

# Appendix A

## 2021 Annual Meeting Questions



### POLICY

**Q** What is Charities Services planning to do in regard to the amount of charities in New Zealand?

**A** Our role is to register charities when they qualify. We recognise that the number of charities on the register is high when compared, on a population basis, with overseas countries. We think it is part of Aotearoa's makeup for people to want to come up with innovative ways to support their community.

There may be opportunity for groups to work together more closely, and we encourage charities to consider whether the benefits of being registered are outweighed by any of the costs. During the registration process, we encourage charities to look at the Charities Register to see if there are other groups they can work with, rather than starting up new charities.

We have also worked with the Community Foundations of New Zealand to identify inactive charities, and provide [options for those charities to make the most of their charitable assets by winding up](#) and working through a Community Foundation or other donor advised fund.

**Q** I'm disappointed that charities and societies are ineligible to receive mental health and strategy support through the Regional Business Partner Network. How can we change this so that our community sector can better navigate the significant challenges we currently face?

**A** The Regional Business Partner Network is administered by the Ministry of Business, Innovation, and Employment and is designed to support businesses through partnerships with local non-profits.

The most recent [support package](#) is directed at [Tamaki Mākaaurau](#), and some of the support (health and wellbeing and business community support) is available for charities and societies organisations.

[Business.govt.nz](#) also has a number of free resources supporting any organisation, including [digital boost free digital skills training](#).

### MODERNISATION OF THE CHARITIES ACT

**Q** What's happening with the review of the Charities Act?

**A** The Policy Group of the Department of Internal Affairs is running the modernisation of the Charities Act. [Visit their website](#) to stay up-to-date on progress.

### FINANCIAL REPORTING & TAX

**Q** Tier 4 reporting is onerous for many smaller charities. What is Charities Services doing about this?

**A** As a registered charity, it's very important to be transparent and accountable to the public. That's why all registered charities are required to prepare a performance report or financial statements.

We are continuing to support Tier 4 charities through the creation of [resources and content](#) which will assist charities in applying and understanding their reporting requirements. Please tell us if you think of any particular resources that would be useful ([info@charities.govt.nz](mailto:info@charities.govt.nz)).

Recently, we have been involved with the Review of the Tier 3 and Tier 4 standards and provided feedback to the External Reporting Board (XRB) regarding the concerns a lot of charities have. Alongside of this, we have worked with the XRB to update the [simple two-page Tier 4 template for those very small charities](#).

The XRB have received and reviewed all submissions, and are in the process of working through these. Based on the submissions, they are making proposed amendments, that must go through their internal process before being presented to their board for approval. The XRB are keeping us informed as they work through the process.

### **Q What does online reporting involve? And what's the difference between an annual return and a performance report?**

**A** Reporting annually to Charities Services includes doing two things. You must complete an annual return form and file either a performance report (Tier 3 and 4 charities) or a financial statement (Tier 1 and 2 charities).

The annual return form helps ensure that we have accurate information about your charity on the charities register which can be searched by members of the public.

The performance report is a separate document that reports key financial and non-financial performance information. While performance reports of individual charities can be viewed on the charities register, you can't search for information in these reports across the register. This can only happen once you input the information in the annual return form.

All the information you provide gives an insight into the make-up of the charitable sector and is used by donors, volunteers, funders, the public and other stakeholders.

### **Q What is Charities Services planning to do in regard to the duplication of work for each entity that is part of a reporting group?**

**A** All registered charities have a legal requirement to report to Charities Services, under the Charities Act 2005.

Charities who are within a reporting group, where there is a controlling relationship for financial reporting purposes, are able to register as a single entity under the Charities Act. The 'parent' of the group can submit consolidated accounts that cover all activities of the charities, which can reduce individual reporting requirements. We have more [information on group registration on our website](#).

### **Q How do we join a "Financial reporting clinic"?**

**A** Charities Services hold a range of [online one-on-one clinics](#) every Thursday. To have a Financial Reporting clinic, simply find a date and time that has a Financial Reporting clinic slot and enter your details.

If you are having issues with signing up to a clinic, you can also email us directly at [info@charities.govt.nz](mailto:info@charities.govt.nz) to request a clinic.

### **Q Why are statements of service performance important? What advice do you have to help me report well?**

**A** As a registered charity, it is important to understand what your charity does and how that impacts what you are wanting to achieve, which is reflected through your [Statement of Service Performance](#).

