

Report into the Potential for a 'Charity Passport' Facility for Charity Data in Ireland

Final Report

**Prepared for the
Charities Regulatory Authority**

by

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Glossary

Definition of Economic Terminology Used	
CBA	Cost-Benefit Analysis is an economic appraisal tool for the comparison of costs and benefits associated with alternative approaches.
BCR	The Benefit/Cost Ratio (BCR) is the ratio between the present value of benefits and costs of an option/project. The preferred option is that with the ratio greatest in excess of 1.
NPV	Net Present Value - The difference between the lifetime benefits and costs of a project/option discounted to present values.
Discount rate	The discount rate is a concept related to the NPV method. The discount rate is used to convert costs and benefits to present values to reflect the principle of time preference.
Shadow Price of Public Funds	The Shadow Price of Public Funds is a technical parameter for use in economic appraisal. The parameter is employed to account for the distortionary effects of taxation, such as productive and consumptive decisions which are different than they would be relative to a 'Do-Minimum' or 'Do-Nothing' scenario.
General Glossary	
ACNC	Australian Charities and Not-for-profits Commission
Charities SORP	Statement of Recommended Practice - sets out how charities should prepare their annual accounts and report on their finances.
CII	Charities Institute of Ireland
CRO	Company Registration Office
CSO	Central Statistics Office
OECD	Organisation for Economic Co-operation and Development
PSC	Public Spending Code
RCN	Registered Charity Number
Reporting Costs	The costs in meeting all the reporting requirements of public agencies.
Compliance Costs	The costs in complying with all requirements of public agencies. This terminology tends to be used in academic international literature and is sometimes used interchangeable with the term reporting costs. This term accurately reflects costs which 'Charity Passport' schemes attempt to reduce.
Governance costs	Governance costs is the terminology which tends to be used in financial accounts to measure the costs associated with the governance arrangements. These costs will normally include internal and external audit, legal advice for trustees and costs associated with constitutional and statutory requirements for example the cost of trustee meetings and preparing statutory accounts. Included within governance costs are any costs associated with the strategic as opposed to day to day management of the charity's activities. These costs may include the cost of charity employees involved in meetings with trustees and the cost of any administrative support provided to the trustees.

Executive Summary

Introduction and Background

Indecon is a leading independent economic research consultancy practice in Ireland and was appointed after a competitive tender process by the Charities Regulatory Authority to conduct research into the potential for a 'Charity Passport' scheme in Ireland. This report represents an independent evidence-based examination of the potential for a 'Charity Passport' scheme in Ireland.

The main example of what has been termed a 'Charity Passport' is the initiative in Australia. The concept of a 'Charity Passport' is that charities would submit financial, governance and other information to one organisation which would then be shared with other authorised public agencies. The rationale for a 'Charity Passport' is to reduce the amount of information that charities provide to different organisations by allowing access to information directly from one organisation without having to ask the charity to provide this information again. This has the potential in theory to reduce administrative costs and to create a "report once, use often" framework. However, it is important to analyse what initiatives already exist and what expanded measures could deliver in practice, as users of information on charities often have very different data requirements.

Indecon's methodological approach to this report utilises evidence from a wide range of sources to provide a rigorous assessment of the potential for a 'Charity Passport' in Ireland. This involved engagement with 41 stakeholder organisations and a survey of nearly 1,000 charities. We have also examined new evidence on the extent of reporting requirements both in Ireland and internationally. In addition, we forensically examined examples of the data required by a number of different funding organisations. This has assisted in informing our analysis of the extent of any repetitive administrative and financial reporting which could potentially be reduced by such an initiative. As part of our work, we analysed extensive international research and consulted with the Australian Charity Regulator. In addition, we examined the potential costs and benefits of different options and completed some indicative formal economic cost-benefit modelling in line with best practice and with the requirements of the Public Spending Code. The consultations, survey work and empirical analysis represent one of the most comprehensive reviews undertaken on the issue of reporting requirements in this sector.

Regulation of Charities in Ireland

The Charities Regulator¹ fulfils a number of functions which include the following:

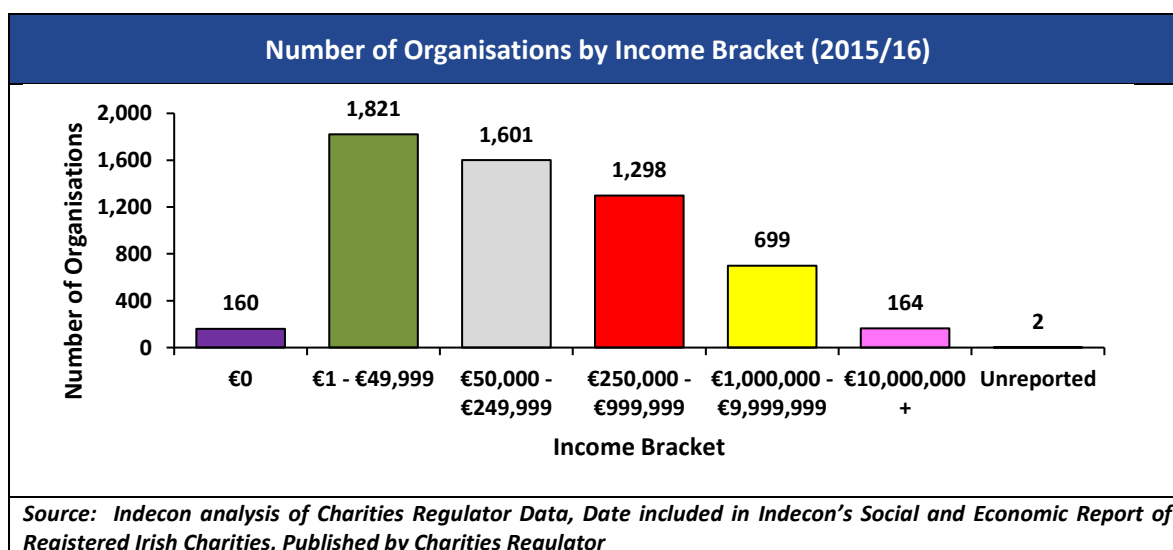
- ☐ To increase public trust and confidence in the management and administration of charitable trusts and charitable organisations;
- ☐ To promote compliance by charity trustees with their duties in the control and management of charitable trusts and charitable organisations;
- ☐ To promote the effective use of the property of charitable trusts or charitable organisations;
- ☐ To ensure the accountability of charitable organisations to donors and beneficiaries of charitable gifts, and to the public;
- ☐ To promote understanding of the requirement that charitable purposes confer a public benefit;
- ☐ To establish and maintain a register of charitable organisations;

¹ The Charities Regulator is alternatively known as the Charities Regulatory Authority. In this report the former name is used.

- ❑ To ensure and monitor compliance by charitable organisations with the Charities Act 2009;
- ❑ To carry out investigations in accordance with the Charities Act 2009;
- ❑ To encourage and facilitate better administration and management of charitable organisations by the provision of information or advice, including in particular by way of issuing (or, as it considers appropriate, approving) guidelines, codes of conduct, and model constitutional documents;
- ❑ To carry on such activities or publish such information (including statistical information) concerning charitable organisations and charitable trusts as it considers appropriate; and
- ❑ To provide information (including statistical information) or advice, or make proposals, to the Minister on matters relating to the functions of the Charities Regulator.²

As noted above, the Charities Regulator is mandated to establish and maintain a publicly available register of all charitable organisations in Ireland. The Register of Charities currently includes over 10,000 organisations.³ An analysis of charities on the Register shows that there are 164 organisations with income in excess of €10m but the Register also includes data on a wide range of smaller organisations. Indecon notes that the Irish Government has provided funding for a centralised database on the wider non-profit sector which has been developed by Benefacts. Data from the Charities Regulator and from Benefacts is also available from the Irish Government's open data portal.

In reviewing the information provided by charities, Indecon notes that the Charities Regulator's Consultative Panel on Governance recommended that the Charities Regulator should support work to reduce and streamline the multiple reporting by clients and this current report is focussed on examining whether a 'Charity Passport' could assist in this objective. The proposed provision of Charity SORP (Statement of Recommended Practice) in preparing standard accounts will also increase transparency, and will assist in increasing the utilisation of financial information by other users. However, legislative changes are needed to facilitate this initiative in respect of charities.

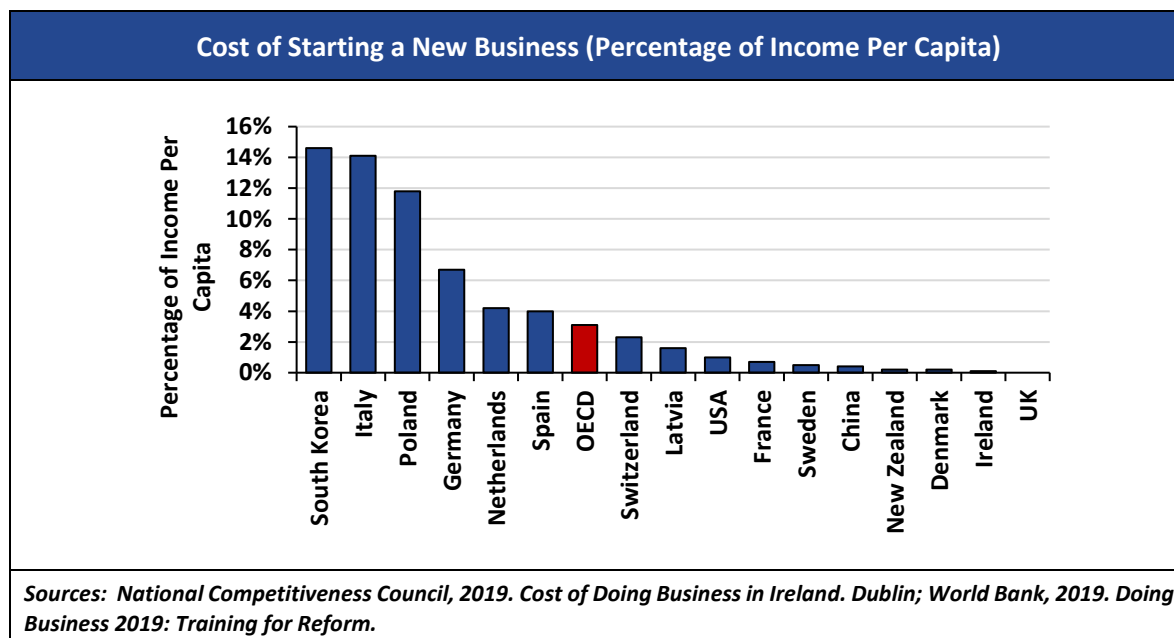


² <https://www.charitiesregulator.ie/en/who-we-are/what-we-do> (Accessed 22/01/2019)

³ Charities Regulator's Statement of Strategy 2019 – 2021 (Published 12/06/19)

Reporting Requirements of Irish Charities

In nearly all developed countries, business and non-profit organisations have to meet a range of information and reporting requirements. The overall costs of commencing and operating a business/organisation in Ireland is relatively low compared to other countries, as indicated in the next figure. However, charities have to meet additional requirements related to their activities and to provide detailed information to meet the needs of funders and other organisations.



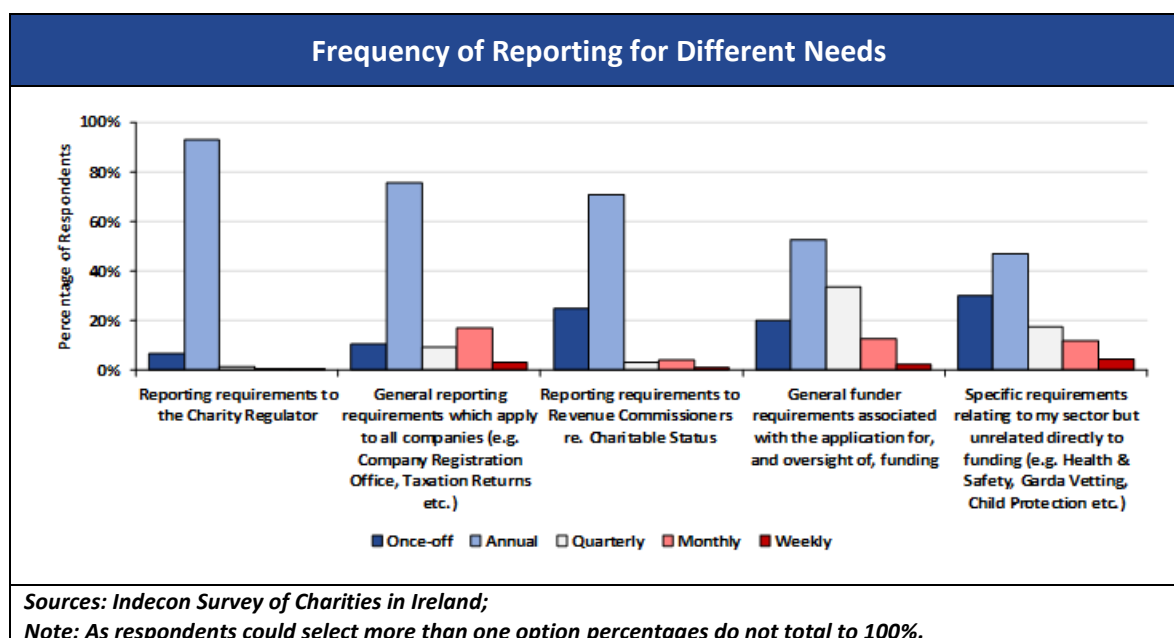
Charities are required to supply information to a wide range of organisations. Some of these requirements, such as information provided to the Revenue Commissioners and the Companies Registration Office, are standard requirements for all companies. Some illustrative examples of bodies which some charities may have to report to include:

- Companies Registration Office;
- Revenue Commissioners;
- Charities Regulator;
- HSE;
- HIQA;
- HEA;
- Tusla;
- Housing Agency;
- Pobal;
- Irish Aid;
- Department of Employment Affairs and Social Protection;
- Department of Education and Skills/ETBs;
- Department of Agriculture, Food and the Marine;
- State Claims Agency;
- An Garda Síochána;
- Register of Lobbying;

- Data Protection Commission; and
- Health and Safety Authority.

In many cases, the information required by individual funding organisations such as the HSE and HEA, or organisations such as An Garda Síochána or HIQA, are very different to that collected by the Charities Regulator. This makes it difficult to standardise processes for charities into a generalised “report once, use often” framework.

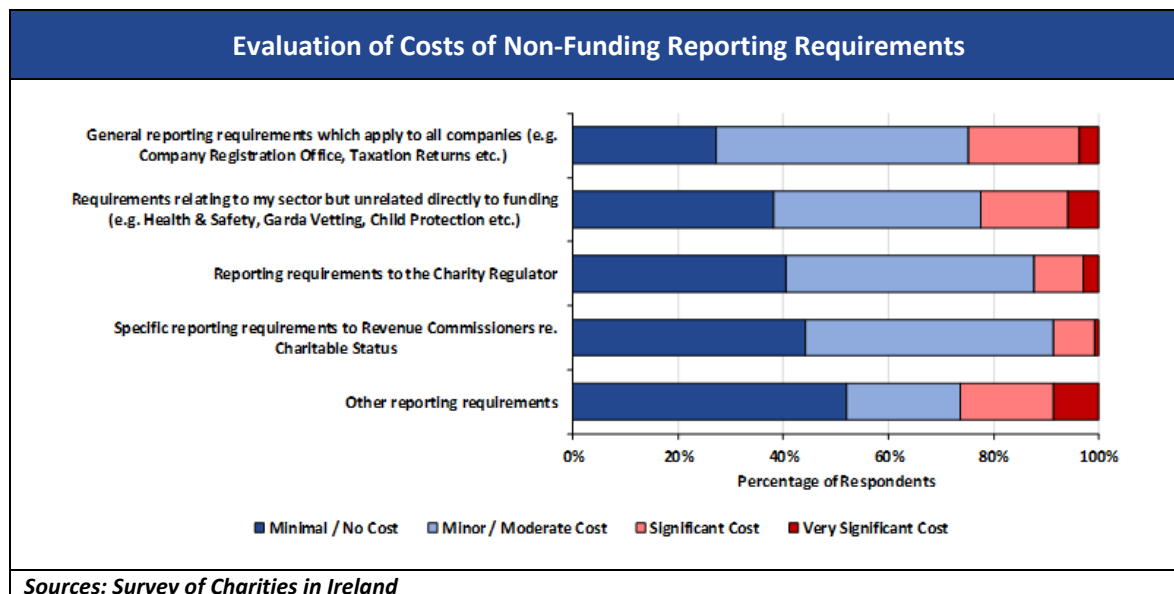
The significance of reporting costs⁴ faced by charities and other non-profit organisations is influenced by the frequency of reporting requirements. Indecon’s analysis suggests that most reporting is on an annual or once-off basis but in certain areas more frequent reporting is required. Indecon’s consultation with stakeholders also suggests that larger charities tend to be required to report more frequently.



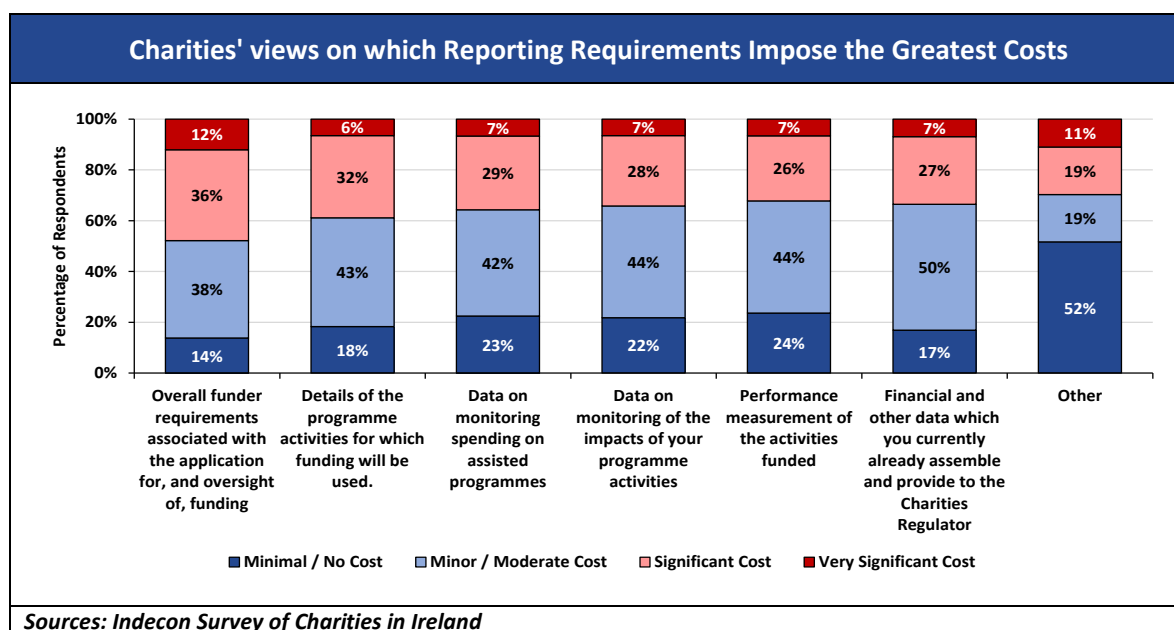
Indecon sought the judgement of charities on their evaluation of reporting costs which refers to the costs incurred arising from reporting requirements from public agencies including regulators and funding organisations. In line with best practice this was based on a variant of a Likert scale which measured the rating by charities of the costs of meeting reporting requirements. A four-scale rating was used, namely: (i) minimal/no costs; (ii) minor/moderate costs; (iii) significant costs, and (iv) very significant costs. The new survey evidence obtained for this study suggests that non-funding reporting requirements do not impose significant costs for most charities. However, it is important to recognise that such requirements are only one part of the reporting requirements faced by charities. The findings also suggest that the reporting requirements of the Charities Regulator were not perceived as generating a significant cost for charities in Ireland. This finding is consistent with

⁴ Indecon defines reporting costs as the costs faced by charities of meeting the reporting and requirements of public agencies and funding organisations. This term is directly relevant to consideration of the potential impacts of a ‘Charity Passport’ as such an initiative is focused on the concept of “report once and use often”. In some of the international literature, as is evident from Section 4 of our report, a similar and related term is used which refers to ‘compliance costs’. This in general can be defined as the costs in complying with the reporting and other requirements of public agencies. These include the costs of compiling and submitting reports for public agencies. In some financial accounts in the UK and Ireland there is quantification of what is termed governance costs. Charity SORP defines Governance Costs as ‘the costs associated with the governance arrangements of the charity. These costs will normally include internal and external audit, legal advice for trustees and costs associated with constitutional and statutory requirements.’

Indecon's independent review of the standard information sought by the Charities Regulator from charitable organisations.



In informing an evaluation of the costs on charities of note is that the reporting requirements associated with the application for, and oversight of, funding were reported to be the costliest, as illustrated in the next figure. For example, 38% of respondent charities stated that providing details of the programme activities for which funding would be used imposed a significant or very significant cost. These costs were perceived as more significant by larger charities. The costs associated with meeting the detailed requirements of funders were also raised in our consultation programme.



In order to test the evaluation by the sector on the costs of meeting reporting requirement, Indecon examined the financial accounts of six leading Irish charities of different sizes who reported governance costs in their financial accounts.⁵ For this sample of charities, annual governance costs were significant and ranged from €159,000 to €1,373,000 per annum. As a share of resources, governance costs were estimated to range from 0.5% to 3.1%.

Data Illustrative Examples of Governance Costs for Irish Charities			
	Governance Costs	Total Resource Expended (€ 000)	Percentage of Total
Organisation 1: Governance Costs	858	159,811	0.5%
Organisation 2: Governance costs	249	70,644	0.4%
Organisation 3- Governance and Compliance	1,373	123,223	1.1%
Organisation 4: Governance Costs	159	17,800	0.9%
Organisation 5: Governance Costs	311	17,873	1.7%
Organisation 6 - Governance costs	596	19,135	3.1%

Given the findings from our survey research and from our stakeholder consultations on the costs of meeting reporting requirements of funders, Indecon felt it would be beneficial to examine the performance-related reporting including administrative and financial data which is required by those organisations who provide funding to charities. As part of our research, Indecon examined in detail examples of the type of information required by funders in the health and education sectors, as these two areas are major sub-sectors with the overall charity sector. Our analysis suggests that the detailed reporting information required by some major funders in sectors such as health and education, inevitably requires significant resources. In many cases this information is necessary to evaluate the effectiveness of public expenditure and to provide an evidence base for policymakers. However, such information in general would not be of interest to most other regulatory or funding organisations and may not be impacted by the development of a centralisation of data on the sector.

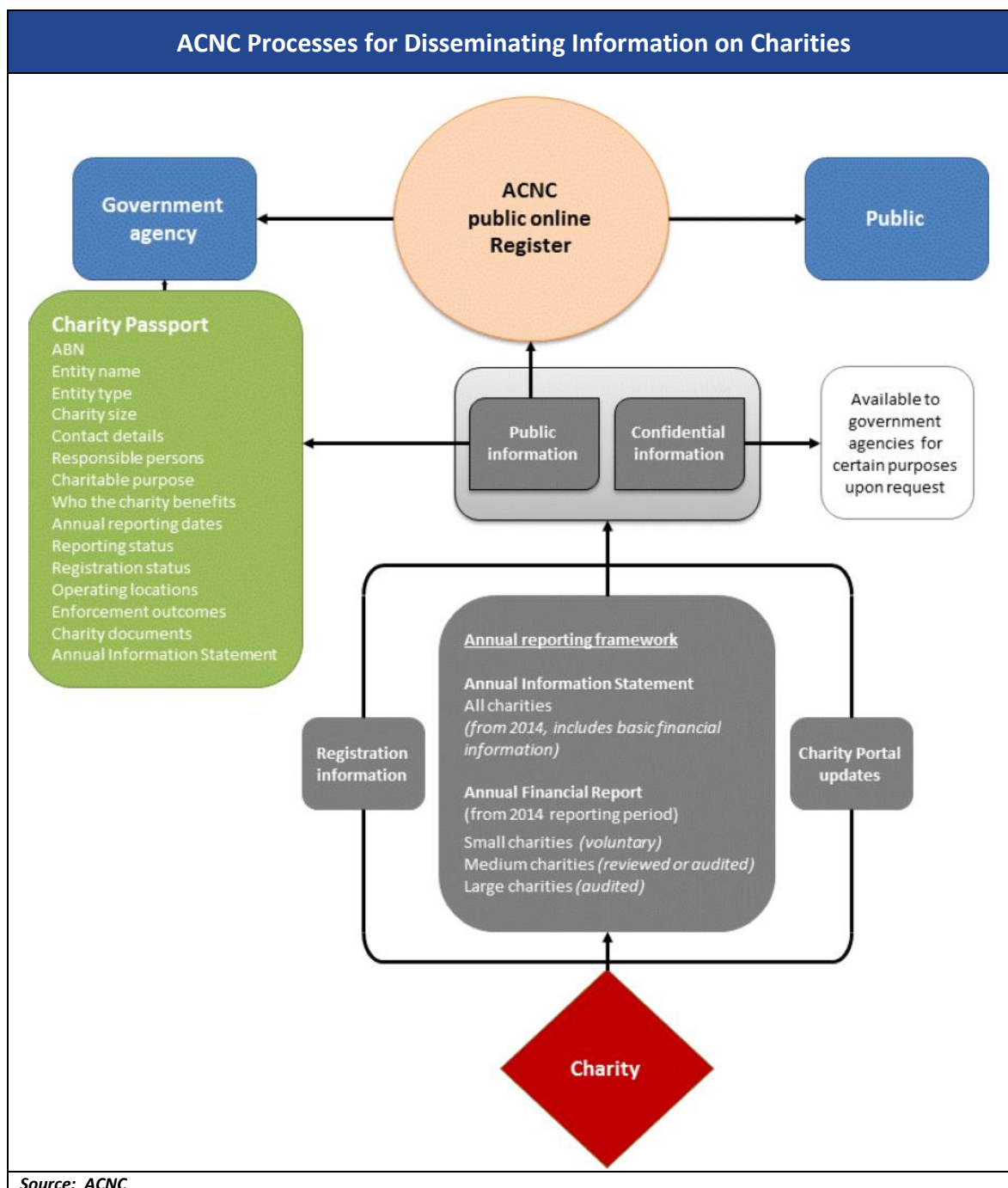
International Review

As part of the research into the potential impact of the introduction of a 'Charity Passport' Scheme in Ireland, Indecon reviewed schemes in place internationally which provide a form of centralised information on charities and non-profit organisations.

