

MISSIONS INTERLINK ACCREDITATION COMPLIANCE

Notes based on Dr Richard Dickins' presentation at MI Seminar in Melbourne 17 July 2014

Missions Interlink (MI) Member Accreditation Standards:

What they are, why they're there, and what you need to do to say that your organisation meets them.

BACKGROUND

1. Background - Structure of Missions Interlink

- Missions organisations can be connected to MI in two ways – as an Associate or as a Member
- The main reason for an organisation to be a **Member** rather than an Associate is because as a Member you are prescribed as tax-exempt under the provision of the Income Tax Assessment Amendment Regulations 1999 (No 2). That means that you are exempt from the “in Australia” test which prevents an organisation transferring un-taxed income overseas.
- Some organisations would be an **Associate** rather than a Member because: (a) it doesn't meet the requirements to be a Member; (b) it is not registered as a charitable organisation; (c) it doesn't send funds overseas. OR (d) If it does send funds overseas, it is permitted to do so as an endorsed DGR (having a DGR fund is not sufficient for this exemption).
- To be an **Associate** of MI, the requirements are simply that the organisation has as a demonstrated involvement in cross-cultural and/or global mission upon affirmation and accepts:
 - the AEA Statement of Faith
 - the Missions Interlink Regulations (ie rules)
 - the Missions Interlink Core Values
 - the Missions Interlink Standards
- The **MI Standards Statement** sets out some requirements around ethical behaviour, good governance and Christian principles of integrity. They cover:
 - Participation in MI activities
 - Having a Doctrinal statement and a purpose statement
 - Meeting certain basic governance and operational requirements
 - Meeting certain basic financial and fundraising requirements
 - Meeting certain basic personnel requirements
- To become a **Member** of MI, an organisation needs to meet a couple of other – but quite significant – requirements:
 - The organisation must meet the current requirements of the ATO to be accepted as an income tax exempt charity, subject to being prescribed under Regulation 50.50.02 of the Income Tax Assessment Regulations.
 - The organisation must meet MI's Member **Accreditation Standards**.

Background - MI Member Accreditation Standards

- When MI and its Members were prescribed as income tax exempt in 1997, the expectation from the Commonwealth Treasury was that MI would establish a minimum set of standards which Member organisations must meet to become a Member, and that MI would monitor Member ongoing compliance with the standards.
- The tax exemption given to MI and its Members is very unusual and very valuable:
 - Unusual – only about 20 organisations were included in the exemption and only about a dozen remain. No additional organisations have been added since 2001.
 - Valuable – the tax exemption gives MI and its Members the ability to transfer funds overseas to support mission workers and projects without paying tax on those funds. To work out the effect of that think about the impact if you had to pay 30% tax on the funds you raise for your overseas work.

- The MI Member Accreditation Standards exist:
 - (1) So that MI can demonstrate that it is honouring its part of the bargain with the Government.
 - (2) To help Member organisations meet appropriate standards of integrity, good governance and compliance with the various laws that apply to them.
 - (3) To assist MI Members as organisations to provide an example of Christian behaviour to the wider charitable sector and the community at large.
- The Accreditation Standards cover a number of issues particularly related to the income tax exemption but also a number of other matters related to some significant laws that apply to our work.
- The MI National Leadership Team reviews and makes changes to the Accreditation Standards from time to time, and a number have been added for this year commencing 1 July 2014.
- The new standards were introduced in 2013, but only apply from 1 July 2014.
- A Member Declaration form is included with Member renewal each year, and the CEO of Member organisations are asked to indicate compliance by ticking off the items on the Declaration.

MEMBER ACCREDITATION STANDARDS

1. *Members must be Australian organisations that:*

- a) ***are located, resident and incorporated in Australia*** - incorporated is easy; located and resident is really referring to the head office and main operations– the governance and management of the organisation must occur in Australia, it can't just be a branch office of an overseas organisation. This can be a fine line for some missions, but no reason why an organisation can't be a member of an international federation or association.
- b) ***are managed and controlled independently in Australia***
- c) ***have some staff (paid or volunteer) in Australia***

This standard mirrors Australian Government policy about the necessary characteristics of a charity, and in particular the requirements for the "in Australia" test.

However, it omits the usual Government requirement for charities receiving income tax concessions that their expenditure occur principally in Australia. That requirement is a central component of the "in Australia" test from which MI Members are exempt.

2. *Member Financial Standards*

The financial report of each Member shall be prepared annually in accordance with Australia Accounting Standards and shall be independently audited, reviewed or examined in accordance with the statute under which the Member is incorporated.

