

# CHARITIES SERVICES

Ngā Ratonga Kaupapa Atawhai



2019/2020

# ANNUAL REVIEW

New Zealand Government



Te Tari Taiwhenua  
Internal Affairs



Charities Services would like to thank all charities that contributed photos to this Annual Review.

PHOTO ABOVE: K'aute Pasifika Trust

COVER PHOTO: Southern Cochlear Implant programme

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# Word from the General Manager



Natasha Weight

Kia ora koutou, kia orāna, sat sri akaal, namaste, tālofa lava, mālō e lelei, dǎjǐā hǎo, as-salāmu ‘alaykum.

Greetings and welcome to the 2019/2020 Annual Review of Charities Services, Ngā Ratonga Kaupapa Atawhai.

He ahiahi pokopoko, he ata hī tore.

As the fire is extinguished, the light of dawn shines through.

This whakataukī (proverb) is similar to the expression that there is light at the end of the tunnel. 2020 has been a challenging year for Aotearoa and the world, but charities have been providing hope in these difficult times.

Charities demonstrated generosity, innovation, kindness, resilience and their ability to collaborate when New Zealanders needed it the most. I would like to express my immense gratitude for the important mahi (work) you’ve done and continue to do through Aotearoa’s COVID-19 recovery.

The information on Te Rēhita Kaupapa Atawhai (the Charities Register) speaks to the huge benefit charities bring to Aotearoa. Our latest statistics show that over 27,800 charities are working to make New Zealand a better place, and more than 235,000 people volunteer for charities every week.

We see our role as supporting the sector through showcasing the important mahi of charities, and safeguarding the sector from wrongdoing. We know that the charitable sector will be essential in Aotearoa recovering from the impacts of COVID-19, and it continues to be important that the public can have confidence in giving their time and support to registered charities.

At Charities Services, our response to COVID-19 focussed on being flexible. We took time to understand the most significant challenges charities were facing and we provided support based on the needs of the sector. We ran online engagement events, regularly posted guidance on our website, and we supported charities in their requests for annual reporting extensions. I feel we took an understanding and pragmatic regulatory approach, responding to the reality of COVID-19 for registered charities.

Over the last year we continued to support Te Rātā Atawhai, the Charities Registration Board, which is responsible for making decisions about registering and deregistering charities. Charities Services acts under delegation from the Board to register charities. Any complex decisions are taken to the Board.

In December 2019 Gwen Keel joined Roger Holmes Miller and Dr Bev Gatenby on the Board. Gwen has a breadth of experience in the not-for-profit sector and she has a particular interest and expertise in charities with a kaupapa Māori focus. We would like to acknowledge and thank Roger, Bev and Gwen for the important work they do for Aotearoa's charitable sector.

Our vision is that our work contributes to a well-governed, transparent and thriving charitable sector with strong public support. To achieve this we continue to focus on being a modern, responsive, risk-based regulator for the sector. Our key performance and financial information is outlined in the Department of Internal Affairs' Annual Report. We value providing transparency about the work that we do. This Annual Review goes into more detail about what we have achieved in the last year and our goals for the upcoming year. We also showcase information about the sector, highlighting all the important mahi you do.

One of our key priorities for the coming year is implementing our new risk-based registration approach. This approach involves all registration applications being assessed for their level of risk. It means some charities will be registered more quickly, and allows us to focus our time on risks to the charitable sector.

I would like to finish by acknowledging the tremendous mahi you do. The staff and volunteers of the charitable sector demonstrate incredible resilience, dedication and kindness in the face of significant challenges.

On behalf of all of the team at Charities Services, thank you for your valuable mahi in these challenging times, and for helping communities, hapū and iwi in Aotearoa to thrive.

Noho ora mai

A handwritten signature in black ink, appearing to read 'Natasha Weight', written in a cursive style.

**Natasha Weight**

General Manager, Kaiwhakahaere Matua  
Charities Services, Ngā Ratonga Kaupapa Atawhai

# About us



Charities Services team 2020

Charities Services, Ngā Ratonga Kaupapa Atawhai, is part of the Department of Internal Affairs, Te Tari Taiwhenua, and administers the Charities Act 2005. We strive to be a modern, responsive, risk-based regulator focussed on promoting public trust and confidence in the charitable sector and encouraging the effective use of charitable resources. We do this by registering and monitoring charities and processing annual returns.

We also encourage good governance and management practices by providing educational support, advice and materials. We maintain the Charities Register which contains information of around 27,800 registered charities. The Charities Register is the public record of registered charities that operate under the Charities Act.

# Meet the team

Charities Services is made up of 37 staff members who work across two main business groups: the Regulatory Group and the Engagement and Business Improvement Group. We also have a specialist team of senior advisors and analysts who support the whole of Charities Services. We are also supported by other teams across the Department of Internal Affairs, including Hāpai Hapori Community Operations, the Office of Ethnic Communities, Legal, Information Technology, Finance, Human Resources, Communications and the Contact Centre.

## Regulatory Group

The Regulatory Group has a number of functions, including supporting eligible charities to register, and monitoring and inquiring into charities or their officers, where there is evidence of serious wrongdoing or breaches of the Charities Act.

### REGISTRATION TEAM

This team of analysts assists charities with their applications, and assesses the purposes, activities and governing documents of entities applying for registration to determine whether they meet, or continue to meet, the requirements of the Charities Act.

### INVESTIGATIONS TEAM

This team manages complaints and carries out investigations into charities and their officers that may have been involved in serious wrongdoing and other significant breaches of the Charities Act.