In many countries including Ireland, attempts have been made to provide access to centralised datasets concerning charities. However, as noted earlier the main example of what has been termed a 'Charity Passport' is the initiative in Australia. The Australian Charities and Not-for-profits Commission (ACNC) maintains a data register of 73,000 charities which is searchable by the public. It also provides access to the public information it collects for the purpose of sharing it with authorised public agencies. The 'Charity Passport' was designed with the intention of reducing the number of times charities report the same information to different agencies. The 'Charity Passport'

⁵ The definition of governance costs was presented in the previous footnote and while this may not exactly measure the costs incurred in meeting all reporting requirements it is the most aligned quantified measure included in financial accounts of relevance. For example, it would not include costs in meeting reporting requirements which were concerned with the day to day management of the charity's activities. It therefore may represent a prudent conservative estimate.

was launched in 2014 and was underpinned by a requirement that public agencies should use this data. However, Government policy changed subsequently and the use of the data is no longer mandatory. The processes by which the ACNC disseminates information on charities are illustrated in the next figure.



The type of information included on the ACNC 'Charity Passport' is presented in the next table. Many of the variables included are also available for Irish charities on the Charities Regulator's Register of Charities.

Information Available in the Australian 'Charity Passport'	
Charity details including name, Australian Business Number (ABN), address for service, email, telephone number and website, charitable purpose (subtype), beneficiaries, size, operating locations, registration status, reporting status.	Financial year
Responsible Persons	Operating locations
Charity registration (current status and history)	Annual Information Statements
Charity subtype (current status and history)	Financial reports
Beneficiaries	Governing Rules
Charity size (based on annual revenue)	Enforcement outcomes
Financial Information from charities that have submitted an annual report	
Source: ACNC	

While the information in the ACNC 'Charity Passport' is useful for many public agencies that provide funding to charities, it must be acknowledged that individual funders in different sectors require differing levels of information. Indecon understands that the information that is contained in the 'Charity Passport' facility is not sufficient to fulfil the requirements of funders in Australia. Despite now being five years old, many public agencies in Australia still do not avail of the 'Charity Passport' facility. The next table gives the number of 'Charity Passport' accounts held by public agencies in each Australian jurisdiction as of 31 December 2018. While there were 90 accounts, 18 public agencies who used the ACNC 'Charity Passport' are allowed to hold multiple accounts; therefore, the number of accounts does not directly correlate to the number of public agencies using the 'Charity Passport' facility.⁶ Of note is that there are 188 public agencies functioning at Commonwealth Level in Australia indicating that 9.6% of them use the ACNC 'Charity Passport'.⁷ At state level, three agencies in New South Wales use the 'Charity Passport' despite there being 21 user accounts recorded.⁸ The Australian Taxation Office (ATO) has the most user accounts for the 'Charity Passport', which reflects specific arrangements with the ACNC, whereby the ACNC has been given responsibility to collect information on charities seeking tax concessions at Commonwealth Level.

Indecon notes that progress has been slow in the utilisation of the 'Charity Passport' in Australia by agencies who make grants to charities and that many agencies do not have the technology to access the 'Charity Passport' due to compatibility issues. We also understand that some organisations may use the online search function on the ACNC's online Charity Register instead of the ACNC 'Charity Passport'. Uptake of the ACNC 'Charity Passport' may increase over time if more agencies are mandated to use it or if it is expanded to include information on charities not included in the ACNC Charity Register such as religious charities.

One of the most important findings of our international review is that while many other countries, including the United States and Canada, have developed a variety of systems and databases to help disseminate information on charities, none of the countries reviewed by Indecon have implemented a 'Charity Passport' scheme which has completely removed the need for charities to report separately to funders and other organisations.

⁶ Indecon correlation.

⁷ <https://www.directory.gov.au/departments-and-agencies> (accessed 17/05/2019)

⁸ Indecon correlation.

In addition to examining the measures taken in other countries to provide centralised information, it is useful to consider international evidence on governance costs incurred by charities. To examine this issue, Indecon undertook new research on the estimated governance costs of 50 charities in the UK where financial accounts of organisations based on SORP were available. The results show that estimated governance costs vary and range in the sample from 0.1% of turnover to 6.8%. In many cases for large charitable organisations, governance costs are in excess of €1 million per annum, highlighting the significance of such costs. A summary of the estimated governance costs for UK charities is presented in the next table. The significance of governance and reporting requirements costs facing the sector was also confirmed by Indecon's review of other existing international research.

Governance Costs as a Percentage of Income of UK Charities	
	Governance Costs as a Percentage of Total Income
Average	0.84%
Median	0.58%
Max	6.85%
Min	0.11%
<i>Source: Indecon analysis of annual reports/financial accounts of charities in the UK</i>	

Costs and Benefits of a 'Charity Passport'

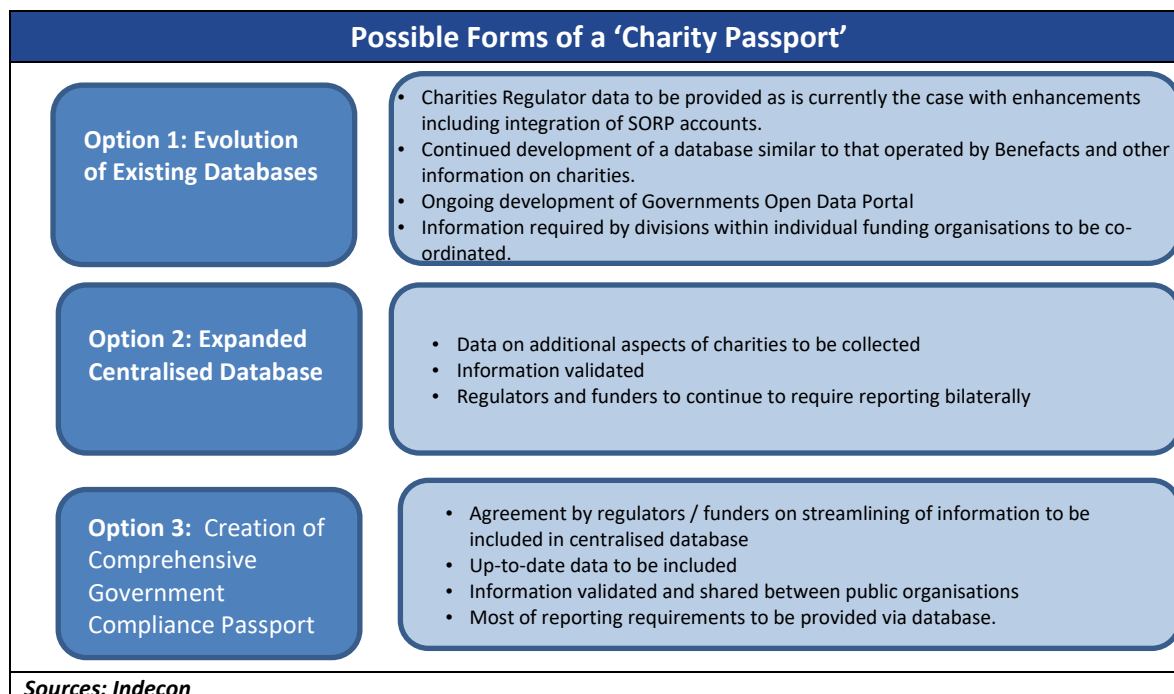
One of the key issues which became evident in our research is that there is great variance in the interpretation of what a 'Charity Passport' would involve. At a basic level the existing Charities Regulator database represents a 'Charity Passport'. In this context it is noteworthy that the Australian Regulator indicated to Indecon that *"the 'Charity Passport' is the information collected from charities by the ACNC, not the mechanism used to access it."* There is, however, a very different concept whereby a centralised information data would be developed including the extensive information required by public agencies. Such an initiative would require the accuracy of the data to be verified and for information to be up to date. It is only if a very expanded information database including detailed performance measures was developed that there would be the likelihood of achieving a marked reduction in compliance costs.

The above assessment is consistent with the view of Pobal who during the consultation noted that *"the full benefit of any future passport concept could only be fully realised when there is a whole-of-government agreement on financial statements and other forms of governance reporting."*

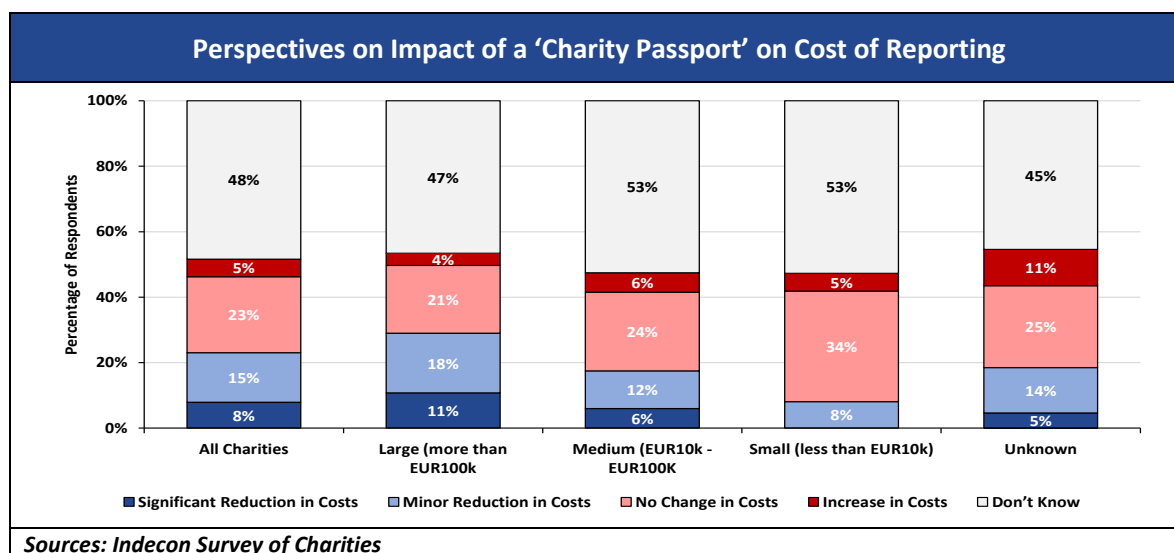
There is therefore no generally accepted definition as to what a 'Charity Passport' is, and what role it should play and depending on what is envisaged the costs and benefits are likely to vary. Indecon's analysis indicates, the costs and benefits of any initiative depends upon:

- The range of information that is collected centrally and made available to other organisations.
- The extent to which the powers to collate data from charities include compulsion, or whether it is voluntary.
- Whether the information is collected and validated, or just collected.
- The number of non-profit organisations included in any database. For example, whether it is confined to registered charities or includes all non-profit organisations.
- The extent of take-up by public agencies.
- The extent to which it reduces the need for charities to separately submit detailed information to funding and other organisations.

In the next figure we set out the different forms that a 'Charity Passport' could take. Indecon's assessment is the 'Charity Passport' in Australia is based on Option 1 and that this option is also largely aligned with existing initiatives in Ireland. Option 2 would involve a more centralised database but funders would require individual reporting to meet their needs. Option 3 would involve a radical comprehensive whole-of-government centralised database which would meet most of the reporting requirements. Indecon is not aware of any example of Option 3 currently in operation internationally.



Indecon's analysis suggests that there is very a wide range of potential interpretations of the definition for a 'Charity Passport' scheme. Reflecting the range of possible options and the uncertainty as to what a 'Charity Passport' would involve in practice, nearly half of the charities surveyed for this study were not in a position to judge whether a 'Charity Passport' would reduce the costs of reporting. However, of those who expressed a view only a very small percentage judged that it would result in a significant reduction in reporting costs.



There are potential benefits of an initiative to centralise information on charities, if it is possible to design such a scheme in a way where very little further information was required by funders or other bodies. Some illustrative potential benefits from what we refer to in this Report as a 'Government Compliance Passport' are presented below. This suggests that if such an initiative represented a one-stop shop for all reporting and if it cut down on duplication, it would be of value.

Some organisations consulted by Indecon expressed the opinion that the 'Charity Passport' would not significantly reduce administrative reporting requirements because of the different requirements of agencies. As one stakeholder indicated:

"Much of the reporting to the funder is specific to that body and access to the data returned to other bodies would undoubtedly help, it would still leave a significant amount of funder-specific data to be returned."

Developing a comprehensive Government Compliance Passport Scheme would involve capital and operational costs both in the establishment and maintenance of an appropriate system. There are also some costs which could be incurred by charities if comprehensive information was required from all charities. A selection of issues raised by charities is reported below.

Selected Quotes from Respondent Charities' on Potential Costs of a 'Charity Passport'

"Inevitably it will involve an increase in costs in having yet more compliance obligations being imposed even if just once off."

"We are a small rural group, and we would not relish lots more paperwork. We do not have members with good I.T. skills."

"We would have a concern that a 'Charity Passport' might become yet another layer of administration for charities to comply with. Many State agencies require different information as part of funding proposals and we feel that the first step of any 'Charity Passport' system would be to standardise requirements for all governmental funding."

"A passport would in theory standardise our reporting requirement. We would have to establish a centralised administration system to support the requirement. Concern that this may be an additional requirement as funders have very specific reporting requirements that may not fall under the passport scheme."

"Each funder requires different details, e.g. copies of Finance Policy and Procedure Manual should be standard for all funders so that we don't have to do up separate and could just use one Policy and Procedure Manual for all funders."

Sources: Inputs to Indecon

While there is inevitable uncertainty regarding the likely quantified costs and benefits of a 'Charity Passport', Indecon has developed some indicative modelling of the potential and costs of benefits of different options. A summary of the estimates is presented in the next table. The detailed assumptions on costs and potential savings underlining these estimates are provided in Chapter 5 of this report. However, of note is that in line with the Public Spending Code, we assume a 4% real

discount rate⁹ in estimating the net present values and a 130% shadow price of public funds.¹⁰ The results on the economic cost-benefit ratios measure the net benefits of the options. When the benefit-cost ratio is less than one, the benefits are less than the cost and the project should not proceed.

This is also evident from what is referred to as the NPV or Net Present Value. Net Present Value is defined as the net benefit flow from a project and “this technique enables one to add up all the benefits of an investment and subtract the costs. Both the benefits and the costs are discounted back to the specified time period in order to give the present value of the investment.”¹¹ The results suggests that there are likely to be net benefits from the evolution of existing measures to enhance centralised information including the initiatives by Charities Regulator to facilitate the introduction of Charity SORP and efforts by individual funding organisations to ensure the co-ordination of information requests within their organisations. However, if the option was to develop a new expanded centralised database and there was low take-up, and if funders and other agencies continued to require bilateral reporting, the net impact would likely be negative. The results also suggest that there are potential net positive benefits from Option 3, namely the introduction of a whole-of-Government Compliance Passport scheme but only if it resulted in a significant reduction in reporting costs. While the benefit-cost ratio of Option 3 is higher than of Option 1, it would involve higher level of capital costs and would only be justified if there was agreement by funders and other organisations that the information would meet most of their needs. The benefits and costs in our modelling are in addition to any savings arising from existing databases.

NPV of Estimated Cost and Benefits of ‘Charity Passport’ (10 Year)			
	Option 1 Evolution of Existing Databases	Option 2 Expanded Centralised Database	Option 3 Creation of Comprehensive Government Compliance Passport
NPV of Capital Cost over 10 years (€m)	1.18	9.47	14.21
NPV of Operational Cost over 10 years (€m)	21.93	43.86	76.76
NPV of Reduction in Charity Costs over 10 years (€m)	27.00	33.48	122.43
Net Present Value of option (€m)	3.88	-19.86	31.46
Benefit/Cost Ratio	1.168	0.628	1.346
<i>Source: Indecon</i>			

⁹ “The discount or interest rate is simply the numerical value that relates to costs or benefits in one period to those in another”. See Gray A. W. (1995) ‘A Guide to Evaluation Methods’ Chapter 2 Techniques for Investment Appraisal p.25, Published by Gill and Macmillan Ltd, ISBN 071712242 5 British Library Catalogue No. : 13542.

¹⁰ The Shadow Price of Public Funds is defined as “a technical parameter for use in economic appraisal. The parameter is employed to take account of the distortionary effects of taxation”. See Department of Public Expenditure and Reform Public Spending Code. Central Technical References and Economic Appraisal Parameters, July 2019.

¹¹ See Gray, A. W. 1995 Op cited.

Key Findings

A summary of the key findings is presented below.

Summary of Key Findings	
1.	The Australian Charity Passport Scheme is in effect a centralised database which contains information largely similar to what is already available on the Charities Regulator's Register of Charities.
2.	There is a significant cost for some charities in meeting the information requirements of funders and other agencies in Ireland.
3.	While many countries internationally have developed a variety of systems and databases to help re-use information on charities, none of the countries reviewed by Indecon have implemented a 'Comprehensive Government Compliance Passport' scheme which has removed the need for charities to bilaterally submit other information to regulators and funders.
4.	The proposed requirement for charities to prepare financial accounts in line with guidelines in the Charity SORP represents a potentially important initiative. However, amendments to the Charities Act 2009 are required to facilitate its introduction.
5.	A comprehensive Government Compliance Passport would be technically feasible in Ireland but the merits of proceeding with this would be dependent on establishing a whole-of-government approach to governance reporting. Simply sharing access to existing centralised data would not remove multiple reporting requirements.
6.	The development of a new comprehensive Government Compliance Passport is only likely to have a net positive economic benefit-cost ratio if it significantly reduces charities' governance costs.

- 1. The Australian Passport Scheme is in effect a centralised database which contains information largely similar to what is already available on the Charities Regulator's Register of Charities.**

The Australian system has an electronic facility to facilitate a bulk access by government agencies to the available information on various charities collected by the Australian regulator. The information provided is of value but does not replace the type of detailed performance data required by funders and other organisations. The information available using the 'Charity Passport' in Australia is similar to the information already contained in the Charities Regulator's Register of Charities, the Benefacts database and the Irish Government's open data portal.

- 2. There is a significant cost for some charities in meeting the information requirements of funders and other agencies.**

There is a significant cost faced by many charities in meeting the continued information requirements of funders and other agencies. This reflects the importance for funders and other public agencies in ensuring that charities operate to the highest standards and that information is obtained to evaluate the effective use of scarce public funds. While Indecon's research indicates that the Charities Regulator's information requirements do not impose significant reporting costs

on charities, charities face significant costs in meeting the combined requirements of funders and other agencies. This finding is consistent with existing international research. An analysis of new empirical research by Indecon of the governance costs of a sample of Irish charities showed that these were significant and ranged from €159,000 to over €1.3 million and as a share of resources ranged from 0.5% to 3.1%. The significance of costs in meeting, reporting and other requirements of funders and other agencies, was aligned with estimates of governance costs of charities in the UK examined by Indecon. It is also consistent with the views expressed by stakeholders during our extensive consultation programme. This suggests that any cost-effective initiatives which would reduce reporting costs should be given a high priority.

- 3. While many countries internationally have developed a variety of systems and databases to help re-use information on charities, none of the countries reviewed by Indecon have implemented a 'Comprehensive Government Compliance Passport' scheme which has removed the need for charities to bilaterally submit other information to regulators and funders.**

An awareness of the need to follow the principle of “report once, use often” has led governments and other organisations to develop databases and other initiatives to share information on charities. However, none of the initiatives has removed the need for charities to also bilaterally supply other reporting requirements.

- 4. The proposed requirement for charities to prepare financial accounts in line with guidelines in the Charity SORP represents a potentially important initiative. However, amendments to the Charities Act 2009 are required to facilitate its introduction.**

A standardised format for certain core documentation and practices, particularly in relation to financial accounts and governance requirements, represents important avenues for reducing some aspects of reporting cost of charities. While there will be some costs for charities in meeting Charity SORP once introduced, its introduction will have wider benefits in terms of standardising financial reporting and increasing transparency and trust in the sector. It would also mean that this data could be used by more than one agency.

- 5. A comprehensive Government Compliance Passport would be technically feasible in Ireland but the merits of proceeding with this would be dependent on establishing a whole-of-government approach to governance reporting. Simply sharing access to centralised data would not remove multiple reporting requirements.**

There is no technical or policy reason why an extensive 'Government Compliance Passport' type database scheme facility could not be feasible in an Irish context. However, given the likely capital and operating costs in establishing and maintaining such a facility, the case for proceeding with this would be dependent on establishing a whole-of-government approach to governance reporting by charities. Without this, Indecon believes the benefits would not justify the costs involved. Such a concept would require a standardisation of information requirements by funders and other agencies to an extent which may be difficult to achieve in the short run.

- 6. The development of a new comprehensive Government Compliance Passport is only likely to have a net positive economic benefit-cost ratio if it significantly reduces charities' governance costs.**

A new centralised Government compliance 'Charity Passport' database scheme specifically for the non-profit sector which would meet most of the reporting needs of funders would involve significant investment in a centralised system. It would also require investment in the technological interface with funders and other public agencies although a common IT system would not be necessary. It would require on-going administrative costs in collecting, monitoring and verifying up to date data on a very wide range of metrics. Most importantly, it would require agreement by public agencies on what data is required. If such a mechanism was developed it could facilitate a situation where charities were only required to provide information on a once-off basis which would then be used by different public agencies. The rationale for such a Government led scheme for the non-profit sector, is the same as that underlying the wider Governments National Data Strategy. This has involved the development of the Government's open data portal. Responsibility of the development of such an initiative is in Indecon's opinion an issue for central government and is much wider than the responsibilities of the Charities Regulator, which regulates a subset of the wider not-for-profit sector.

Recommendations

A summary of recommendations is outlined below.

Summary of Recommendations	
1.	Individual funding and regulatory agencies should review their current reporting requirements.
2.	A 'Forum of Funders/Regulators' should be established to help coordinate reporting requirements, and identify areas where information requests could be streamlined.
3.	Funding agencies should consider including an allowance for the cost of reporting by charities in making funding decisions.
4.	If a decision is made to proceed with a comprehensive Government Compliance Passport, careful consideration needs to be given to ensuring that this is done in a way which maximises take-up and use.

- 1. Individual funding and regulatory agencies should review their current reporting requirements.**

Before considering the merits of introducing an inter-agency system of data sharing and re-use such as a comprehensive government compliance passport for the charities sector, regulatory agencies and funding organisations should ensure that as a first step there is re-use of data internally within their organisations, and that all data being collected is required for the effective discharge of their statutory duties. There is also a need to ensure that there is consistency within large funding organisations on the formats and templates requested from different units within their organisations and that there is one point of information co-ordination in their organisations. For some funding organisations such as Pobal our consultations suggest that if an applicant is applying for funding under multiple schemes, they do not have to furnish documentation sets if they have already provided them and if they are in date. A single point of contact in large funders responsible for maintaining the collection, maintaining and sharing of information from voluntary providers is strongly recommended.

2. A 'Forum of Funders/Regulators' should be formed to help coordinate reporting requirements, and identify areas where information requests could be streamlined.

Consideration should be given to the formation of a forum whereby funders and regulators would investigate the potential for the greater standardisation of information reporting requirements and how such information could be shared. While the Charities Regulator could play a role in such a forum, a wider whole-of-government approach would be necessary. Indecon notes that there is no statutory basis on which the Charities Regulator could require information and data from charities that it did not need to carry out its own functions. In this context, Indecon notes that the IRG review group report (which examined the role of the voluntary sector in health care) proposed that public agencies agree a memorandum of understanding to re-use data provided to them, and which is publicly available, instead of asking voluntary organisations to provide data that has already been supplied elsewhere. Indecon would be very supportive of this proposal.

3. Funding agencies should consider including an allowance for the cost of reporting by charities in making funding decisions.

Complying with reporting requirements of funding agencies represents a cost for many charities. This should be recognised as an integral part of the provision of services on behalf of the State, and some allowance for this cost should be considered in concluding funding agreements. There is international recognition of the necessity to ensure charities have adequate resources to meet such requirements. As a result, many funders internationally provide grants to cover non-profit such overhead costs.¹² Indecon understands that in Ireland this is also taken into account of by some funders as part of their evaluation of overall administration costs. While this is not directly related to the case of whether or not to establish a 'Charity Passport', this is an important issue identified as part of our stakeholder consultations and one which Indecon believes is valid to highlight in the context of this review.

4. If a decision is made to proceed with a comprehensive Government Compliance Passport, careful consideration needs to be given to ensuring that this is done in a way which maximises take-up and use.

In order to maximise the benefits of introducing any potential new Government Compliance Passport for the sector, a number of issues must first be addressed. In particular, policy and legislative changes may be needed to allow agencies to share and re-use data. Further, appropriate governance and verification procedures and an appropriate technological infrastructure would be required. Indecon notes that some large public organisations who are major funders of the sector have developed at significant cost, their own internal systems to meet their information requirements and to interact with organisations in the charities sector. The full benefits of a more comprehensive scheme would only be realised if the information collated meets the needs of the public agencies and if charities comply with the data requirements. This is an issue which could be considered further by the recommended 'Forum of Funders/Regulators'.

