



Australian
Charities and
Not-for-profits
Commission



BUSHFIRE RESPONSE 2019-20

Reviews of three Australian charities

Australian Charities and Not-for-profits Commission

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Background

On 4 September 2019, the first fires of what would become Australia's catastrophic 2019-20 summer bushfires began. Many communities were badly affected: the fires caused the deaths of 33 people and countless wildlife, threatened many other lives and livelihoods, destroyed more than 3,000 homes, decimated 17 million hectares of land, and stifled the peak tourism season before finally being extinguished in March 2020.

During the bushfires, an outpouring of generous support from the public raised more than \$640 million for relief and recovery efforts. A survey undertaken by the Fundraising Institute of Australia between 16 and 19 January 2020 indicated that 53% of Australians had donated to a bushfire appeal, with a median value of \$50. Most important, the survey also indicated that 88% of donors expected donations to be used within a few months. Due to the scale of the crisis and the amount of donations, there was an increased demand from donors for assurance that their money was reaching people in need.

In times of disaster, Australian charities have historically responded well with programs that support individuals and communities in need. They have provided necessary support in both the immediate aftermath of disasters and in the longer-term recovery phase. It is in this context that the public needs to understand how charities use the funds they receive in donations.

Why we conducted the reviews

By mid-January 2020, it became evident that there was a significant gap between public expectation of how bushfire donations should be spent and how rapidly the money could be distributed and the reality for organisations responding to the disaster.

Media reporting emerged suggesting that charities were not distributing money to people in need fast enough, that they were stockpiling money, and that they were spending too much on administration.

In late January 2020, the ACNC Commissioner promised the ACNC would undertake reviews of some charities involved in the bushfire response before the 2020-21 bushfire season. The reviews would work to maintain, protect and enhance public trust and confidence in the charity sector.

We chose three charities for these reviews:

- Australian Red Cross Society (Red Cross)
- The Trustee for NSW Rural Fire Service & Brigades Donations Fund (NSW RFS Trust)
- NSW Wildlife Information Rescue and Education Service Incorporated (WIRES).

We chose these three charities because they received significant donations, attracted high levels of public interest, and worked in a variety of areas and fields affected by the bushfires.

In conducting the reviews, we asked three specific questions of the charities. These questions allowed us to focus on each charity's response to the bushfires, and they also reflected the Governance Standards that are central to our regulation. The *Australian Charities and Not-for-profits Commission Act 2013 (Cth)* (ACNC Act) and *Australian Charities and Not-for-profits Commission Regulation 2013 (Cth)* (ACNC Regulations) ensure that a charity spends its funds on purposes outlined in its governing document and that the people responsible for managing a charity must do so in the charity's best interests.

The secrecy provisions in Division 150 of the ACNC Act govern the information that we can share about our work. They usually prevent us from making information about our work public. However, in this instance, making the reviews public was imperative to maintain confidence in the charity sector.

The three charities that we reviewed each provided consent for the release of the information in this report. Their willingness to cooperate with the ACNC in making the reviews public shows their commitment to transparency.

This report presents the details of our reviews and provides insights into the challenges the charities faced. The ACNC intends to undertake reviews of other charities involved in bushfire response when data covering the bushfire period becomes available through the Annual Information Statement.

How we conducted the reviews

We asked for information from each of the three charities so we could evaluate their performances based on three questions:

- Is the charity spending funds from bushfire donations on bushfire-response programs?
- Is the charity taking a strategic and reasonable approach to the disbursement of the funds?
- Is the charity taking adequate steps to protect the funds against fraud?

Rather than undertake a full investigation of the charities, we adopted a 'negative assurance' approach, which meant that we accepted the evidence presented by the charities at face value unless there was a reason not to. This allowed us to balance our assessment of the issues with the need to report in a timely manner to provide assurance to the public ahead of the next bushfire season.

At the outset, the ACNC Commissioner and ACNC Executive discussed the reasons for the reviews with each charity and ensured they understood the scope. ACNC staff then engaged with each charity, meeting with managerial and front-line staff to understand how each charity managed its response to the bushfires. All three charities also supplied documentary evidence for us to assess.

In addition to the information provided in these reviews, the charities will provide the ACNC with fully audited financial reports covering the bushfire period as part of their regular reporting requirements. These reports, however, will not be available until the first quarter of 2021. When they are available, we will publish them on the ACNC Charity Register as we do with all charities' financial reports.

How the charities performed

Having reviewed evidence and interviewed staff from the charities, the ACNC is satisfied that the three charities have positively answered the three questions put to them.

Red Cross

- Red Cross has allocated all donations it received for the bushfires to bushfire-related activities, including the administration costs required to deliver the activities. It will have disbursed the great majority of its funds by December 2020 and it will continue to spend funds on a range of programs, from response to recovery, over three years.
- It has access to appropriate skills and expertise to manage the delivery of its programs. It has released information about its projects, allocations and disbursements regularly.
- It has fraud detection practices in place, and has identified suspicious applications for grants.

NSW RFS Trust

- NSW RFS Trust has implemented a plan to spend all donations it received for the bushfires on bushfire-related activities.
- It sought appropriate advice to ensure the programs it planned to implement were within its legal bounds, demonstrating good judgement by its management. This occurred despite high expectations from the public to undertake additional activities.
- NSW RFS Trust relies on NSW Rural Fire Service to implement its funding decisions. NSW Rural Fire Service is a government department and has appropriate controls in place. Given the significant amount of funds it now controls, NSW RFS Trust could consider introducing its own audit and risk committee to provide further advice.

WIRES

- WIRES is allocating its funds towards bushfire-related activities, with some programs aiding animals affected by future disasters. Its initial grants supported WIRES branches and other organisations to aid injured animals.
- It is planning for the long-term distribution of funds on a range of activities in line with its charitable purposes.

- WIRES has taken steps to protect itself against fraud, including enhancing its IT protection and undertaking grant assessment and acquittal processes. It is developing a fraud protection plan to enhance its practices.

Issues we identified

Responding to the 2019-20 summer bushfires was challenging and made more complicated by a range of factors, including a significant increase in donations, high expectations from donors, and difficulty identifying eligible recipients in some cases.

The ACNC identified key issues that affected the response of these charities to the bushfires. We have also included detailed case studies on each charity to explore their individual experiences, the specific challenges they faced and actions they took.

Managing uncertainty and program delivery

The three charities had to deliver programs in an environment of uncertainty, including not knowing:

- the number and amount of donations and other funding they would receive
- when they would receive funding
- the total demand for aid and services
- when they would receive requests for aid and services.

To effectively manage risks during uncertainty, and to meet community needs, it is important that charities plan the use of their resources, despite pressure to act quickly. While immediate relief activities are essential, overcommitting resources means a charity may not be able to help people whose needs emerge later in the recovery process.

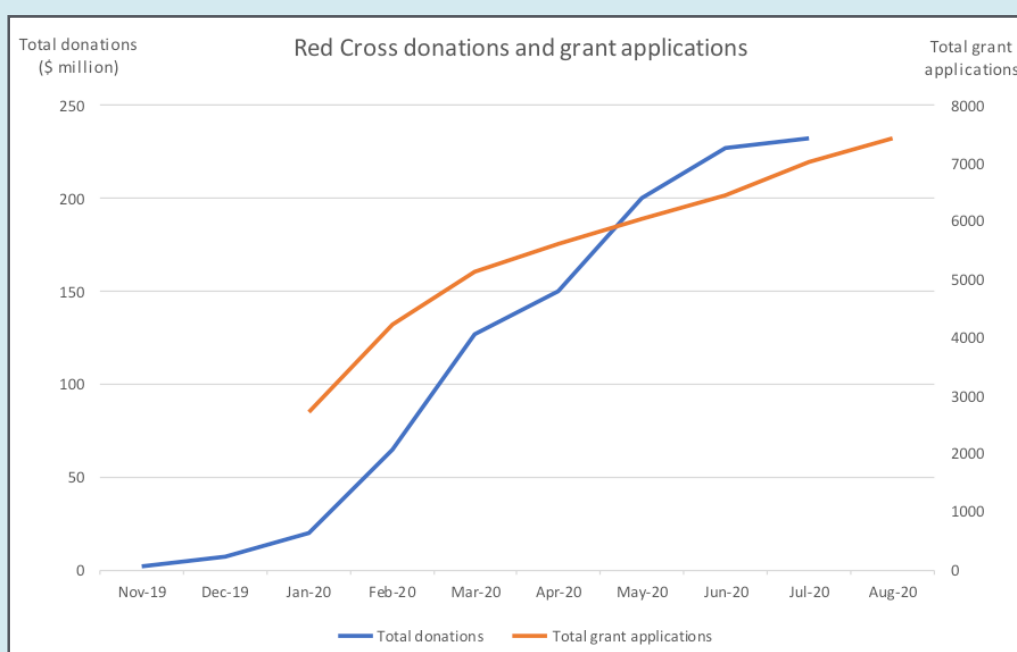
The charities we reviewed found there was a lack of current and comprehensive information on which they could rely to make decisions about affected communities. This, they advised, was a barrier to program delivery. They cited, for example, a lack of comprehensive data on properties damaged by the bushfires, a lack of information about how animals were affected, and no national licensing for wildlife carers and rescue organisations.

Red Cross had to resort to staff physically inspecting some properties to find people in need and verify grant requests. The lack of current and comprehensive information meant the charities had to take time to understand people's needs and where they were to properly deliver programs in response.

