

**COMMISSIONER OF CHARITIES ANNUAL REPORT  
FOR THE YEAR ENDING 31 DECEMBER 2009**

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## **MESSAGE FROM THE COMMISSIONER**

Charities perform a uniquely important role in our society, serving the needs of our disadvantaged and vulnerable, and strengthening the social pillars of our society. Given the diversity of the charity sector, it is essential for our regulatory system to be both robust and flexible in order to facilitate its development while maintaining public confidence.

Since 1 January 2010, my Office took on the responsibility of directly overseeing the charities in the social service sector, after the National Council of Social Service relinquished its Sector Administrator role to focus on its advocacy role for the voluntary welfare organisations. This restructure allows us to streamline regulatory efforts, as many of the social service charities are affiliated to the religious organisations which are already under our oversight.

Over the last one year, our office had also worked with the Accounting Standards Council to develop the accounting standards specifically for the charity sector. The Exposure Draft of the Charities Accounting Standards, which is essentially a simplified version of the Singapore Financial Reporting Standards, had been put up for public consultation and received much useful feedback. We will be finalising the standards in the coming months for adoption in 2011.

In addition to the regulatory framework, the charities and members of the public as well as companies through their corporate social responsibility initiatives have an important part to play in the nurturing and development of the charity sector.

Charities have to take a positive attitude towards continuously improving their governance and management. Ultimately, good governance and enhanced transparency, accountability and effectiveness are essential for charities to maintain stakeholders' confidence and trust and their continuous support. To this end, we stepped up our efforts to build up charities' governance capabilities last year.

Together with the Sector Administrators, we had carried out 100 governance reviews to help charities and Institutions of a Public Character (IPCs) identify their governance gaps and to develop implementation plans to address them. We plan to share the common findings with other charities so that they can draw key lessons from them and improve their corporate governance and financial controls in the process. We had also conducted 76 field visits in 2009 to charities to promote good governance practices and to better understand their charitable works and the issues they face on the ground.

We also worked with the Charity Council to pilot an initiative on shared services in finance and accounting as well as other administrative support services for the charities in the social service, health and sports sectors. This helps to relieve charities from the day-to-day administrative tasks and allows them to focus on their core charitable activities and improve their governance and internal controls. We also launched the e-learning courses in board governance to make it convenient for board volunteers and staff to be trained at their own time and pace. In addition, we engaged trainers to provide on-site training for charity staff on the use of the Charity

Portal and do on-line submission of their statutory returns. Over 800 charities have benefitted from this programme as of end 2009, and have learnt how to better use the functions and resources provided by the Portal.

All in all, I am glad to see that overall governance of the charity sector has improved over the years. I urge all charities to continue to make a conscious effort to further enhance their governance and management as this will lay a strong foundation for the charities to thrive and do good well.

Strong public trust and support are also necessary for a thriving charity sector. Good governance and strong public support can mutually reinforce each other in a virtuous cycle. We will work closely with the Charity Council to increase public awareness on informed giving and the importance of governance in the charity sector, and to encourage members of the public to continue to exercise both generosity and discernment when donating or volunteering their services.

Today, the foundations of our regulatory framework are in place. With the joint efforts of our charities and the continued support of the public, I look forward to our shared journey to create a well-governed and thriving charity sector.

Mr Low Puk Yeong  
Commissioner of Charities

## **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 Institutions of a Public Character (IPCs). The Commissioner of Charities and the Sector Administrators<sup>1</sup> work closely with charities and IPCs to ensure that they are able to fulfil regulatory obligations.

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

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

#### ***Thrust 3: Become 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. We aim to improve the access to information by the charities as well as the public, to facilitate their work and giving.

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<sup>1</sup> 5 Sector Administrators assist the Commissioner of Charities to oversee the charities and IPCs in their various sectors i.e. The Ministry of Education, the Ministry of Health, the Ministry of Information, Communications and the Arts, People's Association and the Singapore Sports Council oversee the charities and IPCs in the education, health, arts and heritage, community and sports sectors respectively.