¹² See Knowlton. C (2015), When the Show Must Go On: Non Profits and Adversity, Non Profit Quarterly

Overall Conclusion

Indecon's analysis suggests that the 'Charity Passport' scheme implemented in Australia is similar in many ways to the existing centralised databases and information sources available in Ireland the Charities Regulator's Register of Charities, the data available on the Government's open data portal and on the Benefacts database. Ongoing development of these or similar initiatives are likely to be of value. However, significant reductions in the reporting costs of charities would only arise if there was a whole-of-government approach to co-ordinate and streamline information requirements. While this longer-term initiative is being assessed, immediate gains can be achieved by ensuring that charities do not have to submit the same information multiple times to different divisions within individual funding organisations. Development of a memorandum of understanding by funders and other agencies to re-use data should also be prioritised. Given the vital role played by charities and other non-profit organisations in Ireland, every effort should be taken to ease any unnecessary information requirements or duplication while maintaining key information to meet regulatory and accountability objectives.

1 Introduction and Background

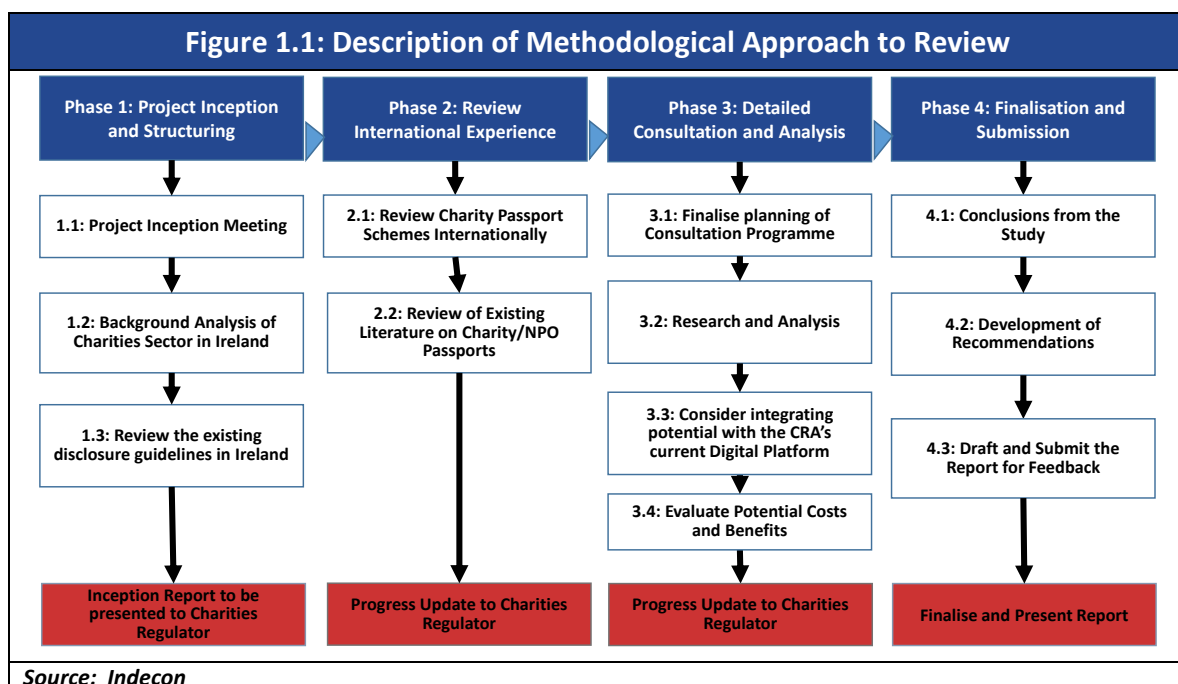
1.1 Introduction

Indecon is a leading independent economic research consultancy practice in Ireland and was appointed after a competitive tender process by the Charities Regulatory Authority to conduct research into the potential for a 'Charity Passport' scheme in Ireland. This report represents an independent evidence-based examination of the potential for a 'Charity Passport' scheme in Ireland.

The main example of what has been termed 'Charity Passport' is the initiative in Australia. The concept of a 'Charity Passport' is that charities would submit financial, governance and other information to one organisation which would then be available to be shared with other authorised public agencies. The potential rationale for a 'Charity Passport' is to reduce the amount of information that charities provide to different organisations by allowing access to information directly from one organisation without having to ask the applicant charity to provide this information again. This has the potential in theory to reduce reporting costs and to create a "report once, use often" framework. However, it is important to analyse what initiatives already exist and what expanded measures could deliver in practice, as users of information on charities often have very different data requirements.

1.2 Methodological Approach to Review

Indecon's methodological approach to this report utilises evidence from a wide range of sources to provide a rigorous assessment of the potential for a 'Charity Passport' in Ireland. This involved engagement with 41 stakeholder organisations and a survey of nearly 1,000 charities. The research was undertaken using a comprehensive four-phased methodological approach and an associated work plan that is outlined in Figure 1.1.



We have also examined new evidence on the extent of governance costs both in Ireland and internationally. In addition, we forensically examined examples of the data required by a number of different funding organisations. This has assisted in informing our analysis of the extent of any repetitive administrative and financial reporting which could potentially be reduced by a 'Report once, use often' approach. As part of our work we analysed extensive international research and consulted with the Australian Charity Regulator. In addition, we examined the potential costs and benefits of different options for a 'Charity Passport' Scheme and completed some indicative formal economic cost-benefit modelling in line with best practice and with the requirements of the Public Spending Code. The consultations, survey work and empirical analysis completed as part of this review represent one of the most comprehensive reviews undertaken on the issue of reporting requirements in this sector.

Indecon is very grateful to the large number of stakeholders who provided valuable inputs including from the organisations listed below.

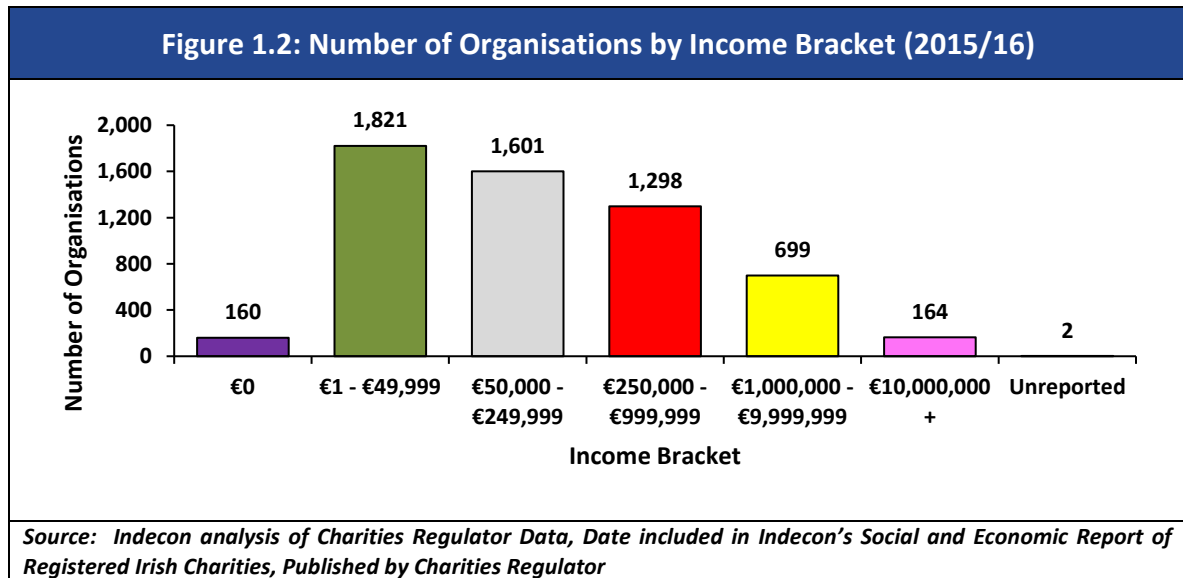
Table 1.1: Stakeholder Engagement

<ul style="list-style-type: none"> – Ability West – Accord Ireland – Australian Charities and Not-for-profits Commission – Benefacts – Barnardos – Care Response Ireland – Carmichael – Central Statistics Office – Charities Institute Ireland – Charities Regulator – Children's Rights Alliance – Companies Registration Office – Data Protection Commission – Department of Agriculture, Food and the Marine – Department of Business, Enterprise & Innovation – Department of Education and Skills – Department of Finance – Department of Health – Department of Public Expenditure and Reform 	<ul style="list-style-type: none"> – Department of Rural and Community Development – Department of An Taoiseach – Dóchas – Enable Ireland – Focus Ireland – ISPCA – Irish Wheelchair Foundation – Health and Safety Authority – Health Service Executive – Higher Education Authority – HIQA – National Youth Council of Ireland – Office of the Revenue Commissioners – Philanthropy Ireland – Pieta House – Pobal – Rehab Group – Revenue Commissioners – St. Joseph's Foundation – The Wheel – Tusla – Western Care
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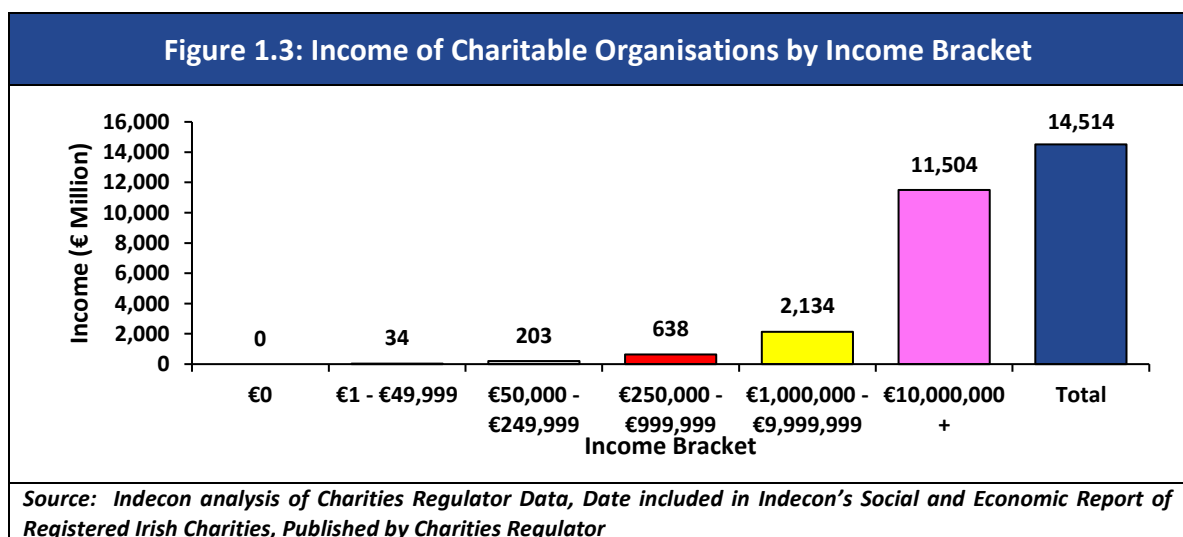
Source: Indecon

1.3 Characteristics of Charities

An analysis of charities on the Charities Regulator's Register of Charities shows that there are 164 organisations with income in excess of €10m but the Register also includes data on a wide range of smaller organisations.¹³ Indecon notes that the Irish Government has provided funding for a centralised database on the wider non-profit sector which has been developed by Benefacts. Data from the Charities Regulator's Register and from Benefacts is also available from the Irish Government's open data portal.

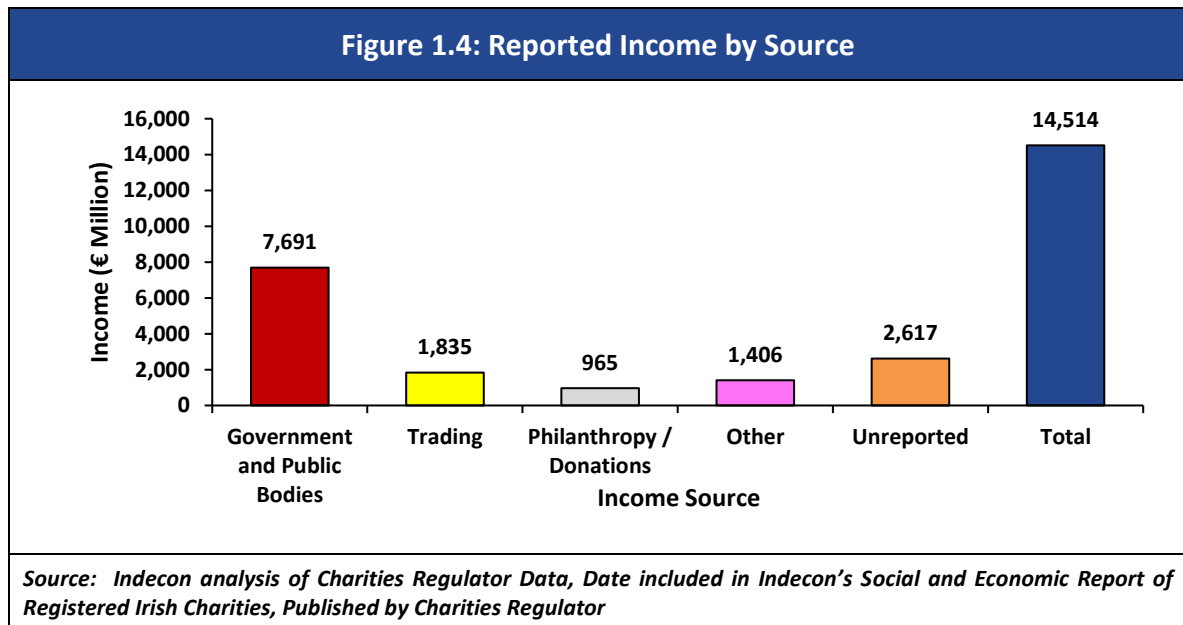


Large charities constitute a large portion (79%) of total income for the charities sector in Ireland, as can be seen in Figure 1.3.



¹³ Charities Regulator's Statement of Strategy 2019 – 2021 (Published 12/06/19)

Figure 1.4 shows the reported sources of income for charities in Ireland. Public bodies are the largest source of income for charities in Ireland. While some public agencies have their own internal databases, funders also use data from the Charities Regulator and from Benefacts and other sources. It is important that adequate information is available to public agencies who fund the sector, to meet accountability requirements and to ensure the effective use of scarce public funds.



1.4 Report Structure

The remainder of the report is structured as follows:

- Section 2 provides an overview of the regulatory framework governing charities in Ireland;
- Section 3 reviews the reporting requirements applicable to Irish charities;
- Section 4 reviews international experience;
- Section 5 details the potential costs and benefits of options concerning the development of a 'Charity Passport'; and
- Section 6 summarises our findings and recommendations.

1.5 Acknowledgements and Disclaimer

Indecon would like to acknowledge the assistance provided by the Charities Regulator and a wide range of other stakeholders in preparing this Report. These inter alia include valuable inputs from officials in the Charities Regulatory Authority including Helen Martin, Eamonn O'Halloran, Sarah Mongey and Tom Malone and Melissa Moloney. We would also like to acknowledge the inputs of Paul Morrin and Declan Smyth, CSO; Ciara Bates, Department of Rural and Community Development; Orla O'Brien, Department of Business, Enterprise and Innovation; Tom Deegan, Department of Education and Skills; Dermot Murphy, Department of Agriculture, Food and the Marine; Joe Cullen, Department of Finance; Ray Vader and Laura Casey, Department of Health; as well as inputs from Ian Devlin, the Department of Public Expenditure and Reform. Thanks are also due to Liz Canavan, Department of An Taoiseach; Vivienne Byrne, Data Protection Commission; Kevin Cleary, HSE; Finbarr Colfer, HIQA; Ivan Cooper, The Wheel; Breda Crehan-Roche, Ability West; Mark Cullen, Health and Safety Authority; Teresa Hearty, Office of the Revenue Commissioners; Suzanne Keatinge, Dochas; Scott Kelley, Charity Institute; Jerry Murphy, Pobal; Eilis Murray, Philanthropy Ireland; Rosaleen McMenemy of Tusla; Diarmaid Ó Corrbuí, Carmichael Centre for Voluntary Groups; John O'Sullivan, Enable Ireland; Liam O'Sullivan, Care Alliance Ireland, Patricia Quinn, Benefacts; Sallyann Stonier and Paul Ketelaar, Australian Charities and Not-for-Profits Commission; Tanya Ward, Children's Rights Alliance; Bernard O'Regan, Western Care; Pamela Keenan, Focus Ireland; Maureen Warren, Accord Ireland; Aoife Gleeson, Bernardos; Dr. Andrew Kelly, ISPCA; Rosemary Keogh, Irish Wheelchair Association; Mary Cunningham, National Youth Council of Ireland; Eamonn Duignan, Pieta House; Sonya Felton, Rehab Group; and Noreen Ryan, St. Joseph's Foundation. We are also grateful to the HEA for sharing information on their annual reporting requirements for universities and to the nearly 1,000 individual charities who provided detailed insights on their assessment of key issues.

The usual disclaimer applies and responsibility for the analysis and findings in this independent report remains the sole responsibility of Indecon.

2 Regulation of Charities in Ireland

2.1 Regulation of Charities in Ireland

The Charities Regulator was established in 2014 pursuant to the Charities Act 2009¹⁴ and the general functions of the Charities Regulator as set out in the Charities Act 2009 include the following:

- ☐ To increase public trust and confidence in the management and administration of charitable trusts and charitable organisations;
- ☐ To promote compliance by charity trustees with their duties in the control and management of charitable trusts and charitable organisations;
- ☐ To promote the effective use of the property of charitable trusts or charitable organisations;
- ☐ To ensure the accountability of charitable organisations to donors and beneficiaries of charitable gifts, and to the public;
- ☐ To promote understanding of the requirement that charitable purposes confer a public benefit;
- ☐ To establish and maintain a register of charitable organisations;
- ☐ To ensure and monitor compliance by charitable organisations with the Charities Act;
- ☐ To carry out investigations in accordance with the Charities Act;
- ☐ To encourage and facilitate better administration and management of charitable organisations by the provision of information or advice, including in particular by way of issuing (or, as it considers appropriate, approving) guidelines, codes of conduct, and model constitutional documents;
- ☐ To carry on such activities or publish such information (including statistical information) concerning charitable organisations and charitable trusts as it considers appropriate; and
- ☐ To provide information (including statistical information) or advice, or make proposals, to the Minister on matters relating to the functions of the Charities Regulator.¹⁵

The definition of a charity under the Charities Act 2009 is presented in Figure 2.1.

¹⁴ <https://drctd.gov.ie/about/charities-regulator/> (Accessed 29/01/2019) Also of note is that the regulator has functions under the Charities Act 1961 and 1973

¹⁵ <https://www.charitiesregulator.ie/en/who-we-are/what-we-do> (Accessed 22/01/2019)

Figure 2.1: Definition of a Charity in Ireland

- ❑ *“The trustees of a charitable trust, or*
- ❑ *A body corporate or an unincorporated body of persons:*
 - (i) that promotes a charitable purpose only,*
 - (ii) that, under its constitution, is required to apply all of its property (both real and personal) in furtherance of that purpose, except for moneys expended:*
 - a. in the operation and maintenance of the body, including moneys paid in remuneration and superannuation of members of the staff of the body, and*
 - b. in the case of a religious organisation or community, on accommodation and care of members of the organisation or community, and*
 - (iii) none of the property of which is payable to the members of the body other than in accordance with section 89 [of the Charities Act].”*

Source: Charities Act 2009

Certain bodies that meet the definition outlined in Figure 2.1 are termed “excluded bodies”. The types of excluded bodies that are not considered to be charities for the purposes of the Charities Act 2009 are outlined in Figure 2.2.

Figure 2.2: Excluded Bodies According to the Charities Act 2009

- ❑ Political Parties or any organisation that promotes a political party or candidate for election to public office. Political parties in Ireland have to register with the Registrar of Political Parties which is housed in the Houses of the Oireachtas.
- ❑ Any organisation that promotes a political cause with an exception made where the promotion of the said political cause directly concerns the advancement of the organisations’ charitable purpose. Regardless of whether they are classed as a charity or not, organisations which promote political causes must comply with the Regulation of Lobbying Act 2015, whereby they must apply for inclusion in the Register of Lobbying and must send information concerning their lobbying activities to the Standards in Public Office Commission.
- ❑ Sporting organisations that are defined within section 235 of the Taxes Consolidation Act 1997. This means that the majority of sporting organisations (e.g. GAA clubs) are not classified as charities. Only sporting organisations which have a clear charitable purpose and fulfil the other criteria to meet the definition of a charity under the Charities Act 2009 may be classed as charities. An example of such an organisation would be a running club for Cystic Fibrosis sufferers.
- ❑ Trade unions or employers’ representative organisations – such organisations are obliged to register as “friendly societies” with the Companies Registration Office for inclusion on the Register of Friendly Societies.
- ❑ Chambers of Commerce – while these are non-profits, they are not charities. As these are companies limited by guarantee without share capital, they have to register with the Companies Registration Office.
- ❑ Any organisation that promotes purposes that are unlawful, that contravene public morality, contravene public policy or support terrorism or terrorist activity inside Ireland or overseas or for the benefit of organisations of which membership is unlawful.

Source: Charities Act 2009 and Regulation of Lobbying Act 2015

An overview of key milestones in the history of charity regulation and the provision of data on non-profits in Ireland is provided in Table 2.1 below.

Table 2.1: History of Charity Regulation and Data Provision in Ireland	
2009	Charities Act legislates for the establishment of Charities Regulator (it is not actually established until 2014). The Irish Non-profits Knowledge Exchange (INKEx) is also established.
2011	www.irishnonprofits.ie a searchable website/database of non-profits developed by the INKEx becomes available to non-profits, though subsequently shuts in 2012.
2014 (October)	Charities Regulator is established.
2016	The Charities Regulator's online Register of Charities goes live. Members of the public can search for certain high level financial and organisational information concerning charities.
2016	Part IV of the Charities Act 2009 commenced.
2018	Charities Governance Code launched.
2020	Charities will be expected to comply with the <i>Charities Governance Code issued by the Charities Regulator in 2018</i>
Source: Indecon	

2.2 Register of Charitable Organisations

Of relevance to examining the potential for a Charities Passport scheme is that the Charities Regulator is mandated by the terms of the Charities Act 2009 to establish and maintain a publicly available Register of all charitable organisations in Ireland. However, the Charities Regulator only regulates voluntary and non-profit organisations that are defined as charities under the Act. In addition, many voluntary and non-profit organisations are not included in the Charities Regulator's Register of Charities, as they do not fall within the definition of a charity under the Act. The definition of a charity under the Charities Act 2009 is presented in Figure 2.1.

While organisations which are defined as charities register with the Charities Regulator, they may also separately register with the Revenue Commissioners for charitable tax exemption purposes.¹⁶ Bodies that are granted a charitable tax exemption by the Revenue Commissioners are listed in Revenue's own register and are allocated a CHY Number. Upon registering with the Charities Regulator, a charity receives a Registered Charity Number (RCN).

¹⁶ Citizens Information, http://www.citizensinformation.ie/en/government_in_ireland/national_government/standards_and_accountability/charities_regulatory_authority.html (Accessed 22.01.2019)

There are over 10,000 organisations on the Register of Charities that is maintained by the Charities Regulator.¹⁷ Members of the public as well as public agencies can search this database for records on individual charities and there is also a facility for bulk download of the Register in Microsoft Excel format.¹⁸ The information fields that are available in the public Register of Charities (a searchable facility) on the Charities Regulator's website are outlined in Table 2.2.

Table 2.2: Information Available from the Charities Regulator Database	
Charitable Purpose	Gross income
Charitable Objects	Total expenditure
Other Locations / Premises in Ireland	Average number of employees
Also Operates in	Average number of volunteers
<i>Source: Charities Regulator</i>	

Other information provided by registered charities includes information on the following:

- ❑ **Activities:** A description of the charity's activities during the reporting period to demonstrate that they have undertaken activities in order to advance their charitable purpose.
- ❑ **Beneficiaries:** A description of those who have benefited from the activities of the charity.
- ❑ **Number of Volunteers and Staff:** The numbers of volunteers and staff employed in the charity.
- ❑ **Financials:** The charity's gross income and expenditure, the sources of the charity's income and staff costs.

If a charity is a company and has submitted annual accounts to the Company Registration Office (CRO), the accounts will be available for download on the Charity Regulator's website also. The amount of detail with respect to the financial information that a charity is statutorily obliged to disclose to the CRO is dependent on the charity's size. Large charities (or companies) with over 50 employees, a balance sheet exceeding €6 million, or a turnover in excess of €12 million, must file their financial statements in full to the CRO.¹⁹

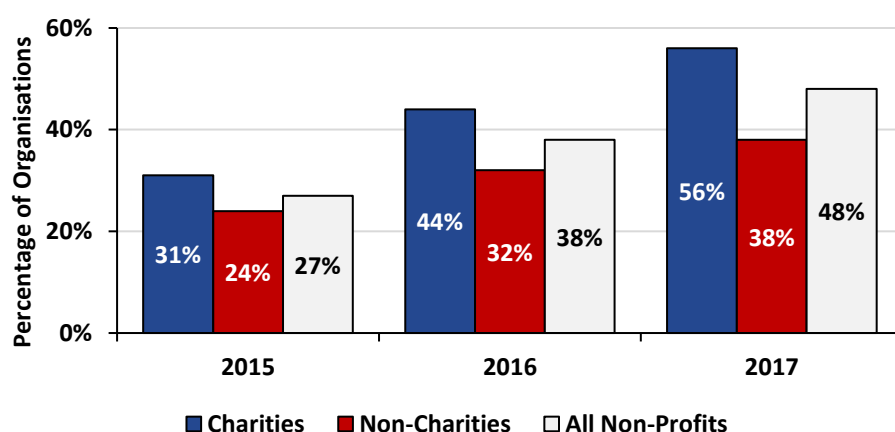
Charities or companies that fall under these thresholds can avail of an exemption on the amount of information they disclose – thereby only being required to provide abridged accounts without information on income and expenditure during the year or the amount paid in salaries to staff. In 2014, new rules under company law were introduced which allow small charities that are registered as companies to avail of the same privilege of filing abridged accounts. This has led to an increase in recent years in the number of charities (from 31% in 2015 to 56% in 2017) and non-charity non-profits (from 24% in 2015 to 38% in 2017) filing abridged accounts as can be seen from Figure 2.3.

