LETTER FROM THE GUEST EDITOR

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WE HAVE BEEN TALKING about accountability of charitable and nonprofit organizations for as long as I have been working in this sector, which is going on some 22 years now. The issue has hardly gone away. If anything, it looms larger and presents more urgency, as there seems to be a growing perception among the public, and even at times by government, that sector organizations are somehow not as accountable or as transparent as they should be.

In 1999, I had the good fortune of travelling across the country with Ed Broadbent and other members of the Panel on Accountability and Governance in the Voluntary Sector. They had been given a mandate from key sector organizations to conduct research and present draft proposals for discussion about how to promote accountability and governance in the voluntary sector. The resulting Final Report was called Building on Strength: Improving Governance and Accountability in Canada’s Voluntary Sector (Broadbent et. al, 1999). While the context has changed somewhat, much of what was written and recommended to promote greater accountability back in 1999 still holds true today. It was a brilliant document, well written and well researched (let me be clear – I had no part in that process), and I would urge sector newcomers and veterans alike to read or re-read it. Reports like these constitute part of the sector’s history and evolution in Canada, but our “corporate memory” is not always as sharp as it could be.

Among other things, the report provides a very good working definition of accountability. It is framed as “the requirement to explain and accept responsibility for carrying out an assigned mandate in light of agreed upon expectations” (Broadbent, 1999, p. iii). The report goes on to state:

- The application of accountability involves three elements:
  - taking into consideration the public trust in the exercise of responsibilities;
  - providing detailed information showing how responsibilities have been carried out and what outcomes have been achieved; and
  - accepting the responsibility for outcomes, including problems created or not corrected by an organization or its officials and staff. (Broadbent, 1999, p. iii)
While we talk a lot about accountability and the need to have accountable organizations, the “older language” of responsibility seems to have disappeared from our discourse. Accountability and responsibility are not one and the same, and more and more we are focused on the numbers, while somehow setting aside the values that are inherent in a framework of organizational responsibility to our clients and our communities. Janice Stein, Director of the Munk School of Global Affairs at the University of Toronto, talks about some of the challenges of applying a pure accounting framework in the nonprofit sector and she asks a compelling question:

How do we broaden our language of accounting beyond what we can measure to include our values, that are so difficult to measure? We don’t measure what we don’t see. The risk if we don’t is that we will become a society of accountants … and accountants are not known for their creativity, imagination, their ability to take risks, to experiment or to innovate. (Stein, 2009)

The good news though, is that Janice Stein believes that the next generation of leaders will be risk-taking innovators with a conscience.

Risk management, to my mind, is a more recent phenomenon. While the focus in the past was largely on managing the risks associated with money management, boards and senior managers now have to consider, measure, and take measures to address risks related to program and project implementation, operational risks, which include the management of volunteers and employees, governance risks, and reputational risks. The range of risks within each of these categories varies tremendously by virtue of the nature and size of the organization. For example, when I moved from the National Anti-Poverty Organization to the Canadian Co-operative Association, I quickly discovered that the risks of managing a large portfolio of international development projects were very, very different from those of a much smaller organization focused on public policy advocacy.

Both accountability and risk management have their roots in the business world. It is indeed important for nonprofits to put in place the necessary policies, structures, and processes to ensure that the organization makes effective and efficient use of the financial resources they have been given (generally by other parties) to do what they say they are going to do, to communicate their plans in very transparent ways, and to report back within a timely manner on the progress made towards achieving their goals or the results accomplished. But the context in which we work bears some differences to that of the business world. More and more, corporations are accountable largely to their shareholders. We are accountable to multiple stakeholders: boards, clients, funders, employees, volunteers, and those we purport to represent or advocate on behalf of. And the priorities and expectations of one stakeholder may well conflict with that of another.

