

**COMMISSIONER OF CHARITIES ANNUAL REPORT  
FOR THE YEAR ENDING 31 DECEMBER 2008**

## **MESSAGE FROM THE COMMISSIONER**

In the past year, we had continued our journey *to help develop a well-governed and thriving charity sector with strong public support*. Overall, I am happy to report that our efforts are beginning to bear fruits. Many of the charities are not only able to comply with regulatory requirements, but are also taking active steps to improve their governance standards. For example, the Charity Council Governance Report released in February 2009 showed that 81% of charities have submitted their governance evaluation checklists and about half of them achieved an evaluation score of 87%. In addition, based on a 2008 survey by the National Volunteer & Philanthropy Centre (NVPC), public confidence in charities had also improved, with 90% expressing “moderate to complete” confidence in our charities compared with 83% in 2006.

A large part of 2008 was spent on ensuring regulatory compliance by charities and laying the foundation to improve charity governance. We guide and facilitate charities to comply with the charities laws to protect public interest and enhance public confidence. Governance reviews were conducted to help charities to identify their gaps and improve their governance. While it is unfortunate that there have been a few charities which have breached the trust of the public, we must not let those incidents undermine the support for the majority of charities which are doing good work.

To improve charity governance, we have also worked closely with the Charity Council to help charities and IPCs comply with the Code of Governance. One of the key measures was to put in place an online governance evaluation checklist for charities and IPCs to conduct a self-evaluation of their governance every year. We also supplemented the evaluation tool with governance guides and templates on areas such as conflict of interests policy, Board self-evaluation, reserves policy and strategic planning for charities. To better understand our charities and IPCs so as to help them improve, my office and our co-regulators – the Sector Administrators – have conducted field visits to 128 charities and IPCs in 2008. Many charities and IPCs appreciated the face-to-face interactions through these visits and were better able to understand the need for good governance.

We have also continuously reviewed our regulatory policies to suit the evolving needs of the charity sector. The amendment to the 30/70 fund-raising rule is a good example of how we have refined our policy so that it is more appropriate to the needs of charities. With the amendments, charities and IPCs no longer have to include the value of sponsored items/services as well as cost of goods sold as fund raising expenses in the computation of the 30/70 ratio. In addition, in response to the Myanmar’s Cyclone Nargis disaster and China’s Sichuan earthquake, we have also calibrated our fund-raising permit approval process to be more responsive to immediate disaster relief.

As at 31 December 2008, about \$2.4 million of the VWOs-Charities Capability Fund (VCF) had been used to train 4,844 charity board members/executives and help 503 charities and IPCs in enhancing governance and management. Going forward, we will continue to engage and develop the charity sector. Many charities

*To develop a well-governed and thriving charity sector with strong public support*

may face increasing challenges in attracting donations and volunteers given the current economic crisis. We will continue to help improve their governance and capabilities so that they can still thrive amidst a recession. With a strong foundation supported by a robust regulatory framework, we look forward to developing a more vibrant and well-governed charity sector.

## **VISION AND STRATEGIES**

### **Vision**

2. Our vision is to develop a well-governed and thriving charity sector with strong public support.

### **Strategies**

3. To achieve our vision, we adopt the following strategies:

#### ***Thrust 1: Ensure Regulatory Compliance***

The Charities Act and its Regulations provide the backbone for regulatory oversight of charities and IPCs. Together with the Sector Administrators, we work closely with charities and IPCs to ensure that they are able to fulfil regulatory obligations.

#### ***Thrust 2: Promote Good Governance & Best Practices***

Governance in the charity sector refers to the management, policies and systems in place to ensure that charity board members are able to exercise responsible stewardship of charitable resources. By promoting good governance and best practices, we aim to enhance the overall effectiveness of charities and public confidence in charities.

#### ***Thrust 3: Become a Proactive Charity Advisory***

A well informed sector is one that is more likely to thrive. Hence, information has to be easily accessible to the charities as well as to the public to facilitate their work and giving. To this end, we strive to be a transparent and responsive regulator who actively advises the public and charities on issues affecting the charity sector.