¹⁷ Charities Regulator's Statement of Strategy 2019 – 2021 (published 12 June 2019)

¹⁸ <https://www.charitiesregulator.ie/en/information-for-the-public/search-the-charities-register> (accessed 18/01/2019)

¹⁹ <https://www.cro.ie/Annual-Return/Financial-Statements-Requirements/Small-Company>

Figure 2.3: Percentage of Charities and Non-Profits Filing Abridged Accounts, 2015-17



Source: Benefacts

In reviewing the information provided by charities, Indecon notes that the Charities Regulator's Consultative Panel on Governance recommended that the Charities Regulator should support work to reduce and streamline multiple reporting by charities and this current report is focussed on whether a 'Charity Passport' could assist in this objective.

In 2018, the Charities Regulator introduced a new Governance Code, known as the Charities Governance Code.²⁰ This Code sets out 32 core standards that all charities should meet as well as 17 additional standards that reflect best practice for charities with high levels of income and/or numbers of employees and/or complex organisational and funding structures. Among the additional standards that reflect best practice include the publication of full unabridged accounts.²¹

2.3 Summary

- ❑ The Charities Regulator is mandated by the terms of the Charities Act 2009 to establish and maintain a publicly available Register of all charitable organisations in Ireland that are defined as charities under the Act and are not excluded bodies within the meaning of the Act. Many voluntary and non-profit organisations that meet the definition of a charity under the Act have yet to register with the Charities Regulator. In addition to many voluntary and non-profit organisations are not included in the Charities Regulator's Register of Charities, as they do not fall within the definition of a charity under the Act.
- ❑ There are over 10,000 organisations currently on the Register of Charities which is maintained by the Charities Regulator.

²⁰ <https://www.charitiesregulator.ie/en/information-for-the-public/our-news/2018/november/charities-governance-code-launched> (accessed 24/05/2019).

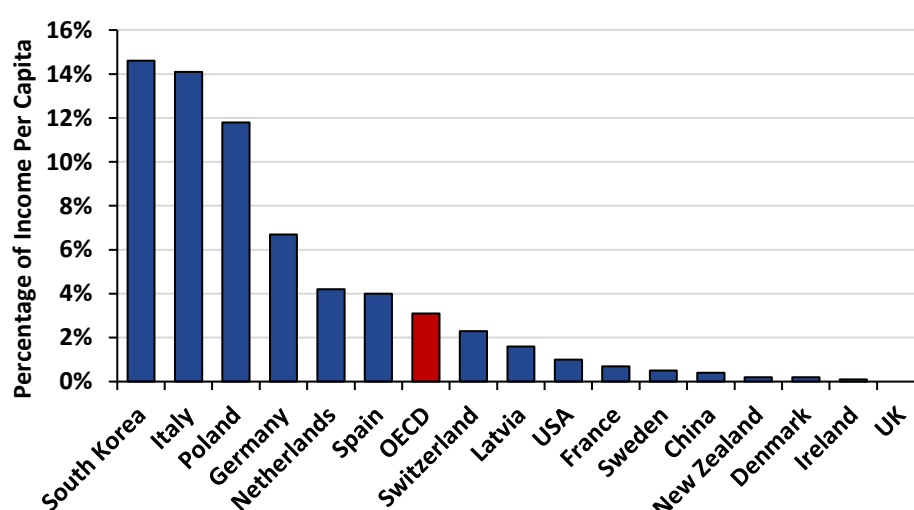
²¹ Charities Regulator, 2018. *Charities Governance Code*. Dublin. Available for download at: <https://www.charitiesregulator.ie/en/information-for-the-public/our-news/2018/november/charities-governance-code-launched>

3 Reporting Requirements of Irish Charities

3.1 Introduction

In nearly all developed countries, business and non-profit organisations have to meet a range of information and reporting requirements. The overall costs of commencing and operating a business/organisation in Ireland is relatively low compared to most OECD countries (Figure 3.1). However, charities have to meet additional requirements related to their activities and to meet the needs of funders and other organisations.

Figure 3.1: Cost of Starting a New Business (Percentage of Income Per Capita)



Sources: National Competitiveness Council, 2019. *Cost of Doing Business in Ireland. Dublin*; World Bank, 2019. *Doing Business 2019: Training for Reform*.

Charities are required to supply information to a range of funding bodies and public bodies. Some of these requirements such as information provided to the Revenue Commissioners and the Companies Registration Office are standard requirements for all companies. Examples of different bodies that charities may have to report to include:

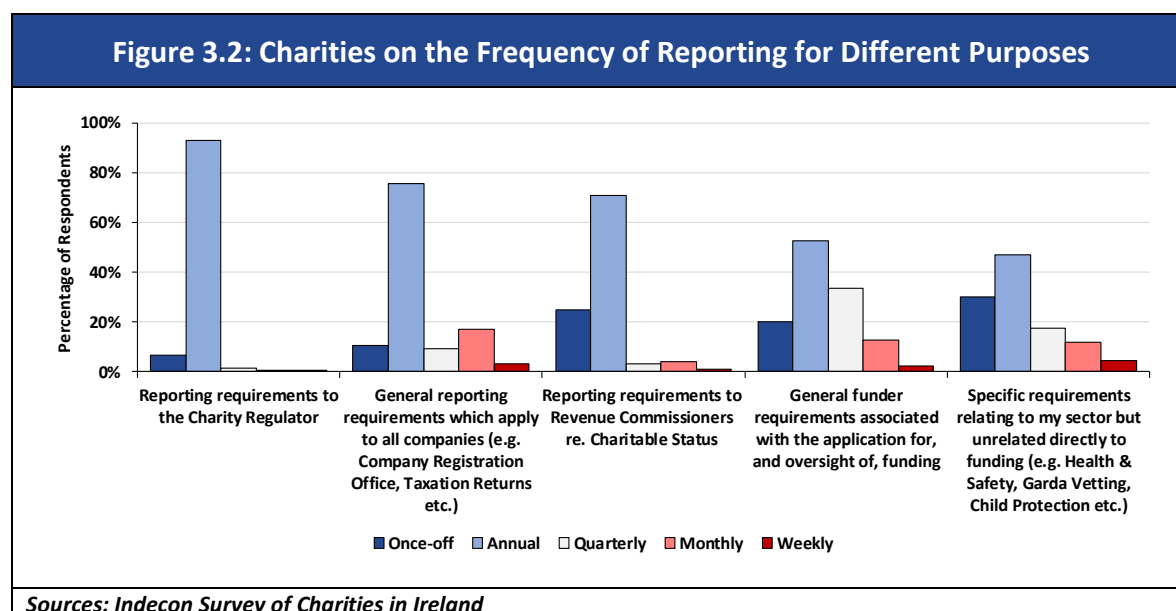
- Companies Registration Office;
- Revenue Commissioners;
- Charities Regulator;
- HSE;
- HIQA;
- HEA;
- Tusla;
- Housing Agency;
- Pobal;
- Irish Aid;
- Department of Employment Affairs and Social Protection;

- Department of Education and Skills/ETBs;
- Department of Agriculture, Food and the Marine;
- State Claims Agency;
- An Garda Síochána;
- Register of Lobbying;
- Data Protection Commission; and
- Health and Safety Authority.

In many cases, the information required by individual funding organisations such as the HSE and HEA, or organisations such as An Garda Síochána or HIQA, are very different to that collected by the Charities Regulator. This makes it difficult to standardise reporting requirements for charities into a generalised “report once, use often” framework.

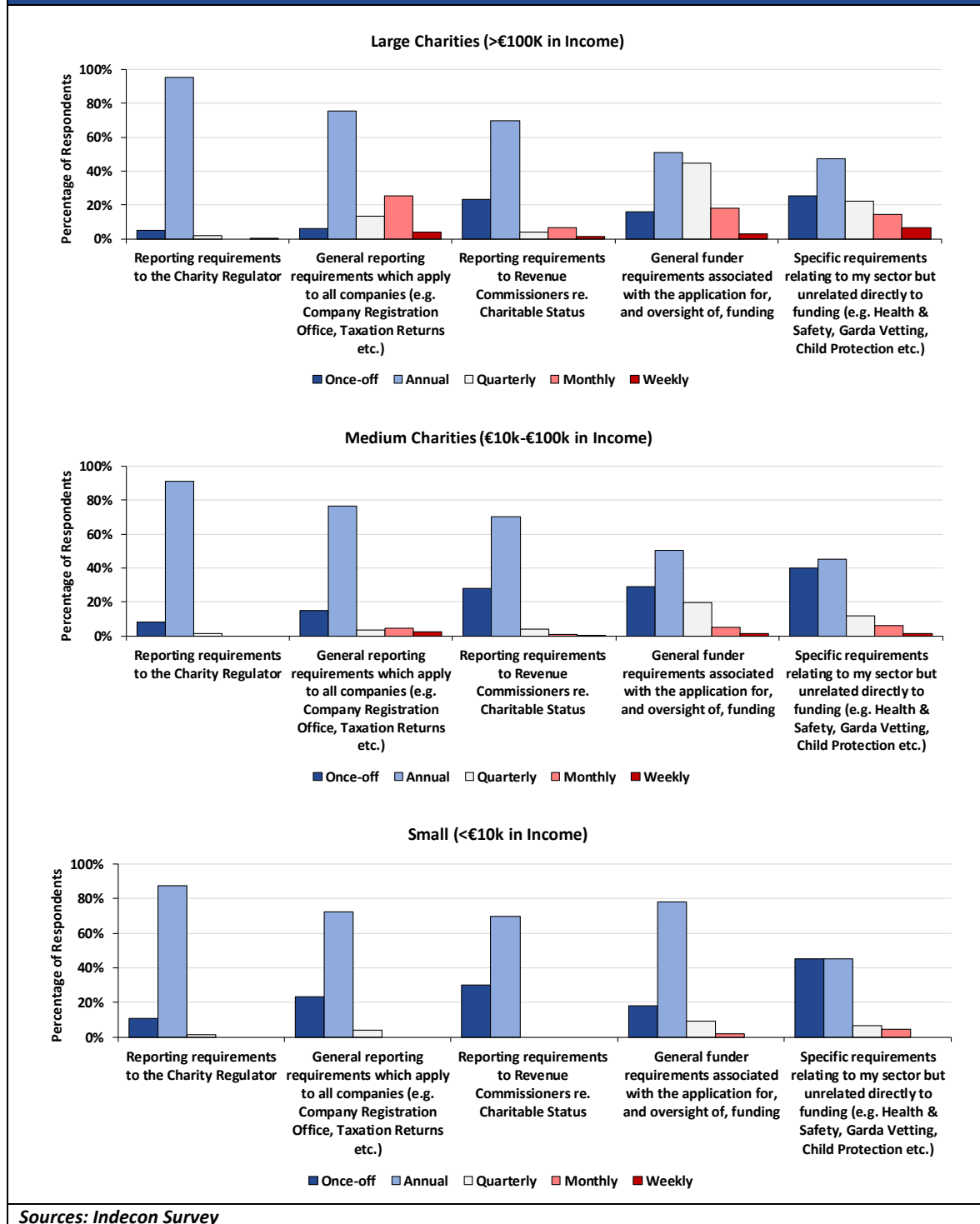
3.2 Frequency of Reporting

The significance of reporting costs faced by charities and other non-profit organisations is influenced by the frequency of reporting requirements. The results in the next figure indicate that most reporting is on an annual or once-off basis but in certain areas more frequent reporting is required. Indecon’s consultations with stakeholders also suggest that larger charities tend to be required to report more frequently.



The reported frequency of reporting requirements differs based on charity size as indicated in Figure 3.3.

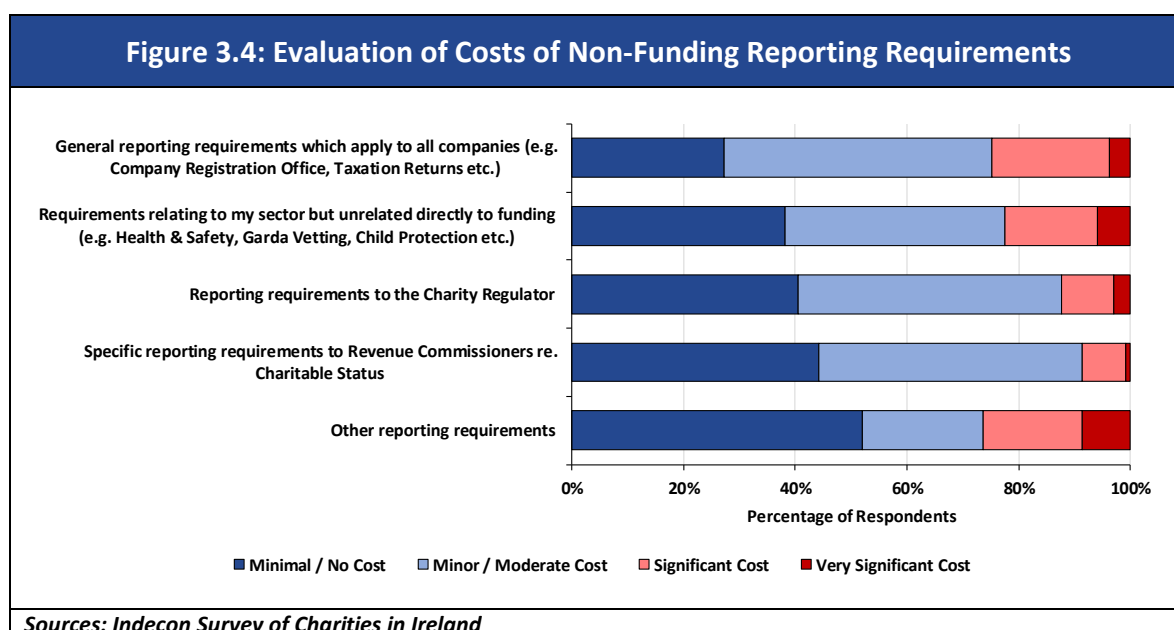
Figure 3.3: Different Sized Charities on the Frequency of Reporting for Different Needs



3.4 Non-Funding Related Reporting Costs

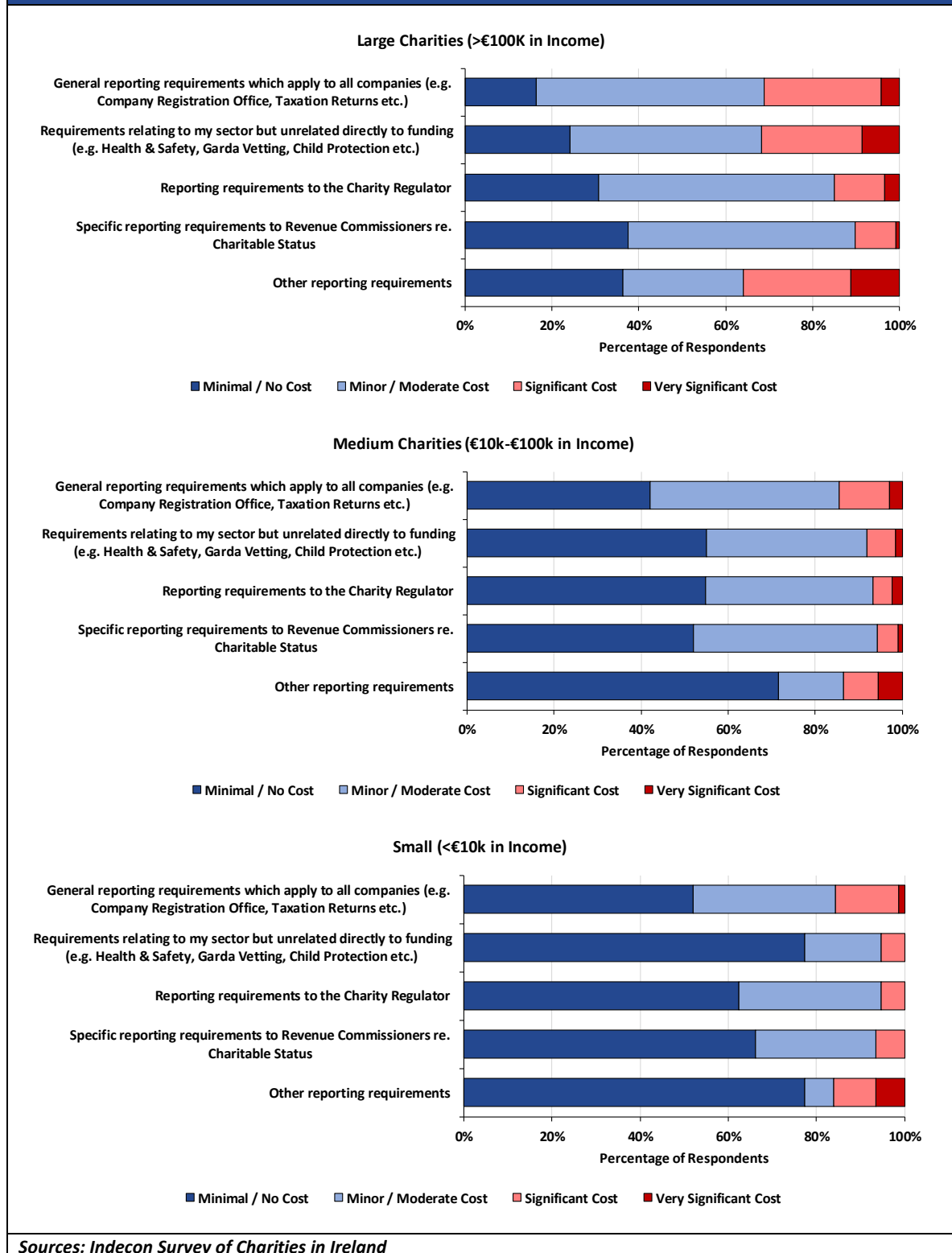
Indecon sought the judgement of charities on their evaluation of reporting costs which refers to the costs incurred arising from reporting requirements from public agencies including regulators and funding organisations. In line with best practice, this was based on a variant of a Likert scale which measured the rating by charities of the costs of meeting reporting requirements. A four-scale rating was used, namely: (i) minimal/no costs; (ii) minor/moderate costs; (iii) significant costs; and (iv) very significant costs.

The new survey evidence obtained for this study suggests that non-funding reporting requirements do not impose significant costs for most charities. However, it is important to recognise that such requirements are only one part of the overall reporting requirements faced by charities. The findings also suggest that the Charities Regulator's reporting requirements were not perceived as generating significant costs for charities in Ireland. This finding is consistent with Indecon's independent review of the standard information sought by the Charities Regulator from charitable organisations.



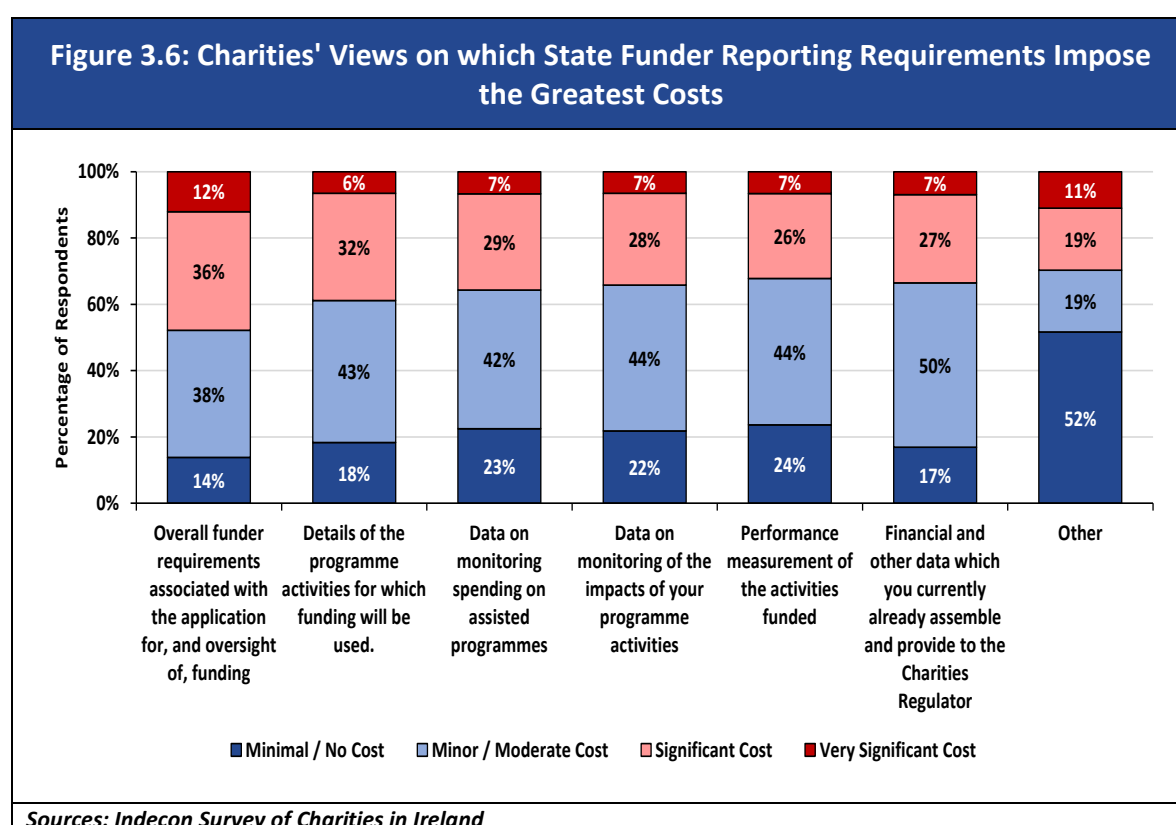
The perceived overall cost of reporting requirements not surprisingly appears to be greater for larger charities as indicated in Figure 3.5. Our consultations, however, indicate that for smaller charities with low levels of resources, reporting requirements can also be a significant administrative burden.

Figure 3.5: Non-Funding Reporting Requirements and Costs by Charity Size



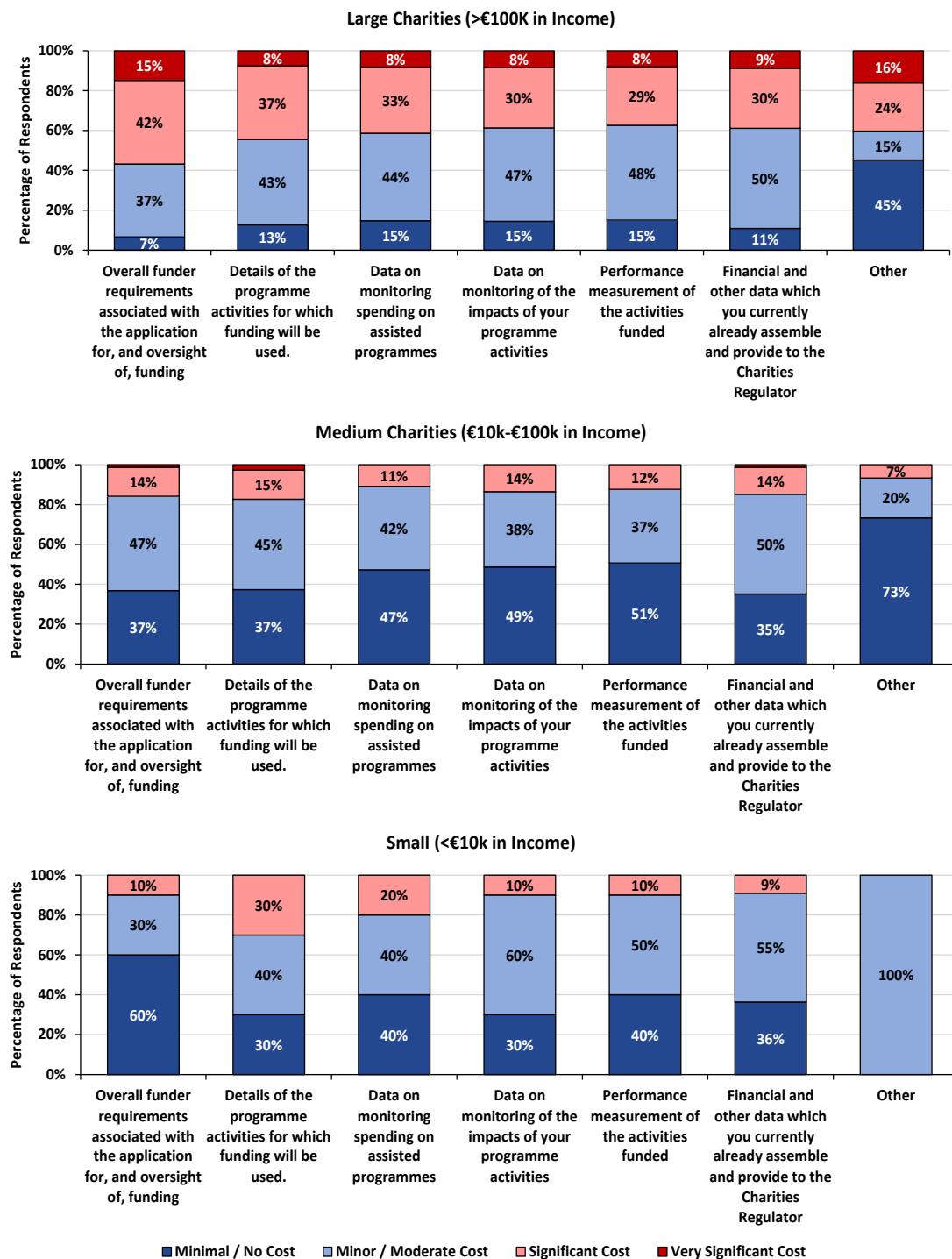
3.5 Funding Related Reporting Costs

In informing an evaluation of the reporting costs incurred by charities, of note is that the reporting requirements associated with the application for, and oversight of, funding were reported to be the costliest, as illustrated in the next figure. For example, 38% of respondent charities stated that providing details of the programme activities for which funding would be used imposed a significant or very significant cost. These costs were perceived as more significant by larger charities. The costs associated with meeting the detailed information reporting requirements of funders were also raised in our consultation programme.