Donations and long-term demand

Needs and donations during the bushfires emerged over time. They began in January 2020 but the needs of affected communities continues today and beyond. For example, Red Cross has received over 850 new requests for aid since 30 June 2020. These requests came from people who initially were able to or chose to rely on their own resources but later needed support. Their needs had to be met too.

The chart shows how Red Cross's donations and grant applications increased over time. It shows that, for example, a decision made in January 2020 based on the available funds and an assessment of needs would be different to one made in April 2020.



Donor expectations and charity obligations

Australian and international donors were extremely generous in donating to charities with bushfire appeals. Most donations were smaller amounts given by individuals either directly to the charity or via a third party. For example, a campaign run by a third party to benefit NSW RFS Trust received 1.3 million donations.

As well as an obligation to meet donor expectations, charities have legally binding constitutions or trust deeds that determine how they can use funds. We reviewed the actual and planned expenditure of the charities and found that they have allocated the donations in line with their legal obligations, and that all funded programs relate to the bushfire response. The extent to which the

charities could deliver programs that aligned with donor expectations was limited by a charity's rules or ability to increase the scale of its programs.

Limitations on the use of funds

Both NSW RFS Trust and WIRES received significantly more funds from bushfire donations than they had ever managed before. But how the charities could expand their work, in both programs and locations, is determined by their governing rules and the needs of communities, regardless of donor expectations.

The trust deed of NSW RFS Trust limits its activities to supporting fire brigades established under the *Rural Fires Act 1997* (NSW) (Rural Fires Act), and to activities that 'enable or assist them to meet the costs of purchasing and maintaining fire-fighting equipment and facilities, providing training and resources and/or otherwise meet the administrative expenses of the brigades which are associated with their volunteer-based fire and emergency services activities.'

This limits its use of bushfire donations to actions that assist NSW rural fire brigades, as confirmed by the Supreme Court of NSW. Some campaigns run on behalf of NSW RFS Trust nominated activities that it could not deliver.

In contrast, WIRES's trust deed allows it to engage in a range of activities including rescuing and caring for sick, injured or orphaned native wildlife, training, and supporting research. It does not have a state-based limitation on its activities.

As such, WIRES has greater legal flexibility to expand its programs and the locations in which it operates. WIRES advised it now intends to work nationally and to support other organisations, whereas its funding previously limited its activities to NSW. The split of funds between its various purposes will depend on its strategy and assessment of needs – for example, in addition to supporting animals affected by extreme events nationally, training and research will make up a larger component of WIRES's work in future.

The two organisations have contrasting responses to similar revenue increases due to their legal limitations and operational realities. Donors need to understand that charities may have legal and practical limitations, and they should not make assumptions about how a charity will spend funds.

Understanding donor intentions is challenging for charities when they do not have direct contact with donors. The three charities that we reviewed had millions of donors and received donations from multiple third-party fundraising activities. Ordinarily, the charities manage donor expectations with planned communication strategies in which they provide information about plans for funds and report publicly on the outcomes of their work. However, in the bushfire response, the charities'

ability to communicate effectively with donors was reduced due to the influx of international donations, fundraising by third parties, and donations from online platforms.

Third-party fundraising campaigns

NSW RFS Trust received significant promotion online from a celebrity, which was initiated without NSW RFS Trust's involvement and resulted in an extraordinarily successful social media fundraising campaign recording 1.3m donations totalling \$51.2m. The campaign worked rapidly – it reportedly raised \$30 million between 3 and 5 January 2020.

The campaign also raised public expectations of NSW RFS Trust's use of the money by promoting on social media platforms activities that NSW RFS Trust could not legally deliver, a point that the public may not have understood.

- Initial promotion of the campaign, particularly through Facebook, stated that donations would support fire brigades, people affected by bushfires and animals.
- The campaign directed donations to the PayPal Giving Fund (PPGF), another registered charity.
- The PPGF transferred all donations to NSW RFS Trust shortly after the campaign closed. At this point, the donations became NSW RFS Trust's 'charitable funds' and could only be spent on activities outlined in its trust deed.

NSW RFS Trust did attempt to intervene early – at the first point it could have identified a potential issue. However, by that point the campaign had already been initiated and raised tens of millions of dollars.

Consequently, the NSW RFS Trust could neither control the messages during the fundraising campaign nor identify donors and communicate with them directly after they had donated. Media reports, evidence given in the Supreme Court of NSW and submissions made to an inquiry into the Rural Fires Amendment (NSW RFS and Brigades Donations Fund) Bill 2020 suggest that this led to a significant difference between donor expectations and the programs NSW RFS Trust could implement.

To confirm its position, NSW RFS Trust sought a ruling from the Supreme Court of NSW on the full range of possible actions it could take. It sought clarification on its trust deed to determine whether it could deliver activities that more completely reflected donor expectations. However, the court confirmed the relatively narrow scope of the activities NSW RFS Trust could legally undertake. While donors may be disappointed, NSW RFS Trust must make legally correct decisions on how it spends its charitable funds.

When considering a donation, members of the public can find information about a charity and the activities it can undertake on the charity's website and through information on the ACNC Charity Register. The message that people should check the ACNC Charity Register for information about charities appeared to resonate with the public as visits increased from 1.2 million (January to June 2019) to 1.8 million (January to June 2020).

Reporting and transparency

It costs money to run a charity. It requires infrastructure and staff to deliver programs. The ACNC Act and Regulations do not set benchmarks for charities' administration costs because, as every charity operates differently, they are not reliable measures of effectiveness. Focusing on what a charity achieves gives a better understanding of its work than its financial information alone. Nevertheless, a charity should use funds in a way that maximises its impact, and the ACNC may look into a charity's operations to ensure it is run in accordance with its obligations.

For example, Red Cross announced it would use all funds from donations for the bushfires on relief and emergency recovery programs, including \$5 million to fund its on-the-ground emergency services team (which provides 24/7 support and evacuations, relief centres and outreach services) and the administration costs needed to deliver its programs. Red Cross has been transparent by making this information public.

An important way that a charity fulfils its obligations to the ACNC and the public is by reporting on outcomes – via annual reports, websites, and media releases – so the public can understand its activities and use of funds. Each of the three charities we reviewed produced public information about their programs to support the bushfire response. This included updates on the funds it had distributed, information about the programs it was implementing, information about future programs and funding, and requests for grant applications.

In emergency situations it may not be possible for charities to begin delivering programs immediately. They need information and time to plan their responses and how they can maximise their impact. Charities must be able to retain funds while they plan and prepare their programs in response. Donated funds are 'charitable funds', as is any interest they earn, and charities can only use their charitable funds to deliver their charitable programs.

For example, WIRES focused on allocating \$7 million for the immediate activities of search, response and rescue while it developed a long-term plan that included funding projects and research to address the effects of the changed landscape and to support a national framework to engage volunteers.

Transparency is essential in ensuring public confidence in the charity sector and in helping donors understand the work of charities. By providing public explanations of their use of funds, charities enable the public to assess their actions and decide whether to donate, or donate again. This is the ultimate accountability that charities have to the public – donors can vote with their donation dollars.

Massive growth in donations and program scope

The scale of the bushfires and the public response led to rapid growth in funding for WIRES and NSW RFS Trust and the programs they could run. For example, in early 2020, NSW RFS Trust received unprecedented levels of donations of more than \$100 million, of which \$59 million was from social media campaigns initiated by third parties.

Managing such a sudden increase in funds and the donor expectations that come with it is a challenge because it requires skills that may not have been available to a charity.

The challenges can include:

- improving standards of governance
- acquiring skilled and experienced staff
- obtaining the right advice to manage the change
- delivering larger programs in more locations
- managing heightened community expectations.

Rapid, unexpected growth

WIRES received bushfire donations that far exceeded its previous revenue – \$91 million in donations compared to the \$3.4 million received in 2018-19. The funding enabled and required WIRES to expand its operations significantly.

As at September 2020, WIRES had not yet allocated all the funds from donations. It had approved \$22.5 million for programs and disbursed \$8.5 million. As the charity is working to expand its operations and activities in response to the unexpected thirty-fold increase in funding, the delay is understandable. WIRES is writing an investment policy to deal with surplus funds.

The rapid increase in funding challenged the organisation to ensure it has the right expertise available to manage what became a charity with significant funds and an international profile. The changes included expanding nationally, more partnerships, new staff, increased governance and improved IT capability.

We observed that the charity has engaged external consultants to improve its governance, which is a move in the right direction.

Charities need to be alert to their changing circumstances and be prepared to bring in support to manage changes when required. In doing so, they can begin to meet community expectations. [The ACNC has provided advice to charities experiencing rapid growth](#) – advice that comes from work

assisting charities involved in previous emergencies, such as the 2019 drought that affected much of rural eastern Australia.

Fraud prevention

As well as significant community generosity, the bushfire disaster attracted unscrupulous people seeking to benefit through fraud. Charities, police forces and Scamwatch from the Australian Competition & Consumer Commission (ACCC) identified opportunistic people posing as fundraisers for charities, advertising fake charities, impersonating legitimate charities or seeking grants from charities despite not being affected by the bushfires as the disaster unfolded. Police pursued fraudsters and brought charges against several individuals for allegedly defrauding charities responding to the bushfires.

People can help ensure their donations go to legitimate charities by checking the details on the ACNC Charity Register and by monitoring ongoing scams via the ACCC's Scamwatch.

