



AUSTRALIAN CHARITIES AND RED TAPE 2014

Measuring the Reporting Burden of
Australia's Charities



Australian
Charities and
Not-for-profits
Commission





Australian Charities and Not-for-Profits Commission

The Australian Charities and Not-for-Profits Commission (ACNC) is Australia's national charity regulator. Registered charities are required to provide the ACNC with an Annual Information Statement comprising up-to-date corporate governance and financial data. The ACNC has commissioned CSI at UNSW to analyse the data and provide reports for distribution to the sector and the broader Australian community. This closes the feedback loop for charities required to provide data and provides empirically-based insights into Australia's charities.

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Research team

Centre for Social Impact

Roger Simnett, Abigail Powell, Rebecca Reeve, Ilro Lee, Stephen Bennett, Andrew Young, Kristy Muir

Social Policy Research Centre

Natasha Cortis

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Contact for follow up

For further information contact Rebecca Reeve: r.reeve@unsw.edu.au

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ABBREVIATIONS

ABN	Australian Business Number
ABR	Australian Business Register
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ACNC	Australian Charities and Not-for-profits Commission
AGD	Attorney-General's Department
AIS	Annual Information Statement
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
ASQA	Australian Skills Quality Authority
ATO	Australian Taxation Office
BCC	Business Cost Calculator
CSI	Centre for Social Impact
DGR	Deductible Gift Recipient
DoEdu	Department of Education
DoEmp	Department of Employment
DoEnv	Department of the Environment
DoFAT	Department of Foreign Affairs and Trade
DoH	Department of Health
DoHS	Department of Human Services
DSS	Department of Social Services
FWC	Fair Work Commission
IRR	Incident Rate Ratios
NDA	National Disability Agreement
NDIA	National Disability Insurance Agency
NDIS	National Disability Insurance Scheme
NPI	Non-Profit Institutions
OBPR	Office of Best Practice Regulation
ORIC	Office of the Registrar of Indigenous Corporations
PBI	Public Benevolent Institution
RBM	Regulatory Burden Measurement
SPRC	Social Policy Research Centre
TEQSA	Tertiary Education Quality Standards Agency



EXECUTIVE SUMMARY

The Australian Government has a stated commitment to reducing the regulatory burden on individuals, businesses and community organisations (Department of the Prime Minister and Cabinet, 2014). Consistent with its whole-of-government agenda, an object of the Australian Charities and Not-for-profits Commission (ACNC) is to “promote the reduction of unnecessary regulatory obligations on the Australian not-for-profit sector” (ACNC, 2014c).

This report aims to facilitate this object by analysing the additional¹ reporting obligations of Australia’s charities (over and above their Commonwealth reporting requirements to the ACNC and the ATO, as well as their additional reporting obligations to states and territories (over and above those under associated incorporations or cooperatives laws). This report is primarily based on an analysis of the optional questions in the Annual Information Statement (AIS) on these additional reporting obligations and related paid and unpaid time spent reporting. We examine factors associated with these reporting obligations and the estimated cost of these additional reporting obligations. We also examine changes in the additional reporting burden reported in the responses to the 2014 AIS questions compared with the 2013 AIS questions.

A unique dataset

The data come from the 2014 AISs which were lodged by 37,798 charities with the ACNC before 31 July 2015 (one month after the latest possible due date for lodgement), matched to each charity’s registration information. As well as the AIS and registration data for 2014, comparison is made with ACNC data from the lodgement of the 2013 AIS, using data from 49,293 charities which reported this information before 13 October 2015 (the final dataset for 2013). Additional data is also included for 2014 from the Australian Business Register (ABR), matched to registration and AIS data using Australian Business Numbers (ABNs). The research team has worked with the ACNC to clean the dataset and handle potential errors, to ensure the data provides the most accurate and comprehensive information.² The dataset can also be explored at <http://www.australiancharities.acnc.gov.au>.

The focus of this report is on the subset of charities who answered the optional AIS questions designed to measure the red tape associated with additional reporting obligations of charities. These questions are included in Appendix A of this report. This subset of charities that stated their additional reporting obligations is 13,133 and of these 9,106 went on to state the number of hours spent on additional reporting obligations. Because these questions were optional, the responses are likely to underestimate the total additional reporting burden faced by Australia’s charities. In particular, it is not possible to distinguish between those who chose not to answer the optional questions and those who did not have an additional reporting burden.

Key findings

Measuring the reporting burden

For charities with additional reporting obligations, the average number of hours spent on this reporting in 2014 was 178 hours and the median was 30 hours.³ This varied by size with large charities

¹ We purposely use the phrase “additional reporting obligations” as responses the optional questions that were analysed from the 2014 AIS asked for information on reporting obligations and hours over and above those outlined later in this sentence.

² The data are, however, self-reported and may contain some errors despite the best efforts of the ACNC and research team to handle errors and clean the dataset. Notwithstanding, the dataset provides the most accurate and comprehensive information currently available about Australia’s charities.

³ This shows that the additional reporting burden of charities is skewed, with mean (or average) number of hours spent reporting being much higher than the median (or middle) number of hours spent reporting. The considerably higher mean than median indicates that the spread of the reporting burden is uneven, with some charities are spending much more time reporting than others.



reporting an average of 334 hours (median 75), medium charities 124 hours on average (median 38) and small charities an average of 45 hours spent reporting (median 10). The majority of reporting was undertaken by paid staff, especially in large and medium sized charities, whilst this trend was reversed for small charities for which voluntary staff were identified as shouldering more of the additional reporting burden than paid staff (an average of 25 hours compared to 20 hours). Whilst most charities use more paid than unpaid staff time reporting, those whose main activities were emergency relief, sports, other recreation and social club activities, animal protection and international activities used more volunteer than paid staff time in reporting.

Using the Regulatory Burden Measurement Framework (Office of Best Practice Regulation, 2015) cost estimate of \$65.45 per hour for paid staff and \$29 per hour for unpaid staff, the total cost of additional reporting burden was at least \$99.5 million (based only on the analysis of the subsample of 9106 charities with additional reporting obligations and recorded reporting time). The average cost of additional reporting ranges from \$827 for extra small charities (those with income up to \$50k) to \$107,687 for the largest charities (those with income over \$100m). The ratio of additional reporting burden costs to employee expenses ranges from 0.1% for the largest charities to 42% for extra small charities. Under different assumptions for extrapolating the results obtained for the 9106 charities to the entire sample (Figure 3.15), we estimate the cost of additional reporting burden to be in the range of \$255 million and \$413 million. This represents about 0.5%-0.9% of total employee expenses for the charity sector, which is approximately \$47.5 billion for charities that reported as individuals (Cortis et al., 2015b).⁴

Charities with multiple reporting obligations

Of the 13,133 charities who stated their additional reporting obligations, 14% had reporting obligations to the Commonwealth only (excluding the ATO and ACNC), 50% had obligations to states or territories only (excluding regulators under associated incorporations or cooperatives laws) and 36% had reporting obligations to both the Commonwealth and to states or territories. In total, 6576 charities stated having Commonwealth reporting obligations and 11,325 charities stated having state or territory reporting obligations.

Of the 6576 charities who stated that they have additional Commonwealth reporting obligations, two thirds reported to only one agency and approximately one third reported to two or more agencies. Large charities were more likely to state that they had additional Commonwealth reporting obligations than were small and medium charities, and were more likely to report to multiple agencies. The vast majority of small charities did not report having additional Commonwealth reporting obligations (94.3%). Charities in receipt of government grant income were more likely to report having additional state or territory reporting requirements.

Almost one third of charities (30%) stated that they had reporting obligations to state or territory departments or agencies in addition to their reporting burden to regulators under state associated incorporations or cooperatives laws. The majority of these only had additional reporting obligations in one state or territory.

Unsurprisingly, charities which had additional Commonwealth reporting responsibilities spent more hours reporting than those without Commonwealth reporting responsibilities. Overall, the number of hours increased as the number of Commonwealth departments or agencies that are reported to increased. Similarly, charities which had additional reporting obligations to states or territories spent more hours reporting than those without additional state or territory reporting responsibilities. More surprisingly however, the positive relationship between the number of states and territories reported to and the number of hours spent reporting was not as strong as the relationship between additional Commonwealth reporting obligations and hours spent reporting. This underlines the importance of streamlining Commonwealth reporting obligations as a key strategy for reducing red tape due to excess reporting burden in the charity sector.

⁴ These estimates should be interpreted cautiously as they are based on the assumption that the subsample of 9106 charities are an unbiased representation of all charities, and that all charities face additional reporting burden which is unknown.



Factors associated with reporting burden, and the size of this burden

Charities with additional reporting obligations who received government grants spent 167 more hours reporting, on average, than those without government grants (mean of 234.7 hours compared to 67.3). The majority of these reporting hours were undertaken by paid staff (mean 214; median 40). This would suggest that administration and additional reporting requirements for contracts and grants accounts for a significant proportion of charities’ additional reporting obligations.

The number of hours spent reporting, by paid and unpaid staff, also varied by activity type. Charities whose main activity was higher education spent the most time reporting in 2014, with an average of 549 hours (21 by unpaid staff and 528 by paid staff, on average). Given the reliance of Universities on government funding, this is not surprising. Charities whose main activities were other health services delivery, social services, aged care, mental health and crisis intervention, economic social and community development, research, employment and training and housing activities also spent more hours reporting than average.

The average hours spent reporting also varied by the state or territory in which the charity is registered (see Figure 3.19). Charities with reporting obligations registered in the Northern Territory spent the most hours reporting in 2014 (225 hours), followed by Queensland (211 hours), whilst those registered in NSW spent the least number of hours reporting, on average (145 hours).

Regression results indicate that when other factors are controlled for, the main drivers of differences in hours spent reporting are Commonwealth reporting obligations, government grants and charity size.

Changes over time

Comparisons between 2013 and 2014 AIS responses suggests that there has been no increase, and if anything a slight (although statistically insignificant) decrease in the overall mean and median time spent on additional reporting obligations over this period. When the data were disaggregated by size we found significant differences in the average cost of hours spent reporting between 2013 and 2014 for small and medium charities. These changes over time may reflect successes of the ACNC’s ‘report once use often’ function, in the context of the broader deregulation agenda. Whilst it is too soon to identify the impact of the Charity Passport (which only began to be phased in during 2014) or other streamlined reporting initiatives, the existing ‘report once use often function’ enables agencies to obtain reports from the ACNC register, or the ACNC to accept more comprehensive reporting to another regulator, instead of charities needing to report more than once.



1. INTRODUCTION

This report aims to understand the additional reporting obligations of Australia's charities to Commonwealth departments and agencies (over and above their Commonwealth reporting requirements to the ACNC and the ATO), and their additional state and territory reporting obligations (over and above those under associated incorporations or cooperatives laws). This report is based on optional questions in the 2014 Annual Information Statement (AIS) on these additional reporting obligations and related paid and unpaid time spent reporting. We examine factors associated with these reporting obligations and the estimated cost of these additional reporting obligations. We also examine changes in the additional reporting burden reported in the responses to the 2013 AIS questions compared with the 2014 AIS questions.

This builds on previous work on red tape and reporting obligations, with a view to providing evidence of the potential impact of initiatives such as the ACNC's Charity Passport to reduce red tape through streamlining reporting processes and thereby reducing the reporting burden of Australia's charities.

The context of this report

The ACNC agenda to reduce red tape

The Australian government has a broad regulatory reform agenda occurring across all Commonwealth departments and agencies, aimed at reducing unnecessary red tape costs on individuals, businesses and community organisations (Department of the Prime Minister and Cabinet, 2015). As such, a number of initiatives have been undertaken including establishing best practice regulation policies to guide future action and the development of the Regulator Performance Framework. The ACNC thus falls under the purview of these initiatives.

The ACNC has three objects; the third specifically relates to reducing red tape which is also expected to impact on the other two:

- (1) to maintain public trust in the Australian not-for-profit sector,
- (2) to support the sustainability of the Australian not-for-profit sector, and
- (3) to reduce unnecessary regulatory and reporting burdens on the Australian not-for-profit sector. (ACNC, 2014c)

There is evidence to suggest that the regulatory and reporting burden on the charities sector has increased in recent years and is significantly affecting charities' abilities to meet their goals. Although charities may also report to philanthropic funders (Leat et al., 2014), the red tape reduction agenda has focused on government reporting requirements. This responds to identification of contract administration, including reporting requirements by organisations to government funding bodies, as a significant area of red tape in the community sector (ACOSS, 2012).

Actions that the ACNC has undertaken to reduce unnecessary regulatory obligations in the not-for-profit sector include the development of the Charity Passport, streamlining reporting for charities with other Commonwealth regulators, e.g. ATO and ASIC, alignment of ACNC and state and territory regulatory requirements, commissioning research on red tape reduction to inform red tape reduction initiatives, and providing guidance and advice to charities to assist them with meeting their regulatory obligations (ACNC, 2014a). The ACNC shares charity information through the Charity Register, the data.gov.au website and Charity Passport to implement the "report once, use often" framework. Authorised government agencies can access ACNC charity data in order to reduce the amount of information charities have to provide to different agencies (ACNC, 2015d).

When the ACNC first embarked on its agenda to reduce red tape, it was revealed that there was a lack of understanding within the sector about what red tape was, how it could be reduced, and what the ACNC was doing in order to reduce it. In response, the ACNC held a forum with the aim of building a better understanding of red tape and to identify practical recommendations to address the issue (ACNC, 2014c). Subsequently the ACNC commissioned two reports into further identifying the cost of red tape and ways to reduce it: (1) Research into Commonwealth Regulatory and Reporting Burdens on the Charity Sector (EY, 2014) and (2) Options for Reducing the Regulatory Burden on the Charity Sector (Deloitte, 2016). Knight and Gilchrist (2014), as part of their report analysing the 2013



AIS of charities registered with the ACNC, also considered the response of charities to questions that are similar to those contained in the 2014 AIS.

To build on these reports, this research uses the AIS data to assess the charities' sector additional reporting burden. This provides information on reporting over and above the reporting requirements to the ACNC, ATO and corporate state or territory reporting obligations. These questions in the AIS aimed at identifying *additional* reporting burden specifically target obligations to other agencies in order to inform the red tape reduction initiatives of the ACNC, including the Charity Passport and National Standard Chart of Accounts.

Definitions of red tape and reporting/regulatory burden

The Australian Government's regulatory reform agenda commits to reducing unnecessary red tape costs, and describes these as "any mandatory obligations imposed by legislation, regulations or quasi-regulations", including "any other aspect of regulator behaviour that has a measureable cost burden on business or individuals" (Department of the Prime Minister and Cabinet, 2015). However, there is no official definition of red tape contained within the agenda. Similarly, there is a lack of consensus in the academic literature and industry reports regarding the term 'red tape' (ACNC, 2014c; Bozeman and Feeney, 2011; EY, 2014).

At the ACNC forum, a proposed working definition of red tape was "administrative practice that delivers greater cost to the organisation, government and/or the community than the benefits that the administrative practice returns in total" p.15 (ACNC, 2014c). This definition was generally supported by the forum participants, with some alternatives suggested (1) that all administrative, regulatory and compliance requirements be defined as red tape, and (2) for the definition to include a focus on the clients of services with an emphasis on a link to improving the services received or delivered.

The Regulatory Burden Measurement (RBM) framework of the Australian government (Office of Best Practice Regulation, 2015)(Department of the Prime Minister and Cabinet 2014b) includes consideration of the following regulatory costs:

- Compliance costs, being administrative costs comprised mainly of record keeping and reporting costs (reporting burden) and substantive costs , being costs incurred to deliver the regulated outcomes being sought, and
- Delay costs, being expenses and loss of income incurred by a regulated entity through an application or approval delay.

This report concentrates on measuring the *additional* reporting burden of Australia's charities, and associated costs, as this was the focus of the questions in the AIS.

Data sources

The information in this report comes from a specially constructed dataset. Information is drawn primarily from the 2014 Annual Information Statements (AIS) provided by 37,798 charities to the ACNC before 31 July 2015, matched to each charity's registration information. Figure 1.1 shows how the analysis focuses on a subset of charities; those registered charities which were required to submit an AIS, did so by the cut-off date, and who answered the optional questions on reporting obligations to Commonwealth departments or agencies (excluding the ATO or ACNC) or to state or territory departments or agencies.

While the primary focus is on the 2014 AIS data, comparisons are also made with 2013 AIS data from 49,293 charities who had lodged their AIS by 13 October 2015. The Australian Charities 2013 report was based on analysis of 38,341 charities that were registered with the ACNC and had submitted an AIS for 2013 by 30 June 2014. As many charities reported data for 2013 after that cut-off date, a larger 2013 dataset was available for our analysis. Also, for consistency with our methodology for the 2014 data, we apply similar filters to the 2013 data for our comparison over time (Appendix B: Further methodological details). While differences between the years may reflect real change in the additional reporting burden in Australia's charitable sector, comparison with 2013 figures should be interpreted with caution as apparent differences may result from differences in non-response or late response from some charities in each year and slight differences of the wording of questions in the AIS.

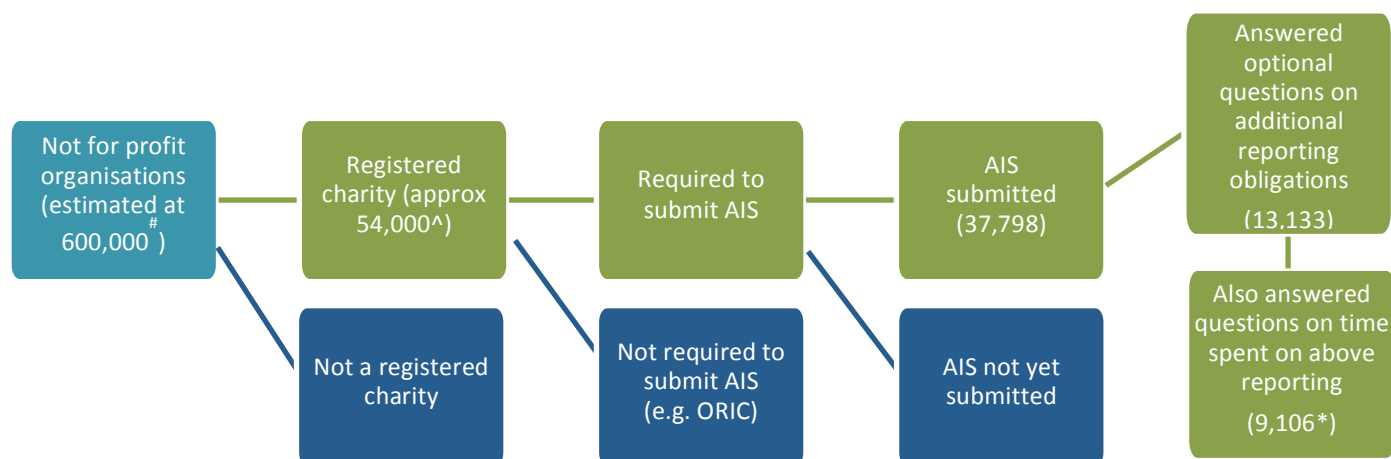


Additional data are also included for 2014 from the Australian Business Register (ABR), matched to registration and AIS data using Australian Business Numbers (ABNs).

Datasets were matched by the research team using registered charities' ABNs. As the AIS information was self-reported, it may contain reporting or data entry errors, which may bias the results of the data analysis. The research team has worked with the ACNC to reduce and handle potential errors, and clean the dataset, to ensure the data provides the most accurate and comprehensive information.⁵ A description of data sources and data cleaning is provided in Appendix B: Further methodological details.

This report focusses on the subset of charities that submitted an AIS for 2014 and who answered the optional questions on additional reporting obligations, and the time spent on that reporting.

Figure 1.1 Organisations in focus in this report



Notes: # Source: Productivity Commission (2010) but note these data are from 2010. ^Source: ACNC (2015b). ORIC – Aboriginal and Torres Strait Islander Corporations that are registered with the Office of the Registrar for Indigenous Corporations. *Excludes 57 charities that reported implausibly high reporting hours.

Report series

The report should be read alongside companion reports, produced by the Centre for Social Impact and Social Policy Research Centre for the ACNC. These also draw on AIS data for 2014 to provide additional detail about Australia's charities. The main report in the series is *Australia's Charities Report 2014* (Cortis et al., 2015b), which provides a comprehensive overview of all charities reporting to the ACNC. Other reports in the series include *Australia's Disability Charities 2014* (Cortis et al., 2015a) and *Australia's International Charities 2014* (to be released in 2016). Data can also be explored at: <http://www.australiancharities.acnc.gov.au>

Structure of the report

The report is organised into seven chapters which explore key characteristics of the additional reporting obligations and associated reporting burden of Australia's charities:

- Introduction
- Background research and red tape reduction initiatives
- Measuring the additional reporting burden
- Which charities have multiple additional reporting responsibilities?

