

PRESS RELEASE

IMC ON THE REGULATION OF CHARITIES AND IPCS PRESENTS ITS REPORT TO THE GOVERNMENT

1. The Inter-Ministry Committee (IMC) on the Regulation of Charities and Institutions of a Public Character (IPCs) has submitted its report on strengthening the regulatory framework of charities and IPCs to the Government (see enclosed **Annex D**) on 2 March 2006.

The IMC on the Regulation of Charities and IPCs

2. The IMC, chaired by Mr Niam Chiang Meng, Permanent Secretary of the Ministry of Community Development, Youth and Sports (MCYS), was set up in October 2005 to (a) develop a regulatory framework to regulate charities and IPCs, with a view towards helping the sector to grow; (b) rationalise existing regulations and the roles and powers of the various regulatory agencies involved in overseeing charities and IPCs; and (c) streamline processes to facilitate the registration, reporting and fundraising requirements of charities and IPCs.

IMC's Final Recommendations

3. The IMC's recommendations are grouped into three categories, namely (a) regulatory framework, (b) governance, financial and fundraising regulations, and (c) facilitating the work of charities and IPCs.

4. To strengthen the regulatory oversight of the charity sector, the IMC recommends key changes to the office of the Commissioner of Charities (COC) and the Central Fund Administrators (CFAs), including vesting additional regulatory powers in them. The IMC also recommends establishing a Charity Council led by the people sector to advise the COC on key regulatory issues, and additional regulations and requirements on disclosures for charities and IPCs. The details of the IMC's final recommendations can be found in **Annex A**.

5. The IMC proposes that the additional regulations recommended be implemented from 1 July 2006, together with the earlier recommendations of the Council on Governance of IPCs that were accepted by the Government. The complete set of regulations that would take effect from 1 July 2006, if the Government accepts them, can be found at **Annex B**.

Public Consultation and Feedback

6. In finalising its report, the IMC considered the feedback it received during a public consultation exercise from 27 January to 17 February 2006. The IMC received feedback through: (i) a focus group discussion involving representatives from charities/IPC's prior to releasing its preliminary report, (ii) a briefing session involving 550 representatives from 430 charities and IPC's, and (iii) 55 responses through the Government's e-consultation portal, emails, letters, and telephone calls. The respondents were generally supportive of the IMC's recommendations.

7. The IMC has decided to drop its preliminary recommendation requiring non-commercial third party fundraisers¹ to submit a statement of its expenses to the charity or IPC it raises funds for. This is because charities were concerned that such a requirement might discourage well-meaning organisations from embarking on fundraising initiatives.

8. During the consultation, there were mixed views about whether a charity rating system ought to be introduced in Singapore. Some felt that charities might focus their resources on being rated well, rather than on serving their beneficiaries. Others feel that a rating system would promote greater transparency and help the public with their donation decisions. On balance, the IMC feels that in the spirit of greater transparency and self-regulation by the charity sector, some people sector agency may want to consider setting up a rating system when charities have had enough time to get used to the new regulatory requirements.

The Government's Response

9. Dr Vivian Balakrishnan, in summing up the completion of the IMC's task said, "I thank the IMC for its report. The charity sector is at an important inflection point in its development. I support the the IMC's report, which aims to restore and enhance public confidence in the charity sector, whilst emphasising self-regulation and promoting good governance. The Government will respond to the IMC's recommendations during the upcoming Committee of Supply debate."

Inter-Ministry Committee (IMC) on the Regulation of Charities and IPC's
3 March 2006

List of Annexes:

Annex A – List of IMC's Recommendations

¹ These would include corporations which raise funds for their adopted charity as part of their corporate community involvement programme.

- Annex B – Regulations Recommended To Be Implemented From 1 July 2006**
- Annex C – Government's Reply to the IMC on the Regulation of Charities and IPCs**
- Annex D – Letter and Report from the IMC on the Regulation of Charities and IPCs to the Government**

Total number of printed pages: 55

LIST OF IMC'S RECOMMENDATIONS

No.	Recommendation
(I) Regulatory Framework	
Commissioner of Charities	
1.	Transfer the office of the Commissioner of Charities (COC), currently under the purview of the Ministry of Finance, to come under the purview of the Ministry of Community Development, Youth and Sports. The COC will be appointed by the Minister for Community Development, Youth and Sports. The COC will focus on the regulation of charities and Institutions of a Public Character (IPCs) and promote good governance standards and best practices. The COC will also conduct audits and investigations into charities and IPCs where necessary.
2.	Consolidate the regulatory powers for both charities and IPCs under the COC, in the Charities Act, so that the COC can oversee both charities and IPCs effectively. The revised Charities Act will come under the purview of MCYS. (Refer to <u>Annex B</u> in the IMC's report on the regulations of IPCs that will need to be consolidated under the Charities Act.)
3.	Grant the COC additional powers to act for the protection of charities and IPCs. These include the following: <ul style="list-style-type: none"> <li data-bbox="374 1138 1381 1289">i) While the charity or IPC is being investigated, the COC may suspend all forms of public fund-raising, including fund-raising conducted by third party fund-raisers (organisations which are raising funds for or on behalf of the charities or IPCs); <li data-bbox="374 1302 1381 1453">ii) After completion of the inquiry and there is a necessity to act in protection of a charity or IPC, the COC may continue to suspend or prohibit any public fund-raising by the charity or IPC, including fund-raising conducted by third party fund-raisers; <li data-bbox="374 1466 1381 1617">iii) In acting for the protection of a charity or IPC, COC's suspension or removal of a trustee shall also disqualify the person from standing for election at the next AGM or for a period of one year, whichever is later; and <li data-bbox="374 1629 1381 1698">iv) COC may give specific directions on the management of the property of the charity or IPC upon its dissolution.
Sector Administrators	
4.	Rationalise the current 11 Central Fund Administrators into six Sector Administrators who will assist the COC in overseeing both charities and IPCs in their sectors. (Refer to <u>Annex C</u> in the IMC's report on the regulations relating to Central Fund Administrators that will need to be transferred to the Charities Act.) These six Sector Administrators cover

No.	Recommendation
	the social services, education, arts and heritage, community and youth, health, and sports sectors. Charities and IPCs that do not fall neatly under any of these six Sector Administrators should continue to be regulated directly by the COC.
5.	<p>The Sector Administrators will be delegated certain powers from the COC to perform their roles more effectively:</p> <ol style="list-style-type: none"> a. Receive annual reports and statement of accounts from the charities and IPCs under their purview; b. Ensure proper annual financial audits of charities and IPCs under their purview; c. Call for documents and search records of charities and IPCs; and d. Appoint auditors to investigate into charities and IPCs under their purview. <p>The COC will work with the six Sector Administrators to co-ordinate the regulatory stance for consistency across sectors.</p> <p>The COC and the six Sector Administrators will serve as the points of contact for the public to raise concerns over any specific charities, and conduct preliminary checks, if necessary.</p>
Charity Council	
6.	Set up a Charity Council comprising representatives from the people sector to promote self-regulation and good governance standards in the charitable sector and advising the COC on key regulatory issues. The Council is to be chaired by a prominent people sector person and six other members to be appointed by the Minister. It will also include six representatives from the Sector Administrators, a representative of the COC, and a representative from the National Volunteer & Philanthropy Centre (NVPC).
Charity Unit	
7.	The COC is to be supported by an adequately resourced Charity Unit, which will monitor charities and IPCs, co-ordinate the various Sector Administrators' regulatory stance for consistency, carry out audits and investigations, promote governance standards and best practices, and help develop the charities and IPCs' capabilities in governance.
8.	The COC is to regulate the charitable sector in a more systematic and structured manner, focusing on large charities and IPCs (with total annual income of \$10 million or more). The Charity Unit is to assist the COC to actively review the accounts of these large charities and IPCs as a first step. It should also introduce random audits of large charities and IPCs and make more field visits to better understand the charitable sector.

No.	Recommendation
(II) Governance, Financial and Fundraising Regulations	
9.	Strengthen the regulatory oversight over IPCs and large charities (with total annual income of \$10 million or more) by introducing additional regulations that require greater disclosure and compliance. (Refer to <u>Annex E</u> in the IMC's report for details of the additional regulations.)
10.	Bring forward the Council on Governance of IPCs' recommendations for IPCs, which were originally to be implemented on 1 January 2007, to take effect from 1 July 2006. The additional requirements for IPCs and large charities (refer to recommendation 9) will also be implemented from 1 July 2006. (Refer to <u>Annex D</u> in the IMC's report for the list of Council on Governance of IPCs' recommendations for IPCs which were accepted by the Government)
11.	The COC should extend certain basic regulations on public fund-raising (that currently apply only to IPCs) to charities. (Refer to <u>Annex F</u> in the IMC's report for details of the additional regulations.)
(III) Facilitating Charities and IPCs	
12.	Build one-stop charity portal to help charities and IPCs fulfil their registration, reporting and fund-raising requirements easily and quickly. The portal will include the following functions: <ul style="list-style-type: none"> <li data-bbox="455 1177 1381 1435">i) <u>One-Stop Charity Resource Centre</u>. The charity portal will provide a one-stop resource centre for charities and IPCs and those interested in setting up charities and IPCs. Through the portal, they can understand and seek advice on complying with the different regulatory requirements, as well as learn about best practices which can help them run their charities and IPCs better. <li data-bbox="455 1457 1381 1780">ii) <u>One-Stop Charity Registration</u>. Through the portal, charities and IPCs will be able to incorporate a company limited by guarantee with ACRA, register as societies with ROS, register as charities with COC and apply for IPC status, without the need to provide the same information to different regulatory authorities. Where feasible, processing of registration by the different authorities should be done concurrently. This will make the registration process simple and quick. <li data-bbox="455 1802 1381 1979">iii) <u>One-Stop Charity Reporting</u>. Charities and IPCs will be able to upload documents such as annual reports and financial statements, and submit requests to, say, change their name, through the portal. The portal will automatically route the documents and requests to the relevant authorities

No.	Recommendation
	<p>without the charities and IPCs having to do so separately. This will save time and effort for charities and IPCs.</p> <p>iv) <u>Fund-raising Permits</u>. The portal will provide a listing of the permits commonly required for various types of fund-raising events. It will work towards leveraging on the Online Business Licensing System² to allow application of the permits online. This will help simplify the process of obtaining the relevant permits for fund-raising events.</p>
(IV) Other Issues	
13.	<p>In the spirit of self-regulation, the IMC recommends the charitable sector moves toward a system of self-assessment and rating, so as to facilitate a culture of greater disclosure and transparency, and of informed giving. Such a rating initiative can be carried out by non-governmental organisations, as is the case in the USA.</p>

² The Online Business Licensing Service is a one-stop portal to search for licensing information as well as to apply for licences. It allows application for multiple licences in an integrated application.

REGULATIONS RECOMMENDED TO BE IMPLEMENTED FROM 1 JULY 2006

*[Items in **bold italics** are added following the IMC's recommendations; the items in **plain text** were recommended by the Council on Governance of IPCs and were accepted by the Government on 20 May 2005]*

IPCs - Mandatory

1. IPCs shall ensure that information provided to donors, potential donors and the general public does not contain any misrepresentation or material omission that will lead to a conclusion of misrepresentation.
2. IPCs shall disclose the following information during their solicitations to donors: (a) name of organisation; (b) intended use of funds and **(c) the use of commercial third-party fund-raisers**.
3. IPCs shall disclose the total funds raised, fund-raising expenses incurred and planned use of funds raised, for each fund-raising event that raises \$1 million or more. The disclosure should be done online at the end of each financial year. It need not be audited.
4. IPCs shall maintain separate financial accounts for fund-raising exercises that raise \$1 million or more. These separate accounts do not need to be audited.
5. IPCs shall ensure adequate control measures for all collection instruments, e.g. serialise collection tins or pledge cards.
6. IPCs shall ensure that funds and donations are used in accordance with donors' intentions and the specific purpose as communicated when soliciting for donations.
7. IPCs shall respect donors' confidentiality e.g. not to transfer donor lists or records without the donors' prior approval, respecting wishes to remain anonymous and to be excluded from contact lists etc.
8. In the commercial third party fund-raisers' arrangement³, all donations are to be made directly to the IPC. Commissions to the fund-raisers shall be separately paid.
9. All IPCs with total annual income equal to or greater than \$10 million shall comply with the Financial Reporting Standards (FRS)⁴.

