

# COMMISSIONER OF CHARITIES ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

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Charities Unit  
Ministry of Culture, Community and Youth

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## MESSAGE FROM THE COMMISSIONER

When my office became part of the Ministry of Culture, Community and Youth (MCCY) in November 2012, the move set us re-thinking, what is it that we want to achieve being part of a new ministry which endeavours to build a cohesive and caring society? How do we better engage and work with our stakeholders to develop a well-governed and thriving charity sector, and support an informed giving culture?

Looking back to 2013, I am pleased to note that it has been a fruitful year for my office, the Charity Council and the charity sector as a whole. Our charities have continued to uphold good standards of governance while fulfilling their objectives in the respective areas. Amongst them include the Singapore Red Cross and Young Men's Christian Association of Singapore (YMCA) who were conferred top honours at last year's Charity Governance Awards jointly organised by the Charity Council and Asia Centre for Social Entrepreneurship and Philanthropy (ACSEP). Special Commendation Awards were also

presented for the first time for excellence in particular areas of governance.

I was glad to see meaningful collaborations between my office and several partners in 2013. We collaborated with the Charity Council and Republic Polytechnic to launch a video-making competition, "Charity in Motion" to raise awareness of good governance and informed giving among youths. We also supported a study by the Centre for Non-Profit Leadership (CNPL) to take stock of the disclosure and governance practices of charities in Singapore. With a better understanding of the existing gaps, agencies including my office, CNPL, and the Charity Council, will be able to better plan intervention efforts to address the key issues. Separately, the training arm of the National Council of Social Service (NCSS), the Social Service Institute (SSI), also worked with us to develop a guide that helps charities implement policies that guard against conflicts of interest, and puts in place standard operating procedures to improve administration and control. We recognise the value in bringing different players together and seek to

explore more opportunities for collaboration to improve the sector.

On charitable giving, we note that tax deductible donations (TDD) slowed somewhat in 2013, totalling \$970 million compared to the record high of \$1,031 million in 2012. Notwithstanding this fluctuation, TDD has displayed an overall uptrend over the past 10 years, reflecting the public's increasing support for local charitable causes over the years.

Good governance and transparency are keys to maintain and strengthen public confidence and giving. Donors are no longer just going by the objects and programmes of the charities but also how well-governed and transparent they are. Charities need to be both effective and accountable. We will focus our attention on this area and hope that more individuals and corporations will step forward to support charitable causes that touch their hearts and resonate with their corporate culture and Corporate Social Responsibility (CSR) programmes.

To this end, my office is developing a set of guidelines on fund-raising best practices for individual beneficiaries, which we believe will also help donors make more informed giving decisions. Enforcement aside, we will continue to review our regulatory framework to ensure relevance and compliance so that the public's confidence in the sector remains

strong. Notwithstanding, we are mindful not to impose unnecessary administrative burden on charities and fund-raisers, which might stifle the philanthropic spirit.

We are also exploring the implementation of a transparency index in phases for different clusters of charities over a period of time. The ultimate goal that we want to achieve is to help charities improve their governance standards, and bring about even stronger public support and confidence. We will also be working very closely with the Charity Council to step up our public education efforts on informed giving.

Our work is far from done. We envisage the journey ahead to be an exciting one, given new plans and initiatives in the pipeline, to raise governance standards and also improve public accountability in the charity sector. I quote a line from Henry Ford, "If everyone is moving together, then success takes care of itself". With the continued dedication and support of each and everyone, irrespective of whether you are from the public, private or people sector, I am confident that our shared aspiration of a well-governed and thriving charity sector with strong public support can be realised.

**Low Puk Yeong**

Commissioner of Charities

June 2014

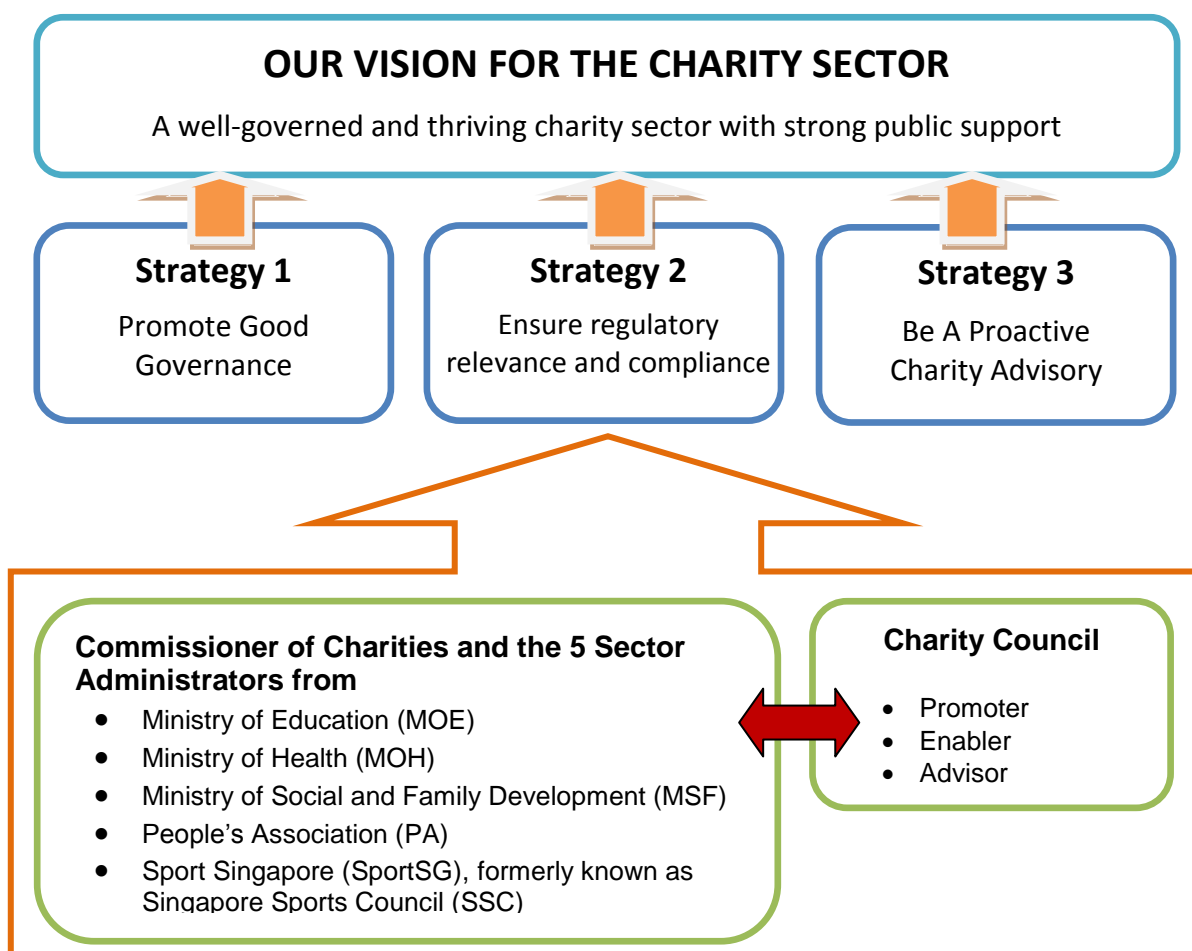
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# A SHARED VISION

A well-governed and thriving charity sector with strong public support

# OUR VISION AND STRATEGIES

A thriving charity sector can only be sustained with strong public support. Such support will not be possible unless the sector is well-governed and instils strong public trust and confidence. Together with the Charity Council<sup>1</sup> and the Sector Administrators from the respective agencies, we work closely to roll out initiatives based on the 3 key strategies outlined below so that our shared vision for the sector could eventually be achieved.



