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**Briefing for Incoming Minister on the Charities Commission**

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**25 November 2008**

**[Some information in this document has been withheld under section 9 of the Official Information Act 1982]**

## **Establishment**

1. The Charities Commission (Komihana Kaupapa Atawhai) was established as an autonomous Crown entity on 1 July 2005 following the enactment of the Charities Act on 13 April 2005.

## **Members**

2. The Commission is governed by a Board consisting of: Sid Ashton (Chair), Judith Timpany (Deputy Chair), Kerry Ayers, Ian Calder, Frank Claridge, Amohaere Houkamau and Trish McKelvey. The Chief Executive of the Commission is Trevor Garrett. Biographies of members are included in Appendix 2.

## **Functions**

3. The functions of the Charities Commission, as set out in section 10 of the Charities Act, are to:
  - promote public trust and confidence in the charitable sector
  - encourage and promote the effective use of charitable resources
  - educate and assist charities in relation to matters of good governance and management
  - make appropriate information available to assist persons to make registration applications under this Act
  - receive, consider and process applications for registration as charitable entities
  - ensure that the register of charitable entities is compiled and maintained
  - receive, consider, and process annual returns submitted by charitable entities
  - supply information and documents in appropriate circumstances for the purposes of the Inland Revenue Acts
  - monitor charitable entities and their activities to ensure that entities that are registered as charitable entities continue to be qualified for registration as charitable entities
  - inquire into charitable entities and into persons who have engaged in, or are engaging in, conduct that constitutes, or may constitute, a breach of this Act or serious wrongdoing in connection with a charitable entity
  - monitor and promote compliance with this Act, including by taking prosecutions for offences against this Act in appropriate circumstances
  - consider, and to report and make recommendations on, any matter relating to charities
  - stimulate and promote research into any matter relating to charities.

## **Autonomous Crown Entity**

4. The Charities Commission is an Autonomous Crown Entity under the provisions of the Crown Entities Act. The Act specifies the relationship between the entity and its responsible Minister.
5. The Commission has a number of statutorily independent functions, including decisions on whether or not to register a charitable entity. During the course of the consideration of an application there will be discussions and correspondence between the applicant and the Commission which might include the applicant receiving a 'notice that may lead to a decline'. Sometimes an applicant will, at this stage approach either the media, an MP, or a Minister to seek an intervention in the process. Because of the quasi-judicial nature of the process the Commission will not discuss an application with other than the applicant before a final decision on the application is made.

## **Background**

6. The Charities Bill was introduced by the Minister of Commerce, the Hon Margaret Wilson. The original intent of the Bill was to set up a Charities Commission whose primary function was to administer a registration and monitoring system for charitable organisations and approved donees. The Bill was also the first step towards instigating measures to satisfy New Zealand's international obligations under the Financial Action Task Force's Special Recommendation VIII relating to the financing of terrorist organisations through not-for-profit entities. It was also intended to ensure that the sector became more accountable and transparent to the donating public, funders, regulators, and the government.
7. Following the Report of the Social Services Committee, a number of fundamental amendments to the Bill were made. The Committee was of the view that the Commission should have an important role in informing, educating and supporting charitable organisations and should help charities to build their capacity and develop capabilities. Its recommendations were incorporated in to the Charities Act.
8. The Commission was set up to be independent of Government to ensure that decisions on the tax status of a charity could be seen to be free of political influence.
9. The initial work of the Commission involved establishing its administrative capability. A Chief Executive was appointed in September 2005 and the recruitment of senior managers was started. Work also started on the development of the registration system. The Ministry of Economic Development had entered into a contract for the development of the IT system that would support registration before the Commission was established, and the Commission took over the project. This is discussed in more detail later. The Commission, in conjunction with the Department of Internal Affairs, commenced the development of the forms that would be used for registration. This work involved a good deal of consultation with the sector in a number of centres throughout New Zealand.
- 10 Registration of charities commenced on 1 February 2007. The Commission has registered 16,528 charities as at 24 November 2008.

## Registration

11. The Commission's main function since its establishment has centred on its role with registration.

### Definition of Charity

12. Charity law is complex. The Charities Act 2005 provides some general guidance as to the parameters within which "charitable purposes" might be defined but the Commission must rely to a large extent on case law from court decisions made since the first charities law was passed more than 400 years ago. The Commission has had to put a significant amount of work into developing guidance both for applicants and for its own registration analysts to assist with the decision-making process. Another complicating matter has been the fact that charities come in different organisational forms, including trusts, charitable trusts, incorporated societies, unincorporated societies, and companies. Each has its own legal requirements and these also need to be considered when registration decisions are made.

13. In the case of a society or an institution the Charities Act 2005 requires that it is established and maintained exclusively for charitable purposes; and is not carried out for the private pecuniary profit of any individual.

14. The Act states that a charitable purpose includes every charitable purpose, whether it relates to the relief of poverty, the advancement of education or religion, or any other matter beneficial to the Community. (These are often referred to as the four heads of charity). In addition to the above there must be a public benefit.

15. The Charities Act is in some ways unique in that it allows for a charity to be registered notwithstanding that the beneficiaries of a trust are linked by blood. This means that a marae, for example, could be (and is) registered as a charity. Some activities are not considered by the courts to be charitable.

16. Perhaps the most contentious as far as charities are concerned, is political advocacy. If one of the main purposes of an organisation is political advocacy then it is not considered to have "exclusively charitable" purposes and so can not be registered.

17. The legislation acknowledges that some charities do have advocacy as part of their work, and when the Commission considers this to be ancillary to the main charitable purposes then it may be registered.

18. A guidance on charitable purpose is attached to this briefing.

### Community Awareness

19. It was a significant task to both inform charities about the requirements to register and educate them about how to register. The Commission approached this task by working through formal and informal networks.

20. We used a range of government agencies, such as IRD, Companies Office, Te Puni Kokori, Internal Affairs, and Pacific Island Affairs to allow us to use their databases and also to have their staff publicise registration through their networks. Board members, the Chief Executive, and other staff met with many groups in the charitable sector and we spoke at many meetings where the information could be further spread by attendees.
21. Charities were provided with regular updates via the Commission's website and a monthly newsletter we sent to about 4,000 subscribers, who, we were told, forwarded it to their own networks.
22. Guidance and other support material was translated into six languages – Maori, Samoan, Tongan, Korean, Arabic and Chinese – and made available to ethnic communities. We also made Language Line available to those who wanted to use it through our toll free Helpline.
23. A variety of external channels were engaged to distribute key messages about registration. These included: articles in local government ratepayers newsletters, articles in professional magazines, and a direct mail to all charitable trusts and incorporated societies registered with the Companies Office.
24. We also conducted over 80 workshops, in conjunction with agencies such as community law centres, and district councils of social services.

## **Registration**

25. Effort was also put into developing the electronic systems necessary for the making and processing of applications, together with the recruitment and training of registration staff.
26. We planned to register 25,000 charities during the initial registration period. That period was from the commencement of registration on 1 February 2007 until 30 June 2008, at which time tax law changes obliged charities to be registered in order to maintain any tax benefits.
27. All of our budgeting had been done using the 25,000 figure but we acknowledge that it was, at best, a guess. After registration commenced, Statistics New Zealand reported that there were 97,000 non-profit organisations in New Zealand, and that figure did not account for the large number of trusts that are in existence.
28. Prior to the commencement of registration, we met with other agencies that were involved in registration processes similar to what we thought ours would be. This helped us to better understand the systems that we would need to put in place. What we found was that processing an application was more complex, and more time consuming, than we first thought. We often need to go back to applicants because they have not provided all of the required information. We also frequently need to ask them to explain what their organisation does, because it is not clear from their governing documents. Analysts then need to read and understand sometimes long and complex documents to be satisfied that the organisation has fully charitable purposes. We often find that governing documents have not been reviewed for many years and that the organisation's rules bear little or no relation to what they are actually doing now. We also find

that many organisations have a mix of charitable and non-charitable purposes, which means that unless they make changes to their constitution, we are unable to register them.

29. Feedback received from those who have registered has been generally positive. Most have found the process of registering easier than they had anticipated. (We learned that one organisation took only 12 minutes to go through the online application process). We have been told that the Commission has been helpful to those who have questions to ask about registration. We have also been told that people who have had problems with their submitted applications have been given sufficient assistance from our staff for the problems to be addressed. That is positive.
30. The Charities Register opened for registration on 1 February 2007. The first charity registered was Te Aute Koiri Foundation Incorporated, on 12 February. The initial registration team was small and the inflow of applications well below predictions. This enabled the Commission to fully test its processes and procedures in a non-pressured environment and for the new staff to build up experience.
31. The slow pace of applications continued for much of 2007. As at 31 December 2007, the Commission had received 6,806 fully completed applications from charities – registered 1,805 charities; had 4,688 applications for registration under review; were waiting for more information from 306 applicants; had declined 5 applications; and de-registered 2 charities (at their request).
32. As the projections were that 25,000 charities would apply for registration, there was an increased need to encourage charities to register prior to the tax change date of 30 June 2008. This included working with both Inland Revenue and the Companies Office to emphasise to relevant entities the need to register
33. Work in these early months also highlighted the limitations of the original IT Register and the need to upgrade if it was to serve the Commission for all future functions. In 2007, a business case was provided for additional capital funding to replace the initial Registry System with a packaged based solution utilising Microsoft Dynamics Customer Relationships Management (CRM) and Microsoft SharePoint 2007. This project was begun in the second half of 2007 and the New System went operational in November 2007.
34. The work of the registration team has undergone several external quality assurance processes in the 21 months it has been operational, to ensure the most efficient processes and reliable decision-making. These include :
  - an independent efficiency review of the registration business by Gemtech Solutions on 29 November 2007;
  - an overview of the end-to-end processes by the Companies Office on 12 February 2008 and a follow-up report in April 2008;
  - a review of registration decisions and legal opinions by David McLay in November 2007. The conclusions of the report presented on 10 December 2007 were that:

- the conclusions reached and decisions made by the Registration Team are accurate, fair and reasonable;
  - the processes adopted and applied by the Registration Team are legal, rational and reasonable;
  - the legal advice contained in the legal opinions prepared by the Legal Team is very good.
- A similar review of 25 decisions was conducted in November 2008 and concluded that " processes adopted and applied by the Registration Team are legal, rational and reasonable" and in all cases reached the correct decision.
35. In addition to the work on registration the Commission also processes Notices of Change from registered charities (2,539 received to date). Most changes relate to changing officers but where rules are changed it requires a full review of the rules and charitable purposes.
36. Since October 2007, annual returns from charities have been added to the mix (1,475 received to date). The receipt of Annual Returns means that members of the public are now able to see the financial activity of those charities on the public website.
37. The pattern of applications received is:
- approximately 70% of applications are straightforward and can be registered by an intermediate registration analyst;
  - a further 10% require additional material to clarify their activities;
  - 16 % have problems relating to a failure to prevent private pecuniary profit or to wind up to charitable purposes; and
  - 4% do not appear to be charitable.
38. To date the Commission has completed the initial review of 21,943 applications (all those received before the tax cut-off date) and registered 16,000 charities. There is a backlog of 3,616 charities requiring consideration by a more experienced analyst because the initial review has raised questions that require peer review.
39. The Commission has declined 17 applications (Appendix 10) and had 426 application withdrawn. Only one of the decline decisions has been appealed. As the court hearing relating to this application was held in November 2008, the outcome is not yet available.
40. In terms of current priorities, the team is focused on clearing the 3,616 applications received prior to the tax cut off date by 28 Feb 2009. The further 2,565 applications received after the tax change date will also receive consideration across the same time period. Achieving this goal is dependent on retaining current registration staff to the end of their fixed terms contracts due to end at 28 Feb 2009. While the current Commission restructure will give eighteen of them a possibility of a permanent role the other twenty-one will need to move to work elsewhere

41. The Commission continues to see applications from a mix of charities, including incorporated trusts, unincorporated trusts, incorporated societies, unincorporated societies and companies. Attached to the report are four appendices detailing the nature of the registered charities as at 31 October 2008.

### **Charities Register**

42. Following the registration of a charity all information supplied by the charity is displayed on the Charities Register and is available to the general public. The information includes: the name of the charity, its contact address, officers, rules, and financial statements (once annual returns have been received).

43. When a charity wants information withheld then the Commission may agree to do so. To date, information has been withheld where there are safety risks, or where a philanthropist wishes to retain anonymity. The Charities Commission has taken the view that the purpose of the legislation is to make charities more transparent and for this reason it is reluctant to withhold information simply for the convenience of the charity.

44. The Charities Act requires that the Register may be searched for a range of purposes. We expect that as the Register becomes more well known that people will use it for a range of quite diverse purposes. These may include a search for organisations that provide funding for particular purposes; using it as a defacto website for smaller charities; for making information relevant to the charity available to both an organisations own members and to the public; funding agencies using the Register for governing documents and to verify the legitimacy of applicant organisation. It is also expected that information made available for both the application process and the filed annual returns will be used for research and policy development purposes.

### **IT System**

45. Prior to the establishment of the Commission the Ministry of Economic Development contracted with Datacom to develop an IT system that would support registration. The contract was for a fixed price system with an agreed delivery date. After the Commission was established and began to understand its registration requirements, it became clear that changes needed to be made to the system requirements. This meant that there were cost escalations and time delays. A system was developed to allow for applications to be received and processed for the commencement of registration. However, at that stage the system did not meet the statutory requirements that the Commission had, and it did not allow for other statutory activities that were to follow the initial registration period.

46. During 2006, the Commission became aware that the information technology systems initially developed for registration lacked ongoing flexibility and capability.

47. This meant that as the Commission developed its requirements for registration and considered its legislative obligations, it became clear that the system that it was contracted to neither met the legislative requirements nor gave the Commission the opportunity to economically change the way the system worked. This last point meant that where it was clear that the registration system needed

to change to make it easier for organisations to register, or to make it easier to access information from the Register, it was potentially going to be too expensive to make the necessary changes. The Commission, with the support and guidance of appropriate agencies, contracted for an independent review of the options available to it. The recommended option was to change from the bespoke (purpose built) system that it was using and still developing, to a packaged system that could be easily tailored to meet the Commission's ongoing requirements. The Commission agreed with the recommendation and commenced work on the new system at the start of 2007. The new system went live on 4 November 2007.

48. The Commission requested further funding for the new system and provided a business case that supported additional funding. This request was declined because the Commission had already funded part of the work from its existing reserves. It meant that the Commission has not been able to complete the project, part of which includes the transfer of information to Statistics New Zealand. In order to complete the project we will need to seek further funding at a later date.

### ***Funding of Commission***

49. The original baseline budget was developed by MED in October 2004 before the Commission was established, when business processes had not been designed and processing times and full staffing requirements were not known, and was therefore based on a number of assumptions which have ultimately proved to be incorrect or understated. As a consequence the original funding has been insufficient for the establishment phase or for its ongoing operations and the Commission has had to request additional funding on three separate occasions since it started.
50. Once the implications of the Act were understood it was necessary to review the original budget in 2006. It became quite clear that the original funds available to the Commission were inadequate for it to carry out its statutory activities. The Commission sought further funding in October 2006 for the IT system and for registration - some additional funds were provided, though not to the level that the Commission felt necessary. The Commission was also advised at this time that a comprehensive baseline review of the Commission's funding would be completed by 31 October 2008 to establish the ongoing level of funding required.
51. In October 2007, the Minister of Finance and the Minister for the Community and Voluntary Sector approved an additional \$1m contingency funding (allocated by Cabinet as part of the funding package approved in October 2006) to enable the Commission to process the majority of the budgeted 25,000 applications for registration by the end of December 2008.
52. The Chair and Chief Executive then raised the issue of funding for 2008/09 at their meeting with the Minister in January 2008. The Commission forecast that at current levels of expenditure and without additional funding, it would become insolvent by February 2009. In addition, due to applications for registration being lodged with the Commission more slowly than had been anticipated and with a rush of applications in the months prior to June 2008, the operations had not yet settled into a "business-as-usual" state and it was questionable whether a

baseline review scheduled for October 2008 would be effective at this early stage in the Commission's development. As a result, the Commission submitted a business case in August 2008 to address the immediate funding issues and sought to defer the baseline review until October 2010 to determine the ongoing funding requirements.

53. The original funding did not fully allow for the full range of statutory functions of the Commission, in particular the monitoring, investigation, education and research functions.

54. The Commission received formal advice of approval of the additional funding on 24 September 2008. The details of the approved package are –

	2008/09 \$m	2009/10 \$m	2010/11 \$m	2011/12 & out years \$m
Current Crown-funded baseline	3.148	2.244	2.244	2.244
New baseline funding	2.784	2.600	2.600	2.600
<b>Total</b>	<b>5.932</b>	<b>4.844</b>	<b>4.844</b>	<b>4.844</b>
Contingency	2.000			0

55. The contingency sum is available across the three year period but will only be accessible if, in any one financial year, either of the two criteria is met:

- The volume of new applications for registration exceed 4,000 per year; or
- Annual return fee revenue is \$200,000 or more below the revenue forecast in the business case.

56. As a part of the package the Commission has received funding to allow it to scope its future activities in both monitoring and education to allow it to be able to seek further funding in its Baseline Review in October 2010. The Commission expressed concern to the previous Minister that waiting until 2010 might mean that funding for these activities might not be available until Budget 2011 and that it might look to seek funding for these activities at an earlier time. (Appendix 11)

### **Annual Meeting**

57. The Commission is required to hold at least one Annual Meeting not later than 30 November each year. The Minister, or their representative, must attend at least one of the Annual Meetings. This years Annual Meeting is to be held in Wellington on 27 November.

58. Last year the Commission held five annual meetings in Wellington, Auckland, Tauranga, Christchurch and Dunedin. We did this, partly to take the opportunity to promote registration and partly because we think it important to listen to charities around the country.

59. However, our feeling was that this was an inefficient means of meeting with charities in a region and so we are exploring different way to doing this. During the year we piloted a different way of meeting with charities in an area and spent

a day in Hamilton where we met with charities in a range of different forums. We intend to do this in a number of different regions next year.

## **Key Relationships**

### **Government sector**

60. The Department of Internal Affairs is the government department that assists the responsible Minister (the Minister for the Community and Voluntary Sector) with the oversight and management of the Crown's interest in, and relationship with, the Commission. DIA also provides assistance to the Minister with exercising any statutory responsibilities she has in relation to the Commission.
61. The Office for the Community & Voluntary Sector is responsible for facilitating co-operation and good relationships between Government agencies and the community and voluntary sector.
62. Inland Revenue Department (IRD) remains responsible for administering the revenue acts and retains the right to audit charitable entities to ensure they continue to be eligible for tax exempt status. Because registration under the Charities Act can have tax implications, the Commission and the IRD require a very close working relationship.
63. The registration test of the Charities Commission under the Charities Act 2005 is closely aligned with the relevant test under the Income Tax Act 2004 administered by IRD. This means that charities that meet the Commission's requirements for registration may also meet IRD's test for retaining or acquiring tax-exempt status. (Tax-exempt status means registered charities do not have to pay income tax and donors of gifts to registered charities do not have to pay gift duty.)
64. Under the Charities Act, the Commission supplies IRD with information in order for IRD to carry out its functions under any of the Inland Revenue Acts. The Commission and IRD have agreed a Memoranda of Understanding to cover how they will exchange information and work with each other. The Commissioner of IRD and the Board of the Commission will monitor the implementation of these memoranda.
65. Statistics New Zealand and the Charities Commission have an overlapping interest in expanding the current analysis of the charitable sector, and have already discussed mutual information interests. An important work stream of mutual interest with Statistics New Zealand is their focus on a satellite account for the non-profit sector. Over time this analysis will be strengthened by the information the Commission will be able to provide, particularly after the initial registration process concludes and the annual return process becomes established.
66. The Ministry of Economic Development (MED) – the relationship between the Commission and MED is also significant, with a Memorandum of Understanding to underpin the relationship between the Commission and the various Registrars and the Official Assignee, based in the Companies Office. This Memorandum of Understanding includes both general relationship provisions and the sharing of

information provisions (although the Commission does not have the funding to enable this transfer of information). There is also ongoing engagement occurring through MED's current review of the application of the Financial Reporting Act 1993 to charities and the not-for-profit sector.

### **Charitable sector**

67. The Commission is responsible for developing and maintaining close relationships with the charitable sector and in particular providing education and information on governance and management issues. The current focus is on working with charities on the registration process but as evidenced by our session on governance at our annual meeting this year, we intend to commence our focus on education over the coming year.

### ***Future Direction***

68. The Commission has prepared a Strategic Framework (Appendix 4) which, together with the Statement of Intent, will guide its future direction. The following activities will take place over the coming year.

### **Registration**

69. It is projected that the Commission will receive 2,000 new applications each year. This number will include newly established organisations and trusts together with existing organisations. We also suspect that already established organisations will apply for registration and will do so for one of two reasons. First, we understand that IRD will conduct an exercise whereby it will review those organisations claiming tax exemptions as charities against the list of registered charities. Second, charities will apply because of other perceived advantages to being registered. This may involve access to funds only available for registered charities.

### **Annual Returns**

70. Many registered organisations were exempted from providing annual returns for the part year that they were registered. They will file their returns during 2009 and 2010 with first large filing being in the middle of 2009. This will mean that the Charities Register will have all required information on it at that stage.

### **Monitoring and Investigations**

71. During the next twelve months the Commission has been asked to scope its role in the investigation and monitoring of charities. This will also involve our developing relationships with other law enforcement, regulatory, and intelligence agencies.

72. With annual returns starting to be filed the Commission will start a basic monitoring role. Some organisations were registered because their charitable purposes required registration but there was sufficient concern about their activities that they are been listed as organisations to monitor and possibly investigate. We discuss the risks of this in paragraph 82.

## Complaints

73. Linked to our monitoring and investigation role, and because of the greater transparency of charities, the Commission has a role in dealing with complaints about charities. The Commission has already received a number of complaints about issues such as conflicts of interest, alleged theft, immigration and IRD irregularities, mismanagement, and misuse of funds.

74. In order to promote public trust and confidence in the sector the Commission is of the view that it will be difficult to ignore these complaints until after the scoping exercise has been completed. We intend to make limited resources available for handling complaints. We believe that we cannot defer our obligations in this area of work as it is important in maintaining public trust and confidence in charities.

## Education

75. Two main functions of the Commission are to encourage and promote the effective use of charitable resources; and to educate and assist charities in relations to matters of good governance and good management. These are functions that the sector asked for during the Select Committee stage of the legislation and the provision for which were added to the Bill. The Commission is about to recruit a senior staff member whose task will be to scope the Commission's role in areas of education. This will be a challenging task given the breadth of charitable organisations in New Zealand. There are already a number of different government agencies that have a role in developing the capacity of parts of the charitable sector. We have also observed that there are a number of umbrella organisations and private providers who take a role in this area. The challenge for the Commission will be to develop its education role in way which assists charities but which does not duplicate the work currently done by other agencies.

## Risks / Issues

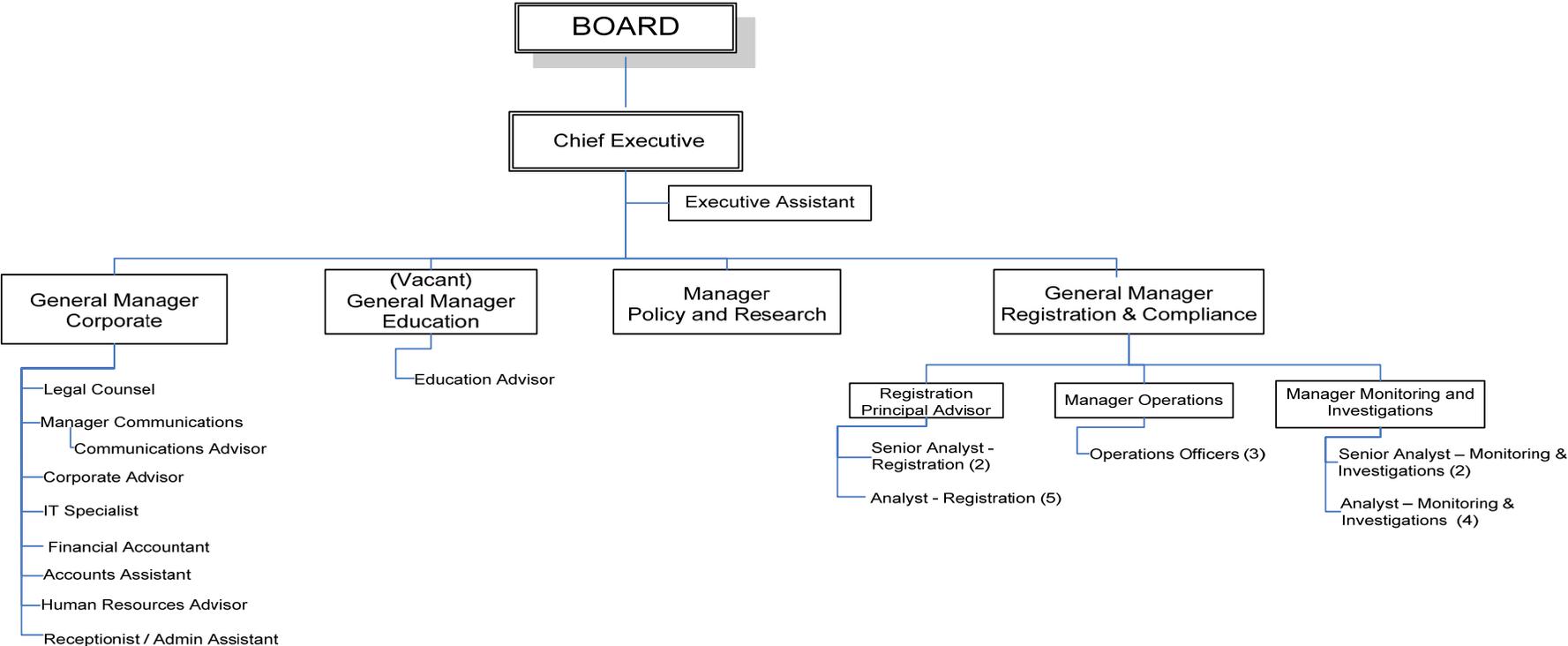
***[Paragraphs 76 – 83 have been withheld under section 9(2)(g)(i) of the Official Information Act to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown.]***

## List of Appendices

1. Organisation Chart
2. Board Members Biographical notes
3. Statement of Intent
4. Draft Strategic Framework
5. Charitable Purpose Fact Sheet
6. First Quarterly Report (1 July – 30 September 2008)
7. Output Agreement
8. Annual Report – 30 June 2008
9. Board Governance Committees
10. List of Registration Declines  
***[This List has been withheld as it is a list of organisations declined charitable status. Withholding this list is to protect the privacy of natural persons under section 9(2)(a) of the Official Information Act and section 9(2)(ba) as a breach of an obligation of confidence.]***
11. Work Programme Timelines
12. Letter to the Hon Ruth Dyson (dated 25 September 2008)
13. UMR Research – Executive Summary
14. Charities Act and Regulations

# Appendix 1

## Charities Commission New Organisational Structure *(to come into effect from 1 March 2009)*



## Appendix 2

### Board Members

#### **Sid Ashton – Chair**

Sid Ashton, an Officer of the New Zealand Order of Merit for services to Māori and the Community, has been a Christchurch accountant for over 30 years. Mr Ashton chaired the Tax and Charities Working Party in 2001/2002. He also held executive roles as Secretary and Chief Executive of Te Runanga O Ngai Tahu.

Sid is currently serving as Chairman of the Christchurch Arts Festival Board and as a trustee for the Diabetes Training and Research Trust - both of which are charitable trusts. He is also a Director of Ryman Healthcare, a publicly listed company, a member of the Nominating Committee of the Guardians of NZ Superannuation and a Board member of Creative New Zealand.

*Sid was appointed on 13 June 2005 for a term expiring on 12 June 2008. He was recently re-appointed for a further term expiring on 16 July 2011.*

#### **Judith Timpany – Deputy Chair**

Judith Timpany is the Chief Executive of the Whanganui Community Foundation Inc. and a Justice of the Peace. She has qualifications in both commerce and community development.

Judith has 20 years experience in the charitable sector in a broad range of community focused activities, including three years as a Wanganui City Councillor, Chair of Philanthropy New Zealand (currently a board member), and membership of WINGS CF (an international grant maker's body). She has also held several corporate directorships.

*Judith was appointed on 13 June 2005 for a term expiring on 12 June 2007. She was re-appointed for a further term expiring on 14 August 2010.*

#### **Kerry Ayers – Board Member**

Kerry Ayers is a practising lawyer who has written extensively on trusts and property-related issues, including four legal textbooks. His work has also included extensive seminar presentations including national seminar series for the New Zealand Law Society and the New Zealand Institute of Chartered Accountants. He has been involved in extensive work on issues relating to charities law and the setting up and administration of charitable entities.

Kerry was also a member of the New Zealand Law Commission consultative committee on reform of the law of trusts. He is a former Vice President of the New Zealand Law Society and a former board member of the New Zealand Law Foundation.

*Kerry was appointed on 13 June 2005 for a term expiring on 12 June 2008. He was recently re-appointed for a further term expiring on 16 July 2011.*

**Ian Calder – Board Member**

Ian Calder, an Officer of the New Zealand Order of Merit for services to children and the family, has considerable experience in and knowledge of the not-for-profit sector. Ian was the Chief Executive of Barnardos New Zealand from 1976-2003, the President of the New Zealand Federation of Voluntary Welfare Organisations, Treasurer of the International Forum for Child Welfare, and a member of various government advisory boards including the 1988-89 Working Party on the Taxation of Charities and Sporting Bodies. From 2003 he has been a member of the Social Workers' Registration Board.

*Ian was appointed on 13 June 2005 for a term expiring on 12 June 2007. He was re-appointed for a further term expiring on 14 August 2010.*

**Frank Claridge – Board Member**

Frank Claridge, a Justice of the Peace, is an accountant by training and experience, and has been involved with many not-for-profit and charitable organisations in financial management and governance roles throughout his career. Before retiring in 2003, Frank had been the Treasurer of the Royal New Zealand Foundation of the Blind for 20 years.

Frank has also had continuous involvement with the governance of the Methodist Church since 1962. He is a Fellow of the NZ Trustees Association, and a member of the Fundraising Institute of New Zealand. Frank is currently a board member of the Bledisloe Estate Trust.

*Frank was appointed on 13 June 2005 for a term expiring on 12 June 2007. He was re-appointed for a further term expiring on 14 August 2010.*

**Amohaere Houkamau – Board Member**

Amohaere Houkamau is the Chief Executive of Te Rūnanga o Ngāti Porou, based in Ruatoria, and has played a leading role in developing a quadruple bottom-line iwi development strategy for Ngāti Porou.

Amohaere is a member of the Board of Māori Television Service. She is a trustee of the Tauawhi Trust and the Tairāwhiti Development Partnership Management Trust, co-chairs the Tairāwhiti Social Development Forum and the E Tipu e Rea – the Ministry of Education and Ngāti Porou Education Partnership, and is a member of the Tairāwhiti Development Partnership Co-ordinating Committee.

*Amohaere was appointed on 13 June 2005 for a term expiring on 12 June 2008. She was recently re-appointed for a further term expiring on 16 July 2011.*

### **Trish McKelvey – Board Member**

Patricia McKelvey, a Companion of the New Zealand Order of Merit for services to Education and an MBE for services to Women's cricket, has a wealth of operational and governance experience in the education and sport sectors.

She is currently Chair of the Correspondence School Board of Trustees and Electra Limited; a member of the Victoria University Council and the Social Security Appeal Authority; and a Board Member of Barnardos New Zealand and Bowls New Zealand. Previous appointments include Principal of Wellington High School, Captain of the New Zealand Women's Cricket Team, Chair of the Board of Career Services and a variety of other tertiary education, social services, and sporting leadership roles.

*Patricia was appointed on 7 July 2008 for a term expiring on 7 July 2011.*

### **Trevor Garrett – Chief Executive**

Trevor Garrett is the Chief Executive of the Commission. His academic background is Diploma of Physical Education; Secondary Teachers Certificate; Master of Science (Honours); Master of Public Policy. He received the 1990 Commoration Medal for Services to New Zealand.

He commenced his work in government as a recreation planning advisor assisting with the development of community recreation. During this time he also taught recreation planning and administration, and social policy, at Lincoln College and Victoria University. He was Chief Executive Officer of the Ministry of Recreation and Sport before becoming Group Manager, Regulatory and Lottery Services (NZ Lottery Board, gaming, racing, censorship, passports, citizenship) with the Department of Internal Affairs. Prior to joining the Commission he was Chief Executive of the Casino Control Authority.

He has been President of the NZ Association of Health, Physical Education and Recreation; Chairman of the International Association of Gaming Regulators as well as Chairman of a school board of trustees and of Auckland Hockey. He is also involved in coaching and administering school sport.

**Charities Commission  
Statement of Intent  
2008-2011**



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## Chair's Overview

Charities have always been an important part of New Zealand's social fabric. The Charities Act 2005 established the Charities Commission to ensure that the charitable sector continues to receive public support and to advise government on issues affecting the sector.

The Commission began operating on 1 July 2005. We have now completed our third year of operations, in which we achieved the following:

- We continued to receive and process applications for registration. By the end of June 2008, over 8,000 charities had been registered
- The new IT system, which allows charities to enter information for applications for registration and annual returns online, went live on 4 November 2007
- We commenced our monitoring and compliance function with the receipt of the first Annual Returns from charities in September 2007
- The recruitment of the registration team was completed in March 2008. The team has a total of 40 staff to process applications for registration
- We addressed significant legal issues relating to the assessment of applications for registration and reviewed registration analysis guidelines and the Commission's published material
- We continued with our communications and education functions including its messaging to encourage organisations to apply early for registration, and educating those involved in the sector on how to apply for registration
- We undertook several reviews of our registration processes and decision-making procedures to ensure that they were operating effectively and efficiently
- We continued to develop our relationship with the charitable sector and other key stakeholders; and
- We held five Annual Meetings in Wellington, Christchurch, Dunedin, Auckland and Tauranga in November and December 2007.

This past year has been another busy one and I am confident that we have established a good foundation to carry out the Commission's functions effectively in the years ahead.

Although there are still many unknowns and uncertainties surrounding our operations, this Statement of Intent provides an outline of our priorities and the direction we want to head over the next three years. We do not know, for example, the actual number of charities who intend to register however, we do have the capability to process 25,000 applications by 31 December 2008.

The Commission has identified its overall outcome as "*a strong, effective charitable sector in which the public has trust and confidence.*" The Commission on its own cannot achieve this overall outcome, as other external influences will affect it. However, we believe that if the Commission successfully delivers its outputs and activities and achieves its intermediate outcomes then it will have a positive impact on the overall outcome.

There is a risk to the delivery of the Commission's outputs in 2008/09, given the current level of applications for registration forecast and the projected resources required to process those applications. The Commission is managing this risk by making changes to its processes to ensure the registration process is as efficient as possible. The Commission is also reviewing the assumptions underlying the current level of funding provided.

While we have a number of functions under the Charities Act, our key focus for the next year is to complete the processing of applications for registration received on or before 30 June 2008 by the end of December 2008. In the following two years, our focus will move to processing annual returns, monitoring activities, and providing information and support on governance and good management.

Over the next three years, the Commission faces a challenging financial outlook if it is to achieve its statutory functions set out in the Charities Act 2005.

The Board and staff of the Charities Commission are committed to:

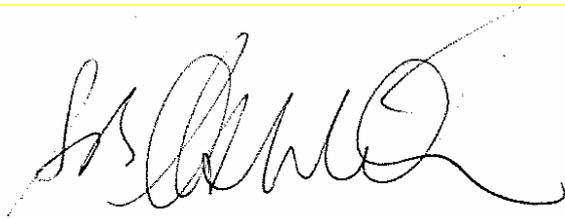
- developing an organisation that charities and the public can have confidence in,
- undertaking our functions in a responsive and open manner, and
- becoming an authority and leading debate around the promotion of a strong, effective charitable sector in which the public has trust and confidence for the advancement of the charitable sector as a whole.

We understand that to fulfil our mandate under our Act we must build strong relationships with the charitable sector and work closely with a number of other government agencies.

The Commission is excited about the challenges ahead while being aware of the degree of change involved for the sector.

Given the high degree of commitment, capability and professionalism of the Commission and its staff, I am confident of our ability to make a significant contribution to the sound future of the charitable sector.

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Sid Ashton  
Chair

## Role of the Charities Commission

### **Who are we?**

The Charities Commission was established by the Charities Act 2005, which was passed in April 2005. The Commission came into existence as an Autonomous Crown Entity (ACE) on 1 July 2005. (Autonomous Crown Entities are established by, or under, an Act and must have regard to government policy when directed by the responsible Minister). The Commission started receiving applications for registration as charitable entities on 1 February 2007.

The functions of the Charities Commission, as set out in section 10 of the Charities Act, are to:

- promote public trust and confidence in the charitable sector;
- encourage and promote the effective use of charitable resources;
- educate and assist charities in relation to matters of good governance and management;
- make appropriate information available to assist persons to make registration applications under this Act;
- receive, consider and process applications for registration as charitable entities;
- ensure that the register of charitable entities is compiled and maintained;
- receive, consider, and process annual returns submitted by charitable entities;
- supply information and documents in appropriate circumstances for the purposes of the Inland Revenue Acts;
- monitor charitable entities and their activities to ensure that entities that are registered as charitable entities continue to be qualified for registration as charitable entities;
- inquire into charitable entities and into persons who have engaged in, or are engaging in, conduct that constitutes, or may constitute, a breach of this Act or serious wrongdoing in connection with a charitable entity;
- monitor and promote compliance with this Act, including by taking prosecutions for offences against this Act in appropriate circumstances;
- consider, and to report and make recommendations on, any matter relating to charities; and
- stimulate and promote research into any matter relating to charities.

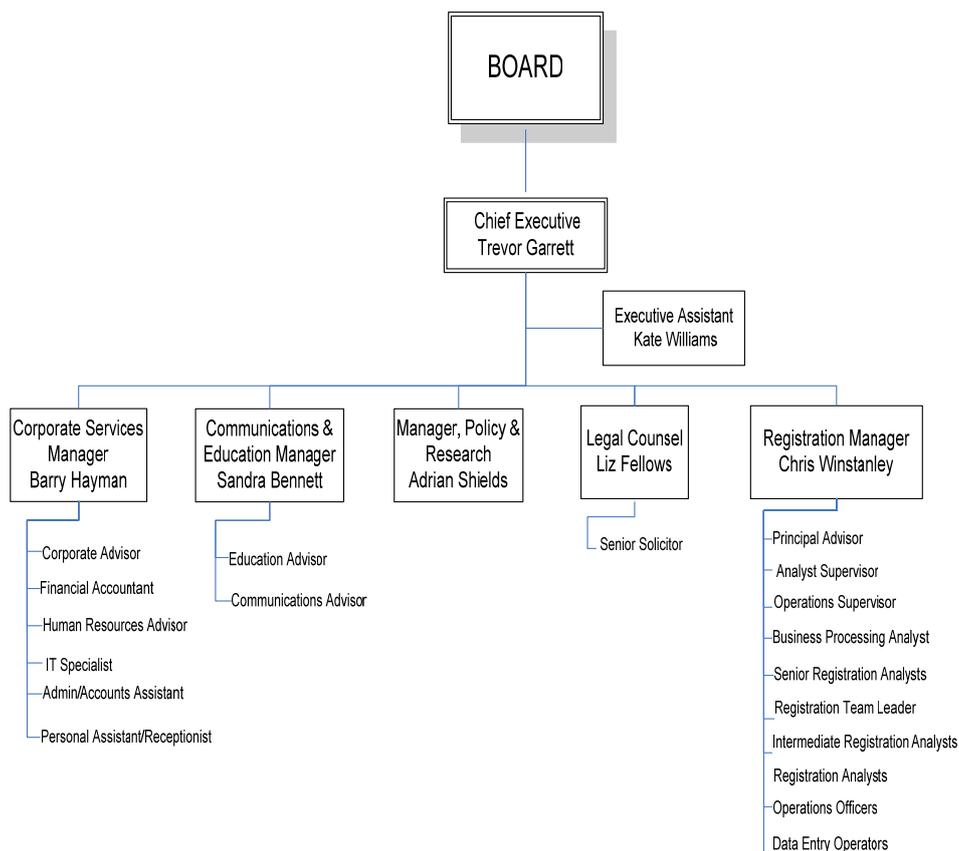
Each of these functions is aligned to one of the five outputs of the Commission. For information on these outputs, please refer to the sections for Outputs 1.1 to 1.5 under the heading “Statement of Forecast Service Performance”.

## Organisational Structure

The Commission is governed by a Board consisting of a Chair, Deputy Chair and five other Board members. At 30 June 2008, there is one vacancy on the Board. The Appendix provides biographies of each of the members of the Board.

The Board has established four Standing Committees to help it more efficiently undertake its work. The Human Resources; Information and Education; Registration; and Risk, Audit and Compliance committees meet regularly throughout the year.

The Commission's organisation chart as at 30 June 2008 is set out below:



## ***Our principles***

The Charities Commission's work will be guided by these principles:

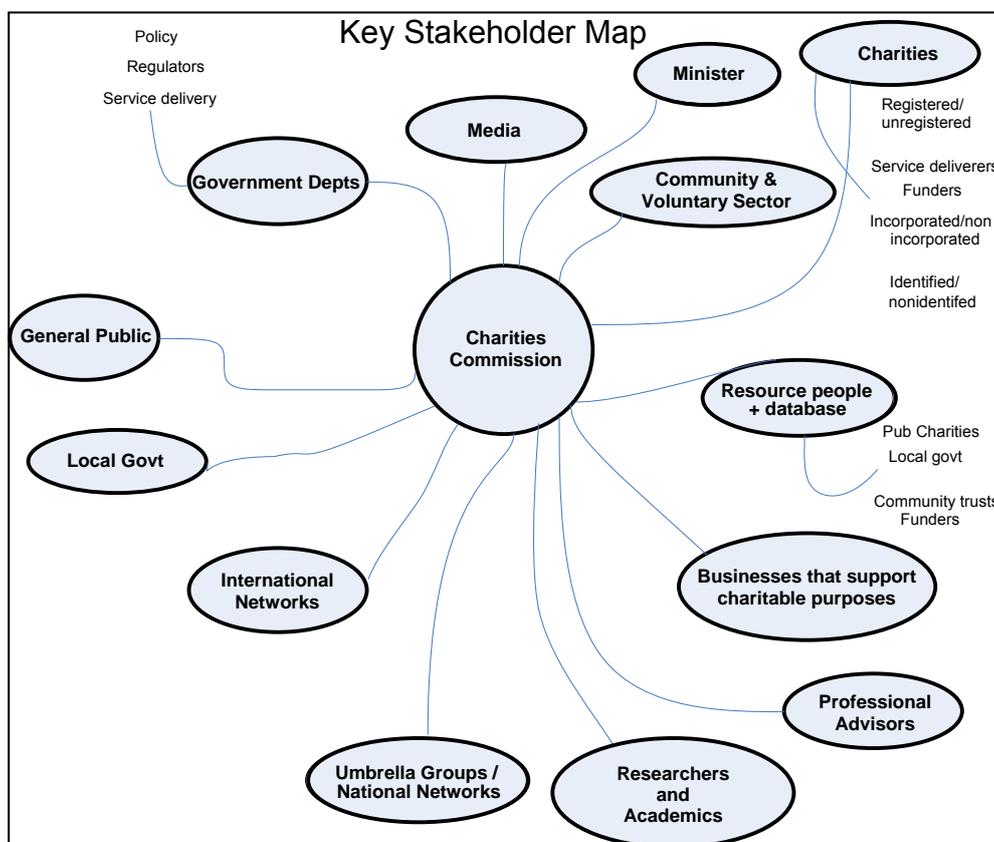
1. *Fairness and impartiality* - All individuals and organisations with which the Commission has dealings will be treated impartially and reasonably, following the principles of natural justice;
2. *Consistency* – The Commission will ensure that people in similar circumstances or with similar issues will be treated similarly in the way the law is applied, the processes that are followed, the way policy is applied and the decisions that are made;
3. *Transparency* – The Commission will explain requirements in plain terms, set out the criteria by which decisions are made, explain what is expected from charities and provide reasons to explain and justify all decisions. The Commission will be able to demonstrate that practice and process is 'fair and reasonable' and to display appropriate openness in the circumstances;
4. *Legitimacy* – The Commission will only use powers that it is authorised to use and will ensure that these powers are used properly;
5. *Independence* – The Commission will act in the interest of the public in carrying out its role and will ensure, consistent with the obligations of an Autonomous Crown Entity, that others, unless authorised to do so, will not interfere with, direct or control the Commission;
6. *Accountability* – The Commission will inform Parliament of its intentions and outline how its performance can be assessed each year in the Statement of Intent. The Commission will also publish an annual report, which includes an audit report. The Commission is accountable for its decisions through the High Court, which can overturn them. The Commission will provide information and explanations of its important decisions on its website and will engage with its stakeholders prior to introducing major new policies or practices;
7. *Responsibility and respect* – The Commission will act with an understanding of the consequences of its actions and show respect to others in all its dealings.

## Our operating environment

The Government recognises the important role of charities, and is consequently promoting policies that acknowledge and support their unique contribution to society. The importance of the charitable sector to government agencies in New Zealand was demonstrated by the signing of the *Statement of Government's Intentions for an Improved Community-Government Relationship* (December 2001).

### Stakeholders

The Charities Commission knows that its stakeholders – shown in the chart below – have expectations of, and some concerns about, the Commission based on their particular understanding of the sector and of what the Commission might deliver or ask of them.



Since the Charities Commission was established in July 2005, our Board members, Chief Executive and staff have met with many groups and individuals to build an understanding of the current environment, consider stakeholders' needs and expectations and explore how they might change over the next three to five years. The Commission held its latest annual meetings, in Wellington, Christchurch, Dunedin, Auckland and Tauranga in November and December 2007, and these provided an ideal opportunity for us to further engage with the sector and discuss the expectations and operations of the Commission.

## **Charitable sector**

Charities make a significant contribution to New Zealand society. They improve society by providing diverse activities and services that range from health and social services to arts and culture, from education and sport and recreation to religion and places of worship. They range from national umbrella groups to small trusts and organisations working at grass roots level. Charitable organisations are typically run either entirely by volunteers, by a combination of volunteers and paid officers, or in some cases by paid officers only.

For an organisation to be charitable, its rules must clearly state that its purposes are for one or more of the following – the relief of poverty, the advancement of education, the advancement of religion, or any other matter beneficial to the community. The organisation's objects must also be of benefit to the public.

Charitable organisations can be in many different forms; for example, charitable trusts, unincorporated trusts, charitable companies, incorporated societies, unincorporated bodies and marae.

The charitable sector is defined as including both registered and non-registered charities. A charity that is registered with the Commission is referred to as a "charitable entity" in accordance with section 4(1) of the Charities Act 2005.

As well as having little information on the numbers of charities in New Zealand, knowledge about their financial impacts is also sparse. A recent report from Philanthropy New Zealand (*Giving New Zealand*, 2007) estimated that philanthropic giving in 2005/06 was \$1.25 billion.

Changing expectations are putting charities under pressure to improve their efficiency and accountability, deliver services to a high standard and demonstrate that they are providing value for money. Charities receiving funds from a variety of agencies must also comply with different reporting requirements from those agencies.

The charitable sector is responding to these demands and is looking for assistance and guidance on how best to improve its capabilities. In this environment, the charitable sector is looking to the Commission to provide advice and support concerning regulatory obligations and duties, and to assist charities to get access to good information and guidance on issues relating to governance and management.

## **The Government**

There is growing recognition of the important economic and social contribution that the charitable sector makes to New Zealand society. Government has a key role in building collaborative relationships with the charitable sector to achieve positive social, economic, cultural and environmental outcomes within local communities. It also wants to be sure that funds flowing into the charitable sector are used appropriately; that is, for the intended charitable purpose of the organisation.

The Government has expressed a desire that government agencies coordinate their activities, wherever possible, to avoid duplication and minimise compliance costs to the sector. This coordination extends to ensuring that the charitable sector has access to appropriate advice and support concerning regulatory obligations.

## **Government agencies**

Many government agencies have charities as stakeholders – as part of their work, as recipients of their services, or as providers of services – which contribute to achieving the agencies outputs. While these government agencies have a role to play, the Charities Commission has been set up to deal with the charitable sector as a whole. The Commission will be working co-operatively with these other agencies in the sector to ensure that services available to the public are well integrated and co-ordinated.

Government agencies are expected to deliver their services through relationships with communities, where appropriate. Government agencies therefore have a stake in a charitable sector that is well managed and effective. They also need good data on the sector to develop policy advice. In this operating environment, they will be looking to the Commission to be a source of information and guidance on issues relating to the charitable sector.

The Commission has an 'inner circle' of government agencies it works with. The nature of the relationships that the Commission has with these organisations is outlined below.

### **The Department of Internal Affairs (DIA)**

The Minister for the Community and Voluntary Sector is responsible for the Commission. The DIA has been appointed to advise the Minister on issues arising from her responsibilities for the Commission. As outlined in the Memorandum of Understanding, DIA monitors the Commission on behalf of the Minister to ensure the Crown's interests are protected; and provide contestable second opinion advice. DIA is responsible for the administration of the Charities Act and managing appointments of the Board. DIA is also responsible for providing policy support to the Commission as required by the Minister to support effective implementation of government policy and regulations.

The Commission engages with DIA about the development of the Commission's Statement of Intent, annual Output Agreement with the Minister (which includes budget) and the Annual Report.

### **The Office for the Community and Voluntary Sector (OCVS) within the Ministry of Social Development**

The Department of Internal Affairs works closely with the Ministry of Social Development (MSD) in relation to the Commission's strategic direction and performance. The Commission will be working closely with both organisations as they carry out their functions.

The OCVS was established to facilitate cooperation and good relationships between the government and the community and voluntary sector. OCVS provides advice to the Minister for the Community and Voluntary Sector.

The Commission and OCVS share an interest in developing the community and voluntary sector. However, the Commission's specific interest is the charitable sector, and promoting public trust and confidence in that sector.

## **Inland Revenue Department (IRD)**

Because registration under the Charities Act can have tax implications, the Commission and the IRD require a very close working relationship.

