Presented to the House of Commons pursuant to the Government Resources and Accounts Act 2000, Chapter 20, Section 6 (4).

Charity Commission

Resource Accounts 2009-10

(For the year ended 31 March 2010)

Ordered by the House of Commons to be printed 8 July 2010

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Contents

Annual Report

This Resource Accounts Annual Report is prepared and published as part of the Charity Commission's (the Commission's) Resource Accounts for 2009-10, as required by the Financial Reporting Manual (FReM) produced by HM Treasury.

Further details of the Commission's activities, operations and performance against its targets for the year can be found in the Charity Commission Annual Report for 2009-10. Each year, that Annual Report is presented to Parliament, as required by the Charities Act 1993 as amended by the Charities Act 2006. A copy will be available on our website at: www.charitycommission.gov.uk.

Scope

The Charity Commission is established by law as the regulator and registrar of charities in England and Wales. It has offices in four locations; Liverpool, London, Newport and Taunton.

As at 31 March 2010, there were 181,000 registered charities, of which approximately 162,000 were either main or group charities, listed on the Commission's Register of Charities. The remainder were either subsidiaries or branches of main charities. In 2009-10, the gross annual income of all registered main and group charities was over £52 billion, with 45% of registered main charities receiving income of £10,000 or less. There are 1,747 charities with income over £5 million and they account for over 66% of total charities' income.

Governance

Our governance structures and processes are described in the paragraphs below.

Role and composition of the Board

The Commission is a non-Ministerial Government Department. The Chief Executive is the Commission's Accounting Officer.

Governance responsibilities for strategy and the future direction of the Commission, including the allocation of resources at a strategic level, rest with the Board. The Board comprises the Chair and eight other members. The Board members are appointed to bring a range of knowledge and experience to the Commission. This includes knowledge of charity law, accounting and financing of charities and the operation and regulation of charities of different sizes and descriptions. Two appointed members are required to be legally qualified and one member is appointed for their knowledge of conditions in Wales.

Decisions of the Commission are independent from Ministerial direction or influence, although they are open to challenge in the High Court and the Charity Tribunal.

Members of Board

During 2009-10 the Board comprised:

Chair	Dame Suzi Leather DBE
Member	John Williams (until 31 December 2009)
Member	Tess Woodcraft (until 30 April 2009)
Member (Wales)	Simon Jones
Member	Sharmila Nebhrajani
Member	Dr Andrew Purkis OBE
Member	Theo Sowa
Member (Legal)	Simon Wethered
Member (Legal)	John Wood
Member	John Knight (from 1 December 2009)
Member	Irene Khan (from 1 January 2010)

Members of the Board were appointed by open competition for 3-year fixed term appointments, with the option of extension or reappointment for one further term. This option had been exercised previously for John Williams and Tess Woodcraft. There were no Board member extensions or reappointments during 2009-10, although the Chair's term of office was extended for three years from July 2009.

Committees of the Board

The Board is supported by an Audit Committee and a Senior Civil Service Pay Committee (for details of the latter, please refer to the Remuneration Report on page 16).

Audit Committee

The Audit Committee is an appointed Committee of the Board. It supports the Board, and the Chief Executive as Accounting Officer, in ensuring the adequacy of risk management, internal controls, efficient and effective use of public funds and financial governance arrangements within the Commission.

During 2009-10, the Audit Committee comprised:

Committee Chair	Sharmila Nebhrajani
Committee Member	Simon Jones
Committee Member	David Taylor – Independent Non Executive Member (until July 2009)
Committee Member	Christopher Daws – Independent Non Executive Member (from August 2009)

Christopher Daws was appointed following an open competition.

The functions of the Audit Committee follow the recommendations of HM Treasury's Audit Committee Handbook. Its role includes responsibility for reviewing:

- strategic processes and arrangements for risk management, governance, internal control and the prevention and detection of fraud;
- the annual Resource Accounts of the Commission and the Official Custodian for Charities;
- planned activity and results of both internal and external audit;
- adequacy of management responses to issues identified by audit activity;
- assurances relating to the corporate governance requirements of the Commission including the Internal Audit Annual Report and the opinion on the adequacy of the Commission's internal control systems;
- matters relating to the appointment of internal and external auditors; and
- the terms of reference for internal audit and the arrangements for co-operation between internal and external audit.

The Committee met on four occasions in 2009-10 in pursuance of these duties.

Executive Directors

Corporate decision making that affects the day-to-day operation of the Commission is delegated to the Chief Executive and the Directors Group, which comprises the Chief Executive and the Executive Directors.

Throughout 2009-10 and as at 31 March 2010, the Directors comprised:

Chief Executive	Andrew Hind
Executive Director, Charity Information & Corporate Services	Nick Allaway
Executive Director, Policy & Effectiveness	Rosie Chapman
Executive Director, Legal & Compliance	Kenneth Dibble
Executive Director, Charity Services	David Locke

The Chief Executive, Andrew Hind, was appointed via open competition for a period of four years commencing 4 October 2004. This contract was extended by two years to 4 October 2010. An open competition to appoint a successor to Andrew Hind commenced in January 2010.

Two Directors, Rosie Chapman and Nick Allaway, were appointed via open competition. The other two directors, Kenneth Dibble and David Locke, were appointed through an internal competition. All four Directors were appointed under permanent staff terms and their contracts can be terminated (subject to an agreed period of notice, relevant to the circumstances, given in writing) by the individual Director, by the Commission or by mutual consent.

The remuneration of the Chief Executive and other members of senior management is informed by the Senior Salaries Review Body. Details on the costs, remuneration and pension arrangements for the Commission's Board and senior managers can be found in the Remuneration Report on page 16.

Register of Interests

In common with other public bodies, the Commission has arrangements under which potential conflicts of interest can be recognised and managed. Board members on appointment are able to continue to serve as trustees or officers in charities. It is also normal for those whose livelihoods require professional involvement with charities to continue with these functions, provided that it is transparent and is not inconsistent with the Commission's regulatory role.

As a matter of practice, the Chair and the Chief Executive are required not to hold trusteeships during their term of office. Where the circumstances of a Board member or Director involve, or might appear to involve, clear potential for a material conflict of interest in his or her official role, he or she will declare this position, and withdraw from related Commission business and discussions.

The register of interests, listing the involvement of Board members and Directors with charities, both current and past, is open to the public and is published on our website.

Code of Good Practice in Corporate Governance

The Commission's current Governance Framework was adopted by the Board in February 2007 and can be found on our website. The Framework complies with key aspects of the guidance produced by HM Treasury in *Corporate governance in central government departments: Code of good practice*. In particular, the Framework sets out the:

- roles of the Chair and Chief Executive;
- relationship and interface between the Board and Executive Team, including delegation of responsibilities;
- registration and declaration of interests; and
- principles and behaviours, including the requirement to adhere to the principles set by the Nolan Committee on Standards in Public Life.

Equality and Diversity

The Commission is committed to equality and diversity. In 2009-2010, we incorporated our equality and diversity policy into a Single Equality Scheme and we continued to embed equality and diversity into all of our work. Our new diversity vision is to "act inclusively, upholding equality law, treating everyone fairly and seeking to provide and promote a culture which delivers the best outcomes for the diverse society in which and for whom we work". We are creating an ethos throughout the Commission in which we respond to the needs of our colleagues and customers, where diversity is truly valued and where everyone is treated with dignity and respect.

The Commission has appointed a Board Member, John Wood, to act as Diversity Champion. He attends the quarterly meetings of the Diversity Steering Group, which is chaired by the Chief Executive and includes wide representation from across the business. Our employment policies incorporate relevant employment law and best practice to ensure the organisation does not discriminate against anyone who works for it or comes into contact with the Commission. We monitor our workforce against diversity targets covering ethnicity, gender, disability, sexual orientation, religion and belief. Training on diversity has been provided to all staff.

The Commission adheres to the Civil Service Code of Practice on the Employment of Disabled People. The Code ensures that the Commission does not discriminate on grounds of disability. Access to employment, training and career development and advancement is based solely on competence required for the job and individual ability. We also participate in the "two ticks" guaranteed interview scheme for job applicants with a disability, and have a Disability Forum for the benefit and support of staff.

Employee Relations

The Commission is committed to creating and maintaining effective employee relations, both directly between line managers and their staff, and indirectly between management and the trade unions (PCS, FDA and Prospect). The Commission's senior management promotes a spirit of co-operation and partnership between all concerned, in the interests of productivity, efficiency and the well being of all Commission staff. This means recognising the responsibilities of managers to manage, the need for good communications with staff and their representatives, and timely consultation (and where appropriate, negotiation) on issues affecting staff and their conditions of service.

Sickness Absence

The Commission is committed to managing and reducing absence levels and uses a wide range of initiatives. These include access to occupational health professionals, flexible working opportunities and health promotion events. In 2009-10, an average of 7.5 working days was lost due to sickness absence (6.5 days in 2008-09).

Environmental Sustainability

The Commission has in place a Sustainability Action Plan setting out the Commission's approach to sustainable development and the actions it will be taking to minimise our impact on the environment. This plan is available on our website.

In 2009-10, we implemented sustainable procurement, applying the Office of Government Commerce (OGC) best practices. We have made several improvements to our accommodation to reduce our carbon footprint, including installing light sensors, improving loft insulation and recycling surplus office furniture from our office moves. Environmental focus groups have been hosted at our main sites to receive suggestions for limiting our impact on the environment. We have also implemented several recommendations of the Greening Government ICT Report to reduce the power consumed by office equipment and use sustainable supplies.

Payment of Suppliers

The Commission has signed up to the CBI's Better Payment Practice Code and is committed to paying all undisputed invoices within 30 days of the later of receipt of goods and services and receipt of the invoice. During the year, the percentage of invoices paid within 30 days was 97.0%, a slight decrease compared to the previous (2008-09) year's performance of 97.9%.

Auditors

This year's Resource Accounts have been audited by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General. No further audit services were received aside from that of Statutory Audit by the NAO. The cost of audit work was £58,800, (£60,000 for 2008-09), which is solely related to audit services. An additional £6,000 audit fee was charged in relation to the NAO's work on the transition to International Financial Reporting Standards (IFRS) carried out in 2009-10 (£6,000 for 2008-09). No payments were made to the NAO in 2009-10 for non-audit work undertaken (£nil in 2008-09).

So far as the Accounting Officer is aware, there is no relevant audit information of which the NAO is unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the NAO is aware of that information. "Relevant audit information" means information needed by the NAO to prepare their audit report.

Reporting of Protected Personal Data Related Incidents

In line with Cabinet Office requirements, we report on personal data related incidents and information risk management. The following tables set out:

- a summary of protected personal data related incidents formally reported to the Information Commissioner's Office in the financial year (Table 1);
- centrally recorded protected personal data related incidents not formally reported to the Information Commissioner's Office in the financial year (Table 2); and
- protected personal data related incidents in previous financial years (Table 3).