## Engagement and Business Improvement Group

This group supports Charities Services' programme of stakeholder engagement, the development of resources, capability initiatives and system enhancements.

### CAPABILITY TEAM

This is our education team that ensures our information for the charitable sector is comprehensive, fit-for-purpose and accessible. The team delivers sector engagement events and communications, and creates practical resources to assist charities to meet their obligations. This includes running webinars and providing printed and online guidance materials.

### CUSTOMER SUPPORT TEAM

This team provides administrative support and answers thousands of queries from charities. The team is also responsible for processing annual returns and removing charities from the Register when they fail to meet their reporting obligations.



**37 Charities Services staff** support approximately **27,800 registered charities** in Aotearoa

# Te Rātā Atawhai

## The Charities Registration Board

We support the work of Te Rātā Atawhai, the independent Charities Registration Board. The Board meets regularly and is responsible for making decisions about the charitable status of organisations.

In practice, most decisions are made by Charities Services acting under formal delegation and guidance from the Board. However, the Board always deals with more complex or novel cases and those where organisations disagree with Charities Services' decisions. The Board is composed of three members who all have extensive experience working in the charitable sector.



Roger Holmes Miller at the 2019 Charities Services Annual General Meeting

### **ROGER HOLMES MILLER**

Roger Holmes Miller has been Chair of Te Rātā Atawhai (the Charities Registration Board) since its inception in 2012. He is a barrister and solicitor, and notary public, practising on his own account as RHM Law. Previously he was founding partner of the law firm Maude & Miller from which he retired in 2019 after almost 30 years. He specialises in commercial and trust law, governance, acquisitions and mergers.

Roger is a Fellow of the NZ Trustees Association and a Fellow of the Australian and New Zealand College of Notaries. He is also a member of the Society of Trust and Estate Practitioners. Roger is currently Chair of the Performing Arts Foundation of Wellington, a trustee of the Pataka Foundation and has been a director/trustee of numerous commercial, community and charitable entities.

### **DR BEV GATENBY**

Dr Bev Gatenby currently works as a consultant, a facilitator and a coach, largely in the community, philanthropic and local government sectors. Her work most often involves supporting organisations, boards and managers with community development, governance development, strategic planning, capacity building and grants strategy.

Bev was the Chief Executive of Trust Waikato between 2006 and 2016, and a member and then co-chair of the Leadership Group for the Waikato Plan until 2020. She is a member of the Institute of Directors and has held a range of local, regional and national governance roles. She was appointed to the Charities Registration Board for a three-year period on 1 July 2018.

### **GWENDOLINE KEEL**

Gwen Keel was appointed to the Charities Registration Board on 9 December 2019 for a three-year period. Gwen is an experienced commercial lawyer and not-for-profit governance and management specialist. She is presently a legal advisor within the post-settlement governance entity for the Waikato iwi, commonly known as Waikato-Tainui. The Waikato iwi comprises more than 76,000 registered members connected to 33 hapuu and represented by 68 marae.

Throughout her career Gwen has acquired significant experience in the not-for-profit sector, advising many "household name" charities and national sporting bodies, and having been consistently involved in the charitable sector as a director, committee member, and volunteer. Gwen has a particular interest in tikanga and the law and its application in the not-for-profit sector. Gwen is also a member of the Institute of Directors.



# The Charities Act

## Update on the project to modernise the Charities Act 2005

In May 2018 the Government launched a modernisation process to ensure that the Charities Act 2005 is effective and fit-for-purpose. The Policy Group in the Department of Internal Affairs has led this work on behalf of the Minister for the Community and Voluntary Sector.

Following public consultation, a summary of the submissions was published on the Department of Internal Affairs website in December 2019. The summary of submissions outlines the views of 363 individuals and organisations that submitted on a discussion document between late February and 31 May 2019. All written submissions are available on the Department of Internal Affairs website.

The next step is to carefully work through the complex issues raised by submitters and identified in the discussion document. In May 2020 the Minister for the Community and Voluntary Sector decided to pause this work for six months, due to the need to support the COVID-19 response. The Department intends to provide advice on options for progressing work on the Charities Act to the Minister for the Community and Voluntary Sector in November 2020.

## Appeals of registration decisions

When making decisions to register or deregister charities, Te Rātā Atawhai, the Charities Registration Board applies the law based on the Charities Act 2005, and many years of court judgments.

If an entity disagrees with a Board decision, it can appeal that decision to the High Court. Appeals are an important means of holding decision-makers to account in any regulatory system.

The ability to appeal the Board's decisions is particularly important because key elements of charities law sit in these court judgments, or 'the common law'. It is only when decisions are appealed to the courts that the interpretation of 'charitable purpose' can evolve to reflect changes in our society.

The Board does not play an active role in appeals to defend its decisions. It simply accepts the courts' decisions, and applies those decisions in the future. Because of this, Crown Law usually appears to assist the court on behalf of the Board. In three recent appeals, the Attorney-General appeared in the court proceedings in the traditional role of 'protector of charities'.

Over the past year, the courts have made a number of significant decisions about eligibility to be a registered charity: these decisions involved Better Public Media, Greenpeace New Zealand, and Family First New Zealand. All of these decisions are available on Charities Services' website.





# Our vision

Our work contributes to a well-governed, transparent and thriving charitable sector that has strong public support.

