



# CHARITIES SERVICES

Ngā Ratonga Kaupapa Atawhai

# ANNUAL REVIEW 2017 / 2018





# WORD FROM THE GENERAL MANAGER



Julia Wootton, General Manager  
Charities Services

*Kia ora koutou, mālō e lelei, kia orana,  
tālofa lava, ni sa bula vinaka, fakaalofa  
lahi atu*

*Greetings and welcome to the 2017/2018  
Annual Review of Charities Services, Ngā  
Ratonga Kaupapa Atawhai*

## ***He waka eke noa***

### ***We're all in this together***

Literally translated, this whakataukī (proverb) is the canoe which we are all in, without exception. The whakataukī also refers to the collective consciousness that affirms belonging in a group. Waka is often used as a metaphor for a journey, so for me this whakataukī represents the collective efforts of Charities Services' staff travelling in the same direction, aspiring to the same vision. That vision is to contribute to a well-governed, transparent and thriving charitable sector with strong public support.

This is the first year that we have produced an annual review for the sector. While our key performance and financial information can be found in the Department of Internal Affairs' Annual Report, we have heard from parts of the sector that we need to be more transparent about the work we do. We hope you find this year's annual review an informative read about our work – who we are, what we do, and how our work contributes to our vision for the sector.

During 2017/18, we continued to support the independent Charities Registration Board, which is responsible for making decisions about registering and deregistering charities. In the last year, the Board and Charities Services (acting under delegation from the Board) registered 815 charities.

Caren Rangi, who has been on the Board since it was established in 2012, left at the end of June 2018. We will miss the wisdom, warmth, humour and experience she brought to the role. In July 2018, Dr Bev Gatenby joined Roger Holmes Miller and Simon Karipa on the Board.

Our ambition is to be a modern, responsive, risk-based regulator and service provider to the sector. We focus our efforts and energies on addressing and preventing issues most likely to have the greatest negative impact on public trust and confidence in charities. As part of this, last year we began working on a risk-based

approach to help prioritise our work, and ensure our time and energy is invested in activities that are most meaningful for the sector. We look forward to sharing more with you about this work during 2018/19.

We have also initiated a governance project which is all about how we can best contribute to increasing the governance capability in charities. The public, government, funders and volunteers entrust charities with funds and time to continue their good work and provide public benefit. Strong governance helps ensure this happens, and that charities are well placed to respond to any speed bumps along the way.

In April 2018, we teamed up with the Charity Law Association of Australia and New Zealand (CLAANZ) and Chartered Accountants Australia & New Zealand (CA ANZ) to launch New Zealand's first ever interdisciplinary charity conference entitled, 'Perspectives on Charities Law, Accounting and Regulation in New Zealand'. Around forty speakers from New Zealand and abroad presented on various charitable, financial, tax and legal topics. The knowledge, expertise and passion from those who attended was evident. The conference provided useful insights into the strengths and opportunities in the charitable sector, including how we can support the sector to thrive.

Looking forward, the next year is shaping up to be exciting and challenging. The review of the Charities Act 2005, announced earlier this year by the Minister for the Community and Voluntary Sector, Hon Peeni Henare, offers an opportunity to help shape the legal framework for charities in Aotearoa New Zealand. The review is being run by the Policy Group in the Department of Internal Affairs. I encourage you to contribute your thoughts and ideas during the public consultation phase of the review.

Natasha Weight has recently returned to her General Manager role, which I have had the pleasure of being in while Natasha was on parental leave. I have thoroughly enjoyed the opportunity to lead the highly skilled and professional team at Charities Services, and have been impressed with the passion and care they approach their work with. I have also enjoyed the opportunity to meet with sector

representatives through the Sector User Group forum to hear about all of the valuable work done to advance charitable purposes in communities around Aotearoa.

I want to acknowledge the fantastic work you do in your communities, and wish you well for the year ahead.