³ A commercial third party fund-raiser is an entity that is engaged to raise funds on behalf of the charity or IPC, and is paid for that purpose.

⁴ As total income may vary from financial year to financial year, IPCs would only have to comply with the FRS if their total income is equal to or greater than \$10 million for two consecutive financial years, starting from the third financial year onwards.

10. All IPCs shall disclose their related party transactions⁵ in their audited notes to the accounts.
11. **All IPCs shall declare their conflict of interest policy in their annual report.**
12. **All IPCs shall ensure that the total expenses incurred on fund-raising appeals in a financial year should not exceed 30% of total donations collected through the appeals in that year.**
13. **All IPCs shall ensure their auditors certify whether they have met the 30/70 rule on fund-raising expenses as part of their annual audits.**
14. **All IPCs will be exempted from the 30/70 rule for house-to-house and street collections under the House-to-House and Street Collections Act and lotteries under the Common Gaming Houses (Exemption) Notification, as they will already be subjected to the 30/70 rule under the IPC regulations, on an annual basis.**
15. **IPCs with total annual income of \$10 million or more shall have at least 10 members⁶.**
16. **IPCs with total annual income of \$10 million or more shall post their annual report and audited financial statements online, in addition to the online disclosure template that they are already required to post.**
17. The existing online disclosure template, which all IPCs are currently required to use to disclose key information to the public annually, has been amended to make it clearer to the reader as well as include new disclosure items.

IPCs – Best Practices

18. The Council has drawn up a voluntary “Guide to Best Practices for IPCs⁷” to help IPCs strengthen their governance, management and fund-raising practices. IPCs are encouraged to implement relevant guidelines in their management and operations where appropriate, and to disclose the extent of compliance with the Guide.

19. The Financial Reporting Standards (FRS) will be positioned as a best practice for all other IPCs, i.e. those with total annual income less than \$10 million). In addition, all IPCs are encouraged to follow the Statement of

⁵ Related Party Transactions refer to transactions between the IPC and another person where either person could have influence over the other. For example, if a board member of an IPC is related to a certain supplier of services for the IPC, the value of the transactions should be disclosed. Please refer to the FRS for the full definition of Related Party Transactions.

⁶ This would standardise the minimum number of members required between charities registered as societies with those set up as companies limited by guarantee, etc.

⁷ Please refer to http://app.mof.gov.sg/news_press/pressdetails.asp?pressID=182 for a copy.

Recommended Accounting Practice (RAP) 6 for Charities issued by the Institute of Certified Public Accountants of Singapore (ICPAS) as a best practice.

20. ***As a best practice, IPCs shall disclose the number of trustees whose annual remuneration falls within bands of \$10,000, where the remuneration is larger than \$5,000, in their annual report. For example, how many trustees receive annual remuneration between \$5,000-\$15,000, how many trustees receive annual remuneration between \$15,000-\$25,000 etc.***

21. ***As a best practice, IPCs shall disclose the number of their top three executives whose annual remuneration falls within \$100,000, and subsequent bands of \$50,000. For example, how many of the top three executives receive annual remuneration between \$0-\$100,000, how many of the top three executives receive annual remuneration between \$100,000-\$150,000, etc.***

Mandatory Rules for Large Charities (i.e. those with annual income of \$10m or more)

22. ***Large charities shall be required to:***

- i) Have at least 10 members⁸.***
- ii) Seek COC's or respective Sector Administrators' approval for the appointment of external auditors.***
- iii) Change external auditor every five years⁹.***

The COC will make explicit the auditing specifications that are expected of public auditors in their annual audits of charities.

For CFAs (to be renamed as Sector Administrators), in relation to Regulation of IPCs under their purview

23. IPC status granted to new applicants should not exceed two years. This will allow the Central Fund Administrators (CFAs, ***to be renamed as Sector Administrators***) to review the progress of the IPC after its start-up.

24. IPC status should be renewed for a period between one to five years, depending on how effective the IPC is in governance and management. IPCs that are found not to be well-governed or managed should have their IPC status renewed for only one year. CFAs should set out requirements for such IPCs to improve on, as a condition for subsequent renewal. IPCs that do not fulfil the conditions may have their IPC status suspended or withdrawn at the end of one year.

⁸ This would standardise the minimum number of members required between charities registered as societies with those set up as companies limited by guarantee, etc.

⁹ Item (ii) and (iii) are currently requirements for IPCs, and would make the accounting requirements for large charities consistent with that of IPCs.

25. CFAs should publicly disclose the names of IPCs which have their IPC status withdrawn as a result of poor governance and management.

26. CFAs should encourage their IPCs to adopt the Guide to Best Practices for IPCs, as they would be most familiar with the issues and concerns of their IPCs. The specific tracking and/or recognition system can be left to individual CFAs.



3 March 2006

Mr Niam Chlang Meng
Chairman
Inter-Ministry Committee on Regulation
of Charities and IPCs

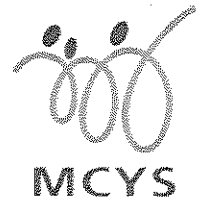
Dear *Chlang Meng*

**REPORT OF THE INTER-MINISTRY COMMITTEE ON REGULATION OF CHARITIES
AND INSTITUTIONS OF A PUBLIC CHARACTER**

Thank you for your letter of 2 March 2006 submitting the Report of the Inter-Ministry Committee on Regulation of Charities and IPCs.

2. The charity sector is at an important inflection point in its development. The NKF episode that affected the charity sector in 2005 highlighted the need to strengthen our regulatory framework to help restore and enhance public confidence in the charity sector. At the same time, we must not over-regulate and inadvertently stifle the volunteer spirit that is at the heart of the charity sector. We must strike the right balance.
3. The IMC's recommendations have set a clear direction. They emphasise self-regulation and the primacy of good governance. Charities and IPCs, on their part, are accountable to both their donors and beneficiaries for the quality of services delivered and stewardship of their resources.
4. The Government agrees with the key thrusts of the IMC's Report. The Government will study the detailed recommendations and the suggested time frame for implementation.
5. Finally, let me place on record the sincere thanks of the Government to you and the members of the IMC for successfully completing this review so that the charity sector can regroup and continue its good work. The IMC has played a key role in this significant milestone of our charity sector's development.

DR VIVIAN BALAKRISHNAN



MCYS 132-24-113 v10

2 March 2006

Minister for Community Development, Youth and Sports

REPORT OF THE INTER-MINISTRY COMMITTEE ON REGULATION OF CHARITIES AND INSTITUTIONS OF A PUBLIC CHARACTER

1. The Inter-Ministry Committee on the Regulation of Charities and IPCs (IMC) was set up in October 2005 to develop a regulatory framework for charities and IPCs, rationalise existing regulations and streamline processes to facilitate the registration, reporting and fund-raising requirements of charities and IPCs.
2. The IMC has completed its work, and now submits its final report.
3. Four key principles undergird the IMC's approach and recommendations:
 - a. The regulatory approach should nurture a charity sector that remains driven by the community. Regulatory requirements should be kept to a minimum, so as not to be onerous and stifle volunteerism.
 - b. The boards of charities are ultimately responsible for the charities and should take ownership to improve their governance.
 - c. The regulatory framework should encourage self-regulation within the charity sector and informed giving by the donating public.
 - d. The regulatory framework should not be "one-size-fits-all".
4. The IMC's recommendations cover three broad areas:
 - a. Regulatory framework
 - i. Transfer the office of the Commissioner of Charities (COC), currently under the purview of the Ministry of Finance, to the Ministry of Community Development, Youth and Sports.
 - ii. Rationalise the existing 11 Central Fund Administrators into six "Sector Administrators" with delegated regulatory powers to help the COC oversee both charities and IPCs in their respective sectors.
 - iii. Establish a Charity Council which will advise the COC on its regulatory work, as well as promote self-regulation and good governance standards.

b. Governance, financial and fund-raising regulations

- i. Strengthen the regulatory oversight over IPCs and large charities (with total annual income of \$10 million or more) by introducing some additional basic regulations that require greater disclosure and compliance. In addition, the IMC recommends bringing forward the Council on Governance of IPCs' recommendations for IPCs, to be implemented together with the additional requirements from 1 July 2006.
- ii. Extending certain basic regulations on public fund-raising (that currently apply only to IPCs) to charities that carry out public fund-raising.

c. Facilitating Charities and IPCs

- i. Develop a one-stop portal to help the charities and IPCs fulfil their various registration, reporting and fund-raising requirements easily and efficiently.
- ii. Move towards a system of rating of charities, so as to facilitate a culture of greater disclosure and transparency, and of informed giving.

5. The IMC recommends that specific regulations governing charities and IPCs that do not require legislative amendments be implemented with effect from 1 July 2006. Other recommendations should be implemented by end of 2006, taking into account the legislative amendments that will be required to effect those changes.

6. The IMC held a public consultation exercise, and benefited from the contributions from charities and IPCs, the donating public and prominent people from the people sector. The IMC is grateful for their valuable feedback.

7. The IMC would also like to thank the Minister for entrusting it with the task of coming up with recommendations to reform the charity sector, so as to facilitate the continued growth and vibrancy of the sector.



NIAM CHIANG MENG
Chairman
Inter-Ministry Committee on Regulation
of Charities and IPCs

FINAL REPORT BY THE INTER-MINISTRY COMMITTEE ON REGULATION OF CHARITIES AND INSTITUTIONS OF A PUBLIC CHARACTER

EXECUTIVE SUMMARY

1. Recent developments involving charities such as the National Kidney Foundation have revealed the need to review the regulatory framework for charities. There is also scope to rationalise and streamline the requirements for registration and reporting of charities and IPCs, to facilitate the growth of the charitable sector.

FORMATION OF THE INTER-MINISTRY COMMITTEE

2. The Inter-Ministry Committee on the Regulation of Charities and IPCs (IMC) was set up in October 2005 to (a) develop a regulatory framework to regulate charities and IPCs, with a view towards helping the sector to grow; (b) rationalise existing regulations and the roles and powers of the various regulatory agencies involved in overseeing charities and IPCs; and (c) streamline processes to facilitate the registration, reporting and fundraising requirements of charities and IPCs.

3. The IMC developed a set of preliminary recommendations, and consulted a wide range of charities and IPCs as well as the public on its preliminary recommendations. This report takes into account the feedback that the IMC has received during the consultation exercise.

GUIDING PRINCIPLES

4. The IMC is of the view that our regulatory approach should nurture a charitable sector that remains driven by the community. Regulatory requirements should be kept to a minimum so as not to be onerous, which would stifle volunteerism. Nonetheless, they should be strictly enforced to maintain public confidence. The boards of charities are ultimately responsible for the charities and should take ownership to improve their governance through raising standards, hiring competent persons, building expertise and incorporating best practices. The Government should only intervene in the administration of the charities as the last resort.

