

# Board Volunteering 101

## **Objective**

To provide a “best practice” guide on Board induction and governance for volunteer Board members and non-profit organisations.

## **Outline**

Part I: The Non-Profit Landscape in Singapore – defines the Charity Ecosystem for Singapore. This depicts how the Commissioner of Charities partners closely with the Sector Administrators and the Charities Unit to regulate and enable the myriad of Non-Profit Organisations.

Part II: Guide for Board Volunteers – explains to the Board Volunteer and Board Member on what their Roles & Responsibilities are for effective governance from and operations of the Board.

Part III: Guide for Non-Profit Organisations – provides information on how the new Board member is to be inducted and the framework to be implemented for the operational running of the organisation.

Annexures I – IV provide information on the key Service Providers who aid the Non-Profit Organisations in various scopes such as Leadership Development, Staff Training & professional aid, a snapshot on Board versus Staff roles and key related links.

We are certain that this document provides relevant information to allow the Board Volunteer to be more effective.

And we would like to thank our Board Volunteers for committing their time and expertise to serve on boards.

Finally, our grateful appreciation to the core project team members for their tremendous effort, during the past few months, for the development and creation of this valuable document.

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## Part I: The Non-Profit Landscape in Singapore

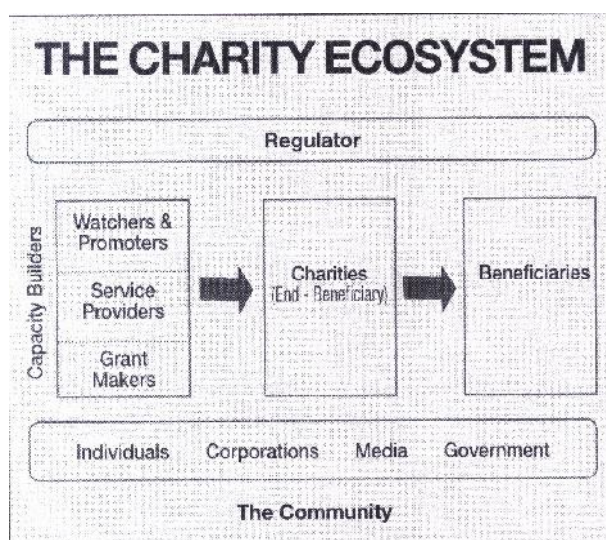
This is the first of three parts of Board Volunteering 101 and serves as an introduction to the social service/charity sector in Singapore.

### 1. Brief Overview of Non-Profit Organisations

Non-profit organisations in general serve society through a unique, charitable structure that differs from both business and government. They depend heavily on volunteerism and contributions from all sectors of the economy and all sections of society.<sup>1</sup>

Charities are non-profit organisations that similar to commercial organisations produce goods and services, except that these are not delivered to customers but to beneficiaries, who often pay little or nothing for the goods or services they receive. To fund the difference between the actual cost and what can be recovered from the beneficiaries, charities seek donations (and volunteer time). However, donors do not always give based on the value that the charity delivers to the beneficiaries. Rather, they donate based on generosity, connections and the appeal of the fund-raising campaign.<sup>2</sup>

There are five main components of the charity ecosystem: beneficiaries, charities, capacity builders, the regulator and the community. Each has an important role to play in order to create and sustain the necessary balance within the system.



Source: Willie Cheng [2008]. *The Charity Ecosystem*, Social Space.

<sup>1</sup> United Way of New York City, Linkages Board Training and Placement Program [July 2009]

<sup>2</sup> Willie Cheng [2009]. *Doing Good Well*, John Wiley & Sons, Singapore.

## 2. The Charity Landscape in Singapore <sup>3</sup>

The Charities Act provides the legal and regulatory framework for charities in Singapore. Every organisation established exclusively for charitable purposes (other than those exempted) must apply for registration with the Commissioner of Charities.