Ka kite anō

*Julia Wootton*

General Manager Charities Services  
Ngā Ratonga Kaupapa Atawhai



***Ka āwhina ā mātau mahi i tētahi rāngai mahi aroha  
e āta whakahaeretia ana, e mahea ana, e tōnui ana  
hoki me te tautoko mai o te iwi whānui***

***Our work contributes to a well-governed,  
transparent and thriving charitable sector  
with strong public support***

# ABOUT US



***Our purpose is to serve and connect people,  
communities and government to build a safe,  
prosperous and respected nation***

Charities Services, Ngā Ratonga Kaupapa Atawhai, is part of the Department of Internal Affairs, and administers the Charities Act 2005. Our role is to promote public trust and confidence in the charitable sector and to encourage 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 27,000 registered charities. The Charities Register is the public record of registered charities that operate under the rules of the Charities Act 2005.

The independent Charities Registration Board meets regularly to apply the law and make decisions about the charitable status of organisations. The Board is composed of three professionals who all have extensive experience working in the charitable sector.

# MEET THE TEAM

Charities Services is made up of 38 staff members in 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. Collectively, we monitor the activities of charities to ensure they are advancing their charitable purpose and contributing to communities. We are also supported by other teams across the Department of Internal Affairs, including Legal, Communications and the Contact Centre.

## REGULATORY GROUP

The Regulatory Group has a number of functions, including inquiring into charities to ensure that they qualify for registration, and where appropriate, taking compliance action for breaches of the Charities Act.

### Registration Team

This team of analysts assesses the charitable 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 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 works to ensure that our information for the charitable sector is comprehensive, fit for purpose and accessible. The team delivers sector engagement events, sector communications and creates practical resources to assist charities to meet their obligations, including 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 obligations.



# OUR YEAR IN NUMBERS

## 173 CONCERNS ADDRESSED

- 35 ongoing investigations
- 12 investigations completed
- 2 warnings issued
- 2 voluntary deregistrations
- 2 letters of expectations
- 2 referrals to other agencies



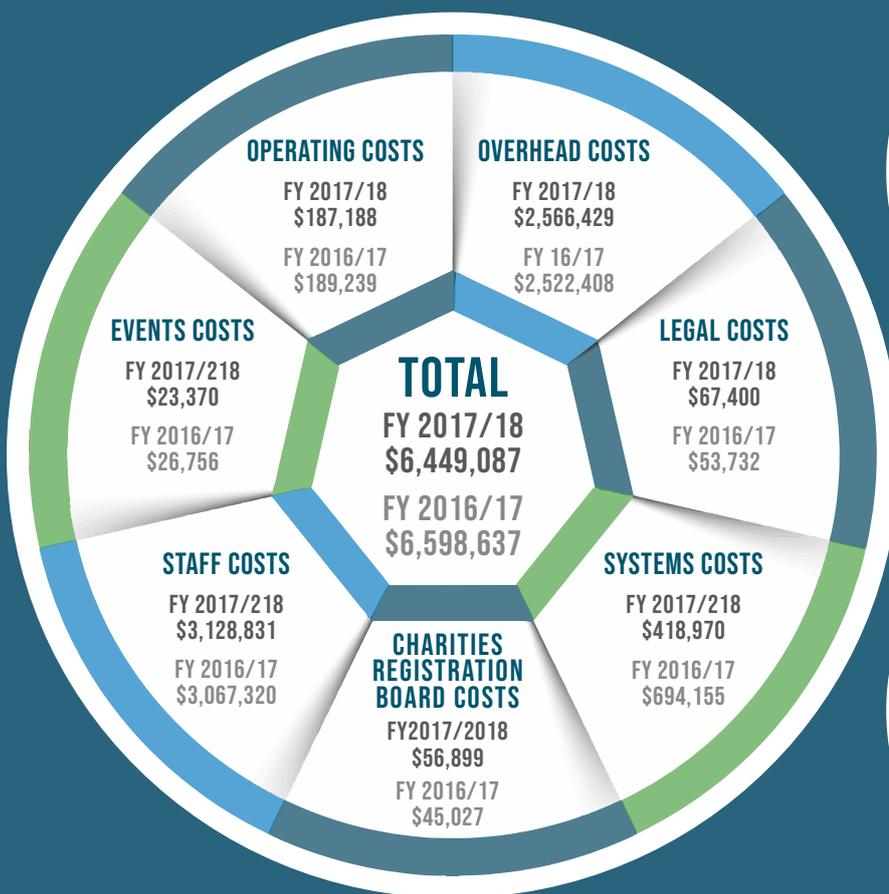
## ONLINE PRESENCE

- 590,000+ website page views
- 4,000+ webinar registrations
- 1,000+ social media followers
- 9 webinars
- 8 blog posts