## **OVERVIEW OF CHARITY SECTOR**

### **Charities**

4. Any organisation established for exclusively charitable purposes and carries out activities to achieve these purposes must apply for registration with the Commissioner of Charities. We recognise the following categories of charitable purposes:

- a) the relief of poverty;
- b) the advancement of education;
- c) the advancement of religion; and
- d) other purposes beneficial to the community which include:
  - i. the advancement of health;
  - ii. the advancement of citizenship or community development;
  - iii. the advancement of arts, heritage or science;

- iv. the advancement of environmental protection or improvement;
- v. the relief of those in need by reason of youth, age, ill-health, disability, financial hardship or other disadvantages;
- vi. the advancement of animal welfare; and
- vii. the advancement of sport, where the sport advances health through physical skill and exertion.

5. In 2008, we have registered a total of 57 new charities while 18 charities were de-registered, bringing the number of registered charities as at 31 December 2008 to 1,944. Slightly more than half of these are religious organisations.

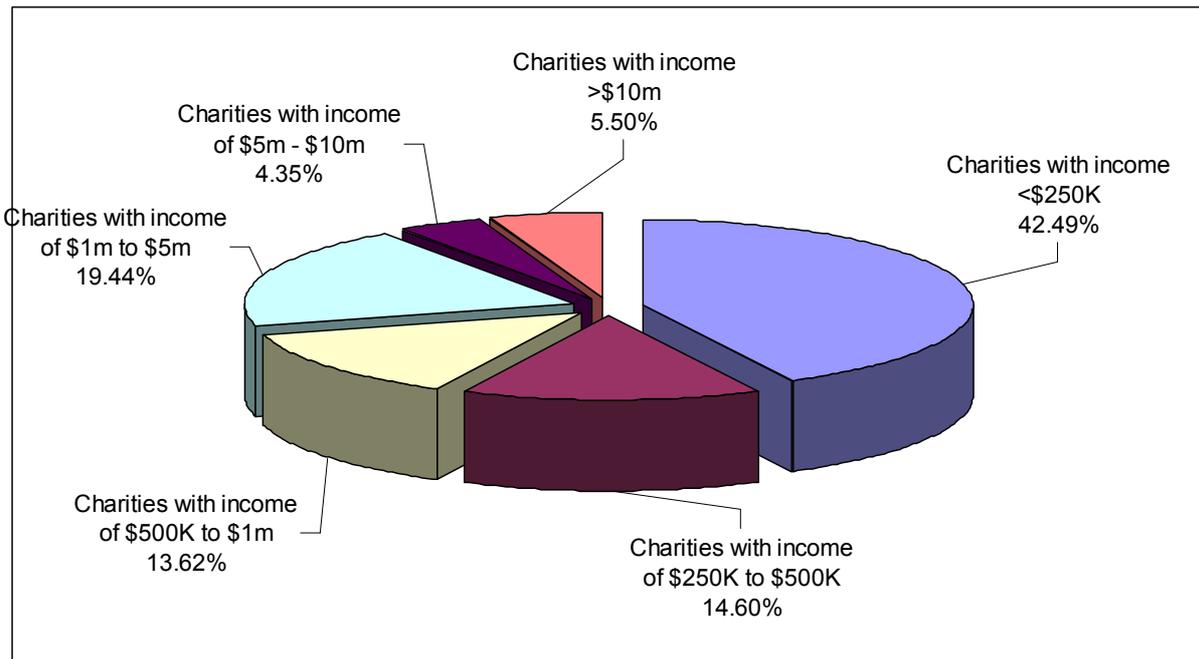
**Table 1: Registered Charities by Charitable Purposes**

<b>Charitable Purpose</b>	<b>Number registered as at 31 December 2008</b>	<b>Percentage</b>
Religion & Others	1204	61.9%
Social Services	325	16.7%
Health	137	7.1%
Education	94	4.8%
Arts & Heritage	94	4.8%
Community	83	4.3%
Sports	7	0.4%
<b>Total</b>	<b>1944</b>	<b>100%</b>