<sup>1</sup> The Charity Council was legally appointed on 1 March 2007 after the new Charities Act was brought into operation. The Council comprises 9 members from the people sector and 5 representatives from the Sector Administrators, and aims to fulfil the following roles:

- Promote and encourage the adoption of good governance and best practices, to help enhance public confidence and promote self-regulation in the charity sector
- Build capabilities of charities so that they are able to comply with regulatory requirements and enhance public accountability
- Advise the Commissioner of Charities on key regulatory issues which may have broad-ranging impact on the charity sector



# THE CHARITY LANDSCAPE IN SINGAPORE

# CHARITIES

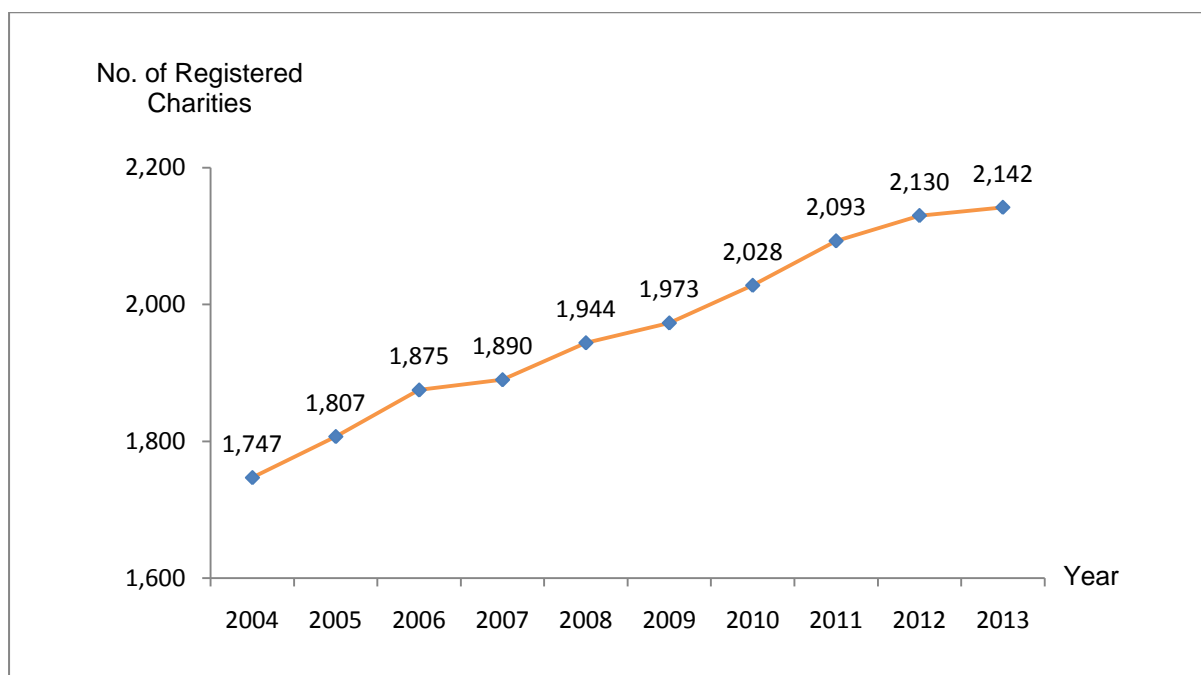
In 2013, there were 2,142 registered charities in Singapore, as compared to 2,130 in 2012<sup>2</sup> (Chart 1). Organisations established for exclusively charitable purposes and carrying out activities to achieve these purposes are legally required to apply for charity registration with the Commissioner of Charities. All registered charities get to enjoy income and property tax exemption on premises used exclusively for charitable purposes. 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. The following purposes are potentially charitable if they benefit the community:
  - i. the promotion 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 promotes health through physical skill and exertion.

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<sup>2</sup> An adjustment was made to the 2012 figures to exclude exempt charities from the total number of registered charities.

**Chart 1: Number of Registered Charities<sup>3</sup> in Singapore, 2004 - 2013**



2 Religious, social and welfare organisations continued to be the dominant players, making up at least three-quarter (77%) of all charities ([Table 1](#)).

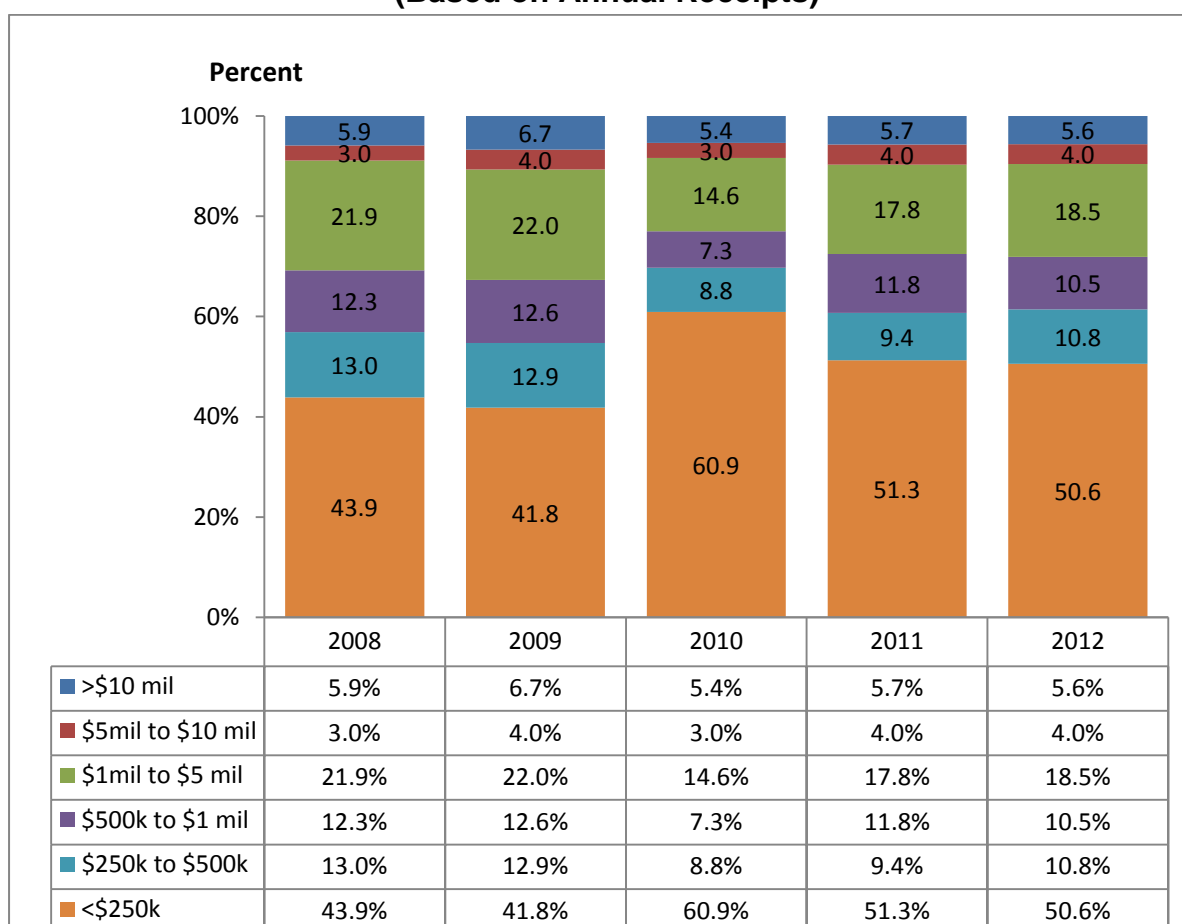
**Table 1: Distribution of Charities by Registration Status and Sector (As at 31 December 2013)**

Sector	Total Registered		Newly registered charities
	Number	Percentage	
<b>Sports</b>	63	2.9%	3
<b>Community</b>	87	4.1%	0
<b>Education</b>	114	5.3%	3
<b>Arts &amp; Heritage</b>	115	5.4%	6
<b>Health</b>	124	5.8%	1
<b>Social &amp; Welfare</b>	359	16.8%	10
<b>Religious and Other Sectors</b>	1,280	59.7%	21
<b>Total</b>	<b>2,142</b>	<b>100%</b>	<b>44</b>

<sup>3</sup> The figure includes the Institutions of A Public Character (IPCs).