Facebook | Twitter | YouTube

## OUR SPEND



**9,447**  
CUSTOMER SUPPORT  
QUERIES



**1,808**  
CHANGES TO CHARITIES  
RULES, OFFICERS AND  
OTHER DETAILS

## OUR FUNDING

**\$873,282**

ANNUAL RETURN FILING FEES



**\$6,050,386**

CROWN FUNDING

# THE SECTOR'S YEAR IN NUMBERS

1 JULY 2017 – 30 JUNE 2018



**1,087**

## APPLICATIONS RECEIVED

815 applications approved  
268 applications withdrawn  
4 applications declined



**1,069**

## CHARITIES DEREGISTERED

506 failed to file annual returns  
563 voluntarily deregistered

## REPORTING TIERS

**TIER 1** over \$30 million annual expenses

**< 1% OF ALL CHARITIES**

**TIER 2** under \$30 million annual expenses

**6%**

**TIER 3** under \$2 million annual expenses

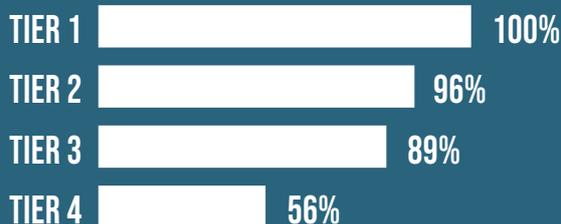
**36%**

**TIER 4** under \$125,000 annual expenses

**58%**

## PERCENTAGE OF CHARITIES USING THE REPORTING STANDARDS

FY 2016/2017



FY 2017/2018



**27,693**  
**REGISTERED CHARITIES**  
**IN NEW ZEALAND**

**117,651**  
**INDIVIDUAL CHARITY**  
**OFFICERS**

**130 GROUPS**

**TOP 3 SOURCES OF FUNDS**

27% donations/koha  
 18% grants/sponsorships  
 11% investment income

**TOP 3 REGIONS WITH REGISTERED CHARITIES**

27% Auckland  
 15% Wellington-Wairapapa  
 13% Canterbury

**TOP 3 SECTORS FOR REGISTERED CHARITIES**

21% education/research  
 18% religious activities  
 9% arts/culture/heritage

**TOP 3 BENEFICIARIES**

34% general public  
 23% children/young people  
 10% religious groups

**TOP 3 OVERSEAS AREAS OF OPERATION**

Australia  
 Fiji  
 India

**PEOPLE** 

**OVER 230,000**  
**VOLUNTEERS CONTRIBUTING**

**OVER 1.5 million**  
**HOURS EVERY WEEK**

**93,301** FULL-TIME PAID STAFF

**90,137** PART-TIME PAID STAFF

**\$\$\$**

**\$4** BILLION DONATIONS

**\$58** BILLION TOTAL ASSETS

**\$18** BILLION TOTAL ANNUAL INCOME

**\$17** BILLION TOTAL EXPENDITURE

*Data as at 30 June 2018, based on most recent annual returns*

# ENGAGEMENT

Our programme of stakeholder engagement enables us to actively identify the ways we can make it easier for charities to comply with their obligations as registered charities. This includes presentations, accounting clinics, and a regular forum with sector representatives to discuss sector priorities, issues and perspectives. We also invest our efforts into maintaining a multi-channel communications programme that includes developing online capability building resources such as our website, social media pages, blogs, a lunchtime webinar series and a bi-monthly sector newsletter. National and regional engagement with charities, community groups, umbrella groups, professional organisations and other government agencies also form a large part of our engagement focus.

## PERSPECTIVES ON CHARITY LAW, ACCOUNTING AND REGULATION IN NEW ZEALAND CONFERENCE

In April 2018, Charities Services teamed up with the Charity Law Association of Australia and New Zealand (CLAANZ) and Chartered Accountants Australia & New Zealand (CA ANZ) to launch New Zealand's first ever interdisciplinary charity conference entitled 'Perspectives on Charities Law, Accounting and Regulation in New Zealand'.