Table 1: Summary of protected personal data related incidents formally reported to the Information Commissioner's Office in 2009-10				
Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
No incidents to report				
Further action on information risk	None, apart from that covered in the section *Actions taken in 2009-10 to manage information risk*, below.			

Table 2: Summary of other protected personal data related incidents in 2009-10		
Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out below. Small localised incidents are not recorded centrally and are not cited in these figures.		
Category	**Nature of incident**	**Total**
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	No incidents to report
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	No incidents to report
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	No incidents to report
IV	Unauthorised disclosure	* 2
V	Other	** 3

* These two incidents relate to e-mail correspondence, the details are set out below:

- An e-mail and attached letter were sent to the incorrect recipient. An apology was issued to the intended recipient. Staff have been reminded of the need to check that the correct correspondent is shown when sending e-mails.

- E-mails received via our online services were entered into our Customer Relationship Management (CRM) system and erroneously allocated against one individual's e-mail address. This individual then received all the responses to e-mails in the CRM queue. This was rectified and steps were taken to prevent a reoccurrence.

** The details of these three incidents are set out below:

- Correspondence between the Commission and a customer, which held personal data, was found by a member of the public. Investigations found that the correspondence was misplaced by the customer.

- An internal appointments list of bookings for the flu vaccination was available for all staff to view. The list contained the names of staff booked for the vaccination. The list was subsequently adapted to show appointment slots as being either filled or available.

- Sensitive personal data was faxed to the Commission over the week-end and was found by a member of maintenance staff. A reminder was issued to the sender of the need to fax sensitive information at an agreed time when the intended recipient would be available to receive the information.

Table 3: Year-on-year total numbers of protected personal data related incidents prior to 2009-10													
Total number of protected personal data related incidents formally reported to the Information Commissioner's Office, by category number							**Total number of other protected personal data related incidents, by category number**						
	I	**II**	**III**	**IV**	**V**	**Total**		**I**	**II**	**III**	**IV**	**V**	**Total**
2008-09	-	-	-	-	-	-	**2008-09**	-	-	1	1	-	2
2007-08	-	-	-	-	-	-	**2007-08**	-	-	-	-	-	-
2006-07	-	-	-	-	-	-	**2006-07**	-	-	-	-	-	-
2005-06	-	-	-	-	-	-	**2005-06**	-	-	-	-	-	-
2004-05	-	-	-	-	-	-	**2004-05**	-	-	-	-	-	-

Actions taken in 2009-10 to manage information risk

We have continued to implement Cabinet Office's recommendations outlined in the Data Security Action Plan in order to strengthen our information assurance arrangements. Actions taken in the year include the introduction of a mandatory training programme on protecting information and using the e-learning tool provided by the National School of Government for all existing staff and new recruits. A member of our Directors Group was appointed as the Senior Information Risk Officer (SIRO). Information Asset Owners (IAO) have also been identified for each of our corporate systems that process personal data. The SIRO and IAO all completed relevant training provided by the Cabinet Office.

In 2009, we also updated and communicated our security incident procedures to all staff, encouraging them to report any security incidents, including those relating to loss or disclosure of personal information. This has resulted in a slight increase in the number of incidents reported in 2009-10.

Management Commentary

Charity Commission's Aim

Our aim is to provide the best possible regulation of charities in England and Wales in order to increase charities' efficiency and effectiveness and promote public confidence and trust in the sector.

Strategic Priorities

We undertook a fundamental Strategic Review in 2005. This resulted in an amended vision, mission and values. These are summarised in the publication *Charity working at the heart of society – the way forward 2005–2008*. To reflect this change in strategy, a revised set of Strategic Objectives was agreed with HM Treasury. A revised Strategic Plan, issued in August 2008, builds on the work carried out during the Strategic Review, adjusts our plans for the outcome of the funding settlement achieved in the 2007 Comprehensive Spending Review and reflects our Strategic Priorities for 2008-11. A copy of our Strategic Plan for 2008–11 is available on our website.

For 2008-11, we are committed to achieving the following key strategic priorities:

- continuing our commitment to modern, risk based regulation;
- delivering organisational change and valuing our people;
- independent, objective decision making and leadership;
- driving the accountability of charities to the public;
- delivering faster, more efficient services to our customers; and
- completing implementation of the Charities Act 2006.

Delivering against these priorities will enable the Commission to achieve the five statutory objectives set out in the Charities Act 2006.

We plan to undertake a new, fundamental strategic review in Autumn 2010 to align with the results of the next Spending Review, which is due to take place in Summer 2010.

Statutory Objectives

The Commission's statutory objectives are:

Objective 1: Public confidence:	to increase public trust and confidence in charities
Objective 2: Public benefit:	to promote awareness and understanding of the operation of the public benefit requirement
Objective 3: Compliance:	to promote compliance by charity trustees with their legal obligations in exercising control and management of the administration of their charities
Objective 4: Charitable resources:	to promote the effective use of charitable resources
Objective 5: Accountability:	to enhance the accountability of charities to donors, beneficiaries and the general public.

The Corporate Plan for 2008-11 reflects these new statutory objectives. Our Key Performance Indicators are aligned with the statutory objectives as shown below:

KPI 1 - Improve the level of public trust and confidence in charities.	Objective 1 – Public confidence
KPI 2 – Achieve standards of service delivery and effectiveness acceptable to our customers, whilst increasing use of our on-line services annually.	Objective 4 – Charitable resources
KPI 3 – Enhance the accountability and transparency of charities by making key information about individual charities more readily available to the public.	Objective 5 - Accountability

KPI 4 – Improve the efficiency of formal investigations into charities begun after 1 April 2006 by completing them quickly and with clear reported outcomes.	Objective 3 – Compliance
KPI 5 – Demonstrate our impact on the charitable sector by increasing the sector's income we directly regulate through our substantive contact with charities.	Objective 4 – Charitable resources
KPI 6 – Promote awareness and understanding of the operation of the public benefit requirement.	Objective 2 – Public benefit

Review of Operational Performance

Achievement of the Commission's strategic objectives is measured by reporting on performance against six Key Performance Indicators (KPIs) which have been agreed with HM Treasury and can be viewed on our website.

Each of the six top-level KPIs is measured via a number of different targets covering the range of our work. Not all of these KPIs have annual targets and some will provide cumulative results over a period of years. We publicly report in-year progress against our KPIs on a bi-monthly basis to each open meeting of the Board. Our performance against KPIs for the financial year is set out in our Annual Report to Parliament.

KPI 1 – Improve the level of public trust and confidence in charities

	Target	**Achievement**
Overall level of public trust and confidence in charities (survey conducted independently every two years)	To continuously improve ratings over 2005 baseline (63% in 2005; 66% in 2007)	66%
Stakeholder survey of the Commission's effectiveness as the charity sector's regulator (survey conducted independently every two years)	To continuously improve ratings over 2004 baseline (49.3% in 2004, 63.1% in 2006)	68.3% (in 2009)
20 key operational targets met	75%	85%
Trust and confidence in charities compared with other public institutions	Ranked in top 6 of 12 in an independent survey	Ranked 3rd out of 11 in an independent survey

KPI 2 – Achieve standards of service delivery and effectiveness acceptable to our customers, whilst increasing use of our online services annually

	Target	**Achievement**
Percentage of customer surveys across operational areas who said we do a very good job	70%	74%
Percentage of individuals or charities at first point of contact, Charity Commission Direct, who said we provided the service they required	70%	86%
Increase in take-up of online services	4% increase on previous year	24% increase
Increase in our publications sent out electronically or directly downloaded*	4% increase annually (239,610 views in 2007-08, 341,723 in 2008-09)	6.3% increase on previous year
Average time taken to deal substantively with letters	15 days	9 days
Average time taken to deal substantively with emails	80% within 5 days	73% within 5 days**

*This target was based on the non-qualitative 'hits' method and was replaced last year by the more qualitative 'views' method.

**This new target is achieving the desired effect of rapidly increasing the proportion of correspondence with customers that is undertaken electronically. However, this sudden increase has impacted on the turnaround time and we are reviewing how this can be best dealt with.

KPI 3 – Balance the accountability and transparency of charities by making key information about individual charities more readily available to the public

	Target	Achievement
Annual audit of the accuracy of the register of charities	97.5% correct	100% correct
Proportion of charities for which the most recent due accounts and annual returns are held	Accounts: 92% Returns: 92%	Accounts: 91%* Returns: 91%*
Proportion of the sector's total income for which the most recent due accounts and annual returns are held	Accounts: 98% Returns: 98%	Accounts: 98% Returns: 98%
Proportion of charities filing accounts and annual returns within the 10-month legal deadline	Accounts: 75% Returns: 75%	Accounts: 82% Returns: 81%
Proportion of the sector's total income for which accounts and annual returns have been filed within the 10-month legal deadline	Accounts: 90% Returns: 90%	Accounts: 96% Returns: 94%
Proportion of charities with annual income of over £1 million for which the most recent due summary information returns are held	75%	81.5%

* Although the target for this individual measure was narrowly missed, performance against KPI3 was strong.

KPI 4 – Improve the effectiveness of investigations and related regulatory work into charities by improving detection, investigation and prevention and with clear reported outcomes

	Target	Achievement
Percentage of compliance assessments carried out correctly within 30 working days	90%	90%
Number of compliance visits carried out annually to charities which are subject to monitoring and identified following a risk assessment	20 visits	20 visits
Average time taken to complete all regulatory compliance cases (excluding statutory inquiries)	183 days	162 days
Percentage of all investigations resulting in at least one of the specified beneficial impacts* which protect charities from mismanagement, misconduct or abuse (see below for results that qualify)	90%	93%
Percentage of statutory inquiry reports published within three months of completing the proactive investigation process	90%	80% **
Publish an annual report on the 'Themes and Lessons from the Charity Commission's Compliance Work' (*Charities Back on Track),* which includes listing the duration of each statutory inquiry, reporting on the impact of investigations, the use of sanctions (including legal powers of remedy and protection), and the operation of our compliance work	Publish report by end of third quarter of financial year.	Report published in October 2009

* Beneficial investigation impacts protecting charities:

- charity assets protected and/or recovered
- vulnerable beneficiaries protected
- reputation protected (for the charity and/or the charity sector)
- disputes resolved
- charity governance restored to a proper standard
- conflicts of interest resolved
- fundraising concerns resolved

** Management focus on this target has improved performance from 74% in 2008/09. Delays in publishing inquiry reports are mainly due to the need to co-ordinate with other agencies/regulators, including police investigations and the handling of sensitive issues, or where we have engaged actively with charities to resolve issues and reach agreement.

