

Code of Conduct

Annual and Financial Reporting webinar

19 August 2015

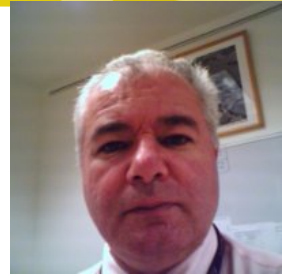
united against poverty



ACFID

Welcome

Presenter: Joe D'Angelo FCPA



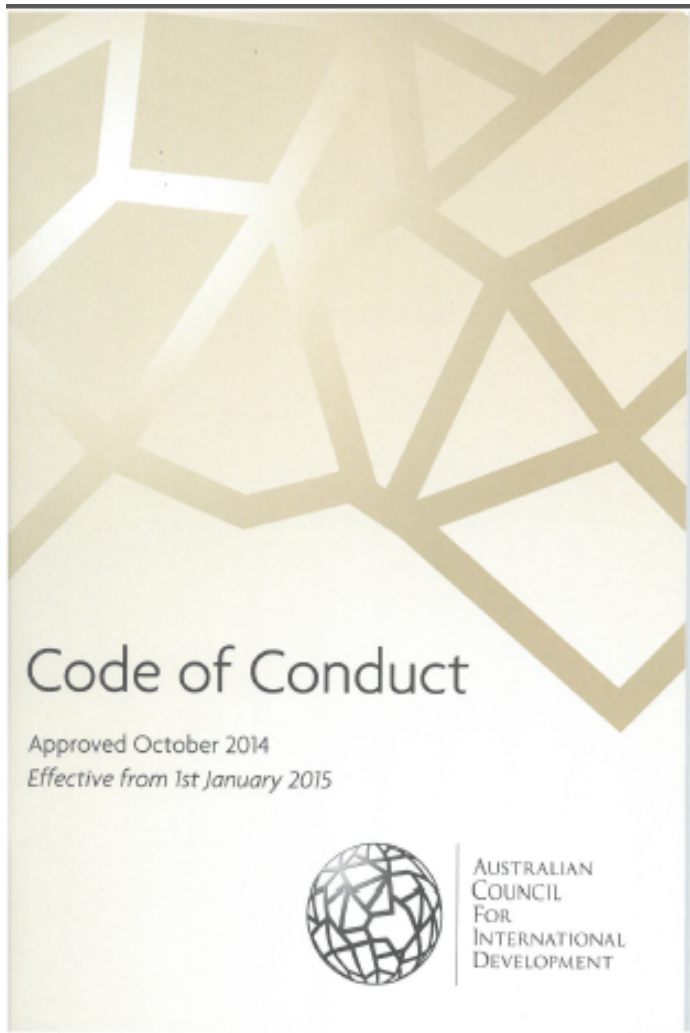
Are you able to hear me?

This webinar is through the computer so you don't need to ring up, just check your computer settings ie volume. If you still can't hear me, then type a message online and then we may ask everyone to phone up BUT please keep online to see this presentation.

Purpose

- Overview Code of Conduct annual and financial reporting requirements
- How to prepare a Code compliant annual report
- Discuss tips and common compliance issues – avoid pitfalls!
- Ask questions and have any concerns clarified

2 documents



The screenshot shows a web browser window displaying the ACFID website. The browser's address bar shows the URL 'http://www.acfid.asn.au/code-of-conduct/implementation...'. The website header features the ACFID logo on the left and the tagline 'united against poverty' on the right, with a sub-headline: 'ACFID unites Australia's non-government aid and international development organisations to strengthen their collective impact against poverty'. A search bar is visible on the right side of the header. Below the header is a navigation menu with links: Home | About ACFID | Membership | Aid Issues | Code of Conduct | Get Involved | Learning & Development | Resources & Publications | Me... The main content area is divided into two columns. The left column is titled 'Contents' and lists the following items: Introduction to Code and Guidance, A. Preamble, B. Program Principles, C. Public Engagement, D. Organisation, E. Compliance With The Code, and F. Definitions. The right column is titled 'Implementation Guidance' and lists: Introduction to Code and Guidance, A. Preamble, B. Program Principles, C. Public Engagement, D. Organisation, E. Compliance With The Code, F. Definitions, Examples, and Resources. The breadcrumb trail at the top of the right column reads: 'You are here: Home / Code of Conduct / Implementation Guidance'.