5. The regulatory framework should encourage self-regulation within the charitable sector. Government can facilitate by setting minimum guidelines on disclosure requirements to help build a culture of transparency, but the donating public should also be discerning so as to make informed decisions as to which charities are deserving of their support. The regulatory framework should not be "one-size-fits-all", but instead be stratified. For example, charities that raise funds from the public (typically IPCs) should be subjected to more stringent rules, compared to those that interface only with a defined membership. Larger charities should be subjected to more stringent rules compared to smaller ones.

6. The IMC would like to emphasise that this report and the earlier report on the Council on Governance of IPCs are not meant to be the complete solution to proper governance of charities and IPCs. In line with the drive towards greater self-

regulation, the IMC encourages all charities and IPCs to consider, formulate and publish their own plans for improving their standards of governance and management.

IMC'S RECOMMENDATIONS

Regulatory Framework

7. The Commissioner of Charities (COC) should focus on the regulation of both charities and IPCs, promotion of governance standards and best practices, as well as conduct audits and investigations into charities and IPCs where necessary. The office of the COC should come under the purview of the Ministry of Community Development, Youth and Sports (MCYS). To effectively act for the protection of charities and IPCs, the COC should be given additional authority, such as suspending the charity's fund-raising activities while it is under investigation.

8. The COC will be assisted by the CFAs in overseeing both charities and IPCs of their respective sectors. The existing 11 CFAs will be rationalised into six "Sector Administrators" (covering the social services, education, arts and heritage, community and youth, health, and sports sectors). They should be delegated certain regulatory powers to help them execute their expanded role effectively, e.g. to call for documents. Charities and IPCs that do not fall neatly under any of these six Sector Administrators will be regulated by the COC, as is the current practice. The COC and the Sector Administrators should serve as the points of contact for the public to raise concerns over any specific charity or IPC.

9. The IMC also recommends establishing a Charity Council, which will advise the COC on its regulatory work, as well as promote self-regulation and good governance standards. It should be chaired by a prominent people sector leader and comprise representatives from the people and private sector, the Sector Administrators, the COC and the National Volunteer & Philanthropy Centre (NVPC).

10. The COC and the Charity Council will be supported by an adequately resourced and dedicated Charity Unit, which will monitor charities and IPCs' compliance with the regulations, co-ordinate among the various Sector Administrators, carry out audits and investigations, promote governance standards and best practices, and help develop the charities and IPCs' capabilities in governance. The Charity Unit will focus on large charities and IPCs (those with total annual income of \$10 million or more).

Governance, Financial and Fund-raising Regulations

11. The Council on Governance of IPCs (CGI) had earlier submitted its recommendations to raise the minimum standards of governance, fund-raising practices and financial reporting for IPCs to the Government in 2005, of which the majority were accepted. The IMC recommends further refinements to the IPC regulations, e.g. requiring IPCs' auditors to certify compliance with the 30/70 rule in their annual audits, as well as introducing some additional requirements for large charities, e.g. requiring change of auditors every five years. In addition, the IMC

recommends bringing forward the CGI's recommendations for IPCs to be implemented together with the additional requirements from 1 July 2006.

12. The IMC also recommends that the COC extend certain basic regulations on public fund-raising (that currently apply only to IPCs) to charities, e.g. disclose intended use of funds during the fund-raising appeal.

Facilitating Charities and IPCs & Others

13. To facilitate the work of charities and IPCs, the IMC recommends building a one-stop portal to help the charities and IPCs fulfil their various registration, reporting and fund-raising requirements easily and quickly.

14. The IMC also recommends moving towards a system of rating of charities, so as to facilitate a culture of greater disclosure and transparency, and of informed giving. This can be carried out by non-governmental organisations, as is the case in the USA.

IMPLEMENTATION TIMEFRAME

15. Specific regulations governing charities and IPCs that do not require legislative amendments should be implemented with effect from 1 July 2006. Other recommendations should be implemented by end of 2006, taking into account the legislative amendments that will be required to effect the changes.

FINAL REPORT BY THE INTER-MINISTRY COMMITTEE ON REGULATION OF CHARITIES AND INSTITUTIONS OF A PUBLIC CHARACTER

(A) INTRODUCTION

1. Charities in Singapore are regulated by the Commissioner of Charities while charities that can receive tax-deductible donations from the public, Institutions of a Public Character (IPCs), are overseen by the Inland Revenue Authority of Singapore (IRAS) and several sectoral agencies. Recent developments involving charities such as the National Kidney Foundation episode have revealed the need to review the regulatory framework for charities. There is also scope to rationalise and streamline the requirements for registration and reporting of charities and IPCs, to facilitate the growth of the charitable sector.

(I) Overview on Charities, IPCs and the Current Regulatory Environment

Charities

2. There are currently about 1,800 charities in Singapore, and they are regulated under the Charities Act. A charity is defined as an organisation, trust or foundation that operate on a not-for-profit basis, set up exclusively for charitable purposes and carries out activities to achieve these purposes which benefit a sufficient portion of the community. Every organisation established exclusively for charitable purposes (other than those exempted) must apply for registration with the Commissioner of Charities (known as "COC"). A charity enjoys income tax exemptions if it spends at least 80% of its annual receipts on charitable purposes in Singapore. It also enjoys property tax exemption on premises used exclusively for charitable purposes.

3. Charitable purposes can be classified into four main categories:-

- a. The relief of poverty;
- b. The advancement of education;
- c. The advancement of religion; or
- d. Other purposes beneficial to the community; the following purposes are explicitly recognised as charitable:
 - The advancement of health;
 - The advancement of citizenship or community development;
 - The advancement of arts, heritage or science;
 - The advancement of environmental protection or improvement;
 - The relief of those in need by reason of youth, age, ill-health, disability, financial hardship or other disadvantages; and
 - The advancement of animal welfare.

4. The majority of charities (53%) are set up for the advancement of religion. Table 1 shows the distribution of registered charities by charitable purposes.

Table 1: Number of Registered Charities¹

Charitable Objectives	As at 31 Dec 2004
Advancement of religion	932 (53%)
Purposes beneficial to the community	392 (23%)
Advancement of education	216 (12%)
Mixed activities	193 (11%)
Relief of poverty	14 (1%)
TOTAL	1747 (100%)

5. More than half of the registered charities have total annual incomes, including donations and Government grants, of less than \$250,000. Of these, 292 or 17% have total annual incomes of \$50,000 or below. However, there are 47 large charities with total annual incomes exceeding \$10 million.

Institutions of a Public Character

6. There are currently about 900 Institutions of a Public Character (also known as 'IPCs') in Singapore. IPCs are organisations which are authorised to receive tax-deductible donations, i.e. donors are given tax deduction for donations made to these organisations. All IPCs have to comply with the Income Tax (Approved Institutions of a Public Character) Regulations 2004 which sets out requirements such as the use of tax-deductible donations, issuing of tax deduction receipts, maintenance of donation and accounting records, and public disclosure.

7. The IPC status is approved by the Minister for Finance, Comptroller of Income Tax (CIT) or one of the Central Fund Administrators (known as "CFAs") appointed by the Minister under the Income Tax Act. The Income Tax (Central Fund Administrators) Regulations 2004 sets out the conditions for the approval and renewal of IPC status by the CFAs.

8. Charitable giving is on the rise. Donations to IPCs have been increasing year-on-year, even during periods of economic recession. Table 2 shows the trend of tax deductible donations received by IPCs from 1999 to 2004.

¹ Source: Commissioner of Charities.

Table 2: Tax Deductible Donations Received by IPCs (1999 to 2004)²

Year	Individuals	Corporations	Total Donations	Increase/Decrease (%)
1999	Not available	Not available	\$311m	-
2000	Not available	Not available	\$326m	5%
2001	\$85m (22%)	\$296m (78%)	\$381m	17%
2002	\$131m (34%)	\$251m (66%)	\$382m	0.3%
2003	\$202m (39%)	\$310m (61%)	\$512m ³	34%
2004	\$150m (32%)	\$325m (68%)	\$475m	- 7%

Legal status of charities and IPCs

9. Generally, an entity will need to register itself as a society under the Societies Act, incorporate itself as a company limited by guarantee under the Companies Act or form a trust under the Trustees Act before it can register as a charity or an IPC. As at November 2005, about 58% of the charities are registered societies and 18% are companies limited by guarantee. Refer to [Table 3](#) for the distribution of charities by legal entity.

Table 3: Distribution of Charities based on Legal Entity⁴

Legal Entity	Number (%)
Society	58%
Company limited by guarantee	18%
Trust	4%
Others	20%

10. A society is generally formed by a group of like-minded people coming together to pursue common interests in accordance with the objectives and rules of their constitution. Any group of 10 or more persons may be granted registration under the Societies Act, if it is not registered under any other law in Singapore. A society is essentially self-governing as its members will typically elect from among themselves a management committee to look after its day-to-day affairs. Other requirements for a society are spelt out in the Societies Act.

11. A company limited by guarantee is formed by at least one person at the time of incorporation. It is considered a public company and does not have a share capital. Instead, a member provides a guarantee, which is set out in the memorandum of association of the company, that the person will pay a sum of money if the company is wound up. Such companies are generally set up for not-for-

² Source: Commissioner of Charities.

³ The total tax-deductible donations in 2003 were exceptionally high due to a few large one-off donations received by some IPCs.

⁴ Source: Commissioner of Charities.

profit purposes that have some basis of national or public interest, although this does not preclude them from engaging in profit-making activities. Some charities choose to incorporate due to the benefits that such a legal entity provides, such as perpetual succession and ability to hold property under its own name. The Companies Act prescribes other requirements for incorporation as a company limited by guarantee.

12. A trust is a relationship in which one person holds title to property, subject to an obligation to keep or use the property for the benefit of another. Trusts are governed under the Trustees Act, including charitable trusts. A charitable trust can be created when a donor, either during his lifetime or by a will, makes a gift to charity, appointing trustee(s) to hold the gift in trust and to use it for the charitable purposes as specified in the trust. While charitable trusts will have trustee(s) to administer the trust, they do not have direct individual beneficiaries.

(II) Regulatory Authorities

Commissioner of Charities

13. The Commissioner of Charities (known as "COC") is the central regulator of charities, and derives his regulatory powers from the Charities Act. The COC is appointed by the Minister for Finance to "promote the effective use of charitable resources by encouraging the development of better methods of administration, by giving charity trustees information on any matter affecting the charity, and by investigating and checking abuses". In cases whereby there has been misconduct or mismanagement in the administration of the charity, the COC, with consent of the Attorney-General, can act for the protection of the charities.

14. The COC conducts field visits to some charities each year to gain a better understanding of how they operate and their capacity to comply with the prescribed rules and regulations.

IRAS and the Central Fund Administrators

15. The Comptroller of Income Tax (known as "CIT") is the central regulator of IPCs under the Income Tax Act. The Minister for Finance is the authority for the approval of IPC status and of its regulation, and this has been delegated to the CIT. The CIT currently holds the concurrent appointment of the COC and resides with the Inland Revenue Authority of Singapore (IRAS). COC/CIT has been dealing with all matters on charities and IPCs among their other responsibilities.

16. In 1993, the regulation of IPCs was devolved to sectoral agencies in recognition that agencies that work with or provide funding to charities and IPCs in their respective sectors will have the "industry knowledge" to better evaluate IPC applications and assess the effectiveness of the IPCs' services and programmes. The agencies were appointed by the Minister for Finance and recognised as Central Fund Administrators (known as "CFAs"). The CFAs are delegated authority to approve applications for IPC status based on the conditions set out in the Income Tax (Central Fund Administrators) Regulations 2004.