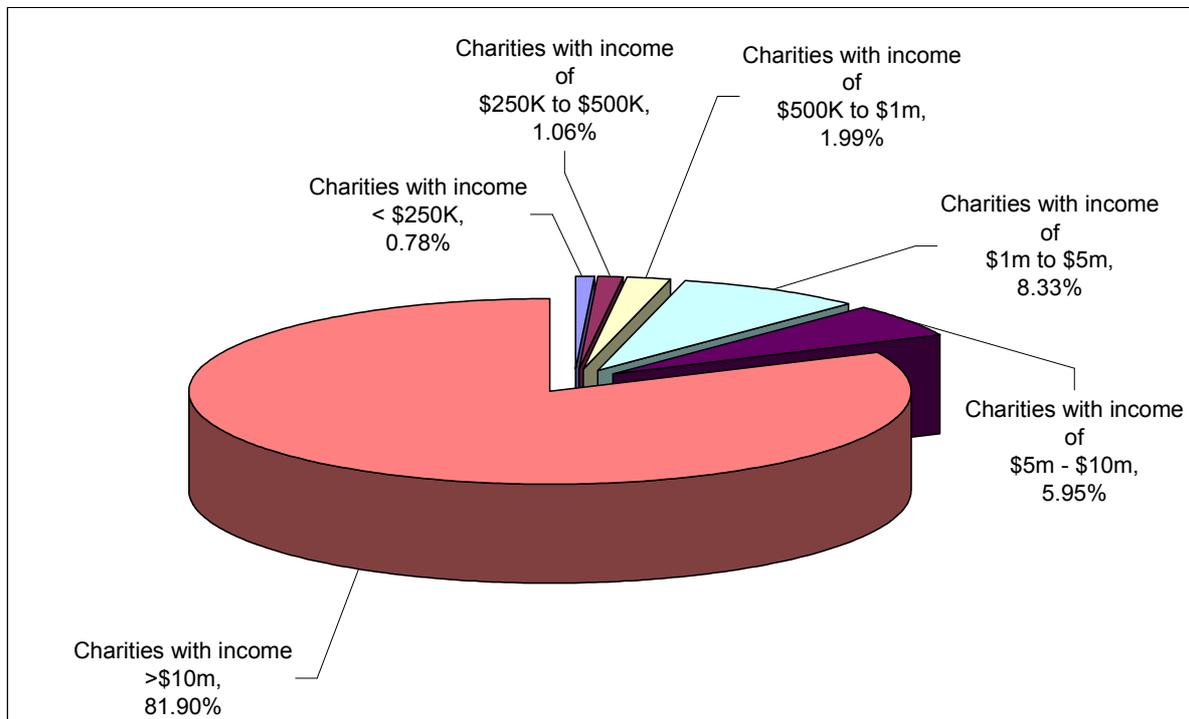
6. For the financial year ended in 2007<sup>1</sup>, the total income of the charity sector (which includes fees for services rendered, donations and government grant) amounted to \$6.00 billion as compared to \$5.45 billion in the previous year. The income distribution pattern of the charity sector remained consistent with previous years. There were 67 large charities with annual income above \$10 million and they constituted less than 5% of the total number of charities. They were mainly tertiary education institutions, health institutions and religious organisations. They had collectively accounted for 82% of the \$6 billion total income of all registered charities. On the other hand, the smallest group of charities with annual income of less than \$250,000 made up 42% of the charity population and accounted for less 1% of the total income for the charity sector.

<sup>1</sup> Figures from charities for financial year ended in 2007 were used as charities are given up to 6 months from the end of the financial year to submit their statement of accounts.

