

CHARITY GOVERNANCE IN SINGAPORE

INSIGHTS FROM FOCUS GROUP DISCUSSIONS

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BOOKLET 2



A PROJECT BY THE CENTRE FOR SOCIAL DEVELOPMENT ASIA | NOVEMBER 2017



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FOREWORD BY THE CHARTERED INSTITUTE OF MANAGEMENT ACCOUNTANTS (CIMA)

The Chartered Institute of Management Accountants (CIMA) Centre of Excellence is pleased to sponsor this third piece of research by the Centre for Social Development Asia (CSDA) on Charity Governance, following the successful completion of two other research works on the financial characteristics of Institutions of a Public Character (IPCs) in 2015 and the fundraising practices of Health, and Social and Welfare IPCs in Singapore in 2016.

We are living through a time of profound economic, social and technological change and the environment in which charities are working is altering dramatically. These changes have posed new challenges for charities and good governance is more critical now than ever before. We therefore commend CSDA for this timely publication, which ultimately aims to build a stronger charity sector in Singapore.

In order to deliver effectively for their beneficiaries, charities need strong governance, with robust structures, processes and good behaviour. Coupled with good disclosure practices in financial management, donors will have the comfort of transparency and accountability that the funds are well managed.

We commend the team at CSDA for their efforts in the research on charity governance and the successful release of this report.

Dr Noel Tagoe, FCMA, CGMA

Executive Vice President - Academics, Management Accounting
Association of International Certified Professional Accountants



About the Chartered Institute of Management Accountants (CIMA)

The Chartered Institute of Management Accountants (CIMA), founded in 1919, is the world's leading and largest professional body of management accountants, with over 232,000 members and students operating in 177 countries, working at the heart of business. CIMA members and students work in industry, commerce, the public sector and not-for-profit organisations. CIMA works closely with employers and sponsors leading-edge research, constantly updating its qualification, professional experience requirements and continuing professional development to ensure it remains the employers' choice when recruiting financially-trained business leaders.

Professionalism and ethics are at the core of CIMA's activities, with every member and student bound by robust standards so that integrity, expertise and vision are brought together. Together with the American Institute of CPAs (AICPA), CIMA has established the Chartered Global Management Accountant (CGMA) designation. CGMA is the global quality standard that further elevates the profession of management accounting. The designation recognises the most talented and committed management accountants with the discipline and skill to drive strong business performance.

The AICPA and CIMA also make up the Association of International Certified Professional Accountants (the Association), which represents public and management accounting globally, advocating on behalf of the public interest and advancing the quality, competency and employability of CPAs, CGMAs and other accounting and finance professionals worldwide.

FOREWORD BY THE CENTRE FOR SOCIAL DEVELOPMENT ASIA (CSDA)

The Centre for Social Development Asia (CSDA) is pleased to release the third and final report on charity's accountability and transparency. This three-year project is supported by the Chartered Institute of Management Accountants (CIMA).

Good governance is critical for charities to maintain integrity in the social service industry. It is important for charities to be well governed, transparent and accountable to their stakeholders.

This year's research focuses on governance of Institutions of a Public Character (IPCs) in Singapore's Health, and Social and Welfare sectors. The research documents the development of charity governance in Singapore, discusses the challenges IPCs face in implementing Board and charity governance, and highlights the best practices of charity governance disclosure. These exploratory studies provide the much-needed insights on charity governance practices in Singapore.

I wish to congratulate the team on the release of the three booklets and I look forward to future research and collaborations with CIMA and other institutions.

Dr S. Vasoo

Chairman

Centre for Social Development Asia, Department of Social Work
Faculty of Arts and Social Sciences, National University of Singapore



About the Centre for Social Development Asia (CSDA)

The Centre for Social Development Asia (CSDA) was launched in July 2007 by then Minister for Finance Mr Tharman Shanmugaratnam. It is under the purview of the Department of Social Work, Faculty of Arts and Social Sciences, National University of Singapore. The Centre was established in collaboration with the Centre for Social Development, George Warren Brown School of Social Work, Washington University in St Louis. The primary mission of CSDA is applied research and knowledge building to inform policies and programmes in social development, with a focus on Asia.

For more information about CSDA, please visit:

http://www.fas.nus.edu.sg/swk/partners_and_donors/research_partner/overview

For more information on the Department of Social Work, please visit:

<http://www.fas.nus.edu.sg/swk/>



REPORT HIGHLIGHTS



RESEARCH OBJECTIVE

This qualitative study uses the focus group method to gather feedback from charities with Institution of a Public Character (IPC) status from the Health, and Social and Welfare sectors in Singapore.

The objective of this research is to seek Board members' and Management's insights on charity governance in Singapore.

PROFILE OF SAMPLE

Focus Group	Sector	Type of Participants	IPCs' Tier*	Number of Participants
A	Social and Welfare	Management	9 Enhanced	9
B	Social and Welfare	Management	9 Advanced	9
C	Health	Management	6 Enhanced 4 Advanced	10
D	Health, and Social and Welfare	Board	4 Enhanced 2 Advanced	6

*Enhanced Tier: Gross annual receipts of S\$200,000 to S\$10 million
Advanced Tier: Gross annual receipts of S\$10 million or more

DATA COLLECTION PROCESS

34 participants from 29 charities with IPC status (11 from Health sectors; 18 from Social and Welfare sectors) took part in the research

Stage 1
Online questionnaires were sent to participants

Stage 2
Four focus group discussions (three for Management and one for Board members)

KEY POINTS RAISED BY PARTICIPANTS AT FOCUS GROUP DISCUSSIONS

Who are the drivers of charity governance and how will charity governance evolve in the future?	<ul style="list-style-type: none"> Drivers of charity governance include: <ul style="list-style-type: none"> Internal stakeholders – Board, Sub-Committees and Management. External stakeholders – Donors, Sponsors, Beneficiaries, Government and the Public. “The Board and its committee have the responsibility to ensure that all the necessary compliance requirements are in place. It is the CEO/ED and Management’s role to apply and operationalise these governance compliances.”¹ There is perception that charity governance framework will be more stringent in the future.
What are the charities' challenges with compliance to the Code of Governance for Charities and IPCs 2011?	<ul style="list-style-type: none"> Board matters remain the main challenge. They include difficulties in attracting new Board members, Board members’ lack of understanding of the charity sector, and strategic planning for their charity. Other challenges include high staff turnover rates, stretched resources, and new forms of risks.
How useful are publicly available resources in assisting charities in their compliance to the Code of Governance for Charities and IPCs 2011?	<ul style="list-style-type: none"> Publicly available resources provided by the Office of Commissioner of Charities (COC), such as courses by the Social Service Institute (SSI) and VWOs-Charities Capability Fund (VCF), as well as funding from SkillsFuture credits, are helpful. However, templates, such as guides on internal controls (Guide on Internal Controls for Charities in Singapore, prepared in 2009) and public image (Media Manual, prepared in 2007)², could be updated more regularly to ensure continued relevance.
Are charities ready to comply with the Code of Governance for Charities and IPCs 2017?	<ul style="list-style-type: none"> Generally, charities regard the guidelines provided in the Code as useful. They are keen to keep up with recommendations proposed in the Code 2017. However, they expressed that more resources should be provided to help them make the necessary improvements.

Notes:

¹ Quotation by a participant from the focus group discussions

² <https://www.charities.gov.sg/Publications/Page/Publications.aspx>

FOCUS GROUP PARTICIPANTS' FEEDBACK ON THE CHALLENGES THEY FACE WITH THE REFINED CODE OF GOVERNANCE FOR CHARITIES AND INSTITUTIONS OF A PUBLIC CHARACTER (IPCS) 2017**