**Charities Services' primary purposes are to:**



Promote public trust and confidence in the charitable sector



Encourage and promote the effective use of charitable resources

# Our focus areas

## Our goals

- New Zealanders have trust and confidence in the charitable sector
- Charities Services is a modern, responsive, risk-based regulator
- Good governance in the charitable sector is encouraged and supported

## To achieve these goals, we will focus on

- Ensuring our information technology systems are stable and secure by progressing our Piki Kōtuku project
- Implementing a risk-based triage approach for registration applications
- Updating our internal operational policies, which helps ensure a consistent approach to carrying out our regulatory functions
- Improving our website, templates and other resources



# Our year in numbers

## Supporting charities

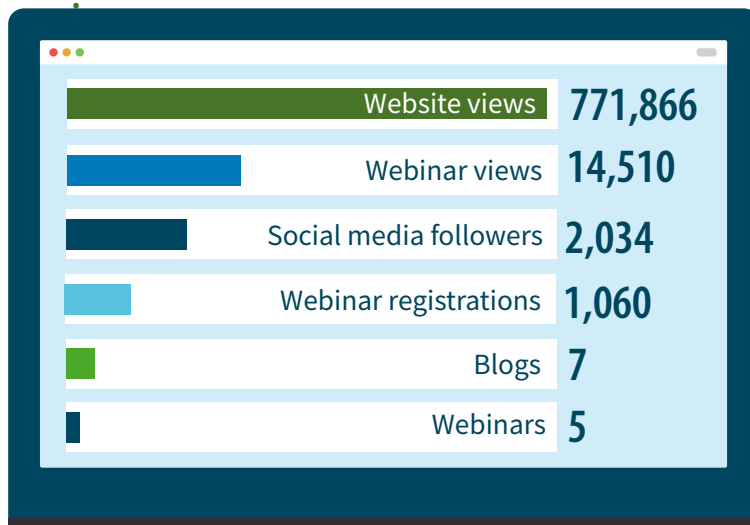


\*The data in this report does not include automated changes to the Charities Register.

## Protecting the sector

- 142 concerns addressed
- 7 open inquiries
- 8 referrals as the result of complaints
- 12 completed inquiries **resulting in**
  - 1 referral to another agency
  - 1 disqualification
  - 1 voluntary deregistration
  - 1 deregistered for serious wrongdoing

## Online presence



## Transparency

48

Official Information Act requests responded to

## Our spend

FY19/20 \$6,682,604



FY18/19 \$7,071,359

### Operating costs

FY19/20  
\$191,369  
FY18/19  
\$194,913

### Overhead costs

FY19/20  
\$2,642,603  
FY18/19  
\$2,527,939

### Legal costs

FY19/20  
\$168,376  
FY18/19  
\$53,813

### Systems costs

FY19/20  
\$517,306  
FY18/19  
\$1,035,875

### Charities Registration Board costs

FY19/20  
\$47,906  
FY18/19  
\$46,139

### Staff costs

FY19/20  
\$3,084,045  
FY18/19  
\$3,156,940

### Events costs

FY19/20  
\$30,999  
FY18/19  
\$55,740

## Our funding

\$830,008

Annual return filing fees

\$5,958,167

Crown funding

# The sector's year in numbers

In Aotearoa there are:

**27,864**  
registered charities



**108,244**  
individual  
charity officers



**200**  
groups



More than **140,000** people work full time in the charitable sector.  
This is equal to **5%** of the New Zealand workforce.



More than **235,000 volunteers**  
contribute approximately **1.6 million**  
**hours** every week.

**1,408**



**Registration  
decisions**

**1,335** applications received

**1,234** applications approved

**171** applications withdrawn

**3** applications declined

**684**



**Charities  
deregistered**

**185** failed to file  
annual returns

**498** voluntarily deregistered

**1** deregistered for serious  
wrongdoing

Most data on pages 11 and 12 is at 10 August 2020, based on self-reported information from charities' annual returns.



