

CHARITY COMMISSION
ANNUAL REPORT AND ACCOUNTS

2012-13



Charity Commission

Annual Report and Accounts 2012-13
(For the year ended 31 March 2013)

Accounts presented to the House of Commons pursuant to Section 6(4) of the
Government Resources and Accounts Act 2000

Accounts presented to the House of Lords by Command of Her Majesty

Annual Report presented to Parliament pursuant to section 13 and paragraph 11
of Schedule 1 of the Charities Act 2011

Ordered by the House of Commons to be printed on 8 July 2013

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You can download this publication from www.charitycommission.gov.uk

ISBN: 9780102983302

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID 2558796 07/13

Printed on paper containing 75% recycled fibre content minimum.

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INTRODUCTION



Sam Yegor

William Shawcross

FOREWORD FROM THE CHIEF EXECUTIVE

The Charity Commission regulates charities. **Everything we do is aimed at making sure charities live up to the trust that the public places in them.** During 2012-13 our workload remained as wide-ranging and complex as ever, while our staff establishment and budget have had to absorb considerable reduction.

As this report explains, over the course of the year we have initiated a range of innovative programmes which are intended to further our strategic aims. This includes projects to better assess and manage the risks facing charities, and to prevent abuse of charitable status.

We police charities. We are committed to ensuring that only organisations which are properly charitable are registered with us. We are also committed to identifying abuse in charities and to act robustly in dealing with wrong-doing to protect the work charities do.

We are grateful for the support that this approach has received from charities and those who support them.

The volume and quality of our activity has remained roughly consistent; so too has our speed in delivery of our services. This is despite the significantly reduced resources available to us: our budget will have reduced by a third in real terms over the current spending review period (starting 2010-11 and ending 2014-15). Credit for coping with these difficult times goes to our staff members, who have worked very hard under trying circumstances.

We have faced notable challenges this year. In March 2013, the Public Accounts Committee requested the National Audit Office (NAO) to review our regulatory approach. The committee was unhappy about The Cup Trust being registered as a

charity and the outcome of our investigation into it (see Part 2). Our new Chairman, William Shawcross, acknowledged the damage that this case could do to the Commission and to charities in general. We do not agree with all the criticisms the committee made. But any concern about the effectiveness of the Commission risks undermining public trust in charities. Therefore we welcome the opportunity afforded by vigorous impartial scrutiny. Scrutiny is also afforded by the Charity Tribunal. Important legal cases we were involved in this year are set out in this report (see Part 2).

In July 2012, Dame Suzi Leather's second term of office as Chairman came to an end. I thank her for her 6 years of service at the Commission and wish her all the best for her future. William Shawcross came into office in October and the Cabinet Office appointed 7 new Board members in May 2013 as the

terms of office of John Knight, Sharmila Nebhrajani, Theo Sowa and Simon Wethered come to an end. We would like to thank the departing board members for their contribution and to welcome William, Eryl Besse, Peter Clarke, Claire Dove, Orlando Fraser, Tony Leifer, Nazo Moosa and Gwythian Prins to the Board.

This report sets out what the Commission has achieved in 2012-13 under three headlines, taken from our mission:

- charities are held to account (including through registration)
- charities know what to do and
- the public know what charities do

I hope you enjoy reading it.

SAM YOUNGER



I am honoured to have become Chairman of the Commission last October. We exist to serve the public by regulating the 160,000 charities that work in England and Wales. For centuries charities have formed a rich skein of threads woven into the living, ever changing tapestry of our society. Their contribution to public and private life is beyond measure.

It is the Commission's task to help them retain their place at the heart of society by ensuring that they comply with the law and remain always open and accountable to the public. Together with our new Board and with our staff, I will do everything I can to preserve the independence and integrity of the charitable world. Without it, our lives would be infinitely poorer. We are conscious of the responsibility upon us.

WILLIAM SHAWCROSS

BOARD MEMBERS WHO SERVED IN 2012-13

Suzi Leather DBE	Dame Suzi joined the Commission as Chairman in August 2006. Her appointment ended in July 2012.
William Shawcross CVO	Mr Shawcross joined as Chairman in October 2012. He is a writer and broadcaster whose work includes the official biography of Queen Elizabeth the Queen Mother. He has broad charity sector experience, particularly in human rights and international aid. Mr Shawcross was Chairman of Article 19, a Board member of the International Crisis Group and a member of the Council of the Disasters Emergency Committee.
Simon Jones	Mr Jones joined in July 2007 as board member with special interest in Wales and Audit Committee member. His appointment was due to end in July 2013, but he resigned in June 2012 having accepted an offer to stand for public office.
John Knight CBE	Mr Knight joined in December 2009. His appointment was due to end in November 2012 but was extended until May 2013.
Sharmila Nebhrajani	Ms Nebhrajani joined in July 2007 as board member and Chair of the Audit Committee. Her appointment was due to end in July 2012, but was extended until June 2013.
Theo Sowa CBE	Ms Sowa joined in July 2007. Her term of office ends in July 2013.
Simon Wethered	Mr Wethered joined as Legal Commissioner in July 2007. His appointment was due to end in July 2012 but was extended until March 2013.
John Wood	Mr Wood joined in February 2007 as Legal Commissioner and acted as interim Chairman between July and October 2012. His appointment ends in January 2014.

BOARD MEMBERS APPOINTED IN 2013

Eryl Besse	Ms Besse has over 30 years' experience of the practice of law in 3 international law firms. She was a partner at both Linklaters and Debevoise & Plimpton. Her term of office began in June. Ms Besse is the new member with special interest in Wales.
Peter Clarke	Mr Clarke is a retired senior police officer. He was Deputy Assistant Commissioner in the Metropolitan Police Service where he was Head of the Anti-Terrorist Branch and National Co-ordinator of Terrorist Investigations. His term of office began in May.
Claire Dove	Ms Dove is a leading social entrepreneur. She is Chief Executive of the Blackburne House Group and Chair of Social Enterprise UK. Her term of office begins in July.

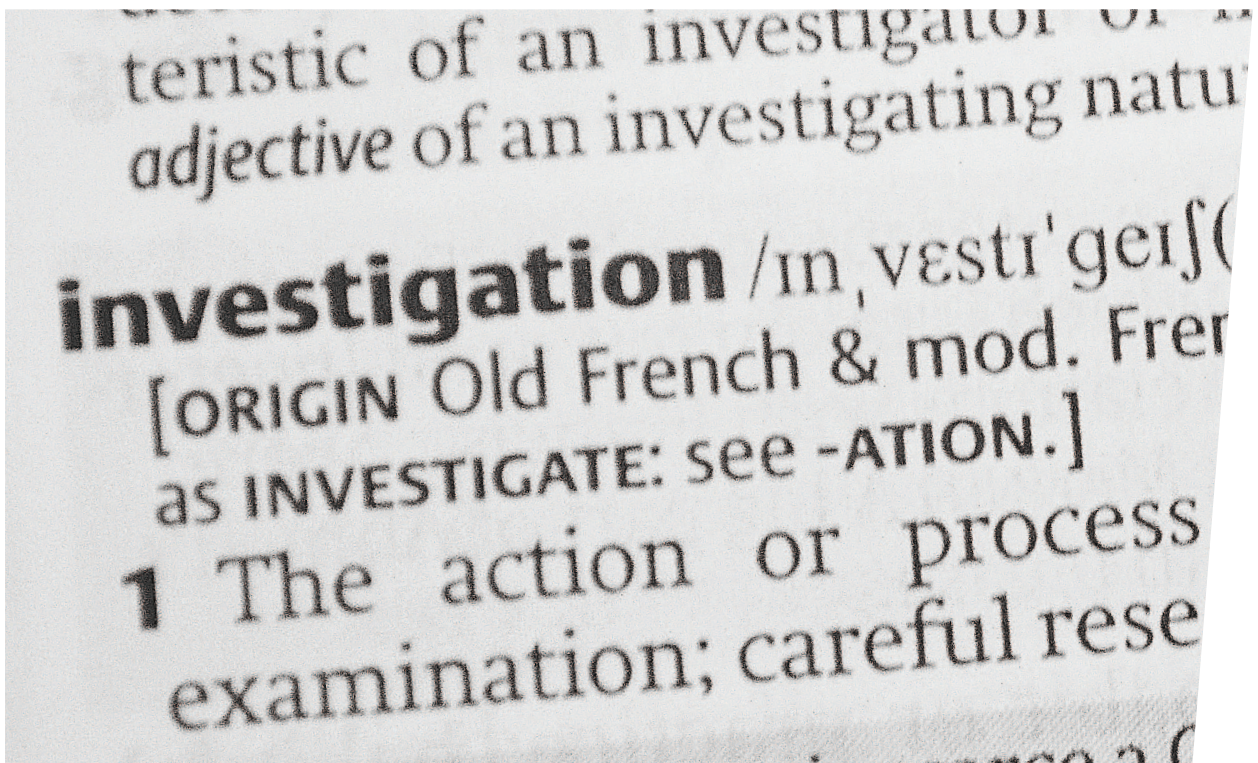
Orlando Fraser	Mr Fraser is a barrister with 18 years experience at the Chancery Bar and is a founding Fellow of the Centre for Social Justice. His term of office begins in July. He is one of the two new Legal Commissioners.
Tony Leifer	Mr Leifer is a former partner and Head of the Corporate Department at Olswang LLP Solicitors. He is a member of the Executive Committee of the Board of Deputies of British Jews and chairs the Board's Constitution Committee. His term of office began in May. He is one of the two new Legal Commissioners.
Nazo Moosa	Ms Moosa has 20 years experience in the technology, media and internet industries. She was a Director of The Carlyle Group. Her term of office began in May.
Gwythian Prins	Mr Prins is research professor at the London School of Economics and Political Science. He is also visiting professor at the University of Buckingham. He was previously a Fellow in History at Emmanuel College, Cambridge and University Lecturer in Politics. His term of office began in June.

TOTAL NUMBER OF REGISTERED CHARITIES IN EACH INCOME BRACKET AS AT 31 MARCH 2013



02

HOLDING CHARITIES TO ACCOUNT



Most charities that we register (see overleaf for information about registration) are well run because their trustees work hard to ensure they fulfil the charity's purposes and comply with charity law.

POOR GOVERNANCE, ABUSE OR NON-COMPLIANCE

ARE NOT ACCEPTABLE. This is always so, whatever the charity, big or small. Indeed, trustees in larger charities have a greater responsibility in some respects in that abuse within charities that are household names not only damages the charities involved and their reputation but also undermines public trust in charities in general.

It is our job to deal with and, where necessary, investigate allegations of abuse and non-compliance. This helps to reassure the public that they can support charities with confidence.

How we do this depends on the circumstances of each case. We assess all allegations and concerns about charities against our risk framework, a published document that explains our criteria for responding to concerns.

We ask questions such as:

- what is the nature of the risk?
- are the charity's beneficiaries at risk?
- is there a risk to the charity's assets?

When we are obliged to take action over a charity, our aims are always to return it to a sound footing, to make sure its trustees understand their duties and are willing and able to fulfil them, and to help the trustees avoid further problems occurring in the future. Sometimes, this means opening a statutory inquiry. This allows us to make use of tough legal powers. Issues of fraud, financial abuse, terrorism and concerns about the safeguarding of vulnerable beneficiaries are among the most serious of abuses and we will continue to concentrate on tackling these problems.

However, not all problems in charities call for a statutory inquiry. In most cases we ensure trustees voluntarily take steps to correct what has gone wrong and stop further damage. If necessary, we will issue an action plan or provide corrective regulatory advice. Most charities respect our authority as regulator and comply promptly. If they do not, and the non-compliance continues or recurs, we are likely to use our powers.

OPERATIONAL CASE WORK WITH CHARITIES

Our Operations teams work from the Commission's four sites to conduct regulatory cases with charities. These teams deal with the cases that require a robust regulatory intervention but do not call for a statutory inquiry. More information about statutory inquiries is given overleaf. They also deal with permissions cases that do not involve serious concerns in charities.

Overall, our Operations teams opened **2,622** new cases and concluded **2,950**. We used our powers on **1,204** occasions during the cases concluded this year.

As at 31 March 2013, **705** Operations cases were underway. Not all of these cases involved serious concerns about the charity's management.

The Operations teams combine the skills of case workers experienced in investigation, analysis and resolution of complex charity law issues with expert advice from the Commission's accountants and lawyers.

Compliance cases

This year, we successfully concluded **1,232** Operational compliance cases; these are cases carried out by our Operations teams that involved serious concerns about the management of a charity. The most common issues that arose in Operational compliance cases were:

- concerns about governance (including problems with trustees' roles and responsibilities)
- concerns about financial or funding issues (including problems with fraud or misapplied funds, or concerns about accounting)



The public rightly expects charities to demonstrate good governance and probity. Our job is to ensure the public can support charities with confidence. This involves taking firm action to find and tackle abuse against charities. We work closely with the police and other agencies to make sure that people who have broken the law are brought to justice.

Michelle Russell
Head of Investigations and Enforcement, Charity Commission

- concerns about charitable status (such as issues arising from mergers, incorporations or conversion to community interest company from normal charity status)
- issues arising from complaints or decision reviews (including where a charity has queried a decision we had previously made)
- serious non-compliance (including concerns about vulnerable beneficiaries).

Permissions

The most common issues arising in Operational permissions cases concluded this year were:

- requests to alter a charity's governing documents
- requests for permissions around land/property
- issues around wills
- requests for permission for ex-gratia payments
- issues around charity legal proceedings.

STATUTORY INQUIRIES

Statutory inquiries deal with the most serious cases of regulatory concern in charities. They are conducted by our Investigations and Enforcement unit. This team also comprises a Monitoring unit, which monitors charities about which there are serious concerns relating to non-compliance.

Opening a statutory inquiry means that we can make use of statutory compliance powers. The Commission has quasi-judicial powers similar to those of the High Court. These include:

- the power to direct charities and others (for example banks) to give us information
- the power to suspend or remove trustees
- the power to appoint an interim manager
- the power to appoint new trustees
- the power to freeze charities' bank accounts and restrict their actions
- the power to direct trustees to take specific action.

In 2012-13, we opened **15** statutory inquiries and concluded **5**.

As at 31 March 2013 **34** statutory inquiries were on-going (in addition, the Investigations and Enforcement unit continued to deal with **20** regulatory compliance cases opened prior to our restructuring; these cases are similar in nature to Operational compliance cases).

In 2012-13, we used our powers on **74** occasions during statutory inquiries and regulatory compliance cases.

When cases come to our attention that are *prima facie* among the most serious abuses of charitable status, we need to assess them immediately. We will therefore open a pre-investigation assessment. These assessments will determine how we respond and whether we need to open a statutory inquiry. This year, we opened **87** pre-investigation assessments.

Once we have concluded a statutory inquiry, we will usually publish a report. This helps to reassure the public that we take firm action against abuse of

charities and shows how we work with the police and other agencies. It also helps identify lessons from the case that other charities can learn from. We include a summary of each inquiry in our newsletter for trustees, CC News (see Part 3), to make sure other trustees learn from the issues examined.

We also publish an annual report of our investigatory work, *Charities back on track*, which includes case studies and a statistical analysis of our compliance case work.

Case notes: **systematic fraud in housing charity**

The charity: Astonbrook Housing Association Ltd, providing housing and support to refugees and asylum seekers.

Concerns raised by: Other agencies.

The issues: Reports of substantial sums paid to staff without proper receipts and to bodies connected to the trustees.

Type of case: Statutory inquiry.

Our actions: We froze the charity's bank accounts and appointed an Interim Manager (IM) who took control of the charity. We opened an inquiry which examined risks faced by the charity's vulnerable beneficiaries, whether the trustees had received inappropriate private benefit, and whether there were unmanaged conflicts of interests.

Our findings: Evidence of serious financial abuse, including cheques for fake invoices made out to trustees and actual and fictitious staff members was found by the IM. The total cost of the fraud is estimated at up to £3m. The inquiry found other evidence of serious and systematic mismanagement and misconduct by the trustees.

The result: The charity went into liquidation in 2009. The charity's beneficiaries were rehoused safely beforehand. Allegations of fraud were reported to the police, whose investigation was conducted alongside our inquiry. Criminal proceedings concluded in September 2012, when six people, including the CEO, were convicted of fraud and money laundering offences.

Case notes: **college providing unauthorised benefits to its trustees**

The charity: AA Hamilton College Limited, a higher education college.

Concerns raised by: Member of the public.

The issues: Poor financial controls and management, poor trustee decision making and unauthorised trustee benefits.

Type of case: Statutory inquiry.

Our actions: We opened a Regulatory compliance case, finding significant failings in record keeping and financial management. We issued the trustees with an action plan which they failed to follow. We then opened a statutory inquiry.

Our findings: Poor financial controls and unauthorised benefits due to the fact that two trustees were employed as staff members.

The result: The charity's administration was significantly improved. The trustees stopped receiving payments and resigned from their paid posts and as trustees. We issued the trustees with a revised plan, setting out the steps required to return the charity to a secure legal footing. Two new trustees were appointed. After the trustees confirmed that they had complied with the steps set out in the plan, we carried out a second books and records inspection, and found that the book keeping and accounting procedures had improved. We concluded that the trustees had complied with our plan and introduced significant improvements.

Case notes: concerns about a charity grant

The charity: Confraternity of the Blessed Sacrament, advancing the catholic faith in the Anglican tradition.

Concerns raised by: Members of the charity, members of the public, the media.