There are four charitable purposes that are explicitly recognised. These are:

- Relief of poverty
- Advancement of education
- Advancement of religion, and
- Other purposes beneficial to the community.

The “other purposes” beneficial to the community are defined as:

- the advancement of health
- the advancement of citizenship or community development
- the advancement of arts, heritage or science
- the advancement of environmental protection or improvement
- the relief of those in need by reason of youth, age, ill-health, disability, financial hardship or other disadvantages;
- the advancement of animal welfare; and
- the advancement of sport, where the sport advances health through physical skill and exertion.

### Charities Unit

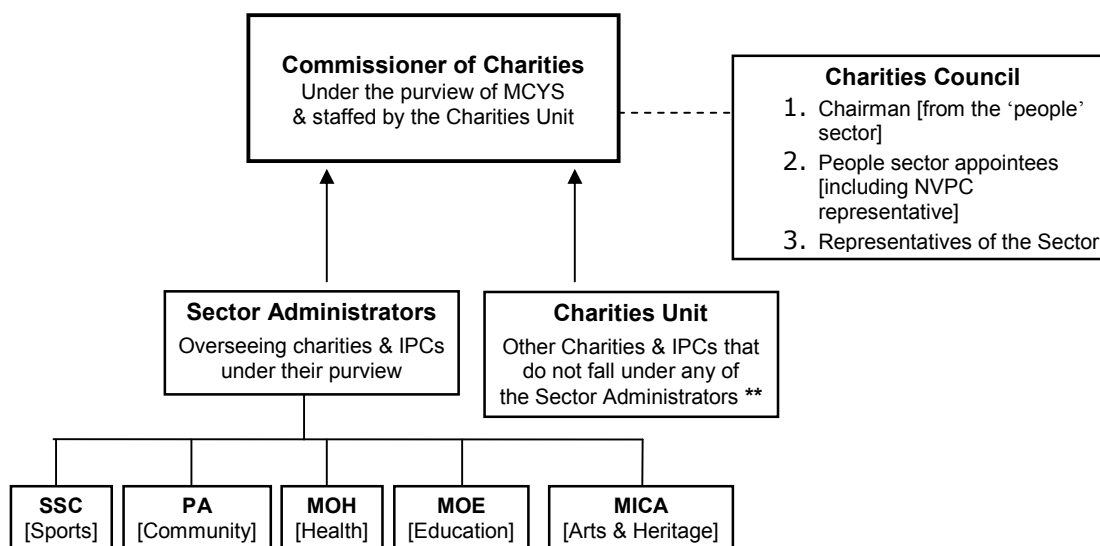
The office of the Commissioner of Charities was transferred from the Inland Revenue Authority of Singapore (IRAS) to the Ministry of Community Development, Youth and Sports (MCYS) on September 1, 2006. A full-time Commissioner of Charities was appointed, along with five Sector Administrators, and a Charity Council. The objective of the Charities Unit is to facilitate self-regulation within the charity sector to maintain public confidence and support, while giving sufficient consideration to the realities and differences faced by charities and Institutions of Public Character (IPCs).

Charities are important institutions both to society and to the beneficiaries they serve. Well-governed charities earn the confidence and support of their donors, volunteers and other stakeholders, and to this end, the mission of the Commissioner of Charities’ office is to facilitate the development of a well-governed and thriving charity sector with strong public support.

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<sup>3</sup> Source: Commissioner of Charity Annual Reports 2002–2009 and Charity Governance Report, February 2009.

## The Charity Sector \* [The Regulatory Framework]



SSC = Singapore Sports Council  
 PA = People's Association  
 MOH = Ministry of Health  
 MOE = Ministry of Education  
 MICA = Ministry of Information, Communication & the Arts  
 NCSS = National Council of Social Services

\* Source: Commissioner of Charity Annual Report 2007 [updated]

\*\* For example religion, social services, youth, environment, animal welfare, self-help [SINDA, CDAC etc.]  
 NCSS relinquished its sector administrator role in January 2010 and the Charities Unit/MCYS now directly oversee charities in the Social Service sector.