 <p>Board Governance</p>	<ul style="list-style-type: none"> Charities agreed that Board renewal and succession planning are critical, as they shape the charity's strategic direction. Charities acknowledged the importance of Board training and would encourage their Boards' participation without making it compulsory. There were differing views on whether a charity's Board members should be compensated.
 <p>Conflict of Interest</p>	<ul style="list-style-type: none"> Although mandatory recusal was deemed useful by charities in minimising conflict and tension, concerns were raised on the loss of valuable inputs in the decision making process.
 <p>Strategic Planning</p>	<ul style="list-style-type: none"> Charities acknowledged the pressure to expand and expressed the need to scale up their operations. However, charities are faced with resource constraints due to the increasingly strict guidelines. Charities needed funding to cover costs in building capacity and developing capability.
 <p>Human Resource and Volunteer Management</p>	<ul style="list-style-type: none"> Charities have limited options in improving staff retention, due to funding constraints. Although charities were in favour of including guidelines on volunteer management policies, they expressed that these policies might be inappropriate for smaller charities with a thin volunteer base. It may also create possible tensions with volunteers, who are serving out of goodwill. Charities concurred that volunteer checks should be done, but they have difficulty with the implementation due to limited avenues and the high costs involved. Charities agreed that insurance for the Board should be provided despite it being expensive.
 <p>Financial Management and Internal Controls</p>	<ul style="list-style-type: none"> Even though charities were in favour of engaging accounting professionals to conduct risk assessments, they voiced the high costs involved in doing so. Hence, they would like to have accountants to volunteer their services. Charities expressed concerns that some external auditors may not have good understanding the charity sector, in turn placing additional burden on charities.
 <p>Fundraising Practices</p>	<ul style="list-style-type: none"> Charities highlighted the difficulty in the valuation of donations-in-kind. Charities requested for clearer guidelines on what and how donated goods should be valued. Charities expressed that engaging third-party fundraisers might be risky as they may be unaware about the requirements of the Code, and thus not comply.
 <p>Disclosure and Transparency</p>	<ul style="list-style-type: none"> Charities acknowledged the importance of general disclosure in helping to maintain transparency and deter fraudulent behaviours. There were differing views on the disclosure of Board members' meeting attendance.
 <p>Public Image</p>	<ul style="list-style-type: none"> Charities expressed difficulties in interpreting the Code's guidelines on public image. They do not know how to establish and implement good governance practices for public image.

**No changes were made in the Programme Management section



1 INTRODUCTION

This qualitative study aims to provide insights on charity governance in Singapore. It examines how charities implement the Singapore's Code of Governance for Charities and Institutions of a Public Character (IPCs) and the challenges they face.

The research questions are:

- a. Who are the drivers of charity governance?**
- b. How will charity governance evolve in the future?**
- c. What are the charities' challenges in complying with the Code of Governance for Charities and Institutions of a Public Character (IPCs) 2011?**
- d. How useful are the publicly available resources – courses, templates and funding?**
- e. What is the readiness of charities to comply with the Code of Governance for Charities and Institutions of a Public Character (IPCs) 2017?**

Four focus group discussions were carried out with participants from 29 IPCs from the Health, and Social and Welfare sectors, following the approval from the NUS Institutional Review Board (NUS-IRB Reference: S-17-077E) for the research proposal. These participants are Board members and Management staff who are involved in the governance of their charities. Through the discussions, the participants shared their experiences, insights, and perspectives on charity governance.

Participants provided feedback on the nine sections of the Code of Governance for Charities and IPCs (thereafter "the Code") 2011, which are (1) Board Governance, (2) Conflict of Interest, (3) Strategic Planning, (4) Programme Management, (5) Human Resource and Volunteer Management, (6) Financial Management and Internal Controls, (7) Fundraising Practices, (8) Disclosure and Transparency, and (9) Public Image. The Code is a non-mandatory governance best practice guide that operates on the principle of 'comply or explain' (Charity Council, 2017).

The next section provides a brief overview on how the Code was developed and the refinements it has undergone. Three IPCs from different tiers, each serving different beneficiary groups, were selected to share their good governance practices. The Breadline Group is a Social and Welfare IPC in the Enhanced tier that serves the aged and underprivileged. Singapore Children's Society is a Social and Welfare IPC in the Advanced tier, serving children and youth in the community. The Singapore Association for Mental Health is a Health sector IPC in the Enhanced tier that provides various services to persons with mental health conditions. They demonstrate that all charities, regardless of size and programmes, have the ability to work towards good governance practices.



2 CHARITY GOVERNANCE IN SINGAPORE

2.1 The Code of Governance for Charities and IPCs

The Code was first published in 2007 and sought to make charities more effective, provide Board members with guidance to improve their competencies as fiduciaries, and improve public confidence in charities by laying out standards of good governance that charities can strive towards (Charity Council, 2017).

To ensure continued relevance, the Code has undergone two refinements in 2011 and 2017, since its implementation in 2007. In Singapore, the Office of Commissioner of Charities, together with the Sector Administrators (SAs) and the Charity Council, work together with charities to ensure good governance. Charities from the Health sector work with the Ministry of Health as their SA, while charities from the Social and Welfare sector work with the Ministry of Social and Family Development as their SA. To enable the charities to work towards these governance practices, a considerable number of resources are made available in Singapore.

2.2 Resources Available for Charities in Singapore

Some of the resources that are available for charities in Singapore include courses, templates, and funding for course fees.

The Social Service Institute (SSI) has a range of training courses that aim to improve Board governance and Board performance (Social Service Institute, 2017a). A good example would be the Develop Board Volunteers Initiative (DBVI), which aims to enable on-going learning for Board members to manage the best interests of their charities' stakeholders while using resources effectively. Under this initiative, there is a holistic roadmap for Board members, integrating different learning methods to suit the varied learning preferences (Social Service Institute, 2017b). Besides this initiative, there are also other training courses such as 'Board Member's Induction to Charity Ecosystem and their Board Duties' and 'Charity Portal & Governance Evaluation Checklist', which are specifically tailored to charity governance (Social Service Institute, 2017c).

Guides and templates on the various areas of the Code may be found on the Charity Council's website. These are publicly available resources for charities to download and utilise accordingly. In addition to templates, there are various funding support for charities. The VWOs-Charities Capability Fund (VCF) provides up to eighty-percent locally approved subsidies for Singaporeans and PRs on course fees for local approved courses and training programmes (Charity Portal, 2016).

BOX STORY 1: THE BREADLINE GROUP

About The Breadline Group

Formed in 1975, The Breadline Group (thereafter, “Breadline” or “the Group”) is a charity, comprised entirely of volunteers who care for the aged and needy in Singapore. Breadline chooses to remain small and transparent, and to comply with the guidelines suggested by the Code. The Group currently provides financial and social support to about 200 families, granting each family between S\$50 to S\$400 a month if they either do not qualify for public assistance, or their public assistance is insufficient because they have special needs, such as medical consumables that are not covered by Medifund.

The Family Adoption Scheme provides monthly financial assistance to families that have been referred to the Group by external social workers. The Family Advisory Committee assesses each case before making a recommendation to the Executive Committee for decision. Upon the approval of the Executive Committee, the financial assistance can be disbursed. The social worker who submitted the application for the family, will be informed of the amount and period of aid given, as well as the name and contact details of the assigned Breadline volunteer. In turn, the social worker will update the beneficiary. In this manner, everyone involved is kept informed.

Breadline has almost 100 volunteers who focus on direct volunteering efforts, such as visiting the same families once a month and providing emotional support. Some volunteers look after more than one family, where they befriend the families and provide grocery vouchers, infant milk powder and/or cash. New Breadline volunteers accompany experienced volunteers on visitations until they are comfortable to be assigned to an existing or new family.

Board

The Group is run by an Executive Committee, which decides on policy matters and sets the direction for the Group. Board members must volunteer with the Group for one year prior to their tenure. The Family Advisory Committee is a functional committee made up of experienced members and current or retired social workers, who evaluate cases for the Family Adoption Scheme.

Extract of Interview with Mr Richard Lim, Honorary Treasurer

Transparency

Breadline is motivated to be open and transparent as they can attract and retain donors and volunteers by doing so. Audited accounts are disclosed online. Committee meetings are open to all volunteers, corporate donors and sponsors. Board members are neither paid nor seek to be rewarded. The volunteers join because they relate to the cause and identify strongly with the Group’s mission.

Do not handle cash

Specifically, the charity has adopted a policy of no-cash transaction. For instance, payment is by crossed cheque, which provides for a paper trail. When volunteers visit the family, they hand out the financial assistance in cash. The beneficiary signs the disbursement form for the funds they received. Volunteers then submit a reimbursement claim form to Breadline, together with disbursement form signed by the beneficiary. Monthly pay-outs are recorded and that amount is tallied against all the cheques issued.

Remain small and niche

To remain effective, Breadline has made the decision to remain small, where their niche is to look after the families that fall between the cracks. It is possible to remain small and successful, as long as there is support from organisations and people dedicated to the cause. As Mr Richard Lim pertinently suggests, “Do right by your beneficiaries, and comply with Code requirements. If the need arises, a charity should get professional help wherever possible.”

Note:

The information presented in this box story is obtained from correspondences and interviews with The Breadline Group, The Breadline Group's website (<http://breadlinegroup.org/>), its 2016/2017 Executive Committee Report (<http://breadlinegroup.org/wp-content/uploads/2017/06/exco-report-2016.pdf>), and press coverage on Breadline (Basu, 2010) provided by Mr Richard Lim.