With speakers from New Zealand and overseas discussing various regulatory, financial and legal topics, Charities Services' staff presented on topics including "Are there too many charities in New Zealand?", "Advocacy by Charities" and "How to build public trust and confidence in the charitable sector".



*Be a magpie - find the shining examples of the best ideas from different jurisdictions of the world and apply them in New Zealand*  
~ Professor Oonagh Breen

## SECTOR USER GROUP (SUG)

As the regulator of registered charities in New Zealand, we are always looking for ways to improve our regulatory practice. We know that a key element to ensuring that we are successful in doing this is by better understanding the sector, and with that in mind, we initiated a Sector User Group (SUG) in early 2017.

The SUG is a group of representatives from the charitable sector and includes charities, funders, lawyers and accountants. Our own staff meet regularly with the SUG and have open discussions about what is happening in the sector from the sector's perspective, and to provide further clarity about our approach as a regulator and service provider.

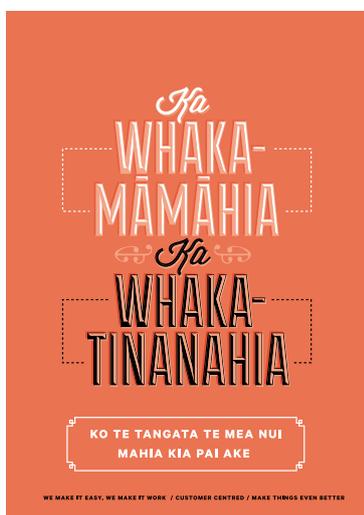
This year the SUG met twice with Charities Services, once in October 2017 and again in May 2018. A wide range of items were discussed during these meetings including the review of the Charities Act, Charities Services' approach to reporting standards compliance, a proposed registered charity logo, updates on the Tax Working Group, and current issues in the sector.

## ACCOUNTING DROP-IN CLINICS

We held three drop-in clinics that gave charities the opportunity to meet our senior accountant and to get guidance on annual reporting and the financial reporting requirements. The clinics were well-received with over 100 charities requesting appointments.

## EFFECTIVENESS FOR MĀORI AND THE PACIFIC PEOPLES PROJECT

In the last year, we started two projects which saw us take an honest look at what we as an organisation can do to better engage with, and support, our Māori and Pacific charities. This involved us talking to our staff, the agencies we work with and most importantly, our Māori and Pacific stakeholders, to gain insights about what we do well and what we need to improve on. This work also resulted in a large number of recommendations for us to trial and implement over the next year to ensure we meet the needs of our Māori and Pacific customers and communities.



# *Promoting trust and confidence in charities*



# CASE STUDIES

## THE IMPORTANCE OF GOOD GOVERNANCE

This year, Charities Services completed a number of investigations including looking into the activities of two registered charities where we received complaints that those in senior management and officer positions were receiving substantial personal benefits. The complaints alleged that charity funds were being used on excessive salaries, private club memberships, improper use of vehicles, expensive annual dinners, additional leave and unnecessary international travel.

We recognised that both charities had a history of success and provided a benefit to those they were set up to support. What concerned us was that after looking into their activities, there appeared to have been a culture of complacency developed toward the existing management and governance processes. Neither organisation was able to provide adequate records to support and justify the use of charity funds for travel, leave, entertainment and memberships. In both cases we established that management and governance processes were either not being followed or did not exist.

We acknowledge that it is appropriate for a charity to reward high performing staff with salaries and bonuses at a competitive market rate, however the officers of a charity must ensure that decisions are well documented, and that contracts and agreements are up-to-date. In these cases, the absence of good records made it difficult to determine if the officers were considering their fiduciary duties when governing the charities.

Commendably, both charities cooperated with us throughout the investigations, responding to requests for information and engaging with us effectively to talk about our concerns. As a result, both charities went through major review processes to improve internal policies and processes to ensure management and governance practices improved.

At the conclusion of both investigations, we determined that the spending itself did not represent a misuse of charity funds but that the shortcomings in the management and governance may have constituted gross mismanagement which is considered serious wrongdoing under the Charities Act.