Targets of fraud

Red Cross identified over 1000 applications lodged by 'bots' and believes some grants it approved are suspicious (based on information it obtained later). These included people claiming assistance who were not affected by bushfires.

Red Cross works to resolve identified concerns and, when necessary, makes referrals to law enforcement agencies.

Charity Review: Australian Red Cross Society

Summary

As at 31 July 2020, Australian Red Cross Society (Red Cross) had received \$232 million in donations into its Disaster Relief and Recovery Fund (DRRF).

Red Cross has allocated all the funds towards on-the-ground disaster services, financial and practical assistance, long-term community recovery and the administration costs to deliver these programs. As at 31 July 2020, Red Cross had dispensed \$167 million of the funds to its emergency services team, direct relief cash grants, recovery programs and administration costs.

Red Cross established numerous grants to support a range of response and recovery activities. Individuals are able to apply for multiple grants, depending on their eligibility. [Red Cross published information about its approach](#), including reporting on expenditure to date, in its nine-month report, so that the public can understand how it is spending the donations and the support it is providing to Australians.

Red Cross provided evidence that it is taking steps to protect bushfire funds against fraud. It has an active fraud prevention program and is receiving support from a large consulting firm. Red Cross balances the need to rapidly provide financial assistance to people in need with appropriate due diligence. This process of due diligence would have been faster and more robust if there was a database of properties that had been damaged or lost to the fires.

Background

Red Cross is a society formed in 1914, incorporated by Royal Charter and governed by the Rules of the Society.

Red Cross's disaster and emergency-related work with Australia includes:

- disaster and emergency preparation and prevention
- disaster and emergency response
- disaster and emergency recovery.

Red Cross is a national organisation. It can use DRRF funds in any Australian state or territory. On this basis it has not allocated separate funds for each state or territory.

To support individuals and communities affected by the 2019-20 summer bushfires, Red Cross provided emergency response and recovery services, immediate assistance grants, and mid to long-term recovery, including further direct relief grants.

In July 2019, Red Cross established the DRRF for the period of July 2019 to June 2020. The DRRF was established to fund Red Cross emergency preparedness, response and recovery work for the 2019-20 financial year. It was not established as a specific appeal for the 2019-20 summer bushfires, and its structure legally enables Red Cross flexibility to spend funds on any emergency as required.

Question one: Is Red Cross spending bushfire donations on bushfire-response activities?

Between July 2019 and July 2020, Red Cross received \$232 million in donations to the DRRF. As at 31 July 2020, Red Cross had spent or disbursed \$167 million.

Grants

Red Cross provides financial assistance to those affected by bushfires in the form of direct relief cash grants. Red Cross stated in its six-month report that as at 30 June 2020 it had disbursed \$133 million through its grant and recovery program. It had allocated funds to the following grants:

- **Emergency grant:** \$56 million allocated for people whose primary place of residence was destroyed as a result of the bushfires
- **Primary residence repair grant:** \$20 million for home owner-occupiers whose homes had been structurally damaged and required repair as result of the bushfires
- **Re-establishment grant:** \$87 million for people who lost their primary place of residence in the bushfires to have somewhere safe to live in the medium to long term. This includes homeowners, renters and people living in non-permanent structures
- **Injury grant:** \$8.5 million for people who spent two days or more in hospital because of physical injuries or mental health issues directly resulting from bushfires
- **Bereavement grant:** \$1.8 million for the next of kin of people who died in the fire
- **Discretionary financial hardship:** \$2 million for people not eligible for other grants but experiencing financial hardship as a result of the bushfires.

People can apply for available grants, depending upon eligibility. Over time, Red Cross increased the cap for some grants and people who received earlier grants became eligible for additional

payments. The key requirement for bushfire grants is that people must be experiencing financial hardship and were affected by the bushfires from July 2019.

Community recovery and emerging needs

Red Cross advised that, as at 31 July 2020, it had spent \$1.1 million of the \$18 million allocated to its three-year community recovery program. Red Cross's long-term recovery program focuses on individuals and communities affected by the bushfires and supports psychosocial recovery and community-led recovery. This program will include cash assistance support, outreach activities (including community events and initiatives), recovery and preparedness training to build community resilience, and activities coordinated with other recovery agencies.

Red Cross's experience supporting disaster recovery, including Victoria's bushfires in 2009, enabled it to understand that affected communities would need support beyond immediate relief. If Red Cross had not allocated some of the funds to deliver these programs later, it may have been unable to provide this necessary support from other financial sources.

As at 31 July 2020, Red Cross had allocated \$33.7 million to provide financial assistance to needs as they become evident – needs that were not evident at the beginning of 2020. For example, Red Cross is contributing \$2 million towards temporary accommodation pods for people in NSW who lost their homes. This is a partnership with NSW Government and several other organisations, with the funds being reallocated from the emerging needs allocation. Eligibility for assistance will continue to be based on financial hardship as a result of the fires.

Emergency team funding

Red Cross spent \$5 million on its the on-the-ground disaster services in 2019-20. This includes the Red Cross emergency services team, set up of evacuation and relief centres and community outreach services in response to bushfires and other Australian disasters in the 2019-20 period.

Administration costs

As at 31 July 2020, Red Cross reported it had spent \$8.5 million on administration costs. Red Cross has regularly maintained that administration costs would be no more than 10c in the dollar, and it reports that it has kept its administration costs low at 4c per dollar donated, supplemented by in-kind support from corporate partners.

Red Cross has been transparent about its administration costs. Red Cross stated publicly that it covers the costs of managing the DRRF fund (incoming and outgoing funds) including the grants team, caseworkers, fundraising systems and fraud prevention.

There is a general misunderstanding about administration costs among the public. Often these costs are viewed negatively and considered separate from a charity's 'cause'. However, without administration, a charity would not be able to operate and pursue its charitable purposes. All

charities spend money on administration. The ACNC understands that it costs money to run a charity and it is a charity's duty to ensure its costs are reasonable and based on evidence. Furthermore, it is not possible to compare costs directly between charities because they all have different funding and operational arrangements.

Conclusion

Based on the evidence Red Cross provided, it has allocated bushfire donations on bushfire-related activities, and had spent or dispersed 72% of funds received by 31 July 2020. The remainder is allocated to recovery programs associated with the bushfires. The funds spent on the emergency services team and on administration costs can be attributed to bushfire activities through on-the-ground recovery and managing the DRRF.

Question two: Is Red Cross taking a strategic and reasonable approach to the disbursement of funds?

As at 31 July 2020, Red Cross had allocated the \$232 million received in the DRRF to on-the-ground disaster relief, financial and practical assistance, and community recovery. Red Cross advised that some of the allocations will change over the recovery period. For example, funds may be moved from the 'emerging need' allocations to other programs as new needs are identified or grant categories developed.

Red Cross is a large charity with decades of experience in managing disaster response. It has significant in-house capability and experience and has produced plans to respond to the bushfires based on substantial evidence. Despite significant pressure to expend all donations quickly, Red Cross allocated funds to both immediate emergency grants as well as recovery programs for the next three years.

Red Cross understands that recovery takes time and people recover in different stages. Overusing funds for immediate relief risks not being able to assist people in need after some time has passed. Red Cross increased its grants available for immediate relief as it received more information about the funds it had available and the number of people who needed support. A flexible approach to planning enabled Red Cross to help people who sought assistance for the first time more than six months after the bushfires.

Red Cross is aware that recovery is a multi-year proposition and has allocated funds to programs supporting communities over time. Red Cross's strategy to retain funds for medium and long-term recovery is based on evidence from research, data and decades of experience, including the bushfires in Victoria in 2009.

Based on experience, Red Cross has disaggregated the response and recovery into two key time frames and allocations:

- Immediate – within approximately 1-3 months of a disaster (approximately 40% of funds)
- Medium-long term – approximately 4 months after a disaster (approximately 60% of funds).

Immediate emergency response

Between September and December 2019, Red Cross activated its emergency teams, sending them to communities affected by bushfires in Queensland, New South Wales, South Australia, Victoria and Western Australia. Red Cross issued the first emergency grants in early January 2020, followed by bereavement grants in late January, injury and residence repair grants in February, and rebuild grants in April.

Long-term recovery

Red Cross is a large charity that has significant experience in the emergency management sector to deliver disaster relief and recovery programs. Red Cross's strategy to use some funds for long-term recovery is informed by research, data and experience.

Red Cross's recovery program is based on the Australian National Disaster Recovery Disaster Recovery Principles, drawing on the Community Recovery Handbook and research from the Beyond Bushfires Research program. This is in addition to its own domestic and international experience in disaster relief. Red Cross also conducts research as a member of the Australian Business Roundtable for Disaster Resilience and Safer Communities.

Based on its experience Red Cross knows that recovery takes time and people will seek support at different stages. For example, 850 people have applied for grants since 30 June 2020, six months after the first grants became available, and new people continue to come forward. It has also set aside \$18 million for its Community Recovery program, which will run for three years or more.

Donor expectations and transparency

Red Cross has been transparent with the way it allocated and disbursed funds, including reasons why some funds will be used to meet later needs. It has provided regular updates on its website, run a comprehensive social media campaign and published three, six and nine-month bushfire reports to communicate with the public and explain the reasons behind its decision-making process. Red Cross also wrote letters to individual donors and regularly updated corporate partners.

