

Presentation by CMF Secretariat

Case Studies: Common Audit Findings

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The CMF Secretariat will present some common audit finding from the CMF special purpose audits:

1. Using non-eligible donation to apply for CMF
2. Incorrect expenditure reported in Milestone Reports

Eligibility of Donation

Broad principle to determine whether a contribution is a Donation:

- A Donation must be an act of unconditional and a free-will giving for which the contributor relinquishes and confers all his rights, control and ownership over the monies or assets to a Charity / IPC when the donation is made.
- Although the benefit-in-return provided to a contributor alone would not automatically disqualify it as a donation, there is a need to look at the terms and conditions of the agreement in totality to ascertain the intent of the contributor.
- Based on the overall terms in the agreement, if it can be ascertained that the contribution would not be given if not for the benefit received in return, it could be inferred that the contribution is transactional in nature and thus the contribution would not qualify as a Donation.

Case Study 1

Eligibility of donation

Company Y gave a sum to Charity X and both parties entered into an agreement for the contribution.

It was reflected in the agreement that Company Y will be the exclusive patron and the only brand available for the Charity's programme.

Charity X shall not engage another company in the same industry as Company Y for the same programme.

Would the contribution qualify as a donation?

Case Study 1

Eligibility of donation

Answer: No, the contribution will not qualify as a donation.

Explanation:

Looking at the terms of the Agreement, it could be inferred that the contribution would not be given if not for the benefit received in return. Therefore, the contribution is transactional in nature and would not qualify as a donation.

Takeaway:

The presence of the exclusivity clause in the agreement leads to the inference that the contribution was given due to the benefit received in return and is therefore not an unconditional and free-will gift.

Case Study 2

Eligibility of donation

Company Y gave a sum to Charity X and in return, Charity X acknowledged the contribution from Company Y.

The acknowledgment has the following features only:

- The acknowledgement is a display of the donor's logo and/or name on the IPCs' or charities' collaterals
- Accompanied with the words such as “with compliments from”/ “in acknowledgement of”/ “special thanks to”/ “with appreciation to”, or the equivalent, regardless of the size of the display;
- There are no comparative or qualitative descriptions, slogans, locations, contact details, or a description (including displays or visual depictions) of donor's products or services; and
- There are no links or tags to donor's website and social media platform e.g. Instagram/ Facebook/ Twitter/ LinkedIn.

Would this contribution qualify as a donation?

Case Study 2

Eligibility of donation

Answer: Yes, the contribution qualifies as a donation.

Explanation:

The features of the acknowledgement falls within the guidelines for distinguishing acknowledgement from advertisement. Therefore, the contribution is not transactional in nature and would qualify as a donation.

Takeaway:

As the acknowledgement is not transactional in nature, the contribution remains to be an act of unconditional and a free-will giving for which the contributor relinquishes and confers all his rights, control and ownership over the monies or assets to a Charity / IPC when the donation is made.

Case Study 3

Eligibility of donation

Company Y gave a sum to Charity X and both parties entered into an agreement for the contribution.

Under the terms in the agreement, Charity X has to report periodically on the usage of funds for the project Company Y supported. The funds will only be unlocked in tranches when Charity X fulfills a set of key performance indicators (KPI) decided by Company Y. These KPI could be to provide interim reports on the progress of the project, or to achieve certain goals.

In the event that the results of the supported project do not conform to the agreed outcome or Charity X fails to deliver the benefits as per the agreed schedule, Company Y is entitled to terminate the agreement and Charity X is to refund the contribution either in full or in part to Company Y. Company Y is also able to claim for losses.

Would the contribution qualify as a donation?

Case Study 3

Eligibility of donation

Answer: No, the contribution will not qualify as a donation.

Explanation:

As there is a refund clause in the signed agreement, it has contravened the principle that a Donation shall be an unconditional and free-will gift and should not be refundable. Any clause in a donation agreement which imposes an obligation for the IPC to return the monies or assets, wholly or in part, under any conditions, would disqualify the gift as a donation.

Case Study 4

Eligibility of donation

Company Y gave a sum to Charity X and both parties entered into an agreement for the contribution.

Under the terms in the agreement, Company Y is entitled the right of use and distribution of the output (e.g. artwork, music) from the projects supported by Company Y.

Would the contribution qualify as a donation?

Case Study 4

Eligibility of donation

Answer: No, the contribution will not qualify as a donation.

Explanation:

Looking at the terms of the Agreement, it could be inferred that the contribution would not be given if not for the benefit received in return. Therefore, the contribution is transactional in nature and would not qualify as a donation.

Takeaway:

The rights of use included in the agreement leads to the inference that the contribution was given due to the benefit received in return and is therefore not an unconditional and free-will gift.

Case Study 5

Eligibility of donation

Company Y gave a sum to Charity X and both parties entered into an agreement for the contribution.

In return for the contribution made by Company Y, Charity X has to purchase company Y's products.

Would the contribution qualify as a donation?

Case Study 5

Eligibility of donation

Answer: No, the contribution will not qualify as a donation.