## OVERVIEW OF THE 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.

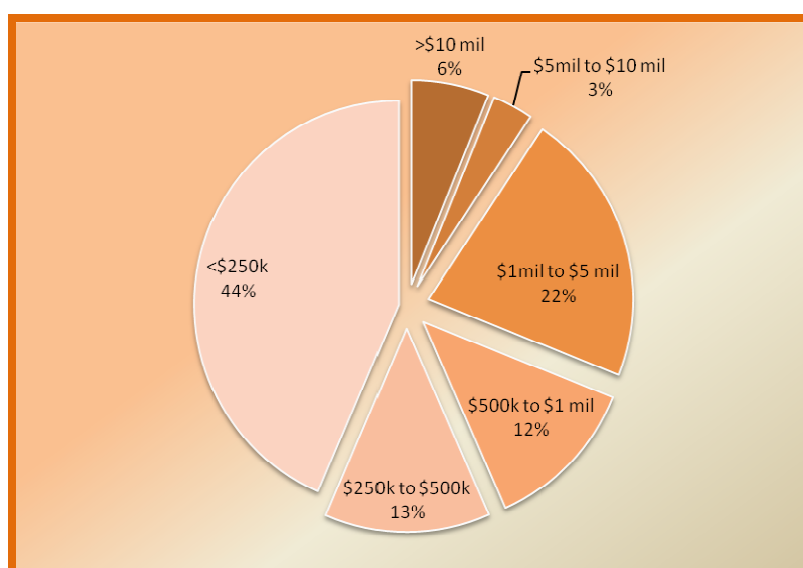
5. In 2009, we registered a total of 66 new charities while de-registering 37 charities, bringing the number of registered charities as at 31 December 2009 to 1,973. The breakdown of registered charities in the different sectors is shown in Table 1 below.

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

<b>Charitable Purpose</b>	<b>Number registered as at 31 December 2009</b>	<b>Percentage</b>
Religion & Others	1,229	62.2%
Social Services	325	16.5%
Health	132	6.7%
Education	96	4.9%
Arts & Heritage	97	4.9%
Community	83	4.2%
Sports	11	0.6%
<b>Total</b>	<b>1,973</b>	<b>100%</b>

6. For the financial year ended in 2008<sup>2</sup>, the total income of the charity sector (which includes fees for services rendered, donations and government grants) amounted to \$9.02 billion. There were 98 large charities with annual income above \$10 million as compared to 67 in the previous year. These were mainly tertiary education institutions, health institutions and religious organisations. They collectively accounted for 85% of the total income of the charity sector. On the other hand, charities with annual income of less than \$250,000 made up 44% of the charity population and accounted for less than 1% of the total income of the charity sector. Figures 1 and 2 show the distribution of charities by income level, and the distribution of total charity sector income by charity size respectively.

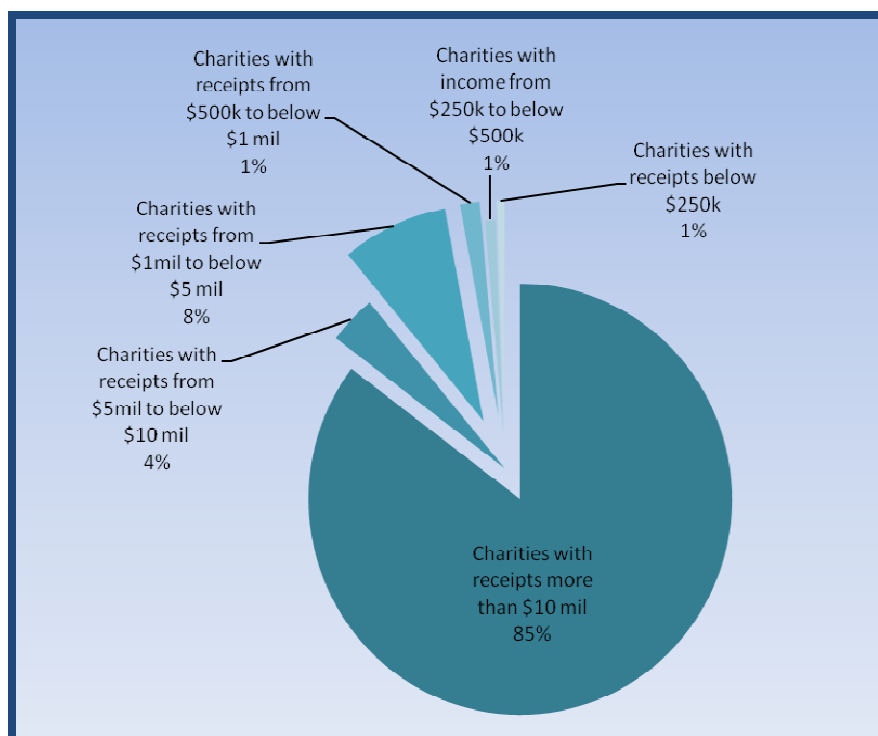
**Figure 1: Distribution of Charities by Income Level (Annual Receipts in 2008<sup>3</sup>)**



