



CHARTERED SECRETARIES
AUSTRALIA

Leaders in governance

13 February 2013

NFP governance standards need to be in plain English

While Chartered Secretaries Australia (CSA) endorses the proposed not-for-profit (NFP) governance standards, members of the peak governance body are concerned that the standards will be very confusing for those without a legal or governance background.

“The problem is that if senior governance professionals find the standards confusing, many directors or members of a management committee of a charity will find them incomprehensible. This is particularly true of those standards relating to their duties,” CSA’s director of policy Ms Judith Fox commented.

“We recognise that some directors in the NFP sector will have the relevant experience, but there will be many who do not. So we have suggested alternative approaches to the wording of the standards, using ordinary English. For example, the terminology used in the legislation — responsible entity, which refers to a person — is made even more incomprehensible by using the term ‘registered entity’ to refer to the charity itself. Put those two together in one sentence, as they are throughout the standards, and it becomes a puzzle trying to work out who or what is responsible for anything.

“It is important to remember that directors of NFPs have the same fiduciary duties as their counterparts in private and public listed companies, so they need to understand the standards and how they apply.

“Without the use of plain English, those who most need to understand the particular governance standards about directors’ duties could recoil from reading them due to the complexity of the language. Worse, they may need expensive legal advice to make sense of them.

“And the current glossary will do little to help those with governing responsibilities to readily understand their obligations under the new regulatory framework. I think it is fair to say that not all of those who need to understand the term ‘responsible entity’ will read the glossary,” Ms Fox added.

See attached sample of CSA’s proposed plain English alternative.

For further information contact Viv Hardy at CallidusPR on (02)9283 4113/ 0411 208 951 or Judith Fox on (02) 9223 5744 or 0408 667 246

About Chartered Secretaries Australia

Chartered Secretaries Australia (CSA) is the peak body for over 7,000 governance and risk professionals. It is the leading independent authority on best practice in board and organisational governance and risk management. Our accredited and internationally recognised education and training offerings are focused on giving governance and risk practitioners the skills they need to improve their organisations’ performance and are ‘first-choice’ options for those intent on pursuing a C-suite career. CSA has unrivalled depth and expertise as an independent influencer and commentator on governance and risk management thinking and behaviour in Australia.

MR/2013/2

CHARTERED SECRETARIES AUSTRALIA LIMITED ABN 49 008 615 950

LEVEL 10, 5 HUNTER STREET, SYDNEY NSW 2000, GPO BOX 1594, SYDNEY NSW 2001 TEL +61 2 9223 5744 FAX +61 2 9232 7174 EMAIL info@CSAust.com

www.CSAust.com

MEDIA RELEASE

Sample of CSA's plain English style for NFP governance standards. CSA's style marked up in red.

Draft governance standard 5: Suitability of responsible entities

45.25 Standard 5—suitability of an individual (and in some limited cases a corporation) who is a director, or a member of a management committee or a trustee (see the definition of 'responsible entities' in the glossary).

Draft governance standard 6: Duties of directors, or members of a management committee or trustees (responsible entities)

45.30 Standard 6—duties of directors, or members of management committees or trustees (responsible entities)