**Chart 1: Distribution of Charities by Income Size (Annual Receipts in 2007<sup>2</sup>)**



**Chart 2: Distribution of Income by Charity Size (Annual Receipts in 2007)**

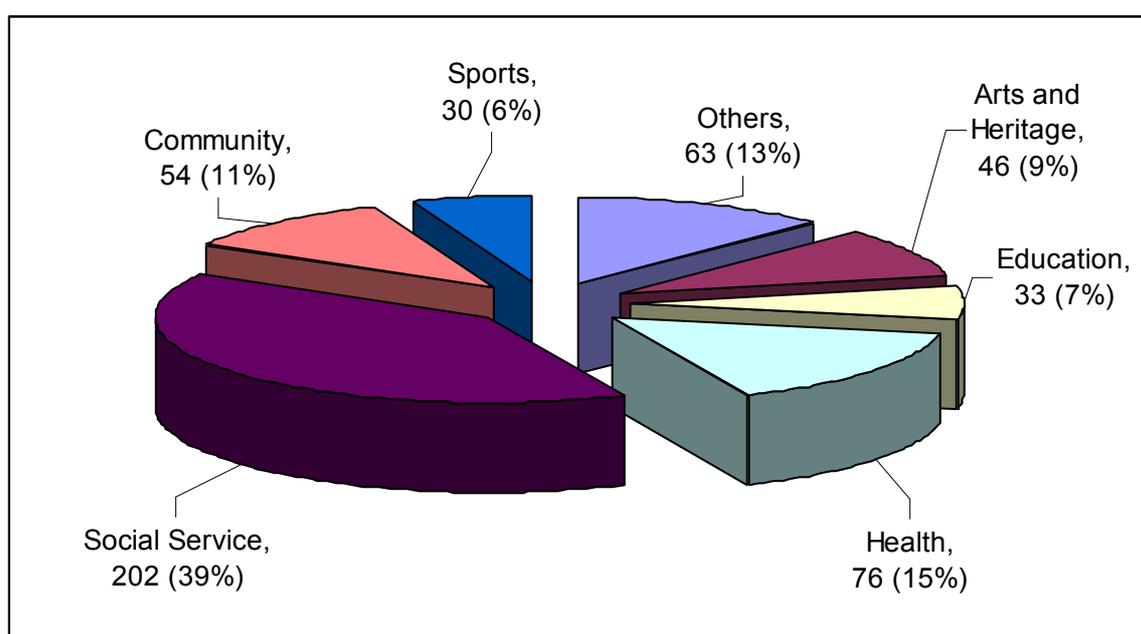


<sup>2</sup> This refers to registered charities which had submitted their FY 2007 statements of accounts as at time of this report.

## Institutions of a Public Character

7. The Institution of a Public Character (IPC) is a status conferred onto a not-for-profit organisation of which donors will be granted income tax deductions for donations made to it. The tax deductible on donations made in 2008 is two times of donated amount<sup>3</sup> and this has since been increased to 2.5 times for donations made in 2009. This change was announced in Budget 2009 as a measure to encourage greater charitable giving amidst the economic crisis. As at 31 December 2008, there were 504<sup>4</sup> approved IPCs, with the social service sector having the most number of IPCs.