The registration test of the Charities Commission under the Charities Act 2005 is closely aligned with the relevant test under the Income Tax Act 2007 administered by IRD. This means that charities that meet the Commission's requirements for registration may also meet IRD's test for retaining or acquiring tax-exempt status. (Tax-exempt status means registered charities do not have to pay income tax and donors of gifts to registered charities do not have to pay gift duty.)

Under the Charities Act, the Commission supplies IRD with information in order for IRD to carry out its functions under any of the Inland Revenue Acts. The Commission and IRD have developed Memoranda of Understanding to cover how they will exchange information and work with each other. The Commissioner of IRD and the Board of the Commission will monitor the implementation of these memoranda.

The Commission and IRD work closely together to ensure that appropriate processes and procedures are in place for both organisations to undertake their statutory functions.

## **Statistics New Zealand**

Statistics New Zealand and the Charities Commission have an overlapping interest in expanding the current analysis of the charitable sector, and have already discussed mutual information interests. Over time this analysis will be strengthened by the information the Commission will be able to provide, particularly after the initial registration process concludes and the annual return process becomes established.

In light of this shared interest the Charities Commission and Statistics New Zealand have agreed to develop a "relationship agreement" that will confirm the way the two agencies work together by information sharing, research priorities and relationships with stakeholders.

## **The Ministry of Economic Development (MED)**

The relationship between the Commission and MED is also significant, with a Memorandum of Understanding being signed in August 2007 to underpin the relationship between the Commission and the various Registrars and the Official Assignee, based in the Companies Office. This Memorandum of Understanding includes both general relationship provisions and the sharing of information provisions. There is also ongoing engagement occurring through MED's current review of the application of the Financial Reporting Act 1993 to the charitable sector.

## **Other Government Agencies**

When the Commission's monitoring activities are underway, other government agencies, such as the Attorney-General and the Office of the Auditor-General, will be interested in the results of these activities, and may become actively involved.

## ***The public***

Currently the public has limited information about the charitable sector. Much of the public's interaction with the sector is through personal involvement with a particular charity, donations to fundraising campaigns and information in the media. The Commission is aware of the public interest considerations underpinning the enactment of the Charities Act 2005. We see the general public as one of our key stakeholders and will work to ensure that the interests of the public are taken into account in carrying out all of our functions, including decision-making.

With the establishment of the Charities Register, people will be able to access more information on registered charities, including financial information, once annual returns are filed. Governing documents, charitable activities and other application information will be readily available to the public, making it easier to learn about the nature of the charitable sector, and the contribution it makes to society thus helping to promote public confidence in it.

## ***Key themes***

The assessment of our operating environment raises a number of issues that will affect our work.

In summary:

- There is little information on the charitable sector and its size and scope is uncertain;
- All stakeholders in the charitable sector, including the general public, would benefit from the availability of good data on the charitable sector;
- There are opportunities for government agencies to work in partnership with the charitable sector to establish and develop services and promote community development;
- The Commission has a role to educate and assist charities, however, other organisations also have this role and we need to explore ways by which we can best add value;
- Charities are under increasing pressure to improve efficiency and accountability, particularly when accessing and accounting for government funding; and
- There is a need to coordinate activities between government agencies working with the sector to ensure compliance costs are minimised, and clarify and communicate roles and boundaries to avoid confusion.

These key themes have influenced our choice of the outcomes the Commission is aiming to achieve and the Commission's strategic priorities over the next three years.

## Strategic directions

The intention of the Charities Act 2005, and the establishment of the Charities Commission, was to ensure that the charitable sector becomes more accountable and transparent to the donating public, funders, regulators and the government. It was also intended that the Commission should have an important role in informing, educating and supporting charitable organisations, as the effective exercise of this role should help charities to build their capacity and develop capabilities.

### **Government's priorities**

In March 2006, Cabinet agreed that three themes constitute the Government's priorities for the next decade. These themes are supported by a number of sub-themes, which were updated in 2008:

#### *Economic Transformation*

Working to progress our economic transformation to a high income, knowledge based market economy, which is both innovative and creative and provides a unique quality of life to all New Zealanders. The sub-themes are:

- Growing globally competitive firms;
- World class infrastructure
- Innovative and productive workplaces, underpinned by high standards in education, skills and research;
- An internationally competitive city – Auckland;
- Environmental Sustainability

#### *Families – young and old*

All families, young and old, have the support and choices they need to be secure and be able to reach their full potential within our knowledge based economy. The sub-themes are:

- developing the NGO sector
- early years
- effective interventions
- eliminating family violence
- key business and service delivery failure
- realising youth potential

### *National Identity*

All New Zealanders are able to take pride in who and what we are, through our arts, culture, film, sports and music, our appreciation of our natural environment, our understanding of our history and our stance on international issues. The sub-themes are:

- developing our arts and culture
- connecting with, understanding and celebrating our heritage
- encouraging participation and achievement in sport
- New Zealand in the world
- recreation, conservation and the environment
- reconciliation
- building a cohesive society
- reinforcing community

### *Charities Commission's contribution to Government priorities*

The charitable sector contributes to all three Government priority themes in a variety of ways. The Commission believes that if it meets its intermediate outcomes, a strong charitable sector may result and this should contribute to all three of the Government's priority themes and their related sub-themes.

Charities provide people with an opportunity of fulfilling their social consciences, getting involved in their community and demonstrating their charitable concerns. Charities are meeting the needs in communities that the Government is unable to effectively meet.

The Charities Commission itself contributes directly to a number of the sub-themes. For example, the Commission's role in building capability in the charitable sector contributes to "Developing the NGO sector". The Charities Act sets out a role for the Commission to assist charities through encouraging and promoting the effective use of their resources, and through educating and assisting charities in relation to governance and management.

The Commission's intermediate outcome of *Increased public trust and confidence in the charitable sector* will contribute to the sub-themes of "Building a cohesive society" and "Reinforcing community". Charities are part of the huge community and voluntary sector that is so important to New Zealand's social capital.

The Government also issued the *Statement of Government Intentions for an Improved Community-Government Relationship* in December 2001. In this statement, the Government made a commitment to creating a genuine partnership with community, voluntary and iwi/Maori organisations. The Commission will contribute to this initiative through its links with the charitable sector and the delivery of its outputs.

## **Our planning approach**

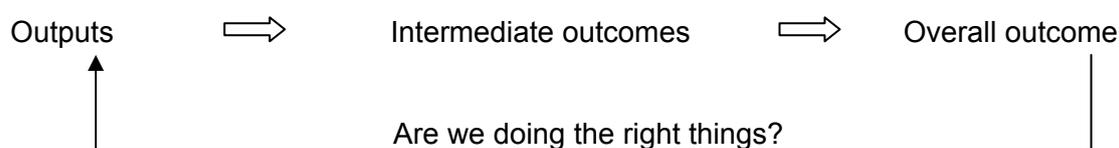
In 2007/08, the Board made a commitment to develop its strategic framework. Since August 2007, the Board has consulted with its stakeholders, including the charitable sector and other Crown agencies, and developed a strategic plan for the next five to ten years. This plan sets out the future directions and activities of the Commission, after the initial registration period is completed.

The Board views the Commission's functions, as set out in section 10(1) of the Charities Act 2005, as the key drivers behind the strategic direction of the Commission.

In order to make the best use of the resources we have, and to ensure we are undertaking those activities that are going to be of most relevance, we started our planning processes by using a "bottom up" approach and identified those *outputs* that would enable the Commission to fulfil its statutory obligations.

The next step was to identify the *intermediate outcomes* that would result if those outputs were delivered. Lastly, the Board identified the *overall outcome* that the Commission is ultimately seeking to achieve seeking – "a strong, effective charitable sector in which the public has trust and confidence." We realise that the overall outcome is a very high-level goal and its achievement is the result of many contributions and it may be affected by external influences beyond the control of the Commission.

The relationships between our intermediate outcomes and the overall outcome are illustrated in the diagram below.



## **Priorities**

Our priorities are underpinned by who we are and by our principles, and are adopted to ensure consistency with the Government's priorities. They have also been developed through reference to other agencies whose work is closely connected to ours.

Our priorities set the direction for the work that will enable us to achieve the overall outcome we have identified. Our priorities are:

- By being an effective regulator, the Charities Commission contributes to the public having trust and confidence in the charitable sector.
- By providing information to charities and the charitable sector, the Charities Commission contributes to a charitable sector that is well governed and managed, and uses its resources effectively.
- By providing information to the Government, the Charities Commission assists the Government to meet the needs of charities and the needs of the public in supporting charities.

We have a responsibility to coordinate our work with other agencies working with the sector, establish the boundaries of our work and determine how best to work together.

During the first three years of its existence, the Commission has been focused, first on the establishment of the Commission's infrastructure and more recently on the registration of charities. This includes making information available to assist charities to make applications for registration. The Commission will not be in its "business as usual" state until the initial registration of charities is completed.

Meanwhile, in conjunction with the development of the strategic framework, the Commission has started to develop policies and procedures for some of its other legislative functions. This process will continue in 2008/09.

The Government's fundamental expectations of the Commission are clearly set out in legislation. In addition, the Minister for the Community and Voluntary Sector has emphasised in her Letter of Expectations for 2008/09 that she expects the Commission:

- to continue to focus on the successful registration of charitable entities, with other aspects of the Commission's business gaining in significance as the year progresses;
- to be an authority and to lead debate around the objectives of promoting public trust and confidence in the charitable sector, and encouraging and promoting the effective use of charitable resources, for the advancement of the charitable sector as a whole; and
- to maintain comprehensive and effective management systems for managing assets, information, people and risks.

In 2008/09, the Commission will complete the initial registration of the budgeted 25,000 charities. The focus will then shift to receiving and processing annual returns, monitoring activities, and providing information and support on governance and good management. Consistent with our strategic priorities for research, we will begin to analyse information received during the registration process, and consider how to communicate this and what further information would be useful to obtain.

In 2009/10 and beyond, we will continue to process annual returns and register charities, with monitoring activities becoming more a focus of our work. Developing and communicating information relevant to charities will also be an increased focus over this period.

In this SOI, we indicate our intentions to undertake key pieces of work in future years – research, education of the charities sector and the public, policy advice to government. These all contribute to the achievement of our statutory functions under the Charities Act and to our overall outcome of "A strong, effective charitable sector in which the public has trust and confidence".

It has been expressed to the Commission by some charities that the Commission might be a place that charities can approach about matters that concern them that are of importance to significant parts of the sector. They recognise that the Commission has a function to "consider, report and make recommendations on any matters relating to charities, either on its own behalf or on referral from the Minister". They believe this is one of the functions that the Commission has which would add value to the work that they do.

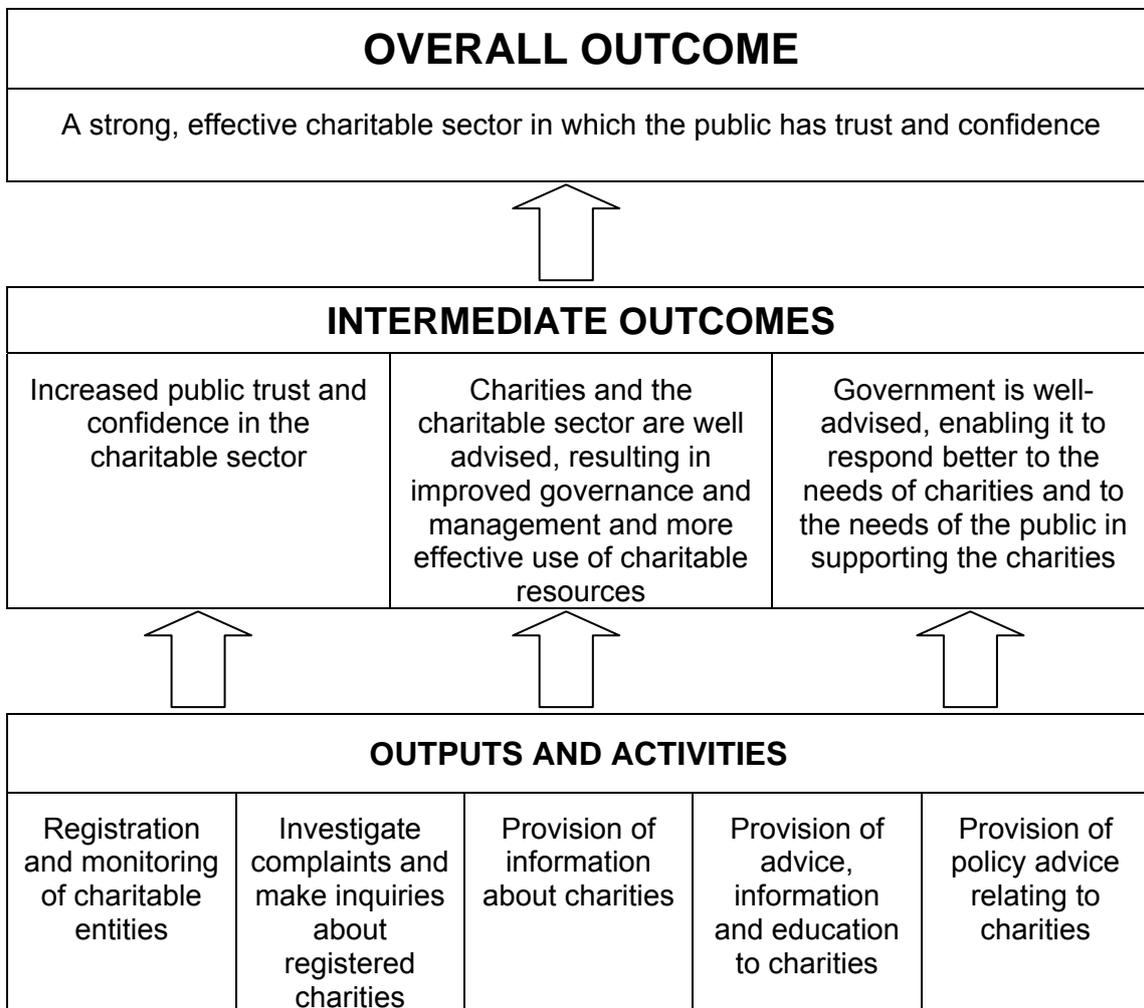
The following table summarises the Commission's proposed work programme over the next three years.

### Work Programme timelines –

Function	June 2008	June 2009	June 2010	June 2011
Registration and Monitoring	Initial registration	On-going registration	Annual Returns	Proactive review and assessment
Investigate complaints and inquiries about registered charities	Develop strategy	Complaints	Inquiries into conduct	
Provision of information about charities		Information about Register and requirements of registered charity	Supply and make information on Register available	Develop research strategy and programme
Provision of advice, education and information to charities	Information on registration of annual returns	Develop strategy and expertise	Governance and management	Undertake research and publish results
Provision of policy advice relating to charities	Develop Commission's policy framework		Policy advice	

## ***Our outcomes framework***

This is our current Outcomes Framework, based on our strategic priorities, and our current pragmatic understandings of the Commission's functions. We will develop and amend this framework as we gather evidence about whether or not our activities are contributing to the desired outcomes.



## **Our Outcome Contribution**

### **Introduction**

The Commission has identified its overall outcome as “a strong, effective charitable sector in which the public has trust and confidence”. The Commission will be working with the sector over the coming year to define what the characteristics of a strong, effective charitable sector actually are, and what an effective charity is. This is an ambitious outcome, and not one the Commission can achieve alone.

The Commission has therefore identified three ‘intermediate outcomes’, sourced from the Commission’s statutory functions, that it believes will be necessary to achieve the overall outcome. These are:

- Increased public trust and confidence in the charitable sector –
- Charities and the charitable sector are well advised, resulting in improved governance and management and more effective use of charitable resources –
- Government is well advised, enabling it to respond better to the needs of charities and to the needs of the public in supporting the charities –

The Commission’s activities and outputs contribute directly to these intermediate outcomes and the Commission has a primary responsibility in achieving them. However, there are external influences on these intermediate outcomes beyond the Commission’s control. Government agencies and other stakeholders will have an influence on the achievement of these intermediate outcomes; all will contribute to increasing our understanding of the value of charities to our society. Factors such as the state of the economy, changes in government policy and our ability to find the financial and human resources that we need will also influence the nature of the intermediate outcomes.

The performance of non-registered charities will also be beyond the reach of the Commission. It is hoped, however, that the public, through the information that will be available on the public Register of Charities, will be able to exert enough pressure such that non-registered charities will see benefits from being registered with the Commission. Funders will also have a major influence, as they may decide to only donate funds to registered charities.

In addition to the outputs and activities set out in our outcomes framework, the Commission has a role to stimulate and promote research on matters relating to charities. We will do this initially by focussing on the information that can be derived from the registration and annual return processes, and using the data as a basis for providing real information about charities and the sector. This will also enable the Commission to advise on areas where further research or information about charities should be undertaken. We will also seek to work with other organisations so that a wider range of research can be conducted using the information acquired by the Commission. The information from the Register will result in a better understanding of the sector as a whole. The sector has high expectations that the Commission will provide relevant information.

### **What are we seeking to achieve?**

We believe that if we are an effective regulator, which also provides targeted education and support to the sector and information on the sector, public confidence in the charitable sector will improve. As confidence in the sector improves, and the sector can demonstrate value for money, the public may feel able to increase their donations, in time and resources.

One of the main reasons for establishing the Charities Commission and the Register of Charitable Entities was to increase the knowledge and understanding of the charitable sector. As the level and type of information about the sector increases through the receipt of annual returns from charitable entities and targeted research, the Commission and other agencies will be able to provide better advice to the Government about the sector. This will enable the Government to better meet the needs of both the sector and the public supporting the charities.

It is the Commission's view that if it satisfactorily produces, over time, the outputs it has identified, then it will be able to provide the public (and the Government) with better information on, and an understanding of, the charitable sector. This information will be received from registered charities during the registration process and will increase as the Commission starts receiving annual return information and undertaking research.

### **What will we do to achieve this?**

Our outputs and activities contribute directly to our intermediate outcomes. Our aim is that our work in registering and monitoring, investigating complaints and making inquiries, and providing information about charities will contribute to increased public trust and confidence in the charitable sector. Providing advice, information and education to charities will aid the sector in its governance, management and use of resources. Our advice to government will enable it to respond to the needs of charities and the public. We have described in the following paragraphs the work we will be doing in the next year, and in the longer term, to achieve our intermediate outcomes.

### ***Increased public trust and confidence in the charitable sector***

#### *Registration and monitoring of charitable entities*

The Register of Charitable Entities opened to receive applications for registration from 1 February 2007. All charities must be registered from 1 July 2008 to be eligible for a charitable tax exemption.

Registration activities will continue to form the major part of the Commission's operations over the next six months. We intend to complete the processing of all applications for registration received on or before 30 June 2008 by the end of December 2008. The Commission is able to backdate registration as a charitable entity to the date it received a "properly completed application for registration".

It is unknown how many charities will apply to register under the Charities Act, but projections have used a base volume of 25,000 new applications and associated annual returns. The actual number of registrations may well be different than this but we have used this number for planning purposes.

Once the initial registration period is over, we expect a small number of new registrations each year. We expect to receive the majority of annual returns once the registration peak is over. The Commission will need to manage the variable nature of the processing of annual returns workload as annual returns of registered charities will be due six months after their balance date.

In the first half of 2008/09, we will develop the necessary strategies to enable us to start monitoring the activities of registered charities in the latter part of 2008/09. Our intention is to have this framework in place by 31 December 2008.

### *Investigate complaints and make inquiries about registered charities*

As the registration of charitable entities proceeds, it is expected that the number of complaints about registered charities will increase.

The Commission will also undertake its own inquiries into registered charities. As the number of registered charities grows, we will develop an understanding of what issues and activities we may want to inquire into, and how often these inquiries will occur.

We will develop the necessary strategies to enable us to complete these types of investigations and inquiries within a suitable timeframe. We therefore intend to develop a framework for inquiring into the conduct of charitable entities by 31 March 2009.

In the longer term, as our focus moves from the initial registration process, we anticipate that the activities under this output will increase in importance from 2009/10 onwards. The extent of our activity in the longer term will be dependent on need and resources that can be applied.

We will be interested to see what we can learn over time from quantitative measures of complaints and enquiries. An increasing number of complaints about charities could mean either

- An increased awareness of, and confidence in, the Commission to deal with complaints; or
- Increased concern about the governance and management of charities

We will use this quantitative information to inform our research programme (below).

### *Provision of information about charities*

This is a key role for the Commission in ensuring public trust and confidence in the charitable sector and one we are keen to develop. In 2008/09, however, the Commission will be concentrating on the completion of the initial registration process and the processing an increasing number of annual returns. Consequently, the activities under this output will be limited to ensuring that the public is aware of the requirements of a registered charity, the Register of Charitable Entities and how the Register can be used, and developing a strategy for an appropriate research programme.

The Commission has several “communication and education” functions to perform under the Charities Act. One of these is to “promote public trust and confidence in the charitable sector”. The Commission completed a survey by the end of June 2008 to establish a benchmark for the level of public trust and confidence in the charitable sector.

This survey will be a key piece of our research programme. This information will help to determine the level of promotion required to fulfil our obligations. The survey has been completed and we are now analysing the results. We expect to publish a report on the results early in the 2008/09 financial year.

We will develop the strategic framework for research by 30 June 2009. In the following years, as the Commission receives more information about charities and the charitable sector through the annual return process, it will look to implement this research programme and eventually share the results with other interested agencies and the wider public.

Once we start to receive annual returns from registered charities, the Commission will be able to provide further financial information on the charitable sector. This is another function which will become more important in future years, as we build up data that show trends over time. We do recognise, however, that some information, including that of grant-making organisations, might not be captured by the Commission's processes. This is because some grant-making organisations may not be charities and their grants may not go to registered charities.

***Charities and the charitable sector are well advised, resulting in improved governance and management and more effective use of charitable resources***

*Provision of advice, information and education to charities*

The Commission believes that the performance of charities and the charitable sector will improve through both effective regulation and the provision of good advice, education and information. We will engage with the sector to understand the needs and requirements of the charities and the sector as a whole. We will also engage with the charitable sector and other government agencies to determine what the needs of the sector are and then the best way to "educate and assist charities in matters of good governance and management" and what type of research on the sector is required.

Some of the advice and information may already be available through existing networks and the Commission will ensure that charities can easily access this information. We will also endeavour to develop our own expertise in governance and management and make this available through the appropriate channels.

A further communication and education function is to "encourage and promote the effective use of charitable resources". The Commission will need to wait until it receives more information from annual returns (that is, financial information) before it can decide how it will perform this function. It is expected that, due to the delays in the completion of the initial registration process, a complete set of this information will not be received until by the end of the 2009/10 financial year.

Providing information and support for registration and the completion of annual returns will continue to be the Commission's priorities in 2008/09. As registration activities settle down, education, information and support activities will broaden to include governance and management, and the effective use of charitable resources.

We have considered how best to use our limited resources in this area and have focused on providing information by telephone and our website. We have established a free phone advisory service which will be able answer up to 2,000 calls per month. We also provide information via our website. We will continue to look at how we can ensure charities can benefit from the Commission's advice, education and information.

We will develop our detailed approach for the delivery of advice and support on good governance and management in 2008/09, and we will implement this in 2009/10. In doing this, we will consult with other organisations to ensure that there is no duplication of programmes already being delivered. We intend, where possible, to work in collaboration with other organisations to fulfil this output. In the longer term, the Commission does not wish to limit access to its services solely to charitable entities. The Commission recognises, however, that its priorities are established by the Act.

## Building Capacity and Capability in the Sector –

Two major functions of the Commission, as set out in section 10(1) of the Charities Act 2005, are to:

- “encourage and promote the effective use of charitable resources” [s.10(1)(b)];
- “educate and assist charities in relation to matters of good governance and management” [s.10(1)(c)].

As the initial stage of registration is completed, and annual returns are received, the Commission will start to obtain better information about the charitable sector. This will guide the Commission as it focuses on these important functions.

The Commission is mindful that there are many organisations, both public and private, that have a role in the education and assistance of charities. We do not want to duplicate the work already being done and will explore the areas in which we can best add value.

## **Government is well-advised, enabling it to respond better to the needs of charities and to the needs of the public in supporting the charities**

### *Provision of policy advice relating to charities*

The Commission believes its role in advising government about the charitable sector is key to enabling the government to respond to the sector’s and public’s needs. The Commission is aware that other policy-making government agencies already provide advice on some areas of the charitable sector; however, the Commission will bring a new and unique perspective to policy advice about the sector, and will be able to provide sound, evidence-based advice.

The Commission’s policy advice role will develop as its evidence base develops – charitable entities began to submit their annual returns in September 2007 and the amount of information about the charitable sector is increasing, however it will not have a complete set of annual return information until the end of the 2009/10 financial year.

Given that the initial registration of charities remains the Commission’s focus this year, and our limited resources, in 2008/09 we will provide policy advice when requested.

As this area of work increases in importance, we will develop the necessary strategies to enable us to deliver effective policy advice from 2009/10 onwards.

## **How will we demonstrate success in achieving our outcomes?**

The Commission has been in operation for three years and achieved much in this time. We are, however, still in the initial stages of establishing the regime set out in the Charities Act and some of the indicators by which we can measure our success are not yet in existence.

The overall outcome the Commission is seeking to achieve is “a strong, effective charitable sector in which the public has trust and confidence”. The Commission will be working with the sector over the coming year to define what the characteristics of a strong, effective charitable sector actually are, or what an effective charity is.

In 2008/2009, we will continue with the development of an appropriate performance measurement framework and will work on establishing the most effective way to evaluate our contribution to the achievement of our overall outcome and intermediate outcomes. Pragmatically this evaluation framework will be informed by the progress in the completion of our outputs as specified in our annual output agreements, but our current intention is to develop a range of both financial and non-financial strategies and indicators to measure our effectiveness at the “*intermediate outcomes*” level.

These strategies will be developed with an understanding that no single indicator would be able to be adopted as a measure for achievement of our intermediate outcomes.

Assessing the performance of registered charities will provide good evidence of the state of the charitable sector in New Zealand. However, it will not be until the Commission starts to receive the bulk of the annual return information and financial statements from registered charities and starts monitoring their activities and receiving complaints, that we will be able to assess the performance of registered charities. By the end of 2008, we expect to have registered 25,000 charities, and the ongoing analysis of their annual returns will provide a wealth of information.

Assessing the performance of registered charities will help the Commission to develop performance measures for the sector. Performance measures for “governance and management” and “the effective use of charitable resources” will enable the Commission to assess whether charities are displaying good governance and management, whether charitable resources are being used effectively.

The Commission will monitor this effectiveness through the review of the annual return information and financial statements submitted by registered charities. This review will determine whether the charity is in fact spending the money it receives on the purposes the Commission has approved or spending it on other charitable activities. Another indicator of the performance of charities may be an increase or decrease in the number of complaints received or investigations undertaken by the Commission.

The Commission completed a survey by end of June 2008 to establish a benchmark for the level of public trust and confidence in the charitable sector. It is intended to replicate this survey every two years to determine whether the actual level has increased or decreased. This will give us an objective measure of progress towards our overall outcome and we will look at how we can determine whether any change is a result of the any of the Commission’s activities.

Providing good advice to government will assist us to achieve our intermediate outcome that government is well-advised. Minister’s satisfaction with our advice will provide a measure of our success, as we build our programme of policy advice over the next three years.

## Management of organisational risk

The Risk, Audit and Compliance Committee oversees the management of risks for the Commission. The Committee has a work programme to ensure that risks (to the Commission's operations or reputation) are identified, assessed and strategies developed for their management.

The Commission recognises that there are inherent risks associated with its ability to achieve its goals and deliver on its work programme. The Commission's policy on risk management includes the following components:

- risks are monitored and managed by management, the Risk, Audit and Compliance Committee, and the Board on a quarterly basis.
- the Commission operates on a 'no surprises' basis. It achieves this through appropriate sharing of information throughout the organisation and with key stakeholders.

### ***How uncertainties may affect the Commission delivering its outputs***

#### **Risk Management**

We will closely monitor the critical risks outlined in the following table and manage these risks, and any others identified, to the best of our ability within the existing baseline funding. Where our planning and budgeting assumptions change markedly, we will need to work with the Minister for the Community and Voluntary Sector and the Minister's advisors at the Department of Internal Affairs.

#### **Critical Organisational Risks**

<b>Description of the Risk</b>	<b>Proposed Mitigating Action</b>
<p><i>Cost of processing applications for registration</i> There is a risk that the financial cost of processing applications and registering entities will be greater than originally anticipated and that sufficient funding may not be available</p>	<p>Continue to monitor outputs and costs. Strive for constant process efficiency and improvement. Take early action if future activities appear to be threatened or outcomes prejudiced by a lack of resources.</p>
<p><i>Supporting information systems</i> The Commission does not have the supporting systems necessary to undertake its other statutory roles (management of the Charities Register, monitoring, investigations, etc.) under the Charities Act.</p>	<p>Develop contingency plan and discuss alternative strategies with the Department of Internal Affairs. Ensure that the funding requirements are addressed in the business case.</p>

<b>Description of the Risk</b>	<b>Proposed Mitigating Action</b>
<p><i>Loss of Key Staff</i> As a relatively new and small organisation, the Commission is at risk of losing key staff at crucial times over the next three years.</p>	<p>We will maintain and implement HR policies, initiatives and incentives to help us retain the best staff. Ensure that workloads are well managed and any concerns are addressed satisfactorily. Maintain a focused recruitment programme</p>
<p><i>Future resourcing needs</i> The Commission is required to undertake a number of new tasks and activities over the next three years to fulfil the requirements under the Charities Act 2005. There is a degree of uncertainty surrounding the level of work required to complete these tasks and activities. As a result, the level of resourcing required is also uncertain at this stage and will need to be reviewed on a regular basis throughout the period.</p>	<p>Keep the Board well informed. Work through any additional budget requirements with the Department of Internal Affairs, in preparation for the business case. Ensure the Minister for the Community and Voluntary Sector is fully aware of the situation.</p>

# Developing our organisation

## **Organisational capability**

### **People**

Our objective is to carry out our functions in an effective, professional, responsive and transparent way. To achieve our strategic goals and operational priorities we need people who are knowledgeable and experienced in their fields. They also need to be capable of handling the ambiguity and uncertainty of an organisation dealing with new functions and have an understanding of both the charitable and the state sectors.

In 2007/08, the Commission continued its drive to recruit enough staff to receive and process all the applications for registration, and to provide information and support to charities to enable them to register. The number of employees in the registration team has increased, since July 2007, to forty at the end of June 2008.

Our focus in 2008/09 will be on enhancing our 'good employer' responsibilities in the following key areas:

- **Recruitment and retention**

We are committed to being a good employer, therefore, the emphasis will be on ensuring the Commission has the right practices and incentives in place to ensure that employees are able to contribute, feel valued, develop and grow.

Over the next six months, we will undertake a review of the people we have, their skills and training needs, and the gaps we need to fill. This review will impact on our decision-making with regard to moving away from reliance on fixed term employees to a committed and capable permanent workforce.

Despite a tightening labour market we have managed to recruit and retain talented staff. Feedback from staff is important and valued, therefore we will continue to monitor staff satisfaction levels by conducting an annual employee engagement survey.

We will review the salaries of key roles to ensure that we remain competitive within the public sector market and will continue to investigate other incentives for staff.

- **Training and development**

We will continue to focus on building our in-house capability by providing individualised development plans that support the goals of the organisation and are linked to career options. Individual development priorities will be identified through our performance management processes. Particular emphasis will be on further strengthening the ability of managers to lead and develop the organisation over the next three years.

### **Integrity and Ethics**

The Commission has developed the following policies and procedures to ensure that its stakeholders will have confidence and trust in the Commission and its staff –

- Code of conduct;
- Fraud;
- Making a disclosure under the Protected Disclosures Act 2000;
- Use of the internet;
- Handling public enquiries;
- Dealing with complaints regarding the Commission and its staff;
- Receiving gifts; and
- 'Good employer'.

## **Information and Technology**

In order for our people to do their work well they need the right tools and management systems.

In 2006/07, the Commission implemented the original registry system to enable it to receive, process and assess applications for registration by charitable entities when the Charities Register opened on 1 February 2007.

Following an independent review of the registry system in November 2006, and the Commission's need for an information management system that would serve it beyond the initial registration period, the Commission decided to implement an alternative system to meet the future needs of the Commission. This step was supported by the State Services Commission and Department of Internal Affairs. The new registry system went live on 4 November 2007. The system now allows charities to enter Officer Certification Forms, Annual Returns and Notices of Change online.

In the next few years, as the Commission looks to fulfil its other statutory functions under the Charities Act, its IT systems will need to be further developed to deliver the business capability to assist the Commission with reporting; complaints management; monitoring, investigation and enforcement; record and information management; and the data interfaces with both Statistics New Zealand and the Ministry of Economic Development.

## **Financial**

Over the next three years, the Commission faces a challenging financial outlook if it is to achieve its statutory functions set out in the Charities Act 2005. There is a risk to the delivery of the Commission's outputs in 2008/09, given the current level of applications for registration forecast and the projected resources required to process those applications. The Commission is managing this risk by making changes to its processes to ensure the registration process is as efficient as possible. The Commission is also reviewing the assumptions underlying the current level of funding provided.

The forecast financial statements demonstrate that based on current assumptions and funding levels, the Charities Commission is forecast to end the 2008/09 financial year with a working capital deficit and consequently may be unable to meet its short-term liabilities at 30 June 2009. The Charities Commission, in conjunction with the Department of Internal Affairs, is closely monitoring the situation and is working on strategies to mitigate this. The Charities Commission will prepare a business case for its responsible Minister to present to Cabinet in the first half of the 2008/09 financial year seeking additional funding in 2008/09 if this is required. If further funding is received that significantly changes the forecast financial statements or forecast service performance, an amended Statement of Intent will be produced in accordance with section 148 of the Crown Entities Act 2004.

## **Health of the Organisation**

The Commission has been in existence for three years. We do not yet have the information to assess trends over time in length of service or staff turnover, but will develop appropriate measures to monitor the health of the organisation in the next few years.

## ***Development goals for the State Services***

As we continue and enhance our organisational capability, we are also conscious of being part of the wider State Services, demonstrating a spirit of service to the public and a sense of social responsibility. We are mindful of, and comply with, the relevant administrative guidelines issued from time to time by the Office of the Controller and Auditor-General and the State Services Commissioner. This includes our adherence to the development goals for the State Services.

### **Overall Goal**

The overall goal for the State Services is: “A system of world class professional state services serving the Government and meeting the needs of New Zealanders.”

### **Development Goals**

The overarching goal is supported by six, more specific, development goals for the State Services:

1. Networked State Services
2. Value-for-Money State Services
3. Co-ordinated State Agencies
4. Accessible State Services
5. Trusted State Services
6. Employer of Choice

The Commission is committed to being a ‘good employer’ and is implementing ‘equal employment opportunities’ strategies. We will endeavour to be part of any ‘e-government’ initiatives where possible. The Commission will work with other agencies to improve the effective and efficiency of services offered to the charitable sector. We will be responsive to inquiries in a polite and timely manner, and we will promote a code of conduct to ensure that the Commission is a highly regarded organisation.

## **Consultation and reporting to the Minister**

In accordance with section 141(1)(g) of the Crown Entities Act 2004, there are no specific matters on which the Commission intends to consult or notify the Minister. However, the Commission will adopt the following approach:

### **No Surprises**

The Commission will ensure that the Minister is adequately warned in advance, where prediction is possible, about:

- issues likely to attract external attention, or represent potential risk to the Government
- key risks or matters that may have a bearing on the role of the Responsible Minister.

The Commission will actively keep both the Minister and the Department of Internal Affairs informed through regular meetings between the Chair and the Minister; the Chief Executive and officials from the Department; and staff from the Commission and the Minister's office.

The matters on which the Commission will report to the Minister and the frequency of reporting are summarised below:

### **Reporting**

- Annual Report – as per the Crown Entities Act 2004 and the Public Finance Act 1989 requirements
- Reporting quarterly against the performance dimensions established in both the Statement of Intent and the Output Agreement
- Financial information showing actual revenue and expenditure against budget for the quarter and year to date, and an updated forecast of operating revenue and expenditure for the financial year in the second and third quarterly report
- Risk management – reporting quarterly
- Monthly report on registration activity – addressing things such as application numbers being received; registrations completed, numbers declined, and registrations outstanding; processing times and backlogs; and advice on any emerging issues. Up to the end of December 2008, the monthly report will contain projections of the number of applications that will be processed by 31 December 2008 against the budgeted figure of 25,000 applications.

## Statement of Responsibility

The Board and management of the Charities Commission are responsible for the preparation of the Statement of Intent and prospective financial statements, including the assumptions on which the financial statements are based.

The prospective financial statements have been prepared in accordance with section 142 of the Crown Entities Act 2004, NZ IFRS, and NZ FRS-42: Prospective Financial Statements.

The prospective financial statements have been developed for the purposes of this Statement of Intent and to provide a basis for future accountability of the Charities Commission, and this information may not be appropriate for other purposes. The projected figures are based on the current information available and are the best projections by the Commission in order to meet its future obligations within the existing funding available.

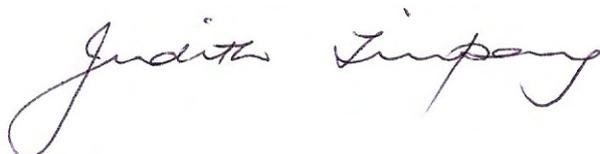
Please note that the actual results for 2007/08 and 2008/09 are likely to vary from the information presented and the variations could be material.

In accordance with section 141(3) of the Crown Entities Act 2004, this Statement of Intent of the Charities Commission is signed by Sid Ashton, Chair of the Charities Commission and Judith Timpany, Deputy Chair of the Charities Commission on behalf of the Board of the Charities Commission.



**Sid Ashton**  
Chair

**Date** 30 June 2008



**Judith Timpany**  
Deputy Chair

**Date** 30 June 2008

## Statement of Forecast Service Performance

### **Output Class: Charities Administration**

The Charities Commission has one output class – *Charities Administration*. This output class provides for the delivery of services that contribute to promoting public trust and confidence in charities.

<b>2008/09 Output Summary</b>	<b>\$000 GST exclusive</b>
<i>Charities Administration:</i>	
Output revenue	3,500.8
Output expense	(4,256.0)
<b>Net deficit</b>	<b>(755.2)</b>

The following sections outlines the outputs the Commission intends to deliver over the next year.

### **Output 1.1 – Registration and monitoring of charitable entities**

#### **Output description**

Under this output, the Commission will:

- receive, consider and process applications for registration as charitable entities through an appropriate process
- ensure the Register of Charitable Entities is compiled and maintained
- receive, consider and process annual returns submitted by charitable entities
- monitor registered charitable entities to ensure they maintain their qualification for registration
- monitor and promote compliance with the Charities Act

#### **Performance information**

	<b>Performance Measures for 2008/09</b>	<b>Standard/Target</b>
1.1.1	Number of charities registered	<i>Up to 17,000<sup>1</sup></i>
1.1.2	Percentage of completed applications for registration decided within 30 working days	20-25%
1.1.3	Number of annual returns processed	<i>8,000-10,000<sup>2</sup></i>
1.1.4	Percentage of annual returns processed within 25 working days	90%
1.1.5	Register online availability (percentage per month)	No less than 97%
1.1.6	A six monthly independent quality audit on a sample of up to 1% of the recommendations for registration	Indicates no significant areas for improvement and shows only minor inconsistencies in decisions.

<sup>1</sup> In total, the Commission anticipates that it will register 25,000 charities since the Charities Register opened on 1 February 2007, by the end of December 2008

<sup>2</sup> This target is based on the number of charities registered at 30 June 2008

## **Output 1.2 – Investigate complaints and make inquiries about registered charities**

### **Output description**

Under this output, the Commission will:

- inquire into charitable entities about conduct that may constitute a breach of the Charities Act or serious wrongdoing
- receive and investigate complaints about charities
- develop relationships with other enforcement agencies so that enforcement activity is coordinated
- develop relationships with other agencies to contribute to fulfilling New Zealand's international obligations with regard to charities.

### **Performance information**

	<b><i>Performance Measure for 2008/09</i></b>	<b><i>Standard/Target</i></b>
1.2.1	Percentage of complaints about registered charities brought to the Commission's attention which are acknowledged and work is commenced to resolve the complaint within 25 working days	90%
1.2.2	A framework for inquiring into the conduct of registered charities is developed and approved by the Board	By 31 March 2009

## **Output 1.3 – Provision of information about charities**

### **Output description**

Under this output, the Commission will:

- provide information to the public about the requirements of a registered charity, the Register of Charitable Entities and how the Register can be used
- provide information to the public about how complaints about charities can be made to the Commission and what actions the Commission is able to take if the complaint is upheld
- provide information to the public about the work of the Commission with respect to education in governance and management of charities
- supply information for the purposes of the Inland Revenue Acts
- make information on the Register available to other relevant government and non-government agencies for analysis
- develop and implement a pragmatic and relevant research programme, in conjunction with other agencies
- engage with other Crown agencies, tertiary education agencies and private research entities to undertake research projects
- publish relevant and defensible research results to increase knowledge of the charitable sector
- publish occasional reports about charitable organisations.

### **Performance information**

	<b><i>Performance Measures for 2008/09</i></b>	<b><i>Standard/Target</i></b>
1.3.1	A strategic framework for research that is responsive to the needs of the charitable sector and other agencies is developed and approved by the Board	By 30 June 2009

## ***Output 1.4 – Provision of advice, education and information to charities***

### **Output description**

Under this output, the Commission will:

- foster relationships and networks with the charitable sector
- provide information and support to help charities to apply for registration and complete annual returns under the Charities Act
- provide information and guidance as required on the implementation of the Charities Act and its regulations, and other matters affecting charities
- engage with the charitable sector and relevant government agencies to identify and develop research priorities
- act as a broker and clearing house for information on governance and management relevant to the charitable sector
- develop expertise in governance and management relevant to the charitable sector and make that expertise available through publications, workshops or advisory services
- utilise networks of other agencies to communicate with charities throughout New Zealand
- work with charities to promote the effective use of resources in pursuit of their charitable purposes
- use the information received from our monitoring activities to further develop our education programmes

## Performance information

	<b>Performance Measures for 2008/09</b>	<b>Standard/Target</b>
	<i>Registration information and support</i>	
1.4.1	Number of calls answered by the free phone advisory service <sup>3</sup>	Able to answer up to 2,000 calls per month
1.4.2	Percentage of sample of callers whose queries have been met by the free phone advisory service (at the time of the call)	90%
1.4.3	Percentage of stakeholder feedback indicating satisfaction on the appropriateness of the information on registration and annual returns on the Commission's website <sup>4</sup>	90%
1.4.4	Percentage of stakeholder feedback indicating satisfaction on the appropriateness of the material included in the registration information pack	90%
	<i>Advice on issues affecting charities</i>	
1.4.5	Work with the charitable sector to define what the characteristics of a strong, effective charitable sector actually are, or what an effective charity is	Report to the Board by 30 June 2009
1.4.6	To hold one annual meeting, including an opportunity for feedback from the charitable sector on topics of interest	Not later than 30 November 2008
	<i>Information dissemination</i>	
1.4.7	Size of circulation list for monthly <i>Update</i> newsletter	over 4,000
1.4.8	Percentage of readership survey indicating satisfaction on appropriateness of <i>Update</i> newsletter	90%
1.4.9	Number of information sheets provided on issues such as group registration and funding	5
1.4.10	Percentage of stakeholder feedback indicating satisfaction on the appropriateness of the information sheets	90%

<sup>3</sup> The free phone advisory service will continue to provide information and support for registration, annual returns and other regulatory matters

<sup>4</sup> An online survey of registered charities will be conducted by 31 March 2009 to address the:

- appropriateness of the information on registration and annual returns on the Commission's website
- appropriateness of the material included in the registration information pack
- appropriateness of *Update* newsletter
- appropriateness of the information sheets

## **Output 1.5 – Provision of policy advice relating to charities**

### **Output description**

Under this output, the Commission will consider, and report and make recommendations on, any matter relating to charities that is referred to it by any Minister of the Crown or on its own motion.

This will include –

- providing policy advice and support on matters relating to charities, and information on the charitable sector to other government agencies
- providing timely and accurate advice to Government on issues that will assist the charitable sector to be more efficient and effective
- assisting policy makers and others to have a clearer understanding of the charitable sector

In fulfilling the aim to produce policy advice that meets the needs of the stakeholders, the Commission requires that, to the extent to which time and cost-effectiveness considerations permit, policy advice produced meets the following quality criteria:

- purpose – advice should be short (where practicable), succinct and clearly focused
- consistency – advice takes account of other Government policies and decisions, and is consistent with the principles of the Treaty of Waitangi
- logic – the assumptions behind the advice are explicit and argument is logical and supported by the facts
- accuracy – the facts in the advice are legally and statistically accurate and all material facts and sources are included
- options – an appropriate range of options is presented
- consultation – there is evidence of adequate consultation with other government agencies and other affected parties
- practicality – the problems of implementation, technical feasibility, timing and consistency with other policies have been considered
- impartiality – the Charities Commission strives to provide professional, impartial and comprehensive advice to stakeholders

### **Performance information**

	<b><i>Performance Measure for 2008/09</i></b>	<b><i>Standard/Target</i></b>
	<i>Advice on issues affecting charities</i>	
1.5.1	Policy advice on the relationship of the charitable sector to the wider work programme of the Government – <ul style="list-style-type: none"> <li>• Percentage of advice delivered in accordance with set quality criteria</li> <li>• Percentage of advice delivered according to the agreed timeframes</li> <li>• Percentage of advice considered satisfactory by the stakeholder receiving the advice</li> </ul>	100% 100% 90%

# Prospective Financial Information

## ***Significant Assumptions and Significant Accounting Policies***

### ***Financial planning assumptions***

#### **Reporting Entity**

The Charities Commission is a Crown entity established under the *Charities Act 2005* and is an autonomous Crown entity as defined by the *Crown Entities Act 2004*. The Charities Commission is domiciled in New Zealand and its ultimate parent is the New Zealand Crown.

The Charities Commission's primary objective is to provide public services to the New Zealand public, as opposed to that of making a financial return.

Accordingly, the Charities Commission has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

#### **Basis of preparation**

##### *Statement of compliance*

The prospective financial statements have been prepared in accordance with section 142 of the Crown Entities Act 2004, NZ IFRS, and the New Zealand Financial Reporting Standard (FRS) 42: Prospective Financial Statements.

##### *Measurement base*

The financial statements have been prepared on a historical cost basis, and are presented in New Zealand dollars.

##### *Uncertainty*

Under the Charities Act 2005, the Charities Commission is to provide a registration system for charitable organisations. As this is an entirely new process, there are a number of uncertainties surrounding the underlying assumptions used to develop these prospective financial statements. These uncertainties include:

- the number of applications for registration;
- the timing of the receipt of applications;
- the time to process each application;
- the time to complete a review of an organisation's rules to see if it meets the charitable purpose test under the requirements of the Charities Act ;
- the proportion of registered entities with annual gross income greater than or less than \$10,000. This affects the projected annual return fees as no fee is payable by a registered charity that has annual gross income of less than \$10,000 ;
- the proportion of annual returns received online and in hard copy form. This affects the projected annual return fees as there are different fees payable by a registered charity for submitting their annual return online (\$50 GST inclusive) or in hard copy (\$75 GST inclusive); and
- the ability to recruit sufficient qualified staff.

Where possible, we have used existing information available from the charitable sector as well as information from organisations who undertake similar functions within the public sector. However, there is still a risk that some of the underlying assumptions will prove to be incorrect.

The forecast financial statements demonstrate that based on current assumptions and funding levels, the Charities Commission is forecast to end the 2008/09 financial year with a working capital deficit and consequently may be unable to meet its short-term liabilities at 30 June 2009. The Charities Commission, in conjunction with the Department of Internal Affairs, is closely monitoring the situation and is working on strategies to mitigate this. The Charities Commission will prepare a business case for its responsible Minister to present to Cabinet in the first half of the 2008/09 financial year seeking additional funding in 2008/09 if this is required. If further funding is received that significantly changes the forecast financial statements or forecast service performance, an amended Statement of Intent will be produced in accordance with section 148 of the Crown Entities Act 2004.

## **Accounting Policies**

The following accounting policies which materially affect the measurement of financial performance and financial position have been applied.

### **Revenue**

Revenue is measured at the fair value of consideration received or receivable.

#### *Crown funding*

The Charities Commission is primarily funded through funding received from the Crown, which is restricted in its use for the purpose of the Charities Commission meeting its objectives as specified in the Statement of Intent. Such revenue is recognised when earned and is reported in the financial period to which it relates.

#### *Annual return fees*

The Charities Commission derives revenue through annual return fees received from registered charities. Such revenue is recognised when earned and is reported in the financial period to which it relates.

#### *Interest*

The Charities Commission also derives revenue through interest on its investments. Such revenue is recognised when earned and is reported in the financial period to which it relates.

### **Leases**

#### *Operating leases*

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the Charities Commission are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the Statement of Financial Performance. The Charities Commission leases office premises, printers, photocopiers and two car parks. As the lessor retains all the risks and the ownerships of these leases, they are classified as operating leases.

### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, bank accounts, deposits held at call with banks and other short-term investments with original maturities of three months or less.

### **Debtors and other receivables**

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

## **Property, plant and equipment**

Property, plant and equipment consist mainly of operational assets. These include leasehold improvements, computer hardware, furniture and fittings, and office equipment.

Property, plant and equipment are shown at initial cost less any accumulated depreciation and impairment losses.

### *Additions*

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Charities Commission and the cost of the item can be measured reliably.

Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

### *Disposals*

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Statement of Financial Performance.

### *Subsequent costs*

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Charities Commission and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the Statement of Financial Performance as they are incurred.

### *Depreciation*

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

- Computer Equipment – 4 years (25%)
- Furniture & Fittings – 10 years (10%)
- Office Equipment – 10 years (10%)
- Leasehold Improvements – 12 years (8.3%)

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

## **Intangible assets**

### *Software acquisition and development*

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by the Charities Commission, are recognised as an intangible asset. Direct costs include the software development and employee costs.

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

### *Amortisation*

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Financial Performance.

The useful lives and associated amortisation rates of the classes of intangible assets have been estimated as follows:

Computer Software – 4 years (25%)

Register Software – 4 years (25%)

### **Impairment of non-financial assets**

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Charities Commission would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For assets not carried at a revalued amount, the total impairment loss is recognised in the Statement of Financial Performance.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the Statement of Financial Performance.