3 Consistent with past findings, more than half (51%) of the registered charities were relatively small, with annual receipts (which included government grants, donations and fees and charges for services rendered) of less than \$250,000 (Chart 2).

**Chart 2: Distribution of Charities by Income Size, 2008 - 2012  
(Based on Annual Receipts)**



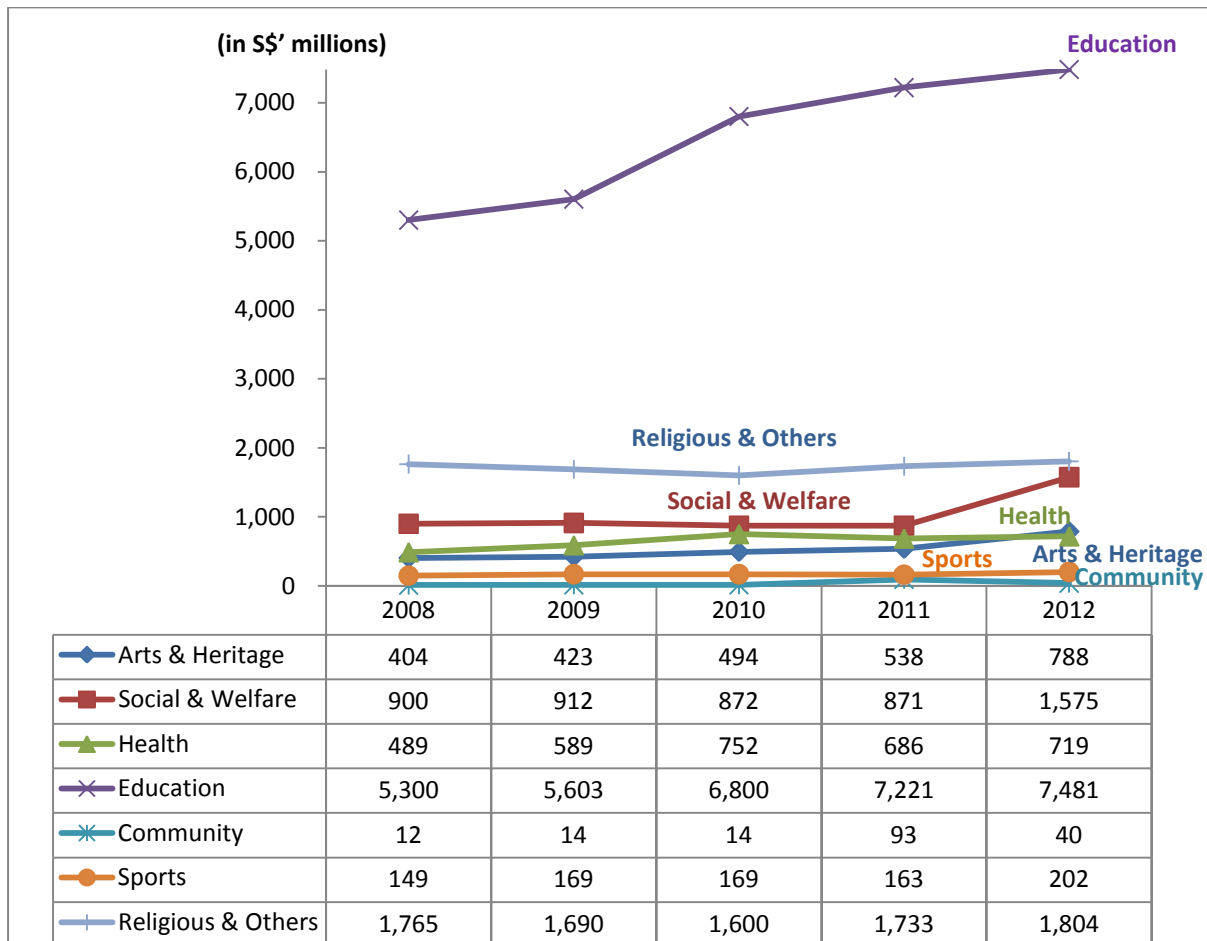
### Annual Receipts

4 The total receipts of the charity sector, which include government grants, donations and fees and charges, amounted to \$12.6 billion in 2012<sup>4</sup>, up from \$11.3 billion a year ago. The education cluster alone accounted for about \$7.5 billion or three-fifths (60%) of the 2012 receipts (Chart 3).

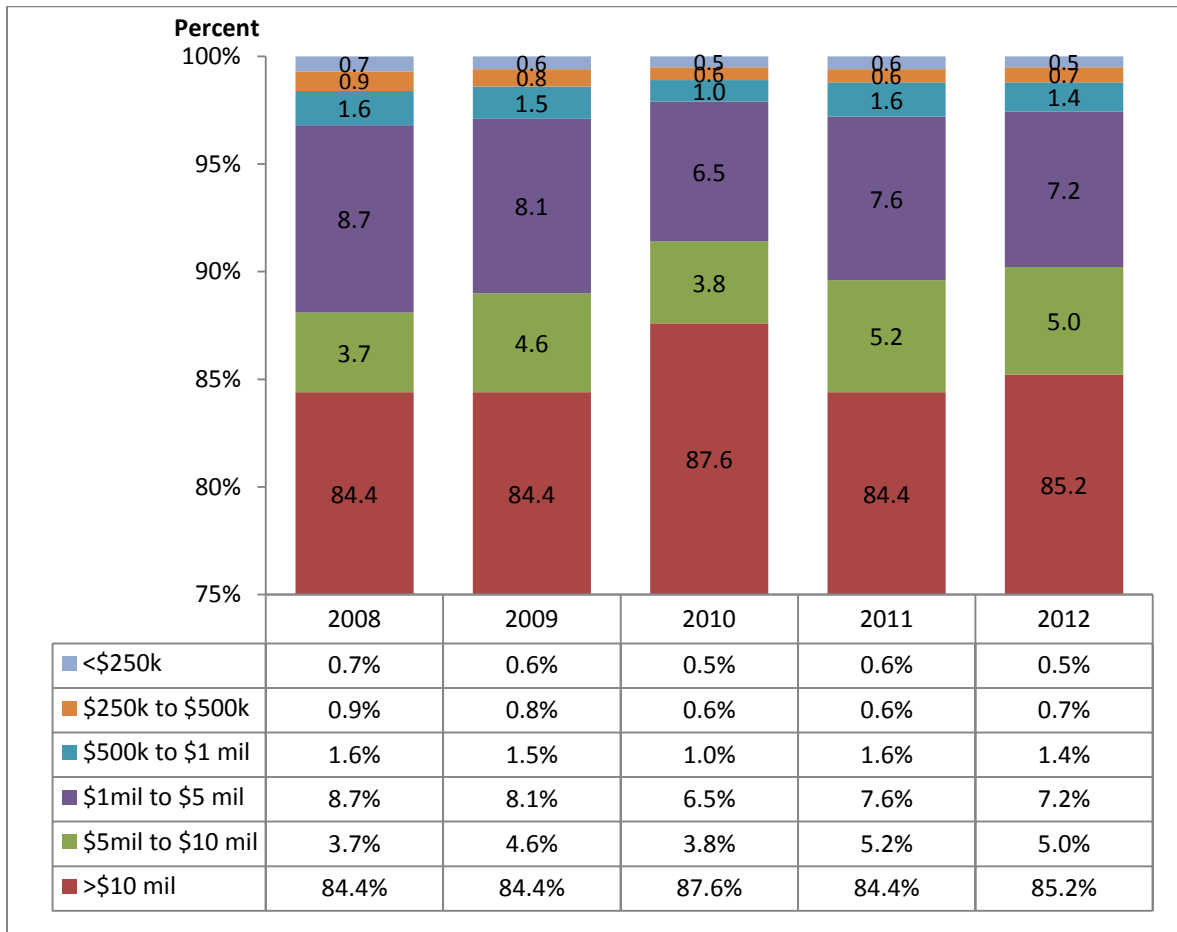
<sup>4</sup> Figures are computed based on the annual returns submitted for financial years ending in 2012. It is a regulatory requirement for charities to submit their annual returns within 6 months of the close of their financial year. The financial periods of charities may vary, depending on the operational needs of the organisations.