Indecon's research suggests some differences between large and small charities concerning the costs. These costs are perceived as more significant by larger charities although as a percentage of overall revenues they may be lower. This is consistent with international evidence presented in Chapter 4 of this report.

Figure 3.7: Charities' Views on which Reporting Requirements Impose the Greatest Costs



Sources: Indecon Confidential Information Request on Behalf of Charities Regulator of Registered Charities in Ireland (Survey Data); Charities Regulator Database (Charity Size Data).

N= 333 large charities, 77 medium charities and 11 small charities

In order to test the evaluation by the sector of the significance of the costs in meeting reporting requirements, Indecon examined the financial accounts of six leading Irish charities of different sizes who reported governance costs in their financial accounts.²² For this sample of charities, annual governance costs were significant and ranged from €159,000 to €1,373,000 per annum. As a share of resources governance costs were estimated to range from 0.5% to 3.1%. Complying with reporting and other requirements not surprisingly represents a significant cost for many charities both in Ireland and internationally.

Table 3.1: Data Illustrative Examples of Governance Costs for Irish Charities			
	Governance Costs (€ 000)	Total Expenditure (€ 000)	Percentage of Total
Organisation 1: Governance Costs	858	159,811	0.5%
Organisation 2: Governance costs	249	70,644	0.4%
Organisation 3: Governance and Compliance	1,373	123,223	1.1%
Organisation 4: Governance Costs	159	17,800	0.9%
Organisation 5: Governance Costs	311	17,873	1.7%
Organisation 6 - Governance costs	596	19,135	3.1%

Given the findings from our survey research and from our stakeholder consultations on the significance of meeting reporting requirements of funders, Indecon felt it would be beneficial to examine performance-related reporting including administrative and financial data which is required by those organisations who provide funding to charities. As part of our research, Indecon examined in detail examples of the type of information required by funders in the health, education and community sectors as these three areas are major sub-sectors with the overall charity sector. Based on our review, we outline below three examples which highlight the types of information required by funders within the health, educational and community sectors.

In the case of charitable acute hospitals, the HSE *inter alia* requires the data specified in what is known as HIPE (Hospital In-Patient Enquiry) which is maintained by the Healthcare Pricing Office (HPO). The information entered into HIPE impacts on funding for hospitals and the monitoring of their performance. Since 2014, some of the largest charitable organisations which run hospitals (as well as other acute hospitals) submit very detailed data on their activity and targets set by the HPO. Table 3.2 outlines the types of variables that are returned by acute hospitals for each patient who goes through an episode of care. Also outlined are examples of the variables which are submitted. In total, information on 260 variables are returned, depending on what occurs in relation to the patient during their episode of care. To further illustrate the volume of information required, the 2019 HIPE

²² The definition of governance costs was presented in the previous footnote and while this may not exactly measure the costs incurred in meeting all reporting requirements it is the most aligned quantified measure included in financial accounts of relevance. For example, it would not include costs in meeting reporting requirements which were concerned with the day to day management of the charity's activities. It therefore may represent a prudent conservative estimate.

Data Dictionary with variable descriptions amounts to 289 pages while the simpler HIPE instruction manual for those submitting the information is 23 pages. Diagnoses and procedures in the HIPE dataset are coded using a system of diagnosis related groups (DRGs) which in turn is coded according to the ICD-10-AM/ACHI/ACS system. The system for coding discharges and procedures in HIPE is inevitably very complex and requires each hospital to have staff to collect and administer this system. This information is important for the evaluation of performance and the effectiveness of public expenditure. It is also relevant in the monitoring of patient safety.

Table 3.2: Types of Variable in HIPE

Variable Type	Examples of Variables/Information
Patient Specific Background	Sex, Age, Date of Birth, Area of Residence, Nationality, Marital Status, Medical Card Status etc.
Admission Related Variables	Mode of Admission (emergency etc.), Source of Admission (home, other hospital etc.), Admission Type (the type of admission (whether it was elective, maternity etc.)) Admission Date, the hospital from which a patient was transferred from (if applicable), The Admitting Ward, The Admitting Consultant, the Admission Weight (the weight of the patient at admission if they are an infant)
Discharge Related Variables	Date of Discharge, the hospital to which a patient was transferred to (if applicable, Day-case (if the patient was a day-case), Discharge Status (whether the patient was public or private), Discharge Code (where the patient was discharged to) etc., the health insurer of the patient, a waiting list indicator to capture if the case funded by the National Treatment Purchase Fund etc.
Diagnosis Related Variables	Up to 30 Diagnoses fields can be recorded for each patient. These are coded according to the Australian Refined Diagnoses Related Group System.
Procedure Related Variables	Up to 20 Procedures fields can be recorded for each patient. These are coded according to the Australian Refined Diagnoses Related Group System.
Consultant Related Variables	Hospitals record the principal consultant who treated the patient and their speciality and any consultant who attended to any subsequent diagnosis that was made in the hospital during the patient's stay. Also recorded are the consultants who was responsible for anaesthetics in each procedure that occurred during the patient's stay.
Hospital Code	The hospital's own HIPE code
Hospital Acquired Diagnosis	A field to capture if the any of the patient's diagnoses were acquired in Hospital

Source: Indecon Analysis of Reporting Requirements of Voluntary Hospitals

To provide further insights into the type of information required, it is useful to consider just one of the categories, namely, the information required on the type of diagnosis. Information to HIPE is returned monthly by each hospital. The various diagnoses related variable fields, where relevant are required for each patient. By definition, a principal diagnosis will have to be entered for every patient.

The information summarised above is just one aspect of the reporting requirements faced by voluntary hospitals. Indecon's assessment is that such information would not be of interest to most other regulatory or funding organisations and would not be relevant for inclusion in a 'Report one, use often' type scheme. However, there may be ways of reducing other aspects of the reporting costs on voluntary organisations within the health and other sectors by ensuring that individual public agencies only ask for the same information once. For example, the IRG report, which examined information requests from voluntary organisations in the health sector, noted the following:

"We heard a great deal from voluntary organisations in relation to repetitive requests for information in a variety of formats and templates from different units and individuals within the HSE. This imposes a huge time and resource burden on smaller organisations, as well as placing an unnecessary difficulty on the HSE to request and process that information multiple times. We noted the plan by the HSE to establish Contract Management Support Units (CMSUs) in each of the Community Healthcare Organisations (CHOs), which should improve the reporting arrangements, in particular for those large Section 39 organisations which currently have Service Arrangements (Sas) with multiple CHOs."

In order to consider the extent of differences by sector in the information required from charities, we also examined the position in the higher education sector. Each of the Irish universities are required to make annual reports to the Higher Education Authority (HEA) under the annual statistical return process. These returns contain a range of data on a large number of indicators aimed at assessing progress towards key policy objectives. The HEA data returns template requests data under six broad objectives:

- ❑ Objective 1: Providing a strong talent pipeline combining knowledge, skills and employability which responds effectively to the needs of our enterprise, public service and community sectors, both nationally and regionally, and maintains Irish leadership in Europe for skills availability;
- ❑ Objective 2: Creating rich opportunities for national and international engagement which enhances the learning environment and delivers a strong bridge to enterprise and the wider community;
- ❑ Objective 3: Excellent research, development and innovation that has relevance, growing engagement with external partners and impact for the economy and society and strengthens our standing to become an Innovation Leader in Europe;
- ❑ Objective 4: Demonstrates consistent improvement in the quality of the learning environment with a close eye to international best practice through a strong focus on quality and academic excellence;

- ❑ Objective 5: Significantly improves the equality of opportunity through Education and Training and recruits a student body that reflects the diversity and social mix of Ireland's population; and
- ❑ Objective 6: Demonstrates consistent improvement in governance, leadership and operational excellence.

Each broad objective listed above also contains sub-objectives and a number of key indicators for which each university must provide data. The following table illustrates the number of sub-objectives under each of the broad objectives and the number of sub-indicators under each broad objective.

Table 3.3: Sub-Objectives and Indicators		
Broad Objective	No. Sub-Objectives	No. Indicators
Objective 1	9	9
Objective 2	8	4
Objective 3	6	9
Objective 4	6	8
Objective 5	6	8
Objective 6	9	11
<i>Source: Indecon</i>		

Each indicator can require several different data inputs in order to fully complete the HEA return template. For example, under Objective 1, Indicator A requires five different data inputs as follows:

1. Graduation rates.
2. Time to graduation.
3. Graduate employment, earnings and further studies.
4. 1st Year Retention Rates.
5. Springboard and Other Evaluations.

It is also the case that single indicators may require comprehensive data inputs. For example, Indicator B under Objective 1 requires the completion of a number of data inputs with regards to the number of students undertaking studies in different fields.

Certain indicators also request qualitative inputs rather than purely data inputs. For example, Indicator C under Objective 1 requests institutions to:

Set out a brief synopsis of the overarching institution policy on the development of apprenticeships, including anticipated number of programmes and registrations (if applicable to the HEI) in the table below (High Level Objective 1 - 7).

The nature and type of data and information requested by the HEA thus covers a wide range of topics. Data and information are requested in terms of inputs and outputs. For example, information is required on the following areas:

- ❑ Data on student outcomes;
- ❑ Financial and funding data;
- ❑ Data on staff training and qualifications;
- ❑ Data on programme uptake;
- ❑ Indicator data on student engagement;
- ❑ Participation by underrepresented groups;
- ❑ Research expenditure;
- ❑ Research outputs; and
- ❑ A range of other areas.

Examples of performance-related reporting can also be seen in other programmes, such as the Community Services Programme (CSP) which is operated by Pobal on behalf of the Department of Rural and Community Development. The CSP supports community companies and co-operatives to locally deliver social, economic and environmental services that tackle disadvantage by providing a co-funding contribution towards the cost of employing a manager and full-time equivalent positions.

Continued funding of an organisation through the CSP requires the submission of a three-year business plan. Table 3.4 outlines the types of variables that are required by Pobal as part of this business plan. In addition to information in relation to the facilities and services operated, detailed information is also required on the specific duties of supported staff.

Table 3.4: Types of Information Required in a CSP Business Case Application	
Variable Type	Examples of Information
Physical facilities	Description of the physical hall/building/centre the CSP service resides in and what it is comprised of (if applicable). Include the size of the facility, the number of rooms and their function (e.g. 1 sports hall, 2 meeting rooms, 1 games room, 2 astro pitches), and whether it has a kitchen, parking etc.
Services and Activities to be provided	Examples of services might include meals on wheels service, transport services, meeting rooms for community groups, local information office or day centre for older people. Examples of activities might include evening classes, fitness programmes etc. Organisations have to outline, where appropriate, how they propose to support and aid the progression of CSP funded staff.
Social Benefits	In addition to the local community in general, organisations have to identify particular sections of the community and how they benefit from the facility (e.g. young people, older people, people with a disability etc.)
Significant Changes Planned	Organisations have to set out details of any upgrade of facilities either by refurbishment or renovations, or change the nature of the services or activities available. This is to include a description of what the planned changes are, and when it is envisaged that they will happen and when they will be completed. They must also state whether any of these changes are conditional on other factors (e.g. planning permission, successful application for LEADER funding etc...).
<i>Source: Indecon Analysis of CSP Business Plan Template and supporting guidance documentation</i>	

In addition to the qualitative description of the services provided, Pobal also require CSP organisations to provide projections in terms of a number of outcome metrics against which future performance can be measured. The type and form of information required is illustrated in Table 3.5 below. It is not likely that this information would be of specific interest to other regulatory or funding organisations, and as such would not be relevant for inclusion in a 'Report one, use often' type scheme.

Table 3.5: Types of Standard Operational Metrics Required in CSP Business Case				
Output	Target 2020	Target 2021	Target 2022	Explanatory Notes
Total footfall ((i.e. Total number of individual visits to your service by users per year)				Explanation for each output and its targets in this column.
Number of community and voluntary groups availing of your service each year				
Number of days open per week				
Number of hours open per week				
For strand 3 only	Target 2020	Target 2021	Target 2022	Explanatory Notes
Number of one to one support sessions provided to CSP supported staff				
Number of hours per week of on the job training provided to CSP supported staff				
Number of CSP supported staff progressing within the social enterprise or to new jobs				
<i>Source: Indecon Analysis of CSP Business Plan Template and supporting guidance documentation</i>				

Given the highly varied nature of CSP organisations, in addition to the metrics collected above, Pobal also require organisations to provide details of objectives which best capture the activities of the organisation, and to forecast the expected outcomes of these metrics. This could, for example, relate to the number of childcare places expected to be provided, or the number of meals delivered as part of a meals on wheels service, etc.

The examples shown in the health, education and community spheres highlight the diversity of the information required from charities and the fact that a standard 'Charity Passport' may not significantly impact on the continued need of charities to submit information to funders.

3.6 Non-Mandatory Provision of Information by Charities

In addition to the information provided to funders and other statutory bodies, some charities believe that there is an advantage in complying with additional standards in order to signal to funders, the public and others that they are a trustworthy and transparent charity in terms of governance and finance. Among these are the Triple Lock Standard, which is awarded by the Charities Institute of Ireland (CII) to charities that conform to the following three standards:²³

- ❑ Ethical Fundraising: where the charity has adopted the Charities Regulator's *Guidelines for Charitable Organisations on Fundraising from the Public*.
- ❑ Annual and Financial Reporting: where the charity prepares a trustees' annual report and financial statements in compliance with the Charity SORP (Standard of Reporting Practice under FRS102) and makes them easily available to the public on their website.
- ❑ Governance: where the charity formally adopts the Charities Regulator's *Charities Governance Code*. The code sets out 32 core standards that all charities should meet.²⁴ In addition it also sets out 17 "best practice" standards for charities, including the publication of full unabridged accounts.²⁵ Of note is that all registered charities will be required to implement the *Charities Governance Code* in 2020.

As of May 2019, 71 charities held Triple Lock status with the CII. In addition to the Triple Lock Standard, there are a number of other certification methods that are available internationally to charities to signal trustworthiness. These include the ISO 9001, which was developed by the International Organization for Standardization (ISO).²⁶ Achieving ISO certification requires an organisation to follow the guidelines of the ISO 9001 standard, fulfil its own requirements, to meet customer requirements and statutory and regulatory requirements, and to maintain documentation.²⁷

Other charities rely on the 'Trusted Charity' (previously known as the Practical Quality Assurance System for Small Organisations (PQASSO) scheme), which is a UK based quality assurance service.²⁸ It is designed for use by voluntary and community sector organisations and certification is designed to cover 12 areas including governance and money management. Of the 255 charities based in the UK and Ireland with the Trusted Charity award,²⁹ ten were based in the Republic of Ireland.

²³ <https://www.charitiesinstituteireland.ie/triplelock>

²⁴ <https://www.charitiesregulator.ie/en/information-for-the-public/our-news/2018/november/charities-governance-code-launched> (accessed 24/05/2019).

²⁵ Charities Regulator, 2018. *Charities Governance Code*. Dublin. Available for download at: <https://www.charitiesregulator.ie/en/information-for-the-public/our-news/2018/november/charities-governance-code-launched>

²⁶ <https://www.nsai.ie/certification/management-systems/iso-9001-quality-management/>

²⁷ As of November 2016, there were only two ISO-certified charities in Ireland. See: <https://alone.ie/alone-it-is-time-for-all-charities-in-ireland-to-get-serious-about-quality-and-transparency/>.

²⁸ <https://www.nefconsulting.com/our-services/evaluation-impact-assessment/prove-and-improve-toolkits/pqasso/>

²⁹ Accessed on 16.07.19 from: <https://www.ncvo.org.uk/practical-support/quality-and-standards/trusted-charity/trusted-charity-mark/awarded-organisations>

3.7 National and Sectoral Data Strategies

In reviewing the reporting requirements of Irish registered charities, it is of note that data management has become increasingly important for public administration, and the Irish Government has committed to putting data at the centre of the delivery of public services. This is reflected in the inclusion of Open Data in the government's strategy for the development of public services, *Our Public Service 2020*, and the establishment of a dedicated Open Data Governance Board in the Department of Public Expenditure and Reform (DPER).³⁰ DPER recently outlined its policies in relation to open data which will increase transparency and trust in the government among the public, as well as improving the delivery of public services.³¹ It is intended that the open data strategy will lead to benefits that include improved policy formulation driven by better data insights; reduced bureaucracy by removing the need for individuals and organisations to provide the same data multiple times; improved data protection procedures; improved transparency in the way data is utilised; and better policy and public services through improved data quality.³²

The Government's policies in relation to open data are in line with a series of policy statements concerning government and open data from the OECD, EU Commission and UN.³³ Among these is the EU Tallinn Declaration on eGovernment of 2017, which Ireland has signed, which binds signatories to take initiatives to develop a culture of re-usable and transparent data within administrations.³⁴ An additional goal underpinned by the Tallinn Declaration concerns a once-only policy for the giving of data by members of the public and organisations in order to reduce the bureaucratic burden on individuals/organisations. Governmental organisations are encouraged to collect data only once and to share such data with other public agencies in order to achieve this.

The Irish Government's data strategy commits to further develop the government's open data portal www.data.gov.ie. Over 80 government departments and public bodies have published datasets on the website with others harvested from domain-specific data catalogues.³⁵ Each dataset on the open data portal receives a star rating depending on the number of formats in which the published dataset can be downloaded.³⁶ The minimum for publication of a dataset on the open data portal is three stars, which means that the dataset is available in either CSV, JSON or XML format.³⁷ Indecon notes that data from the Charities Regulator's Register of Charities and other information on non-profit organisations is currently available on the open data portal and in a sense this represents a 'Charity Passport'.

³⁰ DPER 2017, *Our Public Service 2020*.

³¹ DPER 2017, *Open Data Strategy 2017-2022*

³² DPER 2018, *Public Service Digital Strategy 2019-2023*

³³ DPER 2018, *Public Service Digital Strategy 2019-2023*

³⁴ EU Commission 2017, Tallinn Declaration on eGovernment. Available at: <https://ec.europa.eu/digital-single-market/en/news/ministerial-declaration-egovernment-tallinn-declaration> (accessed 28/01/2019)

³⁵ <https://data.gov.ie/pages/aboutdata-gov-ie> (accessed 28/01/2019)

³⁶ This is based on a 5 star rating system proposed by Tim Berners-Lee, must "(1) be available on the Web under an open licence, (2) be in the form of structured data, (3) be in a non-proprietary file format, (4) use URIs as its identifiers, (5) include links to other data sources (linked data)." Fulfilling 1-3 of these criteria means a dataset is awarded 3 stars. For more see DPER 2017, *Open Data Strategy 2017-2022*.

³⁷ DPER 2015, *Open Data Technical Framework* available at: <https://data.gov.ie/pages/opendatatechnicalframework> (accessed 28/01/2019)

Data that is submitted for publication on the open data portal should be “High Value Data”. The definition of such data is dependent on how it complies with the aforementioned ratings as well as reference to the publisher’s and the re-user’s perspectives.³⁸ From the perspective of the re-user, the classification of data as high value is dependent on its re-use potential. The Open Data Governance Board of DPER aims to increase the quantity of High Value Data that is present on the open data portal through encouraging organisations that provide public services to make high value data held by them public, easy to access and free to use.³⁹ As well as the implementation of best practice standards and methods in open data, the Open Data Governance Board also intend to embed a culture of open data by promoting the utilisation of datasets as well as promoting a realisation of potential socio-economic benefits of such open data. Table 3.1 illustrates the published data on non-profits on the Irish Government’s open data profile.

Table 3.6: Data on Non-Profits Available from Irish Government’s Open Data Website www.data.gov.ie		
Body	Available Data	Download Format
Charities Regulator	Registered Charity Number/Name, Primary Address, Governing Form, CHY and CRO Numbers, Country Established, Charitable Purpose, Objects & Activities, Beneficiaries, Gross Income/Expenditure, Number Volunteers	XLSX, CSV
Revenue Commissioners - Bodies with charitable tax exemption	Names and addresses and CHY number	CSV, PDF
Revenue Commissioners - Resident charities and approved bodies – tax relief on donations	Names and addresses and CHY number	XLS, CSV, PDF
Revenue Commissioners - Non-resident charities and approved bodies – tax relief on donations	Names and addresses and CHY number	CSV, PDF
Revenue Commissioners – Sporting bodies with tax exemption	Names and addresses and GS exemption number	CSV, PDF
Benefacts	Names, addresses, Eircode, country, sub-sector (i.e. area of operation), if the body is on the Register of Friendly Societies and CRO, Charities Regulator CHY, AHB, DES numbers*	API, CSV, JSON
<i>Source: Irish Government Open Data Portal (www.data.gov.ie)</i>		

³⁸ DPER 2017, Open Data Strategy 2017-2022.

³⁹ DPER 2017, Our Public Service 2020.

3.8 Summary of Findings

- ❑ In nearly all developed countries business and non-profit organisations have to meet a range of reporting requirements. The overall costs of commencing and operating a business/organisation in Ireland is relatively low. However, charities have to meet additional requirements related to their activities and to provide detailed information to meet the needs of funders and other organisations.
- ❑ Charities are required to supply information to a range of organisations. Some of these such as the Revenue Commissioners and the CRO are standard requirements for all companies. In many cases the information required by individual funding organisations such as the HSE or HEA, or organisations such as HIQA or An Garda Síochána, is very different to that collected by the Charities Regulator. This makes it difficult to standardise processes for charities into a generalised “report once, use often” framework.
- ❑ An analysis of the frequency of reporting requirements for Irish registered charities suggests that most reporting is on an annual or once-off basis but in certain areas more frequent reporting is required. Indecon’s research also suggests that larger charities tend to be required to report more frequently.
- ❑ Indecon’s analysis suggests that non-funding reporting requirements do not impose significant costs for most charities but it is important to recognise that such requirements are only one part of the overall reporting requirements that charities may be subject to. The findings also suggest that the reporting requirements of the Charities Regulator were not perceived as generating a significant cost to charities in Ireland. This finding is consistent with Indecon’s independent review of the standard information sought by the Charities Regulator from charitable organisations.
- ❑ In informing an evaluation of the costs on charities, of note is that the reporting requirements associated with the application for, and oversight of funding were reported to be the costliest. For example, 38% of respondent charities stated that providing details of the programme activities for which funding would be used imposed a significant or very significant cost. These costs were perceived as more significant by larger charities. The costs associated with meeting the detailed requirements of funders were also raised in our consultation programme.
- ❑ In order to test the evaluation by the sector on the costs of meeting reporting requirements, Indecon examined the financial accounts of six leading Irish charities of different sizes who reported governance costs in their financial accounts. For this sample of charities annual governance costs were significant and, as a share of total expenditure, governance costs were estimated to range from 0.5% to 3.1%.
- ❑ Our analysis suggests that the detailed reporting information required by some major funders in sectors such as health and education inevitably require significant resources. In many cases this information is necessary to evaluate the effectiveness of public expenditure and to provide an evidence base for policymakers. However, such information in general would not be of interest to most other regulatory or funding organisations and would not be significantly impacted by the development of a ‘Charity Passport’ type scheme.

4 International Review

4.1 Introduction

As part of the research into the potential impact of the introduction of a 'Charity Passport' facility in Ireland, Indecon reviewed schemes in place internationally which provide centralised information on charities and non-profit organisations. The main example of what has been termed a 'Charity Passport' is the experience in Australia. Our analysis, however, shows that other countries (including Ireland) have developed centralised databases to share information on the charity sector and include information which is part of the Australian 'Charity Passport'.

4.2 Australian 'Charity Passport'

The Australian Charities and Not-for-profits Commission (ACNC) maintains a data register which is searchable by the public. It also provides access to the public information it collects for the purpose of sharing it with authorised government agencies. The 'Charity Passport' was designed with the intention of reducing the number of times charities report the same information to different government agencies. The 'Charity Passport' was launched in 2014 and was underpinned by a requirement that Commonwealth government Agencies should use this data. However, Government policy changed subsequently and the use of the data is no longer mandatory. Indecon's research indicates that in practice some Government Agencies in Australia do not have the capacity to fully utilise data from the 'Charity Passport'.

The background to the Australian 'Charity Passport' is that charities in Australia are regulated at commonwealth (federal) level by the (ACNC) which was established in 2012.⁴⁰ The objectives of the ACNC are to *"maintain, protect and enhance public trust and confidence in the sector through increased accountability and transparency; support and sustain a robust, vibrant, independent and innovative not-for-profit sector and promote the reduction of unnecessary regulatory obligations on the sector."*⁴¹ To achieve these objects the ACNC:

- ❑ Registers eligible entities as charities and maintains a public register that is free and searchable so that members of the public can research information about registered charities;
- ❑ Assists charities in understanding and meeting their obligations using, among other supports, information, advice and guidance;
- ❑ Assists the public in understanding the work of charities using other supports, information, advice and guidance; and
- ❑ Develops a "report once, use often" reporting framework for charitable organisations by working in conjunction with state and territorial governments.

