

**COMMISSIONER OF CHARITIES ANNUAL REPORT
FOR THE YEAR ENDING 31 DECEMBER 2007**

THE YEAR IN BRIEF

2007 was a year of strengthening our charity sector. Our office introduced new regulations, launched new initiatives, and forged new partnerships, all with the aim of enhancing governance and public confidence in our charities and Institutions of a Public Character (IPCs).

2. Regulation of charities is a challenging job because it involves balancing competing and divergent interests of all the stakeholders. The task is made more difficult by the diversity of our charity sector, which comprises some 1,900 organisations ranging from theatre groups to religious organisations. Hence, our regulatory approach cannot be “one-size-fits-all”. Indeed, we have strived hard to ensure that our regulatory approach is flexibly tiered according to the size and type of charity. In addition, so as not to stifle volunteerism and philanthropy, we also strive to regulate with a “light” touch and encourage self-regulation.

3. To this end, we amended the Charities Act and its accompanying regulations in early 2007 to put in place a more robust and transparent regulatory framework. The amendments, *inter alia*, empowered the Commissioner of Charities to act more effectively for the protection of charities and for public interest. New regulations were introduced to bring the IPCs under the ambit of the Act. These communicated the basic standards which charities and IPCs have to meet. In addition, the regulations also mandate that all fund-raising appeals be conducted in an accountable and transparent manner.

4. We recognized that, with the introduction of new regulations, it was important to help charities in meeting their regulatory obligations. This provided the impetus for the Charity Portal, our very own charity website which enables electronic application of charity and IPC status, update of organisational profiles and a one-stop resource on charity regulatory matters. Despite the teething problems, we are glad that many charities have begun to use the Portal and members of the public are also visiting it to better understand the sector.

5. To help better understand the work of our charities, we and our co-regulators; the Sector Administrators have made it our ongoing regular activity to visit the charities. These field visits typically engage charity board members and seek to develop a mutual understanding of good management and governance practices. It is through these visits that we were also able to calibrate our policies accordingly to better meet the needs of the charity sector. In parallel, we also conducted governance reviews of the large charities and IPCs. These reviews helped charities and IPCs identify their blind spots so that they can improve their governance.

6. We have also received guidance from the people-sector led Charity Council chaired by Mrs Fang Ai-Lian, who was then Chairman of Ernst & Young and is now the Chairman of Great Eastern Life Holding. Last year, the Charity Council helped us to rationalise the various guidelines on good governance and best practices and

launched an official Code of Governance for the charity sector after extensive public consultations. Together with the Sector Administrators, we conducted briefings to help charities/ IPCs understand the Code and how the Code can enable them to achieve excellence in governance standards. We will continue to work with the Charity Council to ensure the Code remains relevant and useful to the sector.

VISION AND STRATEGIES

Vision

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

Strategies

8. 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 fulfill 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

9. 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.

10. As at 31 December 2007, there were 1,890 registered charities with about half of them being religious organisations. The year saw 59 new charities registered and the de-registration of 21 charities.

Table 1: Registered Charities by Charitable Purposes

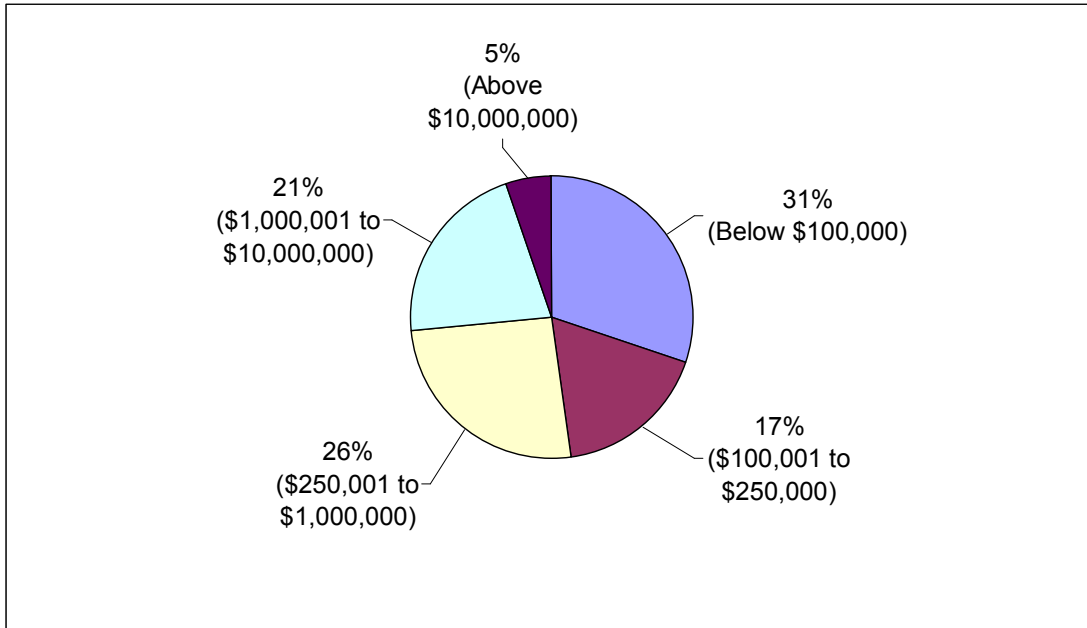
Charitable Purpose	Number registered as at 31 December 2007	Percentage
Religion & Others	1,175	62.2%
Social Services	310	16.4%
Health	137	7.2%
Education	92	4.9%
Arts & Heritage	89	4.7%
Community	83	4.4%
Sports	4	0.2%
Total	1,890	100%