5 Large charities (with annual receipts of above \$10 million) accounted for 85% of the total receipts in 2012. On the other hand, small charities with annual receipts of less than \$250,000 accounted for less than 1% of total receipts despite their significant presence in the sector (Chart 4).

**Chart 3: Annual Receipts by Sector, 2008 – 2012**

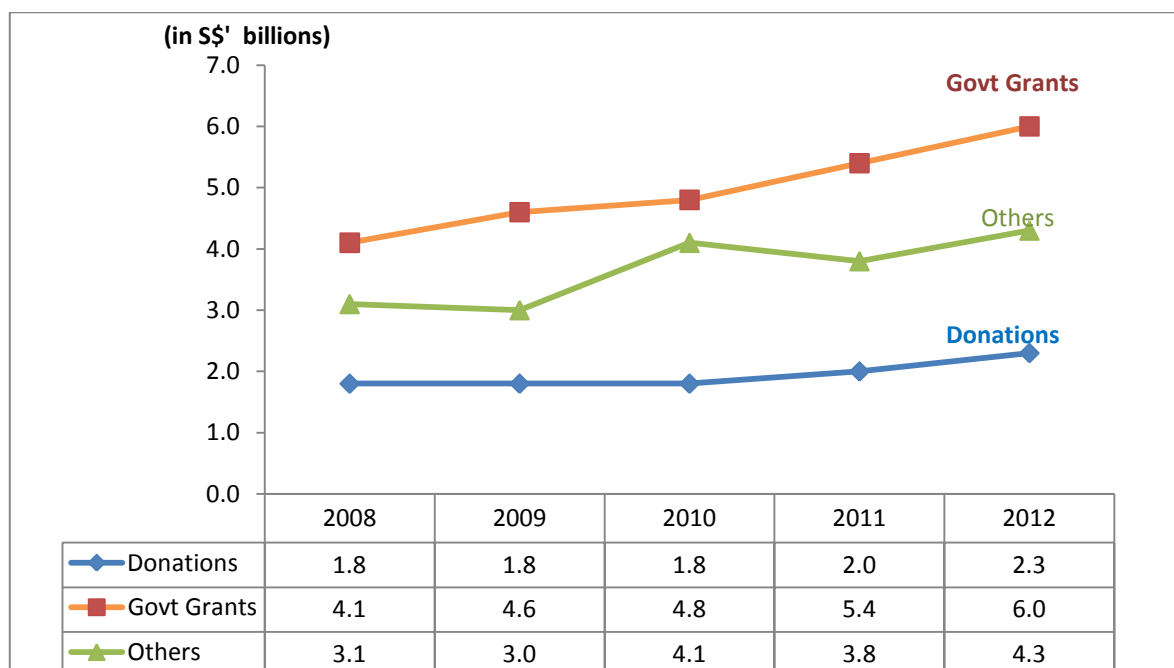


**Chart 4: Annual Receipts by Size of Charities, 2008 - 2012**

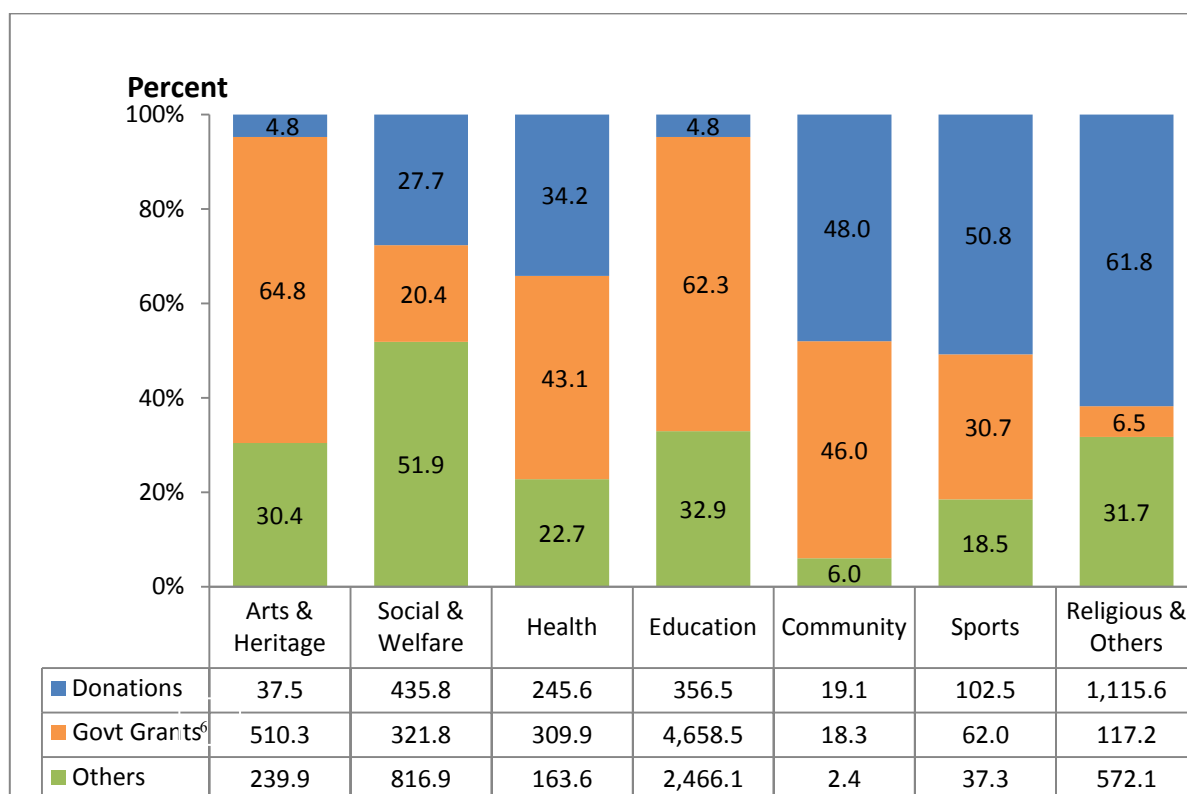


6 Approximately \$2.3 billion (or 18% of the total receipts in 2012) were donations (both tax deductible and non-tax deductible) made to our charitable organisations (Chart 5). Some sectors were more dependent on donations as a source of income while others relied on government grants or received income from the programmes and services rendered. (Chart 6)

**Chart 5: Annual Receipts by Source<sup>5</sup>, 2008 – 2012**



**Chart 6: Annual Receipts by Source and Sector, 2012**



Note: Figures in the table are in S\$ millions.