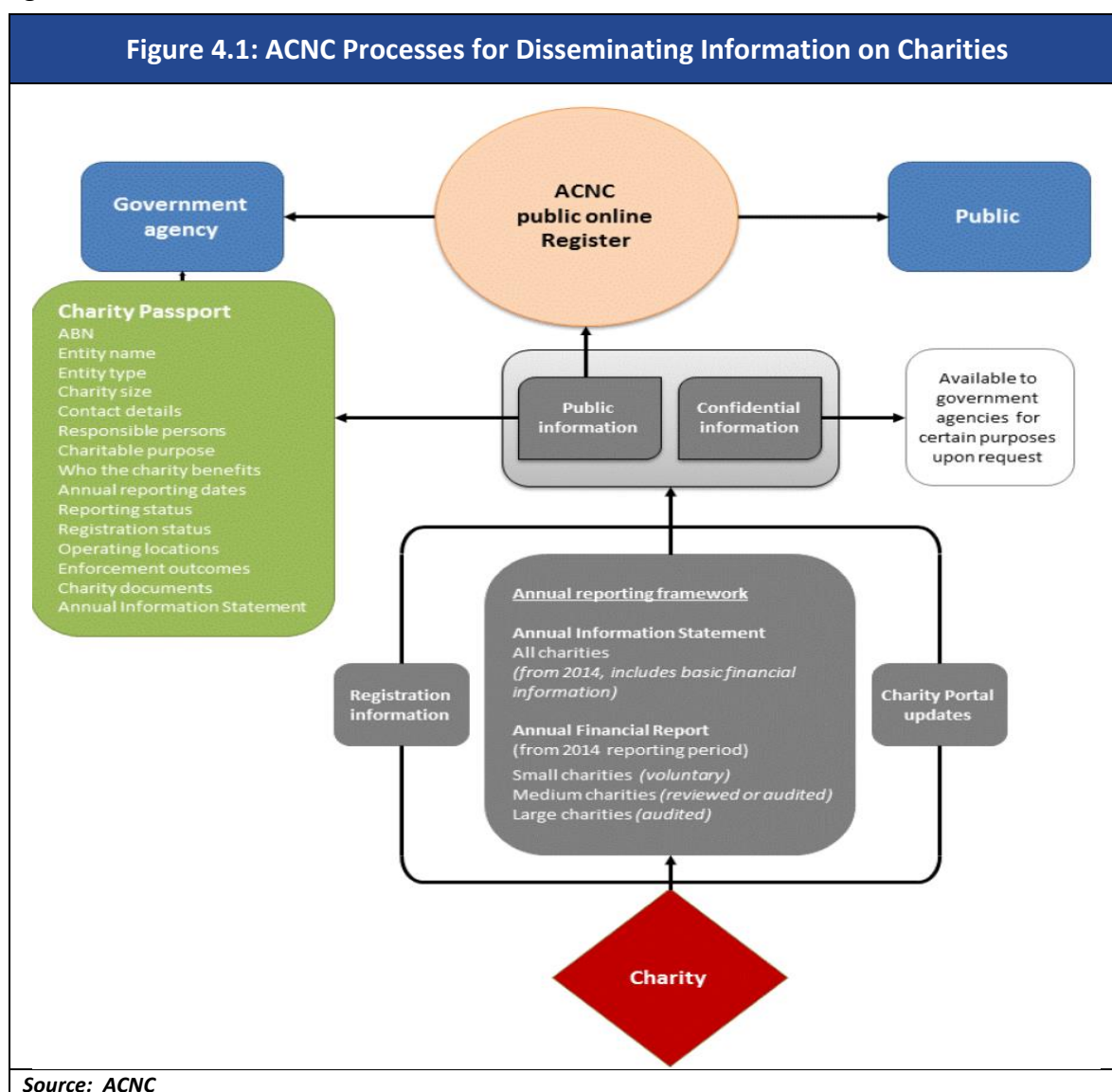
⁴⁰ <https://www.acnc.gov.au/about> (accessed 25/01/2018)

⁴¹ <https://www.acnc.gov.au/about> (accessed 25/01/2018)

Prior to the formation of the ACNC, regulation of charities was fragmented and inconsistent, and due to the federal structure of Australia, reporting arrangements concerning financial information varied from state to state.

The database and information are distributed through a number of channels. The processes by which the ACNC disseminates information on charities are illustrated in the Figure 4.1. Individual charities submit information to the ACNC including annual financial reports (where required) and annual information statements to maintain their ACNC registration.

Data is stored on the ACNC database and data that is publicly available on the Charity Register is then uploaded in Excel files onto *data.gov.au*, a government open data storage site where it can be downloaded in bulk. The 'Charity Passport' includes data already on *data.gov.au* in addition to some data that is not downloadable in a bulk format, e.g., list of responsible persons). The 'Charity Passport' can only be accessed by approved public agencies.



A key rationale for the 'Charity Passport' in Australia was to reduce the reporting burden on charities.

Information Contained in the ACNC 'Charity Passport'

The ACNC 'Charity Passport' contains information that is publicly available on the online search facility and allows access to download data in bulk. Users can access a MS Excel spreadsheet which contains all the annual information statement data for a given year. Only information on registered (rather than regulated) charities is contained in the ACNC 'Charity Passport' and many non-profit organisations are not covered by it. Among registered charities are those classed as Basic Religious Charities, which are subject to less stringent regulation than other charities.⁴² Such charities do not have to submit annual financial reports to the ACNC or comply with ACNC governance standards. Additionally, in certain cases the ACNC may have to withhold information on certain charities. The 'Charity Passport' service is only accessible to government agencies. The type of information included on the 'Charity Passport' is illustrated in Table 4.1.

Table 4.1: Information Available in the Australian 'Charity Passport'	
Charity details including name, Australian Business Number (ABN), address for service, email, telephone number and website, charitable purpose (subtype), beneficiaries, size, operating locations, registration status, reporting status.	Financial year
Responsible Persons	Operating locations
Charity registration (current status and history)	Annual Information Statements
Charity subtype (current status and history)	Financial reports
Beneficiaries	Governing Rules
Charity size (based on annual revenue)	Enforcement outcomes
Source: ACNC	

While the information in the ACNC 'Charity Passport' is useful for many funders, it must be acknowledged that individual funders in different sectors require differing levels of information. From our international research on the 'Charity Passport' in Australia, Indecon understands the information that is contained in the 'Charity Passport' database is not sufficient to fulfil all of the requirements of funders and other organisations in Australia.

⁴² <https://www.acnc.gov.au/for-charities/manage/manage-my-charity-type/basic-religious-charities> (accessed 30/01/2019)

Uptake of the ACNC ‘Charity Passport’

Despite now being five years old, many government agencies in Australia still do not avail of the ‘Charity Passport’ facility. The next table gives the number of ‘Charity Passport’ accounts held by public agencies in each Australian jurisdiction as of 31 December 2018. While there were 90 accounts, 18 public agencies who used the ACNC ‘Charity Passport’ are allowed to hold multiple accounts therefore the number of accounts does not directly correlate to the number of public agencies using the ‘Charity Passport’ facility.⁴³ Of note is that there are 188 public agencies functioning at commonwealth level in Australia indicating that 9.6% of them use the ACNC ‘Charity Passport’.⁴⁴ However, our consultations suggest that some of these 188 agencies may not have significant engagements with non-profit or charities. At state level, three government agencies in New South Wales use the ‘Charity Passport’ despite there being 21 user accounts recorded.⁴⁵ The Australian Taxation Office (ATO) has the most user accounts for the ‘Charity Passport’, which reflects specific arrangements with the ACNC, whereby the ACNC has been given responsibility to collect information on charities seeking tax concessions at commonwealth level.

Table 4.2: ‘Charity Passport’ Accounts by Australian Jurisdiction as of 31 December 2018

Jurisdiction	Number of Accounts
Commonwealth	50
Australian Capital Territory (Canberra)	5
New South Wales	21
Northern Territory	3
Queensland	1
South Australia	1
Victoria	3
Tasmania	2
Western Australia	4
Total	90
<i>Source: ACNC</i>	

Over the past five years, the sector has become increasingly familiar with their regulatory obligations – and the corresponding services and tools offered by ACNC, most of which are accessed from the website. These factors, together with the increased awareness of the ACNC, and their digital-by-default approach to communication and education, have contributed to 53% overall growth in the website’s usage since 2013–14. This year, the number of views grew from 4.6 million to 5.5 million.

Consultations by Indecon with the ACNC indicates that viewings of listings on the Charity Register dropped to 1 million from 1.4 million in 2016-2017, but searches of the Charity Register increased to 900,000, up 19% on the previous year. This indicates that the manner in which the public use the database is subject to fluctuations.

⁴³ Personal correspondence with representatives of the ACNC.

⁴⁴ <https://www.directory.gov.au/departments-and-agencies> (accessed 17/05/2019)

⁴⁵ Personal correspondence with representatives of the ACNC.

Indecon understands that progress has been slow in the utilisation of the 'Charity Passport' by some government agencies who makes grants to charities and many government agencies do not have the technology to access the 'Charity Passport' due to compatibility issues. We also understand that some agencies may use the online search portal on the ACNC's website instead of the ACNC 'Charity Passport'. Uptake of the ACNC 'Charity Passport' may increase over time if more agencies are mandated to use it, or if it contained additional information needed to meet the specific requirements of funders. Indecon understands that there are limitations regarding the information that can be included on the Register based on the ACNC regulations and additional information can only be included if the regulations are amended by Government.

A feature of the Australian system is that charities can proactively make changes to their details through the online charity portal. Resources are however required to ensure the assembly and accuracy of data. In Australia the information collected must meet legislative criteria. Specifically, charities are required to notify ACNC in case of change to name, address or responsible persons, governing rules, or a significant contravention of the Act or governance standards. The ACNC has discretion to withhold or remove information that is inaccurate, and not to release personal information maintained on the database.

4.3 Charity Data Availability - North America

One of the most important findings of our international review is that while many other countries, including the United States and Canada, have developed a variety of systems and databases to help disseminate information on charities, none of the countries reviewed by Indecon have implemented a scheme which has removed the need for charities to report separately to funders and other organisations.

Charities in the US are regulated at the federal level by the Internal Revenue Service (IRS). Charities file detailed financial and administrative information to the IRS via Form 990 as opposed to via annual and financial reports used by regulators in other countries.⁴⁶ While most organisations that are registered as charitably tax-exempt in the US must submit a Form 990, some, such as religious institutions, are exempt. The level of detail required to complete Form 990 means that it is not necessary for charities to provide financial reports. The IRS has a very rich dataset, and the largest dataset on non-profits by the number of fields that must be filled in by organisations.⁴⁷ In 2016, the IRS made electronically filed data from online filed Form 990 forms available for download in bulk XML format.⁴⁸ This database does not include data from paper filed forms, but these are available as scanned documents on the IRS website. Additionally, funders have to interpret the information in the IRS database in order to determine if the organisations meet their criteria. A number of companies have emerged in recent decades to re-use data IRS Form 990 data in a way that is usable to the public. Some of these organisations are discussed overleaf.

⁴⁶ <https://www.irs.gov/charities-non-profits/applying-for-tax-exempt-status> (accessed 30/01/2019)

⁴⁷ Kane, D. 2018. "International comparison of information available from charity regulators". Available at: <http://www.threesixtygiving.org/wp-content/uploads/Charity-regulators-transparency.pdf> (accessed 30/01/2019)

⁴⁸ This service can be accessed via: <https://registry.opendata.aws/irs990/>

GuideStar is a non-profit organisation which collates and publishes IRS Form 990 data in a format that is easy for the funders or potential public donors to look up. Individuals can search for a charity profile using GuideStar's online search facility. While GuideStar's online search facility is free, it charges users to download bulk data as well as for access to a more developed user interface, GuideStar Pro, which allows users to analyse trends on individual non-profits.⁴⁹ Charities, which are exempt from submitting an IRS 990 Form, can supplement their profiles on GuideStar with additional information.

Charity Navigator was established in 2001 and assesses the financial health accountability and transparency of over 9000 US charities using IRS 990 Form data.⁵⁰ It provides star ratings on charities that are classified as being eligible to receive tax deductible donations.^{51,52}

CharityWatch was founded as the American Institute of Philanthropy in 1992 and describes itself as "America's most independent and assertive charity watchdog".⁵³ It analyses data from IRS 990 forms, financial and annual reports and other charity information filed at state level to produce financial efficiency ratings on approximately 600 large charities.⁵⁴ These ratings can be accessed by searching for a charity on CharityWatch's website.

GiveWell is a charity ratings organisation that focuses on giving ratings to charities which focus not only on financials and fundraising but also on how much good programmes ran by charities produced.⁵⁵ GiveWell publishes a list of charities that it defines as "top charities". However, as the criteria for this include a commitment to helping people in low income countries, charities that are focused on domestic causes are not rated as highly by GiveWell.

ProPublica is a US non-profit news sourcing organisation founded in 2007 which keeps a database of charities containing headline financial information obtained from non-profits' IRS 990 Forms.⁵⁶ This is publicly searchable via their website.

Silicon Valley Community Foundation – Global Charity Database is an advisory community foundation founded in 2007 which maintains the names of global charities that passed their due diligence process. This process includes tax compliance with the IRS (in the case of US charities) and the submission to the Silicon Valley Community Foundation of governing documents, lists of board members and key employees and volunteers, documents concerning laws/provisions guiding distribution of grantee's assets in the event of the charity's dissolution and audited financial information for the previous five years.

⁴⁹ <https://learn.guidestar.org/products/guidestar-pro> (accessed 06/02/2019)

⁵⁰ <https://www.charitynavigator.org/index.cfm?bay=content.view&cpid=628> (accessed 31/01/2019)

⁵¹ Anders SB. Charity navigator and GuideStar. The CPA Journal. 2015 Jun 1;85(6):72.

⁵² Gordon TP, Knock CL, Neely DG. The role of rating agencies in the market for charitable contributions: An empirical test. *Journal of accounting and public policy*. 2009 Nov 1;28(6):469-84.

⁵³ <https://www.charitywatch.org/home> (accessed 31/01/2019)

⁵⁴ <https://www.charitywatch.org/about-charitywatch/faq/3113/3115> (accessed 31/01/2019)

⁵⁵ <https://www.givewell.org/about> (accessed 31/01/2019)

⁵⁶ <https://projects.propublica.org/nonprofits/> (accessed 31/01/2019)

Charities in Canada are regulated by the Charities Directorate of the Canada Revenue Agency where all charities, regardless of size, must fill out the “T3010 Registered Charity Information Return” form.⁵⁷ The information required on the T3010 Form is less comprehensive than the IRS 990 in the US, but it is still quite extensive, with information on many areas such as programmes, revenue, expenditures, staff, fundraising activities and types of non-cash gifts received.⁵⁸

In addition to the T3010 Form, charities must fill out the TF725 Form, with more basic information such as address, programme areas and contact information. The public and funders can search for information on specific charities from these forms on the Canadian Government’s website. In addition to the Canada Revenue Agency, a number of other organisations provide or re-use information on the non-profit sector.

Charity Intelligence Canada is a non-profit organisation established in 2006 which uses T3010 form information. They provide star ratings for charities which can be searched by funders or potential donors using their free-to-use website.⁵⁹ These ratings are based on its assessment of Social Results Reporting, Financial Transparency, Program Cost Coverage, Fundraising Costs and Administrative Costs.⁶⁰ In addition, they provide charities with an impact rating of high, good, fair or low, based on an individual charity’s so-called Social Return on Investment.

CharityData was established in 2016 and collates data from the T3010 forms of charities.⁶¹ It provides an online search portal which displays extensive information for a number of years under the following headings: Assets, Liabilities, Revenue, Expenses, Staff, Fundraising, and Programs. Additionally, information on Gifts Received from Other Registered Charities Over Last 5 Years (Top 100) and Gifts to Qualified Donees Over Last 5 Years are also displayed. The website also displays the names of the trustees/directors of the charity.

4.4 Charity Data Availability - Europe

There are separate charity regulators for England and Wales, Scotland and Northern Ireland, namely the Charity Commission for England and Wales (founded under the Charitable Trusts Act of 1853 with expansion of powers under the Charities Act of 2006),⁶² the Office of the Scottish Charity Regulator (founded in 2003) and the Charity Commission for Northern Ireland (established in 2006). All of these regulators keep publicly available registers of charities and charities are obliged to file financial statements and annual reports with them.

⁵⁷ <https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/t3010-charity-return-filing-information.html> (accessed 06/02/2019)

⁵⁸ All information here is sourced from the Canada Revenue Agency’s T3010 form that can be downloaded at: <https://www.canada.ca/content/dam/cra-arc/formspubs/pbg/t3010/t3010-19e.pdf> (accessed 13/02/2019). For the sake of brevity this report only summarises the information that is provided in the T3010 form – there are a lot more information fields available than those discussed here.

⁵⁹ <https://www.charityintelligence.ca/about-ci> (accessed 06/02/2019)

⁶⁰ <https://www.charityintelligence.ca/research/charity-profiles?id=176> (accessed 25/01/2018)

⁶¹ <https://www.charitydata.ca/faq/> (accessed 25/01/2018)

⁶² [https://uk.practicallaw.thomsonreuters.com/8-633-4989?transitionType=Default&contextData=\(sc.Default\)&firstPage=true&comp=pluk&bhcp=1](https://uk.practicallaw.thomsonreuters.com/8-633-4989?transitionType=Default&contextData=(sc.Default)&firstPage=true&comp=pluk&bhcp=1) (accessed 13/02/2019)

In order to operate across the UK, a charity must register separately with all three of these regulators. Additionally, businesses in all of the UK's constituent countries have to register with Companies House. In order to reduce bureaucratic burden on charities a new form of legal entity was created in 2011, namely the Charitable Incorporated Organisation (CIO). This means that charities that register as CIOs only need to register with the charity regulator in the constituent country they are located in, as opposed to with both the charity regulator and Companies House. However, companies registered as CIOs still have to register with the charity regulators in the other UK countries if they want to operate in them.

Some organisations have attempted to present data on UK charities in a different format. These include Charity Choice UK which provide information on over 160,000 UK charities⁶³ and Charity Financials which is an online interactive platform containing the latest available financial information and key contracts for UK charities with comparative league tables and benchmarking.⁶⁴ These capture charities in all of the UK's jurisdictions.

GuideStar UK was established in 2002 with a £3 million three-year grant from the UK Treasury,⁶⁵ to provide a GuideStar service for the UK. It used data from annual and financial reports filed by charities to the Charities Commission for England and Wales, with the option, as in the US, for charities to provide supplementary information.⁶⁶ In 2007 the government decided not to renew its funding and the project never reached the same potential as its US model. GuideStar UK is still running as a search website with information on income and expenditure, activities and beneficiaries relating to charities from 2015 onward.⁶⁷

Charities in Norway are regulated by "The Foundation Authority", a government agency which keeps a database (the "Foundation Register" or "Stiftelsesregisteret") of all charities in Norway.⁶⁸ In addition to the Foundation Register, charities also have to register with other relevant state business and employment bodies. Information on charities is available in the Register of Business Enterprises (Business Register), the NAV State Register of Employers and Employees (individuals have to apply for public access), the VAT Register, the Volunteer Register and the Entities Register. There is no 'Charity Passport' type scheme currently in operation.

⁶³ <https://www.charityfinancials.com/about-us.php> (accessed 13/02/2019)

⁶⁴ <https://www.charityfinancials.com/marketing.php> (accessed 13/02/2019)

⁶⁵ <https://www.guidestar.org/Articles.aspx?path=/rxa/news/articles/2003/british-version-of-guidestar-launched.aspx> (accessed 31/01/19)

⁶⁶ <https://fundraising.co.uk/2006/07/10/guidestar-uk-responds-feedback-about-financial-information/#.XFQWJFX7Suk> (accessed 31/01/19)

⁶⁷ <https://guidestar.org.uk/> (accessed 31/01/2019)

⁶⁸ This Database can be accessed through the Foundation Authority's website at: <https://lottstift.no/nb/stiftelser/informasjon-om-stiftelsesregisteret/> (Accessed 24/01/2019)

In 2015, it became mandatory for Croatian Charities to supply details to a register of charities kept by the Croatian Ministry for Finance that can be searched online by the public.⁶⁹ Charities have to submit detailed financial information via reports. Additionally, they have to provide details of the location of the organisation and the person responsible for making the return. However, the other data requirements are limited and, for example, there is no requirement to provide the names of the persons who are members of the Board of a charity and no requirement to specify the number of full-time staff employed in the organisation.

4.5 Charity Data Availability - Rest of World

Charities in Israel have to register with the Corporations Authority, the body which is also responsible for regulating for-profit companies. There are two main types of non-profit organisations in Israel – *Amutot* and Public Benefit Companies (PBCs).⁷⁰ Both of these are prohibited from distributing profits to shareholders or members and are entitled to tax concessions concerning their income and donations.⁷¹ Additionally, *Amutot* and PBCs have to appoint an audit committee by law.⁷² *Amutot* register with the Register of *Amutot* whereas PBCs register with the Register of Companies. PBCs can either be charitable companies or charitable funds.⁷³ In addition to these legal forms, non-profits in Israel can also take the form of public endowments.⁷⁴ These organisations register with the register of endowments.⁷⁵ Both the Register of *Amutot* and the Register of Companies publish limited information on the charities that are registered with them. In 2009 the Israeli Ministry of Justice part funded the establishment of GuideStar Israel to simplify dissemination to the public of the information collected in these various non-profit registers.⁷⁶

Charities in New Zealand are regulated by *Charities Services*, an arm of the Department of Internal Affairs in New Zealand that was established under the Charities Act 2005.⁷⁷ This body keeps a register of over 27,000 charities in New Zealand. Information is collected from charities in the form of annual returns, financial reports and performance reports. Data is accessible to the public through the “Charities Services” website: <https://www.register.charities.govt.nz/CharitiesRegister/Search>. As well as financial information, board members are listed. Information on staffing, paid work (numbers

⁶⁹ The database can be accessed by the public through a service provided on the Croatian Ministry for Finance’s Website: <https://banovac.mfin.hr/rnoprt/Pretraga.aspx>

⁷⁰ <https://neo-project.github.io/global-blockchain-compliance-hub//israel/israel-registry-requirements.html> (Accessed 24/01/2019)

⁷¹ <https://www.barlaw.co.il/blog/israeli-non-profit-organizations-amutot-public-benefit-companies-and-everything-in-between/> (accessed 02/02/2019)

⁷² For further detail on the differences between these legal forms see: <https://www.lexology.com/library/detail.aspx?g=f689012a-1bd8-437e-9e14-f55bdaf092c4> (Accessed 24/01/2019)

⁷³ <https://neo-project.github.io/global-blockchain-compliance-hub//israel/israel-registry-requirements.html> (Accessed 24/01/2019)

⁷⁴ [https://uk.practicallaw.thomsonreuters.com/5-633-3670?transitionType=Default&contextData=\(sc.Default\)&firstPage=true&comp=pluk&bhcp=1](https://uk.practicallaw.thomsonreuters.com/5-633-3670?transitionType=Default&contextData=(sc.Default)&firstPage=true&comp=pluk&bhcp=1) (Accessed 24/01/2019)

⁷⁵ <https://neo-project.github.io/global-blockchain-compliance-hub//israel/israel-registry-requirements.html> (Accessed 24/01/2019)

⁷⁶ <http://www.yadhanadiv.org.il/project/guidestar> (Accessed 24/01/2019)

⁷⁷ <https://www.charities.govt.nz/apply-for-registration/considering-registering-as-a-charity/> (accessed 29/01/2019)

employed full-time, part-time, average hours per week) and voluntary work (total number of volunteers and the average hours per year they provide) is also collected.

The regulator of charities in Singapore is the Commissioner for Charities, to which charities must return annual and financial reports. These reports include information on a charity's purpose, objectives, board members, total current assets and liabilities, funds, numbers and costs of employees. Members of the public can access profiles of each charity on the Commissioner for Charities' website. These profiles contain attachments of the complete annual and financial reports that have been submitted by the charity being researched and can be accessed by Singaporean citizens through the SingPass electronic system. Also included in the register entry for each charity is a code compliance checklist which lists whether the charity in question complied with a particular aspect of Singapore's tax code.⁷⁸ This indicates to donors and funders whether the charity fulfils certain transparency and governance requirements.

4.6 International Evidence on Governance Costs Incurred by Charities

In addition to examining the measures taken in other countries to provide centralised information it is useful to consider international evidence on governance costs incurred by charities. To examine this issue Indecon undertook new research on the estimated governance costs of 50 charities in the UK where financial accounts of organisations based on SORP were available. The results show that estimated governance costs vary and range in the sample from 0.1% of turnover to 6.8%. Indecon notes that the National Council for Voluntary Organisations in the UK has estimated governance costs as 2.1% of the sector's total budget.⁷⁹ In the sample of cases examined for large charitable organisations, where income was in excess of €200m, governance costs are in excess of €1 million per annum, highlighting the significance of such costs.

⁷⁸ The Commissioner for Charities' search portal can be accessed at: <https://www.charities.gov.sg/Pages/Home.aspx>

⁷⁹ https://www.ncvo.org.uk/images/documents/about_us/media-centre/reporting-on-charities-3-running-costs.pdf

Table 4.3: Governance Costs as a Percentage of Total Income

	Income (£000)	Governance Costs (£000)	Governance Costs as a Percentage of Income
Charity 1	1,314	90	6.85%
Charity 2	3,332	140	4.20%
Charity 3	15,169	463	3.05%
Charity 4	26,088	373	1.43%
Charity 5	21,795	308	1.41%
Charity 6	32,153	451	1.40%
Charity 7	48,301	639	1.32%
Charity 8	30,503	386	1.27%
Charity 9	284,500	3,300	1.16%
Charity 10	18,955	207	1.09%
Charity 11	39,965	429	1.07%
Charity 12	28,852	268	0.93%
Charity 13	1,896	17	0.92%
Charity 14	15,774	145	0.92%
Charity 15	18,118	165	0.91%
Charity 16	24,511	216	0.88%
Charity 17	95,930	836	0.87%
Charity 18	235,718	1,982	0.84%
Charity 19	21,425	163	0.76%
Charity 20	83,373	633	0.76%
Charity 21	85,449	610	0.71%
Charity 22	32,709	209	0.64%
Charity 23	16,192	101	0.62%
Charity 24	56,089	348	0.62%
Charity 25	132,635	819	0.62%
Charity 26	34,837	189	0.54%
Charity 27	118,328	482	0.41%
Charity 28	427,200	1,700	0.40%
Charity 29	35,015	130	0.37%
Charity 30	48,164	176	0.37%
Charity 31	74,929	268	0.36%
Charity 32	140,200	500	0.36%
Charity 33	67,689	239	0.35%
Charity 34	28,877	96	0.33%
Charity 35	101,671	328	0.32%
Charity 36	40,060	121	0.30%
Charity 37	104,972	305	0.29%
Charity 38	5,268	15	0.28%
Charity 39	4,165	10	0.24%
Charity 40	28,884	66	0.23%
Charity 41	96,144	208	0.22%
Charity 42	11,878	25	0.21%
Charity 43	67,401	136	0.20%
Charity 44	8,883	17	0.19%
Charity 45	65,142	120	0.18%
Charity 46	29,763	50	0.17%
Charity 47	135,457	222	0.16%
Charity 48	24,888	39	0.16%
Charity 49	203,748	252	0.12%
Charity 50	88,472	97	0.11%

Source: Indecon analysis of annual reports/financial accounts of charities in the UK

A summary of the estimated governance costs for UK charities is presented in the table below. The significance of such costs facing the sector was also confirmed by Indecon's review of other existing international research.