11. As at 31 December 2006¹, about half of the registered charities had annual income (including donations, income from services rendered and Government grants) of less than \$250,000. Sixty-five charities had annual income exceeding \$10 million. These comprise mainly tertiary education institutions, health institutions and religious organisations. The income received by these charities accounted for 82% of the \$5.45 billion of total income of all registered charities. See [Chart 1](#) for the distribution of registered charities by annual receipts for the year 2006².

¹ Figures from charities for financial year ended in 2006 were used as charities are given up to 6 months from the end of the financial year to submit their statement of accounts.

² This refers to registered charities which had submitted their FY 2006 statements of accounts as at time of this report.

Chart 1: Distribution of Registered Charities by Annual Receipts in 2006



Institutions of a Public Character

12. 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. Currently, donors can claim double the amount of the donations made as income tax deduction³. The majority of IPCs are charities, and the rest are sports associations. As at 31 December 2007, there were 508⁴ approved IPCs.

³ For example, for every \$1 a donor gives to an IPC, \$2 of his/her taxable income would not be taxed.

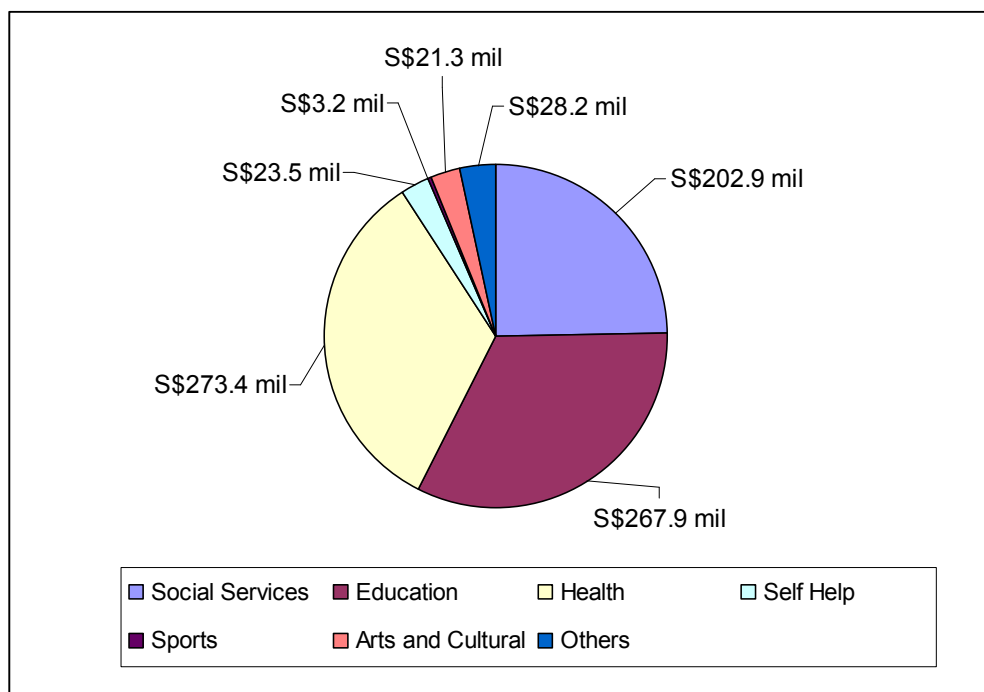
⁴ Figures exclude the schools under the Ministry of Education and People's Association Community Clubs Building Fund (PA CCBF) central funds.

