

OPERATING CONTEXT

ENVIRONMENT

As the independent Commonwealth regulator of charities, the ACNC is responsible for registering charities and administering the national regulatory framework for over 59,000 charities. We work across governments to reduce unnecessary regulation and reporting requirements that affect charities. We publish the information we collect to help the public understand the work of charities and to support the transparency and accountability of the sector.

The ACNC has a key role in helping charities understand their obligations and practice good governance. We develop a range of guidance materials and provide support via our multi-channel contact centre. When charities fail to comply with their obligations the ACNC will investigate and work with charities to support corrective actions.

We face some uncertainty over the life of this plan. Uncertainties are managed within the ACNC Risk Management Framework and, for this period, include the following issues:

- **Coronavirus (COVID-19) Pandemic and natural disasters:** Since its emergence in late 2019, COVID-19 has changed the way the ACNC and charities operate.

As a result of COVID-19, the Australian Government introduced a range of policies and measures that included financial support for affected charities.

Similarly, the ACNC introduced several measures to assist charities affected by COVID-19. We updated our regulatory approach and deferred the due date for Annual Information Statements. We also established a dedicated webpage with detailed guidance and information. We engaged with the sector and stakeholders to understand what we could do to support charities.

While our transitional regulatory approach ended on 31 December 2020, we recognise that many charities are still feeling the effects of COVID-19. Meeting the needs of communities affected by disasters is a key priority for charities.

Accordingly, the ACNC works with charities to ensure robust governance arrangements are embedded in their operations to help them to quickly adapt and respond during times of disaster. Where possible, we will support charities that operate in areas affected by natural disasters.

- **Government initiatives:** We will continue to work with the Australian Government to develop and implement its initiatives. This includes the already announced Deductible Gift Recipient (DGR) Reforms and the reviews of charities.

We will continue to work with stakeholders to implement other policy initiatives that affect charities. We will continue to support any changes that result from the Government's response to the ACNC Legislation Review 2018. In reviewing our processes, we will continue to consider the findings of the ANAO report, *Regulation of Charities by the Australian Charities and Not-for Profits Commission*.

- **Flexible working arrangements:** Due to COVID-19, the Australian Public Service (APS) workforce had to adapt to a new operating environment and position itself to handle a surge in demand for government services.

We helped staff to work from home and developed flexible work policies that ensured we could maintain operational requirements. We will continue to monitor the needs of staff to ensure they have the technology they need to provide seamless regulation of the charity sector.

RISK MANAGEMENT

The ACNC Risk Management Framework helps staff effectively manage risk across the agency. It is an essential component of good corporate governance, decision making and performance management.

Our risk tolerance varies according to the operating environment, the nature of the work being undertaken and our willingness to accept risk in working towards our purposes.

The tolerance for risk is set by the Commissioner and reviewed regularly. The leadership team has overall responsibility for monitoring and managing risk within ACNC operations.

Outlined in the table below are the strategic risks that affect our ability to achieve our vision and purposes over the life of this plan, and the mitigating strategies that bring these risks within the tolerance limits of the Commissioner.

Strategic risk	Mitigating strategies
An incorrect registration decision is made, and an organisation that is not entitled to charity status is placed on the Charity Register	We undertake quality assurance of a random selection of registration application decisions each month to ensure that only eligible charities are registered. Applications undergo an initial risk assessment and registration policies and processes are regularly reviewed and tailored to address low, medium and high-risk concerns. We review applications internally before they are refused.
The data on the Charity Register is not up to date, reliable or complete	We undertake quality assurance reviews of charities on the Charity Register to ensure that they are still eligible for registration. We review Annual Information Statements and Annual Financial Reports for accuracy and revoke the registration of charities when they fail to meet their reporting obligations. We work with charities to ensure their records on the Charity Register are current and complete.
Our compliance activities do not address non-compliance in the charity sector	We remove charities from the Charity Register when they fail to meet their governance and reporting obligations. We use data analytics to inform our understanding of risk and guide our compliance activities. We have introduced new compliance activities to ensure our compliance policies and practices are tailored to address low, medium and high-risk concerns. We have quality assurance processes in place to ensure our decisions align with our regulatory approach and are legally correct.
The public loses confidence in the charities sector	We act swiftly and firmly where vulnerable people or significant charity assets are at risk, where there is evidence of serious mismanagement or misappropriation, or if there is a serious or deliberate breach of the ACNC Act or ACNC Regulation.