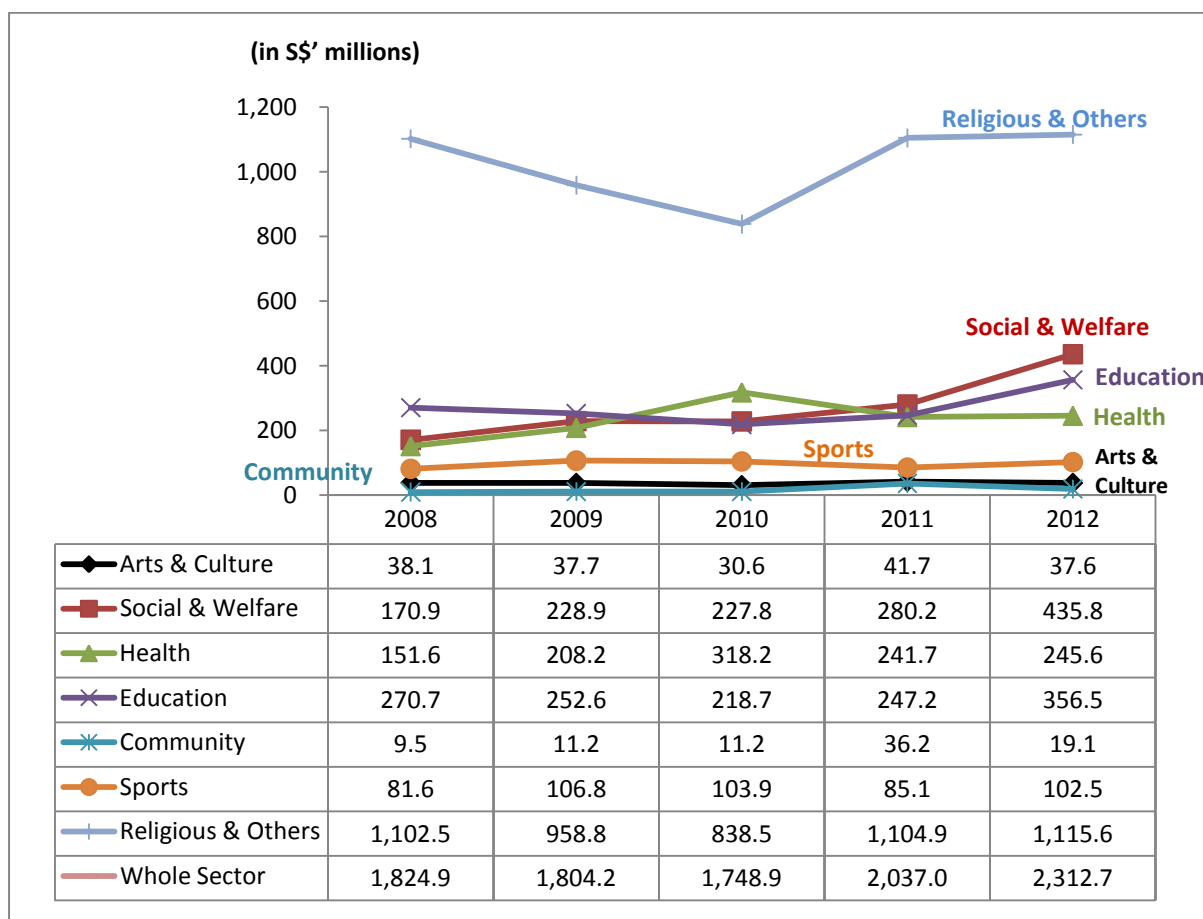
<sup>5</sup> Other sources of receipts include income from the programmes and services rendered by charitable organisations.

<sup>6</sup> Government grants to the “Religious and Others” sector are mainly provided to non-religious charities for their community and humanitarian programmes.

## Total Donations<sup>7</sup>

7 It was observed that receipts in the form of donations saw a 13% jump in 2012, up from \$2.04 billion in 2011. This was largely attributed to the increased support to the social & welfare sector as well as the education sector in 2012.

**Chart 7: Total Donations by Sector, 2008 – 2012**



## INSTITUTIONS OF A PUBLIC CHARACTER (IPCs)

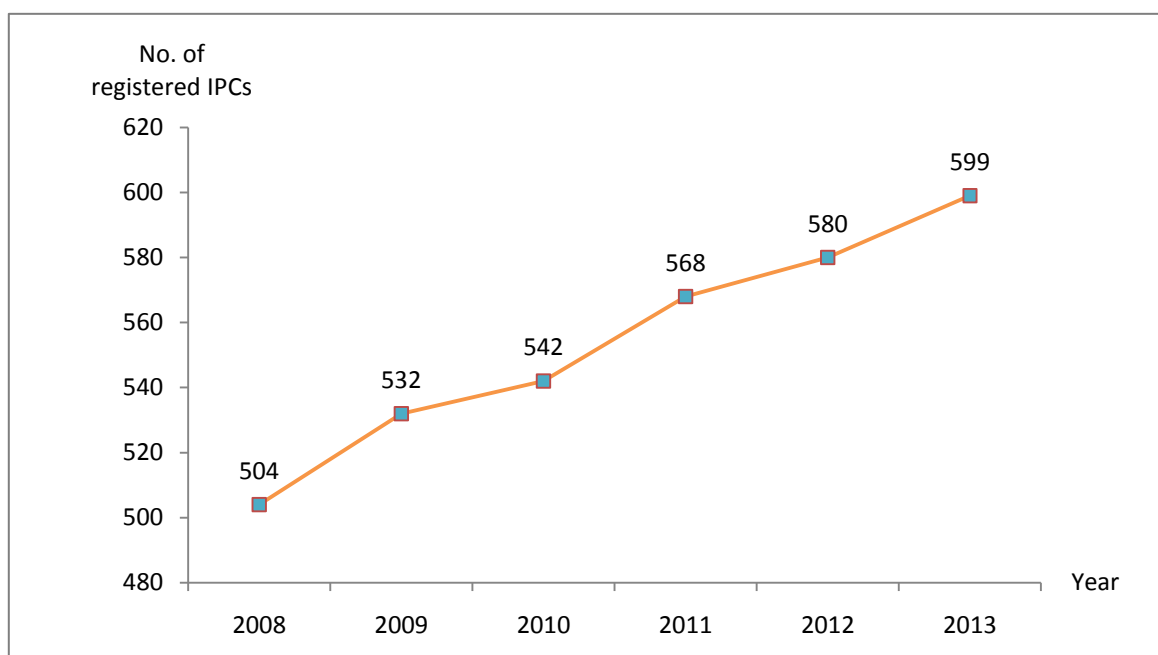
8 Some registered charities are conferred the status of Institution of a Public Character (IPCs). This allows them to issue tax-deductible receipts to donors who

<sup>7</sup> Figures on total donations are compiled based on the annual returns submitted by charities for financial years ending in 2012, and the data covers both tax deductible and non-tax deductible donations. Hence, the data may depict a different trend from the tax deductible donations (TDD) data due to different reporting periods and data coverage.



want to claim tax relief based on the amount of qualifying donations made<sup>8</sup>. The current tax relief is 250% of the donations<sup>9</sup>. To qualify as an IPC, the charity must be dedicated to serving the needs of the community in Singapore as a whole and are not confined to sectional interests or groups of persons based on race, belief or religion. As at 31 December 2013, there were 599<sup>10</sup> approved IPCs (Chart 8), consisting mainly of voluntary welfare organisations from the social & welfare and health sector (Chart 9).

