Kia ora koutou katoa, talofa lava.
Firstly, thank you Minister Goodhew for opening this 2015 Charities Services Annual meeting.
I would also like to acknowledge two of our Board members here, Roger Holmes Miller and Simon Karipa. Thank you for attending.
And of course, welcome to all of you who have made the time to be here today.
For those of you who don’t know me, I am Lesa Kalapu, General Manager of Charities Services.
So, why are we all here today?
Under the Charities Act 2005, we are required to hold an annual meeting for you.
This is for you to hear from us on the year in review and what’s ahead, and to ask questions about the work that we are doing.
I’m really looking forward to the conversations that we will have today, and urge you to speak up if you have something you would like to ask.
Today’s dialogue informs us, and helps us to better understand the things that are ‘front of mind’ for you, in working with us.
So, what is Charities Services about?
Charities Services is part of the Department of Internal Affairs.
We moved into the Department in 2012 when the Charities Commission was disestablished.
I know some of you were concerned that as part of central government, we might lose independence.
I can assure you, this has not been the case. Our independent three-person Board makes decisions on who should be registered or deregistered, based on recommendations from Charities Services. By law, the Board is not answerable to the Minister. As the Minister indicated earlier, our positioning within the Department means that we are better able to connect both with other business groups within the Department (like Community Operations and the Office of Ethnic Communities), and across government. These relationships are critical to our ability to organise ourselves around our ‘customers’ – a current focus for government. The role of Charities Services is to “ensure that the public can support charities with confidence by registering and regulating charities in New Zealand.” Everything we do is to support public trust and confidence in charities – in this respect, New Zealanders are our customers. However, in practice, you, the charities are essentially our customers. In this respect, our fundamental purpose is to ensure that if eligible, you are able to get registered and stay registered. But as Minister Goodhew said, this relies on you playing your part too.
In the last biennial survey of Public Trust and Confidence in the charitable sector, there was a slight increase in overall confidence from the 2012 results at 6 out of 10, but it wasn’t as high as 2010. This is consistent with our comparable jurisdictions like Australia, Scotland, England and Wales. We all experience this sort of fluctuation. Internationally, it is seen that negative perceptions from media coverage of the sector are more likely to cause these fluctuations rather than people’s personal experiences with charities.
Public trust & confidence depends on...

- Public understanding of the sector
- Whether charities are seen to make a positive difference
- Resources being used efficiently
- Transparency & accountability
- Fundraising methods
- Public awareness of the regulator

“The new reporting standards will have a positive impact”.

From the results of our survey, the key positive drivers of public trust include:
- How much the public understands about the charitable sector as a whole
- Whether charities are seen to be making a difference
- Whether charities are using their resources efficiently – particularly what they do with donated funds and how transparent they are about this
- The methods that charities use to raise funds, and
- Public awareness of the charities regulator.

We’ve been using these findings to shape our work and priorities.
We expect that the greater transparency of performance and financial information in the new reporting standards will have a positive impact on public trust and confidence.
This time last year, the new reporting standards were on the horizon. Since then, we have held 147 seminars around New Zealand as part of a roadshow to nearly 9,000 people – 93% of whom were satisfied or very satisfied with the seminars. We have also been building awareness of the new standards in a range of other ways.

Through:
- engagement with capability builders in the regions
- development of online and printed resources
- working with a sector focus group
- developing a new annual return form to align with the standards, and
- getting our IT systems and processes ready.

Can I have a quick show of hands of people who attended one of the workshops we ran with XRB on the New Reporting Standards in the last year? It’s great to get an indication of our reach.

For those of you who may have missed out, resources including videos and workbooks are available on our website.