Table 2: IPCs by Sector

Sector	Number of IPC as at 31 December 2007	Percentage
Social Services	198	39%
Health	83	16.3%
Religion & Others	67	13.2%
Community	52 ⁵	10.2%
Arts & Heritage	47	9.3%
Sports	31	6.1%
Education	30 ⁶	5.9%
Total	508	100%

13. The tax deductible donations received in 2007 increased by more than 50% from \$535 million in 2006 to about \$820 million. Large one-off donations such as the \$100 million in the health sector for the Khoo Teck Puat Hospital accounted for the significant increase in total donations received. Efforts and changes in the policies that promote philanthropy and maintain public confident in the charity sector have also helped in facilitating public donations to IPCs.

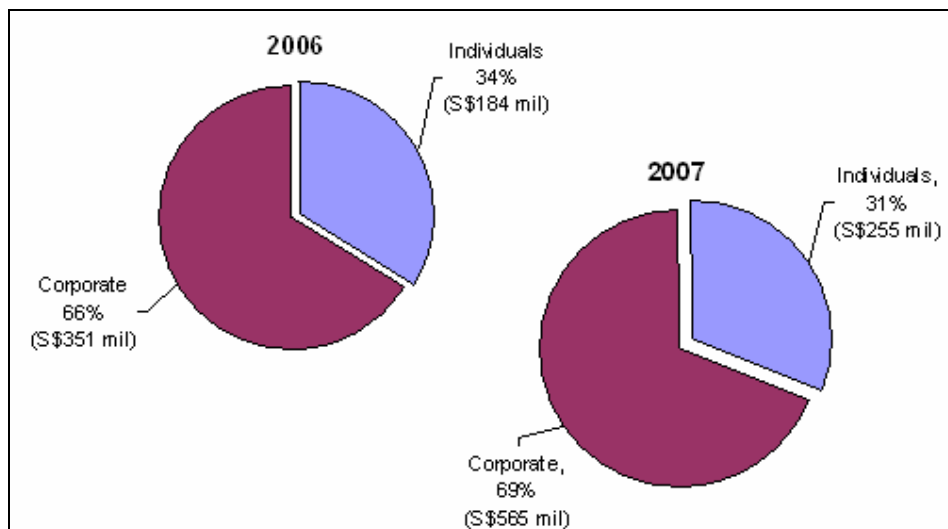
Chart 2: Distribution of Tax Deductible Donations



⁵ PA IPC figures exclude the Community Club Building Funds (CCBFs) which are now reported under 1 central fund. (Previously reported PA IPC figures had included the CCBFs).

⁶ MOE IPCs exclude MOE schools which do not have separate IPC status and are now reported under the central fund. (Previously reported MOE IPC figures had included MOE schools).

Chart 3: Individuals vs Corporate Giving to IPCs



Fund-Raising Appeals for Foreign Charitable Causes

14. A permit from the Commissioner is required for the conduct of fund-raising appeals for foreign charitable purposes. In 2007, a total of 28 permits were issued for various purposes such as humanitarian aid, medical aid, disaster relief, support for orphanages and building of schools.

