Charity Governance Report 2011

Together, we develop a well-governed and thriving charity sector

19th January 2011

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1. Executive Summary

Executive Summary

Code of Governance for Charities and IPCs (Code)	VWOs-Charities Capability Fund (VCF)	Shared Services
• Successfully refined the Code following consultations and inputs from charity stakeholders.	• $7.86 million of VCF has been used to equip 764 charities and IPCs in governance and management.	• 25 charities / IPCs signed up for shared services in accounting, payroll and procurement.

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Executive Summary

Charity Council Governance Seminars	Engagement of Professional Associations	Charity Council Website
• Organised 3 seminars, each attended by approximately 150 Board members and staff.	• Engaged 13 professional associations • Our partner has done well: - The Centre for Non-Profit Leadership helped match 86 Board members with 41 charities	• Launched in September 2010 as a one-stop platform featuring the initiatives of the Charity Council and resources on charity governance.

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2. State of Governance in the Charity Sector

Background on Code of Governance for Charities and IPCs (Code)

- Launched in November 2007

- "Comply or Explain" approach

- Objectives:
  - Support charity Board members in their fiduciary work
  - Promote best practices in non-profit governance
  - Enhance public confidence in the charity sector

- Online Governance Evaluation Checklist was introduced in February 2008 to gauge charities' / IPCs' adoption of the Code.

- Charities / IPCs are required to submit the self-evaluated checklist annually.

- IPCs are required to make the checklists available for public viewing on the Charity Portal.

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Tiered Approach

- The specific Code guidelines are currently tiered as follows:

Basic Tier

Applicable to all charities and IPCs.

Enhanced Tier

Applicable to all IPCs and large charities with gross annual receipts of $10 million or more.

Advanced Tier

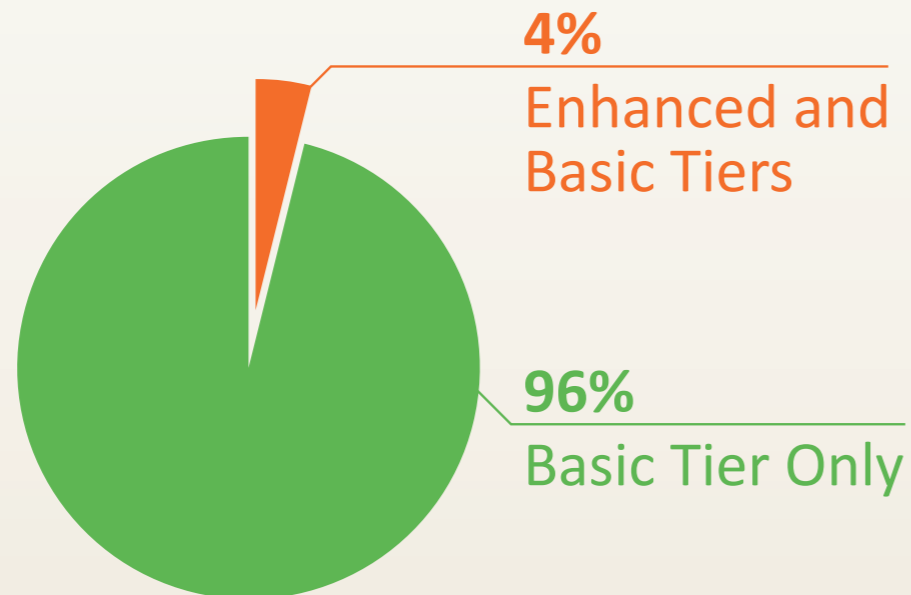Applicable to large IPCs with gross annual receipts of $10 million or more.

Tier/Status	Charities	IPCs and Large Charities	Large IPCs
Basic	√	√	√
Enhanced		√	√
Advanced			√

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Background of Charity Sector

Distribution

Non-IPC Charities

- 96% follow only Basic tier
- 4% follow Enhanced and Basic tiers

4%
Enhanced and
Basic Tiers

96%
Basic Tier Only

IPCs

- 90% follow Enhanced and Basic tiers
- 10% follow Advanced, Enhanced and Basic tiers

10%
Advanced, Enhanced
and Basic Tiers

90%
Enhanced and
Basic Tiers
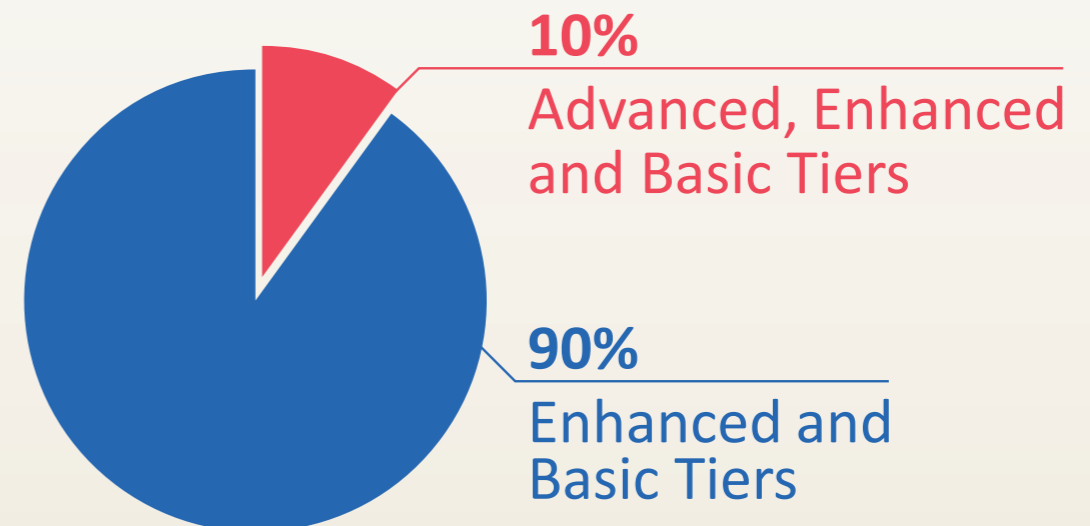
Checklist Submissions Registered a Slight Dip in FY2009
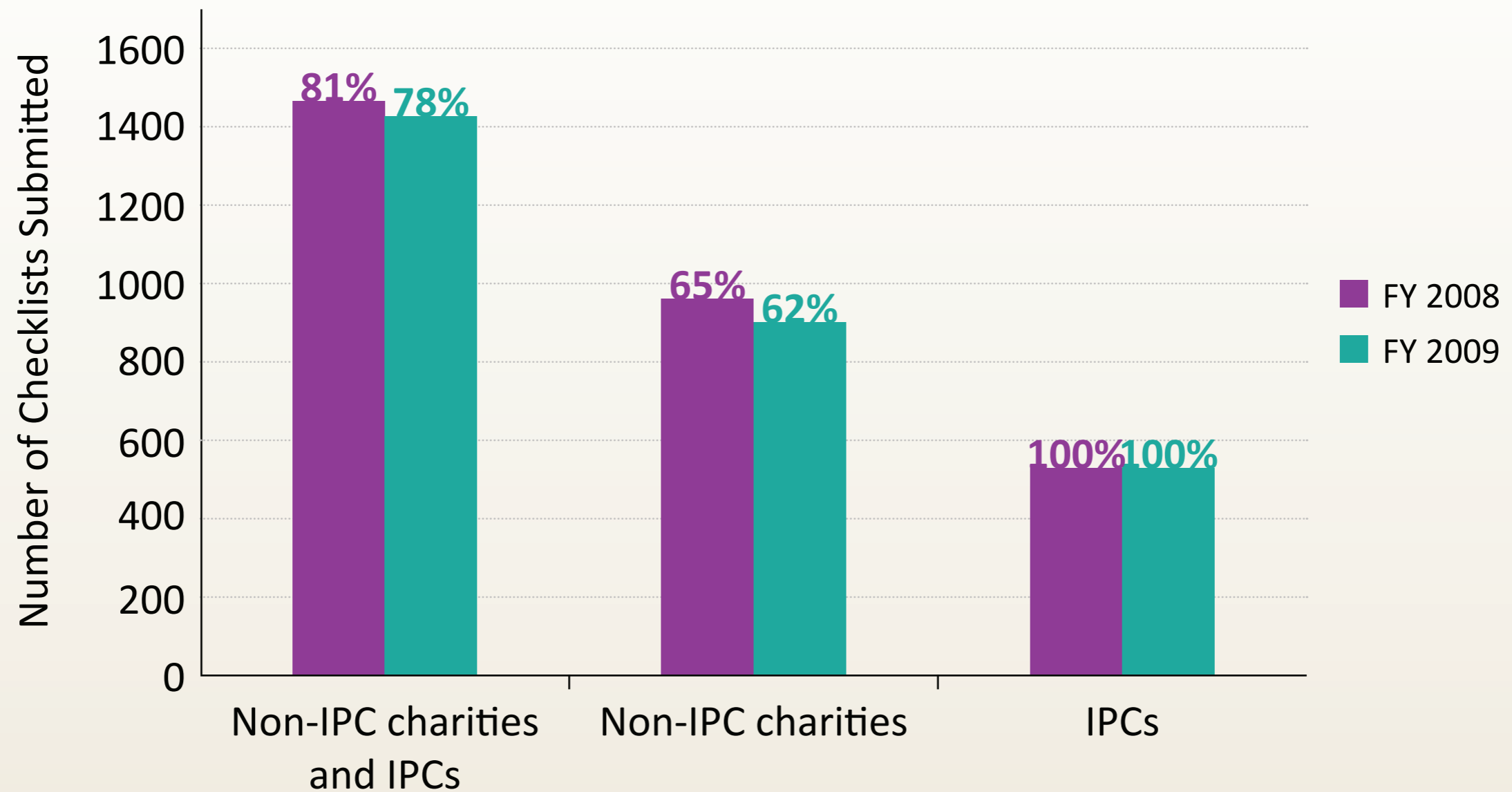
22% of charities and IPCs did not submit checklists in FY2009

