Government. Two of the terms of reference relate to understanding and facilitating the involvement of philanthropy in the funding of health and medical research

*Australian Bureau of Statistics, Research and Experimental Development, All Sector Summary, Table 11, Catalogue No. 8112.0, 2008/09

4. Should the annual information statement give charities the option of providing narrative descriptions of the outcomes achieved?

Yes. Some charities, particularly those with no or limited presence on the internet may wish to use the annual information statement to provide additional information about their activities, or significant events that have occurred in the reporting period.

5. Is the SBR taxonomy an appropriate basis for the reporting of financial items to the ACNC?

Yes.

6. Is the proposal for information collected through the annual information statement and financial report appropriate for each tier (see Attachments B, C and D)?

Yes, subject to alignment with requirements imposed on each entity by other jurisdictions.

7. The ACNC Commissioner has the discretion to vary an accounting period. Under what circumstances should the Commissioner allow for an alternate accounting period?

Research Australia recognizes that Clause 55-90 of the exposure draft of the ACNC Bill allows the Commissioner to 'approve' a different accounting period. This is consistent with the provisions relating to taxation but is inconsistent with the requirements under the Corporations Act 2001.

Research Australia submits that in this regard, the ACNC's role is closer to that of ASIC than the ATO, and the Commissioner's approval for a varied accounting period should not be required. Changing the accounting period should be a matter for the entity to determine, subject to some basic requirements about the length of the period. Research Australia has submitted to the Department of Treasury that the requirement to seek the Commissioner's approval should be replaced with a requirement to notify the Commissioner of the change in the accounting period.

Sub-clause (3) enables the Commissioner to make directions that are reasonably necessary in relation to the new accounting period and could be retained, to ensure that the Commissioner is able to continue to appropriately monitor the entity involved.

If Clause 55-90 is to be retained in the form of the ACNC Bill, Research Australia submits that the Commissioner should allow an alternate accounting period in all circumstances unless to do so would materially affect the Commissioner's ability to discharge her statutory responsibilities. It is anticipated that such a circumstance would be very rare.

8. Do the ATO practice statements provide an appropriate guide?

Research Australia has no submission in respect of the ATO practice statements.

9. Are the transitional arrangements clear for new and existing charities?

Yes.

10. What assistance could the ACNC provide to support the sector's use of online engagement?

Research Australia largely interacts with its members through electronic means, including its website, and it is expected that they will be able to engage online effectively with the ACNC. Standard facilities such as the capacity to raise questions and queries by phone and email would be sufficient.

11. Are there barriers to online reporting or registration? How can the ACNC ensure that it is effective?

Research Australia largely interacts with its members through electronic means, including its website, and it is not anticipated that there will be any difficulties with online reporting or registration.

12. Are there barriers to the AUSkey as the ACNC online authentication tool?

The AUSkey is generally well accepted and Research Australia supports its adoption by the ACNC.

13. Are these proposed principles guiding the ACNC's role in providing an education function appropriate?

The guiding principles outlined in the discussion paper are appropriate.

14. What should be the scope of the ACNC's education role?

The ACNC should undertake a broad role in educating the sector about its obligations. It should also be involved in educating the broader community about the scope, role and activities of the sector, and the opportunity to support and participate in the sector.

15. Is it appropriate for the ACNC to endorse education and guidance material provided by other entities (for example, peak bodies)?

There is already a range of useful materials produced by the sector, and it would be counterproductive for the ACNC to reproduce this material. 'Endorsement' of materials will not be necessary in many cases. For example, the ACNC can provide links to other websites and materials without having to endorse either the materials or the organization that provide them. A process for review and vetting of materials, together with a suitable disclaimer, should be sufficient.