

11 August 2021

Transparency Code Working Group
Individuals and Indirect Tax Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email: charitiesconsultation@treasury.gov.au

Consultation Paper – Developing a voluntary code for charities to improve the transparency of charitable donations during natural disasters

CPA Australia represents the diverse interests of more than 168,000 members working in over a 100 countries and regions around the world. We make this submission on behalf of our members and in the broader public interest.

CPA Australia does not support the proposed voluntary transparency code. In our view, there is a much more important need to urgently address the outdated, inconsistent and burdensome Australian fundraising regulatory framework. Work on the regulatory framework should take priority. We do not believe that a piecemeal, reactionary approach to introducing transparency around one aspect of fundraising will address the more significant challenges that beset Australian fundraising regulation. In our view the proposal does not align with the Department of Prime Minister and Cabinet's [Deregulation Agenda](#).

We also believe that the proposal will add an unnecessary impost on charities that is counter to the third object of the Australian Charities and Not-for-profits Commission (ACNC) to "*promote the reduction of unnecessary regulatory obligations in the sector*". As referenced in the Consultation Paper, the ACNC reviewed three charities involved in relief and recovery efforts for the 2019-2020 Black Summer bushfires and found they responded well in challenging circumstances. These reviews suggest that charities involved in fundraising for disaster relief activities are already adhering to good governance practices as well as the applicable laws and regulations.

Furthermore, we assume the proposed voluntary transparency code relates to charities as defined and regulated under Commonwealth law. However, most states and territories regulate charitable fundraising independent of Commonwealth regulation; that has not been considered as part of this consultation. Clearly, there is a much more pressing need to bring about a streamlined and consistent Australian fundraising regulatory framework which should take precedence over the development of a voluntary code.

Although the proposed code is voluntary, there is a risk that charities that do not sign up to the code but continue to comply with all relevant laws and regulations could be subject to a perception that they are not being transparent. Equally, there is no regulatory oversight or other assurance associated with the voluntary code that allow those charities that do sign up to the code to demonstrate their adherence to the proposed transparency guidelines.

Finally, we are of the view that some of the proposed information features of the transparency code will not achieve the intended outcomes.

We have provided our detailed responses to the questions raised in the **attachment** to this letter. If you have any queries about this submission, contact Ram Subramanian, Senior Manager – Reporting Policy, on 03 9606 9755 or ram.subramanian@cpaaustralia.com.au.

Yours sincerely,

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1. Would an appeal intent similar to the example provide sufficient information for donors? What additional information should be included?

Whilst we do not support the proposed voluntary transparency code for the reasons stated in the cover letter, we agree with the proposed publication of an appeal intent by a charity on its website. An important aspect of fundraising initiatives to provide disaster relief and recovery is to inform the donating public exactly how and for what purpose the donated funds will be spent. It is also important to inform the donating public what the charity's objects are and what limitations it may have under these objects in applying the donated funds to specific aspects of disaster recovery and relief. This is an important exercise for a charity to undertake prior to a fundraising drive - to not only inform the donating public what it intends to do with the donated funds, but also what it cannot do with such donated funds.

For the above reasons, we support the proposed publication of an appeal intent, which should be published by a charity raising funds. In our view, the publication of such an appeal intent should occur in all cases of fundraising and should not just be restricted to fundraising for disaster recovery and relief or enshrined only in a voluntary transparency code as proposed.

2. Do you think the reporting elements proposed are appropriate?
3. Is there additional information that should be reported under the Transparency Code?

For the reasons stated in our cover letter, we do not support the proposed reporting elements under the transparency code. Please see our response to Q 5 below also.

4. Would your charity have the capability to publish the proposed reporting content during a natural disaster?

Not applicable.

5. Should administration costs be included in the Transparency Code? Do you have suggestions for what should be included in the definition of administration costs?

For the reasons stated in our cover letter, we do not support the proposed reporting elements under the transparency code. Additional reasons for why we have not expressed our support for these proposals include:

- Reporting that is dedicated just to a charity's fundraising in responses to natural disasters is likely to add unnecessary administrative burden and cost to a charity's operations, which will reduce the resources available for the primary purpose of disaster recovery and relief.
- Financial reporting by charities is underpinned by the Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB). The AASB is currently developing a fit-for-purpose, not-for-profit financial reporting framework which could incorporate elements of reporting associated with fundraising identified in these proposals, that is not restricted to fundraising just for natural disasters but to all fundraising activities. Ensuring any financial reporting relating to charity fundraising activities is underpinned by a reporting framework developed and issued by the AASB is likely to ensure consistent and comparable reporting for charities involved in fundraising activities.
- The proposals do not include any independent assurance of the periodic reports. We are concerned about the level of public confidence in such reporting, which is not subject to independent verification, particularly given that such reporting is voluntary and not subject to regulatory oversight.
- The allocation of administration costs to specific fundraising initiatives can be challenging, particularly when allocating general administrative overheads to specific initiatives. There needs to be a consistent

approach for such allocation; the proposals do not set this out. Without a consistent approach, there can be variability around how different charities allocate administration costs. Although the consultation suggests that “there may be use in including a definition for administrative costs in the Transparency Code”, we believe this is an essential aspect of such reporting.

6. Do you consider the quarterly minimum reporting will meet donors’ expectations of transparency? Would you suggest a different approach?

We believe that the proposed quarterly periodic reporting over a two year period following an emergency disaster declaration by government is likely to be an expensive exercise that will reduce the resources available to the charity to allocate to the primary purpose of disaster recovery and relief.

Charities registered with the ACNC are subject to a range of transparency and accountability requirements under the regulatory and governance arrangements established through the ACNC. The ACNC has introduced the “[Registered Charity Tick](#)” to allow charities to inform donors of the status they hold through registration with the ACNC. We believe educating donors about what it means for a charity to be registered with the ACNC, along with the publicly available financial and other information made available through the existing ACNC register, as well as the publication of appeal intents, would meet donor expectations and not add unnecessary administrative burden to charities.

7. Should there be an expectation that charities who receive donations in excess of \$3 million from a disaster specific appeal should be a signatory to the Transparency Code?
8. Are there sufficient incentives for charities involved in disaster responses to adopt the Transparency Code voluntarily?
9. Do you see any risk with allowing signatories to self-regulate compliance with the Transparency Code?
10. Is there anything further you think the working group should take into account in developing a proposal for the Transparency Code?

We have no further comments.