Red Cross advised that, despite its best efforts, it received criticism for a lack of direct communication from donors who contributed via third-party platforms and campaigns. It advised that difficulty identifying donors from third-party platforms meant it had limited opportunity to provide them with information directly.

Information gathering and local knowledge

Red Cross obtains information from various sources at national, state and local levels. This includes coordinating its activities with government agencies, charities and non-governmental organisations, such as Services Australia, Resilience NSW, Bushfire Recovery Victoria, Salvation Army and St Vincent De Paul. Red Cross is a member of multiple state and local recovery committees and forums, including those hosted by the National Bushfire Recovery Agency.

Despite this, Red Cross identified challenges in obtaining timely and accurate data to inform decisions, particularly in the early stages of the fires. For example, there was no single database of the houses that were destroyed and damaged to use for verifying grant requests. In this situation, Red Cross had to balance the need to act quickly and compassionately with the need to protect its funds against fraud. To gather information, Red Cross resorted to physically inspecting properties to verify some people's claims, which enabled them to make payments. However, its ability to do this was affected by COVID-19 restrictions.

External expertise

Red Cross established an external Advisory Panel to provide additional insight and perspectives on its response approach. The Advisory Panel comprised people with a range of expertise in disaster relief, bushfire response and recovery, and community needs. The Panel provided advice on how Red Cross could best use its funds. Although Red Cross has considerable internal experience and capability, the Panel provided a broader perspective when assessing recommendations.

Red Cross has documented a disbursement strategy that includes specific criteria and principles to guide all decisions taken to the Panel. The Panel has the authority to make recommendations but Red Cross's CEO maintains the delegation to make decisions.

Needs-based recovery

Red Cross advised it takes a needs-based approach to recovery. This means it allocates funds to its different grants based on the expected demand for the type of assistance offered with each grant. The process is fluid and Red Cross reviews its programs and funding allocations in response to new information, increased donations and changes in the disaster situation.

Allocations are adjusted over time as the funds and the number of potential applicants change. This results in grants being reassessed and, at times, amounts increased. Early in the 2019-20 summer bushfires, the number of beneficiaries and the amount of funds were unknown, and programs were set up based on expert-informed forecasts. Red Cross also relied on information gathered by its local community volunteers (response and recovery teams) and the grants team to identify gaps and unmet needs. Over time, Red Cross was able to develop a stronger evidence base to make decisions, including how to allocate and disburse its funds.

Cash assistance

Red Cross provides financial assistance (cash payments) as a form of humanitarian response to address basic needs. Its rationale is that this method, rather than providing goods or services, enables people to make their own decisions. Unlike in-kind assistance, cash assistance also allows recipients to obtain goods and services of their choice directly from local service providers, which benefits the local economy.

This approach is based on research and evidence. When asked why it does not build houses for affected people, Red Cross stated that it was better to provide people with necessary cash assistance so that they can rebuild in the way that best meets their individual needs.

Limitations

When distributing funds Red Cross is conscious it must be consistent with its purposes as a charity and Public Benevolent Institution – its assistance must be provided to support a person in distress. This can place some limitations on the work it can undertake.

For example, Red Cross has determined that grants can only be paid in relation to a person's primary place of residence rather than for an investment property, despite the latter also being a loss as a result of the bushfires. Red Cross also cannot make a payment to a company, corporate trustee, business enterprise (for business purposes), and it cannot make payments to support community infrastructure.

Red Cross is right to understand and follow these legally required boundaries, otherwise it may not be compliant with its obligations to the ACNC as set out in the ACNC Act or with other state or federal legislation.

Conclusion

Based on the available evidence, Red Cross is taking a strategic and reasonable approach to the disbursement of funds. Its recovery program is based on experience, data and research. Red Cross obtains information from various sources at national, state and local levels. It has appointed an independent Advisory Panel with expertise in bushfire response. The Advisory Panel operates within the rules and disbursement strategy criteria, providing a broader non-Red Cross perspective when assessing recommendations to distribute bushfire funds.

Question three: Is Red Cross taking adequate steps to protect the funds against fraud?

Red Cross advised that it errs on the side of compassion and tries to not make receiving support too difficult for people in need. It works on the basis that information it receives from a person in need is true. However, Red Cross is aware of the need to balance its humanitarian approach with its duty to undertake due diligence to manage donor funds appropriately.

Consequently, Red Cross has considerable vetting practices to determine eligibility prior to releasing funds. It checks applicants against a set of eligibility criteria and requires them to provide specific documents for verification. Red Cross's verification of applications is primarily manual. For example, Red Cross staff undertake visual inspections of properties to confirm that they had been affected and uses reverse photo imagery systems to determine if photos of affected properties are legitimate. The manual checks are necessary because regular updates of data render information outdated in many cases.

All applications are digital and require applicants to declare that all information they provide is true and correct. The applications also require the applicant to declare that the funds will be used for their intended purposes (which vary with each grant).

Red Cross advised that an applicant's intention is not always clear, and this can be a challenge when assessing applications. When it is not clear if an applicant is eligible, it can also be difficult to determine if the applicant is deliberately attempting to deceive Red Cross or if there is another explanation, such as a misunderstanding or the effects of trauma or other vulnerabilities.

Consequently, Red Cross takes time to ensure everyone eligible receives support in applying. Red Cross often meets with applicants and appoints case managers for complex cases that require further support and engagement. Red Cross will often refer people to other agencies for help and support.

On average it takes Red Cross between three and five days to process an application, and complicated cases can take up to 21 days, if the applicant's eligibility is not clear. Red Cross's only other options would be either to approve an application without sufficient due diligence or to decline the application.

All applications that are declined have a right to appeal. Appeals are reviewed by a separate appeals team who commence the verification process from the start. As at 2 September 2020, of the 14,926 applications received, Red Cross had declined 2,728.

Red Cross is aware of the risk of suspicious and fraudulent activity. It has processes in place to define suspicious activity, identify likely indicators and take appropriate action. Red Cross has an established fraud and corruption prevention and control policy and provides staff with fraud prevention training. Red Cross's grant operations also includes a separation of duties with multiple points of approval to ensure its internal process are robust.

Cases flagged as suspicious are escalated to the approvals team for secondary assessment, and this can include an escalation to management. Red Cross works with and reports suspicious activity to relevant authorities where necessary. These processes are appropriate for the grants Red Cross administers, providing necessary scrutiny of suspicious cases.

Red Cross was also targeted by malicious actors who used 'bots' to generate 1,100 attempts to lodge applications through its website. Red Cross advised that its IT controls identified the issue which prevented the attack from succeeding.

Once funds are distributed, Red Cross does not follow up with grant recipients to confirm the funds were used for their intended purposes. This approach is based on the rationale that Red Cross is empowering people to assess their own needs after a disaster. There is a risk that people may not use the funds for the purpose they were intended. Red Cross is aware of the risk but acknowledges that people recovering from emergencies require flexibility to rebuild their lives.

Red Cross is currently reviewing its grants program. It has identified a number of grants that may be suspicious. It is reviewing all cases and will seek recovery for the funds it determines were obtained fraudulently.

Conclusion

Based on the evidence available, Red Cross is taking adequate steps to protect the funds from fraud. We are satisfied that Red Cross is aware of the risks associated with suspicious and fraudulent activity and has proper prevention controls and reporting practices in place to mitigate the risks.

Charity Review: NSW Rural Fire Service & Brigades Donations Fund

Summary

The purpose of NSW Rural Fire Service & Brigades Donations Fund (NSW RFS Trust or The Trust), as specified in its trust deed, is to support volunteer fire brigades of the NSW Rural Fire Service established under the Rural Fires Act. In early 2020, it received unprecedented donations of more than \$100 million, with \$59 million from social media campaigns for bushfire relief initiated by third parties. When fundraising, some of these campaigns advised donors that funds would be used for activities beyond the scope of the work the Trust can legally undertake.

The Trustees of NSW RFS Trust received a ruling from the Supreme Court of NSW on the proper use of donations. The Trust is developing and has commenced new programs for the benefit of brigades. These include grants for improved volunteer training facilities and equipment as well as longer-term projects to improve the safety of volunteers in the field and their health and welfare. These programs are aligned with bushfire-related activities. While the activities may not meet all donor expectations, this is outside of NSW RFS Trust's control as it did not initiate the social media campaigns. The Trust must make lawful decisions in distributing funds.

NSW RFS Trust has a service agreement with NSW Rural Fire Service that sees the NSW Rural Fire Service provide operational services to the Trust and support the Trustees in managing financial affairs. Under this agreement, NSW RFS Trust has ensured there are effective internal controls on the management and disbursement of its funds, including measures for preventing fraud. The Trust policies and procedures are generally comprehensive, support proper record-keeping and financial management, and clearly set out the Trustees' duties. The Trustees are diligent in their oversight of the Trust's affairs and seek legal and technical advice to ensure fund distributions are consistent with its purpose.

In the light of NSW RFS Trust's recent growth, the Trustees could strengthen their capacity to oversee the Trust's affairs and identify risk with the assistance of an audit and risk committee. It could enhance transparency for donors and the public by establishing its own website separate to the NSW Rural Fire Service's website and by publishing regular reports on the impact of donors' contributions. The Trust advised that it is considering this communication approach.

Background

NSW RFS Trust was established by trust deed dated 10 April 2012. The trust deed provides that NSW RFS Trust is "established and operated solely for the purpose of supporting the volunteer-based fire and emergency service activities of the Brigades". NSW Rural Fire Service comprises

2,000 brigades and over 70,000 volunteer members, of which 49,517 hold a firefighting qualification.