<sup>2</sup> Figures from charities for financial year ended in 2008 were used as charities are given up to 6 months from the end of the financial year to submit their statement of accounts.

<sup>3</sup> This refers to registered charities which had submitted their FY 2008 statements of accounts as at the time of this report.

**Figure 2: Distribution of Total Charity Sector Income by Charity Size (Annual Receipts in 2008)**



### Institutions of a Public Character

7. The Institution of a Public Character (IPC) is a status conferred onto a not-for-profit organisation serving the needs of local communities, which allows the issuance of tax-deductible receipts for donations made to it. To support greater charitable giving amidst the economic crisis, the tax deduction for donations made in 2009 was increased from 200% to 250%<sup>4</sup>. This increase was extended for another year for donations made in 2010, to continue to encourage greater giving as the economy recovers.

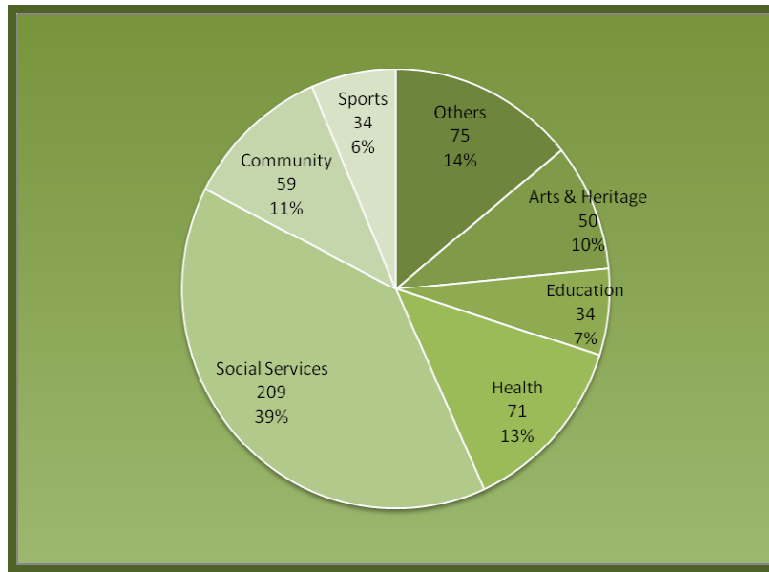
8. As of 31 December 2009, there were 532<sup>5</sup> approved IPCs. Figure 3 shows the number of IPCs in the different sectors.

<sup>4</sup> In 2008, the tax deduction for donations was 200%. 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 donations made in 2009 and 2010 has been increased to 250%, \$25 of a donor's taxable income would not be taxed for every \$10 donated.

<sup>5</sup> Figures exclude the schools under the Ministry of Education and People's Association Community Clubs Building Fund (PA CCBF) central funds.

