TRANSPARENCY OF CHARITABLE FOUNDATIONS

Grievance

MR HYDE (Perth) [9.25 am]: My grievance is to the Minister for Consumer and Employment Protection and concerns the transparency and audit requirements of charitable foundations. Many Western Australians give their time, services and materials to benefit charities. I salute those selfless citizens. I note that under the Charitable Collections Act 1946, a charitable collections advisory committee was set up to advise the minister on applications for and revocation of licences for charitable foundations. I am concerned about the transparency of foundations that are formed under the Associations Incorporation Act, and whether honest Western Australians who donate to some charities can be guaranteed that foundations are meeting their promoted aims and objectives.

By paying $27 or so, a person can eventually discover that the Rosemarie Porteous Foundation, registration No 1004275, in applying for incorporation by Rosemarie Lacson Porteous, stated that it was formed for the relief of poverty and suffering. Part of my grievance is that it should be much easier for members of the public, the media and elected politicians to access details and audits of charitable foundations so that Western Australians can be reassured that their donations are being used as per the stated objects of the foundation. Currently, a person might have to request those documents under freedom of information laws. Even then, a person might not be able to garner the full financial doings of a foundation. I will lay on the Table of the House the certificate of incorporation, the rules, the submission to the charitable collections advisory committee, and income and expenditure statements for the years ending 30 June 1996, 1997, 2000 and 2001 for the Rosemarie Porteous Foundation.

[The papers were tabled for the information of members.]

Mr HYDE: On 9 December 2001, a fashion parade was held for the foundation at the home of Rose Porteous, which is commonly known as Prix d’Amour. I understand from unaudited financial statements that $15 860 was received by the foundation on that day from entry and ticket donations from Western Australians who wanted to do the right thing for the Princess Margaret Hospital for Children Foundation, which was the advertised beneficiary. The Princess Margaret Hospital for Children Foundation is yet to receive a cent from the Rosemarie Porteous Foundation from this function. That was despite stating in its original submission to the charitable collections advisory committee that the Rosemarie Porteous Foundation proposed to donate all funds received, without deductions for administrative costs. The foundation’s administration and a proportion of operating costs were to be met by Mrs Porteous, who was to make appropriate donations to the foundation. In particular, Mrs Porteous said that she would provide her home for the purpose of holding functions and her staff for the purpose of carrying out day-to-day administration of the foundation. The return to charity should be 100 cents in the dollar. A sum of $15 860 was raised through donations given at the fashion parade. Was the return 100 cents in the dollar? No, it was not. At least $14 671.58 in expenses have been detailed so far, including $475.20 to clean a chandelier and $8 400 for a virtual video of the fashion parade. Other expenses include $872 to dry-clean garments, $479.20 to hire clothes racks, $4 820 for catering, $468.85 for ingredients in the punch and $1 200 to hire a choreographer. The 1996 audited accounts for the foundation indicate $4 330.63 was received in income; $20 868.58 in expenses, made up of $3 909.24 in function expenses; $1 100 in audit fees; $500 for printing and stationery; and $15 000 in donations.

A further problem is the difficulty in discovering who is on the boards of some foundations. Documents available under freedom of information legislation reveal only the names of a Mr and Mrs Porteous on the board of management of the foundation, yet the foundation’s rules state that the committee should comprise at least eight members.

We need greater public transparency and better public auditing of all charitable foundations so that when Western Australians donate some of their hard-earned cash to a charity set up to “relieve poverty and suffering” we know exactly whose poverty and suffering will be relieved.

I have raised this grievance today because of my concern and my appreciation of the many fundraisers in this State, such as my local North Perth Rotary Club, which conducts the Hyde Park community fair and the Claremont-Cottesloe Rotary Club with its Claremont fair. I also raise it for the many others who give their time, money and products freely. These community heroes do not seek publicity; they do not claim expenses to get their club T-shirts dry-cleaned; and they do not deplete the charity dollar through vanity and self-congratulatory videos.