Specifically, NSW RFS Trust must spend its funds:

to or for the Brigades in order to enable or assist them to meet the costs of purchasing and maintaining fire-fighting equipment and facilities, providing training and resources and/or to otherwise meet the administrative expenses of the Brigades which are associated with their volunteer-based fire and emergency service activities.

The Trust has six trustees (or, as the ACNC refers to them, Responsible People) which the Trust Charter describes as “representatives” of their respective organisations; three are members of brigades, one is a member of the NSW Rural Fire Service Association (also a brigade member) and two are representatives and employees of the NSW Rural Fire Service. The Trustees receive no remuneration. The Trust employs no staff and incurs no administration expenses.

The Trustees make all decisions for NSW RFS Trust, and the Trust has adopted policies and procedures for its governance and management. Under a service agreement, and at no cost to the Trust, its day-to-day operations, including the implementation of the Trustees’ decisions about the distribution of donations, record-keeping, management of its accounts and fraud prevention measures, are undertaken by NSW Rural Fire Service.

Relationship with NSW Rural Fire Service

Some media reports and public comments have referred to NSW RFS Trust as “the RFS”. It is important to note that the Trust is a registered charity and is a separate entity from NSW Rural Fire Service, a NSW state government agency.

The Trustees of the Trust are not subject to direction by NSW Rural Fire Service. The Trust Charter affirms the Trustees’ obligations to “always act in the interests of the Trust and in accordance with the requirements of the deed”.

Evidence indicates that the Trust and its Trustees maintain an appropriate professional relationship with NSW Rural Fire Service as its service provider and technical advisor.

Question one: Is NSW RFS Trust spending bushfire donations on bushfire-response activities?

The purpose of NSW RFS Trust as specified in its Trust deed is to support volunteer fire brigades of NSW Rural Fire Service established under the Rural Fires Act.

The focus of NSW Rural Fire Service brigades, and the objects of the Rural Fires Act under which they are formed, is prevention of fires and protection of life and property. For these reasons,

“bushfire response” activities supported by NSW RFS Trust focus on providing brigades and volunteer firefighters with what they need to prevent and fight fires as safely as possible.

Initial funding has focussed on acquiring small items of equipment for immediate use by volunteers. Longer-term funding projects will improve communications with firefighters in the field, upgrade vehicles and provide improved personal protective equipment.

The influx of donations to NSW RFS Trust in early 2020 required it to quickly adapt and evolve over a few weeks from a charity that usually met four times a year to disburse and monitor relatively small grants, to one with Trustees responsible for distributing over \$116 million, including a new \$20 million grants program, and oversight of projects to the value of \$70 million (recently approved in principle).

NSW RFS Trust received \$59 million through third-party online fundraising as part of the overall donations in 2019-20. Prior to the 2019-20 bushfires, NSW RFS Trust’s total disbursements to brigades from its inception in 2012 to July 2019 were approximately \$1.5 million. In 2018-19 financial year, the Trust received public donations of \$708,500, of which \$555,537 was donated to individual brigades and \$152,963 to the Central Fund for distribution. The largest donation received was \$20,000. The new funds require a significant change in oversight and must be distributed in line with NSW RFS Trust’s deed.

Brigade Grants Program

Pending the outcome of the proceedings from the Supreme Court of NSW, as foreshadowed in its media statement of 24 January 2020, NSW RFS Trust developed and finalised a Brigades Grants Program (the Program). Details of the Program were emailed to all volunteers on 20 February 2020 and applications for funding opened on 27 February 2020.

The Trust has allocated \$20 million to the Program which continues until 30 October 2020. The Program provides brigades with funds for projects that meet specified criteria developed with the advice of NSW Rural Fire Service. Brigades must spend their grants by 31 December 2020 and are encouraged to acquire equipment and services from local community businesses where possible.

The Trustees met to consider applications on nine occasions between April and July 2020. As at 30 July 2020, over 800 applications had been approved, totalling over \$5.2 million. The Trustees’ deliberations and decisions on grant policies and criteria, as well as the assessment of applications, are clearly recorded in meeting minutes to a professional standard.

Brigades must report expenditure of project funds, including items purchased through an electronic reporting system, to NSW RFS Trust. The Trustees may decide to audit selected grants and they have engaged a professional auditor separate from NSW Rural Fire Service for this purpose.

Project consultation and development

On 13 March 2020, following commencement of the Brigades Grants Program, the Trust used an online survey to obtain feedback from brigades and volunteers on how they wanted the Trust to spend the remaining donated funds (pending finalisation of its application to the Supreme Court of NSW for advice on what activities it could support). Over 1,500 volunteers responded and the survey indicated strong support for training, improved equipment and resources, as well as volunteer support within the broad areas of “rebuilding, equipping, supporting and improving”.

At its meeting of 2 June 2020, NSW RFS Trust gave “in principle” approval to the allocation of \$70 million to the proposed projects and to a “volunteer welfare project” which could potentially include an ongoing benevolent fund, scholarship programs and similar initiatives. This project was consistent with the advice of the Supreme Court of NSW, given on 24 May 2020, that the Trustees could fund programs to support volunteers’ health and welfare.

Conclusion

NSW RFS Trust responded quickly to the unprecedented amount of donations it received by developing a \$20 million grants program to support brigades acquiring equipment and training. Funding criteria are clear and communicated effectively to brigades. The application assessment and acquittal processes are transparent.

In May 2020, the Trust obtained binding advice from the Supreme Court of NSW on how it could spend donations. It has approved, in principle, a range of longer-term projects to the value of \$70 million that focus on improving volunteers’ safety in the field. It is considering the establishment of a foundation to provide welfare support to volunteers and their families. The Trust consulted with brigades, volunteers and NSW Rural Fire Service and sought technical and legal advice to ensure its funds support and meet the immediate and ongoing needs of brigades and are distributed consistently with its purpose.

Question two: Is NSW RFS Trust taking a strategic and reasonable approach to the disbursement of funds?

NSW RFS Trust’s purpose is confined to supporting volunteer fire brigades of NSW Rural Fire Service to acquire resources to support their firefighting activities. The focus of NSW Rural Fire Service brigades and the objects of the Rural Fires Act, under which they are formed, is prevention of fires and protection of life and property. For these reasons, “bushfire response” activities supported by the Trust focus on providing brigades with what they need to prevent and fight fires and enable them to do so as safely as possible.

Initial funding has focussed on enabling brigades to acquire small items of equipment of immediate practical use by volunteers. Longer-term projects will improve communications with firefighters in the field, upgrade vehicles and provide improved personal protective equipment. The Trust advised that it does not have a formal strategic plan. To date, it had not felt the need for one because it considered its purpose, as set out in the trust deed, to be clear – it is to support volunteer fire brigades.

Given the significant amounts that were raised on its behalf by third parties, a key issue for NSW RFS Trust has been balancing donor expectation with the activities it can legally undertake. Beginning in January 2020, third parties began raising funds on behalf of NSW RFS Trust without first consulting the Trust. One campaign run on Facebook and facilitated through the PayPal Giving Fund (PPGF) raised \$51 million dollars in a matter of days. That campaign advised the public that donations would be going to people and organisations in multiple states, would supporting families of people who died in the bushfires, and would assist animals affected by the bushfires.

Each of these claims is outside of the activities NSW RFS Trust can legally undertake. The Trust did attempt to intervene early in the campaign, but the messaging was outside of its control because it was managed by a third party.

After the campaign, NSW RFS Trust applied to the Supreme Court of NSW seeking an interpretation of its trust deed. The Trust sought clarification to ensure its activities were lawful as it tried to find ways to deliver on donor expectations as much as it could.

In its decision of 25 May 2020, the Supreme Court of NSW advised that the Trustees of NSW RFS Trust:

- cannot give funds to other charities, interstate rural fire services or animals
- can set up or contribute to a fund for injured rural firefighters and families of firefighters injured or killed in service
- can provide volunteer firefighters physical and mental health training and resources and trauma counselling services
- can set up or contribute to a fund for rural firefighters' attendance at relevant skills courses.

The Supreme Court of NSW noted that “some donors may have intended or hoped that the money they donated would be used for purposes beyond which those which the Court has advised are permissible. Despite the Trustees' wish to honour those intentions or hopes the law provides principles that ensure a degree of certainty in the application of trust funds including charitable trust funds and the Court has applied these principles in giving its advice in these reasons.”

The Court's interpretation did not allow NSW RFS Trust to undertake the full range of activities promised by the third-party fundraising campaign but it did enable the Trust to expand into new areas in supporting volunteers and their families. Seeking legal clarification in the face of donor

expectation to do more was prudent and showed that the Trustees proceeded with appropriate diligence.

The proposed projects are consistent with the initiatives and strategies identified by NSW Rural Fire Service in its Annual Report 2018-19 and recommendations of the Final Report of the NSW Bushfire Inquiry, which included recommendations for improved access to mental health services for volunteers.

NSW RFS Trust has requested NSW Rural Fire Service develop the detailed scope, deliverables and costings for each project and submit detailed proposals. For the volunteer welfare proposal, the Trust has requested its solicitors to advise on a framework for the creation and operation of a welfare fund.