We issued both charities with 'Letters of Expectations' outlining our findings and reminded them of our expectations that officers put their fiduciary duties at the forefront of their decision making.

These case studies are good examples of a graduated use of our regulatory responses. While at the far end of the scale is deregistration, our first position is always to engage and work with charities to help them achieve and maintain compliance with the Charities Act.



# CHARITIES ACT REVIEW

Public consultation will be underway in early 2019 on a comprehensive review of the Charities Act 2005. Those involved in registered charities and members of the public will have the opportunity to contribute their views to help shape the legislative framework for charities. Feedback on what is working, and what is not, can be provided once a Discussion Document is released. More details can be found at [www.dia.govt.nz/charitiesreview](http://www.dia.govt.nz/charitiesreview).

The Minister for the Community and Voluntary Sector, Hon Peeni Henare, announced the review in May 2018. The Minister will be the key decision-maker on the review, with some decisions also requiring Cabinet approval. The Policy Group in the Department of Internal Affairs is leading the review on behalf of the Minister, working closely with representatives from the charitable sector.

The Minister considers that the fundamentals underpinning the Charities Act are fit for purpose. These include the provision for the registration

of charities, the voluntary nature of registration, public access to information about charities and the obligation on charities to file annual returns with financial information. But the Minister is keen to ensure that the Act is working effectively for the charitable sector, volunteers, our communities and the wider public, the Government and others with an interest.

The legislative review focuses on substantive issues arising under the Act, while recognising and building on the Act's strengths. There are some matters that are outside the scope of the review, including the definition of 'charitable purpose', and tax exemptions that result from registration under the Act (which are being considered by the Government's Tax Working Group).

## ISSUES THAT ARE BEING CONSIDERED INCLUDE:

- The obligations of registered charities and those individuals on governance boards and in senior management roles in registered charities
- The extent to which registered charities can advocate for their causes and points of view
- The extent to which businesses that solely raise funds for registered charities can register under the Act
- Mechanisms to challenge or appeal decisions of the charities regulator
- Regulation of third-party fundraisers (that is, professional fundraisers or commercial operators that fundraise on behalf of a charity)



# THE YEAR AHEAD

## OUR GOALS FOR 2018 / 2019

*New Zealanders  
have trust and  
confidence in the  
charitable sector*

*Good governance  
in the charitable  
sector is  
encouraged and  
supported*

*Charities Services  
is a modern,  
responsible, risk-  
based regulator*

### TO ACHIEVE THESE GOALS, OUR MAIN AREAS OF FOCUS FOR 2018/2019 WILL BE TO:

- Implement a risk-based approach to regulation
- Support good governance in the charities sector
- Improve the experience of our customers
- Uphold the principles of the Treaty of Waitangi

# A RISK-BASED APPROACH TO REGULATION

We respect charities' autonomy to determine their own goals and strategies, and how to further them. Underlying their autonomy, charities are ultimately responsible for their own governance, management and administration.

We recognise that most registered charities are run by dedicated people who make a valuable contribution to their communities. A lot of our

work involves providing education and support to help charities meet their obligations.

Our focus over the next year is becoming a more modern, responsive, risk-based regulator. We will target our resources on harms that have the potential to adversely impact on public trust and confidence in the charitable sector and threaten the effective use of charitable resources.

## OUR THREE COMPLIANCE FOCUS AREAS

### Significant non-compliance or gross mismanagement

Trust and confidence is driven by charities using their resources to effectively benefit the public and reporting about that benefit in a timely manner. We will continue to help charities report according to the reporting standards, and we will monitor charities to support the effective use of charitable resources.

### Fraud and corrupt use of funds

We know that any fraud resulting in funds being diverted away from charities can have a significant impact on how the public perceive the sector. We work with other regulators to identify, and where possible, prevent the unlawful and corrupt use of charities' funds.

### Money laundering and the funding of terrorism

Although the risk of charities being used for serious criminal activities is low, we know that one example alone can significantly impact on how much the public trusts charities. We will continue to cooperate with other agencies in identifying entities that may be at risk, and educating charities on how to best protect their funds.