MR KOBELKE (Nollamara - Minister for Consumer and Employment Protection) [9.32 am]: The member for Perth has raised a particular issue and a very important general matter. The general matter is the important contribution made to so many aspects of life in our community by charitable organisations. It is important that, in donating to charities, people have total confidence that the money they donate will be used for the purposes
for which it is raised. That is very important because much of the benefit to people in our community rests on
funds raised by charitable organisations. It is of the utmost importance that fundraising organisations meet very
high standards for fundraising in this State.

I do not have specific answers to the matter relating to the Rose Porteous Foundation, but I will have the
Department of Consumer and Employment Protection investigate whether matters need following up. I thank
the member for Perth for raising those issues.

This is a matter that I have thought should be addressed. The Government has been working on it for some
months. The Government wants to give a very clear commitment to the people of Western Australia that when
they seek to assist charitable organisations and to fund very worthwhile programs in this State they can have
total confidence that their money will be spent wisely and properly.

The Government has introduced a number of safeguards to ensure that charitable organisations in our community
are appropriately licensed and transparent in their dealings and maximise the disbursement of funds to the stated
purpose. We are trying to advance this matter in four main areas. Firstly, new legislation is being drafted to
better target licensing coverage and improve financial compliance requirements for both charitable organisations
and groups involved in fund-raising. Secondly, we have increased resources for compliance investigation and
the education of charities about accounting practices and obligations. Thirdly, changes to the composition of the
Charitable Collections Advisory Committee have been made recently in order to ensure that their representation
contains a balance of experience in financial administration with extensive experience in diverse charitable
organisations. Fourthly, only recently I signed off on new requirements for auditors and charities to provide
more detailed annual statements.

The changes to the law are being prepared. A discussion paper will discuss rolling into a single statute both the
Charitable Collections Act 1946 and the Street Collections (Regulations) Act 1940. In the next month or so I
hope to release a discussion paper for circulation among the charitable organisations and the wider community
for their views on those changes to the law. I hope that by August, I will have considered their input and have
legislation drafted ready for introduction. A genuine need exists to ensure that the legislative basis is up to date
and meets the needs of charities in the wider community as we enter this new century.

To ensure the resources are available within the Department of Consumer and Employment Protection, money
was allocated in last year’s budget to a new position dedicated to charitable collection compliance. An officer is
now dedicated to ensure compliance in this area. Until now it has been left to the department as a whole to find
resources as and when a need was seen. In addition, the relevant branch within the department has been
restructured to include a senior executive officer with overall responsibility for the functions in this area. Further
to that, we have committed a specific budget allocation of $50,000 for the development and publication of audit
and accounting guidelines for charities. It is proposed that this will be used for the development of best-practice
guidelines for auditing and accounting requirements of charities and publication of sample accounts and
statements and to run seminars and workshops designed to aid compliance with the law. By increasing the
department’s resources, the Government is being proactive in assisting charities to meet their requirements and
in following up some that do not meet the mark.

As I indicated, we have recently examined the current auditing and accounting returns. When the new
legislation is completed it will contain specific details on financial auditing and accounting requirements for
charitable organisations. These will provide improvements to the current practices of charitable organisations.
However, we are not waiting until that legislation is in place. We are seeking to require now that those higher
auditing standards are complied with. The immediate changes will be introduced very shortly and they will
complement the proposed legislation. This interim proposal has involved extensive consultation with charities
and accounting and auditing bodies. I thank the organisations that assisted us, because we have refined the
auditing proposals in the light of their feedback. All charities are required to provide annual audited statements.
The improvements will also include the introduction of an auditor’s certification statement and an office bearer’s
statement. The new statements are designed to ensure compliance with all legislative requirements as well as
with accounting standards and other mandatory professional reporting requirements.

I am very aware that for many small charities auditing and reporting requirements can pose a considerable
difficulty. If costs are involved, small charities may not be able to comply. We are examining how we can assist
those charities to comply. However, we must ensure that charities meet the required standards. If a small
charity does not comply and the potential exists for money to be misspent, it could undermine the public
perception of charities. It is not a matter of saying that because a charity is a small concern it does not need to
meet the requirements. We will work with them to ensure that all charities are open and accountable to give a
 guarantee to people that money raised is directed to the target for which it is raised.