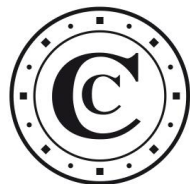


Cour des comptes



FONDATION ASSISTANCE AUX ANIMAUX

Fiscal years 2015 to 2019

Organisation in receipt of donations

January 2022

Executive summary

Following the audit of the use-of-funds statement for funds collected from the public by the Fondation Assistance aux Animaux during fiscal years 2011 to 2014, the Court of Accounts had certified, in July 2016, pursuant to the provisions of Article L. 143-2 of the French Code of Financial Jurisdictions, that the expenses incurred did not comply with the objectives pursued by the appeal for public generosity for the following reasons:

- the foundation had not brought to the donors' attention its strategy to, in the words of its leaders, ultimately turn it into a structure able to live solely off the income of its assets. This strategy had led it, over the audited period, to devote almost a quarter of the funds derived from public generosity to the acquisition of investment properties and the accumulation of financial reserves, whereas the objectives set out in the donation and bequest fundraising campaigns only highlighted the need to meet the immediate needs for helping animals;
- the shortcomings observed in the construction of the use-of-funds statement and the drafting of its appendix did not allow donors to be properly informed of how funds raised through public appeals for generosity were actually used.

The Court further specified that the audit had "revealed multiple shortcomings in the governance, organisation and management of the foundation" and seven recommendations had been made to it.

The French Budget Minister decided not to suspend the tax benefits related to donations, bequests and payments made to the foundation and specified, in the report giving reasons for his decision to the First President of the Court of Accounts, that keeping these benefits was subject to the recommendations issued by the Court being immediately addressed, the "rapid and rigorous" change of the challenged practices and changes to governance.

Following this audit covering fiscal years 2015 to 2019, it appears that little significant progress has been made since 2016, despite the French Budget Minister's express requests and the commitments made by the foundation. Although the foundation has made a few technical corrections, none of the shortcomings noted by the Court on key issues in the life of the foundation has resulted in substantive reforms so far.

Foundation accounts and financial communication: still insufficient progress

The rules for drawing up the foundation's financial statements (balance sheet and profit and loss accounts; use-of-funds statements) had been the subject of numerous criticisms from the Court. The foundation endeavoured to respond to them, by making the required changes to a large number of technical points. Some key recommendations nevertheless remained unimplemented between 2015 and 2019, even though they related to positions of principle constantly reaffirmed in the past by the Court and now imposed by Accounting Regulation No. 2018-06 of December 5, 2018 applicable since fiscal year 2020: recording proceeds from bequests in operating revenue in the profit and loss account; including financial or real estate income derived from funds raised through public generosity in the "funds collected from the public" section of the annual use-of-funds statements.

In terms of financial communication with the public and donors, undeniable progress has been made, both through the improved information provided in the annual financial reports and thanks to them now being disseminated on the foundation's website. However, in terms of substance, the shortcomings highlighted by the Court in 2016 remain valid in all respects. The messages conveyed on the relative weighting of uses related to social missions, fundraising costs and operating costs are based on presentation ratios calculated from partial and erroneous data, which has the effect of overestimating the proportion of uses devoted to social missions. Furthermore, the foundation's strong focus on the acquisition of rental properties, using funds raised through public generosity, is not publicly disclosed in a sufficiently thorough and transparent manner. Finally, the policy of investing in real estate for operation has benefited Corsica in particular, although the foundation did not provide the donors with any communication regarding this choice of priority allocation.

Rules and practices of governance within the foundation: an unjustifiable status quo

The French Budget Minister had strenuously pointed out to the foundation the need for it to make changes to its governance and to immediately change the practices challenged by the Court in its previous public report. However, no major initiatives were taken in this regard.

A reflection on an overhaul of the Articles of Association was certainly initiated, albeit very late, at the end of 2018. However, it only resulted in short discussions within the Board of Directors and did not lead to any decisions, through lack of a clear will to bring this essential project to fruition. Furthermore, while provisions have been made to resolve certain conflict of interest situations and establish prevention mechanisms, this process remains perfunctory and needs to be substantially strengthened.

The shortcomings which deeply concerned the Court in 2016 remain valid. In the absence of any statutory reform, the unchanged governance practices continue to be marked both by the lack of collegiality in the decisions taken, the lack of any reliance on specialised committees created by the Board of Directors and incorporating external experts chosen for their skills, or even by the obvious lack of openness in the composition of the panel of qualified individuals. These often long-standing individuals are continuously renewed without any serious attempt to diversify profiles.

The lack of collegiality and transparency in the decision-making mechanisms, regrettable in its very principle, also opens the way to management practices that are often based on long-established relationships with certain service providers or suppliers, which leave little room for competitive bidding. Such working habits, incompatible with the search for the greatest efficiency, are detrimental to the foundation's financial interests and to the best use of funds derived from public generosity.

Strategy and organisation: a lack of professionalism that compromises the foundation's capacity for action

Now equipped with a strategic plan adopted in 2018 in response to the recommendations made by the Court, the foundation had decided, among other objectives, to continue to develop its network of regional establishments and to gradually reduce the level of its reserves, deemed excessive by the court.

Five years later, the results achieved can be considered unconvincing. In the end, the network of establishments underwent more modest development than expected, due to some closures of existing retirement homes or shelters and to significant delays in the opening of new clinics, owing to a lack of effective management by the Head Office. As for the efforts to modernise existing facilities, which are essential because some of them are in such a bad state of repair, they too have been very modest.

In light of this picture, which is mixed to say the least, the foundation has only slightly tapped into its abundant reserves, which are still well above the three-year target level of operating expenses set out in its strategic plan.

Failing in the implementation of the network development, the foundation also lacks rigour and professionalism in its operational management and in the management of activities, even though it is supported by numerous external service providers upon which it has even at times become dependent. The establishments are insufficiently coordinated, while the monitoring and assessment carried out by the management are superficial, or even non-existent. The relationship with the regional State services, the quality and regularity of which are essential, is poor at times. Finally, human resources management, crucial in a foundation employing so many employees, is handled chaotically by the Head Office.

This overall observation is all the more worrying since the costs of establishments with comparable activities (shelters, retirement homes, clinics) vary greatly, without any explanation being found for these differences: the allocation of funds derived from public generosity is therefore far from optimal.

Summary of recommendations

1. Immediately carry out the overhaul of the Articles of Association announced several years ago, by adopting the standard articles of association recommended by the Council of State and by choosing the appointment by the State of a government commissioner.
2. Immediately create specialised committees, as the foundation has undertaken to do, by including external individuals.
3. Rapidly strengthen risk management and internal control tools.
4. Immediately develop full and transparent financial communication, in particular through ratios of use of funds raised from public generosity established on a basis that matches reality.
5. Strengthen the prerogatives of the Board of Directors regarding the monitoring of bequest and donation cases.
6. Conduct an in-depth reform of the rules and practices for managing the network of establishments, by setting up tools for planning, management, monitoring activities and costs, competitive bidding and management control.