BOX STORY 2: SINGAPORE CHILDREN'S SOCIETY

About Singapore Children's Society

Singapore Children's Society (thereafter, "Children's Society" or "the Society") protects and nurtures children and youth of all races and religions. In 2016, the Society reached out to 74,173 children, youth and families in need. Established in 1952, its services have evolved to meet the changing needs of children. Today, Children's Society operates 11 service centres islandwide, offering services in the four categories - Vulnerable Children Services, Children and Youth Services, Family Services, and Research and Advocacy.

As of 2016, Children's Society employs 190 staff with the support of 1,050 volunteers. The Society shows appreciation for volunteers through tributes and an annual awards ceremony. In 2016, it conferred 52 awards, of which 14 awards were for recognition of their volunteers' efforts and 38 awards were for thanking their donors. The Society makes a conscious effort to keep a lid on its fundraising expenditure. In 2016, it spent 17.3% of its total expenditure on fundraising, while 66.9% of the total income was raised via donations. Through fundraising programmes like the 1000 Enterprises for Children-in-Need (1000E) and 1000 Philanthropists (1000P), Children's Society encourages businesses and key donors to pledge donations to Children's Society annually.

Board and Management

The Board consists of 21 members with a range of expertise and experience, of whom seven are office bearers. Board members will typically have volunteered for a few years on the Standing Committees, before serving on the Board. Induction is conducted for new Board and Standing Committee members. This includes an orientation programme where Committee members visit some of the Children's Society's centres. The Board meets every two months with an average attendance rate of around 70%. The Board makes key strategic decisions, while the Management Team carries out operational duties. Every two years, the Board and the Management Team meet to review the strategic direction of the organisation and the best practices of charity governance. The Chairman of Children's Society, Mr Koh Choon Hui, visits each of the centres run by Children's Society every month to understand the challenges faced by the staff and to make sure that Children's Society's programmes and services stay relevant.

Extract of Interview with Ms Ang Boon Min, Director, Corporate Services

Transparency and Fundraising

Children's Society was one of the winners of the inaugural Charity Transparency Awards in 2016. The Board places great emphasis in ensuring good charity governance within the organisation. Recent initiatives include the introduction of a whistleblowing policy, which sets out avenues for staff to raise concerns on irregularities within the organisation. Policies and procedures are put in place to ensure that resources are spent legitimately, and internal controls are reviewed regularly to ensure that they are effective. The Board also plays an important role in fundraising by actively introducing potential donors to the organisation. The Appeals Committee sets a clear strategy that is executed by the fundraising team. They meet regularly with new and existing donors to encourage participation in Children's Society's fundraising programmes, and to explain the impact of their donations.

Volunteer Management and Programme Evaluation

Children's Society actively recruits volunteers to support its programmes and services. Volunteers can select programmes and services based on their availability and areas of interests, and will have to undergo relevant training before they begin volunteering. Children's Society screens all volunteers and requests that volunteers follow a Code of Conduct in their interaction with beneficiaries.

Besides conducting primary research, Children's Society's research officers also support service centres' efforts in programme evaluation. A tool was developed to conceptualise a programme and its intended outcomes. Workshops are conducted to provide consultation and support to the centres to help them assess the impact and effectiveness of their programmes.

Note:

The information presented in this box story is obtained from correspondences and interviews with Singapore Children's Society, the Singapore Children's Society's website (<https://www.childrensociety.org.sg/>), and its 2016 Annual Report (https://issuu.com/sgchildrensociety/docs/singapore_children_s_society_annual).

BOX STORY 3: SINGAPORE ASSOCIATION FOR MENTAL HEALTH

About Singapore Association for Mental Health

Singapore Association for Mental Health (SAMH) was established in 1968 to promote social and mental well-being of people in Singapore by offering rehabilitative, outreach, residential, and peer specialists support services. SAMH was awarded the 2012 Charity Governance Award for good governance and accountability.

Board and Management

SAMH has 11 Board members, of which at least five members have experience in the mental health sector. The Board meets bi-monthly, with at least six members present. The Board meets once every few years for strategic planning. This includes discussions on landscape, service gaps, and re-evaluation of SAMH services. SAMH employs 86 staff members as of 31 March 2017. The Board is supported by 109 individual volunteers and various volunteer groups. The charity shows their appreciation for volunteers in collaterals, such as the newsletter, the annual report, Facebook, and other appropriate events platforms.

Extract of Interview with Dr Daniel Fung, Immediate Past President, and Ms Tan Li Li, Executive Director

Regular operations planning and review

The Board ensures that the organisation is efficient and effective through regular and rigorous operations-planning and review, to support their beneficiaries and drive strategic objectives. The Board has internal controls, checks and balances, in place to ensure the smooth operation of the organisation. As an awardee of the Inaugural Charity Governance Award, the Board puts in place processes to fulfil good governance and accountability. A distinctive trait of SAMH is the willingness to change when needs arise. In the last year, the Board has deployed technology in a bid to enhance productivity, including Microsoft Office 365 and a modular human resource system that covers the fundamental services outsourced. The next phase would include modules such as training and development, appraisal and talent management. The introduction of an e-Case Management System is also in the pipeline.

Staying relevant

To ensure SAMH stays relevant, the Board is following the shift from a medical model of illness towards a more recovery oriented and holistic model, which emphasise on the interplay of both biological and psychosocial elements. Such a change means that SAMH no longer evaluates outcomes purely on clinical symptoms (such as hallucinations or delusions), but focuses on quality of life and recovery through the psychiatric rehabilitation approach.

Risk Management

In managing its risks, SAMH establishes the areas that face the highest risk, and addresses them with many different forms of risk management initiatives. To do so, the Board has a clear chain of accountability so that decisions are made objectively in the best interests of the charity. There are many potential financial risks in the the future, creating new contexts for risk management. Hence, the Board has to complement risk management with quality and sound internal controls.

Note:

The information presented in this box story is obtained from correspondences and interviews with Singapore Association for Mental Health, the Singapore Association for Mental Health's website (<https://www.samhealth.org.sg/>), and its FY2015 Annual Report (https://www.samhealth.org.sg/wpcontent/uploads/docs/SAMH%20Annual%20Report%20FY%202015_05%20Aug%202016%20Final%20LR.pdf).

2.3 Key Refinements of the Code and Governance Evaluation Checklist

The Code 2017 and the Governance Evaluation Checklist (GEC) may see some charities dealing with potential challenges in the adaptation and implementation of the new guidelines.

An extract on the implications of the refinements on both Board and Management (RSM Singapore, 2017a) is shown in Table 1 below. RSM is the sixth largest audit, tax and consulting network globally (RSM Singapore, 2017b). In Singapore, they have a dedicated NPO Practice Team that has experiences working with numerous charities across different sectors (RSM Singapore, 2017c).

Note:

Reprinted from Code of Governance for Charities and Institutions of a Public Character (2017 refinements), 2017, August 15, Retrieved from <http://www.rsmsingapore.sg/who-we-are/newsroom/281-code-of-governance-for-charities-and-institutions-of-a-public-character-2017-refinements>. Copyright 2017 by RSM Singapore. Reprinted with permission.

Table 1: Key Refinements of the Code

EXTRACT OF KEY CHANGES
<p>Board Governance</p> <p>Clause 1.1.1 & 1.1.2: Induction & training for Board members Appropriate training should be provided to Board members and induction for incoming Board members.</p> <p>Clause 1.1.4: List of matters requiring Board approval The charity should also prepare a document with guidelines setting forth matters reserved for the Board's decision and clear directions to staff on matters that must be approved by the Board.</p> <p>Clause 1.1.7 & 1.1.13: Term limit for Board members & Treasurer Establish a term limit for all Board members to ensure steady renewal, and disclose the reasons for retaining Board members who have served for more than 10 consecutive years. The required lapse period before eligibility for re-election as Treasurer or a Board member is extended to 2 years.</p>
<p>Resource and Volunteer Management</p> <p>Clause 5.3: Code of Conduct Charity should have a documented Code of Conduct for Board members, staff and volunteers (where applicable) that is approved by the Board.</p>
<p>Financial Management and Internal Controls</p> <p>Clause 6.1.1: Spending of resources in line with core purposes There should be a documented policy to seek the Board's approval for instances where the charity provides loans, donations, grants or financial assistance that are not part of its core charitable programmes.</p> <p>Clause 6.1.4: Risk management The Board should ensure that there is a process to identify, regularly monitor and review the charity's key risks. This should cover mitigating measures and controls for all key risks.</p>
<p>Fundraising Practices</p> <p>Clause 7.2.3: Donations-in-kind All donations-in-kind received should be properly recorded and accounted for by the charity.</p>
<p>Disclosure and Transparency</p> <p>Clause 8.1a: Information on Board members & office bearers The charity should disclose the information of its Board members, specifically — name, Board appointment and date of appointment — to the Board, in its annual report. Where the current holder of any of the relevant offices has prior to his current term held any of the relevant offices in the charity, he should disclose the date of his first appointment in each of the relevant offices.</p> <p>Clause 8.2: Board meeting attendance The charity should disclose the number of Board meetings in the year as well as the attendance of each Board member (on a named basis) in its annual report.</p> <p>Clause 8.5: Disclosure of staff remuneration Disclose the number of paid staff (no-named basis) who are close family members of CEO/ED/Board members (named basis) with remuneration exceeding S\$50,000 during the year. Disclosure of the staff's remuneration should be in incremental bands of S\$100,000 on a no-named basis. However, the related Executive Head or Board member(s) should be disclosed on a named basis.</p> <p>Clause 8.6: Whistle-blowing policy The charity should set in place a whistle-blowing policy and disclose the existence of such a policy in its annual report.</p>