### Commissioner of Charities

The Commissioner of Charities has the general function of maintaining public confidence through:

1. Promoting effective use of charitable resources.
2. Encouraging development of better methods of administration.
3. Giving charity trustees information on any matter affecting the charity.
4. Investigating and checking abuses.

### Sector Administrators

The Commissioner of Charities is assisted by five Sector Administrators (SAs) who are in charge of overseeing both the charities and IPCs in their respective sectors. Each Sector Administrator covers a specific charity sector viz health, education, arts & heritage, community and sports. Charities and IPCs that do not fall neatly under any of these Sector Administrators (SAs) are under the office of the Commissioner of Charities. These typically include religious organisations, youth, environment and animal welfare charities.

## Charity Council

The Charity Council comprising representatives from the people sector was established to promote good governance and self-regulation in the charity sector, and to advise the Charity Commissioner on major charity issues. The Charity Council has members from the people sector [including the Chairman of the National Volunteer & Philanthropy Centre (NVPC)] and representatives, one each from the Sector Administrators. The COC's office (Charities Unit) provides secretariat support to the Council.

The members of the Charity Council are chosen for their expertise in accountancy, corporate governance, entrepreneurship and law, and for their involvement in volunteer and charity work in various fields such as the arts and heritage, community, education, health and social services.

The key role of the Charity Council is that of a/an:

- **Promoter** i.e. encourage the adoption of best practises in governance and enhance public confidence in the charity sector.
- **Enabler** i.e. build the governance capabilities of charities to enable them to comply with the regulatory requirements and enhance public accountability of charities.
- **Advisor** i.e. advice the Commissioner of Charities [COC] on key regulatory issues where they maybe broad-ranging impact on the charity sector.

## Institutions of Public Character

Institutions of a Public Character (IPC) is a status conferred on a non-profit (not-for profit) organisation where donors are granted income tax deductions, for donations made to it. For the financial year 2009–2010, donors can claim 2.5 times the amount of the donations made, as an income tax deduction. This means for every \$10 a donor gives to an IPC, \$25 of his/her taxable income would not be taxed.

## Charity Portal

The Charity Portal [www.charities.gov.sg](http://www.charities.gov.sg) launched in February 2007, is a convenient one-stop 'paper-less' process, to facilitate the registration, reporting and fund-raising requirements of charities and IPCs. It also serves as a resource centre for those who want to know more about charities in Singapore, including those interested in setting up charities and IPCs.

The Portal helps charities understand and seek advice on complying with the different regulatory requirements, as well as learn about developments in the charity sector. Since its launch, the Portal has been progressively enhanced to allow charities and IPCs

to perform online financial reporting. The Portal also has a Charity Register which is a comprehensive online database of the profiles, including financial and non-financial information, of most registered charities and IPCs in Singapore. This facilitates public access to the information needed to exercise informed charitable giving and to provide feedback through the Portal.

## **The Regulatory Approach**

The COC's vision is to develop a well-governed and thriving charity sector with strong public support. In practice, this requires a robust and transparent regulatory framework for charities to comply with, and the engagement of charities and the people sector, to improve and promote charity governance.

Regulation of charities is a challenging job because it involves balancing competing and divergent interests of all stakeholders. The task is made more difficult by the diversity of the charity sector, which comprises some 1,900 organisations, ranging from theatre groups to religious organisations. Hence, the regulatory approach is not "one-size-fits-all", and is tiered according to the size and type of charity. The approach is to regulate with a 'light touch' and encourage self-regulation, so as not to stifle volunteerism and philanthropy.

## **Code of Governance**

In 2006, the Charity Council helped the COC rationalise the various guidelines on good governance and best practices, which after extensive public consultations led to the formulation of an official 'Code of Governance' for the charity sector. The Code serves as a benchmark for charities and IPCs to adhere to good governance standards and best practices. While compliance with the Code is voluntary, the COC follows a "Comply or Explain" approach to deliver on the key roles of the Charity Council discussed earlier. To facilitate online submission, the Charity Council also developed a Governance Evaluation Checklist on the Charity Portal in February 2008.