MAJOR DEVELOPMENTS IN 2007

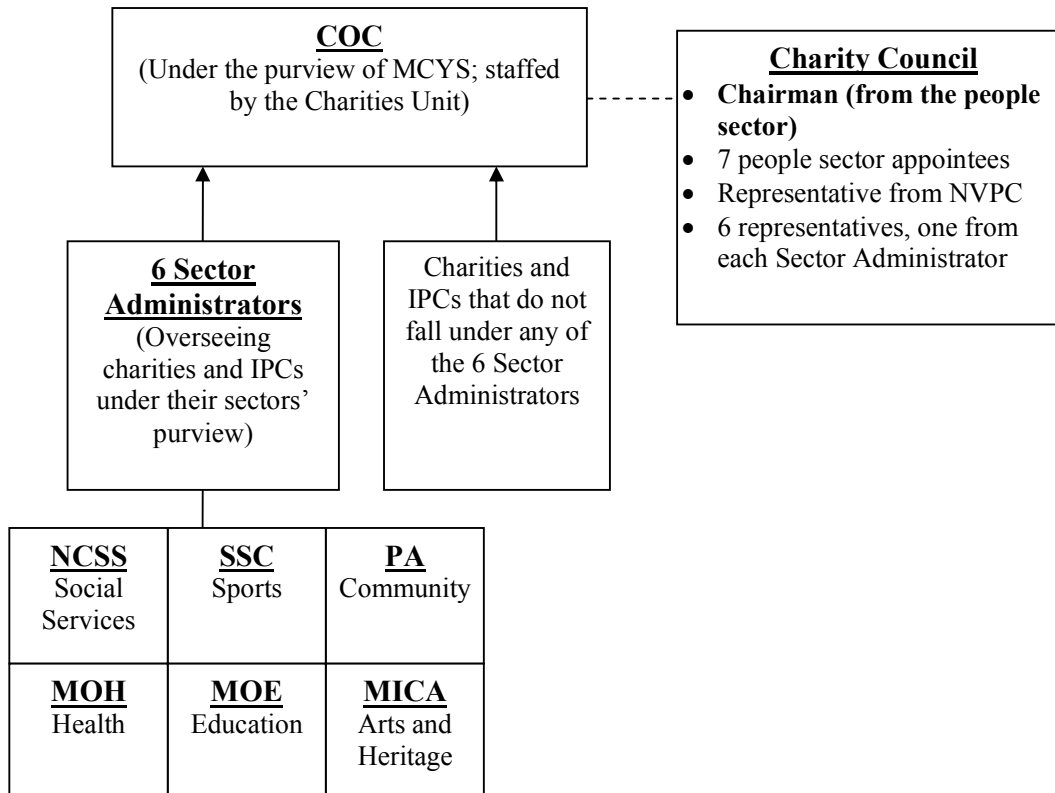
15. In 2007, in line with our strategies, we developed and launched several initiatives to strengthen the charity regulatory framework, build capabilities in the charity sector and facilitate charitable work. An elaboration of the major initiatives under each strategic thrust is given as follows.

Thrust 1: Ensure Regulatory Compliance

Implementation of the amended Charities Act and various Regulations

16. The Charities (Amendment) Act 2007 came into operation on 1 March 2007. Besides legislating the new charity regulatory model (see Figure 1 below) as proposed by the Inter-Ministry Committee on the Regulation of Charities and IPCs, the amended Act also gave the Commissioner additional powers for more effective regulation of charities and protection of public interest.

Figure 1: Regulatory Model



17. With effect from 1 May 2007, the following new regulations were also introduced to strengthen the regulatory framework:

- a) **Charities (Registration of Charities) Regulations** – To ensure only bona fide organisations are registered, regulations which specify conditions for registration and de-registration of charities were introduced. Further, applicants have to comply with the following conditions for charity registration:
 - i) the purposes/objects of the institution must be exclusively charitable;
 - ii) the institution must have at least 3 trustees, of whom at least 2 must be Singapore citizens or permanent residents; and
 - iii) the purposes/objects of the institution must be beneficial wholly or substantially to the community in Singapore.

- b) **Charities (Fund-Raising Appeals) Regulations** – They are drawn up to regulate fund-raising practices of charities and any persons/organisations conducting public fund-raising appeals for charitable purposes. The regulations spell out the following requirements to enhance transparency and public accountability:
 - i) **General requirements for charities and any persons/organisations conducting public fund-raising**

- appeals** – Disclosures during public fund-raising appeals, use of donations and keeping of accounting records relating to fund-raising;
- ii) **Specific requirements for charities** – Total expenses incurred on public fund-raising appeals in a financial year must not exceed 30% of total donations collected through the public appeals in that year. For each public fund-raising exercise which raises \$1 million or more, charities must disclose the total funds raised, fund-raising expenses incurred and planned use of funds raised;
 - iii) **Specific requirements for commercial fund-raisers** – All donations received must be made directly to the charities, individuals or organisations who engaged the commercial fund-raisers. Any payment to commercial fund-raisers must be made by the charities, individuals or organisations separately.
- c) **Charities (Large Charities) Regulations** – Large charities⁷ have to comply with following additional rules:
- i) **They must have 10 charity trustees to ensure good representation of views.** Flexibility will be exercised to allow the large charities to comply with the requirement over a period of three years from 1 May 2007.
 - ii) They are required to seek approval from the Charities Unit/Sector Administrator for the appointment of external auditors and to change their auditors⁸ at least once every 5 years to ensure that a high professional standard is maintained.