The issues: Concerns about a £1m grant the charity made invalidly to another charity with different objectives (the Ordinariate of Our Lady of Walsingham - the Ordinariate). The Ordinariate is a Roman Catholic charity set up by the previous Pope to support Anglican priests converting to Roman Catholicism. The grant represented almost half the Confraternity's assets and caused serious concern among many members of the charity and ordinary members of the Church of England, as well as senior clergymen.

Type of case: Operational compliance case.

Our findings: We found that the trustees did not make the decision to make the grant validly. The decision was invalid, because all but one of the trustees involved had an interest as they stood to personally benefit from the money. We also found that the grant could not have furthered the charity's objects, because it could have been used for purposes that have no connection with the Anglican tradition. We concluded therefore that the charity was under a duty to seek to recover the grant, and the Ordinariate under a duty to repay it.

The result: Our work resulted in the Ordinariate repaying the £1m grant to the Confraternity and helped avoid a potentially serious conflict between two Christian denominations. Our work on this case demonstrated the Commission's expert understanding of Christian worship as it relates to charity law. It helped reassure many Confraternity members that their charity would continue to pursue its charitable mission.

WORKING WITH OTHER REGULATORY AGENCIES

We work closely with other government agencies to identify and tackle abuse by charities. We have close working relationships with the full range of Government agencies, including the police, Her Majesty's Revenue and Customs (HMRC), the Serious Fraud Office (SFO), Ofsted and the Department for Education, the Higher Education Funding Council for England, the Care Quality Commission, and the

Financial Conduct Authority (formerly Financial Services Authority). Sometimes we work in parallel with other agencies. On other occasions, we refer our suspicions of criminal activity or regulatory non-compliance to others. When problems in charities are being dealt with adequately by another agency, we will not get substantially involved unless we can make a specific positive impact that falls outside the remit of the other organisation.

This approach allows us to achieve our objectives and to complement the work of others while avoiding dual regulation. This year, we exchanged information with other agencies formally under the statutory gateway on **1,539** occasions.

By working closely with the police and the Crown Prosecution Service (CPS), we help secure convictions of trustees and charity staff members who have broken the law. Over the past three years, we have provided over **100** witness statements that have helped hold criminals to account. Our staff members also give evidence during criminal trials.

HELPING SECURE CONVICTIONS

Fraudulent fundraising

In January, we supported a Metropolitan Police prosecution which secured the conviction of Muhammad Ali, who had fraudulently engaged in public collections, purportedly for a charity by the name of 'Irish Relief'. Mr Ali claimed 'Irish Relief' was registered with us, which it was not. Our investigators provided a witness statement to support the prosecution as well as other support. Mr Ali was convicted of two counts of fraud under the Fraud Act 2006.

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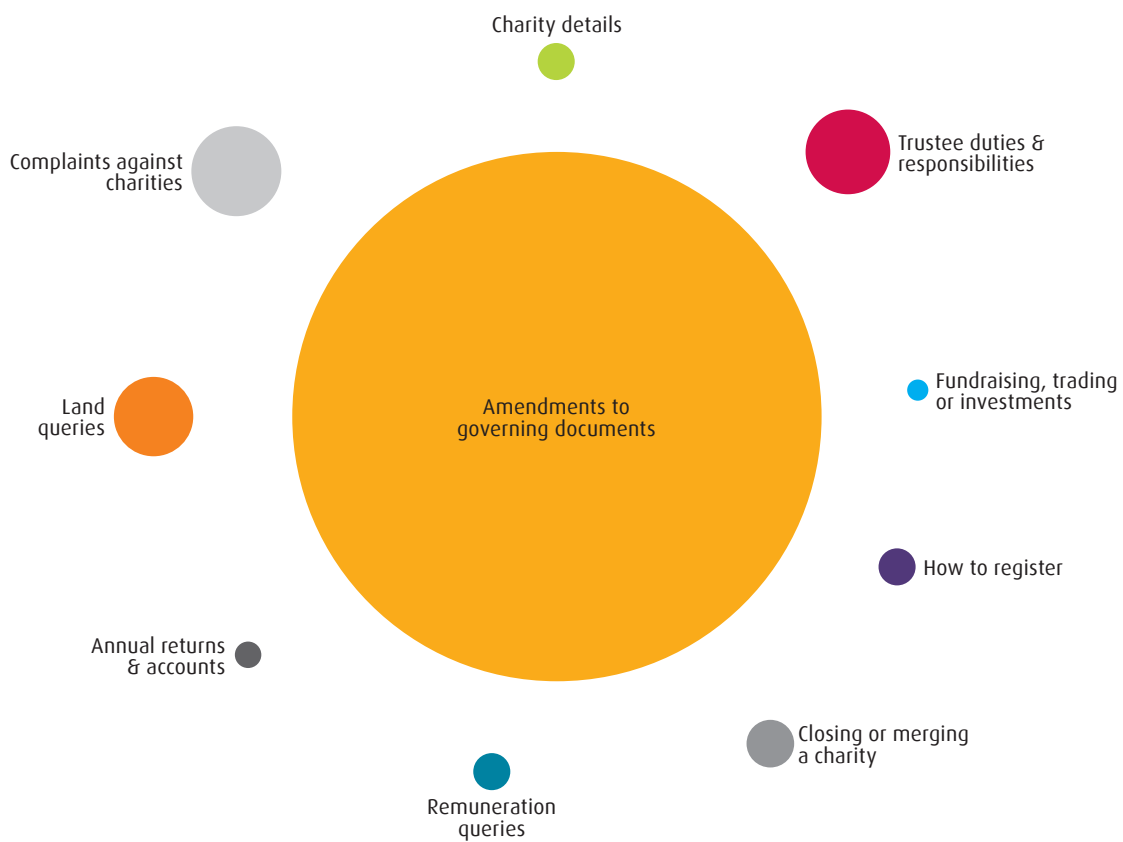
CALLS, EMAILS AND LETTERS TO FIRST CONTACT

1513

OPERATIONAL COMPLIANCE CASES OPENED

TOP TEN ISSUES IN EMAILS AND LETTERS RECEIVED IN FIRST CONTACT

This graphic reflects the relative frequency of the top ten issues the public raised in emails and letters to First Contact.



77,549 - Total number of emails/letters logged in First Contact for the period 1 April 2012-31 March 2013. Further statistical information is available in Part 5.



Theft from charity for blind people

In August, a trustee of the charity *Fund for the Blind and Partially Sighted* was convicted of theft and supplying false or misleading information to the Commission under the Charities Act. The court found that Tyrone Pooley had stolen more than £120,000 from the charity. During our investigation into the charity we found evidence that Mr Pooley had misappropriated funds and provided us with false evidence. We collated the evidence gathered, referred our concerns to the police and supported the subsequent police investigation and prosecution, including through witness statements provided by members of our staff. Mr Pooley was sentenced to 32 months in prison.

Theft from care home

In April 2012, a trustee of the charity Nottinghamshire Miners Home, Neil Greatrex, was found guilty of 14 counts of theft of the charity's funds - amounting to nearly £150,000 - and sentenced to 4 years imprisonment. Mr Greatrex was also ordered to repay over £200,000 to the charity. We opened a statutory inquiry and appointed an interim manager (IM) to take over the administration of the charity. Together with the IM we played an active role in assisting the CPS in the recovery proceedings. We worked closely with South Yorkshire Police and the SFO in this case and helped secure this conviction through witness statements. A member of our staff also appeared in court to give evidence. The statutory inquiry into the charity is on-going.

OUR MONITORING WORK

As well as conducting investigations, we actively monitor charities in order to detect, deter and, where necessary, put a stop to abuse and non-compliance. This work takes various forms and is conducted by teams across the Commission.

Monitoring unit

Our monitoring team is part of the Investigations and Enforcement unit. It looks out for evidence of abuse in our three categories of highest risk and abuse. The unit monitors charities about which there are serious concerns relating to non-compliance.

In 2012-13, our monitoring unit concluded **71** monitoring cases and opened **42**.

The unit works closely with other government regulators and law enforcement agencies. Sometimes, we monitor a charity when we are not able to take immediate action, or are restricted in the action we can take because a law enforcement agency is undertaking an investigation and there is a risk our work might prejudice or frustrate this.

Accounts scrutiny

Every year, we assess a sample of charity accounts. This includes both random sampling and reviews of particular types of accounts.

This work helps identify abuse and poor reporting, and encourages charities to follow best practice in preparing their accounts. In 2012-13 we monitored **1,908** sets of accounts, of which **1,065** were reviewed randomly or as part of case work and **843** were looked at as part of themed reviews.

4714

CHARITIES REGISTERED

2985

WITH EDUCATIONAL OBJECTS

This year, we reviewed a sample of accounts of charities that missed their 10-month filing deadline. These included 200 charities with incomes of less than £250,000 and 200 with incomes of over £250,000. The purpose of this project was to identify themes and trends among these charities and to inform our work to improve charities' filing record. This project made a number of interesting findings, including:

- 23% of the larger group had filed their accounts late for all of the five preceding years (13% of the smaller group)
- only 27% of the larger late filers had never previously defaulted.

This suggests that late filing is an habitual problem in some charities. The research also identified a possible link between late filing and poor quality reporting. We assessed the quality of all the accounts in question and found that 52% of smaller and 24% of larger charities' accounts were poor.

These findings have helped harden our attitude to late filing charities. For example, we are now exploring with HMRC whether charities that file late should be barred from receiving Gift Aid.

This year, we have been carrying out a review to inspect the accounts of charities which might be operating in a similar way to The Cup Trust. We are looking in particular at whether the accounts of these charities make reference to funds being raised primarily through claims for Gift Aid. This exercise is underway.

FIRST CONTACT – THE FRONT LINE OF REGULATION

First Contact is the front line of our compliance work and we attach great importance to the function. It is where the public encounters us and it is the gateway for new work coming into the Commission. First Contact assesses all incoming queries against our risk framework and responds to the majority of them. Among the most important functions of First Contact is to receive all reports of serious incidents (RSIs), whistleblowing and complaints. It alerts other teams about those which are most serious and that require further action.

First Contact also includes a team which answers telephone enquiries. They provide a quick and cost-efficient service. They encourage charities to use our website as their first port of call. They help charities to get online and to file annual returns and accounts. For more of our work to promote accountability in charities, see Part 4.

First Contact ensures that charities account for their activities properly. It also has a multidisciplinary team of case workers, who provide regulatory guidance to individual charities and who make certain legal authorisations.

We expect charities that contact us for authorisations, permissions or regulatory advice to be up-to-date in filing their annual returns.

1411

WITH OBJECTS TO PREVENT OR RELIEVE POVERTY

76

CIOs REGISTERED



CREDIT: LIAM BAILEY

Example of First Contact permissions case Helping St-Martin-in-the-Fields adapt to change

The charity was originally registered in 2005, with relatively narrow objects to preserve the historic St Martin-in-the-Fields Church in central London. Thanks to the successful work of the charity, the Church has since been refurbished and is used both as a place of worship and as a resource for the wider community. The charity's original aims had therefore been achieved; however, the trustees were keen to continue supporting the Church, rather than winding the charity up. They therefore came to us to request permission to change the charity's objects to include, among other objects, advancing education and relieving poverty. We were satisfied that the charity's new activities would help further these charitable objects and represented a natural extension of the original intention of the charity. We therefore agreed to the change which allows the charity to continue to offer effective support to the Church and the community it serves.

This year, the First Contact team received **171,628** calls, emails and letters. 93% of these were resolved in First Contact. Cases that are very complex or raise serious regulatory concerns are referred to one of our four Operations teams or to our Investigations and Enforcement unit.

The team this year provided **1,538** formal consents, for example, consent for a charity to amend its objects.

REGISTRATION – ROBUST TEST OF CHARITY STATUS

We do not decide which organisations to register as charities according to whether we like them or not. Registration is a test of *legal status*: organisations

with exclusively charitable objects for the public benefit are charities. If a charity meets all the criteria for registration, we have to register it. If it does not, we cannot. Applicants who complete the application form fully and correctly will find the process simple and straightforward. However, some of the applications we receive are poorly prepared, meaning that we cannot register the organisation unless we receive further information or clarification from the applicant. Often, applicants who are asked for further information do not then progress their application; this accounts for the disparity between applications and registrations, as few applications are rejected outright because the organisation is not a charity.

The public see registration as a robust test of charity status and they are right to do so. Therefore it is reasonable to expect those wishing to register a charity to take some responsibility for the process. We expect potential applicants to read our guidance carefully before submitting an application.

We received **5,949** applications for registration this year and registered **4,714** charities. We rejected **36** applications for registration.

CIOs – new legal structure for charities

This year, a new legal form became available to charities. The Charitable Incorporated Organisation (CIO) is a structure designed specifically for charities; it provides some of the benefits of being a company, without all of the associated administrative burdens. CIOs are able to enter into contracts in their own right and their trustees have limited or no liability. CIOs only need to register with the Commission, not with Companies House. We began accepting applications for registration as a CIO in December 2012.



Lara Jones Foundation: our first ever CIO

In January, the Lara Jones Charitable Foundation became the first Charitable Incorporated Organisation (CIO) to register with us. The goal of the charity, also known as Lara's Foundation, is to build English Language capacity in small communities around the world where knowledge of English is essential to access higher education, enhance employment opportunities and thus improve quality of life.

The charity was launched in memory of Lara Jones, a TEFL teacher (Teaching English as a Foreign Language) who died in tragic circumstances in Cuba in March 2012 at the age of 26. The Foundation aims to work with communities in Argentina, Bolivia, Chile, Colombia, Ecuador, Mexico and Peru.

"Lara had a tireless passion for her work, a warm fun teaching style, and a deep compassion for the cultural and language challenges facing her students. Lara's Foundation has been established so that the dedication and kindness Lara showed to her students will continue to reach others."

Carolyn Jones, trustee of Lara's Foundation

The Foundation brings people from the communities it works in to the UK for English language tuition in a British Council approved college. Those chosen include teachers and community leaders – people able to share their learning and in so doing build capacity in their community. The Foundation also provides opportunities for UK-based TESOL teachers (Teaching English to Speakers of Other Languages) to travel to these communities to support English language acquisition.

Preston Down Trust – a complex registration case

Occasionally, we deal with complex registration cases. This year, we turned down an application from the Preston Down Trust, an Exclusive Brethren meeting hall, to register as a charity. We made this decision because we were not satisfied that the Trust was established to advance religion for the public benefit. The promoters of the Trust appealed to the Charity Tribunal. The current position is that, by mutual consent of the parties, the Tribunal has directed a stay in the proceedings until 1 September 2013. This will give the parties an opportunity to consider the matter outside of the Tribunal process. The case attracted a lot of publicity, with some commentators concerned that our decision demonstrated a secular bias. We have been perfectly clear in reiterating the fact that furthering religion has been a charitable purpose for centuries, and that we register hundreds of religious charities each year. However, we have a duty to make sure that only organisations that meet the criteria set down by charity law are able to join the Register.

NOTABLE LEGAL CASES

This year, a small number of our decisions were challenged in the Charity Tribunal and the Courts. We welcome this process, as the resulting decisions help us, the legal community and charities themselves to gain a better understanding of the law and the regulatory framework.

THE CHARITY TRIBUNAL

Catholic Care

One of the most contentious high-profile cases this year was the Catholic Care case, which was heard in the Upper Tribunal. Catholic Care provided an adoption service which enabled parents to be selected as suitable for purposes of adopting

children. The charity appealed against our decision not to permit a change to its objects, so as to allow it to restrict its services to heterosexual adoptive parents. This appeared to contravene the Equality Act. The Commission's decision was upheld in the First-tier Tribunal. On appeal, the Upper Tribunal upheld our decision that the charity had not provided sufficiently weighty reasons to justify the discrimination against same sex adoptive parents.

Lytham Schools and Llanfair Waterdine

Our powers to make schemes were reviewed in the appeals in these two cases. In the first case, the Tribunal found that our decision to make a scheme allowing the school to merge with another was justified. The judge, however, strengthened the terms of our scheme to ensure the charity's original purpose was preserved in the objects of the new school.

The second case considered our powers to authorise trustee benefits. In ruling against our scheme, the Tribunal ruled that when considering whether to authorise trustee benefits, we must consider whether the applicant has made a strong enough case.

The Cup Trust

Another high-profile case that has now reached Tribunal is The Cup Trust. This year, the Commission's original registration of The Cup Trust as a charity and our subsequent investigation have attracted criticism from the Public Accounts Committee. It was registered in 2009 with general charitable objects and administered by a corporate foreign trustee. Some time later it began to participate in a scheme involving donors and complex gilt transactions which required and resulted in donations being made to the charity. The success of the scheme for the trust depended on the charity being eligible to claim Gift Aid on the donations.

We first investigated the charity in 2010, but we concluded after careful consideration which included taking counsel's opinion, that the trust was legally constituted as a charity. Although we found the situation unsatisfactory, the Commission informed the charity that it would not make any further determination about its activities, pending the outcome of any HMRC decision on the success of the charity's Gift Aid claim.

We have continued to look at the trustee's handling of its responsibilities and duties and had on-going concerns about the charity. In April 2013, we opened a statutory inquiry into The Cup Trust, after receiving new information from HMRC about significant recent events. This new information came on top of our existing and growing concerns. We also appointed an interim manager to the charity as a temporary step. He has all the powers and duties of the trustee and the corporate trustee ceased to have any ability or authority to act. The corporate trustee has taken steps in the Charity Tribunal to challenge the decisions the Commission has made to open an inquiry and exercise its powers.