Charities who do this well often find this information a useful way to reflect inwardly, especially when they review and assess their activities more often than once a year. These discussions can encourage good governance over your charitable activities, and is a part of having a well-rounded reporting process.

A key learning from charities who have been reporting this well over the past few years, is to engage your Auditor or Reviewer early. This provides opportunities to discuss if your "outputs" are quantifiable and how to keep good records of them.

We suggest looking at similar charities to your own charity on the register to see examples of service performance reporting. You can also look at [the winners of the Chartered Accountants of Australia and New Zealand's annual charity reporting awards to see best practice](#).

**Q Can there be a change to the reporting requirements to allow more flexibility around the Tier 3 and Tier 4 reporting levels?**

**A** Charities Services does not set the tier thresholds for financial reporting by registered charities. The requirement to report is set by the Charities Act and most of the thresholds for financial reporting are found in the financial reporting standards set by the External Reporting Board in New Zealand and the Financial Reporting Act 2013.

Inflation adjustments will also be applicable from the 1st January 2022, which mean some charities can drop which reporting tier they are in, as well as consider if a statutory assurance engagement is still required.

We communicate regularly with the External Reporting Board about how the standards are working and areas where smaller charities are finding them challenging.

**Q We would like to know if there are any initiatives to lessen the burden on charities regarding the issuance of donation tax receipts**

**A** Charities Services does not administer any tax benefits relating to registration as a charity, including donee status. Inland Revenue has information on their website on [what is required for donation receipts](#). We are not aware of any initiatives to change the requirements for donation receipts at this time.

## COVID-19

**Q How has the sector been impacted by COVID? How are you helping charities during this time?**

**A** COVID-19 has impacted charities in a variety of ways. Some will have found new ways to carry out their charitable purposes, while others may have shifted their focus to support new communities, others still may have joined with other groups or stopped operating. We have [information on COVID-19 for registered charities on our website](#), which is regularly updated.

COVID-19 will continue to affect our society and the charitable sector. We've heard a lot from the sector about the challenges during lockdown. These included uncertain funding, impacts on delivering services, changing community needs, and struggles to meet obligations such as holding AGMs. We've also seen a few reports come out since COVID-19 hit our shores. These have shown that financial certainty is an issue across the sector. We know groups are receiving or expect to receive less funding. They're doing more with less, and innovating and collaborating to deliver services.

We've also supported two recent reports into the state of the sector by external parties. JBWere released its most recent "Cause Report" recently, which includes a focus on COVID-19 impacts. The Cause Report is a detailed analysis of the for-purpose sector, and includes data from the Charities Register. [Information is available on JB Were's website.](#)

Hui E! Community Networks Aotearoa, Volunteering New Zealand and Philanthropy New Zealand have also completed two surveys into the state of the sector since COVID-19. [The first report is available](#), and the second is being compiled and [will be released soon](#).

Recognising the challenges for many charities during lockdowns, and in responding to the pandemic, we have been flexible with our compliance approach. The government also reintroduced changes to make it easier to make changes and operate remotely for charities incorporated as societies, trusts, or companies. More [information about how these changes work is available on the Companies Office's website](#).

**Q Has COVID-19 caused many charities to wind up and what are you doing to help?**

**A** Only seven charities have identified COVID-19 as a reason for winding up in their reporting to Charities Services, and the last year has not seen a significant increase in removals from the Charities Register.

Charities have six months from their financial end of year date to file returns, and we consider we will have a more accurate picture of the impacts of COVID-19 next year.

We know that COVID-19 has significantly impacted charities throughout Aotearoa, and our flexible approach to compliance may mean that some charities who have ceased to operate are still on the charities register.

We will continue to be flexible with our compliance approach, to acknowledge the challenges faced by charities during the COVID-19 pandemic.

**Q Our charity supports the disabled community. We need to ask volunteers to be vaccinated. What are our options here?**

**A** Guidance on vaccination requirements is available on the [Unite against COVID-19 website](#). The Ministry of Health also has [information on vaccinations to support disabled people](#) on their website, Employment New Zealand published [guidance for employers](#) on vaccinations, and we have some [guidance on our website](#).

We encourage charities to source their information directly from the appropriate agency. We will update our website as information becomes available.

**Q Can we hold our AGMs online?**

**A** We understand that a lot of charities are now looking to hold their AGMs and make decisions digitally as a result of COVID-19. Some charities might already have provision in their rules to do this, while others might need to change their rules.