### **Creditors and other payables**

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

### **Employment entitlements**

#### *Short-term employee entitlements*

Employee entitlements that the Charities Commission expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned, but not taken at balance date, and sick leave. The Charities Commission does not provide long service leave or retirement leave.

The Charities Commission recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the Charities Commission anticipates it will be used by staff to cover those future absences.

**Goods and Services Tax (GST)**

All items in these financial statements are presented exclusive of GST, except for receivables and payables, which are presented inclusive of GST.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is disclosed separately in the Statement of Financial Position.

The net GST paid to, or received from the Inland Revenue Department, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

**Income Tax**

The Charities Commission is, as a public authority, exempt from the payment of income tax. Accordingly, no charge for income tax is provided for.

**Litigation fund**

The litigation fund was established to provide funds for major litigation activities. Interest income is reported as income of the Charities Commission in the financial period in which it is derived. Actual direct operating costs of litigation fund cases will be charged against the fund. Reimbursements from the Crown to top up the fund will be shown as income in the period in which the Charities Commission's claim for reimbursement is accepted by the Crown. The balance of the fund is disclosed as a component of taxpayers' funds in the Statement of Financial Position.

**Taxpayers' funds**

This is the Crown's net investment in the Charities Commission.

**Adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS)**

The impact of the Charities Commission's transition to NZ IFRS is minimal. Bank balances and short term deposits have been reclassified under the heading "Cash and cash equivalents" and Software acquisition and development have been transferred from Property, plant and equipment into "Intangible assets". There are no other significant differences in accounting policies.

**Changes in Accounting Policies**

No changes are expected to accounting policies during the period.

## **Prospective Financial Statements**

### **Statement of Prospective Financial Performance For the years ending 30 June**

	<b>Projected 2007/08 \$</b>	<b>Projected 2008/09 \$</b>
<b>Revenue</b>		
Crown funding	5,747,333	3,148,000
Annual return fees	8,257	277,750
Interest	81,377	75,000
	<hr/>	<hr/>
Total Operating Revenue	5,836,967	3,500,750
Interest – litigation fund	17,214	19,500
	<hr/>	<hr/>
<b>Total Revenue</b>	<b>5,854,181</b>	<b>3,520,250</b>
	<hr/>	<hr/>
<b>Expenses</b>		
Administration	990,209	709,239
Audit fees	35,000	35,000
Board members' fees	103,614	100,665
Communication and education	335,294	100,000
Depreciation and amortisation expense	227,769	311,664
Occupancy costs	175,289	190,515
Personnel costs	1,512,216	1,419,537
Professional fees	143,407	25,000
Registration – related costs	2,702,767	1,364,380
	<hr/>	<hr/>
<b>Total Expenses</b>	<b>6,225,565</b>	<b>4,256,000</b>
	<hr/>	<hr/>
<b>Net Surplus/(Deficit)</b>	<b>(371,384)</b>	<b>(735,750)</b>

**Statement of Prospective Movements in Taxpayers' Funds**  
**For the years ending 30 June**

	<b>Projected 2007/08 \$</b>	<b>Projected 2008/09 \$</b>
Net surplus/(deficit)	<u>(371,384)</u>	<u>(735,750)</u>
Total recognised revenues and expenses for the year	(371,384)	(735,750)
Taxpayers' funds at beginning of year	1,580,498	1,209,114
Capital contribution received	<u>-</u>	<u>-</u>
<b>Taxpayers' funds at end of year</b>	<b><u>1,209,114</u></b>	<b><u>473,364</u></b>
<b>Comprising:</b>		
Accumulated funds	953,472	198,222
Litigation fund	<u>255,642</u>	<u>275,142</u>
	<u>1,209,114</u>	<u>473,364</u>

**Statement of Prospective Financial Position**  
**As at 30 June**

	<b>Projected 2007/08 \$</b>	<b>Projected 2008/09 \$</b>
<b>Taxpayers' Funds</b>		
Accumulated funds	953,472	198,222
Litigation fund	255,642	275,142
<b>Taxpayers' funds</b>	<b><u>1,209,114</u></b>	<b><u>473,364</u></b>
Represented by:		
<b>Current Assets</b>		
Cash and cash equivalents	683,241	287,129
Debtors and other receivables	10,000	10,000
Goods and Services Tax receivable	61,244	33,270
Total current assets	<u>754,485</u>	<u>330,399</u>
<b>Non-Current Assets</b>		
Property, plant and equipment	357,215	284,987
Intangible assets	772,208	532,772
Total non-current assets	<u>1,129,423</u>	<u>817,759</u>
<b>TOTAL ASSETS</b>	<b><u>1,883,908</u></b>	<b><u>1,148,158</u></b>
<b>Current Liabilities</b>		
Employee entitlements	174,794	174,794
Creditors and other payables	500,000	500,000
Total current liabilities	<u>674,794</u>	<u>674,794</u>
<b>TOTAL LIABILITIES</b>	<b><u>674,794</u></b>	<b><u>674,794</u></b>
<b>NET ASSETS</b>	<b><u>1,209,114</u></b>	<b><u>473,364</u></b>

**Statement of Prospective Cash Flows**  
**For the years ending 30 June**

	<b>Projected 2007/08</b>	<b>Projected 2008/09</b>
	\$	\$
<b>Cash Flows From Operating Activities</b>		
Cash is provided from:		
Crown funding	5,747,333	3,148,000
Annual return fees	8,257	277,750
Interest received	89,396	75,000
Interest received – litigation fund	17,214	19,500
Net GST to be paid	12,219	27,974
	<hr/>	<hr/>
	5,874,420	3,548,224
Cash is disbursed to:		
Payments to suppliers	(4,509,862)	(2,524,799)
Payments to employees	(1,505,514)	(1,419,537)
	<hr/>	<hr/>
<b>Net cash outflows used by operating activities</b>	<b>(140,956)</b>	<b>(396,112)</b>
<b>Cash Flows Used In Investing Activities</b>		
Cash is disbursed to:		
Purchase of property, plant and equipment	(88,480)	-
Purchase of intangible assets	(670,150)	-
	<hr/>	<hr/>
<b>Net cash outflows used in investing activities</b>	<b>(758,630)</b>	<b>-</b>
Net decrease in cash and cash equivalents	(899,586)	(396,112)
Add opening cash and cash equivalents	1,582,827	683,241
	<hr/>	<hr/>
<b>Closing cash and cash equivalents carried forward</b>	<b>683,241</b>	<b>287,129</b>

# Appendix

## Board Members' Biographies

### ***Sid Ashton – Chair***



Sid Ashton, an Officer of the New Zealand Order of Merit for services to Māori and the Community, has been a Christchurch accountant for over 30 years. Sid chaired the Tax and Charities Working Party in 2001/2002.

Sid is currently serving as a member of the Creative New Zealand Arts Board and as a trustee for the Diabetes Training and Research Trust, which is a charitable trust. He is also a Director of Ryman Healthcare, a publicly listed company.

### ***Judith Timpany – Deputy Chair***



Judith Timpany is the Chief Executive of the Whanganui Community Foundation Inc and a Justice of the Peace. She has qualifications in both commerce and community development.

Judith has 20 years experience in the charitable sector in a broad range of community focused activities, including three years as a Wanganui City Councillor, Chairmanship of Philanthropy New Zealand (currently a board member), and membership of WINGS CF (an International Grant maker's body). She has also held several corporate directorships.

### ***Kerry Ayers – Board Member***



Kerry Ayers is a practising lawyer who has written extensively on trusts and property-related issues, including four legal textbooks. His work has also included extensive seminar presentations including national seminar series for the New Zealand Law Society and the New Zealand Institute of Chartered Accountants. He has been involved in extensive work on issues relating to charities law and the setting up and administration of charitable entities.

Kerry was also a member of the New Zealand Law Commission consultative committee on reform of the law of trusts. He is a former Vice President of the New Zealand Law Society and a former board member of the New Zealand Law Foundation.

### ***Ian Calder – Board Member***



Ian Calder, an Officer of the New Zealand Order of Merit for services to children and the family, has considerable experience in and knowledge of the not-for-profit sector. Ian was the Chief Executive of Barnardos New Zealand from 1976-2003, the President of the New Zealand Federation of Voluntary Welfare Organisations, Treasurer of the International Forum for Child Welfare, and a member of various government advisory boards including the 1988-89 Working Party on the Taxation of Charities and Sporting Bodies. From 2003 he has been a member of the Social Workers' Registration Board.

### ***Frank Claridge – Board Member***



Frank Claridge is a Fellow of the New Zealand Institute of Chartered Accountants and serves on the Institute's Public Benefit Entity Working Group, and the Not-for-Profit Sector Advisory Committee. He was the Treasurer of the Royal New Zealand Foundation of the Blind for many years before retiring, and remains a Trustee of the Foundation's property development trust. Frank has been continuously involved with the governance of the Methodist Church since 1962. He is a Fellow of the NZ Trustees Association, and a member of several other professional bodies, including the Fundraising Institute of New Zealand.

Frank served as a member of the Tax and Charities Working Party and the Ministry of Economic Development's Charities Commission Establishment Group. He is a past Treasurer of the New Zealand Federation of Voluntary Welfare Organisations.

Frank has been a Justice of the Peace since 1973. He has presented on various topics to many seminars and conferences, and currently works with a large number of community and voluntary agencies on capacity and organisational development.

### ***Amohaere Houkamau – Board Member***



Amohaere Houkamau is the Chief Executive of Te Rūnanga o Ngāti Porou, based in Ruatoria, and has played a leading role in developing a quadruple bottom-line development strategy for Ngāti Porou.

Amohaere is a member of the Board of Māori Television Service. She is a trustee of the Tauawhi Trust and the Tairawhiti Development Partnership Management Trust, co-chairs the Tairawhiti Social Development Forum and E Tipu e Rea – the Ministry of Education and Ngāti Porou Education Partnership.

## DRAFT

### CHARITIES COMMISSION STRATEGIC FRAMEWORK

#### 1. Purpose Statement

The purpose of the Charities Commission is to promote a strong, effective charitable sector in which the public has trust and confidence.

#### 2. Goals

*This statement of goals are drafted as ends to be achieved. A clear connection to the 'Purpose Statement' can be derived from each element.*

We know we will be achieving our purpose when:

- The charitable sector is well governed and managed
- The Government is well informed about the needs of charities and the needs of the public in supporting charities
- The public has trust and confidence in the charitable sector
- The Charities Commission is knowledgeable about the charitable sector and has credibility with the charitable sector

### **3. Strategies**

*These are statements of what we are going to do to achieve our goals. The strategies will direct those things that the Commission does.*

#### **(a) The Commission effectively promotes public trust and confidence in the charitable sector by ensuring that:**

- I. charities can register through an appropriate and straightforward process.
- II. the public is aware of the work of the Commission with respect to education in governance and management of charities;
- III. the public is aware of how complaints about charities can be made to the Commission;
- IV. The public is informed both about the requirements of a Registered Charity, the Register, and how it can be used.
- V. A monitoring process that has credibility with key stakeholders including those in the charitable sector is implemented.

#### **(b) The Commission makes information available on the size and the components of the charitable sector, what the sector's needs are, and what are significant trends in the sector. The Commission:**

- I. Engages with the sector, and relevant Government Departments to identify and develop research priorities
- II. Makes information on the Register available to other relevant government and non-government agencies for analysis.
- III. In conjunction with other agencies, develops and implements a pragmatic and relevant research programme.
- IV. Engages with other Crown agencies, tertiary education agencies, and private research entities for the carrying out of research projects.
- V. Publishes relevant and defensible research results to increase knowledge of the charitable sector,

#### **(c) The Commission provides opportunities for charities to improve their governance and management to ensure best practice and facilitates the effective use of resources. The Commission:**

- I. Acts as a broker and clearing house for information on management and governance relevant to the charitable sector
- II. Develops expertise in management and governance relevant to the charitable sector and makes that expertise available through publications, workshops, or advisory services.
- III. Provides services that educate and assist charities in matters of governance and management.
- IV. Utilises networks of other agencies to communicate with charities throughout New Zealand.
- V. In working with charities, promotes the effective use of resources in pursuit of their purposes.

**(d) The Commission provides policy advice relating to charities. The Commission:**

- I. Will provide policy advice and support on matters relating to charities, and information on the charitable sector as sought by government agencies.
- II. Provides timely and accurate advice to Government on issues that will assist the charitable sector to be more efficient and effective.
- III. Assists policy makers and others to have a clearer understanding of the charitable sector

**(e) The Commission will promote compliance with the Charities Act and maintain an accurate and up-to-date register. The Commission:**

- I. Provide education and information to assist charities to fulfil their obligations under the Charities Act.
- II. Processes applications for registration as a charity and maintains a Register of Charities.
- III. Receives annual returns from registered charities.
- IV. Monitors registered charities.
- V. Responds to complaints about registered charities.
- VI. Inquires into registered charities about conduct that may constitute a breach of the Act or serious wrongdoing.
- VII. Develops relationships with other enforcement agencies so that enforcement activity is coordinated.
- VIII. Develops relationships with other agencies so that New Zealand's international obligations with regard to charities are met.

## ***Our principles***

The Charities Commission's work will be guided by these principles:

1. *Fairness and impartiality* - All individuals and organisations with which the Commission has dealings will be treated impartially and reasonably, following the principles of natural justice;
2. *Consistency* – The Commission will ensure that people in similar circumstances or with similar issues will be treated similarly in the way the law is applied, the processes that are followed, the way policy is applied and the decisions that are made;
3. *Transparency* – The Commission will explain requirements in plain terms, set out the criteria by which decisions are made, explain what is expected from charities and provide reasons to explain and justify all decisions. The Commission will be able to demonstrate that practice and process is 'fair and reasonable' and to display appropriate openness in the circumstances;
4. *Legitimacy* – The Commission will only use powers that it is authorised to use and will ensure that these powers are used properly;
5. *Independence* – The Commission will act in the interest of the public in carrying out its role and will ensure, consistent with the obligations of an Autonomous Crown Entity, that others, unless authorised to do so, will not interfere with, direct or control the Commission;
6. *Accountability* – The Commission will inform Parliament of its intentions and outline how its performance can be assessed each year in the Statement of Intent. The Commission will also publish an annual report, which includes an audit report. The Commission is accountable for its decisions through the High Court, which can overturn them. The Commission will provide information and explanations of its important decisions on its website and will engage with its stakeholders prior to introducing major new policies or practices;
7. *Responsibility and respect* – The Commission will act with an understanding of the consequences of its actions and show respect to others in all its dealings.



## Charitable Purpose

“Charitable purpose” has a special meaning in law. We use examples to illustrate the treatment of charitable purpose under the Charities Act.

### What is a “charitable purpose”?

Section 5(1) of the *Charities Act 2005* says that “charitable purpose”

“... includes every charitable purpose, whether it relates to the relief of poverty, the advancement of education or religion, or any other matter beneficial to the community.”

The law surrounding charitable purposes is 400 years old. It has been developed over time mainly by judges’ decisions in court cases.

“Charitable purpose” has a special meaning in law. It may include some purposes the public would not consider to be charitable and it may exclude other purposes the public *would* consider to be charitable.

### If we are considered “charitable” under other legislation, will we automatically be considered charitable by the Charities Commission?

Not necessarily. The definition of “charitable purpose” in the *Charities Act* is different from that in other legislation, such as the *Charitable Trusts Act 1957*.

### How will the Charities Commission decide whether we have a “charitable purpose”?

We will compare the purposes and activities set out in your rules or governing document and the activities listed in your application form against the meaning of “charitable purpose” in section 5(1) of the *Charities Act*.

We assess each application we receive on a case-by-case basis, with reference to decisions made in earlier court cases, to decide whether the organisation applying has a “charitable purpose”.

### How will we know whether our organisation has a “charitable purpose”?

In order for a purpose to be charitable, it must —

1. fall within one of the four charitable purposes set out in section 5(1) of the *Charities Act* (see “What is a charitable purpose?” on page 1) **and**
2. provide a public benefit **and**
3. not be aimed at creating private financial profit.

In some cases, a specific Act of Parliament will state that the purposes of a particular organisation are charitable.

**How will we know if our purpose “relieves poverty”?**

To be charitable under this category, your organisation’s purpose must —

- be directed at people who are poor, in need, aged, or suffering genuine hardship, and
- provide relief.

“Poverty” is interpreted broadly in law. People who are in need, aged, or who are suffering genuine financial hardship from a temporary or long-term change in their circumstances are likely to qualify for assistance. Generally, this includes anyone who does not have access to the normal things of life that most people take for granted.

To provide “relief”, the people who benefit should have an identifiable need arising from their condition that requires support. These people should have difficulty in addressing that need themselves.

Courts have found the following purposes to “relieve poverty” —

- caring for the aged, children, or orphans
- caring for the infirm, blind, war veterans, or disabled

- caring for the intellectually disabled, discharged prisoners, or alcoholics
- providing accommodation for elderly people, patients’ relatives, staff at hospitals and emergency shelters
- helping other needy persons (for example, refugees) or providing disaster relief.

**How will we know if our purpose “advances education”?**

To be charitable under this category, your organisation’s purpose must —

- provide some form of education, and
- ensure learning is passed on to others.

The modern concept of “education” covers formal education, training and research in specific areas of study and expertise. It also includes less formal education in the development of individual capabilities, competencies, skills and understanding. It does not include propagandist or political purposes.

To “advance” education, learning must be passed on to others. If research is to be conducted, it must be in an objective and impartial way and the useful results made available, or accessible, to the public.

Courts have found the following purposes to “advance education” —

- providing education through early childhood centres, schools and universities
- providing scholarships and prizes for academic achievement
- founding and supporting schools, technical colleges, and universities
- providing or improving sporting facilities for schools or universities
- providing museums and libraries
- developing the character of young people (for example some youth groups)
- delivering vocational training
- publishing and selling law reports.

**How will we know if our purpose “advances religion”?**

To be charitable under this category, your organisation’s purpose must —

- be for the benefit of a religion **and**
- ensure a religious faith is passed on to others.

The term “religion” includes many different faiths and belief systems (for example, Christianity, Judaism, Islam, Hinduism, and Buddhism).

Generally, to be religious there needs to be —

- a belief in a supernatural being, thing, or principle, and
- an acceptance of conduct in order to give effect to that belief.

To “advance” religion, the faith must be passed on to others by promoting it, spreading its message, or taking positive steps to sustain and increase the religious belief.

For example, a court has said that religion is not advanced by an entirely enclosed religious order where the activities consist only of **private** prayer. (Alternatively, a court has said that offering **public** prayers for the soul of a deceased person gives benefit to all who hear them.)

Courts have found the following purposes to “advance religion” —

- celebrating religious services in public
- conducting foreign missionary work
- providing and maintaining grounds and buildings to be used by churches or other religious organisations
- maintaining cemeteries or burial grounds for a particular religion

- providing superannuation schemes for the retirement of ministers of religion
- supplying religious literature
- providing religious education through Sunday schools, theological colleges, and conducting religious retreats.

### **How will we know if our purpose “is another matter beneficial to the community”?**

Not all organisations which have purposes that benefit the community will be charitable. The purposes must benefit the community in a way that the law regards as charitable.

To be charitable under this category, the organisation’s purpose must be —

- very similar to the spirit and intent of those purposes listed in the Preamble to the Statute of Elizabeth (see the box alongside) or very similar to a charitable purpose as decided by the courts **and**
- beneficial to the community.

*The Statute of Elizabeth* (otherwise known as the *Charitable Uses Act 1601*) was passed in England to protect and prevent the misuse of charitable funds.

The preamble to the Statute contained the following list of purposes considered charitable at that time:

- relief of aged, impotent, and poor people
- maintenance of sick and maimed soldiers and mariners
- schools of learning
- free schools and scholars in universities
- repair of bridges, ports, havens, causeways, churches, sea banks, and highways
- education and preferment of orphans
- relief, stock or maintenance of houses of correction
- marriage of poor maids
- supportation, aid and help of young tradesmen, handicraftsmen, and persons decayed
- relief or redemption of prisoners or captives and
- aid or ease of any poor inhabitants concerning payment of fifteens, setting out of soldiers and other taxes.

Over the years, courts have recognised many new charitable purposes that are very similar to those categorised in 1601, acknowledging that what is accepted as a “charitable purpose” must change to reflect current social and economic circumstances.

The courts have considered whether:

- the new purpose is very similar to a purpose previously accepted as charitable, and
- whether it satisfies the requirement that the purpose benefits the public.

Courts have found the following purposes to be “beneficial to the community” —

- promoting public health (such as providing education, counselling, and rehabilitation services)
- providing public works and services (such as building roads, maintaining a water supply, and providing cremation or burial services)
- providing public amenities and recreational facilities (such as public halls, libraries, museums, statues, fountains, playing fields, gymnasiums, swimming pools, parks, and botanical gardens)

- protecting the environment (such as revegetation, afforestation, and conservation)
- protecting human life (such as providing emergency rescue services)
- preventing cruelty to, and protecting the welfare of, animals (such as providing animal shelters or sanctuaries)
- facilitating social rehabilitation (such as integrating people back into the community who have a disability or some form of deprivation)
- promoting the efficiency of the armed forces.

As well as development of the law through the Courts, section 61A of the *Charitable Trusts Act 1957* says that it is charitable to provide, or help to provide, facilities for recreation or other leisure-time occupation, if the facilities are provided in the interests of social welfare, and there is a public benefit.

“In the interests of social welfare” means that:

- a. the facilities must be provided to improve the conditions of life for the people for whom the facilities are primarily intended **and**

b. either:

- those people need those facilities because of their youth, age, infirmity, disability, poverty, race, occupation, or social or economic circumstances; or
- the facilities are available to all members of the public, or to all male or all female members of the public.

Among other things, this applies to providing facilities at public halls, community centres, and women’s institutes, and to providing and maintaining grounds and buildings to be used for recreation or leisure-time activities. It also extends to the organising of any activity. There must always be a public benefit from any of these activities.

The Courts have said that it is not necessary to establish that the facilities are primarily intended for people who are socially disadvantaged in some way in order to be “in the interests of social welfare”.

It is enough that the facilities are provided with the aim of improving the conditions of life for members of the community in general.

## How will we know whether our organisation provides a “public benefit”?

To provide a public benefit —

- there must be an identifiable benefit and
- the benefit must be available to the general public, or to a wide section of the public.

### Benefit

Your organisation should be able to clearly identify its public benefit. Indirect benefits (where the benefit extends beyond the immediate beneficiaries) as well as direct benefits, may be taken into account in assessing whether you provide sufficient benefit to the public. For example, a court has said that assisting nurses in promoting efficient nursing services provides an indirect benefit to patients.

If your purpose is illegal or, if taking into account all the relevant facts and circumstances, there is a benefit that is outweighed by a greater harm to the community, no benefit will result.

You must not have a **primary** purpose which is political because it is not possible to judge whether a proposed change in the law will, or will not, provide a benefit to the public. A “political purpose” means

any purpose directed at furthering the interests of any political party; or securing or opposing any change in the law or in the policy or decisions of central or local government, whether in this country or overseas.

For example, a court has said that a society seeking to prevent changes to the law advocated by another group will be political. Refer to “What happens if we have purposes that are not charitable?” on page 6 and to our information sheet - “*Advocacy*” and the *Charities Act*.

### Public

Your benefit must be to the general public, or to an appreciable section of the public. Beneficiaries may be defined by charitable needs, a particular geographical area, or other criteria provided the resulting number of beneficiaries is sufficiently open in nature. If it is difficult to describe your beneficiaries using objective and impersonal terms, this may indicate that your organisation is established for private rather than public benefit.

Consider the following:

- If your organisation’s benefits are available to anyone who needs them and chooses to

take advantage of them, it provides benefit to all the public, even though in some cases the number of actual beneficiaries may be quite small.

- Any limits placed upon who benefits must be justifiable and reasonable given the nature of the charitable purpose.
- Section 5(2)(a) of the Charities Act says that if beneficiaries of a trust or members of a society or institution are related by blood, this will not, of itself, prevent you from satisfying the public benefit requirement. This applies to all trusts, societies, and institutions.
- You may charge fees that cover more than the cost of the services or facilities you provide, unless the charges are so high that some members of the public could not afford them.
- If your organisation provides or maintains facilities for the benefit of the public, any restrictions on public access must be reasonable and appropriate in the circumstances.
- Courts have tended to more easily recognise public benefit (both direct and indirect) where the charitable purpose is the relief of poverty.

- Where your members are also the beneficiaries, any restrictions placed on who may become a member must be reasonable and justifiable in the circumstances. Benefits must still be provided to a wide section of the public, whether they are members or non-members. Courts have found that providing amusement, entertainment, or social activities for members of an organisation are private rather than public benefits.

#### How will we know if our organisation is aimed at creating private financial profit?

The Commission must be satisfied that all money and benefits flowing from your organisation are directed towards advancing your charitable purposes.

You may meet this requirement by including clauses in your rules that ensure that the payment of money, advantage, or benefit (including salaries and wages) is directed at achieving your charitable purposes.

If you are a trust wishing to make a payment or benefit to a trustee, your rules (trust deed) must clearly allow this payment.

If there is a clause in your rules relating to winding-up your organisation, this must state that any remaining assets, after debts and liabilities have been settled, must be directed to a charitable purpose (or to another organisation with charitable purposes). For more details about rules see our information sheet – *Your rules and the Charities Act*.

Usual good governance rules apply. This includes the requirement for people not to be involved in decisions where they have a personal interest, financial or otherwise.

#### What happens if we have purposes that are not charitable?

Section 5(3) of the Charities Act says that having a non-charitable purpose will not prevent an organisation from qualifying as a charitable entity if the non-charitable purpose is **ancillary** (secondary) to a charitable purpose of the entity. Section 5(4) clarifies that a non-charitable purpose must be:

“(a) ancillary, secondary, subordinate, or incidental to a charitable purpose of the trust, society, or institution **and**

(b) not an independent purpose of the trust, society, or institution.”

If your non-charitable purposes are simply inevitable or unintended consequences of the primary purpose, they will be considered to be ancillary. However, if your non-charitable purposes are significant in themselves, they will not be considered to be ancillary. For more information, refer to our information sheet - *“Advocacy” and the Charities Act*.

#### Further information

For more information about the Charities Commission or registration under the Charities Act, please browse [www.charities.govt.nz](http://www.charities.govt.nz)

You can also call the Charities Commission on our free information line **0508 242 748**.

To get updates by email, please send your name, organisation and contact details to [info@charities.govt.nz](mailto:info@charities.govt.nz)



***First Quarterly Report for the Charities Commission***

***For The Year Ending 30 June 2009***

***(Period from 1 July 2008 – 30 September 2008)***

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***[6 November 2008]***

## ***Introduction***

This first quarterly report for the year ending 30 June 2009 outlines the work of the Charities Commission (the Commission) as it continues to register charities and undertakes its monitoring functions.

The Commission has now registered 13,354 charities to the end of September 2008. In the first three months of the 2008/09 financial year, the Commission registered 5,136 charities.

The Commission's priority in the near term is to complete the initial reviews of all properly completed applications for registration received by 30 June 2008 by the end of December 2008. The Commission received 21,943 properly completed applications by 30 June 2008 and at the end of September 2008, had completed the initial reviews on 18,347 of them. The Commission expects to have made a decision (that is, approved or declined) on the majority of the properly completed applications received by this date, but this is dependent on the applicants providing additional information where this is requested.

The main risk to the Commission in achieving the projected target is the loss of key registration staff.

The Commission continues to receive new applications for registration and since 1 July 2008 has received a further 2,103 properly completed applications to the end of September.

The Commission has also continued to receive annual returns and to the end of September 2008, has now received a total of 736 annual returns and processed 456 of them.

## **Overview**

### **Key developments**

#### **Registration progress**

##### *Registration numbers*

As at 30 September 2008, the Commission has received 24,046 properly completed applications from charities. Of those, the Commission has registered 13,354 charities; declined 17 applications; is processing 4,607 applications; has 5,699 still to be processed; and 369 applications had been withdrawn. The Commission has de-registered 17 charities (at their request). The Commission has received a further 2,989 'incomplete' applications that may progress to properly completed applications.

During the first quarter, the Commission continued to specifically target its communications to those in the sector who still had applications in the processing queues. The aim was to explain the causes of the delays and to assure them that most would be eligible for their registration to be backdated to 30 June 2008. We also provided information on the Inland Revenue transition arrangements for those applicants who had missed the 30 June 2008 deadline.

Registered charities received communications encouraging them to take advantage of the facility to file their Annual Returns online as this involves reduced work on their part. Further information was supplied to assist in the completion of Annual Returns and to outline the consequences of a failure to file.

##### *Registration processing*

Throughout the first quarter, the Commission has continued to focus on the streamlining of processes to increase efficiency. The backdating of the thousands of applications received prior to the tax change date of 30 June 2008 was actioned electronically so that analysts only had to approve this where it was appropriate. Increased emphasis has been placed on identifying further administration tasks that can be completed by operations staff so that analysts are used more efficiently.

The pattern of appointing analyst staff to intermediate roles once they have sufficient experience and have demonstrated the appropriate quality of work continues. This position allows them to work without additional quality checks for straightforward applications (approximately 70% of applications received fit into this category). Random checks carried out on the work of these intermediates has shown no evidence of problem decision-making. This move has enabled the more senior staff to give priority to the more complex applications. By the end of the first quarter, 22 of the 29 registration analysts had achieved this status. This pattern will continue into the next quarter as the newer staff demonstrate they have both sufficient experience and an ability to deliver quality analysis. In addition, three intermediate analysts have been given a higher duties allowance to consider applications where the issues relate to

problematic winding up clauses or the lack of private pecuniary profit clauses. This will help lessen the backlog of applications awaiting senior consideration.

In this quarter the Commission received a small number of expressions of concern about the public display of officers' signatures on our website. As a consequence we have revised our practices relating to the display of Application Forms and Officer Forms and replaced them with an electronic Application Record.

#### *Registration staff recruitment*

The Registration team began the first quarter with one vacancy and faced further resignations during the quarter. The key risk for the team at this point is the loss of experienced staff because the majority of them have fixed term contracts to the end of February 2009. To counteract the impact of further resignations, the Commission set out to recruit additional staff to provide a buffer against future losses. Additional recruitments of three staff in August and a further three in late September (one to replace a staff member who left) have meant that the number of registration analysts is five above the originally agreed complement of twenty four at the end of the quarter. This latest recruitment round is considered to be the last that is feasible to tackle the backlog. The replacements require the investment of time and training to be fully productive.

The continued in-flow of new staff has put considerable pressure on in-house training resources but the team has still delivered a higher monthly average for registrations than in the previous quarter (1,712 per month compared with 1,480 per month).

#### *Range of registration applications received*

The Commission continues to see applications from a mix of charities, including incorporated charitable trust boards, trustees of trusts, incorporated societies, unincorporated societies and companies.

Of the charities registered, the main sectors of operation are:

- education/training/research (21%)
- religious activities (19%)
- other (14%)
- health (9%)
- social services (8%)
- arts/culture/heritage (8%).

A breakdown of the main centres is stable in relation to the end of the previous financial year in that 17% of registered charities operate in Auckland, 12% in Canterbury, 11% in Wellington-Wairarapa, 8% in Waikato and 7% in Otago. 24% of registered charities operate nationwide.

### *Registration risks*

The major risks in the registration area are as follows:

- the ability to achieve the projected targets is dependent on the retention of staff;
- the increased volume of Notices of Change, Annual Returns and general correspondence could serve to divert staff from the focus on registration;

### *Notices of Change and Annual Returns*

The Commission is processing both Notices of Change and Annual Returns from registered charities. As at 30 September 2008 Operations staff had processed 1,608 Notices of Change and analyst staff 456 Annual Returns. Notices of Change can generally be completed by Operations staff as they mostly relate to routine administrative changes by the charity, rather than matters that may affect their continued registration as a charity. This work being undertaken by the Registration Team is an additional task over and above registration applications.

All public documents associated with both Notices of Change and Annual Returns, including financial accounts, are publicly available on the Commission's website. Steps have also been taken to ensure that as charities file amendments to their rules that these are also displayed on the public website.

The volume associated with these requirements is expected to rise in the next quarter and increase the pressure on staff resourcing.

### *Reporting on registration progress*

The Commission has focused in this quarter on recording its progress and on providing projections on the likely timing and volume of the completion of consideration of registration applications received prior to 30 June 2008. This reporting has highlighted the significance of the initial review completed by analysts in predicting outcomes. Current projections are that with existing staff and existing systems the Commission would be able to complete the initial reviews for all properly completed applications received on or before 30 June 2008 by 31 December 2008.

## **IT Register**

Work has begun on reviewing the processes around Annual Returns to ensure that we are able to handle the estimated 25,000 Annual Returns each year. The review will look at clarifying the roles between the Registration Team and the Finance Team; determining the information needs for the Register and the finance system (GreenTree); and clarifying our policy regarding non-compliance and unpaid annual return fees.

We mentioned in previous quarterly reports that Phase 3 of the New Systems Project, to replace the original Datacom-developed registration software, was not funded. Phase 3 was to have delivered the business capability to assist the Commission with reporting; complaints management; monitoring, investigation and enforcement; record and information management; and the data interfaces with both Statistics New Zealand and the Ministry of Economic Development. In the meantime, manual processes have been implemented where necessary.

We now intend to review our future IT requirements before the end of June 2009 and may need to submit a capital budget bid at a later date when these requirements are more certain.

## Corporate

### *Funding for 2008/09 and out-years*

Discussions with the Department of Internal Affairs (DIA) regarding additional funding for 2008/09 (and out-years) continued during the first quarter. DIA proposed that the baseline review (planned to be completed in October 2008) be deferred until the Commission reaches a “business as usual” state and was replaced by a business case that would cover all of the Commission’s activities in the financial years until the rescheduled baseline review is completed.

The development of the business case progressed steadily during July and August. The draft business case was circulated to Board members for comment on 1 August 2008. The draft was also given to DIA so they could consult both internally and with other interested agencies. A further discussion was held on 12 August with two members of the Board and DIA.

The final business case was approved by Sid Ashton and Frank Claridge on Monday 25 August and sent to both the Minister and DIA. DIA prepared the Cabinet paper that supported the Commission’s case for additional funding, but not to the level requested.

The Cabinet Social Development Committee considered the paper on the funding of the Commission on 10 September 2008 and agreed with the additional funding recommended by DIA. Cabinet approved the following funding package on 15 September –

	<b>2008/09 \$m</b>	<b>2009/10 \$m</b>	<b>2010/11 \$m</b>	<b>2011/12 &amp; out years \$m</b>
Current Crown-funded baseline	3.148	2.244	2.244	2.244
New baseline funding	2.784	2.600	2.600	2.600
<b>New Crown-funded baseline</b>	<b>5.932</b>	<b>4.844</b>	<b>4.844</b>	<b>4.844</b>
Contingency		2.000		0

The Commission will be revising its operating budgets for 2008/09, 2009/10 and 2010/11 early in the second quarter.

## **Legal**

The Commission's Legal Team has continued to provide advice on legal matters relating to registration, official information requests, Commission policies, communications and education material.

The team has advised on complaints received by the Commission from the public with regard to the conduct and governance of individual charities. A number of these complaints have been referred to external enforcement agencies for further action.

The Legal Counsel has instructed Crown Law in relation to the Travis Trust appeal, which is expected to be heard in the High Court in November, and also external barristers David McLay (to carry out a review of registration decisions) and Karen Clark QC (to advise on Commission enforcement and monitoring related matters).

The team is also working on a review of the forms and the regulations to identify areas that may warrant amendment. In a longer-term project, the team is also identifying areas for potential amendment in terms of the Charities Act. As part of this project, the Legal Counsel will look to raise matters with the Law Commission where these come within the scope of the Law Commission's forthcoming review of charitable trusts.

## **Policy**

The Commission's focus to ensure policy and practice supports the registration process under the Charities Act has continued during this quarter. However, with the Commission approaching the end of the initial registration process, the focus is moving to post-registration functions, including managing the ongoing annual return process and ensuring the Commission becomes an effective monitoring agency under the provisions of the Charities Act.

The Board has examined the interrelationship between the receipt and consideration of annual returns and notices of change in accordance with the provisions of the Charities Act, and the more regulatory powers of the Commission to impose administrative penalties, initiate inquiries and deregister charities. The Board has considered its approach to the use of administrative penalties for failure to file annual returns and notices of change, and resourcing and process options in relation to management of annual returns. This consideration has built on previous advice relating to the Board's functions to monitor charitable entities and their activities, and to monitor and promote compliance with the Charities Act.

As the registration process progresses, the Commission has taken the opportunity to review initial policy directions in light of actual applications for registration. In this quarter, the Commission's approach to the treatment of non-resident entities has been reviewed and confirmed.

Within previous funding constraints, and with regard to the Commission's powers under the Charities Act, the Commission has responded appropriately to a steady flow of complaints, concerns and information about both registered and non-registered organisations from the public. The Commission currently manages these complaints by dealing directly with the 'complainant', or by referring the complaint to other agencies, such as Crown Law, the Registrar of Charitable Trusts, Inland Revenue and the Police, where this is appropriate given their role and interest in relation to the organisation at issue. Looking forward, the demands on the Commission to be more involved in this area will grow. With some funding now approved, the Commission will be looking to start scoping the activities for its monitoring and investigative functions later in this financial year. This should reduce the risk in this area for the Commission, particularly with regard to the Commission's reputation as an effective regulator.

The Board has also considered the results from a research exercise, conducted towards the end of the last quarter, to establish initial benchmarks for the current level of public trust and confidence in charities. The Board noted that a useful benchmark had been put in place for future reference, and agreed in principle, that it would be useful to conduct the exercise again in two years time.

### **Communication and education activities**

During the quarter, the Commission continued its messaging to explain its backdating powers, and promoted Inland Revenue messaging about transition arrangements.

The Commission sent two tailored communications to charities whose applications are in initial and quality review processing queues, to provide information about processing timeframes and help manage enquiries.

The Communications team developed and promoted messaging about annual returns, piloted an annual returns workshop, and reviewed and further developed education resources about annual returns.

The Commission has continued to maintain its profile amongst the charitable sector by attending sector events, using these opportunities to make presentations emphasising its messaging, and to respond to questions.

Members of the Board and executive also continued to address charities at different locations around the country, and were well-received at these engagements.

The Commission received coverage or mention in a number of external publications and in news media during the quarter. It continued to release its monthly *Update* to the sector. At the end of September, approximately 3,900 copies of *Update* were sent out by email, and approximately another 100 by post.

## **Crown stakeholder relationships**

The active relationship between the Inland Revenue Department and the Commission continues to be strong. Close engagement continues in areas of information exchange, communications messaging, legal research and policy development.

Inland Revenue and DIA continue to seek information and advice from the Commission when this will usefully assist them in servicing their Ministers.

Inland Revenue consulted with the Commission on their draft administrative guidelines relating to the treatment of non-resident entities that advise they are committed to a charitable purpose. These guidelines have clarified for non-resident entities the relationship between the Commission's registration process and Inland Revenue's process to consider non-resident entities as tax charities for the purposes of relevant tax legislation.

The Commission's engagement with the Department of Internal Affairs has focussed on ensuring that Department officials have a better understanding of the Commission's registration decision-making processes.

The Commission continues to work with the Ministry of Economic Development (MED) and Statistics New Zealand regarding information sharing. The Companies Office of MED has been consulted on what financial information it is interested in receiving from incorporated societies that are also registered charities.

The Commission continues to monitor the New Zealand Law Commission's reviews that relate to the Commission's role as a Crown Entity, and as an entity that maintains a register that is accessible to the public. In relation to the Charities Register, the Commission has reviewed its processes to enable practical recognition of individual privacy concerns. This review occurred after discussion with the Privacy Commissioner. The Commission has also sought the views of the Ombudsman on what uses can be made of the information contained on the Charities Register.

The Commission's work with the NZ Police to develop a Memorandum of Understanding to govern the relationship between the two agencies is continuing. This has focussed on mechanisms for sharing of information between the two agencies, based on an understanding of the regulatory framework that the Commission operates within.

## **Priorities**

The Commission's priorities, as stated in the Commission's Statement of Intent 2008-2011, are:

- By being an effective regulator, the Charities Commission contributes to the public having trust and confidence in the charitable sector.
- By providing information to charities and the charitable sector, the Charities Commission contributes to a charitable sector that is well governed and managed, and uses its resources effectively.
- By providing information to the Government, the Charities Commission assists the Government to meet the needs of charities and the needs of the public in supporting charities.

We have a responsibility to coordinate our work with other agencies working with the sector, establish the boundaries of our work and determine how best to work together.

The Commission's priority in the near term is to complete the initial reviews of all properly completed applications for registration received by 30 June 2008 by the end of December 2008.

## **Emerging issues**

The issue of funding for the Commission in 2008/09, which arose in the third quarter of 2007/08, has now been resolved through the outcome of the business case for additional funding in September.

The business case covered not only the completion of the assessment of the applications for registration received by 30 June 2008 by the end of December 2008 but also some of the other statutory functions of the Commission that will become more important from March 2009 onwards:

- Processing of Annual Returns – the Commission commenced receiving Annual Returns from registered charities in September 2007. However after the processing of the initial applications for registration is completed, the processing of the annual returns will become more of a focus. In June 2009, it is estimated that the Commission will receive over 4,500 annual returns.
- Monitoring and promoting compliance with the Charities Act and inquiring into conduct that is in breach of the Act, or that constitutes serious wrongdoing – the Commission is already receiving complaints about charities that it must deal with to some extent, despite not being funded for these functions. It is clear that members of the public see the Commission as having a clear role where there are charities involved in some perceived wrongdoing. The Commission will start scoping the activities for these functions later in this financial year.
- Educating and assisting charities with good governance and management – the Commission will also need to start developing this function in the next twelve to eighteen months.

## **Output delivery**

At 30 September 2008, as agreed, the Commission had received the full amount of the original 2008/09 appropriation – \$3.148 million. The timing for the receipt of the additional funding for 2008/09, as approved by Cabinet in September 2008, is still to be confirmed with the Department of Internal Affairs.

## **Organisational capability**

### **Planning processes**

Following the results of the business case, a draft restructuring proposal and revised operating budgets have been prepared for consideration at the October Board meeting. We will commence the necessary recruitment process after decisions are made on the future structure of the organisation.

### **Staffing**

As at the end of September 2008, the Commission had 18 permanent staff and 46 staff on fixed term contracts. The majority of the registration staff are on fixed term contracts.

A major risk for the Commission in the short term is loss of key staff.

### **Major IT projects**

The major IT project for the Commission has been the New Systems Project relating to the development of the Commission's IT systems. Phases 1 and 2 of the New Systems Project were delivered to the Commission early in November 2007. Phase 3 was not funded.

Phase 3 was to have delivered the business capability to assist the Commission with reporting; complaints management; monitoring, investigation and enforcement; record and information management; and the data interfaces with both Statistics New Zealand and the Ministry of Economic Development.

We now intend to complete a review our future IT requirements by the end of June 2009.

## **Financial management**

A set of financial reports of the Commission for the quarter ending 30 September 2008 are included near the end of this report.

The statement of financial performance for the quarter shows a deficit of \$965,321 compared to a budgeted deficit of \$314,782 for the same period.

The Commission is revising its operating and capital budgets for 2008/09 following Cabinet's approval of additional funding for the Commission for the three year period 2008/09 to 2010/11.

At 30 September 2008, the Commission had negative working capital (excluding the Litigation fund) of \$664,859 due to the recognition of the original 2008/09 appropriation received in July, as income received in advance.

## **Upcoming events**

The Commission will hold its annual meeting on Thursday, 27 November 2008, in Wellington. As well as fulfilling its statutory obligations to present its financial statements and provide an opportunity for the sector to ask questions and make submissions, the Commission will incorporate a forum for charities, to discuss the theme of "good governance for the charitable sector".

The Commission will also sign off its annual report and audit for the year ended 30 June 2008 by the end of October 2008.

## **Risk**

***[This section has been withheld under section 9(2)(g)(i) of the Official Information Act to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown.]***

## ***Performance against Output Agreement***

The Output class for the Commission is Charities Administration. This output class provides for the delivery of services that contribute to promoting public trust and confidence in charities.

The services being delivered include:

- registration and monitoring of charitable entities
- investigation of complaints, and making inquiries about registered charities
- provision of information about charities
- provision of advice, education and information to charities
- provision of policy advice relating to charities.

## Output 1.1: Registration and monitoring of charitable entities

Under this output, the Commission will:

- receive, consider and process applications for registration as charitable entities through an appropriate process
- ensure the Register of Charitable Entities is compiled and maintained
- receive, consider and process annual returns submitted by charitable entities
- monitor registered charitable entities to ensure they maintain their qualification for registration
- monitor and promote compliance with the Charities Act.

### Performance information

	Performance Measure	Standard/Target	Achieved to 30 September
1.1.1	Number of charities registered	Up to 17,000 (for the year) <sup>1</sup>	5,136 charities were registered in the quarter
1.1.2	Percentage of fully completed applications for registration decided within: <ul style="list-style-type: none"> <li>• 30 working days of receipt</li> <li>• 90 working days of receipt</li> </ul>	20-25% 95%	Not achieved due to the large number of applications received immediately prior to and after 30 June 2008  13% decided 87% decided
1.1.3	Number of annual returns received and processed	8,000-10,000 (for the year) <sup>2</sup>	548 annual returns were received in the quarter and 306 were processed
1.1.4	Percentage of annual returns processed within: <ul style="list-style-type: none"> <li>• 25 working days of receipt</li> <li>• 60 working days of receipt</li> </ul>	90% 100%	Not achieved. Staff have continued to concentrate on processing registrations  80% 98%
1.1.5	Register online availability to the public and charities (percentage per month)	No less than 97%	Achieved – the register was available online 99.8% of the time during the quarter
1.1.6	A six monthly independent quality audit on a sample of up to 1% of the recommendations for registration	Indicates no significant areas for improvement and show only minor inconsistencies in decisions	The first audit is to be completed in second quarter.

<sup>1</sup> In total, the Commission anticipates that it will process 25,000 charities since the Charities Register opened on 1 February 2007, by the end of December 2008

<sup>2</sup> This target is based on the number of charities registered at 30 June 2008

## Output 1.2 – Investigate complaints and make inquiries about registered charities

Under this output, the Commission will:

- inquire into charitable entities about conduct that may constitute a breach of the Charities Act or serious wrongdoing
- receive and investigate complaints about charities
- develop relationships with other enforcement agencies so that enforcement activity is coordinated
- develop relationships with other agencies to contribute to fulfilling New Zealand's international obligations with regard to charities are met.

### Performance information

	Performance Measure	Standard/Target	Achieved to 30 September
1.2.1	Percentage of complaints about registered charities brought to the Commission's attention which are acknowledged and work is commenced to resolve the complaint within 25 working days	90%	<i>Not achieved [The Commission was not funded to handle complaints about charities]. - 6 complaints were received about registered charities: 5 were actioned within 25 working days through contact with the complainant and/or the charity; 1 was referred to other agencies. - 2 complaints were received about non-registered entities that were referred to other agencies (1 of these within 25 working days). - 4 complaints (2 from registered charities and 2 from entities that had applied for registration) received in the last quarter were actioned in this quarter outside of the 25 working days target.</i>
1.2.2	A framework for inquiring into the conduct of registered charities is developed and approved by the Board	By 31 March 2009	<i>n/a</i>
1.2.3	The scope for the framework for inquiring into the conduct of registered charities is circulated to key stakeholders for consultation	By 31 January 2009	<i>n/a</i>

## Output 1.3 – Provision of information about charities

Under this output, the Commission will:

- provide information to the public about the requirements of a registered charity, the Register of Charitable Entities and how the Register can be used
- provide information to the public about how complaints about charities can be made to the Commission
- provide information to the public about the work of the Commission with respect to education in governance and management of charities
- supply information for the purposes of the Inland Revenue Acts
- make information on the Register available to other relevant government and non-government agencies for analysis
- develop and implement a pragmatic and relevant research programme, in conjunction with other agencies
- engage with other Crown agencies, tertiary education agencies and private research entities to undertake research projects
- publish relevant and defensible research results to increase knowledge of the charitable sector
- publish occasional reports about charitable organisations.

### Performance information

	<b>Performance Measures</b>	<b>Standard/Target</b>	<b>Achieved to 30 September</b>
1.3.1	A strategic framework for research that is responsive to the needs of the charitable sector and other agencies is developed and approved by the Board	By 30 June 2009	<i>n/a</i>

## **Output 1.4 – Provision of advice, education and information to charities**

Under this output, the Commission will:

- foster relationships and networks with the charitable sector
- provide information and support to help charities to apply for registration and complete annual returns under the Charities Act
- provide information and guidance as required on the implementation of the Charities Act and its regulations, and other matters affecting charities
- engage with the charitable sector and relevant government agencies to identify and develop research priorities
- act as a broker and clearing house for information on governance and management relevant to the charitable sector
- develop expertise in governance and management relevant to the charitable sector and make that expertise available through publications, workshops or consultancy
- utilise networks of other agencies to communicate with charities throughout New Zealand
- work with charities to promote the effective use of resources in pursuit of their charitable purposes
- use the information received from our monitoring activities to further develop our education programmes.

