

GOVERNANCE FOR CHARITIES IN AUSTRALIA

I make this submission as an individual who has been a member, intermittently, of the WA Government's Charitable Collections Advisory Committee (currently Chairperson) since the late 1970s and was CEO of a large charity for 22 years. I have also been involved at a national level in developing major charitable appeals.

SOME OBSERVATIONS:

1/ Too many charities are set-up as virtually 'closed' Incorporated Associations or, less frequently, as Companies limited by guarantee.

Some Incorporated Associations have less than 10 people on their Board which, in effect, is their 'membership'. This is permissible within existing legislation. This means that these charities are not obliged to provide annual reports or other financial information to members of the public, let alone their donors. Their Boards are not elected but 'chosen' by the existing Board perpetuating whatever culture or policies that have often been followed for many years. On the other hand there are charities which are Incorporated Associations or Companies limited by guarantee that have genuine members who elect and appoint members to their Board. But again – provision of financial information including annual reports can be restricted to 'members only'. Transparency and open governance should be common to all charitable organisations. Donors – existing or potential should be able access annual reports of all registered charities.

2/ Over the last 20 years there are too many charities that have lost sight of the cause they represent and which have developed into 'fund raising machines'.

All charities should be required to state clearly and concisely what their exact expenditure is relative to their charitable objectives.

3/ Transparent, easy-to-understand accounts that clearly define the exact amounts spent on fund raising are unusual. Too many are 'fudged' by mixing expenditure on fund raising, sometimes including salaries of personnel or consultants and/or special fundraising events such as balls etc, in with 'education' or 'raising community awareness'. Fund raising expenditure should follow a fixed format which clearly states salaries paid to staff, fees to consultants, and the gross and net figures for particular campaigns or events.

4/ DUPLICATION: There are far too many registered charities raising funds for the same basic cause. Breast cancer is the best example with over 1,000 groups involved in raising funds. However, finding a formula to control duplication without suppressing community support will never be straightforward and probably will never be politically appealing.

5/ COMMERCIAL FUNDRAISERS: Charities are using commercial fundraisers more frequently. Telemarketing, door-to-door collections and capital appeals are often provided by a commercial fund raising company. It is essential that national guidelines are developed and especially clear and concise financial reporting by the charity that shows exactly what has been paid to the commercial fundraiser. In addition, those commercial fundraisers collecting on behalf of a charity should pass

on all funds collected to the charity, within a fixed period, without first deducting their fee. Some charities have entered into arrangements with professional fundraisers, especially for telemarketing, where the net return to the charity has been less than 7% or on some occasions a loss. Individuals who are paid to collect for a charity either door-to-door or in a shopping centre or in the street should be identified as a Paid Collector. Some charities need to take more care when allowing their names and reputations to be used by professional fundraisers without taking sufficient precautions as to whom the company might employ to collect funds and also what controls are in place to supervise paid collectors.

6/ Trustee Companies and Banks have become more proactive in the charity sector. They have not only promoted the setting up of charitable trusts by their clients but also registered and promoted their own in-house charitable foundations. The community at large does not fully appreciate that Trustee Companies are fully fledged companies with shareholders; profit is their prime objective. There are now thousands of funds and trusts set up by the various trustee companies including the banks. They all charge fees to administer the assets of those funds and trusts which of course continue in perpetuity after the death of their client. Since the tax laws were amended several years ago in order to encourage more philanthropic giving there has been increased activity in this sector with the setting up of Prescribed Private Funds (PPFs). There needs to be more transparency in context of the level of fees charged and the length of time they are charged after the client has died often adding more money to the fund or trust via a bequest. Trustee Companies obviously have a vested interest but is there sufficient oversight or standards governing administration and fees charged? Some banks have also set up Staff Foundations as well as their own in-house charities and have sought registration as charities in the states in order to facilitate their own public collections.

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