The Code

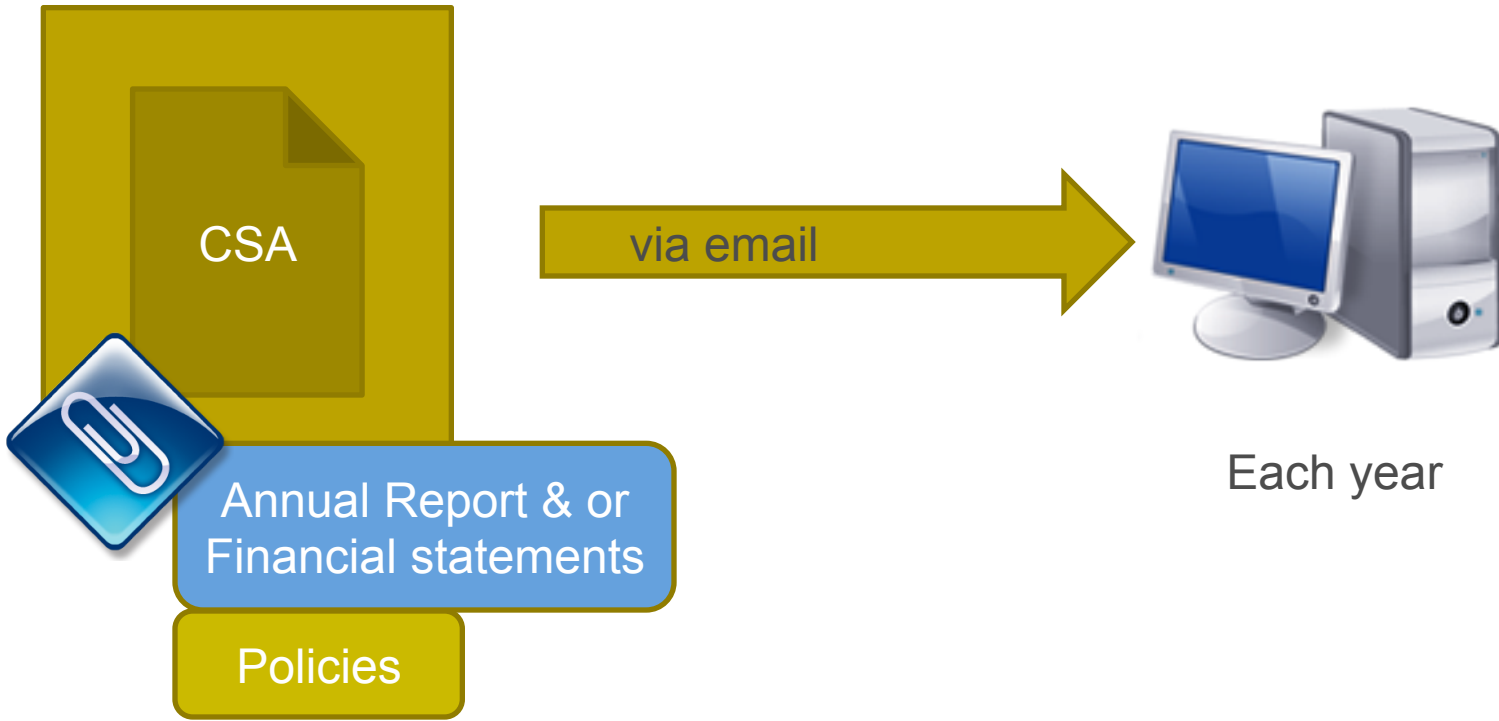
A. PREAMBLE	6	C. PUBLIC ENGAGEMENT	18
B. PROGRAM PRINCIPLES	8	C.1 Integrity in marketing and reporting	18
B.1 Effective aid and development	8	C.1.1 Transparency	18
B.1.1 Accountability to primary stakeholders	8	C.1.2 Reflecting values	18
B.1.2 Quality approach	9	C.1.3 Portrayal of local people	19
B.1.3 Consistency with vision, purpose and values	9	C.2 Annual reporting	20
B.1.4 Addressing gender	9	C.2.1 Transparency	20
B.1.5 Non-development activity	10	C.2.2 Financial statements	21
B.1.6 Environmental sustainability	10	C.2.3 Access to full financial reports	21
B.2 Relationships with partners	11	C.3 Fundraising	22
B.2.1 Mutual respect and support	11	C.3.1 Legal obligations and ethical principles	22
B.2.2 Clarity in roles and responsibilities	11	C.3.2 Truthfulness	22
B.2.3 Control of funds and resources	12	C.3.3 Responsibility	23
B.3 Human rights	13	C.3.4 Protection for donors	23
B.3.1 Human rights in aid and development	13	C.3.5 Acceptance of donations	23
B.3.2 Rights of vulnerable and marginalised people	13	C.3.6 Application of donated funds	24
B.3.3 Working with people with a disability	13	C.3.7 Disclosure of fundraising and administration costs	24
B.3.4 Protection of children	14		
B.4 Advocacy	15		
B.4.1 Speaking from evidence	15		
B.5 Emergency management	16		
B.5.1 International standards	16		
B.5.2 Coordination with other actors	17		

