



Global Development Group

Registered Charity No. 1385
ABN 57 102 400 993
AS/NZS ISO 9001:2000

Building better lives for the
world's poorest people

Submission regarding External Conduct Standards for charities registered with Australian Charities and Non for Profit Commission

Global Development Group applauds Treasury for this initiative and would like to submit our thoughts.

Background

Global Development Group shares the overall desire to ensure that funds sent for development and relief aid are sent professionally, accounted for professionally and the reputation of 'Australian Aid' is enhanced. We see the application of this as if through two lenses:

Lens 1: Global Development Group as an item 1 DGR and under OAGDS conducts all our work in full compliance to the four External Conduct Standards (ECS).

Lens 2: Other parties send significant funds overseas for development purposes that are unaccountable. That is, they are unaccountable for funds sent and unaccountable use of those funds. They are unaccountable for child protection and other issues of similar nature.

The ECS addresses this problem.

Global Development Group participation in current reforms

In recent months Global Development Group has:

- Addressed the Joint Standing Committee on Foreign Affairs, Defence and Trade's public hearing for its inquiry into Australia's aid program emphasising the need for accountability. Approximately 35% of 'Australian Aid' funds are tax-deductible funds sent through charities.
- Addressed the deductible gift recipient reforms.
- Addressed the Inquiry into establishing a Modern Slavery Act in Australia. We are against the exploitation of children through unregulated orphanages and we are against voluntourism. However, we are proponents of residential and alternative care where the standards of OAGDS are kept. That is, where girls (and boys) are cared for in a family-style environments, educated, provided with good sanitation, tertiary education where required, have good consistent carers, and strong gatekeeping measures are in place.

We also recognise that there are good and necessary volunteers in particular projects. i.e. in our China projects where we care for disabled children many volunteer staff are Australians, some medical, some physiotherapists and we work with Chinese welfare centres and have some foster care, independent living and other suitable initiatives.

Submission on the draft regulations and explanatory statement

Global Development Group maintains a high standard of implementation for projects carried out in developing countries. We already apply the 4 proposed ECS to our work. Each project is implemented by an in-country partner with a 'Project Manager' in charge who is responsible to Global Development Group. Global Development Group staff and representatives ensure all projects are to standard and we train in-country staff and 'Project Managers'. Although proper management is costly, the draft standards are in harmony with the OAGDS and should be maintained.

Many charities and PBI's send their funds to Global Development Group who then sends funds overseas and implements conforming projects. We believe that where a charity or PBI cannot meet the requirements themselves they should partner with Global Development Group or equivalent entity to ensure standards are met.

We observe there are several types of charities and PBI's to be considered under the new ECS reporting structure:

- Those that send incidental funds overseas. They don't need to implement ECS?
- Those that just send funds to Global Development Group to support projects they like. They don't need to implement ECS?
- Those that have an interest in the overseas project and believe that they are part of it. They send funds to Global Development Group - who owns and implements the project. We suggest those charities will implement the ECS but minimise their reporting by describing how they believe Global Development Group is a suitable partner to control the project..

Our survey of the submissions

In our preparation for this submission we have examined:

- The Draft Legislation
- Amendment Regulations (No2)
- The Exposure Draft
- External Conduct Standard FAQs
- The Proposed ACFID Submission

Our Summary response

We agree with the four External Conduct Standards without any change to their general principles.

We believe Global Development Group can meet all four principles and we welcome accountability to them.

Clarifications Requested

However, we believe clarification is needed on a definition and on how some parts will be implemented.

1. Clarify a definition: (Treasury)

There is constant reference to 'the registered entity and the third party within Australia for use outside Australia'. There should be consistency and these words should be used in entirety each time.

We will need to clarify with some of our partners that they are 'the registered entity' and Global Development Group is the 'third party'.

2. Clarification of ECS in practice: (ACNC)

Donors distinguished from Implementers

Small Donors

We see a need for clarification between donors and project Implementers. At the moment approximately 145 charities send funds to Global Development Group. These include very small charities, Item 2 ancillary funds, PBI's, some large charities and churches.

As above, we believe where a charity just gives to Global Development Group a very small amount of their funding (they might give to a number of NGO's), their requirements will need to be considered.

Clarification is needed regarding what their responsibilities will be.

Larger Donors

Some charities and Item 2's believe they are involved in the overseas projects and may send larger amounts to a number of NGO's.

Clarification is needed regarding what their responsibilities will be.