17. The 11 CFAs, covering different sectors, are as follows:
- a. Ministry of Education (MOE) - Local Schools
 - b. Economic Development Board (EDB) - Foreign Universities
 - c. Ministry of Health (MOH) - Health Endowment Fund and the Health Endowment Research Fund
 - d. National Council of Social Service (NCSS) - Social Services
 - e. National Arts Council (NAC) - The Arts
 - f. Singapore Sports Council (SSC) - Sports
 - g. Singapore National Olympic Council (SNOC) – Elite Sports
 - h. National Youth Council (NYC) - Youth
 - i. People’s Association (PA) - Community Development
 - j. National Heritage Board (NHB) - Heritage
 - k. Singapore Environment Council (SEC) - Environment

18. The CFAs are to ensure that the approved IPCs use donation monies which qualify for tax-deduction and maintain donation and accounting records in accordance with the Income Tax (Approved Institutions of a Public Character) Regulations 2004.

Other regulatory authorities

19. Apart from the COC, CIT and CFAs, charities and IPCs have to also comply with other requirements due to their legal status as societies and companies limited by guarantee.

20. For charities and IPCs which are societies, they have to abide by the requirements administered by the Registry of Societies (under the Ministry of Home Affairs) as set out in the Societies Act. The Societies Act primarily seeks to ensure that groups which may be used for unlawful purposes, or pose a threat to public order, welfare or good order in Singapore, or are contrary to our national interests are not allowed to establish themselves in Singapore. The registration, submission of annual returns and audited statement of accounts, applications for establishment of branches, amendments to constitutions, change of name and address, use of symbol, and dissolution requirements applicable to a society are provided for in the Societies Act. The Registrar of Societies ensures compliance with these regulations.

21. For charities and IPCs which are companies limited by guarantee, they have to abide by the requirements administered by the Accounting and Corporate Regulatory Authority (ACRA) as set out in the Companies Act. These requirements include incorporation, registration, annual general meeting, annual returns, accounts and audit, dissolution, and other obligations.

(B) FORMATION OF THE INTER-MINISTRY COMMITTEE

(I) Inter-Ministry Committee on the Regulation of Charities and Institutions of a Public Character

22. The Inter-Ministry on the Regulation of Charities and Institutions of a Public Character (known as the “IMC”), was set up in October 2005 to:

- a. Develop possible models that the Government can adopt to regulate charities and IPCs, with a view towards helping the sector to grow;
- b. Rationalise the existing regulations as well as the roles and powers of the various regulatory agencies involved in overseeing charities and IPCs; and
- c. Streamline processes to facilitate registration, reporting and fund-raising requirements of charities and IPCs.

It was chaired by the Permanent Secretary for Community Development, Youth and Sports. Refer to **Annex A** for the list of IMC members.

(II) Public Consultation

23. The IMC developed a set of preliminary recommendations and conducted a public consultation exercise from 27 January to 17 February 2006. The IMC received feedback through: (i) a focus group discussion involving representatives from charities/IPC's prior to releasing its preliminary report, (ii) a briefing session involving 550 representatives from 430 charities and IPCs, (iii) 40 responses through the Government's e-consultation portal as well as emails/letters, and (v) 15 telephone calls. Two key issues raised were the requirement for non-commercial third party fundraisers⁵ to submit a statement of its expenses to the charity or IPC it raises funds for, and the need for a rating system.

24. This document outlines the IMC's final recommendations, after taking into consideration the feedback received.

(III) Key Principles

25. The IMC is of the view that our regulatory approach should nurture a charitable sector that remains driven by the community with dedication and passion for charitable causes. The Government should put in place minimum regulatory requirements that will neither place undue burden on the sector nor stifle volunteerism. However, these minimum rules should be enforced strictly to maintain standards and hence uphold public confidence in the sector. The Government should also strive to reduce red-tape across agencies to help the sector grow. That said, no amount of regulations can prevent lack of integrity on the part of individuals or groups, or address issues related to lack of competencies. No regulatory framework

⁵ These could include corporations which raise funds for their adopted charity as part of their corporate community involvement programme.

can be robust enough to catch every instance of deliberate mismanagement without incurring high cost and being highly cumbersome. Hence, criminal law must undergird the regulation of charities.

26. The boards of charities should ultimately be responsible for the charities and should lead their organisations towards greater transparency and accountability to sustain public support. They should take ownership to improve their governance through raising standards, hiring competent persons, building expertise and incorporating best practices. The Government should only intervene in the administration of the charities as the last resort.

27. The regulatory framework should encourage self-regulation within the charitable sector, and help to build a culture of transparency among the charities and IPCs. The Government can facilitate informed giving through setting minimum guidelines on disclosure of pertinent key financial and non-financial information, so that the lay person can better understand the work of charities and IPCs. The donating public should also play its role in being discerning so as to make informed decisions as to which charities are deserving of their support.

28. The regulatory framework should not be "one-size-fits-all", but instead be stratified, with charities that raise funds from the public (typically IPCs) subjected to more stringent rules, compared to those that interface only with a defined membership. Within IPCs, the larger ones with total annual income of \$10 million or more should be subjected to more stringent requirements since they manage larger sums of donations.

29. The IMC would like to emphasise that this report and the earlier report on the Council on Governance of IPCs are not meant to be the complete solution to proper governance of charities and IPCs. In line with the drive towards greater self-regulation, the IMC encourages all charities and IPCs to consider, formulate and publish their own plans for improving their standards of governance and management.

(C) IMC'S RECOMMENDATIONS

30. The IMC's preliminary recommendations cover the following areas:

- a. Regulatory framework;
- b. Specific governance, financial reporting and fund-raising regulations; and
- c. Facilitating charities and IPCs.

(I) Regulatory Framework

Regulatory Models in USA and UK

31. The IMC has examined the regulatory approaches in the United States of America (USA) and the United Kingdom (UK), which have adopted fundamentally different approaches.

32. In the USA, the federal government's focus is on tax issues of charities as they qualify for tax benefits, for example conducting tax audits and receiving annual information returns on finances and activities (which are made publicly available). The state governments are generally empowered to supervise and regulate charities, e.g. setting internal governance standards, regulating fund-raising activities, although this is often limited. The charitable sector is largely driven by the people sector and relies primarily on self-regulation, with independent charity rating agencies as well as media and people sector watchdogs providing the necessary checks and balances.

33. The UK, on the other hand, has a Charity Commission that regulates charities, established under its Charities Act. The Commission comprises prominent persons who are appointed by the UK Home Secretary. It is empowered to act for the protection of charities, and is proactive in promoting and growing the sector while recognising that charities are free and independent organisations. The Commission sees its role not only in ensuring charities meet legal requirements, but also in increasing the effectiveness of charities as well as public confidence in them. On top of registration of charities and monitoring their activities, it actively helps charities meet legal compliance, promotes good governance and best practices, and makes information on charities readily available publicly to promote informed giving. Where necessary, the Commission intervenes to protect charity assets in cases of serious mismanagement or abuse.

Proposed Regulatory Model for Charitable Sector in Singapore

34. The IMC recommends that we take reference from the UK, whose model is more akin to our legal structure and social context. Moreover, recent incidents such as the National Kidney Foundation (NKF) episode have revealed the need for Government to play an active role in both promoting governance standards as well as exercising certain regulatory roles to help to safeguard the interest of the public.

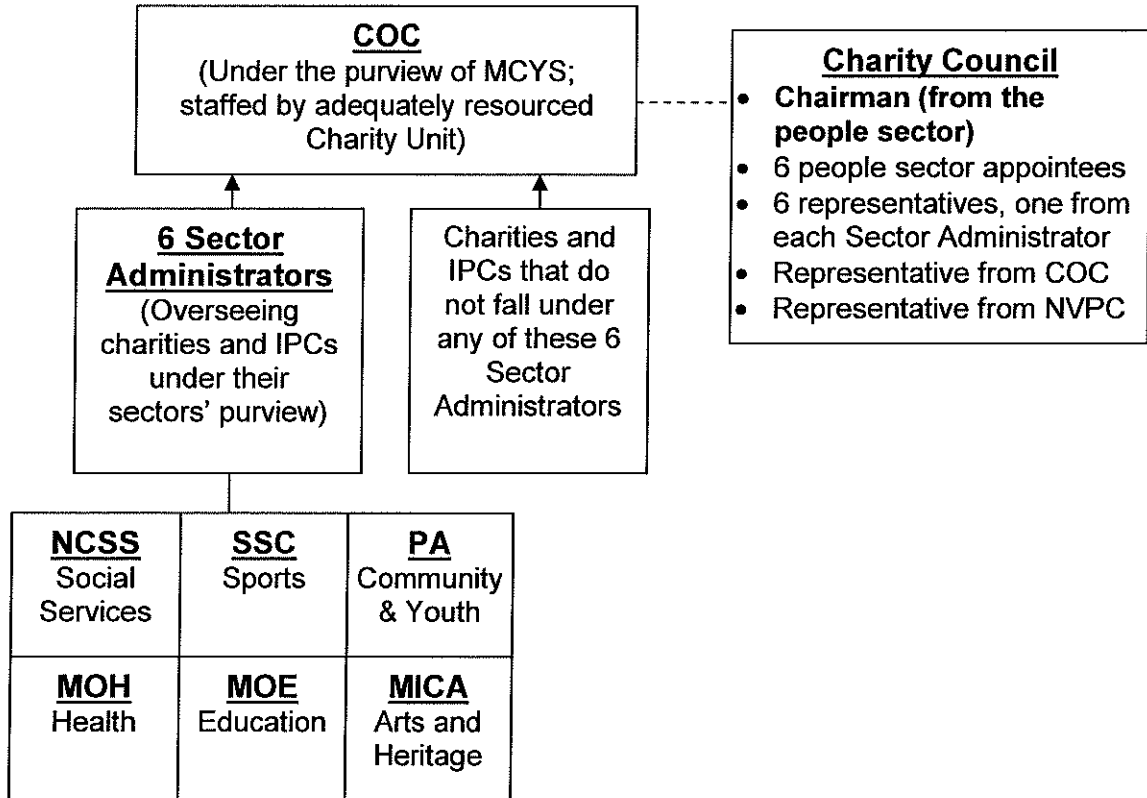
35. The regulatory model for the charitable sector in Singapore needs to provide for a dedicated central regulator, the Commissioner of Charities (known as "COC"), who will ensure effective regulatory oversight of all charities and facilitate the growth of the charitable sector by minimising bureaucracy for charities. The COC structure needs to be enhanced and adequately resourced to be effective in both promoting governance standards and taking enforcement actions where necessary. At the same time, it should allow for greater involvement from the community, consistent with the volunteering spirit that has shaped the sector.

36. There is merit in having sector administrators who are more familiar with the sectors' needs and strategic interest to grow their respective sectors, assist the COC in regulating those sectors and promote the growth of charitable giving in their sectors. However, these sector administrators need to be empowered to supervise both charities and IPCs effectively.

37. The IMC recommends a regulatory model in which the COC will regulate charities and IPCs, with the help of the CFAs and the community. The CFAs will be renamed as Sector Administrators to reflect their enhanced roles in overseeing

charities in addition to IPCs in their respective sectors. Refer to **Figure 1** for the Regulatory Model.

Figure 1: Regulatory Model



Legend

- MCYS: Ministry of Community Development, Youth and Sports
- MICA: Ministry of Information, Communications and the Arts
- MOE: Ministry of Education
- MOH: Ministry of Health
- NCSS: National Council of Social Service
- NVPC: National Volunteer & Philanthropy Centre
- PA: People's Association
- SSC: Singapore Sports Council

Commissioner of Charities

38. The COC, which reports to the Minister for Finance, has thus far largely focused on tax issues related to charities and IPCs. With the increasing number and diversity of charities, COC will need to go beyond tax issues, to also focus on the governance of charities and IPCs, so as to ensure the continued growth of the charitable sector and maintain public confidence.