Some charities may not be aware that they are required to submit the checklist annually.

Small religious charities may not be as familiar with the Code and checklist submissions.

1% Sports

10% Social Services

2% Health

3% Education

3% Arts and Heritage

81% Religious and Others
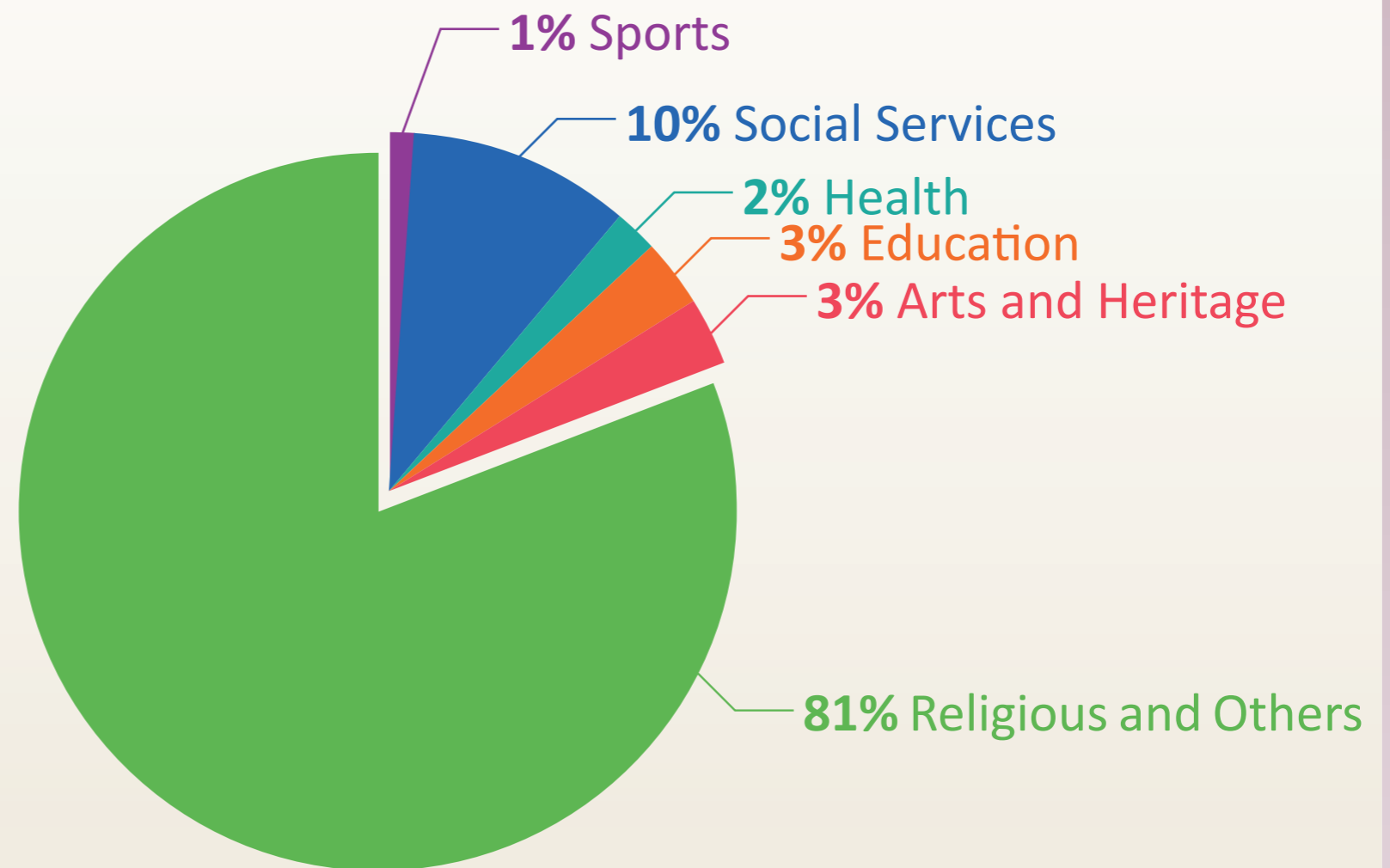
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Improvements in Checklist Scores from FY2008 to FY2009

89% of non-IPC charities and 98% of IPCs scored above 80% in the Governance Evaluation Checklist.

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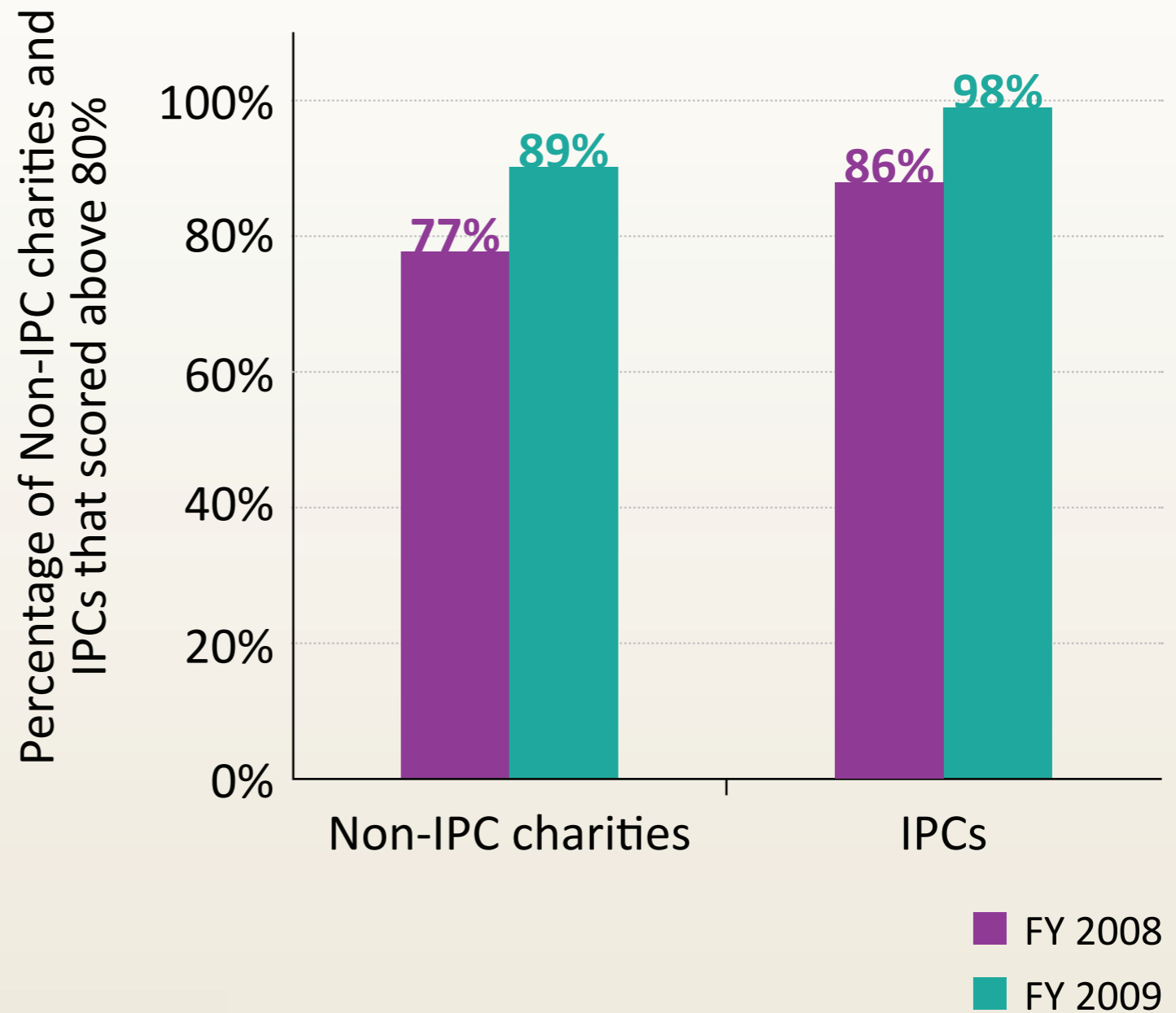
Improvement of Checklist Scores in all Sectors