Charity Bank and Preston Down Trust

Two other significant appeals brought in the Tribunal include the *Charity Bank* and *Preston Down Trust* (see above). At the end of the financial year, both cases were on hold, at the request of the appellants, so that both parties can explore alternative ways of resolving the issues in question. Since the end of

the financial year, the Charity Bank withdrew its appeal as we approved changes to the organisation's articles, allowing it to continue operating as a bank, but no longer as a charity, to secure its continued operation for charitable lending. The legal scheme we made in this case is available on our website.

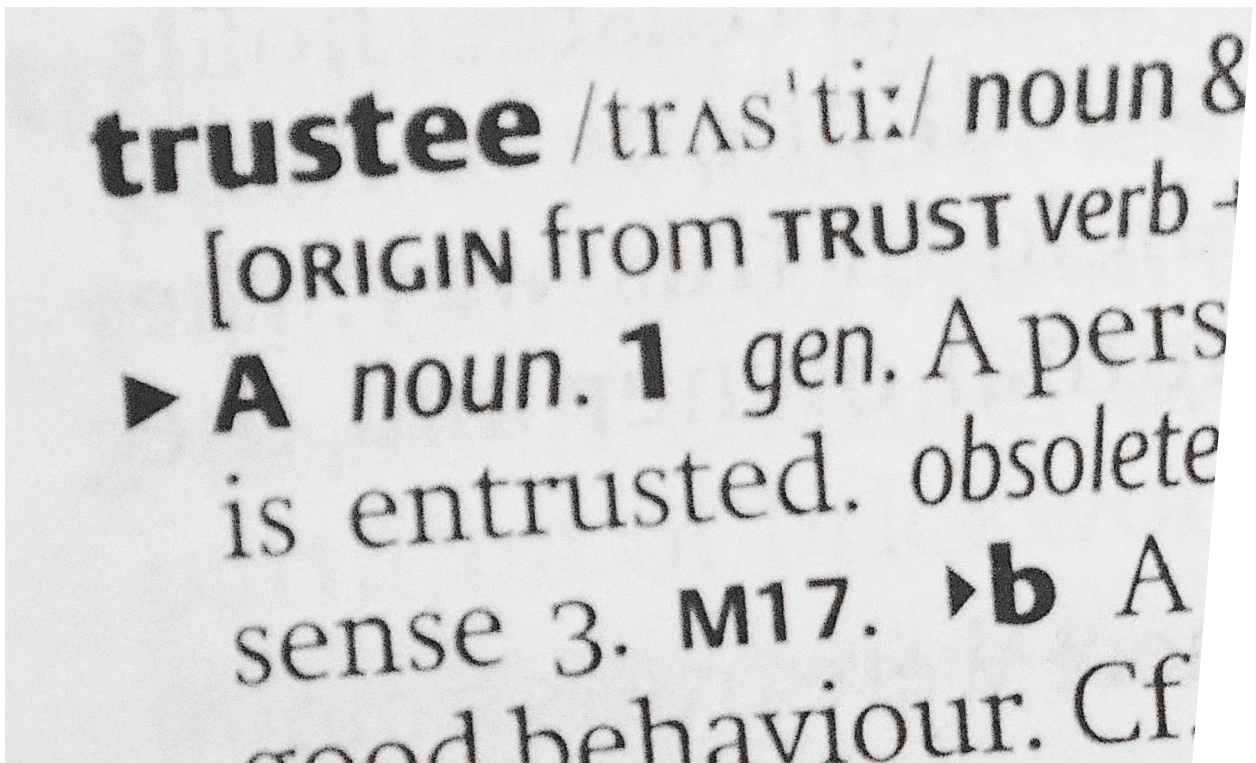
JUDICIAL REVIEW

Kingsley Miller

This year, we also successfully defended a judicial review case, *Kingsley Miller v The Charity Commission*. This application was made by a complainant who was concerned that we would not carry out an investigation into the affairs of a major national charity. We demonstrated that we had correctly followed our published guidance which sets out the basis on which we will consider concerns raised and when it would be proportionate to take regulatory action. We found no concern in the complaint which would justify regulatory intervention and our approach was upheld by the Administrative Court and subsequently in the Court of Appeal. In finding that the application was totally without merit, the court recognised that the Commission has discretion as to how to proceed in the regulation of charities. It cannot use its powers in relation to every complaint by a member of the public. It has to be sensibly selective.

03

ENSURING CHARITIES KNOW WHAT THEY HAVE TO DO



CHARITIES ARE INDEPENDENT AND AUTONOMOUS.

That is what distinguishes them from any form of Government agency; and it is a fundamental principle of charity law. The people responsible for charities are trustees. With few (but sometimes significant) exceptions they are volunteers. They have extensive powers and significant discretion. Unless serious problems arise, the Commission does not interfere in the administration of charities or instruct trustees on their decisions.

MAKING SURE TRUSTEES FULFIL THEIR DUTIES

However, with this freedom come important legal duties and responsibilities. Trustees who do not understand these duties pose a risk to their own charities and to public trust and confidence in charities as a whole. So it is a crucial part of our role as regulator to ensure the 946,000 trustees in England and Wales recognise their duties and fulfil them with confidence.

One of the ways we do this is to publish guidance based on charity law. This year, we developed a range of new formats for our guidance, which make it easier for trustees to access the information they need, when they need it. Our guidance also serves to help the public to hold trustees to account for the way in which they manage their charities.

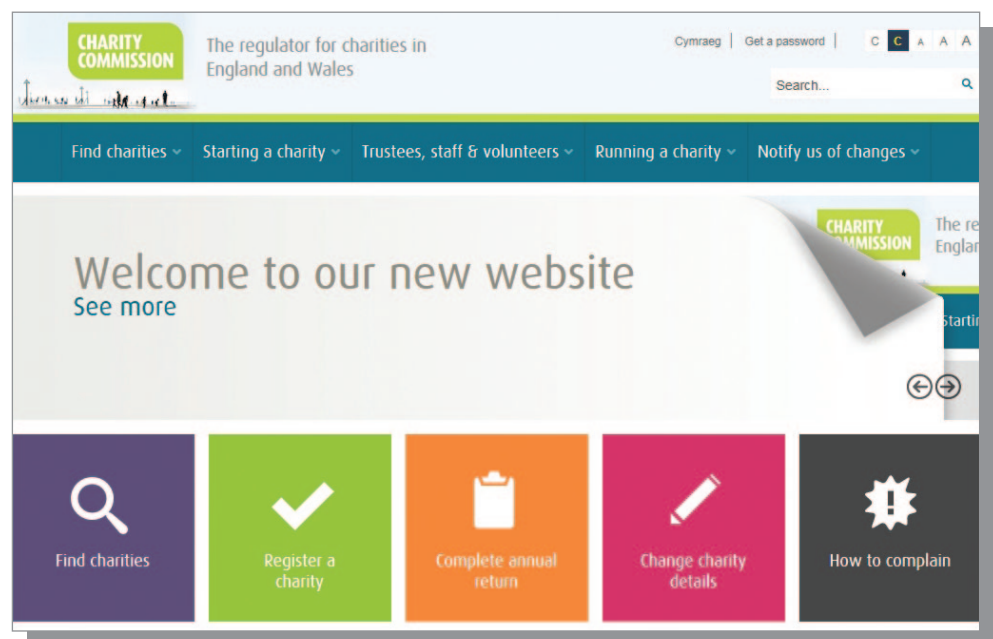
New website

Our website is a key regulatory tool. It is:

- the first port of call for charities seeking information about how to comply with charity law
- the main portal through which trustees keep public information about their charity up-to-date
- where members of the public go to raise concerns about a charity or to find information about charities.

So it is vital that our website is structured and designed in such a way that our customers – trustees and the public – find what they are looking for quickly and easily.

This year, we invested in a complete re-design of our website. The new site was launched in May 2013. Using technology wisely also helps us become a more efficient regulator that focuses resources on the areas of greatest risk.





With its trustee handbook, the Commission has crystallised into one fabulous new resource the essential information every trustee needs to know. PTA-UK recommends you get your copy now.

David Butler
Chief Executive of the Parent and Teacher Association (PTA-UK)

Trustee handbook

Some charities, such as parent teacher associations and community groups, have a high turnover of trustees; in some cases board members change every year. This means that new trustees have to get to grips with their roles quickly, often without the support of experienced colleagues. We know that charities in these situations often contact the Commission with too many basic questions that suggest they have not been effectively inducted into their roles.

In November 2012, we published a new trustee handbook, designed to improve trustee inductions and ensure a smooth handover between departing and newly appointed trustees. The guide explains trustees' main duties and responsibilities and includes a checklist of documents and information that all new trustees should read and understand. The guide also provides instructions for using the Commission's online services, for example on completing the online Annual Return on time. We encourage charities to make the handbook their own, by adding instructions that are specific to their particular circumstances.

In creating the trustee handbook, we were supported by a number of charity networks umbrella bodies, notably PTA-UK, the Parent and Teacher Association, which encourages all its member charities to make use of it.

It's your decision – guidance on decision making

We know from our case work that routine problems in charities often have their root in poor decision making based on a fundamental misunderstanding of the duties of trustees.

This year, we consulted charities about new guidance intended to improve decision making in charities. *It's your decision - guidance on decision making for charity trustees* sets out the principles that should guide trustees when making judgements on behalf of their charity, including acting in good faith, seeking adequate information and managing conflicts of interest. The principles themselves are not new, but this is the first time they have been brought together in one piece of guidance. We published the guidance as a consultation draft in February.

The final guidance will be published in the summer. This will become one of the core documents all trustees should read and understand, along with *The essential trustee* and *Hallmarks of an effective charity*.

Revised public benefit guidance

To be a charity, an organisation has to have exclusively charitable purposes that are for the public benefit. There is no statutory definition of 'public benefit'; the law on this has evolved through case law. In 2006, Parliament gave us a statutory duty to publish guidance on public benefit for

charities. We published our public benefit guidance in 2008. Since then, we have had feedback from trustees. Developments to our website have also provided new and better ways of presenting guidance to trustees. There have also been changes in legislation, such as the introduction of the new Equality Act, and notably decisions of the Tribunal which have affected certain aspects of charity law. In particular, a review brought in the Upper Tribunal required us to revise certain aspects of our public benefit guidance as being over prescriptive. We keep our public benefit guidance under review and we will publish our revised guidance this summer.

Disaster appeals

In August 2012, we published new guidance on *Starting, running and supporting charitable disaster appeals*. This is aimed not only at trustees of existing charities, but also at members of the public who want to help during humanitarian crises. The guidance explains the legal framework, so that those running appeals do so with confidence. The new guidance also explains that the best and most effective way to help in the aftermath of disaster is often to support charities that already have people and arrangements in place in affected areas.

Protecting charities against extremist abuse

In January, we published guidance to help trustees prevent their charity from being used to promote extremist views or terrorist ideology. The guidance forms the latest chapter of our online toolkit, *Protecting Charities from Harm*, which helps trustees manage risks and protect their charity from harm and abuse.

The new chapter explains that charity law does not prevent charities from raising issues that are controversial or that make some people uncomfortable. But it makes clear that there is a line that charities cannot stray beyond and that trustees have a duty to weigh the benefits of any activity against its risks. It is relevant for all charities, but is particularly aimed at charities that host regular events involving external speakers, and charities that distribute material and information. Examples include charitable think tanks and debating societies, students' unions, schools, colleges and universities and religious charities. It includes practical advice on how to avoid problems in the first place and what to do if there are issues about a speaker or an event or concerns about whether someone is suitable to be involved in a charity because of their controversial or extremist views.



The prevalence of the internet and social media has made disasters more visible and we have seen an increased desire in people wanting to help. This makes the proper administration of disaster relief appeals of fundamental importance, to ensure money donated is being used where it is intended. The new guidance should help make this process clear so that resources can be more focused on disaster relief.

Brendan Paddy
Head of Communications, Disasters Emergency Committee



CC News is an important resource for small charities. At a time when demand for their services is rising and their resources are under pressure, good governance is more important than ever. Small charities need to know the latest guidance and examples of good practice so that they can make confident, well-informed decisions. As they may have no or few staff, the input of the Trustees is likely to be crucial.

Alex Swallow
Chief Executive, Small Charities Coalition

In most cases these activities do not cause any problems. However there are occasions where terrorists or those with extremist views who encourage or support terrorism have used charities to promote their ideology. Vigilance by trustees is essential.

Preventing abuse and helping trustees protect their charities

This year, we carried out a series of workshops designed to help trustees manage risks specific to their charity's activities, ensure compliance and protect their charities from harm. We ran workshops for recently formed charities working internationally to cover the trustees' legal duties and responsibilities and help them share good practice about due diligence when using partner agencies, monitoring and reporting the proper end use of charitable funds, and moving and receiving funds safely. We also ran workshops for students' unions and universities on managing risks associated with events, speakers and publications.

The workshops provided an opportunity for trustees to ask questions about their legal duties and responsibilities, and to discuss their experiences of dealing with risk.

We will continue to undertake workshops to provide guidance on these topics and other aspects of legal compliance and good governance.

Responding to change – guidance on Chancel Repair Liability

This year, we were contacted by many parochial church council charities about the issue of chancel repair liability. This is a liability on some property owners to fund repairs to the chancel of their local church. Trustees of these charities contacted us about their duties in considering whether to register any liability in their area before the deadline of October 2013. Trustees who do not register a liability by then may not be able to enforce it; in turn, this might mean that some grant makers will turn down future applications for funding to repair church buildings. In response, we published guidance explaining what chancel repair liability is and what trustees need to consider when deciding whether to register and enforce it.

CC News

CC News is our quarterly newsletter for charity trustees: it goes to over 140,000 charities for which we have an email address. CC News is one of the most important ways for trustees to keep on top of their duties and responsibilities. We expect all trustees to read the newsletter to make sure they are aware of new guidance or rules affecting their charity.

Improved online FAQs

Trustees often have simple, practical questions about the law or the Commission's online services, and our online FAQs are designed to offer quick, concise responses. This year, we extended and improved our library of FAQs and made them easier to find. Most issues that charities email or call our contact centre about are covered by the FAQs – we now expect trustees to check our website before getting in touch whenever possible.

Audio podcasts for trustees

This year, we launched a new series of audio podcasts that mean trustees can learn about running their charity on the go. The podcasts don't replace our detailed guidance, but they introduce the listener to the basic principles. Audio podcasts on preventing fraud and finding new trustees are now available on our website and on YouTube.

Using Twitter to get our messages across

Twitter is a novel way of getting key messages across to trustees, and for hearing about the issues that concern trustees. We use the medium to remind trustees of new and existing guidance, to highlight key duties such as filing annual documents, and to raise awareness of risks facing charities. This year, we began a new series of Twitter Q&As, allowing trustees to ask us questions about managing charities. Our first Q&A, was about Charitable Incorporated Organisations (see Part 2). We now have over 10,000 Twitter followers.

GOOD GOVERNANCE – A SHARED RESPONSIBILITY

The Commission alone cannot make sure every single charity on our online Register demonstrates the honesty and good governance the public expects.

This has practical reasons – we are a small organisation regulating a large and wide range of charities. It is also a matter of principle. Improving the quality of governance in charities is a shared responsibility. Individual trustees carry the greatest part of that responsibility, but umbrella bodies and charity advisers also play a crucial role. The Commission's partnership strategy encourages all interested parties to do what they can to support good governance.

It also encourages charities to join umbrella bodies and networks that provide advice, support and, in some cases, simplified access to the Commission's services.

Directory of partner organisations

We urge all trustees to consider how their charity might benefit from being part of a wider network. Charity umbrella bodies provide a great deal of practical support and most charities can gain from becoming a member or using their services. In December 2012, we published new pages on our website that help charities to find help from among more than 40 umbrella organisations offering advice and support. The pages also explain how we are working with each organisation – for instance by co-ordinating applications for charity registration. As well as professional advice groups such as the Institute for Chartered Accountants in England and Wales (ICAEW), and the Institute of Chartered Secretaries and Administrators (ICSA), the directory includes support bodies such as the Ethical Property Foundation which helps charities and community groups make the best use of their property for society and the environment. The list is not exhaustive, as it only includes groups we are currently working with as part of our partnership strategy. But it's a good place for charities to start their search for support and help.

Charity-led quality assessments

Perhaps the best example of charities taking responsibility for their own good governance can be found in the various quality systems which have been created to assess the effectiveness of individual charities. We have had a programme of endorsing the most demanding of these systems since 2006 and, this year, revised our terms and conditions to ensure that charities assessed by endorsed systems meet robust standards. We will be raising awareness of endorsed standards to help increase the numbers of legally-compliant charities in which the public, funders and service-commissioners can have confidence.

Charity review projects – new findings

In order to apply our resources effectively, we need an up-to-date understanding of trustees' strengths and weaknesses and of the risks facing charities. To help us improve our intelligence in this area, we launched a charity review programme in 2011. Our selected partners coordinate individual review projects which offer charities free and confidential governance reviews, where both the reviewers and the charities have volunteered to take part. The partner then reports the collated findings anonymously to us.