The Code ctnd

D. ORGANISATION	25	E. COMPLIANCE WITH THIS CODE	36
D.1 Structure	25	E.1 Compliance	36
D.1.1 Public benefit	25	E.1.1 Compliance with this Code	36
D.2 Integrity and ethics	26	E.2 Assessment of compliance	37
D.2.1 Legal requirements	26	E.2.1 Application to become a signatory	37
D.2.2 Respect for other NGOs	26	E.2.2 Annual assessment	37
D.2.3 Anti-fraud and anti-corruption	26	E.2.3 Annual reporting	38
D.2.4 Conflicts of interest	27	E.2.4 Promotional material	38
D.2.5 Environmental impact of operations	27		
D.3 Governance	28	E.3 ACFID Code of Conduct complaints handling	39
D.3.1 Governing instrument	28	E.3.1 Agreement to the process	39
D.3.2 Governing body	29		
D.3.3 Annual general meeting	29	F. DEFINITIONS	40
D.3.4 Governing body policies	30		
D.4 Financial management	31	G. GUIDE TO CODE ELEMENTS	42
D.4.1 Internal financial controls	31		
D.4.2 Auditing of financial statements	31		
D.4.3 Effective use of resources	32		
D.5 Staff and volunteers	33		
D.5.1 Human resources	33		
D.5.2 Professional conduct	33		
D.5.3 Training and development	34		
D.5.4 Human rights and anti-discrimination	34		
D.6 Complaint-handling within signatory organisations	35		
D.6.1 Value of complaints	35		
D.6.2 Accessibility and awareness	35		



Committed to the ACFID Code of Conduct



5 things to remember for your Annual report

1. Annual report basics
2. ACFID Logo & specific references
3. Ratios/graphics/statistics
4. Financial statements
5. Audit report & governing body declaration

