

Government's Response to the Recommendations of the Council on Governance of IPCs

	Council's Recommendations	Government's Response
Fund-raising Practices		
1.	IPCs shall ensure that information provided to donors, potential donors and the general public does not contain any misrepresentation or material omission that will lead to a conclusion of misrepresentation.	Accept in full.
2.	IPCs shall disclose the following information during their solicitations to donors: a. Organisational information (legal status and affiliations to umbrella organisations/professional bodies, if any); b. Description of the cause and/or beneficiaries; c. Intended use of funds; and d. Indicate any use of commercial third party fund-raisers ¹ .	Accept with modifications. IPCs shall disclose only the following information during their solicitations to donors: a. Name of organisation; and b. Intended use of funds. The intended use of funds will be defined broadly to include the cause and/or beneficiaries.
3.	IPCs which (a) have an annual total income ² equal to or greater than \$5 million; and (b) solicit donations and/or receive unsolicited donations from more than 50 donors in any financial year shall provide a breakdown of funds raised and fund-raising expenses incurred for that year using the prescribed format in <u>Table 1</u> (please see <u>Annex A</u>) in its annual online disclosure ³ . This information need not be audited. In addition, for each fund-raising event that raises \$1 million or more, IPCs	Accept with modifications. IPCs shall disclose only the total funds raised, fund-raising expenses incurred and planned use of funds raised (without a breakdown based on the prescribed template in <u>Table 1</u>) for each fund-raising event that raises \$1 million or more. The disclosure should be done online at the end of each financial year. It need not be audited. It is not necessary to require large IPCs to disclose a breakdown of funds raised and expenses incurred

¹ A commercial third party fund-raiser is compensated on a commission basis, according to the amount of funds it raises on behalf of the IPC. Service providers who are paid a fixed fee in return for services rendered in the fund-raising event, e.g. event companies, are not considered commercial third party fund-raisers.

² Total income includes grants, donations, sponsorships, membership fees, investment incomes and investment gains.

³ All IPCs are currently required to disclose key financial and non-financial information online according to a prescribed template at the end of each financial year.

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	shall disclose online the breakdown of funds raised and expenses incurred for that event using the prescribed format in <i>Table 1</i> within six months of the event. This information need not be audited.	on an annual basis, as all IPCs are already required to post their key financial information online at the end of each year.
4.	IPCs shall maintain separate financial accounts for fund-raising exercises that raise \$1 million or more (see recommendation 3). These separate accounts do not need to be audited.	Accept in full.
5.	IPCs shall ensure adequate control measures for all collection instruments e.g. serialise collection tins or pledge cards.	Accept in full.
6.	IPCs shall ensure that funds and donations are used in accordance with donors' intentions and the specific purpose as communicated when soliciting for donations.	Accept in full.
7.	IPCs shall respect donors' confidentiality e.g. not to transfer donor lists or records without the donors' prior approval, respecting wishes to remain anonymous and to be excluded from contact lists etc.	Accept in full.
8.	In the commercial third party fund-raisers' arrangement, all donations are to be made directly to the IPC. Commissions to the fund-raisers shall be separately paid.	Accept in full.
Financial Controls, Management and Accountability		
9.	Large IPCs with total annual income equal to or greater than \$5 million <u>and</u> which solicit donations and/or receive unsolicited donations from more than 50 donors in the financial year shall comply with the Financial Reporting Standards (FRS) and the Recommended Accounting Practice 6	Accept with modifications. All IPCs with total annual income equal to or greater than \$10 million should comply with the FRS ⁵ . As the Government grants a double tax deduction to each donor who makes a donation to the IPC, all IPCs with total

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	<p>(RAP 6) - Accounting and Reporting by Charities⁴.</p> <p>All other IPCs should continue to comply with their existing accounting and reporting requirements, e.g. under the Charities Act.</p> <p>All IPCs which are companies by guarantee should continue to comply with the FRS as required by the Companies Act.</p> <p>The Government should consider requiring IPCs with total annual income equal to or greater than \$500,000 but less than \$5 million <u>and</u> which exceed the 50-donor threshold to comply with the FRS and RAP6 in two to three years.</p>	<p>annual income equal to or greater than \$10 million should comply with the FRS, regardless of how many donors they have.</p> <p>All other IPCs should continue to comply with existing regulations. FRS will be positioned as a best practice.</p> <p>RAP6 will be positioned as a best practice for all IPCs.</p> <p>All IPCs which are companies by guarantee should continue to comply with the FRS as required by the Companies Act.</p> <p>The Government will review its position in two to three years.</p>
10.	The existing online disclosure template should be amended to make it clearer to the reader as well as include new disclosure items.	Accept in full.
11.	Large IPCs which are required to comply with the FRS and RAP6 (see recommendation 9) shall prepare and make available online their annual report and audited financial statements at the end of each financial year.	Accept as best practice and not for mandatory compliance.
12.	All IPCs shall disclose their related party transactions ⁶ in their audited notes to accounts.	Accept in full.