**Chart 3: Number of IPCs by Sector**

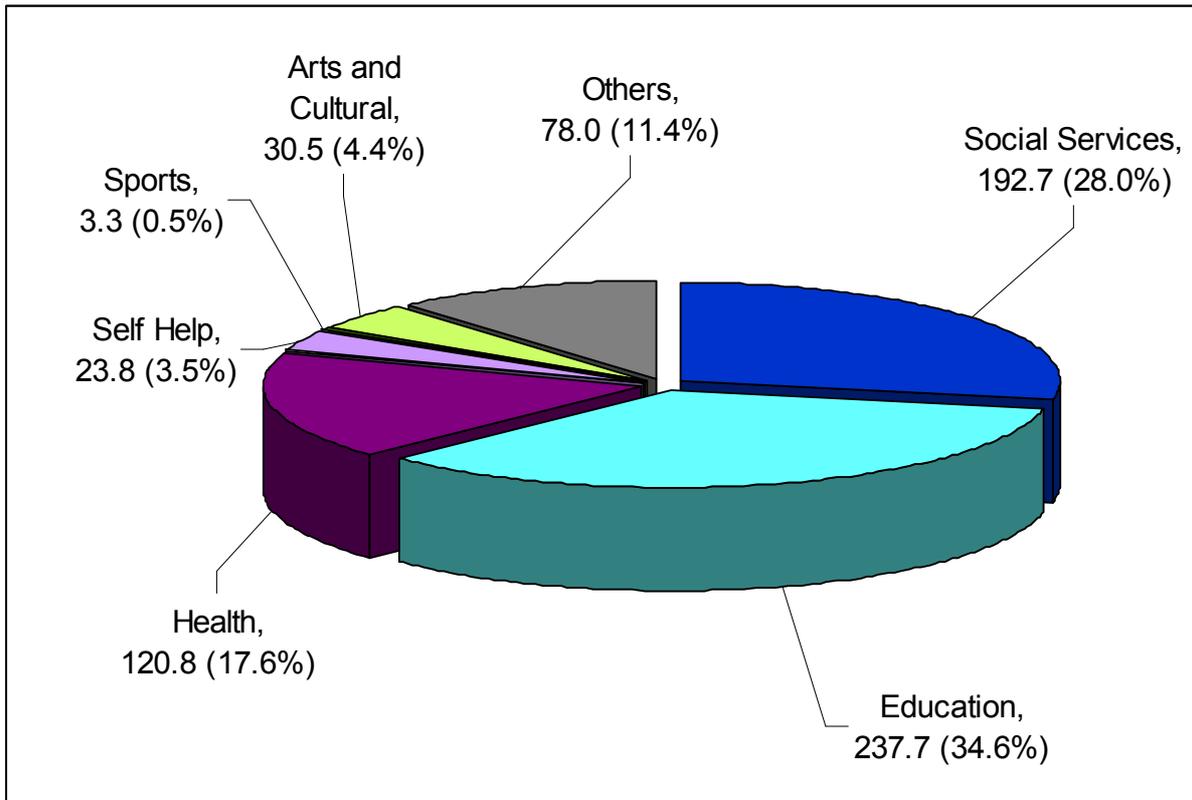


8. The tax deductible donations received in 2008 is about \$687 million. While this is 16% lower than the record \$820 million in 2007, it is still 28% more than the 2006 figure of \$535 million. The tax deductible donations received in 2007 were exceptionally high due to a few large one-off donations. The level of tax deductible donations has otherwise been growing steadily.

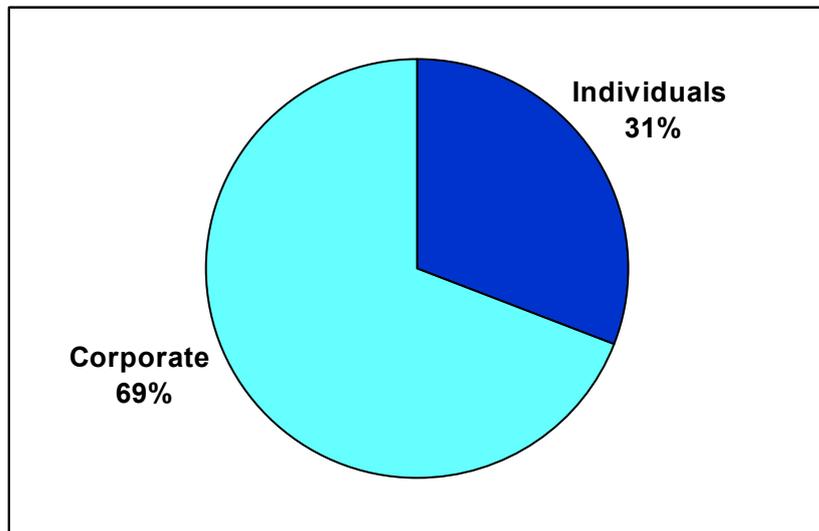
<sup>3</sup> This means for every \$10 a donor gives to an IPC, \$20 of his/her taxable income would not be taxed. As the tax deduction for donation made in 2009 has been increased to 2.5 times, \$25 of a donor's taxable income would not be taxed for every \$10 donated.

<sup>4</sup> Figures exclude the schools under the Ministry of Education and People's Association Community Clubs Building Fund (PA CCBF) central funds.

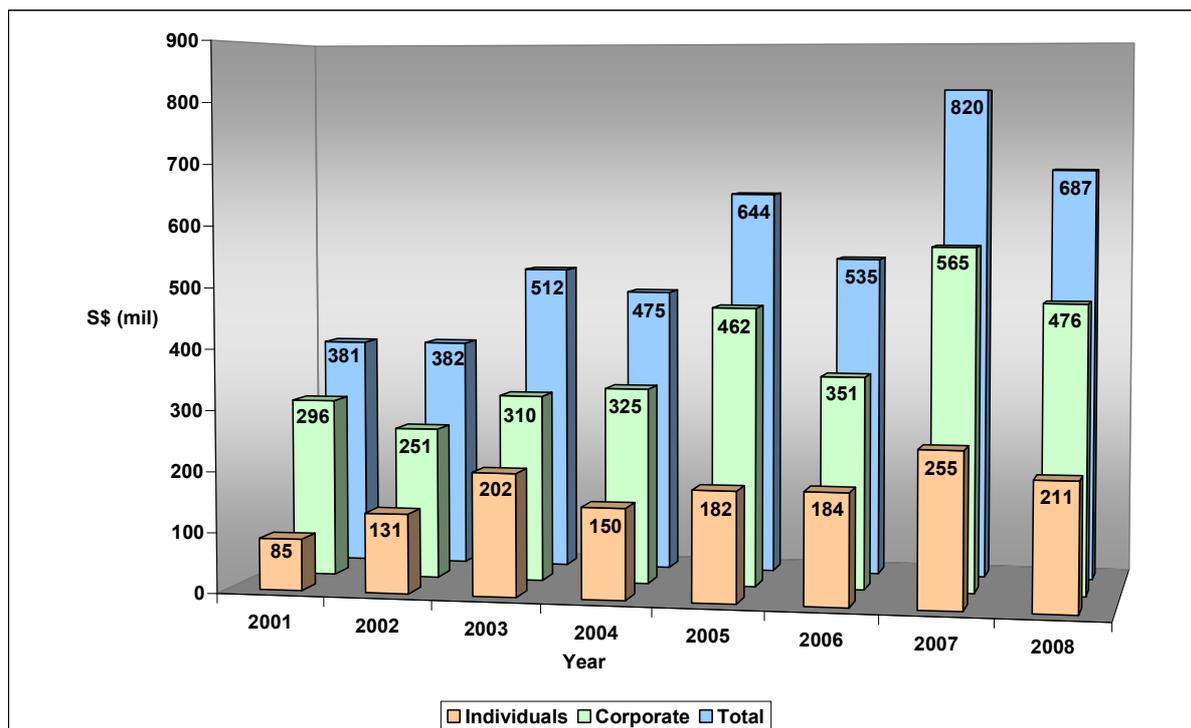
**Chart 4: Distribution of Tax Deductible Donations by Sector (\$m)**