Businesses often have set standards against which they can measure themselves. Although Imagine Canada is working toward developing a common set of standards for the sector in the areas of governance, paid-staff management, financial
accountability, fundraising, and volunteer involvement, we still have a very long way to go in getting all of those standards fully developed, validated, communicated, and implemented by a critical mass of organizations across the country. But both the private and nonprofit sectors are beginning to share a common accountability challenge – the need to demonstrate results within a much shorter timeframe. The business world has to appease their shareholders on a quarterly basis; more and more, sector organizations are being called upon to demonstrate results within shrinking timeframes. Donors don't always understand that much of our work is long-term and if they can't see quantifiable progress, they may take their donations elsewhere. So donor education is key.

This issue of *The Philanthropist* presents a series of articles about these two complex matters. Recognizing a growing need for sector organizations to be able to effectively convey more than numbers in their annual reports, the Canadian Institute for Chartered Accountants (CICA) Canadian Performance Reporting Board recently published a briefing entitled Improved Annual Reporting by Not-for-Profit Organizations to assist not-for-profit organizations in preparing high quality annual reports. Rayna Shienfield makes the case for narrative reporting, that seeks to tell the organization’s story in her article “Accountable Reporting for Nonprofit Organizations,” and she presents the principles and elements for implementing this approach within an annual report.

In the article entitled “The Importance of Taking Risk in Philanthropy,” Arti Freeman and Violetta Ilkiw bring a funder’s lens to the issues of accountability and risk management. They share the learning of two funders on engaging and investing in grant-making strategies that allow for innovation.

The article “Risk Management and Social Enterprise in Canada” by Susan M. Manwaring and Andrew Valentine is derived from a longer article, which considers the various structural options for social enterprise from the perspective of a social entrepreneur contemplating a new social venture. The excerpts used highlight the issues that have to be considered from a risk perspective.

And Mary Mancuso provides a primer on risk management in “Nonprofit risk management.” The article defines risk management, identifies key categories of risk, and talks about planning and prevention as well as risk response strategies, all elements that new and existing organizations should put in place to mitigate risk.

In his “Accounting Principles” column, Steve Salterio agrees that risk management and accountability are about a lot more than having the appropriate insurance policies in place. He also makes the case that organizations have to think much more proactively about risk, and that they should consider designing a portfolio of risk responses that are consistent with an appropriate appetite for risk.

The last issue of *The Philanthropist* included a series of articles linked to the four themes of Imagine Canada’s National Summit, held last November, when over 500 sector players came together to discuss what concrete actions could be taken to address the four priority areas identified from pan-Canadian consultations in 2010.
As a follow up, we asked Michelle Gauthier, Vice President of Public Policy and Community Engagement at Imagine Canada, to provide an overview of the Summit, a summary of the key outcomes, and the identification of next steps in her “National Summit Report.”

In the columns section, Bob Wyatt and Don Bourgeois go at it again in “Point/Counterpoint,” this time arguing whether the demands for accountability by charities have reached extreme and unrealistic levels or not.

The “What The Numbers Say” column by David Lasby and Cathy Barr investigate transparency among charities. While we tend to believe we are indeed transparent in all aspects of our work, research findings indicate we could do a better job of being proactive, especially when it comes to disclosing financial information, which is in fact what most donors are looking for.

The “What’s the Law” column by Linda J. Gode at Torkin Manes LLP looks at the new Not-for-Profit Corporations Acts at the federal level and in Ontario and what the changes mean for nonprofits.

Under “Book Reviews,” Adam Aptowitzer provides us with a look into Modernising Charity Law: Recent Developments and Future Directions by Myles McGregor-Lowndes and Kerry O’Halloran and Don McRae reviews High Ideals and Noble Intentions – Voluntary Sector-Government Relations in Canada by Peter R. Elson.

All heady and serious stuff but this issue begins on a high note of inspiration. Nathaniel Larochette, a young spoken word poet, agreed to share his poem “Threshold of Transformation,” that he presented at the Imagine Canada Summit last November. He compels us to consider our fear of failure and what we would (and could) do if we knew we would never fail.

Je vous souhaite donc bonne lecture et je vous invite à nous faire part de votre rétroaction par voie de courriel au sujet des articles que vous allez lire. I hope you will enjoy this issue and I invite you to share with us via email any comments or feedback you may have about the ideas and information being put forward about accountability and risk management in the voluntary and nonprofit sector.

REFERENCES