KPI 5 – Demonstrate our impact on the charitable sector by increasing the sector's income we directly regulate through our substantive contact with charities

	Achievement
Income of charities having substantive engagement with us during the year	£26.2 billion (£29.4bn in 2008-09)

KPI 6 – Promote awareness and understanding of the public benefit requirement

Targets for this KPI are made up of milestones and product delivery as our programme of work to promote awareness and understanding of the public benefit requirement progresses. The Board received regular updates and these are available on our website. For 2009-10, the programme included:

- publication of the responses to our public consultation on the advancement of moral or ethical belief systems for the public benefit;
- the preparation of revised guidance for public consultation on:
  - benevolent charities;
  - the advancement of amateur sport for the public benefit; and
  - the advancement of human rights for the public benefit.
- the publication of further individual case reports of public benefit assessments, according to plans agreed by the Board.

A programme of wider work on public benefit was agreed, including:

- working with 10 intermediary organisations, each representing a number of charities, to challenge and inform groups of charities that may not have considered public benefit;
- working in-depth with two intermediary bodies representing groups of charities that have particular concerns or issues;
- publishing an evidence-based research report assessing charity trustees' awareness of, understanding and attitude towards the new public benefit provisions; and
- providing a further three examples of how the public benefit requirement is demonstrated.

Achieving Strategic Objectives

Progress to Date

1. Increasing public trust and confidence in charities

Our on-line Register of Charities, which we updated in 2008 to improve presentation, contains detailed information about the 181,000 charities registered in England and Wales. We have a statutory responsibility to ensure the Register is accurate. This year, we improved the average time we take to register charities, despite dealing with a significantly higher number of applications owing to the requirement that certain charities that were previously excepted from registration now have to be registered. We registered around 2,500 such charities during the year. We also continued to actively ensure that charities which no longer operate are removed from the Register.

2. Promoting awareness and understanding of the public benefit requirement

Charities are legally required to report on the public benefit they deliver. We ensure that charities affected by the change have clear guidance on their duties in this important area. We have continued to deliver and update our guidance on public benefit for charities advancing different purposes.

We have completed and communicated the outcomes of the Commission's first round of assessments and are well on our way towards completing the second round. We have also actively supported those charities that did not meet the requirement to put plans in place to address this. Our recent survey indicates that 98% of respondents who know about the requirement are confident that their charity can demonstrate its public benefit within the guidance we have set.

3. Promoting compliance with legal obligations

We recognise that public confidence in the Commission as the regulator of charities is directly linked to the effectiveness and integrity of our investigatory and compliance work. We have improved the speed and focus of our non-statutory investigations and further developed the use of intelligence and pro-active monitoring so that we identify problems and issues as early as possible and deal with them quickly.

Charities Back on Track continues to provide a casebook of real-life examples of problems in charities, explaining how the Commission dealt with them and providing guidance on how to prevent similar situations occurring. The examples covered cases on effective governance, fighting fraud, fundraising, vulnerable beneficiaries, tackling the threat of terrorism and disputes.

4. Promoting the effective use of charitable resources

We provide charities with practical advice via our Charity Commission Direct service. This service provides an easy and informative contact for trustees and the public, whether by telephone, post or e-mail. We encourage the use of plain language to make our advice understandable and practical for our customers and stakeholders. In addition, for more detailed, issue-specific problems, charities need accurate advice and guidance on a day-to-day basis. A high quality and responsive service from the Commission saves charities both time and money as well as providing them with the best tools to run their charities as affectively as possible.

We are aware of the importance of continuing to provide effective support for small charities. This year, in partnership with eight national umbrella organisations, we launched a Small Charities Constitution designed specifically for charities with an annual income under £5,000. At only 700 words, the Constitution is radically shorter and much easier to understand than most governing documents. By using plain language, we aim to promote diversity and good governance, maximising the impact charities can have, and encouraging a broader mix of people to become charity trustees. The Constitution won the Best Individual Development in Service Delivery (External) Award at the Commission's Achieving Customers Excellence conference.

5. Enhancing the accountability of charities to donors, beneficiaries and the general public

During 2009-10, we carried out in-depth research and testing to find out how people use our website. As a result, we have developed a more user-friendly platform for our advice and guidance and continue to improve the online Register of Charities. This will provide the foundation for further provision of easily accessible online services in the future.

One of the most significant provisions of the Charities Act 2006 was the requirement that many previously exempt and excepted charities, around 6,500 in total, will now have to register with the Commission. We successfully completed the first stage of this process by registering 2,500 excepted charities during the year.

<u>Plans for 2010-11</u>

The Strategic Plan for 2008-11 summarises the further changes that will enable the Commission to meet its Strategic Objectives. Our priorities for 2010-11 are:

- ***Continuing our commitment to modern, risk-based regulation***

Our strategy is to reduce the regulation burden on charities. This means we must be even more focused on where and how we engage with charities as their regulator. We must continue to improve our service delivery and strive for excellence in all we do.

Where the risks are low, we will continue a proportionate approach by enabling charities to do better through self-regulation or lighter touch regulation. We are making guidance and advice more widely available electronically so that self-service is possible for charities who are dealing with common, low-risk issues. We will concentrate most effort on resolving problems where charities, their assets or their beneficiaries are at risk. We will offer advice and guidance to improve governance and resolve issues - where there is deliberate wrong-doing or a charity has been exploited, we will act swiftly and rigorously.

- ***Independent, objective decision-making and leadership***

Independent regulation means making objective decisions, based on the public interest and the facts of each individual case. Parliament gives us a statutory role equivalent to the High Court to take decisions about charity law.

There may be times when those concerned disagree with our decisions, and it is right that those affected should be able to challenge our conclusions. We have developed an internal Decision Review process and our decisions can be tested through the Charity Tribunal. This will help charity law develop.

- ***Developing our organisation, motivating and building the expertise of our staff***

Only capable and motivated staff in the right roles, with the right tools and training to do their jobs effectively, will be able to deliver the services we want to offer. We are committed to building a diverse workforce, providing excellent training, development and learning, and encouraging staff to make decisions appropriate to their knowledge and experience. We will maintain expertise within the Commission through learning and development, talent management and strategic resourcing.

- ***Driving the accountability of charities to the public***

Around 82% of charities now submit their accounts and annual returns within the statutory ten month deadline, which means that less than one-fifth of charities fail to achieve this accountability standard. We will continue to challenge and publically identify charities who persistently default and we have introduced new measures to remove these charities from the Register, including highlighting those charities who have not complied.

As part of our commitment to reducing the burden of regulation on charities, while ensuring accountability to the public, we introduced a rolling review of the information we ask charities to provide in their Annual Returns, ensuring that we only ask for information we need.

- ***Delivering faster, more efficient services through online routes***

We have further developed our website, to make it easier for visitors to find the information they are looking for and to give a better overview of the Commission's services. We are focusing on making a wider range of guidance and information easily identifiable and accessible online. Take-up of these services has already been very significant. We will continue to improve and increase the range of services we offer online so this becomes the first choice for all our customers. The future development of our website will be a key tool in managing demand for our services and enabling and informing our customers more effectively.

- ***Completing implementation of the Charities Act 2006***

The Charities Act 2006 modernised the legal framework allowing charities to operate with greater freedom and flexibility to respond to changes in society. We are committed to implementing the provisions of the Act and will work with stakeholders to achieve this. Areas where the Commission has a key role to play include:

- consulting on regulations, model governing documents and other issues to enable the Charitable Incorporated Organisation (CIO) governance model to come into effect;
- reviewing model governing documents;
- developing the right accounting regime for charities which are currently excepted or exempt;
- understanding and clarifying charitable status issues around Industrial and Provident Societies; and
- continuing to develop the framework for charities to meet the public benefit requirement.

Risks and uncertainties

Risk management is embedded in the work of the Commission. Details of the processes underpinning our approach to risk management are set out in the Statement on Internal Control. The principal risk facing the Commission is uncertainty over our future funding levels beyond 2010/11. Once our funding for 2011/12 is confirmed, we will embark on a strategic review that will evaluate how we can best deliver our statutory functions within the expenditure limits placed upon us.

Financial Position and Results for the Year

Our funding

The 2007 Comprehensive Spending Review (CSR) set out the baseline funding we will receive for each financial year of the three year period 2008-11. The CSR provided for an annual reduction of 5% in real terms to our funding for each of those three years. Our baseline funding in 2008-09 was £30.97m. In 2009-10, this reduced to £30.22m and in 2010-11 it will fall again to £29.3m.

To access the funding set out in the CSR, we submit an annual Supply Estimate to Parliament. Once Parliament approves a Supply Estimate, it forms a statutory authority for HM Treasury to transfer the funds from the Government's Consolidated Fund to the Commission. This annual statutory authority is set out in the

Consolidated Funds Act and the Appropriation Act. Our Supply Estimate is submitted in March of the preceding financial year to which the request relates.

As well as receiving our baseline funding of £30.22m authorised in the annual Supply Estimate, we also requested access to utilise part of our reserves, known as End of Year Flexibility (EYF). In the Winter Supplementary Estimate published in November 2009, we accessed £1.00m Revenue EYF and £0.61m Capital EYF to fund our London office move and Liverpool office changes and to create an in-house file store. In the Spring Supplementary Estimate published in January 2010, we accessed a further £0.26m Revenue EYF to fund improvements to our website and the depreciation charge for the year.

Results for the year

This year has been challenging. We have had to make significant savings on our day-to-day expenditure to ensure that we operate within our reduced funding baseline. We have also invested in some major corporate projects, including:

- the relocation of our London office in June 2009;
- consolidating the space occupied in our Liverpool office from two floors to one floor during January to March 2010;
- establishing a file store area in our Taunton office after a value for money review identified long term savings compared to out-sourcing file management;
- implementing the second phase of our new customer records management system; and
- developing a more sophisticated database to hold details of registered charities.

The overall financial position is satisfactory. We have managed our resources well and have maintained expenditure within the funding we have received.

Reconciliation of resource expenditure between estimates, accounts and budgets

	2009-10 £'000s	2008-09 £'000s
Net Resource Outturn (Estimates)	31,478	32,422
Adjustments to remove:		
- Provision voted for earlier years	-	-
Adjustments to additionally include:		
- Non-voted expenditure in the Operating Cost Statement (OCS)	-	-
- Consolidated Fund Extra Receipts in the OCS	-	-
Other Adjustments	-	-
Net Operating Cost (Accounts)	31,421	31,727
Adjustments to remove:		
- Capital Grants financed from Capital Modernisation Fund	-	-
- European Union income and related adjustments	-	-
- Voted expenditure outside the budget	-	-
Adjustments to additionally include:		
- Other Consolidated Fund Extra Receipts	1	37
- Unallocated resource provision	-	-
Other Adjustments		
Resource Budget Outturn (Budget)	31,422	31,764
Of which:		
- Departmental Expenditure Limits (DEL)	31,421	31,727
- Annually Managed Expenditure (AME)	0	0

The surplus for the year of £0.06m represents the difference between the Net Resource Outturn (Estimates) of £31.48m and the Net Operating Cost (Accounts) of £31.42m. We have exercised tight financial control over our expenditure for the year and, together with careful financial planning, we have been able to deliver an outturn that is in line with our Estimate.