This year, the results of two review projects were published. In May 2012, the Institute for Chartered Accountants in England and Wales (ICAEW) published a report of its first project, which focused on financial controls and risk awareness in charities with incomes of less than £5m. The project found that participating charities were strong in terms of strategy and planning but demonstrated weaknesses in their approach to fraud prevention. The project also

found gaps in trustees' financial management skills. In January 2013, we published our response to the project, in which, among other things, we suggested developing a trustees' guide to using the SORP (Statement of Recommended Practice) to accompany the new version of the SORP, expected in 2015.

In April 2013, the Institute of Chartered Secretaries and Administrators (ICSA) published the results of its project which looked at the conduct of charities registered within the past two years. They found that, overall, the reviewed charities demonstrated that they understood the importance of good governance, but were not always putting practical steps in place to embed good governance principles into their day-to-day work.

In June 2013, the ICAEW announced the subject of their second review project, which will focus on strategic business planning in charities. We are using these first projects to pilot the review programme, and are hoping in future to collaborate with more partners, including charities, on a range of governance topics.

Governance in Welsh charities

This year, the Commission's Wales Operations team, based in Newport, surveyed the trustees of over 500 of the largest Welsh charities to find out how well they think they are running their charities and where they need to improve. This proactive initiative was successful in stimulating widespread internal reviews, highlighting important guidance in the Good Governance Code and strengthening our close working relationship with the Wales Council for Voluntary Action (WCVA).

The survey found that a large majority of respondents - 90% - scored themselves as being 'extremely' or 'very' good at managing their charities. However, they did recognise real need for improvement, especially in terms of attracting new, younger and more diverse trustees. The survey also found that 48% of charities in Wales receive more than half their income from publicly-funded or grant-making bodies.

SOCIAL INVESTMENT RESEARCH

In March 2013, we published an independent research report into charities and social investment, as well as our analysis of the findings. The research, carried out by the Institute for Voluntary Action Research (IVAR) explored the regulatory risks, challenges and opportunities facing charities making and receiving social investments. It found that a shared sense of mission and good governance processes were strong indicators of successful social investment partnerships. However, the report revealed that some participants in social investment projects were not aware of the implications of the charity law framework. In our analysis, we stress that trustees should make sure that the partners they

work with are aware of their organisational status as a charity that exists for public benefit. The research follows the publication of our revised investment guidance in 2011.

OUR INTERNATIONAL PROGRAMME – PROMOTING GOOD REGULATORY PRACTICE AROUND THE WORLD

Our International Programme (IP) has operated for just under 10 years. In that time it has become the leading provider of assistance to overseas governments in the form of advice and training about protecting the NGO (non-governmental organisation) sector against financial abuse. It is funded mainly by the Foreign and Commonwealth Office. Since 2010, it has received additional project-based funding from other sources, including the Canadian government and the Baring Foundation.

The IP tries to help charities to navigate these issues, by supporting governments in other countries who wish to do so to develop effective, proportionate regulation that allows charitable bodies in their jurisdictions to flourish and that helps to prevent and to tackle abuse.



Thousands of UK charities work with partners around the world

The charities we regulate are based in England and Wales, but thousands of them operate beyond our borders in countries around the world. Often, the most effective way for these charities to further their objects is to work in partnership with local charities. The public in England and Wales gives generously to charities working internationally, and therefore has a direct interest in good charity governance around the world. This is a difficult area because the regulatory frameworks in some countries do not necessarily prescribe adequately for high standards of governance that allow charities to carry out their work effectively and without risk.

Sharing expertise internationally

This year, we have continued our work to promote effective regulation at the highest international level. In November, Commission staff gave a presentation on our work at a UN Security Council (UNSC) special meeting, which attracted over 200 participants from 80 countries. Our contribution to the meeting prompted the President of the UNSC to call on governments around the world to tackle potential abuse in non-profit organisations within their jurisdiction.

We have also continued to co-organise a series of regional workshops under the auspices of the UN. The project began with a global meeting in London in 2011 and has since conducted five regional conferences in South East Asia, Asia Pacific, Sub Saharan Africa, the Gulf and South America. The workshops have advised governments by providing technical expertise and support – for instance on effective registration, reporting and monitoring of charities.

The findings of these events were discussed in a major UN event which we co-organised in New York in March. At that meeting the Charity Commission was acknowledged as the leading charity regulator in the world, and a number of UN bodies and UN Member States commended the Commission on its work and role.

In November, we hosted in London an international regulators conference with a number of international regulators from the anglosphere that operate under common law jurisdictions similar to our own, namely Australia, Canada, Ireland, Northern Ireland, New Zealand, Scotland and the USA. This was the sixth conference to be held as part of this series and it was an opportunity for participating countries to discuss legal and regulatory issues in their respective jurisdictions. As part of the conference, we organised a meeting in Parliament on regulatory challenges facing charities and NGOs working in difficult environments around the world. This event attracted a wide range of charities, other government departments, Parliamentarians and others who had an interest in this issue.

Supporting governments in the Gulf, Sub-Saharan Africa and South East Asia

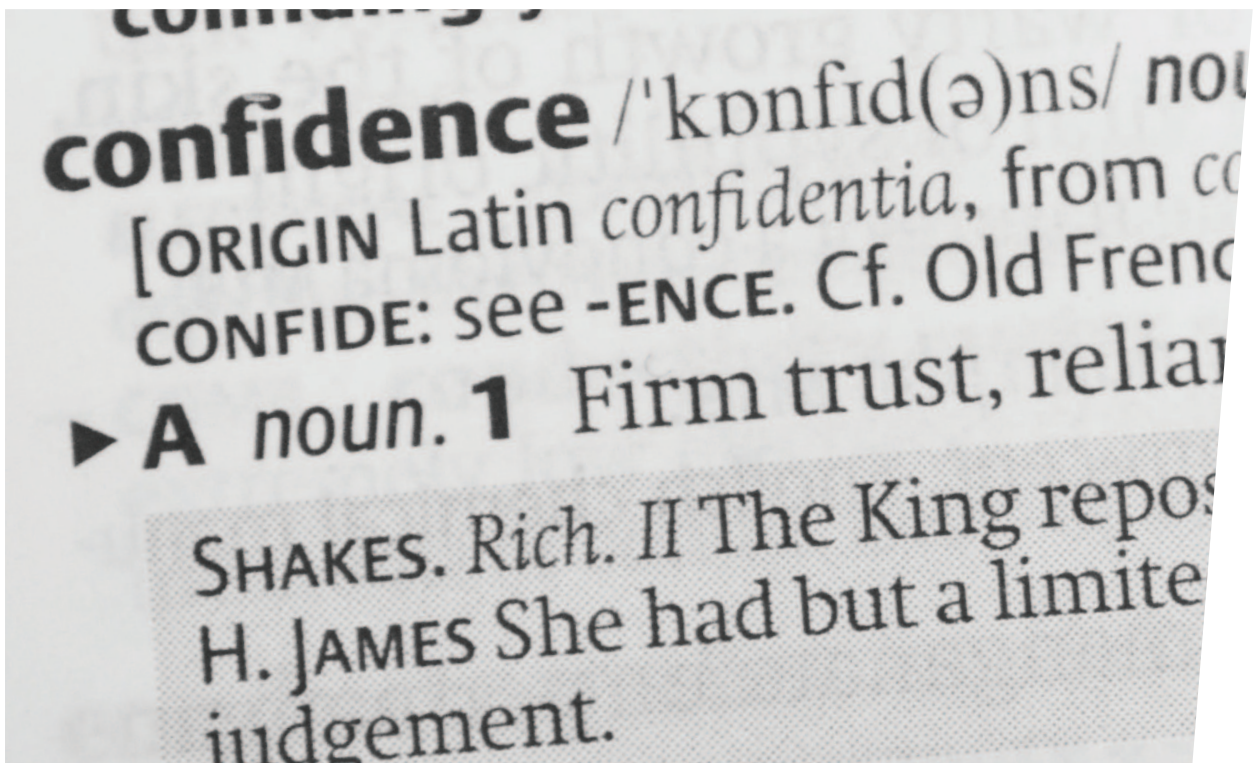
An important part of the IP's work lies in the provision of bilateral support to other governments. Our support comes in the form of workshops, training sessions and technical advice. We promote models of best practice in proportionate regulation.

This year, we have worked with governments in the Gulf, including Qatar, Kuwait, Bahrain, the United Arab Emirates and Saudi Arabia, and in Africa with a major project in South Africa.

Our three-year technical assistance project in Indonesia concluded this year. Funded by the Canadian government, the project helped officials at the Indonesian Ministry of Social Affairs develop new systems for NGO registration, as well as new monitoring and investigation processes. During the project we trained over 500 staff in 29 separate training events across the country. We also designed a new electronic public database, which currently holds over 18,000 NGO profiles ensuring that the Ministry has access to accurate, up-to-date information on which types of social welfare NGOs are operating in the country. This will contribute significantly to higher standards of accountability and public and donor confidence in NGOs, and will help UK charities wishing to work in Indonesia.

04

ENSURING THE PUBLIC KNOW WHAT CHARITIES DO



As the Chairman reminds us at the beginning of this report, charities have been deeply woven into the living tapestry of British society for centuries. They are much respected. **THE PUBLIC TRUSTS AND HAS CONFIDENCE IN CHARITIES.** The most recent independent research, published in July 2012, shows that charities are among the most trusted groups in society. The research was commissioned by us and carried out by Ipsos Mori and revealed that overall levels of trust reported has increased slightly since the last survey; charities now score 6.7 out of 10, up from 6.6 in 2010.

Other key findings included:

- **96%** of the public say the role of charities is important, very important or essential
- the number of people who feel charities play an 'essential' role in society has increased (**37%** compared to **30%** in 2010)
- **96%** believe charities should provide people with information on how they spend their money
- **94%** believe charities should provide people with information about how they benefit the public
- **98%** say the Commission's role is essential, very or fairly important
- the most common reason some charities are trusted **less** is not knowing how their money is spent (**36%** who trust certain charities less than others mention this).

All charities rely on this support; even charities that are not funded from individual donations benefit from the generous tax privileges that charity status confers. This means the public is entitled to information about the way charities are managed. We help them access that information by holding the register of charities and displaying information about each registered charity online.

ACCOUNTABILITY

Promoting accountability is one of our strategic aims. This year, we have continued to focus on ensuring charities file their annual information on time and online, and on improving public access to that information via the online Register.

- **82%** of charities filed their Annual Return on time (84% last year)
- **85%** of charities filed their accounts on time (86% last year)
- **99%** of the sector's income is accounted for in Annual Returns and accounts filed this year.

We do all we can to encourage trustees to file online and on time. Charities that are overdue in filing their annual documents are marked with a big red box against the online Register. Charities that have filed later in any of the previous five financial years will also see that reflected against their online Register entries. This is to help the public identify charities that have not kept up with their paperwork.

This year, we conducted a local press campaign, telling papers and radio stations across England and Wales how to check whether charities in their patch had filed on time. Many journalists used this information to inform their readers about publicly-funded local charities that defaulted on their annual information.

Information to help the public understand what charities do

The online Annual Return is used to gather up-to-date information that we and the public need to know about charities. We publish most of this information on the online Register, but some information that we use for regulatory purposes, such as information about trustees, we don't make public. This year, we consulted with charities and the public about the questions we ask both at the point that charities register and in the Annual Return, to make sure we're asking the right questions. That consultation revealed that few respondents felt we ask too many questions – only 8 of 103 respondents said there is information we should stop collecting.

We considered responses to that consultation when developing the Annual Return 2013 (AR13), which was launched in January 2013. AR13 does not look markedly different to the previous version, but trustees are now additionally asked whether their charity is registered for Gift Aid, whether the charity owns or leases land or buildings, and whether the charity's land or buildings are used for the charity's own purposes. Some further developments to the Annual Return are planned for 2014.

Improving the online Register

This year, we continued to improve the functionality of the online Register. In April 2012, we launched a range of new pages that display information about charities in different ways. For example, we now host a page showing a graphical overview of the sector, including information about total charity income and expenditure, trustees, staff members and volunteers and charity assets. We have also continued to improve the search functions of the online Register – the public can now search for the top 50 charities by income size, number of staff members and total investments. This search also allows the public to search for the largest charities that have failed to file their annual documents on time. This year, charities’ details were viewed 6 million times online.

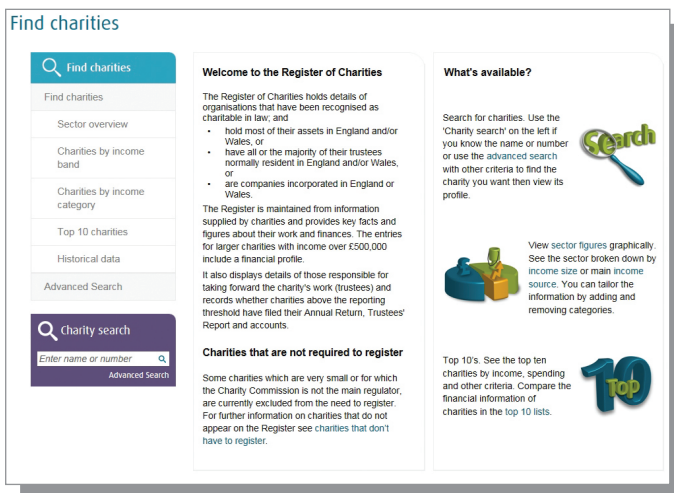
2 in 5 charity donors don't make checks when approached for donations

Independent ICM poll commissioned by us and the Fundraising Standards Board

GIVING SAFELY

This year, we led a number of campaigns aimed at helping the public give to charity safely and with confidence. We know two in five people don't ask questions before giving to charity. Our safer giving campaigns remind the public how to find information about registered charities online. For example, they encourage people to ask collectors for ID and to answer questions about the charity they are fundraising for. These campaigns reassure the public that the vast majority of charity collections are genuine and that scams are rare and often easy to spot.

We launched campaigns over the religious festivals of Christmas and Ramadan, as these are times at which people are especially generous. In December 2012, we also published information for members of the public keen to support humanitarian work in Syria. We advised the public wherever possible to give to established charities with experience of working in high risk, insecure and dangerous environments. Our campaign also emphasised that funds raised for charitable purposes – even if they are not raised by an existing registered charity – fall within the Commission’s jurisdiction; those raising the funds take on responsibilities as charity trustees.



During the Olympic period in 2012, we issued advice on giving safely aimed in particular at visitors from outside the UK.

WELSH LANGUAGE PROVISION

The Commission is a bilingual regulator. The Commission is committed to this principle and to promoting its bilingual identity in Wales. This means that the Commission's website is available in both languages, as is our main guidance, online forms and quarterly newsletter to charity trustees, CC News. We are happy to correspond with charities or members of the public in Welsh, and when telephoning First Contact, all callers are given the option to talk to a Welsh speaker.

HELPING TO DEVELOP CHARITY LAW

In July last year, Lord Hodgson of Astley Abbotts published the findings of his review of the Charities Act 2006. This Act affected the legal framework under which both charities, and the Commission as regulator, operate. We contributed to Lord Hodgson's review by providing evidence and information. The final report *Trusted and independent – giving charity back to charities* broadly endorsed our approach as regulator, including the priorities set out in our

strategic plan. The Government provided its interim response in December 2012. At the time of writing, we await the Government's final response to the report's recommendations.

EXEMPT CHARITIES – DEVELOPING CONSISTENT REGULATION

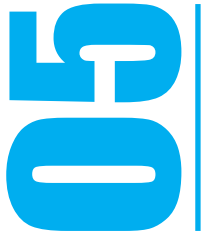
Not all charities have to be registered with the Commission. Some charities are 'exempt', which means that although they are charities and have to comply with charity law, they are not regulated or registered by us. Most exempt charities are now regulated by another government body – a principal regulator (the appointment of principal regulators is on-going). This includes, for example, Academies, whose principal regulator is the Department for Education, and many universities, whose principal regulator is the Higher Education Funding Council for England (HEFCE). We work closely with the principal regulators to make sure they understand charity law and can hold the organisations they regulate to account as charities. In November, we hosted the first forum bringing principal regulators together. The event helped train and support our colleagues within the principal regulators.

99%

INCOME ACCOUNTED FOR

6M

VIEWS OF CHARITIES' DETAILS ONLINE



THIS YEAR IN FIGURES

EXTERNAL PERFORMANCE INDICATORS (EPIs)

The Commission has established 3 top-level EPIs to measure its performance in the following key business areas:

EPI 1: Economy, efficiency and effectiveness

For every £1,000 of Registered Charities Income, the Commission's running costs equate to 43p (2011-12: 47p). The target is to sustain a figure below 50p.

EPI 2: Quality of casework

The percentage of Commission casework or other pieces of work that has been reviewed as acceptable or better is 89% (2011-12: not measured). The target is 90%.

