

NPOs face increasing regulatory pressure

By [Feryal Domingo](#) and [Soraya Joonas](#)

22 Jan 2024

Contemplating the civil society and non-profit sector in 2024, we expect greater regulation and more emphasis on transparency, good governance and compliance.



Feryal Domingo, Acting Executive Director, Inyathelo

Compliance and deregistration: The Department of Social Development (DSD) has begun a phased approach of deregistering non-compliant non-profit organisations (NPOs).

Once de-registered, NPOs will forfeit current rights, benefits and allowances. NPOs are accordingly under greater pressure to understand and fulfil their financial reporting obligations.

General Intelligence Laws Amendment Bill (GILAB 2023): GILAB is a new bill that would amend the powers and mandate of South Africa's state intelligence services. GILAB will potentially allow security competence tests on people who wish to set up and operate NPOs, with a security clearance certificate then issued or declined.

While there is a need for reform in state intelligence structures, GILAB raises concerns about freedom of association,

mass surveillance capabilities, inadequate oversight, and accountability of intelligence services.

Fundraising: Many non-profits will be under greater pressure to attract funds, given limited donor funding, and competition from other NPOs. A positive aspect is that they could adopt more professional fundraising methods, such as the holistic system of advancement, which examines numerous factors in order to position an organisation to attract support.



#BizTrends2024: FMCGs to prioritise packaging in 2024 or run the risk of losing customers

Gisela Kruger 15 Jan 2024



Presidential Sector Summit: This was due to take place in the fourth quarter of 2023, but was postponed. While a sector summit holds the potential for debate and developing frameworks for implementation, there are also concerns that organisations are invited to rubber stamp frameworks that have already been developed, with insufficient opportunities for comment.

Mental health: Managers and staff in the NPO and civil society sectors experience extreme workplace stress due to growing socio-economic challenges and uncertainty about funding. This impacts on planning of service delivery to communities in need.

We can expect greater focus on mental health support programmes such as the SA Depression and Anxiety Group's NPOwer, which has a 24-hour toll-free line and operates on several social media platforms to provide free mental health support.

Community empowerment: Supporting grassroots initiatives, community-driven development, and empowering local communities to address their own challenges is likely to remain a priority.

Human rights: Efforts to strengthen democratic institutions, promote civic engagement, and defend human rights will continue to be important focus areas, particularly with South Africans going to the polls in 2024.

Climate change: NPOs that address climate change, promote sustainability, and protect ecosystems will be under the spotlight.



#BizTrends2024: Wastewater management is a critical pillar to preserving our water - and environment

Kate Stubbs 8 Jan 2024



Leadership: Strong, effective leadership is essential for guiding NPOs in fulfilling their missions, ensuring accountability, and seeing that staff are motivated and resources are managed efficiently. Donors increasingly fund capacity-building initiatives within organisations to develop such skills.

Board members' governance training: It is critical that board members of non-profits be aware of compliance requirements and impactful changes in the law, in order to exercise their fiduciary duties of obedience, loyalty and care.

A positive development would be a greater focus on board member training. Of equal importance is the need to evaluate the effectiveness of the non-profit board in various areas, including leadership, governance, fundraising, financial oversight, CEO oversight, and providing strategic direction to the organisation.

Section 18A of the Income Tax Act: New donation certificates, issued since 1 March 2023, now require additional information to encourage transparency and prevent abuse. Initiatives to inform NPOs about these requirements should

continue.

Risk management: Since the Covid-19 pandemic, the focus area of risk management has increasingly been recognised. It covers not only financial risk (normally addressed in the annual external audit) but also operational, human capacity, technological, economic, political and reputational risk. A risk matrix is a useful tool for a board to assess threats to sustainability.

Investment readiness tool: An IRT is designed to help NPOs discover where there are gaps in attracting external support, and what they need to do to address these. While some may argue that such tools introduce unnecessary complexity to NPO management, this is a tried and tested, structured approach to assess an NPO's financial health, operational capacity and strategic direction.

In conclusion, NPOs face another demanding year, necessitating greater understanding and implementation of compliance requirements in order to secure funding.

ABOUT THE AUTHOR

Feryal Domingo, Acting Executive Director, Inyathelo and Soraya Joonas, Finance Director, Inyathelo

For more, visit: <https://www.bizcommunity.com>