

Annex A: Priority regulatory risk issues and examples of potential risk indicators

Priority regulatory risk issues	FRAUD & FINANCIAL ABUSE Fraud and other financial abuse of charities (including abuse arising out of conflicts of interest), including money laundering	SAFEGUARDING* Serious harm to, and the abuse of, children or adults in connection with a charity and/or the failure by a charity that works with or has regular contact with children or adults at risk to have adequate and effective safeguarding policies and procedures in place	TERRORISM & EXTREMISM Misuse of a charity for terrorist purposes or to promote extremism (including charity links with or support for terrorism, financial or otherwise, and/or connections to a proscribed or designated organisation, person or entity)	PUBLIC TRUST & CONFIDENCE Other significant breaches of trust, non-compliance or decisions made by charity trustees that significantly affect public trust and confidence in charity
Examples of potential risk indicators	<p>Charities set up for illegal or improper motives or having association with criminality including fraud and abusive tax arrangements</p> <p>Charities being used for significant private advantage</p> <p>Conflicts of interest not identified and managed correctly</p> <p>History of non-compliance including defaults in filing annual accounts/returns</p> <p>Lack of records, or proper systems and controls</p> <p>Nature of the trustee body, including:</p> <ul style="list-style-type: none"> • disqualified individuals • competence • significantly poor governance <p>Financial losses and difficulties, and financial mismanagement, including:</p> <ul style="list-style-type: none"> • poor investments • pension deficits • insufficient reserves for the nature of the charity • qualified examination or modified auditors' reports • poor or non-disclosure of related party transactions • low charitable spending • inappropriate loans/charges/land transfers <p>Irregular or overly complicated structures and relationships</p>	<p>Charities set up for illegal or improper purposes or having association with criminality</p> <p>Lack of records, or proper systems and controls in relation to safeguarding, including registration with another regulator where that is required</p> <p>Nature of the trustee body, including:</p> <ul style="list-style-type: none"> • disqualified individuals • competence • significantly poor governance <p>*The Commission has a specific regulatory role in relation to safeguarding, which is focused on the conduct of trustees and the steps they take to protect beneficiaries and other persons who come into contact with the charity. This role and the Commission's approach to it are explained in more detail in its published Strategy for dealing with safeguarding issues in charities.</p>	<p>Charities set up for illegal or improper purposes or having association with criminality</p> <p>Connection to proscribed or designated organisation, person or entity</p> <p>Irregular or overly complicated structures and relationships</p> <p>Lack of records, or proper systems of control</p> <p>Poor due diligence and/or monitoring of end use of funds</p> <p>Nature of the trustee body, including:</p> <ul style="list-style-type: none"> • disqualified individuals • competence • significantly poor governance <p>Hosting or promoting inappropriate material at events or on websites/social media</p>	<p>Independence seriously called into question</p> <p>Party politics and other political activity breaches</p> <p>Abuse of charity status and shams</p> <p>Breach of trust</p> <p>History of non-compliance</p> <p>Reliance on a sole source of funding or inadequate or no reserves with no evidence of financial planning</p> <p>Significantly poor governance</p> <p>Conflicts of interest not identified and managed correctly</p>