Percentage of Charities and IPCs with Evaluation Score of 80% and above

Legend: FY 2008, FY 2009

Sectors: Community, Health, Sports, Social Services, Education, Religious and Others, Arts and Heritage

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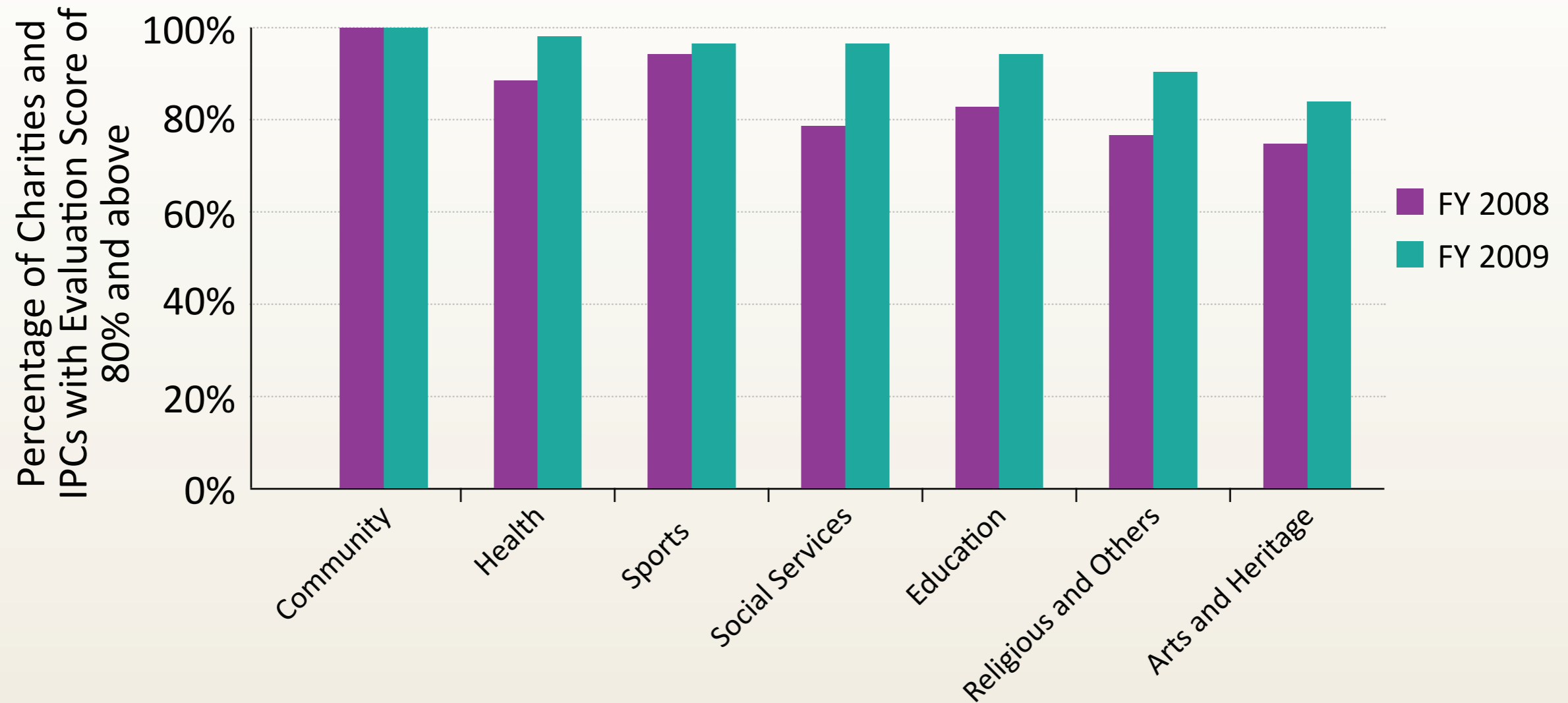
More Charities Enhanced their Board Governance Practices

Governance Evaluation Checklist Item	Complied (%) FY2009	Complied (%) FY2008
Board independence	93	86
Non-executive Chairman	89	79
Treasurer term limit of 4 years	84	73
Board Committees	87	60
Board meets regularly	98	95
Vision and mission	96	88

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Management of Conflict of Interest has Improved

Governance Evaluation Checklist Item	Complied (%) FY2009	Complied (%) FY2008
Conflict of interest declaration	91	56
Personnel with conflict of interest do not vote	94	84
No personnel involved in setting own remuneration	87	79

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High Degree of Disclosures

Governance Evaluation Checklist Item	Complied (%) FY2009	Complied (%) FY2008
Availability of Annual Reports to stakeholders	98	94
Public relations and corporate communications	98	95
Disclosure of reserves policy	90	58
Disclosure of remuneration of top 3 key executives in salary bands	79	35
Board members are not remunerated	97	96

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Internal Controls and Processes have Improved

Governance Evaluation Checklist Item	Complied (%) FY2009	Complied (%) FY2008
Budget planning and monitoring	97	84
Internal control systems	95	79
Reviews on controls, processes and programmes	95	77
Reviews work plans	100	94
Human Resource policy	78	57
Staff appraisal and development	85	65

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More Large IPCs have Developed Investment Policies and Conducted Board Evaluation

Governance Evaluation Checklist Item	Complied (%) FY2009	Complied (%) FY2008
Policy on investment of reserves	89	82
Conflict resolution of staff and volunteers	84	80
Board evaluation	89	50

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3. Key Initiatives

Key Initiatives

May 2009

Started the Charity Council Governance Seminars.

September 2009

Launched 3-year pilot initiative to provide shared services for finance, accounting, payroll and e-procurement functions.

February 2010

Initiated the refinement of the Code of Governance for Charities and IPCs (Code).

September 2010

Launched the Charity Council Website.

January 2011

Launched the refined Code of Governance.

- Continued engagement with professional associations.

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Refinement of the Code of Governance for Charities & IPCs (Code)

Main objective:

Make Code clearer, more relevant and easier for charities to adopt guidelines.

Based on 3 key principles:

1. Greater involvement by stakeholders of the charity sector
2. Greater clarity
3. Greater flexibility

- Code Sub-Committee reconvened in 2010.

- 3 workgroups comprising 32 representatives from charities/ IPCs, professional bodies, academia, auditors and grantmakers were formed.

- 55 representatives from 39 charities were consulted on proposed refinements.

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Key Areas Discussed

- Greater clarity and flexibility for small charities.

- Importance of distinction between Board roles and staff roles.

- Greater clarity in disclosure of staff remuneration.

- Improved accountability on remuneration setting, with regard to conflict of interest.

- Streamlined Checklist submission deadline.

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Greater Clarity and Flexibility for Small Charities

- Low checklist submission rate.

- Many did not fully understand the principles and concepts of the Code guidelines.

- Many had difficulty complying with the Code guideline e.g. on having documented human resource policies for paid staff and volunteers.