TOTAL ASSETS  
\$65.03 billion



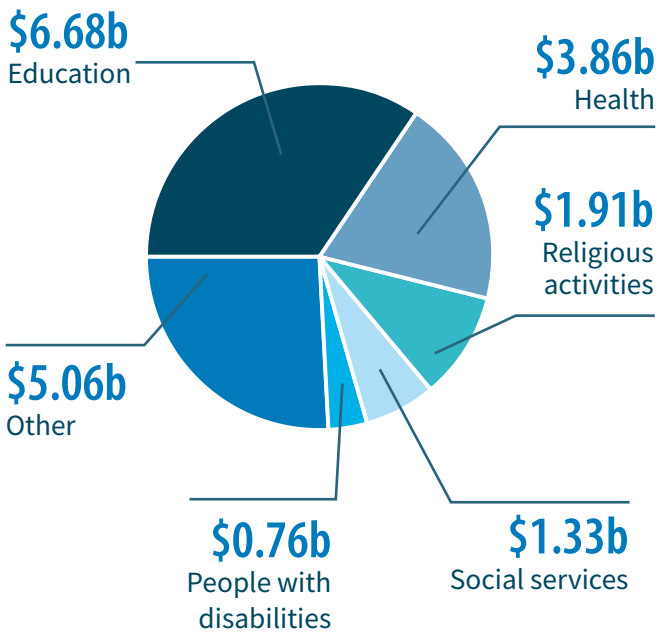
TOTAL EXPENDITURE  
\$18.02 billion



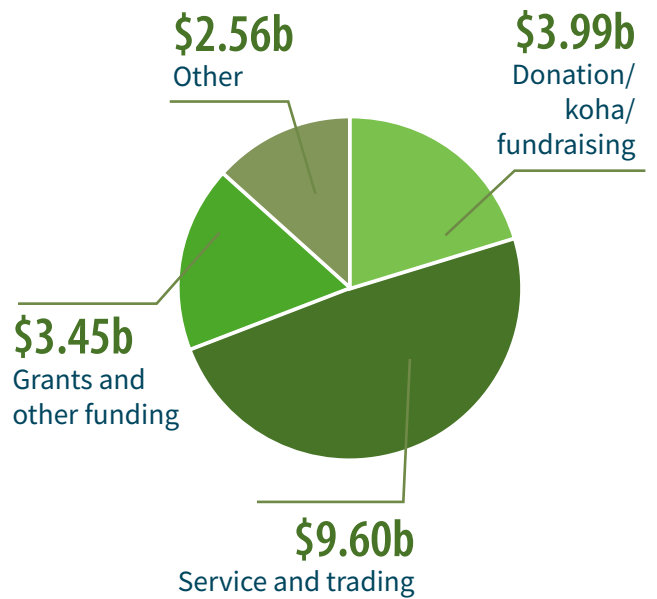
TOTAL INCOME  
\$19.60 billion



## Income by sector



## Income by source

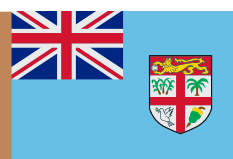


## Top five overseas areas of operation

Of the 2,692 registered charities that reported overseas activities, the top five areas of operation are:



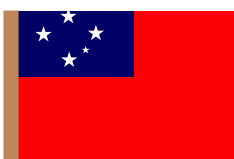
17%  
Australia



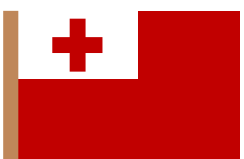
14%  
Fiji



12%  
India



12%  
Samoa



11%  
Tonga

# Reporting standards five years on

Transparency of how charitable funds are spent is key to public trust and confidence in the charitable sector. Under the Charities Act 2005, registered charities are required to submit an annual return within six months of their financial year end. This includes an annual return form, listing key information from the year, and a performance report or financial statements that meet reporting standards. The reporting standards were introduced from 1 April 2015 to improve the quality and consistency of information reported by charities. The standards were set by the External Reporting Board (XRB), the independent Crown Entity responsible for developing and issuing accounting and assurance standards across a range of sectors.

Since their introduction, we have assessed a sample of accounts for compliance with the reporting standards. This was to see if charities were using the standards, and what supporting guidance charities needed to help them meet the new requirements.

We have noticed the biggest difficulties are experienced by smaller charities. We initially noticed small but steady improvements. However, in the past two years we have seen more of these smaller charities struggle to use the standards.

In the last year, 22% of the charities we checked provided only simple accounts that did not comply with reporting standards (e.g. a balance sheet, or bank statements) or the charity provided accounts using the incorrect reporting standards.

Of the Tier 3 and Tier 4 charities that did use the standards, 16% had some issues with the Statement of Service Performance requirement which covers the activities of the charity, and 4% did not get an audit or review when needed to under the law.

To help smaller charities comply in the last year, we have released:

- a simple guide for small charities – a very short guide designed to help small charities create a performance report; and
- a checklist for small charities – a one page list showing charities what they need to record throughout the year so they can complete their reporting requirements.

We also introduced regular Zoom sessions with our in-house Senior Accountant, where any charity can make a booking and ask questions they have about their accounts.

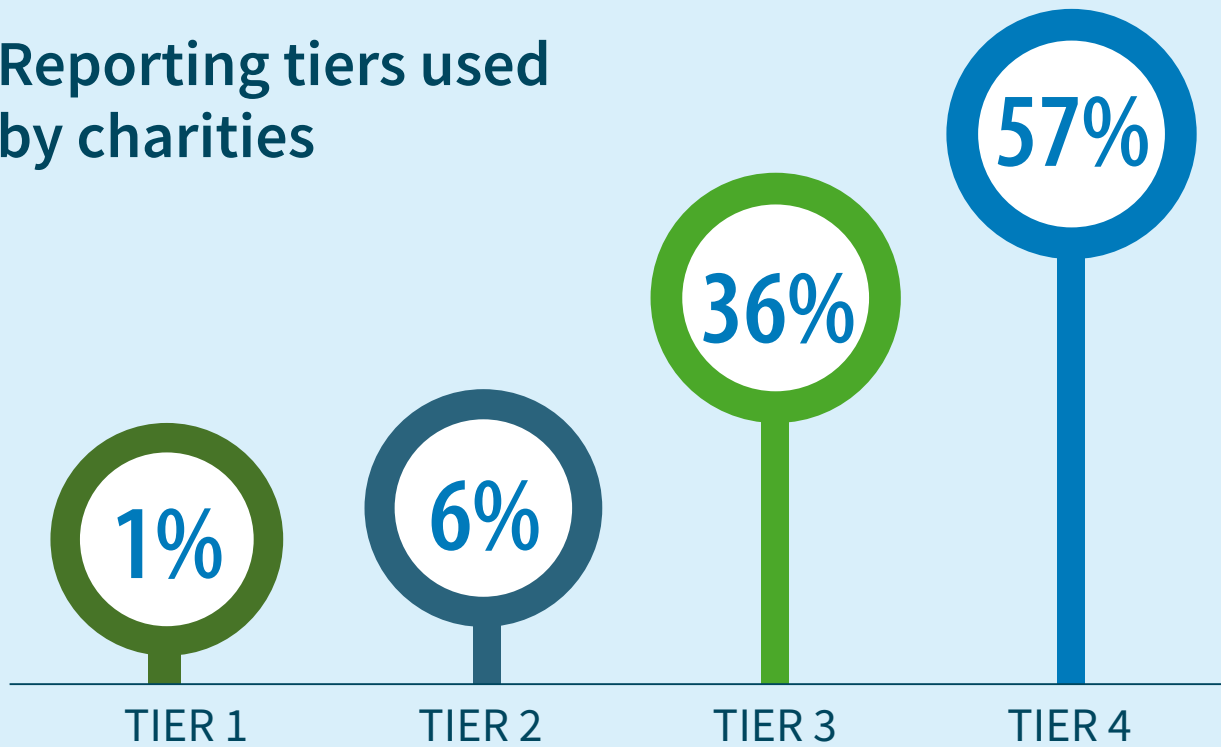
Looking forward, we will be following up more with charities we have checked to ensure they are making any changes necessary to meet the requirements of the standards. We will also be releasing more examples of compliant performance reports that other charities can use as a model, some “How To” guides for different reporting requirements, and other website resources.