What that actually means depends on the basis of incorporation and whether the organisation is an incorporated association, or a company limited by guarantee, etc.

However, there are also some rules set by the ACNC which apply to registered charities:

- i. <\$250K – no financial reporting obligations or audit/review obligations
- ii. \$250K to < \$1million – financial report must meet accounting standards and be reviewed
- iii. \$1 million + - financial report must meet accounting standards and be audited

MI has set its standards a bit higher than ACNC:

- i. Must prepare financial report in accord with accounting standards
- ii. Must be reviewed or audited (preference is audited)
- iii. Applies even if you are an unincorporated organisation

[Mission Interlink's preferred position is that the financial report of all Members should be audited, but as a concession to Members not required by law to be audited, at a minimum, the financial report must be reviewed by an independent auditor, in a manner compliant with the Australian Auditing Standards.]

THREE NEW POINTS

Members should ensure that any audit qualifications or control recommendations receive the appropriate attention of their Board.

The Member has adopted an anti-terrorism policy, and checks that it is not making payments to individuals or organisations on Australian government proscribed lists. The Government has become particularly sensitive about funding terrorism and money laundering, partly due to international pressure as Australian law regulating the movement of money between countries has been below international treaty obligations. This is one of the reasons given for changes to the “in Australia” test – taxation law is being used as a mechanism to control the international movement of money. An anti-terrorism policy template, together with a link to the government list of proscribed organisations, can be found on the MI website. (<http://www.dfat.gov.au/sanctions/consolidated-list.html>)

Where funds are remitted overseas, Members should ensure that the funds are used in a manner consistent with the charitable purposes of the Member. Actually, this applies to expenditure in Australia as well. It is a required part of the “in Australia” test and is also included in the good governance requirements of the ACNC

3. Governance and Accountability Structure

Members must have a board structure that provides for a demonstrated satisfactory composition. It must include a majority of independent directors who are not staff or direct family of staff; and it must be of an appropriate size and have members with appropriate qualifications. The reference here to staff is to both paid and unpaid staff.

THREE NEW POINTS

Members must be able to demonstrate compliance with the minimum governance requirements of the ACNC, as applicable. There are five ACNC minimum governance standards:

- i. Charities must be not-for-profit and work towards their charitable purpose. They must be able to demonstrate this and provide information about their purpose to the public.
- ii. Charities that have members must take reasonable steps to be accountable to their members and provide their members adequate opportunity to raise concerns about how the charity is governed.
- iii. Charities must not commit a serious offence (such as fraud) under any Australian law or breach a law that may result in a penalty of 60 penalty units (currently \$10 200) or more.
- iv. Charities must check that their responsible persons (such as board or committee members or trustees – called ‘responsible entities’ under the ACNC Act) are not disqualified from managing a corporation under the Corporations Act 2001 (Cth) (Corporations Act) or disqualified from being a responsible person of a registered charity by the ACNC Commissioner. Charities must take reasonable steps to remove any responsible person who does not meet these requirements.
- v. Charities must take reasonable steps to make sure that responsible persons understand and carry out the duties set out in this standard:
 1. to act with reasonable care and diligence
 2. to act honestly in the best interests of the charity and for its charitable purposes
 3. not to misuse their position as a responsible person
 4. not to misuse information they gain in their role as a responsible person
 5. to disclose conflicts of interest
 6. to ensure that the financial affairs of the charity are managed responsibly
 7. not to allow the charity to operate while it is insolvent.

Members must have in place policies and procedures to safeguard the well-being of children accessing their services and programs (if applicable). This policy must cover children of workers as well as “clients” but does not required of organisations that have no contact with children. [Some resource documents are available on MI website.]

Members must demonstrate they actively identify and manage risks impacting their organisation. Risk management is an important part of good governance, and it is important that organisations develop a risk management policy and procedures for identifying and managing risks. Good risk management will also be required by charity's insurer and auditor.

4. Tax Status

Members must meet the ATO requirements for endorsement as a Tax Concession Charity (TCC), or meet these requirements subject to being prescribed by Missions Interlink under Regulation 50.50.02 of the Income Tax Regulations 1997.

Members must undertake an annual self-evaluation of tax status using the ATO endorsement review worksheet (or on-line tool) or an appropriate alternative. This means that organisations need to carefully examine each year whether they are still entitled to the tax exemptions they are currently relying on. The ATO highly recommends an annual self-assessment but does not mandate the review. However, an annual review is mandatory for MI Members.

5. Accreditation Confirmation

When requested, members must provide MI with evidence of compliance with the MI Standards Statement and these Member Accreditation Standards.