**Chart 8: Number of Institutions of an Public Character (IPCs), 2008 - 2013**

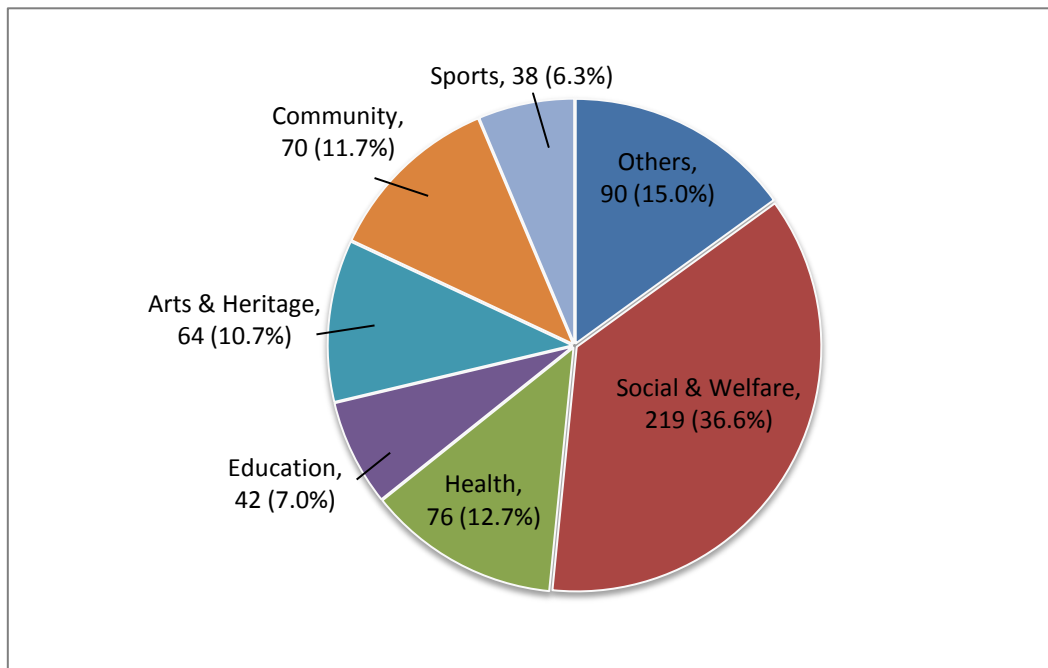


<sup>8</sup> Under the Income Tax Act, outright cash donations, donations of shares by individual donors, donations of computers (including hardware, software, accessories and peripherals) by corporate, artefacts donations, donations under the Public Art Tax Incentive Scheme, and land and building donations will qualify for tax deduction.

<sup>9</sup> For every \$100 of tax deductible donations, \$250 of the donors' assessable income would not be taxed.

<sup>10</sup> Figures exclude schools under the Ministry of Education and individual building funds under the People's Association Community Centres/Clubs Building Fund (PA CCBF).

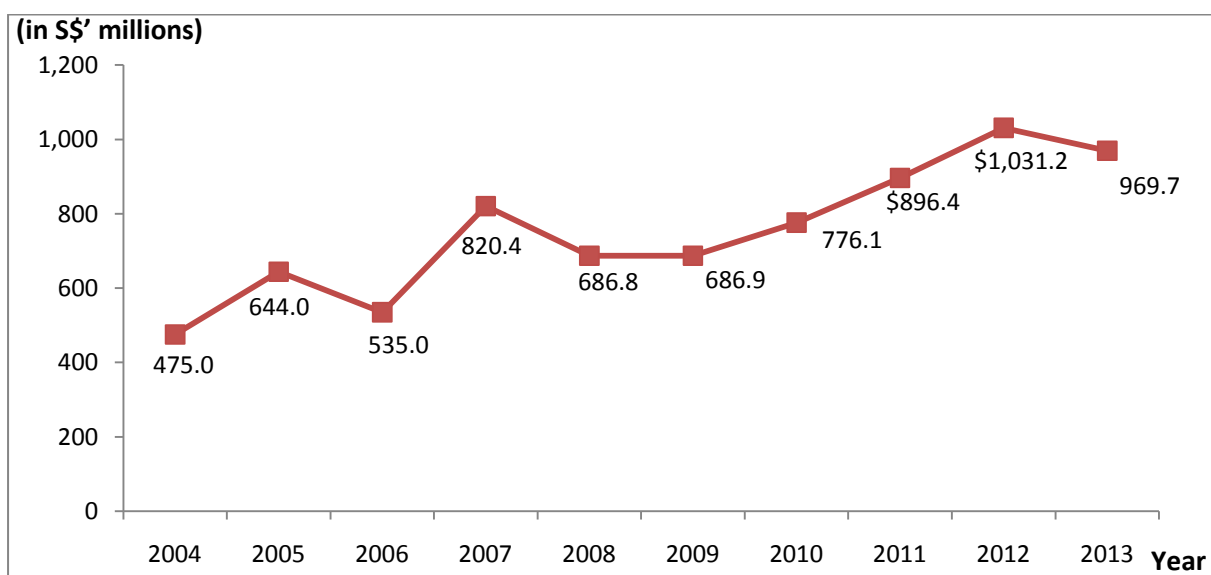
**Chart 9: Number of Institutions of a Public Character (IPCs) by Sector, 2013**



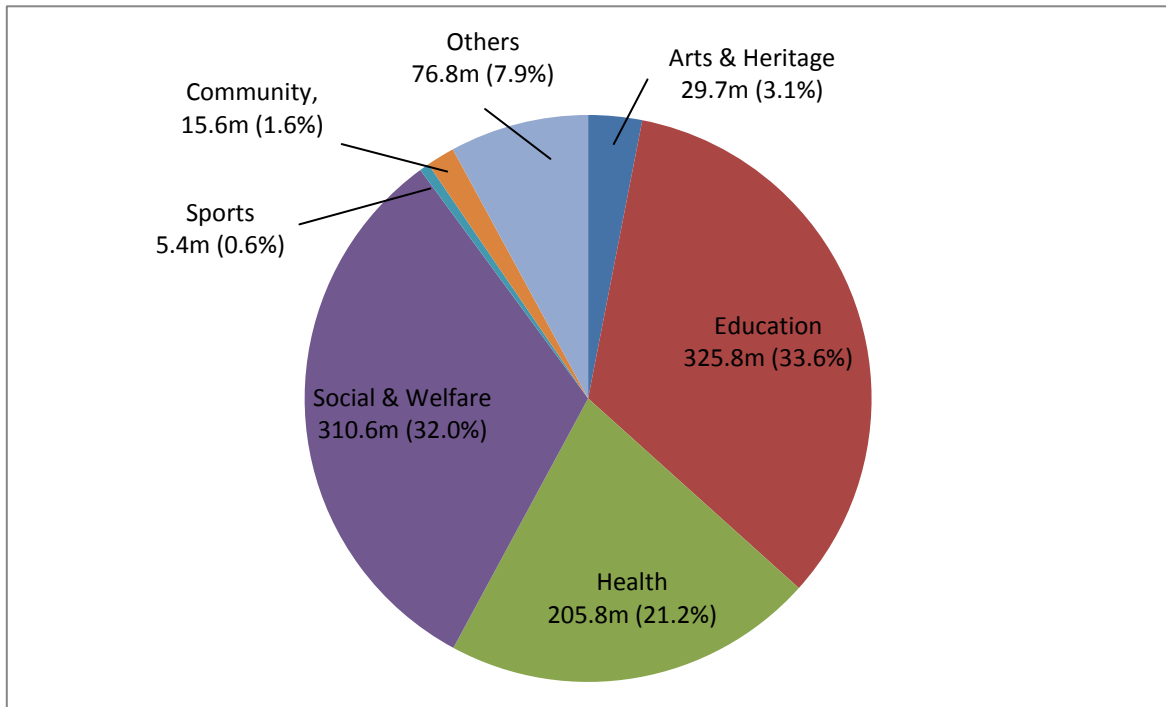
9 The total amount of tax-deductible donations (TDD) received by the IPCs was \$969.7 million in 2013, compared to the record high of \$1,031 million in 2012 ([Chart 10](#)). Notwithstanding, TDD displayed an overall uptrend over the last 10 years, reflecting the public’s continued support for local charitable causes over the past decade.