IMPLICATION TO BOARD	IMPLICATION TO MANAGEMENT
Formalise an induction programme for new members. Identify training needs and set aside necessary budget.	Assist to develop and implement induction programme and coordinate training requirements.
Establish a formal delegation of authority matrix clearly spelling out matters and transactions that must have prior approval from the Board.	Establish policies, processes and structure to ensure compliance with Board instructions.
Design a Board renewal and succession plan to meet the needs of the organisation, and amend the Constitution where necessary. Charities with a large number of long-serving Board members may need to adopt a phased approach to avoid disruption of continuity.	Assist the Board in developing and implementing the plan.
Adopt an appropriate Code of Conduct policy and declaration procedure. This may be consolidated with the policy on Conflict of Interest and declaration.	Assist to develop the policy and establish process and structure to ensure ongoing compliance.
Spending and transaction not in line with the core charitable purposes of the organisation should be included in the List of Matters Requiring Board Approval.	Assist to develop the policy and establish process and structure to ensure ongoing compliance.
Establish appropriate committees for risk governance. Ensure that management has established adequate and effective systems of risk management and internal controls.	Establish adequate and effective systems of risk management and internal controls.
Ensure that adequate policies and processes are in place to track, record and account for donations-in-kind.	Establish policies, processes and structure to ensure compliance.
Designate Board committee or Board member to supervise management to ensure compliance.	Establish system to keep track of information and prepare disclosure in the annual report and website to comply with the requirements.
Plan meeting schedule ahead of time to allow Board members to plan their schedules accordingly and inform Board members of the disclosure requirement.	Assist the Board to plan meeting schedule ahead of time and send reminder to Board members.
Ensure the establishment of necessary policy and processes to identify and declare such relationship.	Establish the necessary policy and processes to identify such relationship and comply with the disclosure requirements.
Ensure whistle-blowing policy is in place and that staff and external parties are aware of it. The policy should provide a channel for independent reporting, protect the whistle-blower and ensure independent investigation proceedings.	Disclose the policy and channel in the annual report and on the website; communicate and educate the staff on the policy.

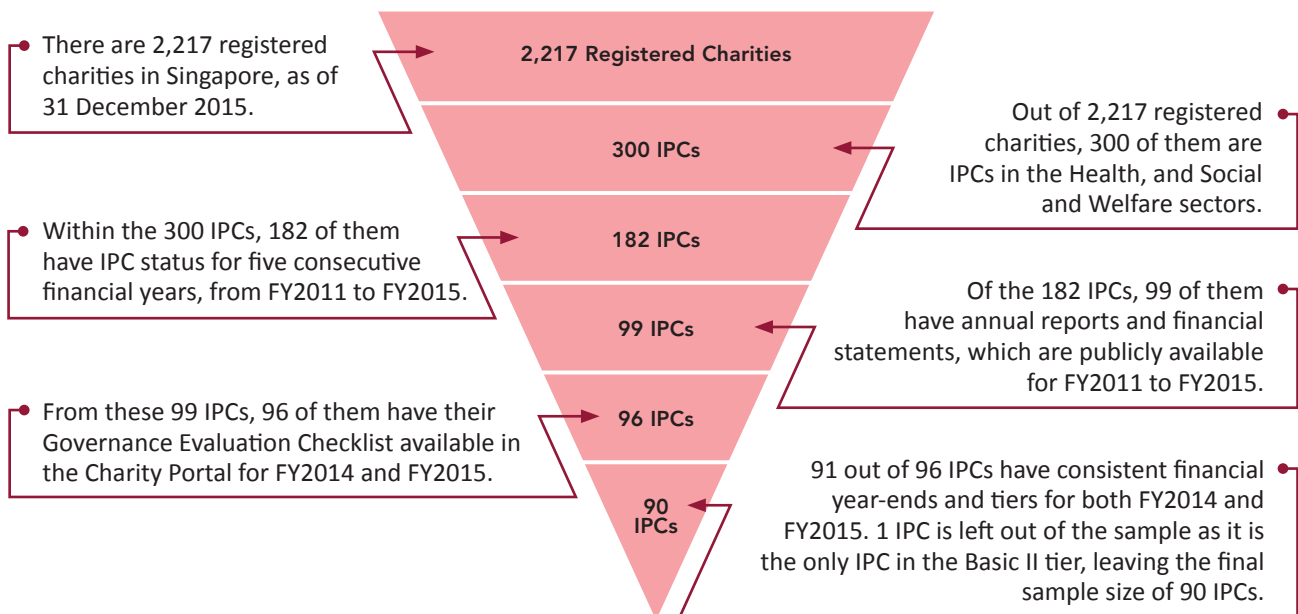


3 METHODOLOGY

3.1 Sample

The sample covers Institutions of a Public Character (IPCs) in the Health, and Social and Welfare sectors. 91 IPCs were selected as the sample for this qualitative study. In the sample of these 91 IPCs, there was only one IPC in the Basic II tier. Thus, it was decided that this IPC would be excluded from the sample, resulting in a final sample size of 90 IPCs. Figure 1 shows how the research sample was derived. Table 2 reflects the distribution of the sample. Of the 90 IPCs, 19 are from the Health sector, and 72 from the Social and Welfare sector. Majority are IPCs from the Enhanced tier.

Figure 1: Derivation of Final Sample



Notes:

1. The figure on the total number of registered charities was taken from Commissioner of Charities Annual Report for the year ended 2015 (Ministry of Culture, Community and Youth, 2016).
2. The Charities Unit provided three lists, each of which contained charities from the Health, and Social and Welfare sectors with IPC status in FY2013, FY2014 and FY2015.

Table 2: Distribution of Sample for Focus Groups into Enhanced and Advanced Tiers

Sample Size by Gross Annual Receipts and Sector	IPCs in the Health Sector	IPCs in the Social and Welfare Sector	Total number of IPCs
Enhanced Tier (S\$200,000 to S\$10 million)	11	59	70
Advanced Tier (More than S\$10 million)	8	12	20
Total number of IPCs	19	71	90

Note:

One IPC was left out of the sample as it is the only IPC in the Basic II tier, leaving the final sample size of 90 IPCs.

3.2 Data Collection Procedures

The data collection comprised of two stages. Stage 1 involved data collection through online questionnaires and Stage 2 involved focus group discussions.

Figure 2: Two-Stage Data Collection Process



3.3 Participants' Profile

All participants held key roles in the governance of their respective charities. The similarities of participants' profiles and their roles helped to facilitate meaningful discussion (Acocella, 2012). Each focus group consisted of the recommended number of participants, which is approximately between six and 10 (Rabiee, 2004). Participants were grouped based on their sector (Health or Social and Welfare) and their role (Board or Management). It was vital that participants of similar background were grouped together, so that they share common experiences and have similar insights (Fern, 2001a; Kidd & Parshall, 2000; Kitzinger, 1995).

The IPCs in the sample were contacted through electronic mail, followed by phone calls. Out of the 90 IPCs contacted, 29 IPCs were willing to take part in the focus group discussions, resulting in a response rate of 32.2%. These 29 IPCs sent at least one representative, either from their Board or Management. A few IPCs were able to send one representative from their Board and one from their Management, which is the maximum number of representatives for the focus group discussions.

Table 3 provides an overview of the participants from the four focus groups. A total of 28 Management staff and six Board members took part in the focus group discussions. There were three focus groups for Management representatives, but only one for Board members. This is because most Board members are volunteers who hold full-time jobs. They were unable to join the focus group discussions that was conducted during office hours.