**Chart 5: Individuals vs Corporate Giving to IPCs**



**Chart 6: Trend of Tax Deductible Donations received by IPCs**



### Fund-Raising Appeals for Foreign Charitable Causes

9. When the twin Myanmar and Sichuan disasters struck in 2008, there was an outpour of support from numerous organisations. Amidst the frenzy of organising resources and rallying support for the overall relief effort, individuals and organisations in their passion might not have been aware of the fund-raising permit requirement of the COC. We therefore had taken the opportunity to clarify that under the regulations, a permit is needed from the COC as long as funds are raised for foreign charitable purposes, regardless of whether such fund-raising appeals are targeted at the general public or private donors.

10. For those who began raising funds for the twin disasters without a COC permit, we took a facilitative approach given the exceptional circumstances. Furthermore, as time was the essence in disaster relief, we also committed to processing these applications expeditiously. Compared to just 28 permits granted in 2007, a total of 67 permits were issued in 2008 of which 30 were issued in the months of May and June 2008 in aid of the twin disasters. The other permits were issued for purposes such as humanitarian aid, medical aid, support for orphanages and building of schools.

## **MAJOR DEVELOPMENTS IN 2008**

### **THRUST 1: ENSURE REGULATORY COMPLIANCE**

#### **Investigations and Protective Actions taken by the Commissioner**

##### ***Prohibition Order on Love Foundation and Jasons Lim***

11. Love Foundation (S) Ltd was not a registered charity. It was set up as a company limited by guarantee in 2006 with the only director being the spouse of its founder, Jasons Lim. It organised fund-raising activities in the name of supporting charities. However we have received complaints of misrepresentation by Jasons Lim. It has also come to our attention that Jasons Lim had pleaded guilty to a charge of being concerned in the management of a company while being an undischarged bankrupt, without leave of Court or the permission of the Official Assignee.

12. To protect public interest, the Commissioner invoked his power under section 39B(1) of the Charities Act to prohibit Jasons Lim Hua Tong and Love Foundation (S) Ltd from conducting any fund-raising appeal for charitable purposes with effect from 17 April 2008. We also conducted an investigation into the fundraising activities conducted by Love Foundation. A police report was subsequently lodged against Jasons Lim and Love Foundation. The matter is now with Police.

##### ***Suspension of Venerable Shi Ming Yi from executive positions***

13. The Ministry of Health (MOH) had commenced an inquiry into Ren Ci Hospital & Medicare Centre under section 8 of the Charities Act in late 2007. In February 2008, MOH had referred the preliminary findings to the Commercial Affairs Department (CAD) of the Singapore Police Force for further investigation. Ten charges were subsequently pressed against its CEO, Venerable Shi Ming Yi.

14. Following CAD's charges, the Commissioner had suspended Venerable Shi Ming Yi from holding executive positions in 5 other charities as the charges against the latter involved dishonesty and moral turpitude. The charities were Foo Hai Ch'an Monastery, Foo Hai Buddhist Cultural & Welfare Association, Katho Temple, Singapore Regional Centre of The World Fellowship of Buddhist and Singapore Buddhist Free Clinic.