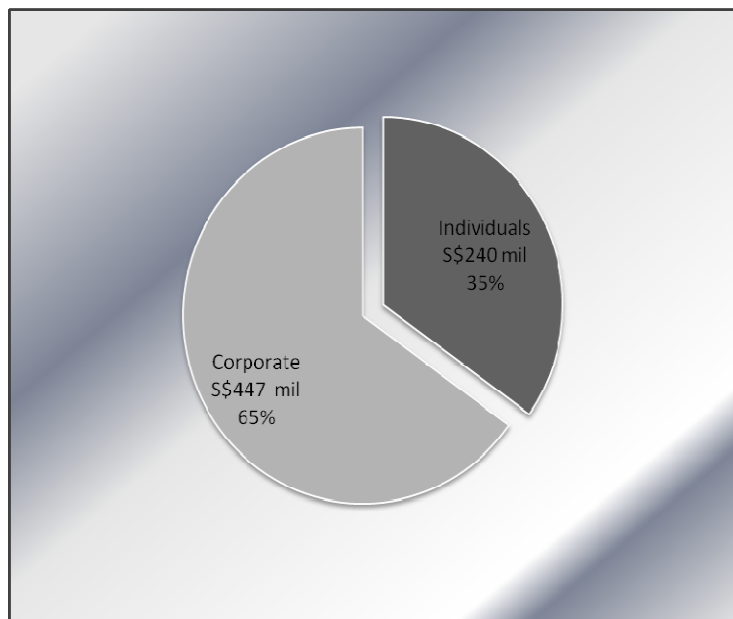


**Figure 3: Number of IPCs by Sector**

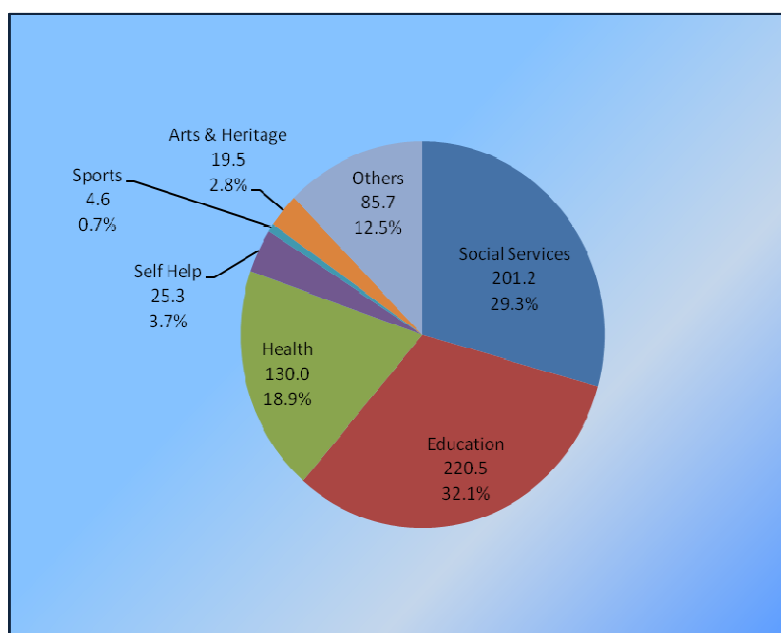


9. The total value of the tax deductible donations received in 2009 is about \$687 million, which is comparable to the amount received in 2008. Although there was a drop in corporate donations, which was likely a result of the financial turmoil in the past year, tax-deductible donations by individuals have increased by about 14% to \$240 million. Figures 4 and 5 show the distribution of tax-deductible donations received by source and by sector respectively, while Figure 6 shows the amount of tax deductible donations received over the past years.

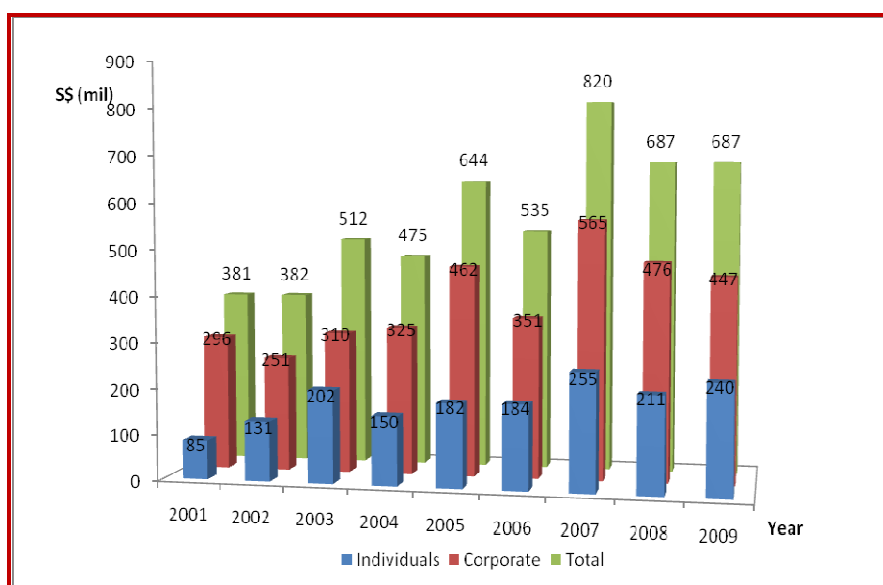
**Figure 4: Distribution of Tax Deductible Donations by Source**