EPI 3: Overall level of public trust and confidence in charities

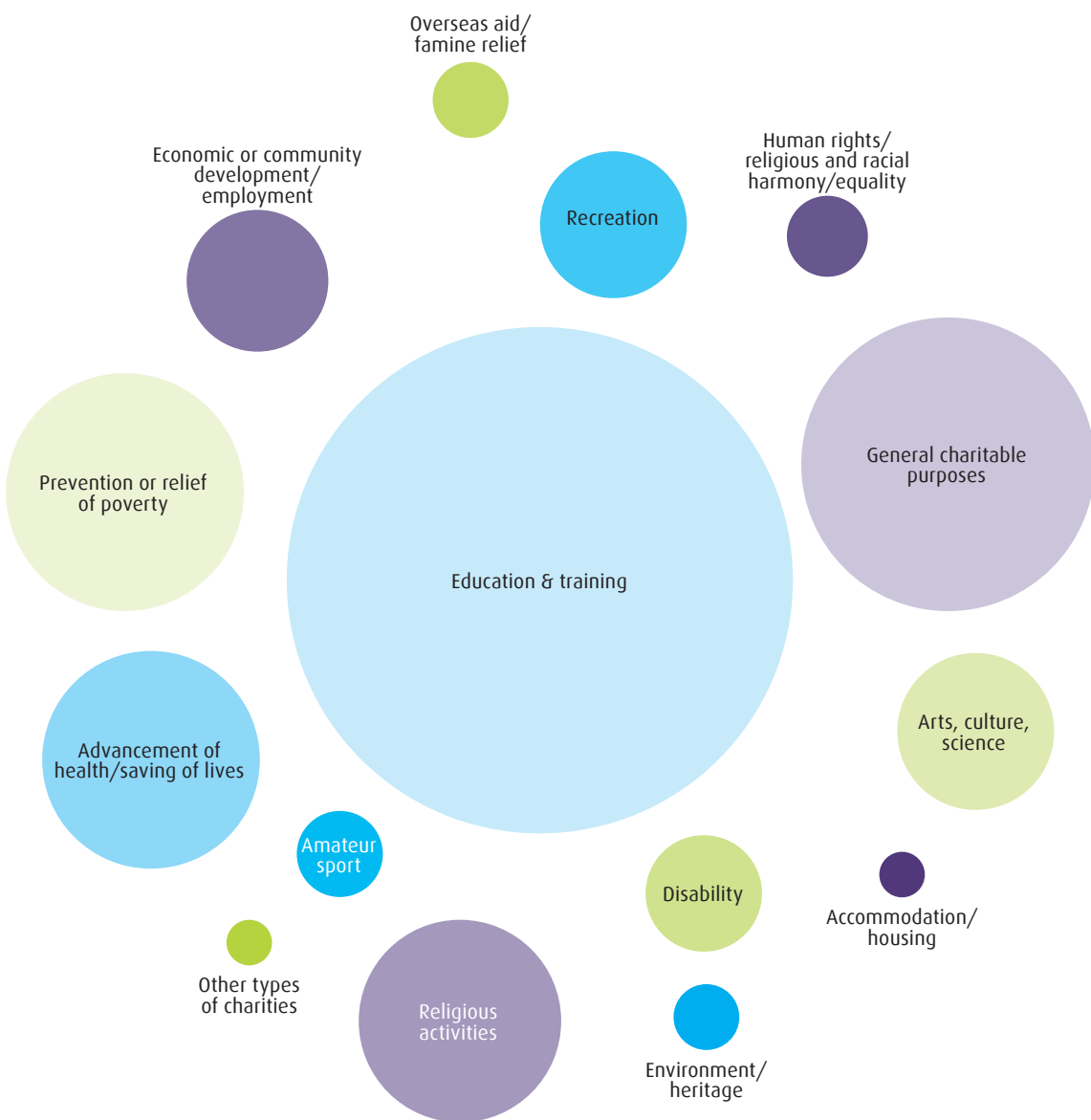
Based on an independent biennial survey, on a scale of zero (low) to ten (high), the level of public trust and confidence measured in 2012 was 6.7 (2010: 6.6). The target is a year-on-year improvement.

REGISTRATION

- **5,949** applications to register
- **4,714** charities registered
- **76** Charitable Incorporated Organisations registered
- **4,586** charities removed from register
- **36** registration applications refused

TYPES OF CHARITIES JOINING THE REGISTER

This graphic reflects the relative number of types of charities joining the register.



Total number of charities registered 4,714 - some charities come under more than one type.

FIRST CONTACT (FC)

- **94,079** phone calls to our call centre
- **62,581** e-mails logged in FC
- **14,968** letters logged in FC
- **596** Reports of Serious Incidents received
- **98** whistleblowing reports received
- **93%** contacts resolved within FC
- **1,538** formal consents given in FC
- **82%** Annual Returns filed within deadline
- **85%** accounts filed within deadline
- **99%** proportion of sector income accounted for in accounts filed

TEN MOST COMMON QUERIES RAISED IN PHONE CALLS TO FIRST CONTACT

1. We want to change our correspondent/email address
2. How do I get a password?
3. How do I start a charity?
4. What exactly do we need to submit?
5. I want a copy of a charity's governing document
6. How do I register as a CIO?
7. How do I complete the annual return online?
8. Have you received our accounts?
9. Can I submit a paper Annual Return?
10. How do we update our trustee details?

TEN MOST COMMON ISSUES RAISED IN E-MAILS/LETTERS TO FIRST CONTACT

1.	Amendments to governing documents
2.	Complaints against charities
3.	Trustee duties and responsibilities
4.	Land queries
5.	Closing or merging a charity
6.	Charity details
7.	How to register
8.	Remuneration queries
9.	Annual Returns and Accounts
10.	Fundraising, Trading or Investments

OPERATIONS TEAMS

- **2,950** cases completed
(1,232 compliance cases and 1,718 permissions cases)
- **2,622** cases opened
(1,513 compliance cases and 1,109 permissions cases)

FIVE MOST COMMON AREAS OF CONCERN IN OPERATIONAL COMPLIANCE CASES

1.	Concerns about governance (including problems with trustees' roles and responsibilities)
2.	Concerns about financial or funding issues (including problems with fraud or misapplied funds, or concerns about accounting)
3.	Concerns about charitable status (such as issues arising from mergers, incorporations or conversion to community interest company)
4.	Issues arising from complaints or decision reviews (including where a charity has queried a decision we have previously made)
5.	Serious non-compliance (including concerns about vulnerable beneficiaries).

FIVE MOST COMMON ISSUES IN OPERATIONAL PERMISSIONS CASES

1. Requests to alter a charity's governing documents
2. Requests for permissions around land/property
3. Issues around wills
4. Requests for permission for ex-gratia payments
5. Issues around charity legal proceedings

INVESTIGATION AND ENFORCEMENT

- **5** statutory inquiries concluded
- **15** statutory inquiries opened
- **24** non-inquiry investigations concluded
- **84** assessment cases concluded
- **87** assessment cases opened
- **71** monitoring cases concluded
- **42** monitoring cases opened
- We used our statutory powers on **74** occasions during statutory inquiries

CONCERNS FEATURED IN INVESTIGATIONS CLOSED THIS YEAR

- Failures of trusteeship (featured in **44** cases)
- Allegations of Fraud (featured in **12** cases)
- Accounting issues (featured in **12** cases)
- Suspicions charity may be a sham (featured in **8** cases)
- Criminal activity (not fraud) (featured in **7** cases)
- Failure to comply with charity's governing document (featured in **6** cases)
- Fundraising problems (featured in **5** cases)
- Issues around trading companies/commercial matters (featured in **4** cases)
- Land/property issues (featured in **3** cases)
- Employment issues (featured in **3** cases)
- Concerns about vulnerable beneficiaries (featured in **2** cases)
- Political activities (featured in **1** case)

SOURCES OF CONCERNS IN INVESTIGATIONS CLOSED THIS YEAR

- Our own work identified **15** cases
- The public alerted us to **5** cases
- Other government departments alerted us to **4** cases
- Professional advisers (eg accountants for charities) alerted us to **3** cases
- Police and law enforcement agencies alerted us to **1** case
- Charities alerted us to **1** case

COMMISSION SERVICES AND COMPLAINTS

- **680** Freedom of Information requests responded to
- **52** complaints dealt with by the Business Assurance Team *
- **5** complaints fully upheld
- **5** complaints partially upheld
- **10** Commission cases adjudicated by Parliamentary Health Service Ombudsman (PHSO) **
- **0** cases of judgement against the CC by PHSO ***

* This is the number of cases dealt with by the BAT at Stage 2 of the complaints process. Complaints at Stage 1 are dealt with by the original business areas and are not included in these figures.

** Of these 10 cases, only 1 proceeded beyond the PHSO's initial assessment stage. That 1 case was not upheld.

*** Although there were no judgments against the CC on a fully investigated case, in 1 of those which did not go beyond initial assessment, it was recommended that we give an apology for minor handling failures.



OUR COMMITMENT TO BETTER REGULATION

As part of the Government's programme of promoting Better Regulation, we are required to explain what steps we take to ensure that we are neither too heavy-handed, nor too light in the conduct of regulation. We welcome this opportunity.

THE CHARITY COMMISSION IS COMMITTED TO THE REGULATION OF CHARITIES. While our focus must be on promoting compliance and accountability in the sector, we are also committed to ensuring our approach is proportionate and does not place excessive burdens on charities.

ONE-IN, TWO-OUT

The primary regulation for which we are responsible is the Annual Return regulation. The framework is proportionate, in that it takes account of charities' size, requiring more detailed reporting from larger charities than those with small incomes, which are likely to be managed entirely by volunteers. Our approach to the annual reporting framework for charities is set out in Part 4.

2012-13 also saw the introduction of the long awaited new legal structure for charities, the Charitable Incorporated Organisation (CIO). This allows charities to benefit from a corporate structure without all the associated burdens of being a company. For further detail on this, please see Part 2.

We are committed to ensuring that any additional requirements placed on charities are accompanied by a review of existing requirements.

More specifically the main focus of our efforts to improve the charity regulation framework is, as mentioned below, via the continuing review of charity legislation including Lord Hodgson's review of the Charities Act (the Hodgson review – see Part 4).

RED TAPE CHALLENGE

We have continued to contribute to the work being done to review charity legislation. We submitted proposals to the Hodgson review, drawing on Better Regulation principles to make it easier for trustees to run their charities as they think best. In particular, many of them would reduce the need for charities to obtain our permission to act and all would reduce the burden on trustees and charities. The Hodgson review recommended various changes that will reduce the burden of regulation and we look forward to offering further support as they are considered by the Law Commission's charity law project.

Applying a similar approach to the regulatory framework as it is, we continue to develop a range of online forms to streamline our processes to make it easier for charity trustees to interact with the Commission. This year, we have introduced new or improved online forms in several areas including changing a charity's name or governing document, spending Permanent Endowment and requests for a governing document or other documentation. We continue to look for improvements in this area.

We are also in discussions with Companies House and HMRC to explore and develop options for removing duplication in the way charities submit accounts and reports and for developing a single application process to ourselves and HMRC.

SUNSET REGULATIONS

We review our Annual Return regulations every year and will include a sunset clause in regulations on the Total Return approach to investment that we are preparing in connection with the Trusts (Capital and Income) Act 2013.

IMPACT ASSESSMENT

We are preparing an Impact assessment for the regulations on Total Return mentioned above.

ALTERNATIVES TO REGULATION

Our proactive approach to regulation and our risk framework help us prioritise our resources so that we focus on preventing abuse in the first place. This reduces the need for direct regulatory intervention in individual charities.

An example of this is our approach to promoting compliance with the Annual Return reporting framework. As set out in Part 4 of this report, our work here includes conducting local media campaigns encouraging journalists to challenge charities in their local area that have failed to file their Annual Return or accounts.

We continue to develop and expand our recently enhanced approach to working with our partners in the sector and beyond to promote good governance and compliance. Promoting self-reliance among charities is a further example of proactive regulation that recognises alternatives to direct regulatory interventions.

EU REGULATIONS

We responded to the BIS consultation on proposals to implement in the UK the European Directive exempting micro-entities from certain financial reporting obligations.



RESOURCE ACCOUNTS

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MANAGEMENT COMMENTARY

This management commentary is prepared and published as part of the Charity Commission's (the Commission's) Resource Accounts for 2012-13, as required by the Financial Reporting Manual (FRM) produced by HM Treasury.

Results for the year

The overall financial position remains satisfactory, the Commission having managed a 3% reduction in its funding compared to the previous financial year, and positioned itself ready to respond to an even greater challenge in 2013-14 when a further funding reduction of 13% will occur. To help meet this challenge, the Treasury's budget exchange mechanism has been utilised to carry forward £0.4 million of funding from this year into 2013-14.

The resource accounts report a small revenue surplus of £0.4 million (2011-12: £0.34 million), which represents 1.5% of our funding for the year. The surplus is mainly attributed to a lower than anticipated spend on the move to our new London office, together with lower legal and contractual settlement costs, reflecting an improved outcome in this area for the Commission during 2012-13.

The Commission has successfully delivered the first year of its 2012-15 Strategic Plan, details of which are set out within the Annual Report section of this document and on our website at: www.charitycommission.gov.uk

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 and Audit Committee Members 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 declared, transparent and 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 or Audit Committee Member or senior civil servant 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 if required withdraw from related Commission business and discussions.

The Commission's approach to conflict of interest issues and its Register of Interests listing all relevant interests, both current and past, of Board and Committee Members and the Chief Executive are published on our website at: www.charitycommission.gov.uk

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 services were provided by the NAO. The notional cost of audit work was £56,000 (£59,400 for 2011-12) and was met by the Commission. In addition, a fee of £1,000 was charged to the Commission in 2012-13 for the audit of the Official Custodian of Charities' 2012-13 Financial Statements (£1,800 in 2011-12).

So far as the Accounting Officer is aware, there is no relevant audit information of which the NAO are 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 are aware of that information. "Relevant audit information" means information needed by the NAO to prepare their audit report.

Payment of Suppliers

The Commission is committed to the Confederation of British Industry's (CBI) Better Payment Practice Code and aims to pay all undisputed invoices within 10 days of the later of receipt of goods and services and receipt of the invoice. During the year, the percentage of invoices paid within 10 days was 97% (87% in 2011-12).

Risk Management

Our risk management activity is directed at identifying and addressing risks upfront rather than dealing with their consequences. Our approach considers both the likelihood and the impact of specific risks. In particular we seek to:

- safeguard our services, reputation, projects, assets and information security and minimise the possibility of any organisational failure; and,
- identify report and manage risks that are directly linked to the achievement of our aims, objectives and priorities and monitoring them on a regular basis.

The risk management system we operate was in place throughout the year with each SMT member responsible for managing risks within their own function. Our strategic Risk Register (SRR) catalogues each risk and its trend and is reviewed and revised by SMT at each of their monthly meetings. The SRR is reviewed at periodic meetings of the Audit Committee and considered twice per year by the Board.

Our Funding

Our baseline revenue funding for 2012-13 was £26m. The following table sets out our funding limits for the Spending Review period (2010-11 to 2014-15). The Annual Report provides further commentary on how the Commission reviewed its activities and priorities, restructuring to operate within these reduced funding levels.

Funding limits for the Charity Commission for the Spending Review period (nominal terms)	Year 1 2010-11 (£'000)	Year 2 2011-12 (£'000)	Year 3 2012-13 (£'000)	Year 4 2013-14 (£'000)	Year 5 2014-15 (£'000)
Total Revenue DEL:	29,334	27,580	26,020	22,690	21,372
of which non-ring-fenced	0	26,100	25,250	21,890	20,520
of which ring-fenced for depreciation	0	1,480	770	800	850
Total Capital DEL	700	493	361	325	412
<i>Annual reduction in non-ring-fenced revenue DEL</i>	3%	6%	3%	13%	6%

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 form of accountability 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:

	Revenue DEL (£'000)	Capital DEL (£'000)	Net Cash Requirement (£'000)
Expenditure limits set at the start of the year and subsequent adjustments			
Main Estimate	26,420	361	25,941
Supplementary Estimate	(400)	-	(400)
Final limit	26,020	361	25,541
Performance against limits			
Expenditure incurred	25,617	360	-
Cash drawn down	-	-	25,404
Performance within funding limit?	✓	✓	✓

Our Staff

The following table demonstrates how the Commission's workforce has changed over the last two years.

		31 Mar 2013	31 Mar 2012	31 Mar 2011
Payroll staff	Number in post	305	337	405
Agency staff	Number in post	4	1	6
Workforce shape	Staff at Pay Band 3 and below	113	130	166
	Staff at Pay Band 4 and above, excluding SCS	187	200	231
	Senior civil servants	5	7	8
Workforce diversity	BME in full	4.7%	5.8%	5.5%
	Women	51.2%	53.2%	56.2%
	Disabled	10.3%	12.9%	13.4%
Attendance	Average working days lost	5.9 days	6.1 days	8.3 days
Civil Service People Survey	Engagement Index %	58%	55%	55%
Pay Multiple	(ratio between highest and lowest paid)	8.34	8.22	8.22

Note: the staffing numbers/workforce shape are full time employees.

Improving organisational culture and employee engagement

We are committed to an inclusive and open culture and recognise that staff engagement is vital to the Commission's success. Senior management promotes a spirit of cooperation and partnership, in the interests of productivity, efficiency and the well-being of all Commission staff. This means an enabling culture of mutual respect, good internal communications, and timely consultation (and where appropriate negotiation) on issues affecting staff and their conditions of service. It also means running regular surveys and taking action on the results.

Since 2011 we have been taking part in the Civil Service People Survey and we use the results to prioritise action to maintain staff engagement. Our Civil Service staff engagement index has increased to 58% (from 55% for 2012 and 2011). Productivity has also increased by reducing sickness absence from 6.1 working days per staff member to 5.9 days by March 2013.

The Commission is committed to maintaining effective employee relations, both directly between line managers and their staff, and indirectly between management and the two active trade unions (PCS and Fda). Our Chief Executive facilitates open staff sessions on each site regularly throughout the year to enable all staff to input ideas for improving the way we work and for consultation on key business/workforce issues. We meet with our trade unions monthly and more often when needed and we have managed to maintain good employee relations while we continue downsizing and face new workforce challenges under civil service reform.

