

NCSS to consider rules of Sarbanes-Oxley for charities

SOX deemed more critical to NPOs than other bodies

By **MICHELLE QUAN**

STRICT compliance rules set out in the United States' Sarbanes-Oxley Act (SOX) may be adopted in unexpected quarters here — the typically self-regulated arena of voluntary welfare organisations (VWOs).

About 100 participants from various charities and umbrella organisations such as the National Council of Social Services (NCSS) turned up at a talk yesterday at the NCSS auditorium on the relevance of the Act to local VWOs.

Organised by the Sarbanes-Oxley Group, a group of professionals looking at issues relating to the legislation, the talk centred on the aspects of SOX that would help charities improve their current non-profit governance and management programmes.

Sanjay Anand, chairman of the group, spoke on how provisions in the Act — such as those on having the correct internal controls, dealing with conflicts of interest and protection for whistle blowers — could be adopted by local charities and non-profit organisations (NPOs).

"There is potential conflict of interest where you run an NPO as a cover for a profit-making organisation or to outsource to a profit-making organisation," Mr Anand told BT.

"There is the opportunity to cook the books because NPOs are not scrutinised as much. And nobody really reads the annual reports of NPOs," he said.

In fact, he believes, SOX is more critical to NPOs than other organisations. "NPOs need to set a good example and high standards because of the trust and faith placed in them."

Many NPOs in the US have adopted SOX as best practice, and Mr Anand touched on some of the implementation and compliance issues faced by them.

NCSS — the coordinating body for some 300 voluntary organisations here — says it may include certain aspects of SOX in its recommendations to an inter-agency committee.

The committee, of which NCSS is a part, was formed last month to review the roles of various regulatory agencies and umbrella bodies like the NCSS that interface with charities.

"The committee would take into account the relevant issues in the Sarbanes-Oxley Act when coming up with its recommenda-

tions," said NCSS chief executive Benedict Cheong, who attended yesterday's talk.

A participant, who did not want to be named, said: "If we were to develop something similar to SOX here, the timing and the relevance of the implementation would be crucial."

Charities in Singapore are typically self-regulated, with many preferring less red tape when reporting information to government agencies.

After a dialogue with Minister for Community Development, Youth and Sports Vivian Balakrishnan last month, it was agreed charities will regulate themselves — especially on issues such as whether to disclose the salaries of their top executives.

That issue — and the governance of charities in general — reached a fever pitch in July when it was revealed in court that former National Kidney Foundation chief TT Durai was paid \$1.8 million in salary and bonuses over a three-year period.

Donor confidence has also been dented by revelations last month that the governance and financial management of the Singapore Association of the Visually Handicapped was under investigation.