10 IPCs in the education, health and social & welfare sectors continued to account for the majority of the TDD (87%) ([Chart 11](#)).

**Chart 10: Tax Deductible Donations, 2004 – 2013**

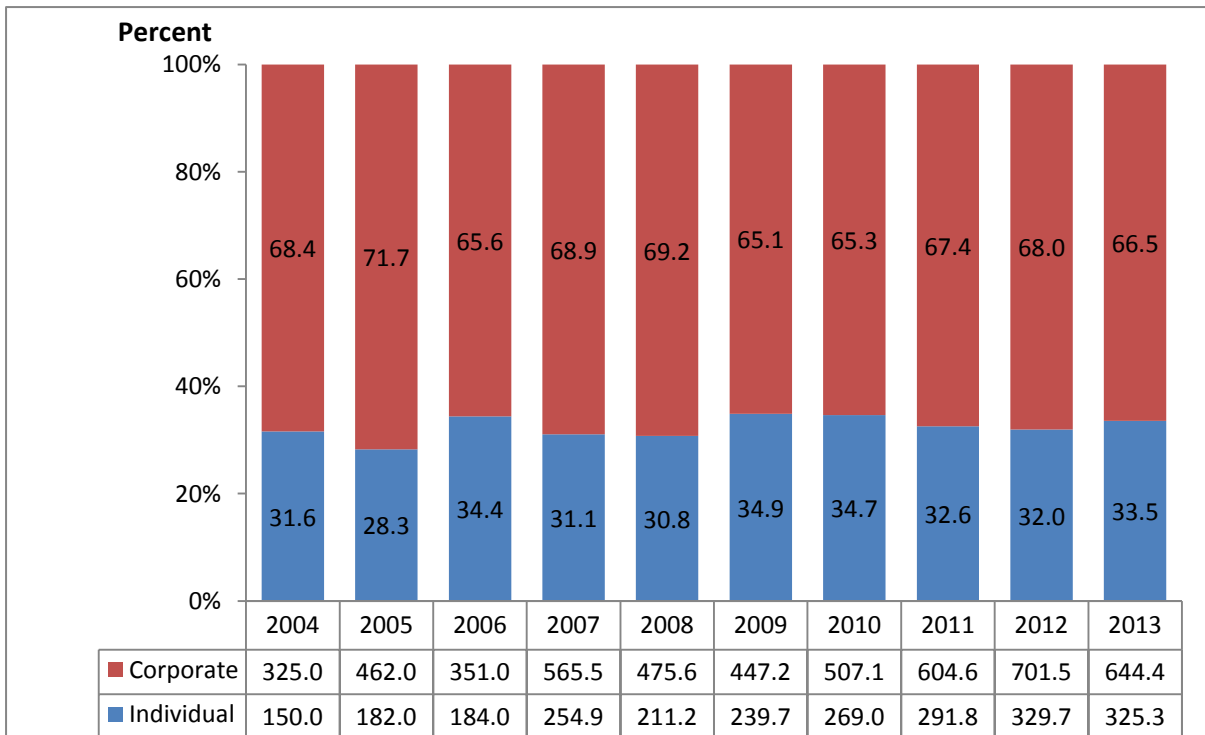


**Chart 11: Tax Deductible Donations by sector, 2013**



10 Both corporate and individual donations dropped by 8% and 1% respectively in 2013 compared to the previous year. Donations from the corporate sector hovered around two-thirds of total giving for the past ten years ([Chart 12](#)).

**Chart 12: Tax Deductible Donations by Source, 2004 - 2013**



Note: Figures in the table are in S\$ millions.

## FUND-RAISING APPEALS FOR FOREIGN CHARITABLE CAUSES

11 In addition to the amount raised for local charitable causes, a total of 53 permits were granted in 2013 for organisations to conduct fund raising appeals for foreign charitable causes. The actual amount raised from the permits granted is \$20.3 million<sup>11</sup>. 12 of the permits granted were for efforts in aid of victims of natural disasters, such as earthquake in China and Typhoon Haiyan in Philippines. Permits were also granted for the UN World Food Programme and humanitarian projects.

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<sup>11</sup> This includes \$11.7 million from Red Cross to aid the victims and survivors of the Philippines typhoons and floods.

# **KEY DEVELOPMENTS IN 2013**

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# **PROMOTE** **GOOD GOVERNANCE**

We strive to develop the governance capabilities of board members so that they can exercise sound and responsible stewardship of public resources in fulfilling the objects of charities.

# PROMOTE GOOD GOVERNANCE

## Key Initiatives

### Charity Governance Awards

Jointly organised by the Charity Council and National University of Singapore's Asia Centre for Social Entrepreneurship and Philanthropy (ACSEP) for the second year, the Charity Governance Awards 2013 honoured charities with the highest standards of governance. The Awards aimed to promote good governance in the charity sector by acknowledging the excellent work of charities, while inspiring others to emulate their best practices. Apart from the three award categories<sup>12</sup> for small, medium and large charities and IPCs, special commendation awards were also presented at CGA 2013 for the first time for excellence in particular areas of governance.

2 The Singapore Red Cross (SRC) and Young Men's Christian Association (YMCA) were conferred the top honours for charities in the medium and large categories respectively. There was no winner for small charities in 2013. The Association of Muslim Professionals (AMP) won the special commendation award for board recruitment and renewal while the Singapore Indian Development Association (SINDA) was recognised through the same award for its corporate governance policies and strong management.

### VWOs-Charities Capability Fund

3 The VWOs-Charities Capability Fund (VCF) was set up to enhance the governance and management capabilities of charities and IPCs. Available in five-year tranches since April 2007, the current tranche covers the period from Apr 2012 to Mar 2017, with \$12 million set aside for all charities and IPCs. VCF provides co-

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<sup>12</sup> The three award categories were for

- (i) Small charities/IPC's with gross annual receipts of less than \$1 million;
- (ii) Medium charities/IPC's with gross annual receipts of between \$1 million and \$10 million; and
- (iii) Large charities/IPC's with gross annual receipts above \$10 million.



funding of up to 80% of the project cost in 4 key areas: training, consultancy, information technology systems and shared services.

4 By end December 2013, 883 charities and IPCs had tapped on VCF grants amounting close to \$13.9 million. Almost 20,400 training places in governance related courses have been taken up by board members and staff of charities.

