

SUBMISSION TO THE REVIEW OF THE ACNC AND ITS LEGISLATION

I was a member of the Not For Profit Reform Council that established the ACNC. I am a founding member with the Hon Fred Chaney of the Graham (Polly) Farmer foundation which has operated for 21 years. Additionally I have served on the boards of a number of NFP's and continue to be actively involved.

I submit the following:

Return on Funds

It is a source of frustration that the culture of the NFP sector seems to operate in a vacuum with little attention paid to key economic factors that drive the rest of the economy.

Unlike the private sector the NFP Sector does not address the important investment issue of a return on funds. Many NFP's are unable to identify the extent to which the funds to hand are providing a rate of return to the entity. For example how much does each client cost to provide a service for? Are the donors provided with comprehensive information on the performance of the charity? How much is the CEO paid?

Duplication of NFP entities.

There is a high degree of duplication of charitable institutions. Many are competing for the same market and wasting resources on administrations that could well be served by a single administrative arm even if the delivery of the end service has its own character and culture.

One reason for this is the sad reality that very often when parents lose a child to a particular disease or event they establish a foundation in their name. My submission is that in these instances, from an ACNC governance perspective, it would make sense to encourage these foundations to seek out other foundations to share administrative resources whilst retaining their own character in memory of the child. Duplication is an uneconomic waste of resources.

Fundraising

It is of concern to the community that many charities spend a significant amount of money on fundraising and administration leaving a small proportion of the funds raised to address the essential purpose of the charity. I submit that the ACNC could productively mandate a ceiling from 15% to 20% as being the proportion of funds raised to be spent on administration and fund raising. This would give the community comfort that excessive funds were not being allocated to purposes other than the mission of the charity. There have been scandals occur where the fundraising activity has taken up more than 90% of the funds raised. These instances should be publicised and sanctioned by the ACNC.

A second concern is that some charities offshore their fundraising with risks around data security and ethical behaviour. It is also inimical that a charity benefitting from the Australian Tax system would then choose to use cheap offshore call centres to raise money.

A third concern is funds sourced offshore by charities that may pose a risk to our security and integrity. I submit that this area should be restricted in the interests of national security and public integrity. The penetration of our NFP sector by offshore monies is unacceptable in a public policy sense.

A fourth concern is the use of the broadcast media to drive fundraising campaigns with no reporting back via that same media as to the outcomes of the fundraising. The community gets exposed to vivid images by the charity concerned which, quite properly, convey the human drama and suffering of people. However in fairness to the community the charity concerned should also report back in detail as to what happened to the funds raised. An appeal to the emotion and goodwill of the community should not obscure the need to provide transparent and accountable reports on funds raised.

Governance

There are many instances of charities being used to provide cosy employment arrangements for family members and unaccountable board appointments. These arrangements deserve close scrutiny and may warrant restriction.

Further it is submitted that charities should live by example and limit expenses concerned with hospitality and travel. Limits on business class air travel and expensive Board functions would provide the community comfort that charitable funds were being used properly and without extravagance.

Culture

Some elements of the charitable sector do not provide the service they promise. The scene is littered with entities, particularly promoted by sportspeople and celebrities that completely fail to perform and deliver. It is submitted that there are often elements of deceptive conduct involved. In the heat of the moment the public is persuaded to donate to the charity being promoted with no attention or scrutiny paid to the mission of the charity or the need for its existence. In many cases there are already sound charities in place going quietly about their business with no fanfare and elaborate celebrity events. Yet they get lost in the noise created by the new entity. In a public policy sense we would be wise to advise the public about the risks of being misled by the celebrity driven agenda of the new charity.

The good performance of the sector is no different from the private sector involving public companies. It all comes down to the quality of the Boards involved and the key staff appointments.

Dr Ron Edwards