



Canada's charities say Gomery response could be crippling

Federal administrative burden would divert resources away from services.

Ottawa, November 24, 2005. Imagine Canada's submission to the Gomery Inquiry warns that the federal government's new emphasis on administrative controls in reaction to the sponsorship scandal will lead to an increased burden for already strapped charitable and nonprofit organizations.

"Federal government funding plays an important role for Canada's charities," says Georgina Steinsky-Schwartz, president and CEO of Imagine Canada. "The challenge is that many organizations are spending more time filling out reports and less time meeting community needs."

The submission, prepared with the support of Canadian Policy Research Networks and Canadian Council on Social Development argues that excessive concerns about financial accountability have shifted the focus of voluntary sector service providers from delivering their critical programs and services to tracking minor expenditures – even down to the number of pencils and photocopies used by employees. The burden this imposes becomes clearer when one considers that 42 percent of organizations have budgets of less than \$30,000. In many organizations, the people filling out the forms are the same people hired to deliver services. It is often difficult to do both at the same time.

Canada's voluntary sector is the preferred government delivery agent for a wide variety of programs and services. Government funding provides slightly more than half (51.2 percent) of total revenues received by the voluntary sector. In specific sub-sectors such as hospitals, colleges and universities, and the social services sector, government revenues are even more significant at 70, 56 and 66 percent respectively. Government funding for smaller community-based organizations has tended to take the form of relatively smaller grants, with many under \$100,000.

"More paperwork will stifle the capability, creativity and innovation that is the backbone of social programming and services in Canada," according to Steinsky-Schwartz. "It's our hope that Canada's charities can continue to operate as a healthy, accountable link between Canadians and our government – but we need to strike the right balance between accountability and service."

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Imagine Canada encourages Justice Gomery to put forward recommendations that will strike the right balance between the need for financial controls and the effective and efficient operations of charities and nonprofits. The submission urges the federal government to:

- refocus accountability practices to better balance the need for financial controls and risk-management with the need for measurement of results;
- improve the processes by which the Government of Canada is accountable to Canadians; and
- entrench the Accord Between the Government of Canada and the Voluntary Sector and the Codes of Good Practice on Funding and Policy Dialogue in all relationships with the voluntary sector.

For Imagine Canada's detailed recommendations, please refer to the attached backgrounder.

Imagine Canada is a national organization that supports Canada's charities, nonprofit organizations, and socially conscious businesses and champions the work they do in our communities.

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BACKGROUND

Recommendations to Justice Gomery

1. Refocus accountability practices to better balance the need for financial controls and risk-management with the need for measurement of results. In the routine management of government contribution agreements with voluntary sector organizations, financial accountability must be accompanied by an equal and parallel emphasis on accountability for programme effectiveness and learning. Management practices must therefore include:

- less onerous and more selective accountability measures and reporting;
- risk management frameworks that distinguish between high and low risk initiatives by considering important factors such as the sponsor's history, the value of the agreement, the complexity of the project, and the percentage of sponsor funding the agreement will provide; and,
- the capacity to support service innovation and programme delivery that is tailored to local needs.

2. Improve the processes by which the Government of Canada is accountable to Canadians, through:

- *improved transparency* – timely and relevant information that is widely available;
- *clear goals and programme objectives* – only then can results be measured;
- *designated responsibility for decision-making* – a key component of accountable government;
- *ongoing engagement with service partners, such as the voluntary sector* – government policies and programmes can benefit from the experience, expertise, knowledge and ideas offered by the voluntary sector;
- *increased opportunities for citizen engagement* – the public needs to be encouraged to participate in democratic life. The voluntary sector can play a leadership role in building civic involvement and facilitating Canadians' participation in public policy dialogues.

3. Entrench the *Accord Between the Government of Canada and the Voluntary Sector and the Codes of Good Practice on Funding and Policy Dialogue* in all relationships with the voluntary sector. In 2001, the Government of Canada and the voluntary sector signed the *Accord* to strengthen their shared ability to serve Canadians. The *Codes of Good Practice on Funding and Policy Dialogue* were subsequently developed as practical tools to help implement the *Accord*.

The *Code of Good Practice on Funding* contains a section on accountability that identifies specific measures to improve the flexibility, responsiveness and consistency of funding arrangements. This document holds enormous promise for reshaping the contracting accountability regime.

It commits the federal government to:

1. make accountability standards and procedures flexible enough to accommodate a variety of approaches and the limited capacity of smaller organizations while ensuring effective protection of, and proper accountability for, public money;
2. take into account the monitoring arrangements already agreed to by other funders of a voluntary organization, as well as the quality assurance systems the organization may already have in place;
3. agree on well-defined, measurable results and clear roles and responsibilities; and,
4. recognize that different community groups can manage their resources in different ways and still meet the government's accountability requirements.

It commits the voluntary sector to:

1. ensure sound financial management, including accounting procedures in accordance with generally accepted accounting principles;
2. provide effective board governance;
3. adhere to ethical fundraising practices;
4. ensure that sufficient monitoring, internal management, and client and funder accountability systems are in place; and,
5. ensure that organizations have the financial expertise needed to fulfill all their financial management, recording, and reporting obligations.

In addition, the *Code of Good Practice on Funding* addresses the issue of stability of funding by reinforcing the use of multi-year funding agreements, where appropriate, and the use of a Strategic Investment Approach to strengthen the capacity of voluntary organizations over the longer term.