I’ll be talking more about the new standards shortly.
On your seat, you will have found a hand-out about our activities in the past year, and information about the composition of the sector. Some of this information has come from the Charities Register. It will be interesting to see how the data will change with the richer, fuller picture we will have once you are reporting against the new standards. Like you, we have been preparing for the implementation of the new reporting standards. Cleaning up the information on the register is a big part of this. The register is only as good as the quality of information it holds, and we know that very soon, there will be an influx of high quality information. We have also been working on following up with charities that haven’t been filing annual returns. As a result of this follow-up, 800 charities now have their up-to-date information on the register, which is great for everyone. On the other hand, some charities have voluntarily deregistered through this process for all sorts of different reasons. In the hand-out you can see that a total of 555 charities have voluntarily deregistered in the past year. Around fifty percent of all deregistrations are voluntary.
This past year has seen us focusing on investigations concerned with more significant wrongdoing.
While a small number of charities has been deregistered for serious wrong doing we have also had several instances in the past year where we’ve found serious wrong doing but have worked closely with the charity to ‘right the wrongs’.
Most of our investigations are opened as the result of a complaint or a concern.
We take these seriously; we assess each one.
Early on, we work with a charity to support them to comply.
Only a tiny fraction of charities engage in serious wrongdoing but even this tiny percentage can have a big impact on public trust and confidence.
What the law regards as charitable and what the people consider to be charitable do not always line up.

With charities law being continually shaped by court decisions, any court challenge to our position that results in a clear judgment provides greater clarity for everyone.

The by-product of this, of course, is that any entities affected by a judgment also need to be looked at.
Social housing
This was the case with the Queenstown Lakes High Court judgment back in 2011, where the court determined that housing is a basic right but that home ownership is not. This doesn’t mean that home ownership is always disqualifying but if there are reasonable alternatives such as rental or commuting, home ownership may not relieve a need. This meant that we then needed to look at the purposes and activities of all registered housing providers to see whether they were still eligible for charitable status. He Korowai Trust in Northland has been profiled in the media lately and is an example of one of these charities.
I understand that the possibility of deregistration because of a judgment like this can cause unease, but please don’t panic. Your work is very important, and we want to work with you to ensure you can continue to deliver these services. Bear in mind also, that legislation to enable tax exemptions and donee status for social housing providers that are deregistered as a result of this, should be passed in the near future.

Sport
Sport has also received some media coverage in the last year. Two points on this might be useful to bear in mind. Amateur sport is not charitable unless it’s a means to address a valid charitable purpose. Examples of this might be encouraging public participation to promote health, or relief of the disabled. That’s the first point. The second point is that elite sports are usually not open to the general public, so don’t
qualify for registration.

**National Council of Women**

In December 2014, we had a judgment on whether we were able to backdate registration for the National Council of Women of New Zealand. The court confirmed that Charities Services cannot backdate — but the court can as it has wider powers. And in this case, it did. We, of course, have no control over what the courts do, but we absolutely must apply their judgments.

**Political Advocacy**

The Greenpeace decision has also had implications for us and the sector. In the past, we’ve applied a blanket exclusion on political advocacy as a charity’s purpose. However, this no longer applies. Now, a charity needs to establish public benefit, and then show that public benefit is analogous to another situation previously accepted by the courts as charitable. Interestingly, the Supreme Court has ruled that the controversy of a position may be relevant but will not determine whether or not it is for the public benefit.

For example, although whether to restore or demolish the Christchurch Cathedral is a controversial topic in Canterbury, the Board decided to register an advocacy group that advocates to restore the Cathedral.

This is not because the Board considers that restoration or demolition will be best for Christchurch, but because restoration of an established heritage building is analogous to a previously determined charitable public benefit – the preservation of heritage.
A key priority for us in this next year is to continue our preparation for the new reporting standards. This includes continuing to work with and for you to support you to comply, and also looking at ourselves, and how we can organise ourselves, our systems and our activities to best support the implementation. The reporting standards are the **biggest change** for the sector since the introduction of the Charities Act 2005. Registered charities have always needed to provide annual reports including financial statements, but until now, no minimum standards for the content or the quality of statements have existed. After 1 April 2015, all registered charities will need to prepare financial statements in line with these new standards. With over 27,000 registered charities in New Zealand, of all different shapes and sizes, four different reporting tiers have been developed to allow smaller charities to prepare financial statements on a simplified basis. We expect that about 95% of registered charities are in Tiers 3 and 4, so qualify to use the simplified standards. If you’re not sure of what I mean by tiers, you’ll see the descriptors on the hand-out. If you are in one of these tiers, you have the option of using specially designed templates and guidance notes. If you’re still uncertain of which tier you are in, there’s a resource on our website that can assist.
### When to report against the new standards...

