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COMPASSION IS THE FASHION

(or Why Canberran's Generosity Could Be Being Abused)

1. This submission to the Standing Committee on Public Accounts inquiry into Auditor-General's Report No 1 of 2006 *Regulation of Charitable Collections and Incorporated Associations* (subsequently referred to as 1/2006 in these comments), welcomes advice that responsibility for the administration of the functions outlined in the report subsequently have been transferred from the Department of Urban Services (DUS) to the Department of Justice and Community Safety (JACS).

2. However much more needs to be done in the charitable collections area to which my comments are confined.

3. *Business Review Weekly (BRW)* in two editions (June 29 and December 7, 2006) investigated Australian charities and found such numerous deficiencies in their operations that a (national) charities commission was proposed at one point to administer religious charities *alone* (these were almost half of *BRW's* top 200 charities). I believe there is a case for such a commission to supervise *all* charities.

4. The problems encountered nationally in charity collections are the same as encountered in the ACT.

5. A major omission in charity collections and still a deficiency in the recommendations of 1/2006 is a failure by many such organisations to *adequately account to the public for use of the funds collected.*

6. Canberrans are generous but this generosity should not be taken for granted nor, because of lack of interest, that an explanation isn't needed not as to 'where the money goes' (because there are checks and balances to ensure this) but rather *how* is the money spent?

7. Often this question isn't asked because of the closeness of ACT society - we're all friends, we support each other's charities for various, often social reasons - which still doesn't justify not asking. It is not enough to say 'towards finding a cure for …' or

‘to help the poor …’

8. *How* will it fulfil these worthy aims? How, when the search for medical cures costs millions of dollars can a generous but piddling $30,000 be so used? Or how can $7,000 for the homeless be applied?

9. Donors are entitled to a much more detailed explanation from charities for even a gold coin donation than an implied ‘Trust me” when the money is handed over to applause and media coverage.

10. In some cases the purpose is announced: to buy a replacement aircraft, furniture for fitting out a halfway or refuge house, and thus can be verifiable. So too the larger welfare organisations whose doorknocks are directed at funding a multiplicity of services.

11. Nevertheless, too often there are vague undertakings, especially with smaller amounts, eg. the $30,000 mentioned earlier probably will go toward salaries and administration expenses to tap into other prospective donors. This is not spelled out however, because it’s not as satisfying as your donation going straight to the coalface - although the administration costs are an essential component of the operation and do not come from thin air.

12. Further, the ‘vaguing up’ of funds’ destination can allow for waste and over-expenditure in non-essential areas if there is no scrutiny except internally and an audit will not pick up such practices.

13. It is not only a matter of *how* raised charity funds are spent that can be watched by public disclosure but also is an extra check that the money donated went where it was intended to go. This need for public accountability funds raised went where they should and were spent as promised isn’t limited to money raised for ACT good works. Canberrans also donate to national and international appeals and also are as entitled in these areas to know where their compassionate urges have seen their money applied.

14. This is especially so with major often overseas disasters. Have we ever had an account of where all the millions raised in the tsunami appeals has gone? Charities

(and governments and the media) have a responsibility here to reassure a generous public their money hasn't been siphoned off by corrupt officials, doled out in bribes or squirreled away by the charity itself for another rainy day somewhere.

15. It should be made clear to prospective donors if such action may be necessary or steps taken so those giving can decide whether or not to donate under such conditions.

16. Charities should *never* assume the means - denying the truth of where some intended donations might finish up - justifies the end. We are not all imbued with their caring spirit under *any* circumstances.

17. Further, the sanctimonious arrogance of some international charities who almost expect people in the First World to donate to *their own* caring attitude (conveniently ignoring the corruption, mismanagement and cultural lack of concern of the wealthy in the very Third World country they are helping) suggests Australian and thus ACT donors are being taken for granted.

18. Of course not every charitable endeavour leads to clear and quantifiable results and extra unproductive record keeping should be discouraged.

19. Nevertheless there has to be some recognition on the part of charities they are as fully accountable to donors as they are to helping their clients and are not simply fulfilling their own self-righteous beliefs in social justice or religious conviction with other people's money. We, the donors, don't have an obligation to pay, rather the charities have an obligation to spend wisely and accountably, a point unfortunately missed by Dr Robert Glasser, CEO Care Australia, in an otherwise interesting article *(Canberra Times* 28/08/06) when he concluded by suggesting just more emotional selling was needed.

20. For whatever reason: a desire to be a good corporate citizen, status in society or even old-fashioned altruism, charity work is popular, widespread, innovative, well publicised and inadequately scrutinised. The attention, often by the very nature of the fund-raising event, is upon the giving (and the givers) with the ultimate destination of the largesse thought of only in the broadest terms of helping someone, somewhere,

somehow. This blind faith in the charity recipient's honesty and scrupulousness is both charmingly naïve and inherently dangerous.

21. No matter how reputable and well regarded a charity may be - and there are many in that respectable category - a generous community should not allow its own warm opinion of the organisation to be scrutiny enough.

22. Shouldn't we be told, for example, how much salary or honorarium charity chairs or CEO's receive? What happens to the cornucopia of presents under Christmas giving trees (are they all handed out over the festive season and to whom?). Are there human rights issues or are religious sensibilities ignored with international charity giving? Who made the selection (*Canberra Times* 23/08/06) of the 14 charities allowed to receive Workplace Giving deductions from gross pay per fortnight with appropriate tax deductions? Shouldn't the RSPCA - a charity - publicise its decision why people need qualifications to walk its dogs? Were the shareholders of the Commonwealth Bank consulted about its $77,000 donation for batting prowess to charities after the recent cricket series and *where* did the money go? Or how much do these charity and self promoting 'celebrities', including those wandering around Africa, really contribute personally?