We recently published [a blog on this subject](#), which we encourage you to check out. [Temporary law changes introduced for entities incorporated as companies, societies and trusts](#) are also designed to make operating remotely easier.

## FUNDING

**Q How can I learn about the available funds out there and how to make a successful application?**

**A** Charities Services is not involved in funding, and does not make funding decisions.

There is a range of funding available for charities, and other not-for-profit groups. Some of this is administered through government, with other funding offered by private entities. We've provided a [list of funds we are aware of on our website](#).

Our colleagues in Hāpai Hapori Community Operations are responsible for a number of funds, including Lottery and Crown funding. These go through funding rounds, where you are able to apply. For more information on grant funding administered by Hāpai Hapori, we recommend you visit the [Community Matters website](#).

If you want more specific information or assistance with funding requests, you can speak to someone at Hāpai Hapori directly. Their Community Advisors are located throughout the country, and you can find out how to [contact them on their website](#).

We will be continuing to make [one-on-one clinics](#) available in the new year. There are sessions available to talk about funding opportunities and access to funding.

There are other funds available depending on your charity. These include the [Ethnic Communities Development Fund](#) administered by the Ministry for Ethnic Communities, and the [Cultural Sector Capability Fund](#) administered by the Ministry for Culture & Heritage.

**Q Will the funding review look at encouraging more collaboration between charities? Many funding application requirements pit charities against each other rather than looking at opportunities to partner to create better outcomes for beneficiaries.**

**A** Charities Services isn't involved in making decisions about funding, but we do work with [Philanthropy NZ](#) on their [Match Te Puna Taurite platform](#) to help make it the funding system work better for charities.

The Minister spoke about the Department's recent work to develop good practice funding principles that will help inform our practice. These included a principle around high trust, reciprocal relationships and collaboration, so encouraging collaboration

between funders and between organisations is certainly in the mix.

**Q We want to know how to run fundraising events in a lockdown. Could Charities Services help with a resource bank on running creative online events?**

**A** There are a number of great resource banks online which look at the Aotearoa context. The NZ Navigator Trust runs both [CommunityNet Aotearoa](#) and [Digital Stuff We Love](#). CommunityNet Aotearoa is a hub of resources designed to strengthen organisations and communities. You can find information about topics ranging from financial reporting and tax through to communications and leadership. Digital Stuff We Love contains links to digital tools that Aotearoa based organisations can use. These include tools to help with things like your administration, planning, or payroll (including other things).

**Q Is there any help available from Charities Services to engage with a younger generation of donors?**

**A** Once again, [CommunityNet Aotearoa](#) and [Digital Stuff We Love](#) are both great places to start if you're looking for information about engaging digitally. We also encourage charities to consider increased diversity of experience and thought on their boards. This is an opportunity to engage with younger people, and think innovatively about how to reach new donor groups.

Charities Services will be looking at profiling some charities that have been successful at engaging with younger donors in the upcoming months, so ensure you are [signed up to our newsletter](#).

## GOVERNANCE & REGISTRATION

**Q Are there any resources to help charities negotiate new government legislation during these COVID times?**

**A** Charities Services published a number of resources in the last year supporting charities to understand their

obligations under the law. These resources are listed on the [Charities obligations under the law page](#) on our website.

A key change impacting on charities in the last year was the Trust Act coming into force, and we published [a blog](#) and participated in [a webinar](#) on the subject.

If you have any legal obligations that you want more information on, please let us know.

**Q Can Charities Services please provide templates for writing constitutions?**

**A** [Our website](#) refers people to the excellent [community resource kit](#) provided by [CommunityNet Aotearoa](#). This resource includes a [Sample Charitable Trust Deed](#), which we put together. We also contributed to the [Constitution Builder for incorporated societies](#) provided by MBIE, that includes clauses that meet registration requirements for charities.

**Q Can Charities Services provide training for charities? For example, governance or Treaty obligations training to ensure responsiveness to Māori?**

**A** We don't provide training ourselves but our website refers people to the excellent [governance resources provided by CommunityNet Aotearoa](#). Some excellent Treaty resources are available online including lists of [Treaty educators](#) throughout the country.

**Q New Zealand has a growing number of ethnic communities whose first language is not English. Do you have translators who can help?**

**A** Charities Services is committed to supporting members of charities for whom English is not a first language. If you call us on 0508 CHARITIES (0508 242 748), you can request an interpreter to assist. Our team are happy to help.