Conclusion

NSW RFS Trust has acted with due diligence to ensure that it distributes funds in line with its purpose and legal constraints. This occurred under significant public scrutiny, with pressure on the charity to meet the donor expectations established by a third-party fundraising campaign that it legally could not meet.

The Trustees of NSW RFS Trust initially established a \$20 million dollar grant program to support brigades, a program they knew it could legally fund. After receiving clarification from the Supreme Court of NSW, the Trust quickly allocated an additional \$70 million to further programs. This indicates that the Trust was preparing new programs while awaiting legal advice, which allowed it to act quickly once it received the Court's decision.

The ACNC concludes that NSW RFS Trust has acted strategically to ensure its programs are related to the bushfires and are funded legally.

NSW RFS Trust could improve its communications by separating its web presence and reporting from NSW Rural Fire Service. Donors and members of the public should be able to access information about the Trust on its website. Currently, domestic and overseas donors who want to understand the effect their donation had, will find no images, videos or other reports that highlight the support the Trust has given to brigades or details that explain why the Trust funded particular projects.

Question three: Is NSW RFS Trust taking adequate steps to protect the funds against fraud?

NSW RFS Trust engages NSW Rural Fire Service to manage the bureaucracy of its affairs through a service agreement. The Trust is responsible for its decisions, including how funds will be spent, while NSW Rural Fire Service implements those decisions on behalf of the Trust.

Under this agreement, NSW RFS Trust has ensured there are effective internal controls for the management and disbursement of its funds, including measures to prevent fraud. The Trust policies and procedures are generally comprehensive, support proper record-keeping and financial management, and clearly set out the Trustees' duties.

Following the influx of donations to NSW RFS Trust and the new programs it has instituted to support brigades, NSW Rural Fire Service has had to provide increased resources in support. NSW Rural Fire Service advised the ACNC that it decided to absorb these costs because the ultimate beneficiaries of its support are its own brigades and volunteers.

As NSW Rural Fire Service provides the Trust with an administrative function, and we have been advised that NSW Rural Fire Service conducts its own operations in a similar way to the services it provides to the Trust, it is relevant to consider the financial management and fraud controls NSW Rural Fire Service has in place.

Under the service agreement, NSW Rural Fire Service provides banking administration services, reports regularly to the Trustees and provides financial reports to the Trust's auditors.

NSW Rural Fire Service provides the Trust access to the NSW whole-of-government corporate online banking platform approved by the NSW Treasury. The NSW government's banking arrangements, which started in April 2019, provide improved security compared to previous arrangements. The current arrangement requires users to use tokens, passwords and dual authentication systems to access accounts.

NSW Rural Fire Service acknowledged that it had not previously been exposed to the PPGF arrangements for collecting and disbursing funds donated to the Trust or considered how it could monitor payments received by the PPGF. The Trust, through the RFS, has been briefed by PPGF on its processes and the PPGF is considering technological solutions to monitor future payments.

NSW Rural Fire Service provides the Trust a dedicated staff member whose duties include day-to-day administration of the Trust's accounts and brigade segment accounts and monitoring withdrawals and high-value transactions. Spot checks are performed on transactions to ensure appropriate approval processes and delegations were observed.

Daily checks are conducted on the Trust's main account to prevent fraud. Early in 2020, external fraudsters attempted to use the Trust's account to test stolen credit cards by making small deposits that could determine if the cards were still valid.

As a government agency, NSW Rural Fire Service is subject to NSW government and legislative governance requirements and undertakes regular reviews of its own compliance. In 2018, NSW Rural Fire Service reviewed its compliance with fraud control measures and processes for contract management. It requires all paid staff to participate in Code of Conduct and Ethics training and is developing a program to deliver this training to volunteers. NSW Rural Fire Service is also subject to regular reviews by the NSW Auditor General, including audits of financial statements, and is within the jurisdiction of the Independent Commission Against Corruption (ICAC). NSW Rural Fire

Service is, therefore, an appropriate entity for NSW RFS Trust to have manage its operations and funds, including fraud protection.

Brigades and volunteers

Each brigade must adopt a constitution in an approved form. The standard “Brigade Constitution” provides for management of brigade funds, including requirements to deposit funds and approve expenditure. Each brigade must appoint an auditor and submit its accounts for review. If a brigade can accept tax deductible donations, additional record-keeping and reporting provisions apply. Brigade volunteers are subject to the NSW Rural Fire Service Code of Conduct and Ethics which clearly describes conflicts of interest and how they can be managed and reported.

NSW RFS Trust effectively monitors funds by reviewing funding proposals against established criteria, requiring evidence of appropriate expenditure, and undertaking selective risk-based audits of brigades. The Trust also verifies that brigades have applied the Trust’s funds solely for the Trust’s purposes through declarations from brigade treasurers. The Trust also selects a sample of brigades for audits. Selection is based on specified factors, including the value of the donations the brigade received, its previous audit history and potential concerns derived from observed behaviours, complainant information or transactional information.

Fraud prevention and integrity measures

The current version of the service agreement between NSW Rural Fire Service and NSW RFS Trust is dated 16 January 2020. It is structured like an intergovernmental memorandum of understanding rather than a formal technical legally enforceable agreement.

NSW Rural Fire Service obligations under the agreement include:

- providing staffing and secretarial resources
- processing brigades’ financial transactions and responding to their enquiries
- liaising with the Trust’s bank and auditors
- producing regular risk assessments, quarterly and annual accounts
- preparing and submitting the Trust’s financial report and Annual Information Statement for the ACNC.

There is no explicit requirement in the agreement for NSW Rural Fire Service to inform the Trust of the steps it takes to safeguard the Trust’s funds from fraud, to report an incident of fraudulent use of the Trust’s funds, or for the Trust to report concerns of fraud to NSW Rural Fire Service. The Trust advised that it will include such a requirement in the agreement in its scheduled review.

Each of NSW Rural Fire Service’s commitments have timelines and service levels. Measurement of NSW Rural Fire Service’s compliance with its commitments is assessed through annual or quarterly reports provided to the Trust.

These reports are used to prepare an “Annual Performance Review and Assessment” of the service agreement. The most recent report was considered by the Trust at its meeting of 24 October 2019 where it expressed concerns over the response times to queries from brigades but no other concerns.

The most recent Trust Risk Register indicates a focus on controlling risks that relate to managing donations collected by brigades and appropriate disbursing NSW RFS Trust’s funds. The Trust reviews its risks annually with the help of a NSW Rural Fire Service risk specialist, but due to a change in staff, this has been delayed until October 2020.

Conclusion

NSW RFS Trust has a service agreement with NSW Rural Fire Service under which its funds and accounts are controlled and managed by NSW Rural Fire Service officers. NSW Rural Fire Service has appropriate internal control measures, including controls on access to the Trust’s accounts. NSW Rural Fire Service staff are subject to NSW government standard integrity requirements. NSW Rural Fire Service is subjected to financial and performance audits by the NSW Audit Office. Its brigades are established by legislation and subject to oversight by the NSW Rural Fire Service Commissioner. Volunteers are subject to the NSW Rural Fire Service Code of Conduct and each brigade operates under a constitution.

NSW RFS Trust effectively monitors the funds it provides to brigades by reviewing proposals against established criteria, requiring evidence of appropriate expenditure and undertaking selective risk-based audits.

The growth in the Trust’s funds and the increased responsibilities of the Trustees in managing the Trust’s finances and overseeing its programs should prompt a review of risks of fraud. NSW RFS Trust has no audit and risk committee. In the past, with the Trust being a relatively small charity, support from NSW Rural Fire Service on identifying and managing financial and other risks may have sufficed. The scope of its operations are now much greater. NSW RFS Trust advised that it is considering establishing an audit and risk committee and noted that its funds are likely to return to regular levels once the bushfire donations have been disbursed.

Charity Review: NSW Wildlife Information, Rescue and Education Service Inc.

Summary

NSW Wildlife Information Rescue and Education Service Incorporated (WIRES) is Australia's largest wildlife rescue organisation.

WIRES established an Emergency Appeal (the Appeal) in November 2019 to help support wildlife in response to drought, bushfires and extreme weather events. As a result of significant international exposure and an influx of donations, WIRES expanded its activities to support wildlife at a national level.

By March 2020, the Appeal had received over \$82 million and WIRES had received significant national and global attention. By 31 July 2020, WIRES had received \$91 million in donations to the Appeal.

Based on the evidence available, we are satisfied that WIRES:

- is spending bushfire donations on bushfire-response activities
- is taking a strategic and reasonable approach to the disbursement of funds
- is taking adequate steps to protect the funds against fraud.

WIRES is developing its policies and procedures in response to changes brought about by the bushfire donations and operations in response to the bushfires. WIRES is aware that it does not have the administrative capacity nor the governance framework to manage its new financial and operational position. WIRES recognised that it was not equipped for the amount of money it received from donations for the bushfires. WIRES is taking positive steps to improve its capacity by engaging an external consultant to assist with its strategic plan and structural review. WIRES has a robust three-step framework in place for financial disbursement. It is looking to add a grants assessment panel to support its move to a framework for national grants.

Background

WIRES is a wildlife rescue organisation with over 3,000 volunteers in 28 WIRES branches in NSW. WIRES's mission is to actively rehabilitate and preserve Australian wildlife and inspire others to do the same. WIRES achieves this mission by supporting NSW branches involved in the rescue and care of wildlife, running a dedicated rescue office that operates 24 hours a day every day of the year, and providing accredited rescue, care and specialist wildlife training. WIRES is an association

incorporated in NSW. It is endorsed by the Australian Taxation Office as a Deductible Gift Recipient (DGR) for its WIRES Public Gift Fund.