## Performance information

	Performance Measure	Standard/Target	Achieved to 30 September
<i>Registration information and support</i>			
1.4.1	Number of calls answered by the free phone advisory service <sup>3</sup>	Able to answer up to 2,000 calls per month	<i>Average of 2,183 calls over the quarter</i>
1.4.2	Percentage of sample of callers whose queries have been met by the free phone advisory service (at the time of the call)	90%	97.74%
1.4.3	Percentage of stakeholder feedback indicating satisfaction on the appropriateness of the information on registration and annual returns on the Commission's website <sup>4</sup>	90%	<i>n/a – the survey will be conducted in March 2009</i>
1.4.4	Percentage of stakeholder feedback indicating satisfaction on the appropriateness of the material included in the registration information pack	90%	<i>n/a – the survey will be conducted in March 2009</i>
<i>Advice on issues affecting charities</i>			
1.4.5	Work with the charitable sector to define what the characteristics of a strong, effective charitable sector actually are, or what an effective charity is	Report to the Board by 30 June 2009	<i>n/a</i>
1.4.6	To hold one annual meeting, including an opportunity for feedback from the charitable sector on topics of interest	Not later than 30 November 2008	<i>Annual meeting scheduled for 27 November 2008</i>
<i>Information dissemination</i>			
1.4.7	Size of circulation list for monthly <i>Update</i> newsletter	over 4,000	3,900
1.4.8	Percentage of readership survey indicating satisfaction on appropriateness of <i>Update</i> newsletter	90%	<i>n/a – the survey will be conducted in March 2009</i>
1.4.9	Number of information sheets provided on issues such as group registration and funding	5	<i>31 information sheets are currently available</i>
1.4.10	Percentage of stakeholder feedback indicating satisfaction on the appropriateness of the information sheets	90%	<i>n/a – the survey will be conducted in March 2009</i>

<sup>3</sup> *The free phone advisory service will continue to provide information and support for registration, annual returns and other regulatory matters*

<sup>4</sup> *An online survey of registered charities will be conducted by 31 March 2009 to address the:*

- *appropriateness of the information on registration and annual returns on the Commission's website*
- *appropriateness of the material included in the registration information pack*
- *appropriateness of Update newsletter*
- *appropriateness of the information sheets*

## Output 1.5 – Provision of policy advice relating to charities

Under this output, the Commission will consider, and report and make recommendations on, any matter relating to charities that is referred to it by any Minister of the Crown or on its own motion.

This will include –

- providing policy advice and support on matters relating to charities, and information on the charitable sector to other government agencies
- providing timely and accurate advice to Government on issues that will assist the charitable sector to be more efficient and effective
- assisting policy makers and others to have a clearer understanding of the charitable sector

In fulfilling the aim to produce policy advice that meets the needs of the stakeholders, the Commission requires that, to the extent to which time and cost-effectiveness considerations permit, policy advice produced meets the following quality criteria:

- purpose – advice should be short (where practicable), succinct and clearly focused
- consistency – advice takes account of other Government policies and decisions, and is consistent with the principles of the Treaty of Waitangi
- logic – the assumptions behind the advice are explicit and argument is logical and supported by the facts
- accuracy – the facts in the advice are legally and statistically accurate and all material facts and sources are included
- options – an appropriate range of options is presented
- consultation – there is evidence of adequate consultation with other government agencies and other affected parties
- practicality – the problems of implementation, technical feasibility, timing and consistency with other policies have been considered
- impartiality – the Charities Commission strives to provide professional, impartial and comprehensive advice to stakeholders

### Performance information

	Performance Measure	Standard/Target	Achieved to 30 September
<i>Advice on issues affecting charities</i>			
1.5.1	Policy advice on the relationship of the charitable sector to the wider work programme of the Government – <ul style="list-style-type: none"> <li>• Percentage of advice delivered in accordance with set quality criteria</li> <li>• Percentage of advice delivered according to the agreed timeframes</li> <li>• Percentage of advice considered satisfactory by the stakeholder receiving the advice</li> </ul>	100%	100%
		100%	100%
		90%	100%

## **Governance Report**

### **Charities Commission Board Members' Fees and Expenses Policy**

Fees paid to Board members are calculated according to the Charities Commission's Board Members Fees and Expenses Policy. The current fees rates for Board Members, as set out below, were increased in early September 2008.

<b>Board members fees rates</b>				
	<b>Daily rate</b>		<b>Half day rate</b>	<b>Hourly rate</b>
	<b>New</b>	<b>Was</b>	<b>New</b>	<b>New</b>
Chair	\$625.00	\$595.00	\$312.50	\$104.17
Deputy Chair	\$493.00	\$469.00	\$246.50	\$82.17
Members	\$394.00	\$375.00	\$197.00	\$65.67

In terms of the policy, Board meetings and meeting preparation are calculated based on days worked, either full or half days. A full day is defined as at least 6 hours and a half-day as 3 hours.

Reading fees may be claimed for preparation and follow-up work for Board meetings at a rate of up to half a day for each full day meeting of the Board. Additional work undertaken by Board members is charged at either the half day or hourly rate, whichever is the most applicable rate depending on the hours worked.

During the quarter, the Board met for one day in July and September, and for two days in August. Board members were also involved with meetings of the Board's Standing Committees, of which there are four. Significant work was once again undertaken by the Registration Committee in the quarter, as registration applications needing input from Board members were sent to the Committee and then the Board for consideration.

The Chair met with the Minister on a regular basis throughout the quarter, usually around Board meetings. As required, all additional work undertaken by Board members is approved by the Board at a Board meeting.

A new Board member, Patricia McKelvey, was appointed to the Board on 7 July 2008 and attended her first Board meeting in July.

## Board fees paid in the quarter to 30 September 2008

The fees paid to each Board member during the quarter ended 30 September 2008 are shown below.

Board Member	Board meeting/ preparation days	Other (hours)	Total – days/hours	Rate		Total fees paid (\$)
				Was	New	
Chair	6		6	\$595/day	\$625/day	3,615
		74.5	74.5	\$99.17/hr	\$104.17/hr	7,437
Deputy	5.67		5.67	\$469/day	\$493/day	2,693
		1	1	\$78.16/hr	\$82.17/hr	80
Member 1	4.5		4.5	\$375/day	\$394/day	1,706
		13	13	\$62.50/hr	\$65.67/hr	823
Member 2	3.5		3.5	\$375/day	\$394/day	1,341
		6	6	\$62.50/hr	\$65.67/hr	312
Member 3	5.5		5.5	\$375/day	\$394/day	2,082
		16	16	\$50/hr	\$65.67/hr	1,000
Member 4	1		1	\$375/day	\$394/day	375
		4	4	\$62.50/hr	\$65.67/hr	250
Member 5	4.5		4.5	\$375/day	\$394/day	1,716
		0	0	\$62.50/hr	\$65.67	
<b>TOTAL</b>						<b>23,430</b>

## Financial Reports

The following financial reports summarise the financial performance and financial position of the Commission as at 30 September 2008.

### Statement of Financial Performance Quarter Ended 30 September 2008

	Actual	Budget	Budget for the full year
	\$ excl. GST	\$ excl. GST	\$ excl. GST
<b>Revenue:</b>			
Crown funding	787,000	786,999	3,148,000
Annual return fees	11,822	3,871	277,750
Interest	48,337	18,750	75,000
Other	-	-	-
Total Operating Revenue	847,159	809,620	3,500,750
Interest – Litigation fund	4,922	4,875	19,500
<b>Total Revenue</b>	<b>852,081</b>	<b>814,495</b>	<b>3,520,250</b>
<b>Expenses:</b>			
Administration	198,820	175,892	714,674
Audit fees	8,748	8,748	35,000
Board Members fees	23,430	23,805	95,230
Communication and education	17,923	24,999	100,000
Depreciation	80,474	77,916	311,664
Occupancy costs	47,830	48,225	190,515
Personnel costs	442,146	355,539	1,419,537
Professional fees	24,618	6,249	25,000
Registration-related costs	970,340	407,904	1,364,380
<b>Total Expenses</b>	<b>1,814,329</b>	<b>1,129,277</b>	<b>4,256,000</b>
Litigation Expenses	3,073	-	-
<b>Net Surplus/(Deficit)</b>	<b>(965,321)</b>	<b>(314,782)</b>	<b>(735,750)</b>
<b>Comprising:</b>			
Operating Surplus/(Deficit)	(967,170)	(319,657)	(755,250)
Litigation fund	1,849	4,875	19,500
	<b>(965,321)</b>	<b>(314,782)</b>	<b>(735,750)</b>

*Note: The Commission is revising its operating and capital budgets for 2008/09 following Cabinet's approval of additional funding for the Commission for the three year period 2008/09 to 2010/11.*

The statement of financial performance for the three months ended 30 September 2008 shows a deficit of \$965,321 compared to a budgeted deficit of \$314,782 for the same period. This is an unfavourable variance of \$650,539.

The major variances to budget (greater than \$20k) are briefly explained as follows:

**Interest – favourable \$29.6k**

- The favourable variance of \$29.6k is due mainly to unbudgeted interest earned on the 2008/09 appropriation received in advance.

**Salaries – unfavourable \$83.1k**

- The unfavourable variance of \$83.1k is due mainly to salary increases (\$22.5k), and temporary IT support staff (\$31k).

**Software licenses & support – unfavourable \$32.8k**

- The unfavourable variance of \$32.8k is due to the unbudgeted application support costs for the Register.

**Application Processing – unfavourable \$144k**

- The processing of more applications (and associated information) than budgeted since the beginning of July has resulted in this unfavourable variance.

**Registration assessment operational costs – unfavourable \$57.8k**

- This unfavourable variance is due to higher than budgeted costs associated with the Willis Street office.

**Registration assessment salaries – unfavourable \$360.6k**

- Due to the hiring of extra registration staff not budgeted for. The extra registration staff were hired to ensure that the Commission is able to complete the initial reviews of the applications received by 30 June 2008 by the 31 December 2008 deadline.

**Statement of Financial Position  
As at 30 September 2008**

	<b>Actual at 30 Sep 2008</b>	<b>Budget at 30 Jun 2009</b>
	\$	\$
<b>Current Assets</b>		
Cash and cash equivalents	2,141,729	11,987
Cash and cash equivalents – Litigation fund	261,432	275,142
Debtors and other receivables	74,474	10,000
GST receivable	26,068	33,270
	2,503,703	330,399
<b>Non-Current Assets</b>		
Property, plant and equipment	319,492	284,987
Intangible assets – Computer software & Register	716,148	532,772
	1,035,640	817,759
<b>Total Assets</b>	<b>3,539,343</b>	<b>1,148,158</b>
<b>Current Liabilities</b>		
Employee entitlements	261,479	174,794
Creditors and other payables (1)	2,645,651	500,000
	2,907,130	674,794
<b>Total Liabilities</b>	<b>2,877,130</b>	<b>674,794</b>
<b>NET ASSETS</b>	<b>632,213</b>	<b>473,364</b>
<b>Taxpayers' Funds</b>		
Accumulated funds:		
At beginning of period	1,341,024	953,472
Capital Contribution	-	
Operating Surplus/(Deficit)	(967,170)	(755,250)
At end of period	373,854	198,222
Litigation fund:		
At beginning of period	256,510	255,642
Surplus	1,849	19,500
At end of period	258,359	275,142
<b>TOTAL TAXPAYERS' FUNDS</b>	<b>632,213</b>	<b>473,364</b>

*Note: (1) Includes \$2,361,000 income in advance relating to the 2008/09 appropriation*

## **Capital Expenditure Summary As at 30 September 2008**

There was no capital expenditure budgeted for or spent in the quarter ended 30 September 2008.

## ***Litigation Fund***

The current balance of the Litigation fund is \$258,359. This sum includes the original litigation fund appropriation of \$222,000, interest income of \$40,086 less expenses of \$3,727. In the first quarter of 2008/09, there has been interest income of \$4,922 and expenses of \$3,073.

In the first quarter of 2008/09 there was one appeal lodged against a Commission decision declining registration – Travis Trust.

On 9 July 2008, the Commission declined the application of the Travis Trust to be registered as a charitable entity, on the grounds that the Trust was not “of a kind in relation to which an amount of income is derived by the trustees in trust for charitable purposes”, as required by section 13(1)(a) of the Charities Act.

On 23 July, the Travis Trust lodged a notice of appeal in terms of section 59(2) of the Charities Act on the grounds that the Commission’s decision was wrong in fact and law. A one day hearing in the High Court has been set down for 12 November 2008.

To date, the Commission has incurred legal costs associated with this appeal totalling \$3,073. These costs will be debited against the Litigation fund in the 2008/09 financial statements.



## **Revised Output Agreement**

**Between**

**The Minister for the Community and  
Voluntary  
Sector**

**and**

**The Charities Commission**

**Year ended 30 June 2009**

*[replacing the original Agreement dated 7 July 2008]*



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# **Revised 2008/2009 Output Agreement**

## **Purpose of Output Agreement**

The purpose of this agreement is to record the outputs to be purchased by the Minister for the Community and Voluntary Sector (the Minister) from the Charities Commission's Board (the Board) during the 2008/09 financial year and to set the performance, financial management and reporting standards with which the Board is required to comply.

## **Term of Agreement**

The term of this Agreement shall be from 1 July 2008 to 30 June 2009.

## **Amending and Updating the Output Agreement**

The terms of this Agreement may be varied at any time, if both parties agree to the variation in writing.

## **Responsibilities of the Charities Commission Board**

The Board shall fulfil the functions and requirements of its Statement of Intent, this Output Agreement, the Charities Act 2005, and comply with the provisions of the Public Finance Act 1989, the Crown Entities Act 2004 and all other relevant legislation.

The Board is fully responsible for the management of its costs and finances in keeping with its obligations mentioned above.

A summary of the Board's functions, responsibilities, and priorities for 2008/09 are set out in Schedule 1.

## **Responsibilities of the Minister**

The role of the Minister is to oversee and manage the Crown's interest in, and relationship with, the Charities Commission (the Commission) as set out in the Cabinet Office Manual, Cabinet Circulars and as detailed in section 27 of the Crown Entities Act 2004, and includes the power to direct the entity to have regard to government policy that relates to the entity's functions and objectives.

The Minister is responsible for negotiating a price for the outputs specified in this agreement and for monitoring (through the Department of Internal Affairs) the delivery of these outputs. The Minister is not responsible for the financial management of the Charities Commission or the management or determination of costs involved in producing the outputs specified.

## **Outputs and Performance Targets**

A summary of the outputs to be produced by the Board and related performance measures are set out in Schedule 2.

## **Reporting**

The Board will provide reports to the Minister on its performance and related issues as per Schedule 3. The Board will also inform the Minister, as appropriate, of any emerging issues or risks that may attract public comment, or that impact on areas of the Minister's responsibility.

### **Payment by the Crown**

The Minister agrees to pay the Board up to \$5.932 million excluding GST in 2008/09 as the aggregate full price for the outputs specified in Schedule 2.

The Board is responsible for delivering the specified outputs for this aggregate price and is responsible for determining how it manages its costs in order to produce the specified outputs.

The Commission will provide the Department and the Minister with updated information about the year to date actual and forecast expenditure, by output, over the course of the year (ie. in each quarterly report).

Payments will be as set out in Schedule 4.

### **Contingency**

The Charities Commission is able to apply for contingency funding of up to a total of \$2.000 million over the three-year period 2008/09 to 2010/11 [SDC Min (08) 16/5 refers]. The criteria which must be met in order for an application to be considered are set out in Schedule 4 to this Agreement.

As part of the monthly monitoring regime, the Commission will keep the Department apprised of the likelihood of it seeking contingency funding.

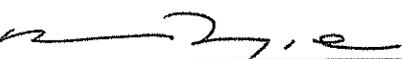
The Chair of the Board will write to the Minister for any application for contingency funding, with the Department getting a draft copy as early as possible.

### **Note on Other Income**

The Commission may receive other income from annual return fees and interest revenue during the year in question.

Dated this 17<sup>th</sup> day of November 2008

  
\_\_\_\_\_  
On behalf of the Charities Commission Board

  
\_\_\_\_\_  
Hon Ruth Dyson  
Minister for the Community and Voluntary Sector

## Functions, Responsibilities, and Priorities for 2008/09

### Functions

The functions of the Commission, as outlined in section 10 of the Charities Act 2005, are listed below.

- Promote public trust and confidence in the charitable sector.
- Encourage and promote the effective use of charitable resources.
- Educate and assist charities in relation to matters of good governance and management, for example:
  - By issuing guidelines or recommendations on the best practice to be observed by charities and by persons concerned with the management or administrations of charities;
  - By issuing model rules; and
  - By providing information to charities about their rights, duties, and obligations under this Act and other enactments.
- Make appropriate information available to assist persons to make registration applications under this Act.
- Receive, consider, and process applications for registration as charitable entities.
- Ensure that the register of charitable entities is compiled and maintained.
- Receive, consider, and process annual returns submitted by charitable entities.
- Supply information and documents in appropriate circumstances for the purposes of the Inland Revenue Acts.
- Monitor charitable entities and their activities to ensure that entities that are registered as charitable entities continue to be qualified for registration as charitable entities.
- Inquire into charitable entities and into persons who have engaged in, or are engaging in, conduct that constitutes, or may constitute, a breach of this Act or serious wrongdoing in connection with a charitable entity.
- Monitor and promote compliance with this Act, including prosecuting offences against this Act in appropriate circumstances.
- Consider, report and make recommendations on any matter ( for example a proposed government policy) relating to charities:
  - That is referred to it by any Minister of the Crown; or
  - On its own motion.
- Stimulate and promote research into any matter relating to charities, for example:
  - By collecting and disseminating information or research about charities;
  - By advising on areas where further research or information about charities should be undertaken or collected; and
  - By entering into contracts or arrangements for research or information about charities to be undertaken or collected.

- Carry out any other functions that the Minister may direct the Commission to perform in accordance with section 112 of the Crown Entities Act 2004.

The Commission's roles will evolve over time, particularly in relation to its inquiry role, considering and making recommendations on matters affecting charities, and in the provision of education and assistance in matters of good management and governance.

### **Priorities for 2008/09**

In 2008/09, the Charities Commission Board will, in accordance with its 2008-2011 Statement of Intent, the Minister's Letter of Expectation's for 2008/09 and the provisions of the Charities Act 2005:

*By being an effective regulator, the Charities Commission contributes to the public having trust and confidence in the charitable sector –*

- Complete the processing of all complete applications for registration as a charitable entity received on or before 30 June 2008 by 31 December 2008;
- Continue processing applications for registration as charitable entities received after 30 June 2008 in a timely manner;
- Continue receiving and processing annual returns from registered charities in a timely manner;
- Continue to develop strategies to monitor the activities of registered charities;

*By providing information to charities and the charitable sector, the Charities Commission contributes to a charitable sector that is well governed and managed, and uses its resources effectively –*

- Continue to provide information and support to assist organisations to register and to meet their reporting requirements under the Charities Act 2005;
- Maintain constructive and positive relationships with the charitable sector;

*By providing information to the Government, the Charities Commission assists the Government to meet the needs of charities and the needs of the public in supporting charities –*

- Develop the strategic priorities for the research function; and
- Provide policy advice on matters of significance to the charitable sector as required.

## Funding: Appropriations

Funding for the outputs specified in this agreement will be provided within the appropriated authority of the Minister for the Community and Voluntary Sector of up to \$5.932 million (GST exclusive).

Output Class:		
	<b>Crown Revenue</b>	
<i>Charities Administration</i>	\$5.932 million	

The Commission agrees to provide, in March 2009, an updated forecast of operating expenditure for the 2008/09 financial year.

Details of the performance measures and standards for this area are set out below.

### Output Class: Charities Administration

*Description: This Output Class provides for the delivery of services that contribute to promoting public trust and confidence in charities. The services being delivered under this appropriation include:*

- *registration and monitoring of charitable entities;*
- *investigate complaints and make inquiries about registered charities;*
- *provision of information about charities;*
- *provision of advice, education and information to charities; and*
- *provision of policy advice relating to charities.*

## Output 1.1 – Registration and monitoring of charitable entities

### Output description

Under this output, the Commission will:

- receive, consider and process applications for registration as charitable entities through an appropriate process
- ensure the Register of Charitable Entities is compiled and maintained
- receive, consider and process annual returns submitted by charitable entities
- monitor registered charitable entities to ensure they maintain their qualification for registration
- monitor and promote compliance with the Charities Act.

### Performance information

	Performance Measure	Standard/Target
1.1.1	Number of charities registered	Up to 17,000 <sup>1</sup>
1.1.2	Percentage of fully completed applications for registration decided within: <ul style="list-style-type: none"> <li>• 30 working days of receipt</li> <li>• 90 working days of receipt</li> </ul>	20-25% 95%
1.1.3	Number of annual returns received and processed	8,000-10,000 <sup>2</sup>
1.1.4	Percentage of annual returns processed within: <ul style="list-style-type: none"> <li>• 25 working days of receipt</li> <li>• 60 working days of receipt</li> </ul>	90% 100%
1.1.5	Register online availability to the public and charities (percentage per month)	No less than 97%
1.1.6	A six monthly independent quality audit on a sample of up to 1% of the recommendations for registration	Indicates no significant areas for improvement and show only minor inconsistencies in decisions

<sup>1</sup> In total, the Commission anticipates that it will register 25,000 charities since the Charities Register opened on 1 February 2007, by the end of December 2008

<sup>2</sup> This target is based on the number of charities registered at 30 June 2008

## Output 1.2 – Investigate complaints and make inquiries about registered charities

### Output description

Under this output, the Commission will:

- inquire into charitable entities about conduct that may constitute a breach of the Charities Act or serious wrongdoing
- receive and investigate complaints about charities
- develop relationships with other enforcement agencies so that enforcement activity is coordinated
- develop relationships with other agencies to contribute to fulfilling New Zealand's international obligations with regard to charities are met.

### Performance information

	<b>Performance Measure</b>	<b>Standard/Target</b>
1.2.1	Percentage of complaints about registered charities brought to the Commission's attention which are acknowledged and work is commenced to resolve the complaint within 25 working days	90%
1.2.2	A framework for inquiring into the conduct of registered charities is developed and approved by the Board	By 31 March 2009
1.2.3	The scope for the framework for inquiring into the conduct of registered charities is circulated to key stakeholders for consultation	By 31 January 2009

## Output 1.3 – Provision of information about charities

### Output description

Under this output, the Commission will:

- provide information to the public about the requirements of a registered charity, the Register of Charitable Entities and how the Register can be used
- provide information to the public about how complaints about charities can be made to the Commission
- provide information to the public about the work of the Commission with respect to education in governance and management of charities
- supply information for the purposes of the Inland Revenue Acts
- make information on the Register available to other relevant government and non-government agencies for analysis
- develop and implement a pragmatic and relevant research programme, in conjunction with other agencies
- engage with other Crown agencies, tertiary education agencies and private research entities to undertake research projects
- publish relevant and defensible research results to increase knowledge of the charitable sector
- publish occasional reports about charitable organisations.

### Performance information

	<i>Performance Measures for 2008/09</i>	<i>Standard/Target</i>
1.3.1	A strategic framework for research that is responsive to the needs of the charitable sector and other agencies is developed and approved by the Board	By 30 June 2009

## **Output 1.4 – Provision of advice, education and information to charities**

### **Output description**

Under this output, the Commission will:

- foster relationships and networks with the charitable sector
- provide information and support to help charities to apply for registration and complete annual returns under the Charities Act
- provide information and guidance as required on the implementation of the Charities Act and its regulations, and other matters affecting charities
- engage with the charitable sector and relevant government agencies to identify and develop research priorities
- act as a broker and clearing house for information on governance and management relevant to the charitable sector
- develop expertise in governance and management relevant to the charitable sector and make that expertise available through publications, workshops or consultancy
- utilise networks of other agencies to communicate with charities throughout New Zealand
- work with charities to promote the effective use of resources in pursuit of their charitable purposes
- use the information received from our monitoring activities to further develop our education programmes

## Performance information

	<b>Performance Measures for 2008/09</b>	<b>Standard/Target</b>
	<i>Registration information and support</i>	
1.4.1	Number of calls answered by the free phone advisory service <sup>3</sup>	Able to answer up to 2,000 calls per month
1.4.2	Percentage of sample of callers whose queries have been met by the free phone advisory service (at the time of the call)	90%
1.4.3	Percentage of stakeholder feedback indicating satisfaction on the appropriateness of the information on registration and annual returns on the Commission's website <sup>4</sup>	90%
1.4.4	Percentage of stakeholder feedback indicating satisfaction on the appropriateness of the material included in the registration information pack <sup>4</sup>	90%
	<i>Advice on issues affecting charities</i>	
1.4.5	Work with the charitable sector to define what the characteristics of a strong, effective charitable sector actually are, or what an effective charity is	Report to the Board by 30 June 2009
1.4.6	To hold one annual meeting, including an opportunity for feedback from the charitable sector on topics of interest	Not later than 30 November 2008
	<i>Information dissemination</i>	
1.4.7	Size of circulation list for monthly <i>Update</i> newsletter	over 4,000
1.4.8	Percentage of readership survey indicating satisfaction on appropriateness of <i>Update</i> newsletter <sup>4</sup>	90%
1.4.9	Number of information sheets provided on issues such as group registration and funding	5
1.4.10	Percentage of stakeholder feedback indicating satisfaction on the appropriateness of the information sheets <sup>4</sup>	90%

<sup>3</sup> The free phone advisory service will continue to provide information and support for registration, annual returns and other regulatory matters

<sup>4</sup> An online survey of registered charities will be conducted by 31 March 2009 to address the:

- appropriateness of the information on registration and annual returns on the Commission's website
- appropriateness of the material included in the registration information pack
- appropriateness of *Update* newsletter
- appropriateness of the information sheets

## Output 1.5 – Provision of policy advice relating to charities

### Output description

Under this output, the Commission will consider, and report and make recommendations on, any matter relating to charities that is referred to it by any Minister of the Crown or on its own motion.

This will include –

- providing policy advice and support on matters relating to charities, and information on the charitable sector to other government agencies
- providing timely and accurate advice to Government on issues that will assist the charitable sector to be more efficient and effective
- assisting policy makers and others to have a clearer understanding of the charitable sector

In fulfilling the aim to produce policy advice that meets the needs of the stakeholders, the Commission requires that, to the extent to which time and cost-effectiveness considerations permit, policy advice produced meets the following quality criteria:

- purpose – advice should be short (where practicable), succinct and clearly focused
- consistency – advice takes account of other Government policies and decisions, and is consistent with the principles of the Treaty of Waitangi
- logic – the assumptions behind the advice are explicit and argument is logical and supported by the facts
- accuracy – the facts in the advice are legally and statistically accurate and all material facts and sources are included
- options – an appropriate range of options is presented
- consultation – there is evidence of adequate consultation with other government agencies and other affected parties
- practicality – the problems of implementation, technical feasibility, timing and consistency with other policies have been considered
- impartiality – the Charities Commission strives to provide professional, impartial and comprehensive advice to stakeholders

### Performance information

	<b>Performance Measure for 2008/09</b>	<b>Standard/Target</b>
	<i>Advice on issues affecting charities</i>	
1.5.1	Policy advice on the relationship of the charitable sector to the wider work programme of the Government – <ul style="list-style-type: none"> <li>• Percentage of advice delivered in accordance with set quality criteria</li> <li>• Percentage of advice delivered according to the agreed timeframes</li> <li>• Percentage of advice considered satisfactory by the stakeholder receiving the advice</li> </ul>	100% 100% 90%

## Reporting

### A. Quarterly Reporting

The Board will provide the Minister with quarterly reports as set out below.

#### Content

Each quarterly report shall consist of the following:

- 1 **An overview** – typically in the form of a covering letter commenting (with particular emphasis on analysis and interpretation) on:
  - *Key developments* – such as progress towards strategic goals, results of any relevant research (especially any relating to the organisation's effectiveness and/or related outcomes), any issues/developments that had a particularly high public profile, examples of inter-agency co-operation and related values/behaviours;
  - *Output delivery* – a brief statement on year to date performance and trends (i.e on track, behind schedule, etc), explanation of any sizable variances, the implications of these, where applicable corrective action to be taken, expected out turn by year-end;
  - *Organisational capability* – a discussion of any developments impacting upon the organisation's capability such as updates on planning processes, production of accountability documents, major staffing issues (for example, key appointments and industrial negotiations), major IT projects;
  - *Financial management* – a summary of the organisation's year to date financial performance and position compared to budget, together with an explanation of any sizeable variances, the implications of these, and expected out turn by year end; and
  - *Upcoming events* – an opportunity to advise the Minister and Department of any major developments coming up over the next quarter.
- 2 **Risk** – a report against the risk register with updated information on how these are being managed, and identifying new or increased risks for the reporting period.
- 3 **Report on delivery of outputs** – a more detailed year to date report against the deliverables specified in the output agreement.

- 4 **Board members' fees** – a report by Board member of activity during the quarter, detailing the fees paid, confirmation on how those fees were calculated, the number of Board meeting and preparation days paid, and the number of “other” days paid that were approved by the Board.
- 5 **Financial reports** – a comprehensive set of year to date reports and (where required) commentary against the Commission’s forecast financial reports. An updated forecast of operating revenue and expenditure for the financial year will be provided in the second and third quarterly reports.
- 6 **Litigation Fund** – a report on the Fund including the current balance of the Fund (including interest); details of transactions made against the Fund during the quarter; and an update of known litigation risks as at the time of reporting (quantified where possible).

### **Timing**

Quarterly reports will be provided as follows:

- (1) By 7 November 2008 relating to the period 1 July 2008 to 30 September 2008;
- (2) By 13 February 2009 relating to the period 1 July 2008 to 31 December 2008;
- (3) By 1 May 2009 relating to the period 1 July 2008 to 31 March 2009; and
- (4) By 7 August 2009 relating to the full 2008/09 financial year.

### **Note:**

It is acknowledged that the final quarterly report to cover the full year to date, due in August 2009 (the 12 month Report), is distinct from the Annual Report. Further, that the information provided in the 12 month Report may change in the Annual Report as a result of the end of year audit report.

## **B. Monthly Reporting**

### **Registration activity**

1. The Board will provide the Minister and the Department with a monthly account of registration activity (and an analysis of trends to date), addressing things such as:
  - Projections of the number of applications that will be processed (ie. approved, declined or withdrawn) by 31 December 2008 against the budgeted figure of 25,000 applications;
  - Projections of the number of applications whose initial review will have been completed by 31 December 2008 against the Commission's forecast;
  - Application numbers being received, including the number of new applications received since 1 July 2008;
  - Registrations completed, numbers declined and registrations outstanding;
  - Processing times and backlogs if any;
  - Feedback from the quality assurance process you are implementing; and
  - Advice on any emerging issues.

### **Financial information:**

2. The Board will provide the Minister and the Department with monthly financial information and forecasts, including: statement of financial performance; variance analysis; statement of financial position; capital expenditure; and commentary including contingent liabilities.
3. The monthly financial report will highlight significant issues and the Commission's plan to mitigate any risks. The information will include the level of revenue received from annual return filing fees during the year to enable an on-going assessment of the criteria for access to the contingency funding.

The Commission and the Department will meet to discuss any issues arising from these monthly activity reports on an "as required" basis.

## Funding Schedule

Unless otherwise indicated all figures in this schedule are GST exclusive.

The amount to be paid to the Charities Commission in 2008/09 is up to: \$5.932 million for operating expenditure.

### Contingency Funding

The Minister of Finance and the Minister for the Community and Voluntary Sector have been authorised jointly to approve increases to the funding appropriated for the Charities Commission of up to a total of \$2.000 million over the three-year period 2008/09 to 2010/11 [SDC Min (08) 16/5 refers].

To seek access to this contingency funding the Charities Commission must apply to the Minister for the Community and Voluntary Sector and the following criteria must be met in any one financial year:

- the volume of applications for registration exceed 4,000; or
- annual return filing revenues are \$200,000 or more below the revenue forecast by the Charities Commission (\$42,000 in 2008/09; \$722,000 in 2009/10; \$765,000 in 2010).

There is the potential for annual return filing fees to be higher than forecast. If this is the case the Commission must apply additional revenue to any increases in processing costs before accessing the contingency

### Litigation Fund

The sum of up to \$0.222 million appropriated in 2008/09 may be paid to the Commission under the terms of the Litigation Fund Policy (see Schedule 5 attached) if required, in the event of the Commission taking or defending eligible legal cases under the Charities Act 2005.

The amount of instalments to be paid to the Charities Commission is as follows:

<b>Output Funding</b>		
For the Quarter commencing	Amount	To be paid on or before:
1 July 2008	\$3,148,000	Within 10 working days of a signed 2008/09 Output Agreement
1 October 2008	\$928,000	30 November 2008
1 January 2009	\$928,000	31 January 2009
1 April 2009	\$928,000	30 April 2009
<b>TOTAL</b>	<b>\$5,932,000</b>	
<b>Litigation Fund</b>		
For 2008/09	Up to \$222,000 maximum	To be administered in accordance with the administration Policy (see Schedule 5 attached)

## Litigation Fund Policy

### Purpose

1. This paper establishes a policy for the use and disbursement of the Charities Commission (the Commission) Litigation Fund (the Fund). The purpose of this policy is to assist the Commission to effectively take or defend eligible legal cases in relation to its functions in the Charities Act 2005 (the Act).
2. It is not intended that the Fund will be the only, nor necessarily the primary, source of litigation funds available to the Commission. The Commission is encouraged to also use its own resources in relation to litigation. The more fundamental purpose of the fund is to assist the Commission to effectively fulfil its statutory duty to take or defend cases under the Act.

### Background

3. The Commission may be required to take action against registered charities that offend against the Act. Its ability to do so is established under Section 74 of the Act. The frequency and occurrence of this is untested and unpredictable.
4. The Commission may also be required to defend in the High Court a decision to refuse to register an applicant or other decisions in relation to a registered charity (section 59). It may also incur expenses in relation to defending any judicial review proceedings brought against it. The frequency and occurrence of these is also untested and unpredictable.

### Litigation Budget

5. The appropriated amount<sup>5</sup> for the Fund is \$222,000 per annum and is included within the Charities Administration Output Class.

### Policy

6. The Minister for the Community and Voluntary Sector has a specific appropriation for litigation as a non-Departmental Other Expense. The Department of Internal Affairs (DIA) will, on behalf of the Crown, transfer appropriated funds of up to and no more than \$222,000 per annum to the Commission as the need arises.
7. The Commission will establish a separate Litigation Fund bank account consistent with s158 of the Crown Entities Act 2004, and record transactions within its accounts. The full amount of the fund plus any interest will be held in this account.

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<sup>5</sup> All dollar amounts in this policy are GST exclusive by convention and consistent with Budget publications.

8. The Commission will use the Fund once any of the following classes of litigation have commenced:
  - taking prosecutions for offences under s74;
  - defending appeals made under s59; and
  - defending judicial review proceedings brought against the Commission.
9. Amounts in the Fund will not be transferred to the general accounts of the Commission and will be used only for the purposes set out in paragraph 15 below.
10. The Commission will access the fund as needed and as it sees fit within the guidelines of this policy. DIA will monitor transactions related to the Fund as part of its normal monitoring of the Commission's performance. Should the Commission operate outside the guidelines of this policy, reimbursement would not necessarily be forthcoming. Where there is doubt as to interpretation of this policy, the Commission should seek the advice of DIA, which will provide advice or make a determination. Where doubt remains, DIA may seek a determination from the Minister.
11. The annual appropriated amount of \$222,000 is not an automatic entitlement. That is, if no eligible litigation has taken place in the previous quarter, no transfer will take place. It is intended that on a quarterly basis the Crown will top up the Fund to \$222,000. Where the balance is above \$222,000 and a claim against the Fund takes the balance below \$222,000, the Crown will top up the fund only to the level of \$222,000.
12. If, on the other hand, the Commission is obliged to take or defend an exceptional volume of cases (or is involved in particularly big cases) that uses up the Fund, the Commission will, after a realistic consideration of its own resources and commitments, draw on its own funds to fund litigation. Should additional Crown funding be necessary to assist the Commission to effectively fulfil its statutory duty to take or defend cases under the Act, this will be considered within normal Budget processes.
13. Situations not covered in this policy will be considered on an as-needed basis and amendments made to this policy as necessary. DIA is committed to resolving any issues that arise in a timely manner.
14. The 2005/06 appropriation will be transferred to the Commission to establish the fund in advance of any litigation.

#### **Costs to be expensed to the Fund**

15. The costs involved in taking or defending eligible cases under the Act include but may not be limited to:
  - engaging consultant lawyers or professionals such as expert witnesses; and
  - damages or costs awarded to claimants against the Commission.

### **Costs not to be expensed to the Fund**

16. Costs that will not be allocated to the Fund (except where noted below under 'Staff salary and overhead costs') include:

- staff salary costs;
- board expenses; and
- Commission overheads such as office, travel and accommodation expenses.

### **Costs awarded to the Commission**

17. Costs awarded to the Commission in relation to taking or defending eligible cases will be paid into the Fund pro rata with contributions from the Fund. However, where the Commission uses its own resources in relation to a litigation, any reimbursement of the Commission's own resources from costs awarded will only be up to the level incurred in relation to the litigation concerned.

### **Staff salary and overhead costs**

18. Where costs awarded to the Commission cover staff salaries and overheads, the Commission may retain these amounts and not pay them into the Fund.

19. The Commission will therefore ensure that staff salary and overhead expenses incurred in the taking or defending of eligible cases are recorded in a manner that enables the proper identification of expenses.

### **Interest**

20. Interest earned on the balance of the Fund shall remain within the Fund. Therefore, the balance of the Fund may at times exceed \$222,000.

### **Reporting**

21. The Commission will report on the Fund in its quarterly reports to DIA. Reporting will include:

- the current balance of the Fund including interest;
- details of transactions made against the Fund during the quarter; and
- an update of known litigation risks as at the time of reporting (quantified where possible).

### **Payments**

22. The Department will make payments to the Commission in relation to the Litigation Fund as appropriate within 20 working days after receipt of a satisfactory final quarterly report including details as in paragraph 21 of this policy.



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## *Komihana Kaupapa Atawhai*

*The formal definition of Komihana Kaupapa Atawhai is 'the Commission that embraces and supports philanthropic principles and practices'.*

*The name was given by Commission Board member, Amohaere Houkamau, after consultation with iwi.*

# Chairperson's Review

*Having opened the Charities Register on 1 February 2007, the Commission is still in an establishment stage. It has focussed most of its effort and resources to date on the establishment of the Register, providing education and support in order to encourage correctly completed applications for registration from eligible organisations, and receiving and processing applications.*



## The year in review

The Board's highest priority during the past year has been to ensure that the Commission has focussed its resources and efforts on receiving and efficiently processing applications for the registration of charities.

It is important work, because the Charities Register provides the foundation for the Commission's work of promoting public trust and confidence in the sector and the effective use of charitable resources, and providing access to support and guidance for charities on matters of management and governance.

The Board is confident that applications are being processed efficiently and consistently, but there is much work remaining. The Commission is on track to complete the processing of applications received on or before 30 June 2008 by the end of December 2008.

We have also been fortunate to have ongoing and constructive feedback from the charitable sector itself.

In addition to attending a series of five annual meetings held across the country in late 2007, the Board met with Waikato charitable groups and local government members in June 2008, to share ideas and views about expectations for the Commission for the future, and to maintain our understanding of the issues and challenges facing the sector. This was the first of what may become a series of regular regional meetings with sector stakeholders.

## The future

Since 1 February 2007, charities in New Zealand have, for the first time, been able to have their charitable purpose scrutinised, and if they meet the criteria of the Charities Act, to be registered and have their details made available to the public on the Register of Charities.

It is the first time that detailed information about charities in New Zealand has been brought together in a single public database. The Register makes it easy for members of the public to search for information

about charities they may wish to use or support, find their contact details, information about the sectors they operate in, their activities and services, their beneficiaries, and their finances.

In time, we expect that registered charities will become the “charities of choice” for members of the public wishing to access services or provide support. The public will be able to have confidence that the charities on the Register meet the Charities Act’s criteria, and have access to guidance and support to ensure they are well managed and governed, and that their operations are transparent.

In our *Statement of Intent 2008-2011*, I said that the Board and staff of the Charities Commission are committed to:

- developing an organisation that charities and the public can have confidence in
- undertaking our functions in a responsive and open manner, and
- becoming an authority and leading debate around the promotion of a strong, effective charitable sector in which the public has trust and confidence for the advancement of the charitable sector as a whole.

In the past year, the Board has given a great deal of consideration to the strategic direction that we wish the Commission to take in the future, to fulfil these objectives.

Once the initial registration period is completed, the Register will be more able to furnish us with solid information, to help validate our knowledge and understanding of the sector, and to guide our planning for the future.

We remain clear that we have a purpose beyond simply registering charities and maintaining their details on the Register. We are equally clear that we do not want to duplicate what is already available to the sector, or to develop a strategy without the fullest possible, relevant information from the Register, the sector, advisers to the sector, and from other government agencies that also have a role to play in supporting the sector.

Equipped with appropriate knowledge and information, we intend to undertake several key pieces of work during the next year and beyond – in particular, building our education and monitoring functions, and our capacity to manage complaints made to us about charities.

Charities are all unique organisations, and the Charities Commission is in a unique position, developing our thinking, capability and capacity to provide relevant and tailored support and guidance that adds strength to a sector that already enjoys a high level of public support.

In its work, the Board has been well served by its members’ broad range of charitable-sector expertise and experience. One of our earliest-appointed Board members, Pat Webster, resigned in early 2008. We thank her for her excellent contribution to our work and wish her well for the future. The terms of two Board members, Kerry Ayers and Amohaere Houkamau, and that of myself, as Chair, were extended in early July 2008 until July 2011. The Minister also announced the appointment of a new Board member, Trish McKelvey. We welcome Trish, whose background in

education and sports management and governance will be of great benefit to the Board.

The Board also worked productively with the Hon Luamanuvao Winnie Laban, who formerly held the role of Minister for the Community and Voluntary Sector, and indeed, launched the Commission and the opening of the Register.

The portfolio for the Community and Voluntary Sector is now held by the Hon Ruth Dyson, and the Commission appreciates the Minister’s ongoing advice and support in fulfilling our objectives.

We will work hard to deliver on our commitment, and look forward to a continuing positive engagement with the sector.

I would like to extend my thanks to the management and staff of the Commission, who share the Board’s determination to support the ongoing development of an effective and well-managed charitable sector.



Sid Ashton  
Chair

# Chief Executive's Report

*With the Commission now in its third year of operation since its launch in July 2005, it has made significant progress on one of its most important mandates – the establishment and population of the Charities Register.*



Since the Register opened on 1 February 2007, the Commission has continued to work closely with the charitable sector to increase its understanding of the environment in which charitable organisations operate, to increase the sector's and the public's understanding of its role and objectives, and to encourage applications for registration.

Although applications were slower to arrive than was anticipated immediately after the Register opened, the Commission was able to draw on generous support from the charitable community to help encourage applicants to apply as soon as possible.

This, together with its own communications, resulted in a steady increase in the rate of applications, to the point where, at the date of the change in income tax laws (1 July 2008), 21,943 properly-completed applications had been received, together with a further 3,979 "incomplete" applications. By 1 July 2008, more than 8,200 charitable entities had been registered.

However, the initial lag in the rate of applications caused some significant concerns for the Commission and its ability to plan and provide sufficient registration processing resources when required.

Once applications were being received and processed, the Commission used its initial experiences to make many incremental improvements to the process. It also (following several in-house and external reviews, and after considering possible alternative options), made some other more substantial changes, to make sure it was processing all applications as efficiently and consistently as possible.

Each application involves an analysis of the applicant's rules and other documents, to ensure it meets all the criteria set out in the Charities Act – itself a relatively new and untested piece of legislation.

The Commission's staff have also had to develop an understanding of court cases and legal reasoning in similar overseas jurisdictions to guide their decision-making.

The Commission has drawn on several other agencies' experience in designing its registration processes, but much of the development and design work required was unique to the Commission and the longer-term outcomes it was established to deliver.

For example – as well as the more “straightforward” and complex applications requiring individual legal analysis, the Commission has also had to develop a process for receiving submissions for and receiving applications for the registration of groups – some of which include many members, whose information needs to be analysed individually.

At all times, the Commission has upheld its commitment to make the registration process as easy as possible, and to being responsive to feedback and suggestions for improvements from applicants and its own registration processing staff.

An online survey we conducted in September 2007 amongst registered charities to get feedback about their experience of registration, found that most rated it positively. Most said they found the process fairly straightforward, and most rated the Commission's print materials and their interaction with the call centre as helpful, but only a third of respondents found the length of the processing time to be “OK”.

The Commission has focussed all its available resources on the registration process, and has maintained an active programme of workshops and speaking engagements throughout the country, and training for its call centre, to provide help and explanation, answer questions, and provide guidance.

It has recruited and trained a team of fixed-term registration analysts, who generally have a legal background, and who are able to process both straightforward and more complex applications.

However, it has taken time to build our registration team up to strength, and, due to the timing of the releases of funding to the Commission, recruitment could not be undertaken in parallel with the increasing rate of applications.

This and the increased rate of applications received in the latter part of the financial year, resulted in a backlog, which is on track to be processed by the end of the 2008 calendar year.

At the same time, our staff are also processing the first Annual Returns from charities who have either not been exempted from filing an Annual Return (for what would only be a partial financial year since their registration date), or who have chosen to file despite being granted an exemption.

They are also processing increasing numbers of changes (such as changes in officers or rules) from registered charities, as well as amendments received from those still in processing queues.

The Commission has been appreciative of the many opportunities offered to us by the members of the charitable sector to meet and speak with them, and for the honest and helpful feedback it has received.

I have noticed that when Commission staff and I now speak about the online Register and its benefits with people in the community, and show them the information that is available about

charities we have registered, that most are very positive in their response, and give the opinion that the Register is a valuable new resource.

Comments we receive indicate that people value the increased transparency of the charitable sector that the Register enables, and they find it a useful place to find out more about particular charities they may wish to support. Charities themselves appreciate the visibility and credibility of being on the Register, having proved to us that they have a charitable purpose and meet the Charities Act's criteria.

## Key activities and highlights for the 2007/08 year were:

### Registration

- Receiving almost 22,000 applications for registration between 1 February 2007 and 1 July 2008, the date that income tax laws changed
- Registering more than 8,200 charities between the launch of the Register on 1 February 2007 and 1 July 2008
- Recruiting and providing in-house training to a complement of specialist registration analysts and senior analysts
- Registering the Commission's first group application – Te Kotahitanga o Te Arawa Waka Fisheries Group, registered on 10 September 2007
- Processing the first Annual Returns for registered charities
- Processing the first Notification of Changes for registered charities

- Commissioning an independent efficiency review, and the implementation of recommendations which increased processing rates
- Commissioning an independent quality assurance review of registration decision-making, and receiving confirmation that the processes used, conclusions reached and decisions made were accurate, fair and reasonable, and that the requested legal advice provided to the registration team by in-house counsel was very good.

### Information technology

- The enhanced and upgraded online registration system went 'live' in November 2007. The system enabled the Commission to carry out tasks required by the Charities Act: to process applications, Notification of Changes, Annual Returns and provide public access to the Register. With the upgraded system, applicants can now enter *Officer Certification Forms*, Annual Returns and Notification of Changes online, functionality that was previously unavailable.

### Communications, education and stakeholder relationships

- Developing and maintaining the positive relationships the Commission has built with the charitable sector
- Providing regular updates to stakeholders via the Commission's website and *Update* newsletter, distributed to more than 4,000 subscribers
- Holding discussions with members of the charitable sector and government agencies to feed into the development of the strategic framework that underpinned the *Statement of Intent*

- Delivering the Commission's third *Statement of Intent* to the Minister for the Community and Voluntary Sector on 30 June 2008 and publishing it on 14 July 2008
- Holding five annual meetings across the country, at which registered charities could ask questions and present submissions about the Commission's work
- Maintaining positive ongoing relationships with key government stakeholder agencies, including: the Department of Internal Affairs, Inland Revenue, the Department of Statistics, and the Ministry of Economic Development. Contact was also maintained with the Ministry of Māori Development, the Ministry of Pacific Island Affairs, and the Office for the Community and Voluntary Sector (OCVS) amongst others
- Sending targeted communications to all entities with an existing charitable-purpose tax exemption, registered charitable trusts and incorporated societies, urging early application for registration with the Commission
- Delivering (between February 2007 and 1 July 2008) more than 120 registration workshops throughout New Zealand, and receiving positive feedback from participants
- Reviewing and developing a significant body of legal analysis, education material and forms to support the sector through the registration process.

## Key achievements in 2007/08

Establishing and compiling the public Charities Register has been a "foundation" objective for the Commission since it launched in 2005.

It has continued to be its main function during the past year, through developing its online facility, providing guidance, education and support to the sector, encouraging and receiving applications, making initial reviews and complex analyses, registering applications and lodging them on the public Register, making policy and registration recommendations to the Board, and, on occasion, declining applications that do not meet the Charities Act's criteria.

Between 1 February 2007 when the Register opened, and 30 June 2008 when income tax laws changed, the Commission received 21,943 properly-completed applications from charities. It also received a further 3,979 "incomplete" applications. (That is, 25,922 applications in total).

The Commission had registered 8,218 charities by 30 June 2008.

Additionally, during that period, a small number of applications were declined, some were withdrawn by applicants, and eight charitable entities were de-registered at their own request.

Before the Charities Register was opened, it was unknown how many charities might be operating in New Zealand, although estimates ranged widely, up to the 97,000 not-for-profit organisations reported by Statistics New Zealand.

The Commission planned to register 25,000 charities during the initial

registration period, and based its budgeting on that figure. Receiving 21,943 properly-completed and 3,979 incomplete applications during the initial registration period confirmed the Commission's estimates as being reasonably accurate.

However, most applications were received well after the Register first opened, and most were received in the six months before income tax laws changed.

Also, the Commission's ongoing experience has been that registration is more complex and often more time-consuming than was anticipated.

Often, registration analysts need to go back to applicants to seek clarification or more information, because their governing documents are not specific enough. It can sometimes take time for the applicant to gather the required information, or to seek guidance from their members or advisors.

Analysts are required to read and understand sometimes long and complex documents to be satisfied that the organisation has fully charitable purposes – some organisations have a mix of charitable and non-charitable purposes which means the Commission may have to request and assess more information from them.

The Commission has undertaken, and is on track to process the properly-completed applications it received before 30 June 2008 by the end of the calendar year.

The Commission does have powers to backdate registration to the date it received a properly-completed application. It can do so, if requested, and if satisfied that the organisation was qualified for registration at all

times during the period between the date it applied for registration, and the date on which the decision to register it was made.

We recognised that some organisations who applied later during the initial registration period would be unable to prove their charitable status until their application had been processed, and would potentially experience some uncertainties regarding their tax status until that time.

A key achievement was the work the Commission carried out with Inland Revenue and the Department of Internal Affairs, in order to give greater certainty regarding their tax affairs to eligible organisations that were not registered prior to 1 July 2008. These transitional measures were given effect through amendments to the *Income Tax Act 2007* and the *Estate and Gift Duties Act 1968*.

The Commission also carried out significant work with Inland Revenue and the Ministry of Education, resulting in legislative changes to ensure greater clarity for tertiary institutions and state schools, in order to respond to questions about whether they needed to register to maintain tax-exempt status.