Explanation:

Looking at the terms of the Agreement, it could be inferred that the contribution would not be given if not for the benefit received in return. Therefore, the contribution is transactional in nature and would not qualify as a donation.

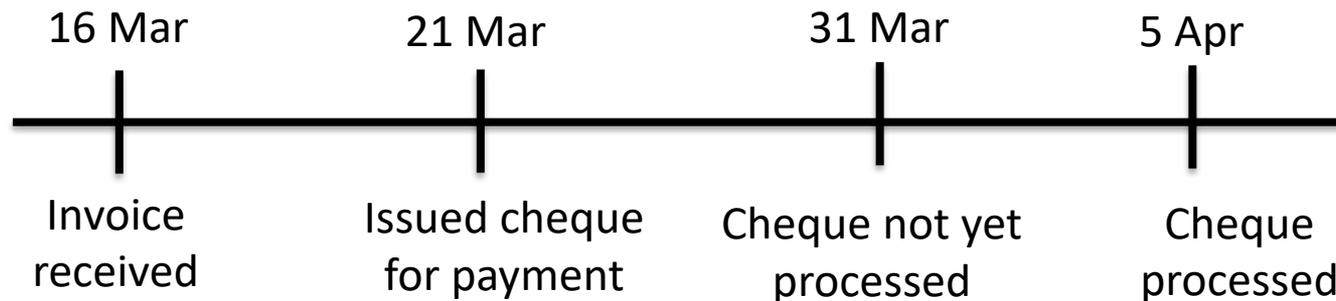
Takeaway:

The purchasing condition included in the agreement leads to the inference that the contribution was given due to the benefit received in return and is therefore not an unconditional and free-will gift.

Case Study 6

Milestone Reporting

On 16 March 2021, Charity S received an invoice of \$,5000 from vendor for its core production's expenses. Subsequently, Charity S issued a cheque on 21 March for this payment. As at 31 March 2021, Charity S' bank statement shows that the \$5,000 is yet to be deducted from its CMF bank account. The cheque was subsequently processed on 5 April 2021.



Question: Is Charity S required to report the core production expense of \$5,000 in its milestone report ending 31 March 2021?

Case Study 6

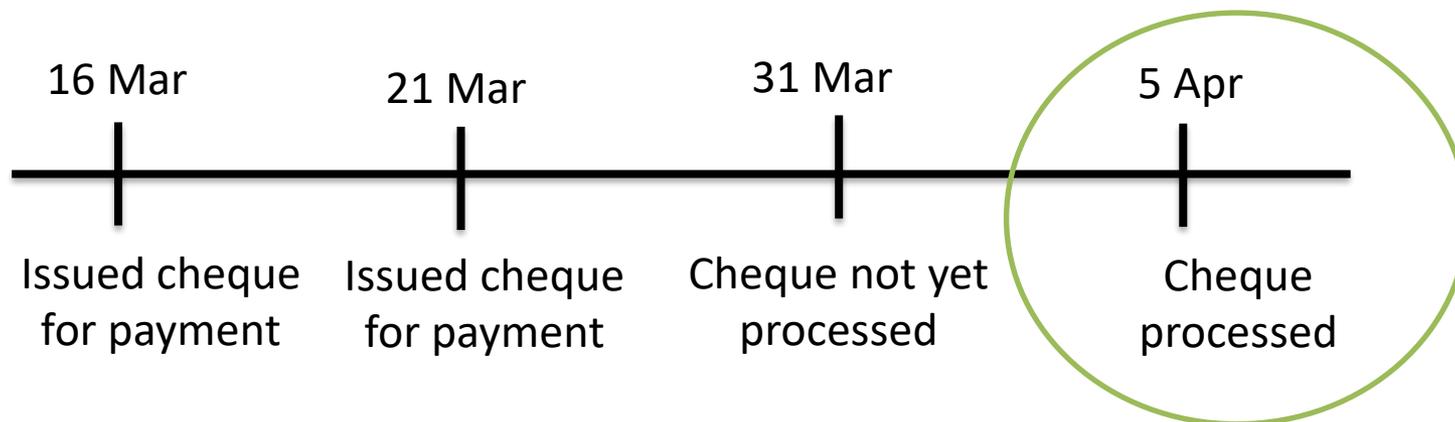
Milestone Reporting

Answer: No

Explanation:

The reference date to determine whether a particular expenditure is to be included in a milestone report is its actual date of payment to the vendor.

Since the cheque has not been processed by the vendor as at 31 March 2021, the \$5,000 is not considered paid and thus the Charity is not required to report the expense in the milestone report ending 31 March 2021.