Administration of Institutions of a Public Character

18. The regulatory powers for both charities and IPCs were consolidated under the amended Charities Act. With that, we are better able to streamline our policies, and pay special attention to issues unique to charities and IPCs and deploy the appropriate regulatory and engagement strategies.

Investigations and Protective Actions taken by the Commissioner

19. Under the Act, the Commissioner's functions include investigation into apparent misconduct or mismanagement in the administration of charities, and take the appropriate remedial or protective action. With the new powers in relation to charity registration/de-deregistration and fund-raising granted to the Commissioner, the Commissioner can remove dubious charities from the register and ban charities

⁷ Defined as those with total annual income of \$10 million or more for the last two consecutive years.

⁸ Charities would have to make the change to another auditor from the same auditing firm or company or to another auditor from a different auditing firm or company

or persons/organisations conducting public fund-raising appeals if it is in the public interest to do so.

20. Hence in 2007, besides other voluntary de-registrations⁹, three registered charities i.e. the Children of Singapore Foundation, Children's Lukaemia Foundation Limited and Club Sunshine Limited, were de-registered as serious irregularities and suspicious transactions in the administration of these charities were discovered. A Police Report was filed against the founder of these charities.

Prohibition Order

21. A Prohibition Order was issued to ban the Kidney Fund Organisation (KFO) from conducting any public fund-raising appeal with effect from May 2007. KFO had raised a total of about \$110,000 from the public in 2006, from which only a small fraction were disbursed to a few beneficiaries. The bulk of the total amount collected was used to pay for the engagement of a commercial fund-raising company which was owned by the President of KFO. KFO's charity application was also rejected.

Inquiry into St. John's Home for the Elderly Persons ["the Home"]

22. In June 2007, the Home discovered a sum of approximately \$3.88 million missing from its fixed deposit accounts. The home reported the matter to the police, MCYS and NCSS. Subsequently, the Home also discovered that a member of its staff who was handling the Home's finances had not returned from overseas leave.

23. An inquiry under section 8 of the Charities Act was thus instituted to look into the system of governance and financial management of the Home, and to ascertain whether there had been any misconduct or negligence of the charity trustees and staff involved.

24. Based on the findings from the Inquiry, the Commissioner was satisfied that the loss of the funds was not directly due to the wilful negligence of the Management Committee or deficiencies in the internal controls. However, areas of improvement in the Home's policies and practices were identified to prevent future lapses. With the help of its Sector Administrator NCSS, the Home had since put in place additional measures to tighten its financial and administrative controls.

Inquiry into Ren Ci Hospital and Medicare Centre ["Ren Ci"]

25. In November 2007, the Ministry of Health (MOH) commenced an inquiry into Ren Ci Hospital & Medicare Centre (Ren Ci) under section 8 of the Charities Act. This is following the discovery of some possible irregularities in certain financial

⁹ 18 charities were de-registered voluntarily due to the organisations' dissolution or winding up.

transactions involving Ren Ci and other external organisations during a governance review conducted by MOH. The inquiry was still ongoing as at 31 December 2007.

Governance Reviews

26. 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. In 2007, governance reviews were conducted on 56 charities and IPCs under the purview of both the Commissioner directly and the six Sector Administrators.

27. Findings from these reviews were discussed with the charities and IPCs, together with recommendations to address their weaknesses. Responses from charities and IPCs had been positive with many of them taking steps to implement the recommendations put forth to them.

28. Such reviews had also been beneficial to the regulators as they provided an avenue to better understand the issues and problems faced by charities and IPCs and a joint opportunity to address the issues or resolve the problems.

Thrust 2: Promote Good Governance & Best Practices

Implementation of the Code of Governance

29. The Charity Council launched the Code of Governance for charities and IPCs on 26 November 2007, after extensive public consultations. Close to 1,000 individuals from more than 700 charities and IPCs were consulted via 9 dialogue sessions. A total of 200 written responses were also received.

30. The Code aims to:

- a) **Enhance effectiveness of charities** by sharing how effective Boards have been governed so as to support Board members in their fiduciary work;
- b) **Promote best practices** by sharing effective non-profit governance practices; and
- c) **Enhance public confidence** in the charity sector by setting the standards of good governance which all charities can aspire towards.