⁵ Data are, however, self-reported and may contain some errors despite the best efforts of the ACNC and research team to handle errors and clean the dataset. Notwithstanding, the dataset provides the most accurate and comprehensive information currently available about Australia's charities.



- What factors are associated with the additional reporting burden?
- Assessing the change in red tape
- Regulatory burden and international comparisons

Limitations

Although working with the most comprehensive and best available data, a limitation of this report is that the reporting burden questions are optional questions in the AIS, and there is an inability to distinguish between those charities that had no additional reporting burden and a non-response. Consequently the majority of the analysis is conducted only on those charities who stated having additional reporting obligations. This mainly has implications for when we attempt to extrapolate from a sample, to comment on the additional reporting burden for all that population. In particular, whilst we have extrapolated the estimated costs of time spent reporting from the subset who answered those questions to the overall sample, these extrapolations should be interpreted cautiously as we do not know whether the obligations of those who answered these optional questions are an unbiased reflection of the whole population. In addition, even for those who stated their reporting obligations, it is also possible that in answering these questions respondents may have focussed on the time taken to only complete the reports, rather than the total time taken to gather the required information in order to meet additional reporting obligations. For these reasons, the data on hours spent reporting should be interpreted as a minimum estimate of the additional reporting burden. The benefit of estimating and exploring drivers of this additional burden is that it enables us to investigate where and to what extent savings can be made.

Despite these limitations the results demonstrate the variation in reporting obligations between charities and the characteristics associated with a greater additional reporting burden. This demonstrates the potential cost savings to the sector of initiatives such as the Charity Passport, which aim to eliminate duplicate reporting in the sector and thereby reduce red tape. Further research is recommended in the future to estimate the impact of these initiatives as more agencies adopt the Charity Passport as well as to address the abovementioned limitations in the current data set.



2. BACKGROUND RESEARCH AND RED TAPE REDUCTION INITIATIVES

This section provides some background about the reporting burden among Australia's charities, and examples of Commonwealth and State initiatives which have aimed to reduce red tape.

Previous estimates of the reporting burden

Previous information about the reporting burden among Australia's charities comes from Knight and Gilchrist (2014), who provided the first analysis of charities' responses to questions in the 2013 AIS about reporting obligations to the Commonwealth (excluding the ATO) and states or territories (excluding to a state or territory regulator under associated incorporations or cooperatives legislation). Additional evidence comes from two reports commissioned by the ACNC which were aimed at identifying the cost of red tape and ways to reduce it. The report by EY (formerly Ernst and Young) (2014) involved a survey of 378 respondents and interviews with representatives of 15 charities, exploring the time spent on meeting regulatory and reporting obligations, and estimated costs of this. The Deloitte (2016) report was based on consultations with representatives of small, medium and large charities in each jurisdiction. Each of these reports provides estimates of regulatory and reporting burden.

In the EY report, 69% of survey respondents said their charity spent less than five hours a week meeting Commonwealth obligations while 9% spent 30 hours or more. Around 2 in 3 dedicated less than one full time staff member to meeting their Commonwealth obligations, while 5% dedicated 6 or more full time staff members to this. A little over half (56%) said they incurred annual costs of \$20,000 or less in meeting Commonwealth obligations, while 3% incurred costs of \$1 million or more. They also estimated that for the 15 case study organisations, the annual reporting burden to the Commonwealth was \$108,000, and that the cost of the burden of the ACNC was only 0.1% of the average annual burden. Seventy percent of survey respondents said their regulatory and reporting costs had increased in the last three years, underlining the importance of renewing emphasis on red tape reduction.

Another set of estimates came from Knight and Gilchrist (2014). Based on charities that provided information on paid staff time spent reporting, they found the total number of paid staff hours spent reporting in the last year was 1,384,416 hours, with a median time spent reporting of 40 paid staff hours per week. For charities that provided information on unpaid staff time, the median time spent reporting by unpaid staff was 12 hours. Hours spent reporting varied by main activity with the most paid staff hours spent reporting for social services charities.

Commonwealth reporting obligations

Knight and Gilchrist's (2014) analysis of the 2013 AIS included information about which Commonwealth agencies charities most commonly reported to (excluding the ATO). The most common agency was the Department of Education, Employment and Workplace Relations (which 31% of charities that answered the question reported to), the Department of Health and Ageing (27%) and the Department of Families, Housing Community Services and Indigenous Affairs (now called the Department of Social Services; 25%). These figures broadly reflect the number of responding charities operating in these portfolio areas. Knight and Gilchrist (2014) also found that 25% of charities with Commonwealth reporting obligations reported to more than one agency.

State reporting obligations

Charities report to a range of State agencies, and comply with State regulation. In terms of charities' additional reporting obligations to states, Knight and Gilchrist (2014) analysed 2013 AIS data and found that State reporting obligations (excluding obligations under associated incorporations or cooperatives legislation) were broadly consistent with the state where charities were registered. That is, charities registered in NSW most commonly had reporting obligations to NSW agencies, while fewer were registered and consequently reported in Northern Territory and Tasmania compared with other states and territories. More detail about State reporting and compliance obligations came from



the Deloitte (2016) report. Deloitte estimated that the regulatory burden from State taxation was around \$11 million per year across the sector, including applying for concessions, maintaining compliance and understanding regulations. Compliance with Incorporations legislation was estimated at approximately \$8.77 million per year, including applications, meeting organisational requirements and notification compliance.

Fundraising

Using an activity-based cost method and data from consultations, Deloitte estimated that the annual regulatory burden from fundraising was approximately \$13.3 million per year. This included the burden of applying for fundraising registration/license and retaining eligibility to fundraise, maintaining ongoing compliance, and complying with reporting requirements under government contracts/grants and fundraising legislation.

Initiatives and recommendations to address the red-tape and reporting burden

Several Commonwealth and State initiatives have aimed to address and reduce the red tape and reporting burden affecting charities, and the charity sector has also provided a range of recommendations, including through the ACNC forum. The following includes some examples of initiatives and recommendations and should not be considered an exhaustive account.

Commonwealth Government

- **Office of Best Practice Regulation Guidance Note on the Regulatory Burden Measurement Framework Feb 2015**

The RBM Framework (Office of Best Practice Regulation, 2015) is a recognised standard for measuring the cost of reporting and is frequently used to quantify regulatory costs of new or changing regulation. This is to ensure adherence to a key principle for policy makers that the cost burden of new regulation must be fully offset by reductions in existing regulatory burden. That is, if the proposal increases the total regulatory burden, then a cost offset is required, as all new regulations must at a minimum have a cost neutral effect. All Cabinet submissions must quantify regulatory costs, using the RBM (also known as the Business Cost Calculator) or an equivalent method agreed upon by the Office of Best Practice Regulation (OBPR). Proposals are default costed over a 10-year duration, with an annual average impact of the regulatory change listed in all costings.

The RBM Framework requires quantification of regulatory costs for businesses, community organisations, individuals, cost offsets, and existing regulation impact. It includes costs of compliance and delay. To calculate costs, the RBM Framework uses the default hourly cost based on average weekly earnings, which in 2014 was \$37 per hour (based on average weekly earnings plus tax), scaled up by a multiplier of 1.75 to account for on-costs such as payroll tax, superannuation and overheads. The time for unpaid individuals is estimated at \$29 per hour (based on average weekly earnings excluding tax).⁶ These costs are used in estimates of additional reporting burden using 2014 AIS data which are reported later in this report.

- **Department of Social Services Red Tape Reduction Action Plan for the Aged Care sector**

This action plan contains an overview of various projects begun, ongoing, or completed to reduce red tape for providers of aged care services, many of which are registered charities (Department of Social Services, 2015). It outlines where there is scope for red tape reduction across five action

⁶ From the RBM Framework, “Where proposals involve an impact on individuals not in the course of their employment, this leisure time is assumed to be the opportunity cost of the time spent filling in forms. It is a standard economic approach to consider the trade-off between work and leisure such that the marginal value of time spent working equals the marginal value of time spent at leisure. The marginal value of time spent working is approximated across the economy as the average hourly wage, including overtime, after tax. Therefore, the default value that should be used for an individual’s leisure time is based on average weekly earnings and has been estimated at \$29 per hour”.



areas: policy settings and governance; streamlining administrative requirements; streamlining financial requirements; and ensuring regulation is fit for purpose; and simplifying consumer interactions with the aged care system.

- **Commonwealth Grants Rules and Guidelines**

The Commonwealth Grants Rules and Guidelines (Department of Finance, 2014) include the requirement that Commonwealth officials consider information collected and made available by regulators such as the ACNC and should not seek this information from grant applications and recipients. Also, if an organisation has provided a regulator with audited financial statements, an audited financial acquittal should not be required, unless the grant is higher risk.

- **Charity Passport**

The ACNC Charity Passport enables authorised government agencies to access ACNC charity data via a file transfer protocol process for the purpose of reducing red tape for charities (ACNC, 2014a). By allowing agencies to access charity data directly from the ACNC, the Charity Passport reduces the amount of information that charities have to provide to different government agencies, in line with a 'report once, use often' reporting framework.

Examples of State Government initiatives

In addition to Commonwealth red tape reduction initiatives, states and territories are also implementing strategies to reduce red tape. Examples include:

- **Victoria's Red Tape Commissioner**

Victoria's Red Tape Commissioner, supported by the Department of Treasury and Finance, focuses on the Victorian Government's 25% red tape reduction target, improving compliance and enforcement and identifying opportunities for regulatory reform (Department of Treasury and Finance, 2016). All government agencies are required to report on their progress in reducing red tape. The public is able to make a submission to the Commissioner to suggest areas of excessive paperwork, delay, duplication, inconsistent or overlapping regulation, and poorly designed regulation, through the 'Red Tape Rubbish Bin'.

- **Northern Territory Red Tape Reduction Strategy**

The Northern Territory is also prioritising reducing red tape, and provides guidance to agencies, regulators and the community in an attempt to promote economic growth and productivity and ensure efficient use of administrative resources. It includes a Regulatory Impact Statement process to prevent new red tape, and aims to reduce existing red tape through reducing paperwork and contact required with government, making it easier to identify and understand obligations and requirements, and improving regulator performance (Department of Business, 2016).

Charities' perspectives

- **ACNC forum**

As mentioned in Chapter 1, red tape reduction and reporting obligations were explored with charities through an ACNC forum in 2014. This involved 95 representatives from charities, not-for-profit peak bodies, government agencies and regulators, professional services firms and research bodies. The forum produced a series of recommendations for harmonisation and 'light touch' regulation (ACNC, 2014c). These recommendations underline the importance of developing a national approach to harmonising and reducing reporting and regulatory burden; ensuring risk assessment and management do not exceed standards in the for-profit sector; ensure funding focuses on outcomes not compliance; that red tape reduction tools are reduced; that funding agreements reflect principles of 'report once, use often', and that reporting should be proportional to levels of risk associated with grants.



- **Further issues for charities**

Despite these worthwhile initiatives, it should be noted that many charities experience burden relating to multi-state and multi-agency reporting and duplication, which may not be completely captured in quantification of reporting and regulatory burden. Examples of these issues are provided below, illustrated using two case studies (Victorian Council of Social Service (VCOSS), 2016).

Case study 1: Reporting burden for large multi-state multi-service charities

This registered charity provides several services, including home based and residential care services for children and young people, along with youth support and outreach, disability services, education, family support, and services for refugees. It has an annual income of over \$60 million. The charity receives government funding from multiple agencies in the three states it operates in, and three Commonwealth government departments. It has multiple contracts with all funding agencies. Reporting requirements do not necessarily reflect the level of funding or the degree of risk associated with the funding. For example, tens of millions of dollars comes from one State agency, and requires minimal financial reporting as it is based on a price per client. In contrast, small amounts of money for brokerage require frequent reporting, as well as significant justification for minimal variations in projected budgets. This multi-state charity is also subject to the different financial systems of different agencies. As the charity is registered to provide disability services under the National Disability Insurance Scheme, it must charge for services after providing them, adding further complexity to its financial management and reporting.

Case Study 2: Duplication in quality assurance

This regional charity provides family and children’s services, aged and disability support, services for carers, and community development. It has an annual income of between \$6 million and \$7 million which comes from a number of State and Commonwealth departments, and philanthropy. The charity must adhere to Service Standards set by its main funder, a State government agency. In addition, aged and disability services are subject to standards, and the charity must also comply with standards related to child safety. The charity also chooses to comply with ISO 9001, which makes it easier to self-assess compliance with ACNC governance standards. There are significant areas of duplication between the Standards the charity must comply with, particularly in regard to management and governance. Recently, different auditors have made different recommendations for the same charity. Further, audits may occur around the same time as each other and cover the same matters. Streamlined quality assurance systems could significantly reduce duplication for multi-service charities.



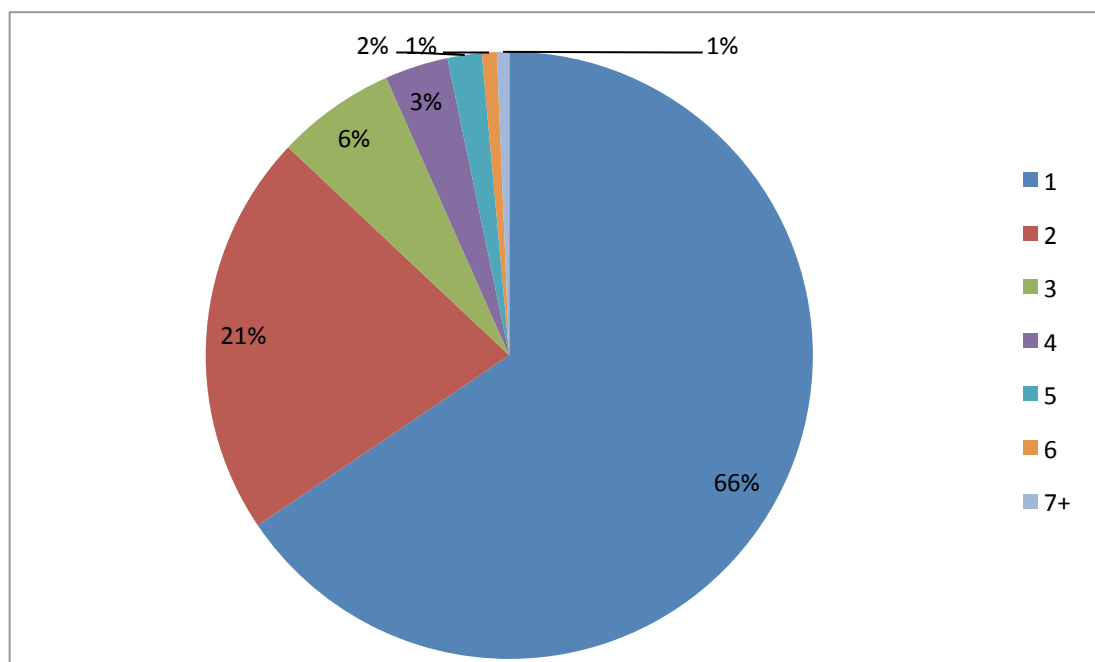
3. MEASURING THE ADDITIONAL REPORTING BURDEN

The data presented in this section is gathered from the 2014 AIS form, which included optional questions asking charities whether they had reporting obligations to Commonwealth departments or agencies (in addition to reporting obligations to the ATO or ACNC) and in which state or territory they had additional reporting obligations (in addition to those obligations under associated incorporations or cooperatives laws). Those with additional reporting obligations were also asked how many hours they spent reporting during this period. As outlined in Section 1, the data does not distinguish between those charities who decided not to answer the questions and those who did not have additional reporting responsibilities. Moreover, even for those who stated their reporting obligations, it is possible that in answering these questions respondents may have focussed on the time taken to only complete the reports, rather than the total time taken to gather the required information in order to meet additional reporting obligations. For these reasons, the data on hours spent reporting should be interpreted as a minimum estimate of the *additional* total reporting burden. However, using the data reported in the 2014 AIS, we have assembled the best dataset that we can to estimate and explore drivers of this additional burden so that we can investigate where and to what extent savings can be made.

Proportion of charities with additional reporting obligations to Commonwealth departments or agencies

Of the 37,798 charities who submitted an AIS, 6,576 stated that they have additional Commonwealth reporting obligations. Of these, two thirds reported to only one agency and approximately one third reported to two or more agencies (see Figure 3.1).

Figure 3.1 Number of Commonwealth agencies reported to, for charities with additional Commonwealth reporting obligations in 2014 (%)



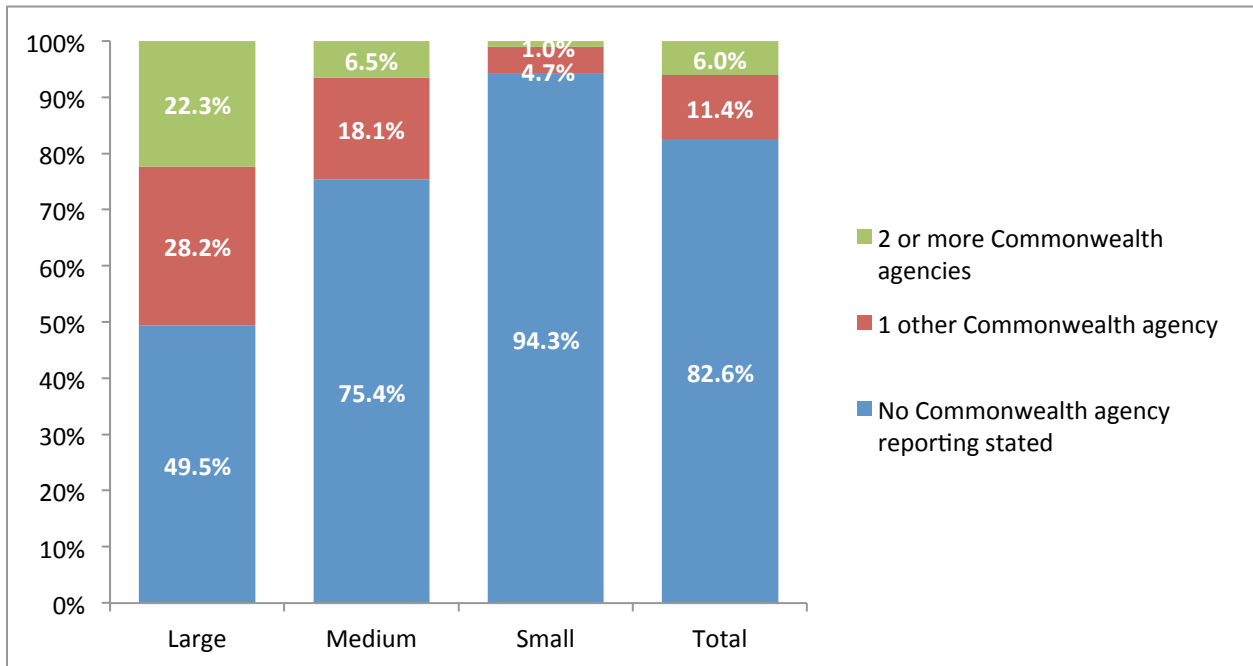
Notes: n=6576 charities that stated having reporting obligations to Commonwealth agencies excluding the ATO and ACNC

Figures 3.2 to 3.6 below illustrate which of the 37,798 charities who submitted an AIS responded to the optional questions on reporting obligations to the Commonwealth, and those that did not answer these questions (for which the data do not distinguish between those with no obligations and a non-response). The differences may reflect differences in the reporting burden but they may also reflect differences in non-response rates. In Chapter 4 we drill down further to examine differences within the group who responded to these optional questions.