Table 4.4: Governance Costs as a Percentage of Income of UK Charities	
	Governance Costs as a Percentage of Total Income
Average	0.84%
Median	0.58%
Max	6.85%
Min	0.11%
<i>Source: Indecon analysis of annual reports/financial accounts of charities in the UK</i>	

The findings of this sample of 50 charities in the UK indicate that governance costs amounted to annual costs of £19.1 million, highlighting the overall scale of governance costs faced by the sector.

Table 4.5: Governance Costs as a Percentage of Income of UK Charities	
	Governance Costs as a Percentage of Total Income
Number of Charities	50
Total Income (£ m)	3,363
Average Income (£ m)	67.3
Total Governance Costs (£ m)	19.1
Average Governance Cost (£ m)	0.4
Total Governance Cost as Percentage of Total Income	0.57%
<i>Source: Indecon analysis of annual reports/financial accounts of charities in the UK</i>	

The evidence presented shows there are significance governance costs for charities which is also confirmed by our review of existing international research. While some of the international academic research refers to compliance costs, rather than the term 'governance costs', or 'reporting costs', these are related. The term 'compliance costs' is also aligned with the definition of reporting costs used in this report. A detailed analysis of one element of compliance costs⁸⁰ in the United States by Renee A. Irvin of the University of Oregon⁸¹ developed a quantification of the costs for home state compliance for non-profits and estimated the costs of this aspect of compliance as over US\$ 120 million per annum.

⁸⁰ Blumenthal M. Kalambokidis L., 2006, The Compliance Cost of Maintaining Tax Exempt Status, National Tax Journal Vol Iviv No. 2.

⁸¹ Renee. A. Irvin (2005) University of Oregon, State Regulation of Nonprofit Organisations: Nonprofit and Voluntary Sector Quarterly Vol 34, No 2 June 2005.

Table 4.6: Fees and Preparation Time Costs for Home State Compliance	
Small organisations (<\$25,000 revenues)	
Estimated fees	\$3,574,500
Value of hours spent preparing and filing	<u>\$19,091,000</u>
Total home state registration	\$22,665,500
Larger organisations (>\$25,000 revenues)	
Estimated fees for organisations >\$25,000	\$10,981,000
Value of hours spent preparing and filing	<u>\$64,436,500</u>
Total home state regeneration	\$75,417,500
Total home state registration, large and small organisations	\$120,748,500
<i>Source: Irvin. R. A. (2005)</i>	

Other research in the US⁸² examined other elements of compliance costs including the costs of maintaining tax exempt status. For example, one study examined the costs involved the cost of personal time in meeting tax compliance, the cost of professional fees and non-personal costs as well as state fees. A breakdown of these costs is presented below which highlights the significance of professional fees and non-personnel costs.

Table 4.7: Estimated Breakdown of Compliance Costs for Non-profit in Maintaining Tax Exempt Status	
	Percentage of Compliance Costs
Personnel costs	6%
Professional fees	38%
Non-personnel costs	53%
State fees	3%
Total	100%
<i>Source: Blumenthal M. Kalambokedus, The Compliance Cost of Maintaining Tax Exempt Status, National Tax Journal Vol Iviv No. 2.</i>	

Based on the detailed research with 612 non-profit organisations and weighing the results to represent all of charitable organisations, Kalambokedus (2006) estimated the costs of compliance with tax exempt status to be US\$3.2 billion as presented in the next table. This compares to total revenues of \$866.2.

⁸² Blumenthal M. Kalambokedus, The Compliance Cost of Maintaining Tax Exempt Status, National Tax Journal Vol Iviv No. 2.

Table 4.8: Compliance Cost in Maximising Tax Exempt Status Weighted, All Organisations

	Federal	State	Audit	Sum
Personnel costs	\$98,423,014	\$89,913,855	\$0	\$188,345,869
Professional fees	\$326,817,788	\$133,329,084	\$751,734,794	\$1,211,881,666
Non-Personnel Costs	\$914,186,525	\$763,755,319	\$0	\$1,704,961,843
State Fees	\$0	\$110,012,745	\$0	\$110,012,745
Total	\$1,366,436,327	\$1,097,031,003	\$751,743,794	\$3,215,202,123

Source: Blumenthal M. Kalambokedus, The Compliance Cost of Maintaining Tax Exempt Status, National Tax Journal Vol Ixiv No. 2.

It should also be noted that compliance costs incurred by non-profits tend to be in addition to wider compliance costs faced by businesses. A Government of Canada study of SME regulatory compliance costs suggests that business compliance costs were on average about 0.28% of revenue.

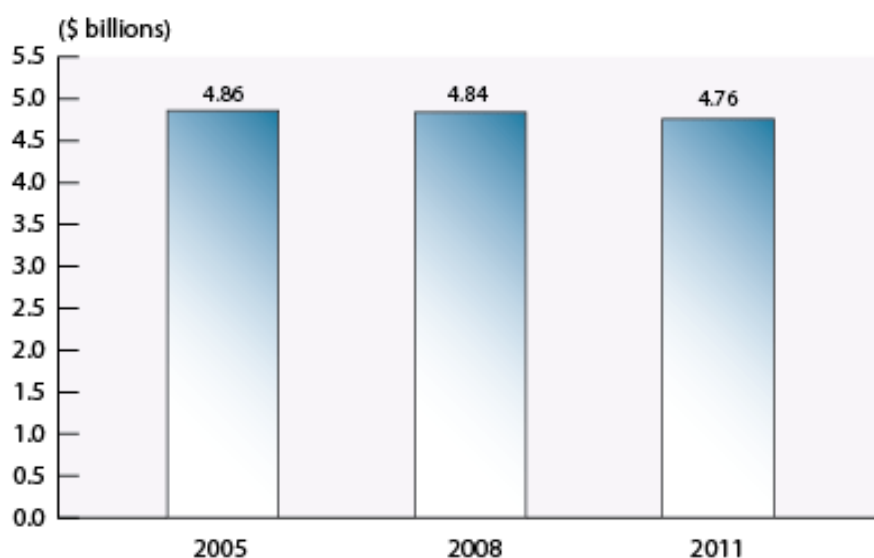
Table 4.9: Regulatory Compliance as a Share of Business Revenue by Size of Business

	Burden Rate (%)
	2011
Size of Business (Number of Employees)	
1-4	0.59
5-19	0.3
20-99	0.18
100-499	0.18
Sector	
Manufacturing	0.19
Retail Trade	0.16
Professional, Scientific and Technical Services	0.47
Accommodation and Food Services	0.36
Other Services	0.44
Canada	0.28

Source: Government of Canada, SME, Regulatory Compliance Cost Report – September 2013.

The overall economy-wide costs of standard business regulatory compliance in Canada was estimated to be over \$4.76 billion Canadian dollars. These compliance costs only measured standard business compliance costs in areas such as payroll, remittances, records of employment, tax filing and corporate regulations.

Figure 4.2: Economy-wide Estimates of the Total Cost of Regulatory Compliance



Source: Government of Canada, *SME Regulatory Compliance Cost Benefit – September 2013*

A study by McGregor-Lowndes and Ryan on the compliance costs of non-profit organisations⁸³ in Australia examined the contribution of different types of paperwork to the overall compliance burden. The paperwork was classified into four groupings: submissions which sought funding; acquittals which reported on actual funded activities; taxation returns such as Business Activity Statements; and other paperwork. Submissions and acquittals accounted for about half of the forms by number and also constituted the bulk of time spent on compliance. The results suggested average compliance costs of 1.74% of revenue and that most of the costs related to funding applications and acquisitions.

⁸³ McGregor-Lowndes, M and Ryan C, Queensland University of Technology, The Australian Journal of Public Administration, Vol 68, No. 1

4.6 Summary

- ❑ As part of the research into the potential impact of the introduction of a 'Charity Passport' Scheme in Ireland, Indecon reviewed schemes in place internationally to provide better information on charities and non-profit organisations.
- ❑ In many countries including Ireland, attempts have been made to provide access to centralised datasets concerning charities. However, the main example of what has been termed a 'Charity Passport' is the experience in Australia.
- ❑ The Australian Charities and Not-for-profits Commission (ACNC) maintains a data register which is searchable by the public. It also provides access to the public information it collects for the purpose of sharing it with authorised government agencies. The 'Charity Passport' was designed with the intention of reducing the number of times charities report the same information to different government agencies. The 'Charity Passport' was launched in 2014 and was underpinned by a requirement that Government Agencies should use this data. However, Government policy changed subsequently and the use of the data is no longer mandatory. Indecon's research indicates that in practice some public agencies in Australia do not have the IT infrastructure to access the 'Charity Passport'.
- ❑ One of the most important findings of our international review is that while many other countries, including the United States and Canada, have developed a variety of systems and databases to help disseminate information on charities, none of the countries reviewed by Indecon have implemented a scheme which has removed the need for charities to report separately to funders and other organisations.
- ❑ In addition to examining the measures taken in other countries to provide centralised information, it is useful to consider international evidence on governance costs incurred by charities. New research on the estimated governance costs of 50 charities in the UK estimated governance costs ranging from 0.1% of turnover to 6.8%. In many cases for large charitable organisations governance costs were in excess of €1 million per annum, highlighting the significance of such costs. Other international research studies indicate compliance costs on charities to be between 1.74% to 2.1% of resources.

5 Costs and Benefits of a 'Charity Passport'

5.1 Forms of a 'Charity Passport'

One of the key issues which became evident in our research is that there is great variance in the interpretation of what a 'Charity Passport' would involve. At a basic level the existing Charities Regulator database represents 'a 'Charity Passport''. In this context it is noteworthy that the Australian Regulator indicated to Indecon that "the 'Charity Passport' is the information collected from charities by the ACNC, not the mechanism used to access it." There is however a very different concept whereby a centralised information data would be developed including the extensive information required by public agencies. Such an initiative would require the accuracy of the data to be verified and for information to be up to date. It is only if an expanded information database including detailed performance measures was developed that there would be the likelihood of achieving a marked reduction in compliance costs. The above assessment is consistent with the view of Pobal who during the consultation noted that "the full benefit of any future passport concept could only be fully realised when there is a whole-of-government agreement on financial statements and other forms of governance reporting."

There is therefore no generally accepted definition as to what a 'Charity Passport' is, and what role it should play and depending on what is envisaged the costs and benefits are likely to vary. Indecon's analysis indicates the costs and benefits of any 'report once, use often' initiative depend upon:

- The range of information that is collected centrally and made available to other organisations.
- The extent to which the powers to collate data from charities include compulsion, or whether it is voluntary.
- Whether the information is collected and validated, or just collected.
- The number of non-profit organisations included in any database. For example, whether it is confined to registered charities or includes all non-profit organisations.
- The extent of take-up by public agencies.
- The extent to which it reduces the need for charities to separately submit detailed information to funding and other organisations.

In the next Table we set out the different forms that a 'Charity Passport' could take. Indecon's assessment is the 'Charity Passport' in Australia is based on Option 1 and that this option is also largely aligned with existing initiatives in Ireland. Option 2 would involve a more centralised database but funders would require individual reporting to meet their needs. Option 3 would involve a radical comprehensive whole-of-government centralised database which would meet most of the reporting requirements. Indecon is not aware of any example of Option 3 currently in operation internationally.

Table 5.1: Possible Forms of a 'Charity Passport'

Option 1: Evolution of Existing Databases	<ul style="list-style-type: none"> Charities Regulator data to be provided as is currently the case with enhancements including integration of SORP accounts. Continued development of a database similar to that operated by Benefacts and other information on charities. Ongoing development of Governments Open Data Portal Information required by divisions within individual funding organisations to be co-ordinated.
Option 2: Expanded Centralised Database	<ul style="list-style-type: none"> Data on additional aspects of charities to be collected Information validated Regulators and funders to continue to require reporting bilaterally
Option 3: Creation of Comprehensive Government Compliance Passport	<ul style="list-style-type: none"> Agreement by regulators / funders on streamlining of information to be included in centralised database Up-to-date data to be included Information validated and shared between public organisations Most of reporting requirements to be provided via database.

Sources: Indecon

5.2 Main Potential Category of Costs and Benefits of a 'Charity Passport'

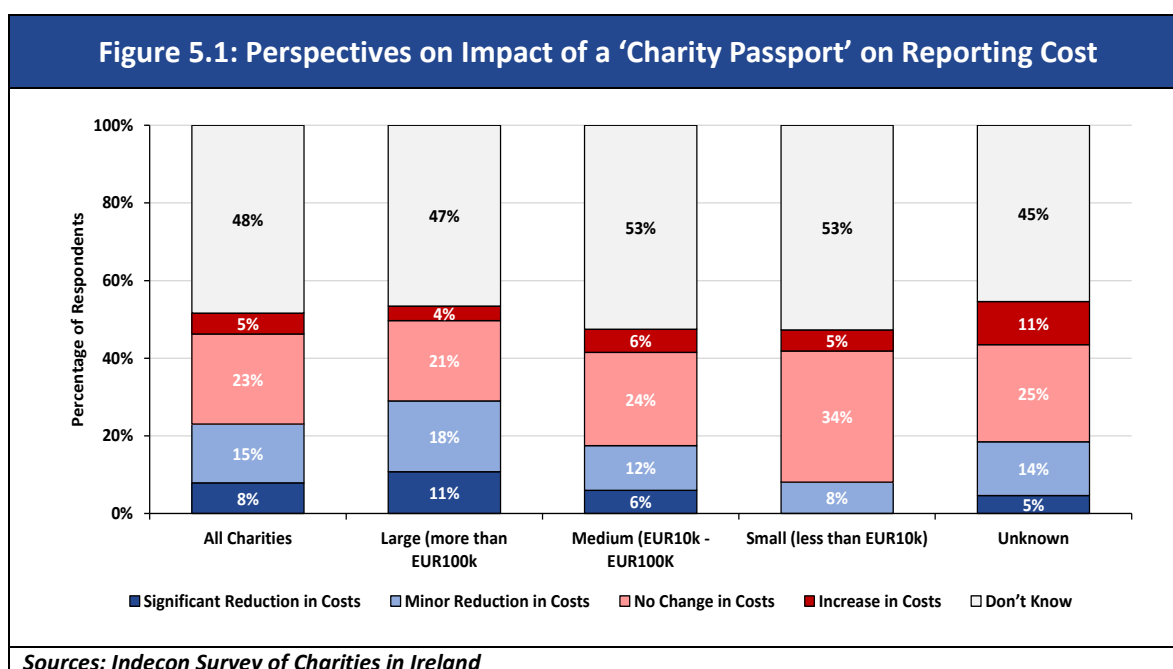
A summary of the main types of potential benefits and costs of a 'Charity Passport' is shown in the next table. As noted in Section 5.1 the extent of the costs and benefits will vary depending on what the 'Charity Passport' includes.

Table 5.2: Summary of Costs and Benefits of a 'Charity Passport' Scheme

	Benefits	Costs
Public Agencies	<ul style="list-style-type: none"> Some potential reduction in internal costs for public agencies in overseeing compliance Increased confidence in charities among funders, regulators and general public May support other Government initiatives, such as Open Data Strategy 	<ul style="list-style-type: none"> Could require significant set up and ongoing capital and operation costs Costs in personnel to align information sought with needs of funders and other users Risk that Passport is not widely taken up by other agencies, reducing benefit
Registered Charities	<ul style="list-style-type: none"> Potential reduction in reporting costs Process of creating Passport may result in greater consistency of regulations across different agencies Potential increased confidence in sector 	<ul style="list-style-type: none"> Risk that this creates another 'layer of bureaucracy' which increases compliance costs

Source: Indecon

The main potential benefit of a 'Charity Passport' would be the reduction in reporting costs faced by charities. However, significant cost reductions would not arise in some options and a 'Charity Passport' scheme would require investment and ongoing costs. Indecon's analysis suggests that among the sector and other stakeholders there is a wide range of potential interpretations of the definition for a 'Charity Passport' scheme. Reflecting the range of possible options and the uncertainty on what a 'Charity Passport' would involve in practice, nearly half of the charities were not in a position to evaluate whether a 'Charity Passport' would reduce reporting costs. However, of those who expressed a view, only a very small percentage judged that it would result in a significant reduction in reporting costs. The differentiation in scale of potential costs and benefits is discussed in Section 5.3.



Some organisations consulted by Indecon expressed the opinion that the 'Charity Passport' would not significantly reduce reporting requirements because of the different requirements of agencies. As one stakeholder indicated:

"Much of the reporting to the funder is specific to that body and access to the data returned to other bodies would undoubtedly help, it would still leave a significant amount of funder-specific data to be returned."

This view is aligned with Indecon's assessment that there are very significant differences in the required information of funders in different sectors. This is also reflected in the comments from the charities and other stakeholders consulted as presented overleaf.

Figure 5.2: Respondent Charities' Concerns on the Need for Wide Uptake of 'Charity Passport'

"While in theory a good idea the passport system will only work if government funders and agencies actually adopt it across the board."

"If it [the 'Charity Passport'] succeeded in consolidating reports given in various formats to various agencies, it could help, but without a solid agreement by agencies to recognise the passport, it's likely to just be extra work."

"'Charity Passport' sounds like a good idea once all the entities involved have the dots joined."

"The development of a 'passport model' is a very welcome one, however it would be predicated on complete engagement in particular of the HSE/Department of Health."

"Government funders would have to agree that this information could replace current reporting requirements. There would be a huge benefit in standardising the reporting output as providing individual reports causes huge pressure on our finance team and system changes are an ongoing issue for us in terms of being able to capture the data coming in so we can report appropriately."

"It is difficult to gauge exactly how beneficial a 'Charity Passport' would be as it will depend on how many of the authorities we report into would accept the passport."

Sources: Input to Indecon

There are potential benefits of a 'Charity Passport' scheme, if it was possible to design it in a way where no further information was required by funders or other bodies. Some illustrative potential benefits from a 'Charity Passport' are presented below. This suggests that if 'Charity Passport' represented a one-stop shop for all reporting and if it cut down on duplication, it would be of value. This would require the development of a comprehensive 'government compliance passport' as outlined in Figure 5.2.

Figure 5.3: Selected Quotes from Respondent Charities on the Potential Benefits of a 'Charity Passport'

"It could make things easier for everyone if there is a one stop shop for all reporting and the reporting templates were agreed by all. But different agencies require very different things that can be very specific, e.g. a complaint reporting mechanism or monitoring use of a service by a very specific cohort or people. Somethings are just specific to one agency and would not be necessary to post on the 'Charity Passport'."

"It would hopefully cut down on duplication. We are a totally voluntary organisation and anything which would decrease the amount of form filling and reporting to statutory bodies would be of great benefit to us."

"Yes, I think this would be a good, positive development for the charities sector. It would involve some additional costs initially but, in the longer term, it would increase transparency and improve public confidence in the sector."

Sources: Input to Indecon

Developing additional centralised databases would involve capital and on-going costs in the establishment and maintenance of an appropriate system. There are also costs which could be incurred by charities if comprehensive information was required from all charities. A selection of issues raised by charities is reported in the following figure.

Figure 5.4: Selected Quotes from Respondent Charities on Potential Costs of a 'Charity Passport'

"Inevitably it will involve an increase in costs in having yet more compliance obligations being imposed even if just once off."

"We are a small rural group, and we would not relish lots more paperwork. We do not have members with good I.T. skills."

"We would have a concern that a 'Charity Passport' might become yet another layer of administration for charities to comply with. Many State agencies require different information as part of funding proposals and we feel that the first step of any 'Charity Passport' system would be to standardise requirements for all governmental funding."

"A passport would in theory standardise our reporting requirement. We would have to establish a centralised administration system to support the requirement. Concern that this may be an additional requirement as funders have very specific reporting requirements that may not fall under the passport scheme."

"Each funder requires different details, e.g. copies of Finance Policy and Procedure Manual should be standard for all funders so that we don't have to do up separate and could just use one Policy and Procedure Manual for all funders."

Sources: Indecon Confidential Information Request on Behalf of Charities Regulator of Registered Charities in Ireland

Many of the views expressed by charities regarding the potential costs and benefits of a 'Charity Passport' scheme were also reflected in the comments of public agencies that Indecon consulted with as part of this study. Some illustrative examples are presented in the figure below.

Figure 5.5: Summary of Views of Public Bodies

- Awareness that reporting requirements place a burden on charities.
- Need among funding bodies to have robust tracking mechanisms to ensure adequate oversight of bodies they fund. Significant reputational pressure on public bodies.
- Some public bodies have their own systems which meets their requirements, and have been developing them over a number of years.
- Others rely in part on external sources of information.
- Extent of information requirements differs between different bodies.
- Introduction of standardised accounting (i.e. SORP) viewed as potentially helpful.
- Public agencies would see some potential advantages of 'Charity Passport', though many highlight that this would involve significant investment in implementing new systems.
- Legislative and other policy changes may be needed to take full advantage of a 'Charity Passport'.

Sources: Input to Indecon

5.3 Indicative Modelling of Potential Costs and Benefits

The detailed analysis outlined in this report indicates a range of potential benefits and costs of developing a 'Charity Passport'. It is very difficult to attempt to precisely quantify the overall costs and benefits of introducing a 'Charity Passport' scheme at this concept stage and these costs and benefits will vary by the type of options envisaged. As part of this study, Indecon engaged in an in-depth consultation with charities, representative bodies and public agencies regarding the costs and benefits of introducing a 'Charity Passport' type scheme. Indecon also conducted a detailed survey of nearly 1,000 charities regarding the costs and benefits of a 'Charity Passport' and reviewed the cost of governance faced by charities.

In considering the potential costs and benefits as set out in the Government's Public Spending Code, as well as defining different options for any proposed public expenditure, it is also necessary to identify and examine a benchmark or counterfactual for comparative purposes. The counterfactual involves an assumption about the future state of the world in the absence of the project. Commonly used counterfactuals include 'do nothing', or 'do the minimum' options. The Public Spending Code states that counterfactuals based on the 'do nothing' scenario are often unrealistic as they do not reflect the most likely alternative in the face of a decision not to proceed with a project. As such, Indecon has modelled the impact of 'do minimum' option which would involve the continued development of the existing centralised databases. This would *inter alia* involve the introduction of Charity SORP, which is dependent on certain amendments being made to the Charities Act 2009. Two other options are also presented.

Table 5.3: Counterfactual and Potential Options		
Option 1	Counterfactual 'Do minimum' option. This option we refer to as Evolution of Existing Initiatives .	Continue to develop existing centralised databases.
Option 2	New Centralised Database - Limited agency take-up. This option we refer to as Expanded Centralised Database	Develop expanded database with agreed data and reporting standards among agencies - limited take-up among agencies and requirement for charities to separately submit information to funders.
Option 3	New Centralised whole-of-Government Database - Widespread agency take-up. This option we refer to as Comprehensive Government Compliance Passport .	Develop new database with agreed data and reporting standards among agencies – high level of take-up among agencies and for the Compliance Passport to meet most of ongoing needs of funders.
<i>Source: Indecon</i>		

In our indicative modelling of the costs and benefits we include a number of technical assumptions as summarised in the table below, and discussed in subsequent paragraphs.

Table 5.4: Model Technical Assumptions

Time period for analysis	10 years
Discount rate used	4%
Shadow price of public funds	130%
<i>Source: Indecon</i>	

The time period for analysis used is based on guidance from the Department of Public Expenditure and Reform's recent review of the Public Spending Code. This suggests that the relevant time horizon for analysis should be set having regard to the asset, project or intervention's lifetime taking into account its nature and impacts. This is aligned with best practice. Residual values, to capture any impacts/values beyond the lifetime, should also be included. In Indecon's judgement, given the relatively rapid change of IT infrastructure and the growth and the changing reporting needs in the charity sector, it is prudent to limit the time period to 10 years and to assume no residual value.

On the issue of the discount rate which is needed to calculate net present values and cost-benefit ratios, the latest technical advice from the Department of Public Expenditure and Reform suggests that an appropriate value for the Social Discount Rate in Ireland is 4%. Indecon utilises this in our analysis.

A shadow price of public funds has been used in our modelling. Any public expenditure would have to reflect an appropriate valuation for the Shadow Price of Public Funds which is set in the Public Spending Code at 130%. This is based on potential distortions related to taxation.

In addition to the technical model parameters, it is necessary to consider the potential reduction in governance costs for both the counterfactual and the other options for inclusion must be included in the model. As part of our consultations we explored the issue of costs with a major funder who had invested in systems to liaise and monitor charities which they fund and which includes monitoring of detailed performance measures. We also reviewed the costs incurred in developing other databases including databases for the charity sector. It is, however, exceptionally challenging to attempt to quantify the overall costs involved. This reflects the fact that estimates of the potential cost are difficult to ascertain until there is agreement on the precise specifications for any such initiative. In our modelling we assume, under Option 1, investment in the development of upgrading of existing databases and technology of €0.5m in Year 1 and a further investment of the same level in Year 6. We assume annual operating costs of €2m per annum. In Option 2, we assume investment in a new database of €4m in Year 1 and a similar level of investment in Year 6. Estimated annual operation costs of €4m per annum is utilised in the modelling. For Option 3, involving the more expanded databases and interface technology, it is assumed that capital investment of €6m will be required in both Year 1 and Year 6. Annual operating costs of €7m is included to reflect the much wider scope of data coverage. We have also tested the finding in our scenario analysis.