The XRB has begun a review of the Tier 3 and 4 standards, which seeks feedback from all users of the standards, including charities. We will share any opportunities for the sector to be involved in this review through our communication channels.



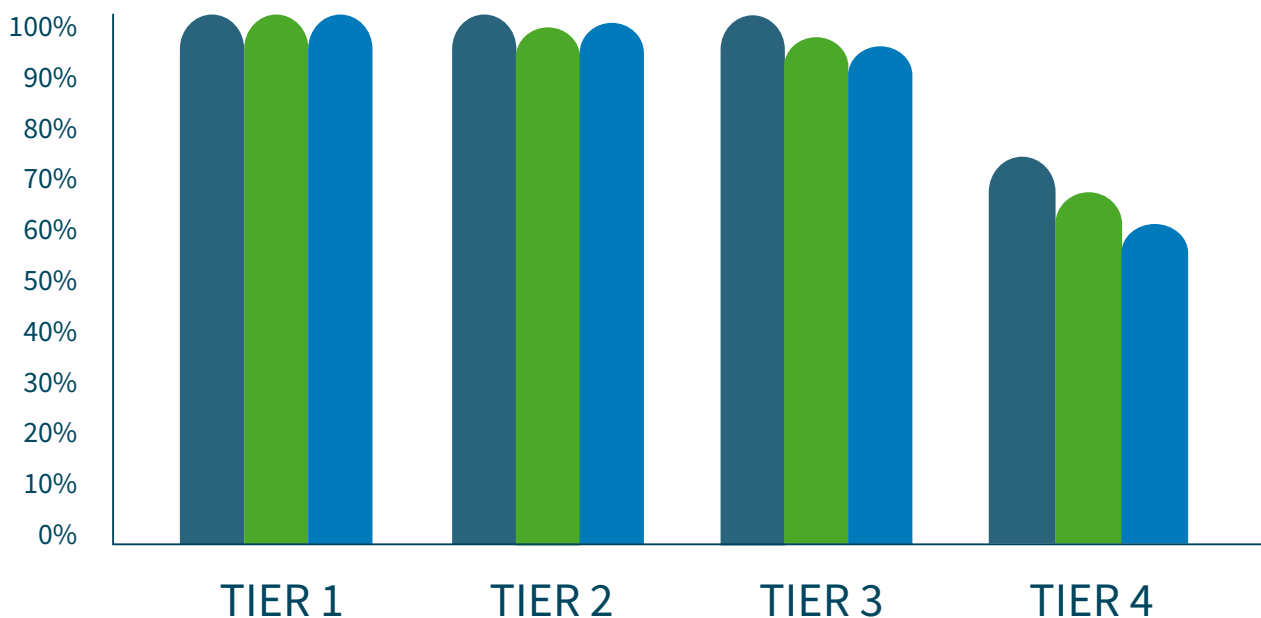


## Reporting tiers used by charities



This data is at 10 August 2020, based on self-reported information from charities' annual returns.

## Charities compliance history



	2018	2019	2020
TIER 1	100	100	100
TIER 2	100	95	97
TIER 3	99	96	94
TIER 4	72	65	59

This data is based on a random sample of 240 charities for FY 2019/2020 and 500 charities for FY 2018/2019, and 2017/2018.

# Our response to COVID-19

The charitable sector faced significant challenges in responding to COVID-19. Many charities were working on the front lines, supporting Aotearoa's most vulnerable communities. Other charities continued their mahi from home, adapting their services to continue their important role in building strong communities. Many charities had to make difficult decisions to suspend events and services to limit the spread of COVID-19, and help our communities to remain safe.

When Aotearoa moved into lockdown, Charities Services responded to the needs of the sector. Our registration, investigation, customer support and capability-building functions continued during the lockdown period, from our homes.