39. In addition, the IMC noted that the regulatory powers for charities and IPCs are currently embedded in both the Charities Act and Income Tax Act.

Consolidating these powers under one legislation will enable the COC and Sector Administrators to regulate charities and IPCs more effectively. The IMC also noted that regulatory agencies currently lack appropriate investigative and enforcement powers to be effective in regulating some aspects of charities, e.g. suspension of fund-raising when a charity is under investigation.

40. To address these concerns, the IMC recommends that the office of the COC comes under the purview of the Ministry of Community Development, Youth and Sports (MCYS), which will enable it to better focus on regulation of charities and the promotion of good governance as a whole. The COC will be appointed by the Minister for Community Development, Youth and Sports. The COC will focus on the regulation of charities and IPCs, promote governance standards and best practices as well as conduct audits and investigations into charities and IPCs where necessary. To ensure the COC can carry out these functions effectively, the regulatory powers for both charities and IPCs should be consolidated under the COC, in the Charities Act, which should also come under the purview of MCYS. The COC should be given additional powers to act for the protection of charities and IPCs, such as suspending the charity's fund-raising activities while under investigation. Concurrently, the COC should promote good governance standards across charities and IPCs, working closely and synergising with the National Volunteer & Philanthropy Centre (NVPC), which plays a leading role in the promotion of informed charitable giving.

41. Recommendation 1: Transfer the office of the Commissioner of Charities (COC), currently under the purview of the Ministry of Finance, to come under the purview of the Ministry of Community Development, Youth and Sports. The COC will be appointed by the Minister for Community Development, Youth and Sports. The COC will focus on the regulation of charities and Institutions of a Public Character (IPCs) and promote good governance standards and best practices. The COC will also conduct audits and investigations into charities and IPCs where necessary.

42. Recommendation 2: Consolidate the regulatory powers for both charities and IPCs under the Commissioner of Charities, in the Charities Act, so that the Commissioner of Charities can oversee both charities and IPCs effectively. The revised Charities Act will come under the purview of MCYS. This will require a number of existing regulations governing IPCs to be transferred from the Income Tax Act to the Charities Act. Refer to Annex B for the list of regulations to be transferred.

43. Recommendation 3: Grant the Commissioner of Charities additional powers to act for the protection of charities and IPCs. These include the following:

- a. While the charity or IPC is being investigated, the COC may suspend all forms of public fund-raising, including fund-raising conducted by third party fund-raisers (organisations which are raising funds for or on behalf of the charities or IPCs);**
- b. After completion of the inquiry and there is a necessity to act in protection of a charity or IPC, the COC may continue to suspend**

- or prohibit any public fund-raising by the charity or IPC, including fund-raising conducted by third party fund-raisers;
- c. In acting for the protection of a charity or IPC, COC's suspension or removal of a trustee shall also disqualify the person from standing for election at the next AGM or for a period of one year, whichever is later; and
 - d. COC may give specific directions on the management of the property of the charity or IPC upon its dissolution.

Sector Administrators

44. Currently, the Central Fund Administrators (known as "CFAs") have generally not paid sufficient attention to the promotion of good governance among IPCs under their purview. Most CFAs see their primary role as ensuring compliance with tax regulations rather than ensuring proper governance of IPCs. Most CFAs do not dedicate adequate resources to exercise their roles fully as regulatory agencies that have an interest in the governance and management of charities and IPCs in their sector. These CFAs should give greater emphasis to the governance of IPCs under their purview, in line with their strategic interest to grow their respective sectors.

45. To grow charitable organisations within their sectors, the IMC recommends that CFAs assist the COC in overseeing both charities and IPCs of their respective sectors. The existing 11 CFAs will be rationalised into six "Sector Administrators" (covering the social services, education, arts and heritage, community and youth, health, and sports sectors) to better reflect their wider role, with each of them overseeing a fairly significant number of charities. They will understand best the needs of their respective sectors and hence be more effective in regulating them. The COC should delegate to the Sector Administrators certain regulatory powers to help them execute their expanded role effectively. The COC should also work with these six Sector Administrators to co-ordinate the regulatory stance for consistency across sectors. Charities and IPCs that do not fall neatly under any of these six Sector Administrators will be regulated by the COC, as is the current practice. The COC and the Sector Administrators should also serve as the points of contact for the public to raise concerns over any specific charity or IPC. Sector Administrators should conduct preliminary checks on charities and IPCs and make recommendations for further investigation or action to the COC where necessary.

46. **Recommendation 4: Rationalise the current 11 Central Fund Administrators into six Sector Administrators who will assist the COC in overseeing both charities and IPCs in their sectors. These six Sector Administrators cover the social services, education, arts and heritage, community and youth, health, and sports sectors. Charities and IPCs that do not fall neatly under any of these six Sector Administrators should continue to be regulated directly by the Commissioner of Charities. This will require a transfer of existing regulations from the Income Tax Act to the Charities Act, covering the appointment of Central Fund Administrators (to be referred to as Sector**

Administrators henceforth), their responsibilities, powers and duties in the administration of IPCs, and an enhancement to the role of the Sector Administrators to also oversee the charities in their respective sectors. Refer to **Annex C** for the list of regulations to be transferred.

47. Recommendation 5: The Sector Administrators will be delegated certain powers from the Commissioner of Charities to perform their role more effectively:

- a. Receive annual reports and statement of accounts from the charities and IPCs under their purview;**
- b. Ensure proper annual financial audits of charities and IPCs under their purview;**
- c. Call for documents and search records of charities and IPCs; and**
- d. Appoint auditors to investigate into charities and IPCs under their purview**

The Commissioner of Charities will work with the six Sector Administrators to co-ordinate the regulatory stance for consistency across sectors.

The Commissioner of Charities and six Sector Administrators will serve as the points of contact for the public to raise concerns over any specific charities, and conduct preliminary checks, if necessary.

Charity Council

48. As the charity sector should remain people driven rather than Government led, there is scope to introduce people sector involvement in the regulation of charities and IPCs, and the promotion of good governance and management within the sector.

49. The IMC therefore recommends that a Charity Council be set up which will advise the COC on (a) matters related to the regulation of the sector; (b) applications to be registered as charities or IPCs and (c) significant cases that come to the COC or Sector Administrator's attention. The Council will also promote self-regulation and good governance standards in the charity sector, working closely with the COC.

50. The regulatory powers in the Charities Act will reside with the COC but the COC will take into account the Council's advice when exercising its regulatory authority.

51. The Charity Council should be chaired by a prominent people sector leader and comprise (a) six leading representatives from the people or private sector as appointed by the Minister, (b) representatives from each of the six Sector Administrators, (c) a representative of the COC and (d) a representative from NVPC so that the Charity Council can synergise its work with NVPC's work in promoting charitable giving.

52. Recommendation 6: Set up a Charity Council comprising representatives from the people sector to promote self-regulation and good governance standards in the charitable sector and advising the COC on key regulatory issues. The Council is to be chaired by a prominent people sector person and six other members to be appointed by the Minister. It will also include six representatives from the Sector Administrators, a representative of the COC, and a representative from the National Volunteer & Philanthropy Centre (NVPC).

Charity Unit

53. To ensure effective regulatory oversight of charities and IPCs and better coordination and communication among the Sector Administrators, the COC needs to be supported by an adequately resourced and dedicated Charity Unit. This Charity Unit will monitor charities and IPCs' compliance with the regulations, work with the six Sector Administrators to co-ordinate the regulatory stance for consistency across various sectors, carry out investigations on charities, and take enforcement actions, where necessary. The COC and the dedicated unit should regulate the charitable sector in a more systematic and structured manner, with focus on large charities and IPCs (with total annual income of \$10 million or more). This unit will assist the COC to actively review the accounts of these large charities and IPCs, introduce random audits and make more field visits to better understand the charitable sector. This Charity Unit will also help to promote governance standards and provide secretariat support to the Charity Council to carry out its role effectively.

54. Recommendation 7: The Commissioner of Charities is to be supported by an adequately resourced Charity Unit, which will monitor charities and IPCs, co-ordinate the various Sector Administrators' regulatory stance for consistency, carry out audits and investigations, promote governance standards and best practices, and help develop the charities and IPCs' capabilities in governance.

55. Recommendation 8: The Commissioner of Charities (COC) is to regulate the charitable sector in a more systematic and structured manner, focusing on large charities and IPCs (with total annual income of \$10 million or more). The Charity Unit is to assist the COC to actively review the accounts of these large charities and IPCs as a first step. It should also introduce random audits of large charities and IPCs and make more field visits to better understand the charitable sector.

Review of legal entities for charities and Charitable Incorporated Organisation as a possible next step

56. The IMC has studied the feasibility of introducing a new legal entity for charities in Singapore, known as a Charitable Incorporated Organisation (known as "CIO"). This entity is mooted in the latest Charities Bill in the UK which was re-introduced in May 2005 and has gone through its third reading in UK's House of Lords in November 2005. The main characteristic of a CIO is that it will be an

incorporated organisation with a legal status separate from that of its members. Hence members' liability will be limited to the amount of the guarantee (if any) contained in the constitution of the CIO. The UK Charity Commission will review whether to make CIO the only legal status for charities after the CIO model has been implemented, but conversion will not be mandatory for now.

57. The IMC recognises that the CIO structure can potentially further streamline the regulatory regime by merging the charitable status with the legal vehicle of charities in Singapore. The limited liability feature will provide some protection for members of the CIO and the changes due to the conversion will likely be minimal for charities which are companies limited by guarantee.

58. However, the IMC also recognises that the UK charity scene is different from Singapore. The most popular form of legal structure in UK is the company limited by guarantee. Unlike the UK, the most popular form of legal structure in Singapore is society (with charities which are registered as societies making up 58% of all charities). Conversion from societies to CIOs will be more onerous than if they were converted from companies to CIOs. The one-off conversion of charities to the CIO model can be complicated and costly⁶, particularly for small charities. Moreover if we introduce a CIO model here, we should make the conversion of all existing charities to CIOs compulsory (this will include allowing some time for charities to transit to CIO), or else we will end up running a few parallel entity-status systems which will be confusing and costly.

59. On balance, although a conversion to the CIO framework will yield some benefits, the IMC is of the view that this will be a significant leap from our current framework. The IMC therefore recommends deferring a decision on the CIO model. We can monitor the experience of the charitable sector in the UK in implementing the CIO model for a better assessment of the legal procedures and costs associated with such a conversion.

(II) Governance, Financial and Fund-raising Regulations

Additional Regulations for the Governance of IPCs

60. The Council on Governance of IPCs, comprising representatives from the public, people and private sectors, was set up in January 2004 to look at ways to help promote better governance in IPCs. The Council developed a set of preliminary recommendations on issues relating to board governance, fund-raising and financial controls, and consulted a wide range of IPCs as well as the public on its preliminary recommendations. The consultations highlighted the need to balance greater transparency and higher standards of governance against the cost of compliance for the IPCs. Taking into account the feedback, the Council eventually submitted 19 recommendations to the Government in May 2005 to raise the minimum standards of governance, fund-raising practices and financial reporting for IPCs. Of these, Government accepted 15 in full and three with modifications, and the remaining for

⁶ Costs could be incurred from various due processes e.g. dissolution of existing entity, establishment of CIO, transfer of existing entity to CIO and all related properties, etc

adoption as best practice rather than mandatory observance. (Refer to **Annex D** for the list of recommendations accepted by the Government.)

61. The recent KPMG's audit report on the National Kidney Foundation revealed areas where further tightening of regulation is required. These include ambiguities in dealing with conflict of interest issues, disclosure of reserves, and remunerations of the board and senior management.