Strategic risk	Mitigating strategies
<p>The Charity Register and public education and advice are not relevant, timely or well targeted</p>	<p>We provide high-quality, easy-to-understand information, on a user-friendly website to help members of the public:</p> <ul style="list-style-type: none"> • find information about the charity sector • find registered charities to support (via the Charity Register) • raise concerns about registered charities • contact our Advice Services team for further assistance. <p>We publish guides and materials to help charities understand charity law and meet their obligations.</p> <p>We regularly update Charity Portal content.</p> <p>We regularly review and update our materials to ensure they remain effective in meeting the needs of charities. We also develop additional resources in response to emerging issues.</p>
<p>We fail to reduce the regulatory burden on charities</p>	<p>We undertake a Regulator Performance Framework self-assessment. This self-assessment is validated externally through the ACNC's approved stakeholder consultation mechanism consisting of the Sector and Adviser Forums.</p> <p>We work across the Commonwealth and with state and territory governments to reduce unnecessary regulatory obligations for charities.</p> <p>We work with professional bodies to provide plain English advice to charities on financial reporting and disclosures.</p> <p>We provide other government agencies with access to charity data via the ACNC Charity Passport.</p>
<p>We fail to provide secure, reliable and modern IT systems</p>	<p>We monitor our compliance with the Protective Security Policy Framework and continually work to strengthen IT security.</p> <p>We have offsite back-up and disaster recovery arrangements in place.</p> <p>We provide training to IT staff to enable them to provide effective support for all ACNC platforms.</p>
<p>Our resourcing is insufficient to achieve our vision and purposes.</p>	<p>Our budgeting, forecasting and reporting processes are robust and support our resource planning and management decisions, including human resources.</p>
<p>We fail to comply with legislative requirements.</p>	<p>We provide advice on existing and emerging legal risks and risk mitigation strategies.</p> <p>We draft and review policies and procedures, administrative decisions, work instructions, and education and guidance material.</p>
<p>We are unable to respond to changes in our environment because we lack awareness of issues and have inflexible systems</p>	<p>Our strategic planning cycle includes environmental scanning and a risk assessment exercise. The results of this exercise are validated and updated periodically through the year.</p>
<p>We fail to provide adequate supervision and guidance for staff working remotely</p>	<p>Our staff have signed agreements for working from home and have access to support and guidance materials.</p> <p>We use relevant technologies to stay connected.</p>

GOVERNANCE AND ACCOUNTABILITY

ACCOUNTABLE AUTHORITY

The ACNC is not a Commonwealth entity for the purposes of the *Public Governance, Performance and Accountability Act 2013* (Cth) (PGPA Act). The ACNC Commissioner sets the direction and priorities of the ACNC, determines how resources will be allocated and produces the ACNC Corporate Plan and Annual Report. The Commissioner of Taxation is the Accountable Authority for the ACNC for PGPA Act purposes and provides an independent mechanism to assist the ACNC in monitoring risk and compliance with the PGPA Act.

ACNC ADVISORY BOARD

The ACNC Advisory Board consists of charity sector leaders and experts in charity law, taxation, accounting and policy as well as state government officials. The Board provides advice to the Commissioner on issues and provides valuable insights into the Australian charity sector.

AUDIT AND RISK COMMITTEES

As the Accountable Authority, the Commissioner of Taxation has given approval for the ACNC Audit and Risk Committee to operate as a subcommittee of the Australian Taxation Office (ATO) Audit and Risk Committee for the purposes of supporting the Accountable Authority in meeting its obligations under the PGPA Act.

The ACNC Audit and Risk committee provides risk and performance updates for the approval of the ATO Audit and Risk Committee at every meeting.

COOPERATION AND ENGAGEMENT

The ACNC could not deliver on its vision and purposes without the cooperation of other like-minded groups and organisations including:

