



# CharitiesInfo

Newsletter published by Consumer Protection, a division of the Department of Consumer and Employment Protection



## Financial Returns

***Did you know that each licensed charity is required to submit its annual audited accounts within four months of the end of its financial year?***

The full set of accounts must include a Balance Sheet and an Income and Expenditure Statement, sometimes called a Profit and Loss Statement, that lists the various types of charitable income and related expenses.

An independent auditor, approved by the minister, should be used to audit the accounts. The auditor must be a member of one of the organisations listed below:

- The Association of Taxation and Management Accountants (ATMA);
- The Institute of Chartered Accountants(CA);
- The Australian Society of Certified Practising Accountants (CPA); or
- The National Institute of Accountants (NIA).

Make sure that the Income and Expenditure Statement is sufficiently detailed to allow easy identification of all charitable collections.

The funds raised from charitable collections must be shown as separate income lines in the accounts. Similarly, fundraising expenses (e.g. salaries, wages, commissions and any professional fundraising fees etc.) must be disclosed separately in the accounts. The accounts should also show where the funds raised for the charitable purpose have been distributed.

If returns are not received within four months of the end of the financial year, Consumer Protection is obliged to report the matter to the Charitable Collections Advisory Committee, who may make recommendations including the possibility of revoking the charity's licence.

## Report Anything Suspicious

***Scams, rip-offs and fraud are becoming more and more commonplace. In response to this, the Department of Consumer and Employment Protection has developed WA ScamNet which profiles scams and gathers information from Western Australian consumers and businesses that have been targeted.***

Charitable purposes are one of the 'hooks' scam perpetrators use to capture public interest. Unfortunately, such scams can undermine public confidence in legitimate charitable activities.

If you receive or are aware of any suspicious emails or letters regarding a charity, or individuals representing themselves as belonging to a charity, tell us about it.

Consumer Protection can identify the most prevalent scams and provide information to law enforcement agencies here in Australia and overseas.

For more information, go to the website at [www.docep.wa.gov.au/WaScamnet](http://www.docep.wa.gov.au/WaScamnet) or give us a call on **(08) 9282 0862**.

## Welcome

Welcome to the first issue of the Charities Info newsletter. This newsletter was created for the purpose of better informing licensed charitable organisations of the requirements of the Charitable Collections Act 1946 and other related areas of interest. For more information on any of the topics in this newsletter, or to make a suggestion for future issues, please contact Consumer Protection's Charitable Collections Section on (08) 9282 0832.

## HOW DO YOU ACCOUNT FOR DONATED GOODS

Many licence holders receive donations of items such as used clothing, furniture and bric a brac. What is the best way to account for these donations in the financial accounts?

The use to which the goods are put provides a simple and effective policy for doing this. Donated goods are usually:

- passed on to a beneficiary, such as a needy family (e.g. used furniture or clothing); or
- sold to generate funds (e.g. through an “op shop”).

Less frequently, they may be retained for use by the licence holder (e.g. a gift of real estate premises for its own occupation).

Where goods are distributed to beneficiaries, their value is recorded in the accounts (i.e. recognised) only when distributed.

Where goods are converted into cash, they are recognised only when sold.

Where a gift is for the charity’s own use, it is recognised when the charity has legal title to the gift.

In all cases, the dollar amount at which such goods or gifts are brought into the accounts should be either a reasonable estimate of their gross value to the licensee or the amount actually raised.

Using such methods, however, could result in the licence holders understating their charitable collections income in any particular income year. For example, where it was not possible to either distribute or sell all the goods in the year they were donated. On balance however, this is seen to be preferable to requiring charities to value and recognise each donated item when it is received.

## CHANGE OF ADDRESS

Don’t forget to notify us if the address or contact details of your organisation changes at any time.

## PRINCIPAL EXECUTIVE OFFICERS

This is a term used to define the office holders that have senior roles within the organisation and are responsible for the charitable collections and how they are distributed.

Did you know that it is a legal requirement for the licensed charity to notify us within one month of changes to their Principal Executive Officers?

Did you also know that each incoming Principal Executive Officer must supply us with either an original or certified copy of a current Police Clearance issued within the last six months. The Police Clearance enables us to conduct a “fit and proper” person check on each individual.

## RAFFLES

The sale of raffle tickets does not fall under the jurisdiction of the Charitable Collections Advisory Committee and all inquiries regarding raffles should be directed to the Office of Racing, Gaming and Liquor on **08 9425 1888**.

The Office of Racing, Gaming and Liquor can be accessed via the web at [www.orgl.wa.gov.au](http://www.orgl.wa.gov.au).

## MONEY MATTERS

Organisations must be aware that when dealing with large amounts of money, basic risk management procedures should be put in place to minimise the likelihood of fraud occurring.

DOCEP has produced a Voluntary Code of Practice which licensed charitable organisations are invited to adopt. This code provides guidelines for charitable organisations to follow.

Organisations that have adopted the code are required to:

- comply with Australian Accounting Standards when preparing accounts;
- include a balance sheet and an income and expenditure statement in the financial statements;
- receipt and record all donations;
- have all cheques signed by not less than two persons (preferably the two people should not be related);
- use an independent approved auditor to audit accounts; and

- retain records for not less than five years.
- make sure that when handling cash:
  - two people are present when processing unreceipted cash donations and money boxes;
  - clear rules are in place for managing petty cash;
  - receipts are issued and a duplicate kept of any donations made outside the organisation’s offices; and
  - money boxes are numbered and sealed in a tamper proof manner, and a record is kept of where they are placed.

## HOW MUCH OF YOUR INCOME IS FROM CHARITABLE COLLECTIONS?

Each year charitable organisations are required to show income as separate items in the accounts submitted to the Charitable Collections Advisory Committee. In recent years the Committee has noted that many licence holders do not adequately distinguish charitable collections income from general income in their accounts.

Examples of charitable collections income could include:

- donations received as a result of a fundraising appeal;
- amounts received from a professional fundraiser;
- unsolicited donations;
- proceeds of fundraising events such as balls, fetes, garden parties, fashion parades and movie nights;
- bequests from deceased estates;
- proceeds of a street collection;
- proceeds of raffles or lotteries;
- funds raised by participants in events such as bike riding for a charity;
- proceeds from activities such as selling Christmas cards, pens, cakes or chocolates; and
- donated clothing.

If your charity derives income from any of these sources, that income must be shown separately from any other income received. This is a requirement of section 15(1) of the Act.

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Disclaimer: The information contained in this newsletter is intended as a guide only. For more detailed information please refer to the relevant legislation or seek legal advice.