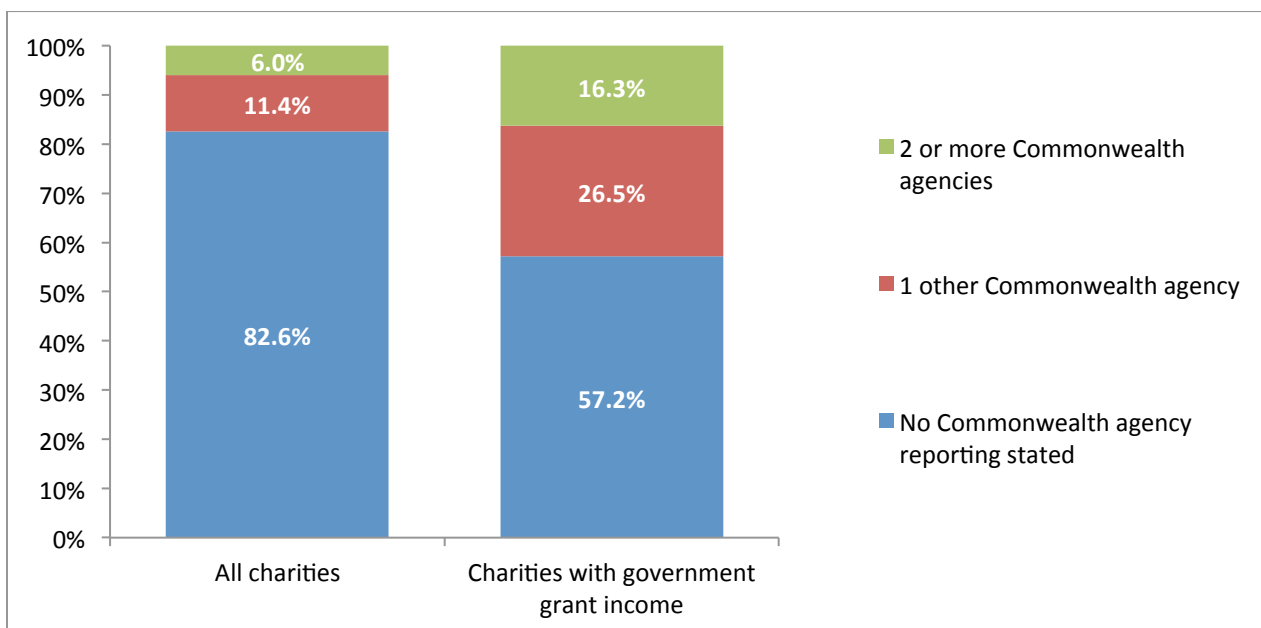
Large charities were more likely to state that they had additional Commonwealth reporting obligations than were small and medium charities, and were more likely to report to multiple agencies (see Figure 3.2). The vast majority of small charities did not report having additional Commonwealth reporting obligations (94.3%). Charities in receipt of government grant income were more likely than average to report having additional state or territory reporting requirements (see Figure 3.3). This suggests much of the additional reporting burden relates to contract administration and meeting additional reporting obligations as part of their contractual grant requirements, as has been argued by ACOSS (ACOSS, 2012).

Figure 3.2 Charities' additional reporting obligations to Commonwealth agencies, by size 2014 (%)



Notes: n=37,770. This excludes 28 charities who did not report their size.

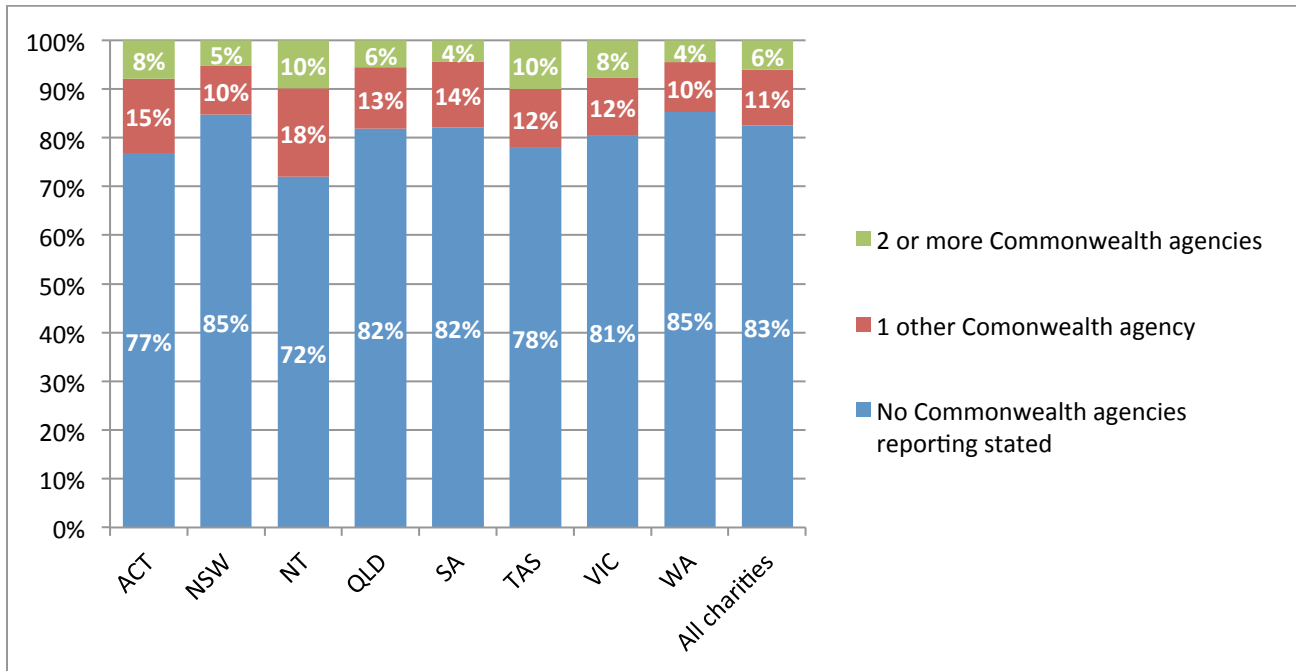
Figure 3.3 Charities' additional reporting obligations to Commonwealth agencies, all charities and those with income from government 2014 (%)





Charities registered in the Northern Territory (NT) were more likely to state having additional Commonwealth reporting obligations than those registered elsewhere (28%). Further, those registered in the NT and Tasmania were the most likely to report having additional obligations to 2 or more Commonwealth agencies (10%). (See Figure 3.4)

Figure 3.4 Charities' additional reporting obligations to Commonwealth agencies, by state or territory of registration 2014 (%)

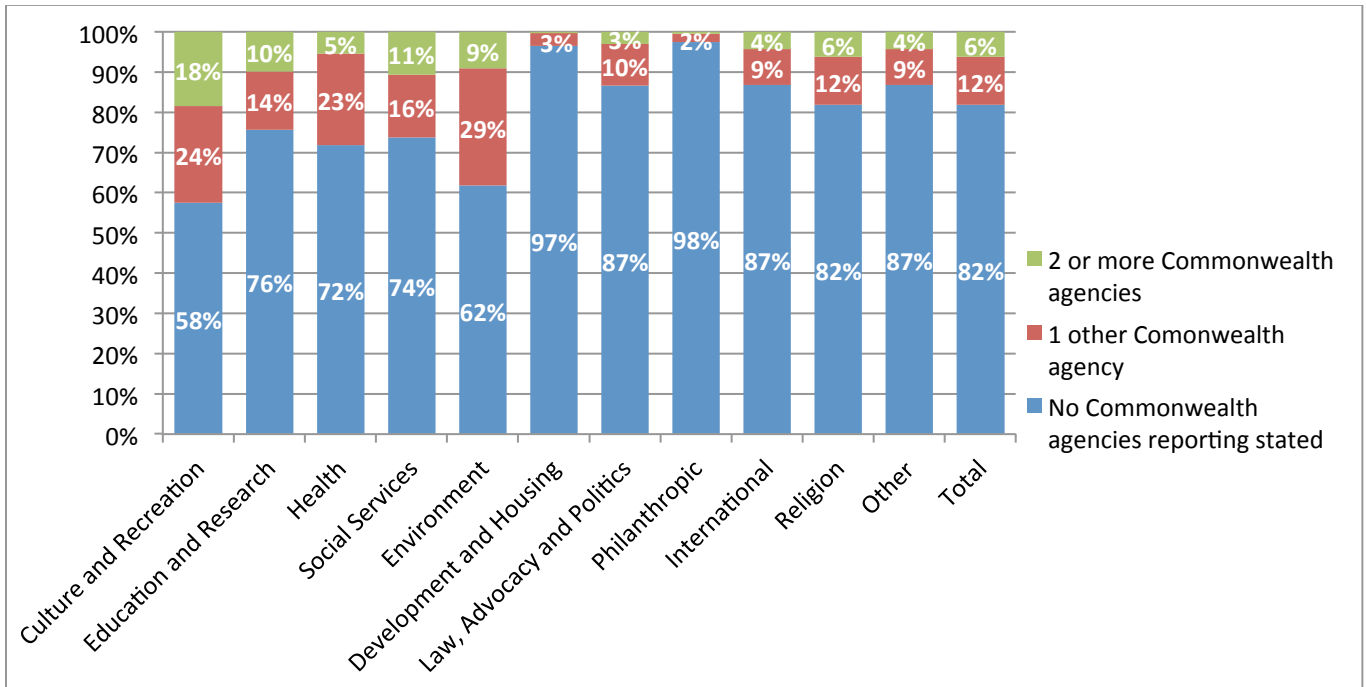


Notes: n=37,792. This excludes 6 charities with missing registration information.

Much more variation in responses to the questions on additional reporting obligations to Commonwealth agencies is observed when examining the data by the sector of main activity. Philanthropic charities and those whose main activities are in the housing and development sector were the least likely to state having any additional Commonwealth reporting obligations (2% and 3% respectively). Charities whose main activities were in the culture and recreation and environmental sectors were the most likely to state having additional Commonwealth reporting obligations (42% and 38% respectively), with 18% of those in culture and recreation stating additional reporting obligations to 2 or more agencies. (See Figure 3.5)



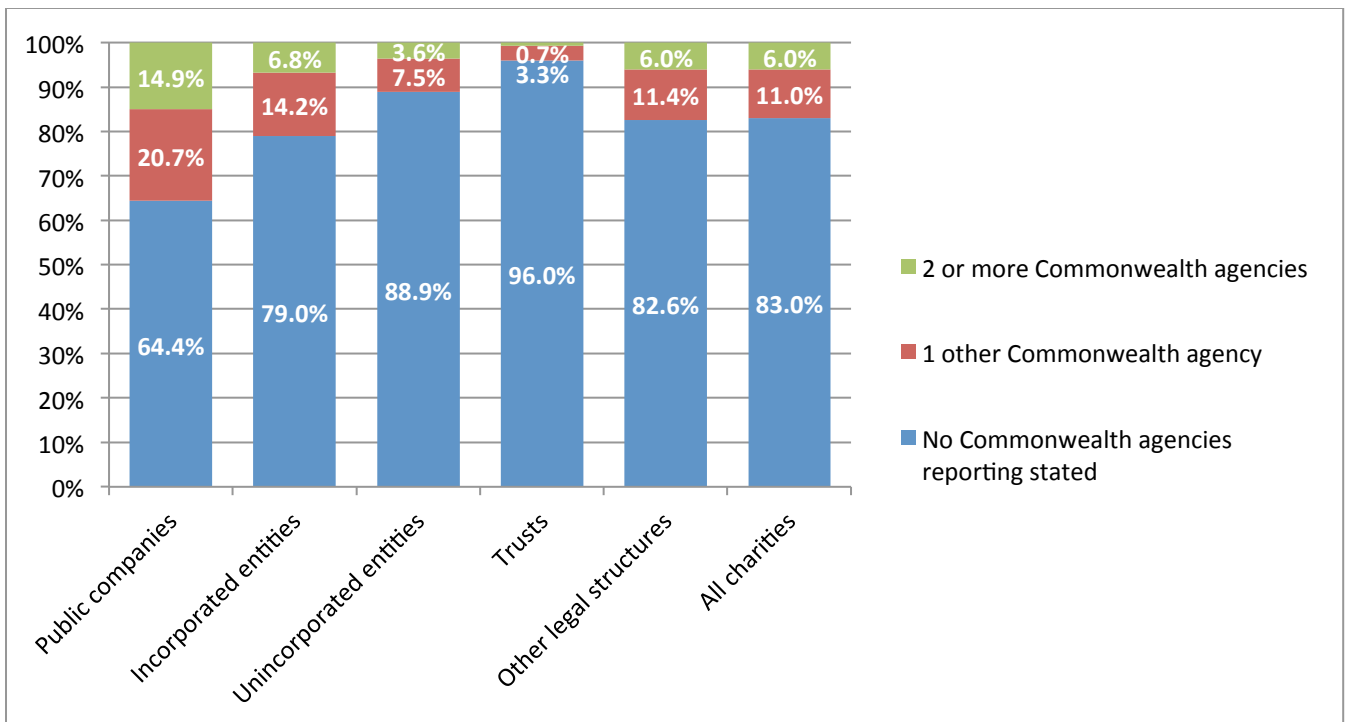
Figure 3.5 Charities' additional reporting obligations to Commonwealth agencies, by sector of main activity 2014 (%)



Notes: n=36,162. This excludes 1636 charities with missing main activity information.

Responses to the questions on additional reporting to the Commonwealth also varies by entity type, as shown in Figure 3.6. Public companies were the most likely to state having additional Commonwealth reporting obligations, whilst Trusts were the least likely.

Figure 3.6 Charities' additional reporting obligations to Commonwealth agencies, by entity type 2014 (%)



Notes: n=37,795. This excludes 3 charities with missing entity type.

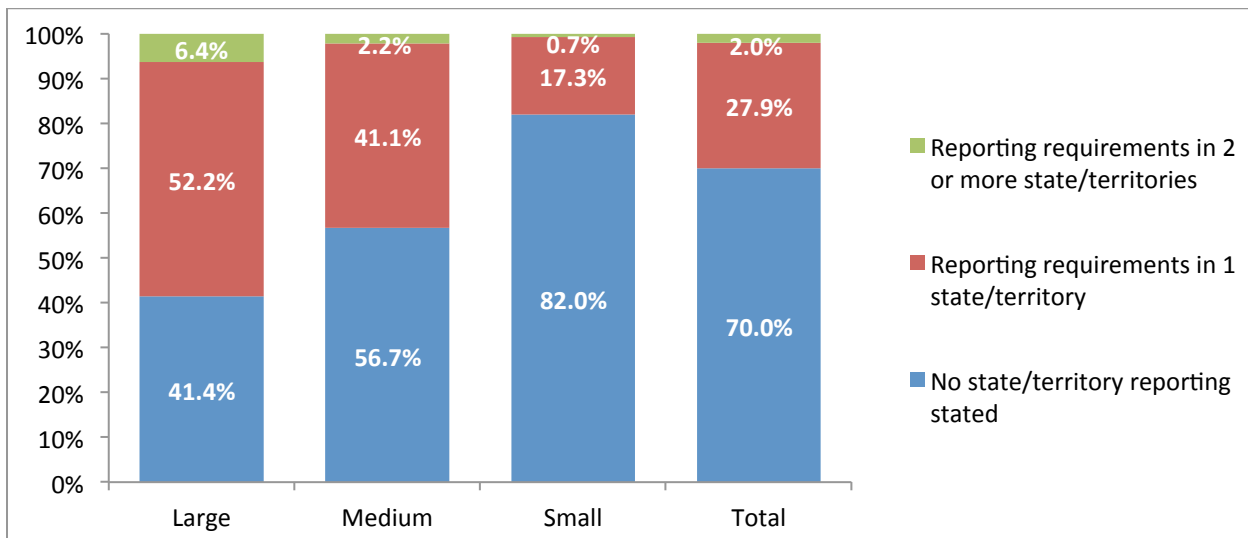


Proportion of charities with additional reporting obligations to state or territory departments or agencies

Figures 3.7 to 3.11 below illustrate which of the 37,798 charities who submitted an AIS responded to the optional questions on reporting obligations to states or territories, and those that did not answer these questions (for which the data do not distinguish between those with no obligations and non-response). The differences may reflect differences in the reporting burden but they may also reflect differences in non-response rates. In Chapter 4 we drill down further to examine differences within the group who responded to these optional questions.

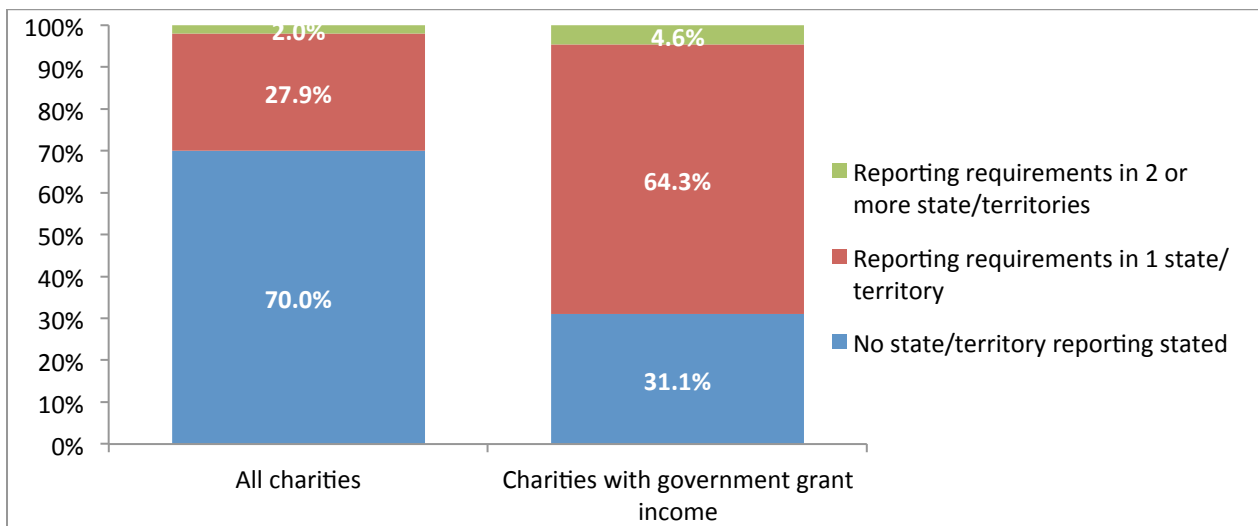
Almost one third of charities (30%) stated that they had reporting obligations to state or territory departments or agencies in addition to reporting burden to regulators under state associated incorporations or cooperatives laws. The majority of these only had additional reporting obligations in one state or territory. This is consistent with the majority of charities operating in only one state or territory (Cortis et al., 2015b). Large charities were more likely to report that they had additional state or territory reporting obligations than small and medium charities (see Figure 3.7). Charities in receipt of government grant income were more likely than average to report having additional state or territory reporting requirements (see Figure 3.8).

Figure 3.7 Charities additional reporting obligations to state and territory agencies, 2014 (%)



Notes: n=37,770. This excludes 28 charities who did not report their size.