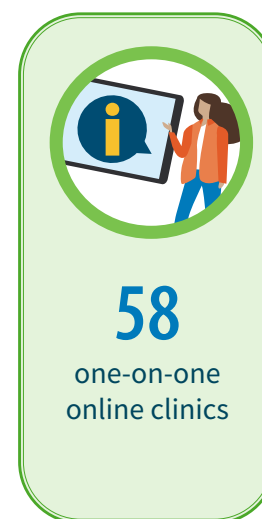
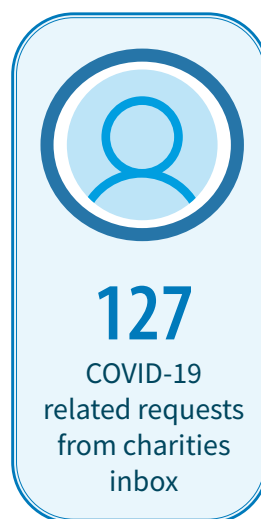
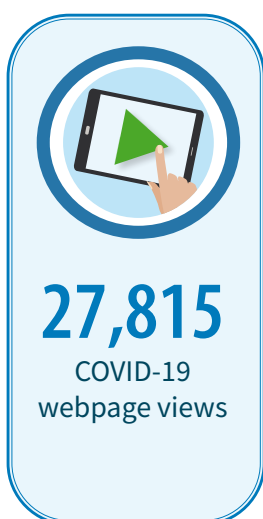
We recognised the significant challenges faced by charities and we took a flexible and practical approach to compliance with the Charities Act requirements. We temporarily suspended sending annual return reminders, formal requests for information, and notices of intention to remove for failure to file to charities. We also offered longer extensions to due dates for annual returns, and formal requests for information. This resulted in fewer charities being removed from the Charities Register for failure to file annual returns in the last year.

## RESOURCES WE DEVELOPED

- a COVID-19 information page on our website which included information for both registered charities and those wanting to support registered charities
- fundraising at COVID-19 Alert Levels
- governance in a crisis for small charities
- 'responding to COVID-19' webinar
- 'funding your charity in a post-COVID world' webinar.

We worked with our colleagues at Hāpai Hapori Community Operations to run weekly one-on-one clinics via Zoom. We recognised that it was an uncertain time for charities and people wanted one-on-one support. We ran a range of different clinics including financial reporting, funding, registration and general clinics. We have continued to run these clinics every Thursday and we will continue to do so in the coming year.

Through lockdown we continued to engage with the sector to understand what support was required. We attended weekly Zoom meetings with a range of stakeholders from across the charitable and community sector to discuss the challenges faced by the sector and the areas where more support was required. Based on what was needed, we worked with other agencies to update our guidance, including guidance on the wage subsidy, and face-to-face fundraising.



This data was recorded during the period 24 March to 19 May 2020.

# Te Aka Taiwhenua

Te Aka Taiwhenua is our strategic plan to ensure our services are fit for purpose and are appropriately responsive to whānau, hapū, iwi, our Māori charities and staff.

Four principles underpin the framework: Whanaungatanga (a relationship through shared experiences and working together which provides people with a sense of belonging), Manaakitanga (hospitality, kindness, generosity), Kotahitanga (unity, togetherness, solidarity), and He Tāngata (people are the most important).

Each year we develop a Te Aka Taiwhenua plan. Last year, we supported staff in various tikanga and te reo Māori educational opportunities, which we will continue in the coming year. We held a staff noho marae where they stayed on a local marae for two days, and were introduced to aspects of Te Ao Māori (the Māori world view).

Last year we worked with Te Rātā Atawhai, the independent Charities Registration Board and representatives of our external kaumātua advisory group, Te Atamira Taiwhenua, to implement a more flexible approach to assessing the charitable purpose of Māori organisations. This approach means some Māori charities will no longer have to change the wording of their purposes, making it easier for them to be registered as charities.

We recently added a new section to our website, Te Puna Atawhaitanga, specifically for Māori organisations. We recognise that the western notion of charity does not always reflect Te Ao Māori. Māori have important cultural practices and values including whanaungatanga (kinship), hāpori (community), koha and hau (the act of reciprocity). These values shape the way Māori work in charities today. The information and resources on Te Puna Atawhaitanga are to give guidance for new and existing charities with a kaupapa Māori focus. In developing these pages we worked closely with Pou Ārahi, another unit within the Department of Internal Affairs that leads the implementation of Te Aka Taiwhenua, and consulted with Te Atamira Taiwhenua.

## IN THE NEXT YEAR WE WILL

- continue to improve the information on our website for Māori charities, and add a resource about koha to our website
- continue to support staff in various tikanga and te reo educational opportunities
- build our relationships with key stakeholders, including Te Atamira Taiwhenua.



The diagram features a central orange circle with a white border. Inside the circle, the text reads: *Te Aka* (flanked by two small decorative symbols), **TAIWHENUA**, **MĀORI STRATEGIC FRAMEWORK**, and **Principles**. Two dotted lines extend from the left and right sides of the circle, connecting to four columns of text below.

### Te Aka TAIWHENUA MĀORI STRATEGIC FRAMEWORK

#### Principles

#### Whanaungatanga

A relationship through shared experiences and working together which provides people with a sense of belonging

#### Manaakitanga

Hospitality, kindness, generosity

#### Kotahitanga

Unity, togetherness, solidarity

#### He Tāngata

People are the most important

# Our regulatory approach

Charities Services' primary purposes are to:



Promote public trust and confidence in the charitable sector



Encourage and promote the effective use of charitable resources

To achieve these purposes, we carry out a range of regulatory functions that are set out in the Charities Act 2005.

We perform some of these functions, such as the registration and deregistration of charities, under delegation from Te Rāta Atawhai, the independent Charities Registration Board.

Monitor and promote compliance

Inquire and investigate

Undertake compliance action

## Our regulatory functions

Maintain the public Charities Register

Register charities

Inform and educate

In fulfilling our functions, we aim to take a modern, responsive, risk-based approach.