1. Annual report basics

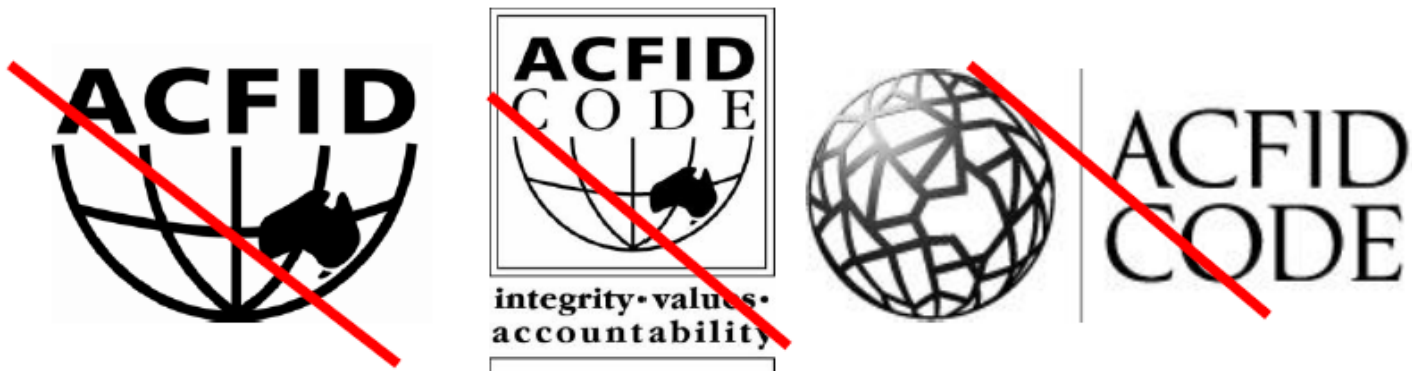
- Focus on organisational performance, activity for financial year and accountability to stakeholders
- Minimum requirement:
 - C.2.1.2 a) A description of the organisation's purpose, objectives/aims and values
 - b) A **plain language summary** of the organisation's income and expenditure and overall financial health
 - c) A description of the most significant aid and development activities undertaken during the reporting period and **their impact**
 - d) Information about **evaluations** into the effectiveness of and the learning from aid and development activity conducted by the organisation
- C.2.1.3 a) A report by the management and/or governing body

2. Logo &...

- This is the correct ACFID Member Logo:



- It is available in a range of formats for all Full Members, Affiliate Members and Interim Full Members to use on their website and other publications.



2. ...specific references

Example of references mandated by the Code (commonly presented on the same page as where the ACFID logo appears):

“(Organisation Name) is a signatory to the ACFID Code of Conduct, which is a voluntary, self - regulatory sector code of good practice. As a signatory we are committed and fully adhere to the ACFID Code of Conduct, conducting our work with transparency, accountability and integrity. **[C.2.1.3(c)]**”

To lodge a complaint against our organisation, please email XXXXXX on xxxx@xxxx. Our complaints handling policy can be found on our website. If you are not satisfied with the response and believe our organisation has breached the ACFID Code of Conduct, you can lodge a complaint with the ACFID Code of Conduct Committee at code@acfid.asn.au. Information about how to make a complaint can be found at www.acfid.asn.au” **[C.2.1.3(d)&(e)]**

3. Ratios/Graphs/Statistics

- C.3.7.1 “should not give the impression that fundraising has no costs”
- C.3.7.4 “will accompany any use of ratios with a note”

Questions?



4. Financial statements

2 options of reporting.

- Which reporting option applies to your organisation?
- Either Option 1 or Option 2

C.2.1.3(b) Financial statements comply with Code

Note: difference between full financial statements, or statutory accounts, and what needs to be included in the annual report

4. Financial statements Option 1

- Option 1



Less than \$250,000

Short form
Income
Statement

Table of Cash
Movements

Audit report

A reference to availability of full FFS

4. Option 1 Income Statement

	20XX	20XX-1
Revenue		
• Donations and gifts		
- Monetary		
- Non monetary		
• Grants		
• Other Income		
Total Revenue		
Expenditures		
• International Programs		
• Community Education		
• Fundraising Costs		
• Accountability and Administration		
• Non monetary expenditure		
Total Expenses		
Excess (Shortfall) of Revenue over Expenses		



- Definitions are provided at F.2 in the Implementation Guidance
- Note: Even if you have nil balance, please disclose!