- Provided small charities with a core set of principles and guidelines to reduce burden and compliance costs.
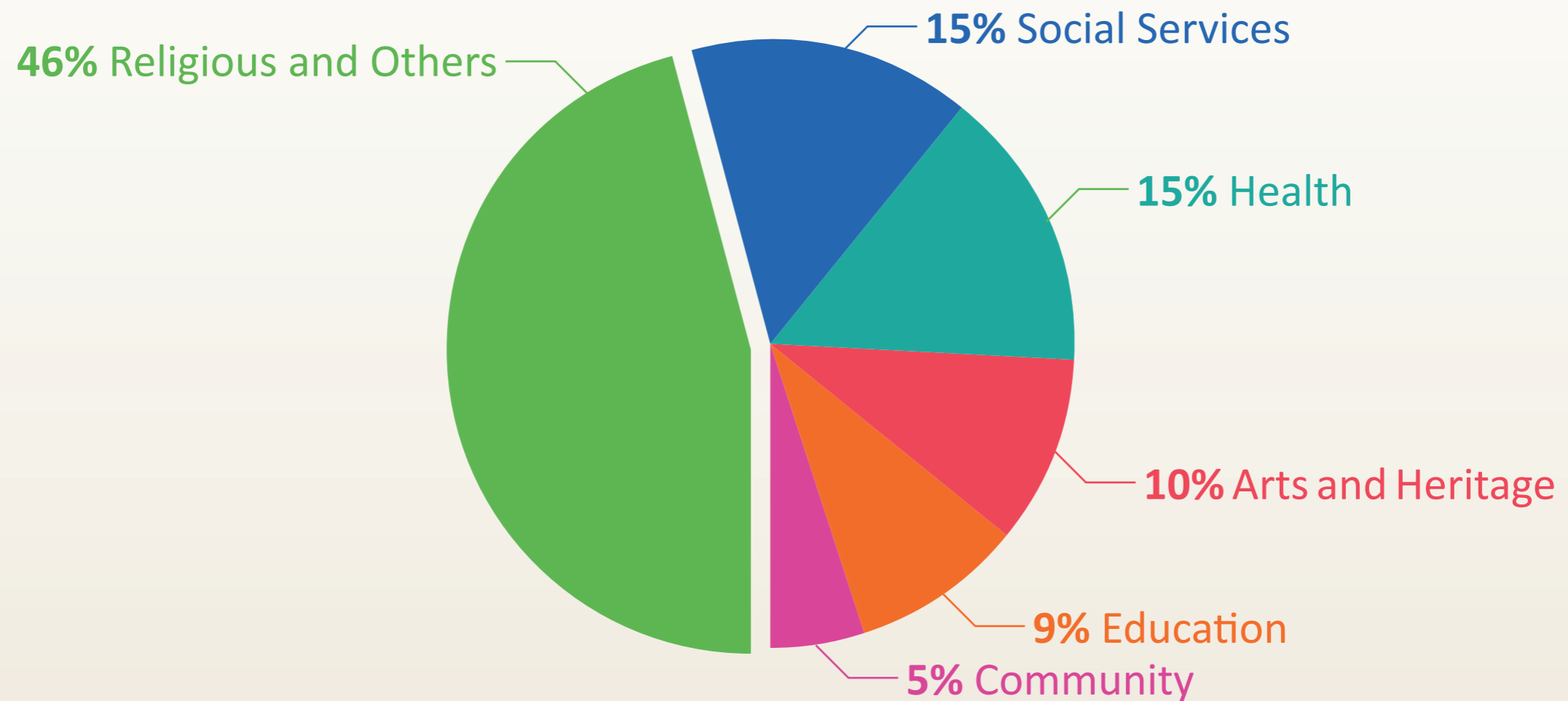
New Tier for Small Charities

- Small charities with annual receipts less than $50,000 would follow a new, simplified Basic I tier with 13 fundamental Code guidelines.

- **21%** of non-IPC charities have annual receipts less than $50,000.

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Refined Code Tiers for Charities

Charity Size	Tiered Guidelines to Comply		What Changed
	Before	Now	
Charities with gross annual receipts of less than $50,000	**Basic**	**Basic I**	- New tier for smaller charities - Comply with only a core set of principles and guidelines in view of their resource and operational constraints
Charities with gross annual receipts from $50,000 and below $10 million	**Basic**	**Basic II**	- Renamed from "Basic" to "Basic II" tier
Large Charities with gross annual receipts of $10 million or more	**Basic** and **Enhanced**	**Basic II** and **Enhanced**	- Renamed from "Basic" to "Basic II" tier - No change in tiers

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Charities in Basic I Tier – Distribution by Sectors

Majority of small charities in Basic I tier are from the Religious and Others (46%) sector.

46% Religious and Others

15% Social Services

15% Health

10% Arts and Heritage

9% Education

5% Community

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Greater Flexibility for Small IPCs

- Some small IPCs indicated that Enhanced tier checklist items such as those on Board and staff remuneration disclosure were "Not Applicable".

- Re-tiering of small IPCs to the Basic II tier would reduce their burden and compliance costs.

- For example, small IPCs need not develop an evaluation system to measure programme effectiveness and outcome.
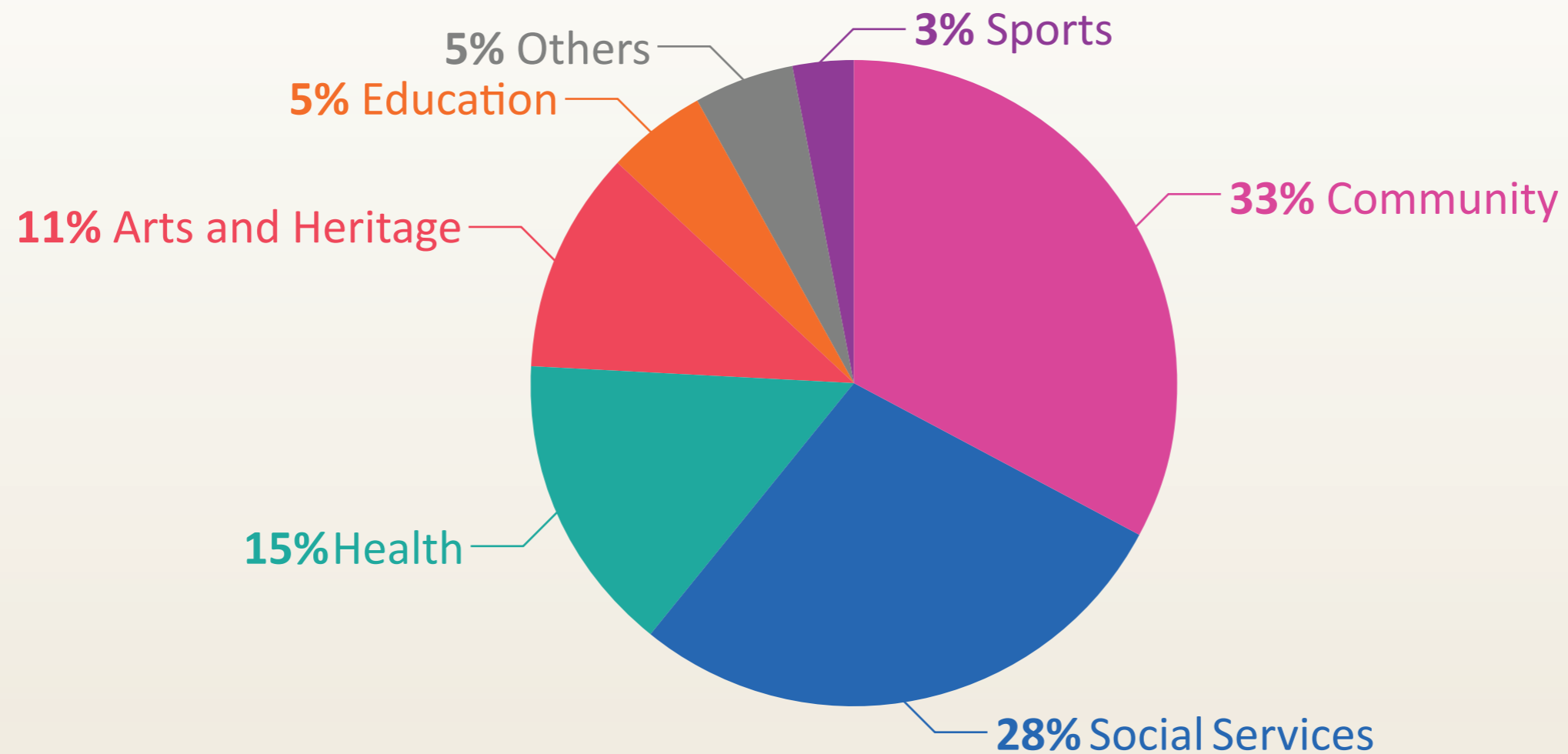
Re-tiered Small IPCs

- Small IPCs with annual receipts of less than $200,000 were re-tiered from the Enhanced to the Basic II tier (previously Basic tier).