Legislative changes were also undertaken to clarify the tax situation of some non-resident charities. Non-resident charities that cannot register with the Commission because they are not established in New Zealand or have no strong connection with New Zealand are able to have tax-exempt status here, subject to Inland Revenue approval.

At the same time as processing applications for registration, the Commission has also had to make provision for receiving and processing Notification of Changes and Annual Returns.

The first Annual Return was received in September 2007, and to the end of June 2008, the Commission had received 188 Annual Returns. They are available on the Register for members of the public to view.

We also require registered charities to tell us if they change their name, address for service, balance date, rules, purposes or officers.

While most changes are administrative in effect, some may require us to review whether a charity remains qualified for registration, so may involve significantly more work.

## Community awareness, communication and education

The Commission places great value on the relationships it has built with the charitable sector, its advisors, community members, and across other government agencies.

These relationships have been especially important to us during the initial registration period – firstly, so that our existence and role is known and understood by the charitable sector and its supporters and funders, but also because we have depended on their goodwill and support to help pass on our messaging about registration.

We have also appreciated and – where appropriate – incorporated feedback and suggestions into our communications and our registration materials.

Our strategic approach has been to tailor our communications to suit particular target audiences, but also to work as closely as possible with the sector itself, to ensure that relevant messages reach people through the channels that they would expect us to use, and where they would expect to find such information.

*Below is a summary of the Commission's key community awareness, communication and education activities and achievements in 2007/08:*

- Awareness of the Charities Act, its benefits, the Commission's role and the requirements for registration were raised through communications targeted at both the wider public and the charitable sector
- Milestone events, such as the registration of the first group (single entity) registered by the Commission were extensively publicised and promoted
- Our significant body of "plain language" guidance and information for charities wishing to register, and the application forms, were reviewed, and made even easier to understand, where possible
- Several new information sheets were developed and published – in total, the Commission has published 31 information sheets
- More than 14,800 registration information packs were produced and distributed to potential applicants
- Improving the availability and accessibility of information on the Commission's website

- Managing the volume of emails and telephone enquiries made to the Commission's call centre
- Use was made of the LanguageLine service available through the Commission's call centre, providing interpretation services in 39 languages
- During the year, the Commission delivered more than 40 registration workshops for potential applicants and "train the trainers" seminars for advisors to the sector. This was in addition to the 80 registration workshops that were provided during the previous year. They received positive feedback from participants
- Board members, the Chief Executive and Commission staff continued to meet with many groups and individuals in the charitable sector, to provide information and support for registration, and to explain and answer questions about the Commission's work. A proactive programme of speaking engagements and network opportunities was undertaken
- Stakeholders were provided with regular updates on the Commission's activities and progress via the Commission's website and regular *Update* newsletter. Each edition of *Update* is distributed directly to more than 4,000 subscribers, many of whom distribute it more widely. Many subscribers include excerpts from *Update* in their own newsletters to members and affiliated organisations, and reproduce it on their websites
- A variety of external channels were used to distribute information about the Commission and key messages about registration. Some examples include: articles in city and district councils' ratepayers' newsletters, articles in professional

magazines such as the Law Journal, and (for example) in the newsletters published by the Ministry of Māori Development, the Ministry of Pacific Island Affairs, and the Department of Internal Affairs

- The Commission worked with other agencies, where databases were available, to send tailored communications encouraging registration – for example – to charities that had an existing charitable-purpose tax exemption with Inland Revenue; Charitable Trusts and Incorporated Societies registered with the Ministry of Economic Development's Companies Office; Pacific Island churches, and iwi groups
- The Commission held five annual meetings in November and December 2007, in Auckland, Tauranga, Wellington, Christchurch and Dunedin, at which charities were able to ask questions and make submissions
- The Commission conducted a pilot regional stakeholder meeting in Hamilton, at which members of the executive and Board met with sector members and received feedback about the Commission's operations and future direction. The meeting was well-received by participants.

## Financial performance

In its third financial year, the Commission recorded a net deficit of \$0.059 million, which was \$2.291 million less than the budgeted deficit of \$2.350 million.

Revenue exceeded budget by \$0.900 million, with the Commission receiving additional Crown revenue of \$1 million as a result of drawing down the available contingency funding in October 2007.

In addition, actual expenses were less than budget by \$1.391 million, largely as a result of the budgeted write off amounting to \$1.588 million of the registration software actually being put through the financial statements in the year ended 30 June 2007. Because the initial registration system was to be replaced early in the 2007/08 financial year, the Commission was advised that it was appropriate to write off the full cost of the system at 30 June 2007.

Registration-related costs did exceed budget by \$0.525 million. Included in these costs were registration staff salaries that exceeded budget by \$0.574 million. The extra registration staff were employed due to the extra time required to process applications for registration and to cope with the influx of applications for registration towards the 30 June 2008 registration deadline.

The deficit for the year has been funded from the surplus brought forward from 2006/07. This surplus arose in 2005/06 due to the change in the timing of the opening of the Charities Register. This meant that the registration of charitable organisations did not start when originally planned, and as a result, several establishment tasks were not completed as budgeted.

The financial statements on pages 24 to 43 are the first prepared by the Commission using New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

## Relationships with other government agencies

The Commission has appreciated the cooperation and support that it has had from the main government agencies with which it works. These include Inland Revenue, the Ministry of Economic Development, the Department of Internal Affairs, and Statistics New Zealand.

The strength of these relationships facilitated the previously noted work that led to the amendments to the *Income Tax Act 2007* and the *Estate and Gift Duties Act 1968*. Also, the advice and support these agencies have provided to the process of registration, particularly the Companies Office of the Ministry of Economic Development, has been of real value.

Interagency liaison also was important in engaging with Māori. The Commission worked jointly with Inland Revenue and Te Puni Kokiri in conducting targeted sessions with Māori to assist in building understanding of the reasons for registering, and the application process.

With an awareness of the number of key government agencies that work with charities in different ways, we consulted with these agencies as we continued to develop our strategic planning for the future role of the Commission.

This strategic focus has been furthered by developing our engagement with other Crown agencies who manage functions that require regulatory oversight of charities. This engagement became more important as the Commission started to receive complaints about charities during the year.

The Commission's relationships with Inland Revenue and the Ministry of Economic Development, confirmed under memoranda of understanding, have strengthened, guided by the obligations in those memoranda. The agencies' obligations regarding the sharing of information required by the Charities Act is proceeding smoothly, with the agencies' respective records being updated as registration progresses.

The policy profile of the Commission is also becoming more established, with advice on the interrelationship of new initiatives with the Charities Act and the role and function of the Commission being sought by other Crown agencies. This has included working with the Office of the Community and Voluntary Sector in their work on giving and volunteering, and with Te Puni Kokiri on the Waka Umanga initiative.

As well as working with other New Zealand government agencies, the Commission has maintained contact with a number of international agencies working with the charitable sector. A number of other countries have an agency equivalent to the Commission, and most have objectives and mandates similar to ours. A highlight for the Commission during the year was hosting a forum of international charity regulators, which provided an opportunity to discuss issues affecting charities internationally.

## Challenges

The Commission continues to face some considerable challenges during the next year and beyond.

In the immediate future, completing processing of all the properly-completed applications received before 1 July 2008 by the end of the calendar year is very much dependent on our ability to retain key staff, particularly those in the registration team, and to manage workflows including the processing of Annual Returns and Notification of Changes.

We are continuing to manage applicants' expectations about timeframes for processing their applications through tailored communications, and through engagement with funders and others who influence the activities and daily operations of charitable organisations. The work we have done with Inland Revenue to provide greater certainty about future tax liability to those whose applications have not yet been processed will also assist.

The Commission is also becoming increasingly involved with the management of complaints it receives about charities – both registered and unregistered.

A question yet to be resolved in any detail is the Commission's role beyond the initial registration period, in monitoring and promoting compliance with the Charities Act.

It is important that the Commission develops its ongoing functions in such a way that it is more than just a regulator, and is able to provide access to meaningful and helpful support and guidance to charities – in turn, better equipping them to fulfil their charitable

objectives and provide effective services and support to the communities in which they operate, and to maintain the trust and confidence of the public.

We will develop the planning for our education function during the coming year, making sure that what we provide is what is wanted and needed by the sector, and not replicated or already available elsewhere.

Providing relevant information and education is also central to the planned development of our monitoring function, also being developed during the coming year. We want to make sure that charities are properly supported and informed, so that they can continue to comply with their obligations under the Charities Act.

## Other statutory tasks

As we have already said, the Commission's most important "foundation" task is to populate the Charities Register, by completing the processing of the applications we have received. The Charities Register is the platform upon which many of the Commission's other outcomes and ongoing work activities will be built.

Work on other activities will begin once we have completed the initial population of the Register, and we have better information available about the numbers and make-up of registered charities.

We are already receiving Annual Returns from some registered charities, but do not expect to have fully developed this process or completed an entire "cycle" of Annual Returns until 2010.

We expect that, once more fully populated, the Charities Register will be a valuable resource for funders and other organisations, as a basis for developing their interactions with the charitable sector, or for research purposes. The Commission also expects to be able to use the Register to help it form views and provide advice to policymakers and government agencies who interact with the sector.

## Conclusion

It is already evident from the charities that we have registered, that they come in a great variety of forms, and are engaged in many diverse activities, providing services, providing funding, and engaging in advocacy to support their charitable purposes.

The Commission's staff are frequently inspired and motivated by the dedication and good citizenship of the charities we come into contact with, and the work they do. We appreciate the impact that charities have for good in our society, and the influence that they have in and on our communities.

In establishing the Charities Register, and in the future, providing guidance and support on good governance and management, and appropriate monitoring, our purpose is to support and strengthen the sector, and work alongside it to help grow the public's trust and confidence in charities' professionalism and accountability.



Trevor Garrett  
Chief Executive

# The Commission's role

*The Charities Commission was created as an Autonomous Crown Entity on 1 July 2005.*

*It was established by the Charities Act, which was passed in April 2005.*

The role of the Charities Commission, as set out in the Charities Act 2005, is to:

- Promote public trust and confidence in the charitable sector
- Encourage and promote the effective use of charitable resources
- Educate and assist charities in relation to matters of good governance and management
- Make appropriate information available to assist people to make registration applications
- Receive, consider and process applications for the registration of charitable entities
- Ensure that the Register of charitable entities is compiled and maintained
- Receive, consider and process annual returns submitted by charitable entities
- Supply information and documents in appropriate circumstances for the purpose of the Inland Revenue Acts
- Monitor charitable entities and their activities to ensure that entities that are registered as charitable entities continue to be qualified for registration as charitable entities
- Inquire into charitable entities and into persons who have engaged in, or are engaging in, conduct that constitutes, or may constitute, a breach of this Act or serious wrongdoing in connection with a charitable entity
- Monitor and promote compliance with this Act, including by taking prosecutions for offences against this Act in appropriate circumstances
- Consider, and report and make recommendations on any matters relating to charities
- Stimulate and promote research into any matter relating to charities.

# Charities Commission Governance

*The Board was first appointed in June 2005. Seven Board members, each contributing a range of experience in both the national and international charity sector, and skills in governance, senior public and private sector management, law, accounting, iwi development, the arts and church activities – and, more recently, operational and governance experience in the education and sport sectors – have guided the strategic development of the Commission.*

*The Board's vision is of a strong charitable sector for New Zealand, which enjoys a high level of public trust and confidence.*

## The Charities Commission Board

Under the Crown Entities Act 2004, the Board is the governing body of the Charities Commission.

All decisions relating to the Charities Commission's operations must be made by, or under the authority of the Board, in accordance with the Crown Entities Act and the Charities Act 2005.

The Board is appointed by the Minister for the Community and Voluntary Sector and consists of between five and seven members. Requirements for Board membership include the commitment to work for the greater good of the Charities Commission and knowledge, skill, experience and expertise relevant to the Commission's affairs to assist the Commission to achieve its objectives and perform its functions.

The Board reports to the Minister quarterly against its Output Agreement.

## Board's role and responsibilities

The Board's role is to:

- oversee the governance and performance of the Commission
- set the strategic direction and work priorities for the Commission and to monitor these
- select and appoint the Chief Executive and monitor the Chief Executive's performance
- approve the annual work programme and budget of the Commission

- approve the key accountability documents for the Commission, such as, the Annual Report, Statement of Intent and the Output Agreement
- attend the Commission's Annual Meeting and report on the work of the Commission
- establish and monitor the Board's own governance policies.

## Board members

The Charities Commission Board members are profiled on the following page.

## The Chair

The Board Chair has the responsibility of:

- leading, chairing, and managing the Board
- providing leadership and guidance for Board members
- working with and providing guidance to the Chief Executive
- liaising with the Commission's responsible Minister as the most senior Board member.

## Members

The current Board's skills include experience working in the charitable sector, both nationally and internationally, governance, senior management, law, accounting, iwi development, public and private sector management, the arts and church activities.

Board members are responsible for:

- providing expertise, advice and input into issues and work the Commission is undertaking
- engaging with the Commission's stakeholders at national, regional and local levels.

The Crown Entities Act 2004 sets out the collective and individual duties of Board members.

### Induction

On appointment, all Board members receive appropriate induction and guidance as to their role as Board members of the Charities Commission.

Induction includes information on the affairs of the Commission, its issues, staff, financial position and the relevant legislation. Board members are also given the opportunity to discuss operational and administrative matters with the Chair and the Chief Executive.

## Integrity and Conduct

### Code of Conduct

The Board is committed to ethical conduct in all areas of its responsibilities and authority. It has adopted a Code of Conduct that is in accordance with the Crown Entities Act 2004.

Ethical conduct includes acting with honesty and integrity at all times in the interest of the Commission and its stakeholders, ensuring that the public, all stakeholders, and particularly those who are recipients of services, are treated fairly, according to their rights.

### Disclosure of Interests

The Board places great importance on making clear any existing or potential interests of its members. All interests must be declared by the Board member concerned to the Chair and are documented in the Board's Register of Interests.

The Board has identified nine classes of interest that classify the nature of interests that a Board member could have, such as interests in charitable entities or as a provider of professional services.

Where a conflict of interest is identified, the Board member concerned is not permitted to participate in any Board or committee discussion or decision on that matter, or matters felt by the Board to be closely related, except if permitted otherwise under section 68 of the Crown Entities Act.

## Board meetings and Committees

The Board meets monthly and at other times as required. During 2007/08, Board meetings have generally been of two days length, due to the volume of work before the Charities Commission.

The Board has established Standing Committees to help it more efficiently undertake its work.

### Human Resources Committee

Members of this Committee were Sid Ashton (Chair), Ian Calder and Judith Timpany. This Committee oversees the selection and performance management of the Chief Executive.

### Information and Education Committee (previously the Communications and Education Committee)

Members of this Committee were Judith Timpany (Chair from January 2008), Ian Calder, Frank Claridge, Amohaere Houkamau and Pat Webster (Chair) until her resignation in January 2008. This Committee provides oversight, guidance and support to enable the Commission to fulfil its obligations under section 10 of the Charities Act 2005, to meet the Charities Commission's aims and objectives.

### Risk, Audit and Compliance Committee

Members of this Committee were Frank Claridge (Chair), Sid Ashton, Kerry Ayers, Amohaere Houkamau and Judith Timpany. This Committee assists the Board in discharging its responsibilities relative to financial reporting, risk management and legislative compliance by the Charities Commission.

### Registration Committee

Members of this Committee were Kerry Ayers (Chair), Sid Ashton (Deputy Chair), Ian Calder, Frank Claridge, Amohaere Houkamau, Judith Timpany and Pat Webster (until her resignation in January 2008). This Committee provides guidance and support in the fulfilment of the Commission's statutory obligations under the Charities Act to register charities.

## Board members



### **Sid Ashton – Chair**

Sid Ashton, an Officer of the New Zealand Order of Merit for services to Māori and the Community, has been a Christchurch accountant for over 30 years. Sid chaired the Tax and Charities Working Party in 2001/2002.

Sid is currently serving as a member of the Creative New Zealand Arts Board and as a trustee for the Diabetes Training and Research Trust, which is a charitable trust. He is also Director of Ryman Healthcare, a publicly listed company.

*Sid was appointed on 15 June 2005, and was recently re-appointed for a further term expiring on 16 July 2011.*



### **Judith Timpany – Deputy Chair**

Judith Timpany is the Chief Executive of the Whanganui Community Foundation Inc. and a Justice of the Peace. She has qualifications in both commerce and community development.

Judith has 20 years experience in the charitable sector in a broad range of community focused activities, including three years as a Wanganui City Councillor, Chair of Philanthropy New Zealand (currently a board member), and membership of WINGS CF (an international grant maker's body). She has also held several corporate directorships.

*Judith was appointed on 15 June 2005 and was re-appointed in August 2007 for a further term expiring on 14 August 2010.*



### **Kerry Ayers – Board Member**

Kerry Ayers is a practising lawyer who has written extensively on trusts and property-related issues, including four legal textbooks. His work has also included extensive seminar presentations including a national seminar series for the New Zealand Law Society and the New Zealand Institute of Chartered Accountants. He has been involved in extensive work on issues relating to charities law and the setting up and administration of charitable entities.

Kerry was also a member of the New Zealand Law Commission consultative committee on reform of the law of trusts. He is a former Vice President of the New Zealand Law Society and a former board member of the New Zealand Law Foundation.

*Kerry was appointed on 13 June 2005, and was recently re-appointed for a further term expiring on 16 July 2011.*



### **Ian Calder – Board Member**

Ian Calder, an Officer of the New Zealand Order of Merit for services to children and the family, has considerable experience in and knowledge of the not-for-profit sector. Ian was the Chief Executive of Barnardos New Zealand from 1976-2003, the President of the New Zealand Federation of Voluntary Welfare Organisations, Treasurer of the International Forum for Child Welfare, and a member of various government advisory boards including the 1988-89 Working Party on the Taxation of Charities and Sporting Bodies. From 2003 to 2008 he was a member of the Social Workers' Registration Board.

*Ian was appointed on 13 June 2005 and was re-appointed in August 2007 for a further term expiring on 14 August 2010.*



### **Amohaere Houkamau – Board Member**

Amohaere Houkamau is the Chief Executive of Te Rūnanga o Ngāti Porou, based in Ruatoria, and has played a leading role in developing a quadruple bottom-line iwi development strategy for Ngāti Porou.

Amohaere is a member of the Board of the Māori Television Service. She is a trustee of the Tauawhi Trust and the Tairāwhiti Development Partnership Management Trust, co-chairs the Tairāwhiti Social Development Forum and E Tipu e Rea – the Ministry of Education and Ngāti Porou Education Partnership.

*Amohaere was appointed on 13 June 2005, and was recently re-appointed for a further term expiring on 16 July 2011.*



### **Patricia McKelvey – Board Member**

Patricia McKelvey, a Companion of the New Zealand Order of Merit for services to Education and an MBE for services to Women’s cricket, has a wealth of operational and governance experience in the education and sport sectors.

She is currently Chair of the Correspondence School Board of Trustees and Electra Limited; a member of the Victoria University Council and the Social Security Appeal Authority; and a Board Member of Barnardos New Zealand and Bowls New Zealand. Previous appointments include Principal of Wellington High School, Captain of the New Zealand Women’s Cricket Team, Chair of the Board of Career Services and a variety of other tertiary education, social services, and sporting leadership roles.

*Patricia was appointed on 7 July 2008 for a term expiring on 7 July 2011.*



### **Frank Claridge – Board Member**

Frank Claridge is a Fellow of the New Zealand Institute of Chartered Accountants and serves on the Institute’s Public Benefit Entity Working Group, and the Not-for-Profit Sector Advisory Committee. He was the Treasurer of the Royal New Zealand Foundation of the Blind for many years before retiring, and remains a trustee of the Foundation’s property development trust. Frank has been continuously involved with the governance of the Methodist Church since 1962. He is a Fellow of the NZ Trustees Association, and a member of several other professional bodies, including the Fundraising Institute of New Zealand.

Frank served as a member of the Tax and Charities Working Party and the Ministry of Economic Development’s Charities Commission Establishment Group. He is a past Treasurer of the New Zealand

Federation of Voluntary Welfare Organisations.

Frank has been a Justice of the Peace since 1973. He has presented on various topics to many seminars and conferences, and currently works with a large number of community and voluntary agencies on capacity and organisational development.

*Frank was appointed on 13 June 2005 and was re-appointed in August 2007 for a further term expiring on 14 August 2010.*

# The Minister for the Community and Voluntary Sector Parliament Buildings Wellington

Pursuant to the provisions of the Crown Entities Act 2004, the following report on the operations of the Charities Commission for the year ended 30 June 2008 is submitted for presentation to the House of Representatives.



Sid Ashton  
**Chair**

29 October 2008



Judith Timpany  
**Deputy Chair**

29 October 2008

## Statement of Responsibility

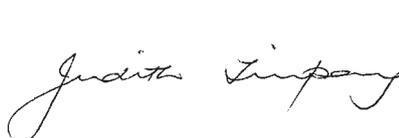
The Board is responsible for the preparation of the statement of service performance and annual financial statements and the judgements used therein, and for establishing and maintaining the system of internal control that provided reasonable assurance as to the integrity and reliability of financial reporting.

In our opinion, the statement of service performance and annual financial statements for the year ended 30 June 2008 fairly reflect the financial position and operations of the Charities Commission.



Sid Ashton  
**Chair**

29 October 2008



Judith Timpany  
**Deputy Chair**

29 October 2008



Trevor Garrett  
**Chief Executive**

29 October 2008

# Audit Report

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

## *To the readers of the Charities Commission's Financial Statements and Statement of Service Performance for the year ended 30 June 2008*

The Auditor-General is the auditor of the Charities Commission (the Commission). The Auditor-General has appointed me, J R Smaill, using the staff and resources of Audit New Zealand, to carry out the audit on his behalf. The audit covers the financial statements and statement of service performance included in the annual report of the Commission for the year ended 30 June 2008.

## Unqualified Opinion

In our opinion:

- The financial statements of the Commission on pages 24 to 43:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - the Commission's financial position as at 30 June 2008; and
    - the results of its operations and cash flows for the year ended on that date.
- The statement of service performance of the Commission on pages 18 to 23:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects for each class of outputs:
    - its standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and
    - its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 29 October 2008, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and the Auditor, and explain our independence.

## Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

## Responsibilities of the Board and the Auditor

The Board is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Commission as at 30 June 2008 and the results of its operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, the Commission's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. The Board's responsibilities arise from the Crown Entities Act 2004 and Charities Act 2005.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

## Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the Commission.



J R Smaill

**Audit New Zealand**

On behalf of the Auditor-General  
Wellington, New Zealand

# Statement of Service Performance

In 2007/08, the Charities Commission achieved the following outputs in accordance with performance standards set out in the Commission's 2007-2010 Statement of Intent.

The Output class for the Commission is Charities Administration. This output class provides for the delivery of services that contribute to promoting public trust and confidence in charities. The services being delivered include:

- establishment and maintenance of the Register of Charities under the Charities Act 2005
- provision of advice, education and information
- monitoring of the activities of registered charities

2007/08 Output Summary	Actual	Budget
	\$000 GST exclusive	\$000 GST exclusive
<i>Charities Administration:</i>		
Output revenue	5,753.2	4,920.0
Output expense	(5,944.7)	(7,336.5)
Net deficit	(191.5)	(2,416.5)

*For the explanations of the significant variances against budget, refer to Note 21 of the Notes to the Financial Statements on page 41.*

## Output 1.1: Establishment and maintenance of the Register of Charities under the Charities Act 2005

*Under this output, the Commission will:*

- establish the Register of Charitable Entities
- receive, consider and process applications for registration as charitable entities
- ensure the Register of Charitable Entities is compiled and maintained

- receive, consider and process annual returns submitted by charitable entities

- supply information for the purposes of the Inland Revenue Acts

Information from the Register is being supplied to Inland Revenue daily, as agreed.

Performance Measure	Standard/Target	Achieved to 30 June
<i>Quantity:</i>		
Number of charities registered	Up to 18,000 (for the year)	<p><i>Not achieved.</i></p> <p><i>This target was set in Oct 2006 but revised down to 9,255 when the Case for Access to \$1m Contingency Funding was prepared in Sep-Oct 2007.</i></p> <p><i>Only 7,694 charities were registered in the year ended 30 June 2008 as the required staffing levels were not reached until Feb 2008.</i></p> <p><i>The Commission has given an undertaking that all properly completed applications received by 30 Jun 2008 will be processed by 31 Dec 2008.</i></p>
Annual returns received and processed	Up to 10,000 (for the year)	<p><i>Due to fewer registrations, only 188 annual returns were received in the year ended 30 Jun 2008. Of these, 150 were processed by 30 Jun 2008.</i></p>

Performance Measure	Standard/Target	Achieved to 30 June
<i>Quality:</i>		
Fully completed applications for registration decided within 30 working days of receipt	85% of completed registrations are decided within 30 working days of receipt	<i>Not achieved.</i> <i>This decision-making process has proved more difficult than anticipated and requires more staff than budgeted. Access to additional funding (through the \$1m contingency fund) was only agreed to in early Oct 2007.</i> <i>During the year, 19% of completed registrations were decided within 30 working days of receipt.</i>
Annual returns processed within 25 working days of receipt	90% of annual returns are processed within 25 working days of receipt	<i>Not achieved.</i> <i>Staff have been concentrating on processing registrations.</i> <i>59% of annual returns received were processed within 25 working days of receipt.</i>
Register will be online and fully operational to the public and charities	Register will be online and fully operable to the public and charities with no less than 97% availability per month	<i>Not achieved.</i> <i>The Register was online and operational during the first three quarters, however the public was not able to view and download supporting documents on the Register until 22 Jan 2008.</i> <i>Since then the Register has been fully operable to the public and charities.</i>
A quality audit on a sample of the recommendations for registration	Indicates no significant areas for improvement and shows only minor inconsistencies in decisions	<i>Achieved.</i> <i>An independent quality audit was completed of 1% of registration decisions in Nov 2007. The results did not identify any significant areas for improvement or minor inconsistencies in decisions.</i>

*Information from the Register is being supplied to Inland Revenue daily, as agreed.*

## Output 1.2 – Provision of advice, education and information

*Under this output, the Commission will:*

- provide information and support to help charities to apply for registration under the Charities Act, and to help charities complete annual returns
- foster relationships and networks with the charitable sector
- provide information and guidance as required on the implementation of the Charities Act and its regulations, and other matters affecting charities
- use the comprehensive information received through the registration process to provide statistical data and other relevant information to stakeholders about the charitable sector
- begin a sector-wide consultative process focused on developing an understanding of the charitable sector's research needs and its views on research priorities
- identify research priorities for areas where information is not currently available or, where we believe further investigation is warranted
- provide charitable organisations with support and guidance on good governance and management
- use the information received from our monitoring activities to further develop our education programmes
- develop and make available guidelines and recommendations on good practice governance and management of charitable organisations.

Performance Measure	Standard/Target	Achieved to 30 June
<i>Quantity:</i>		
Registration information and support		
Free phone advisory service	Able to answer a peak of 2,000 calls per month	<i>4,622 calls were answered in June, the peak month for the period.</i>
Registration information packs	5,000 distributed	<i>Over 14,800 packs were distributed during the year.</i>
Information dissemination		
<i>Update</i> newsletter produced and distributed monthly	Circulation list over 3,500	<i>Current circulation list of 4,086.</i>
Fact sheets provided on issues such as group registration and funding	At least 5 fact (information) sheets produced	<i>In total, the Commission has produced 31 information/fact sheets.</i>
Advice on issues affecting charities		
Undertake a consultation process with the charitable sector	To hold five annual meetings throughout New Zealand, at least one to be held not later than 30 November 2007	<i>Annual meetings were held in Wellington, Christchurch and Dunedin before 30 November 2007. Meetings were also held in Auckland and Tauranga in December 2007.</i>
<i>Quality:</i>		
Registration information and support		
Free phone advisory service	Evaluation of a sample of callers indicates that needs of participants have been met	<i>For the twelve months, call quality averaged 91.89% on a total of 25,405 inbound calls answered by the contact centre.</i>
Information on registration on the Commission's website	Stakeholder feedback on the usefulness of the material	<i>Positive feedback on the usefulness of the registration information has been received through evaluation feedback at the workshops and some speaking engagements, and anecdotally at workshops, speaking engagements, from sector organisations and by the contact centre.</i>

Performance Measure	Standard/Target	Achieved to 30 June
<i>Quality:</i>		
Registration information packs	Stakeholder feedback on the usefulness of the material	<i>Positive feedback on the usefulness of the registration information packs has been received from both the sector and professional advisors, through evaluation feedback at the workshops and some speaking engagements, and anecdotally at workshops, speaking engagements, from sector organisations and by the contact centre.</i>
Information dissemination		
<i>Update</i> newsletter produced and distributed monthly	Readership survey on appropriateness of newsletter	<i>100% of the 69 respondents to the September 2007 readership survey rated the overall usefulness of the newsletter as "good" or "excellent".</i>
Fact sheets provided on issues such as group registration, tax and funding	Programme to review and update existing fact sheets Positive stakeholder feedback on the appropriateness of the information	<i>The review and update programme is ongoing. Positive feedback on the usefulness of the fact sheets has been received from both the sector and professional advisors, through evaluation feedback at the workshops and some speaking engagements, and anecdotally at workshops, speaking engagements, from sector organisations and by the contact centre.</i>
Advice on issues affecting charities		
Development of a strategic framework for research	Strategic framework for research completed by 30 June 2008	<i>Work to develop a strategic framework has been delayed given other priorities and resourcing issues.</i>
Effective advice on the relationship of the charitable sector to the wider work programme of the Government	Positive stakeholder feedback on the usefulness of the advice	<i>Advice was given on the impact of policy development of other government agencies on the Commission and the charitable sector, both to the Board and back to the relevant agency. All advice considered by the Board received positive feedback, however feedback from the other agencies was not always received.</i>
Other policy advice is delivered in accordance with an established work programme	Positive stakeholder feedback on the usefulness of the advice	<i>The 2007/08 policy work programme was considered by the Board in July 2007. Throughout the year, advice was delivered to the Board either in accordance with the work programme or to meet the changing demands of the Board. All advice considered by the Board received positive feedback.</i>

## Output 1.3 – Monitoring activities of charitable entities

*Under this output, the Commission will:*

- monitor registered charitable entities to ensure they maintain their qualification for registration
- enquire into any conduct of charitable entities that may constitute a breach of the Charities Act
- monitor and promote compliance with the Charities Act and take prosecutions under this Act
- receive and investigate complaints about charities.

Performance Measure	Standard/Target	Achieved to 30 June
<i>Quantity:</i>		
Develop a framework for the monitoring of registered charitable entities	Framework for the monitoring of registered charitable entities' activities developed by 30 June 2008	<i>In progress.</i> <i>The Commission has commenced work on determining its monitoring and investigative functions under the Charities Act, and how those functions inter-relate with those of other agencies.</i>
Complaints about registered charities responded to within 25 working days	100% of complaints about registered charities brought to the Commission's attention are followed up and responded to within 25 working days	<i>Not achieved. [The Commission was not funded to handle complaints about charities]</i> <ul style="list-style-type: none"> <li>• <i>Six complaints were received about registered charities. Two were forwarded to other agencies and one referred to the charity within 25 working days. Two received in June 2008 were still to be actioned. One of the complaints was also the subject of a request for information under the Official Information Act (OIA) and was dealt with in conjunction with the OIA request.</i></li> <li>• <i>A further 11 complaints were received about charities that had applied for registration at the time the complaint was received. Four were forwarded to the appropriate agencies and four were referred back to the complainant within 25 working days. Two received in June 2008 were still to be actioned and one has had no action taken as the complaint was anonymous.</i></li> <li>• <i>The Commission also received one complaint concerning a non-registered charity that was forwarded to the appropriate agency.</i></li> </ul>

# Statement of Financial Performance

## For the year ended 30 June 2008

	Notes	Actual 2008 \$	Budget 2008 \$	Actual 2007 \$
<b>REVENUE</b>				
Crown funding		5,747,333	4,747,333	2,992,333
Annual return fees		5,644	172,748	-
Interest		114,628	50,000	124,733
Other revenue		246	-	-
<b>TOTAL OPERATING REVENUE</b>		<b>5,867,851</b>	<b>4,970,081</b>	<b>3,117,066</b>
Interest – litigation fund	8(1)	18,736	16,665	16,380
<b>TOTAL REVENUE</b>		<b>5,886,587</b>	<b>4,986,746</b>	<b>3,133,446</b>
<b>EXPENSES</b>				
Administration		996,650	1,016,703	729,131
Audit fees		44,300	30,000	40,120
Board members' fees	2	102,294	100,070	109,917
Communication and education		210,606	368,300	301,675
Depreciation and amortisation expenses	3	236,733	340,566	254,528
Occupancy costs	4	172,207	174,092	150,976
Personnel costs	5	1,552,402	1,512,499	1,445,056
Professional fees		66,167	168,000	625,801
Registration – related costs	6	2,563,420	2,038,168	576,509
Litigation expenses		654	-	-
Non-current asset write off	12	-	1,588,132	1,665,395
<b>TOTAL EXPENSES</b>		<b>5,945,433</b>	<b>7,336,530</b>	<b>5,899,108</b>
<b>NET DEFICIT</b>		<b>(58,846)</b>	<b>(2,349,784)</b>	<b>(2,765,662)</b>
Comprising:				
Operating deficit		(76,928)	(2,366,449)	(2,782,042)
Litigation fund	8(1)	18,082	16,665	16,380
		<b>(58,846)</b>	<b>(2,349,784)</b>	<b>(2,765,662)</b>

The accompanying accounting policies and notes form part of these financial statements.

# Statement of Movements in Taxpayers' Funds

## For the year ended 30 June 2008

	Notes	Actual 2008 \$	Budget 2008 \$	Actual 2007 \$
<b>Net deficit for year</b>		(58,846)	(2,349,784)	(2,765,662)
Total recognised revenues and expenses for the year		(58,846)	(2,349,784)	(2,765,662)
Taxpayers' funds at beginning of year		1,656,380	3,253,795	3,996,042
Capital contribution received		-	-	426,000
<b>Taxpayers' funds at end of the year</b>		<b>1,597,534</b>	<b>904,011</b>	<b>1,656,380</b>
Comprising:				
Accumulated funds	8(2)	1,341,024	649,138	1,417,952
Litigation fund	8(1)	256,510	254,873	238,428
		1,597,534	904,011	1,656,380

*The accompanying accounting policies and notes form part of these financial statements.*

# Statement of Financial Position

As at 30 June 2008

	Notes	Actual 2008 \$	Budget 2008 \$	Actual 2007 \$
<b>TAXPAYERS' FUNDS</b>				
Accumulated funds	8(2)	1,341,024	649,138	1,417,952
Litigation fund	8(1)	256,510	254,873	238,428
<b>Taxpayers' funds</b>		<b>1,597,534</b>	<b>904,011</b>	<b>1,656,380</b>
Represented by:				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	9(1)	867,756	71,316	1,344,399
Cash and cash equivalents – litigation fund	9(2)	257,164	254,873	238,428
Debtors and other receivables	10	24,795	10,000	18,019
Goods and Services Tax receivable		84,541	74,801	73,463
<b>Total current assets</b>		<b>1,234,256</b>	<b>410,990</b>	<b>1,674,309</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	11	339,797	302,376	332,168
Intangible assets	12	776,317	759,663	266,394
<b>Total non-current assets</b>		<b>1,116,114</b>	<b>1,062,039</b>	<b>598,563</b>
<b>TOTAL ASSETS</b>		<b>2,350,370</b>	<b>1,473,029</b>	<b>2,272,871</b>
<b>CURRENT LIABILITIES</b>				
Employee entitlements	13	183,380	169,018	113,919
Creditors and other payables	14	569,456	400,000	502,572
<b>Total current liabilities</b>		<b>752,836</b>	<b>569,018</b>	<b>616,491</b>
<b>TOTAL LIABILITIES</b>		<b>752,836</b>	<b>569,018</b>	<b>616,491</b>
<b>NET ASSETS</b>		<b>1,597,534</b>	<b>904,011</b>	<b>1,656,380</b>

The accompanying accounting policies and notes form part of these financial statements.

# Statement of Cash Flows

## For the year ended 30 June 2008

	Notes	Actual 2008 \$	Budget 2008 \$	Actual 2007 \$
<b>CASH FLOWS – OPERATING ACTIVITIES</b>				
Cash was provided from:				
Crown funding		5,747,333	4,747,333	2,992,333
Annual return fees		3,419	172,748	-
Other revenue		246	-	-
Interest received		129,365	50,000	126,205
Interest – litigation fund	8(1)	18,736	16,665	16,380
Net GST received/(paid)		(11,078)	(43,096)	(57,141)
Cash was disbursed to:				
Payments to suppliers		(4,056,002)	(4,295,333)	(2,307,540)
Payments for personnel costs		(1,535,641)	(1,512,499)	(1,399,121)
<b>Net cash inflows/(outflows) from operating activities</b>	15	<b>296,378</b>	<b>(864,182)</b>	<b>(628,884)</b>
<b>CASH FLOWS – INVESTING ACTIVITIES</b>				
Cash was disbursed to:				
Purchase of property, plant and equipment		(79,200)	(25,000)	(21,999)
Intangible assets		(675,085)	(621,000)	(1,304,678)
<b>Net cash outflows from investing activities</b>		<b>(754,285)</b>	<b>(646,000)</b>	<b>(1,326,677)</b>
<b>CASH FLOWS – FINANCING ACTIVITIES</b>				
Cash was provided from:				
Capital contribution		-	-	426,000
<b>Net cash inflows from financing activities</b>		<b>-</b>	<b>-</b>	<b>426,000</b>
Net increase/(decrease) in cash held		(457,907)	(1,510,182)	(1,529,561)
Add opening cash and cash equivalents		1,582,827	1,836,371	3,112,388
<b>Closing cash and cash equivalents carried forward</b>		<b>1,124,920</b>	<b>326,189</b>	<b>1,582,827</b>
Closing cash and cash equivalents carried forward was represented by:				
Cash and cash equivalents	9(1)	867,756	71,316	1,344,399
Cash and cash equivalents – litigation fund	9(2)	257,164	254,873	238,428
<b>Closing cash and cash equivalents</b>		<b>1,124,920</b>	<b>326,189</b>	<b>1,582,827</b>

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

The accompanying accounting policies and notes form part of these financial statements.

# Statement of Commitments

For the year ended 30 June 2008

## Operating Commitments

	Actual 2008 \$	Actual 2007 \$
Operating lease commitments:		
Less than one year	543,893	527,552
One to two years	416,246	160,402
Two to five years	335,221	187,200
More than five years	-	-
<b>Total Commitments</b>	<b>1,295,360</b>	<b>875,154</b>

The Charities Commission has a lease on its premises in Wellington, which expires in December 2010. The Charities Commission has two rights of renewal each of three years after that date. The Charities Commission also has leases on various items of office equipment. The amounts disclosed above as future commitments are based on current rental rates.

There are no other operating leases.

## Capital Commitments

	Actual 2008 \$	Actual 2007 \$
Estimated capital expenditure contracted for at balance date but not provided for	-	669,960

# Statement of Contingencies

For the year ended 30 June 2008

### Contingent Liabilities

There are no contingent liabilities as at 30 June 2008 (2007: nil).

### Contingent Assets

There are no contingent assets as at 30 June 2008 (2007: nil).

*The accompanying accounting policies and notes form part of these financial statements.*

# Notes to the financial statements

## For the year ended 30 June 2008

### 1. STATEMENT OF ACCOUNTING POLICIES

#### Reporting Entity

The Charities Commission is a Crown entity established under the Charities Act 2005 and is an autonomous Crown entity as defined by the Crown Entities Act 2004. The Charities Commission is domiciled in New Zealand and its ultimate parent is the New Zealand Crown.

The primary objectives of the Charities Commission are to promote public trust and confidence in the charitable sector, and to encourage and promote the effective use of charitable resources, rather than making a financial return.

Accordingly, the Commission has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of the Charities Commission are for the year ended 30 June 2008. The financial statements were authorised to be issued by the Board on 29 October 2008.

#### Basis of Preparation

##### Statement of Compliance

The financial statements are prepared in accordance with the Crown Entities Act 2004, and New Zealand generally accepted accounting practice (NZ GAAP). They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

##### First Year of Preparation Under NZ IFRS

This is the first set of financial statements prepared using NZ IFRS and comparatives for the year ended 30 June 2007 have been restated to NZ IFRS accordingly.

Reconciliations of taxpayers funds and net surplus/(deficit) for the year ended 30 June 2007 under NZ IFRS to the balances reported in the 30 June 2007 financial statements are detailed in note 23.

Implications of changes to NZ IFRS are quantified in note 23.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS statement of financial position as at 1 July 2006 for the purpose of the transition to NZ IFRS.

##### Measurement base

The financial statements have been prepared on a historical cost basis, and are presented in New Zealand dollars.

##### Standards, amendments and interpretation issued that are not yet effective and have not been early adopted

The only standard, amendment and interpretation issued but not yet effective that has not been early adopted, and which is relevant to the Charities Commission is *NZ IAS 1 Presentation of Financial Statements*. NZ IAS 1, revised in 2007, replaces NZ IAS 1 Presentation of Financial Statement (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from the non-owner changes separately from transactions with the Crown in its capacity as "owner". The revised standard gives the Commission the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income

with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Commission intends to adopt this standard for the year ending 30 June 2010, and is yet to decide whether it will prepare a single statement of comprehensive income or a separate income statement followed by a statement of comprehensive income.

#### Significant Accounting Policies

The following accounting policies which materially affect the measurement of financial performance and financial position have been applied.

##### Budget figures

The budget figures are derived from the Statement of Intent as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ IFRS, using accounting policies that are consistent with those adopted by the Commission for the preparation of the financial statements.

##### Revenue

Revenue is measured at the fair value of consideration received or receivable.

##### Crown funding

The Charities Commission is primarily funded through funding received from the Crown, which is restricted in its use for the purpose of the Charities Commission meeting its objectives as specified in the Statement of Intent. Such revenue is recognised when earned and is reported in the financial period to which it relates.

##### Annual return fees

The Charities Commission derives revenue through annual return fees received from registered charities. Such revenue is recognised when earned and is reported in the financial period to which it relates.

# Notes to the financial statements (continued)

## Interest

The Charities Commission also derives revenue through interest on its bank deposits. Such revenue is recognised when earned and is reported in the financial period to which it relates.

## Goods and Services Tax

All items in these financial statements are presented exclusive of GST except for receivables and payables, which are presented inclusive of GST.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is disclosed separately in the Statement of Financial Position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

## Property, plant and equipment

Property, plant and equipment consist mainly of operational assets. These include leasehold improvements, computer hardware, furniture and fittings, and office equipment.

Property, plant and equipment are shown at initial cost less accumulated depreciation and impairment losses.

## Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Charities Commission and the cost of the item can be measured reliably.

Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

## Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset.

Gains and losses on disposals are included in the Statement of Financial Performance.

## Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Charities Commission and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the Statement of Financial Performance as they are incurred.

## Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Computer Equipment – 4 years (25%)  
Furniture & Fittings – 10 years (10%)  
Office Equipment – 10 years (10%)  
Leasehold Improvements – 12 years (8.3%)

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

## Intangible assets

### Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by the Commission, are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

### Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Financial Performance.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer Software – 4 years (25%)  
Register Software – 4 years (25%)

### Impairment of non-financial assets

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is the depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Charities Commission would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount.

For assets not carried at a revalued amount, the total impairment loss is recognised in the Statement of Financial Performance.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the Statement of Financial Performance.

## Commitments

Future payments and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations. Commitments relating to employment contracts are not disclosed.

## Contingent assets and contingent liabilities

Contingent liabilities and contingent assets are recorded in the Statement of Contingencies at the point at which the contingency is evident. Contingent liabilities are disclosed if the possibility that they will crystallise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

## Leases

### Operating Leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the Charities Commission are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the Statement of Financial Performance. The Charities Commission leases office premises, printers, photocopiers and two car parks. As the lessor retains all the risks and the ownerships of these leases, they are classified as operating leases.

### Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with domestic banks and other short term deposits with banks with maturities of less than 3 months.

### Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

### Income tax

The Charities Commission is, as a public authority, exempt from the payment of income tax. Accordingly, no charge for income tax is provided for.

### Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

## Employee entitlements

### Short-term employee entitlements

Employee entitlements that the Charities Commission expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned, but not taken at balance date and sick leave. The Charities Commission does not provide long service leave or retirement leave.

The Charities Commission recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the Charities Commission anticipates it will be used by staff to cover those future absences.

### Litigation fund

The litigation fund was established to provide funds for major litigation activities. Interest income is reported as income of the Charities Commission in the financial period in which it is derived. Actual direct operating costs of litigation fund cases will be charged against the fund. Reimbursements from the Crown to top up the fund will be shown as income in the period in which the Charities Commission's claim for reimbursement is accepted by the Crown. The balance of the fund is disclosed as a component of taxpayers' fund in the Statement of Financial Position.

### Taxpayers' funds

This is the Crown's net investment in the Charities Commission.

# Notes to the financial statements (continued)

## Critical accounting estimates and assumptions

In preparing these financial statements the Charities Commission has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### Property, plant and equipment useful lives and residual value

At each balance date, the Commission reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Commission to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Commission, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciation expense recognised in the Statement of Financial Performance, and carrying amount of the asset in the statement of financial position. The Commission minimises the risk of the estimation uncertainty by:

- physical inspection of assets;
- asset replacement programs;
- review of second hand market prices for similar assets; and
- analysis of prior asset sales.

The Commission has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amounts of property, plant and equipment are disclosed in note 11.

### Intangible assets useful lives

At each balance date, the Commission reviews the useful lives of its intangible assets. Assessing the appropriateness of useful life estimates of intangible assets requires the Commission to consider the expected period of use of the asset by the Commission.

At 30 June 2007, the Commission had decided to replace the original Registration Software with the redeveloped Charities Register application software. As a result, the remaining book value of the original Registration Software was written off and this impairment was recognised in the Statement of Financial Performance in that year.

An incorrect estimate of the useful life or residual value will impact on the amortisation expense recognised in the Statement of Financial Performance, and carrying amount of the asset in the Statement of Financial Position.

The Commission has not made significant changes to past assumptions concerning useful lives of its intangible assets. The carrying amounts of intangible assets are disclosed in note 12.

### Critical judgements in applying the Commission's accounting policies

The Commission has exercised the following critical judgements in applying the Commission's accounting policies for the period ended 30 June 2008.

### Leases classification

Determining whether a lease agreement is a finance or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of the ownership to the Commission.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the Statement of Financial Position as property, plant and equipment, whereas for an operating lease no such asset is recognised.

The Commission has exercised its judgement on the appropriate classification of equipment leases and, has determined a number of lease arrangements are operating leases.

### Adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS)

The impact of the Charities Commission's transition to NZ IFRS is minimal. Bank balances and short term deposits have been reclassified under the heading "Cash and cash equivalents" and Software acquisition and development have been transferred from Property, plant and equipment into "Intangible assets". There are no other significant differences in accounting policies.

## 2. BOARD MEMBERS' FEES

Members are remunerated on the basis of time spent on the work of the Commission.

Members' fees for the year ended 30 June 2008 were:

		Actual 2008	Actual 2007
		\$	\$
S. B. Ashton	Chair	37,535	38,179
J. R. Timpany	Deputy Chair	14,146	16,102
F.W.G. Claridge		13,563	13,999
I.J. Calder		12,613	13,312
K.R. Ayers		12,250	9,325
A. Houkamau		9,000	7,688
P. Webster (resigned January 2008)		3,187	11,312
		<b>102,294</b>	<b>109,917</b>

*No compensation or other benefits were paid or payable to any persons who ceased to be members or committee members during the financial year.*

## 3. DEPRECIATION AND AMORTISATION EXPENSES

	Actual 2008	Actual 2007
	\$	\$
<b>Depreciation:</b>		
Leasehold Improvements	10,717	10,717
Computer Equipment	46,820	27,150
Office Equipment	5,176	4,901
Furniture and Fittings	8,858	8,667
<b>Total depreciation</b>	<b>71,571</b>	<b>51,435</b>
<b>Amortisation:</b>		
Computer Software	14,141	14,142
Registration Software	151,021	188,951
<b>Total amortisation</b>	<b>165,162</b>	<b>203,093</b>
	<b>236,733</b>	<b>254,528</b>

## 4. OCCUPANCY COSTS

	Actual 2008	Actual 2007
	\$	\$
Occupancy costs include:		
Rent	140,285	120,486
Cleaning	13,860	13,700
Power and Heating	14,333	13,626
Other Utilities	3,729	3,164
	<b>172,207</b>	<b>150,976</b>

# Notes to the financial statements (continued)

## 5. PERSONNEL COSTS

	Actual 2008	Actual 2007
	\$	\$
Personnel costs include:		
Salaries (non- Registration assessment)	1,417,885	1,268,173
Employer subsidies and withholding tax	53,997	40,772
Recruitment	30,420	46,276
Movement in annual leave provision	4,419	35,511
Other personnel costs	45,681	54,324
	<b>1,552,402</b>	<b>1,445,056</b>

## 6. REGISTRATION – RELATED COSTS

	Actual 2008	Actual 2007
	\$	\$
Registration – related costs include:		
Application pre-processing	621,200	65,205
Registration assessment		
• salaries	1,518,884	407,346
• movement in annual leave provision	39,413	24,904
• recruitment	14,963	18,452
• other personnel costs	10,066	4,598
• rent	107,606	-
• cleaning	11,092	-
• power and heating	5,373	-
• professional fees	58,726	-
• administration	176,097	56,004
	<b>2,563,420</b>	<b>576,509</b>

*Note: The Registration assessment team moved into separate office space in December 2007*

## 7. EMPLOYEE REMUNERATION

	Actual 2008	Actual 2007
Remuneration Range		
Between \$100,000 and \$110,000	1	1
Between \$110,000 and \$120,000	1	1
Between \$121,000 and \$130,000	2	-
Between \$221,000 and \$230,000	1	1

*No compensations or other benefits were paid or payable to any persons who ceased to be employees during the financial year.*

*No indemnity was provided to any employee during the financial year.*

## 8(1). LITIGATION FUND

	Actual 2008	Actual 2007
	\$	\$
Balance at 1 July	238,428	222,048
Interest received	18,736	16,380
Expenses incurred	(654)	-
Balance at 30 June	<b>256,510</b>	<b>238,428</b>

## 8(2). ACCUMULATED FUNDS

	Actual 2008	Actual 2007
	\$	\$
Balance at 1 July	1,417,952	3,773,994
Capital contribution received	-	426,000
Net operating surplus/(deficit) for the year	(76,928)	(2,782,042)
Balance at 30 June	<b>1,341,024</b>	<b>1,417,952</b>

## 9(1). CASH AND CASH EQUIVALENTS

	Actual 2008	Actual 2007
	\$	\$
Cash at bank	367,756	44,399
Short term bank deposit	500,000	1,300,000
Cash and cash equivalents	<b>867,756</b>	<b>1,344,399</b>

Details of the short term bank deposit are as follows:

	Interest Rate	Term	Actual 2008	Actual 2007
			\$	\$
Westpac Banking Corporation	8.26%	30 days	500,000	1,100,000
Westpac Banking Corporation	7.75%	91 days	-	200,000
			<b>500,000</b>	<b>1,300,000</b>

## 9(2). CASH AND CASH EQUIVALENTS - LITIGATION FUND

	Actual 2008	Actual 2007
	\$	\$
Cash at bank – Litigation fund	257,164	238,428
Cash and cash equivalents – Litigation fund	<b>257,164</b>	<b>238,428</b>

*(Litigation expenses of \$654 were incurred during the year and paid out of the Commission's main bank account. A transfer from the Litigation account will be made in the 2008/09 financial year)*

# Notes to the financial statements (continued)

## 10. DEBTORS AND OTHER RECEIVABLES

	Actual 2008	Actual 2007
	\$	\$
Accounts Receivable	2,225	-
Prepayments	19,289	-
Interest Receivable	3,281	18,019
Debtors and other receivables	<b>24,795</b>	<b>18,019</b>

The carrying value of receivables approximates their fair value.