### **Reaching out to youths through “Charity in Motion”**

5 In collaboration with the Republic Polytechnic (RP), the Charity Council launched the inaugural video-making competition “Charity in Motion” in 2013. The objective of the competition was to reach out to youths and raise awareness of the importance of good governance in carrying out charitable work. This is in view of the growing social consciousness of our youths today, where more are stepping forward to champion charitable causes.

6 Open to all RP students, the competition provided them an opportunity to explore the issue of “How can one do good well?” through the creation of light-hearted video clips. The winners were subsequently presented with prizes at the inaugural Charity Governance Conference in February 2014. The Charity Council is exploring to extend similar competitions to other institutes of higher learning.

### **Collaborations with Other Agencies**

7 There were several collaborations with other agencies, which would benefit the sector. We supported the study by the Centre for Non-Profit Leadership (CNPL) to take stock of the disclosure and governance practices of charities in Singapore. With a better understanding of the existing gaps, various agencies including CNPL, Charity Council and Sector Administrators, will be able to better plan their intervention efforts to address the key issues.

8 The training arm of the National Council of Social Service (NCSS), the Social Service Institute (SSI) also worked with us to develop a guide that helps charities

implement policies that guard against conflicts of interest, and puts in place standard operating procedures to improve administration and control. The guide was developed with the smaller charities in mind, and basic templates were provided so that charities that wish to enhance their transparency and accountability, could customise the templates according to their organisational needs.

# **ENSURE REGULATORY RELEVANCE AND COMPLIANCE**

We review our regulatory framework regularly to ensure it is relevant and meets the evolving needs of the charity sector. Rules and regulations are also tiered according to the size of the charities, with larger charities subjected to more stringent rules as compared to the smaller players.

# ENSURE REGULATORY RELEVANCE AND COMPLIANCE

## Key Initiatives

### Amendments to the Regulations

The Charities (Exemption from Section 39A) Regulations was amended in November 2013 to waive the foreign fund-raising (FFR) permit requirements for donations-in-kind for locally-registered organisations<sup>13</sup>. The intent was to reduce administrative barriers to spontaneous philanthropic efforts. We are also reviewing our Charities (Institutions of a Public Character) Regulations to consider allowing IPCs which meet certain conditions to conduct limited overseas charitable activities.

2 In October 2013, the office of the Commissioner of Charities launched a public consultation exercise to seek the public's views on the existing regulatory position towards fund-raising appeals for the benefit of specific individual(s), and whether to view the proceeds as private gifts, rather than charitable donations. The general view was that while the rules could be made less onerous, the Commissioner should retain the powers to investigate errant fund-raisers. We will be developing guidelines on fund-raising best practices for individual beneficiaries, with the intent to enhance the transparency and accountability of such fund-raising activities, and allow donors to make better informed decisions to support fund-raisers whom they could trust and support.

### Governance Reviews

3 Akin to health checkups, governance reviews are conducted on selected charities and IPCs to help them identify and rectify gaps and weaknesses in the governance and internal controls within their organisations. 29 charitable

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<sup>13</sup> This includes any company that is incorporated or registered under the Companies Act or any society that is registered under the Societies Act.

organisations benefitted from the governance review framework in 2013. Such reviews are well-received as the selected organisations get to strengthen their fundamentals and enhance their internal processes on the advice of professional consultants, who typically customise their recommendations to take into consideration the organisation's needs. Some common recommendations include a clearer distinction between Board roles and operational work, tighter controls over procurement and payments, better management of conflict of interests, as well as disclosure of related party transactions. The office of the Commissioner of Charities monitors follow up action by the charities and provides them with advice to rectify weaknesses in governance and internal controls.

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# **BE A** **PROACTIVE CHARITY** **ADVISORY**

We strive to be a transparent and responsive regulator who actively advises the public and charities on issues affecting the charity sector, and also improve the accessibility of information to facilitate the work of charities, and informed giving by the public.

# BE A PROACTIVE CHARITY ADVISORY

## Key Initiatives

### Field Visits

Our office and the Sector Administrators continued to conduct field visits to charities and IPCs in 2013. These were intended as friendly visits to promote good governance practices, inform charities and IPCs of resources and grants available to them as well as to better understand their charitable work and the issues they face on the ground. Together with the Sector Administrators, a total of 27 field visits were conducted in 2013 across all sectors. We have conducted more than 450 field visits since 2006.

### INTouch Visits by Charity Council

2 The Charity Council further promotes good governance practices in the charity sector through visits to the charities and IPCs. These visits served as a useful platform for the Charity Council to dialogue and share with the board of charities the resources available to enhance governance capabilities. The visits also helped the Charity Council members understand the ground situation and their views on the Code of Governance. 21 *INTouch* visits have been conducted since August 2011.

### Charity Council Networking Sessions

3 To provide a platform for board members and senior management staff of charitable organisations to share and learn from their counterparts, the Charity Council started the Charity Council Networking Breakfast series in 2013, following the launch of networking dinners in 2012. Supported by the Sector Administrators, these sessions provide charity board members and staff an opportunity to mingle in an informal setting, and hear from experts on topics specific to their sector's needs.



In 2013, four networking sessions were separately held by the Ministry of Education, Ministry of Health, Sport Singapore (formerly known as Singapore Sports Council) and our office.

### **Charity Council Seminars**

4 The Charity Council organised its 8th governance seminar on 5 February 2013 at HDB Hub Auditorium. Themed “Knowing the In\$ and Out\$ - Sound Financial Management and Effective Internal Controls”, the seminar covered topics such as the impact of money laundering and terrorism financing, and how charities can implement internal controls in their organisations. The seminar attracted more than 150 attendees from 73 charities.

### **Charity Council Newsletter**

5 The Charity Council continued to engage charities through its newsletter, *Charity News*. The newsletter provided timely information on the latest developments in the charity sector and good governance practices. Eight issues have been published since 2011.

### **Launch of New Charity Portal**

6 Launched in 2007, the Charity Portal ([www.charities.gov.sg](http://www.charities.gov.sg)) underwent a major revamp and was newly rolled out in December 2013. In addition, taking into consideration the greater use of smart-phones, we launched a mobile-friendly version of the Portal which now allows the public to search for records of registered charities and IPCs, as well as organisations issued with fund-raising permits.

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**LOOKING AHEAD**

# LOOKING AHEAD

In the coming year, we will step up our efforts in 2 key areas:

## **Enhancing Transparency and Accountability**

We are working with the Charity Council and NUS Business School to develop a transparency index, which aims to encourage greater voluntary disclosure of information by charities and facilitates donors in their giving decisions. The index will assess how transparent a charity is in terms of disclosure of information to the public based on a set of objective indicators. Our ultimate goal is to help charities improve their governance standards, and to bring about even stronger public confidence and support.

2 To ensure that the framework is one that is suitable and robust, the Charity Council has been consulting charities and grant-makers in the sector. In the next few months, the Council will also be seeking views from more charities, corporate donors and subject matter experts. The Council is exploring the implementation of the index in phases over a period of time.

3 To further facilitate informed giving, our office will also be making available the financial information of charities on the Charity Portal for the public's view.

## **Public Education on Informed Giving**

4 We will be ramping up our outreach efforts to educate the public on informed giving. These include tapping on various forms of media and public platforms through which the message of informed giving can be more effectively conveyed. The Charity Council website will also be revamped, with refreshed content to raise the awareness of key developments in the charity sector. More advisory materials will also be provided to help charities enhance governance and internal control.