23. Closer to home, why did the Nature Conservation Council spend 89 percent of funds in 2004-05 on salaries and administration and only two percent on projects and campaign support or (in 2005-06) why did the Wilderness Society spend $4.5 million on staff costs and less than $300,000 on scientific research while making a $1.4 million profit and holding a bank balance of $5.6 million (*Canberra Times* 02/01/07 Letters)? How do we know donated food handouts in say, Civic, are enjoyed by the poor and the homeless and not just people wanting a free feed? And finally, not for the first time, at 1710 hours Thursday, 31 August 2006, outside IGA Yarralumla, a woman holding a bucket labelled 'Canberra's Hungry' was soliciting money. No receipts, of course.

24. What all of the above, as they say, have in common is no publicised accountability; a common failing.

25. A limited check of only five charities (of 1000+ listed) indicated only two had

their annual report and balance sheet on the website. I accept published balance sheets in newspapers would be expensive but I believe an internet listing for the audited financial situation of all charities should be mandatory.

26. How many charities are registered now in the ACT is unknown (they continue to proliferate) and even the 113 listed in 1/2006 do not represent all charities *operating* here because the national bodies do not require local licensing (nor accountability?).

27. Nevertheless, examination of the 113 listed (PP 21/2) in 1/2006 is instructive as it shows duplication and unspecified roles in too many cases.

28. Why, for example, are there seven cancer charities registered, three of them concerned exclusively with breast cancer (and where does the unlisted but locally active Bosom Buddies fit in?). Charities assisting children feature up to 12 times (I think) while multiple sclerosis is listed under three licences and bonnie babies twice. These replications are legal, of course, but seem unnecessary and smack of empire building in the higher numbers. Surely those being helped would be better served by consolidation or amalgamation of some of these charities if only in the reduction of overheads, as happened with MS in NSW and Victoria in 2006? (This could be assisted by JACS refusing to licence any more like charities.)

29. Consolidation and amalgamation also perhaps could occur with upwards of the 30 licence holders listed in 1/2006 which have unspecified charitable purposes, although a personal check upon the internet with some with whom I was unfamiliar was not encouraging.

30. Four were not listed:

- Mr Sean David Godwin (Murray & Jane Eastman)
- Multicap
- Pixi Foto Foundation
- The Trustee for the Leeuwin Estate Charitable Foundation.

Two appeared to be business organisations (although the charities themselves might not be listed):

- Comic Relief Australia

- Hearts of Hope Australia Limited

Three had numerous internet listings which would have made sourcing time-consuming (again maybe one was a charitable organisation):

- Global Pacific Safety Foundation - 164 listings
- HADA - 52 listings
- Inside Out Group Pty Ltd (two words) - 20 listings

While Samaritan's Purse Australia Ltd seemed to be associated with the Rudolf Steiner schools and Ronald McDonald houses from its two listings.

31. Some, of course, might be dormant here while operating elsewhere (although why are they not listed upon the internet?) and why bother to list here anyway when most of the big international charities don't bother to do so?

32. And then among those listed or unlisted are those charities which operate either Australia-wide or interstate but have ACT facilities and/or services. These confront Canberra donors with something of a dilemma as to whether or not their donation will be used for local help or perhaps will a fair percentage share of the national contribution be allocated locally in proportion to the ACT's giving amount? A real case of charity begins at home.

33. Finally, I regret charities were not included in the voluntary telephone ban listing which prevents other hard sell businesses from harassing people, unsolicited, in their own homes usually at inconvenient times.

34. While it goes to show the influence charities wield among politicians and often the politicians desire to indulge their own social justice philosophy again with other people's money, charities should have no more right to seek direct donations by telephone than any other organisation selling a product, especially as evidence of the quality of their product (service) is not always clear to the donor. In fact less so because there *is* no tangible produce (service) in some cases, unlike other businesses relying upon public support.

35. Charities shouldn't be allowed to solicit donations by telephone because there cannot be an agreement for more openness and accountability unless more expense is

involved by sending the donor written information. Telephone begging also flies in the face of commonsense security: why should you donate quoting credit card numbers to an unknown person claiming to be from a charity?

36. Most people have favourite charities to whom they regularly are prepared to donate and occasionally a major national or international calamity encourages them to assist. However this does not mean donors should be taken for granted nor for suckers. They are entitled to know how their donation is being spent in reasonably specific terms and also, in international situations, what the rest of the world is contributing, including the countries' affected.

37. Perhaps it is the fault of the media concentrating their resources in coverage of the humanitarian aspects of such disasters as say, the tsunami, that news was focussed upon the world's response. Nobody wrote how much money was donated for relief by the many wealthy people, millionaires, of Indonesia, Sri Lanka or Thailand nor how much did other Islamic states such as oil rich Saudi Arabia, for example, give in aid to their fellow Muslims? Accountability should be *comprehensively* covered if donors are to have faith in the system.

Conclusion

38. The key findings at Page 7 of 1/2006 are satisfactory but can - and should - be applied to go further and to include national and international as well as local appeals in the ACT, as I have outlined below:

- Support should be given for a national Charities Commission to supervise the operations of all charities. (Para 3)

- All charities should adequately and comprehensively account to the public for the use of all funds collected. (Para 5)

- Clear guidelines should be publicly provided to all prospective donors as to the proposed use of all funds collected. (Para 15)

- Charities must be more open about their operations, costs and activities. (Para 22)

- Mandatory audited annual balance sheet listing upon the internet. (Para 25)

- Consolidation/amalgamation of like charities to be encouraged. (Para 28)

- Charities should be added to the voluntary telephone ban listing. (Para 35)

Submission Ends

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