Performance relating to expenditure controls

The level of expenditure incurred by Government Departments, including the Charity Commission, is subject to statutory limits approved by Parliament. It is a fundamental financial objective that expenditure within a financial year does not exceed these limits. There are three key financial targets which the Commission must achieve. Our performance against these targets is set out in the table below:

	Resource DEL (£'000s)	**Capital DEL (£'000s)**	**Net Cash Requirement (£'000s)**
Expenditure limits set at the start of the year and subsequent adjustments			
Main Estimate	30,219	700	29,819
Winter Supplementary Estimate	1,000	615	1,615
Spring Supplementary Estimate	259	0	54
Final limit total	**31,478**	**1,315**	**31,488**
Performance against limits			
Expenditure incurred	**31,421**	**1,314**	-
Cash drawn down	-	-	**31,442**
Performance within funding limit?	✓	✓	✓

The increases to our Resource and Capital DEL in the Winter and Spring Supplementary Estimates were funded from a draw down of our EYF.

Remuneration Report

Senior Civil Service (SCS) Pay Committee

The Commission's SCS Pay Committee comprises:

Committee Chair	John Williams (to December 2009)
Committee Chair	John Wood (from January 2010, previously a Member of the SCS Pay Committee)
Committee Member	Dame Suzi Leather
Committee Member	Theo Sowa (from March 2010)
Committee Member	Andrew Hind
External Committee Member	Louise Rose

The responsibilities of the committee include:

- annually reviewing and approving the SCS Pay Strategy;
- considering the pay recommendations made by line managers for each member of the SCS based on their performance review report and the guidance produced by the Cabinet Office;
- deciding which pay tranche they should be placed in and the amount of bonus they should receive, taking into account the relative performance of the SCS members and affordability considerations; and
- reporting the outcome of their decisions to Human Resources for implementation, and the Cabinet Office for central monitoring and moderation purposes.

Service Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination by the Commission, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of Board members and the most senior Executive officials of the Commission.

Remuneration (audited)

	2009-10 Salary (£'000s)	**2008-09 Salary (£'000s)**
Dame Suzi Leather DBE * Chair	80-85	80-85
Andrew Hind*** Chief Executive	125-130	130-135
Nick Allaway Director	85-90	85-90
Rosie Chapman Director	85-90	90-95
Kenneth Dibble Director	105-110	105-110
David Locke Director	80-85	75-80

	2009-10 Fees (£'000s)	2008-09 Fees (£'000s)
John Williams * Member	10-15	20-25
Tess Woodcraft * Member	0-5	5-10
Simon Jones** Member	10-15	15-20
Sharmila Nebhrajani** Member	5-10	5-10
Dr Andrew Purkis OBE** Member	20-25	10-15
Theo Sowa** Member	5-10	10-15
Simon Wethered** Member	15-20	20-25
John Wood** Member	15-20	15-20
John Knight** Member	0-5	-
Irene Khan** Member	0-5	-

* Indicates part time non-executive appointed on a three year fixed term contract, with the option of extension or reappointment. John Williams and Tess Woodcraft transferred to the new contracts for members on 4 January 2008 and 1 May 2008 respectively and since transfer have received the same remuneration as those members appointed since 1 July 2007.
** Members appointed since July 2007 receive a daily fee of £350. No pension contributions are paid.
*** Appointed on a four year fixed term contract from 4 October 2004, extended to 4 October 2010.

"Salary" includes: gross salary, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, and any other allowance to the extent that it is subject to UK taxation.

Dame Suzi Leather's home base is out of London. In addition to the above, and in accordance with her contract of employment, Dame Suzi incurred £22,520 in hotel and travel costs to allow her to fulfill her Charity Commission commitments in London. The Charity Commission meets the resulting tax liability for these costs.

David Taylor received £469 in remuneration for duties as the independent non-executive member of the Audit Committee. Christopher Daws took over this role in August 2009 and received £1,400 remuneration in respect of these duties in 2009-10.

Reimbursement of Expenses

Expenses claimed by Board Members are in respect of actual receipted expenditure for travel, subsistence, accommodation and stationery. For the Chair, Chief Executive, Directors and other Commission staff, expenses claimed are in respect of costs expended for business travel and accommodation, and subsistence allowance, in accordance with Civil Service guidelines. In 2009-10, the Commission published on its website details of expenses claimed by the Chair, Board members, the Chief Executive and Directors on a six-monthly basis.

Pension Benefits (audited)

	Accrued pension at age 60 at 31 March 2010 and related lump sum (£'000s)	Real increase in pension and related lump sum at age 60 (£'000s)	CETV at 31 March 2010 (£'000s)	CETV at 31 March 2009 (£'000s)	Real increase in CETV (£'000s)
Dame Suzi Leather DBE Chair	10-15 Plus 35-40 lump sum	0-2.5 Plus 2.5-5.0 lump sum	262	220	29
Andrew Hind Chief Executive	10-15	2.5-5.0	197	144	39
Nick Allaway Director	30-35 Plus 90-95 lump sum	0-2.5 Plus 2.5-5.0 lump sum	570	509	27
Rosie Chapman Director	10-15 Plus 0-5 lump sum	0-2.5 Plus 0-2.5 lump sum	186	151	22
Kenneth Dibble Director	45-50 Plus 145-150 lump sum	0-2.5 Plus 0-2.5 lump sum	1,124	1,115	9
David Locke Director	10-15	0-2.5	128	105	14

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, Civil Servants may be in one of four defined benefit schemes; either a 'final salary' scheme (**classic**, **premium** or **classic plus**); or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year.

Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos**, a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases, members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk

Details of the payments made by the Commission in respect of pensions are set out in Note 8.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Andrew Hind 23 June 2010

Chief Executive and Accounting Officer

Statement of Accounting Officer's Responsibilities

Under Section 5 of the Government Resources and Accounts Act 2000, HM Treasury has directed the Charity Commission to prepare for each financial year resource accounts detailing the resources acquired, held, or disposed of during the year and the use of resources by the Charity Commission during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Charity Commission and of its net resource outturn, resources applied to the objectives, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by HM Treasury, including relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the *Government Financial Reporting Manual*, have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

HM Treasury has appointed the Chief Executive as Accounting Officer of the Charity Commission. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and safeguarding the Charity Commission’s assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in *Managing Public Money*.

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Charity Commission's (the Commission) policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

The Commission is the independent regulator for charitable activity. Its primary aim is to provide the best possible regulation of charities in England and Wales, to increase charities' effectiveness and promote public trust and confidence in their activities.

As Accounting Officer, I am accountable to Parliament and report to it annually. On managing risk, I involve the Board and work with the Commission's Directors' Group.

The Board is chaired by Dame Suzi Leather DBE. Board members meet regularly to consider the plans and strategic direction of the organisation. The Directors' Group, which meets monthly, comprises the Chief Executive and the four Directors. The duties of the Directors' Group include implementing the strategic framework of programmes and policies established by the Board and ensuring effective service delivery.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Commission's policies, aims and objectives, evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.

The core system of internal control has been in place in the Commission during the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

The framework for the Commission's risk management process is set out in our risk policy. This is cascaded to appropriate managers with clear responsibility for improving controls and minimising the impact of risks that may be identified. The Commission's risk management strategy is led from the top of the organisation and implemented by managers at every level in the particular activities which they manage. There is both a top down and a bottom up identification of risks.

The risk and control framework

As Accounting Officer, I am accountable to Parliament and report to it annually. In managing risk, I involve the Board, Audit Committee and work with the Commission's Directors' Group.

Board members regularly consider the plans and strategic direction of the organisation. The Directors' Group, which meets on a monthly, comprises the Chief Executive and the four Directors. The duties of the Directors' Group include implementing the strategic framework of programmes and policies established by the Board and ensuring effective service delivery.

The Board and Directors' Group identify and evaluate the top priority risks that, if realised, are expected to have the greatest impact on the Commission's business. These top priority risks are embedded in and supported by more detailed risk registers covering the main business functions. All risks have designated owners who are responsible for maintaining the registers and for overseeing the effective management of identified risks, including the development of mitigating controls where the need for these has been identified.

In May 2009, the Board considered and agreed revisions to the Commission's top priority risks.

The Commission's strategic risks are set out in our Strategic Assurance Plan. The plan provides a comprehensive list of the assurance methods in place to manage and control these strategic risks facing the Commission. This includes internal and external audit reports, the use of surveys, Board papers and internal reviews. The plan is considered by the Audit Committee, at which progress against the assurance methods are considered and reviewed. The Audit Committee reports back to the Board after every meeting.

The Commission's approach to risk appetite is determined by Risk and Proportionality Frameworks covering our Compliance and Charity Services functions. The Risk and Proportionality Framework for our compliance work, which was published in July 2008, defines when we will or will not intervene to protect a charity. It provides clarity about our role and our approach to regulation and helps staff to translate high-level principles into consistent and transparent decisions. Similarly, the Risk and Proportionality Framework for Charity Services, published in March 2010, sets out where and how we apply our regulatory demands and reducing the burden of regulation where possible.

A monitoring and reporting system has been established that ensures timely reports are made to the Directors' Group and Audit Committee on the extent to which risks are being controlled effectively. An overview is provided by the Commission's Strategic Assurance Plan, which maps the top priority risks to the Commission's objectives, charts progress against agreed mitigating actions and specifies items of assurance work. This is reported to the Audit Committee each quarter and the Board receives a regular update from the Audit Committee.

Management of risk is embedded in policy-making, planning and service delivery. This includes formal assessment of risks for all issues considered by the Board and the Directors' Group.

The Board receives monthly reports on the high-risk cases currently being dealt with by the Commission. High risk cases include those with significant risk to a charity's assets or beneficiaries, reputational risk to the charity or the Commission or issues which are novel or precedent setting.

The Commission's risk and proportionality framework enables us to take a risk-focused approach to targeting resources on the regulation of charities. It encourages our staff to actively identify, evaluate and manage risks in the conduct of day to day business.

The Commission has an Anti-Fraud Policy and a Fraud Response Plan is in place which is available to all staff via the Commission's intranet. The Commission's financial controls are expressly designed to ensure that opportunities for fraud and corruption are reduced to the lowest possible level of risk. The Anti-Fraud Policy requires all staff at all times to act honestly and with integrity and to safeguard the public resources for which the Commission is responsible. The policy sets out the responsibilities of staff and the avenues for reporting incidents of fraud.

Risk Management training is available to staff on request or where this has been identified as a learning and developmental opportunity as part of the Commission's appraisal system.

