

Charities: In Search of Excellence

By **THERESA GOH**, Chairperson, Charity Council

The recently revised Code of Governance for Charities and IPCs will serve as a catalyst for them to enhance their governance practices.

Ensuring a well-governed and thriving charity sector falls upon the Commissioner of Charities (COC). The COC works closely with five Sector Administrators (Ministry of Education, Ministry of Health, Ministry of Social and Family Development, Sports Singapore and People's Association) and the Charity Council to implement its initiatives to win public trust, support and engagement.

One key initiative is the Code of Governance for Charities and Institutions of Public Character (IPCs). First issued in 2007, the Code provides guidelines and best practices for charities to enhance their governance standards and organisational effectiveness. It was revised in 2011, 2017 and most recently in April 2023, to cater to the sector's changing needs.

2023 Code headline changes

The latest revision provides greater clarity and flexibility on excellent governance guidelines for the charity sector using a principles-based approach for all charities, with some prescriptions to hold IPCs to a higher standard of governance.

The revised Code encourages charities to take a more active role in reviewing and assessing whether their operations are in line with six overarching principles (See box, "Principles of Good Charity Governance for Charities").

The 2023 Code also revises the tiering of charities, and emphasises term limits and the environmental, social and governance (ESG) factors:

- 1. Tiering.** While charities used to be tiered as small, medium and large, the revised tiering places them into Tier 1 for small and medium non-IPC charities and Tier 2 for (a) large non-IPC charities and (b) IPCs of all sizes.
- 2. Term limits.** The introduction of term limits will guide board members to renew themselves after 10 years of service, with some concessions in place to support effective renewals.
- 3. ESG considerations.** *Environmental* refers to how the charities' actions affect the environment, taking reference from the Singapore Green Plan 2023. *Social* pertains to how charities can be more socially conscious and manage relationships with stakeholders. And *Governance* relates to how charities govern themselves.

Compliance with the Code

The Code's reporting requirements will apply from the charities' financial year beginning on or after 1 January 2024. This provides at least one year of preparation for all charities and IPCs. Exempt charities and self-funded grantmakers can also use the Code as a guide for their governance practices.

The Code operates on the principle of comply-or-explain. While full compliance with the Code is not mandatory, the governance evaluation checklist (GEC) submission is a legislative requirement, except for charities with an annual income or expense of S\$50,000 or less. The GEC allows charities to explain why they cannot or partially comply with specific Code guidelines, indicate the steps they plan to take to comply, or explain why they decide not to comply.

Principles of Good Governance for Charities



Principle 1: The charity serves its mission and achieves its objectives.

This principle guides charities in setting a purpose, including clearly articulated vision and mission statements, developing and implementing a strategy to support the purpose, and regularly monitoring, evaluating, and reporting the capacity, capability of the charity and the impact of the initiatives cascaded from the strategy.



Principle 2: The charity has an effective Board and Management.

Charities must ensure competent boards and management who work well together and function in the charity's best interests. This principle focuses on governance principles for board composition, structure and dynamics among board members and between board and management.



Principle 3: The charity acts responsibly, fairly and with integrity.

To act in the charity's best interest, this principle focuses on conflicts of interest, code of conduct and ESG obligations. Integrity is the foundation of a charity. The board should lead by example, demonstrating the highest levels of personal integrity and conduct. The board and management should also create an ethical culture supporting its values and adopt fair practices in all operations.



Principle 4: The charity is well-managed and plans for the future.

Charities must consider whether they have the right processes to propel the charity forward. This principle addresses financial management and internal controls, risk management, human resources, volunteer management, fundraising practices, long-term planning and programme management. Besides stewardship and protection of assets, it brings to charities' attention the importance of safeguarding against money laundering, financing of terrorism activities, cyber attacks and data protection.



Principle 5: The charity is accountable and transparent.

Charities should understand and comply with the regulatory requirements, submit reports – minimally annual reports, financial statements and governance evaluation checklists (GEC) – and be transparent about their work and remuneration of key personnel. A sound whistleblowing policy must also be in place to strengthen the checks and balances.



Principle 6: The charity communicates actively to instill public confidence.

Charities should value their stakeholders and engage them regularly to maintain the relationship with the community. The charity should engage the public, undertake activities to maintain strong relationships with stakeholders and seek to increase their confidence in the charity. When advocating for beneficiaries, the charity should ensure its messaging is accurate, balanced and sensitive toward the views of various communities in Singapore. This principle guides charities to develop its communications strategy.

From 2024, the GEC is a critical document that the Commissioner of Charities will refer to in validating the self-reported level of governance of charities based on full, partial or non-compliance.

For IPCs, their respective sector administrators will consider the extent of Code compliance and the reasons for partial compliance and/or non-

compliance when assessing an IPC's application to extend its IPC status and length of extension. An IPC is required to score at least 80 per cent in the GEC points system to maintain its IPC status.

At the same time, we hope non-IPCs, especially the large ones, can also use this minimum benchmark to review their governance practices. ■