31. The Code of Governance is a best practice guide which operates on the principle of "comply or explain". This means that where charities and IPCs are unable to comply with certain Code guideline, they should be able to explain why they are unable to comply in their particular circumstances. Alternatively, they should indicate what steps they intend to take to move towards compliance. All charities and IPCs had to disclose to the Sector Administrators their adoption of the

Code guidelines via the Charity Portal by March 2008. All IPCs would be required to publicly disclose their compliance from 1 April 2009 onwards. However the charities and IPCs could volunteer to publicly disclose their compliance to demonstrate their accountability and transparency before 1 April 2009.

VWOs-Charities Capability Fund

32. A sum of \$45 million was set aside to enhance the governance and management capabilities of charities and Voluntary Welfare Organisations (VWOs) for the next five years starting from 2007. This VWOs-Charities Capability Fund¹⁰ (VCF) was introduced since April 2007 to all registered charities and IPCs to help the charity sector alleviate the costs of capability building, improve governance standards and facilitate compliance of new regulations in the charity sector.

33. As at 31 December 2007, close to \$610,000 of VCF was utilised by about 272 charities to build their governance capabilities, train their personnel and enhance their info-communications technology systems.

34. VCF approved courses include Board roles, strategic planning, legal governance, managing conflicts of interest, financial/ risk management, internal controls and media relations. Approved VCF consultancy projects covered strategic planning, Board assessment, development of Board policies and human resource management.

Thrust 3: Become a Proactive Charity Advisory

Launch of the Charity Portal

35. The Charity Portal [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.

36. Since its initial launch, the Portal has been progressively enhanced to allow charities and IPCs to perform online financial reporting. It also provides an online database which contains information on all registered charities to facilitate informed giving by the public.

¹⁰ Previously known as the VWO Capability Fund, the funding support was then targeted at VWOs who were members of the National Council of Social Service (NCSS).

37. Going forward, we plan to develop a Charity Register – which is a comprehensive online database of the profiles, including financial and non-financial information, of every registered charity and IPC in Singapore. This would facilitate public access to information needed to exercise informed charitable giving.

Field Visits

38. Field visits are essentially onsite friendly visits to the charities/IPC's, which aims to:

- 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

Field visits are modelled after the methodology used by the Charity Commission in England and Wales. They are not carried out under the statutory powers of the Charities Act, and are not audits, inspections or investigations. Instead, they are conducted based on mutual co-operation between the charities/ IPCs and the COC or Sector Administrator. Together with our SAs, a total of 44 field visits were conducted in 2007 across all sectors.

Facilitating Philanthropic Activity

39. As Singapore strives to become a philanthropy hub, we have worked in collaboration with other government agencies such as the 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 and not stifle philanthropy.

- a) **Relaxation of 80:20 rules in income tax and foreign fund-raising**
In 2007, we relaxed both the “80:20 rules” to facilitate philanthropic efforts. From Year of Assessment 2008, all registered charities enjoy automatic income tax exemption without first having to expend 80% of their income in Singapore within two years, as required previously. In addition, the COC will waive the 80:20 rule on permits for fund-raising appeals for foreign charitable causes, if the appeals target private donors and not the general public. This would enable philanthropic organisations seeking private donations to expend

100% of their donations overseas, rather than only 20% as required previously.

b) **Adopting a light-touch regulatory regime for philanthropic institutions**

We have adopted a light-touch regulatory regime for three types of philanthropic organisations: (i) International Charitable Organisations; (ii) Grantmakers; (iii) Foreign Charitable Trusts. Taking into account the nature of these organizations, they are exempted from having to fulfill some of conditions for charity registration. They would nevertheless still have to meet the core criteria such as having objects that are exclusively charitable. Details of the guidance can be downloaded from the Charity Portal.

CONCLUSION

40. With the above initiatives and efforts to improve the regulation and governance of charities, we hope that this will facilitate the charitable works and enhance public confidence in the charity sector. Going forward, we will continue to commit ourselves to developing a well-governed and thriving charity sector with strong public support.

41. We will leverage on the Charity Portal to disseminate information to charities and the public, so as to promote the transparency of the charity sector. In line with our guiding principle that the boards of charities are ultimately responsible for the charities, we will be producing an information package to advise the charity trustees on their role and responsibilities and on matters relating to the performance of their duties. We will also continue to provide guidance and assistance to individuals interested in setting up charities, and encourage and facilitate charities to adopt good governance and best practices. With this, we hope to grow our charity sector from strength to strength.