Recommendation for Implementers to give a Compliance Certificate

Some charities and Item 2's and PBI's send their funds wholly and exclusively to Global Development Group. As the funds reach Global Development Group they are Global Development Group funds and Global Development Group implements our project. However, the registered entity may be involved in some aspects and in fundraising externally.

The registered entity may have an interest in the project which extends to

- Advocacy
- Sending non-tax deductible funds for minor issues
- Airfares and visits
- Sometimes a team

This is usually small in financial terms – but is independent of Global Development Group and the registered entity is accountable for these things.

In these cases, a fully prepared compliance statement could be given to them by Global Development Group. This statement, or compliance letter, would have common wording but would include relevant reference to a specific project(s). This should meet their requirement and obligation in a simple but effective manner.

Our typical governance framework is:

Global Development Group receives funds and if a tax deductible receipt is required, will issue the receipt to the individual donor. The funds are allocated to the correct project. For each project, as a part of our accountability we require:

- Complete conforming Project Descriptions
- Project budgets
- A project manager responsible to Global Development Group
- Six monthly reporting, narrative and financial
- Regular monitoring and evaluation
- Six monthly financial acquittals by Global Development Group staff
- We must maintain high standards of transmission of funds to Australian Standards
- Every project must have a conforming Child Protection Policy
- Every project must implement the Child Protection Policy

Through these accountability procedures Global Development Group upholds high standards in each project and meets the ECS.

Once again we applaud Treasury for this initiative and support the 4 proposed ECS.

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Appendix: Notes for Global Development Group staff

Extracted from the ECS Reform papers and to be implemented in our procedures:

External conduct standards FAQ's

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The external conduct standards set minimum standards for conduct, governance and behaviour that ACNC-registered charities must comply with when operating outside Australia or when partnering with others to operate outside Australia. They require those charities to put in place governance processes necessary to mitigate key risks.

Who do the external conduct standards apply to? - All entities registered with the ACNC, including basic religious charities, that fund or have overseas activities will have to comply with the new standards.

The Government is aiming to have the regulations introducing the standards made this year and operational by 1 July 2019.

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What is the level of detail of the external conduct standards?

Consistent with the ACNC governance standards introduced in 2013, Treasury has developed external conduct standards that are principles-based and set the minimum acceptable standards of conduct, governance and behaviour. The Government's policy is not to set detailed or prescriptive rules, but to instead set general principles which will allow individual charities flexibility in how they should be given effect to in their particular circumstances. We do not want the standards to discourage innovation or the good work of charities. But rather to ensure that reasonable risk management and governance processes are in place in Australian charities.

The ACNC will develop guidance materials to support charities to comply with the standards. This material will assist charities in considering how to comply with the standards given their particular circumstances and should cover what the ACNC is likely to ask for as part of the annual information statement. The standards envisage that reasonableness will guide its practical application. Factors such as the size of the charity, the scale and risk of the overseas activity, and the resources that are dedicated to overseas purposes are all to be taken into account when working out what system is appropriate for a particular charity.

Are the external conduct standards identical to the ACNC's existing governance standards?

The external conduct standards are consistent with the structure and broad intent of the existing ACNC governance standards. However, the external conduct standards have been refined to reflect that their focus is on the overseas activities of all Australian based charities. For this reason, some overlap is required to ensure they have their intended effect.

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The ACNC also recognises that the misconduct of a few can endanger confidence in others, and will act swiftly and firmly where necessary to protect trust in the sector.

Amendment Regulation No.2

Section 4

Registered entity is the Australian charity.

Third party can mean Global Development Group who requires a signed document and agreement to adhere to expectations of Global Development Group from the registered entity.

The external conduct standards are intended to provide greater confidence that charitable funds sent, and services provided, outside Australia are reaching legitimate beneficiaries and are being used for legitimate purposes. The standards are also intended to prevent a registered entity from being misused by a criminal organisation.

The external conduct standards assist in meeting Australia's international obligation including under the Financial Action Task Force Recommendations.

Application operating outside Australia:

For this division, a registered entity or third party, operates outside Australia if it operates outside Australia in whole or in part. I.e. Global Development Group

Standard 1

2b. Third party operating outside Australia is Global Development Group

3. Global Development Group will maintain the requirements itself and ensure (where it is the third party) that assurance is given to the registered entity.

Standard 2

2b. Third party operating outside Australia is Global Development Group

3. Global Development Group will maintain the requirements itself and ensure (where it is the third party) that assurance is given to the registered entity.

Standard 3

2b. Third party operating outside Australia is Global Development Group

Standard 4

2b. Third party operating outside Australia is Global Development Group