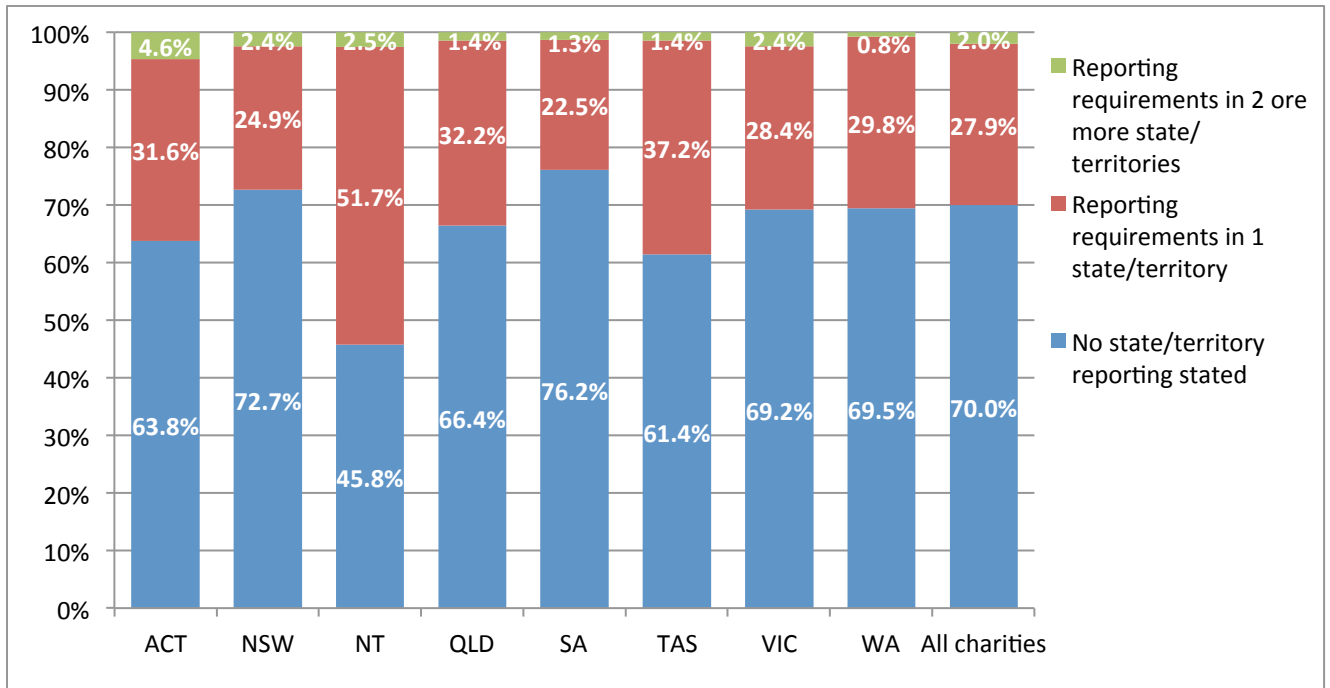
Figure 3.8 Charities additional reporting obligations to state and territory agencies, all charities and those with income from government, 2014 (%)





Charities registered in the NT were more likely than those registered in other states to report having additional reporting obligations to state and territory agencies. Those registered in South Australia (SA) were the least likely to state having additional reporting requirements to states or territories. (See Figure 3.9)

Figure 3.9 Charities additional reporting obligations to state and territory agencies, by state or territory of registration, 2014 (%)

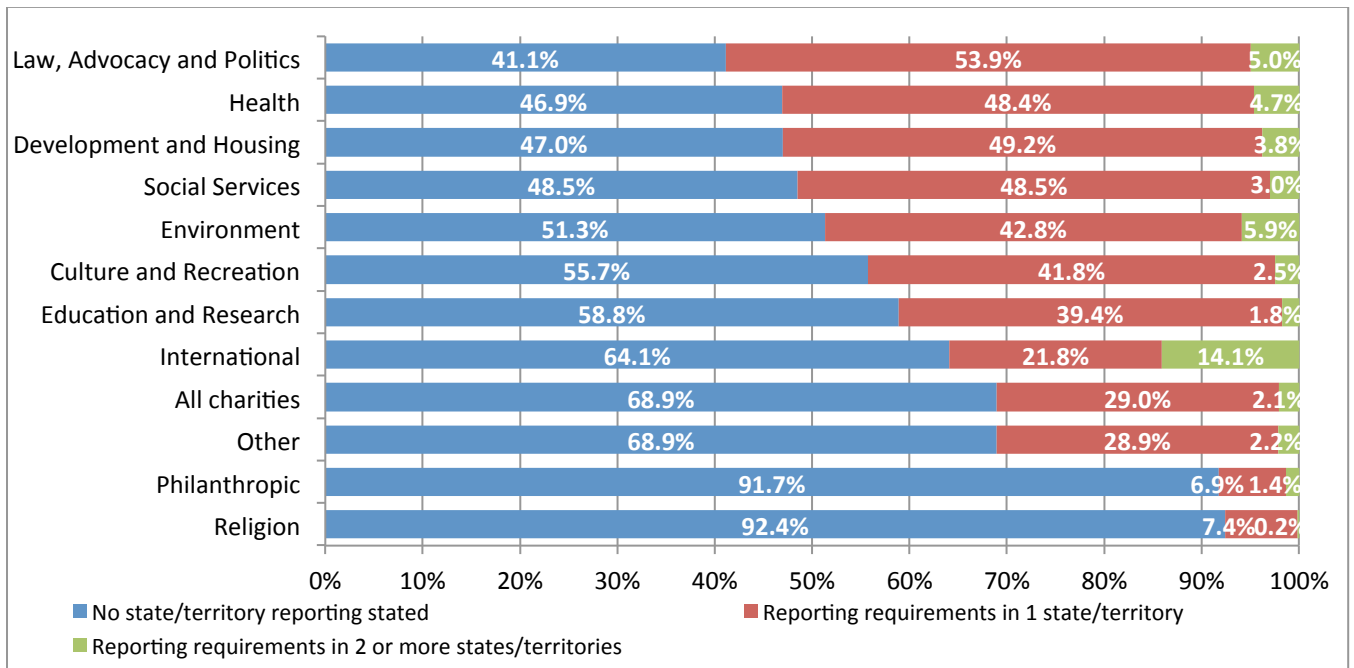


Notes: n=37,792. This excludes 6 charities that did not have information on state or territory of registration

Figure 3.10 breaks down additional state and territory reporting obligations of charities by the sector of main activity. Religious and philanthropic charities are the least likely to have reported having any additional state or territory reporting obligations, followed by international and “other” charities. However, international charities are the most likely to report having obligations to multiple states or territories (14% compared to 2% on average).



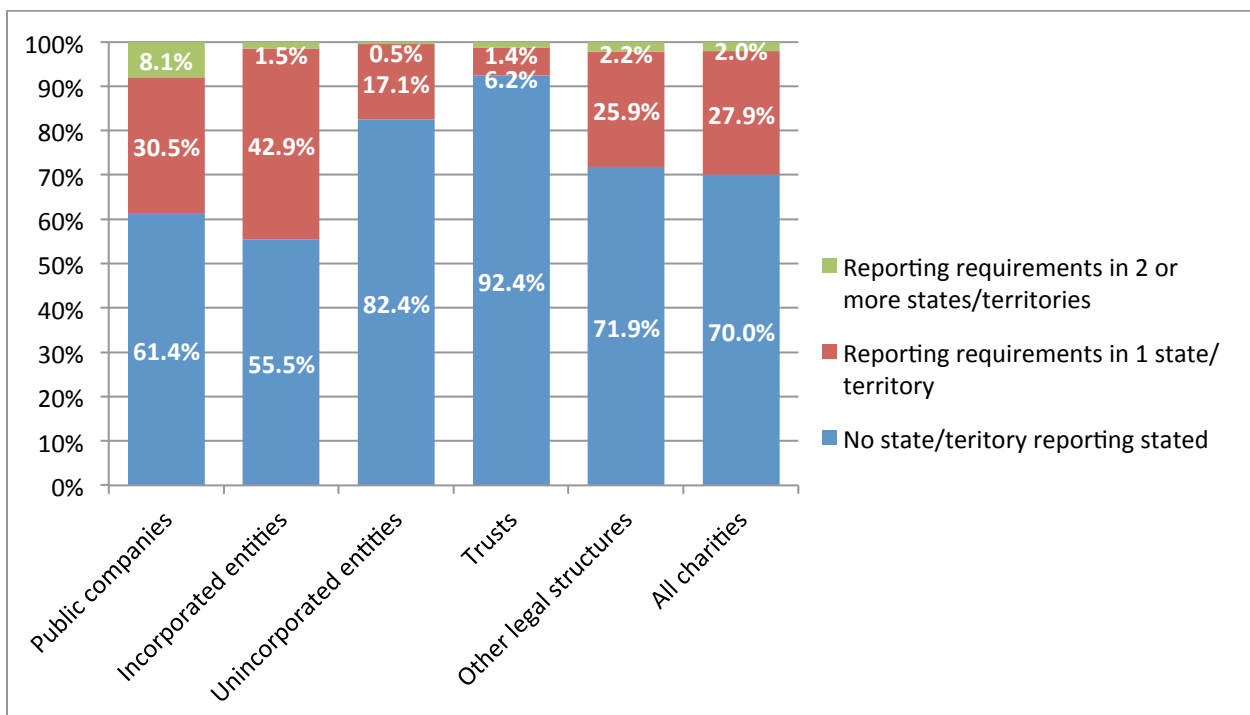
Figure 3.10 Charities additional reporting obligations to state and territory agencies, by sector of main activity, 2014 (%)



Notes: n=36,162. This excludes 1636 charities with missing main activity data

As was the case with additional Commonwealth reporting obligations, public companies were more likely to report having additional state or territory reporting obligations, and Trusts were the least likely to report additional state or territory reporting obligations. (See Figure 3.11)

Figure 3.11 Charities additional reporting obligations to state and territory agencies, by entity type, 2014 (%)



Notes: n=37,795. This excludes 3 charities with missing entity type.



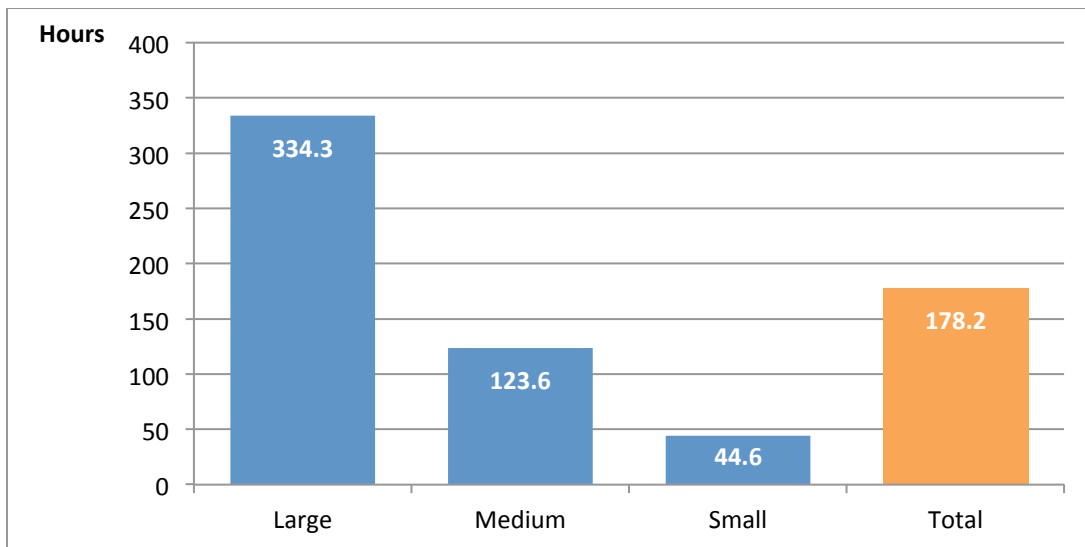
Hours spent on additional reporting obligations in 2014

As outlined under limitations in Section 1, because the questions on reporting obligations were optional, and they only capture additional reporting burden, they are likely to underestimate the actual reporting burden on Australia’s charities. In particular, where the hours were recorded as zero, it was not possible to distinguish between those with no reporting obligations and those who chose not to answer the questions.

To obtain more accurate and informative estimates of the additional reporting burden for charities with reporting obligations, the remainder of this section focuses on the 9,106 charities who stated having reporting obligations to either the Commonwealth (excluding the ACNC and ATO) or to states and territories (excluding state or territory regulators under associated incorporations or cooperatives laws) and who recorded spending some time reporting. This excludes 53 small and 4 medium charities who reported implausibly high hours spent reporting.⁷ Our analysis of the additional reporting burden through Commonwealth and State or territories obligations as the questions on hours spent reporting do not distinguish between hours reporting to the Commonwealth and hours reporting to states or territories.

For charities with additional reporting obligations, the average number of hours spent on this reporting in 2014 was 178 hours and the median was 30 hours. This varied by size with large charities reporting an average of 334 hours (median 75), medium charities 124 hours on average (median 38) and small charities an average of 45 hours spent reporting (median 10). (See Figure 3.12)

Figure 3.12 Average hours spent reporting for those with additional reporting obligations, by charity size, 2014



Notes: Total n=9106 charities with reporting obligations who recorded some time spent reporting. Large n=3539; medium n=2393; small n=3171. Breakdown by size excludes 3 charities with missing size.

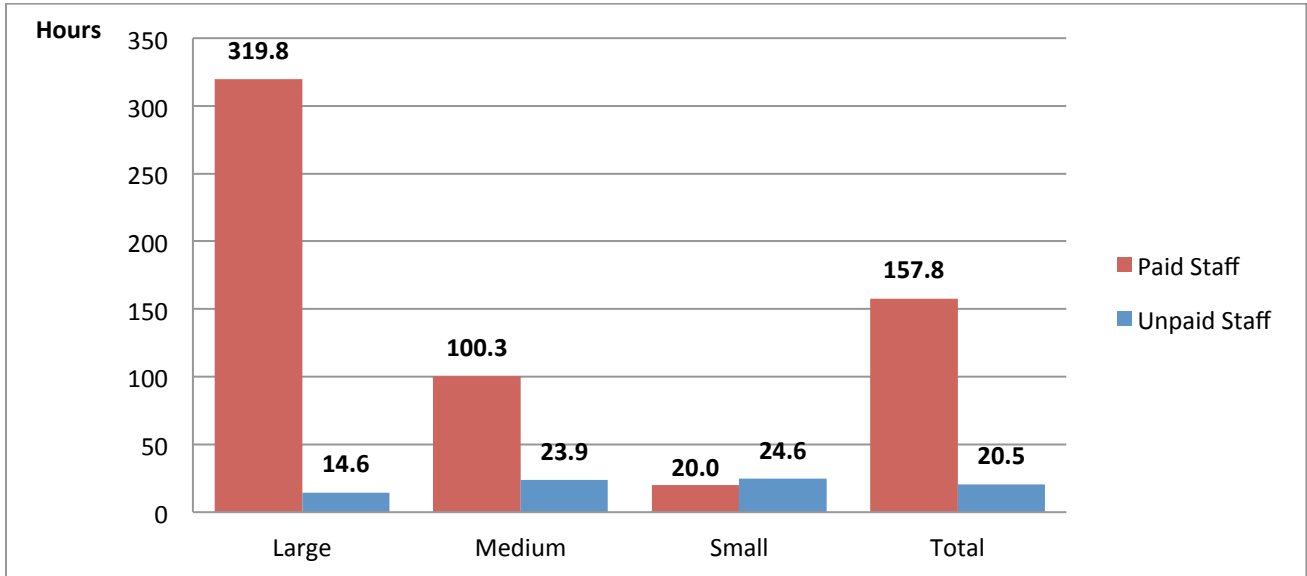
⁷ Where the cost of reporting (hours x staff costs) exceeded the total expenditure reported. This eliminates outliers that have the potential to bias the results. Whilst this resulted in excluding more small charities than other charities, sensitivity analyses indicate that this does not affect the overall results.



What was the cost of the reporting burden in 2014?

Overall, the majority of reporting was undertaken by paid staff, especially in large and medium sized charities, whilst this trend was reversed for small charities for which voluntary staff undertook more reporting than paid staff (see Figure 3.13).

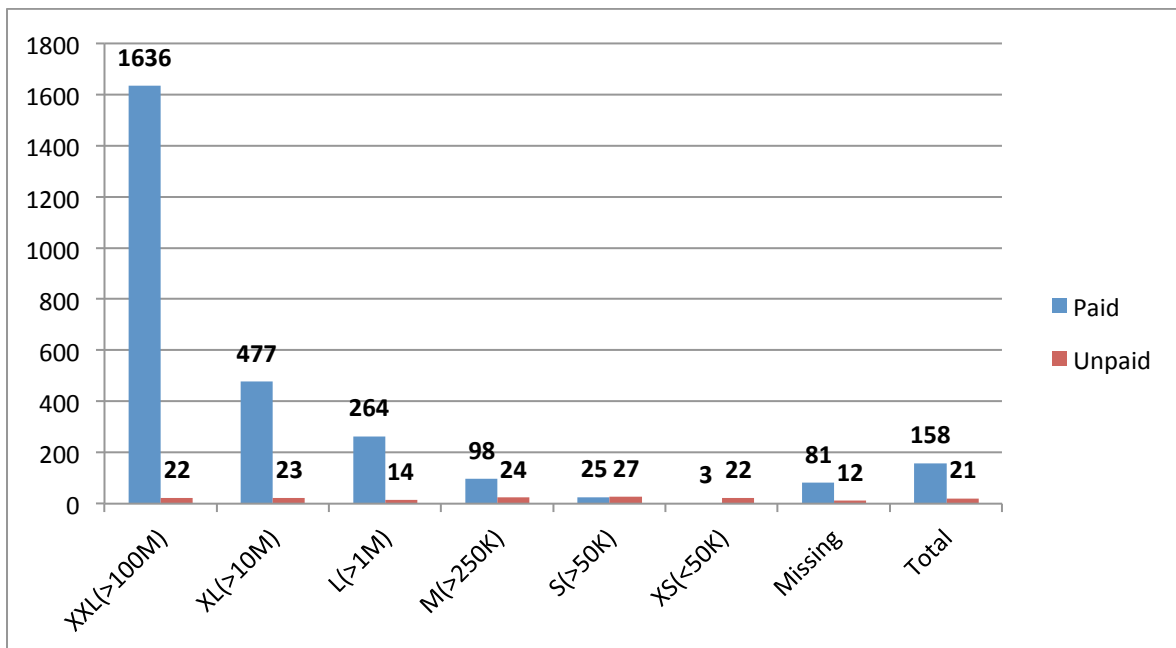
Figure 3.13 Average hours spent reporting, by charity size and staff type, 2014



Notes: Total n=9106 charities with reporting obligations who recorded some time spent reporting. Split by size excludes 3 charities with missing size.

When further disaggregating charity size into 6 size segments based on reported income (as was used for additional analysis in the main report), it is clear that the cost of additional reporting burden increases significantly with the size of the charity, with charities whose expenditure exceeds \$100 million (XXL) recording 1,636 additional reporting hours on average.

Figure 3.14 Average hours spent on additional reporting by detailed charity size, 2014



Notes: Total n=9106 charities with reporting obligations who recorded some time spent reporting.



Using the Regulatory Burden Measurement Framework cost estimate of \$65.45 per hour for paid staff and \$29 per hour for unpaid staff, the total cost of additional reporting burden was at least \$99.5 million (based on the subsample of 9,106 charities with additional reporting obligations and recorded reporting time). If we extrapolate the results for this subsample to the entire sample, we estimate the cost of additional reporting to be approximately \$413 million (See Figure 3.15, bottom row). This represents about 0.9% of employee expenses, which is approximately \$47.5 billion for charities that reported as individuals (Cortis et al., 2015b). A more conservative extrapolation using the responses for each size subsample as an unbiased indicator of reporting burden for charities in that subsample, gives an overall estimate of the total reporting burden of \$255 million (see Figure 3.15, sum of weighted estimates). As outlined in the limitations in Section 1, this estimate should still be interpreted cautiously as it is based on the assumption that the subsample of 9,106 charities are an unbiased representation of all charities, and that all charities face additional reporting burden which is unknown.

Figure 3.15 Total cost calculation based on hours spent reporting by detailed charity size

Detailed charity size	Total cost for subsample	Subsample n	Average cost per charity for subsample	Total sample N	Extrapolation of subsample total cost to total sample
Unknown	\$ 3,525,191	622	\$ 5,667.51	10,201	\$ 57,814,273
XXL (>\$100m)	\$ 5,384,373	50	\$ 107,687.50	120	\$ 12,922,495
XL (\$10-\$100m)	\$ 25,692,822	805	\$ 31,916.55	1,237	\$ 39,480,771
L (\$1m - \$10m)	\$ 43,465,254	2,460	\$ 17,668.80	4,589	\$ 81,082,134
M (\$250k - \$1m)	\$ 16,382,295	2,312	\$ 7,085.77	5,397	\$ 38,241,888
S (\$50k - \$250k)	\$ 4,058,667	1,674	\$ 2,424.53	7,453	\$ 18,070,037
XS (up to \$50k)	\$ 978,500	1,183	\$ 827.13	8,801	\$ 7,279,610
Sum					\$ 254,891,207
Simple extrapolation	\$ 99,487,101	9,106	\$ 10,925.44	37,798	\$ 412,959,966

The cost of the additional reporting burden (excluding reporting to the ACNC and the ATO, and state or territory regulators under associated incorporations or cooperatives laws) per charity increases with charity size. However, the proportion of additional reporting burden costs to total employee expenses is much greater in the smaller charities. The estimated mean cost of reporting is \$827 (median \$232) for extra small charities, which represents 42% of mean employee expenses. In contrast, for the largest charities the estimated mean cost of reporting is much higher at \$107,687 (median \$31,014) but this is only 0.1% of mean employee expenses. (See Figure 3.16).

Figure 3.16 Cost of additional reporting burden per charity, by detailed charity size 2014

Detailed charity size	Cost of reporting					All employee expenses		Cost of reporting / employee expenses
	n	Mean	Median	25 th percentile	75 th percentile	N	Mean \$	
XXL(>100M)	50	\$107,688	\$31,014	\$6,545	\$130,900	120	195,823,978	0.1%
XL(>10M)	805	\$31,917	\$6,545	\$2,618	\$19,635	1,237	12,567,241	0.3%
L(>1M)	2,460	\$17,669	\$3,722	\$1,309	\$10,647	4,589	1,543,609	1.1%
M(>250K)	2,312	\$7,086	\$1,964	\$655	\$5,816	5,397	224,871	3.2%
S(>50K)	1,674	\$2,425	\$655	\$160	\$1,964	7,453	34,377	7.1%
XS(<50K)	1,183	\$827	\$232	\$87	\$580	8,801	1,961	42.2%

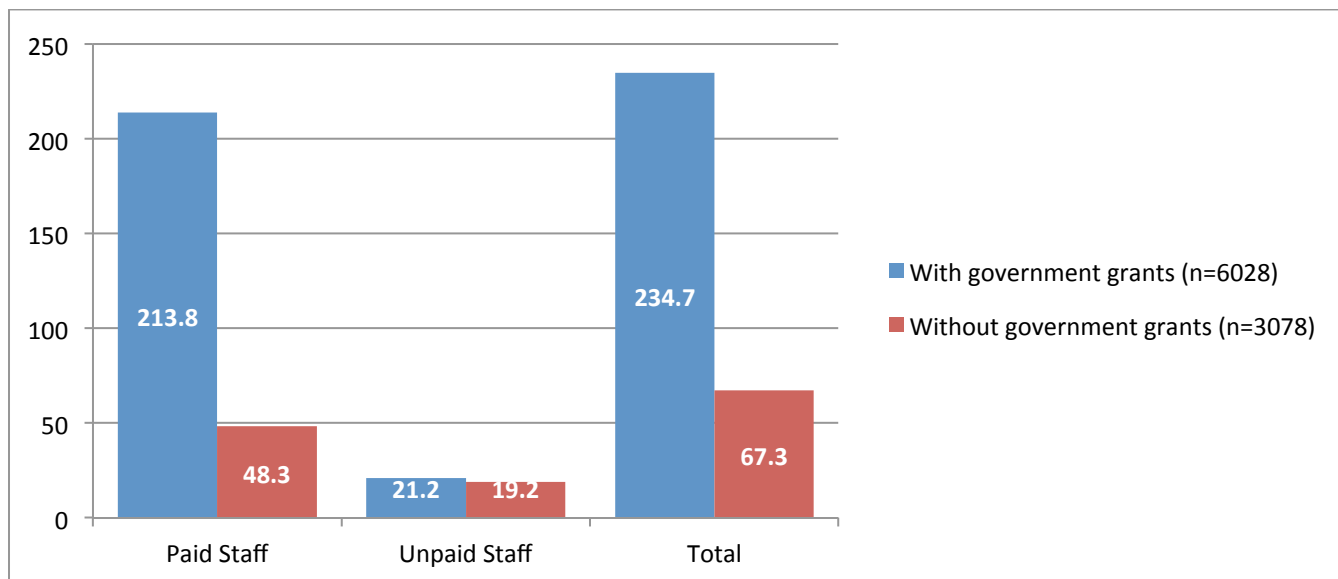
Note: The 25th to 75th percentiles show the spread for the middle 50% of charities.