15. The trial against Venerable Shi Ming Yi is still ongoing.

#### **Governance Reviews**

16. Governance reviews seek to assess and help charities and IPCs to improve their standard of corporate governance, financial control and regulatory compliance by identifying their governance gaps and developing action plans to plug the gaps. As a continuing effort, 74 governance reviews were commissioned in 2008 on charities across all sectors.

## **THRUST 2: PROMOTE GOOD GOVERNANCE & BEST PRACTICES**

### **Implementation of the Launch of Online Governance Evaluation Checklist**

17. The Code of Governance for Charities and Institutions of a Public Character (IPCs) was launched by the Charity Council in November 2007. The Code serves as the benchmark for charities and IPCs to adhere to good governance standards and best practices. While compliance with the Code by charities and IPCs was voluntary, it was mandatory for them to report their compliance level to their respective Sector Administrators. To facilitate online submission, the Charity Council has developed a Governance Evaluation Checklist on the Charity Portal and this was launched in February 2008.

18. Charities Unit and Sector Administrators conducted several briefing sessions on the Governance Evaluation Checklists for charities and IPCs in February to March 2008. As at December 2008, 81% of charities and IPCs had submitted their governance evaluation checklists and the overall median score was 87%. From April 2009, the Checklists of IPCs were publicly disclosed on the Charity Portal.

### **Changes to 30/70 fund raising rule**

19. Arising from ground feedback and on the Charity Council's advice, we have reviewed and revised the rule for computing the 30/70 fund-raising efficiency ratio<sup>5</sup>, commonly known as the "30/70 rule". In summary, the "sponsorship" in the fund-raising efficiency formulae has been redefined to exclude non tax-deductible in-kind sponsorship e.g. lucky draw prizes and items for charity auction. In addition, for fund-raising done via sale of merchandise, only the net proceeds i.e. the gross amount received from sale of merchandise less cost of relevant merchandise, will be treated as receipts. Cost of merchandise will not be included as part of fund-raising expenses.

20. These changes to the 30/70 rule would facilitate fund-raising efforts of charities and IPCs without compromising the principle that the costs of fund-raising should not exceed 30% of the total funds raised. The Charities (Fund-Raising Appeal) Regulations and Charities (IPC) Regulations were amended to effect these changes with effect from 1 April 2008.

## **THRUST 3: BECOME A PROACTIVE CHARITY ADVISORY**

### **Field Visits**

21. Field visits are essentially onsite friendly visits to the charities/IPCs, which aims to:

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<sup>5</sup> The fund-raising efficiency ratio is the total fund-raising and sponsorship expenses of a charity or an IPC to the total gross receipts from fund-raising and sponsorships of the charity or IPC for that financial year. According to the regulations, all charities and IPCs are expected to keep their fund-raising efficiency ratio below 30%.

- a) Promote Good Governance and Best Practices through encouraging wider adoption of the “Code of Governance for Charities” & IPCs and ensure that the basic requirements are met by charities/ IPCs;
- b) Understand the charity’s/IPC’s business, including its programmes and existing governance practices;
- c) Educate on resources available to charities/ IPCs e.g., Charity Portal, guides, tools/ templates, consultancy, training programmes etc.; and
- d) Build long-term relationships between charities/ IPCs, and Commissioner of Charities (COC) or their Sector Administrators

22. Field visits are modelled after the methodology used by the Charity Commission in England and Wales. They are not audits, inspections or investigations. Instead, they are conducted as dialogues sessions between the charities/ IPCs and the COC or Sector Administrator. Together with our SAs, a total of 128 field visits were conducted in 2008 across all sectors.

### **Facilitating Philanthropic Activity**

23. We have reported in Annual Report 2007 that in our effort to making Singapore a philanthropic hub, we have worked in collaboration with Ministry of Finance (MOF), the Monetary Authority of Singapore (MAS) and the Economic Development Board (EDB) to develop a more conducive regulatory regime to foster philanthropy. This lighter touch regime allows International Charitable Organisations (“ICOs”), Grantmakers and Foreign Charitable Trusts to be registered as charities more easily.

24. Since then, 12 organisations have been registered under this lighter touch scheme. We believe that the increased presence of these international philanthropic organisations will boost the growth and vibrancy of the local charitable sector and encourage sharing of best practices. We will continue to work with the relevant agencies to ensure that the scheme stays attractive to the international philanthropic sector to promote the growth of philanthropy in Singapore and beyond.