As at 30 June 2008, all overdue receivables have been assessed for impairments and no provisions were needed.

As at 30 June 2008, all accounts receivable are current, except for \$75.

## 11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements	Computer Equipment	Furniture & Fittings	Office Equipment	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
Balance at 1 July 2006	128,604	76,377	84,010	46,026	335,017
Additions	-	70,318	4,564	5,737	80,619
Balance at 30 June 2007	128,604	146,695	88,574	51,763	415,636
Balance at 1 July 2007	128,604	146,695	88,574	51,763	415,636
Additions	-	79,200	-	-	79,200
Balance at 30 June 2008	128,604	225,895	88,574	51,763	494,836
<b>Accumulated depreciation and impairment losses</b>					
Balance at 1 July 2006	10,717	9,472	7,635	4,209	32,033
Depreciation expense	10,717	27,150	8,667	4,901	51,435
Balance at 30 June 2007	21,434	36,622	16,302	9,110	83,468
Balance at 1 July 2007	21,434	36,622	16,302	9,110	83,468
Depreciation expense	10,717	46,820	8,858	5,176	71,571
Impairment losses	-	-	-	-	-
Balance at 30 June 2008	32,151	83,442	25,160	14,286	155,039
<b>Carrying amounts</b>					
At 1 July 2006	117,887	66,905	76,375	41,817	302,984
At 30 June and 1 July 2007	107,170	110,073	72,272	42,653	332,168
At 30 June 2008	96,453	142,453	63,414	37,477	339,797

## 12. INTANGIBLE ASSETS

	Computer Software	Registration Software	Capital Work in Progress	Total
	\$	\$	\$	\$
<b>Cost</b>				
Balance at 1 July 2006	56,567	-	1,144,835	1,201,402
Additions	-	1,854,346	940,551	2,794,897
Transfer to Registration Software	-	-	(1,854,346)	(1,854,346)
Balance at 30 June 2007	56,567	1,854,346	231,040	2,141,953
Balance at 1 July 2007	56,567	1,854,346	231,040	2,141,953
Additions	-	906,125	675,085	1,581,210
Transfer to Registration Software	-	-	(906,125)	(906,125)
Balance at 30 June 2008	56,567	2,760,471	-	2,817,038
<b>Accumulated amortisation and impairment losses</b>				
Balance at 1 July 2006	7,071	-	-	7,071
Amortisation expense	14,142	188,951	-	203,093
Impairment losses	-	1,665,395	-	1,665,395
Balance at 30 June 2007	21,213	1,854,346	-	1,875,559
Balance at 1 July 2007	21,213	1,854,346	-	1,875,559
Amortisation expense	14,141	151,021	-	165,162
Impairment losses	-	-	-	-
Balance at 30 June 2008	35,354	2,005,367	-	2,040,721
<b>Carrying amounts</b>				
At 1 July 2006	49,496	-	1,144,835	1,194,331
At 30 June and 1 July 2007	35,354	-	231,040	266,394
At 30 June 2008	21,213	755,104	-	776,317

*An impairment of \$1,665,395 was recognised in 2007 (2008: \$nil) for the original Registration Software that was replaced by the redevelopment of the Charities Register application software in November 2007.*

# Notes to the financial statements (continued)

## 13. EMPLOYEE ENTITLEMENTS

	Actual 2008	Actual 2007
	\$	\$
Accrued salaries and wages	40,636	15,007
Provision for annual leave	142,744	98,912
Provision for sick leave	-	-
Retirement and long service leave	-	-
	<b>183,380</b>	<b>113,919</b>

## 14. CREDITORS AND OTHER PAYABLES

	Actual 2008	Actual 2007
	\$	\$
Creditors and other payables include:		
Payables to suppliers	267,069	287,292
Accruals	250,290	192,261
ACC accruals	7,302	102
PAYE / Withholding tax payable	44,795	22,917
	<b>569,456</b>	<b>502,572</b>

*Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and other payables approximates their fair value.*

## 15. RECONCILIATION OF NET OPERATING DEFICIT WITH NET CASH FLOWS FROM OPERATING ACTIVITIES

	Actual 2008	Actual 2007
	\$	\$
Net Operating Deficit	(58,846)	(2,765,662)
Items not involving cash:		
Depreciation and amortisation expenses	236,733	254,528
Non-current asset write off	-	1,665,395
Changes in working capital items:		
Employee entitlements	69,461	64,210
Creditors and other payables	66,884	208,314
Debtors and other receivables	(6,776)	1,472
Good and Services Tax receivable	(11,078)	(57,141)
Net cash inflows / (outflows) from operating activities	<b>296,378</b>	<b>(628,884)</b>

## 16. FINANCIAL INSTRUMENTS

The Charities Commission is a party to financial instruments as part of its normal operations. These financial instruments include bank accounts, bank deposits, receivables and payables. Revenues and expenses are recognised in the Statement of Financial Performance. The Commission's exposure to off-balance sheet financial instruments is limited to operating commitments (refer to the Statement of Commitments). The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### Credit Risk

The financial instruments, which may subject the Commission to credit risk, are principally bank balances, deposits and accounts receivable and payables. The Commission's investments and bank balances are deposited with a registered bank in New Zealand. No collateral is held by the Commission, in respect of receivables or bank balances.

The Commission does not have any significant concentrations of credit risk.

### Interest Rate Risk

The Commission does not have any significant exposure to interest rate risk. Any risk is managed by holding funds at call, or on short-term deposit.

### Currency Risk

The Commission does not have any exposure to currency risk.

### Fair Value

The fair value of financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

### Liquidity Risk

Liquidity risk is the risk that the Charities Commission will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash. The Commission aims to maintain flexibility in funding by securing and keeping adequate Crown funding available.

In meeting its liquidity requirements, the Commission maintains a target level of bank deposits that must mature within the specified timeframe.

The table below analyses the Commission financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Less than 6 months \$
<b>2007</b>	
Creditors and other payables (note 14)	502,572
<b>2008</b>	
Creditors and other payables (note 14)	569,456

# Notes to the financial statements (continued)

## 17. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

The Commission is an autonomous Crown entity as defined by the Crown Entities Act 2004.

The major portion of funding for the Commission's operations is received from the Crown.

The Commission enters into transactions with government departments, state-owned enterprises and other Crown entities. Those transactions that occur within a normal supplier or client relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the Commission would have adopted if dealing with that entity at arm's length in the same circumstances have not been disclosed as related party transactions.

The Charities Commission did not have any related party transactions other than those with the Crown mentioned above.

	Actual 2008 \$	Actual 2007 \$
<b>Key management personnel compensation</b>		
Salaries and other short-term employee benefits	931,931	898,514
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Total key management personnel compensation	<u>931,931</u>	<u>898,514</u>

## 18. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date that would have led to an amended view of the values of assets or liabilities at the date of the balance sheet.

## 19. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

	Actual 2008 \$	Actual 2007 \$
<b>Loans and receivables</b>		
Cash and cash equivalents (Note 9 (1))	367,756	44,399
Cash and cash equivalents – litigation fund (Note 9 (2))	257,164	238,428
Debtors and other receivables	109,336	91,482
Investments – term deposits (Note 9 (1))	500,000	1,300,000
Total loans and receivables	<u>1,234,256</u>	<u>1,674,309</u>
<b>Financial liabilities measured at amortised cost</b>		
Creditors and other payables	569,456	502,572
Total financial liabilities measured at amortised cost	<u>569,456</u>	<u>502,572</u>

## 20. CAPITAL MANAGEMENT

The Commission's capital is its equity, which comprises accumulated funds and other reserves. Equity is represented by net assets.

The Commission is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

The Commission manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments, and general financial dealings to ensure the Commission effectively achieves its objectives and purpose, whilst remaining a going concern.

## 21. EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

Explanation for significant variations from the Commission's budgeted figures in the Statement of Intent are as follows:

### Statement of financial performance

*Crown funding* – Crown funding was more than budget by \$1m due to the Commission drawing down the contingency funding in October 2007.

*Registration – related costs* – Included in registration-related costs were registration staff salaries that exceeded budget by \$0.574m. The extra registration staff were employed due to the extra time required to process applications for registration and to cope with the influx of applications for registration towards the 30 June 2008 registration deadline.

*Non-current asset write off* – The budgeted write off amounting to \$1.588m of the to-be-replaced Registration Software was put through the financial statements in the year ended 30 June 2007.

### Statement of financial position

*Cash and cash equivalents* – The cash and cash equivalents were more than budget by \$0.796m and due mainly to the receipt of the unbudgeted contingency funding of \$1m.

### Statement of movements in taxpayers' funds

*Net deficit for year* – The net deficit for the year was less than budgeted by \$2.311m due to the budget variances explained in the Statement of Financial Performance above.

### Statement of cash flows

Net cash inflows from operating activities was more than budget by \$1.16m due mainly to the receipt of unbudgeted \$1m contingency funding from the Crown.

## 22. TRANSITION TO NZ IFRS

The Charities Commission's financial statements for the year ended 30 June 2008 are the first financial statements that comply with NZ IFRS. The Charities Commission has applied NZ IFRS 1 in preparing these financial statements.

The Charities Commission's transition date is 1 July 2006. The Commission has prepared its opening NZ IFRS balance sheet at that date.

In preparing these financial statements in accordance with NZ IFRS 1, the Commission has applied the mandatory exceptions and certain optional exemptions from full retrospective application of NZ IFRS.

There have been no exemptions taken up.

### Estimates exception

Estimates under NZ IFRS at 1 July 2007 are consistent with estimates made for the same date under previous NZ GAAP.

# Notes to the financial statements (continued)

## 23. RECONCILIATION OF TAXPAYERS' FUNDS

The following table shows the changes in taxpayers' funds, resulting from the transition from previous NZ GAAP to NZ IFRS as at 30 June 2007.

		Previous NZ GAAP 30 Jun 06	Effect on transition to NZ IFRS 30 Jun 06	NZ IFRS 30 Jun 06	Previous NZ GAAP 30 Jun 07	Effect on transition to NZ IFRS 30 Jun 07	NZ IFRS 30 Jun 07
Note	\$	\$	\$	\$	\$	\$	\$
<b>TAXPAYERS' FUNDS</b>							
Accumulated funds	a	3,773,994	-	3,773,994	1,417,952	-	1,417,952
Litigation fund		222,048	-	222,048	238,428	-	238,428
<b>Total Taxpayers' Funds</b>		<b>3,996,042</b>	<b>-</b>	<b>3,996,042</b>	<b>1,656,380</b>	<b>-</b>	<b>1,656,380</b>
Represented by:							
<b>CURRENT ASSETS</b>							
Cash at bank	b	562,590	(562,590)	-	44,399	(44,399)	-
Cash at bank – litigation fund	b	249,798	(249,798)	-	238,428	(238,428)	-
Cash and cash equivalents	b	-	2,862,590	2,862,590	-	1,344,399	1,344,399
Cash and cash equivalents – litigation fund	b	-	249,798	249,798	-	238,428	238,428
Short term bank deposit	b	2,300,000	(2,300,000)	-	1,300,000	(1,300,000)	-
Debtors and other receivables		19,491	-	19,491	18,019	-	18,019
Goods and Services Tax receivable		16,322	-	16,322	73,463	-	73,463
<b>Total current assets</b>		<b>3,148,201</b>	<b>-</b>	<b>3,148,201</b>	<b>1,674,309</b>	<b>-</b>	<b>1,674,309</b>
<b>NON-CURRENT ASSETS</b>							
Capital work in progress		1,144,835	(1,144,835)	-	231,040	(231,040)	-
Property, plant and equipment	c	352,480	(49,496)	302,984	367,522	(35,354)	332,168
Intangible assets	c	-	1,194,331	1,194,331	-	266,394	266,394
<b>Total non-current assets</b>		<b>1,497,315</b>	<b>-</b>	<b>1,497,315</b>	<b>598,562</b>	<b>-</b>	<b>598,562</b>
<b>TOTAL ASSETS</b>		<b>4,645,516</b>	<b>-</b>	<b>4,645,516</b>	<b>2,272,871</b>	<b>-</b>	<b>2,272,871</b>
<b>CURRENT LIABILITIES</b>							
Employee entitlements	a	38,496	11,213	49,709	98,912	15,007	113,919
Creditors and other payables		610,978	(11,213)	599,765	517,579	(15,007)	502,572
<b>Total current liabilities</b>		<b>649,474</b>	<b>-</b>	<b>649,474</b>	<b>616,491</b>	<b>-</b>	<b>616,491</b>
<b>TOTAL LIABILITIES</b>		<b>649,474</b>	<b>-</b>	<b>649,474</b>	<b>616,491</b>	<b>-</b>	<b>616,491</b>
<b>NET ASSETS</b>		<b>3,996,042</b>	<b>-</b>	<b>3,996,042</b>	<b>1,656,380</b>	<b>-</b>	<b>1,656,380</b>

Reconciliation of surplus/(deficit) for the year ended 30 June 2007:

	Previous NZ GAAP 30 Jun 06 \$	Effect on transition to NZ IFRS 30 Jun 06 \$	NZ IFRS 30 Jun 06 \$	Previous NZ GAAP 30 Jun 07 \$	Effect on transition to NZ IFRS 30 Jun 07 \$	NZ IFRS 30 Jun 07 \$
<b>REVENUE</b>						
Crown funding	4,981,000	-	4,981,000	2,992,333	-	2,992,333
Annual return fees	-	-	-	-	-	-
Interest	103,198	-	103,198	124,733	-	124,733
<b>TOTAL OPERATING REVENUE</b>	<b>5,084,198</b>	<b>-</b>	<b>5,084,198</b>	<b>3,117,066</b>	<b>-</b>	<b>3,117,066</b>
Crown funding – litigation	222,000	-	222,000	-	-	-
Interest – litigation fund	48	-	48	16,380	-	16,380
<b>TOTAL REVENUE</b>	<b>5,306,246</b>	<b>-</b>	<b>5,306,246</b>	<b>3,133,446</b>	<b>-</b>	<b>3,133,446</b>
<b>EXPENSES</b>						
Administration	355,434	-	355,434	729,131	-	729,131
Audit fees	30,000	-	30,000	40,120	-	40,120
Board members' fees	135,818	-	135,818	109,917	-	109,917
Communication and education	72,941	-	72,941	301,675	-	301,675
Depreciation	39,104	-	39,104	254,528	-	254,528
Occupancy costs	126,641	-	126,641	150,976	-	150,976
Personnel costs	1,072,058	-	1,072,058	1,445,056	-	1,445,056
Professional fees	845,208	-	845,208	625,801	-	625,801
Registration-related costs	-	-	-	576,509	-	576,509
Non-current asset write off	-	-	-	1,665,395	-	1,665,395
<b>TOTAL EXPENSES</b>	<b>2,677,204</b>	<b>-</b>	<b>2,677,204</b>	<b>5,899,108</b>	<b>-</b>	<b>5,899,108</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>2,629,042</b>	<b>-</b>	<b>2,629,042</b>	<b>(2,765,662)</b>	<b>-</b>	<b>(2,765,662)</b>

## Explanatory notes – reconciliation of taxpayers' funds

### a. Employee entitlements

Accrued salaries and wages are now shown in employee entitlements and no longer as accrued expenses in creditors and other payables.

### b. Cash and cash equivalents

Cash at bank and term deposits with maturities less than three months have been reclassified as cash and cash equivalents.

### c. Intangible assets

**Computer software** – Computer software was classified as part of property, plant and equipment under previous NZ GAAP. The net book value of computer software reclassified as an intangible asset on transition to NZ IFRS in 2007 was \$35,354 (2006: \$49,496). Included in the intangible assets at 30 June 2007 was an amount of \$231,040 incurred to that date for the redevelopment of the Charities Register application software.

# Our People

As at 30 June 2008, we had a core team of 15 permanent full-time employees, two permanent part-time employees and 43 fixed term employees. During the year, we received 13 resignations: four from permanent employees and nine from fixed term employees.

72% of the staff complement has been with the organisation for less than one year, therefore, our focus has been on providing initial training to enhance their job skill capability. Our “Good Employer” policies have positioned us to compete for employees in an extremely challenging labour market and we continue to review our people management practices to enable us to meet the changing needs of our employees.

The Commission’s long-term goal is to develop the capability necessary to enable the Commission to meet its objectives. We will do this by:

- attracting, developing and retaining high calibre staff;
- rewarding and recognising staff in a fair and equitable manner; and
- enhancing the organisational culture.

The following key initiatives have been implemented in the 2007/08 period:

## Leadership

We have continued to work towards addressing issues identified in our Employee Engagement Survey (2007), for example:

- clear expectations and operational leadership is provided by the Chief Executive and all managers, and roles and responsibilities are clearly defined;
- the Chief Executive continues to meet with all staff regularly and provides them with an update on ‘work-in-progress’; and

- we have celebrated success more frequently.

We have recognised the need to provide family support; therefore, the Commission implemented a part-reimbursement of fees for employees’ children to attend a school holiday programme.

## Recruitment, selection and induction

We had a significant focus on recruitment for the registration team this year. We recruited 39 staff between 1 July 2007 – 30 June 2008. We used a variety of ways to achieve our recruitment targets: through advertising at universities, on government websites, in newspapers, using recruitment agencies and by word-of-mouth.

## Employee development, promotion and exit

The annual performance management process completed its second year of implementation. Employees were given an opportunity to provide feedback on the system and refinements were made to the Performance Review Guidelines to ensure ease of use for both managers and staff.

The annual performance management process identified training and development needs and human resources implemented a system to keep track of training undertaken by staff.

## Remuneration, recognition and conditions

Financial remuneration is reviewed annually and is aligned to performance on the job. Staff receive personal thanks from the Chief Executive, as well as non-cash incentives when appropriate.

## Harassment and bullying prevention

The Commission provides information on anti-harassment and the options available to employees to address harassment/bullying in the workplace at their induction. New employees are directed to the Intranet for a copy of the Commission’s anti-harassment/bullying policy. The Commission also provides anti-harassment training for all staff annually.

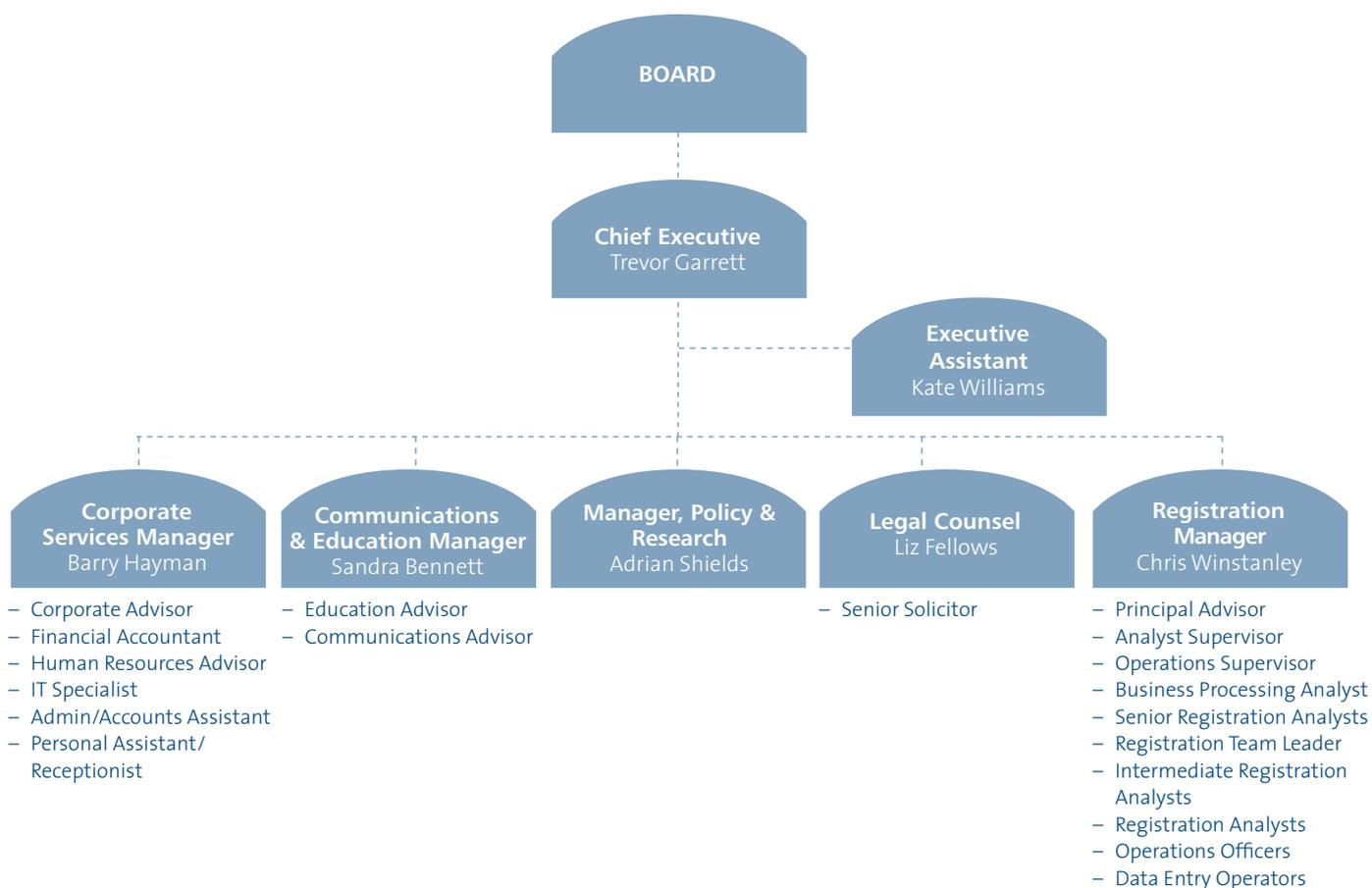
## Staff and healthy environment

- Staff are encouraged to participate in the health and safety of the Commission.
- Staff are given access to the Commission’s Employee Assistance Programme. This programme gives employees an opportunity to address personal problems that may be affecting their work performance.
- On joining the Commission, and as required afterwards, all staff are provided with a workplace assessment which includes a review and adjustment of workstations, equipment recommendations and advice on exercises and self-management to relieve any discomfort.
- Staff are encouraged to use their annual leave in the period it is earned.
- Flu vaccinations are provided to staff and their spouses/partners on an annual basis.

**For information on further initiatives undertaken by the Commission, please visit our website [www.charities.govt.nz](http://www.charities.govt.nz).**

# Organisational Structure

At 30 September 2008



## How to register

You can find information on registration in the *Guide to the Charities Act* booklet, our website, **[www.charities.govt.nz](http://www.charities.govt.nz)**, and by calling our free information line **0508 242 748 (0508 CHARITIES)**. You can also subscribe to our monthly newsletter by emailing **[info@charities.govt.nz](mailto:info@charities.govt.nz)** or phoning our free information line.

## How to contact us

Level 8, 85 The Terrace, PO Box 8072,  
Wellington, New Zealand

Free information line 0508 242 748  
Phone: +64 4 978 7785 Fax: +64 4 978 7794  
Email: [info@charities.govt.nz](mailto:info@charities.govt.nz)

**[www.charities.govt.nz](http://www.charities.govt.nz)**

## **Board Governance Committees**

The Board meets monthly and at other times as required.

The Board has established Standing Committees to help it more efficiently undertake its work.

### *Human Resources Committee*

Members of this Committee are Sid Ashton (Chair), Ian Calder and Judith Timpany. This Committee oversees the selection and performance management of the Chief Executive.

### *Information and Education Committee (previously the Communications and Education Committee)*

Members of this Committee are Judith Timpany (Chair), Amohaere Houkamau and Trish McKelvey. This Committee provides oversight, guidance and support to enable the Commission to fulfil its obligations under section 10 of the Charities Act 2005, to meet the Charities Commission's aims and objectives.

### *Risk, Audit and Compliance Committee*

Members of this Committee are Frank Claridge (Chair), Sid Ashton, Ian Calder and Amohaere Houkamau. This Committee assists the Board in discharging its responsibilities relative to financial reporting, risk management and legislative compliance by the Charities Commission.

### *Registration Committee*

Members of this Committee are Kerry Ayers (Chair), Sid Ashton (Deputy Chair), Ian Calder, Frank Claridge, Amohaere Houkamau, Trish McKelvey and Judith Timpany. This Committee provides guidance and support in the fulfilment of the Commission's statutory obligations under the Charities Act to register charities.

**Work Programme timelines –**

Function	June 2008	June 2009	June 2010	June 2011
Registration and Monitoring	Initial registration Develop strategy	On-going registration Annual Returns Proactive review and assessment		
Investigate complaints and inquiries about registered charities	Develop strategy	Complaints Inquiries into conduct		
Provision of information about charities		Information about Register and requirements of registered charity Supply and make information on Register available Develop research strategy and programme	Undertake research and publish results	
Provision of advice, education and information to charities	Information on registration of annual returns	Develop strategy and expertise	Governance and management	
Provision of policy advice relating to charities	Develop Commission's policy framework		Policy advice	

25 September 2008

Hon Ruth Dyson  
Minister for the Community and Voluntary Sector  
Parliament Buildings  
Wellington

Dear Minister

Thank you for your letter that we received on 24 September advising of the decision relating to our Business Case.

I would like to reiterate my comment that I made at our meeting last week that both myself and the Board are very pleased with your support over this decision. The decision will allow us to continue with our registration work and to prepare for our future activities in both education for the charitable sector and the monitoring role that we have under our Act.

However, I also mentioned at our meeting that I did have a serious concern about the funds available for our wider monitoring function. I do appreciate that we do have funds to allow us to scope this function and we will do this as soon as we can.

What I am concerned about, is that when we complete that exercise next year, we might have to wait until 2011/12 before we can assume any future funding. This is a very long wait. I believe that this will be too late. My reason for saying this is that there are a number of activities that we are already having to put on hold, such as investigating complaints, and I am worried that if there is a major incident and we can not respond, then confidence in the Commission may be damaged.

I do not want to attempt to guess the result of this scoping exercise but I can envisage a staff in the vicinity of 7-8 plus a fund to cope with complicated issues involved in a major incident; such as forensic accounting services.

I am also mindful that we are having preliminary discussions with intelligence agencies about the charities sector, as envisaged by the Special Recommendation 8 of the Financial Action Task Force (FATF). Currently we have no ability to follow up on any intelligence or investigation activities with those agencies.

I do accept that it is important that a scoping exercise is completed, and obviously I am pleased that we have been given the financial resources to do so. However, I would like the opportunity to present a budget bid to support our proposed work before 2011/12.

Thank you again for your support.

Yours sincerely

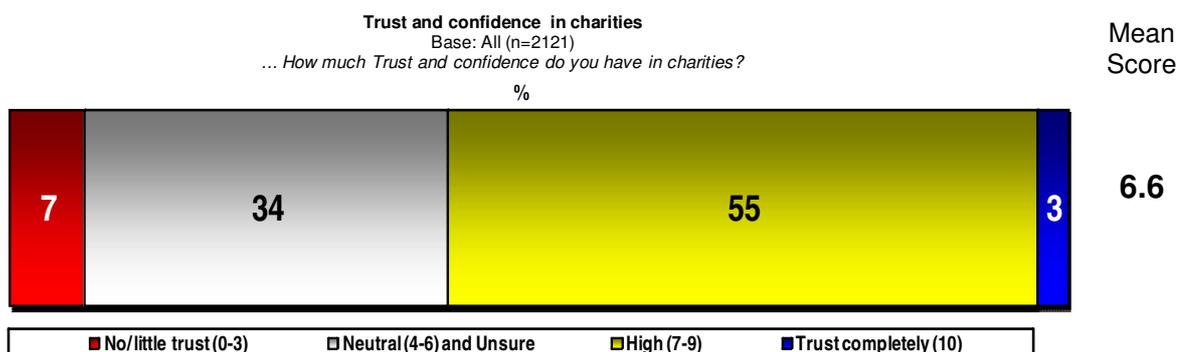
A handwritten signature in black ink, appearing to read 'S. Ashton', written in a cursive style.

Sid Ashton  
**Chairman**

## II. Executive Summary

### ■ Trust and confidence in charities

- A majority of respondents (58%) reported a high level of trust and confidence in charities. Only 7% expressed a low level of trust and confidence in charities. One in three (34%) were neutral or unsure. The mean score for trust and confidence was 6.6.



- A majority of respondents expressed a high level of trust in charities to:
  - Make a positive difference to the matters they address (55%) and,
  - Ensure that their fundraisers are ethical and honest (51%);
  - A high proportion of respondents were neutral for each of these measures.
- Respondents were provided with a list and asked to select the single most influential characteristic on their decision to support a charity. The most selected characteristic was that 'they make a positive difference to the matters they address' (41%), followed by 'they ensure a reasonable proportion of donations get to the end cause' (18%).
- A majority firmly agreed with the statements:
  - I feel more confident in charities that are open about how they use their resources (84%);
  - I trust charities more if I have heard of them (75%);
  - Charities play a very important role in society today (74%);
  - I trust charities more if they are clear about how they are managed (73%); and,
  - I trust charities if they assist locally (54%);
- A quarter of respondents noted donating more than \$250 to charities in the last 12 months. Nineteen percent noted donating nothing or up to \$20.
- Health and medical were the most common type of organisations that respondents noted donating to in the past 12 months, at a majority of 54%.

- Two in five (41%) reported having claimed a tax refund for donations. More than a quarter reported having:
  - Checked that it was a genuine charity (32%);
  - Asked for proof of identification of the person who had approached them (28%); and,
  - Asked how their donated money would be spent (25 %).
- A majority (54%) of respondents reported having given to charity by way of street collection.
- One in three reported doing volunteer or unpaid work.
- Two thirds (64%) of respondents considered human rights organisations to be charities, 52% thought that environmental improvement groups are charities, and 48% thought that service organisations are charities.

## ■ Charities Commission

- A majority 57% reported having heard of the Charities Commission.
  - Two thirds (64%), however, reported a low level of knowledge about the Commission;
  - Given a brief description, a clear majority 78% placed a high importance rating on the role of the Charities Commission. Forty percent rated importance at ten out of ten.
- Twenty eight percent of respondents declared that they were aware of the charities registration number.
  - Half declared that they would be likely to ask for the registration number in future, while 22% were unsure.

## ■ Strengths and Needs in Sector

- When asked to nominate key strengths of the charitable sector in New Zealand, 29% of respondents noted attributes of charitable organisations, and 23% noted aspects of them providing for needs. Eighteen percent noted the dedication of staff and volunteers.
- Transparency and information about destination of funds was the most noted need in the New Zealand charitable sector, nominated by 31% of respondents. Ensuring a high proportion of funds goes to the purpose, and concerns about the type and amount of advertising and collections were common points raised.

## ■ Segmentation Analysis

- Three general public segments were identified based on demographic, attitudinal and behavioural similarities. These included Supporters, Mainstreamers and Sceptics.
  - **Supporters** make up 38% of the population. They are clearly more positive towards charities, declaring higher levels of trust and confidence across all measures, higher agreement with all positive statements regarding charities, and lower agreement with negative ones.
  - **Mainstreamers** are the largest group, made up of 44% of the population. Mainstreamers closely mirror trust and confidence levels of the total population.
  - **Sceptics** were the smallest segment at 18% of the population. They are clearly less positive towards charities, declaring lower levels of trust and confidence across all measures, lower agreement with all positive statements regarding charities, and higher agreement with negative ones.

## ■ Drivers of trust and confidence in charities

- The strongest drivers of overall trust and confidence in charities were found to be agreement with statements that relate to the **Management and Outcomes** of charities.
- Four factors were extracted from the twenty statements tested in the survey:
  - **Management and Outcomes** was the factor with the strongest correlation to overall trust and confidence in charities. It included respondents' opinions about how charities spend their money, ensuring money gets to the end cause, making a positive difference and being well managed.
  - **Openness** consisted of four statements, with the highest correlations being for respondents' agreement with 'I feel more confident in charities that are open about how they use their resources', and 'I trust charities more if they are clear about how they are managed'.
  - **Profile** included the statement that 'I trust big charities more than smaller ones' and 'I trust charities with well known supporters and patrons'.
  - **Doubt** included the negative statements of 'I know very little about how charities are run', and 'Charities use more dubious fundraising techniques these days'. This factor had a mild negative correlation to overall trust and confidence in charities.
- Statements regarding the effectiveness and targeting of spending, making a positive difference to causes, and ethics and honesty held the strongest correlations to overall trust and confidence and to the **Management and Outcomes** factor.

**Reprint**  
**as at 20 November 2007**

**Charities Act 2005**

Public Act 2005 No 39  
Date of assent 20 April 2005

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**Note**

Changes authorised by section 17C of the Acts and Regulations Publication Act 1989 have been made in this eprint.

A general outline of these changes is set out in the notes at the end of this eprint, together with other explanatory material about this eprint.

**This Act is administered by the Ministry of Social Development and the Department of Internal Affairs.**

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**The Parliament of New Zealand enacts as follows:**

**1 Title**

This Act is the Charities Act 2005.

**2 Commencement**

- (1) Section 1, this section, and sections 11(4), 42, and 73 come into force on the day after the date on which this Act receives the Royal assent.
- (2) Part 1 (except section 11(4)), sections 62, 63, and 76, and the Schedule come into force on 1 July 2005.
- (3) The rest of this Act comes into force on a date to be appointed by the Governor-General by Order in Council; and 1 or more

orders may be made bringing different provisions into force on different dates.

## Part 1 Charities Commission

### *Preliminary matters*

#### 3 Purpose

The purpose of this Act is to—

- (a) establish the Commission as a Crown entity for the purposes of section 7 of the Crown Entities Act 2004;
- (b) state the Commission's functions and powers;
- (c) require the Commission—
  - (i) to have regard to certain matters; and
  - (ii) to comply with certain other obligations;
- (d) provide for the registration of societies, institutions, and trustees of trusts as charitable entities;
- (e) require charitable entities and certain other persons to comply with certain obligations.

#### 4 Interpretation

- (1) In this Act, unless the context otherwise requires,—

**charitable entity** means a society, an institution, or the trustees of a trust that is or are registered as a charitable entity under this Act

**collector** means a person who, on behalf of a charitable entity, requests funds, canvasses for subscriptions, sells raffle or lottery tickets, or appeals for donations

**Commission** means the Charities Commission established by section 8

**document** has the meaning set out in section 2(1) of the Commerce Act 1986

**entity** means any society, institution, or trustees of a trust

**Inland Revenue Acts** has the meaning set out in section 3(1) of the Tax Administration Act 1994

**Minister** means the Minister of the Crown who, under the authority of any warrant or with the authority of the Prime Min-

ister, is for the time being responsible for the administration of this Act

**officer**—

- (a) means, in relation to the trustees of a trust, any of those trustees; and
- (b) means, in relation to any other entity,—
  - (i) a member of the board or governing body of the entity if it has a board or governing body; or
  - (ii) in any other case, a person occupying a position in the entity that allows the person to exercise significant influence over the management or administration of the entity (for example, a treasurer or a chief executive); and
- (c) includes any class or classes of persons that are declared by regulations to be officers for the purposes of this Act; but
- (d) excludes any class or classes of persons that are declared by regulations not to be officers for the purposes of this Act

**parent entity** has the meaning set out in section 44

**register** or **register of charitable entities** means the register of charitable entities established under section 21

**regulations** means regulations in force under this Act

**rules** means,—

- (a) in relation to the trustees of a trust, the rules, trust deeds, and instruments constituting, or defining the constitution of, that trust; and
- (b) in relation to any other entity, the rules, constitution, and instruments constituting, or defining the constitution of, that entity

**serious wrongdoing**, in relation to an entity, includes any serious wrongdoing of any of the following types

- (a) an unlawful or a corrupt use of the funds or resources of the entity; or
- (b) an act, omission, or course of conduct that constitutes a serious risk to the public interest in the orderly and appropriate conduct of the affairs of the entity; or

- (c) an act, omission, or course of conduct that constitutes an offence; or
- (d) an act, omission, or course of conduct by a person that is oppressive, improperly discriminatory, or grossly negligent, or that constitutes gross mismanagement

**single entity** has the meaning set out in section 44.

- (2) In this Act, unless the context otherwise requires, references to a person performing functions and exercising powers, or carrying out responsibilities, include carrying out duties.
- (3) An example used in this Act has the following status:
  - (a) the example is only illustrative of the provision to which it relates and does not limit the provision; and
  - (b) if the example and the provision to which it relates are inconsistent, the provision prevails.

## **5 Meaning of charitable purpose and effect of ancillary non-charitable purpose**

- (1) In this Act, unless the context otherwise requires, **charitable purpose** includes every charitable purpose, whether it relates to the relief of poverty, the advancement of education or religion, or any other matter beneficial to the community.
- (2) However,—
  - (a) the purpose of a trust, society, or institution is a charitable purpose under this Act if the purpose would satisfy the public benefit requirement apart from the fact that the beneficiaries of the trust, or the members of the society or institution, are related by blood; and
  - (b) a marae has a charitable purpose if the physical structure of the marae is situated on land that is a Maori reservation referred to in Te Ture Whenua Maori Act 1993 (Maori Land Act 1993) and the funds of the marae are not used for a purpose other than—
    - (i) the administration and maintenance of the land and of the physical structure of the marae;
    - (ii) a purpose that is a charitable purpose other than under this paragraph.
- (3) To avoid doubt, if the purposes of a trust, society, or an institution include a non-charitable purpose (for example, advocacy)

that is merely ancillary to a charitable purpose of the trust, society, or institution, the presence of that non-charitable purpose does not prevent the trustees of the trust, the society, or the institution from qualifying for registration as a charitable entity.

- (4) For the purposes of subsection (3), a non-charitable purpose is ancillary to a charitable purpose of the trust, society, or institution if the non-charitable purpose is—
- (a) ancillary, secondary, subordinate, or incidental to a charitable purpose of the trust, society, or institution; and
  - (b) not an independent purpose of the trust, society, or institution.

## **6 Registration of trustees of trusts**

- (1) If an entity is, or consists of, the trustees of a trust, the name of that entity must, for the purposes of this Act, be treated as being—
- (a) the name under which the trustees are incorporated as a Board under the Charitable Trusts Act 1957 if the trustees are incorporated as a Board under that Act; or
  - (b) the name of the trust; or
  - (c) a name nominated by the trustees of the trust if the trust does not otherwise have a name.
- (2) The registration of the trustees of a trust as a charitable entity is not affected by—
- (a) 1 or more of the trustees ceasing to be a trustee of the trust; or
  - (b) the appointment of new trustees of the trust.
- (3) Subsections (1) and (2) do not limit sections 31 to 36, and 40.

## **7 Act binds the Crown**

This Act binds the Crown.

### *Establishment of Commission*

## **8 Commission established**

This section establishes the Charities Commission.

*Nature of Commission***9 Commission is Crown entity**

- (1) The Commission is a Crown entity for the purposes of section 7 of the Crown Entities Act 2004.
- (2) The Crown Entities Act 2004 applies to the Commission except to the extent that this Act expressly provides otherwise.

*Commission's functions***10 Commission's functions**

- (1) The functions of the Commission are to—
  - (a) promote public trust and confidence in the charitable sector; and
  - (b) encourage and promote the effective use of charitable resources; and
  - (c) educate and assist charities in relation to matters of good governance and management, for example,—
    - (i) by issuing guidelines or recommendations on the best practice to be observed by charities and by persons concerned with the management or administration of charities;
    - (ii) by issuing model rules;
    - (iii) by providing information to charities about their rights, duties, and obligations under this Act and other enactments; and
  - (d) make appropriate information available to assist persons to make registration applications under this Act; and
  - (e) receive, consider, and process applications for registration as charitable entities; and
  - (f) ensure that the register of charitable entities is compiled and maintained; and
  - (g) receive, consider, and process annual returns submitted by charitable entities; and
  - (h) supply information and documents in appropriate circumstances for the purposes of the Inland Revenue Acts; and
  - (i) monitor charitable entities and their activities to ensure that entities that are registered as charitable entities con-

- tinue to be qualified for registration as charitable entities; and
- (j) inquire into charitable entities and into persons who have engaged in, or are engaging in, conduct that constitutes, or may constitute, a breach of this Act or serious wrongdoing in connection with a charitable entity; and
  - (k) monitor and promote compliance with this Act, including by taking prosecutions for offences against this Act in appropriate circumstances; and
  - (l) consider, and to report and make recommendations on, any matter (for example, a proposed government policy) relating to charities—
    - (i) that is referred to it by any Minister of the Crown; or
    - (ii) on its own motion; and
  - (m) stimulate and promote research into any matter relating to charities, for example,—
    - (i) by collecting and disseminating information or research about charities;
    - (ii) by advising on areas where further research or information about charities should be undertaken or collected;
    - (iii) by entering into contracts or arrangements for research or information about charities to be undertaken or collected; and
  - (n) carry out any other functions that the Minister may direct the Commission to perform in accordance with section 112 of the Crown Entities Act 2004.
- (2) Without limiting subsection (1), the Commission may perform its functions under subsection (1)(a) to (c), (l), and (m) in relation to any charity regardless of whether or not the charity is registered as a charitable entity.

### *Membership of Commission*

#### **11 Membership of Commission**

- (1) The Commission consists of no more than 7, and no fewer than 5, members.

- (2) Members of the Commission are the board for the purposes of the Crown Entities Act 2004.
- (3) Despite clause 1(1) of Schedule 5 of the Crown Entities Act 2004, the Minister must appoint 1 member to be the chairperson of the board.
- (4) The Minister may appoint members under the Crown Entities Act 2004 on and after the commencement of this subsection.

#### *Annual meeting*

### **12 Commission must hold annual meeting**

- (1) The Commission must hold at least 1 annual meeting not later than 30 November in each year with the representatives of charitable entities who attend the meeting.
- (2) However, the Commission does not have to hold an annual meeting in the 12-month period after its establishment.
- (3) The Minister or representatives of the Minister, or both the Minister and representatives of the Minister, must attend at least 1 annual meeting in each year in which a meeting is held.
- (4) The Commission may hold an annual meeting in 1 or more areas or regions.
- (5) The Commission must give not less than 30 days' notice of each annual meeting—
  - (a) in 1 or more daily newspapers circulating in each of the cities of Auckland, Hamilton, Wellington, Christchurch, and Dunedin; and
  - (b) on a website maintained by, or on behalf of, the Commission.
- (6) At each annual meeting, the Commission must—
  - (a) report on the operation of the Commission during the preceding financial year; and
  - (b) table the financial statements of the Commission for that year; and
  - (c) report on any matters that the Commission has knowledge of that may significantly affect the charitable sector in the current financial year; and
  - (d) give a reasonable opportunity for persons who attend the meeting to—

- (i) ask questions concerning the operation of the Commission during the preceding financial year; and
  - (ii) make submissions to the Commission concerning the operation of the Commission during the preceding financial year; and
  - (iii) ask questions concerning the matters referred to in paragraph (c) and to make submissions to the Commission concerning those matters.
- (7) Nothing in subsection (6) requires the Commission to disclose any information if disclosure of that information would involve a breach of confidence, of trust, of contract, of any enactment, or of any other rule of law.

## **Part 2**

### **Charitable entities**

#### Subpart 1—Register of charitable entities

##### *Registration requirements*

### **13 Essential requirements**

- (1) An entity qualifies for registration as a charitable entity if,—
- (a) in the case of the trustees of a trust, the trust is of a kind in relation to which an amount of income is derived by the trustees in trust for charitable purposes; and
  - (b) in the case of a society or an institution, the society or institution—
    - (i) is established and maintained exclusively for charitable purposes; and
    - (ii) is not carried on for the private pecuniary profit of any individual; and
  - (c) the entity has a name that complies with section 15; and
  - (d) all of the officers of the entity are qualified to be officers of a charitable entity under section 16.
- (2) The trustees of a trust must be treated as complying with subsection (1)(a) if,—
- (a) in accordance with a ruling made under Part 5A of the Tax Administration Act 1994,—
    - (i) an amount of income derived by the trustees in trust is treated as having been derived by the

- trustees in trust for charitable purposes for the purposes of section CW 34 of the Income Tax Act 2004; or
- (ii) income is treated as having been derived directly or indirectly from a business carried on by, or for, or for the benefit of the trustees in trust for charitable purposes for the purposes of section CW 35 of the Income Tax Act 2004; or
- (b) the income derived by the trustees is deemed to be income derived by trustees in trust for charitable purposes under section 24B of the Maori Trust Boards Act 1955.
- (3) A society or an institution must be treated as complying with subsection (1)(b) if, in accordance with a ruling made under Part 5A of the Tax Administration Act 1994, that society or institution is treated as being a society or institution that is established and maintained exclusively for charitable purposes and not carried on for the private pecuniary profit of any individual for the purposes of section CW 34 or section CW 35 of the Income Tax Act 2004.
- (4) Subsections (2) and (3) cease to apply in relation to an entity if—
- (a) the period for which the ruling applies has expired; or
  - (b) the ruling has ceased to apply because of section 91G of the Tax Administration Act 1994; or
  - (c) the ruling has otherwise ceased to apply to the entity.
- (5) Despite subsections (1) to (3), an entity does not qualify for registration as a charitable entity if—
- (a) the entity is a designated terrorist entity as defined in section 4(1) of the Terrorism Suppression Act 2002; or
  - (b) the entity has been convicted of any offence under sections 6A to 13E of the Terrorism Suppression Act 2002.

Section 13(5)(a): amended, on 20 November 2007, by section 46(2)(a) of the Terrorism Suppression Amendment Act 2007 (2007 No 102).

Section 13(5)(a): amended, on 20 November 2007, by section 46(2)(b) of the Terrorism Suppression Amendment Act 2007 (2007 No 102).

Section 13(5)(b): amended, on 20 November 2007, by section 46(3) of the Terrorism Suppression Amendment Act 2007 (2007 No 102).

**14 Commission may act on basis of reasonable assumptions in relation to charitable trusts**

- (1) A trust is not prevented from being of a kind referred to in section 13(1)(a) merely because the trustees of the trust have not yet derived an amount of income in trust for charitable purposes if, in the opinion of the Commission,—
- (a) an amount of income will be derived by the trustees in trust for charitable purposes; and
  - (b) it is fit and proper to register the trustees of the trust as a charitable entity.
- (2) For the purposes of subsection (1), the Commission may act on the basis of any assumptions concerning the future derivation of income for charitable purposes that, in the opinion of the Commission, are reasonable in the circumstances of the case.
- 

**Example**

A charitable trust has recently been created.

The trustees of that trust have not yet derived an amount of income in trust for charitable purposes. However, the Commission is of the opinion, having regard to reasonable assumptions, that the trustees will derive an amount of income in trust for charitable purposes. The Commission is also of the opinion that it is fit and proper to register the trustees. Accordingly, the Commission is satisfied that the trust is of a kind referred to in section 13(1)(a). The trust has a name that complies with section 15 and the trustees of the charitable trust are qualified to be officers of a charitable entity.

The trustees of the trust qualify for registration as a charitable entity.

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**15 Name of entity**

The name of an entity complies with this section if—

- (a) the entity is incorporated under that name under the Incorporated Societies Act 1908; or
- (b) the entity is incorporated under that name under the Charitable Trusts Act 1957; or
- (c) the entity is incorporated under that name under the Companies Act 1993; or
- (d) the entity is established, or constituted, by an Act under that name; or

- (e) in any other case, in the opinion of the Commission, the name is not—
  - (i) offensive; or
  - (ii) liable to mislead the public.

## **16 Qualifications of officers of charitable entities**

- (1) A person who is not disqualified by this section is qualified to be an officer of a charitable entity.
- (2) The following persons are disqualified from being officers of charitable entities:
  - (a) an individual who is an undischarged bankrupt;
  - (b) an individual who is under the age of 16 years;
  - (c) an individual who, or a body corporate that, has been convicted of a crime involving dishonesty (within the meaning of section 2(1) of the Crimes Act 1961) and has been sentenced for that crime within the last 7 years;
  - (d) an individual who is prohibited from being a director or promoter of, or being concerned or taking part in the management of, an incorporated or unincorporated body under the Companies Act 1993, the Securities Act 1978, the Securities Markets Act 1988, or the Takeovers Act 1993;
  - (e) an individual who, or a body corporate that, is disqualified from being an officer of a charitable entity under section 31(4);
  - (f) an individual who is subject to a property order made under the Protection of Personal and Property Rights Act 1988, or whose property is managed by a trustee corporation under section 32 of that Act;
  - (g) a body corporate that is being wound up, is in liquidation or receivership, or is subject to statutory management under the Corporations (Investigation and Management) Act 1989;
  - (h) in relation to any particular entity, an individual who, or a body corporate that, does not comply with any qualifications for officers contained in the rules of that entity.
- (3) Subsection (2) does not apply to an officer of an entity if that officer was appointed, under an Act, by the Governor-General, by the Governor-General in Council, or by a Minister.

