



Sector Group Report

Kia ora koutou,

On 24 May 2018, the Sector Group (SG) assembled at the Department of Internal Affairs' Wellington offices to discuss matters of common interest.

The purpose of this report is to communicate some of the points of discussion during the Sector Group, and allow members to communicate the discussions to their member organisations.

Update on the review of the Charities Act

Louise Cooney from the DIA Policy Group gave an update on the progress of the review of the Charities Act 2005. She advised that the Terms of Reference had been approved by Cabinet and a media release was going out today. The Terms of Reference is up on a dedicated section of the [DIA Website](#). This will also include the cabinet paper and minute.

The review is broadly scoped and DIA Policy group led, with the Minister for the Community and Voluntary Sector, the Honourable Peeni Henare as the key decision maker. The Terms of Reference for the review are not significantly different from the original draft Terms of Reference. The Minister still wants to achieve the review within this parliamentary term.

The Post-announcement phase is next which is about digging further into the issues. Over the next few months, the steps will be to:

- 1) Establish a Core Reference Group (CRG)
- 2) Develop and test issues papers with the CRG
- 3) Develop a discussion document for wider dissemination and comment

The CRG will be in place by the end of June. This will consist of 6 members, 3 of which will come from SG. Resumes will be collected and any conflicts explored, and the Minister will review the proposed members. Policy are currently drafting a document to explain what will be required of those on the CRG. The SG in its entirety will still have a key role in the review.

The issues papers will group issues of a similar nature from the Terms of Reference together and will clearly articulate the problems. The solutions will come later. The Charities Registration Board and DIA Officials will be involved in this phase. SG members confirmed they would like to see/contribute to/be involved with the issues papers.

The Issues Papers will lay the ground work for the later discussion document, which is what the public will be asked to engage on later in the year.

More detailed timing will be provided as it is worked through.

The SG members had the following questions and comments:

- It was assumed there would be a limited budget for consultation. Some of the SG members have applied for funding to do an independent roadshow for consultation. There is also a piece of work that could be done to help people engage in the civic process of contributing to the review.

- Policy advised that there would be a number of meetings/hui arranged by DIA outside of Wellington. This would be after the public discussion document is released.
- Public release of the issues papers was suggested. Initial plans are not to release the issues papers (as Policy wants the public to focus on the discussion document). But DIA Policy is open to the possibility of publicly releasing some issues papers with the discussion document.
- There was interest in who the other 3 CRG members would be. Policy explained the other three members will be selected by DIA, with comment sought from the Minister. This will include a Te Ao Māori perspective.
- The consultation period was discussed. The public consultation period is likely to be around 2 months long. Members noted that this is a relatively short time period in NFP terms given large members bases, time between board meetings and reliance on volunteers. Therefore SG members stated the issues papers need to go out as soon as possible.
- In terms of the CRG members from SG, firstly Louise will circulate the documentation for the CRG members, and then will take nominations from SG when members know what would be expected of them. The paper will cover whether CRG members will be remunerated.
- There was clarification and reaffirmation that the review is being run independently from Charities Services.

Current Issues in the Sector

Julia Wootton, Acting GM of Charities Services took the opportunity to introduce herself to the group, and led a discussion on the current issues in the sector. This discussion was framed in the context of the *Perspectives on Charity Law, Accounting and Regulation in New Zealand* conference that was held on the 26th and 27th of April. The key issues discussed were:

- The need for transparency by the regulator, how do we collect data and make it more accessible, how do we harness the power of the register. What ideas can we take from other international regulators. How do we document the challenges.
- The conference was an opportunity to change mind-sets to try and do more in the sector. There were very good discussions which raised issues and awareness.
- The integration of DIA and IRD data was useful, it would be good if this was more readily visible.
- Although there were many sector representatives at the conference, the visibility of the sector was low, this could be improved upon.
- It's not possible to make the conference everything to everyone, the focus on law, accounting and regulation worked well.
- It was great to have the ACNC (Australian Charities Regulator) there.
- It raised tax issues which led to many submissions to the Tax Working Group.
- NZ could do better at recognising volunteers' contribution and social capital. The guidance on Charities Services website and annual return form needs to be updated. Charities Services will work with Volunteering New Zealand to update these.
- Planning is underway for another conference in 2019.

Tax Working Group Submissions

- Volunteering New Zealand made a submission to the Tax Working Group (TWG) which proposes a volunteer tax credit to better recognise the work of volunteers.
- Members discussed the opportunity to collaborate on submissions to the TWG, but found they had different issues they were interested in.
- There was some discussion on various bills etc. that people in the sector can comment on for example Health and Safety, Police Vetting and Incorporated Societies. Charities Services will look into whether we can play a role in getting these opportunities out to the sector better.
- The interim TWG report is due in September 2018 and the final one in February 2019. IRD will submit a report on charities and tax to the TWG in July.