Table 3: Overview of Focus Group Participation

Focus Group	Sample Size (IPCs)	No. of IPCs		No. of Participants
		Enhanced	Advanced	
Group A • Management • Social and Welfare sector	59	9	0	9
Group B • Management • Social and Welfare sector	12	0	9	9
Group C • Management • Health sector	19	6	4	10
Group D • Board • Health, and Social and Welfare sector	90	4	2	6

Notes:

1. Management includes the Executive Directors, Chief Executive Officers and Managers.
2. The total number of participants is 34 from the 29 IPCs. Each IPC can only send one representative from their Board, and one from their Management. Thus, the total number of IPCs reflected in Table 3 includes double counting for the IPCs that sent one representative from their Board and one from their Management.
3. In Group A, there were 9 Management representatives from 9 Social and Welfare IPCs from the Enhanced Tier.
4. In Group B, there were 9 Management representatives from 9 Social and Welfare IPCs from the Advanced Tier.
5. In Group C, there were a total of 10 Management representatives from 10 Health IPCs. Of the 10 IPCs, 6 are from the Enhanced Tier and 4 are from the Advanced Tier.
6. In Group D, there were a total of 6 Board representatives from 6 Health, and Social and Welfare IPCs. Of the 6 IPCs, 4 are from the Enhanced Tier and 2 are from the Advanced Tier.

3.4 Focus Group Discussions

Four focus group discussions were held either in the meeting room of Shared Services for Charities, or the training room of Eagles Mediation & Counselling Centre. The setting was intentionally arranged to be informal and comfortable, so as to encourage participants to share their insights (Rabiee, 2004; Tynan & Drayton, 1988).

The moderator was a former Chief Executive Officer of a reputable charity. She was the primary facilitator of the focus group discussions. The principal investigator was present as co-facilitator for all the sessions. The moderator played a pivotal role in encouraging open and uninhibited dialogue among the participants (Traynor, 2015; Tynan & Drayton, 1988). The moderator first briefed participants on the scope and topics, and participants were provided with explanatory documents outlining the refinements in the Code 2017, comparing to the Code 2011. Briefing the participants on this material was important as it prepared participants for the focus group discussions.

Five note-takers were present at each focus group session to observe and record the inputs. Observations were both verbal and nonverbal, as seen from certain gestures, tones, consensus, themes, and identification information (Stewart & Shamdasani, 2014).

The maximum duration of the focus group was 105 minutes, with a mid-way refreshment break of 15 minutes. The break also served as an opportunity for the moderator to get to know the participants better, especially those who were more reserved, and to encourage better discussion in the second half of the discussion (Barbour, 2007; Hennink, 2014). Additionally, it gave participants the chance to communicate with each other in a less formal setting and allowed them to feel more comfortable (Hennink, 2014). In the event that the focus group discussions exceeded the maximum duration of 105 minutes, the moderator sought the participants' consent before proceeding with the session.

3.5 Coding and Data Analysis

Notes-based analysis was applied, meaning that the notes from the focus groups were compiled and arranged before analysis. These captured the essence of the discussions, including consensus, proxemics, chronemic, kinesics, and paralinguistic information (Onwuegbuzie, Dickinson, Leech & Zoran, 2009). Notes were recorded separately for each focus group. Each set of notes were classified according to the broad themes set out for the discussions, and were later sub-divided into second- and third-level categories (Barbour, 2007). Using the framework of exploratory focus group discussion (Fern, 2001b), the notes shed light on IPCs' governance practices in Singapore.

This qualitative research study used two primary methods – constant comparative analysis and content analysis (Onwuegbuzie, Dickinson, Leech & Zoran, 2009), and had three main stages of data analysis – open coding, axial coding, and selective coding (Hewitt-Taylor, 2001; Onwuegbuzie, Dickinson, Leech & Zoran, 2009). Across focus groups, content analysis was utilised to examine the frequency in which certain topics or issues emerged throughout the different groups. This served to provide both qualitative and quantitative information about the discussions, enabling a mixed methods content analysis (Onwuegbuzie, Dickinson, Leech & Zoran, 2009; Stemler, 2001).



4 RESEARCH FINDINGS

This section presents the findings from the focus group discussions. Each area begins with summary tables that highlight the major issues raised during the discussions. This is followed by a more detailed discussion of the points raised. Where relevant and available, there are also quotes from the focus group participants, who have given their consent and permission to publish them.

The findings are based on the participants' sharing during the focus group discussions. They are intended to serve as a reference for both internal and external stakeholders by encouraging dialogue and discussion on the topic of charity governance in Singapore. The information presented do not necessarily reflect the views of the authors.

4.1 Who are the Present Drivers of Charity Governance?

Table 4: Drivers of Charity Governance

Discussion Points raised	Group A • Management • Enhanced Tier • Social and Welfare Sector	Group B • Management • Advanced Tier • Social and Welfare Sector	Group C • Management • Enhanced and Advanced Tiers • Health Sector	Group D • Board • Enhanced and Advanced Tiers • Health, and Social and Welfare Sector
External stakeholders				
Donors and Sponsors	✓		✓	✓
Beneficiaries		✓		✓
Public	✓			
Government	✓			✓
Internal stakeholders				
Board and Sub-Committee	✓			✓
Management	✓			

Note:

The tick (✓) denotes that the particular discussion point was brought up by the respective focus group.

During the focus group discussion, participants from the Board and Management, both agreed that there are internal and external drivers of charity governance.

INTERNAL STAKEHOLDERS

Internal stakeholders drive charity governance. They comprise of Board and Sub-Committee, as well as Management. The Management participants acknowledged that both Board and Management play crucial roles in driving charity governance. They added that while the Board provides directives, it is the Management's role to operationalise and implement the specific processes that lead to compliance.

EXTERNAL STAKEHOLDERS

External stakeholders are donors, sponsors, beneficiaries, the public, and the government. Given that charities rely on donations to operate, adhering to proper governance practices helps charities to instill donor confidence. The government was seen as responsible for driving charity governance, in that they set the standards by which the sector operates – namely, the Code of Governance for Charities and IPCs. Charities strive to follow the best practices, as recommended in the Code. The public acts as a check and balance for charities. Charities do not want to risk scrutiny from the public if they fail to meet the recommended governance guidelines.



Stakeholders like donors and beneficiaries have certain expectations, and charity governance principles and rules can help guide charities to meet at least the minimum expectations.



Suhaimi Bin Zainul Abidin, Breast Cancer Foundation

4.2 How will Charity Governance Evolve in the Future?

Generally, participants from all four focus groups agree that there is a trend towards a more stringent charity governance framework. Other comments raised during the discussions are as follows:

POSITIVE FEEDBACK

Participants expressed that the current 'comply or explain' model was beneficial as it gives them more time and leeway to restructure their charities to comply with the requirements of the Code. They also acknowledged that the Code is important as it protects the sector against complaints.

NEGATIVE FEEDBACK

However, the charities also expressed their concerns that with a more stringent Code, persistent non-compliance may lead to them potentially losing their IPC statuses. Therefore, they felt pressured to comply.

Charities thought that as the Code becomes more stringent, it will become more inflexible. Charities with programme outcomes that are intangible face difficulties with programme evaluations, which might threaten their funding. Furthermore, Board fatigue, difficulties in Board recruitment and retention, were mentioned as internal consequences of a stricter Code.

4.3 What are the Charities' Challenges in Complying with the Code 2011?

Table 5: Challenges with Compliance

Discussion Points raised	Group A • Management • Enhanced Tier • Social and Welfare Sector	Group B • Management • Advanced Tier • Social and Welfare Sector	Group C • Management • Enhanced and Advanced Tiers • Health Sector	Group D • Board • Enhanced and Advanced Tiers • Health, and Social and Welfare Sector
Difficulties in attracting new Board members	✓	✓	✓	
Board members lack understanding of the charity sector			✓	✓
Challenges due to rapidly changing environment			✓	
High staff turnover	✓		✓	
Stretched resources between serving clients and corporate functions		✓	✓	✓
New forms of risks in managing charities' public image		✓		

Note:

The tick (✓) denotes that the particular discussion point was brought up by the respective focus group.

The main areas of challenge in compliance with the Code are Board matters, and the resources available for charities to meet the compliance guidelines in the Code. These issues include those pertaining to (1) difficulties in attracting new Board members, (2) Board members lack understanding of the charity sector, (3) challenges due to rapidly changing environment, (4) high staff turnover, (5) stretched resources between serving clients and corporate functions, and (6) new forms of risk in managing charities' public image.

Attracting new Board members remains a constant challenge. Large charities place a heavier emphasis on Board roles and responsibilities, and thus require more time to find suitable members that can hold up the organisational culture. Smaller charities, on the other hand, felt that people are less likely to join them as they may lack appeal.

Charities may also unintentionally attract Board members who may not be passionate or lack relevant understanding of the charity sector. The four-year term limit for Treasurers poses a challenge, due to the difficulties of finding someone with a finance background. Charities felt that increasing the lapse from one to two years for re-appointment to the Board may end up turning away suitable Board members who want to serve.