The biggest challenge the Commission faces in terms of managing the risk environment relates to the risk of significant further funding reductions impacting on our ability to achieve our strategic objectives. This is the key priority for the Board and Directors' Group and is managed in a number of ways, including:

- implementing Value for Money studies;
- further controlling recruitment and contractual commitments;
- optimising online transactions with our customers; and
- demand management measures.

In addition, we are undertaking detailed scenario planning, activity costing and are strengthening and enhancing reporting on financial issues to the Board.

The Commission’s risk and control framework is managed and supported in the following ways:

- ***Audit Committee***

The Commission’s Audit Committee met on four occasions in 2009-10. The Committee considered 12 internal audit reports containing a total of 59 recommendations. Based on this work, our internal auditors have concluded that the Commission’s risk management, control and governance processes are adequate and effective. No audit report received an inadequate assurance level. The Committee considered each recommendation and received regular updates on progress against the implementation of all outstanding recommendations.

The Committee reviewed progress against the Strategic Assurance Plan in terms of timeliness, quality and assurances derived both from internal audit review and from internal management reports at each of its meetings.

During the year, we conducted a review of Government Internal Audit Standards to ensure that the role of the Audit Committee is aligned with these requirements.

- ***Directors’ Project Governance Assurance Group***

This year, we established the Directors’ Project Governance Assurance Group following an internal review of corporate project governance arrangements within the Commission. It is chaired by the Chief Executive and meets quarterly. The Group is responsible for agreeing all corporate projects and ensuring that they are strategically aligned to the Commission’s objectives. It has strategic oversight and management of all corporate projects where significant risk, cost and staff investment are involved. This has provided a more robust and challenging control environment that requires a focus on ensuring that projects are delivered to specification, budget and completion date. Continuous improvement is delivered through disseminating lessons learnt and rigorously assessing the realisation of business benefits.

Project management training (including risk management) has been provided to appropriate staff and a Project Office created which provides advice and guidance on all aspects, including clear definition of standards, expectations, roles and responsibilities and risk and financial management.

- ***Business continuity***

The Commission has a Business Continuity Plan which covers all aspects of the business and is reviewed regularly. An Incident Response Plan is also in place.

- ***Security Steering Group***

The Commission has a Security Steering Group that meets quarterly. It exists to give overall direction in security issues and ensure compliance with Government security policies and standards defined by the Cabinet Office and summarised in the Security Policy Framework. All the Commission’s ICT systems are subject to annual security accreditation and there are detailed procedures and processes in place that define the approach to and management of the security around these systems.

- ***Data security***

There have been no incidents in the year to report to the Information Commissioner’s Office in relation to protected personal data.

In order to manage the risks in relation to information security, the following actions have been taken during the year:

- appointment of a Senior Information Risk Owner at Director level;
- appointment of Information Asset Owners for each of our corporate systems that process personal data;
- provision of mandatory staff training on protecting information;

- updating our Security Incident procedures; and
- improving physical data security, with all laptops and memory sticks used by the Commission encrypted.

A review by Internal Audit provided satisfactory assurance in respect of our data security control environment.

In March, the Commission launched a formal internal leak inquiry in line with Cabinet Office Leak Investigation Policy and Procedure. This followed an incident in which a member of Commission staff leaked a document that made its way into the public domain. Whilst this incident is very regrettable, the Commission deals regularly with sensitive and confidential information and has clear and robust policies on both data security and disclosure of information. As Chief Executive, I have made it clear to all staff their obligations to handle such information confidentially, in line with Civil Service guidelines.

- ***Strategic Planning***

A failure to meet the Commission's strategic objectives because of funding reductions is a key strategic risk identified by the Commission. Strategic financial planning has been a key focus and priority for both the Board and Executive throughout 2009-10. The aim of our strategic planning is to ensure that the Commission is in the best possible position to anticipate and then manage whatever financial settlement it receives from Government in the forthcoming Spending Review.

All the above elements assist the Commission in managing existing and emergent risks.

Significant internal control issues

There are no significant internal control issues to report.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the systems of internal control is informed by the work of the internal auditors and the executive managers within the Commission who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

We have reviewed the way in which Internal Audit recommendations are monitored and reported to the Audit Committee.

During 2009-10, the Board has maintained strategic oversight and review of internal control and developing risk management arrangements. The Audit Committee has given detailed consideration to:

- progress against the Strategic Assurance Plan;
- individual internal audit reports and management responses;
- the progress on implementation of previous audit recommendations;
- the Internal Auditor's annual report and opinion on the adequacy of our internal control system;
- the Chair of the Audit Committee's Annual Report to the May 2010 Board meeting; and
- development of the Commission's approach to risk management.

At the end of the financial year, letters of assurance were provided by owners of risk registers in which they confirmed the adequacy of the risk management and control arrangements for which they had responsibility.

During 2009-10, action has been taken where appropriate to address internal control issues and recommendations made by the Commission's internal and external auditors, Audit Committee and Board.

The internal auditors have concluded that, in their opinion, for the year ended 31 March 2010, the Commission had adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.

Andrew Hind 23 June 2010

Chief Executive and Accounting Officer

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Charity Commission for the year ended 31 March 2010 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayer's Equity, the Statement of Net Operating Costs by Departmental Strategic Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2010 and of its net cash requirement, net resource outturn, net operating cost, net operating costs applied to departmental strategic objectives, changes in taxpayers' equity and cash flows for the year then ended; and

- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and

- the information given in the section described as Annual Report and the sections within the Management Commentary described as: Aim; Strategic Priorities; Statutory Objectives; Review of Operational Performance; Achieving Strategic Objectives; and Financial Position and Results for the Year, included in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
London, SW1W 9SP

Date 30 June 2010

Statement of Parliamentary Supply

for the year ended 31 March 2010

The Statement of Parliamentary Supply demonstrates to Parliament how we have applied the resources allocated to the Charity Commission through the Supply Estimate process.

The notes on pages 34 to 47 form part of these accounts.

Summary of Resource Outturn 2009-10

							2009-10	2008-09
	Estimate			Outturn				Outturn
Request for Resources 1	**Gross Expenditure**	**A in A**	**Net Total**	**Gross Expenditure**	**A in A**	**Net Total**	**Net outturn compared with Estimate: saving/ (excess)**	**Net Total**
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Note 3	32,978	(1,500)	31,478	32,713	(1,291)	31,422	56	31,764
Total resources	**32,978**	**(1,500)**	**31,478**	**32,713**	**(1,291)**	**31,422**	**56**	**31,764**
Non-operating cost A in A	0	0	0	0	0	0	0	0

Net cash requirement 2009-10

				2009-10	2008-09
	Note	**Estimate**	**Outturn**	**Net outturn compared with Estimate: saving/ (excess)**	**Total Outturn**
		£'000s	£'000s	£'000s	£'000s
Net cash requirement	5	**31,488**	**31,442**	**46**	**31,293**

Summary of the income payable to the Consolidated Fund

In 2009-10, the Charity Commission received £1k income payable to the Consolidated Fund (£37k in 2008-09).

Explanations of variances between Estimate and Outturn are given in the Financial Review on page 14.

Operating Cost Statement

for the year ended 31 March 2010

The Operating Cost Statement summarises the resources that have been consumed in the financial year in providing the Commission's services.

The notes on pages 34 to 47 form part of these accounts.

	Note	2009-10 £'000s	2008-09 Restated £'000s
Administration costs:			
Staff costs	8	18,773	18,508
Other Administration costs	9	13,940	14,657
Total Administration costs		**32,713**	**33,165**
Operating income	7	(1,292)	(1,394)
Net Operating Cost	4	**31,421**	**31,771**

Note: the Charity Commission does not receive Programme income or incur Programme Costs

Statement of Financial Position

as at 31 March 2010

The Statement of Financial Position is a summary of all the Commission's assets and liabilities as at 31 March 2010. This Statement was formerly known as the Balance Sheet.

The notes on pages 34 to 47 form part of these accounts.

	Note	31 March 2010	31 March 2009 Restated	31 March 2008 Restated
		£'000s	£'000s	£'000s
Non-current assets:				
Property, plant and equipment	10	850	300	351
Intangible assets	11	3,493	4,173	4,955
Trade and other receivables falling due after more than one year	12	0	0	13
Total non-current assets		4,343	4,473	5,319
Current assets:				
Trade and other receivables	12	1,470	1,816	1,655
Cash and cash equivalents	13	47	1,116	1,086
Total current assets		1,517	2,932	2,741
Total assets		**5,860**	**7,405**	**8,060**
Current liabilities				
Trade and other payables	14	(2,528)	(4,176)	(4,659)
Provisions	15	(1,143)	0	0
Total current liabilities		(3,671)	(4,176)	(4,659)
Non-current assets less net current liabilities		**2,189**	**3,229**	**3,401**
Non-current liabilities				
Provisions	15	(147)	(1,341)	(1,111)
Finance leases	14	0	0	(39)
Total non-current liabilities		(147)	(1,341)	(1,150)
Assets less liabilities		**2,042**	**1,888**	**2,251**
Taxpayers' equity:				
General fund		2,042	1,888	2,251
Total taxpayers' equity		**2,042**	**1,888**	**2,251**

Andrew Hind
Chief Executive and Accounting Officer 23 June 2010

Statement of Cash Flows

for the year ended 31 March 2010

The Statement of Cash Flows records the actual transfer of cash in and out of the Commission during the financial year.

The notes on pages 34 to 47 form part of these accounts.

	2009-10	2008-09 Restated
	£'000s	£'000s
Cash flows from operating activities		
Net operating cost	**(31,421)**	**(31,771)**
Adjustments for non-cash transactions (Note 9)	1,704	1,804
(Increase)/Decrease in trade and other receivables (Note 12)	344	(148)
Increase/(Decrease) in trade payables (Note 14)	(578)	(549)
Use of provision (Note 15)	(176)	(89)
Net cash outflow from operating activities	(30,127)	(30,753)
Cash flows from investing activities		
Purchase of plant, property and equipment (Note 10)	(871)	(102)
Purchase of intangible assets (Note 11)	(443)	(399)
Net cash outflow from investing activities	(1,314)	(501)
Cash flows from financing activities		
From Consolidated Fund (Supply) – current year (Note 5)	31,488	32,372
From Consolidated Fund (Supply) – prior year (Note 14)	(1,079)	(1,086)
Net financing	30,409	31,286
Net increase/(decrease) in cash in the period before adjustment for receipts and payments to the Consolidated Fund	(1,032)	32
Payments and amounts due to the Consolidated Fund	(37)	(2)
Net increase/(decrease) in cash in the period after adjustment for receipts and payments to the Consolidated Fund	(1,069)	30
Cash and cash equivalents at the beginning of the period (Note 13)	**1,116**	**1,086**
Cash and cash equivalents at the end of the period (Note 13)	**47**	**1,116**

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2010

The Statement of Changes in Taxpayers' Equity summarises the movements in the net worth of the Commission.
The notes on pages 34 to 47 form part of these accounts.