Which charities spend more hours reporting?

Charities who received government grants spent 167 more hours reporting, on average, than those without government grants; mean 234.7 hours (median 50 hours) for grant recipients compared to a mean of 67.3 hours (median 10 hours) for those without government grants. The majority of these reporting hours were undertaken by paid staff. This would suggest that administration and reporting obligations associated with contracts and grants is likely to account for a large proportion of these charities' additional reporting obligations. However, it does not necessarily account for all the hours spent reporting. (See Figure 3.17)

Figure 3.17 Average hours spent on additional reporting, by receipt of government grants, 2014



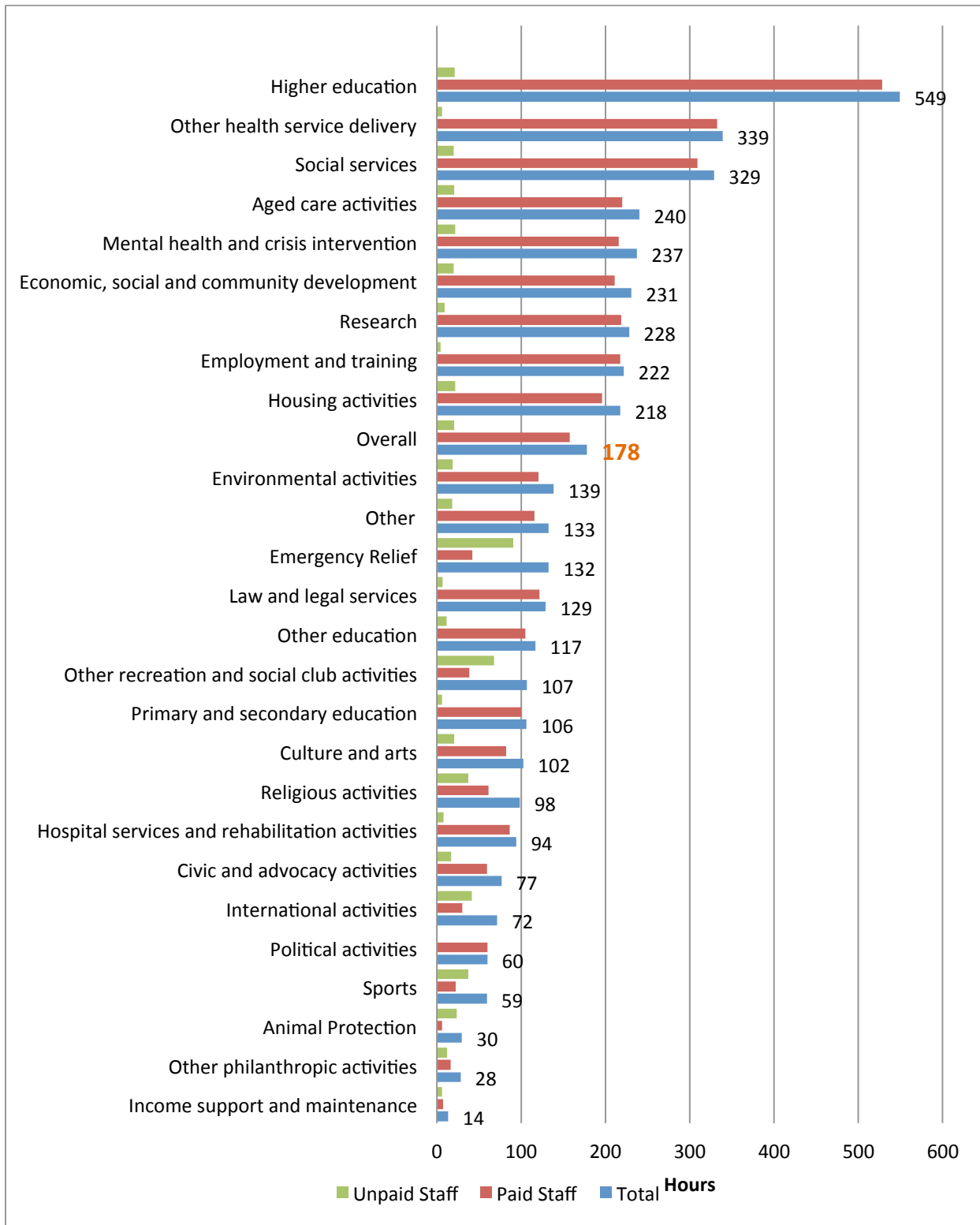
The number of hours spent reporting, by paid and unpaid staff, also varied by activity type, as shown in Figure 3.18. Charities whose main activity was higher education spent the most time reporting in 2014, with an average of 549 hours (528 by paid staff and 21 by unpaid staff, on average). This is not surprising as universities, for example, receive large sums of public funding. Charities whose main activities were other health services delivery, social services, aged care, mental health and crisis intervention, economic social and community development, research, employment and training and housing activities also spent more hours reporting than average. With the exception of the categories of research and housing activities, these activities were also more likely to receive grant income than average.

Charities with law and legal services and civic and advocacy as their main activities were also likely to rely on government grant funding but these charities did not have above average hours spent reporting, again indicating that the differences in additional reporting burden are partly but not fully explained by receiving grant income. It is also possible that the employees of charities in these two sectors may be more likely to have learned the skills to enable them to more efficiently complete reporting requirements.

Those with reporting obligations who spent the least hours reporting were charities whose main activity was income support and maintenance, followed by other philanthropic activities and animal protection. Whilst most charities use more paid than unpaid staff time reporting, those whose main activities were emergency relief, sports, other recreation and social club activities, animal protection and international activities used more volunteer than paid staff time in reporting.



Figure 3.18 Hours spent on additional reporting, by main activity type, 2014





The average hours spent on additional reporting obligations also varied by the state or territory in which the charity is registered (see Figure 3.19). Charities with additional reporting obligations registered in the Northern Territory spent the most hours reporting in 2014, followed by Queensland, whilst those registered in NSW spent the least number of hours reporting, on average. Charities registered in the Northern Territory are more reliant on government grant income than other charities (Cortis et al., 2015b). This may help to explain why the Northern Territory has the highest additional reporting burden.

Figure 3.19 Hours spent on additional reporting, by state or territory of registration, 2014

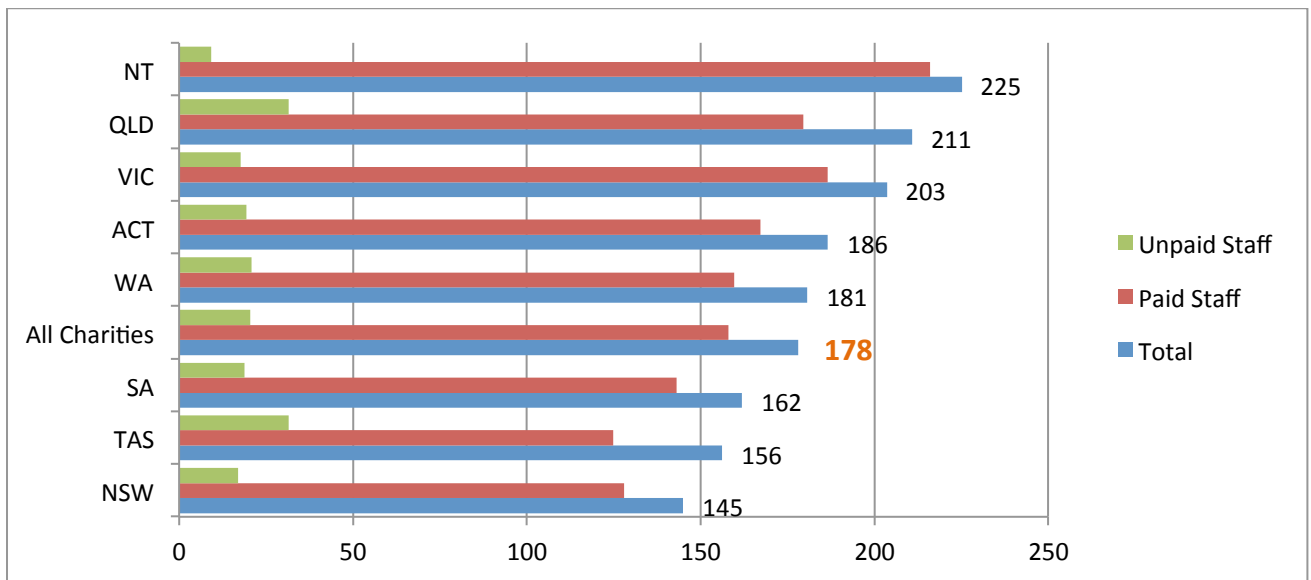
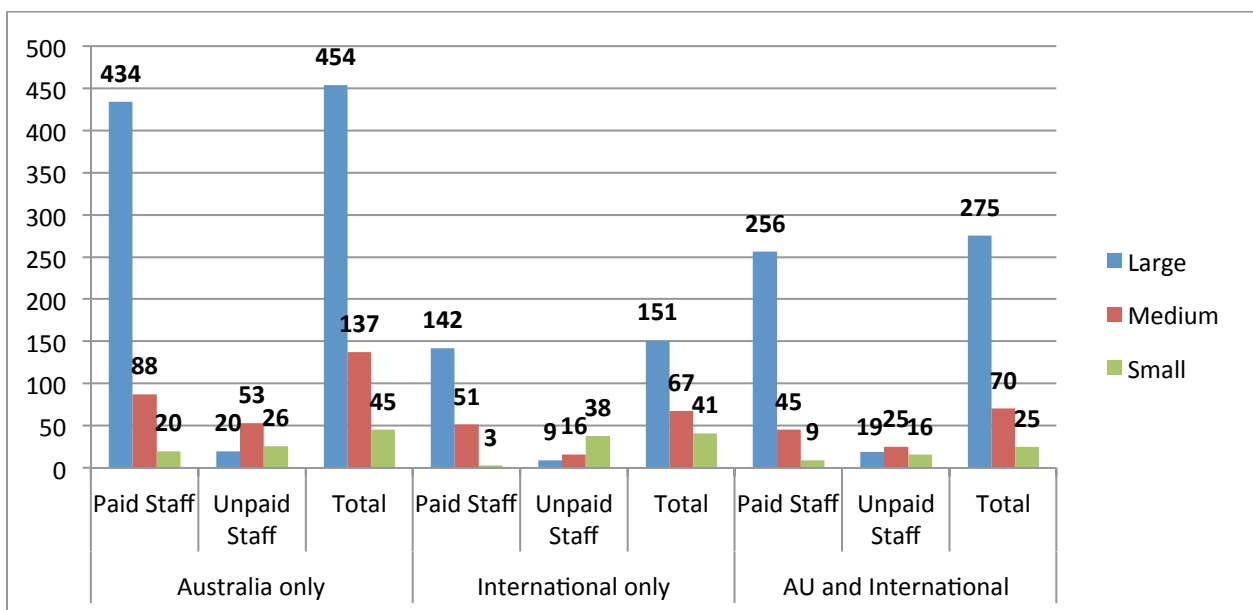


Figure 3.20 illustrates the difference in the additional hours spent reporting for grant making charities. Charities that made grants or donations for use overseas spent fewer hours meeting additional reporting obligations than did those making grants for use in Australia, within all size categories.

Figure 3.20 Hours spent on additional reporting for grant making charities, by charity size and grant type, 2014

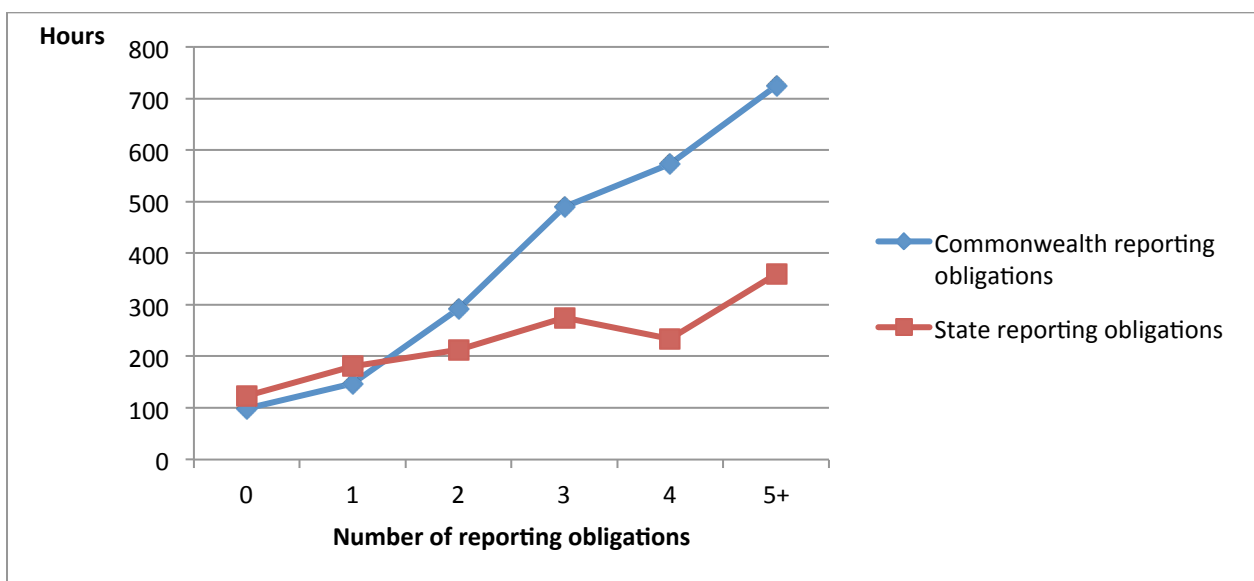


Notes: Australian only total n=1615; International only total n=221; Australian and International total n=249 (grant making charities within the subsample of 9106 charities who recorded their hours spent reporting)



Charities which had additional Commonwealth reporting responsibilities spent more hours reporting than those without Commonwealth reporting responsibilities. Overall, the number of hours increased as the number of Commonwealth departments or agencies reported to increased. Similarly, charities which had additional reporting obligations to states or territories spent more hours reporting than those without additional state/territory reporting responsibilities. However, the positive relationship between the number of states and territories reported to and the number of hours spent reporting was not as strong as the relationship between additional Commonwealth reporting obligations and hours spent reporting. (See Figure 3.21) This underlines the importance of streamlining Commonwealth reporting obligations as a key strategy for reducing red tape due to excess reporting burden in the charity sector.

Figure 3.21 Hours spent reporting by the number of additional Commonwealth and state or territory reporting obligations, 2014



Notes: n=9056. The number of state reporting obligations is the number of states or territories reported to, while the number of Commonwealth reporting obligations is the number of agencies or departments reported to (with 8 representing 8 or more).

The next chapter of the report explores this in further detail by examining those charities with multiple reporting responsibilities and the impact of multiple reporting responsibilities on hours and cost of reporting.



4. WHICH CHARITIES HAVE MULTIPLE REPORTING RESPONSIBILITIES?

One of the areas in which additional reporting burden can be reduced is for charities having multiple reporting responsibilities. For example, as outlined earlier, the ACNC Charity Passport enables authorised government agencies to access ACNC charity data via a file transfer protocol process for the purpose of reducing red tape for charities (ACNC, 2014a). This allows agencies to access charity data directly from the ACNC and reduces the amount of information that charities have to provide to different government agencies, in line with a 'report once, use often' reporting framework. Of the 13,133 charities who stated their additional reporting obligations (including those who did not go on state the number of hours spent reporting), 14% had reporting obligations to the Commonwealth only (excluding the ATO and ACNC), 50% had obligations to states or territories only (excluding regulators under associated incorporations or cooperatives laws) and 36% had reporting obligations to both the Commonwealth and to states or territories. In total, 6,576 charities stated having Commonwealth reporting obligations and 11,325 charities stated having state or territory reporting obligations. This section builds on the previous section to investigate in further detail the types of charities that have multiple additional reporting obligations and to estimate the additional costs of this extra burden.

Figure 4.1 Breakdown of reporting obligations

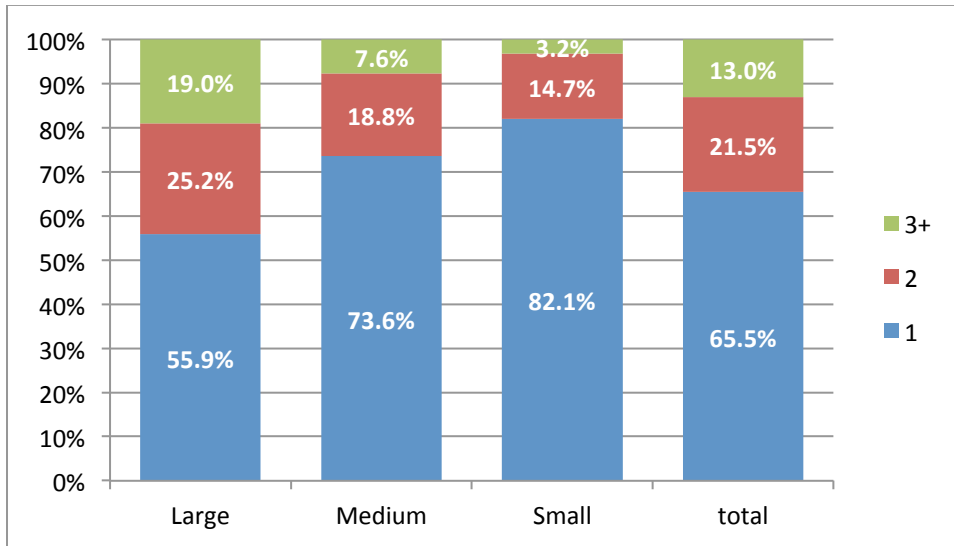
Reporting obligation	Number of Charities	Proportion of Total (f)
(a) State/territory Only	6,557	50%
(b) Commonwealth Only	1,808	14%
(c) Both State and Commonwealth	4,768	36%
(d) Total state (a+c)	11,325	86%
(e) Total Commonwealth (b+c)	6,576	50%
(f) Total State or Commonwealth (a+b+c)	13,133	100%

Number of Commonwealth departments or agencies to whom charities reported

In total 6,576 Charities stated that they had additional reporting obligations to Commonwealth departments or agencies in 2014, excluding the ATO and ACNC. For those that stated their additional reporting burden, the number of agencies to whom charities reported increased with charity size with 19% of large charities reporting to 3 or more agencies compares to 3% of small charities (See Figure 4.2).