## **Facilitating Philanthropic Activity**

In an effort to make Singapore a philanthropic hub, the COC in collaboration with Ministry of Finance (MOF), the Monetary Authority of Singapore (MAS) and the Economic Development Board (EDB) have developed a conducive regulatory regime to foster philanthropy. Some examples of these initiatives are:

- **Relaxation of the 80:20 rule:** In 2007, the "80:20 rule" in income tax and foreign fund-raising were relaxed to facilitate philanthropic efforts. All registered charities

now enjoy automatic income tax exemption, without first having to expend 80% of their income in Singapore within two years, as required previously. In addition, although there is still a need to apply for a permit to raise funds for foreign charitable causes, private donations to such causes are exempt from the 80:20 rule. This enables philanthropic organisations seeking private donations to expend 100% of their donations overseas, rather than only 20% as required previously.

- **Light-touch regulatory regime:** Adopting a 'light-touch' regulatory regime for three types of philanthropic organisations: (i) International Charitable Organisations (ii) Grant-makers, and (iii) Foreign Charitable Trusts. This light touch regime allows such organisations to be registered as charities more easily. They are exempted from having to fulfil some of the conditions for charity registration, though the core criteria would still be that their objectives are exclusively charitable. The increased presence of these international philanthropic organisations help boost the growth and vibrancy of the local charitable sector and encourage sharing of best practices.
- **The 30/70 Fund Raising Efficiency Ratio:** Based on feedback from the ground and on the Charity Council's advice, the Charity Commissioner reviewed and revised the rule for computing the 30/70 fund-raising efficiency ratio, commonly known as the "30/70 rule". This change to the 30/70 rule facilitates the fund-raising efforts of charities and IPCs, without compromising the principle that the costs of fund-raising should not exceed 30% of the total funds raised.
- **The VWOs-Charities Capability Fund [VCF]:** In April 2007, VCF was extended to all charities and IPCs. There are four grants focussing on building governance and management capabilities – the Training Grant, Consultancy Grant, Info-Comms Technology Grant, and the Shared Services Grant. As of May 2010, nearly 719 charities and IPCs have tapped on \$6.6 million of VCF.
- **Capacity Builders:** There are several key organisations in Singapore focused on supporting the capacity building effort, in the non-profit sector. From the promotion of giving to training and development, these organisations work closely with all stakeholders, to facilitate charities, corporations and individuals, with the common goal of professionalising the sector. A list of such capacity builders can be found in Annexure I.

### **3. Some Interesting Facts on the Charity Sector in Singapore**<sup>4</sup>

- a. The total number of charities in Singapore increased from 1564 in 2002, to 1973 in 2009, with nearly 62% of them being religious organisations (see Annexure II, Table 1).
- b. There were 532 approved IPCs in 2009, with the social service sector having the most number of IPCs (see Annexure II, Figure 3).
- c. For the financial year ended 2008, the total income of the charity sector was \$9.2 billion (this includes fees for services rendered, donations and government grant).
- d. Charities with annual receipts of less than \$250,000 make-up 44% of the charity population, and less than 1% of the total income of the charity sector (see Annexure II, Figure 1 & 2).
- e. In 2008 there were 98 large charities with annual income above \$10 million, as compared to 67 in the previous year. They constitute 6% of the total number of charities, but account for 85% of the total charity sector income. These are mainly tertiary educational institutions, health institutions and religious organisations (see Annexure II, Figure 1 & 2).
- f. The total value of tax-deductible donations received in 2009 is about \$687 million, which is comparable to the amount received in 2008.
- g. The ratio of corporate to individual giving to IPCs is 65:35 (see Annexure II, Figure 4).

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<sup>4</sup> Source: Commissioner of Charity Annual Report 2008–2009.