	Note	£'000s
Balance as at 31 March 2008		2,614
Changes in accounting policy	2	(363)
Restated Balance at 1 April 2008		2,251
Changes in taxpayers' equity for 2008-09		
Non-cash charges – cost of capital		84
Non-cash charges – auditor's remuneration		66
Net operating cost for the year		(31,771)
Total recognised income and expense for 2008-09		(31,621)
Net Parliamentary Funding – drawn down		30,207
Net Parliamentary Funding – deemed		0
Supply payable/(receivable) adjustment	14	2
Excess Vote – Prior Year		1,086
CFERs payable to the Consolidated Fund		(37)
Balance as at 31 March 2009		1,888
Changes in taxpayers' equity for 2009-10		
Non-cash charges – cost of capital	9	71
Non-cash charges – auditor's remuneration	9	65
Net operating cost for the year	4	(31,421)
Total recognised income and expense for 2009-10		(31,285)
Net Parliamentary Funding – drawn down		30,324
Net Parliamentary Funding – deemed		0
Supply payable/(receivable) adjustment	14	37
Excess Vote – Prior Year	14	1,079
CFERs payable to the Consolidated Fund	4.1	(1)
Balance as at 31 March 2010		2,042

Statement of Net Operating Costs by Charity Commission Strategic Objectives

for the year ended 31 March 2010

The Statement of Operating Costs by Strategic Objectives summarises the total resources and non-current assets allocated to the achievement of each of our five strategic objectives.

The notes on pages 34 to 47 form part of these accounts.

	2009-10				2008-09 Restated			
	Gross Expenditure £'000s	Income £'000s	Net Expenditure £'000s	Non-current Assets £'000s	Gross Expenditure £'000s	Income £'000s	Net Expenditure £'000s	Non-current Assets £'000s
Objective 1	2,945	(117)	2,828	391	2,984	(125)	2,859	403
Objective 2	654	(26)	628	87	663	(28)	635	89
Objective 3	10,795	(426)	10,369	1,433	10,945	(460)	10,485	1,476
Objective 4	7,524	(297)	7,227	999	7,628	(321)	7,307	1,029
Objective 5	10,795	(426)	10,369	1,433	10,945	(460)	10,485	1,476
Total	**32,713**	**(1,292)**	**31,421**	**4,343**	**33,165**	**(1,394)**	**31,771**	**4,473**

The Commission's aim is to give the public confidence in the integrity of charity. The five strategic objectives underpinning this aim are:

Objective 1: Public confidence - increase public trust and confidence in charities

Objective 2: Public benefit - promote awareness and understanding of the public benefit requirement

Objective 3: Compliance - promote compliance by charity trustees with their legal obligations

Objective 4: Charitable resources - promote the effective use of charitable resources

Objective 5: Accountability - enhance the accountability of charities to donors, beneficiaries and the public

Notes to the Departmental Resource Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the *Government Financial Reporting Manual (FReM) 2009-10* issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Commission for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Commission are described below and these have been applied consistently in the financial statements.

In addition to the primary statements prepared under IFRS, the FReM also requires the Commission to prepare two additional primary statements. The Statement of Parliamentary Supply (page 28) and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The Statement of Net Operating Cost by Departmental Strategic Objectives (page 33) and supporting notes analyse the Commission's income and expenditure by the objectives agreed by the Board.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

1.2 Property, plant and equipment

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis where that expenditure exceeds £1,000 and the benefit it yields has a life of more than one year. Expenditure on routine repairs and maintenance that does not add to the value of the asset is not capitalised.

Property, plant and equipment are stated at the lower of net current replacement cost and recoverable amount. On initial recognition, these assets are measured at cost, including any costs such as installation directly attributable to bringing them into working condition. The assets are then restated to their current value each year using indices published by the Office for National Statistics (ONS), appropriate to the category of asset, to estimate value.

1.3 Intangible assets

Intangible assets are assets that do not have physical substance but are identified and controlled by the Commission and have a life of more than one year, such as software licences. Expenditure on intangible assets is initially recorded at cost. This includes directly attributable costs for bringing the intangible asset into use. Intangible assets will only be recognised where these costs exceed £1,000. Once the assets have been brought into use, they are amortised at a rate calculated to write them down to an estimated residual value on a straight line basis over their estimated useful life.

1.4 Depreciation

Property, plant and equipment are depreciated at a rate calculated to write down their value to their estimated residual value on a straight line basis over their estimated useful life. Depreciation is applied in the year of acquisition for purchased assets or, in the case of assets under construction, in the year which the asset is brought into use.

Asset life is normally in the following ranges:

Information technology	5-7 years
Furniture and fittings	5-7 years
Leasehold improvements	Term of lease or initial break point
IT databases	7 years
Websites	7 years

1.5 Re-lifed assets

Assets which have been fully depreciated/amortised but are still in service have been "re-lifed". This means they are credited with a nominal value to acknowledge their continued existence. The re-lifed assets are not subject to depreciation or revaluation.

1.6 Impairments

The value of non-current assets is reviewed at the end of each financial year for evidence of reduction in value. Where an impairment is identified that is attributable to the clear consumption of economic benefit, the loss is charged to the Operating Cost Statement.

1.7 Inventories

The Commission only holds inventories (stock) of stationery, computer spares and similar consumables for its own use. Due to the nature and low value of these items, they are not recorded in the Statement of Financial Position. The full cost of these items is recognised in the Operating Cost Statement at the point they are received.

1.8 Operating income

Operating income is income which relates directly to the operating activities of the Commission. It includes income appropriated in aid of the Estimate and income from the Consolidated Fund. Operating income is stated net of VAT.

1.9 Administration expenditure

Administration costs reflect the costs of running the Commission. These include both administrative costs and associated operating income. Income is analysed in the notes between that which, under the cost-control regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit, and that operating income which is not. The classification of expenditure and income as administration follows the definition of administration costs set by HM Treasury.

1.10 Cost of Capital charge

The Operating Cost Statement includes a notional cost of capital charge to reflect the cost to the taxpayer of the capital utilised by the Commission in providing its services. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for cash balances with the Office of the Paymaster General, where the charge is £nil.

1.11 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes, which are described in Note 8. The defined benefit schemes are unfunded and non-contributory except in respect of dependents' benefits. The Commission recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Schemes (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS and is not, therefore, reflected in the Commission's Statement of Financial Position. In respect of the defined contribution schemes, the Commission recognises the contributions payable for the year. There is a separate scheme statement for the PCSPC as a whole. Details can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation.

1.12 Leases

The Commission holds both finance and operating leases as recognised under International Accounting Standard (IAS) 17. A lease is classified as a finance lease if a substantial element of the risk and reward associated with ownership of the asset is borne by the Commission. All other leases are classified as operating leases.

Finance leases are capitalised and recorded as a non-current asset on the Statement of Financial Position. The lease is then depreciated and the annual depreciation charge, together with interest costs, is charged to the Operating Cost Statement. Rental payments due in respect of operating leases are charged directly to the Operating Cost Statement on a straight line basis over the term of the lease.

1.13 Provisions

Where the Commission incurs a legal or constructive liability to make a payment, the amount and timing of which are uncertain at the Statement of Financial Position date, a provision is created on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by the Treasury (currently 2.8%).

1.14 Value added tax

Most of the activities of the Commission are outside the scope of VAT. In general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT on revenue expenditure is charged to the Operating Cost Statement. VAT incurred on capital expenditure is included within the cost of property, plant and equipment and intangible assets. Where output VAT is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.15 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, the Commission discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Managing Public Money*. Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament noted separately. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.16 Significant estimates and judgements

The Commission is required, when applying its accounting policies, to make certain judgements, estimates and associated assumptions relating to assets, liabilities, income and expenditure. These judgements, estimates and associated assumptions are based on knowledge of current facts and circumstances, assumptions concerning past events and forecasts of future events and actions. Actual results may differ from these estimates.

2 First time adoption of IFRS

The 2009-10 Resource Accounts are prepared in accordance with IFRS. Previous Resource Accounts were prepared under UK GAAP. The reconciliations below show how this transition affects the Commission's reported 2008-09 financial position and performance.

	General Fund (£'000)
Reconciliation of taxpayers' equity	
Taxpayers' equity at 31 March 2009 under UK GAAP	2,294
Adjustments for:	
- IAS 19: employee benefits accrual	(406)
Taxpayers' equity at 1 April 2009 under IFRS	**1,888**
Reconciliation of net operating cost	
Net operating cost for 2008-09 under UK GAAP	31,727
Adjustments for:	
- IAS 19: employee benefits accrual	44
Net operating cost for 2008-09 under IFRS	**31,771**

IAS 19 employee benefits accrual relates to annual leave due to employees in the financial year but not taken by financial year end. The transition to IFRS does not impact on the Commission's cash position reported in the 2008-09 Resource Accounts and therefore no reconciliation is provided for the Statement of Cash Flows.

In line with HM Treasury advice, Prior Period Adjustments (PPAs) arising from the adoption of IFRS were not included in the Spring Supplementary Estimate for 2009-10 on the basis that the PPA numbers could have been misleading, particularly where transactions may well have pre-dated the 2001-02 cut off point for reporting PPAs, as only part of an obligation would have been included. PPAs arising from a change in accounting policy related to other than IFRS were included in the Estimates in line with conventional arrangements.

3 Analysis of net resource outturn by section

							2009-10	2008-09
					Outturn		**Estimate**	
	Admin	**Other Current**	**Gross Resource Expenditure**	**A in A**	**Net Total**	**Net Total**	**Net Total outturn compared with Estimate**	**Prior Year Outturn**
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Request for Resources 1:								
Giving the public confidence in the integrity of charity								
Section A	32,713	0	32,713	(1,291)	31,422	31,478	56	31,764
Total	**32,713**	**0**	**32,713**	**(1,291)**	**31,422**	**31,478**	**56**	**31,764**

Explanation of the difference between Estimate and Outturn:

Our Outturn for 2009-10 is in line with the Estimate. We have planned and managed our expenditure within the funding provided.