WIRES is governed by a Board appointed by the membership. The Board is elected from the WIRES Council, which consists of one elected representative from each WIRES branch and one representative from each of the six species teams. Under the WIRES constitution, all branch members must be members of the association and all members must be attached to a branch.

WIRES Public Gift Fund

The WIRES Public Gift Fund (WPGF) is established under the WIRES constitution to comply with requirements of the Commonwealth's Register of Environmental Organisations (REO) to receive tax deductible donations. It is established for the specific purpose of supporting the environmental objects of WIRES. WIRES advised that donations for the Appeal went into the WPGF. Donations to the WPGF can only be applied for purposes specified in the objects as set out in WIRES's constitution.

The WPGF is managed by a management committee appointed by the WIRES Board. The WPGF management committee acts independently of the WIRES Board.

The 2019-20 summer bushfires

Prior to the 2019-20 summer bushfires, WIRES's principal activity was the provision of wildlife information and rescue services throughout NSW. WIRES is a large charity with total gross revenue of \$3,402,991 in 2018-19.

On 11 November 2019, WIRES established an Emergency Appeal to help support wildlife in response to drought, bushfires and extreme weather events. WIRES announced and regularly promoted the Appeal on its website and social media platforms.

On 21 November 2019, WIRES distributed \$120,000 to 12 branches it identified as being the worst affected by bushfires and drought. WIRES distributed a further \$560,000 to branches on 7 January 2020.

By 21 January 2020, WIRES had:

- distributed over \$1 million to its branches for immediate local use and/or emergency requirements
- provided 1 year's free membership to every current member
- approved a food subsidy for WIRES carers, covering 100% of all food costs for fire, drought and heat affected animals in care for 2020.

On 10 January 2020, WIRES CEO Leanne Taylor released a statement announcing WIRES would allocate funding to support all states and territories assist animals affected by the bushfires. This was a change from WIRES's previous operations, which were based solely in NSW.

On 22 January 2020, WIRES announced the WIRES Wildlife Relief Fund Grants Program to provide critical emergency support to national rescue organisations, licenced carers and vets assisting wildlife affected by bushfires and drought. Over 240 projects were supported and over \$2 million subsequently disbursed.

Between January and March 2020, WIRES received over \$82 million in donations from both within Australia and overseas. WIRES received significant third-party promotion, including internationally, which contributed to the significant level of donations.

In addition to donations, WIRES also received a significant increase in volunteers and membership from people who wanted to contribute to the response. Between September 2019 and March 2020:

- 2,112 people enrolled in WIRES's Rescue and Immediate Care Course compared to 545 for the same period in 2018-19
- 638 new members joined compared to 306 for the same period in 2018-19
- 141 memberships were renewed compared to 67 for the same period in 2018-19.

The bushfires and the subsequent celebrity endorsement increased WIRES's public exposure, with visitors to its website growing from 321,284 (January to July 2019) to 4.8 million (January to July 2020). WIRES also saw an increase in submissions of its contact form, inbound calls, calls to WIRES Rescue Office, and rescue and wildlife related enquiries.

WIRES advised the Royal Commission into National Natural Disaster Arrangements on 31 July 2020 that the total amount of funding it received to the Emergency Appeal was \$91,457,292.

Question one: Is WIRES spending bushfire donations on bushfire-response activities?

The total amount of revenue reported in the WPGF profit and loss statement ending 30 June 2020 was \$95,342,295.74. In addition to the donations it received in response to the 2019-20 summer bushfires, WIRES received \$3,080,522.99 in grant income from various organisations to deliver bushfire-response projects. Each grant had an agreement stipulating the terms, time frames and reporting and acquittal requirements.

WIRES's activities are limited by its constitution. It can apply its funds to a reasonably wide range of activities supporting animal welfare, including rescuing and caring for sick, injured or orphaned native wildlife, training members and other licenced wildlife rehabilitators, advocating for and informing the public about the habitat requirements of native wildlife, and undertaking research.

In addition to its rescue, rehabilitation and recovery objects, WIRES may undertake and encourage research in line with its objects and may enter into arrangements with any government, government authority or private body aligned with its objects.

WIRES promoted a broad intent for its Appeal, maintaining donated funds would be used towards drought, bushfires and extreme weather. The breadth of the Appeal's intent, in accordance with WIRES's objects, provides WIRES flexibility when allocating and disbursing funds. To date, the grant programs aligned with supporting bushfire response and recovery. Some of the research grants WIRES intends to support will target broader animal welfare issues while concurrently supporting the bushfire response.

Program funding

In January 2020, WIRES announced the Wildlife Emergency Relief Fund, a national grants program to support licenced rescue groups, wildlife carers and vets affected by bushfires and drought.

The grants are broken into three tiers:

- Tier 1 – licenced individual wildlife carer, not part of a group: maximum \$5,000
- Tier 2 – licenced wildlife rescue organisations and groups representing wildlife carers: maximum \$20,000
- Veterinary clinics: maximum \$10,000 or larger amount for approved projects.

WIRES staff checked that applicants were in areas affected by bushfire, drought or heat. WIRES allocated and distributed \$2 million to licenced rescue groups and individual carers. It allocated \$1 million for eligible vets and \$730,000 has been disbursed. These funds supported immediate relief action, primarily the treatment of animals affected by the bushfires.

On 4 March 2020, WIRES released its 'Emergency Wildlife and Recovery Plans'. WIRES intends to allocate funding to three key focus areas:

- Immediate response and rescue
- Rehabilitation and relief over five years
- Recovery and risk-reduction over five years.

WIRES's initial focus has been delivering the \$7 million allocated for immediate search, response and rescue phase. The long-term plans include funding projects and research that address the effects of the changed landscape and supporting a national framework to engage volunteers in the rescue and rehabilitation of wildlife affected by bushfire, drought and extreme weather.

WIRES is aware that it will have to allocate funds for operating costs related to the Appeal. At this time an exact figure is not available.

The following table shows the estimated allocation from Emergency Wildlife and Recovery Plans, as well as the allocations and disbursements that had taken place by September 2020. Note that some figures from September 2020 are higher because WIRES continued to receive donations after releasing its plans.

WIRES Emergency Wildlife and Recovery Plans			
Program	March plan	Allocation at Sept 2020	Disbursement at Sept 2020
Rescue and response – 1-year response	\$7 million	\$7 million	\$7 million
Rehabilitation and Relief – 5-year response	\$45+ million	\$63 million	\$425,000
Recovery and Risk Reduction – 5-year response	\$25+ million	\$17 million	\$2.1 million

WIRES has partnered with leading national environmental groups, rescue groups and universities to identify and fund projects designed to deliver the best long-term effects. Its partners need to hold relevant registrations and licences to be funded by WIRES.

Emergency animal rescue and care

WIRES partners with other organisations to assist emergency animal rescue and care needs. For example, WIRES partnered with Animal Rescue Cooperative (ARC) and Currumbin Wildlife Hospital. Identifying ARC’s network of volunteers and transport, WIRES partnered with ARC to provide on-the-ground support to deliver feed and medical supplies to wildlife carers affected by drought, bushfires and extreme weather nationally. This included a financial partnership in wildlife food donations. WIRES continues to work with ARC.

WIRES is funding the construction of a hospital extension at Currumbin Wildlife Hospital to help build capacity for the increasing numbers of sick, injured or orphaned wildlife. WIRES is also funding a dedicated emergency rescue responder and emergency vehicle based at Currumbin.

Threatened species programs

WIRES has partnered with the following organisations with the aim to restore native wildlife populations:

- Australian Wildlife Conservancy: WIRES is funding bushfire-recovery projects with a focus on saving the Kangaroo Island Dunnart and Northern Bettong from extinction
- Koala Health Hub (University of Sydney): WIRES provided a three-year grant to support koala care, management and research.

Wildlife recovery and habitat protection

WIRES has the following partnerships with organisations to establish local programs to support and protect existing wildlife populations:

- Landcare Australia to fund a national grants program for environmental groups. The Wildlife Relief and Recovery Grants were developed to support the recovery of wildlife habitats affected by bushfire and drought
- World Wide Fund For Nature Australia (WWF) and other organisations to distribute water stations to fire and drought affected areas
- Aussie Ark to support long term recovery of native threatened specifically, species recovery and habitat programs. The funding is for three years and is to assist three bushfire recovery habitat projects and 15 threatened species projects.

Future projects

WIRES advised us of two upcoming projects:

- WIRES has been working on improving its rescue and care capacity both internally and nationally. It has created an online Introduction to Wildlife Rescue Course that will be made available to national groups through training grants
- WIRES will provide \$10 million in emergency wildlife support to prepare for the 2020 bushfire season. The support will include conservation projects, national emergency wildlife rescue and a research program developed with the Royal Zoological Society.

Conclusion

Based on the evidence available, WIRES has spent the donations received in the Emergency Appeal on bushfire-related activities.

Question two: Is WIRES taking a strategic and reasonable approach to the disbursement of funds?

WIRES has engaged an external consultant to develop a long-term growth strategy, during which the consultant will also review WIRES's structure and governance. WIRES advised the ACNC that development of its strategic plan is in its final stages. WIRES has also employed staff to increase capacity in critical areas, including IT and grant management.