It is also challenging to quantify the potential benefits arising from reduced reporting costs. Indecon, however, has evaluated the costs faced by a number of charities as well as existing international estimate. Based on our analysis we believe an appropriate assumption to use in our modelling is that on average reporting costs of around 0.84% as a percentage of revenue represent an appropriate measure of existing reporting costs. We also make indicative estimates of how these costs will be impacted by different options based on our understanding of what levels of reporting represent the costliest aspects for charities. These cost savings will be influenced by the level of take-up by public agencies and by the percentage of non-profit organisations concerned.

Our base case assumptions on reporting cost savings are presented overleaf. In Option 1, we assume the level of reporting costs savings arising from the evolution of the existing database will result in a 5% reduction in annual reporting costs. In Option 2, a 7.5% reduction is envisaged. However, it is in Option 3 that most significant savings in reporting costs are expected amounting to 20% reduction in annual costs. The balance (80%) of reporting costs will in our judgement continue to be incurred.

In our scenario analysis we examine the impact of changes in the underlying estimates.

Table 5.5: Assumptions on Level of Take-Up of Different Options

	Option 1 Evolution of Existing Initiatives	Option 2 Expanded Centralised Database	Option 3 Comprehensive Government Compliance Passport
Use by Public Agencies	70%	70%	80%
Percentage of Non-Profits Covered	75%	75%	90%
Reduction in Reporting Costs	5%	7.5%	20%
<i>Source: Indecon</i>			

A summary of the results of the analysis is presented in the next table. The results on the economic cost-benefit ratios measure the net benefits of the options. When there is a negative cost-benefit ratio, the benefits are less than the cost and the project should not proceed. This is also evident from what is referred to as the NPV or Net Present Value. Net Present Value is defined as the net benefit flow from a project and “this technique enables one to add up all the benefits of an investment and subtract the costs. Both the benefits and the costs are discounted back to the specified time period in order to give the present value of the investment.”⁸⁴

The results suggest that there are likely to be net benefits from Option 1 in so far as it entails the evolution of existing measures to enhance centralised information including the initiatives by Charities Regulator to introduce Charity SORP and efforts by individual funding organisations to co-ordinate information requests from different units within their organisations. However, if Option 2 was adopted to develop a new expanded centralised database and there was low take-up, and if funders and other agencies continued to require

⁸⁴ See Gray, A. W. 1995 Op cited.

bilateral reporting, the net impact would likely be negative. The results also suggest that there are potential net positive benefits from Option 3, namely the introduction of a whole-of-Government Compliance Passport scheme but only if it resulted in a significant reduction in compliance costs. While the ratio of Option 3 is higher than of Option 1, it would involve higher level of capital costs and would only be justified if there was agreement by funders and other organisations that the information would meet most of their needs. The benefits and costs in our modelling are in addition to any savings arising from existing databases.

Table 5.6: NPV of Estimated Cost and Benefits of 'Charity Passport' (10 Year)			
	Option 1 Evolution of Existing Initiatives	Option 2 Expanded Centralised Database	Option 3 Comprehensive Government Compliance Passport
NPV of Capital Cost over 10 years (€m)	1.18	9.47	14.21
NPV of Operational Cost over 10 years (€m)	21.93	43.86	76.76
NPV of Reduction in Charity Governance Costs over 10 years (€m)	27.00	33.48	122.43
Net Present Value of option (€m)	3.88	-19.86	31.46
Benefit/Cost Ratio	1.17	0.63	1.35
Source: Indecon			

5.4 Scenario Analysis

In line with the Public Spending Code, it is appropriate to consider the impact on the overall costs and benefits of the options using alternative assumptions for the key variables. Specifically, we have modelled the impact of changes in:

- Levels of Investment and Capital Costs Involved;
- Operational Costs of the Proposed Options; and
- Scale of Reductions in Reporting Costs.

Our findings on each of these scenarios is presented overleaf.

Higher Investment/Capital Costs

Our modelling of the likely capital costs has been based on an analysis of the costs of developing centralised databases and on the judgement of Indecon's internal experts. Indecon believes the estimates presented in the base case are reasonable assumptions for inclusion in the evaluation of the options at this conceptual stage. However, if a decision was made to proceed with the development of a new comprehensive 'Government Compliance Passport' scheme, a detailed IT specification based on analysis of data to be included would be required.

Given the experience of cost overrun of both public and private sector IT based projects, it is important to consider whether the cost-benefit appraisal of the broad options would change if the investment/capital costs were higher than assumed in our base case. In the scenario analysis we examine the impact if the capital costs for Option 2 and Option 3 were three times higher than in the base case. The results are presented below. These show that if capital costs increased then the comprehensive Government Compliance Passport would not be justified.

Table 5.7: Impact on Cost/Benefit Appraisal of Higher Capital Costs			
	Option 1 Evolution of Existing Initiatives	Option 2 Expanded Centralised Database	Option 3 Comprehensive Government Compliance Passport
Benefit/Cost Ratio	1.168	0.45	0.99
<i>Source: Indecon Modelling</i>			

Higher Operating Costs

Indecon estimates of operating costs of the options have been guided by our review of the experience of other organisations in developing new databases including those dealing with the charity sector. It is, however, important to examine the impacts if the operating costs are higher than envisaged. In our scenario analysis we examine the impact of assuming that operating costs of Option 2 and Option 3 are three times the levels assumed. The results of the cost-benefit appraisal assuming higher operating costs are presented in the next table. This shows that the net benefits are very sensitive to any escalation in operating costs.

Table 5.8: Impact on Cost/Benefit Appraisal of Higher Operating Costs			
	Option 1 Evolution of Existing Initiatives	Option 2 Expanded Centralised Database	Option 3 Comprehensive Government Compliance Passport
Benefit/Cost Ratio	1.17	0.23	0.48
<i>Source: Indecon Modelling</i>			

Lower Savings in Governance Costs

The other major uncertainty regarding the options concern the level of savings in governance costs which would be secured. In our analysis we consider two separate scenarios, one where savings in governance costs are half of what was assumed and a more optimistic assumption where the savings were 50% higher than in our base case. The results are presented in the next table. The results highlight the importance of any initiatives which reduce the governance costs faced by charities.

Table 5.9: Impact of Alternative Impacts on Governance Costs

	Option 1 Evolution of Existing Initiatives	Option 2 Expanded Centralised Database	Option 3 Comprehensive Government Compliance Passport
Benefit/Cost ratio if savings in Options 2 and 3 are half levels envisaged	1.17	0.30	0.65
Benefit/Cost ratio if savings are 50% higher in Options 2 and 3	1.17	0.91	1.94
<i>Source: Indecon</i>			

Our overall analysis of the costs and benefits indicate that a Comprehensive Governance Compliance Passport specifically for the non-profit sector which would meet most of the reporting needs of funders would involve significant investment in a centralised system. It would also require investment in the technological interface with funders and other public agencies although a common IT system would not be necessary. It would involve new centralised databases for the sector, significant up front and on-going investment would be needed. Such investment would only be justified if it significantly reduced governance costs on charities and other non-profit organisations. Illustrative cost-benefit modelling was undertaken based on a 10-year project economically useful life span, a 4% discount rate and 130% shadow price of public funds. The results of our modelling suggest that if such an initiative only partially met the needs of funders and other public agencies and if charities had also to separately submit most of the very detailed data requested by individual agencies then the scheme would have a cost benefit ratio of less than one. An economic cost-benefit ratio of less than one means that the benefits for society are less than the costs and the project should not proceed. If, however, agreement in the future is secured on centralised data requirements which would significantly reduce the need for charities to provide data to individual funders and public agencies, a positive net benefit would arise. Based on our review of the type of information required by different funding bodies and by other public agencies, Indecon has some doubts about whether a streamlining of information requirements could be achieved to the extent whereby a centralised database would significantly reduce charities' reporting costs. This however requires on-going consideration by the key funders and other agencies and any streamlining and sharing of data, which would reduce reporting costs, should be supported.

5.5 Implementation Issues

If it was decided to proceed with the implementation of a centralised government compliance passport there are a number of significant implementation issues which would need to be addressed.

In order to maximise the benefits of introducing a new Comprehensive Government Compliance Passport, a number of legislative and policy changes would be required. For example, legislation to require charity SORP accounts. There may also be changes needed to meet the legislative requirement of accounting officers to facilitate use of information collected by a separate agency. There would also be a need for changes in the established practices of public agencies. Proceeding with this initiative without these changes being addressed would likely result in a much more limited take-up of the scheme and would not be justified. Examples of some of these issues are outlined in Figure 5.6 below. Indecon would stress that this list is non-exhaustive and is for illustrative purposes. If it was decided to proceed with Comprehensive Government Compliance Passport a more detailed examination by a committee of funders supported by specialised legal and technology advisers would be needed.

Figure 5.6: Legislative/Policy Changes Possibly Needed to Maximise 'Charity Passport' Benefits

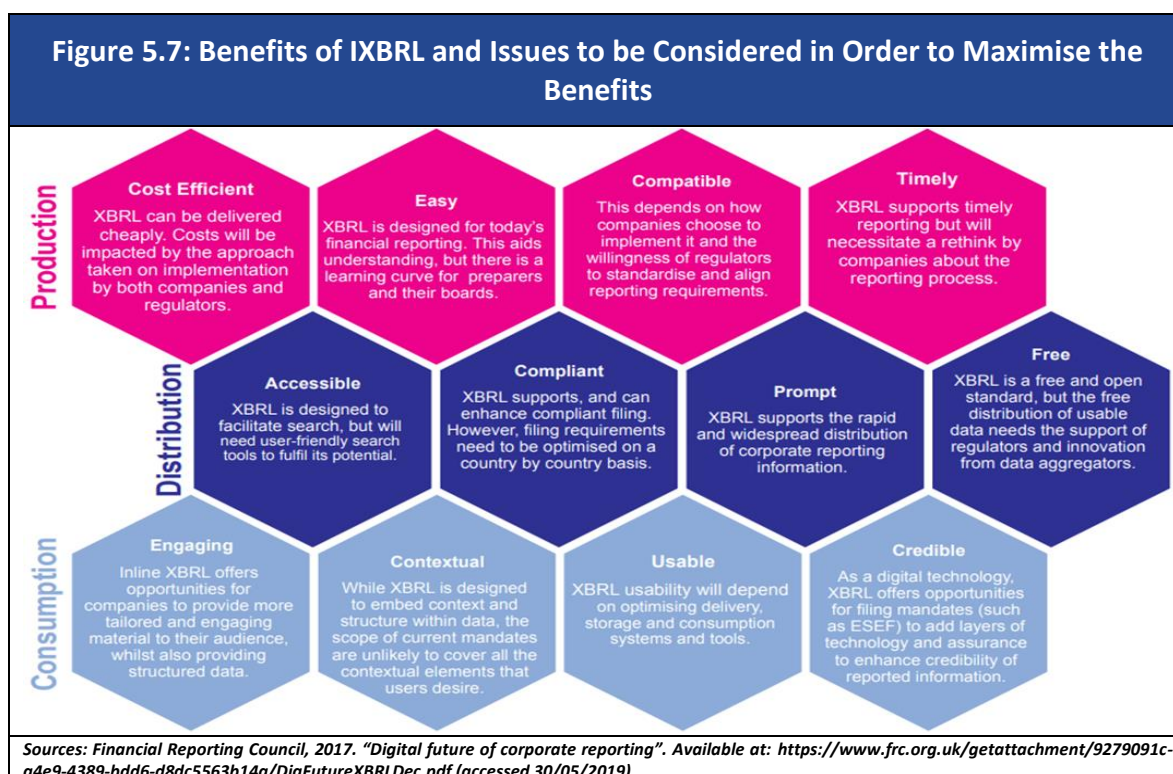
- ☐ Legislative changes to require compliance by charities and use of data by funders
- ☐ Legislative changes to allocate responsibility for the 'Government Compliance Passport' to a specific organisation if required
- ☐ Changes to the requirement for physically signed accounts
- ☐ Agreement on centralised compliance requirements
- ☐ Integration with Government Portal and Open Data Strategy
- ☐ Approval of use of 'Government Compliance Passport' by agencies needed by C&AG and DPER (Circular 13/2014)

Sources: Indecon Correspondence with Charity Stakeholders

A more developed 'Government Compliance Passport' database scheme, such as Option 3, would need to be comprehensive and regularly updated, and underlying data would need to be verified. The scope of the database would also need to include a wider range of organisations than those currently included in the Charities Regulator's Register of Charities. This is because the issues associated with multiple reporting and information requirements arise in the context of the wider non-profit and community and voluntary sectors and thus are not limited to charities. For the effective introduction of a Comprehensive Government Compliance Passport, it would be important that efficient technology is adopted in obtaining information from non-profit organisations and in facilitating its re-use. One option would be to use the same technology which the Revenue Commissioners currently require larger companies to use, namely eXtensible Business Reporting Language (XBRL).⁸⁵ This is the international standard for sharing business information and is used by companies

⁸⁵ <https://www.revenue.ie/en/companies-and-charities/submitted-financial-statements/index.aspx> (accessed 30/05/2019)

to meet the reporting requirements of over 100 different regulators in 70 countries on either a mandatory or voluntary basis.⁸⁶ Since 2010 it has been mandatory for all companies to use XBRL when filing financial statements with the UK Revenue service, (HMRC).⁸⁷ XBRL is presented as a series of tags and numbers, which enable documents to be presented in a format that is both human and machine readable. It is intended that this format will become common across Europe from 2020 onward to allow for data sharing and legislation has been developed for this purpose, the European Single Electronic Format.⁸⁸ Figure 5.7 provides an overview of the benefits of XBRL in terms of production, distribution and consumption along with issues that need to be considered in order to make it effective.



XBRL means that paper filing as well as pdf filing will no longer be acceptable formats in which to file accounts. The benefits of XBRL filing for transparency in charities and for making governance more efficient was also highlighted by one of the charity stakeholders consulted by Indecon. However, it must be acknowledged that there would be costs to non-profit organisations in presenting files in this format (in terms of staff time and having individuals able to deal with the technology as well as having the necessary technology in the first place) and these costs would place a greater burden on smaller charities than on their larger counterparts (who in many cases already use XBRL).

⁸⁶ Financial Reporting Council, 2017. "Digital future of corporate reporting". Available at: <https://www.frc.org.uk/getattachment/9279091c-a4e9-4389-bdd6-d8dc5563b14a/DigFutureXBRLDec.pdf> (accessed 30/05/2019)

⁸⁷ <https://www.gov.uk/government/publications/xbrl-guide-for-uk-businesses/xbrl-guide-for-uk-businesses> (accessed 30/05/2019)

⁸⁸ <https://www.esma.europa.eu/policy-activities/corporate-disclosure/european-single-electronic-format> (accessed 30/05/2019)

The above is only illustrative of potential technological options and would need more detailed specification and evaluation if an agreement was secured on the scope of the information to be included in any future Government Compliance Passport.

5.6 Summary

- ❑ Developing a Comprehensive Government Compliance Passport would involve capital and operational costs both in the establishment and maintenance of an appropriate system. There are also some potential costs which could be incurred by charities if comprehensive information was required from all charities in XBRL format for example.
- ❑ While there is inevitable uncertainty regarding the likely quantified costs and benefits, Indecon has developed some indicative modelling of the potential and costs and benefits of different options. The results suggest that there are likely to be net benefits from the evolution of existing measures to enhance centralised information including the initiatives by Charities Regulator to facilitate the introduction of Charity SORP, and the co-ordination of information requests within individual funding organisations. However, if the option was to develop a new expanded Comprehensive Government Compliance Passport and there was low take-up by state agencies, and if funding agencies continued to require bilateral reporting, the net impact would likely be negative. The results also suggest that there are potential net positive benefits from the introduction of a Government Compliance Passport but only if it resulted in a significant reduction in reporting costs.

6 Key Findings and Recommendations

6.1 Key Findings

Table 6.1: Summary of Key Findings

Table 6.1: Summary of Key Findings	
1.	The Australian Charity Passport Scheme is in effect a centralised database, which contains information largely similar to what is already available on the Charities Regulator's Register of Charities.
2.	There is a significant cost for some charities in meeting the information requirements of funders and other agencies in Ireland at present.
3.	While many countries internationally have developed a variety of systems and databases to help re-use information on charities, none of the countries reviewed by Indecon have implemented a 'Comprehensive Government Compliance Passport' scheme which has removed the need for charities to bilaterally submit other information to regulators and funders.
4.	The proposed requirement for charities to prepare financial accounts in line with guidelines in the Charity SORP represents a potentially important initiative. However, amendments to the Charities Act 2009 are required to facilitate its introduction.
5.	A comprehensive Government Compliance Passport would be technically feasible in Ireland but the merits of proceeding with this would be dependent on establishing a whole-of-government approach to governance reporting. Simply sharing access to existing centralised data would not remove multiple reporting requirements.
6.	The development of a new comprehensive Government Compliance Passport is only likely to have a net positive economic benefit-cost ratio if it significantly reduces charities' governance costs.

1. **The Australian Charity Passport Scheme is in effect a centralised database which contains information largely similar to what is already available on the Charities Regulator's Register of Charities.**

The Australian system has an electronic facility to facilitate a bulk access by government agencies to the available information on various charities collected by the Australian regulator. The information provided is of value but does not replace the type of detailed performance data required by funders and other organisations. The information available using the 'Charity Passport' in Australia is similar to the information already contained in the Charities Regulator's Register of Charities, the Benefacts database and the Irish Government's open data portal.

2. **There is a significant cost for some charities in meeting the information requirements of funders and other agencies.**

There is a significant cost faced by many charities in meeting the continued information requirements of funders and other agencies. This reflects the importance for funders and other public agencies in ensuring that charities operate to the highest standards and that information is obtained to evaluate the effective use of scarce public funds. While Indecon's research indicates that the Charities Regulator's information requirements do not impose significant reporting costs on charities, charities face significant costs in meeting the combined requirements of funders and other agencies. This finding is consistent with existing international research. An analysis of new empirical research by Indecon of the governance costs of a sample of Irish charities showed that these were significant and ranged from €159,000 to over €1.3 million and as a share of resources

ranged from 0.5% to 3.1%. The significance of costs in meeting, reporting and other requirements of funders and other agencies, was aligned with estimates of governance costs of charities in the UK examined by Indecon. It is also consistent with the views expressed by stakeholders during our extensive consultation programme. This suggests that any cost-effective initiatives which would reduce reporting costs should be given a high priority.

3. **While many countries internationally have developed a variety of systems and databases to help re-use information on charities, none of the countries reviewed by Indecon have implemented a 'Comprehensive Government Compliance Passport' scheme which has removed the need for charities to bilaterally submit other information to regulators and funders.**

An awareness of the need to follow the principle of “report once, use often” has lead governments and other organisations to develop databases and other initiatives to share information on charities. However, none of the initiatives has removed the need for charities to also meet other reporting requirements of funders which arise on a bilateral basis.

4. **The proposed requirement for charities to prepare financial accounts in line with guidelines in the Charity SORP represents a potentially important initiative. However, amendments to the Charities Act 2009 are required to facilitate its introduction.**

A standardised format for certain core documentation and practices, particularly in relation to financial accounts and governance requirements, represents important avenues for reducing some aspects of reporting cost of charities. While there will be some costs for charities in meeting Charity SORP once introduced, its introduction will have wider benefits in terms of standardising financial reporting and increasing transparency and trust in the sector. Detailed data of this nature could be used by other agencies.

5. **A comprehensive Government Compliance Passport would be technically feasible in Ireland but the merits of proceeding with this would be dependent on establishing a whole-of-government approach to governance reporting. Simply sharing access to centralised data would not remove multiple governance requirements.**

There is no technical or policy reason why an extensive 'Government Compliance Passport' type database scheme could not be feasible in an Irish context. However, given the likely capital and operating costs in establishing and maintaining such a facility, the case for proceeding with this would be dependent on establishing a whole-of-government approach to governance reporting by charities. Without this, Indecon believes the benefits would not justify the costs involved. Such a concept would require a standardisation of information requirements by funders and other agencies to an extent which may be difficult to achieve in the short run.

6. **The development of a new comprehensive Government Compliance Passport Scheme is only likely to have a net positive economic benefit-cost ratio if it significantly reduces charities' reporting costs.**

A new centralised 'Government Compliance Passport' database scheme specifically for the non-profit sector, which would meet most of the reporting needs of funders, would involve significant investment in a centralised system. It would also require investment in the technological interface with funders and other public agencies although a common IT system would not be necessary. It would require on-going administrative costs in collecting, monitoring and verifying up to date data on a very wide range of metrics. Most importantly, it would require agreement by public agencies

on what data is required. If such a mechanism was developed it could facilitate a situation where charities were only required to provide information on a once off basis which would then be used by different public agencies. The rationale for such a Government led scheme for the non-profit sector, is the same as that underlying the Government's National Data Strategy. This has involved the development of the Government's open data portal. Responsibility for the development of such an initiative is in Indecon's opinion an issue for central government and is much wider than the statutory remit of the Charities Regulator which regulates a subset of the wider not-for-profit sector.

6.2 Recommendations

A summary of recommendations is outlined below.

Summary of Recommendations
1. Individual funding and regulatory agencies should review their current reporting requirements.
2. A 'Forum of Funders/Regulators' should be established to help coordinate reporting requirements, and identify areas where information requests could be streamlined.
3. Funding agencies should consider including an allowance for the cost of reporting by charities in making funding decisions.
4. If a decision is made to proceed with a comprehensive Government Compliance Passport, careful consideration needs to be given to ensuring that this is done in a way which maximises the utilisation of the data.

1. Individual funding and regulatory agencies should review their current reporting requirements.

Before considering the merits of introducing an inter-agency system of data sharing and re-use such as a comprehensive government compliance passport for the charities sector, regulatory agencies and funding organisations should ensure that as a first step there is re-use of data internally within their organisations, and that all data being collected is required for the effective discharge of their statutory duties. There is also a need to ensure that there is consistency within large funding organisations on the formats and templates requested by different units within their organisations and that there is one point of information co-ordination in their organisations. For some funding organisations such as Pobal our consultations suggest that if an applicant is applying for funding under multiple schemes, they do not have to furnish documentation sets if they have already provided them to Pobal and if they are still in date. A single point of contact in large funders responsible for maintaining the collection, maintaining and sharing of information from voluntary providers is strongly recommended.

2. A 'Forum of Funders/Regulators' should be formed to help coordinate reporting requirements, and identify areas where information requests could be streamlined.

Consideration should be given to the formation of a forum whereby funders and regulators would investigate the potential for the greater standardisation of information reporting requirements and how such information could be shared. While the Charities Regulator could play a role in such a forum, a wider whole-of-government approach would be necessary. Indecon notes that there is no

statutory basis on which the Charities Regulator could require information and data from charities that it did not need to carry out its own functions. In this context, Indecon notes that the IRG review group report (which examined the role of the voluntary sector in health care) proposed that public agencies agree a memorandum of understanding to re-use data provided to them, and which is publicly available, instead of asking voluntary organisations to provide data that has already been supplied elsewhere. Based on its research, Indecon would be very supportive of this proposal.

3. Funding agencies should consider including an allowance for the cost of reporting by charities in making funding decisions.

Complying with reporting requirements of funding agencies represents a cost for many charities. This should be recognised as an integral part of the provision of services on behalf of the State, and some allowance for this cost should be considered in concluding funding agreements. There is international recognition of the necessity to ensure charities have adequate resources to meet such requirements. As a result, many funders internationally provide grants to cover non-profit such costs.⁸⁹ Indecon understands that in Ireland this is also taken into account of by some funders as part of their evaluation of overall administration costs. While this is not directly related to the potential for a 'Charity Passport' Scheme in Ireland, this is an important issue identified as part of our stakeholder consultations and one which Indecon believes is valid to highlight in the context of this review.

4. If a decision is made to proceed with a comprehensive Government Compliance Passport, careful consideration needs to be given to ensuring that this is done in a way which maximises take-up and use.

In order to maximise the benefits of introducing any potential new Government Compliance Passport for the sector, a number of issues must first be addressed. In particular, policy and legislative changes may be needed to allow agencies to share and re-use data. Further, appropriate governance and verification procedures within public bodies and an appropriate technological infrastructure would be required. Indecon notes that some large public organisations who are major funders of the sector have developed at significant cost their own internal systems to meet their information requirements and to interact with organisations in the charities sector. The full benefits of any more comprehensive scheme would only be realised if the information collated meets the needs of the public agencies and if charities comply with the data requirements. This is an issue which could be considered further by the recommended 'Forum of Funders/Regulators'.

Overall Conclusion

Indecon's analysis suggests that the 'Charity Passport' scheme implemented in Australia is similar in many ways to the existing centralised databases and information sources available in Ireland, the Charities Regulator's Register of Charities and the data available on the Government's open data portal and on the Benefacts database. Ongoing development of these or similar initiatives are likely to be of value. However, significant reductions in the reporting costs of charities would only arise if there was a whole-of-government approach to co-ordinate and streamline information requirements. While this longer-term initiative is being assessed, immediate gains can be achieved by ensuring that charities do not have to submit the same information multiple times to different

⁸⁹ See Knowlton. C (2015), When the Show Must Go On: Non Profits and Adversity, Non Profit Quarterly

divisions within individual funding organisations. Development of a memorandum of understanding by funders and other agencies to re-use data should also be prioritised.

Given the vital role played by charities and other non-profit organisations in Ireland, every effort should be taken to ease any unnecessary information requirements or duplication while maintaining key information to meet regulatory and accountability objectives.