A risk-based approach is founded on a good understanding of the sector. We will continue to work with the Sector User Group and other regulators, and analyse the data from the Charities Register to improve our understanding of trends in the sector and where charities need our support. This work will inform our areas of focus and how we allocate our resources.

Our risk-based approach also involves reviewing our registration and customer support functions to ensure resources are being allocated effectively, so we can identify and focus on the issues that matter to the sector, and wider community.

## *An effective risk framework and compliance model promotes public trust and confidence in the regulator and the sector*



### **GOVERNANCE PROJECT**

Charities play the most significant part in identifying and preventing risks to the wider sector. One of our functions under the Charities Act is to educate and assist charities in matters of good governance. We know that the better the governance a charity has in place, the more it will contribute to the public trust and confidence in the sector. Last year we began a large piece of work to look into how we can support good governance in the charitable sector.

In our core work, whether it's answering a general query or working with a charity following an investigation into possible wrongdoing, we recognise that improved governance practices lead to charities using their resources more effectively to provide the most benefit to those they support.

We know that the sector is largely volunteer-based and that time is highly valued. Our objective is to make it as easy as possible for

charities to understand what good governance is and to have access to fit-for-purpose guidance and support should they want or need it. We have undertaken a review of the governance resources publically available, both nationally and internationally, paying close attention to what other charity regulators are doing overseas. We have also conducted over 50 interviews with sector representatives, funders, governance experts and other government agencies to hear about what they think good governance is and what we can do better to support good governance.

This year will see us focus on the actual doing – developing resources and educational material based on what we've heard from the sector and others with an interest in the sector. This is an exciting area for us to be focusing on and we look forward to sharing more with you as our work progresses.



## IMPROVING THE EXPERIENCE OF THE CUSTOMER

We know that there are lots of requirements for charities in today's regulatory environment. We want to make it easy for charities to comply with our requirements, and support charities to meet their other requirements. We will be introducing several improvements to our processes over the next year.

Our website is the primary way we communicate with the sector and the general public. It contains information about us as a regulator, the Charities Register, and resources and guidance materials for registered charities. We know that currently the website has limitations and over the next year we will be making improvements so that it is easier to navigate and contains information that is clear and relevant.

One recommendation that has come out of the Sector User Group is the need to increase the recognition of registered charities, and especially highlight the obligations of registered charities. In the next year, we will be introducing a 'charity logo' which will be an official image for charities to use to help them promote the fact they are a registered charity. We will encourage charities to provide links to their page on the Charities Register so their members and the public can see their annual reporting and better understand what it means to be registered as a charity.

In the next year, the Charities Register will also include the New Zealand Business Number (NZBN). The NZBN is a unique identifier available for every business and charity. Entities can share their core business information with one number. All incorporated groups will already have an NZBN, and any unincorporated groups can apply to the Companies Office separately for this number.

We are also working with the Companies Office to produce an online rules builder. This will allow new charities (and charities looking to change their rules) to step through how to build their core rules document and understand what the different components mean, while remaining compliant with the law.

We will be making some changes to the annual return process, based on feedback we've received over a number of years. Charities will be able to pay the annual return filing fee (which only applies if their annual income is \$10,000 or more) using a credit card, and when charities re-register after they fail to file, they will keep their original registration number. We also plan to review the questions asked in the annual return form, to make sure that they are aligned with our risk-based approach discussed above, and our Māori strategy,

## TE AKA TAIWHENUA

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

The plan is built on the image of the kahikatea – the tallest tree in Aotearoa, drawing strength from its connection with other trees of the forest. 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).

Last year, we looked at our current implementation of Te Aka Taiwhenua, and identified a number of opportunities for development.

In the next year, we will be adding a page on our website specifically for Māori customers, designed around their service needs. Staff will be supported in various tikanga and Te Reo educational opportunities, and we will build our relationships with key stakeholders, including Te Atamira, our mana whenua advisory group.

***Ko tā te Tari Taiwhenua he whakarato me te hono i ngā  
iwi, ngā hāpori me te kāwanatanga ki te hanga motu  
haumarū, tōnui, whai mana hoki***



# CHARITIES SERVICES

Ngā Ratonga Kaupapa Atawhai

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