62. Regulatory authorities rely, to a large extent, on the auditors to ensure financial rigour in the charities and IPCs. However there are some misunderstandings between regulatory agencies and auditors on the audit requirements that auditors are expected to fulfil. For example the auditors will audit the charities and IPCs' accounts in accordance with the Singapore Standards of Auditing. However the regulators also expect the auditors to also audit the accounts based on charities and IPCs' compliance with the existing regulations. This mismatch in expectations needs to be rectified.

63. The IMC therefore recommends further refinements to the recommendations which the Government had accepted in May 2005. In doing so, the IMC notes that the concerns of IPCs on the compliance cost of additional regulatory requirements remain valid, and that regulations need to be tiered so that larger IPCs are subjected to more stringent governance regulations compared to smaller IPCs as they manage larger sums of donations.

64. In addition, the IMC recommends that all large charities and IPCs have at least 10 members regardless of their legal entity status. This will ensure that they are not controlled by just a few individuals. Large charities should also seek approval of the COC or their respective Sector Administrators for the appointment of external auditors and to change auditors every five years as per the requirement for all IPCs. These will serve as a check to make sure that the auditors are indeed independent.

65. **Recommendation 9: Strengthen the regulatory oversight over IPCs and large charities (total annual income of \$10 million or more) by introducing additional regulations that require greater disclosure and compliance.** Refer to **Annex E** for the list of additional regulations.

66. **Recommendation 10: Bring forward the Council on Governance of IPCs' recommendations for IPCs, which were originally to be implemented on 1 January 2007, to take effect from 1 July 2006.** The additional requirements for IPCs and large charities (refer to recommendation 9) will also be implemented from 1 July 2006.

Better Regulation of Fund-raising among Charities

67. Fund-raising in Singapore has been loosely regulated with regulatory oversight focused on public health and safety, maintenance of law and order in public places, as well as management of revenue loss through tax-deductible donations and the flow of donations out of Singapore. Fund-raising rules for IPCs are stipulated through the Income Tax Regulations. Fundraising for overseas causes require the

approval from the COC. House-to-house and street collections are regulated through permits issued by the Police (or by the National Council of Social Service to their members). Specific permits are also issued for activities such as public entertainment and sale of food, but these permits apply not just where it is fund-raising in nature. While these concerns remain valid, there is also a need to safeguard the wider public interest to sustain public support for the charitable sector. This can be achieved by establishing minimum standards for all charities which raise funds from the public for charitable purposes, and not just IPCs. As such, the IMC recommends to extend basic fund-raising regulations that currently apply only to IPCs to also cover charities that raise funds from the public.

68. In general, public fund-raising refers to any active act of solicitation to seek charitable donations from the general public, i.e. going beyond the confines of the membership of the charity. These could include solicitation of funds conducted house-to-house or at public venues, and to solicitation appeals via mass mailers, mass media (such as through television and radio broadcast), telephone, the Internet and any other mechanisms that seek to reach the public beyond the membership of the charity. The general public will refer to both individual members of the public as well as organizations such as other companies and institutions. Unsolicited donations will not constitute public fund-raising, as there was no active or deliberate act to appeal for funds.

69. **Recommendation 11: The COC should extend certain basic regulations on public fund-raising (that currently apply only to IPCs) to charities.** Refer to [Annex F](#) for the list of these regulations on public fund-raising.

70. During the public consultation, several charities raised concerns about the preliminary proposal to get non-commercial third party fund-raisers to submit a statement of its expenses to the charity or IPC it has raised funds for. The charities are concerned that such a requirement would become a burden on well-meaning non-commercial third party fund raisers, and lead to less such fund-raising initiatives. Taking into account the concerns raised by the charitable sector, the IMC has decided to exclude its preliminary recommendation for non-commercial third party fund-raisers to submit a statement of its expenses to the charity or IPC which it raises funds for.

(III) Facilitating Charities and IPCs

71. Currently there are different compliance requirements by the regulatory authorities for registering and monitoring purposes. The similar requests by different regulatory agencies have resulted in some duplication of efforts by the charities and IPCs and thus expending of resources to navigate through existing bureaucracy at expense of their charitable work. Therefore there is a need to streamline the regulatory processes to make it more charity-friendly and to facilitate the bulk of charities that are small.

Registration

72. Today, individuals who want to set up a new charity have to register with more than one regulatory authority and provide the same information to the different authorities. For example, individuals who want to set up a charity and get IPC status may have to approach several different agencies:

- a. The Registry of Societies (ROS) or the Accounting and Corporate Regulatory Authority (ACRA), depending on whether the intention is to register as a society or incorporate as a company limited by guarantee (no registration is required for trusts);
- b. The COC to register as a charity;
- c. The relevant CFA to apply for IPC status.

All these applications have to be done sequentially. The entire process can take up to 3-6 months for ordinary cases.

Reporting

73. Once the charities have been established, they have to satisfy the reporting requirements of the different regulatory authorities at different times of the year, some on an annual basis and others on an ad hoc basis:

- a. Annual Reporting: Charities are required to file their annual reports and audited financial statements with the COC within six months of the close of their financial year. Those which are IPCs would also need to submit their audited financial statements, an auditor's report on the use of donation monies and their fund-raising and expenditure plans for the following financial year to their CFAs within six months of the close of their financial year. They also have to furnish their CFA with details of tax-deductible donations received and an annual return of donations received by end January and end February each year respectively. In addition, those registered as societies and companies limited by guarantee will also have to submit their annual reports and financial statements to ROS and ACRA respectively.
- b. Ad hoc reporting: Charities have to seek approval from or notify different regulatory agencies to change their name, governing instrument, members, directors or trustees, etc. For example, a charity which is a society will have to seek approval from ROS and COC to change its name or governing instrument (e.g. its constitution or articles of association).

Fund-raising Licenses

74. Charities typically organise fund-raising events for their programmes. These events may require various permits from different authorities. For example, a funfair may need a permit from the Police to have an assembly or meeting of more

than five persons, approval from the National Environment Agency to set up stalls to sell food and drinks, a license from the Media Development Authority (MDA) for arts entertainment, a license from the Composers and Authors Society of Singapore (COMPASS) to play copyrighted music, etc. Some of these licenses can be applied online through the Online Business Licensing System⁷, while others have to be applied for manually. It is not always clear to the charities that are organising a fundraising event what permits or licences are required.

75. The IMC is of the view that there should be a charity portal to assist people who are interested in setting up charities and IPCs. There is also scope to streamline the registration and reporting requirements for existing charities to facilitate them. Ideally, charities should only need to interface with one “shop-front” and not deal with several agencies separately. The same shop-front should also provide a more comprehensive description of all the permits commonly required for various types of fund-raising events. It should also leverage on the Online Business Licensing System to allow application of the permits online, which will help simplify the process of obtaining the relevant permits for fund-raising events.

76. **Recommendation 12: Build one-stop charity portal to help charities and IPCs fulfil their registration, reporting and fund-raising requirements easily and quickly. The portal will include the following functions:**

- a. **One-Stop Charity Resource Centre.** The charity portal will provide a one-stop resource centre for charities and IPCs and those interested in setting up charities and IPCs. Through the portal, they can understand and seek advice on complying with the different regulatory requirements, as well as learn about best practices which can help them run their charities and IPCs better.
- b. **One-Stop Charity Registration.** Through the portal, charities and IPCs will be able to incorporate a company limited by guarantee with Accounting and Corporate Regulatory Authority (ACRA), register as societies with Registry of Societies (ROS), register as charities with Commissioner of Charities and apply for IPC status, without the need to provide the same information to different regulatory authorities. Where feasible, processing of registration by the different authorities should be done concurrently. This will make registration simpler and quicker.
- c. **One-Stop Charity Reporting.** Charities and IPCs will be able to upload documents such as annual reports and financial statements, and submit requests to, say, change their name, through the portal. The portal will automatically route the documents and requests to the relevant authorities without the charities and IPCs having to do so separately.
- d. **Fund-raising Permits.** The portal will provide a listing of the permits commonly required for various types of fund-raising events. It will work towards leveraging on the Online Business

⁷ <http://business.gov.sg>. The Online Business Licensing Service is a one-stop portal to search for licensing information as well as to apply for licences. It allows application for multiple licences in an integrated application.

Licensing System⁸ to allow application of the permits online. This will help simplify the process of obtaining the relevant permits for fund-raising events.

(IV) Other issues

A rating system for Charities & IPCs

77. In the USA, there are various institutions set up by private individuals (Non-Governmental Organisations) to rate charities in fund management and charitable activities. All these information are available on the Internet. These ratings highlight charities that are well managed and which are able to fulfil their stated charitable missions. The ratings also highlight dubious charities, and charities that are not as effective or efficient. Overall, these ratings facilitate more informed giving.

78. The IMC is of the view that there is scope for such rating agencies to play a useful role in the Singapore charity scene in the future. Such rating systems would be useful when there is greater clarity in our governance rules, the definition of specific provisions, and the way they ought to be applied. In this way, the rating system will be objective, consistent and reliable. This rating system can be done by local Non-Governmental Organisations, as is the case in the USA.⁹ The IMC agrees that more time should be given for the governance rules and definitions of specific provisions to be clarified first, before a rating system is introduced, taking into account the feedback from some charities and IPCs that our local charitable sector may not be ready for such a system now.

79. **Recommendation 13: In the spirit of self-regulation, the IMC recommends the charitable sector moves toward a system of self-assessment and rating, so as to facilitate a culture of greater disclosure and transparency, and of informed giving. Such a rating initiative can be carried out by non-governmental organisations, as is the case in the USA.**

80. A summary list of the IMC's recommendations is provided in **Annex G**.

(D) IMPLEMENTATION TIMEFRAME

81. Specific regulations governing charities and IPCs that do not require legislative amendments should be implemented with effect from 1 July 2006. Other recommendations should be implemented by end of 2006, taking into account the legislative amendments required.

⁸ The Online Business Licensing Service is a one-stop portal to search for licensing information as well as to apply for licences. It allows application for multiple licences in an integrated application.

⁹ Some examples of charity rating agencies in the US include Charity Navigator, American Institute of Philanthropy and BBB Wise Giving Alliance.

(E) CONCLUSION

82. In conclusion, the IMC seeks to put in place a regulatory framework that will help grow an active and vibrant charitable sector that enjoys the confidence and support of Singaporeans, with strong partnership between the Government and the community.

**INTER-MINISTRY COMMITTEE ON THE REGULATION OF
CHARITIES AND INSTITUTIONS OF A PUBLIC CHARACTER**

Niam Chiang Meng (Chairman)	Permanent Secretary Ministry of Community Development, Youth & Sports
Chew Hock Yong	Deputy Secretary Ministry of Community Development, Youth & Sports
Charles Lim	Principal Senior State Counsel Law Reform And Revision Division Attorney-General's Chambers
Tony Soh	Registrar of Societies / Senior Director, Policy and Operations Division Ministry of Home Affairs
Benedict Cheong	Chief Executive Officer National Council of Social Service
Han Kok Juan	Director Social Programmes Ministry of Finance
Mrs Sabina Cheong	Assistant Commissioner Corporate Tax Division Inland Revenue Authority of Singapore/ Commissioner of Charities
Mrs Susan Loh	Director Market Development & Corporate Communications National Arts Council
Ms Goh Fang Min	Chief Financial Officer Singapore Sports Council
Terence Ong	Senior Assistant Registrar/ Head, Policy and Planning Division Accounting and Corporate Regulatory Authority
Mrs Ng Soo Koon	Director, Finance People's Association
Dr Ling Sing Lin	Deputy Director of Medical Services Community Partnership Development Division Ministry of Health
Kevin Lee	Director Sector Development National Volunteer & Philanthropy Centre
William Yap	Director Community Relations and Engagement Division Ministry of Community Development, Youth & Sports

TRANSFER OF PROVISIONS OF IPCs TO THE CHARITIES ACT

The following regulations on IPCs are to be transferred from Income Tax (Approved Institutions of a Public Character) Regulations 2004 to the Charities Act:

Administration of IPCs

- a. Use of tax deductible donations;
- b. Issue of tax deduction receipts;
- c. Maintenance of donation and accounting records;
- d. Requirements related to financial statement and audit, with the necessary streamlining with the requirements for charities;
- e. Submission of annual reports to CFAs;
- f. Submission of fund-raising and expenditure plans;
- g. Submission of annual donation records; and
- h. Online disclosure of key financial and non-financial information.