Groups and organisations	Activity
Charities	We work with charities to help them understand and meet their obligations. We provide education, support and guidance and we consult with charities about changes that may affect them.
Australian public	We strive to improve public understanding of charities' work. We publish the information we collect as part of regulating charities on our Charity Register.
Australian Taxation Office	<p>The ACNC Commissioner is the independent regulator of charities. Staff of the ACNC are employees of the ATO operating under the direction of the ACNC Commissioner.</p> <p>The ACNC is not a separate Commonwealth entity and is part of the ATO for the purposes of the PGPA Act.</p> <p>Charities registered with the ACNC are eligible for charity tax concessions administered by the ATO. We have a Memorandum of Understanding with the ATO for the joint administration of charitable entitlements and tax concessions and compliance activity.</p> <p>Memorandums of understanding are also in place for the provision of supporting functions by the ATO including human resources, enterprise solutions and technology, finance, accommodation and communications.</p>
Other Commonwealth entities	<p>The ACNC is part of the Treasury portfolio. The Treasury portfolio undertakes a range of activities aimed to support sustained growth in the economy. Our activities align with Treasury policy direction and outcomes.</p> <p>As a national regulator, the ACNC is required to assess its performance against the Australian Government's RPF which has been replaced by the Regulator Performance Guide. We work with other Commonwealth entities to identify ways in which the regulatory burden on charities can be reduced.</p>
State and territory governments	We work with state and territory governments to identify ways to reduce the regulatory burden on charities.
ACNC Advisory Board	The Advisory Board advises the ACNC Commissioner. The Board is appointed by the Minister and consists of up to eight 'general members' with expertise in the not-for-profit sector, law, taxation or accounting, and office holders.
Sector Forum	The Sector Forum comprises representatives of the charity sector and government agencies. We invite the Sector Forum to comment on ACNC procedures, publications and regulation to support continual improvement.
Adviser Forum	The Adviser Forum comprises representatives of advisory bodies to the charity sector and government agencies. We invite the Adviser Forum to comment on ACNC procedures, publications and regulation to support continual improvement.
Academics and Researchers	The ACNC works with academics and researchers to improve public understanding of the work of charities.

PERFORMANCE

PURPOSE 1: MAINTAIN, PROTECT AND ENHANCE PUBLIC TRUST AND CONFIDENCE IN THE AUSTRALIAN NOT-FOR-PROFIT SECTOR

We register organisations that apply for charity status, monitor charities' compliance with obligations to maintain this charity status, and investigate charities that are not fulfilling their obligations.

We will demonstrate our performance through the achievement of the following measures:

No.	Measure	PBS reference	Target			
			2021–22	2022–23	2023–24	2024–25
1.1	Percentage of new charity registrations completed within agreed timeframes.	2021–22 Australian Taxation Office (ATO) Portfolio Budget Statements (PBS)	90%	90%	90%	90%
Source: ACNC Customer Relationship Management System Methodology: Data is extracted monthly and collated for annual reporting						
1.2	Percentage of charities complying with timeliness of Annual Information Statement submission requirements.	2021–22 ATO PBS	75%	75%	75%	75%
Source: Charity Register Methodology: Measured from lodgement due date set by the Commissioner						
1.3	Percentage of investigations finalised within 12 months.	2021–22 ATO PBS	75%	75%	75%	75%
Source: ACNC Customer Relationship Management System Methodology: Measured from commencement of analysis to investigation finalisation						
1.4	Number of DGR reviews conducted annually.	N/A	2% of charities on the Charity Register with DGR endorsement			
Source: ACNC Customer Relationship Management System Methodology: Reviews included in count once a determination has been made.						
1.5	Number of Compliance risk reviews conducted annually.	N/A	50	50	N/A	N/A
Source: ACNC Customer Relationship Management System Methodology: Reviews included in count once a determination has been made.						

PURPOSE 2: TO SUPPORT AND SUSTAIN A ROBUST, VIBRANT, INDEPENDENT AND INNOVATIVE AUSTRALIAN NOT-FOR-PROFIT SECTOR

We support charities by providing education and guidance and by maintaining the Charity Register, an online searchable register of information about charities. This information is made publicly available to support transparency and trust in the charity sector.

We also collect and analyse Annual Information Statement and Annual Financial Report data and provide tools and best practice examples to assist good governance.

We will demonstrate our performance through the achievement of the following measures:

No.	Measure	PBS reference	Target			
			2021–22	2022–23	2023–24	2024–25
2.1	Collect new information about the programs charities conduct, where they are located and who they benefit. Once collected, data is available via data.gov.au and the Charities Report.	2021–22 ATO PBS	Searchable program data available	Increased usage of enhanced Charity Register	As per 2022–23	As per 2022–23
Source: Charity Register Methodology: Charity program information to be published on the Charity Register. The ACNC to confirm the baseline for future years' comparison.						
2.2	Percentage of phone calls answered within 4 minutes.	2021–22 ATO PBS	80%	80%	80%	80%
Source: ACNC Customer Relationship Management System Methodology: Data is extracted monthly and collated for annual reporting						
2.3	Information and guidance materials are reviewed and updated or published for the first time on the ACNC website to assist charities in understanding their obligations.	2021–22 ATO PBS	Information and guidance materials reviewed and updated or published for the first time as required.	As per 2021–22	As per 2021–22	As per 2021–22
Source: ACNC Website Methodology: Publication of guidance within reporting period						
2.4	Information about charities is published	N/A	Publication of Australian Charities Report	As per 2021–22	As per 2021–22	As per 2021–22
Source: ACNC website Methodology: Publication of information within reporting period						
2.5	Number of annual financial reports examined for accuracy.	N/A	250	250	250	250
Source: ACNC Customer Relationship Management System Methodology: Number of finalised examinations within the reporting period.						