**Figure 5: Distribution of Tax Deductible Donations by Sector (\$m)**



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



### Fund-Raising Appeals for Foreign Charitable Causes

10. In 2009, a total of 60 permits were granted for organisations to conduct fund raising appeals for foreign charitable purposes. The expected amount raised via these permits is \$25.6 million, an approximate increase of 45% from 2008<sup>6</sup>. 13 permits were granted for efforts in aid of victims of natural disasters e.g. the Typhoon Morakot in Taiwan, the Typhoon Ketsana in Indochina and the Padang earthquake in Indonesia. Permits were also granted for foreign charitable causes such as the UN

<sup>6</sup> The expected amount raised for 2008 was \$17.6 million.

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

World Food Programme and humanitarian projects including the construction of hospitals and schools in needy regions.

## **MAJOR DEVELOPMENTS IN 2009**

### **Changes to the Regulatory Structure**

11. The National Council of Social Service (NCSS) was appointed in 2006 as one of the six Sector Administrators, to oversee the charities and IPCs in the social service sector. On 1 January 2010, the NCSS relinquished its Sector Administrator role, and our Office began to directly oversee the charities and IPCs in the social service sector instead. This restructure allows the NCSS to focus on its role as an enabler and advocate of the social service sector. Regulatory and administration processes were also streamlined, as many of the social service charities are affiliated to the religious organisations already under our oversight.

### **Ensuring Regulatory Compliance**

#### *Governance Reviews*

12. Since 2006, we have commissioned a total of 247 governance reviews, with 100 conducted in 2009. The aim of these governance reviews is to help charities and IPCs identify their governance gaps and to develop implementation plans to address them. Based on the completed governance reviews, we observed that some key areas which charities need to improve on are the management of conflict of interest and internal controls (e.g. provision of loans, donations to external parties and handling cash donations). The charities were receptive to these governance reviews and had taken the necessary action to strengthen their controls.

13. Going forward, we will be sharing some of these findings in our engagements with charities. This will enable them to learn from one another's experiences, helping to improve their board governance and financial controls.

#### *Inquiry on Sri Siva Krishna Temple*

14. In July 2009, the Hindu Endowments Board (HEB) highlighted to our Office a number of concerns with regard to how the Sri Siva Krishna Temple was being managed. Subsequently, we carried out a review on the Temple, which identified some areas of concern in its administration and governance. In February 2010, our Office decided to commence a formal inquiry on the Temple. This inquiry is currently ongoing. The HEB has put in place measures for the Temple to continue with its services, and to ensure that it is properly managed during the inquiry.

### **Promoting Good Governance and Best Practices**

#### *Shared Services for Charities and IPCs*

15. In September 2009, the Charity Council launched a pilot Shared Services Programme called iServe to deliver finance, accounting, payroll and procurement shared services for the charity sector. By outsourcing their finance and accounting

functions to a professional provider<sup>7</sup>, charities can free up resources to focus on their charitable works, as well as on building their capabilities in governance. In addition, the risk of governance lapses can be reduced as finance and accounting processes are managed by an independent and professional shared services provider. To date, 21 organisations have signed up for iServe and 89 organisations are in discussion with the iServe team. We will continue to support the Charity Council in promoting shared services to the charity sector.

### *Engaging the Professional Community*

16. We also support the Charity Council in engaging professional associations to encourage their members to volunteer in the charity sector. In 2009, the Council, together with strong support from the Centre for Non-profit Leadership and The Kind Exchange, engaged 13 professional associations to match their members to charities which require board members and pro-bono professional services.

### *The VWOs-Charities Capability Fund*

17. The VWOs-Charities Capability Fund (VCF) was made available to charities and IPCs to build up their governance and management capabilities since 2007. It provides co-funding of up to 80% of the project cost in training and consultancy services, and for basic info-communications technology systems. In 2009, 490 charities and IPCs tapped on VCF grants of \$3 million. This brought the total number of charities and IPCs that have tapped on VCF grants to 700 and grants approved to \$6 million, with close to \$3 million being utilised for governance and management training.