<table>
<thead>
<tr>
<th>What is your balance date?</th>
<th>Your first reporting period under the new standards will be:</th>
<th>You will have to file new financial statements with Charities Services by:</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 March</td>
<td>1 April 2015 to 31 March 2016</td>
<td>30 September 2016</td>
</tr>
<tr>
<td>30 June</td>
<td>1 July 2015 to 30 June 2016</td>
<td>31 December 2016</td>
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<tr>
<td>31 December</td>
<td>1 January 2016 to 31 December 2016</td>
<td>30 June 2017</td>
</tr>
<tr>
<td>Other dates</td>
<td>the first full financial year after 1 April 2015</td>
<td>within six months of the balance date</td>
</tr>
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**When the standards come into effect**

When will charities have to prepare financial statements that comply with the new standards?

As you can see on the slide, this depends on when your balance date is.

For example, if your balance date is 31 March 2015 you will need to file according to the new reporting standards by 30 September 2016.

This will be for the period from 1 April 2015 to 31 March 2016.
We are currently reshaping and rethinking our systems and processes based on making it easier for you – our customers.

We have been examining these systems and processes in the last few months using a structured methodology called Systems Thinking.

While we have already made some changes, this work is an ongoing priority for us and we are committed to seeing it through.
In this past year, we have been really examining our role as a regulator. I talked about the development of a broader compliance strategy at last year’s Annual Meeting. Since then, we have done a lot of work to develop this and I would like to present it to you today.

We have a four point approach to our role as the regulator. **The first point** is that in order to best carry out our role, we need to be closely engaging with you – the sector. The more well-informed we are about your perspectives, motivations, preferences and behaviours, the better our decisions and services will be. This will require us to continue to have regular and direct contact with you, and to listen to what you are saying. It also includes us putting more focus on communicating with those communities that are harder to reach.

**The second point** of our Regulatory Compliance plan is about making it easy – by ensuring that we have all the systems and customer service available to enable you to comply. We know that you want to comply and expect it of your peers. We want to make sure it’s as easy as possible for you to do so efficiently by having all the tools and resources available to you. This will be our focus for the next while as the new reporting standards are implemented. And of course, we need that engagement I spoke about earlier, to really make sure we are providing the most useful tools to you.

**The third point** is about making sure you know what the consequences of non-compliance
are, by clearly communicating them, and that we respond to charities who persistently fail to comply with a credible and proportionate response.

I know you, as a sector, expect this – and the law certainly demands it.

The better we are at addressing those charities who do not meet expectations, and perhaps who engage in serious wrongdoing, the more likely it is that the public will have the confidence to donate.

While the new reporting standards are ‘bedding in’ our focus will be on helping you to comply rather than concentrating on enforcement.

The last point in this four point approach to regulation is about the advice and support that we provide across government that may affect the charitable sector, in line with government’s priorities.

This is also about providing advice to the Minister for the Community and Voluntary Sector, to support respectful and collaborative relationships between government agencies and community organisations.

When the four aspects of this approach are working at their best, the result will be increased public trust and confidence in charities and the sector.
So, as I said at the start, Charities Services’ broad purpose is to promote public trust and confidence in the charities sector through all the work that we do as a regulator. But you are our immediate customers – we’re here to register you if you are eligible, and keep you registered by supporting you to comply with the expectations and requirements. We all have a role to play in promoting public trust and confidence, if you remember those drivers I talked about earlier. For example, whether charities are using resources efficiently and making a difference.

The new standards are a big shift for all of you, and I want you to know that we are committed to supporting you to be able to comply and stay registered. Please take the opportunity to raise questions and issues today, and to talk to us at afternoon tea. We’re here for you today.