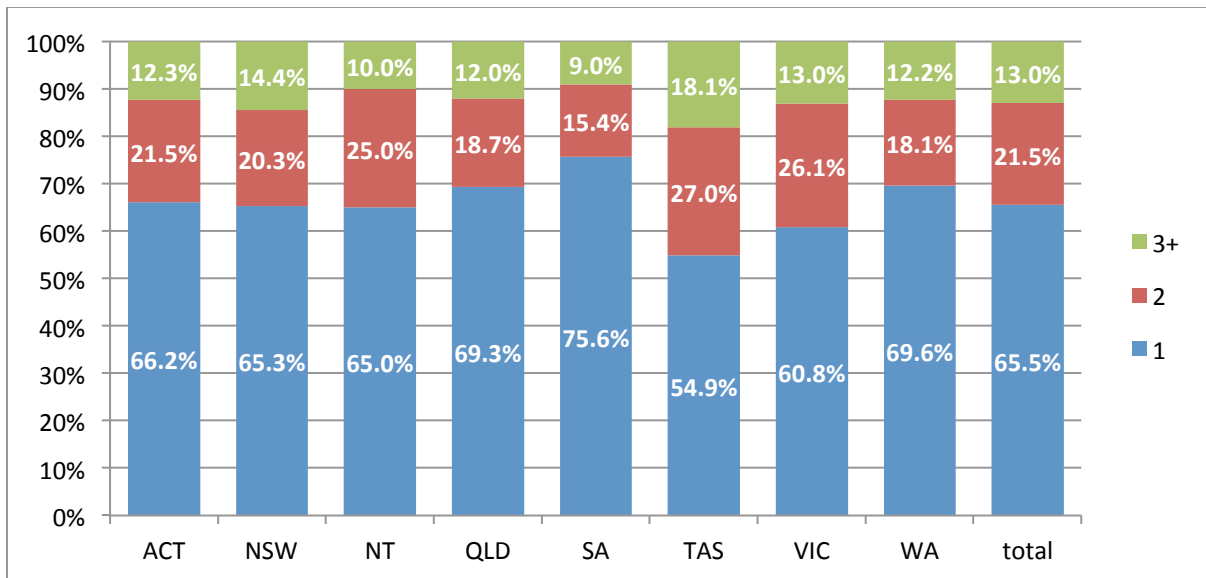
Figure 4.2 Number of Commonwealth departments or agencies to whom charities reported, by charity size, 2014



Notes: n=6576

Commonwealth reporting obligations varied slightly by the state or territory in which charities were registered. Charities registered in Tasmania who stated their Commonwealth reporting obligations were the most likely to report to 3 or more Commonwealth departments or agencies (18%) and those registered in South Australia were the least likely to report to 3 or more Commonwealth departments or agencies (9%).

Figure 4.3 Number of Commonwealth departments or agencies to whom charities reported, by state or territory of registration, 2014

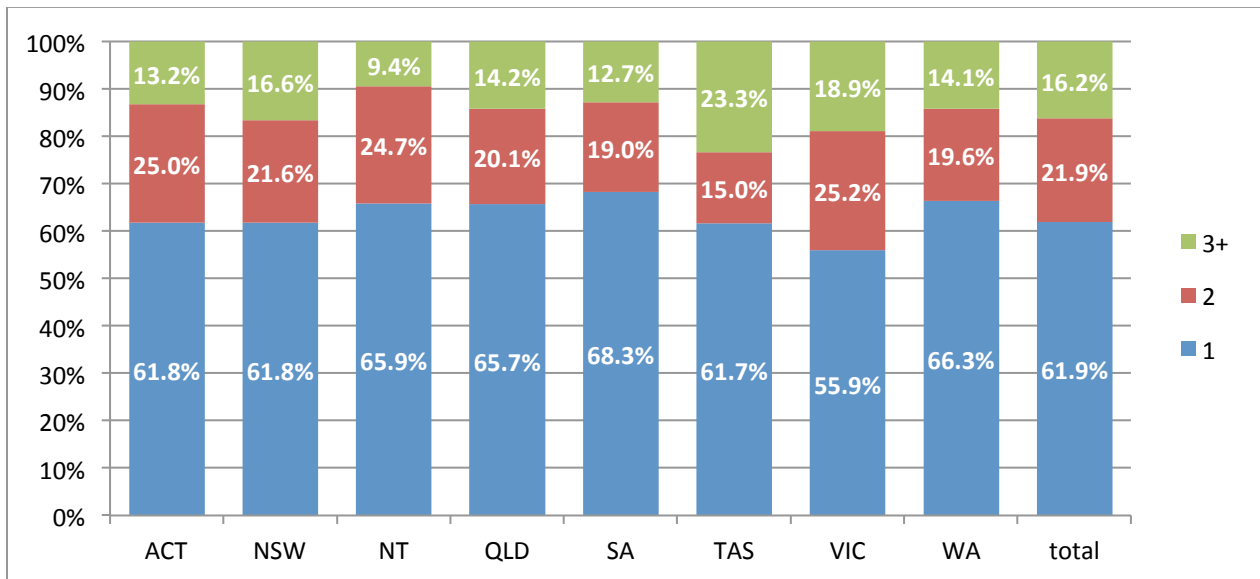


Notes: n=6576

With the exception of the Northern Territory and Tasmania, charities in receipt of government grants were slightly more likely to have multiple additional Commonwealth reporting obligations than average (see Figure 4.4).



Figure 4.4 Number of Commonwealth departments or agencies to whom charities reported, for charities who are government grant recipients, 2014

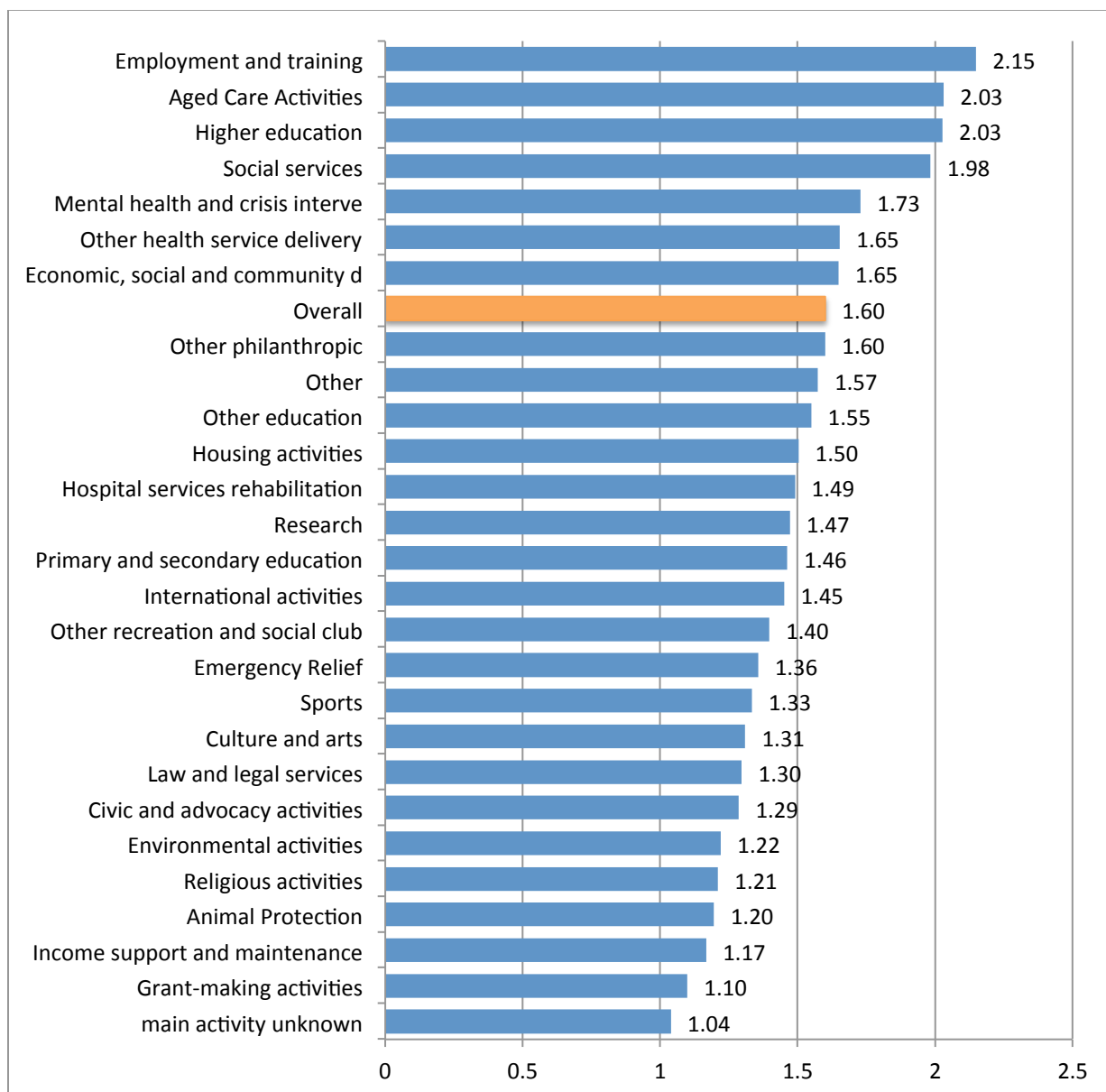


Notes: n=4290

The average number of Commonwealth agencies or departments reported to in addition to the ACNC and the ATO varies by main activity type (see Figure 4.5). Charities whose main activity is employment and training, aged care, higher education and social services have the largest additional Commonwealth reporting burden, in terms of the number of agencies to whom they report. These charities report to approximately 2 additional Commonwealth departments or agencies, on average, compared to an overall average of 1.6.



Figure 4.5 Average number of Commonwealth departments or agencies to whom charities reported, by main activity, 2014



Note: This excludes 1 philanthropic and 1 political activity charities .

Cost of reporting to multiple Commonwealth agencies

To estimate the additional cost of reporting to multiple Commonwealth agencies, a sample of charities that had reporting obligations to Commonwealth agencies without reporting obligations to state agencies has been examined to isolate the cost relating to Commonwealth agencies only. Comparing the average cost difference between those charities that report to only one Commonwealth agency and multiple agencies, the charities that report to multiple agencies had incurred \$9,761 greater reporting cost per charity. Considering that 17.25% of the 13,133 charities who stated reporting obligations had reporting obligations to multiple Commonwealth agencies, we can extrapolate the estimate to the entire ACNC sample (37,798). This calculated estimate suggests that the additional cost of reporting to multiple agencies is approximately \$64 million overall (17.25% x 37,798 charities x \$9,761). Implementation of reporting duplication reduction programs such as the ACNC’s Charity Passport initiative could address this cost of potentially duplicative reporting burden.



Combination of Commonwealth departments or agencies to whom charities reported

To identify the most common combinations of Commonwealth departments or agencies to whom charities reported, for each Commonwealth department or agency reported to, we identified the most frequent, and second and third most frequent *additional* Commonwealth department or agency reported to. The left column of Figure 4.6 shows the number of charities who stated that they reported to each Commonwealth department or agency listed (sorted from most to least frequent). The department most commonly reported to was the Department of Education (1980 out of 6576 charities with Commonwealth reporting obligations). This is consistent with education and research being the second largest sector of main activity of Australia's charities (after religion) (Cortis et al., 2015b). Reading across the Department of Education (DoEdu) row in the table shows the additional agencies most frequently reported to by the 1980 charities who reported to the Department of Education, were "Other", the Australian Bureau of Statistics (ABS) and the Department of Health (DoH).

After the Department of Education, the next most commonly reported to Commonwealth departments are the Department of Social Services (DSS; 1666 charities) and Department of Health (DoH, 1401 charities).

Figure 4.6 Frequency and combinations of Departments and agencies to whom charities reported, 2014

Agency or department reported to (listed by most to least frequent)	Most frequent additional Commonwealth department or agency reported to	Second most frequent additional Commonwealth department or agency reported to	Third most frequent additional Commonwealth department or agency reported to
Department of Education (DoEdu) n=1980	Other n=325	ABS n=249	DoH n=211
Department of Social Services (DSS) n=1666	DoH n=423	DoHS n=291	ABS n= 246
Department of Health (DoH) n=1401	DoHS n= 775	DSS n= 423	ABS n=271
Australian Securities and Investments Commission (ASIC) n=876	ABS n=186	DoH n=183	DSS n=159
Australian Bureau of Statistics (ABS) n=793	DoH n=271	DoEdu n=249	DSS n=246
Department of Human Services (DoHS) n=775	DoH n=775	DSS n=291	ABS n=182
Attorney-General's Department (AGD) n=276	DSS n=64	Other n=47	DoH n=33
Department of the Environment (DoEnv) n=273	ABS n=21	ASIC n=18	DSS n=11
Department of Employment (DoEmp) n=240	DoEdu n=131	DoH n=88	DSS n=85
Australian Skills Quality Authority (ASQA) n=170	DoEdu n=68	DoH n=51	ABS n=46
Fair Work Commission (FWC) n=156	ABS n=82	DSS n=77	DoH n=70
Australian Prudential Regulation Authority (APRA) n=114	DSS & DoH both n=61	ABS n=47	DoHS n=41
Department of Foreign Affairs and Trade (DoFAT) n=99	Other n=20	ABS & ASIC both n=17	DoH n=13
Tertiary Education Quality Standards Agency (TEQSA) n=80	DoEdu n = 41	ABS n=30	ASIC n=15
Australian Competition and Consumer Commission (ACCC) n=52	DoH n=11	Other n=9	DoEdu & ASIC & DoHS all n=7
Office of the Registrar of Indigenous Corporations (ORIC) n=26	DoH n=8	ASIC n=6	DoHS & DSS & FWC all n=5
Other n=1547	DoEdu n=325	DoH n=168	DSS n=131

n=6576 charities who stated their Commonwealth reporting obligations



The types of agencies reported to also varied by sector. Figure 4.7 summarises the most common Commonwealth departments and agencies to whom charities reported, by each sector of main activity.

Figure 4.7 Departments and agencies to whom charities reported, by sector of main activity, 2014

Main activity sector	Most reported to Commonwealth department or agency	Second most reported to Commonwealth department or agency	Third most reported to Commonwealth department or agency
<i>Culture and Recreation</i>	Other	Attorney-General's Department	Australian Securities and Investments Commission
<i>Law, Advocacy and Politics</i>	Attorney-General's Department	Department of Social Services	Other
<i>Health</i>	Department of Health	Department of Social Services	Department of Human Services
<i>Social Services</i>	Department of Social Services	Department of Health	Department of Human Services
<i>International</i>	Department of Foreign Affairs and Trade	Australian Securities and Investments Commission	Australian Bureau of Statistics
<i>Education and Research</i>	Department of Education	Other	Australian Bureau of Statistics
<i>Environment</i>	Department of the Environment	Other	Australian Securities and Investments Commission
<i>Development and Housing</i>	Department of Social Services	Department of Health	Department of Human Services
<i>Philanthropic</i>	Australian Securities and Investments Commission	Other	Department of Health
<i>Religion</i>	Other	Australian Securities and Investments Commission	Australian Bureau of Statistics
<i>Other</i>	Other	Department of Social Services	Australian Securities and Investments Commission & Department of Health
<i>Total</i>	Department of Education	Department of Social Services	Other

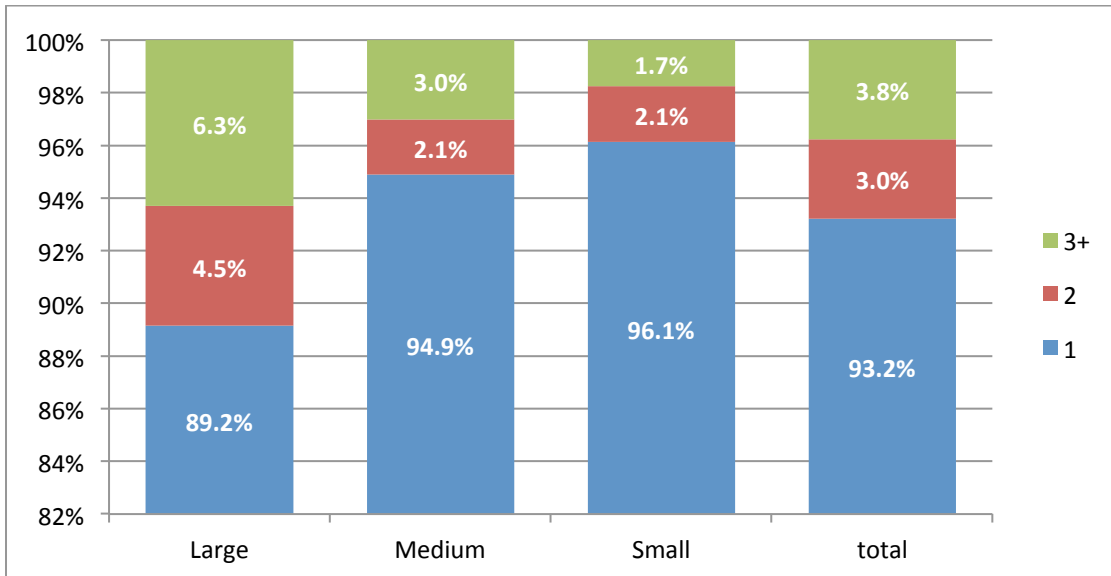
Chapter 5 of the report further explores this issue and uses regression analysis to identify whether particular agencies are imposing a greater additional reporting burden on charities.



Charities with additional state or territory reporting obligations

In total, 11,325 charities stated that they had additional reporting obligations to states or territories in 2014 (above and beyond regulators under associated incorporations or cooperatives laws). The majority (93%) of these charities only had additional reporting obligations in one state or territory. The number of states or territories to whom charities reported increased with charity size, with 11% of large charities with additional state reporting obligations reporting to 2 or more states or territories compared to only 4% of small charities. (See Figure 4.8)

Figure 4.8 Average number of states or territories to whom charities reported, by charity size, 2014

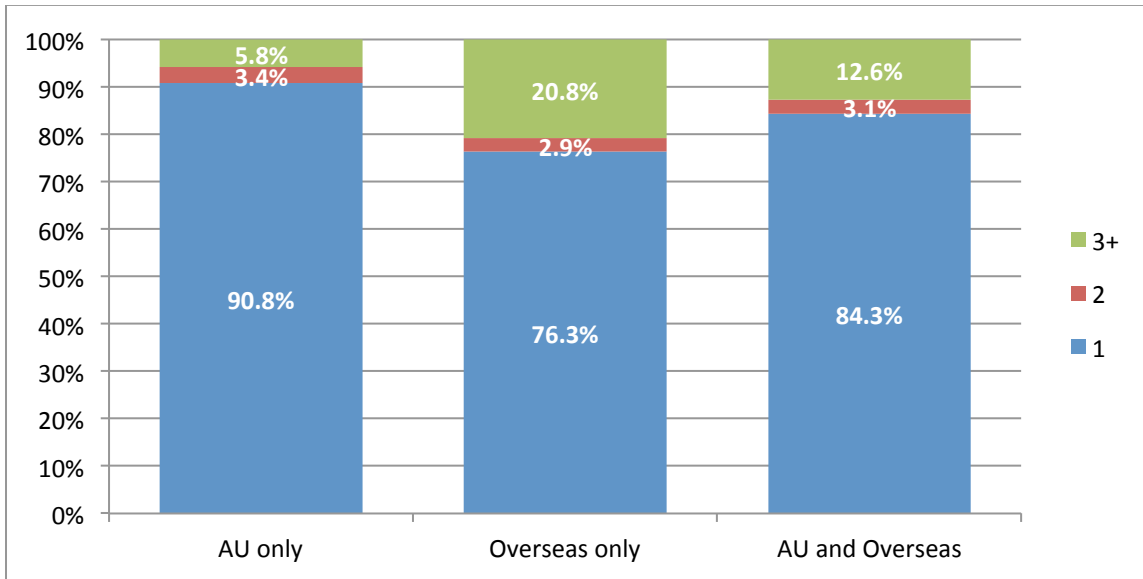


Notes: Total n=11,320; large n=4234; medium n=2721; small n=4365 (excludes 5 charities with missing size)

For charities that made grants or donations, the state or territory additional reporting burden was greater than average. In particular, compared to the 4% of charities who stated that they had additional reporting obligations to states or territories in 2014, from Figure 4.8 for the 21% of those that only made grants or donations for use overseas had reporting obligations in 3 or more states or territories, compared to 6% of those only making grants or donations for use in Australia. (See Figure 4.9)



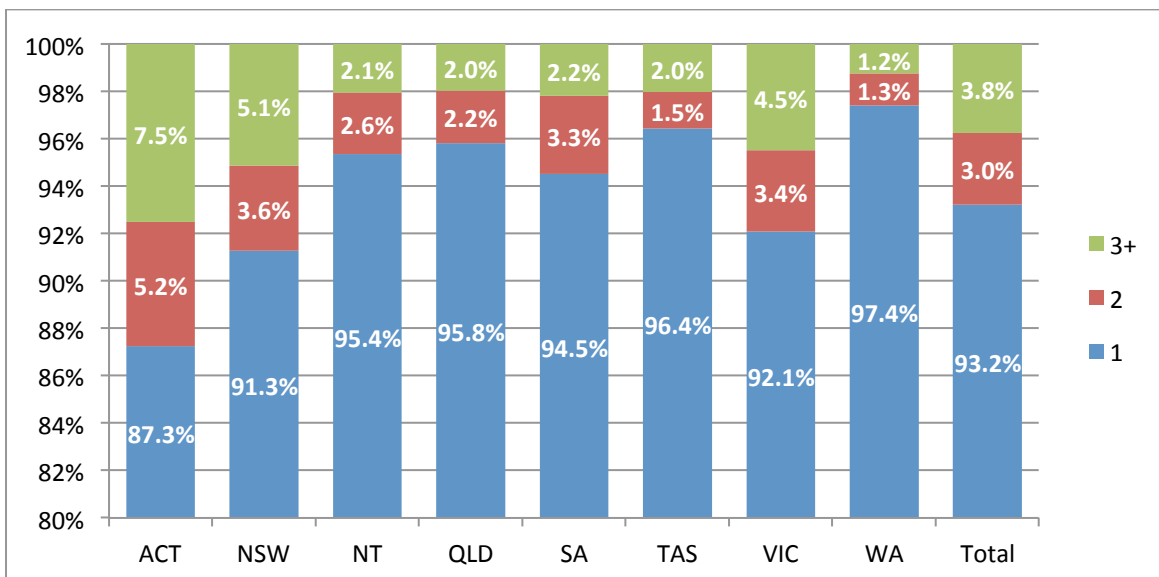
Figure 4.9 Average number of states or territories to whom charities reported, grant making charities vs all charities, 2014



Notes: AU only n=1978; Overseas only n=279; AU and Overseas n = 293

Figure 4.10 shows the variation in state or territory reporting obligations by the state or territory in which the charity was registered. Based on the number of states and territories reported to, charities registered in the ACT had the greatest state/territory reporting burden, whilst those registered in Western Australia had the smallest state reporting burden, on average. This reflects the large proportion of national and multi-state charities based in the nation’s capital (Cortis et al., 2015b).