4. Table of Cash Movements for Designated Purposes (TCM) Option 1 & Option 2

- *Different to a Statement of Cash Flow*
- Purpose to ensure accountability of Cash raised for designated purpose
- Only required if cash raised for designated purposes exceeds 10% of total international aid and development revenue
- If TCM not required, need to include statement or words to following effect “ *No single appeal, grant or other form of fund raising for a designated purpose generated 10% or more of the organisation’s international aid and development revenue for the financial year*”

4. Table of Cash Movements for Designated Purposes

	Cash available at beginning of financial year	Cash raised during financial year	Cash disbursed during financial year	Cash available at end of financial year
Designated Purpose or Appeal A Example: Horn of Arica appeal	Balance remaining of any funds raised for that designated purpose in the previous financial year	Total cash received for that designated purpose during the financial year	Total cash paid out on that designated purpose during the financial year	Total of any unexpended funds for that designated purpose at the end of the financial year
Designated Purpose or Appeal B Example : Somalia School program				
Total for other non-designated purposes				
TOTAL	Must agree to the previous year's total Cash asset in the Balance Sheet.	Must agree to the total of cash donations, government and other grants, interest receipts and any other income received during the financial year.	Must agree to the total of cash disbursements for the financial year.	Must agree to the total of cash assets in the Balance Sheet.



4. Financial statements Option 2

- Option 2



\$250,000 or greater

Longer form
Income
Statement

Table of Cash
Movements

Balance Sheet

Statement of
Changes in Equity

Audit Report

Option 2 Income Statement

	201X	201X-1
REVENUE		
• Donations and gifts		
• Monetary		
• Non-monetary		
• Bequests and Legacies		
• Grants		
• Department of Foreign Affairs & Trade		
• Other Australian		
• Other overseas		
• Investment income		
• Other income		
• Revenue for International Political or Religious Adherence Promotion Programs		
TOTAL REVENUE		
EXPENDITURE		
International Aid and Development Programs Expenditure		
• International programs		
• Funds to international programs		
• Program support costs		
• Community education		
• Fundraising costs		
• Public		
• Government, multilateral and private		
• Accountability and Administration		
• Non-Monetary Expenditure		
Total International Aid and Development Programs Expenditure		
• International Political or Religious Adherence Promotion Programs Expenditure		
• Domestic Programs Expenditure		
TOTAL EXPENDITURE		
EXCESS / (SHORTFALL) OF REVENUE OVER EXPENDITURE		



- Definitions are provided at F.2 in the Implementation Guidance
- Note: Even if you have nil balance, please disclose!

5. Audit Report & Governing body declaration

- Audit Report – Clause D.4.2

- Match
- If you do insert your full financial statements within your Annual report, please watch your **page numbering** (particularly if the Audit report mentions which pages have been audited)
- Identity, contacts and qualifications (Often an auditor may put 'Partner' however this is not their qualification)
- Signed



5. Governing Body Declaration

Eg Directors Declaration, Management Declaration, Declaration by Committee/Trustee.

This is required to be completed by all Signatory Organisations. However you can choose whether to include this in your Annual report or not.

EXAMPLE OF FORMAT

The [Governing Body] of [Name of Association] declare that:

(a)the financial statements and notes as set out on pages [xx] to [xx], are in accordance with the [relevant Incorporated Associations Act] and:

- i. comply with relevant Australian Accounting Standards as applicable; and
- ii. give a true and fair view of the financial position (*or presents fairly the financial position (if in South Australia)*) as at [balance date] and of the performance for the year ended on that date of the association;

(b)in the [Governing Body's] opinion there are reasonable grounds to believe that the association will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the [Governing Body].

[Signature]

[Name] _____

[Title - position on Governing Body]

[Signature]

[Name] _____

[Title - position on Governing Body]

[Date]

[Place]

Definitions.....

- F.2 (pages 57 to 61)
 - To be used in preparation of your financial reports
 - Consult your professional advisors for clarification of appropriate accounting treatment for your organisation
- Use of Non-monetary headings – expenses must offset revenue.
- International Political or Religious Adherence promotion
 - See B1.5 (pages 8 - 9): Need clear separation through policy or guidelines between aid and development and non-aid and development.

Definitions continued.....