Charities Services reporting compliance approach for 2018/2019

Charities Services presented their proposed compliance approach relating to the filing of annual returns. The areas of focus are a firmer approach to granting extensions to annual return due dates, continuing to check a random sample of reports, and targeted compliance activities for charities with modified audit opinions.

The group had the following comments/questions:

- Has anyone looked at the costs of compliance with the new reporting standards vs the benefits realised? This raises questions of both rightsizing and compliance burden. Consideration of exemptions for smallest charities.
- How can we use case studies and user stories to promote the value of reporting? Charities Services clarified that these have been included in its newsletters, but there was a suggestion to include these on the website.
- Auditing costs, are these an issue? - it was noted that auditing relates to improvement in governance arrangements, stakeholder relationships and links to funder confidence.
- Reluctant to give any exemption to reporting - consistent, comparable, transparent regime. Concern about compliance approach. The two year time lag before a charity is deregistered for failing to file is an issue, because creates a window for nefarious activity.
- Failing to comply vs difference of interpretation - think a different approach should be taken when there are interpretation differences (in terms of what the reporting standards require), to failing to comply with the standards. Charities Services looks at modified audit opinions, qualified audit reports are still able to be compliant.
- Retrospective deregistration when a charity has failed to file for two years? Has Charities Services given any consideration to using this - as a charity will enjoy a tax benefit up to the date of deregistration currently but the charity hasn't been transparent and accountable in terms of financial reporting.
- Approach is fair. But is it a year too soon to ramp it up? Charities Services should investigate first - understand the issues, and feed this information into the Governance Project. Suggest YouTube channel with videos (to help clarify areas where charities are finding it difficult to comply with the reporting requirements).

In general the group were supportive of the proposed approach but Charities Services will take these comments on board and consider what more we can continue to do to support charities with their compliance obligations.

Future Charities Services Research

Charities Services was interested to hear the group's opinions on whether continuing to carry out research into the public trust and confidence in charities was the best use of Charities Services' limited research budget.

There was general support for alternative uses of the budget and the group had the following comments:

- Universities may be interested in doing this research as an alternative.
- Conducting the survey every three years (rather than two years).
- Research around donor literacy in NZ (in particular, on the issue of administrative costs).
- Review of Charities Act - comprehensive consultation, to make good informed choices.
- Public knowledge -e.g. how can the public know about the register and how to use it.

Registered Charity Logo

Charities Services presented their proposal to develop a logo which would be a visual representation of a charity's registered status (similar to those used in Scotland and Australia).

The group were supportive of this initiative, but would like to see some different design options. The group suggested doing some market research with the public to determine what is important to them and what is the purpose of it.

There was a suggestion that the logo could link directly to the charity's listing on the register, and there was some question of whether it would indicate just charitable status, or donee status, or both.

The need to make the logo technologically easy to use was emphasised, and there were also concerns over policing the use of the logo. This would fall under the current provisions of the Act where it is an offence to hold oneself out as a registered charity.

Charities Services will continue to develop the proposal and will report back to the SG.

Update on Governance Project

Charities Services provided an update on the Governance Project which is aimed at supporting charities to improve governance. Charities Services is in the engagement phase of the project at the moment and has spoken to 26 individuals who are professionals, board members, academics and other interested people. The key themes of the interviews so far are:

- 1) There are no multi-cultural resources available currently
- 2) This work needs to be collaborative
- 3) It needs to be across Government
- 4) One-day workshops are not helpful
- 5) The sector wants mentors
- 6) The sector wants templates and examples

The group was asked to provide their ideas on where Charities Services could provide more support or resources for the sector. The responses were:

- Guidance on recruitment, how to get the right skills, diversity and strategic ability on the board
- Principles rather than structures - one size doesn't fit all
- Diversity - who are the beneficiaries, and is the board table representing those beneficiaries?
- Use the Charities Services website to link to other useful websites
- Facilitate a way for people to teach each other (rather than Charities Services trying to do all the teaching)
- Basic financial controls
- Conflict of interest
- What does it mean to be a Trustee? What are the responsibilities? Good induction plan
- Handover guidance
- Managing internal conflicts
- Affordable, accessible resources
- There is already good information out there, people just don't know where it is or how to get it
- Don't reinvent the wheel - link and leverage
- Connect with Business Mentors - they have a charitable arm

- Institute of Directors is doing some work in this space
- Communitynet is free and a great repository for resources and NZ Navigator is now a standalone trust and is building a digital space for governance tools
- Succession planning
- Orientation of resources to legal structure
- Legal requirements (not just Charities Act)
- Sign posting to existing resources
- Help to overcome “Founders Syndrome”
- Help to draft policies

Charities Services will feed these suggestions into the Governance Project - thank you all for your helpful input.