

# Financing charities in the future

Presentation to Fuelling  
Good: Not For Profit  
Finance Forum

New Zealand Government



Te Tari Taiwhenua  
Internal Affairs

# What we are saying today

- Who are Charities Services and what do we do?
- The implementation of the reporting standards
- Encouraging good governance in the Charities Sector
- The modernisation of the Charities Act



# Who we are?



**Te Tari Taiwhenua  
Internal Affairs**

Service Delivery and Operations

## Charities Services

Charities  
Registration  
Board

Regulatory

Registration

Investigations

Engagement and  
Business Improvement

Capability

Customer  
Support



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# Charities Services

## Ngā Rātonga Kaupapa Atawhai

*Our purpose is*

PROMOTING

**PUBLIC TRUST**

*and*

**CONFIDENCE**

IN CHARITIES



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# Other purposes

- to encourage and promote **the effective use of charitable resources**
- to provide for **registration** of charities
- to require charities to **comply** with obligations



# Functions under the Charities Act



# Charitable purpose and funding

- Unlike other jurisdictions, fundraising for charitable purposes is charitable.
- So unrelated businesses can register as charities under the Charities Act.





# Fundraising businesses

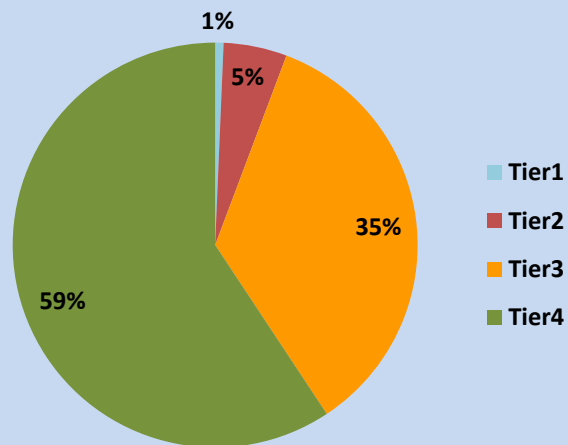
The business **can**  
make a profit

The business pays  
**market rates** to the  
charity for the use of  
any of its resources.



# How have charities reported?

Charities reporting Tier selected\*

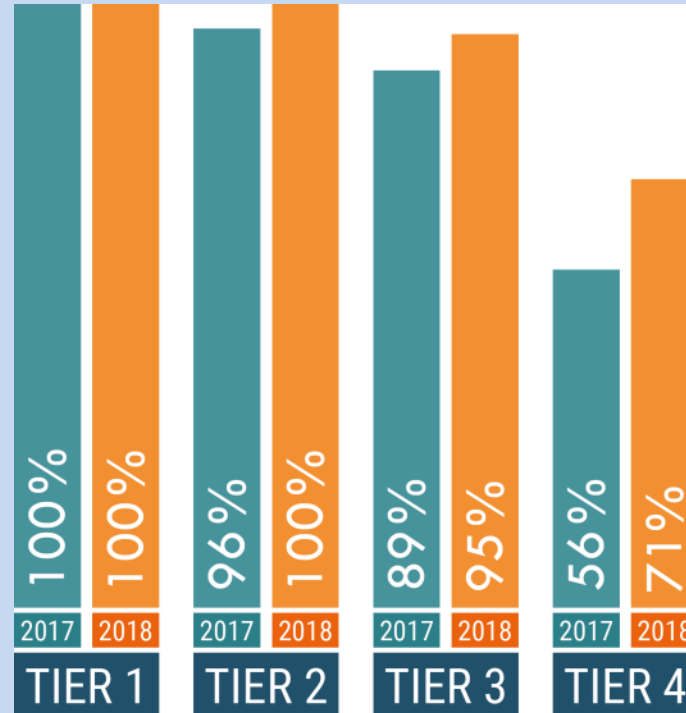


\*Based on 2017 annual returns



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# Uptake of standards 2017 - 2018



# Challenges

Tiers 1 and 2	Tiers 3 and 4
Consolidation	Outputs vs Outcomes
Exchange vs Non-Exchange	Reporting Categories
Valuation	Recording Grants
Summary Financials	Audit Requirements