TRANSFER OF PROVISIONS RELATING TO CENTRAL FUND ADMINISTRATORS TO THE CHARITIES ACT

The following regulations on the appointment of Central Fund Administrators, responsibilities and powers of CFAs are to be transferred from the Income Tax Act and Regulations to the Charities Act:

Appointment of Central Fund Administrators

- a. Commissioner of Charities to be empowered to approve IPCs and administer tax deductible donations; and
- b. Central Fund Administrators, to be renamed as "Sector Administrators", to be appointed by the Commissioner of Charities to assist the Commissioner of Charities in promoting effective use of charitable resources for their respective sectors.

Responsibilities and Powers of CFAs (to be renamed "Sector Administrators")

- c. Approval of IPCs;
- d. Duty in respect of tax deductible donations and records;
- e. Inspection of donation records of approved IPCs;
- f. Submission of the list of approved IPCs by CFAs; and
- g. Submission of return of donations of all approved IPCs by CFAs.

**RECOMMENDATIONS BY THE COUNCIL ON GOVERNANCE OF IPCs WHICH
WERE ACCEPTED BY THE GOVERNMENT**

IPCs - Mandatory

1. IPCs shall ensure that information provided to donors, potential donors and the general public does not contain any misrepresentation or material omission that will lead to a conclusion of misrepresentation.
2. IPCs shall disclose the following information during their solicitations to donors: (a) name of organisation; and (b) intended use of funds.
3. IPCs shall disclose the total funds raised, fund-raising expenses incurred and planned use of funds raised, for each fund-raising event that raises \$1 million or more. The disclosure should be done online at the end of each financial year. It need not be audited.
4. IPCs shall maintain separate financial accounts for fund-raising exercises that raise \$1 million or more. These separate accounts do not need to be audited¹⁰.
5. IPCs shall ensure adequate control measures for all collection instruments, e.g. serialise collection tins or pledge cards.
6. IPCs shall ensure that funds and donations are used in accordance with donors' intentions and the specific purpose as communicated when soliciting for donations.
7. IPCs shall respect donors' confidentiality e.g. not to transfer donor lists or records without the donors' prior approval, respecting wishes to remain anonymous and to be excluded from contact lists etc.
8. In the commercial third party fund-raisers' arrangement¹¹, all donations are to be made directly to the IPC. Commissions to the fund-raisers shall be separately paid.
9. All IPCs with total annual income equal to or greater than \$10 million shall comply with the Financial Reporting Standards (FRS)¹².

¹⁰ Since the entire financial accounts of the IPC would be audited at the end of each FY, there is no need to specifically audit each of the separate fund-raising financial accounts. This will help to keep compliance costs low.

¹¹ A commercial third party fund-raiser is an entity that is engaged to raise funds on behalf of the charity or IPC, and is paid for that purpose.

¹² As total income may vary from financial year to financial year, IPCs would only have to comply with the FRS if their total income is equal to or greater than \$10 million for two consecutive financial years, starting from the third financial year onwards.

10. The existing online disclosure template, which all IPCs are currently required to use to disclose key information to the public annually, has been amended to make it clearer to the reader as well as include new disclosure items (Appendix D1).

11. All IPCs shall disclose their related party transactions¹³ in their audited notes to the accounts.

IPCs – Best Practices

12. The Council has drawn up a voluntary “Guide to Best Practices for IPCs¹⁴” to help IPCs strengthen their governance, management and fund-raising practices. IPCs are encouraged to implement relevant guidelines in their management and operations where appropriate, and to disclose the extent of compliance with the Guide.

13. The Financial Reporting Standards (FRS) will be positioned as a best practice for all other IPCs, i.e. those with total annual income less than \$10 million). In addition, all IPCs are encouraged to follow the Statement of Recommended Accounting Practice (RAP) 6 for Charities issued by the Institute of Certified Public Accountants of Singapore (ICPAS) as a best practice.

14. As a best practice, large IPCs shall prepare and make available online their annual report and audited financial statements at the end of each financial year.

For CFAs

15. IPC status granted to new applicants should not exceed two years. This will allow the Central Fund Administrators (CFAs) to review the progress of the IPC after its start-up.

16. IPC status should be renewed for a period between one to five years, depending on how effective the IPC is in governance and management. IPCs that are found not to be well-governed or managed should have their IPC status renewed for only one year. CFAs should set out requirements for such IPCs to improve on, as a condition for subsequent renewal. IPCs that do not fulfil the conditions may have their IPC status suspended or withdrawn at the end of one year.

17. CFAs should publicly disclose the names of IPCs which have their IPC status withdrawn as a result of poor governance and management.

18. CFAs should encourage their IPCs to adopt the Guide to Best Practices for IPCs, as they would be most familiar with the issues and concerns of their IPCs. The specific tracking and/or recognition system can be left to individual CFAs.

¹³ Related Party Transactions refer to transactions between the IPC and another person where either person could have influence over the other. For example, if a board member of an IPC is related to a certain supplier of services for the IPC, the value of the transactions should be disclosed. Please refer to the FRS for the full definition of Related Party Transactions.

¹⁴ Please refer to http://app.mof.gov.sg/news_press/pressdetails.asp?pressID=182 for a copy.

Others

19. Grant-makers are currently subject to the same rules as the other non-grant-making non-profit organisations although their circumstances are different. The Council recommends that the National Volunteer & Philanthropy Centre (NVPC) further study how to develop the grant-making sector.

20. To support public education and facilitate charitable giving, the Council recommends the provision of an online portal to provide IPCs' information to donors and potential donors, and the provision of one-stop e-services on the e-citizen government portal for fund-raisers to apply for different licences online via e-citizen portal. The Inland Revenue Authority of Singapore (IRAS) and NVPC could work together to set up the online portal.

**COUNCIL'S RECOMMENDED TEMPLATE FOR POSTING
KEY INFORMATION ONLINE**
(To be reviewed following IMC's recommendations)

1. Non-Financial Information

Name of Organisation: Address:	Contact Information Name of Contact Person: Telephone No: Fax No: Email Address: Web-site Address:
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Charity Status Charity Regn No: Charity Regn Date: Constitution: <i><Company/Society/Trust></i> Date of Establishment: ROS/RCB Regn No:	IPC Status Effective Date : <i><From DDMMYY – DDMMYY></i> A Member of _____ Central Fund <i><Input name of central fund, if applicable></i>
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Objectives: Vision/Mission:	No. of Beneficiaries: <i><Optional></i> Programs/Activities * For current year: * For last year:
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Patrons Trustees/Board Members Key Employees <i><CEO></i> <i><Directors etc.></i> Auditor	
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2. Financial Information*

<Please keep to prescribed format as closely as possible. To indicate "NA" where information is not applicable. Please substitute "Year 1", "Year 2", and "Year 3" with the appropriate financial years with Year 3 being the latest financial year.> The financial information to be posted online is to be extracted from your audited accounts and annual report.

Income	Year 1 (S\$'000)	Year 2 (S\$'000)	Year 3 (S\$'000)	% Increase/ (Decrease) [Year 3 on Year 2]
Donations in Cash				
- Tax Deductible				
- Non-Tax Deductible ¹⁵				
Donations in Kind				
- Tax Deductible				
- Non-Tax Deductible				
Grants / Sponsorships				
Investment income				
Investment gains				
Others (please specify if material)				
Total Income				

Expenses	Year 1 (S\$'000)	Year 2 (S\$'000)	Year 3 (S\$'000)	% Increase/ (Decrease) [Year 3 on Year 2]
Direct Fund-raising Expenses ¹⁶				
Charitable Activities Expenses ¹⁷				
- Local				
- Overseas				
Other Operating & Administration Expenses ¹⁸				

¹⁵ These include donations collected through flag days, donations that entail benefits to the donors and donations received for overseas purposes.

¹⁶ This refers to costs directly incurred and paid for during fund-raising. They include such costs as advertisements, printing, publicity materials, rental of premises, logistics, hiring of commercial third-party fund-raisers, organizing games of chance, etc.

¹⁷ These are all resources applied by the charity in undertaking its work to meet its charitable objectives in the delivery of goods and services. Such costs include the direct costs of the charitable activities together with those support costs incurred that enable these activities to be undertaken

¹⁸ These are expenses which relate to the general running of the charity that provide the governance infrastructure which allows the charity to operate, to generate the information required for public accountability, and the strategic planning processes that contribute to future development of the charity.

Expenses	Year 1 (S\$'000)	Year 2 (S\$'000)	Year 3 (S\$'000)	% Increase/ (Decrease) [Year 3 on Year 2]
Others (please specify if material)				
Total Expenditure				
Surplus / (Deficit)				

Balance Sheet	Year 1 (S\$'000)	Year 2 (S\$'000)	Year 3 (S\$'000)	% Increase/ (Decrease) [Year 3 on Year 2]
<u>ASSETS</u>				
Land and Buildings				
Other Tangible Assets				
Investments				
Inventories				
Accounts Receivable				
Cash & Deposits				
Others (please specify if material)				
Total Assets				
<u>FUNDS</u> <To breakdown by each fund as suggested below>				
Unrestricted Fund ¹⁹				
Restricted Fund ²⁰				
Endowment Fund ²¹				
Total Funds				
<u>LIABILITIES</u>				
Long-Term Liabilities				
Current Liabilities				
Total Liabilities				
Total Funds and Liabilities				

¹⁹ These are generally unrestricted funds which the IPC is free to use for its programmes and operating costs e.g. General Fund.

²⁰ These are special funds held by the IPC that can only be applied for specific purposes, e.g. Building Fund.

²¹ These are funds which the IPC holds in trust for the benefit of the IPC as a capital fund. Generally, only interest income from Endowment Funds are used, and not the capital sum.

Other Information	Year 1	Year 2	Year 3	% Increase/ (Decrease) [Year 3 on Year 2]
Donations/Grants and Sponsorships given to other Charities (S\$'000)				
No. of Employees				
Total Employee Costs (S\$'000)				
Ratio of Direct Fund-raising Expenses to Total Donations				
Total Related Party Transactions ²² (S\$'000)				

²² Related Party Transactions refer to transactions between the IPC and another person where either person could have influence over the other. For example, if a board member of an IPC is related to a certain supplier of services for the IPC, the value of the transactions should be disclosed. Please refer to the Financial Reporting Standards for the full definition of Related Party Transactions.

ADDITIONAL REGULATIONS GOVERNING IPCs

(A) Mandatory Rules for All IPCs

- i) Disclose the use of commercial third-party fund-raisers²³ during their public appeals, in addition to other disclosures currently required.
- ii) Disclose ratio of reserves to annual operating expenditure in their annual online disclosure.
- iii) Declare their conflict of interest policy in their annual report.
- iv) Ensure that the total expenses incurred on fund-raising appeals in a financial year should not exceed 30% of total donations collected through the appeals in that year.
- v) Have their auditors certify whether they have met the 30/70 rule on fund-raising expenses as part of their annual audits.

