Accounts monitoring and review

Our accounts monitoring and review programme helps us identify potential mismanagement or non-compliance as well as concerns about inadequate reporting. This work also encourages charities to follow best practice in preparing their accounts. In 2014-15 our programme of proactive accounts monitoring included thematic account reviews focused on public benefit reporting; overall quality of accounts; pension scheme deficits; and charities with net current liabilities. In total, we scrutinised 1,097 sets of accounts; 642 were looked at as part of our programme of proactive reviews and 455 were examined as part of our compliance case work. This includes reviews of the accounts of charities that are subject to the class inquiry into charities that have defaulted twice on their accounts. The total income of the charities reviewed amounted to £3.5 billion.

Monitoring

We undertake proactive and reactive monitoring of charities which give rise to concern. The charities monitored are identified on the basis of various risk factors, for example those operating in high risk areas, undertaking high risk activities or those which have previously reported safeguarding issues, and are identified from the Charity Commission’s data and referrals from other teams, such as our Registration team. Monitoring may include: desk-based research; corresponding with or interviewing trustees; visiting the charity’s premises; and inspecting the charity’s financial records. Where we identify regulatory concerns, we can issue a formal action plan. If the concerns identified through monitoring in individual cases meet the criteria for a statutory inquiry, they will be referred for investigation. In 2014-15, we opened 442 monitoring cases and concluded 393.

Operational compliance cases

Most concerns that we identify in charities are dealt with as operational compliance cases. These cases are not formal investigations, but are aimed at ensuring trustees address any failures and weaknesses in their charities’ management. During operational compliance cases, we can use certain powers, for example to require charities and other organisations to provide information or documents to us. We are using these powers more frequently than in the past. However, it is not always necessary for us to use specific powers to put right problems in charities. Often, we can ensure matters are put in order by providing robust regulatory advice to the trustees, or instructing them to fulfil an action plan. We opened 1,024 and concluded 1,125 operational compliance cases in 2014-15.

Pre-investigation assessment cases

Pre-investigation assessment is the stage where we consider if the issues should be dealt with by opening statutory inquiry. This work ensures that we are consistent and fair in deciding which cases are dealt with as statutory inquiries. All concerns about links to or support for terrorist or extremist purposes are assessed as pre-investigation assessment cases. In 2014-15, we opened 133 and concluded 119 pre-investigation assessment cases. Of the 133 PIA cases closed, 46 (39%) were referred for statutory inquiry; 38 (32%) were referred for monitoring or a compliance visit; and 15 (13%) were referred to the Operations team.
Reports of serious incidents (RSIs)

A serious incident is one that results in, or risks, significant loss of a charity’s money or assets, damage to a charity’s property or harm to a charity’s work, beneficiaries or reputation. Serious incidents include, for example, fraud, theft or other significant loss, large donations from unknown or unverified sources, suspicions and allegations or incidents of abuse or mistreatment of vulnerable beneficiaries. Charity trustees need to report actual or suspected serious incidents to the commission and should do so as soon as they are aware of them. In the course of our compliance case work with charities into matters of regulatory concern, we are seeing too many instances where serious incidents that have occurred in charities have not been reported to us. We published an alert reminding trustees to report serious incidents in September 2014. In 2014-15, 2,130 incidents were reported to us.

Risk framework

Our risk framework is a key document that explains our approach to regulation and sets out how we decide whether and how to engage with individual charities, including when concerns are raised with us about them. The framework helps ensure we are proportionate, accountable, consistent, transparent and targeted in dealing with individual charities. It also helps ensure overall efficiency and effectiveness in our use of resources. We keep the risk framework updated to ensure that it reflects arising risks.

Statutory inquiries

We may open an inquiry where there is a high risk to public trust and confidence in the charity, where there is evidence of misconduct or mismanagement or charities’ assets, reputation, services or beneficiaries are at a high risk of harm or abuse. The purpose of an inquiry is to establish the facts.

Opening an inquiry allows us to use the full range of enforcement powers, including powers to compel evidence under oath or by way of attendance at a meeting, to freeze a charity’s bank accounts, to appoint an interim manager or to suspend or remove a charity’s trustees. There are more charities in inquiry than in the past; during 2014-15, we opened 103 inquiries into charities, compared to 64 inquiries the previous year. Many are part of our class inquiry into charities that defaulted on submitting annual documents for 2 or more years after numerous warnings. During the year, we concluded 43 inquiries. As at 1 April 2015, 158 inquiries were ongoing.

Whistleblowing reports

Whistleblowing reports are reports from people involved in a charity or advising a charity about issues of concern. Reports can, for example, be made by accountants, auditors or independent examiners of charities. Whistleblowing reports also include complaints from charity workers made under the Public Interest Disclosure Act 1998 (PIDA). PIDA protects workers from detrimental treatment or victimisation from their employer if, in the public interest, they report wrongdoing. See our guidance on Complaints about charities for more detail. We received 85 whistleblowing reports in 2014-15. Please see Annex 3: Statistical analysis (section 6.2) for information about issues covered in whistleblowing reports in 2014-15.