Board members may lack understanding of the charity sector and charity governance, leading to tension between the Board and Management.

IPCs in the Health sector face challenges with strategic planning, due to a rapidly changing environment. Challenges include a high staff turnover, and the need to continually devote resources to train new staff.

For charities, resources are stretched between caring for their clients and the corporate functions needed for the charities to comply and keep running. While the larger charities have already developed their own internal governance practices and processes, the smaller charities expressed resource strain.

Risk management policies are required in the Code 2017. However, charities felt that they are not equipped with the resources needed to change their policies, or to protect themselves against new forms of risks from technology and new areas of governance. In particular, charities felt that their public image could be affected by social media and controversial social issues that may surface online.

4.4 How Useful are the Publicly Available Resources?

To help the charities with governance, the Office of the Commissioner of Charities (COC) and Charity Council have provided publicly available resources in the form of training courses, templates and funding.

TRAINING COURSES

Participants acknowledged that training courses for Board members were helpful. The course fees are manageable, and some charities have even incorporated training courses into induction programmes for their Board members. The gap between awareness and usage of these publicly available resources can be explained by the communication gaps in information sharing. Information are often disseminated through emails, tend to stop at the Management level. While this prevents overloading of information for the Board members, it also blocks information from reaching them.

TEMPLATES

Charities acknowledged that the guides and templates available on the Charity Portal can be used as reference points for the building and development of internal governance guidelines. During the discussions, participants shared that these guides and templates should be updated more regularly to ensure their relevance.

In addition, the focus group participants highlighted that different project funders require different sets of compliances. For the charities, they tend to prioritise their funders' audit and compliance with requirements over the Code, as the compliance with their funders' requirements may already be taxing for charities. As such, rather than using the available guides and templates to comply with the Code, charities have to first comply with their funders' requirements.

FUNDING

Various types of funding support are available, such as the VWOs Capability Fund (VCF) and SkillsFuture credits. Charities may enjoy subsidies on course fees for short courses and academic programmes offered. Participants gave their feedback that the funding is important to charities. It provides financial support to send their staff and Board members to training courses and events, to keep them updated and informed.

4.5 What is the Readiness of Charities to Comply with the Refined Code 2017?

Generally, charities regard the Code as a relevant and useful reference point. Participants agree on the need for good governance and are keen to comply. But many charities expressed that they needed help and more time to implement the refinements in Code 2017. There was a suggestion for charities to implement the changes in phases, meeting various targets over a longer period, for smooth transition from Code 2011 to Code 2017.

Given their lack of in-house capability, many charities are often compelled to outsource their compliance related functions such as internal audit. Although there may be publicly available resources for charities to tap on, many participants explained that their staff are often stretched as they have to set aside time from their normal workload to work with external parties. They have to procure grants, follow up and work with external service providers or volunteers on charity governance compliance matters.




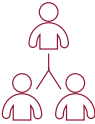




Some participants commented that the situations are made worse as some charities' Board members cannot respond on a timely manner because of their busy schedule. This further delays the work processes and make supporting governance practices more challenging.

Lastly, participants expressed the need for everyone in the organisation to understand the Code, especially the front-line staff.

4.6 Feedback on the Nine Sections of the Refined Code 2017

Feedback from the focus group discussions was received on the nine sections of the refined Code 2017. The nine sections are: (1) Board Governance, (2) Conflict of Interest, (3) Strategic Planning, (4) Programme Management, (5) Human Resource and Volunteer Management, (6) Financial Management and Internal Controls, (7) Fundraising Practices, (8) Disclosure and Transparency, and (9) Public Image. The following table provides an overview of the topics that were discussed under each section of the Code. There was no feedback received for Programme Management since there were no changes made to this area of the refined Code 2017.

Figure 3: Summary of Comments and Issues Raised during the Focus Group Discussions

	Board Governance	<ul style="list-style-type: none"> • Board renewal is critical to the sustainability of charities • Recruitment of new Board members and succession planning • Mixed feelings on whether Board training should be made compulsory
	Conflict of Interest	<ul style="list-style-type: none"> • Mandatory recusal is useful in minimising further conflict and tension
	Strategic Planning	<ul style="list-style-type: none"> • Additional resource requirements to achieve good governance • Need for additional funding for capacity and capability plan
	Human Resource and Volunteer Management	<ul style="list-style-type: none"> • Poor staff recruitment and retention • Volunteer management policy is needed • Background checks for volunteers and staff • Code of Conduct for volunteers and staff • Insurance for the Board should be provided
	Financial Management and Internal Controls	<ul style="list-style-type: none"> • Challenges in getting volunteer accountants to conduct risk assessment
	Fundraising Practices	<ul style="list-style-type: none"> • Difficulty in valuing donations-in-kind • Use of third-party fundraisers
	Disclosure and Transparency	<ul style="list-style-type: none"> • Disclosure is an important section of the Code • Mixed responses on disclosure of Board meeting and Board members' meeting attendance • Mixed responses towards Board remuneration
	Public Image	<ul style="list-style-type: none"> • Difficulty in interpreting the Code and how to establish good governance practices in this area • Concerns over public image and new areas of risk from engaging in social media

Note:

There are no refinements made to Programme Management under the Code 2017, as such no discussion was made on that.

4.6.1 Board Governance

During the focus group sessions, participants brought up issues on Board renewal, succession planning and recruitment of new Board members, Board training for discussion.

BROAD RENEWAL IS CRITICAL TO THE SUSTAINABILITY OF CHARITIES

During the focus group discussions, many participants expressed that they have not been able to retire many of their Board members who served for more than 10 years. Board renewal is critical to the long-term effectiveness of the Boards, as it ensures the continuity of governance that is compatible with the charity's vision (Radbourne, 2003).

Participants understand the importance of succession planning and Board renewal, and their impact on the long-term effectiveness of the Board. However, many charities are unwilling to retire their long serving Board members because of their skills, expertise and past contributions.

Board renewal is critical to the sustainability of the charities. New Board members will bring in a broader range of expertise and experiences. However, charities find it difficult to attract new Board members with the right balance of core competencies, skills, and passion. Smaller charities are seen as less attractive and thus they tend to experience greater difficulty in Board recruitment. Long-serving Board members are seen as extremely valuable, especially for their passion, connections, experience, and expertise, and charities strongly wish to keep them on the Board.



Board matching is more critical. This is where you find people who are passionate and with the right skillsets, rather than changing the Board and making somebody step down just for the sake of having new Board members.

Tan Sek Wah, Calvary Community Care



Sometimes, for some charities, the Board members are the founding members. They have a lot of heart for the charity and they knew from the beginning how it was formed, how it became like how it is today. They are very connected to the donors and can easily raise funds.

Nancy Thio, Children's Cancer Foundation



RECRUITMENT OF NEW BOARD MEMBERS AND SUCCESSION PLANNING

Most of the participants expressed that their charities are working to put succession planning and Board renewal in place. However, they voiced out that more time is required to reach compliance level. Some charities felt that the requirement to disclose explanations for their Board members who continue to serve for more than 10 years, creates the impression that 10 years is the maximum term limit for Board members.

At the focus group discussion, participants also discussed how charities should be encouraged to recruit outside of the current Board members' personal networks. Board recruitment is the most important process in ensuring that succession planning and Board renewal is in place. For succession planning to be effective, charities are encouraged to recruit new Board members with diverse skills to improve Board effectiveness. According to the Board Leadership Survey 2016, 78% of organisations recruit Board members through their personal networks (National Volunteer & Philanthropy Centre, 2016).

MIXED FEELINGS ON WHETHER BOARD TRAINING SHOULD BE MADE COMPULSORY

Charities are conflicted on whether Board training should be made compulsory. While training and upskilling is necessary and useful, it may also deter interested individuals from volunteering. Some charities reported poor training attendance by their Board members. Some Board participants felt that dissemination of information regarding training courses and events can be better improved by reaching Board members directly.

4.6.2 Conflict of Interest

During the focus group discussion, participants agreed that mandatory recusal is useful in minimising conflict and tension.

MANDATORY RECUSAL IS USEFUL IN MINIMISING FURTHER CONFLICT AND TENSION

Mandatory recusal is useful in minimising further conflict and tension. However, charities also raised the concern that the recusal of Board members may lead to the loss of valuable knowledge that is beneficial in decision-making. To reconcile this, some Management participants suggested that Board members should be allowed to participate in discussions, but they have to be excluded from voting.

4.6.3 Strategic Planning

Participants expressed that additional resource requirements for compliance as well as capacity and capability building were key areas of challenges in strategic planning.