▪ Fundraising Definition

- International projects fundraising costs - public
 - Production and mailing of materials, marketing, costs of establishing and maintaining donor databases, payment to 3rd parties to provide fundraising services, donation related bank fees and **costs of personnel** involved with fundraising and marketing campaigns
- International projects fundraising costs – Government, multilateral and private sector
 - **Costs of personnel** in preparation of funding submissions for, and reporting against grants from government, multilateral organisations, corporate and philanthropic organisations

Even more Definitions.....

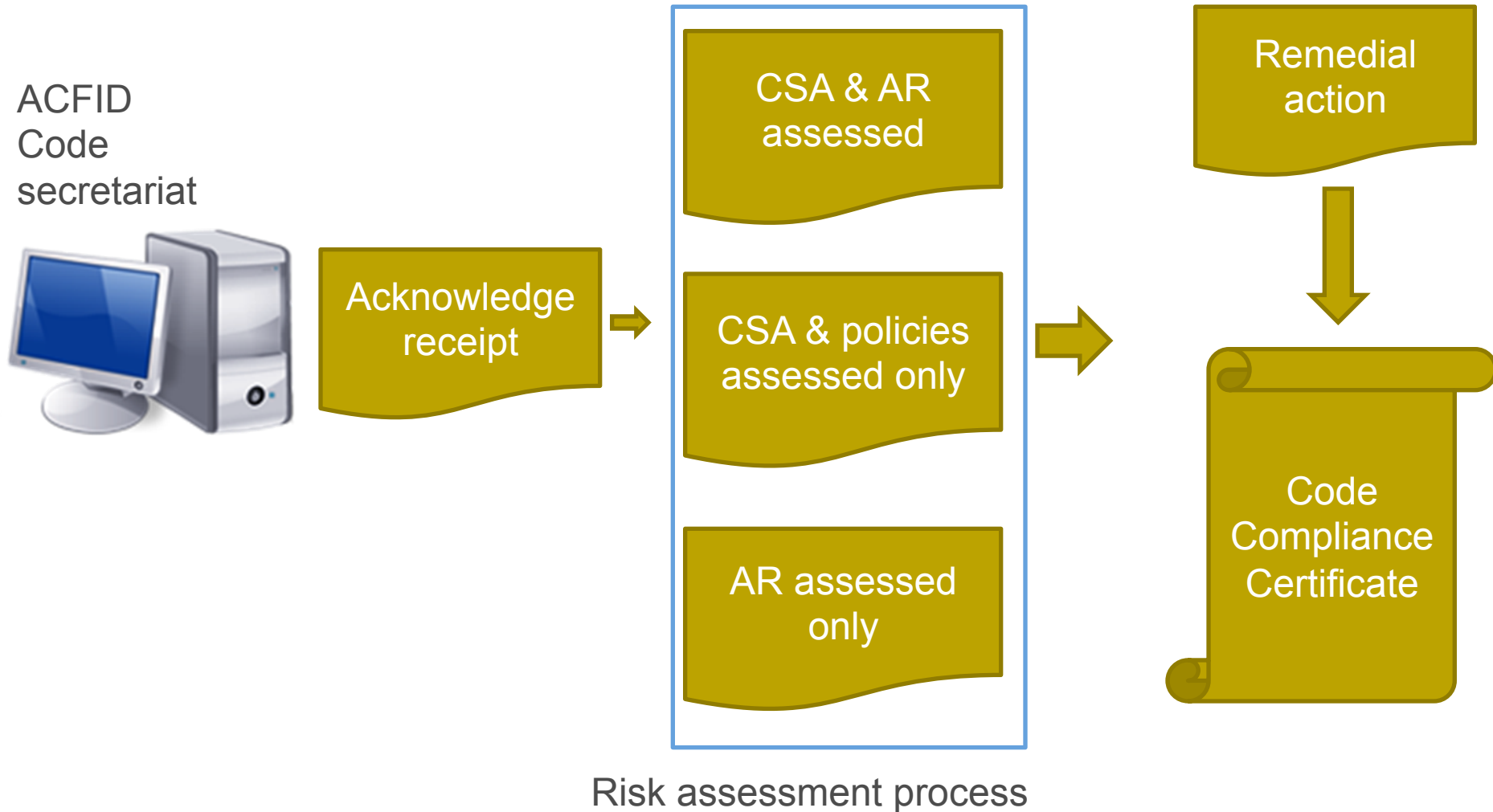
Key highlights :