PURPOSE 3: PROMOTE THE REDUCTION OF UNNECESSARY REGULATORY OBLIGATIONS ON THE AUSTRALIAN NOT-FOR-PROFIT SECTOR

We work with state and territory governments and other Commonwealth government entities to reduce unnecessary regulatory obligations for charities. We work to harmonise and simplify reporting for charities and establish data sharing arrangements to help them consolidate their reporting to government.

We will demonstrate our performance through the achievement of the following measures:

No.	Measure	PBS reference	Target			
			2021-22	2022-23	2023-24	2024-25
3.1	Reduce unnecessary regulation for charities by simplifying and streamlining reporting.	2021-22 ATO PBS	The Regulator Performance Framework demonstrates a reduction in unnecessary regulation for charities	As per 2021-22	As per 2021-22	As per 2021-22

Source: ACNC website

Methodology: Regulator Performance Framework self-assessment published within reporting period demonstrates improvement

CAPABILITY

Our capability underpins our work and has three fundamental components:



INFORMATION TECHNOLOGY

Our information technology platforms facilitate communication, innovation and transparency.

This supports strategic decision making through governance of information and data analytics.

We will strengthen our information technology capability through the development of a multi-year plan to identify and take opportunities, overcome challenges and gaps, and create a vision for our future needs.



GOVERNANCE AND RESOURCE MANAGEMENT

Our governance and resource management capability ensures our human resources, governance and finance functions are managed across the ACNC.

This capability supports strategic decision making through workforce insights and performance monitoring and reporting.

We will strengthen our workforce and resource management capability by implementing the Workforce Plan and its associated strategic projects, including the ACNC Employee Value Proposition, ACNC Culture Plan and ACNC Learning and Development Strategy.



LEGAL AND POLICY

Our legal and policy team provide quality advice that supports our strategic decision making, our response to complaints and requests, and our management of all legal matters.

We will strengthen our legal and policy capability by providing agency-wide training and support to ensure our ongoing compliance with legislation, regulation and government policy objectives.

GLOSSARY AND ACRONYMS

ACNC – Australian Charities and Not-for-profits Commission

ACNC Act – the *Australian Charities and Not-for-Profits Commission Act 2012* (Cth) and the *Australian Charities and Not-for-profits Commission (Consequential and Transitional) Act 2012* (Cth). These two Acts established the ACNC and set out its powers and functions.

ACNC Regulation - *Australian Charities and Not-for-profits Commission Regulation 2013* (Cth). This regulation provides more detailed requirements about the ACNC Charity Register and financial reporting. It also sets out the Governance Standards.

Annual financial report – the annual financial report that medium and large registered charities must submit to the ACNC. These reports contain the audited/reviewed financial statements and notes, the audit/review report and signed Responsible Person's declaration for the reporting period.

Annual Information Statement (AIS) – the annual statement that registered charities must submit to the ACNC. The Annual Information Statement requires information about a charity's operations for the relevant reporting period.

Charity Portal – an online service registered charities use to update their details and submit their Annual Information Statement. It is available at charity.acnc.gov.au.

Charity Register – a consolidated database of all charities that have met the definition of charity in the *Charities Act 2013* (Cth) and other requirements for registration under the ACNC Act.

Governance Standards – a set of minimum governance requirements that charities must meet. These are set out in the *Australian Charities and Not-for-Profits Commission Regulation 2013* (Cth).

PGPA Act – the *Public Governance, Performance and Accountability Act 2013* (Cth) - establishes a coherent system of governance and accountability for public resources, with an emphasis on planning, performance and reporting.

Regulation – relates to the regulatory obligations on the Australian not-for-profit sector.

Regulatory approach – how the ACNC approaches its role as an independent charity regulator. The regulatory approach is available at acnc.gov.au/regulatoryapproach.

Regulator performance framework – sets out the government's commitment to reduce the cost of unnecessary or inefficient regulation. The framework is available at pmc.gov.au/resource-centre/regulation/regulator-performance-framework

Regulator Performance Guide – sets out the government's expectation for entities with regulatory functions to be empowered to apply the principles of regulator best practice in a way that is appropriate to their organisation. The guide is available at pmc.gov.au/priorities/regulator-best-practice-and-performance/regulator-performance-guide