⁴ As total income may vary from financial year to financial year, IPCs would only cross tiers if their total income crosses the threshold for two consecutive financial years, starting from the third financial year onwards.

⁵ As total income may vary from financial year to financial year, IPCs would only have to comply with the FRS if their total income is equal to or greater than \$10 million for two consecutive financial years, starting from the third financial year onwards.

⁶ Related Party Transactions refer to transactions between the IPC and another person where either person could have influence over the other. For example, if a board member of an IPC is related to a certain supplier of services for the IPC, the value of the transactions should be disclosed. Please refer to the FRS for the full definition of Related Party Transactions.

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Guide to Best Practices for IPCs		
13.	The Council has drawn up a voluntary "Guide to Best Practices for IPCs" to help IPCs strengthen their governance, management and fund-raising practices. IPCs are encouraged to implement relevant guidelines in their management and operations where appropriate, and to disclose the extent of compliance with the Guide.	Accept in full.
Roles and Responsibilities of Central Fund Administrators (CFAs)		
14.	IPC status granted to new applicants should not exceed two years. This will allow the CFAs to review the progress of the IPC after its start-up.	Accept in full.
15.	IPC status should be renewed for a period between one to five years, depending on how effective the IPC is in governance and management. IPCs that are found not to be well-governed or managed should have their IPC status renewed for only one year. CFAs should set out requirements for such IPCs to improve on, as a condition for subsequent renewal. IPCs that do not fulfil the conditions may have their IPC status suspended or withdrawn at the end of one year.	Accept in full.
16.	CFAs should publicly disclose the names of IPCs which have their IPC status withdrawn as a result of poor governance and management.	Accept in full.
17.	CFAs should encourage their IPCs to adopt the Guide to Best Practices for IPCs, as they would be most familiar with the issues and concerns of their IPCs. The specific tracking and/or recognition system can be left to individual CFAs.	Accept in full.

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Other Recommendations (not applicable to HEF members)		
18.	Grant-makers are currently subject to the same rules as the other non-grant-making non-profit organisations although their circumstances are different. The Council recommends that the National Volunteer and Philanthropy Centre (NVPC) further study how to develop the grant-making sector.	Accept in full.
19.	To support public education and facilitate charitable giving, the Council recommends the provision of an online portal to provide IPCs' information to donors and potential donors, and the provision of one-stop e-services on the e-citizen government portal for fund-raisers to apply for different licences online via e-citizen portal. IRAS and NVPC could work together to set up the online portal.	Accept in full.

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Table 1 – Format for disclosure of donations and fund-raising expenses

Donations in Cash	(A)
Donations in Kind	(B)
Sponsorships	(C)
Total Donations and Sponsorships (A+B+C)	(D)
Direct fund-raising expenses	(E)
Sponsorships	(C)
Indirect/ Allocated Costs	(F)
Total Fund-raising Expenditure (E+C+F)	(G)
Fund-raising Efficiency Ratio before sponsorship	(G-C)/(D-C)
Fund-raising Efficiency Ratio with sponsorship	(G/D)

Explanation to items:

- **Item C (sponsorship)** is the value of in-kind support received (e.g. prizes used in a charity auction, cost of a sponsored fund-raising dinner) and which are used in the fund-raising exercise. The purpose of including them in income and expenditure is to show the true cost of fund-raising.
- **Item E (direct fund-raising expenses)** refers to costs directly incurred and paid for in the fund-raising exercise. They include such costs as advertisements, printing, publicity materials, rental of premises, logistics, hiring of commercial third party fund-raisers, organizing games of chance, etc.
- **Item F (Indirect/allocated costs)** refers to the costs of personnel and administrative/marketing overheads of the IPC which are used to support fund-raising. These are not separately paid for from the fund-raising money collected, but are shown here to reflect the true cost of fund-raising. The methodology used to determine allocated costs should be stated.
- Note that none of the costs above seeks to capture the value of volunteer time used in the fund-raising.