- (4) The Commission may, by written notice to an entity, waive the application of any of the disqualifying factors set out in subsection (2)(a) to (g), in relation to an officer of that entity.
- (5) If the Commission waives the application of a disqualifying factor set out in subsection (2)(a) to (g), the officer to whom the waiver relates must not be treated as being disqualified from being an officer of a charitable entity in relation to the entity by reason of the application of that disqualifying factor.
- (6) The waiver may be granted on any terms or conditions that the Commission thinks fit.
- (7) The Commission may vary a waiver in the same way as a waiver may be granted under this section.
- (8) The Commission may, by written notice to an entity, revoke a waiver granted under this section.

Subsection (2)(d) was substituted, as from 25 October 2006, by section 25 Securities Amendment Act 2006 (2006 No 46).

#### *Applications for registration*

### **17 Application for registration**

- (1) An application for registration of an entity as a charitable entity must be sent or delivered to the Commission and must—
  - (a) be in the prescribed form; and
  - (b) be accompanied by a document in the prescribed form, signed by, or on behalf of, every person who is an officer of the entity, that contains a certification that the person is not disqualified from being an officer of a charitable entity in relation to the entity under section 16; and
  - (c) be accompanied by a copy of the rules of the entity; and
  - (d) be accompanied by the prescribed fee for the application (if any); and
  - (e) contain, or be accompanied by, any other prescribed information or documentation.
- (2) If a request for a waiver under section 16 has been made in relation to an officer of an entity, the document referred to in subsection (1)(b) is not required to contain a certification referred to in that paragraph in relation to that officer.

**18 Commission to consider application**

- (1) The Commission must, as soon as practicable after receiving a properly completed application for registration of an entity as a charitable entity, consider whether the entity qualifies for registration as a charitable entity.
- (2) In considering the application, the Commission may request that the applicant supply further information or documentation.
- (3) In considering an application, the Commission must—
  - (a) have regard to—
    - (i) the activities of the entity at the time at which the application was made; and
    - (ii) the proposed activities of the entity; and
    - (iii) any other information that it considers is relevant; and
  - (b) observe the rules of natural justice; and
  - (c) give the applicant—
    - (i) notice of any matter that might result in its application being declined; and
    - (ii) a reasonable opportunity to make submissions to the Commission on the matter.
- (4) Despite subsection (1), the Commission is not required to consider an application that has been made in breach of section 31(4).

**19 Commission to register entity or decline application**

- (1) If, after considering an application, the Commission is satisfied that an entity is qualified to be registered as a charitable entity, the Commission must—
  - (a) register the entity as a charitable entity; and
  - (b) allocate a registration number to the entity; and
  - (c) notify the entity of its registration and of its registration number.
- (2) If, after considering an application, the Commission is not satisfied that an entity is qualified to be registered as a charitable entity, the Commission must notify the entity of its decision and the reasons for it.

**20 Commission may backdate registration of entity as charitable entity**

- (1) The Commission may, if it thinks fit, register a notice in the register of charitable entities that specifies that an entity must be treated as having become registered as a charitable entity at a time (the **effective registration time**) that is before the time at which the entity actually became registered as a charitable entity.
- (2) However, the effective registration time must not,—
  - (a) in the case of a trust, society, or an institution referred to in section 73(1) of the Estate and Gift Duties Act 1968 created or established by a gift after the commencement of this section, be earlier than the time that the gift was made; and
  - (b) in any other case, be earlier than the time that the Commission received a properly completed application for registration of the entity as a charitable entity.
- (3) Before the Commission exercises its powers under subsection (1), the Commission must be satisfied that the entity was qualified for registration as a charitable entity at all times during the period between the effective registration time and the time at which the entity actually became registered as a charitable entity.
- (4) If the Commission exercises its powers under subsection (1) in relation to an entity, the entity must be treated as having become registered as a charitable entity at the effective registration time for the purposes of this Act, the Income Tax Act 2004, and the Estate and Gift Duties Act 1968.

*Register of charitable entities established*

**21 Register of charitable entities**

- (1) A register called the register of charitable entities is established.
- (2) The register may be—
  - (a) an electronic register; or
  - (b) kept in any other manner that the Commission thinks fit.
- (3) The register must be operated at all times unless—

- (a) the Commission suspends the operation of the register, in whole or in part, in accordance with subsection (4); or
  - (b) otherwise provided in regulations.
- (4) The Commission may refuse access to the register or otherwise suspend the operation of the register, in whole or in part, if the Commission considers that it is not practical to provide access to the register.

## **22 Purpose of register**

The purpose of the register is—

- (a) to enable a member of the public to—
  - (i) determine whether an entity is registered as a charitable entity under this Act; and
  - (ii) obtain information concerning the nature, activities, and purposes of charitable entities; and
  - (iii) know how to contact a charitable entity; and
- (b) to assist any person—
  - (i) in the exercise of the person's powers under this Act or any other enactment; or
  - (ii) in the performance of the person's functions under this Act or any other enactment.

## **23 Commission is registrar of register**

- (1) The Commission holds the office of registrar of the register.
- (2) The Commission must ensure that the register is compiled and maintained.

## **24 Contents of register**

- (1) The register must contain the following information and documents for each charitable entity:
  - (a) the name of the entity; and
  - (b) the address for service of the entity; and
  - (c) the registration number of the entity; and
  - (d) the names of the officers of the entity and of all persons who have been officers of the entity since the entity was first registered as a charitable entity; and
  - (e) a copy of the rules of the entity; and

- (f) the application for registration of the entity as a charitable entity (including all required accompanying information and documents); and
  - (g) each annual return sent or delivered to the Commission by the entity; and
  - (h) each notice of change sent or delivered under section 40; and
  - (i) the terms and conditions of any exemption granted under section 43 that is in force in relation to the entity.
- (2) The register must contain any other prescribed information or documents.
- (3) This section is subject to section 25.

**25 Commission may allow information and documents to be omitted or removed from register and may restrict public access to information and documents**

- (1) The Commission may remove or omit from the register any information or documents that relate to a charitable entity if—
- (a) the charitable entity is removed from the register; or
  - (b) the Commission considers, in the public interest, that the information or documents should not form part of the register.
- (2) The Commission may, on a request from an entity or on its own motion, prevent or restrict public access to any information or documents that relate to the entity if the Commission considers, in the public interest, that public access to that information or those documents should be prevented or restricted.
- (3) For the purposes of subsection (2), the Commission may prevent or restrict access subject to any terms and conditions that it thinks fit.
- (4) This section does not limit the Official Information Act 1982.

**26 Amendments to register**

The Commission may, at any time, make any amendments to the register that are necessary—

- (a) to reflect any changes in the information that relates to a charitable entity; or

- (b) to correct a mistake caused by any error or omission on the part of the Commission; or
- (c) for the purposes of section 25; or
- (d) to comply with any order made under section 60 or section 61.

### *Searches of register*

#### **27 Search of register**

- (1) A person may search the register in accordance with this Act or regulations.
- (2) The register may be searched only by reference to the following criteria:
  - (a) the name of the charitable entity;
  - (b) the registration number of the charitable entity;
  - (c) the name of an officer of the charitable entity;
  - (d) any other prescribed criteria.

#### **28 Search purposes**

A search of the register may be carried out only by the following persons for the following purposes:

- (a) an individual, or a person with the consent of the individual, for the purpose of searching for information about that individual;
- (b) a person for the purpose of determining whether an entity is registered as a charitable entity under this Act;
- (c) a person for the purpose of obtaining information concerning the nature, activities, and purposes of a charitable entity;
- (d) a person for the purpose of knowing how to contact a charitable entity;
- (e) a person for the purpose of assisting the person in the exercise of the person's powers under this Act or any other enactment;
- (f) a person for the purpose of assisting the person in the performance of the person's functions under this Act or any other enactment.

**29 When search constitutes interference with privacy of individual**

A search of the register for personal information that has not been carried out in accordance with sections 27 and 28 constitutes an action that is an interference with the privacy of an individual under section 66 of the Privacy Act 1993.

*Supply of register information and documents*

**30 Commission may supply register information or documents for purposes of Inland Revenue Acts**

- (1) The Commission may supply any register information or documents to a person for the purpose of assisting the person in the exercise of the person's powers under any of the Inland Revenue Acts or in the performance of the person's functions under any of the Inland Revenue Acts if, in the opinion of the Commission, it is in all the circumstances appropriate to do so.
- (2) For the purposes of this section, **register information or documents** means—
  - (a) information or documents that are contained in the register:
  - (b) information or documents that would have been contained in the register but for the exercise of a power under section 25 to omit or remove that information or those documents from the register.

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**Example**

A society has become registered as a charitable entity. Members of the public donate money to the society and claim rebates of income tax in respect of those gifts under section KC 5 of the Income Tax Act 2004.

In order to determine whether a rebate can properly be claimed, the Inland Revenue Department needs to consider whether the society is of a kind referred to in section KC 5 of the Income Tax Act 2004. The information contained in the application for registration of the society as a charitable entity could assist in this process.

The Commission may supply a copy of the application for registration of the society as a charitable entity to the Inland Revenue Department.

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*Deregistration of charitable entities***31 Deregistration of charitable entity from register**

- (1) An entity is deregistered as a charitable entity if it is removed from the register.
- (2) An entity is removed from the register if the Commission registers a notice in the register that—
  - (a) states that the entity is removed from the register; and
  - (b) states the date on which the removal is effective.
- (3) The entity ceases to be a charitable entity on the date referred to in subsection (2)(b).
- (4) The Commission may, if it has removed an entity from the register, make either or both of the following orders:
  - (a) an order that an application for the re-registration of the entity as a charitable entity must not be made before the expiry of a specified period;
  - (b) an order disqualifying an officer of the entity from being an officer of a charitable entity for a specified period that does not exceed 5 years.

**32 Grounds for removal from register**

- (1) The Commission may remove an entity from the register if—
  - (a) the entity is not, or is no longer, qualified for registration as a charitable entity; or
  - (b) there has been a significant or persistent failure by the entity to meet its obligations under this Act or any other enactment; or
  - (c) there has been a significant or persistent failure by any 1 or more of the officers of the entity to meet their obligations under this Act; or
  - (d) there has been a significant or persistent failure by any 1 or more collectors who act on behalf of the entity to meet their obligations under this Act; or
  - (e) the entity has engaged in serious wrongdoing or any person has engaged in serious wrongdoing in connection with the entity; or
  - (f) the entity has sent or delivered to the Commission a request to be removed from the register.

- (2) For the purposes of subsection (1)(a), the trustees of a trust must be treated as being no longer qualified for registration as a charitable entity if, as a result of a change to the rules or purposes of the entity, the trust is no longer of a kind in relation to which an amount of income can be derived by the trustees in trust for charitable purposes.
- (3) Subsection (2) does not limit the circumstances in which an entity may be considered to be no longer qualified for registration as a charitable entity.

### **33 Notice of intention to remove from register**

- (1) The Commission must, before an entity is removed from the register under section 32(1)(a) to (e), give notice of the matters set out in subsection (2) to the entity.
- (2) That notice must specify—
  - (a) the name of the entity; and
  - (b) the registration number of the entity; and
  - (c) the provision of this Act under which, and the grounds on which, it is intended to remove the entity from the register; and
  - (d) the date by which an objection to the removal from the register must be received by the Commission, which must be not less than 20 working days after the date of the notice.

### **34 Objection to removal from register**

The entity and any officer of the entity may send or deliver to the Commission an objection to the entity's removal from the register on either or both of the following grounds:

- (a) that the grounds on which it is intended to remove the entity from the register have not been satisfied;
- (b) that, for any other reason, it would not be in the public interest to remove the entity from the register.

### **35 Duties of Commission if objection received**

- (1) If an objection to the removal of an entity from the register under section 34 is received by the Commission on or before the date referred to in section 33(2)(d), the Commission must not proceed with the removal unless the Commission is satis-

fied that it is in the public interest to proceed with the removal from the register and that—

- (a) 1 or more of the grounds of removal from the register have been satisfied; or
  - (b) the objection has been withdrawn; or
  - (c) any facts on which the objection is based are not, or are no longer, correct; or
  - (d) the objection is frivolous or vexatious.
- (2) If an objection to the removal of an entity from the register under section 34 is received by the Commission on or before the date referred to in section 33(2)(d) and the Commission decides to proceed with the removal of the entity from the register,—
- (a) the Commission must give to the charitable entity notice of—
    - (i) the Commission's decision to proceed with the removal of the entity from the register; and
    - (ii) the reasons for the Commission's decision; and
    - (iii) the entity's right to appeal the decision under section 59; and
  - (b) the Commission must not proceed to remove the entity from the register earlier than 20 working days after the date on which the notice referred to in paragraph (a) is given to the charitable entity.

### **36 Commission to observe rules of natural justice**

- (1) In considering whether to remove an entity from the register and whether to make an order under section 31(4), the Commission must—
- (a) observe the rules of natural justice; and
  - (b) give the entity a reasonable opportunity to make submissions to the Commission on the matter.
- (2) In considering whether to disqualify a person from being an officer of a charitable entity under section 31(4), the Commission must—
- (a) observe the rules of natural justice; and
  - (b) give the person a reasonable opportunity to make submissions to the Commission on the matter.

Subpart 2—Duties, inquiries, appeals, and  
other miscellaneous matters relating to  
charitable entities

*Holding out offences*

**37 No holding out unless registered under this Act**

- (1) A person must not—
- (a) use a style or title including the words “registered charitable entity” ; or
  - (b) state or imply, or permit a statement or implication, that—
    - (i) the person is registered as a charitable entity under this Act; or
    - (ii) an entity that the person acts on behalf of is registered as a charitable entity under this Act.
- (2) Subsection (1) does not apply to—
- (a) a charitable entity; or
  - (b) a person who acts on behalf of a charitable entity.
- (3) A person must not state or imply, or permit a statement or implication, that the person acts on behalf of a charitable entity if the person does not act on behalf of that charitable entity.

**38 Offence to contravene section 37**

- (1) Every person who acts in contravention of section 37(1) or section 37(3) commits an offence and is liable on summary conviction to a fine not exceeding \$30,000.
- (2) Proceedings for an offence against subsection (1) may be commenced within 2 years after the matter giving rise to the contravention was discovered or ought reasonably to have been discovered.

*Duty of telephone and Internet collectors*

**39 Duty of telephone and Internet collectors to disclose registration number on request**

If a collector who acts on behalf of a charitable entity is requesting funds, canvassing for subscriptions, selling raffle or lottery tickets, or appealing for donations, by means of the telephone or the Internet, the collector must disclose the registra-

tion number of the entity if requested to do so by a member of the public.

*Duty to notify changes*

**40 Duty to notify changes to Commission**

- (1) Every charitable entity must ensure that it sends or delivers to the Commission notice of any of the following changes:
- (a) a change to the name of the charitable entity;
  - (b) a change to the address for service of the charitable entity;
  - (c) a change in the officers of the charitable entity, whether as the result of an officer ceasing to hold office or the appointment of a new officer, or both;
  - (d) a change in the balance date of the charitable entity;
  - (e) a change to the rules of the charitable entity;
  - (f) a change to the purposes of the charitable entity.
- (2) A notice under subsection (1) must—
- (a) be in the prescribed form (if any); and
  - (b) contain, or be accompanied by, any other prescribed information or documentation; and
  - (c) specify the effective date of the change; and
  - (d) be sent or delivered to the Commission within 3 months of the later of—
    - (i) the effective date of the change; or
    - (ii) the charitable entity first becoming aware of the change.
- (3) This section does not apply if the change has been notified in an annual return sent or delivered under section 41 before the change is required to be notified under subsection (2)(d).

*Duty to prepare annual returns*

**41 Duty to prepare annual return**

- (1) Every charitable entity must ensure that, within 6 months after each balance date of the entity, an annual return that complies with subsection (2) is—
- (a) completed in relation to the entity and that balance date; and
  - (b) dated and signed on behalf of the entity; and

- (c) sent or delivered to the Commission.
- (2) The annual returns of charitable entities must be in the form, contain the particulars, and comply with the directions as to the preparation of those returns that are prescribed under section 42.
- (3) For the purposes of this Act,—
  - (a) an entity may nominate a balance date for the entity—
    - (i) in the application for registration of the entity as a charitable entity; or
    - (ii) in the case of a single entity or an entity that forms part of a single entity, in the application for registration of the single entity as a charitable entity; and
  - (b) a charitable entity must be treated as having a balance date of 31 March in each calendar year if a balance date for that charitable entity has not been nominated under paragraph (a).
- (4) Subject to subsections (5) and (6), an entity must have a balance date in each calendar year.
- (5) An entity may change its balance date for the purposes of this Act either—
  - (a) without the approval of the Commission if—
    - (i) the period between any 2 balance dates does not exceed 15 months; and
    - (ii) the entity continues to have a balance date in each calendar year; or
  - (b) with the approval of the Commission before the change is made.
- (6) The Commission may approve a change of balance date with or without conditions.
- (7) Subsection (3)(b) is subject to subsections (5) and (6).

#### **42 Regulations concerning content of annual returns**

- (1) The Governor-General may, on the recommendation of the Minister, by Order in Council, prescribe the following matters in relation to the annual returns of charitable entities:
  - (a) the form of the returns:
  - (b) the particulars to be contained in the returns:

- (c) directions to be complied with in the preparation of the returns.
- (2) The order made under subsection (1) may prescribe different requirements for different types or classes of entities.

### *Exemptions*

#### **43 Commission may grant exemptions**

- (1) The Commission may, by written notice to an entity, exempt the entity from compliance with any provision or provisions of—
  - (a) section 17; or
  - (b) this subpart; or
  - (c) any regulations made under this Act.
- (2) The exemption may be granted on any terms and conditions that the Commission thinks fit.
- (3) The Commission may vary an exemption in the same way as an exemption may be granted under this section.
- (4) The Commission may, by written notice to an entity, revoke an exemption granted under this section.
- (5) An exemption under this section is not a regulation within the meaning of the Regulations (Disallowance) Act 1989.

### *Commission may treat entity and affiliated or closely related entities as single entity*

#### **44 Commission may treat entity and affiliated or closely related entities as single entity**

- (1) The Commission may, on the request of an entity, treat the entity (the **parent entity**) and 1 or more other entities as forming part of a single entity (the **single entity**) for the purposes of any or all of the provisions of this Act if the Commission is satisfied that—
  - (a) the other entity, or those other entities, are affiliated or closely related to the parent entity; and
  - (b) each of the entities qualifies for registration as a charitable entity; and
  - (c) it is fit and proper to treat the entities as forming part of a single entity.

- (2) In considering whether to act under subsection (1), the Commission must have regard to the extent to which the entities have similar charitable purposes.
- (3) A request made under this section must be in the prescribed form (if any).

**45 Parent entity may request means of compliance with duties**

- (1) A parent entity, on behalf of a single entity, may request,—
  - (a) in relation to section 40, that the duty under that section be either—
    - (i) separately complied with by each entity that forms part of the single entity; or
    - (ii) complied with by the parent entity in relation to the single entity on behalf of the single entity and all of the entities that form part of the single entity;
  - (b) in relation to section 41, that the duty under that section be either—
    - (i) separately complied with by each entity that forms part of the single entity; or
    - (ii) complied with by the parent entity in relation to the single entity on behalf of the single entity and all of the entities that form part of the single entity.
- (2) A request made under this section must be in the prescribed form (if any).
- (3) The Commission must have regard to a request made under this section when it is setting terms and conditions under section 46.

**46 Commission may treat parent entity and 1 or more other entities as forming part of single entity on certain terms and conditions**

- (1) The Commission may treat the parent entity and 1 or more other entities as forming part of the single entity on any terms and conditions that the Commission thinks fit, including terms and conditions relating to—

- (a) the manner in which the single entity may apply for registration as a charitable entity; and
  - (b) the name that must be treated as being the name of the single entity for the purposes of this Act; and
  - (c) who must be treated as being the officers of the single entity for the purposes of this Act; and
  - (d) the rules that must be treated as being the rules of the single entity for the purposes of this Act; and
  - (e) the manner in which the duties or obligations imposed under this Act on charitable entities are to be complied with on behalf of the single entity and the entities that form part of that single entity; and
  - (f) the information and documents that must be included in the register in relation to the single entity and the entities that form part of that single entity; and
  - (g) the manner in which rights or powers conferred under this Act on a charitable entity may be exercised by the single entity.
- (2) The Commission must give written notice of those terms and conditions to the parent entity.
- (3) The Commission may vary those terms and conditions by written notice to the parent entity.
- (4) If those terms and conditions provide that the duty under—
- (a) section 40 must be complied with by the parent entity in relation to the single entity on behalf of the single entity and all of the entities that form part of the single entity, the entities that form part of the single entity are not required to separately comply with that section:
  - (b) section 41 must be complied with by the parent entity in relation to the single entity on behalf of the single entity and all of the entities that form part of the single entity, the entities that form part of the single entity are not required to separately comply with that section.
- (5) For the purposes of this Act, the single entity must be treated as—
- (a) having the name, officers, and rules referred to in subsection (1)(b) to (d); and

- (b) being qualified for registration as a charitable entity if all of the entities that form part of the single entity are qualified for registration as charitable entities.
- (6) This section is subject to section 45.

**47 Effect of registration of single entity as charitable entity**

If a single entity is registered as a charitable entity, then, unless the terms and conditions referred to in section 46 otherwise provide,—

- (a) each entity that forms part of the single entity under section 44(1) must be treated as being registered under this Act as a charitable entity for the purposes of—
  - (i) the provisions of this Act (including section 37); and
  - (ii) the provisions of the Income Tax Act 2004; and
  - (iii) the provisions of the Estate and Gift Duties Act 1968; and
- (b) the register—
  - (i) must contain the information and documents referred to in section 24 in relation to the single entity; and
  - (ii) is not required to separately contain the information and documents referred to in that section in relation to the entities that form part of the single entity.

**48 Commission may revoke entity's status as forming part of single entity**

- (1) The Commission may revoke an entity's status as forming part of a single entity if—
- (a) the Commission is no longer satisfied that—
    - (i) the entity is affiliated or closely related to the parent entity; or
    - (ii) the entity qualifies for registration as a charitable entity; or
    - (iii) it is fit and proper to treat the entity as forming part of the single entity; or

- (b) the Commission is satisfied that the entity has failed to comply with a term or condition referred to in section 46; or
  - (c) the parent entity has sent or delivered to the Commission a request for the Commission to revoke the entity's status as forming part of the single entity.
- (2) An entity's status as forming part of a single entity is revoked if the Commission registers a notice in the register that—
- (a) states that the entity's status as forming part of the single entity is revoked; and
  - (b) states the date on which the revocation is effective.
- (3) On the date referred to in subsection (2)(b), the entity ceases to be—
- (a) part of the single entity; and
  - (b) treated as a charitable entity under section 47.

#### **49 Commission to observe rules of natural justice**

In considering whether to revoke an entity's status as forming part of a single entity, the Commission must—

- (a) observe the rules of natural justice; and
- (b) give the entity whose status is proposed to be revoked and the parent entity a reasonable opportunity to make submissions to the Commission on the matter.

#### *Inquiries into charitable entities and other persons*

#### **50 Inquiries into charitable entities and other persons**

- (1) The Commission may, if it considers it reasonably necessary for the purposes of carrying out its functions and exercising its powers under this Act, examine and inquire into—
- (a) any charitable entity;
  - (b) any person who has engaged in, or is engaging in, conduct that constitutes or may constitute—
    - (i) a breach of this Act; or
    - (ii) serious wrongdoing in connection with a charitable entity.
- (2) The Commission's power to examine and inquire into any charitable entity or person under subsection (1) includes the

power to examine and inquire into the following matters in connection with the charitable entity or person:

- (a) the activities and proposed activities of the charitable entity or person:
- (b) the nature, objects, and purposes of the charitable entity:
- (c) the management and administration of the charitable entity:
- (d) the results and outcomes achieved by the charitable entity or person:
- (e) the value, condition, management, and application of the property and income belonging to the charitable entity or person.

#### **51 Duty to assist**

- (1) If the Commission considers it reasonably necessary for the purposes of carrying out its functions and exercising its powers under this Act, the Commission may, by notice in writing served on any person, require that person—
  - (a) to supply to the Commission, in writing signed by that person or, in the case of an entity, by an officer or competent employee or agent of the entity, within the time and in the manner specified in the notice, any information or class of information specified in the notice; or
  - (b) to supply to the Commission, or to a person specified in the notice acting on its behalf in accordance with the notice, any document or class of documents specified in the notice.
- (2) The person has the same privileges in relation to supplying information and documents to the Commission as witnesses have in proceedings before a court.

#### **52 Offences**

- (1) No person may,—
  - (a) without reasonable excuse, refuse or fail to comply with a notice under section 51; or
  - (b) in purported compliance with a notice under section 51, supply information, or supply a document, knowing it to be false or misleading.

- (2) Any person who breaches subsection (1) commits an offence and is liable on summary conviction to a fine not exceeding \$10,000.
- (3) Proceedings for an offence against subsection (2) may be commenced within 6 months after the matter giving rise to the contravention was discovered or ought reasonably to have been discovered.

**53 Commission may supply inquiry information or documents**

- (1) The Commission may supply any information or documents that the Commission obtains under sections 50 to 52 to any person for either or both of the following purposes:
  - (a) assisting the person in the exercise of the person's powers under this Act or in the performance of the person's functions under this Act;
  - (b) detecting and prosecuting offences against any other Act, but, in this case, that information and those documents are not admissible in any criminal proceedings against the person from whom the information or documents were acquired or any person to whom the information or documents relate.
- (2) Any person may use and disclose any information or documents supplied to the person by the Commission under this section for the purposes referred to in subsection (1).
- (3) This section does not limit sections 27 to 30.

*Warning notices and publication of details of breach, serious wrongdoing, and other matters*

**54 Commission may give warning notices**

- (1) This section applies if the Commission considers that—
  - (a) a charitable entity, or a person in connection with a charitable entity, has engaged in, or is engaging in, conduct that constitutes, or may constitute, a breach of this Act or serious wrongdoing; or
  - (b) a charitable entity is, or may be, no longer qualified to be registered as a charitable entity; or

- (c) a person has engaged in, or is engaging in, conduct that constitutes, or may constitute, a breach of section 37.
- (2) The Commission may give a warning notice to—
  - (a) the charitable entity concerned in the case of subsection (1)(a) or (b); or
  - (b) the person concerned in the case of subsection (1)(c).
- (3) The warning notice must contain information or statements to the following effect:
  - (a) the name of the charitable entity or person;
  - (b) a statement of the matters that caused the Commission to give the notice;
  - (c) a statement of the action that the Commission has taken, or is considering taking, in relation to the matters that caused the Commission to give the notice;
  - (d) a statement of the action that the Commission considers should be taken to remedy the matters that caused the Commission to give the notice and the date by which this action must be taken;
  - (e) a summary of the grounds for the Commission's opinion;
  - (f) a statement of what might happen if the charitable entity or person does not comply with the warning notice.

**55 Commission may publish details of possible breach, possible serious wrongdoing, and other matters**

- (1) This section applies if the Commission considers that the entity or person to whom the notice is given under section 54 has failed to remedy 1 or more of the matters that caused the Commission to give a notice under section 54 by the date referred to in section 54(3)(d).
- (2) The Commission may, in any manner that it thinks fit, publish a notice that contains information or statements to the following effect:
  - (a) the name of the charitable entity or person;
  - (b) a statement to the effect that the Commission considers that—
    - (i) the charitable entity, or a person in connection with the charitable entity, has engaged in, or is engaging in, conduct that constitutes, or may

- constitute, a breach of this Act or serious wrongdoing; or
- (ii) the charitable entity is, or may be, no longer qualified to be registered as a charitable entity; or
  - (iii) the person has engaged in, or is engaging in, conduct that constitutes, or may constitute, a breach of section 37:
- (c) a statement of the action that the Commission has taken, or is considering taking, in relation to those matters:
  - (d) a summary of the grounds for the Commission's opinion.
- (3) However,—
- (a) before the Commission exercises its powers under subsection (2), the Commission must give to the charitable entity or person notice of—
    - (i) the Commission's decision to publish a notice under this section; and
    - (ii) the reasons for the Commission's decision; and
    - (iii) the entity's or person's right to appeal the decision under section 59; and
  - (b) the Commission must not exercise its powers under subsection (2) earlier than 20 working days after the date on which the notice referred to in paragraph (a) is given to the charitable entity or person.

*Provisions relating to how notices are given and served for purposes of various sections*

**56 Notices**

- (1) Any notice given by the Commission under any of sections 33, 35, 51, 54, or 55 is sufficiently given if—
- (a) it is in writing; and
  - (b) it is—
    - (i) under the seal of the Commission; or
    - (ii) signed by the chairperson of the board of the Commission; or
    - (iii) signed by 1 or more of the members of the Commission; or
    - (iv) signed by any person purporting to act by direction of the Commission; and

- (c) it is served or given in accordance with section 57 on or to the person or persons primarily concerned or on or to any person considered by the Commission to represent the person or persons primarily concerned.
- (2) In all courts and in all proceedings under this Act, notices given under any of sections 33, 35, 51, 54, or 55 that purport to be signed by, or on behalf of, the Commission or to be sealed with the seal of the Commission must be treated as having been signed or sealed with due authority in accordance with subsection (1)(b) unless the contrary is proved.

### **57 Service of notices**

- (1) Any notice that is authorised to be served on, or given to, any person for the purposes of any of sections 33, 35, 51, 54, or 55 may be served or given by—
  - (a) delivering it to that person; or
  - (b) leaving it at—
    - (i) the person's usual or last known place of residence or business; or
    - (ii) the address specified by the person in any notice, application, or other document made, given, or tendered to the Commission under this Act; or
  - (c) posting it by letter addressed to the person at that place of residence or business or at that address.
- (2) If any notice is sent to any person by registered letter, then,—
  - (a) unless the contrary is proved, the notice must be treated as having been delivered to the person when it would have been delivered in the ordinary course of post; and
  - (b) in proving the delivery, it is sufficient to prove that the letter was properly addressed and posted.
- (3) If the notice is required to be served on, or given to, an entity,—
  - (a) the notice may be served on, or given to, an officer or any other person holding a similar position in the entity; and
  - (b) service on the entity must, unless otherwise directed by the Commission, be treated as service on all persons who are officers of the entity, or who are represented on the entity by those officers.

*Administrative penalties***58 Commission may require payment of administrative penalty**

- (1) The Commission may, by written notice to a charitable entity, require the entity to pay to the Commission an amount prescribed by regulations by way of penalty for—
  - (a) a failure by the charitable entity to send or deliver to the Commission a notice under section 40 within the time prescribed by that section; or
  - (b) a failure by the charitable entity to send or deliver to the Commission an annual return under section 41 within the time prescribed by that section.
- (2) The amounts payable under this section—
  - (a) must be paid to the Commission by the date for payment specified in the notice; and
  - (b) are recoverable by the Commission in any court of competent jurisdiction as a debt due to the Commission.

*Appeals against decisions of Commission***59 Right of appeal**

- (1) A person who is aggrieved by a decision of the Commission under this Act may appeal to the High Court.
- (2) An appeal under this section must be made by lodging a notice of appeal with the Registrar of the High Court in Wellington and with the Commission within—
  - (a) 20 working days after the date of the decision; or
  - (b) any further time that the High Court may allow on application made before or after the expiration of that period.
- (3) Every notice of appeal must specify—
  - (a) the decision or the part of the decision appealed from; and
  - (b) the grounds of appeal in sufficient detail to fully inform the High Court and the Commission of the issues in the appeal; and
  - (c) the relief sought.

**60 High Court may make interim order pending determination of appeal**

- (1) At any time before the final determination of an appeal, the High Court may make an interim order requiring an entity—
  - (a) to be registered in the register of charitable entities with effect from a specified date; or
  - (b) to be restored to the register of charitable entities with effect from a specified date; or
  - (c) to remain registered in the register of charitable entities.
- (2) The specified date may be a date that is before or after the order is made.
- (3) At any time before the final determination of an appeal relating to a decision under section 55, the High Court may make an interim order preventing or restricting the exercise of a power by the Commission under that section.
- (4) An interim order may be subject to any terms or conditions that the High Court thinks fit.
- (5) If the High Court refuses to make an interim order, the person or persons who applied for the order may, within 1 month after the date of the refusal, appeal to the Court of Appeal against the decision.
- (6) If an interim order is made under subsection (1), the Commission must,—
  - (a) amend the register of charitable entities in accordance with the order as soon as is reasonably practicable after receiving the order; and
  - (b) include a copy of the order in the register of charitable entities, unless the Court orders otherwise.
- (7) To enable the Commission to fulfil the duties imposed by this section, the Registrar of the Court in which the interim order is made must send a copy of the order to the Commission as soon as practicable.

**61 Determination of appeal**

- (1) In determining an appeal, the High Court may—
  - (a) confirm, modify, or reverse the decision of the Commission or any part of it:

- (b) exercise any of the powers that could have been exercised by the Commission in relation to the matter to which the appeal relates.
- (2) Without limiting subsection (1), the High Court may make an order requiring an entity—
  - (a) to be registered in the register of charitable entities with effect from a specified date; or
  - (b) to be restored to the register of charitable entities with effect from a specified date; or
  - (c) to be removed from the register of charitable entities with effect from a specified date; or
  - (d) to remain registered in the register of charitable entities.
- (3) The specified date may be a date that is before or after the order is made.
- (4) The High Court may make any other order that it thinks fit.
- (5) An order may be subject to any terms or conditions that the High Court thinks fit.
- (6) Nothing in this section affects the right of any person to apply, in accordance with law, for judicial review.

### **Part 3**

#### **Miscellaneous matters and amendments to other Acts**

##### **Subpart 1—Miscellaneous matters relating to Commission**

###### *Reporting obligations*

#### **62 Reporting obligations in respect of financial year commencing on 1 July 2005**

- (1) The reporting requirements and provisions that would have applied if the Crown Entities Act 2004 and the Public Finance Amendment Act 2004 had not been enacted apply to the Commission in respect of the financial year commencing on 1 July 2005, rather than the reporting requirements and provisions enacted by the Crown Entities Act 2004.
- (2) Therefore, for example, the Commission must comply, in respect of that financial year, with the requirements relating to annual financial statements, annual reports, statements of in-

tent, and audits that were in the Public Finance Act 1989 immediately before the commencement of the Public Finance Amendment Act 2004.

- (3) For the purposes of this section, the Commission must be treated as if it were named in Schedules 4, 5, and 6 of the Public Finance Act 1989 as in force immediately before the commencement of the Public Finance Amendment Act 2004.
- (4) Despite subsections (1) and (2), section 152 of the Crown Entities Act 2004 applies in respect of the financial year commencing on 1 July 2005.

#### *Bank accounts*

#### **63 Crown Entities Act 2004 provisions concerning bank accounts apply to Commission**

Despite section 195 of the Crown Entities Act 2004, the following apply to the Commission on and after the commencement of this section:

- (a) section 158 of that Act; and
- (b) every notice published in the *Gazette* for the purposes of section 158 of that Act (unless under the terms of the notice, the notice does not apply to the Commission); and
- (c) every regulation made for the purposes of section 158 of that Act (unless under the terms of the regulation, the regulation does not apply to the Commission).

#### Subpart 2—Amendments to Income Tax Act 2004

#### **64 Income Tax Act 2004 called principal Act in this subpart**

In this subpart, the Income Tax Act 2004 is called “the principal Act”.

#### **65 Charities: non-business income**

Section CW 34 of the principal Act is amended by inserting, after subsection (1), the following heading and subsection:

*“Exclusion: trustees, society, or institution not registered*

“(1B) This section does not apply to an amount of income if, at the time that the amount of income is derived, the trustee or trustees of the trust, the society, or the institution is not, or are not, registered as a charitable entity.”

**66 Charities: business income**

Section CW 35(1) of the principal Act is amended by inserting, after paragraph (a), the following paragraph:

“(ab) the trustee or trustees of the trust, the society, or the institution is or are, at the time that the income is derived, registered as a charitable entity; and.”.

**67 Charitable bequests**

Section CW 36 of the principal Act is amended by adding the following heading and subsections:

*“Registration as charitable entity not required until end of income year that follows income year in which deceased died*

“(4) An amount of income derived by a deceased’s executor or administrator that is derived during the period beginning on the deceased’s date of death and ending at the end of the income year that follows the income year in which the deceased died is not prevented from being exempt income under this section merely because the trustee or trustees of the trust, the society, or the institution is not, or are not, registered as a charitable entity.

“(5) For the purposes of subsection (4), until the end of the income year that follows the income year in which the deceased died, the requirements in sections CW 34 and CW 35 for the trustee or trustees of the trust, the society, or the institution to be registered as a charitable entity must be disregarded when applying those sections for the purposes of this section.

“(6) This section does not apply to an amount of income derived after the end of the income year that follows the income year in which the deceased died if, at the time that the amount of income is derived, the trustee or trustees of the trust, the society, or the institution is not, or are not, registered as a charitable entity.”

**68 Definitions**

Section OB 1 of the principal Act is amended by inserting, in its appropriate alphabetical order, the following definition:

“**registered as a charitable entity** means registered as a charitable entity under the Charities Act 2005.”.

Subpart 3—Amendments to Tax  
Administration Act 1994

**69 Tax Administration Act 1994 called principal Act in this subpart**

In this subpart, the Tax Administration Act 1994 is called “the principal Act”.

**70 Interpretation**

Section 3(1) of the principal Act is amended by inserting, after the definition of **challenge**, the following definition:

“**Charities Commission** means the Charities Commission established under Part 1 of the Charities Act 2005.”.

**71 Officers to maintain secrecy**

Section 81(4) of the principal Act is amended by inserting, after paragraph (fa), the following paragraph:

“(fb) communicating to any person, being a member, an employee, or an agent of the Charities Commission, any information, being information—

“(i) that the person is authorised by the Charities Commission to receive; and

“(ii) that the Commissioner considers is not undesirable to disclose and is reasonably necessary to enable that person to carry out any duty lawfully conferred on that person relating to the exercise of the Charities Commission’s powers or the performance of its functions and duties.”.

#### Subpart 4—Amendment to Estate and Gift Duties Act 1968

##### **72 Exemption for gifts to charities and certain bodies**

Section 73(1) of the Estate and Gift Duties Act 1968 is amended by adding the words.

“if, at the time that the gift is made, the society, institution, or trustees of the trust is or are registered as a charitable entity under the Charities Act 2005”

#### Subpart 5—Miscellaneous provisions

##### **73 Regulations**

- (1) The Governor-General may, by Order in Council, make regulations for all or any of the following purposes:
  - (a) prescribing forms for the purposes of this Act, and prescribing—
    - (i) the inclusion in, or attachment to, forms of specified information or documents:
    - (ii) forms to be signed by specified persons:
  - (b) prescribing requirements with which documents sent or delivered for registration must comply:
  - (c) prescribing fees payable to the Commission in respect of any matter under this Act or the manner in which fees may be calculated:
  - (d) prescribing amounts payable to the Commission by way of penalty for the purposes of section 58 or the manner in which penalties may be calculated:
  - (e) prescribing procedures, requirements, and other matters for the register of charitable entities, including matters relating to—
    - (i) the operation of that register:
    - (ii) access to that register:
    - (iii) the location of, and hours of access to, that register:
  - (f) declaring any class or classes of persons to be, or not to be, officers for the purposes of this Act:
  - (g) providing for any other matters contemplated by this Act, necessary for its administration, or necessary for giving it full effect.

- (2) Without limiting subsection (1)(a), forms prescribed under this section may require the inclusion in, or attachment to, forms of information or documents for the purpose of assisting any person in the exercise of the person's powers in connection with section KC 5 of the Income Tax Act 2004 or in the performance of the person's functions in connection with that section (regardless of whether or not that information or documentation is collected for the purposes of this Act).
- (3) The Commission may refuse to perform a function or exercise a power until the prescribed fee is paid.
- (4) Any Order in Council made under subsection (1) may authorise the Commission to refund or waive, in whole or in part and on any conditions as may be prescribed, payment of any fee or amount payable in relation to any person or class of persons.
- (5) Any fee or amount payable to the Commission is recoverable by the Commission in any court of competent jurisdiction as a debt due to the Commission.

#### **74 Prosecution of offences**

- (1) An information in respect of an offence against this Act must be laid by the Commission or a person authorised by the Commission (the **authorised person**).
- (2) Before an information in respect of an offence against this Act is laid against a person, the Commission or the authorised person must lay the facts of the case, so far as the Commission or the authorised person is acquainted with them, before a Crown Solicitor.
- (3) The Commission or the authorised person may lay an information against a person only if a Crown Solicitor certifies that there are reasonable grounds for a prosecution.
- (4) No action may be taken against the Commission or the authorised person for malicious prosecution in relation to a prosecution under this Act if a Crown Solicitor certified that there were reasonable grounds for bringing the prosecution.

**75 No obligation on Commission or any other person to supervise**

This Act does not impose on the Commission or any other person any duty or obligation—

- (a) to supervise the affairs of any person; or
- (b) to apply or operate any system of supervision of any class of person or of charities generally; or
- (c) to exercise any powers conferred by this Act in respect of any particular person.

**76 Amendments to other Acts**

The enactments in the Schedule are amended in the manner indicated in that schedule.

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**Schedule**

s 76

**Amendments to other Acts****Crown Entities Act 2004 (2004 No 115)**

Insert in Part 2 of Schedule 1, in its appropriate alphabetical order:

Charities Commission.

**Incorporated Societies Act 1908 (1908 No 212)**

Repeal section 23(4) and substitute:

- “(4) Nothing in this section applies to a society that is—
- “(a) an issuer within the meaning of section 4 of the Financial Reporting Act 1993; or
  - “(b) a charitable entity within the meaning of section 4 of the Charities Act 2005.”

**Ombudsmen Act 1975 (1975 No 9)**

Insert in Part 2 of Schedule 1, in its appropriate alphabetical order:

Charities Commission.

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## **Contents**

- 1 General
  - 2 About this eprint
  - 3 List of amendments incorporated in this eprint (most recent first)
- 

## **Notes**

### **1 *General***

This is an eprint of the Charities Act 2005. It incorporates all the amendments to the Charities Act 2005 as at 20 November 2007. The list of amendments at the end of these notes specifies all the amendments incorporated into this eprint since 3 September 2007. Relevant provisions of any amending enactments that contain transitional, savings, or application provisions are also included, after the Principal enactment, in chronological order.

### **2 *About this eprint***

This eprint has not been officialised. For more information about officialisation, please see "Making online legislation official" under "Status of legislation on this site" in the About section of this website.

### **3 *List of amendments incorporated in this eprint (most recent first)***

Terrorism Suppression Amendment Act 2007 (2007 No 102): section 46

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## Charities (Fees, Forms, and Other Matters) Regulations 2006

Anand Satyanand, Governor-General

### Order in Council

At Wellington this 25th day of September 2006

Present:

His Excellency the Governor-General in Council

Pursuant to sections 42 and 73 of the Charities Act 2005, His Excellency the Governor-General, acting on the advice and with the consent of the Executive Council, makes the following regulations.

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**Schedule  
Forms**

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5

**Regulations****1 Title**

These regulations are the Charities (Fees, Forms, and Other Matters) Regulations 2006.

**2 Commencement**

These regulations come into force on 1 November 2006.

**3 Interpretation**

- (1) In these regulations, **Act** means the Charities Act 2005.
- (2) Unless the context otherwise requires, terms and expressions that are used but not defined in these regulations but that are defined in the Act have the same meaning as in the Act.

*Fees***4 Fee for filing annual return**

- (1) The fee payable by a charitable entity or by a charitable entity that is a single entity with an annual gross income of \$10,000 or more for filing an annual return is,—
  - (a) in the case of an electronic return, \$50;
  - (b) in the case of a non-electronic return, \$75.
- (2) The fee must be paid to the Charities Commission.
- (3) The fee includes goods and services tax.

*Forms***5 Forms**

The forms set out in the Schedule are prescribed for the following purposes under the Act:

- (a) form 1 for an application by an entity for registration as a charitable entity;
- (b) form 2 for certifying an officer of a charitable entity;
- (c) form 3 for notifying changes to a charitable entity;
- (d) form 4 for submitting an annual return on behalf of a charitable entity;

- (e) form 5 for an application by a single entity for registration as a charitable entity;
- (f) form 6 for notifying changes to a charitable entity that is a single entity;
- (g) form 7 for submitting an annual return on behalf of a charitable entity that is a single entity.

## **6 Information or documents required by forms**

- (1) The following information or documents must accompany form 3 (notification of changes to a charitable entity) as the case may be:
  - (a) if the charitable entity's rules have changed,—
    - (i) a copy of the amendment to the rules; and
    - (ii) a copy of the minute of the meeting or other record specifying the change and the effective date of the change;
  - (b) if a new officer has been added to the charitable entity, an officer certification form (form 2) for the new officer.
- (2) The following information or documents must accompany form 4 (annual return on behalf of a charitable entity):
  - (a) a copy of the financial statements of the charitable entity; and
  - (b) if the charitable entity's rules have changed,—
    - (i) a copy of the amendment to the rules; and
    - (ii) a copy of the minute of the meeting or other record specifying the change and the effective date of the change; and
  - (c) if a new officer has been added to the charitable entity, an officer certification form (form 2) for the new officer.
- (3) The following information or documents must accompany form 6 (notification of changes to a charitable entity that is a single entity) as the case may be:
  - (a) if the charitable entity that is a single entity's rules have changed,—
    - (i) a copy of the amendment to the rules; and
    - (ii) a copy of the minute of the meeting or other record specifying the change and the effective date of the change;
  - (b) if a new officer has been added to the charitable entity that is a single entity, an officer certification form (form 2) for the new officer.

- (4) A copy of the financial statements of the charitable entity must accompany form 7 (annual return on behalf of a charitable entity that is a single entity).

**7 Forms that must be signed by officer**

The following forms must be signed by an officer:

- (a) form 1 (application by an entity for registration as a charitable entity):
- (b) form 5 (application by a single entity for registration as a charitable entity).

*Other matters*

**8 Search criteria for register of charitable entities**

The register of charitable entities may be searched by reference to the following criteria:

- (a) the sector in which the charitable entity operates:
- (b) the activities that the charitable entity undertakes:
- (c) the beneficiaries of the charitable entity:
- (d) the area of operation of the charitable entity:
- (e) any former name of the charitable entity:
- (f) the address for service or any former address for service of the charitable entity:
- (g) the name of a former officer of the charitable entity (for example, a surname, family name, first name, given name, or body corporate name).

**9 Administrative penalties**

- (1) The penalty for a failure by a charitable entity to send or deliver to the Charities Commission a notice of change required under section 40(1) of the Act within 3 months is \$100.
- (2) The penalty for a failure by a charitable entity to send or deliver to the Charities Commission an annual return under section 41 of the Act within 6 months after each balance date of the entity is \$200.
-

**Schedule  
Forms**

r 5

**Form 1**

**Application by entity for registration as charitable entity**  
*Section 17, Charities Act 2005*

**Entity details**

1	Legal name of the entity.	[ ]
2	If the entity is a registered charitable trust, an incorporated society, or a company, please provide the Companies Office registration number.	[ ]
3	Other names the entity is known by (if any).	[ ]
4	The entity's Inland Revenue Department (IRD) number (if it has one).	[ ]
5	End of financial year / balance date for the entity.	(day/month)
6	Address for service.	Postal address:
		Street address:
7	Other details (optional).	Phone (day):
		Fax:
		Email:
		Website:

**Requirements for registration**

8	What organisational type best describes the entity?	Trustees of a trust	<i>Go to question 9</i>
		Society or institution	<i>Go to question 13</i>

Form 1—*continued*

**Trustees of a trust**

9	Note that to be registered under the Charities Act 2005, a trust must be set up to receive an amount of income for a charitable purpose. Specify the clause or rule number(s) in the trust deed that state that the trust is set up to receive an amount of income for a charitable purpose.	[ ]	<ul style="list-style-type: none"> <li>• if a Maori Trust Board, go to question 10</li> <li>• if a marae on a Maori reservation, go to question 11</li> <li>• if neither, go to question 14</li> </ul>
---	--	-----	--

**Maori Trust Board**

10	Has the declaration of trust been approved by the Commissioner of Inland Revenue for charitable purposes under section 24B(3) of the Maori Trust Boards Act 1955?	Yes	It would assist the Charities Commission if you supplied a copy of the approval by the Commissioner of Inland Revenue.
		No	<ul style="list-style-type: none"> <li>• if a marae on a Maori reservation, go to question 11</li> <li>• if not a marae on a Maori reservation, go to question 14</li> </ul>

**Marae on Maori reservation**

11	Is the physical structure of the marae on land that is a Maori reservation set apart under section 338 of Te Ture Whenua Maori Act 1993?	Yes	<ul style="list-style-type: none"> <li>• It would assist the Charities Commission if you supplied a copy of the Gazette notice under section 338 of Te Ture Whenua Maori Act 1993 and</li> <li>• Go to question 12</li> </ul>
		No	Go to question 14

Form 1—*continued*

12 Are the funds of the marae used for a purpose other than— <ul style="list-style-type: none"> <li>• administration and maintenance of the land and of the physical structure of the marae; or</li> <li>• another charitable purpose?</li> </ul>	Yes	<i>Go to question 14</i>
	No	<i>Go to question 14</i>

**Society or institution**

13 Note that to be registered under the Charities Act 2005, a society or institution must be established and maintained exclusively for charitable purposes and not carried on for the private profit of any individual. Specify the clause number(s) in the entity's rules that state it is established and maintained exclusively for charitable purposes and not carried on for the private profit of any individual.	[ ]	<i>Go to question 14</i>
--	-----	--------------------------

**Charitable purpose**

**Sectors**

14 Which of the following describe the sectors in which the entity operates? Please select as many boxes as needed.

- |  |   |
|--|---|
| <input type="checkbox"/> accommodation / housing         | <input type="checkbox"/> sport / recreation           |
| <input type="checkbox"/> education / training / research | <input type="checkbox"/> care / protection of animals |
| <input type="checkbox"/> health                          | <input type="checkbox"/> international activities     |
| <input type="checkbox"/> environment / conservation      | <input type="checkbox"/> economic development         |
| <input type="checkbox"/> marae on reservation land       | <input type="checkbox"/> fund-raising                 |
| <input type="checkbox"/> community development           | <input type="checkbox"/> disability                   |
| <input type="checkbox"/> emergency / disaster relief     | <input type="checkbox"/> promotion of volunteering    |
| <input type="checkbox"/> social services                 | <input type="checkbox"/> other (please state below)   |
| <input type="checkbox"/> employment                      |   |
| <input type="checkbox"/> religious activities            |   |
| <input type="checkbox"/> arts / culture / heritage       |   |

[ ]
-----

15 Which one of the above is the main sector of operation for the entity?

[ ]
-----

Form 1—*continued*

**Activities**

16 Which of the following activities describe what the entity does? Please select as many boxes as needed.

- |   |   |
|---|---|
| <input type="checkbox"/> makes grants / loans to individuals                                  | <input type="checkbox"/> provides advice / information / advocacy |
| <input type="checkbox"/> makes grants to organisations (including schools or other charities) | <input type="checkbox"/> sponsors / undertakes research           |
| <input type="checkbox"/> provides other finance (eg, investment funds)                        | <input type="checkbox"/> acts as an umbrella / resource body      |
| <input type="checkbox"/> provides human resources (eg, staff / volunteers)                    | <input type="checkbox"/> provides religious services / activities |
| <input type="checkbox"/> provides buildings / facilities / open space                         | <input type="checkbox"/> other (please state below)               |
| <input type="checkbox"/> provides services (eg, care / counselling)                           | [ ]   |

17 Which one of the above is the main activity of the entity? [ ]

**Beneficiaries**

18 Who benefits from the entity's activities? Please select as many boxes as needed.

- |   |   |
|---|---|
| <input type="checkbox"/> children / young people                    | <input type="checkbox"/> older people               |
| <input type="checkbox"/> voluntary bodies other than charities      | <input type="checkbox"/> people with disabilities   |
| <input type="checkbox"/> animals                                    | <input type="checkbox"/> general public             |
| <input type="checkbox"/> people of a certain ethnic / racial origin | <input type="checkbox"/> migrants / refugees        |
| <input type="checkbox"/> family / whanau                            | <input type="checkbox"/> other (please state below) |
| <input type="checkbox"/> religious groups                           | [ ]   |
| <input type="checkbox"/> other charities                            |   |

19 Which one of the above is the main beneficiary of the entity? [ ]

Form 1—*continued*

**Sources of funds**

20 From which of the following sources does the entity get or intend to get funds?  
Please select as many boxes as needed.