## Modern

Being a modern regulator is about using the latest approaches and technology. This makes it as easy as possible for the charitable sector to meet their obligations, and for us to carry out our functions and reach out to the sector.

We use modern platforms and communication channels to engage and educate the charitable sector. We recognise that people engage with information in different ways. We use a range of different approaches, such as webinars, social media, resources, clinics and workshops, to inform the sector. We also share relevant information by email as we understand that not everyone in the sector uses social media. Within the past year we ran five webinars on different educational topics. We worked with the Ministry of Business, Innovation and Employment's Companies Office to release an online rules builder for incorporated societies.

We look to use technology to make things easier where we can. Because we automated the process for making simple changes to Charities Register details, we now spend half the amount of time on these changes. This means we can focus on processing more complex changes faster, and allow charities to update the Charities Register quickly and easily.

We have increased our digital engagement and work with colleagues across Aotearoa. This year we worked with our colleagues in Hāpai Hapori Community Operations to run one-on-one clinics with charities via Zoom. We aim to continue this way of working with colleagues and charities across the country. Digital engagement allows us reach more charities and to support those who are not based in city centres. Face-to-face engagement is still a priority for us and we recognise that many charities prefer to meet face-to-face. We plan to visit different regions across Aotearoa to engage with charities, once COVID-19 allows.

### IN THE NEXT YEAR WE WILL

- explore new ways to explain and showcase content, e.g. short videos to explain reporting concepts and governance
- make our website simpler to navigate, and more accessible for people with visual impairments
- take steps to safeguard the security of the Charities Register by upgrading our underlying infrastructure.

# Responsive

Being a responsive regulator is about understanding the environment charities operate in and the challenges they face, and using that understanding to inform the work we do. We make decisions carefully, considering this wider context and the circumstances of both the charitable sector and individual charities.

In the past year we have regularly surveyed the sector to gain their feedback on events we have run. We use feedback to make changes to our events, based on the sector's needs. Before we release resources, we consult a cross section of the sector to ensure our content achieves its aim. We also meet with a group of charities and stakeholders twice a year. This group gives us insights on the issues the charitable sector is facing. When we plan changes to our policies or processes, we test these with the group.

A consistent piece of feedback was the need for an easy "check-list" to refer to when it comes to annual reporting. We created a one-page annual return checklist for Tier 4 charities to meet this need. It will help small charities know what information they need to be recording over the course of their financial year for their annual return and performance report. In the coming year we will continue to publish resources to support charities in meeting their obligations, based on feedback and what charities want and need.

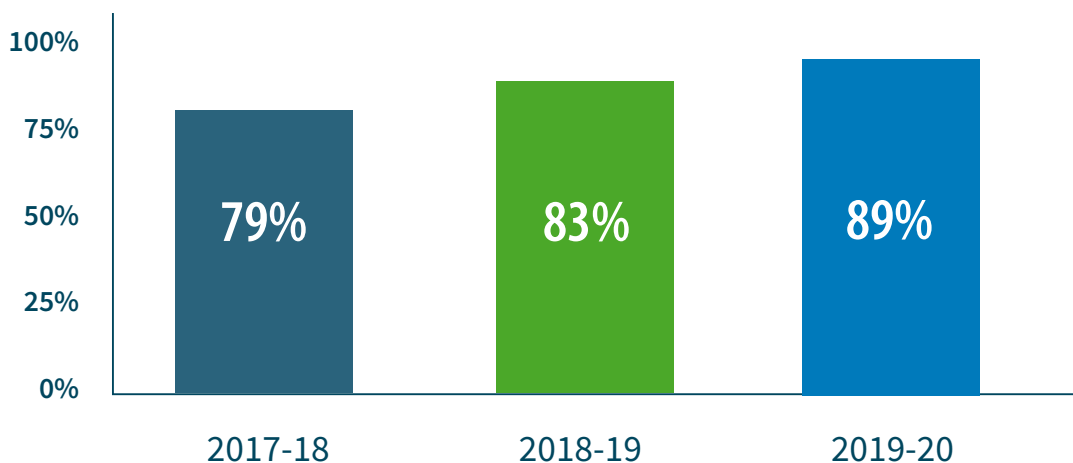
We are also responsive to the needs of individual charities and their requests for assistance and guidance on meeting the requirements of the Charities Act. Our Contact Centre and Customer Support teams responded to thousands of phone calls and emails over the course of the year. In addition we held various clinics and workshops for charities, both online and face-to-face. We planned to host more face-to-face engagement events with charities this year but unfortunately COVID-19 limited our ability to do this. We will continue our face-to-face engagement events when COVID-19 allows.

Every year we survey a random selection of charities that have accessed our services and ask them to rate their experiences with our staff. Charities' satisfaction with our services has improved for the third year in a row. The results from the 2019/2020 survey show that 89% of those surveyed were satisfied with our overall service. Charities surveyed are also encouraged to provide suggestions and comments which we will take into account when improving our services in the next year.

## IN THE NEXT YEAR WE WILL

- support the charitable sector to access the resources and guidance they need, in the ways that work best for them
- continue to survey the charitable sector to ensure we are responsive to their needs
- publish resources and guidance to support charities in meeting their obligations.

## Charities' satisfaction



# Risk-based

Being a risk-based regulator involves targeting our resources and activities to the harms that impact public trust and confidence in the charitable sector and threaten the effective use of charitable resources. These can impact on the willingness of the public to donate both time and money to the sector, which many charities rely on to advance their charitable purposes. We decide what engagement and compliance approach to take depending on our assessment of the nature and level of risk relating to the particular issue.