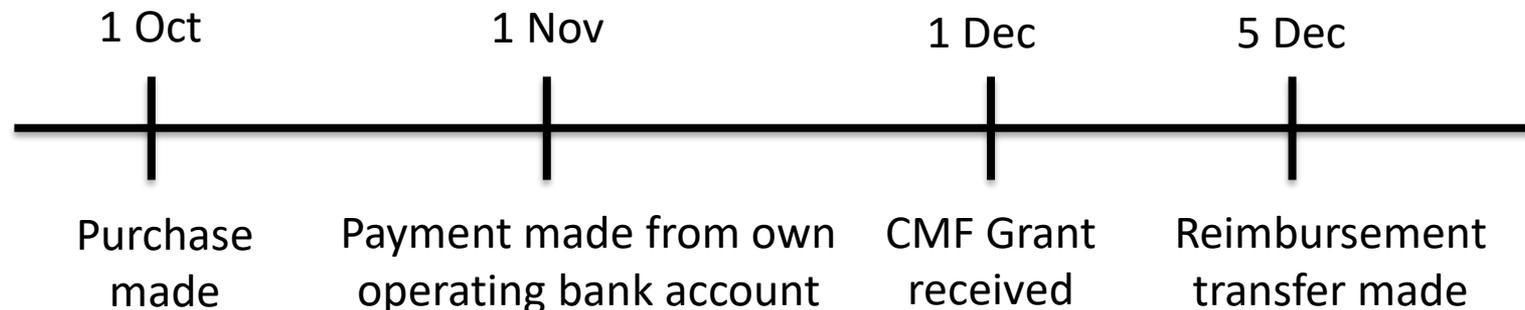


Case Study 7

Milestone Reporting

On 1 October 2020, Charity S made a purchase of office computers for \$2,000. This purchase of \$2,000 is applied in its 2020 CMF application and is subsequently approved by CMF. As the CMF matching grant was only disbursed to Charity S on 1 December 2020, Charity S had made the payment for the purchase through its own operating bank account on 1 November 2020.

Subsequently on 5 December 2020, Charity S made a reimbursement transfer of the \$2,000 from its CMF dedicated bank account to its own operating bank account.



Question: Is Charity S required to report the purchase of office computers in its milestone report ending 31 March 2021?

Case Study 7

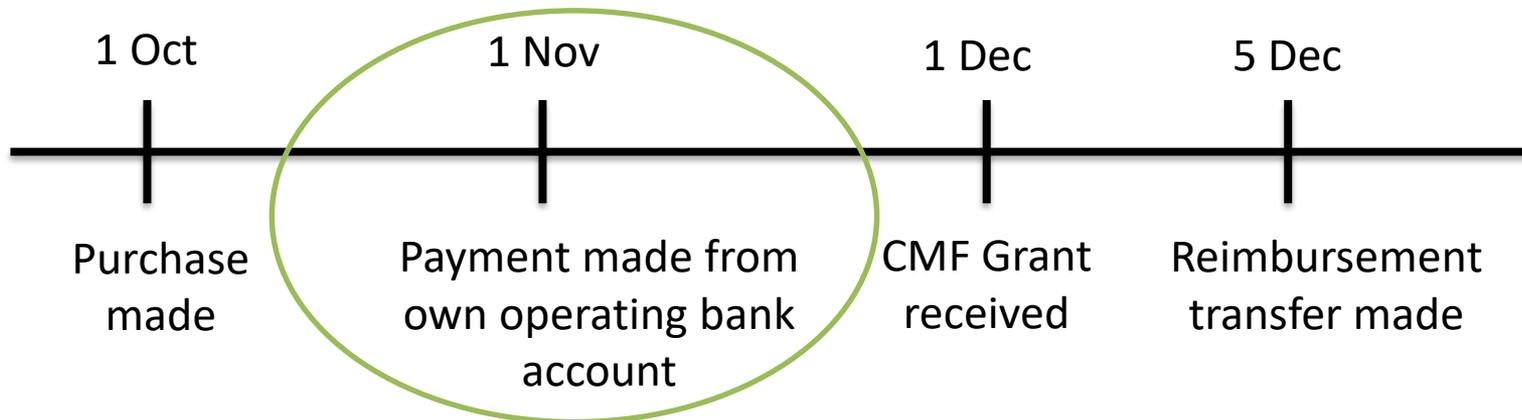
Milestone Reporting

Answer: Yes

Explanation:

The reference date to determine whether an expenditure is to be included in a milestone report is the actual date of payment to the vendor.

The actual payment of \$2,000 for the purchase of office computers is made on 1 November 2020 which is within the milestone reporting period of 31 March 2021. The Charity is required to report such expense in the milestone report ending 31 March 2021.



Gentle Reminder: Submission of Milestone Reports

Application Window	Expenditure Period	Deadline
2017 and before	1 Oct 2020 to 31 March 2021	30 April 2021
2018 and 2019	1 April 2020 to 31 March 2021	
2020	1 June 2020 to 31 March 2021	

Please take note for 2018 grants:

- All CMF approved grants from 2018 onwards are subjected to the 3-year utilisation period as per clause 3.7 of the Deed of Acceptance.
- Therefore, the 2018 grants must be fully utilised within 3 years from the Date of the Deed of Acceptance, which should be around Q4 2021.
- If you are unable to fully utilise the grants, please write in to us and we will advise you accordingly.

Contact CMF Secretariat cmf@nac.gov.sg if you require any clarifications