- **24%** of IPCs have annual receipts less than $200,000.

Refined Code Tiers For IPCs

IPC Size	Tiered Guidelines to Comply		What Changed
	Before	**Now**	
IPCs with gross annual receipts of less than $200,000	**Basic** and **Enhanced**	**Basic II**	- Renamed from "Basic" to "Basic II" tier - Include IPCs with gross annual receipts of less than $200,000 (Previously under "Enhanced" tier)
IPCs with gross annual receipts from $200,000 and below $10 million	**Basic** and **Enhanced**	**Basic II** and **Enhanced**	- Renamed from "Basic" to "Basic II" tier - No change in tiers
Large IPCs with gross annual receipts of $10 million or more	**Basic, Enhanced** and **Advanced**	**Basic II, Enhanced** and **Advanced**	- No change in tiers

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IPCs in Basic II tier – Distribution by Sectors

Majority of small IPCs in Basic II tier are from the Community (33%) and Social Services (28%) sectors.

- **3%** Sports
- **5%** Others
- **5%** Education
- **11%** Arts and Heritage
- **33%** Community
- **15%** Health
- **28%** Social Services

Importance of Distinction between Board and Staff Roles

- The Board's role is to provide oversight; while staff's role is to manage and run the day-to-day operations.

- Previously, the Code only recommended that paid staff should not serve on the Board.

- Some charities without paid staff might face constraints, but they recognised the importance of upholding the principle of Board independence.

Re-defined staff to include unpaid volunteers running the day-to-day operations

- The refined Code recommended that both paid and unpaid staff should not serve on the Board to retain Board independence.

- Charities without paid staff could explain in their governance evaluation checklist.

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Greater Clarity in Disclosure of Staff Remuneration

- Code was previously unclear on whether key executives refer to management staff only.

- Subsequent salary disclosure bands of $50,000 might have been too narrow for larger charities.

- Ease compliance for charities, whilst ensuring sufficient transparency for stakeholders.

Refined Code guideline on staff remuneration disclosure

- Clarified that the disclosure should be for the three highest paid staff. If none receives more than $100,000, it should be disclosed.

- Subsequent bands were increased from $50,000 to $100,000.

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Improved Accountability on Remuneration Setting, with regard to Conflict of Interest

- Previously, the Code guideline in the Enhanced tier specified that staff should not be involved in setting their own remuneration.

- For better accountability by all charities, a refined Code guideline was introduced under Basic I tier to specify that all staff and Board members should not be involved in setting their own remuneration.

Refined Code guideline specifies that staff and Board members should not be involved in setting their own remuneration

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Streamlined Checklist Submission Deadline

- Previously, the checklist submission deadline is on 31 March annually.

- The refinement streamlined the checklist submission to coincide with existing deadlines for annual reports and financial statements to allow charity Boards to review their compliance with the Code at the end of each financial year.

Charities/ IPCs will submit their checklist within six months after the end of their respective financial years.

- Implemented for financial year ending on or after 1 April 2011.

VWOs-Charities Capability Fund (VCF)

4 grants focusing on building governance and management capabilities
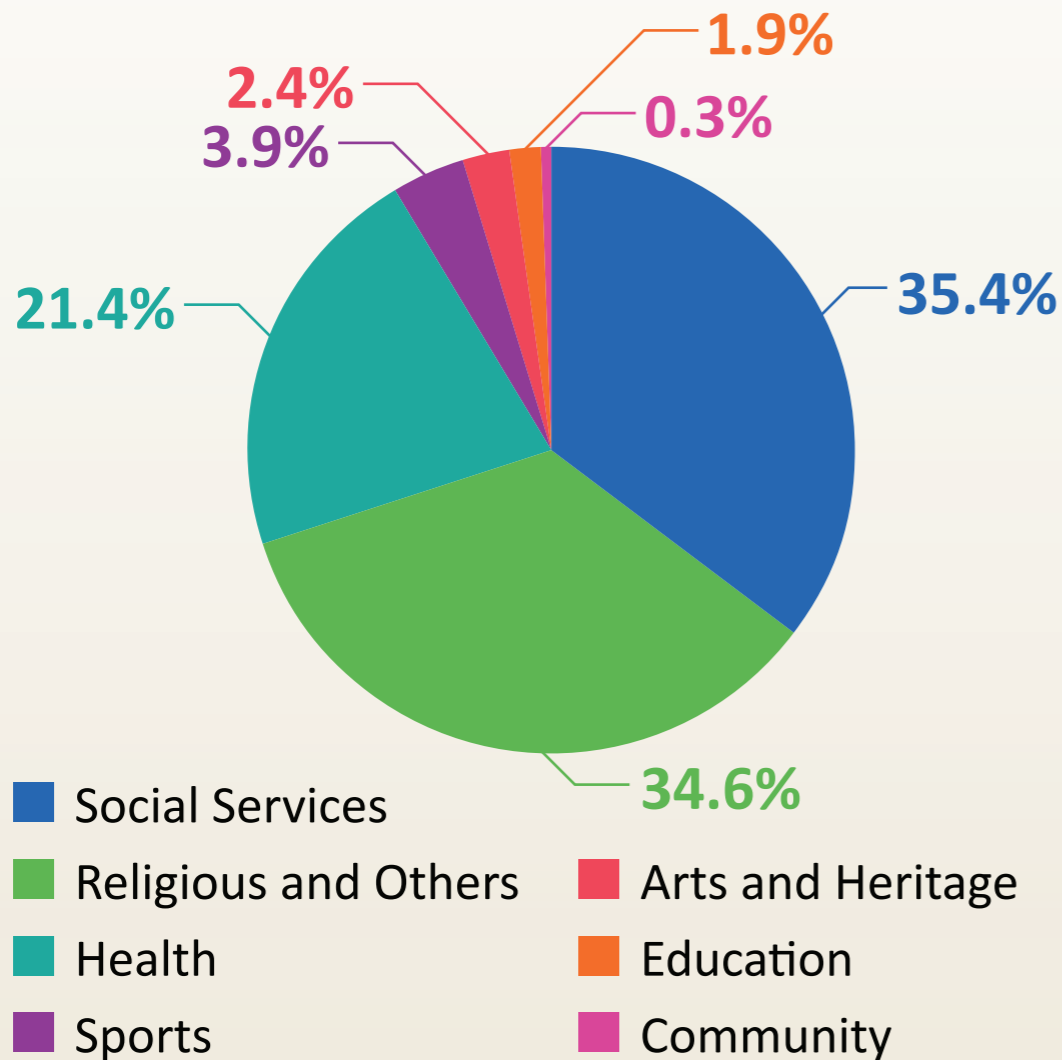