We are also working on a number of simple resources this year. These will be translated into various different languages used by different communities in Aotearoa.



**Q** There is a growing aging population, and an opportunity to support that population through bequests and wills. How is Charities Services helping?

**A** Charities Services has registered charities established through wills or bequests with charitable purposes to support our aging population. We will continue to register any organisations that meet requirements under the Charities Act, including those with a charitable purpose to support relieve the needs associated with aging.

We encourage individuals who are intending on starting a charity in their will to consider searching [the Charities Register](#) to see if there are existing charities they can donate to. They may also want to consider setting up a fund through a Community Foundation or the Gift Trust, to minimise administrative costs. We explain about these funds in [this blog about the end of charities](#).

**Q** What is the plan to lessen the administrative burden on charities?

**A** Our Annual Return form allows charities to enter in the information from their Performance Report. The form includes information from the previous year.

We've also provided a [simple Microsoft Excel cashbook](#) to help charities categorise their income and expenses, and we have recently released with the XRB a [simple template for very small charities](#).

**Q** Could you touch on the importance of the constitution or a rules document?

**A** Rules are an important part of being a charity. They set out a charity's powers, how it appoints officers, and its charitable purpose. Reading and understanding a [charity's rules is one of the key duties of being a charity officer](#).

**Q** We're a brand new charity, where do we start?

**A** We have [resources available on our website to support charities](#) that are just starting out or new organisations that are considering whether to register as a charity.

**Q** How can smaller charities get advice from the Charities Board when in need, preferably via a one 1 to 1 session?

**A** Charities Services is responsible for providing advice on matters of good governance and reporting, and charities can [book a 1-on-1 session with our staff](#) any Thursday. Although we can provide information about best practice governance, we cannot provide legal advice. Some Community Law Centres offer free legal advice to charities.

**Q** What are you doing to improve cohesion between Incorporated Societies (with or without charitable status) and Charities Services?

**A** Charities Services is working with the Companies Office, which includes the Registrar for Incorporated Societies, Companies and Charitable Trusts, to identify opportunities for improving the experience of not-for-profit groups in their engagements with government.

Charities that are incorporated societies do not currently have to report annually to the Incorporated Societies Registrar, and at present, this will continue under the Incorporated Societies Bill in front of Parliament.

We are also part of a cross-agency group, including Inland Revenue and the Companies Office. This group looks at practical ways to improve engagement and communications, including consistent governance information for new officers of charities, societies and trusts.

**Q** The difficulties that charities have with banks and their complex requirements is very frustrating. Is there a way that Charities Services can create a model for banks to follow?

**A** We understand that some charities may have challenges dealing with banks from time to time. We will explore how we can engage with banks to simplify charities experience, although we have no power to direct how banks operate.

## INVESTIGATIONS

### Q What safeguard do we have in Charities for groups that abused the system?

A The Investigations team receives and processes complaints about breaches of the Charities Act and investigate those matters which fall under the definition of “serious wrongdoing” under Section 4 of the Charities Act.

Complaints are put through a rigorous process where any information or evidence provided with the complaint is closely examined and a decision is made around whether the information indicates “serious wrongdoing”. We focus our efforts on the serious issues where an investigation is in the public interest.

Where serious wrongdoing is identified, most investigations end in working with charities to improve their governance. In some cases, serious non-compliance issues can result in deregistration, disqualification, and orders preventing re-registration. Any decision to remove a charity from the Charities Register is made by Te Rātā Atawhai, the independent Charities Registration Board.

### Q How often do you deregister due to non-compliance?

A In the 2020-21 financial year, 782 charities were deregistered. 385 were removed for persistent failure to file annual returns, and one was for serious wrongdoing under the Charities Act. The remainder voluntarily deregistered. Very few charities are removed for serious wrongdoing, or no longer having charitable purposes.

In all cases, we work with most charities to meet the requirements of the Charities Act, and it is only at the very serious end where charities are removed from the Charities Register.

### Q Who holds charitable trusts to account when they clearly don't consult with beneficiaries and don't include them in major changes and decision making?

A Charities Services monitors charities and also provides guidance and advice to charities on how to comply with the requirements of the Charities Act. Otherwise, registered charities are independent, self-governing entities. Provided they meet their obligations under the Act, we have no involvement in charities' day-to-day operations.