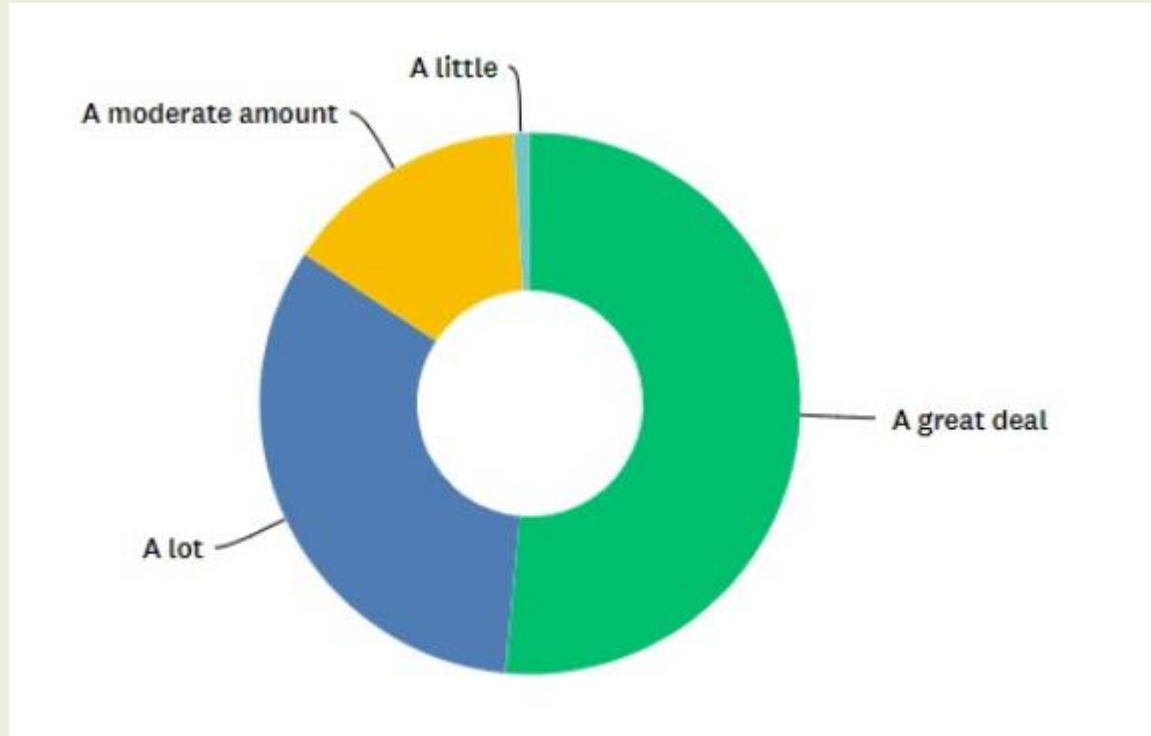


# Successes

- Quality of reporting has **increased**
- Funders love the **non-financial** information
- Charities now know what they **own**
- Charities are **reviewing** their structures



# Do charities have a clear understanding of their roles?



# What we know about governance

- The drive to do good is high, but the **skills** to run a charity effectively are low
- New committee/board members often don't understand their **obligations**
- A wide range of **resources** are available, but they are not easily accessible



# Improving the governance of the sector

- Clear guidance for new officers
- Governance resources specific to organisations with kaupapa Māori
- Working with other agencies on consistent messaging around governance





# Improving the governance of the sector



# Preventing illegal use of funds

- Charities must ensure they have steps in place to prevent fraud, mismanagement and misuse of funds for illegal purposes.
  - Expect reporting at board level
  - If you are dealing with cash donations or relieving needs with cash, be careful, plan for accountability
  - Be aware of digital security, scams and spam



# Overseas charities

- Assess your risk
  - **Where** do you give
  - **Who** do you give to
- Manage risks
  - Use established **financial providers** to send money overseas
  - If **identified risk**, require reporting or local audit
  - If you are suspicious, **report it**



# Modernising the Charities Act

- What we are trying to achieve
- Process of the review
- Key factors for the financing of charities
  - Obligations
  - Te Ao Māori
  - Business
  - Accumulations



# What are we trying to achieve?

We want an Act that helps ensure:

- charities are supported to effectively deliver on their charitable purposes
- the expertise and independent voice of charities helps inform the policies and services that affect communities
- New Zealanders understand, trust, and have confidence in charities



# What's the process?

**Public  
consultation**

**Legislative process,  
Select committee  
(public submissions)**

**Analysis of submissions,  
policy development,  
Cabinet policy decisions**



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# Key Issues

- Obligations of charities
- The charities regulator
- Appeal of decisions
- Te Ao Māori
- Charities and businesses
- Charities and advocacy



# Obligations of charities

- Are current requirements on charities reasonable? (e.g. annual reporting, notification of rule and personnel changes)
- Obligations need to be:
  - Clear and manageable for charities
  - Robust, to ensure public trust and confidence in the sector





# Obligations: what we want to know

- What support is required for charities to meet their reporting requirements?
- Could governance standards be adapted to NZ context?
- Should charities be more transparent about how they accumulate and spend charitable funds?



# Charities and business

- Businesses provide an important income source for charities

We want to know:

- How can we best manage risks of charities operating businesses?
- How should charities report on their business operations and business subsidiaries?



# How to have your say

- View the full discussion document and find out how to have your say at [www.dia.govt.nz/CharitiesAct](http://www.dia.govt.nz/CharitiesAct)
- Submissions close on **31 May 2019**
- Submit by email [charitiesact@dia.govt.nz](mailto:charitiesact@dia.govt.nz)



# Questions?

[www.dia.govt.nz/CharitiesAct](http://www.dia.govt.nz/CharitiesAct)

*He taonga rongonui te aroha ki te tangata*  
Goodwill towards others is a precious treasure



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