Training Grant

Info-Comms
Technology Grant

Consultancy Grant

Shared Services Grant
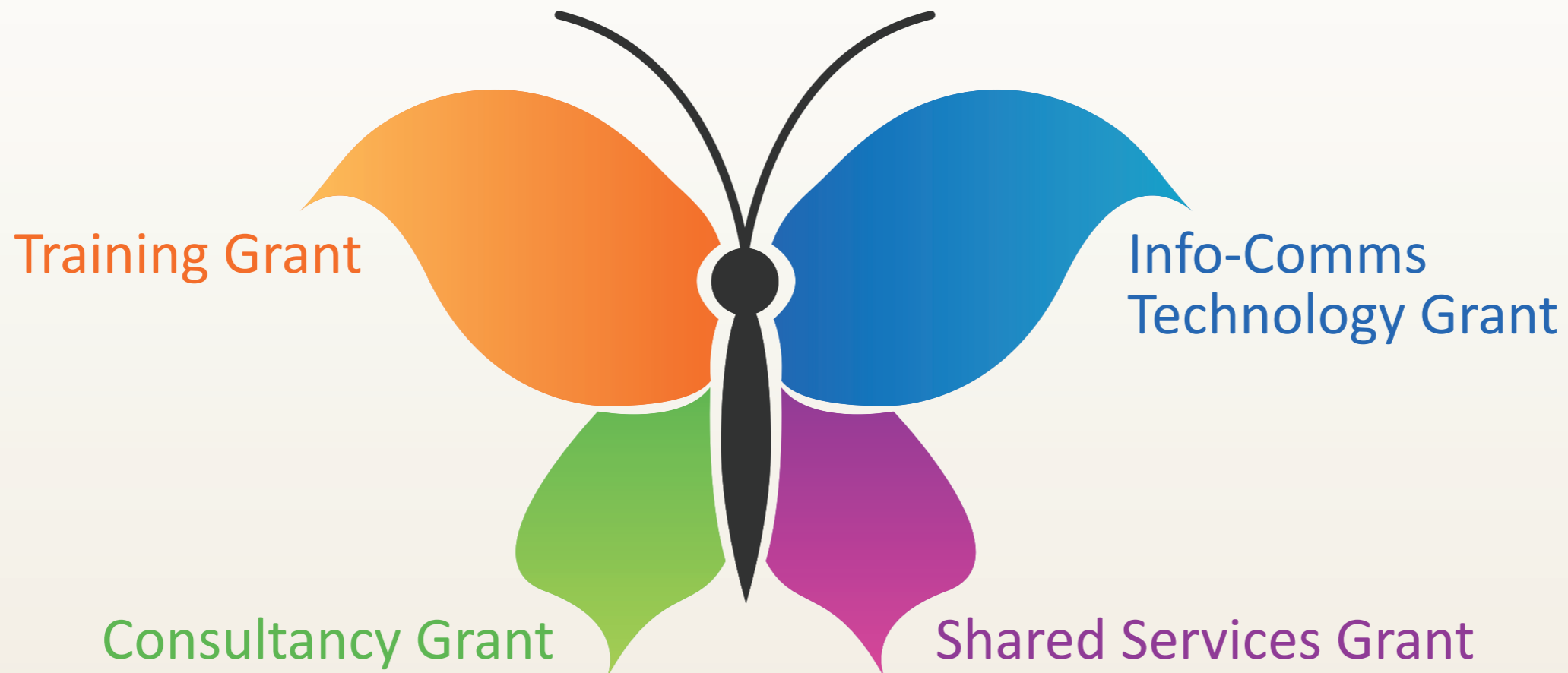
- All registered charities and IPCs are eligible to apply for the grants from 1 April 2007 to 31 March 2012.

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Utilisation of VCF

764 charities and IPCs have tapped on $7.86 million of VCF (April 2007 - November 2010)

By Sectors

35.4%
34.6%
21.4%
3.9%
2.4%
1.9%
0.3%

- Social Services
- Religious and Others
- Health
- Sports
- Arts and Heritage
- Education
- Community

By Types of Grant

Training
$3.550 million
45%

Consultancy
$2.111 million
27%

ICT Non-Core
$1.623 million
21%

Shared Sevices
$ 0.404 million
5%

ICT Core
$0.171 million
2%

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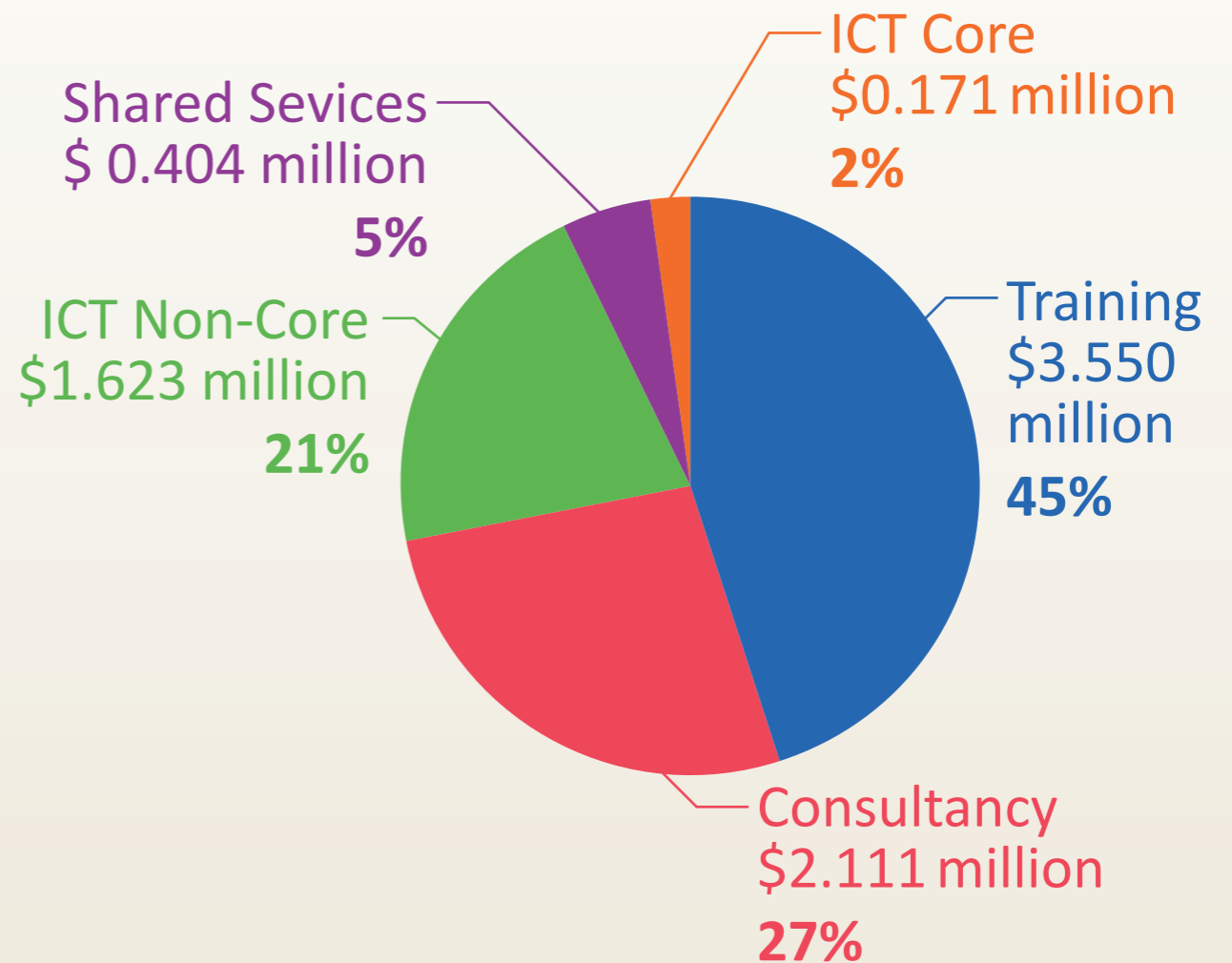
14,132 training places have been taken up in the following areas (April 2007 – October 2010)