Grants

The Wildlife Emergency Relief Fund is the first time WIRES has operated nationally and distributed cash grants. WIRES has always had the desire to undertake such activities but previously did not have funds available to do so. WIRES did not seek external advice, rather it relied on the advice of the lawyer on its Board. The Board approved the decision for WIRES to go national.

WIRES intends to continue operating nationally. It is developing a National Grants Program framework and although it is currently in draft, it demonstrates strategic thinking about the future use of funds. The grants program is intended to assist with wildlife rescue emergency preparedness and the ongoing recovery of wild populations and habitat.

There is no evidence to show that donors expected their donations to solely be used in NSW. WIRES has operated on the assumption that it is likely that the people who donated to WIRES did so expecting the funds to be used to assist wildlife in any state or territory affected by bushfires. WIRES stated that local community contacts provided the best source of information for animals affected by bushfires. WIRES partnered with ARC to use its network to reach national wildlife carers and WIRES branches.

By going national, there is a risk that WIRES provided support to carers and vets in states not affected by bushfires. WIRES released a grant overview that provides in detail the support provided during the 2019-20 summer bushfires. The overview shows that Victoria received the majority of support with WIRES supporting only two projects in the Northern Territory and one in the Australian Capital Territory.

Major projects

WIRES is partnering with well-established national organisations that are known to WIRES. It believes that the best outcomes for animals can be delivered through increased collaboration across rescue, conservation and environmental groups.

For the projects that relate to the Emergency Appeal, in addition to WIRES's general criteria for reviewing major partnerships, it considers the relevance of any planned activities to:

- provide both short and long-term support for wildlife to improve recovery outcomes for all native species in the wake of the drought, extreme weather and bushfires of summer 2019-20
- provide support to wild populations to assist with species and habitat recovery
- increase ongoing emergency rescue and care capacity and be able to respond better to assist more wildlife in the face of future emergencies
- assist with the conservation of any of the 119 species identified by the Government Expert Panel as most in need of urgent intervention after the bushfires.

WIRES, like many other charities during the bushfires, noted the challenges of accessing timely and accurate data and information. For example, there is no central register available for licenced or authorised wildlife carers and each state and territory operates under different licencing systems.

A challenge for WIRES in the recovery period will be obtaining good information to understand the work that is needed. At present, there is a lack of baseline data on animals that have been affected by the bushfires. WIRES advised that it consults with various stakeholders to determine how best to respond to have the greatest effect for wildlife recovery.

Until January 2020, WIRES operated solely in NSW. For an organisation that has only recently commenced national support, it is considered reasonable that WIRES partner with established national organisations. These organisations already have the networks, resources and frameworks in place to effectively deliver agreed projects.

In most cases, WIRES provides funding for projects while its partners administer and deliver the projects. However, for the Water for Wildlife project with WWF, WIRES is accepting and assessing applications.

Investment policy

WIRES is drafting an investment policy to deal with surplus funds. The investment policy will inform short-term and long-term financial decisions and will be informed by WIRES's strategic plan when finalised. As funds held by WIRES, including any profit made through its investment policy, are 'charitable funds', WIRES must use them in line with its charitable purposes. There is no evidence to suggest WIRES will not do this, but it must be careful in designing its investment strategy so that any profits are retained by WIRES for use on charitable purposes.

Donor expectations and transparency

WIRES received criticism from sections of the community for its intention to use donations on activities such as research and staff training rather than solely on the direct care of animals. WIRES also received criticism from wildlife carers (both national and in WIRES branches) for being too slow to distribute cash support.

WIRES undertakes vetting processes to ensure grants are distributed to eligible applicants for an intended purpose. The checks are manual and take time, which explains the delays in delivery and disbursement of funds.

In response to the criticism, [WIRES published Bushfire Funding FAQs on its website](#) on 26 February 2020. Largely, WIRES has been transparent with donors about its use of funds from bushfire donations by providing regular updates about its partnerships and projects on its website and social media platforms.

Rapid upscaling and staffing

As donations increased, WIRES initially focused on areas requiring key staff. For example, finance staff to handle the influx of transactions, a project and grants coordinator to track all incoming and outgoing grants, and a chief technical officer to assist with IT controls.

Since the bushfires, WIRES has rapidly increased the number of staff overseeing its grant administration and call centre. WIRES advised its next focus will be on managing its increased membership, training staff in grant administration and supporting animal carers.

These actions are likely to increase WIRES's administration costs but they will be necessary to deliver its programs.

Conclusion

Based on the evidence available, WIRES is taking a strategic and reasonable approach to the disbursement of funds. Its initial response was to deliver aid where possible to assist affected animals. This required only a fraction of the total received by WIRES, and it is in the process of developing animal welfare programs for implementation over five years. Each of these activities appear to be aligned with WIRES's purposes.

While it may appear that WIRES has been slow to distribute funds, it actively worked to implement response programs – it spent approximately twice its total 2018-19 revenue in the first few months of 2020, after which time there was reduced need for further response spending.

WIRES has grown significantly both in finances and operations. It is in the process of completing a strategic plan with the assistance of an external consultant. WIRES will no longer operate solely in NSW and has expanded nationally. Due to WIRES's structure and limited administrative capacity, its approach of partnering with well-established project partners to deliver programs and the rollout of a national grants program is considered reasonable. Managing this level of growth is challenging, but necessary for WIRES.

It now has significantly more funds to manage and a greater ability to deliver effective programs. While the ACNC would prefer to see additional governance in place, the circumstances explain why the controls were not there when the donations were received, and we are encouraged that WIRES has actively identified gaps and is improving its practices.

Question three: Is WIRES taking adequate steps to protect the funds against fraud?

WIRES does not have a fraud protection plan nor a documented fraud framework, but it advised that it is developing a policy. WIRES has implemented vetting and acquittal processes for its grant

and partnership programs. Based on the available evidence, the charity does undertake adequate due diligence to protect funds against fraud.

Grant programs

WIRES has vetting and acquittal processes for its grant program. It conducts eligibility checks on all applications prior to approving funds. Individual and group recipients of grants from WIRES must hold an appropriate permit from the state in which they reside and must provide a referee. WIRES contacts state licencing authorities to confirm permits and to enquire about welfare concerns. For Vet Grants, clinics must have treated wildlife affected by emergencies. Wildlife Carer grant recipients were asked to recommend local vets and WIRES cross-checked the list with applicants. As part of the assessment, WIRES took several steps to establish the validity of the applications, which included using mapping from the Rural Fire Service and information from the Bureau of Meteorology to confirm an applicant was in an area affected by bushfire, drought or heat events. WIRES assessed each item individually. WIRES gave all grant recipients its terms and conditions. Internally, all applications were assessed by a minimum of two staff and the CEO to provide oversight.

WIRES received 289 grant applications, of which 66 were unsuccessful.

WIRES requires grant recipients to acquit the funds provided to them. Successful applicants were given 12 weeks to spend the funding and complete projects and, on completion, had to provide an acquittal report. WIRES conducts random audits of grants, requesting invoices and receipts to check against reported spending and approved budget. Grant recipients were advised by email to retain all receipts for WIRES as part of its auditing program.

The draft National Grant Program framework includes a risk analysis framework that considers the risk of fraud, partnership and grantee failures. This should provide guidance to staff on assessing applications. WIRES also noted that it intends to appoint a grant assessment panel rather than continue to rely on staff and its CEO. The engagement of a panel, particularly with external expertise, will support decision-making and will be most beneficial for large grants that WIRES approves.

Given the circumstances WIRES faced, its approval and acquittal processes provide practical assurance that it is giving funds to appropriate recipients. WIRES's governance and protection against fraud will be strengthened when it develops its fraud prevention strategy. Having a formal strategy is appropriate given the amount of funds WIRES now controls.

Major partnerships

WIRES take steps to ensure proposals for partnerships meet its criteria and align with its objects and the intent of the Appeal. Proposals are reviewed and approved internally by WIRES staff, the WIRES Board and the WPGF management committee prior to disbursement. WIRES has written agreements with partners, including agreed terms, time frames and reporting and acquittal requirements.

Financial controls

The WPGF management committee has oversight and authorisation for the disbursement of all funds in the WPGF. As required under REO guidelines, the WPGF management committee acts independently of the WIRES Board.

WIRES has a comprehensive Branch Treasurers Manual to assist elected treasurers of each branch in their day-to-day operations. Appeal funds dispersal is managed at the branch level. Members make a request to the branch executive who submit a fund requisition form to WIRES's accounts area.

Internal IT controls

As a result of increased international exposure, WIRES identified a spike in online fraud attempts. WIRES identified its security levels were no longer sufficient to protect it from new and additional security threats. WIRES took the following steps to improve its internal IT controls:

- Upgraded its website servers to include a new payment gateway with improved fraud guard monitoring and prevention to maintain Payment Card Industry Data Security Standard compliance
- Engaged a cyber support service to provide monitoring services and security protocol recommendations
- Engaged Microsoft to assist with upgrades to Office 365
- Contracted a chief technical officer.

The significant increase in transactions and increased risk of card testing resulted in WIRES having to process refunds. WIRES follows a written refund process when processing refunds.

Conclusion

Based on the evidence available, WIRES has taken adequate steps to protect its funds against fraud. WIRES responded appropriately to identified security threats that arose from increased international exposure. It has implemented preventative measures to ensure funds are disbursed to eligible recipients for intended purposes. It has acquittal processes in place for grants and partnerships.