### **Charity Portal**

25. The Charity Portal [[www.charities.gov.sg](http://www.charities.gov.sg)] was launched in February 2007 to streamline processes to facilitate registration, reporting and fund-raising requirements of charities and IPCs. It provides a convenient one-stop “paper-less” process for application for charity status and IPC status and a resource centre for the public who want to know more about charities in Singapore, including 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 developments in the charity sector. Members of the public can also provide feedback through the Portal. As at 31 December 2008, 1,567 charities had logged on to the Portal using their SingPass.

26. Since its initial launch, we have progressively enhanced the Portal. Besides streamlining the charity, IPC and foreign fund-raising permit application processes via the Portal, charities and IPCs were also able to e-file their annual report and

financial statements. Similar service has also been extended to foreign fund-raising permit holders who needed to file their statement of accounts upon completion of the fund-raising appeals.

27. One of the major enhancements to the Portal was the introduction of Unique Entity Number (UEN) which replaced the charity registration number. Implemented on 1 Jan 2009, the government-wide UEN project is a key programme under the iGov2010 that seeks to introduce a common identification number for all entities that transact with government agencies. Charities Unit has the dual role of being a UEN user agency, and the issuance agency for registered charities, IPCs and exempt charities. The Charity Portal was enhanced to interface with the UEN System to generate UENs and accept UEN from charities and IPCs which transact with Charities Unit and Sector Administrators. A policy guide on UEN Issuance was also developed to explain the issuance of UENs to all charitable entities, including charitable trusts and funds.

28. During the year, Charity Portal received a number of recognitions. It was chosen as a finalist in the Public Administration category of the Stockholm Challenge Award 2008 held in May 2008 in Stockholm, Sweden. The Charity Portal was highlighted as a citizen-centric public administration IT project and was showcased during an exhibition of the finalists' projects. Besides the international arena, the Charity Portal was also recognised locally as a finalist in the Best Business Enabler (Government) category of the MIS IT Excellence Awards 2008.

#### **LOOKING AHEAD: INITIATIVES FOR 2009**

29. In the coming year, we will continue to launch more initiatives to support the charities in delivering their works and protect public interest in fund-raising activities conducted by third party fund-raisers. Some of these initiatives are as follows:

##### **Improving charity governance and public support**

30. We will continue to work towards developing a more progressive regulatory framework to strengthen charity governance and improve public support. We will make clear the role and responsibility of charity trustees so that good people would not be deterred by the perceived risks of serving on charity boards. We will also standardise the accounting and audit requirements by charities to improve the quality and comparability of the financial reporting. This will help to enhance the charities' transparency and accountability to their stakeholders. We will also review our regulations to enhance the oversight of fund-raising appeals conducted by commercial and third-party fund-raisers to prevent abuses.

##### **Continued enhancement of the Charity Portal**

31. Charity Portal will continue to be enhanced, making it a vital resource for all stakeholders in the charity sector – the Sector Administrators, charities, donors, public and even international organisations which are keen to establish a presence in Singapore. There are plans to develop a two-way Short Messaging Service (SMS)

function via Charity Portal to allow members of the public to ascertain the authenticity of a charity or fund-raising activity.

### **Shared Services and engagement with Professional Community**

32. We will also support the Charity Council in launching a pilot shared services scheme in 2009 for charities and IPCs to outsource their finance and accounting functions. Shared services refer to the consolidation and streamlining of business functions so as to reap economies of scale and improve operational efficiency. This will relieve charities from administrative work, thereby allowing charities to focus on direct service provision and governance. An independent shared services provider has been appointed to deliver the shared services.

33. We will also support the Charity Council in the engagement of professional associations to help the charity sector and to encourage more of their members to volunteer in the charity sector and help raise the governance standard. The Council will work with professional associations to match volunteers with charities which require board members and pro-bono professional services. We will organise networking seminars to share best practices with board members and senior management staff of charities. Such platforms will encourage cross fertilisation of experiences across sectors to enhance governance practices in the sector.

## **CONCLUSION**

34. We hope this report has given you a better understanding of our work. We will continually strive to achieve a progressive, risk-based regulatory framework so as not to stifle volunteerism and the good work of our charities. But even as we work towards that goal, our efforts to achieve a well-governed and vibrant charity sector will be in vain if donors and members of the public do not continue to exercise both generosity and discernment. This will improve the overall quality of our charities. Looking forward, we also hope that the charity sector will continue to draw its share of able people willing to commit both their hearts and their heads for the betterment of our community.