We remain committed to investing in staff training and development and corporate training was delivered to meet all identified priorities for 2012/13. Satisfaction exceeded 90% for all training delivered.

Equality and diversity

The Commission is committed to equality and diversity. Following the implementation of the new Equality Act 2010 the Commission developed and implemented a new Equality Strategy in March 2012. Flowing from this we introduced in January 2013 a new framework for managing equality and diversity. Activities associated with the framework are designed to demonstrate how we are meeting our top level objectives; Promoting Equality in Employment and Promoting Equality in Regulation. In all our activities we aim to treat colleagues and customers fairly and with respect.

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

The Commission adheres to the Civil Service Code of Practice on the Employment of Disabled People. The Code issues 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. This is reflected in the proportion of Commission staff with a declared disability, which at 10.3%, compares well with the Civil Service average of 8%.

We also participate in the "two ticks" guaranteed interview scheme for job applicants with a disability, and have an active Disability Forum for the benefit and support of staff.

Social and community issues

The Commission actively encourages staff to get involved in social and community issues, in particular volunteering within the not for profit sector, and offers some paid time off to do so.

SUSTAINABILITY REPORT

We are committed to sustainable development and reducing the impact of our activities on the environment. This is being achieved through implementation of our Sustainability Action Plan, a copy of which can be found on our website. In addition, all Government Departments and Executive Agencies have mandated targets for reducing greenhouse gas emissions, waste and water consumption. These are known as SDiG targets (Sustainable Development in Government). Our performance against each of the four SDiG targets is set out below. Where our records are incomplete, we have made a reasonable estimate based on the information available. This is identified by an "(e)" in the performance tables below.

Greenhouse gas emissions

There are three different classifications of greenhouse gas emissions, known as Scopes:

- Scope 1: Direct emissions occurring from sources owned or controlled by the organisation, for example, emissions from combustible boilers and from organisation-owned fleet vehicles.
- Scope 2: Indirect emissions resulting from electricity consumed which is supplied by another party.
- Scope 3: Other indirect emissions. All other emissions which occur as a consequence of our activity but from sources which are not owned or controlled by the Commission. For example, emissions as a result of staff travel on public transport or work done on the Commission's behalf by its suppliers.

SDiG target	Commission performance	Target achieved
By 2015 we will reduce greenhouse gas emissions by 25% from a 09/10 baseline from the whole estate and business related transport.	Scope 1 and 2: 41% reduction (Note 1)	Yes
	Scope 3: 48% reduction (Note 2)	Yes

Detailed analysis of performance

		2009-10	2010-11	2011-12	2012-13
Non-financial indicators (tonnes of CO ₂)	Total gas emissions from Scopes 1 & 2	1,073	793	708	636
	Gross emissions Scope 3 Business travel	114	98	61	60
Related energy consumption (kwh)	Electricity	1,339,085	1,054,242	984,439	939,458
	Gas	1,212,870	700,315	613,408	791,786
	LPG	0	0	0	0
	Other	0	0	0	0
Financial indicators (£k)	Expenditure on Energy	186	130	135	141
	CRC Licence Expenditure	0	3	1	1
	Expenditure on Official Business Travel	381	278	213	237

Note 1: For Scopes 1 and 2, data is only available for our Liverpool and Taunton offices. Data is unavailable for our London and Newport offices as these services are provided by the landlord and recharged to the Commission as part of the service charge.

Note 2: Scope 3 covers all types of travel undertaken by Commission staff and the use of couriers.

Waste

SDiG target	Commission performance	Target Achieved
By 2015 we will reduce the amount of waste we generate by 25% from a 2009/10 baseline	<p>We are on course to reduce the amount of waste we generate by 2015.</p> <p>We have reduced the amount of paper we use by 5% (e) from 2011/12 to 2012/13</p>	Expected

Detailed analysis of performance

			2009-10	2010-11	2011-12	2012-13
Non-Financial Indicators	Hazardous waste	The Commission does not generate hazardous waste				
Weight (tonnes)	Non hazardous waste	Landfill	47	9(e)	4(e)	10
		Reused/Recycled	80	60(e)	55	57
		Incinerated/energy from waste	0	0	0	0
Financial Indicators	Hazardous waste	The Commission does not generate hazardous waste.				
Disposal Costs (£k)	Non Hazardous waste	Landfill	3	3	1	2
		Reused/Recycled	11	14	12	12
		Incinerated/energy from waste	0	0	0	0

Water Consumption

SDiG target	Commission performance	Target achieved
By 2015 we will reduce water consumption from a 2009/10 baseline and report on office water use against best practice benchmarks	Water continues to reduce, but when reporting against best practice benchmarks we reflect poor practice in both our offices.	Yes Water has decreased by 41% since 2009/10. We now need to work on matching best practice benchmarks.

Detailed analysis of performance

			2009-10	2010-11	2011-12	2012-13
Non-Financial Indicators (cubic metres)	Water Consumption	Supplied	4,488	3,197 (e)	2,495 (e)	2,682 (e)
		Abstracted	0	0	0	0
Financial Indicators (£'000)	Water supply costs		8	7(e)	6 (e)	8(e)

The above tables have been prepared in accordance with guidelines laid down by HM Treasury in “Public Sector Sustainability Reporting” published at www.financial-reporting.gov.uk. Defra/DECC greenhouse gas Conversion Factors were used to calculate our CO2 emissions.

Other actions taken to promote sustainability

We implement sustainable procurement, following Office of Government Commerce best practices, which means that we only purchase goods and services that are really needed and buy items whose production, use and disposal minimise negative impacts on the environment and society. An example is paper from a company that uses a ‘closed loop’ system; this means that the paper they deliver is made entirely from customers’ used paper.

We relocated our London office reducing the space we occupy from 1200 square metres to 600 square metres.

We are also implementing several aspects of the Greening Government ICT Report including actions such as:

- Migrating from our PC-based desktop service onto a shared hosted solution supplemented by laptops to reduce power and cooling demands across all our sites.
- Completing a rationalisation of our Local Area Network with a newer energy efficient range of devices.

REMUNERATION REPORT

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise. All appointments are overseen by the Office of the Commissioner for Public Appointments.

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.

Further information about the work of the Civil Service Commission can be found at:

www.civilservicecommission.org.uk

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)

	2012-13 Salary (£'000)	2012-13 Bonus payments (£'000)	2011-12 Salary (£'000)	2011-12 Bonus payments (£'000)
Dame Suzi Leather DBE * Chair (to 31 July 2012)	30-35 (80-85 full year equivalent)	0	80-85	0
William Shawcross CVO Chair (from 1 October 2012)	20-25 (50-55 full year equivalent)	0	0	0
Sam Younger CBE ** Chief Executive	130-135	0-5	130-135	0-5
Simon Jones Board Member (to 28 July 2012)	0-5 (5-10 full year equivalent)	0	5-10	0
Sharmila Nebhrajani Board Member	5-10	0	5-10	0
Theo Sowa CBE Board Member	5-10	0	5-10	0
Simon Wethered Board Member	15-20	0	15-20	0
John Wood Board Member	15-20	0	15-20	0
John Knight CBE Board Member	5-10	0	5-10	0
Highest Earner's Total Remuneration (£'000)	130-135		130-135	
Median Total Remuneration of all staff	28,496		28,379	
Ratio	4.7		4.6	

* Dame Suzi Leather was a part time non-executive appointed on a three year fixed term contract, which was extended by a further three years. Dame Suzi's home base was out of London. In addition to the above, and in accordance with her contract of employment, Dame Suzi incurred £3,760 in hotel and travel costs to allow her to fulfil her Charity Commission commitments in London (£11,529 in 2011-12). The Charity Commission meets the resulting tax liability for these costs.

No other benefits in kind were paid to the above officials.

** Sam Younger CBE was appointed for a period of three years commencing on 1 September 2010.

All Board Members serving in 2012-13 were appointed on three year fixed-term appointments, with the option of extension or reappointment (the dates of these appointments are listed in Annex A of the Governance Statement). Each received a daily fee of £350. No pension contributions are paid. Christopher Daws received £0 to £5,000, at the same daily rate in remuneration for duties as the independent non-executive member of the Audit Committee (£0 to £5,000 in 2011-12).

"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.

The Remuneration Report for 2011-12 included details of the remuneration of Kenneth Dibble and Nick Allaway as these officials were Directors for part of the financial year. As this is no longer the case their remuneration is not included within the 2012-13 remuneration report.

Reimbursement of expenses

Expenses claimed by Board Members are in respect of actual receipted expenditure for travel, subsistence and accommodation. For the Chair, Chief Executive, 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 2012-13, the Commission published on its website details of expenses claimed by the Chair, Board Members and the Chief Executive on a quarterly basis.

Pension Benefits (audited)

	Accrued pension at age 60 at 31 March 2013 and related lump sum (£'000)	Real increase in pension and related lump sum at age 60 (£'000)	CETV at 31 March 2013 (£'000)	CETV at 31 March 2012 (£'000)	Real increase in CETV (£'000)
Suzi Leather DBE Chair	15-20 Plus 51-52 Lump sum	(0-2.5) Plus (0-2.5) Lump sum	353	344	(5)
Sam Younger CBE Chief Executive	5-10	2.5-5	130	77	38

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 Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for classic and 3.5% and 5.9% for premium, classic plus and nuvos. Increases to employee contribution rates will apply from 1 April 2013. 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 initial 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 for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos, a member builds up a pension based on his/her pensionable earnings during his/her 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 Pensions Increase legislation. In all cases, members may opt to give up (commute) pension for a 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 Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/pensions>

Details of the payments made by the Commission in respect of pensions are set out in Note 7 to the Resource Accounts.

Cash Equivalent Transfer Values (CETV)

A Cash Equivalent Transfer Value 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 member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendments) Regulations 2008 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 that is funded by the employer. It does not include the increase in accrued pension due to inflation, 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.

Civil Service voluntary exit packages

No Board Members or senior executive officials left under the Civil Service Compensation Scheme (CSCS) Voluntary Exit terms in 2012-13.

Review of Tax Arrangements of Public Sector Appointees

As part of the *Review of Tax Arrangements of Public Sector Appointees* published by the Chief Secretary to the Treasury on 23 May 2012, Departments published information in relation to the number of off payroll engagements – at a cost of over £58,200 per annum – that were in place on 31 January 2012. Departments are now required to present two sets of data in relation to off payroll engagements in place as at 31 January 2012 and all new off payroll engagements between 23 August and 31 March for more than £220 per day and more than six months. The Commission has no appointees that meet the above criteria.

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 department 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, changes in taxpayers' equity 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*.

GOVERNANCE STATEMENT

1 Introduction

The Charity Commission (the Commission) is the independent registrar and regulator of charities for England and Wales. We are a Non Ministerial Government Department whose core role is to protect the public's interest in the integrity of charities.

In this statement I outline the way in which the Commission has exercised sound governance and stewardship in the delivery of its statutory role and responsibilities during 2012-13.

2 Accountability

We exercise formal accountability in several ways, including through:

- Our annual report laid before Parliament;
- Regular appearances before the Public Administration Select Committee;
- Appearances as required at other parliamentary committees, eg the Welsh Affairs Select Committee in June 2012;
- Delivery against formal performance indicators agreed by our Board;
- Review of complaints made about us by members of the public and to the Parliamentary and Health Service Ombudsman;
- Publishing reports about our work; and,
- Independent review of certain of our statutory decisions at the first-tier Tribunal (charities).

3 Governance

Strategic oversight and support to the Commission is provided by a non executive Board, led by our Chairman, William Shawcross, CVO. William joined us in October 2012 following the departure of Dame Suzi Leather whose term as Chair ended in July 2012. His appointment is for a period of 3 years.

Our Governance Framework sets out our approach to stewardship and the relative roles of non executive and executive officers. We have committed to reviewing this regularly to ensure that it remains suitable for our business and working methods and promotes Board effectiveness. Our next review will take place later in 2013.

Non Executive Officers - Our Board

Our Board is responsible for:

- Ensuring that the Commission fulfils its statutory objectives, general functions and duties and exercises appropriately the legal powers vested in it, under the Charities Act 2011 and other legislation;
- Determining the overall strategic direction of the Commission within resource limits;
- Monitoring the performance of the Chief Executive and his team, holding them to account for the exercise of their delegated powers and delivery against plans and budgets;
- Promoting and protecting the Commission's values, integrity, and reputation; and,
- Ensuring high standards of governance that command the confidence of all of the Commission's staff and stakeholders.

All non executive officers are expected to adhere to the Nolan Principles¹ in the discharge of their responsibilities. These are considered within their annual appraisals.

One Board member resigned in year after standing for political office. None of the interests declared by other Board members were considered to constitute a conflict.

In May 2013 the following new Board Members were appointed to replace those of the current Board whose term of office had come to an end: Peter Clarke, Tony Leifer, Nazo Moosa, Claire Dove, Orlando Fraser and Gwythian Prins. Eryl Besse joined us in June. We plan to undertake a structured review of Board effectiveness once the new members have had the opportunity to become established. At this time we will also audit its activity against the Corporate Governance Code.

Full details of all who served on the Board during the year can be found in section 6.

Key Coverage During the Year

Meeting on 6 occasions, the Board's focus for much of the 2012-13 cycle was to monitor business after the implementation of the new structure established by our 2011 strategic review. In addition to the quarterly discussions on finance, corporate performance and risk, other significant issues considered and approved in the year were:

- Our 2011-12 annual report to Parliament and accounts;
- Our approach and response to Lord Hodgson's report on the Review of the Charities Act;
- Our Staff Survey Action Plan;
- The establishment of a new Governance and Remuneration Committee;
- Supporting Board recruitment and succession planning;
- Monitoring progress against our 2012-15 strategic plan;
- Monitoring our project delivery for major ICT infrastructure renewal and office moves and restructuring in London and elsewhere;
- Our revised guidance on public benefit;
- Engagement with high profile cases such as the Preston Down Trust and Cup Trust; and,
- Considering improvements to trustee checks.

The Board was also engaged throughout the year with decision making or appeals on high profile cases in respect of registration or investigative work relating to charities.

During the year we held four public meetings in Birmingham, Cardiff, Newcastle and London, including our annual public meeting in September 2012. Stakeholders were invited to these meetings providing them with an opportunity to pose questions about our role and work.

Our Board's work is supplemented by two committees.

¹ The Seven Principles of Standards in Public Life, Lord Nolan 1995.

Audit Committee

Our Audit Committee (AC) was chaired by Sharmila Nebhrajani, one of our Board members, supported by an independent member appointed as a result of an open recruitment process. The AC takes a lead role in ensuring the adequacy of our governance arrangements, risk management processes and internal controls. Although usually supported by a third member, also from our Board, in-year changes to Board membership meant that this was not possible this year. Nonetheless, every meeting was quorate and the continuity provided by its Chair and independent member, who attended every meeting, meant that the AC was able to discharge its responsibility for providing assurance throughout the year. Internal and external audit attended all meetings and I attended regularly alongside our Heads of Business Services, Governance Risk and Assurance and Finance.

A key task during the year was oversight of a competitive tendering exercise for a new internal audit provider in preparation for the expiry of our supplier's contract in March 2013. Ultimately, we decided to opt into the Government's shared internal audit service and spent the latter part of the year working with our new provider, the Department for Business, Innovation and Skills, to communicate our audit needs and risk appetite to shape our programme for 2013-14. We are using the launch of our new service to refresh our approach to internal audit so that we can build the added-value from this investment in our business.

The AC scrutinises every internal audit and Business Assurance Review report to ensure that recommendations are fitting and proportionate and that management are progressing the actions agreed to address weaknesses and strengthen controls. It also regularly reviews the Strategic Risk Register, monitors high risk projects and select key performance indicators and provides high level scrutiny of performance and resourcing issues.

All instances of fraud, theft, bribery or whistleblowing or significant breaches of health and safety are reported to the AC.

Further coverage this year included an assessment of the risk of financial loss and a self-appraisal exercise to consider the AC's performance and effectiveness.

Regular reports were made to the Commission's Board in the form of minutes of each AC meeting, supplemented in May 2013 by an annual account of AC activity, in compliance with the Audit and Risk Assurance Committee Handbook.

The AC's terms of reference were last revised in April 2011 and we are presently mid-way through a fresh review to coincide with forthcoming changes in membership. Details of AC membership and attendance for the year are recorded in section 6.

Governance and Remuneration Committee

This year we completed a review of Governance arrangements and established our Governance and Remuneration Committee, replacing the Senior Civil Service (SCS) Pay Committee mid year. John Wood, Board member, chairs this Committee with membership details set out in section 6. Responsibilities for this committee include: ensuring that there are satisfactory systems for identifying and developing leadership and succession planning including for the Board); scrutinising our incentive structure and pay strategy; and, reviewing our governance arrangements. Before passing over the mantle, the SCS Pay Committee met in July 2012 to discuss, amongst other things, pay strategy and senior managers' objectives and appraisals.

At its inaugural meeting in January 2013, committee members reviewed their terms of reference, made suggestions intended to: strengthen decision-making in relation to taking up high risk contracts; clarify the Board's involvement in high profile cases; improve the Governance Framework; and, develop the appraisal process applied to non executive officers.

The Chief Executive and Senior Management Team

I work closely with the Commission's Board and its committees to determine vision and strategy for the Commission and to put in place plans that achieve our statutory duties in the most cost-effective way.