4 Reconciliation of outturn to net operating cost against Administration Budget

4.1 Reconciliation of net outturn to net operating cost

	Note	2009-10 Outturn	2009-10 Supply Estimate	2009-10 Outturn compared with Estimate	2008-09 Outturn
		£'000s	£'000s	£'000s	£'000s
Net Resource Outturn	3	31,422	31,478	56	31,764
Net Supply Income (CFERs)	6	(1)	0	1	(37)
Net Operating Costs		**31,421**	**31,478**	**57**	**31,727**
First time adoption of IFRS	2				44
Net Operating Costs (Restated)					**31,771**

4.2 Outturn against final Administration Budget

	Budget	2009-10 Outturn	2008-09 Outturn
	£'000s	£'000s	£'000s
Gross Administration Budget	32,978	32,713	33,121
Income allowable against the Administration Budget	(1,500)	(1,291)	(1,357)
Net outturn against final Administration Budget	**31,478**	**31,422**	**31,764**
First time adoption of IFRS (Note 2)			44
Net Operating Costs (Restated)			**31,808**

5 Reconciliation of net resource outturn to net cash requirement for 2009-10

	Note	Estimate	Outturn	Net total outturn compared with Estimate: saving/ (excess)
		£'000s	£'000s	£'000s
Resource Outturn	3	31,478	31,422	56
Capital:				
Acquisition of property, plant and equipment and intangible assets	10 & 11	1,315	1,314	1
Investments		0	0	0
Non operating Appropriation in Aid		0	0	0
Proceeds of asset disposals		0	0	0
Accruals adjustments:				
Non-cash items	9	(1,305)	(1,704)	399
Changes in working capital other than cash		0	234	(234)
Use of provision	15	0	176	(176)
Net cash requirement		**31,488**	**31,442**	**46**

Our net cash requirement outturn is in line with the estimate.

6 Analysis of income payable to the Consolidated Fund

In addition to Appropriations in Aid, the following income relates to the Commission and is payable to the Consolidated Fund (cash receipts being shown in italics):

	Forecast 2009-10		Outturn 2009-10	
	Income	***Receipts***	**Income**	***Receipts***
	£'000s	£'000s	£'000s	£'000s
Operating income and receipts – excess A in A	0	*0*	0	*0*
Other operating income and receipts not classified as A in A	0	*0*	1	*1*
Sub total	0	*0*	1	*1*
Non-operating income and receipts – excess A in A				
Other non-operating income and receipts not classified as A in A	0	*0*	0	*0*
Other amounts collectable on behalf of the Consolidated Fund	0	*0*	0	*0*
Excess cash surrenderable to the Consolidated Fund	0	*0*	0	*0*
Total income payable to the Consolidated Fund	**0**	***0***	**1**	***1***

7 Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	2009-10	**2008-09**
	£'000s	£'000s
Operating income	1,292	1,394
Income authorised to be appropriated in aid	(1,291)	(1,357)
Operating income payable to the Consolidated Fund	**1**	**37**

8 Staff numbers and related costs

	2009-10	**Restated 2008-09**
	£'000s	£'000s
Wages and salaries	14,415	14,115
Social security costs	1,098	1,041
Other pension costs	2,696	2,722
Agency staff	556	621
Increase in IAS 19: employee benefits accrual	27	44
Total	**18,792**	**18,543**
Charged to Capital	(19)	(35)
Total Net Costs	**18,773**	**18,508**

The Charity Commission is a non-Ministerial Government Department, therefore all pay costs relate to staff.

The Principal Civil Service Pensions Scheme (PCSPS), of which most of the Commission's employees are members, is an unfunded multi-employer defined benefit scheme but the Commission is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2009-10, employer's contributions of £2.298m were payable to the PCSPS (£2.427m in 2008-09) at rates in the range 16.7% to 24.3% (17.1% to 25.5% in 2008-09) of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. From 2010-11, the rates will be in the range of 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2009-10 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employer's contributions of £368,890 were paid to one or more of a panel of three appointed stakeholder pension providers (£294,746 in 2008-09). Employer contributions are age-related and range from 3% to 12.5% (3% to 12.5% in 2008-09) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £1,901, 0.8% (£1,577, 0.8% in 2008-09) of pensionable pay, were payable to the PCSPS to cover the cost of future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the Statement of Financial Position date were £31,882 (£2,178 in 2008-09). Contributions prepaid at that date were Nil (£nil in 2008-09).

No staff (two staff in 2008-09) retired early on ill health grounds; the total additional accrued pension liabilities amounted to £nil (£66,726 in 2008-09).

Average number and cost of persons employed

The average number of whole-time equivalent persons, including senior management, employed during the year and their related cost, were as follows:

	2009-10	**2008-09**	**2009-10**	**2008-09 Restated**
	Number	Number	£'000s	£'000s
Objective 1: Public confidence	41	42	1,690	1,666
Objective 2: Public benefit	9	10	375	371
Objective 3: Compliance	154	156	6,195	6,107
Objective 4: Charitable resources	108	110	4,318	4,257
Objective 5: Accountability	154	156	6,195	6,107
Staff engaged on capital projects	0	1		
Total	**466**	**475**	**18,773**	**18,508**
Agency staff	17	13		
Total	**483**	**488**	**18,773**	**18,508**

See page 8 for a full definition of our objectives. The costs related to staff engaged on capital budgets and agency staff have been apportioned across the five objectives.

9 Other administration costs

	Note	2009-10 £'000s	2008-09 £'000s
Rentals under operating leases		2,309	3,271
Interest charges (incurred on finance leases)		7	7
		2,316	3,278
Non-cash items:			
Depreciation	10	303	143
Amortisation	11	1,121	1,181
Revaluation of assets	10	16	10
Loss on disposal of fixed asset	10	3	1
Cost of capital charge		71	84
Auditor's remuneration and expenses		65	66
Provisions provided in year	15	125	319
		1,704	1,804
Other expenditure:			
Personnel related		1,971	2,481
Accommodation		2,250	1,942
Office services		2,870	2,590
Consultancy/Agency		582	870
Specialist services		2,192	1,924
Losses and special payments		55	24
Reclassification of 2007-08 severance accrual to provisions		0	(256)
		9,920	9,575
Total expenditure		**13,940**	**14,657**

10 Property, plant and equipment

	Information Technology £'000s	Furniture & Fittings £'000s	Leasehold Improvements £'000s	Total £'000s
2009-10				
Cost or valuation				
At 1 April 2009	565	358	0	923
Additions	148	32	691	871
Re-lifed assets	2	0	0	2
Disposals	(21)	0	0	(21)
Revaluation	(20)	(7)	0	(27)
At 31 March 2010	**674**	**383**	**691**	**1,748**
Depreciation				
At 1 April 2009	391	232	0	623
Charged in year	82	73	148	303
Disposals	(18)	0	0	(18)
Revaluations	(7)	(3)	0	(10)
At 31 March 2010	**448**	**302**	**148**	**898**
Net book value at 31 March 2009	**174**	**126**	**0**	**300**
Net book value at 31 March 2010	**226**	**81**	**543**	**850**
Asset financing:				
Owned	226	81	543	850
Finance leased	0	0	0	0
Net book value at 31 March 2010	**226**	**81**	**543**	**850**

	Information Technology £'000s	Furniture & Fittings £'000s	Leasehold Improvements £'000s	Total £'000s
2008-09 Restated				
Cost or valuation				
At 1 April 2008	504	362	0	866
Additions	102	0	0	102
Re-lifed assets	1	0	0	1
Disposals	(31)	0	0	(31)
Revaluation	(11)	(4)	0	(15)
At 31 March 2009	**565**	**358**	**0**	**923**
Depreciation				
At 1 April 2008	351	164	0	515
Charged in year	74	69	0	143
Disposals	(30)	0	0	(30)
Revaluations	(4)	(1)	0	(5)
At 31 March 2009	**391**	**232**	**0**	**623**
Net book value at 31 March 2008	**153**	**198**	**0**	**351**
Net book value at 31 March 2009	**174**	**126**	**0**	**300**
Asset financing:				
Owned	174	88	0	262
Finance leased	0	38	0	38
Net book value at 31 March 2009	**174**	**126**	**0**	**300**

Information Technology assets and Furniture and Fittings are valued using indices supplied by the Office of National Statistics.

11 Intangible assets

	IT databases	Websites	Assets under construction	Total
		£'000s	£'000s	£'000s
2009-10				
Cost or valuation				
At 1 April 2009	7,801	42	320	8,163
Additions	0	0	443	443
At 31 March 2010	**7,801**	**42**	**763**	**8,606**
Amortisation				
At 1 April 2009	3,961	29	0	3,990
Charged in year	1,115	6	0	1,121
At 31 March 2010	**5,076**	**35**	**0**	**5,111**
Net book value at 31 March 2009	**3,840**	**13**	**320**	**4,173**
Net book value at 31 March 2010	**2,723**	**7**	**763**	**3,493**
2008-09 Restated				
Cost or valuation				
At 1 April 2008	6,685	42	1,037	7,764
Additions	0	0	399	399
Transfers	1,116	0	(1,116)	0
At 31 March 2009	**7,801**	**42**	**320**	**8,163**
Amortisation				
At 1 April 2008	2,786	23	0	2,809
Charged in year	1,175	6	0	1,181
At 31 March 2009	**3,961**	**29**	**0**	**3,990**
Net book value at 31 March 2008	**3,899**	**19**	**1,037**	**4,955**
Net book value at 31 March 2009	**3,840**	**13**	**320**	**4,173**

All intangible assets are owned by the Commission, no intangible assets are held under finance leases (£nil in 2008-09). Assets are valued using indices supplied by the Office of National Statistics, with the exception of IT databases. Assets under construction represent expenditure on IT projects.