In addition, all IPCs will be exempted from the 30/70 rule for house-to-house and street collections under the House-to-House and Street Collections Act and lotteries under the Common Gaming Houses (Exemption) Notification, as they will already be subjected to the 30/70 rule under the IPC regulations, on an annual basis.

The COC will clarify the accounting definitions, e.g. accounting for sponsorships under the 30/70 rule²⁴, definition of operating reserves, definition of operating expenditure, as well as to make explicit the auditing specifications that are expected of public auditors in their annual audits of IPCs.

²³ A commercial third party fund-raiser is an entity that is engaged to raise funds on behalf of the charity or IPC, and is paid for that purpose.

²⁴ IMC recommends that for this computation the IPC shall include sponsorships both as expenses and donations when receipts have been issued.

(B) Mandatory Rules for Large IPCs (Total annual income of \$10 million or more)

- i) Have at least 10 members²⁵.
- ii) Post their annual report & audited financial statements online, in addition to the online disclosure template that they are already required to post.

(C) Best Practice for Large IPCs (Total annual income of \$10 million or more)

- i) Disclose the *number* of trustees whose annual remuneration falls within bands of \$10,000, where the remuneration is larger than \$5,000, in their annual report.
 - For example, how many trustees receive annual remuneration between \$5,000-\$15,000, how many trustees receive annual remuneration between \$15,000-\$25,000 etc.
- ii) Disclose the *number* of their top three executives whose annual remuneration falls within \$100,000, and subsequent bands of \$50,000.
 - For example, how many of the top 3 executives receive annual remuneration between \$0-\$100,000, how many of the top 3 executives receive annual remuneration between \$100,000-\$150,000 etc.

²⁵ This would standardise the minimum number of members required between charities registered as societies with those set up as companies limited by guarantee, etc.

ADDITIONAL REGULATIONS GOVERNING CHARITIES

(A) Mandatory Rules for Large Charities (Total annual income of \$10 million or more)

- i) Have at least 10 members²⁶.
- ii) Seek COC's or respective Sector Administrators' approval for the appointment of external auditors.
- iii) Change external auditor every five years²⁷.

The COC will make explicit the auditing specifications that are expected of public auditors in their annual audits of charities.

(B) Best Practice for All Charities

All charities are encouraged to follow the Financial Reporting Standards (FRS)²⁸ and Statement of Recommended Accounting Practice (RAP) 6 for Charities issued by the Institute of Certified Public Accountants of Singapore (ICPAS).

²⁶ This would standardise the minimum number of members required between charities registered as societies with those set up as companies limited by guarantee, etc.

²⁷ Item (ii) and (iii) are currently requirements for IPCs, and would make the accounting requirements for large charities consistent with that of IPCs.

²⁸ The FRS is a set of recognised accounting standards in Singapore issued by the Council on Corporate Disclosure and Governance. They are mandatory for all companies under the Companies Act.

Basic Regulations on Public Fund-raising that apply to IPCs to be extended to Charities that Raise Funds Publicly:

- a) Ensure that the total expenses incurred on public fund-raising appeals in a financial year should not be more than 30% of total donations collected through the public appeals in that year.
- b) Have an independent examiner or auditor to certify whether the charities have met the 30/70 rule as part of their annual audits²⁹.
- c) Submit an examiner or auditor's report on the use of donation monies raised through public appeals and whether such use is in accordance with the charity's objectives to COC no more than 6 months from the close of their financial year.
- d) Exempted from complying with the 30/70 rule for house-to-house and street collections under the House-to-House and Street Collections Act and lotteries under the Common Gaming Houses (Exemption) Notification.
- e) Ensure that information provided to donors, potential donors and the general public in their public appeals does not contain any misrepresentation or material omission that would lead to a conclusion of misrepresentation.
- f) Disclose the name of their organisation, intended use of funds and use of commercial third-party fund-raisers during their public appeals.
- g) Disclose the total funds raised, fund-raising expenses incurred and planned use of funds raised for each public fund-raising event that raises \$1 million or more. The disclosure should be done online at the end of each financial year (need not be audited or examined separately).
- h) Maintain separate financial accounts for public fund-raising events that raise \$1 million or more. The accounts need not be audited or examined separately.
- i) Ensure adequate control measures for all collection instruments used in public appeals, e.g. serialise collection tins or pledge cards.
- j) Ensure that funds and donations raised through public appeals are used in accordance with donors' intentions and the specific purpose as communicated when soliciting for donations.
- k) Respect donors' confidentiality e.g. not to transfer donor lists or records without the donors' prior approval, respecting wishes to remain anonymous and to be excluded from contact lists etc.
- l) In a commercial third party fund-raisers' arrangement³⁰, all donations shall be made directly to the charity. Fees to the fund-raisers shall be separately paid.

²⁹ IMC recommends that for this computation the charity shall include sponsorships both as expenses and donations when receipts have been issued.

³⁰ A commercial third party fund-raiser is an entity that is engaged to raise funds on behalf of the charity or IPC, and is paid for that purpose.

LIST OF IMC'S RECOMMENDATIONS

No.	Recommendation
(I) Regulatory Framework	
Commissioner of Charities	
1.	Transfer the office of the Commissioner of Charities (COC), currently under the purview of the Ministry of Finance, to come under the purview of the Ministry of Community Development, Youth and Sports. The COC will be appointed by the Minister for Community Development, Youth and Sports. The COC will focus on the regulation of charities and Institutions of a Public Character (IPCs) and promote good governance standards and best practices. The COC will also conduct audits and investigations into charities and IPCs where necessary.
2.	Consolidate the regulatory powers for both charities and IPCs under the COC, in the Charities Act, so that the COC can oversee both charities and IPCs effectively. The revised Charities Act will come under the purview of MCYS. (Refer to Annex B on the regulations of IPCs that will need to be consolidated under the Charities Act.)
3.	Grant the COC additional powers to act for the protection of charities and IPCs. These include the following: <ul style="list-style-type: none"> <li data-bbox="326 1138 1372 1289">i) While the charity or IPC is being investigated, the COC may suspend all forms of public fund-raising, including fund-raising conducted by third party fund-raisers (organisations which are raising funds for or on behalf of the charities or IPCs); <li data-bbox="326 1302 1372 1453">ii) After completion of the inquiry and there is a necessity to act in protection of a charity or IPC, the COC may continue to suspend or prohibit any public fund-raising by the charity or IPC, including fund-raising conducted by third party fund-raisers; <li data-bbox="326 1466 1372 1617">iii) In acting for the protection of a charity or IPC, COC's suspension or removal of a trustee shall also disqualify the person from standing for election at the next AGM or for a period of one year, whichever is later; and <li data-bbox="326 1629 1372 1698">iv) COC may give specific directions on the management of the property of the charity or IPC upon its dissolution.
Sector Administrators	
4.	Rationalise the current 11 Central Fund Administrators into six Sector Administrators who will assist the COC in overseeing both charities and IPCs in their sectors. (Refer to Annex C on the regulations relating to Central Fund Administrators that will need to be transferred to the Charities Act.) These six Sector Administrators cover the social services, education, arts and heritage, community and youth, health, and sports sectors. Charities and IPCs that do not fall neatly under any of these six Sector

No.	Recommendation
	Administrators should continue to be regulated directly by the COC.
5.	<p>The Sector Administrators will be delegated certain powers from the COC to perform their roles more effectively:</p> <ol style="list-style-type: none"> a. Receive annual reports and statement of accounts from the charities and IPCs under their purview; b. Ensure proper annual financial audits of charities and IPCs under their purview; c. Call for documents and search records of charities and IPCs; and d. Appoint auditors to investigate into charities and IPCs under their purview. <p>The COC will work with the six Sector Administrators to co-ordinate the regulatory stance for consistency across sectors.</p> <p>The COC and the six Sector Administrators will serve as the points of contact for the public to raise concerns over any specific charities, and conduct preliminary checks, if necessary.</p>
Charity Council	
6.	Set up a Charity Council comprising representatives from the people sector to promote self-regulation and good governance standards in the charitable sector and advising the COC on key regulatory issues. The Council is to be chaired by a prominent people sector person and six other members to be appointed by the Minister. It will also include six representatives from the Sector Administrators, a representative of the COC, and a representative from the National Volunteer & Philanthropy Centre (NVPC).
Charity Unit	
7.	The COC is to be supported by an adequately resourced Charity Unit, which will monitor charities and IPCs, co-ordinate the various Sector Administrators' regulatory stance for consistency, carry out audits and investigations, promote governance standards and best practices, and help develop the charities and IPCs' capabilities in governance.
8.	The COC is to regulate the charitable sector in a more systematic and structured manner, focusing on large charities and IPCs (with total annual income of \$10 million or more). The Charity Unit is to assist the COC to actively review the accounts of these large charities and IPCs as a first step. It should also introduce random audits of large charities and IPCs and make more field visits to better understand the charitable sector.
(II) Governance, Financial and Fundraising Regulations	
9.	Strengthen the regulatory oversight over IPCs and large charities (with total annual income of \$10 million or more) by introducing additional regulations

No.	Recommendation
	that require greater disclosure and compliance. (Refer to Annex E for details of the additional regulations.)
10.	<p>Bring forward the Council on Governance of IPCs' recommendations for IPCs, which were originally to be implemented on 1 January 2007, to take effect from 1 July 2006. The additional requirements for IPCs and large charities (refer to recommendation 9) will also be implemented from 1 July 2006.</p> <p>(Refer to Annex D for the list of Council on Governance of IPCs' recommendations for IPCs which were accepted by the Government)</p>
11.	The COC should extend certain basic regulations on public fund-raising (that currently apply only to IPCs) to charities. (Refer to Annex F for details of the additional regulations.)
(III) Facilitating Charities and IPCs	
12.	<p>Build one-stop charity portal to help charities and IPCs fulfil their registration, reporting and fund-raising requirements easily and quickly. The portal will include the following functions:</p> <ul style="list-style-type: none"> i) <u>One-Stop Charity Resource Centre</u>. The charity portal will provide a one-stop resource centre for charities and IPCs and those interested in setting up charities and IPCs. Through the portal, they can understand and seek advice on complying with the different regulatory requirements, as well as learn about best practices which can help them run their charities and IPCs better. ii) <u>One-Stop Charity Registration</u>. Through the portal, charities and IPCs will be able to incorporate a company limited by guarantee with ACRA, register as societies with ROS, register as charities with COC and apply for IPC status, without the need to provide the same information to different regulatory authorities. Where feasible, processing of registration by the different authorities should be done concurrently. This will make the registration process simple and quick. iii) <u>One-Stop Charity Reporting</u>. Charities and IPCs will be able to upload documents such as annual reports and financial statements, and submit requests to, say, change their name, through the portal. The portal will automatically route the documents and requests to the relevant authorities without the charities and IPCs having to do so separately. This will save time and effort for charities and IPCs. iv) <u>Fund-raising Permits</u>. The portal will provide a listing of the permits commonly required for various types of fund-raising

No.	Recommendation
	events. It will work towards leveraging on the Online Business Licensing System ³¹ to allow application of the permits online. This will help simplify the process of obtaining the relevant permits for fund-raising events.
(IV) Other Issues	
13.	In the spirit of self-regulation, the IMC recommends the charitable sector moves toward a system of self-assessment and rating, so as to facilitate a culture of greater disclosure and transparency, and of informed giving. Such a rating initiative can be carried out by non-governmental organisations, as is the case in the USA.

³¹ The Online Business Licensing Service is a one-stop portal to search for licensing information as well as to apply for licences. It allows application for multiple licences in an integrated application.