There is constant interaction between our Board and executive officers. I meet weekly with the Chair and frequently meet with other Board members outside of the regular cycle of formal Board and committee meetings. I report personally to every Board meeting, updating members on current issues and performance. I ensure that the Board understands current risk issues described in our Strategic Risk Register. I also update the Audit Committee and Governance and Remuneration Committee on risks and issues at each of their meetings. Supplementary ad hoc sub-committee meetings, and other meetings where Board members are invited to participate, such as our Quality Evaluation Panel and Diversity Steering Group, ensure that the relationship between our Board and SMT is effective in furthering the Commission's aims.

The SMT is responsible for delivery of the Commission's statutory objectives. In particular, it is responsible for delivering the Commission's strategic plan (which is developed by the Board), planning business activities, prudent stewardship of resources and management of financial and operational performance and risk. Meeting monthly, a primary focus of discussion during the year was our financial and operational performance and our Strategic Risk Register. We concentrated particularly on: revising operating procedures to maintain productivity and quality as the final changes in resources arising from our strategic review worked through; strategies to develop our workforce; an organisational efficiency review; a wide spectrum of financial sustainability issues; and, a new horizon-scanning process to ensure that our policy development and engagement with the sector reflected topical trends and issues.

As well as chairing SMT meetings, I meet separately with each senior manager every month to monitor progress against key corporate objectives and to provide direction on complex or high risk issues.

Our SMT members during the year are listed in section 7.

Regular meetings open to all staff take place on each of our sites so that updates on topical issues can be provided with staff given the opportunity to raise questions or give direct feedback. Further bi-annual performance reviews with senior managers from each function ensure that I am briefed on key achievements across the whole of the Commission, and that any risks or resourcing pressures that might impact on our ability to achieve organisational objectives can be tackled. I attend each meeting of the Commission's Project Group, which is established to monitor the delivery and spending on the Commission's various business improvement projects, and the committee framing the revised SORP (Statement of Recommended Practice) for charity accounting.

Within the year, I engaged regularly with parliamentarians and ministers to provide updates on our progress and keep abreast of developments. Along with our new chair, I appeared before the PASC in December 2012, to discuss the Commission's response to Lord Hodgson's review of the Charities Act 2006. William Shawcross and I further attended a hearing of the PAC in March 2013, along with HMRC, to discuss the Cup Trust case. The committee criticised our original registration of The Cup Trust as a charity and our subsequent investigation into the charity. It was registered in 2009 with general charitable objects and administered by a corporate foreign trustee. Some time later it began to participate in a scheme involving donors and complex gift transactions which required and resulted in donations being made to the charity. The success of the scheme for the trust depended on the charity being eligible to claim Gift Aid on the donations.

We first investigated the charity in 2010, but we concluded after careful consideration which included taking counsel's opinion, that the trust was legally constituted as a charity. Although we found the situation unsatisfactory, the Commission informed the charity that it would not make any further determination about its activities, pending the outcome of any HMRC decision on the success of the charity's Gift Aid claim.

We have continued to look at the trustee's handling of its responsibilities and duties and had on-going concerns about the charity. In April 2013, we opened a statutory inquiry into The Cup Trust, after receiving new information from HMRC about significant recent events. This new information came on top of our existing and growing concerns. We also appointed an interim manager to the charity as a temporary step. He has all the powers and duties of the trustee and the corporate trustee ceased to have any ability or authority to act. The corporate trustee has taken steps in the Charity Tribunal to challenge the decisions the Commission has made to open an inquiry and exercise its powers.

After the hearing, the PAC requested that the NAO undertake a review of the Commission's regulatory effectiveness and this work is currently proceeding.

Responding to developments in the sector was an important element of my duties in 2012-13. I attended several meetings with charity sector leaders and gave a number of addresses to external audiences on charity issues. I also hosted an international charity regulators conference in November 2012 which provided a rare opportunity for learning and information sharing with our regulatory peers from around the world.

4 Assurance

First Line

Heads of functions and managers are responsible for the day to day control of activity and ensure that performance is managed and monitored against our targets which are supported by a range of policies and operational procedures.

Second Line

Risk Management: Our Strategic Risk Register captures actual and emergent risks, focusing on any which might lead to failure in Capacity, Capability or Confidence. We review the Strategic Risk Register at every meeting of the SMT, updating it 11 times within the year. The most pressing thematic risks during the year were: our resourcing level compared to demand for our services; risks to reputation and capacity created by high profile, complex or resource-intensive cases such as the Exclusive Brethren; delivery of business-critical projects such as our new IT system; and, legal challenge to our approach to the statutory issue of the public benefit of charities.

We shared our Strategic Risk Register with our Board on two occasions in year. It has proven a successful and dynamic model for tackling risk and we intend in 2013-14 to re-write all of our functional risk management plans – which sit below the Strategic Risk Register – so that they articulate their local risks in the context of the key strategic risks. In addition risk registers were maintained for our main business improvement projects and reviewed at each project meeting.

Complaints: We operate a formal complaints procedure with two internal stages of review. Our Independent Complaints Reviewing Scheme was in force for some of the year, although we have now discontinued this service. The opportunity to refer a complaint about any aspect of our work to the Parliamentary and Health Service Ombudsman remains in place for all who have used our internal complaints procedure.

Internal Control: Our system of internal control is designed to manage risk to a reasonable level consistent with our appetite for risk, rather than to eliminate all risk to the achievement of our strategic and operational purposes. Our system was in place throughout the year and incorporates a range of 'prevent' and 'detect' controls together with segregation of duties embedded within all key financial processes. No significant internal control problems arose during 2012-13 nor were there any detected incidents of fraud.

Assurance Certifications: Each SMT member is responsible for ensuring that their function is delivering to their local plan and to corporate priorities. At the conclusion of the year each manager completed an annual assurance statement which described the way in which they exercised internal control and managed risks throughout 2012-13. This statement identifies any instances of whistleblowing, breaches of health and safety or allegations of fraud, theft or bribery.

One member of staff made a whistleblowing disclosure to management on 26 March 2013. The complaint related to a perceived failure by the Commission to investigate a case in which the individual had a concern about case handling. The internal Whistleblowing Policy was applied by the line manager and a meeting held with the individual to discuss their concerns in more detail. The complaint was not upheld and the member of staff was content with this outcome as reported to the Audit Committee in April 2013.

Business Assurance Reviews: We have continued developing our co-sourced model of assurance, seeking to implement a programme of Business Assurance Reviews (BARs). Through this system our staff will carry out a number of assurance or consultancy assignments per year led by our Head of Governance, Risk and Assurance. These reviews will complement the assurance derived from our formal internal audit programme. During 2012-13 we completed one BAR of our project management practice. This resulted in a rating of ‘*Substantially Meets Expectations*’. The BAR initiative remains in its early stages and we are seeking to extend its coverage in the forthcoming year whilst recognising the challenge this presents within our existing resources.

Data Security: Our Senior Information Risk Owner (listed in section 7) is responsible for ensuring that we have procedures in place for properly safeguarding information. Within the year there were 13 unauthorised disclosures of personal information. Whilst reported to our internal Security Steering Group, none was serious enough to require reporting to the Information Commissioner’s Office. The number of unauthorised disclosure incidents has risen over a period of five years as more incidents are reported by staff following the implementation of a new incident reporting procedure supported through the delivery of ongoing training on information assurance. Where protected personal data-related incidents arose we reviewed what had happened and amended our procedures to prevent recurrences.

Incidents deemed by our Data Controller to fall outside the criteria for reporting to the Information Commissioner’s Office (excluding minor localised incidents) are reported below.

Summary of protected personal data-related incidents in 2012-2013

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	1
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	0
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	13
V	Other	0

The following table compares performance this year with that from previous years.

Year-on-year total numbers of protected personal data related incidents prior to 2012-13

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
2012-13	-	-	-	-	-	-	2012-13	1	-	-	13	-	14
2011-12	-	-	-	-	-	-	2011-12	-	-	-	8	-	8
2010-11	-	-	-	-	-	-	2010-11	-	-	1	5	5	11
2009-10	-	-	-	-	-	-	2009-10	-	-	-	2	3	5
2008-09	-	-	-	-	-	-	2008-09	-	-	1	1	-	2
2007-08	-	-	-	-	-	-	2007-08	-	-	-	-	-	-

Performance Reporting: Each year we review the basket of indicators against which performance is measured. We prepare a regular Performance Report which provides a Red, Amber or Green rating for each indicator and identifies whether performance is improving or worsening. Through this system the Board and SMT are able to review performance on a regular basis and identify corrective action to ensure that performance remains on track. This year we also established External Performance Indicators (EPIs) which measure performance in three key business areas – cost of the Commission's activities; quality of casework; and, the level of public trust and confidence.

Quality Review: This is the Commission-wide roll out of Quality Review procedures to ensure that all functions subject their work to regular scrutiny. The results from local reviews are validated by our new Quality Evaluation Panel (which includes Board members and an external independent member) which met twice in year and reviewed 16 cases to evaluate whether or not the local quality assessment was justified. The panel also distilled potential learning points from the work reviewed to be fed back to business teams.

Quality Evaluation Results Summary 2012-13	
Cases considered	16
Cases where panel agrees with the Quality Review rating	15
Cases where panel agrees with the QR rating - %.	94%

Third Line

Internal Audit

Our internal auditor during 2012-13 was BDO² who operated as our internal audit executive. They delivered 34 days supply and performed 6 formal audits during the year including ICT systems, financial controls, project management governance. The audits resulted in 23 recommendations of which 3 were high priority. Assurance opinions ranged from 'Substantially Meets Expectations' to 'Partly Meets Expectations'. No significant control failures were identified during the year.

² Formerly PKF prior to merger early in 2013.

As we prepare for our new internal audit contract, we are revising our recommendation log so that we carry forward only those audit recommendations that remain contemporary and material to our work and update any which have been superseded by various initiatives. We are planning further work in collaboration with our new internal auditors to map all sources of assurance so that we can build their effectiveness and root out duplication.

Based on the audit work carried out during the year, BDO rated the Commission’s governance, risk management and internal control arrangements overall as ‘*Substantially Meets Expectations*’.

External Audit

The Comptroller and Auditor General (C&AG) is responsible for auditing the Commission’s accounts and reporting the results to Parliament. He provides an audit certificate with his opinion on the truth and fairness of the accounts and regularity of the underlying transactions. The external auditor’s interim management letter in April 2013 identified just one medium priority recommendation which was accepted and actioned straight away. No high priority recommendations were made.

Other Formal Sources of Assurance

Efficiency: So that we could address our key risk of capacity to deliver following our strategic review, I asked BHPR consultants to look at the efficiency of operational arrangements within the Commission in December 2012. The restructuring of the operational teams had been a major outcome from the strategic review and, by the time of BHPR’s scrutiny, the new arrangements had been in operation for a year. Overall BHPR found that the new arrangements were working well but identified room for further improvements and efficiencies. The findings of BHPR’s report were accepted by the SMT and as a result we have established an action plan to review a range of issues including demand management, value for money and risk.

HR Activity: Recruitment Compliance Review. The Commission is subject to an annual external review of compliance with the Civil Service Commission’s Recruitment Principles. In summer 2012 this review was carried out by DLA Piper UK on behalf of the Cabinet Office. The certificate of compliance issued on 1 August 2012 assessed us as Low Risk. Whilst the Commission had not carried out any recruitment for the period under review, there was a minor recommendation on training material and a note on the importance of our adoption of the Civil Service Jobs Portal, both of which were actioned.

Call Centre Accreditation: Our Call Centre is our main point of engagement with customers and stakeholders. It handles significant volumes of our work. It is formally accredited by the Customer Contact Association (Global Standard v5) and an audit carried out in January 2013 confirmed that we continued to meet the standard required.

ICT Reviews: Four independent security reviews were carried out in-year.

Review	Performed By	Outcome
ICT Health Check (as defined in the Public Sector Network Code of Connection)	CESG ³ approved team	A number of issues were identified and we have implemented an action plan to address them. The Cabinet Office accepted our plan and approved our continued connection to the Public Sector Network.
On site inspection as part of our annual GCF (xGSI) accreditation process	CESG	No major issues detected.
Cryptographic Controls Audit	CESG	A clean bill of health, with one minor recommendation for change.
Website Penetration Test	CESG approved team	No major issues detected.

Performance Returns: We make quarterly returns to the Ministry of Justice to report compliance with statutory timescales and our obligations to release data for responses to Freedom of Information requests. We also report quarterly to all other government departments from whom we receive funding.

5 Accounting Officer's Statement of Effectiveness of Internal Control and Assurance

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control and assurance. My review is informed by ongoing monitoring of targets and key performance indicators, year-round accounts of activity and performance given by my senior managers who are responsible for the development and maintenance of the internal control framework, and through their annual assurance certification. This process did not identify any material weaknesses on control or irregularities in accounting practices. Risk register owners also set out the key internal controls and sources of assurance in place within their areas to ensure that risks were treated appropriately.

In making my statement, I rely on the outcomes and opinion delivered by internal audit through their ongoing work and end of year statement of opinion and assurance. Where weaknesses or areas for improvement have been identified through audit assignments, I have established a plan to act upon recommendations to ensure that barriers to achievement have been minimised or removed, risks have been addressed and performance has been improved.

Therefore, I can confirm my opinion that our governance, internal control and risk procedures remain fit for purpose and that they support the achievement of the Commission's policies, aims and objectives, whilst safeguarding public funds.

Sam Younger, CBE
Chief Executive and Accounting Officer

Date: 26 June 2013

6 Non Executive Board and Committee Members who served in 2012-13

Between four and eight members may serve on our Board. Two of those members must be legally qualified and at least one must know about charity conditions in Wales⁴. Individual Board members may serve for a term of three years, renewable to a maximum of ten years.

Board Member	Role
Suzi Leather DBE	Chair. Joined in August 2006. Her appointment ended in July 2012.
William Shawcross CVO	Chair. Joined in October 2012.
Simon Jones	Member with special interest in Wales and Audit Committee member. Joined in July 2007. His appointment was due to end in July 2013, but he resigned in June 2012 having decided to stand for public office.
John Knight CBE	Joined in December 2009. His appointment was due to end in November 2012 but was extended until May 2013.
Sharmila Nebhrajani	Chair of the Audit Committee. Joined in July 2007. Her appointment was due to end in July 2012 but was extended until June 2013.
Theo Sowa CBE	Joined in July 2007. Her appointment ends in July 2013.
Simon Wethered	Legal Commissioner. Joined in July 2007. His appointment was due to end in July 2012 but was extended until March 2013.
John Wood	Legal Commissioner who also acted as our interim chair between July and October 2012. Joined in February 2008. His appointment ends in January 2014.

Audit Committee

Chair:	Sharmila Nebhrajani
Member:	Simon Jones/John Knight
Independent Member:	Christopher Daws. Took up the role in August 2009 for three years with his appointment extended until August 2014.

Governance and Remuneration Committee

Chair:	John Wood
Member:	William Shawcross
Member:	Sam Younger
Member:	Theo Sowa
Independent Member:	Louise Rose

4 As prescribed by The Charities Act 2011 (Schedule 1).

Schedule of Meetings and Attendance during 2012-13

	Board Members								Committee Members	
	Dame Suzi Leather	William Shawcross	Simon Jones	Sharmila Nebhrajani	Theo Sowa	Simon Wethered	John Wood	John Knight	Christopher Daws	Louise Rose
Board Meetings										
May	Y	N/A ⁵	N	N	N	Y	Y	Y	-	-
July	N/A ⁵	N/A	N/A	Y	Y	N	Y ⁶	Y	-	-
September	N/A	N/A	N/A	N	Y	Y	Y	Y	-	-
November	N/A	Y	N/A	Y	Y	Y	Y	N	-	-
January	N/A	Y	N/A	Y	Y	Y	Y	Y	-	-
March	N/A	Y	N/A	Y	Y	Y	Y	N	-	-
Attendance %	100	100	0	67	83	83	100	67	-	-
Audit Committee Meetings										
May	-	-	N	Y	-	-	-	N/A	Y	-
June	-	-	N	Y	-	-	-	N/A	Y	-
November	-	-	N/A	Y	-	-	-	N	Y	-
February	-	-	N/A	Y	-	-	-	N	Y	-
Attendance %	-	-	0	100	-	-	-	0	100	-
Governance and Remuneration Committee										
January		Y	-	-	Y		Y			Y
		100%			100%		100%			100%

⁵ N/A indicates that the individual was not a Board member at the time.

⁶ Chaired Board meetings in his capacity as interim Chair of the Commission.

7 Senior Management Team in 2012-13

Chief Executive Officer: Sam Younger, CBE. Appointed September 2010.

Manager	Post Held
Nick Allaway	Head of Business Services. Also our Senior Information Risk Owner.
Sarah Atkinson	Head of Information and Communications. During a period of maternity absence in 2012-13, Charles Cooke and Sarah Miller served on the senior management team.
Neville Brownlee	Head of First Contact.
Kenneth Dibble	Chief Legal Advisor, Head of Legal Services and Director of the International Programme.
Jane Hobson	Head of Policy.
Daisy Houghton	Head of Operations London.
Harry Iles	Head of Operations Wales.
Lynn Killoran	Head of Operations Liverpool.
Neil Robertson	Head of Operations Taunton.
Michelle Russell	Head of Investigations and Enforcement.
Alison Wells	Head of Registration.