Figure 4.10 Average number of states or territories to whom charities reported, by state or territory of registration, 2014



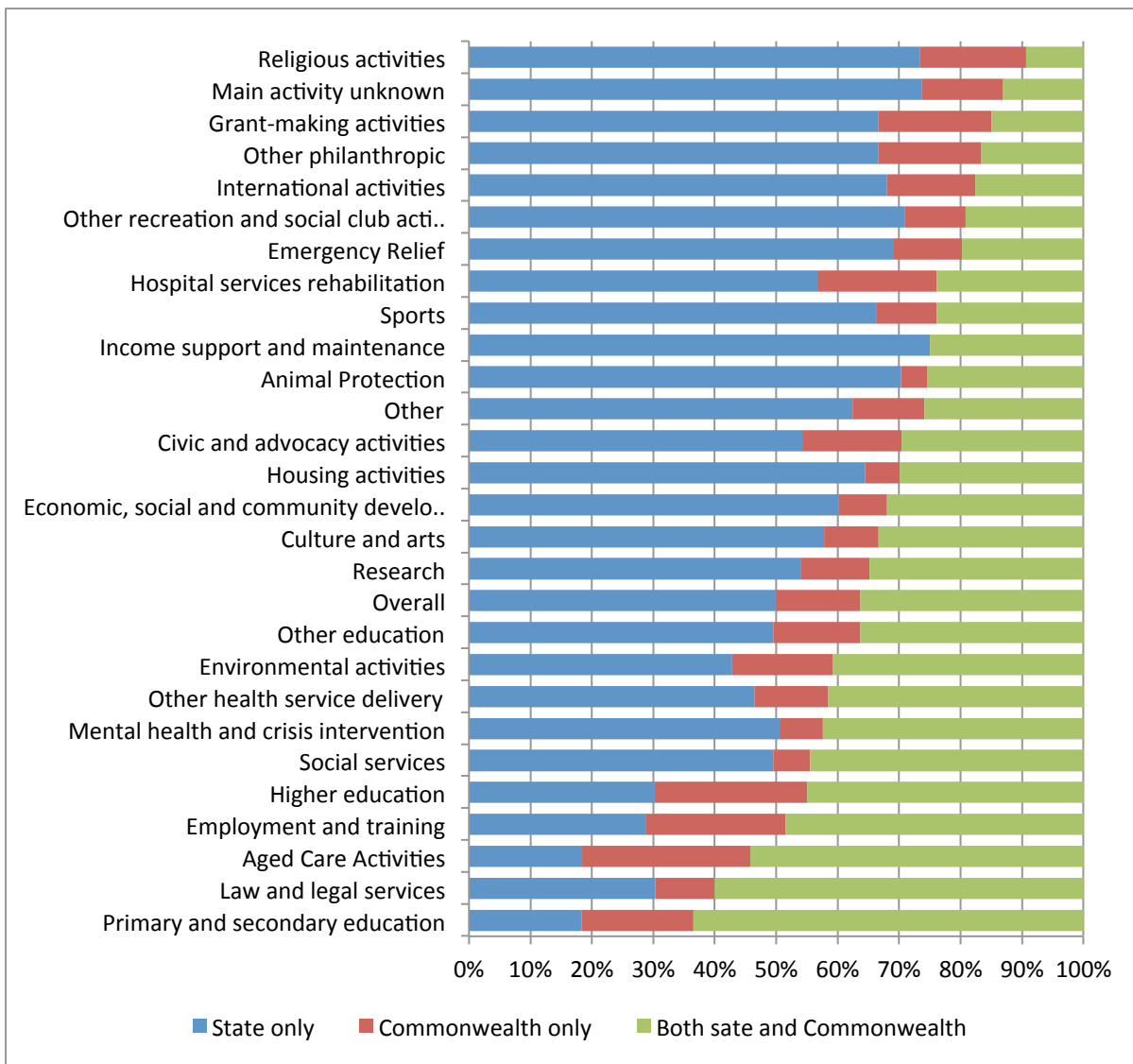
Note: n=11,323. This excludes 2 charities with missing state or territory information.



Which charities had reporting obligations to both the Commonwealth and to states or territories?

Figure 4.11 shows the breakdown by main activity type for those charities which had additional reporting obligations to both the Commonwealth and to states or territories. Of those who stated their reporting obligations, over 50% of charities whose main activity was primary and secondary education, law and legal services or aged care had reporting obligations to both the Commonwealth and states or territories (compared to 36% overall). Those whose main activities were employment and training, higher education, social services, mental health and crisis intervention, other health service delivery and environmental activities were also more likely than average to report having both Commonwealth and state or territory reporting obligations in 2014. Whilst it was shown in Figure 3.21 that the relationship between the number of state reporting obligations and hours spent reporting was less strong than the relationship between multiple Commonwealth reporting obligations and hours spent reporting, for charities who have reporting obligations to both there may be additional gains from ensuring that Commonwealth and state or territory reporting obligations are well coordinated.

Figure 4.11 Reporting obligations of charities by main activity type, 2014



Notes: Total n=13,130; breakdown by activity type excludes 1 philanthropic promotion and 2 political activities charities.



Figure 4.12 shows the cost of reporting by main activity and is consistent with expectations based on the previous figure that generally those charities who have higher average costs of reporting are also more likely than average to report to both state or territory and Commonwealth agencies.

Figure 4.12 Mean and median annual cost of additional reporting of charities by main activity type, 2014

Main activity	Mean	Median
Income support and maintenance	\$ 667.48	\$ 327.25
Animal Protection	\$ 1,095.12	\$ 290.00
Other philanthropic	\$ 1,413.15	\$ 327.25
Missing	\$ 2,151.78	\$ 1,439.90
Sports	\$ 2,536.46	\$ 580.00
Grant-making activities	\$ 2,940.18	\$ 327.25
International activities	\$ 3,182.60	\$ 598.63
Political activities	\$ 3,927.00	\$ 3,927.00
Civic and advocacy activities	\$ 4,398.60	\$ 1,570.80
Other recreation and social club	\$ 4,497.09	\$ 580.00
Religious activities	\$ 5,079.07	\$ 327.25
Emergency Relief	\$ 5,372.65	\$ 944.50
Hospital services rehabilitation	\$ 5,893.97	\$ 1,889.00
Culture and arts	\$ 5,972.66	\$ 1,454.00
Primary and secondary education	\$ 6,734.04	\$ 1,701.70
Other education	\$ 7,212.23	\$ 1,309.00
Other	\$ 8,088.91	\$ 1,309.00
Law and legal services	\$ 8,169.94	\$ 3,599.75
Environmental activities	\$ 8,428.76	\$ 1,197.25
Housing activities	\$ 13,439.33	\$ 2,618.00
Employment and training	\$ 14,345.75	\$ 3,272.50
Economic, social and community development	\$ 14,391.37	\$ 2,253.50
Research	\$ 14,571.16	\$ 1,309.00
Mental health and crisis intervention	\$ 14,740.54	\$ 3,272.50
Aged Care Activities	\$ 14,966.63	\$ 3,272.50
Social services	\$ 20,800.09	\$ 3,410.45
Other health service delivery	\$ 21,941.67	\$ 3,403.40
Higher education	\$ 35,148.40	\$ 2,618.00
Overall	\$ 10,925.44	\$ 1,657.40

N=9106 charities who stated having additional Commonwealth or state/territory reporting obligations and who stated the number of hours spent reporting. Those with higher than overall average costs are bolded.



5. WHAT FACTORS ARE ASSOCIATED WITH THE REPORTING BURDEN?

Regression analysis was undertaken to examine the independent relationship between characteristics of charities and the number of hours spent reporting, controlling for other factors. Using negative binomial regression, the results are reported as incident rate ratios (IRRs) which show the difference in frequency for a unit change in the explanatory variable. An IRR above 1 indicates a higher frequency whilst an IRR below 1 indicates a lower frequency. Results with a p value of <0.05 are statistically significant at the 5% significance level.

Figure 5.1 shows that charity size (measured by the log of income) and hours spent on additional reporting are positively related. The results also show that, on average, each additional Commonwealth department or agency reported to increases the time spent reporting by 18.6% (IRR = 1.186; $p < 0.01$). Interestingly, after controlling for other differences, the number of states and territories to whom charities report does not have a significant relationship to the additional hours spent reporting. Charities with DGR status have a significantly lower additional reporting burden (IRR = 0.915; $p < 0.05$). Charities which are grant recipients, however, spend 77% more time reporting than those not receiving government grants (IRR = 1.771; $p < 0.01$). The results also show variation in reporting obligations by sector of main activity. Controlling for other differences, charities undertaking international activities have the largest additional reporting burden whilst philanthropic charities have the additional lowest reporting burden. There are some significant differences by Commonwealth agency to whom charities report. The lowest reporting burden is associated with APRA, ACCC and DoHS, whilst TEQSA has the highest reporting burden. Compared to NSW (the reference case), there is no evidence of a significant difference in the reporting burden to other states or territories (at the 5% significance level). Public companies have a higher reporting burden than other entity types.

Overall the regression results suggest that the additional reporting burden on Australian charities is driven largely by charity size, Commonwealth reporting obligations, the entity type and the administration and reporting burden of government contracts for grant recipients.

Figure 5.1 Negative binomial regression of hours spent reporting, 2014

Variable	IRR	P value
Log of total income	1.403	0.000
Number of Commonwealth departments or agencies reported to (excluding the ATO or ACNC)	1.186	0.016
Number of states/territories reported to (excluding obligations under associated incorporations or cooperatives laws)	1.017	0.650
Government grant recipient (Y/N)	1.771	0.000
DGR status (Y/N)	0.915	0.018
Sector of main activity:		
Culture and recreation (reference case)	1.000	
Education and research	0.761	0.000
Health	1.110	0.143
Social services	1.348	0.000
Environment	0.934	0.504
Development and housing	1.380	0.000
Law, advocacy and politics	0.691	0.000
Philanthropic	0.477	0.000



International	1.702	0.003
Religion	1.282	0.007
Other	0.885	0.104
Commonwealth department or agency reported to:		
ABS (reference case)	1.000	
ACCC	0.536	0.018
AGD	1.273	0.043
APRA	0.411	0.000
ASIC	0.685	0.000
ASQA	1.251	0.117
DoEdu	0.959	0.669
DoEmp	1.054	0.675
DoEnv	1.115	0.422
DoFAT	1.182	0.357
DoH	1.415	0.001
DoHS	0.571	0.000
DSS	1.127	0.157
FWC	0.926	0.654
ORIC	1.398	0.279
TEQSA	2.926	0.000
Other	0.907	0.240
State or territory reported to:		
NSW (reference case)	1.000	
ACT	0.875	0.106
NT	0.888	0.280
QLD	1.093	0.072
SA	0.903	0.134
TAS	1.043	0.634
VIC	1.033	0.472
WA	0.945	0.329
Entity type:		
Unincorporated entity (reference case)		
Incorporated entity	0.947	0.254
Other legal structure	0.996	0.967
Public company	1.143	0.028
Trust	0.918	0.421



6. ASSESSING THE CHANGE IN RED TAPE FROM 2013

A meaningful comparison for examining initiatives for red tape reduction is to compare additional reporting burden over time. Data on additional reporting burden was also captured in the 2013 AIS. Whilst intending to capture the same additional reporting burden, it is noted that the wording of the questions in the 2013 and 2014 reports differed slightly (refer Appendix A) and may have led to differences in responses to these questions.

For consistency with 2014 methodology, the data on hours spent reporting in 2013 is based on the subsample of 9040 charities who stated having reporting obligations to either the Commonwealth (excluding the ACNC and ATO) or to states and territories (excluding state or territory regulators under associated incorporations or cooperatives laws) and who recorded spending some time reporting. This excludes 7 charities who recorded implausibly high hours spent reporting.⁸

Figure 6.1 shows that mean and median hours spent on additional reporting has decreased since 2013. This may reflect an actual reduction in the reporting burden or it may reflect differences in the composition of the samples.

Figure 6.1 Hours spent reporting, 2013 and 2014 comparison by size

	2013		2014		% Change	
	mean	median	mean	median	mean	median
Large	389	80	334	75	-14%	-6%
Medium	159	40	124	38	-22%	-5%
Small	68	20	45	10	-34%	-50%
All charities	200	40	178	30	-11%	-25%

2013 n=9,040; 2014 n=9,106

Figure 6.2 compares the mean and median hours spent on additional reporting by state or territory of registration in 2013 and 2014. The greatest reduction in mean reporting hours occurred for charities registered in the NT.

Figure 6.2 Hours spent reporting, 2013 and 2014 comparison by state of registration

	2013		2014		% Change	
	mean	median	mean	median	mean	median
ACT	342	40	186	42	-46%	5%
NSW	179	32	145	25	-19%	-22%
NT	478	75	225	60	-53%	-20%
QLD	216	40	211	40	-2%	0%
SA	171	38	162	38	-5%	0%
TAS	169	50	156	40	-8%	-20%
VIC	223	40	203	30	-9%	-25%
WA	214	50	181	40	-15%	-20%
All charities	200	40	178	30	-11%	-25%

2013 total n=9,040(split by state excludes 1305 with missing state information); 2014 n=9,106

⁸ Where the cost of reporting (hours x staff costs) exceeded \$250,000 for small charities or exceeded \$1,000,000 threshold for medium charities, and for large charities two extreme outliers who recorded more than 100,000 additional reporting hours.



When looking at differences between 2013 and 2014 by main activity, it appears that the mean reporting burden has reduced for most activities but has increased for some, including charities whose main activities are research, international activities, political activities, mental health and crisis intervention, social services and sports. The median, however, does not always move in the same direction as the mean.

Figure 6.3 Hours spent reporting, 2013 and 2014 comparison by main activity

	2013		2014		% change	
	mean	median	mean	median	mean	median
Aged Care Activities	242	64	240	50	-1%	-22%
Animal Protection	137	20	30	10	-78%	-50%
Civic and advocacy activities	200	40	77	30	-62%	-25%
Culture and arts	230	40	102	30	-56%	-25%
Economic, social and community development	202	40	231	40	14%	0%
Emergency Relief	189	30	132	25	-30%	-17%
Employment and training	372	78	222	50	-40%	-36%
Environmental activities	190	38	139	25	-27%	-34%
Grant-making activities	67	13	50	10	-25%	-23%
Higher education	585	48	549	40	-6%	-17%
Hospital services and rehabilitation activities	161	54	94	40	-42%	-26%
Housing activities	269	72	218	45	-19%	-38%
Income support and maintenance	27	9	14	9	-48%	0%
International activities	57	20	72	20	26%	0%
Law and legal services	179	98	129	55	-28%	-44%
Mental health and crisis intervention	213	100	237	60	11%	-40%
Other	234	32	133	25	-43%	-22%
Other education	146	25.5	117	24	-20%	-6%
Other health services	338	80	339	55	0%	-31%
Other philanthropic activities	N/A	N/A	28	8	N/A	N/A
Other recreation and social club activities	114	25	107	13	-6%	-48%
Political activities	50	50	60	60	20%	20%
Primary and secondary education	141	38	106	30	-25%	-21%
Religious activities	77	10	98	10	27%	0%
Research	149	30	228	25	53%	-17%
Social services	293	76	329	60	12%	-21%
Sports	38	20	59	18	55%	-10%
All charities	200	40	178	30	-11%	-25%



Matched comparison for charities who responded to the optional reporting questions in both 2013 and 2014

In this section we restrict the analysis of change over time to a matched sample of 5,257 charities that stated having additional reporting obligations and that recorded their hours spent on this reporting in both the 2013 AIS and the 2014 AIS.

Overall, there was no statistically significant change in the reporting burden. However, when the data were disaggregated by size we found significant differences in the average cost of hours spent reporting between 2013 and 2014 for small and medium charities. The 25th to 75th percentiles show the distribution of additional reporting burden for the middle 50% of charities.

Figure 6.4 Change in cost of reporting for matched sample, by charity size

Difference in additional reporting burden between 2014 and 2013 (2014-2013)								
Charity size	N	Mean 2013	Mean 2014	Mean difference	Median	25th percentile	75th percentile	T-test (p value)
Large	2,223	\$25,308	\$24,322	-\$987	\$0	-\$1,505	\$1,833	0.61
Medium	1,499	\$9,009	\$8,030	-\$978	\$0	-\$1,309	\$725	0.03
Small	1,532	\$3,227	\$2,473	-\$754	\$0	-\$522	\$116	0.01
Total	5,254	\$14,219	\$13,303	-\$916	\$0	-\$982	\$655	0.27

Notes: p<0.05 = statistically significant difference. Excludes 3 charities that did not report size.

Differences by main activity were not statistically significant, with the exception of “other education” for which the average cost of additional reporting burden fell by \$2,048 from 2013 to 2014. (See Figure 6.5)


Figure 6.5 Change in cost of reporting for matched sample, by main activity

Main activity	N	Mean 2013	Mean 2014	Mean difference	Median	25th percent ile	75th percent ile	T-test (p value)
missing	26	\$3,092	\$2,772	-\$319	\$0	\$0	\$0	0.24
Aged Care Activities	468	\$15,034	\$14,929	-\$105	\$0	-\$1,225	\$1,604	0.94
Animal Protection	51	\$5,799	\$1,351	-\$4,448	\$0	-\$290	\$131	0.23
Civic and advocacy activities	99	\$8,432	\$5,563	-\$2,869	\$0	-\$669	\$524	0.31
Culture and arts	347	\$15,521	\$7,961	-\$7,560	\$0	-\$982	\$580	0.23
Economic, social and community development	408	\$16,651	\$19,652	\$3,001	\$0	-\$1,450	\$1,033	0.64
Emergency Relief	169	\$11,902	\$7,600	-\$4,302	\$0	-\$655	\$451	0.19
Employment and training	142	\$20,222	\$15,689	-\$4,533	\$0	-\$2,404	\$1,309	0.15
Environmental activities	183	\$14,353	\$11,517	-\$2,836	\$0	-\$1,305	\$290	0.22
Grant-making activities	62	\$1,875	\$4,274	\$2,399	\$0	-\$29	\$152	0.32
Higher education	56	\$49,362	\$52,789	\$3,427	\$0	-\$1,962	\$762	0.84
Hospital services rehabilitation	36	\$6,229	\$6,349	\$120	\$0	-\$1,365	\$1,235	0.91
Housing activities	203	\$13,565	\$15,367	\$1,802	\$0	-\$1,702	\$1,309	0.57
Income support and maintenance	8	\$861	\$378	-\$483	-\$116	-\$523	\$44	0.23
International activities	45	\$4,215	\$3,353	-\$862	\$0	-\$290	\$65	0.21
Law and legal services	88	\$11,048	\$8,195	-\$2,853	-\$33	-\$3,456	\$360	0.07
Mental health and crisis intervention	121	\$13,623	\$18,087	\$4,464	\$0	-\$1,309	\$2,356	0.32
Other	502	\$12,766	\$10,839	-\$1,927	\$0	-\$901	\$655	0.09
Other education	686	\$12,049	\$9,641	-\$2,408	\$0	-\$655	\$552	0.01
Other health service delivery	380	\$22,733	\$20,047	-\$2,686	\$0	-\$1,734	\$1,309	0.23
Other philanthropic	6	\$7,091	\$2,474	-\$4,617	-\$2,135	-\$3,519	-\$655	0.24
Other recreation and social club activities	68	\$8,783	\$3,648	-\$5,135	\$0	-\$381	\$138	0.31
Philanthropic promotion	1	\$3,273	\$3,927	\$655	\$655	\$655	\$655	
Political activities	340	\$9,324	\$6,827	-\$2,497	\$0	-\$327	\$524	0.12
Primary and secondary education	198	\$6,362	\$10,803	\$4,441	\$0	-\$182	\$58	0.43
Religious activities	61	\$14,342	\$13,927	-\$415	\$0	-\$800	\$580	0.88
Research	479	\$18,626	\$23,015	\$4,389	\$0	-\$1,636	\$1,645	0.06
Social services	24	\$2,094	\$1,801	-\$293	\$0	-\$617	\$15	0.26
Total	5,257	\$14,237	\$13,321	-\$916	\$0	-\$982	\$655	0.27

**Case Study of streamlined reporting initiative:*****Matched comparison of government and non-government schools***

In some cases, charities in a highly regulated sector, such as education are required under a particular Act to submit financial and other information to a different regulator. In these circumstances, the ACNC Commissioner may agree to accept this information as meeting the reporting requirements under the ACNC Act for a given reporting period. For example, the Commissioner has streamlined reporting arrangements in place with the Department of Education and Training for non-government schools. Because these schools already submit financial questionnaires to the Department of Education and Training (Cth) (DET) as a requirement under the Australian Education Act 2013, under the streamlined arrangements, the Commissioner accepts the Financial Questionnaires lodged by non-government schools with the Department of Education and Training as meeting ACNC financial reporting requirements for the 2014 and 2015 reporting periods. As part of these arrangements, the ACNC has a formal arrangement with the DET enabling the ACNC to extract relevant data provided to them by each registered charity.