12 Trade receivables and other current assets

12.1 Analysis by type

	2009-10	2008-09	2007-08
	£'000s	£'000s	£'000s
Amounts falling due within one year:			
VAT	234	172	195
Deposits and advances	5	11	15
Other trade receivables	297	353	305
Prepayments and accrued income	934	1,280	1,140
	1,470	**1,816**	**1,655**
Amounts falling due after more than one year:			
Prepayments and accrued income	0	0	13
Total trade receivables and other current assets at 31 March	**1,470**	**1,816**	**1,668**

12.2 Intra Government Balances

	2009-10	2008-09	2007-08
	£'000s	£'000s	£'000s
Amounts falling due within one year:			
Balances with other central government bodies	620	445	344
Balances with bodies external to government	850	1,371	1,311
	1,470	**1,816**	**1,655**
Amounts falling due after more than one year:			
Balances with bodies external to government	0	0	13
Total trade receivables and other current assets at 31 March	**1,470**	**1,816**	**1,668**

13 Cash and cash equivalents

	2009-10	2008-09	2007-08
	£'000s	£'000s	£'000s
Balance at 1 April	1,116	1,086	1,472
Net change in cash and cash equivalent balances	(1,069)	30	(386)
Balance at 31 March	**47**	**1,116**	**1,086**
The following balances at 31 March were held at:			
Office of HM Paymaster General	46	1,115	1,085
Cash in hand	1	1	1
Balance at 31 March	**47**	**1,116**	**1,086**

14 Trade payables and other current liabilities

14.1 Analysis by type

	2009-10	2008-09 Restated	2007-08 Restated
	£'000s	£'000s	£'000s
Amounts falling due within one year:			
Taxation and social security	652	589	364
Trade payables	1,172	1,262	428
Other payables	69	16	33
Finance leases	0	38	38
Accruals and deferred income	588	1,155	2,710
Amounts issued from the Consolidated Fund for Supply but not spent at year end	46	1,079	1,084
Consolidated Fund extra receipts received and receivable due to be paid to the Consolidated Fund	1	37	2
	2,528	**4,176**	**4,659**
Amounts falling due after more than one year:			
IT Finance leases	0	0	39
Total trade payables and other current liabilities at 31 March	**2,528**	**4,176**	**4,698**

14.2 Intra Government balances

	2009-10	2008-09 Restated	2007-08 Restated
	£'000s	£'000s	£'000s
Amounts falling due within one year:			
Balances with other central government bodies	699	2,123	1,493
Balances with bodies external to government	1,829	2,053	3,166
	2,528	**4,176**	**4,659**
Amounts falling due after more than one year:			
Balances with bodies external to government	0	0	39
Total trade payables and other current liabilities at 31 March	**2,528**	**4,176**	**4,698**

15 Provision for liabilities and charges

	Early departure costs	Property dilapidation	Total 2009-10	Total 2008-09	Total 2007-08
	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 1 April	411	930	1,341	1,111	830
Provided in year	10	115	125	319	772
Provision utilised in year	(176)	0	(176)	(89)	(491)
Balance at 31 March	**245**	**1,045**	**1,290**	**1,341**	**1,111**

15.1 Anticipated timing of cash flows

	Payment by 31 March 2011	Payment after 1 April 2011	Total
	£'000s	£'000s	£'000s
Early departure costs	98	147	245
Property dilapidation	1,045	0	1,045
Total	**1,143**	**147**	**1,290**

15.2 Early departure costs

The Commission meets the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Commission provides in full for this when the early retirement programme becomes binding on them, by establishing a provision for the estimated payments discounted by the Treasury discount rate of 3.2% in real terms. In past years, the Commission paid in advance some of its liability for early retirement by making a payment to the Paymaster General's account at the Bank of England for the credit of the Civil Superannuation Vote. The balance remaining is treated as a prepayment.

15.3 Property dilapidation

The Commission moved its London office in June 2009 and surrendered one floor it leased in the Liverpool Office in May 2010. The respective landlords for these properties have submitted a claim for dilapidations to the Commission. The existing provision reflects the advice provided by property consultants as to the likely cost of settling the claims.

16 Notes to the Statement of Operating Costs by Departmental aim and objectives

Capital employed by Departmental aim and objectives at 31 March 2010

The Commission's capital is used exclusively for administration purposes. Its distribution amongst objectives is therefore not markedly different from the proportion of the related gross administration cost. Wherever possible, administration costs have been attributed to objectives in accordance with the Commission's normal management accounting practices. Income has been attributed to objectives on the same proportionate basis as expenditure.

17 Capital commitments

At 31 March 2010, the Commission had a contractual agreement with Parity amounting to £0.09m (£0.5m as at 31 March 2009 and £0.6m as at 31 March 2008) per annum for the provision of suitably qualified information technology staff. Most of the costs incurred under this contract are for the development of information systems that are considered to be capital assets under the Commission's accounting policy.

18 Commitments under leases

18.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below, analysed according to the period in which the lease expires.

	2009-10	Restated 2008-09	Restated 2007-08
	£'000s	£'000s	£000's
Obligations under operating leases comprise:			
Buildings			
Not later than one year	1,245	1,491	2,669
Later than one year and not later than five years	4,940	5,968	4,771
Later than five years	1,392	3,236	2,559
	7,577	**10,695**	**9,999**
Other			
Not later than one year	35	131	23
Later than one year and not later than five years	0	27	121
Later than five years	0	0	0
	35	**158**	**144**

18.2 Finance leases

Total future minimum lease payments under finance leases are given in the table overleaf, analysed according to the period in which the lease expires.

	2009-10 £'000s	2008-09 £'000s	2007-08 £000's
Obligations under finance leases comprise:			
Other			
Not later than one year	0	45	45
Later than one year and not later than five years	0	0	45
Later than five years	0	0	0
	0	**45**	**90**
Less interest element	0	7	14

19 Other financial commitments

The Commission has no material financial commitments other than those disclosed in Notes 17 and 18 (£nil in 2008-09 and 2007-08).

20 Financial instruments

As the cash requirements of the Commission are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Commission's expected purchase and usage requirements and the Commission is therefore exposed to minimal credit, liquidity, foreign currency or market risk.

21 Contingent liabilities disclosed under IAS 37

The Commission had no contingent liabilities at 31 March 2010 (£nil as at 31 March 2009 and 2008).

22 Losses and special payments

22.1 Losses statement

	2009-10		2008-09	
	Number	**£'000s**	**Number**	**£'000s**
Total losses for the year	0	0	0	0

22.2 Special payments

	2009-10		2008-09	
	Number	**£'000s**	**Number**	**£'000s**
Total special payments for the year	4	55	8	24

There were four special payments in 2009-10 (8 in 2008-09). All payments arose from complaints made to the Independent Complaints Reviewer.

23. Related party transactions

During the year 2009-10, no Board member, key manager or other related parties undertook any material transactions with the Charity Commission. As an entity, the Charity Commission has had a small number of transactions with other government departments and other central government bodies. These transactions have been with the Foreign and Commonwealth Office, the Department for Communities and Local Government and the Charity Commission for Northern Ireland and are reported in the Statement of Parliamentary Supply as Appropriations in Aid (A in A).

24. Events after the Statement of Financial Position date

There have been no events after the Statement of Financial Position date requiring an adjustment to the financial statement. The Annual Report and Accounts were authorised for issue on the same date that the Comptroller and Auditor General signed his Certificate.

Glossary

Accruals

Income or expenditure relating to the financial year which had not been received or paid by the financial year end but is reflected in the financial statements.

Amortisation

The writing off of the value of an asset over the life of that asset.

Annually Managed Expenditure (AME)

Expenditure incurred by the Commission that falls outside the scope of DEL control totals.

Appropriations in Aid (A in A)

Income received by the Commission, in addition to that voted to it from the Consolidated Fund, that Parliament authorises the Commission to retain to offset related expenditure. Any income over the authorised limit must be surrendered to the Consolidated Fund.

Capital Expenditure

Expenditure greater than £1,000 on the acquisition or construction of plant, property and equipment and intangible assets, or on enhancing the value of such assets.

Comprehensive Spending Review

A three year plan setting out the aims and objectives of the Commission and the related funding and spending budgets.

Consolidated Fund

The Government's "current account" operated by HM Treasury and used to finance central government spending. The main source of income to the Fund is taxation receipts.

Consolidated Fund Extra Receipts (CFERs)

Income received by the Commission which we are not authorised by Parliament to use to offset our expenditure. CFERs are paid into the Consolidated Fund.

Contingent liability

A possible liability to make a future payment that is dependent on the outcome of certain events, for example, legal action.

Corporate governance

The systems and processes by which organisations are directed and controlled to ensure they meet their aims and fulfill statutory requirements.

Cost of Capital Charge

A charge to reflect the opportunity cost of Government funding assets of the Commission. It is a notional charge included in the financial statements to ensure the full cost of services is recognised.

Delegated Expenditure Limit (DEL)

A control total specified for the Commission. Separate DELs are set for Revenue and Capital. The Commission's expenditure cannot exceed its DEL.

Depreciation

The measure of wearing out, consumption or other reduction in the useful economic life of non-current assets.

End Year Flexibility (EYF)

Equivalent to a reserve, EYF is a mechanism that allows any unspent DEL at year end to be carried forward into future financial years. The Commission has to submit a business case to HM Treasury to access EYF.

Estimate/Supply Estimate

A summary of the resources and cash voted by Parliament to the Commission for the financial year, against which we monitor our expenditure.

Excess Vote

Additional funding that is approved by Parliament where expenditure by a government department exceeds the Estimate for the financial year.

Finance Lease

A lease that transfers substantially the risks and rewards of ownership of the asset to the lessee.

Financial Instrument

A contract that gives rise to a financial asset for one party and a financial liability to another party.

Financial Reporting Manual (FreM)

The technical accounting guide to preparing the financial statements of Government Departments, written by HM Treasury.

General Fund

This represents the historic costs of the total assets less the liabilities of the Commission. It is included in Taxpayers' Equity in the Statement of Financial Position.

Impairment

The reduction in value of plant, property and equipment and intangible assets reflecting either the consumption of economic benefits, such as obsolescence, or physical damage, or a general fall in prices.

International Financial Reporting Standards (IFRS)

The financial reporting standards under which the Commission's financial statements are prepared. IFRSs are set by the International Accounting Standards Board.

Managing Public Money

HM Treasury publication setting out the principles Government Departments should follow when dealing with resources.

Materiality

The extent to which a misstatement or omission in the financial statements might reasonably be expected to impact on the understanding of the reader.

National Audit Office (NAO)

The external auditors of the Commission.

Net Book Value

The amount at which non current assets are included in the Statement of Financial Position after providing for depreciation and revaluations.

Net Cash Requirement

The amount of cash to be released from the Consolidated Fund to fund the Commission's expenditure for the financial year. The Net Cash Requirement will be different from the DEL as DEL takes into account "non-cash" expenditure such as depreciation and notional charges for which there is no physical transfer of cash.

Net Current Replacement Cost

The current cost of replacing or recreating an asset in its existing use.

Net Resource Outturn

The net total of income and expenditure consumed by the Commission during the financial year.

Non Cash Charges

Items of expenditure that are recognised in the Commission's financial statements but do not give rise to the physical transfer of cash, for example, depreciation.

Operating Lease

A lease where the risks and rewards of ownership of the asset rest substantially with the lessor.

Outturn

The actual level of expenditure and income for the financial year.

Prepayment

Payment in the current financial year for goods or services to be received or provided in the next financial year.

Provisions

Amounts set aside to fund known liabilities relating to the current or previous financial years, the exact timing and amount of which is uncertain.

Request for Resources (RfR)

The unit of Parliamentary control by which resources for the Commission are granted. It is an accruals based measure and a separate RfR is given for each function of a Government Department. The Commission only has one function designated by Parliament and therefore only has one RfR .

Revenue Expenditure

Expenditure on day-to-day activities and other payments that do not give rise to an asset with a life of more than one financial year.

Supply

The resources voted to the Commission by Parliament.

Trade payables

Formerly classified as Creditors. These are amounts the Commission owes for goods and services received in the financial year for which payment has not been made by the year end.

Trade receivables

Formerly classified as Debtors. These are amounts owing to the Commission for goods or services provided in the financial year for which payment has not been received by the year end.

Vote

The process by which Parliament approves the Commission’s funding requested in our Estimate.

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