- **Accountability and Administrative costs** – C3.7 organisations should not give the impression that fundraising has no costs nor that aid and development programs have no administrative component.
 - Includes costs (not able to be allocated to a program activity) associated with overall operational capability of the organisation :
 - Audit and accounting
 - Legal fees
 - Membership and subscriptions
 - Management costs of international secretariat functions
 - Office accommodation expenses (rent, maintenance, depreciation, utilities etc.)
 - Bank charges (not donation related)
 - General staff training

Questions?



Annual Report Assessment Process (ARAP)



Useful Tips and Common Compliance Issues – Avoid Pitfalls! (Slide 1 of 2)

Tips to producing a Code compliant Annual Report

1. Refer last year's Compliance letter and attachment to ensure deficiencies are rectified.
2. Apply Financial Definitions (Part F), in particular, please ensure program expenditure, community education, fundraising and administrative expenses have been correctly captured and reported.
3. Financial **templates** used - all reporting headings are used or noted as a minimum
4. Submission within 5 months end of reporting period
5. Must publish Financial statements within the Annual Report (**one** same document) & include statement that they are prepared in accordance with the Code
6. **Audit report** is included in Annual Report, is signed with details of qualifications, identity and contact details and relates specifically to the reports therein.



Useful Tips and Common Compliance Issues – Avoid Pitfalls (Slide 2 of 2)

- Tips to producing a Code compliant Annual Report continued:
 7. Table of Cash movements (TCM) for Designated Purposes is included or noted that one is not required, Closing balance reconciles back to Cash/Cash equivalents on Balance Sheet.
 8. There is a statement of commitment to full adherence to the Code. C.2.1.3.c
 9. Your Annual report identifies the ability to *lodge a complaint* against the organisation and a point of contact AND also identifies the ability to lodge a complaint for breach of the Code with the ACFID Code of Conduct Committee and a point of contact. C.2.1.3.d & e
 10. Ratio or pie chart is accompanied by note explaining how they are determined (be careful that all labels are present and your charts/graphs aren't misleading)
 11. *Governing body declaration* provided and signed (note that this does not need to be included in the Annual Report, usually with full set of financial statements which must be provided if separate to the annual report)

Most common non-compliance issues

1. Lack of plain language summary of financials
2. Lack of information on evaluations
3. One of the four mandatory notes missing:
 - a) Complaints (x2)
 - b) Commitment to the code
 - c) Financial statements prepared in accordance with code
4. Forgetting to forward full financial statements (which will usually include the governing body declaration)

Financial Review Standing Committee and Finance Managers Working Group

- The *Financial Review Standing Committee* is formed by the Code Committee and meets throughout the year. This committee assists the Code Compliance advisor and takes recommendations from the Finance Managers Working Group to the Code Committee on updating the Implementation Guidance each year.
- The *Finance Managers Working Group* is coordinated by members for members. If your organisation is a member of ACFID then you can be accepted and have access to [Basecamp](#) and invited to a face-to-face meeting (at least once a year). It reviews regulatory and accounting standards changes and also looks at current topics of interest to organisations in the NFP sector specifically around financial topics.



Final Tips

- Please contact us if you know you are going to be lodging your reports late.
- Ensure that last years non compliance issues have been dealt with (contact us if you need another copy of your Attachment A)
- Repeated Remedial issues will need to be rectified before your organisation can be considered compliant with the Code.
- If your organisation is compliant or only received minor issues, and your organisation's CSA is also compliant, a certificate will be sent out confirming this.
- Contact Joe D'Angelo on 6281 9234 (Mon-Wed) or JDAngelo@acfid.asn.au for any assistance relating this topic.

Final Questions?



- A feedback email will be sent to you after this course. We would be happy for your suggestions and or improvements.
- Thanks!