Our risk-based approach is illustrated by the work of our Registration Team. A triage approach based on a risk-assessment framework has recently been introduced. This approach involves all new applications being assessed for their level of risk.

Applications that are identified as low risk can now be registered more quickly and more time can be spent on complex applications. Already we have seen improvements in the overall timeliness of our decision making and we expect to see wait times decrease further in the year ahead.

## IN THE NEXT YEAR WE WILL

- continue to implement a risk-based approach to registration
- redesign our forms to support our risk-based approach
- participate in Charity Fraud Awareness Week 2020.


## Keeping fraud out of the charitable sector

Any fraud resulting in funds being diverted away from charities can have a significant impact on public trust and confidence in the charitable sector.

For the second year running, Charities Services participated in Charity Fraud Awareness Week, an international initiative promoting openness and honesty about fraud in the charitable sector.

The week is led by the Charities Commission of England and Wales, and supported by more than 40 international regulators and not-for-profit stakeholders, including Charities Services.

As part of the week, we participated in a global webinar on keeping charity fraud out, and promoted a number of useful resources to support charities address the risks associated with fraud.



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# Protecting against money laundering and terrorist financing

New Zealand is a signatory to the international standards set by the Financial Action Task Force (FATF) that are aimed at combating money laundering and terrorist financing. One of these standards requires Aotearoa to put in place appropriate measures to reduce the risk of non-profit organisations, including charities, being abused for terrorist financial purposes. Our role in registering, monitoring, educating and ensuring charities report annually is relevant in this context.

Last year we refreshed our guidance for charities operating overseas. Overseas activities are often harder to monitor than activities at home, which means charities may be exposed to greater risks of being misused. Charities need policies, procedures and controls to help identify and manage these risks.

We have been in touch with all registered charities that operate overseas to let them know the guidance has been updated and to ask that they ensure they take steps to safeguard their organisation. We also ran a three-part webinar series for charities operating overseas, including information on fraud, tax obligations and preventing terrorism financing.

In early March 2020 we met with FATF representatives who were here to assess New Zealand's compliance with all of their standards. We expect FATF to report on their assessment some time in 2021.





# The importance of good governance: a case study

One of our key roles is investigating serious wrongdoing in the charitable sector. This is where a charity, or people associated with a charity, engage in activities that pose a significant risk of harm to the whole sector.

Every officer of a charity has a duty to act in the best interests of their organisation. Officers are responsible for ensuring that their organisation is run in accordance with its rules and the requirements of the Charities Act 2005. This includes reporting accurately, and in accordance with the reporting standards, and responding to requests for information. When a charity is found to not be complying with their obligations, this can have a significant impact on public trust and confidence in the charitable sector.

Last year we received concerns from the public about a registered charity claiming to be a large multinational entity. The charity's public website and annual reports indicated it was making donations worth hundreds of thousands of dollars, and that it was in possession of hundreds of millions of dollars worth of assets. After an extensive investigation, Charities Services discovered that these claims could not be substantiated.

There was no evidence of significant donations, or the existence of significant assets. As a result, the charity's financial reporting was found to be inconsistent with the relevant reporting standards. In addition, some of the information requested from the charity during the investigation was misleading and inaccurate.

Information gathered during our investigation also showed there were significant governance issues within the charity. A number of officers had signed key decisions with little knowledge of the charity's operation and without access to crucial information. Charities Services considered that these officers did not understand the terms of the charity's Trust Deed, showed a lack of understanding around their duties and decision making, and did not act with appropriate care and diligence.

Charities Services considered this conduct constituted gross mismanagement, and a serious risk to trust and confidence in the charitable sector. Te Rātā Atawhai, the independent Charities Registration Board, agreed and deregistered the charity, disqualifying two of the officers for three years.

## KEY LESSONS FOR CHARITIES

- the importance of trustee's duties and the requirement for trustees to have a reasonable knowledge of the rules and operation of the charity
- registered charities are under a duty to respond accurately to requests for information during an investigation
- registered charities must meet the requirements of the reporting standards, and value assets based on objective evidence.

# Governance project

Over the last year we have continued work on our governance project, a large piece of work looking into how we can support good governance in the charitable sector. Governance, in its broadest sense, is about how an organisation is run, and good governance is vital to the success of any organisation. We have assessed where gaps in governance exist and we have developed resources and educational material based on the needs of the sector.

Last year we released a guide, 'Governance information for new officers'. It is a starting point to help new officers understand their role and how they can contribute to governing their charity well. We published a template conflict of interest register, along with a guide on how to use one effectively. These help charities keep a clear record of any potential or real conflicts of interest. We also introduced a 'Governance Tips' section to our bi-monthly newsletter which allows us to regularly share information about governance with the sector.

Charities Services is involved with the National Strategy for Community Governance. The strategy, which was launched in August 2020, has the vision that all community organisations in New Zealand are well governed.

The strategy is led by the Centre of Social Impact in collaboration with the Community Governance Steering Group. We have been involved with the Steering Group in an advisory capacity since it was formed in December 2018. We support project work driven by the group.

## IN THE NEXT YEAR WE WILL

- continue to assess what information is needed to assist charities in practicing good governance
- release short videos explaining useful tips for good governance
- create an 'Induction pack for new officers' that will help new officers transition into their role on the board of a charity
- continue to support the National Strategy for Community Governance, and other groups building good governance in the sector.





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# CHARITIES SERVICES

Ngā Ratonga Kaupapa Atawhai