18. There are currently over 200 governance and management courses specifically intended for charity board members and personnel. To complement them, in early 2009, the Charity Council partnered the Social Service Training Institute to launch e-learning courses in board governance. These courses provide board volunteers and staff with more flexibility, allowing them to be trained at their own time and pace.

## **Becoming a Proactive Charity Advisory**

### *Field Visits*

19. Our Office continued to conduct field visits to charities and IPCs in 2009. These are essentially onsite friendly visits to charities and IPCs to better understand their charitable work and programmes. We use these 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.

20. Together with our Sector Administrators, a total of 76 field visits were conducted in 2009 across all sectors. We have conducted almost 300 field visits since 2006.

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<sup>7</sup> ST Electronics (e-Services) was appointed as the provider of the iServe services.

### *Charity Portal Training for Charities*

21. The Charity Portal [[www.charities.gov.sg](http://www.charities.gov.sg)] was launched in 2007 to streamline processes to facilitate the online registration, annual reporting and fund-raising requirements by charities and IPCs. It also serves as a resource centre for both charities and the public, providing them with basic information on charities and IPCs, charity regulations as well as developments in the charity sector.

22. To help our charities make more effective use of the Charity Portal, in June 2009, we engaged trainers to provide on-site training for charity staff on the various functions available on the Portal, and to do e-filing of their statutory returns. As of end December 2009, over 800 charities have undergone the coaching. Since the start of the training, about 500 charities have also updated their profiles on the Charity Portal. We encourage all charities to continue to keep their information on the Portal up-to-date.

### *Short Messaging Service facility on Fundraising*

23. Recently, we have implemented a pilot Short Messaging Service (SMS) facility to help members of the public verify the authenticity of the fundraising activities they encounter in public streets. Approved fundraising events in public streets require either a House to House and Street Collection license issued by the Singapore Police Force or a Collector's Certificate of Authority issued by the NCSS. Members of the public could request to see this license or certificate, and send in an SMS<sup>8</sup> with the licence/certificate number or the name of the fundraising organisation, to verify its authenticity.

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<sup>8</sup> Members of the public can send a SMS to 74688 (i.e. SGOVT), using the following format "FR<space><license/certificate number or organisation name>".

## **LOOKING AHEAD**

24. Our Office will continue to enhance our regulatory framework, to balance the twin goals to be flexible and support the charities and IPCs in their charitable work; and to protect public interest and ensure public confidence in the charity sector.

25. We will carry on our efforts to improve governance in the charity sector, closely engage charities and IPCs, and enhance charities' and the public's access to information via the Charity Portal.

### **Improving Governance in the Charity Sector**

26. This year, we will be finalising the Charity Accounting Standards, which is tailored specifically for the charity sector. This is essentially a simplified version of the Singapore Financial Reporting Standards. This would help standardise the accounting and audit requirements for charities, and improve the quality and comparability of the financial reporting. We are also in the process of reviewing our regulations to enhance the oversight of fund-raising appeals conducted by commercial and third-party fund-raisers.

27. We are also supporting the Charity Council's ongoing initiative to refine the Code of Governance for Charities and IPCs. First launched in 2007, the Code serves as the benchmark of good governance standards for the charity sector. The Council has convened a Sub-Committee and invited 33 representatives from charities, grant-makers, professional bodies, auditors and academics to form three workgroups to refine the Code. The Council aims to publish the refined Code by the end of 2010, and provide charities with greater clarity on governance best practices and help resolve difficulties at the operational level.

### **Engaging Charities and IPCs**

28. In line with our aim to be a proactive advisory, we will introduce new initiatives to increase our engagement with charities. For instance, we intend to host small-group networking sessions for charities over the course of the year. These informal sessions will complement our field visits, serving as an additional platform for us to reach out to charities and better understand the issues they face.

### **Better Accessibility to Information**

29. All IPCs are required to submit their annual returns via the Charity Portal by stipulated deadlines. To improve transparency and disclosure, we intend to publish on the Charity Portal whether individual IPCs are able to submit their annual returns in a timely manner.

30. At the same time, we will reach out to the general public and increase public awareness on the importance of governance in charities and IPCs. We hope that members of the public will continue to exercise both generosity and discernment when donating, and practise informed giving to the causes they support.