This streamlined reporting initiative has led to an immediate reduction in reporting requirements for non-government schools, who now do not need to report financial data to both the ACNC and the Department of Education and Training. It will also lead to reduced additional reporting for non-government schools over time. The ACNC obtains financial data from the Department of Education and Training, and makes it available to other government agencies on the Charity Passport. As use of the Charity Passport grows, other agencies will increasingly not need to request financial data from non-government schools and instead obtain it directly from the ACNC, which will lead to a reduction in additional reporting burden for these charities.



7. REGULATORY BURDEN AND INTERNATIONAL COMPARISONS

In this section we consider, first, evidence of the regulatory reporting burden from reporting to the ACNC, and then a brief comparison of the factors influencing the reporting burden in international jurisdictions.

With regards evidence of evidence of the regulatory reporting burden from reporting to the ACNC, it should be remembered that the analysis to date in this report is of additional reporting burden to Commonwealth agencies and to state and territory governments, excluding the ACNC and ATO and the state or territory regulators under associated incorporations or cooperatives laws. For an approximation of reporting burden to the ACNC, a post-AIS survey revealed that in 2014, 36% of charities took 2 or more hours to complete their AIS, 25% took 1-2 hours and 39% took less than 1 hour. By 2015, this burden had decreased, with 11% of charities taking 2 or more hours to complete the AIS, 25% 1-2 hours and 63% less than 1 hour. This change may be due to increased ease or familiarity in completing the AIS. It does suggest that additional reporting burden to the ACNC, is not that significant, and in line with the EY (2014) findings that the cost of the burden of reporting to the ACNC was only 0.1% of the average annual reporting burden.

With regard the factors influencing the reporting burden in international jurisdictions, a brief international comparison of reporting burden was conducted by the ACNC to provide a context to our findings. The countries that are included in the comparison are Canada, United Kingdom (England and Wales, Northern Ireland, and Scotland), Ireland, New Zealand, Singapore, and the United States. The review in regard to the reporting of information, including financial information, to the primary regulator (i.e. the ACNC in Australia) suggests that overall the Australian charities potentially have a relatively lower reporting burden compared to other countries. For example, the income threshold for minimal reporting to the primary regulator in Australia is \$250,000; whereas it is CAD\$100,000 in Canada, £10,000 in England, Scotland, Northern Ireland and Wales, €10,000 in Ireland, NZD\$125,000 in New Zealand, SGD\$50,000 in Singapore, and USD\$50,000 in the United States. That is, the cut-off that allows minimal reporting to the regulator is higher in Australia (in terms of equivalent currency) than in all the other countries reviewed.

With regard to exemptions for different sectors, the religious charities in Australia are exempted from the requirement to providing financials to ACNC. In Canada, the religious charities are also exempted from responding to a subsection of their primary reporting form (form T3010). All charities are required to file annual financial reports in Canada, New Zealand, Northern Ireland, and Scotland. Smaller charities are exempted from filing annual financial reports in Australia, England and Wales, Ireland, and Singapore. In the United States, charities are not required to submit the annual financial report with their primary reporting form (form 990), but they are asked to provide information about the person(s) responsible for the annual report. Many US charities also have disclosure requirements of key employee and director or trustee remuneration by each individual.

As for number of financial data items/elements that are required to be provided to their respective regulators, the number varies significantly between countries, and by designated size of the charities. In Australia, the number of financial data elements ranges from 9 to 15, in Canada it ranges from 25 to 50, 20 to 23 for New Zealand, 2 to 36 in Scotland, and 0 to more than 81 in the United States. With the exception of Canada, Scotland, and Singapore, charities are further asked to provide the number of volunteers involved in the work of the charity during the financial year. The number of paid staff was asked to be reported in all countries reviewed with the exception of Singapore. In Canada, the charities must further specify the level of compensation paid to the 10 highest compensated staff, and the level of additional expenditure for their part time staff.

Some form of related party information was asked in all the countries that were investigated except in Australia and Ireland. For example, the charities in Scotland have to respond to 12 questions regarding transactions related to charity trustees. The charities in the United States are required to respond to a very specific set of questions about transactions involving current and former officers, directors, employees, and families.

The charities that conducted activities overseas are required to report in much more detail in Canada and New Zealand compared to other countries. The Canadian charities have to report the nature of



activities with other charities, description of goods and services provided, and information about employees and volunteers involved to their regulators. For the New Zealand charities that operate overseas, they must provide detailed financials relating to their international activities. The Australian charities are required to provide a list of countries that they operate in. The charities in Scotland and Singapore are not asked to provide any information regarding international activities.

With regards the additional reporting burden of fundraising activities, Australia is the only country that is not required to report any details on charities' fundraising activities. Canada, England and Wales, and the United States regulators require that charities report costs relating to fundraising expenses.

With regards questions regarding additional reporting burden across multiple departments or agencies to whom charities report, no international jurisdictions were identified that required responses to identify the *additional* reporting burden arising from multiple reporting obligations across Commonwealth or State or Territory agencies. This demonstrates the uniqueness of this study, and its implications, but limits our ability to compare this additional reporting phenomenon with what is occurring in these in these overseas countries.



8. CONCLUSIONS

This report has used a unique dataset to provide new information about the reporting burden of Australian charities 2014 with regards to the ACNC's object to reduce red tape. Consistent with its whole-of-government agenda, an object of the ACNC is to promote the reduction of unnecessary regulatory obligations on the Australian not-for-profit sector. This report aims to facilitate this object by analysing the additional reporting obligations of Australia's charities (over and above their reporting requirements to the ACNC and the ATO, as well as their additional reporting obligations under associated incorporations or cooperatives laws). The analysis focusses is on the subset of charities who answered the optional AIS questions designed to measure the red tape associated with additional reporting obligations of charities; the 13,133 charities that stated their additional reporting obligations and of these the 9106 that went on to state the number of hours spent on additional reporting obligations. We examine factors associated with these reporting obligations and the estimated cost of these additional reporting obligations. We also examine changes in the additional reporting burden reported in the responses to the 2014 AIS questions compared with the 2013 AIS questions.

The report is part of a series and should be read alongside the reports *Australia's Charities 2014*, *Australia's disability charities 2014* and *Australia's International Charities 2014*. It is also complemented by data resources available at <http://www.australiancharities.acnc.gov.au>.

For charities with additional reporting obligations, the average number of hours spent on this reporting in 2014 was 178 hours and the median was 30 hours. This varied by size with large charities reporting an average of 334 hours (median 75), medium charities 124 hours on average (median 38) and small charities an average of 45 hours spent reporting (median 10). The majority of reporting was undertaken by paid staff, especially in large and medium sized charities, whilst this trend was reversed for small charities for which voluntary staff undertook more reporting than paid staff. Using the Regulatory Burden Measurement Framework cost estimate of \$65.45 per hour for paid staff and \$29 per hour for unpaid staff, the total cost of additional reporting burden was at t \$99.5 million (based only on the analysis of the subsample of 9,106 charities), and if extrapolated to the entire sample, the estimated cost of additional reporting burden is approximately \$413 million. This represents about 0.9% of total employee expenses for the charity sector.

Of the 13,133 charities, 6,576 charities (50%) stated having additional Commonwealth reporting obligations and additional 11,325 charities (86%) stated having state or territory reporting obligations. While the additional reporting burden usually increased in line with the number of agencies reported to, surprisingly however, the positive relationship between the number of states and territories reported to and the number of hours spent reporting was not as strong as the relationship between additional Commonwealth reporting obligations and hours spent reporting. This underlines the importance of streamlining Commonwealth reporting obligations as a key strategy for reducing red tape due to excess reporting burden in the charity sector.

Charities who received government grants spent on average 167 more hours reporting than those without government grants. The additional reporting burden also varied by activity type, with higher education charities spending the most time reporting in 2014 and charities whose main activities were other health services delivery, social services, aged care, mental health and crisis intervention, economic social and community development, research, employment and training and housing activities also spending more hours reporting than average. The average hours spent reporting also varied by the state or territory in which the charity is registered, with charities with reporting obligations registered in the Northern Territory spending the most hours reporting in 2014 (225 hours), whilst those registered in NSW spent the least number of hours reporting (145 hours).

Comparisons between 2013 and 2014 AIS responses suggests that there has been no increase, and if anything a slight (although statistically insignificant) decrease in the overall mean and median time spent on additional reporting obligations over these periods. When the data were disaggregated by size we found some significant differences in the average cost of hours spent reporting between 2013 and 2014 for small and medium charities. Whilst it is too soon to identify the impact of the Charity Passport, which only began to be phased in in 2014, or other streamlined reporting initiatives, these



are very positive trends under the “report once use often function”, which we will continue to monitor over time.

The information in this report will help facilitate an analysis and discussion of the ACNC’s object of promoting the reduction of unnecessary regulatory obligations on the Australian not-for-profit sector. We found this data and emphasis on *additional* reporting burden, the reporting burden that can be reduced under initiatives such as the Charity Passport in order to implement the “report once, use often” framework, to be unique in the world. As we gather more years of data, the richness of this dataset and the ability to analyse red tape reduction initiatives over time in order to see whether they are impacting the additional reporting burden will be greatly facilitated.



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APPENDIX A: SUPPLEMENTARY TABLES

2014 AIS: Optional questions on reporting obligations

Section D: Reporting and regulatory obligations – this section is optional

i Any information you voluntarily provide will be used by the ACNC to identify ways to reduce unnecessary regulatory obligations and cut red tape in the future.

15 Did your charity have to report to a Commonwealth department or agency over the 2014 reporting period, excluding the ATO and ACNC?

Yes Select Commonwealth department/(s) and/or agency/agencies from the list below.
 No Go to Question 16.

- | | |
|---|--|
| <input type="checkbox"/> Australian Securities and Investments Commission | <input type="checkbox"/> Department of Education |
| <input type="checkbox"/> Office of the Registrar of Indigenous Corporations | <input type="checkbox"/> Department of Employment |
| <input type="checkbox"/> Australian Bureau of Statistics | <input type="checkbox"/> Department of the Environment |
| <input type="checkbox"/> Australian Competition and Consumer Commission | <input type="checkbox"/> Department of Foreign Affairs and Trade |
| <input type="checkbox"/> Fair Work Commission | <input type="checkbox"/> Department of Health |
| <input type="checkbox"/> Australian Skills Quality Authority | <input type="checkbox"/> Department of Human Services |
| <input type="checkbox"/> Tertiary Education Quality and Standards Agency | <input type="checkbox"/> Department of Social Services |
| <input type="checkbox"/> Australian Prudential Regulation Authority | <input type="checkbox"/> Others not listed |
| <input type="checkbox"/> Attorney-General's Department | <i>Please describe in the box provided below</i> |

16 Did your charity have to report to any state or territory department or agency over the 2014 reporting period, excluding a state or territory regulator under associated incorporations or cooperatives laws?

Yes Please indicate which state or territory you had non-corporate reporting obligations to.
 No Go to Question 17.

- | | |
|------------------------------|------------------------------|
| <input type="checkbox"/> ACT | <input type="checkbox"/> SA |
| <input type="checkbox"/> NSW | <input type="checkbox"/> TAS |
| <input type="checkbox"/> NT | <input type="checkbox"/> VIC |
| <input type="checkbox"/> QLD | <input type="checkbox"/> WA |

17 If your charity had to report to any Commonwealth, state or territory departments or agencies in the 2014 reporting period (as per Questions 15 and 16), how many hours did your charity spend on reporting during this period?

Approximate hours spent reporting by paid staff (a)

Approximate hours spent reporting by unpaid volunteers (b)

Total hours spent reporting (add the totals for a and b)

2013 AIS: Optional questions on reporting obligations

Section D: Reporting and regulatory obligations – this section is optional

i Any information you voluntarily provide will be used by the ACNC to identify ways to reduce unnecessary regulatory obligations and cut red tape in the future.

18 Did you have a corporate or financial reporting obligation to a Commonwealth department or agency over the last financial year?

For instance, did you report on funding you received from a Commonwealth agency? Do not include reporting obligations to the ATO.

If you need more space to complete this question, please attach a separate page.

Yes Please list the Commonwealth department or agency and the relevant program (if applicable) below.
 No Go to Question 19.

19 Apart from any corporate reporting obligation you may have to a state or territory regulator (under associated incorporations or cooperatives legislation), did you report to any state or territory department or agency over the last financial year?

For example, reporting in respect of fundraising or grant acquittals.

Yes Please indicate which state or territory you had non-corporate reporting obligations to.
 No Go to Question 20.

- | | |
|------------------------------|------------------------------|
| <input type="checkbox"/> ACT | <input type="checkbox"/> SA |
| <input type="checkbox"/> NSW | <input type="checkbox"/> TAS |
| <input type="checkbox"/> NT | <input type="checkbox"/> VIC |
| <input type="checkbox"/> QLD | <input type="checkbox"/> WA |

20 If you had corporate or financial reporting obligations to a Commonwealth, state or territory department or agency in the last financial year, how many hours do you estimate your charity spent completing these reporting obligations over that 12-month period?

Include time spent reporting to Commonwealth, state and territory regulators, as well as time spent writing government grant acquittals, government fundraising reporting, etc. Do not include time taken to meet reporting obligations to the ATO.

Approximate hours spent reporting – by paid staff (a)

Approximate hours spent reporting – by unpaid volunteers (b)

Total hours spent reporting (add the totals for (a) and (b))



APPENDIX B: FURTHER METHODOLOGICAL DETAILS

All quantitative data analysis was undertaken in Stata version 13.1. Unless otherwise noted, group-reporting charities were excluded from the analysis. This includes 495 charities that reported as part of 42 groups in 2014. Further details are provided where relevant in each section of the report.

Data Sources

The ACNC register

When charities register with the ACNC they are required to provide a range of information including legal name, ABN, legal structure, date of establishment and charitable purpose. The register is available publicly on the [ACNC website](#), although charities are able to withhold details of their organisation from the public register if information is commercially sensitive, could cause harm to the charity or a person, or endanger public safety (ACNC, 2015c). Some information in this report, including ABN, date of establishment, and charitable purpose, is derived from the register.

The Annual Information Statement (AIS) dataset

Almost all registered charities are required to lodge an AIS with the ACNC. These statements collect information about registered charities' purposes, activities, resources and reporting obligations, which when aggregated, provide information about Australia's charitable sector as a whole. As well as using registration information, the report uses data collected by the ACNC through the AIS for the first two years that it was collected: 2013 and 2014. Not all registered charities were required to provide an AIS. Charities regulated by the Office of the Registrar of Indigenous Corporations (ORIC) did not need to submit an AIS (ACNC, 2015a). In addition, not all registered charities required to provide information did so in time for inclusion in the analysis.

In total, 37,798 registered charities had submitted an individual AIS for 2014 by 31 July 2015 and were included in the analysis. A further 495 charities reported to the AIS as a group, with 42 groups in total. Where possible, group-reported data are included in analysis; however, the level of disaggregation possible with grouped data is limited. As such, the 2014 data are based on approximately 70% of registered charities.

The 2013 AIS data is based on charities which reported up to 13 October 2015. This longer time period means the dataset in 2013 is larger than for 2014. Cross-sectional comparisons are made between the years, to indicate broad changes in the composition of the sector rather than changes experienced for individual charities.

The AIS asks charities to provide a range of information including charity size, purpose, activities, beneficiaries, employee and volunteer numbers and location of operations. Some questions in the AIS were not answered by all charities, so the total number of responses to each question may vary. Non-response reduces the accuracy with which the findings represent the whole population of registered charities. Notwithstanding, the dataset provides the most accurate and comprehensive information currently available about Australia's charities.

From 2014, AIS information included financial information for the first time. Medium and large charities were required to submit their annual financial report as well as the Annual Information Statement. Basic religious charities are not required to answer the financial information questions on the AIS, and the ACNC obtains financial information for certain charities, such as independent schools, from alternative means.

As the data in the AIS is from registered charities who have provided reports only, it differs in scope from other Australian datasets, such as the Non-Profit Institutions (NPI) Satellite Accounts, which are based on information from around 4,000 NPIs, defined as organisations that are not-for-profit and non-profit-distributing, separate from government, self-governing, and for which membership or contributions are voluntary rather than compulsory (ABS, 2015; United Nations, 2003). Although most economically significant NPIs would likely be charities, the scope of the NPIs examined in the Satellite Accounts is broader, and so not directly comparable.



Data are self-reported by charities and may contain some errors, despite the best efforts of the ACNC and research team to identify and handle errors and clean the dataset. Notwithstanding, the dataset provides the most accurate and comprehensive information currently available about Australia's charities.

The Australian Business Register (ABR) dataset

The ABR contains details provided by Australian business and organisations when they register for an Australian Business Number (ABN), and information about their current endorsement for tax concessions. Relevant ABR data were obtained by the ACNC and provided to the research team for matching to the 2014 AIS data. Matching was then conducted using ABN.

In this report we draw on the ABR for information about charities' legal structure, their DGR status, charity type. However, it is important to note that not all charities have reporting obligations to the ATO, which is the primary method by which the ABR information is updated. As such, some ABR may be less current than information collected by the ACNC.

Data analysis

All quantitative data analysis was undertaken in Stata version 13.1. Unless otherwise noted, group-reporting charities were excluded from the analysis. This includes 495 charities that reported as part of 42 groups. Further details are provided where relevant in each section of the report.

Data cleaning

The AIS data are self-reported by charities and may contain reporting errors. Prior to analysis, the research team consulted with the ACNC regarding data accuracy and appropriate rules for data cleaning. These are listed below:

- The ACNC advised CSI of which fields contained bank/zero or null responses by default so that non-reporting could be separated from actual zeros in the data.
- The ACNC provided a list of charities that had been given permission to retain their size for reporting purposes although their income in 2014 may not be consistent with the relevant cut-off. For example, small charities who, due to a one-off large donation, temporarily had an income exceeding the small-charity income cut-off of \$250,000 and were permitted to retain their small charity status.
- Where charities reported no activities, this has been treated as a genuine response and reported as such.
- In the 2014 AIS form, initially charities had the option to choose 0-50 volunteers. However, the volunteer category was further expanded to 0, 1-10, and 11-50. Before the category was expanded, 965 charities indicated that they had 0-50 volunteers. Accordingly these charities were excluded when reporting volunteer figures.
- Group-reporting charities who have multiple ABNs but complete a single AIS for the group are only included in analyses where reporting is at an aggregate level (such as total employees); they are excluded from averages where having grouped data may bias the results.
- Multiple entities reporting under a single ABN, such as a diocese which has one ABN but includes multiple churches, are not dissimilar to other large charities that may have multiple offices so these are treated as one entity for reporting purposes.
- Some charities have reported implausible values for the "number of hours spent reporting". In the main report, the top 1% of values by charity size were excluded from analysis of reporting hours. In the red tape sub-report, 2014 charities whose cost of hours spent reporting exceeded their expenditure were excluded. This is more likely to pick up those with incorrect information without inadvertently excluding charities with a genuinely large reporting burden.
- For 2013 comparisons, as financial data were not available, the ratio of the cost of hours spent reporting to the relevant size threshold was used instead.
- Charities who did not state having additional Commonwealth or state/territory reporting obligations were also excluded from the analysis of hours spent reporting to ensure that the results only capture these additional reporting burdens.
- Inconsistencies in reporting such as reporting 'Victoria' instead of 'VIC' were corrected for consistency.