ADDITIONAL RESOURCE REQUIREMENTS TO ACHIEVE GOOD GOVERNANCE

Participants felt that the stricter guidelines and compliance requirements will place additional burden on charities and increase charities' cost of operations. In principle, many charities are unwilling divert resources away from charity work for compliance. Some participants expressed that many charities felt pressurised to expand their operations to achieve economies of scale. This is because charities can achieve better cost management through larger scale operation.

Many participants felt strongly that the stricter compliance guideline will be a problem for smaller charities that are barely self-sustaining and do not have extra resources to spare. Many participants expressed that it would be a pity if small charities have to shut down because they are unable to find the resources to meet compliance guidelines.

NEED FOR ADDITIONAL FUNDING FOR CAPACITY AND CAPABILITY PLAN

In terms of additional guidelines to provide for capacity and capability plans, many participants highlighted that there should be additional funding set aside. This is so that charities can cover the initial and recurring costs for develop capacity and capability plan.

4.6.4 Human Resource and Volunteer Management

For the section on Human Resource and Volunteer Management, issues raised by participants include staff recruitment and retention, volunteer management policy, background checks, and Board insurance.

POOR STAFF RECRUITMENT AND RETENTION

Participants discussed about the challenges that charities faced in recruiting and retaining staff. They acknowledged that there are limited options for charities to improve staff retention, especially in the case of smaller charities. They concluded that the high staff turnover and poor staff retention, are due to lower pay in the charity sector.

VOLUNTEER MANAGEMENT POLICY IS NEEDED

In general, participants support the revisions made to the Code 2017 to include guidelines on volunteer management policies. However, there was a concern that a volunteer management policy may be inappropriate for smaller charities with a thin volunteer base and limited resources. Some participants commented that volunteer management policy may cause tension with volunteers, who serve out of goodwill. For example, a formal volunteer policy would imply more red tape that restrict volunteers who may prefer acting independently and on their own initiative.

BACKGROUND CHECKS FOR VOLUNTEERS AND STAFF

Charities unanimously agreed that background checks should be carried out for both staff and volunteers, especially those in direct contact with vulnerable beneficiaries. Although charities wish to establish background checks as an industry practice, they are unable to implement the practice due to the procedures and costs involved.

To start off, guidelines on the type of recommended checks for each position should be established. There was a suggestion to establish the declaration of criminal records in a registry that charities can access when recruiting staff and volunteer. However, charities also caution against overly stringent background checks. As it may potentially deter applicants from joining the charity, compounding the problem of manpower constraints already faced in many charities.

CODE OF CONDUCT FOR VOLUNTEERS AND STAFF

Participants are in support of having a Code of Conduct for staff and volunteers, as suggested by Code 2017. Participants added that it would be good if templates for creating a Code of Conduct for volunteers and staff can be provided for reference.

INSURANCE FOR THE BOARD SHOULD BE PROVIDED

There was consensus amongst both Board and Management participants that insurance should be provided for Board members even though the indemnity insurance may be expensive. They explained that Board members are volunteers who are not paid for their work and they should be covered against potential liability in the work they do. Moreover, many participants argued that insurance cannot cover any damage done to the Board members' reputations.

4.6.5 Financial Management and Internal Controls

During the focus group discussion, participants brought up the challenges that they faced in getting volunteer accountants to conduct risk assessment.

CHALLENGES IN GETTING VOLUNTEER ACCOUNTANTS TO CONDUCT RISK ASSESSMENT

Participants are supportive of guidelines set in Code 2017 where charities are required to have a system of internal control and risk management in place. Feedback from the participants, especially the smaller charities, is that charities do not have the expertise to carry out internal control and risk management. They are keen to engage consultants to help them conduct risk assessments and build up a system of internal control. However, they are unable to do so due to the costs involved. Furthermore, even with the help from the consultants, many participants argued that there remain challenges in getting the charities' Board and staff to understand and manage their own risks.

Finally, many participants agreed that it would be beneficial for accountants to volunteer their services to assist charities in the implementation of internal control and risk management system.



Coming from a corporate law perspective, versus, for example, coming from an audit perspective, how they see things in terms of processes are very different.



Anonymous

4.6.6 Fundraising Practices

During the discussion, participants expressed that they face some challenges in implementing the fundraising practices guidelines listed in Code 2017. The key issues are donations-in-kind and third-party fundraisers.

DIFFICULTY IN VALUING DONATIONS-IN-KIND

All focus groups expressed difficulty in valuation of donations in kind. In general, charities were concerned that rejecting unsuitable donations-in-kind may lead to misunderstandings and impact their public image negatively. They requested for clearer guidelines on procedures for the valuation and recording of donations in kind received.

Many participants shared that they face difficulties in valuing mass donations-in-kind such as perishables that the charities received during festive seasons. Many charities felt that valuing donations-in-kind was highly subjective. For example, when a donated item should be valued, and how the item should be valued. Some participants suggested that charities can work with recycling companies for valuation for items that cannot be reused.

USE OF THIRD-PARTY FUNDRAISERS

Participants shared their concerns about engaging commercial third-party fundraisers. They argued that third-party fundraisers may be unaware of requirements of the Code. Third-party fundraisers may misrepresent their charities and create a poor public image for their charities.

4.6.7 Disclosure and Transparency

In general, charities strongly agreed that disclosure is an important section of the Code. However, participants have mixed responses on the disclosure of Board meeting, Board members' meeting attendance and remuneration for Board members.

DISCLOSURE IS AN IMPORTANT SECTION OF THE CODE

Charities strongly agreed that disclosure is an important section of the Code. Members of the focus groups were in support of this section as it will help their charities to stay transparent in their procedures and deter fraudulent behaviour.



Disclosures are strictly important, because if there is any fraudulent behaviour within the Board, somebody has to have the guts to stand up and go to court. They cannot be feeling like they are intimidated by any Board member, because of his ranking, nor by the society.



Nancy Thio, Children's Cancer Foundation

MIXED RESPONSES ON DISCLOSURE OF BOARD MEETINGS AND BOARD MEMBERS' MEETING ATTENDANCE

Based on the questionnaire results provided by the participants, charities' Boards is one of the main driver of charity governance. To better understand the role of the Board in achieving organisational effectiveness, the frequency of Board meetings was raised. The questionnaire results show that charities held between three to 11 Board meetings annually. However, the literature suggests that the frequency of Board meetings in itself is not positively associated with any measure of Board performance (Brown, 2005). What is more critical is the quality of these Board meetings. A well-conducted Board meeting would ideally devote its attention towards strategic planning and critical oversight functions (BoardSource, 2015).

The discussion on disclosure of Board members' meeting attendance received mixed responses. The participants acknowledged that disclosing Board attendance may help to encourage Board members to stay committed in turn up for meetings. However, many participants explained that Board members often make other significant contributions apart from attending Board meetings. Thus, attendance rate cannot be the sole gauge of Board members' commitment and effectiveness.

Board members often act as resource catalysts, providing charities with a link to vital resources (Brown, 2005). Participants pointed out that the Code should take into account other contributions made by Board members beyond their physical attendance. These could be their connections, expertise, contributions made in Sub-Committees, and through online channels. Board members themselves can also be big donors.



To have to disclose Board meeting attendance, which then applies pressure on Board members to turn up, it belabours the point: are we then applying too much of the so-called 'private' or 'corporate' policies onto charities? When sometimes we just require someone with the right kind of knowledge, the right kind of connections, to be in the Board.



Anonymous

MIXED RESPONSES TOWARDS BOARD REMUNERATION

The question of whether Board remuneration would improve Board effectiveness was hotly debated. On the one hand, participants felt that remuneration encourages a greater sense of responsibility from the Board. The literature reveals that compensated Boards are positively associated with higher commitment. If rewarded for their time and expertise, 33% of Board members would place a higher priority on their Board duties (Wise, 2001). On the other hand, the participants had reservations about Board remuneration, as it was seen to go against the altruistic spirit of volunteering.



For charities, I disagree with remunerating the Board because it takes away the altruistic part of serving. Are you there because of the money, or are you there because you really care for the cause?



Nancy Thio, Children's Cancer Foundation

4.6.8 Public Image

Participants expressed that the Code 2017 lacks specific guidelines on the appropriate course of action that charities should take to maintain their public image.

DIFFICULTY IN INTERPRETING 'PUBLIC IMAGE' AND HOW TO ESTABLISH GOOD GOVERNANCE PRACTICES IN THIS AREA

Charities found it difficult to interpret what the 'Public Image' dimension entailed, and how to establish good governance practices in this area.

CONCERNS OVER PUBLIC IMAGES AND NEW AREAS OF RISK FROM ENGAGING ON SOCIAL MEDIA

Social media is a popular avenue in which charities communicate with the public. However, charities felt that there is a general lack of guidelines addressing risks regarding the use of social media, which is often beyond their control.