Training Area	Number of training places
Board Governance	4293
Human Resource Management	3750
Financial Management & Controls	2982
Fundraising	1669
Strategic Planning	676
Conflict of Interest	447
Public Relations & Corporate Communications	315
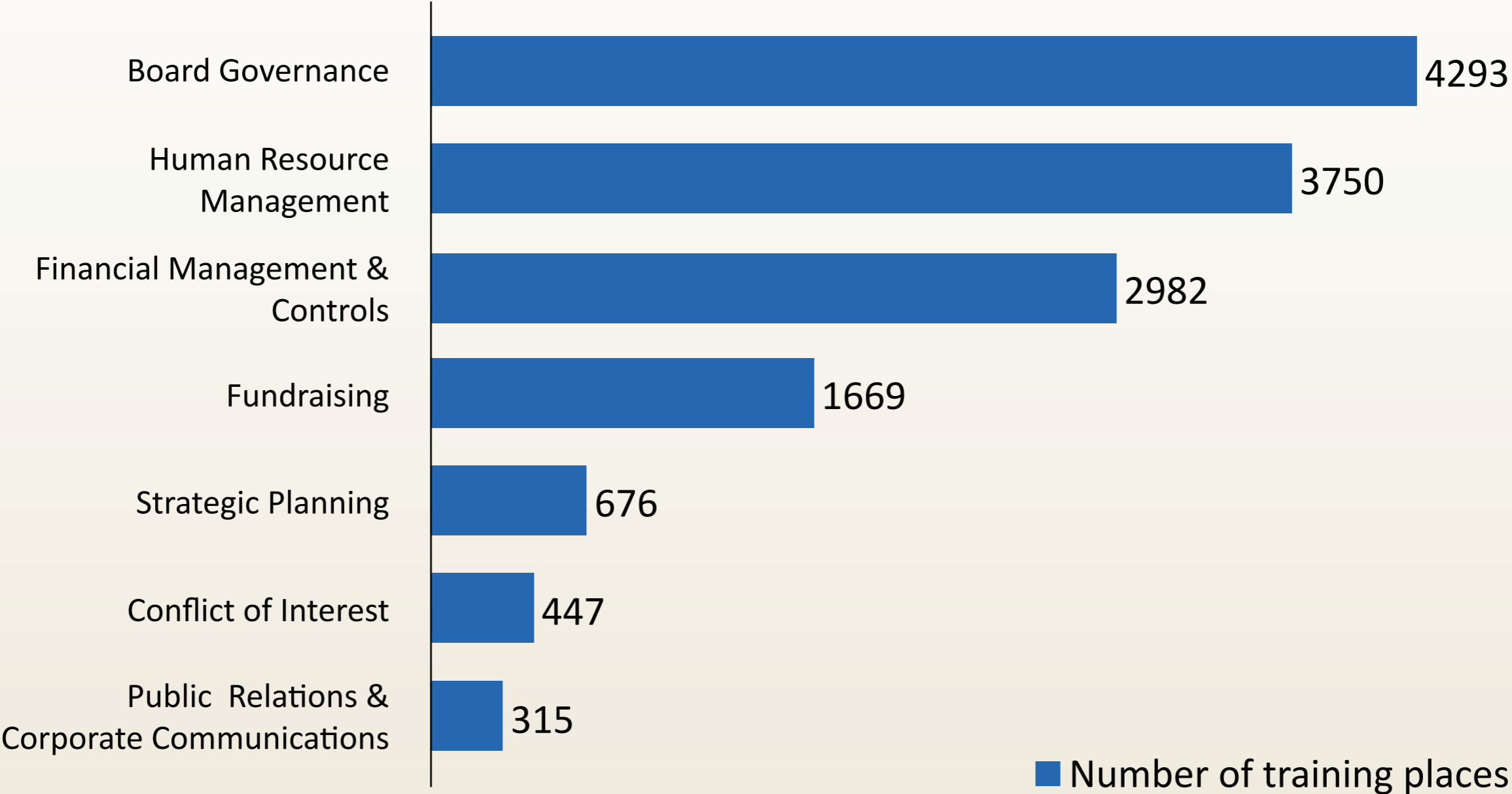
■ Number of training places

Source: Social Service Training Institute

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iServe
(Integrated Shared Services for Excellence)

- 3-year pilot initiative launched in September 2009.

- Provide shared services for finance, accounting, payroll and e-procurement functions.

- Appointed vendor - ST Electronics (e-Services) Pte Ltd.

- Charities can outsource administrative functions to an independent professional third party service provider.

- Ensure proper internal controls and segregation of duties.

- Charities can focus resources on delivering core programmes and services.

- 25 charities/ IPCs have signed up for shared services which are co-funded by VCF.

- 114 other charities/ IPCs are in discussion with iServe.

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Charity Council Governance Seminars

Engage charity Board members
and executive management staff.

Share best practices to enhance governance
and management capability.

Avenue for charities/IPCs to network
and tap on professional expertise.

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# 500 Board members and staff have attended 3 Council Seminars

Leading Charities through the Recession (May 2009)

Talent Management and Retention in an Economic Upturn (March 2010)

Towards Engaged Giving – Connecting with the Hearts and Minds of your Donors and Volunteers (September 2010)

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New Charity Council Website

- Launched in September 2010.
  www.charitycouncil.org.sg

- One-stop platform on the initiatives of the Charity Council and relevant resources on governance practices, guides, funding and newsletters.
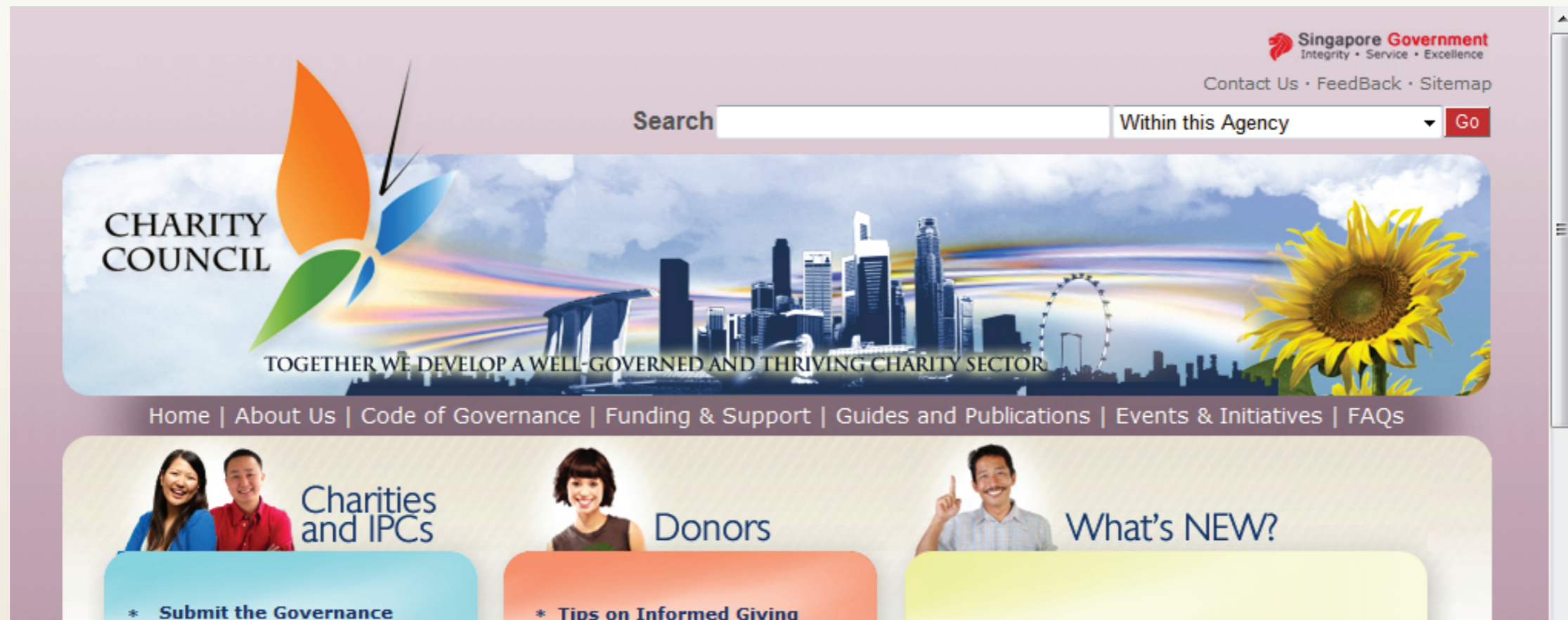
Engaged 13 Professional Associations to volunteer with charities

1. Association of Fund Raising Professionals – Singapore Chapter
2. Institute of Certified Public Accountants of Singapore (ICPAS)
3. Institute of Management Consultants (Singapore)
4. Institute of Public Relations of Singapore
5. Insurance & Financial Practitioners Association of Singapore
6. Marketing Institute of Singapore
7. NTU-Nanyang Business School Alumni
8. NUS - Office of Alumni Relations
9. Singapore Association of Institute of Chartered Secretaries and Administrators (SAICSA)
10. Singapore Human Resource Institute (SHRI)
11. The Institution of Engineers Singapore
12. The Institute of Internal Auditors Singapore (IIAS)
13. The Law Society of Singapore

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Matching Board Members and Volunteers

Partnering the Centre for Non-profit Leadership (CNPL) and The Kind Exchange to match professionals interested to serve on charity boards or volunteer their pro-bono services.

86 Board members have been matched with 41 charities through the Board Match programme by CNPL.

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Experiences with Board Match

"Since the introduction of Board Match in 2007, APSN has availed itself of this service in its bid at Board renewal and rejuvenation after grappling with this problem on and off for 33 years. **Through Board Match we have been able to induct professionals with expertise in various areas such as accountancy, finance, human resources, psychological and therapy services and management to fill positions both on the Board and sub-committees.** *I strongly recommend that charities looking to strengthen their Board diversity and leadership to consider Board Match."*

Dr Francis Chen, President/ Association for Persons with Special Needs (APSN)

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4. Council's Plans

Charity Council's Plans

- Increase engagement with religious umbrella groups to enhance good governance practices.

- Support training and consultancy programmes.

- Create and revamp templates and guides on various areas of the Code to help charities.

- Partner professional organisations or commercial firms that emphasise corporate social responsibilities to encourage their members/ staff to serve on charity Boards.