- |   |   |
|---|---|
| <input type="checkbox"/> government grants / contracts    | <input type="checkbox"/> membership fees                    |
| <input type="checkbox"/> income from service provision    | <input type="checkbox"/> bequests                           |
| <input type="checkbox"/> income from trading operations   | <input type="checkbox"/> other sources (please state below) |
| <input type="checkbox"/> donations / koha                 |   |
| <input type="checkbox"/> New Zealand dividends            |   |
| <input type="checkbox"/> other investment income          |   |
| <input type="checkbox"/> any other grants and sponsorship |   |

[ ]
-----

**Areas of operation**

21 Where does the entity operate or intend to operate? Please select as many boxes as needed.

**New Zealand**

- Nationwide

*Or* less than nationwide

- |  |  |
|--|--|
| <input type="checkbox"/> Northland         | <input type="checkbox"/> Wellington–Wairarapa      |
| <input type="checkbox"/> Auckland          | <input type="checkbox"/> Nelson–Marlborough–Tasman |
| <input type="checkbox"/> Waikato           | <input type="checkbox"/> West Coast                |
| <input type="checkbox"/> Bay of Plenty     | <input type="checkbox"/> Canterbury                |
| <input type="checkbox"/> Gisborne          | <input type="checkbox"/> Otago                     |
| <input type="checkbox"/> Hawke’s Bay       | <input type="checkbox"/> Southland                 |
| <input type="checkbox"/> Taranaki          | <input type="checkbox"/> Chatham Islands           |
| <input type="checkbox"/> Manawatu–Wanganui |  |

**Overseas**

- |                                  |  |
|----------------------------------|--|
| <input type="checkbox"/> Oceania | <input type="checkbox"/> Antarctica    |
| <input type="checkbox"/> Asia    | <input type="checkbox"/> South America |
| <input type="checkbox"/> Africa  | <input type="checkbox"/> North America |
| <input type="checkbox"/> Europe  |  |

22 Identify the percentage of New Zealand-sourced funds that were spent overseas in the last financial year (or if the entity has not been operating for a year, the percentage of New Zealand-sourced funds that the entity intends to spend overseas in the upcoming financial year).

[ ]
-----

Form 1—*continued*

**Officer details**

- 23 Please provide details for each officer of the entity.  
This is to ensure that the Charities Commission can match up your officer certification forms with the officers you advise the Charities Commission of in this form. Please note that each officer or someone on the officer's behalf must complete and sign an officer certification form.

Individual officer

Given or first name(s):	Surname or family name:
-------------------------	-------------------------

Body corporate

Name of body corporate:
-------------------------

---

**Rules**

- 24 Please supply a copy of the entity's rules including all amendments.
- 

**Privacy and information use**

The information that you have provided in this form will be held and used by the Charities Commission to determine your eligibility for registration and to carry out its functions under the Charities Act 2005.

The Charities Act 2005 authorises the supply of information or documents held on the register of charitable entities to the Inland Revenue Department to assist in the carrying out of powers and functions under any of the Inland Revenue Acts.

The Statistics Act 1975 allows for the information, once collected, to be used for statistical purposes by Statistics New Zealand. Information supplied to Statistics New Zealand will be used for statistical purposes only and will be arranged to prevent particulars published about any person from being identifiable (except by the person who supplied the information), unless the person has agreed or publication identifying the person is unavoidable.

The Privacy Act 1993 provides that you may access or correct personal information about you held by the Charities Commission. If you wish to access or correct your personal information, please contact the Charities Commission, PO Box 8072, Wellington.

---

**Request for information on register to be restricted from public access**

**Please note:**

- The Charities Commission may, under section 25 of the Charities Act 2005, prevent or restrict public access to information or documents if it considers it to be in the public interest to do so. Please note that this information or these documents will still be subject to requests under the Official Information Act 1982 that will be considered by the Charities Commission on a case-by-case basis.
  - All requests to prevent or restrict public access to information or documents will be evaluated and you will be advised of the Charities Commission's decision.
-

Please do not use these forms - they will be published in a user-friendly format in 2007.

Form 1—*continued*

**Certification**

I certify that the information in this application form for registration as a charitable entity is correct and that I am authorised to make this application.

**Signature** of officer

**Full name** of officer

**Date**

FOR INFORMATION ONLY

Form 2  
Officer certification form  
Section 16, Charities Act 2005

**Entity details**

- 1 Legal name of the entity.
- 2 Charitable entity registration number if the entity is registered under the Charities Act 2005.

**Officer details**

- 3 Full name of officer.
- Individual officer
- |                         |                         |
|-------------------------|-------------------------|
| Given or first name(s): | Surname or family name: |
|-------------------------|-------------------------|
- Body corporate
- Name of body corporate:
- 4 Position held in the entity.
- 5 Date of appointment to position.

- For an officer of an entity in the process of being registered with the Charities Commission either:
  - use the date of appointment; or
  - if you do not know or can not ascertain the date, leave blank and the Charities Commission will use the date the entity is registered.
- For a new officer of an entity that is already registered, use the date of appointment only.

Form 2—*continued*

**Privacy and information use**

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- All requests to prevent or restrict public access to information or documents will be evaluated and you will be advised of the Charities Commission's decision.

**Certification**

I certify that the named officer (please tick one or both as applicable):

- is not disqualified from being an officer of a charitable entity in terms of section 16(2) of the Charities Act 2005:
- has been appointed as an officer under an Act, by the Governor-General, by the Governor-General in Council, or by a Minister.

**Signature** of officer or person completing this form on the officer's behalf

[ ]

**Full name** of officer or person completing this form on the officer's behalf

[ ]

**Date**

(day/month/year)

**Form 3**  
**Notification of changes to charitable entity**  
*Section 40, Charities Act 2005*

**Charitable entity details**

- 1 Legal name of the charitable entity.
- 2 Charitable entity registration number.

**Changes to charitable entity's details**

- 3 New legal name of charitable entity.
- Effective date of change
- 4 New other name of the charitable entity.
- Effective date of change
- 5 New address for service.
- Effective date of change
- 6 New end of financial year / balance date for the charitable entity.
- Effective date of change

Form 3—*continued*

7 Changes to other details (optional).

Phone (day):
Fax:
Email:
Website:

**Changes to charitable purpose**

**Sectors**

8 If your sectors of operation have changed, please indicate what you do now. Please select as many boxes as needed.

- |  |   |
|--|---|
| <input type="checkbox"/> accommodation / housing         | <input type="checkbox"/> sport / recreation                   |
| <input type="checkbox"/> education / training / research | <input type="checkbox"/> care / protection of animals         |
| <input type="checkbox"/> health                          | <input type="checkbox"/> international activities             |
| <input type="checkbox"/> environment / conservation      | <input type="checkbox"/> economic development                 |
| <input type="checkbox"/> marae on reservation land       | <input type="checkbox"/> fund-raising                         |
| <input type="checkbox"/> community development           | <input type="checkbox"/> disability                           |
| <input type="checkbox"/> emergency / disaster relief     | <input checked="" type="checkbox"/> promotion of volunteering |
| <input type="checkbox"/> social services                 | <input type="checkbox"/> other (please state below)           |
| <input type="checkbox"/> employment                      |   |
| <input type="checkbox"/> religious activities            |   |
| <input type="checkbox"/> arts / culture / heritage       |   |

[ ]
-----

Effective date of change

(day/month/year)
------------------

9 If your main sector of operation has changed, please indicate what it is now.

[ ]
-----

Effective date of change

(day/month/year)
------------------

Form 3—*continued*

**Activities**

10 If your activities have changed, please indicate what you do now. Please select as many boxes as needed.

- |  |   |
|--|---|
| <input type="checkbox"/> makes grants / loans to individuals                                       | <input type="checkbox"/> provides advice / information / advocacy |
| <input type="checkbox"/> makes grants / loans organisations (including schools or other charities) | <input type="checkbox"/> sponsors / undertakes research           |
| <input type="checkbox"/> provides other finance (eg, investment funds)                             | <input type="checkbox"/> acts as an umbrella / resource body      |
| <input type="checkbox"/> provides human resources (eg, staff / volunteers)                         | <input type="checkbox"/> provides religious services / activities |
| <input type="checkbox"/> provides buildings / facilities / open space                              | <input type="checkbox"/> other (please state below)               |
| <input type="checkbox"/> provides services (eg, care / counselling)                                | [ ]   |

Effective date of change

(day/month/year)

11 If your main activity has changed, please indicate what it is now.

[ ]

Effective date of change

(day/month/year)

**Beneficiaries**

12 If your beneficiaries have changed, please indicate who they are now. Please select as many boxes as needed.

- |   |   |
|---|---|
| <input type="checkbox"/> children / young people                    | <input type="checkbox"/> older people               |
| <input type="checkbox"/> voluntary bodies other than charities      | <input type="checkbox"/> people with disabilities   |
| <input type="checkbox"/> animals                                    | <input type="checkbox"/> general public             |
| <input type="checkbox"/> people of a certain ethnic / racial origin | <input type="checkbox"/> migrants / refugees        |
| <input type="checkbox"/> family / whanau                            | <input type="checkbox"/> other (please state below) |
| <input type="checkbox"/> religious groups                           | [ ]   |
| <input type="checkbox"/> other charities                            |   |

Effective date of change

(day/month/year)

Form 3—*continued*

- 13 If your main beneficiary has changed, please indicate who it is now.
- Effective date of change

**Areas of operation**

- 14 If your areas of operation have changed, please indicate what they are now. Please select as many boxes as needed.

**New Zealand**

Nationwide

**Or less than nationwide**

- |  |  |
|--|--|
| <input type="checkbox"/> Northland         | <input type="checkbox"/> Wellington–Wairarapa      |
| <input type="checkbox"/> Auckland          | <input type="checkbox"/> Nelson–Marlborough–Tasman |
| <input type="checkbox"/> Waikato           | <input type="checkbox"/> West Coast                |
| <input type="checkbox"/> Bay of Plenty     | <input type="checkbox"/> Canterbury                |
| <input type="checkbox"/> Gisborne          | <input type="checkbox"/> Otago                     |
| <input type="checkbox"/> Hawke’s Bay       | <input type="checkbox"/> Southland                 |
| <input type="checkbox"/> Taranaki          | <input type="checkbox"/> Chatham Islands           |
| <input type="checkbox"/> Manawatu–Wanganui |  |

**Overseas**

- |                                  |  |
|----------------------------------|--|
| <input type="checkbox"/> Oceania | <input type="checkbox"/> Antarctica    |
| <input type="checkbox"/> Asia    | <input type="checkbox"/> South America |
| <input type="checkbox"/> Africa  | <input type="checkbox"/> North America |
| <input type="checkbox"/> Europe  |  |

Effective date of change

- 15 Identify the percentage of New Zealand-sourced funds that were spent overseas in the last financial year (or if the charitable entity has not been operating for a year, the percentage of New Zealand-sourced funds that the charitable entity intends to spend overseas in the upcoming financial year).

Form 3—*continued*

**Change to officers**

16 Do you need to add any new officers of the charitable entity to the register?

Yes	<i>Please complete an officer certification form</i>
-----	--

17 Please provide details for each new officer of the charitable entity. This is to ensure that the Charities Commission can match up your officer certification forms with the officers you advise the Charities Commission of in this form. Please note that each new officer or someone on the officer's behalf must complete and sign an officer certification form.

New individual officer

Given or first name(s):	Surname or family name:
-------------------------	-------------------------

New body corporate

Name of body corporate:
-------------------------

18 Do any officers of the charitable entity need to be removed from the register? Please specify each individual or body corporate that is no longer an officer.

Full name of officer	Last date as an officer (day/month/year)

**Rules**

19 Have the charitable entity's rules changed since you last notified the Charities Commission?

Yes
No

If the charitable entity's rules have changed, please supply—

- a copy of the amendment(s) to the charitable entity's rules; and
- a copy of the minute of the meeting or other record specifying the decision and the effective date of the change.

Form 3—*continued*

**Privacy and information use**

The information that you have provided in this form will be held and used by the Charities Commission to determine your eligibility for ongoing registration and to carry out its functions under the Charities Act 2005.

The Charities Act 2005 authorises the supply of information or documents held on the register of charitable entities to the Inland Revenue Department to assist in the carrying out of powers and functions under any of the Inland Revenue Acts.

The Statistics Act 1975 allows for the information, once collected, to be used for statistical purposes by Statistics New Zealand. Information supplied to Statistics New Zealand will be used for statistical purposes only and will be arranged to prevent particulars published about any person from being identifiable (except by the person who supplied the information), unless the person has agreed or publication identifying the person is unavoidable.

The Privacy Act 1993 provides that you may access or correct personal information about you held by the Charities Commission. If you wish to access or correct your personal information, please contact the Charities Commission, PO Box 8072, Wellington.

**Request for information on register to be restricted from public access**

**Please note:**

- The Charities Commission may, under section 25 of the Charities Act 2005, prevent or restrict public access to information or documents if it considers it to be in the public interest to do so. Please note that this information or these documents will still be subject to requests under the Official Information Act 1982 that will be considered by the Charities Commission on a case-by-case basis.
- All requests to prevent or restrict public access to information or documents will be evaluated and you will be advised of the Charities Commission's decision.

**Certification**

I certify that the information in this form is correct, that I am authorised to give this notice, and where applicable I have completed the effective date of change sections of the form.

**Signature** of person completing this form

[ ]

**Full name** of person completing this form

[ ]

**Date**

(day/month/year)

Form 4  
Annual return for charitable entity  
*Section 41, Charities Act 2005*

**Charitable entity details**

1	Legal name of the charitable entity (if this is a change, file this form within 3 months of the effective date of this change and complete the effective date of change box).	[ ]
	Effective date of change	(day/month/year)
2	Charitable entity registration number.	[ ]
3	Former legal name of the charitable entity if the charitable entity's name has changed.	[ ]
4	Other name of the charitable entity (if this is a change, file this form within 3 months of the effective date of this change and complete the effective date of change box).	[ ]
	Effective date of change	(day/month/year)
5	Address for service for the charitable entity (if this is a change, file this form within 3 months of the effective date of this change and complete the effective date of change box).	Postal address: Street address:
	Effective date of change	(day/month/year)
6	End of financial year / balance date for the charitable entity (if this is a change, file this form within 3 months of the effective date of this change and complete the effective date of change box).	(day/month)
	Effective date of change	(day/month/year)

Form 4—continued

7 Other details (optional).

Phone (day):
Fax:
Email:
Website:

**Charitable purpose**

**Sectors**

(If this is a change, file this form within 3 months of the effective date of this change and complete the effective date of change boxes.)

8 Please indicate the sectors in which the charitable entity operates by marking the *current* operations of the charitable entity in the boxes below. Please select as many boxes as needed.

- |  |   |
|--|---|
| <input type="checkbox"/> accommodation / housing         | <input type="checkbox"/> sport / recreation           |
| <input type="checkbox"/> education / training / research | <input type="checkbox"/> care / protection of animals |
| <input type="checkbox"/> health                          | <input type="checkbox"/> international activities     |
| <input type="checkbox"/> environment / conservation      | <input type="checkbox"/> economic development         |
| <input type="checkbox"/> marae on reservation land       | <input type="checkbox"/> fund-raising                 |
| <input type="checkbox"/> community development           | <input type="checkbox"/> disability                   |
| <input type="checkbox"/> emergency / disaster relief     | <input type="checkbox"/> promotion of volunteering    |
| <input type="checkbox"/> social services                 | <input type="checkbox"/> other                        |
| <input type="checkbox"/> employment                      |   |
| <input type="checkbox"/> religious activities            |   |
| <input type="checkbox"/> arts / culture / heritage       |   |

[ ]

Effective date of change

(day/month/year)

9 Please indicate the main sector of operation for the charitable entity.

[ ]

Effective date of change

(day/month/year)

Form 4—*continued*

**Activities**

(If this is a change, file this form within 3 months of the effective date of this change and complete the effective date of change boxes.)

10 Please indicate what the charitable entity does by marking the *current* activities of the charitable entity in the boxes below. Please select as many boxes as needed.

- |   |   |
|---|---|
| <input type="checkbox"/> makes grants / loans to individuals  | <input type="checkbox"/> provides advice / information / advocacy |
| <input type="checkbox"/> makes grants / loans to organisations (including schools or other charities) | <input type="checkbox"/> sponsors / undertakes research           |
| <input type="checkbox"/> provides other finance (eg, investment funds)                                | <input type="checkbox"/> acts as an umbrella / resource body      |
| <input type="checkbox"/> provides human resources (eg, staff / volunteers)                            | <input type="checkbox"/> provides religious services / activities |
| <input type="checkbox"/> provides buildings / facilities / open space                                 | <input type="checkbox"/> other (please state below)               |
| <input type="checkbox"/> provides services (eg, care / counselling)                                   | <div style="border: 1px solid black; padding: 2px;">[ ]</div>     |

Effective date of change 

(day/month/year)

11 Please indicate the main activity of the charitable entity. 

[ ]

Effective date of change 

(day/month/year)

**Beneficiaries**

(If this is a change, file this form within 3 months of the effective date of this change and complete the effective date of change boxes.)

12 Please indicate who benefits from the charitable entity's activities by marking the *current* beneficiaries of the charitable entity in the boxes below. Please select as many boxes as needed.

- |   |   |
|---|---|
| <input type="checkbox"/> children / young people                    | <input type="checkbox"/> older people                         |
| <input type="checkbox"/> voluntary bodies other than charities      | <input type="checkbox"/> people with disabilities             |
| <input type="checkbox"/> animals                                    | <input type="checkbox"/> general public                       |
| <input type="checkbox"/> people of a certain ethnic / racial origin | <input type="checkbox"/> migrants / refugees                  |
| <input type="checkbox"/> family / whanau                            | <input type="checkbox"/> other (please state below)           |
| <input type="checkbox"/> religious groups                           | <div style="border: 1px solid black; padding: 2px;">[ ]</div> |
| <input type="checkbox"/> other charities                            |   |

Form 4—continued

13 Please indicate who benefits most from the charitable entity. [ ]

Effective date of change (day/month/year)

Areas of operation

14 Please indicate where the charitable entity operates by marking the *current* areas of operation of the charitable entity in the boxes below. Please select as many boxes as needed.

New Zealand

Nationwide

Or less than nationwide

- |  |  |
|--|--|
| <input type="checkbox"/> Northland         | <input type="checkbox"/> Wellington–Wairarapa      |
| <input type="checkbox"/> Auckland          | <input type="checkbox"/> Nelson–Marlborough–Tasman |
| <input type="checkbox"/> Waikato           | <input checked="" type="checkbox"/> West Coast     |
| <input type="checkbox"/> Bay of Plenty     | <input type="checkbox"/> Canterbury                |
| <input type="checkbox"/> Gisborne          | <input checked="" type="checkbox"/> Otago          |
| <input type="checkbox"/> Hawke’s Bay       | <input type="checkbox"/> Southland                 |
| <input type="checkbox"/> Taranaki          | <input type="checkbox"/> Chatham Islands           |
| <input type="checkbox"/> Manawatu–Wanganui |  |

Overseas

- |                                  |  |
|----------------------------------|--|
| <input type="checkbox"/> Oceania | <input type="checkbox"/> Antarctica    |
| <input type="checkbox"/> Asia    | <input type="checkbox"/> South America |
| <input type="checkbox"/> Africa  | <input type="checkbox"/> North America |
| <input type="checkbox"/> Europe  |  |

15 Identify the percentage of New Zealand-sourced funds that were spent overseas in the last financial year (or if the charitable entity has not been operating for a year, the percentage of New Zealand-sourced funds that the charitable entity intends to spend overseas in the upcoming financial year). [ ]

Form 4—*continued*

**Change to officers**

16 Do you need to add any new officers of the charitable entity to the register?

Yes	<i>Please complete an officer certification form</i>
-----	--

17 Please provide details for each new officer of the charitable entity. This is to ensure that the Charities Commission can match up your officer certification forms with the officers you advise the Charities Commission of in this form. Please note that each new officer or someone on the officer's behalf must complete and sign an officer certification form.

Individual officer

Given or first name(s):	Surname or family name:
-------------------------	-------------------------

Body corporate

Name of body corporate:
-------------------------

18 Do any officers of the charitable entity need to be removed from the register? Please specify each individual or body corporate that is no longer an officer.

Full name of officer	Last date as an officer (day/month/year)

**Rules**

19 Have the charitable entity's rules changed since you last notified the Charities Commission?

Yes
No

If the charitable entity's rules have changed—

- file this form within 3 months of the effective date of this change; and
- please supply—
  - a copy of the amendment(s) to the charitable entity's rules; and
  - a copy of the minute of the meeting or other record specifying the decision and the effective date of the change.

Form 4—*continued*

**Your people**

Please provide approximate numbers if you do not know the exact numbers.

20 In an average week, how many people does the charitable entity employ?

Paid full time

Paid part time

21 In an average week, how many paid hours of work are worked in total by all employees?

22 In an average week, how many people work as volunteers for the charitable entity?

23 In an average week, how many volunteer hours are worked in total by all volunteers?

FOR INFORMATION ONLY

Form 4—*continued*

**Financial information**

Please attach a copy of the charitable entity's financial accounts. If you have audited financial accounts, please attach those, if not, please attach what you do have.

24 What accounting method does the charitable entity use?

Cash
Accrual

25 Please fill in the financial information below. Enter "nil" if applicable.  
**Note:** Please insert figures rounded to the closest thousand dollars.

**Part 1: Statement of financial performance for the year ended**  
 [day/month/year]

**Gross income**

Government grants / contracts	<input style="width: 95%;" type="text"/>	
All other grants and sponsorship	<input style="width: 95%;" type="text"/>	
Income from service provision / trading operations	<input style="width: 95%;" type="text"/>	
Membership fees	<input style="width: 95%;" type="text"/>	
Donations / koha	<input style="width: 95%;" type="text"/>	
Bequests	<input style="width: 95%;" type="text"/>	
New Zealand dividends	<input style="width: 95%;" type="text"/>	
Other investment income	<input style="width: 95%;" type="text"/>	
All other income	<input style="width: 95%;" type="text"/>	
<b>Total gross income</b>		<input style="width: 100%;" type="text"/>

**Expenditure**

Grants paid—within New Zealand	<input style="width: 95%;" type="text"/>	
Grants paid—outside New Zealand	<input style="width: 95%;" type="text"/>	
Salaries and wages	<input style="width: 95%;" type="text"/>	
Depreciation	<input style="width: 95%;" type="text"/>	
Interest paid	<input style="width: 95%;" type="text"/>	
Cost of service provision (excluding salaries and wages)	<input style="width: 95%;" type="text"/>	
Cost of trading operations (excluding salaries and wages)	<input style="width: 95%;" type="text"/>	
All other expenditure	<input style="width: 95%;" type="text"/>	
<b>Total expenditure</b>		<input style="width: 100%;" type="text"/>
<b>Net surplus / deficit for the year</b>		<input style="width: 100%;" type="text"/>

Please do not use these forms - they will be published in a user-friendly format in 2007.

2006/301

**Charities (Fees, Forms, and Other  
Matters) Regulations 2006**

Schedule

Form 4—*continued*

**Part 2: Statement of financial performance as at [day/month/year]**

**Current assets**

Cash and bank balances

Inventory

All other short-term assets

**All current assets**

**Non-current assets**

Land

Buildings

Computers and office equipment

All other fixed assets

Investments

**All non-current assets**

**Total assets**

**Liabilities**

All current liabilities

All non-current liabilities

**Total liabilities**

**Equity**

Endowment funds

Restricted purpose funds

General accumulated funds

**Total equity**

**Total liabilities**

FOR INFORMATION ONLY

Form 4—*continued*

**Privacy and information use**

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**Request for information on register to be restricted from public access**

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- All requests to prevent or restrict public access to information or documents will be evaluated and you will be advised of the Charities Commission's decision.

---

**Certification**

I certify that the information in this annual return is correct and that I am authorised to complete this return and where applicable I have completed the effective date of change sections of the form.

**Signature** of person completing annual return

[ ]
-----

**Full name** of person completing annual return

[ ]
-----

**Date**

(day/month/year)
------------------

Form 5  
Application by single entity for registration as  
charitable entity  
*Section 46, Charities Act 2005*

**Single entity details**

- 1 Legal name of the single entity.
- 2 Legal name of the parent entity.
- 3 Other names the single entity is known by (if any).
- 4 Address for service of the single entity. 

Postal address:
Street address:
- 5 Other details (optional). 

Phone (day):
Fax:
Email:
Website:
- 6 End of financial year / balance date for the single entity.

7 Please list the names of all of the entities that form part of the single entity and their Inland Revenue Department (IRD) number (if applicable) and, if the entity is a registered charitable trust, an incorporated society, or a company, its Companies Office registration number.

Name of entity	Entity IRD number	Companies Office registration number

Form 5—*continued*

8 Do any of the entities covered by this application have charitable entity registration numbers?

Yes
No

Please list the name of the entity and its charitable entity registration number.

Name of entity	Charitable entity registration number

**Charitable purpose**

**Sectors**

9 Which of the following describe the sectors in which the single entity operates? Please select as many boxes as needed.

- |   |   |
|---|---|
| <input type="checkbox"/> accommodation / housing<br><input type="checkbox"/> education / training / research<br><input type="checkbox"/> health<br><input type="checkbox"/> environment / conservation<br><input type="checkbox"/> marae on reservation land<br><input type="checkbox"/> community development<br><input type="checkbox"/> emergency / disaster relief<br><input type="checkbox"/> social services<br><input type="checkbox"/> employment<br><input type="checkbox"/> religious activities<br><input type="checkbox"/> arts / culture / heritage<br><input type="checkbox"/> sport / recreation | <input type="checkbox"/> care / protection of animals<br><input checked="" type="checkbox"/> international activities<br><input type="checkbox"/> economic development<br><input type="checkbox"/> fund-raising<br><input type="checkbox"/> disability<br><input type="checkbox"/> promotion of volunteering<br><input type="checkbox"/> other<br><div style="border: 1px solid black; padding: 5px; margin-top: 10px;">[ ]</div> |
|---|---|

10 Which one of the above is the main sector of operation for the single entity?

[ ]

Form 5—continued

**Activities**

11 Which of the following activities describe what the single entity does?  
Please select as many boxes as needed.

- |   |   |
|---|---|
| <input type="checkbox"/> makes grants / loans to individuals  | <input type="checkbox"/> provides advice / information / advocacy |
| <input type="checkbox"/> makes grants / loans to organisations (including schools or other charities) | <input type="checkbox"/> sponsors / undertakes research           |
| <input type="checkbox"/> provides other finance (eg, investment funds)                                | <input type="checkbox"/> acts as an umbrella / resource body      |
| <input type="checkbox"/> provides human resources (eg, staff / volunteers)                            | <input type="checkbox"/> provides religious services / activities |
| <input type="checkbox"/> provides buildings / facilities / open space                                 | <input type="checkbox"/> other (please state below)               |
| <input type="checkbox"/> provides services (eg, care / counselling)                                   | [ ]   |

12 Which one of the above is the main activity of the single entity? [ ]

**Beneficiaries**

13 Who benefits from the single entity's activities? Please select as many boxes as needed.

- |   |   |
|---|---|
| <input type="checkbox"/> children / young people                    | <input type="checkbox"/> older people               |
| <input type="checkbox"/> voluntary bodies other than charities      | <input type="checkbox"/> people with disabilities   |
| <input type="checkbox"/> animals                                    | <input type="checkbox"/> general public             |
| <input type="checkbox"/> people of a certain ethnic / racial origin | <input type="checkbox"/> migrants / refugees        |
| <input type="checkbox"/> family / whanau                            | <input type="checkbox"/> other (please state below) |
| <input type="checkbox"/> religious groups                           | [ ]   |
| <input type="checkbox"/> other charities                            |   |

14 Which one of the above is the main beneficiary of the single entity? [ ]

Form 5—*continued*

**Sources of funds**

15 From which of the following sources does the single entity get or intend to get funds? Please select as many boxes as needed.

- |   |   |
|---|---|
| <input type="checkbox"/> government grants / contracts    | <input type="checkbox"/> bequests                           |
| <input type="checkbox"/> income from service provision    | <input type="checkbox"/> other investment income            |
| <input type="checkbox"/> income from trading operations   | <input type="checkbox"/> other sources (please state below) |
| <input type="checkbox"/> donations / koha                 |   |
| <input type="checkbox"/> New Zealand dividends            | [ ]   |
| <input type="checkbox"/> any other grants and sponsorship |   |
| <input type="checkbox"/> membership fees                  |   |

**Areas of operation**

16 Where does the single entity operate or intend to operate? Please select as many boxes as needed.

**New Zealand**

- Nationwide

*Or* less than nationwide

- |  |  |
|--|--|
| <input type="checkbox"/> Northland         | <input type="checkbox"/> Wellington–Wairarapa      |
| <input type="checkbox"/> Auckland          | <input type="checkbox"/> Nelson–Marlborough–Tasman |
| <input type="checkbox"/> Waikato           | <input type="checkbox"/> West Coast                |
| <input type="checkbox"/> Bay of Plenty     | <input type="checkbox"/> Canterbury                |
| <input type="checkbox"/> Gisborne          | <input type="checkbox"/> Otago                     |
| <input type="checkbox"/> Hawke’s Bay       | <input type="checkbox"/> Southland                 |
| <input type="checkbox"/> Taranaki          | <input type="checkbox"/> Chatham Islands           |
| <input type="checkbox"/> Manawatu–Wanganui |  |

**Overseas**

- |                                  |  |
|----------------------------------|--|
| <input type="checkbox"/> Oceania | <input type="checkbox"/> Antarctica    |
| <input type="checkbox"/> Asia    | <input type="checkbox"/> South America |
| <input type="checkbox"/> Africa  | <input type="checkbox"/> North America |
| <input type="checkbox"/> Europe  |  |

17 Identify the percentage of New Zealand-sourced funds that were spent overseas in the last financial year (or if the single entity has not been operating for a year, the percentage of New Zealand-sourced funds that the single entity intends to spend overseas in the upcoming financial year).

[ ]

Form 5—*continued*

**Rules**

18 Please supply a copy of the single entity's rules including all amendments.

**Privacy and information use**

The information that you have provided in this form will be held and used by the Charities Commission to determine your eligibility for registration and to carry out its functions under the Charities Act 2005.

The Charities Act 2005 authorises the supply of information or documents held on the register of charitable entities to the Inland Revenue Department to assist in the carrying out of powers and functions under any of the Inland Revenue Acts.

The Statistics Act 1975 allows for the information, once collected, to be used for statistical purposes by Statistics New Zealand. Information supplied to Statistics New Zealand will be used for statistical purposes only and will be arranged to prevent particulars published about any person from being identifiable (except by the person who supplied the information), unless the person has agreed or publication identifying the person is unavoidable.

The Privacy Act 1993 provides that you may access or correct personal information about you held by the Charities Commission. If you wish to access or correct your personal information, please contact the Charities Commission, PO Box 8072, Wellington.

**Request for information on register to be restricted from public access**

**Please note:**

- The Charities Commission may, under section 25 of the Charities Act 2005, prevent or restrict public access to information or documents if it considers it to be in the public interest to do so. Please note that this information or these documents will still be subject to requests under the Official Information Act 1982 that will be considered by the Charities Commission on a case-by-case basis.
- All requests to prevent or restrict public access to information or documents will be evaluated and you will be advised of the Charities Commission's decision.

**Certification**

I certify that the information in this application form for registration as a single entity is correct and that I am authorised to make this application.

**Signature** of officer

**Full name** of officer

**Date**

Form 6  
Notification of changes to charitable entity that is  
single entity  
*Section 40, Charities Act 2005*

**Single entity details**

- 1 Legal name of the single entity.
- 2 Legal name of the parent entity.
- 3 Single entity registration number.

**Changes to single entity's details**

- 4 New legal name of the single entity.
- Effective date of change
- 5 New other name of the single entity.
- Effective date of change
- 6 New name of the parent entity.
- Effective date of change
- 7 New address for service for the single entity.
- Effective date of change

Form 6—*continued*

8 New end of financial year / balance date for the single entity.

Effective date of change

9 Changes to other details (optional).

Phone (day):
Fax:
Email:
Website:

**Changes to charitable purpose**

**Sectors**

10 If your sectors of operation have changed, please indicate what you do now. Please select as many boxes as needed.

- |  |   |
|--|---|
| <input type="checkbox"/> accommodation / housing         | <input type="checkbox"/> sport / recreation           |
| <input type="checkbox"/> education / training / research | <input type="checkbox"/> care / protection of animals |
| <input type="checkbox"/> health                          | <input type="checkbox"/> international activities     |
| <input type="checkbox"/> environment / conservation      | <input type="checkbox"/> economic development         |
| <input type="checkbox"/> marae on reservation land       | <input type="checkbox"/> fund-raising                 |
| <input type="checkbox"/> community development           | <input type="checkbox"/> disability                   |
| <input type="checkbox"/> emergency / disaster relief     | <input type="checkbox"/> promotion of volunteering    |
| <input type="checkbox"/> social services                 | <input type="checkbox"/> other (please state below)   |
| <input type="checkbox"/> employment                      |   |
| <input type="checkbox"/> religious activities            | <input type="text" value="[ ]"/>                      |
| <input type="checkbox"/> arts / culture / heritage       |   |

Effective date of change

11 If your main sector of operation has changed, please indicate what it is now.

Effective date of change

Form 6—*continued*

**Activities**

12 If your activities have changed, please indicate what you do now. Please select as many boxes as needed.

- |   |   |
|---|---|
| <input type="checkbox"/> makes grants / loans to individuals  | <input type="checkbox"/> provides advice / information / advocacy |
| <input type="checkbox"/> makes grants / loans to organisations (including schools or other charities) | <input type="checkbox"/> sponsors / undertakes research           |
| <input type="checkbox"/> provides other finance (eg, investment funds)                                | <input type="checkbox"/> acts as an umbrella / resource body      |
| <input type="checkbox"/> provides human resources (eg, staff / volunteers)                            | <input type="checkbox"/> provides religious services / activities |
| <input type="checkbox"/> provides buildings / facilities / open space                                 | <input type="checkbox"/> other (please state below)               |
| <input type="checkbox"/> provides services (eg, care / counselling)                                   | [ ]   |

Effective date of change

(day/month/year)

13 If your main activity has changed, please indicate what it is now.

[ ]

Effective date of change

(day/month/year)

**Beneficiaries**

14 If your beneficiaries have changed, please indicate who they are now. Please select as many boxes as needed.

- |   |   |
|---|---|
| <input type="checkbox"/> children / young people                    | <input type="checkbox"/> older people               |
| <input type="checkbox"/> voluntary bodies other than charities      | <input type="checkbox"/> people with disabilities   |
| <input type="checkbox"/> animals                                    | <input type="checkbox"/> general public             |
| <input type="checkbox"/> people of a certain ethnic / racial origin | <input type="checkbox"/> migrants / refugees        |
| <input type="checkbox"/> family / whanau                            | <input type="checkbox"/> other (please state below) |
| <input type="checkbox"/> religious groups                           | [ ]   |
| <input type="checkbox"/> other charities                            |   |

Effective date of change

(day/month/year)

Form 6—continued

15 If your main beneficiary has changed, please indicate who it is now. [ ]

Effective date of change (day/month/year)

Areas of operation

16 If your areas of operation have changed, please indicate what they are now. Please select as many boxes as needed.

New Zealand

Nationwide

Or less than nationwide

- Northland
- Auckland
- Waikato
- Bay of Plenty
- Gisborne
- Hawke's Bay
- Taranaki
- Manawatu-Wanganui
- Wellington-Wairarapa
- Nelson-Marlborough-Tasman
- West Coast
- Canterbury
- Otago
- Southland
- Chatham Islands

Overseas

- Oceania
- Asia
- Africa
- Europe
- Antarctica
- South America
- North America

Effective date of change (day/month/year)

17 Identify the percentage of New Zealand-sourced funds that were spent overseas in the last financial year (or if the single entity has not been operating for a year, the percentage of New Zealand-sourced funds that the single entity intends to spend overseas in the upcoming financial year). [ ]

Form 6—*continued*

**Change to officers**

18 Do you need to add any new officers of the single entity to the register?

Yes	<i>Please complete an officer certification form</i>
-----	--

19 Please provide details for each officer of the single entity. This is to ensure that the Charities Commission can match up your officer certification forms with the officers you advise in this form. Please note that each officer or someone on the officer's behalf must complete and sign an officer certification form.

Individual officer

Given or first name:	Surname or family name:
----------------------	-------------------------

Body corporate

Name of body corporate:
-------------------------

20 Do any officers of the single entity need to be removed from the register? Please specify each individual or body corporate that is no longer an officer.

Full name of officer	Last date as an officer (day/month/year)

**Rules**

21 Have the single entity's rules changed since you last notified the Charities Commission?

Yes
No

If the single entity's rules have changed, please supply—

- a copy of the amendment(s) to the single entity's rules; and
- a copy of the minute of the meeting or other record specifying the decision and the effective date of the change.

Form 6—*continued*

**Privacy and information use**

The information that you have provided in this form will be held and used by the Charities Commission to determine your ongoing eligibility for registration and to carry out its functions under the Charities Act 2005.

The Charities Act 2005 authorises the supply of information or documents held on the register of charitable entities to the Inland Revenue Department to assist in the carrying out of powers and functions under any of the Inland Revenue Acts.

The Statistics Act 1975 allows for the information, once collected, to be used for statistical purposes by Statistics New Zealand. Information supplied to Statistics New Zealand will be used for statistical purposes only and will be arranged to prevent particulars published about any person from being identifiable (except by the person who supplied the information), unless the person has agreed or publication identifying the person is unavoidable.

The Privacy Act 1993 provides that you may access or correct personal information about you held by the Charities Commission. If you wish to access or correct your personal information, please contact the Charities Commission, PO Box 8072, Wellington.

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**Request for information on register to be restricted from public access**

**Please note:**

- The Charities Commission may, under section 25 of the Charities Act 2005, prevent or restrict public access to information or documents if it considers it to be in the public interest to do so. Please note that this information or these documents will still be subject to requests under the Official Information Act 1982 that will be considered by the Charities Commission on a case-by-case basis.
- All requests to prevent or restrict public access to information or documents will be evaluated and you will be advised of the Charities Commission's decision.

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**Certification**

I certify that the information in this form is correct, that I am authorised to give this notice, and that I have completed the effective date of change sections of this form.

**Signature** of person completing this form

**Full name** of person completing this form

**Date**

**Form 7**  
**Annual return for charitable entity that is single entity and for charitable entities forming part of single entity**  
*Section 41, Charities Act 2005*

**Part A—Single entity**

**Single entity details**

- 1 Legal name of the single entity.
- 2 Single entity registration number.
- 3 Legal name of the parent entity.
- 4 Parent entity registration number.

**Charitable purpose**

**Sectors**

- 5 Please indicate the sectors in which the single entity operates by marking the *current* operations of the single entity in the boxes below. Please select as many boxes as needed.

- |   |   |
|---|---|
| <input type="checkbox"/> accommodation / housing                | <input type="checkbox"/> sport / recreation           |
| <input type="checkbox"/> education / training / research        | <input type="checkbox"/> care / protection of animals |
| <input type="checkbox"/> health                                 | <input type="checkbox"/> international activities     |
| <input checked="" type="checkbox"/> environment / conservation  | <input type="checkbox"/> economic development         |
| <input type="checkbox"/> marae on reservation land              | <input type="checkbox"/> fund-raising                 |
| <input type="checkbox"/> community development                  | <input type="checkbox"/> disability                   |
| <input checked="" type="checkbox"/> emergency / disaster relief | <input type="checkbox"/> promotion of volunteering    |
| <input type="checkbox"/> social services                        | <input type="checkbox"/> other (please state below)   |
| <input type="checkbox"/> employment                             | <input type="text"/>                                  |
| <input type="checkbox"/> religious activities                   |   |
| <input type="checkbox"/> arts / culture / heritage              |   |

- 6 Please indicate the main sector of operation for the single entity?

Form 7—*continued*

**Activities**

7 Please indicate what the single entity does by marking the *current* activities of the single entity in the boxes below. Please select as many boxes as needed.

- |   |   |
|---|---|
| <input type="checkbox"/> makes grants / loans to individuals  | <input type="checkbox"/> provides advice / information / advocacy |
| <input type="checkbox"/> makes grants / loans to organisations (including schools or other charities) | <input type="checkbox"/> sponsors / undertakes research           |
| <input type="checkbox"/> provides other finance (eg, investment funds)                                | <input type="checkbox"/> acts as an umbrella / resource body      |
| <input type="checkbox"/> provides human resources (eg, staff / volunteers)                            | <input type="checkbox"/> provides religious services / activities |
| <input type="checkbox"/> provides buildings / facilities / open space                                 | <input type="checkbox"/> other (please state below)               |
| <input type="checkbox"/> provides services (eg, care / counselling)                                   | [ ]   |

8 Please indicate the main activity of the single entity? [ ]

**Beneficiaries**

9 Please indicate who benefits from the activities of the single entity by marking the *current* beneficiaries of the single entity in the boxes below. Please select as many boxes as needed.

- |  |   |
|--|---|
| <input type="checkbox"/> children / young people                     | <input type="checkbox"/> older people               |
| <input type="checkbox"/> voluntary bodies other than charities       | <input type="checkbox"/> people with disabilities   |
| <input type="checkbox"/> animals                                     | <input type="checkbox"/> general public             |
| <input type="checkbox"/> people of a certain ethnic or racial origin | <input type="checkbox"/> migrants / refugees        |
| <input type="checkbox"/> family / whanau                             | <input type="checkbox"/> other (please state below) |
| <input type="checkbox"/> religious groups                            | [ ]   |
| <input type="checkbox"/> other charities                             |   |

10 Please indicate who benefits most from the single entity? [ ]

Form 7—*continued*

**Areas of operation**

11 Please indicate where the single entity operates by marking the *current* areas of operation of the single entity in the boxes below. Please select as many boxes as needed.

**New Zealand**

Nationwide

**Or less than nationwide**

- |  |  |
|--|--|
| <input type="checkbox"/> Northland         | <input type="checkbox"/> Wellington–Wairarapa      |
| <input type="checkbox"/> Auckland          | <input type="checkbox"/> Nelson–Marlborough–Tasman |
| <input type="checkbox"/> Waikato           | <input type="checkbox"/> West Coast                |
| <input type="checkbox"/> Bay of Plenty     | <input type="checkbox"/> Canterbury                |
| <input type="checkbox"/> Gisborne          | <input type="checkbox"/> Otago                     |
| <input type="checkbox"/> Hawke’s Bay       | <input type="checkbox"/> Southland                 |
| <input type="checkbox"/> Taranaki          | <input type="checkbox"/> Chatham Islands           |
| <input type="checkbox"/> Manawatu–Wanganui |  |

**Overseas**

- |                                  |  |
|----------------------------------|--|
| <input type="checkbox"/> Oceania | <input checked="" type="checkbox"/> Antarctica |
| <input type="checkbox"/> Asia    | <input type="checkbox"/> South America         |
| <input type="checkbox"/> Africa  | <input type="checkbox"/> North America         |
| <input type="checkbox"/> Europe  |  |

12 Identify the percentage of New Zealand-sourced funds that were spent overseas in the last financial year (or if the single entity has not been operating for a year, the percentage of New Zealand-sourced funds that the single entity intends to spend overseas in the upcoming financial year).

**end of Part A**

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**Part B—Charitable entity forming part of single entity**

13 Legal name of the charitable entity.

14 Charitable entity registration number.

**end of Part B**

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Form 7—*continued*

**Part C—Financial information**

**Your people**

Please provide approximate numbers if you do not know the exact numbers.

15 In an average week, how many people does the charitable entity employ?

Paid full time

Paid part time

16 In an average week, how many paid hours of work are worked in total by all employees?

17 In an average week, how many people work as volunteers for the charitable entity?

18 In an average week, how many volunteer hours are worked in total by all volunteers?

FOR INFORMATION ONLY

Form 7—*continued*

**Financial information**

Please attach a copy of the charitable entity's financial accounts. If you have audited financial accounts, please attach those, if not, please attach what you do have.

19 What accounting method does the charitable entity use?

Cash
Accrual

20 Please fill in the financial information below. Enter "nil" if applicable.  
**Note:** Please insert figures rounded to the closest thousand dollars.

**Part 1: Statement of financial performance for the year ended**  
 [day/month/year]

**Gross income**

Government grants / contracts	<input style="width: 90%;" type="text"/>	
All other grants and sponsorship	<input style="width: 90%;" type="text"/>	
Income from service provision / trading operations	<input style="width: 90%;" type="text"/>	
Membership fees	<input style="width: 90%;" type="text"/>	
Donations / koha	<input style="width: 90%;" type="text"/>	
Bequests	<input style="width: 90%;" type="text"/>	
New Zealand dividends	<input style="width: 90%;" type="text"/>	
Other investment income	<input style="width: 90%;" type="text"/>	
All other income	<input style="width: 90%;" type="text"/>	
<b>Total gross income</b>		<input style="width: 100%;" type="text"/>

**Expenditure**

Grants paid—within New Zealand	<input style="width: 90%;" type="text"/>	
Grants paid—outside New Zealand	<input style="width: 90%;" type="text"/>	
Salaries and wages	<input style="width: 90%;" type="text"/>	
Depreciation	<input style="width: 90%;" type="text"/>	
Interest paid	<input style="width: 90%;" type="text"/>	
Cost of service provision (excluding salaries and wages)	<input style="width: 90%;" type="text"/>	
Cost of trading operations (excluding salaries and wages)	<input style="width: 90%;" type="text"/>	
All other expenditure	<input style="width: 90%;" type="text"/>	
<b>Total expenditure</b>		<input style="width: 100%;" type="text"/>
<b>Net surplus / deficit for the year</b>		<input style="width: 100%;" type="text"/>

Form 7—*continued*

**Part 2: Statement of financial performance as at [day/month/year]**

**Current assets**

Cash and bank balances	<input type="text"/>	
Inventory	<input type="text"/>	
All other short-term assets	<input type="text"/>	
<b>All current assets</b>		<input type="text"/>

**Non-current assets**

Land	<input type="text"/>	
Buildings	<input type="text"/>	
Computers and office equipment	<input type="text"/>	
All other fixed assets	<input type="text"/>	
Investments	<input type="text"/>	
<b>All non-current assets</b>		<input type="text"/>
<b>Total assets</b>		<input type="text"/>

**Liabilities**

All current liabilities	<input type="text"/>	
All non-current liabilities	<input type="text"/>	
<b>Total liabilities</b>		<input type="text"/>

**Equity**

Endowment funds	<input type="text"/>	
Restricted purpose funds	<input type="text"/>	
General accumulated funds	<input type="text"/>	
<b>Total equity</b>		<input type="text"/>
<b>Total liabilities</b>		<input type="text"/>

FOR INFORMATION ONLY

Form 7—*continued*

**Privacy and information use**

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The Charities Act 2005 authorises the supply of information or documents held on the register of charitable entities to the Inland Revenue Department to assist in the carrying out of powers and functions under any of the Inland Revenue Acts.

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- All requests to prevent or restrict public access to information or documents will be evaluated and you will be advised of the Charities Commission's decision.

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**Certification**

I certify that the information in this annual return is correct and that I am authorised to complete this return.

**Signature** of person completing annual return

[ ]

**Full name** of person completing annual return

[ ]

**Date**

(day/month/year)

Martin Bell,  
for Clerk of the Executive Council.

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**Explanatory note**

*This note is not part of the regulations, but is intended to indicate their general effect.*

These regulations, which come into force on 1 November 2006, set out the forms to be used, and the fees to be paid, by a charitable entity or a charitable entity that is a single entity under the Charities Act 2005. They also set out—

- additional search criteria for searching the register of charitable entities; and
- the administrative penalties to be paid by a charitable entity that fails to send or deliver a notice or annual return within the relevant time frames prescribed by the Act.

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Issued under the authority of the Acts and Regulations Publication Act 1989.

Date of notification in *Gazette*: 28 September 2006.

These regulations are administered by the Department of Internal Affairs.

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