In addition, the Code 2017 stipulates that the Board should ensure that there are documented communication policies on the release of information about the charity and its activities to its stakeholders, including the media and the public, across all media platforms. Charities felt that more resources have to be allocated to the management of their public image. Participants expressed that for some charities, not engaging on media platforms in itself constitutes a policy.



5 DISCUSSIONS

Besides the feedback on the Code 2017, participants also brought up several interesting charity governance topics during the focus group discussions. Firstly, they highlighted the contribution and role of Sub-Committees. Secondly, they discussed the relationship between Board and Management. Thirdly, they pointed out the impact of regulations on the charity sector. Lastly, they raised the importance of educating the general public in understanding how the Code guides the charities in meeting governance and compliance requirements.

5.1 Board and Sub-Committees

There is limited literature and guidelines regarding Sub-Committees in charities. From the focus group discussions, the participants shared about the contributions made by the Sub-Committees. The Sub-Committees play a supportive role to the Board. Sub-Committees are small groups of people assigned by the Board, to focus on particular tasks or areas. Most Sub-Committees are chaired by a Board member, with the rest being volunteers. Participants explained that the Sub-Committee's role is to make recommendations to the Board for decisions. Sometimes, Board may also delegate aspects of decision-making to a Sub-Committee. However, the Board is still responsible for any decisions made by the Sub-Committee.

Participants highlighted that the relationship between the Board and Sub-Committee should be clearly defined, with the terms of reference indicating the responsibilities of the Sub-Committees. This is to ensure that there is clarity of roles, as well as accountability to the Board. Despite contributing to the charities with their knowledge and skills, Sub-Committees often do not receive much recognition for their contributions. Therefore, many participants felt that it would be meaningful to recognise Sub-Committee members' contributions.

5.2 Relationship between Board and Management

During the focus group discussion, the participants expressed that Board and Management have to work hand in hand to implement and meet the charity governance set in the Code. In general, Board should provide directions and monitor performance, while the Management are directly involved in the operations of the charity. However, tension may arise between the Board and Management when Board members get too involved in the operations of the charity. By having clarity on the roles and responsibilities between the Board and Management, the tension may be alleviated.

Another area of tension is in the gap in communication and information sharing between the Board and Management. Publicly available resources have been provided by the Charity Council and Social Service Institute to the charities. But, the dissemination of information over electronic mails tended to bottleneck at the Management level, leaving the Board unaware of them. This inadequate transfer of information may affect the Board's ability to use existing resources to make better informed decisions.



I think there's merit in considering a stronger articulation of the principles or guidelines for the Board to step away from operational duties. Because for me, it actually reflects a lot on Board maturity. The maturity to be able to say, yes, I let go. It's a maturity to trust in the Management that we know the charity landscape.

Jeffrey Chan, Movement for the Intellectually Disabled of Singapore





The Board should do what I call ‘helicopter work’ – strategic planning, policy making, oversight – and rely on the Management team to focus on the daily operational work.

Terrence Chee, Metropolitan YMCA



The Board and its committee have the responsibility to ensure that all the necessary compliance requirements are in place. It is the CEO/ED and Management’s role to apply and operationalise these governance compliances.

Anonymous



5.3 Regulations and the Charity Sector

In general, participants are supportive of the recommended guidelines provided in the Code 2017. Many charities understand that the Code operates on a ‘comply or explain’ principle. Should charities be unable to meet the requirements of the Code, they have the option to explain the reasons behind their non-compliance. It enables the charities to exercise some flexibility not to adopt guidelines that they deem not suitable for their organisations.

Charities are aware that the reporting requirement of the Code 2017 is applicable from the financial year beginning on or after January 1st, 2018. This means that the first batch of GEC submissions is only due in June 2019. However, there are requests for an extension of the deadline for compliance to the Code 2017 by at least one to two years. Many participants explained that time is required to change the charities’ constitution, and for everyone in the charity to assimilate to these changes.

Across all focus groups, there was a strong call for greater flexibility to be introduced to the Code. They argued that an overly prescriptive approach might risk reducing the charities’ effectiveness. Charities felt that the increasingly stringent guidelines in the Code would also make everyone in the sector more cautious. For instance, charities may be wary of holding a healthy amount of reserves, as that may result in reduced funding.

Participants articulated the need to provide more resources to smaller charities belonging to the Basic and Basic II Tiers, as well as those from the lower ends of the Enhanced Tier (based on their tiers in the Code 2011). These charities have limited resources. As a result, they face greater challenges in restructuring their organisations, or engaging external consultations to meet the Code requirements. The increase in mandatory paperwork also places an additional burden on the smaller charities that have limited manpower.

5.4 Public Education on the Importance of Charity Governance

Participants expressed that it is important for the general public to have a good understanding of charity governance and how the Code provide guidance to the charity sector. Participants conveyed that it would be beneficial for the COC’s Office to inform the public about the efforts by the regulators and how charities are working on being accountable to their stakeholders. Participants are convinced that the general public needs to have better understanding on the challenges faced by charities and their efforts to improve charity governance. In the long run, the public education will pay off. Once the charity sector’s public image improves, it will decrease the public’s aversion to donate.



6 LIMITATIONS AND FUTURE RESEARCH

6.1 Limitations

The research carried out was based on information gathered in 2017, when charities are still using the guidelines from the Code 2011. Hence, this research does not reflect of how charities in Singapore have adjusted their governance practices to comply with the requirements of the refined Code in 2017.

It is possible that the IPCs, which accepted the invitations to these focus group discussions, already have a better track record in terms of complying with the Code. As such, the results may not fully capture the levels of compliance and challenges faced by other charities in Singapore.

Due to the voluntary nature of participation, only six Board members, as compared to 28 participants from the Management, were present at the focus group discussions. Many Board members have full-time job commitments and were unable to attend the discussions. Thus, the results may be skewed towards the perspective of the Management, even though the responsibility of charity governance lies heavily with the Board.

Lastly, the pressure of social convention could also have been a potential limitation. To project a more favourable image, respondents have sometimes been found to report answers that appear more socially acceptable (Lavrakas, 2008)

6.2 Future Research

This research might not be fully reflective of how charities in Singapore have adjusted their governance practices to comply with the Code 2017. Hence, it would be helpful if a repeat study can be carried out in the future. This is to keep track of the development of charity governance practices, and to find out how refinements to the Code have been implemented. As discussed during the focus group discussions, future research areas are mainly on Board governance. The topics include Board roles and composition, Board remuneration, Board effectiveness and succession planning.



7 CONCLUSION

This research report provide insights from charities' Board members and Management staff on charity governance in Singapore. They shared their experiences, insights and perspectives on Board and governance matters during focus group discussions. A total of four focus group discussion were carried out with participants from 29 IPCs from the Health, and Social and Welfare sectors.

The key objectives of this research are to find out how charities implement the charity governance requirements provided in the Code of Governance for Charities and IPCs 2011 and the challenges that charities face in implementing the refinements specified the Code of Governance for Charities and IPCs 2017.

The discussions provided by the focus group participants are in line with research findings from academic research overseas. Government regulation in the charity sector is often linked to better governance. According to Hyndman and McDonnell (2009), more governmental regulation might increase public confidence in charities, improve the management of charities, as well as reduce the likelihood of scandal. However, the authors conceded that excessive regulation can result in less volunteering (Hyndman & McDonnell, 2009). Hough, McGregor-Lowndes and Ryan (2005) also argue that increasing legal expectations of non-profit Boards may make potential directors wary of taking on the responsibility of serving in a non-profit organisation.

However, following the sector's best practices in the Code may not guarantee effectiveness (Herman & Renz, 2004). Ultimately, good governance is also dependent on whether the Board and Management possess the relevant skills and expertise to operationalise clear, robust processes of governance.



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ABOUT THE REPORT

This report is an outcome of a three-year collaboration between the Chartered Institute of Management Accountants (CIMA) and the Centre for Social Development Asia (CSDA). The first year's research in 2015 covered the financial characteristics of Institutions of a Public Character (IPCs). The second year's research in 2016 highlighted the fundraising practices of Health, and Social and Welfare IPCs in Singapore.

This year's research focuses on charity governance. There are three booklets in this series. The first booklet provides an overview as well as the development of charity governance. The second booklet is a qualitative research on how charities implement the Singapore's Code of Governance for Charities and IPCs, and the challenges they face. The third booklet is an exploratory quantitative study on the disclosure of Board and governance practices of IPCs in Health, and Social and Welfare sectors. The findings from these exploratory studies will hopefully be useful to stakeholders in the social service sector.

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