- Support people sector initiatives to introduce Charity Governance Awards in the longer term.

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5. Charities with Good Governance Practices

Case Studies

Case Study 1:
Asian Women's Welfare Association (AWWA)

- AWWA offers services for families, the elderly, children and young people with special needs to empower them to maximise their potential for independence.

Good governance practices

- Segregated Board roles from management and operational roles.

- Cultivated a strong Board and organisational culture of transparency and disclosure.
  - Recruited suitable Board members with compatible values and philosophy, and possessed the professional expertise and experiences.

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Good Governance Practices (AWWA)

- Utilised the VWOs-Charities Capabilities Fund (VCF) to improve governance and management.
  - Tapped on the VCF Info-Comms Technology grant to revamp the accounting and human resource systems which led to centralised operations. This improved effectiveness in accounting processes and better management of staff performance.

"Do things right and the donations will come."

Mr Tim Oei, Chief Executive Officer of AWWA

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Case Study 2:
Singapore Chinese Orchestra (SCO)

- SCO is the only professional Chinese orchestra in Singapore. It is dedicated to its vision of becoming an orchestra for everyone and building new audiences.

Good governance practices

- Regularly reviews the vision, mission and strategic plans to ensure their relevance to the changing environment and needs.

- Built a corporate culture where everyone adopts a positive attitude in learning from mistakes and is proactive in complying with governance best practices.
  - Conducted an internal review on compliance with the Code of Governance for Charities and IPCs.

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Good Governance Practices (SCO)

- Utilised the VWOs-Charities Capabilities Fund (VCF) to improve governance and management.
  - Tapped on the VCF Info-Comms Technology grant and implemented the Exchequer Accounting system in 2008. The system allows for greater transparency in claims procedures.

  - Strengthened staff competencies and expertise by sending them for courses subsidised by the VCF Training grant.

"If you don't build up the confidence of sponsors and stakeholders, how are they going to donate? To receive the support, we have to 'guarantee' the support by ensuring that there is good governance and management. SCO does this by putting in place best practices to ensure there is transparency."

Mr Terence Ho, General Manager of SCO

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Case Study 3:
Singapore Association of the Visually Handicapped (SAVH)

- SAVH is a voluntary welfare organisation that aims to help the visually impaired help themselves by acquiring new skills and gaining self reliance to cope with integration into society.

Good governance practices

- Annual review of the Terms of Reference for the Board Sub-Committee ensures the relevancy of the committee.

- Drafted a vision statement in 2009 which allows SAVH to stay focused on the running of services and programmes.

- Annual declaration of conflict of interest by Board and staff to safeguard interest of SAVH.

- Improved expenditure tracking by including a budget column in the accounts sheet since 2009.

- Utilised the services of Board Match and The Kind Exchange.

Good Governance Practices (SAVH)

- Utilised the VWOs-Charities Capabilities Fund (VCF) to improve governance and management.
  - Signed up for iServe shared services by tapping on the VCF Shared Services grant to outsource accounting, payroll and procurement functions. This allows SAVH to cut cost in hiring and managing of staff, and to concentrate on service delivery.

  - Tapped on the VCF Consultancy grant to conduct governance cum internal audit in 2010. The exercise helped to improve operational controls and align SAVH's management with good governance and best practices guidelines in the Code.

  - Sent staff for training subsidised by the VCF Training grant.

"Good governance practices in a charity will translate to good service delivery. Ultimately the clients will benefit as all their critical needs are met."

Ms Judy Lim, Executive Director of SAVH

Case Study 4:
Singapore Buddhist Federation (SBF)

- SBF was initiated and formed by the Chinese Buddhist community in 1948. It is the parent body of Singapore Buddhist organisations and followers.

Good governance practices

- Drafted a staff handbook covering areas such as remuneration, recruitment, training, staff development, disciplinary actions and performance appraisals. Clear human resources guidelines ensure that staff are aware of how their performance are assessed.

- Put in place a documented policy on dealing with transactions involving key employees and Board members.

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Good Governance Practices (SBF)

- Implemented a conflict of interest policy.

- Board meets quarterly with stated agenda.

- A good mix of religious and professional individuals serve on the Board.

- Utilised the VWOs-Charities Capabilities Fund (VCF) training grant to send staff for training to increase their awareness and understanding of good governance practices.

"When the charity is well governed, professionals will be attracted to serve on the Board. Donations will also increase as donors have confidence in the Singapore Buddhist Federation."

Mr Kua Soon Khe, Chief Executive Officer of SBF

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Case Study 5:
Assisi Hospice (AH)

- AH is a centre for compassionate and personalised palliative care. It is dedicated to the care of patients with life-threatening illnesses.

Good governance practices

- Annual review of the vision and mission to ensure relevancy.

- Conflict of interest policy in place where all Board members, committee members and staff declare conflict of interest on an annual basis.

- Ensures proper role segregation as part of good internal controls.

- Conducts internal audits on compliance with the Code of Governance.

- Conducts Board evaluation regularly to assess the Board's performance and effectiveness.

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Good Governance Practices (AH)

- Co-opts external expertise to volunteer in Board Committees.

- Clear and defined role distinction between the Board and management, where the Board provides oversight and the management runs the operations.

- Utilised the VWOs-Charities Capability Funds (VCF) to improve governance and management.
  - Sent Board members and staff for training subsidised by the VCF Training grant.

  - Tapped on the VCF Info-Comms Technology grant to enhance corporate website to better communicate its services and attract volunteers and donors.

"Assisi Hospice believes good governance is holistic and goes beyond just the financials, to include programmes and service delivery."

Mr Khoo Chow Huat, Chief Executive Officer of Assisi Hospice

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6. Closing Summary

Closing Summary

Charity Boards have continued to improve
their adoption of the Code of Governance.

More charities have built up their governance
and management capabilities and enhanced
accountability to their stakeholders.

The refined Code would help more charities
to appreciate the spirit of good governance
and encourage greater adoption of Code guidelines.

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7. About the Charity Council

About the Charity Council

- Set up in October 2006

- People-led initiative to promote a culture of good governance and self-regulation in the charity sector.

- To enhance public confidence in the charity sector and improve accountability of charities.

Promoter

Promote good governance practices.

Enabler

Enable charities to comply with regulatory requirements by helping them to build governance capabilities.

Advisor

Advise the Commissioner of Charities on key regulatory issues with broad-ranging impact on the charity sector.

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The Second Charity Council (2009 - 2011)

Council Chairman:
Mrs Fang Ai Lian
Chairman,
Great Eastern Holdings

People Sector Representatives

RADM(Ret) Kwek Siew Jin
President,
National Council of
Social Service

Mr Stanley Tan
Chairman,
National Volunteer &
Philanthropy Centre

Associate Professor Mak Yuen Teen
National University of
Singapore,
Business School

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People Sector Representatives

Mr Suhaimi Salleh
Chief Executive Officer,
SSA Consulting Group

Mr Rajaram Ramiah
Partner,
Wee Ramayah & Partners

Mrs Diana Ee-Tan
Member,
Singapore Tourism Board

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People Sector Representatives

Mr Bob Tan Beng Hai
Chairman,
Jurong Engineering Ltd
and ITE Holdings Pte Ltd

Mr Chia Ngiang Hong
Group General Manager,
City Developments Ltd
(CDL)

Ms Ang Bee Lian
Chief Executive Officer,
National Council of Social
Service

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Sector Administrator Representatives

Mr Roy Quek
Deputy Secretary (Health),
Ministry of Health

Dr Choong May Ling
Deputy Secretary (Services),
Ministry of Education

RADM(NS) Sim Gim Guan
Deputy Secretary
(Info & Corporate
Management),
Ministry of Information,
Communications and
the Arts

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Sector Administrator Representatives

Mr Yam Ah Mee
Chief Executive Director,
People's Association

Mr Oon Jin Teik
Chief Executive Officer,
Singapore Sports Council
(Until 31 December 2010)

Contact Us

Charity Council Secretariat
c/o Charities Unit,
Ministry of Community Development Youth and Sports (MCYS)

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Charities Unit, 510 Thomson Road, SLF Building, #14-03, Singapore 298135

Helpdesk: **(65) 6354 8543**
Fax: **(65) 6259 7340**
Feedback: **MCYS_charities@mcys.gov.sg**

For more information, please visit the Charity Council website at
www.charitycouncil.org.sg or the Charity Portal at **www.charities.gov.sg**

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