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 (the Commission) for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply 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, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with 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 Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2013 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements 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 Commission's affairs as at 31 March 2013 and of its net operating cost 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 Sustainability Report and Management Commentary 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 and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement 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
Victoria
London
SW1W 9SP

Date: 27 June 2013

STATEMENT OF PARLIAMENTARY SUPPLY

For the year ended 31 March 2013

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

The notes on pages 73 to 89 form part of these accounts.

Summary of Resource and Capital Outturn 2012-13

£'000								2012-13	2011-12
	Estimate				Outturn			Voted outturn compared with Estimate: saving/ (excess)	Outturn
	Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Total	
Departmental Expenditure Limit									
- Resource	3	26,020	0	26,020	25,617	0	25,617	403	27,236
- Capital		361	0	361	360	0	360	1	166
Annually Managed Expenditure									
- Resource	3	190	0	190	155	0	155	35	(400)
- Capital		0	0	0	0	0	0	0	0
Total Budget		26,571	0	26,571	26,132	0	26,132	439	27,002
Non-Budget									
- Resource	3	0	0	0	0	0	0	0	0
Total		26,571	0	26,571	26,132	0	26,132	439	27,002
Total Resource		26,210	0	26,210	25,772	0	25,772	438	26,836
Total Capital		361	0	361	360	0	360	1	166
Total		26,571	0	26,571	26,132	0	26,132	439	27,002

Net Cash Requirement 2012-13

	Note	Estimate £'000	Outturn £'000	2012-13 Net outturn compared with Estimate: saving/(excess) £'000	2011-12 Total Outturn £'000
Net cash requirement	4	25,541	25,404	137	23,806

Administration Costs 2012-13

Estimate £'000	Outturn £'000	2011-12 Total Outturn £'000
26,020	25,437	26,804

Figures in the areas outlined in bold are voted totals subject to Parliamentary control.

All Estimate and Outturn balances disclosed under the Departmental Expenditure Limit relate to Administration costs. All Estimate and Outturn balances disclosed under Annually Managed Expenditure are classified as Programme costs and relate to transactions in respect of Provisions (see Note 16).

STATEMENT OF COMPREHENSIVE NET EXPENDITURE

for the year ended 31 March 2013

The Statement of Comprehensive Net Expenditure summarises the resources that have been consumed in the financial year in providing the Commission's services.

The notes on pages 73 to 89 form part of these accounts.

	Note	2012-13 £'000	2011-12 £'000
Administration costs:			
Staff costs	7	13,445	17,846
Other Administration costs	8	13,027	9,925
Operating Income	10	(1,035)	(967)
Total Administration costs		<u>25,437</u>	<u>26,804</u>
Programme expenditure:			
Other costs	9	<u>335</u>	<u>32</u>
Total Net Operating costs		<u>25,772</u>	<u>26,836</u>

STATEMENT OF FINANCIAL POSITION

as at 31 March 2013

The Statement of Financial Position is a summary of all the Commission's assets and liabilities as at 31 March 2013. The notes on pages 73 to 89 form part of these accounts.

	Note	31 March 2013 £'000	31 March 2012 £'000
Non-current assets:			
Property, plant and equipment	11	691	797
Intangible assets	12	331	789
Total non-current assets		<u>1,022</u>	<u>1,586</u>
Current assets:			
Trade and other receivables	13	1,606	1,032
Cash and cash equivalents	14	137	2,716
Total current assets		<u>1,743</u>	<u>3,748</u>
Total assets		<u>2,765</u>	<u>5,334</u>
Current liabilities:			
Trade and other payables	15	(4,595)	(6,670)
Provisions	16	(35)	(44)
Total current liabilities		<u>(4,630)</u>	<u>(6,714)</u>
Total assets less Total current liabilities		<u>(1,865)</u>	<u>(1,380)</u>
Non-current liabilities:			
Provisions	16	(437)	(273)
Staff exits	15	(174)	(513)
Total non-current liabilities		<u>(611)</u>	<u>(786)</u>
Assets less liabilities		<u>(2,476)</u>	<u>(2,166)</u>
Taxpayers' equity:			
General fund		(2,476)	(2,166)
Total taxpayers' equity		<u>(2,476)</u>	<u>(2,166)</u>

STATEMENT OF CASH FLOWS

for the year ended 31 March 2013

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

The notes on pages 73 to 89 form part of these accounts.

	Note	2012-13 £'000	2011-12 £'000
Cash flows from operating activities			
Total Net operating cost	3.1	(25,772)	(26,836)
Adjustments for non-cash transactions			
Administration costs	8	981	1,897
Programme costs	9	335	32
Decrease/(Increase) in trade and other receivables	13	(574)	701
Increase in trade and other payables	15	165	994
Use of provisions	16	(180)	(432)
Non-cash adjustment (roundings)		1	0
Net cash outflow from operating activities		<u>(25,044)</u>	<u>(23,644)</u>
Cash flows from investing activities			
Purchase of plant, property and equipment	11	(360)	(430)
Purchase of intangible assets	12	0	264
Net cash outflow from investing activities		<u>(360)</u>	<u>(166)</u>
Cash flows from financing activities			
From Consolidated Fund (Supply) – current year	4	25,541	26,522
From Consolidated Fund (Supply) – prior year	15	(2,716)	(1,567)
Net financing		<u>22,825</u>	<u>24,955</u>
Net increase/(decrease) in cash in the period before adjustment for receipts and payments to the Consolidated Fund			
		(2,579)	1,147
Payments of amounts due to the Consolidated Fund			
		0	0
Net increase/(decrease) in cash in the period after adjustment for receipts and payments to the Consolidated Fund			
		<u>(2,579)</u>	<u>1,147</u>
Cash and cash equivalents at the beginning of the period			
		2,716	1,569
Cash and cash equivalents at the end of the period			
		<u>137</u>	<u>2,716</u>

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2013

The Statement of Changes in Taxpayers' Equity summarises the movement in the net worth of the Commission.

The notes on pages 73 to 89 form part of these accounts.

	Note	£'000
Balance at 1 April 2012		<u>(2,166)</u>
Non-cash charges – auditor's remuneration	8	57
Net operating cost for the year	3	<u>(25,772)</u>
<i>Total recognised income and expense for 2012-13</i>		(25,715)
Net Parliamentary Funding – drawn down		22,825
Net Parliamentary Funding – deemed	15	2,716
Supply payable	15	(137)
Supply adjustment (roundings)		<u>1</u>
Balance as at 31 March 2013		<u>(2,476)</u>
Changes in taxpayers' equity for 2011-12		£'000
Balance as at 1 April 2011		<u>800</u>
Non-cash charges – auditor's remuneration		59
Net operating cost for the year		<u>(26,836)</u>
<i>Total recognised income and expense for 2011-12</i>		(26,777)
Net Parliamentary Funding – drawn down		24,955
Net Parliamentary Funding – deemed		1,567
Supply payable		(2,716)
Supply adjustment (roundings)		5
CFERs payable to the Consolidated Fund		<u>0</u>
Balance as at 31 March 2012		<u>(2,166)</u>

NOTES TO THE RESOURCE ACCOUNTS

1. Statement of accounting policies

These financial statements, which cover the accounting period 1 April 2012 to 31 March 2013, have been prepared in accordance with the *Government Financial Reporting Manual (FReM)* 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. They have been applied consistently in dealing with items that are considered material to the financial statements.

In addition to the primary statements prepared under IFRS, the FReM also requires the Commission to prepare one additional primary statement. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

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 and intangible assets.

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 and are therefore reported at fair value. Where held at depreciated historical cost, this is regarded as a suitable proxy for fair value. On initial recognition, these assets are measured at cost, including any costs such as installation directly attributable to bringing them into working condition. Indexation rates are not applied to property, plant and equipment assets as the impact on the net book value of those assets would not be material.

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. Intangible assets are therefore reported at fair value and where held at depreciated historical cost, this is regarded as a suitable proxy for fair value. Indexation is not applied to intangible assets as these are primarily assets that have been developed in-house for the specific purposes of the Commission and do not, therefore, have an onward sale value.

1.4 Depreciation and Amortisation

Property, plant and equipment and intangible assets are depreciated/amortised 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 on property, plant and equipment, and amortisation on intangible assets, 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	2-7 years
Furniture and fittings	5-7 years
Leasehold improvements	Term of lease or initial break point
IT databases	5 years
Websites	5 years
Laptops	3 years

1.5 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 Statement of Comprehensive Net Expenditure.

1.6 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 Statement of Comprehensive Net Expenditure at the point they are received.

1.7 Operating income

Operating income is income which relates directly to the operating activities of the Commission. Operating income is stated net of VAT. Income is recognised as it is earned.

1.8 Administration expenditure

Administration expenditure reflects the costs of running the Commission. The classification of expenditure as administration follows the definition of administration costs set by HM Treasury.

1.9 Foreign currency

As part of the Commission's International Programme, work is undertaken in foreign countries and expenditure will be incurred in the local currency. These transactions are converted into £ sterling using the exchange rate at, or close to, the official exchange rate on the date of the transaction. The International Programme also receives funding from the Canadian Government in \$ Canadian. This funding is converted into £ sterling on the date that the funds are received by the Commission.

1.10 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme, which are described in Note 7. 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 Scheme (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.

1.11 Leases

The Commission holds only 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. Rental payments due in respect of operating leases are charged directly to the Statement of Comprehensive Net Expenditure on a straight line basis over the term of the lease.

1.12 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 2.35%).

1.13 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 Statement of Comprehensive Net Expenditure. 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.

1.14 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.

1.15 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 the estimates stated for the provisions relating to property dilapidations and the useful economic lives of the tangible and intangible assets.

1.16 IFRS that have been issued but are not yet effective

IFRS 9: Financial Instruments was issued in November 2009 and will be effective for financial reporting periods beginning on or after 1 January 2013. The new standard simplifies the classification and measurement of financial assets, previously reported under IAS 39 Financial Instruments: Recognition and Measurement. The application of this standard will not have a material effect on the disclosure of financial assets within the Charity Commission financial statements.

2. Net outturn

2.1 Analysis of net resource outturn by section

2012-13											2011-12
Outturn							Estimate				Outturn
Administration			Programme				Total	Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
Gross	Income	Net	Gross	Income	Net						
Spending in Department Expenditure Limit											
Voted:											
Giving the public confidence in the integrity of Charities											
26,652	(1,035)	25,617	0	0	0	25,617	26,020	403	403	27,236	
Annually Managed Expenditure											
Voted:											
Giving the public confidence in the integrity of Charities											
0	0	0	155	0	155	155	190	35	35	(400)	
Total	26,652	(1,035)	25,617	155	0	155	25,772	26,210	438	438	26,836

2.2 Analysis of net capital outturn by section

2012-13											2011-12
Outturn							Estimate				Outturn
Administration			Programme				Total	Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
Gross	Income	Net	Gross	Income	Net						
Spending in Department Expenditure Limit											
Voted:											
Giving the public confidence in the integrity of Charities											
360	0	360	0	0	0	360	361	1	1	166	
Total	360	0	360	0	0	360	361	1	1	166	

3 Reconciliation of outturn to net operating cost and against Administration Budget

3.1 Reconciliation of net resource outturn to net operating cost

	Note	2012-13 Outturn £'000	2011-12 Outturn £'000
Total Resource outturn in Statement of Parliamentary Supply	2	25,772	26,836
Net Operating Costs		25,772	26,836

3.2 Outturn against final Administration Budget and Administration net operating costs

	2012-13 Outturn £'000	2011-12 Outturn £'000
Estimate – Administration cost limit	26,020	27,579
Outturn – Gross Administration Costs	26,652	28,203
Outturn – Gross Income relating to administration costs	(1,035)	(967)
Outturn – Net administration costs (Statement of Parliamentary Supply)	25,617	27,236
Reconciliation to operating costs:		
Less: Provisions utilised (transfer from Programme) (note 16)	(180)	(432)
Add: Provisions provided in year	405	132
Less: Provisions written back in year	(70)	(100)
Net Operating Costs (Statement of Comprehensive Net Expenditure)	25,772	26,836

4 Reconciliation of Net Resource Outturn to Net Cash Requirement

		Estimate	Outturn	Net total outturn compared with Estimate: savings/(excess)
	Note	£'000	£'000	£'000
Resource Outturn	2.1	26,210	25,772	438
Capital Outturn	2.2	361	360	1
Accruals to cash Adjustments:				
<i>Adjustments to remove non-cash items:</i>				
Depreciation/Amortisation		(770)	(924)	154
New provisions and adjustments to previous provisions		(240)	(335)	95
Auditors Remuneration		(70)	(57)	(13)
<i>Adjustments to reflect movements in working balances:</i>				
(Increase)/Decrease in trade and other receivables		0	574	(574)
Increase/(Decrease) in trade and other payables		0	(165)	165
Use of provisions		50	180	(130)
Non-cash adjustment (roundings)		0	(1)	1
Net cash requirement		<u>25,541</u>	<u>25,404</u>	<u>137</u>

5.1 Statement of Operating Costs by Operating Segment

For internal reporting purposes, the Charity Commission operates two segments: Charity Commission core business and the International Programme. The International Programme is reported separately as it has its own funding streams and is operated as a distinct unit within the Commission. The primary financial statements record the total income, expenditure, assets and liabilities of the Charity Commission and the International Programme. The note below shows the amounts attributable to the two segments.

	2012-13			2011-12		
	£'000			£'000		
	Charity Commission: core business	International Programme	Total	Charity Commission: core business	International Programme	Total
Gross Expenditure	25,786	686	26,472	27,027	744	27,771
Income	(349)	(686)	(1,035)	(142)	(825)	(967)
Net Expenditure	25,437	0	25,437	26,885	(81)	26,804
Total Assets	2,573	192	2,765	5,277	57	5,334
Total Liabilities	(5,208)	(33)	(5,241)	(7,420)	(80)	(7,500)
Net Assets	(2,635)	159	(2,476)	(2,143)	(23)	(2,166)

5.2 Reconciliation between Operating Segments and Note 2

	2012-13			2011-12		
	£'000			£'000		
	Charity Commission: core business	International Programme	Total	Charity Commission: core business	International Programme	Total
Total net expenditure per Statement of Comprehensive Net Expenditure by operating segment	25,437	0	25,437	26,885	(81)	26,804
Reconciling item:						
Provisions provided/written back in year (transfer from Programme)	335	0	335	32	0	32
Total net expenditure per Statement of Parliamentary Supply	25,772	0	25,772	26,917	(81)	26,836

6 Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

	2012-13	2011-12
	£'000	£'000
Operating income	1,035	967
Income authorised to be appropriated in aid	1,035	967
Operating income payable to the Consolidated Fund	0	0

7 Staff numbers and related costs

	2012-13	2011-12
	£'000	£'000
Wages and salaries	10,511	11,995
Social security costs	847	958
Other pension costs	1,956	2,305
Agency staff	156	27
Severance costs	(24)	2,624
Decrease in IAS 19: employee benefits accrual	(1)	(63)
Total Net Costs	13,445	17,846

As a non-Ministerial Government Department, the Commission's pay costs relate to staff. There are no Ministers or Advisors.

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 and 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 2012-13, employers' contributions of £1.51m were payable to the PCSPS (£1.95m in 2011-12) at one of four rates in the range 16.7% to 24.3% (16.7% to 24.3% in 2011-12) of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employers' contributions of £441k were paid to one or more of a panel of three appointed stakeholder pension providers (£334k in 2011-12). Employers' contributions are age-related and range from 3% to 12.5% (3% to 12.5% in 2011-12) of pensionable pay. In addition, employers' contributions of £593 (£855 in 2011/12,) 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 31 March 2013 were £35,734 (£25,719 in 2011-12). Contributions prepaid at that date were £nil (£nil in 2011-12). No staff (one in 2011-12) retired early on ill health grounds; the total additional accrued pension liabilities amounted to £nil (£30,354 in 2011-12).

Average number and cost of persons employed

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

	2012-13	2011-12	2012-13	2011-12
	Number	Number	£'000	£'000
Charity Commission staff	316	374	13,289	17,819
Agency staff	4	1	156	27
Total	320	375	13,445	17,846

Reporting of Civil Service and other compensation schemes - exit packages

In order to maintain expenditure within the reduced funding levels during the current Spending Review period (2011-2015), the Commission is reducing the size of its workforce. A Voluntary Exit Scheme, using the terms prescribed in the Civil Service Compensation Scheme, was launched in January 2011. As at 31 March 2013, 129 departures had been agreed under the scheme. The cost of the associated compensation payments is reflected in the Statement of Comprehensive Net Expenditure at the point the departure is agreed and not when the exit occurs.

The table below analyses these exits by cost bandings. Cumulative figures for prior years within this Spending Review period are included in brackets.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
Less than £10,000	0 (0)	0 (21)	0 (21)
£10,000 - £24,999	0 (0)	0 (43)	0 (43)
£25,000 - £49,999	0 (0)	0 (34)	0 (34)
£50,000 - £99,999	0 (0)	0 (26)	0 (26)
£100,000- £149,999	0 (0)	0 (3)	0 (3)
£150,000- £200,000	0 (0)	0 (1)	0 (1)
Total number of exit packages	0 (0)	0 (129)	0 (129)
Total resource cost (£'000)	0 (0)	0 (4,313)	0 (4,313)

Unless otherwise stated, redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (CSCS), a statutory scheme made under the Superannuation Act 1972. Where the Commission has agreed early retirements, the additional costs are met by the Commission and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

In 2012/13 one exit agreed and accounted for in 2011/12 was reversed. The above figures have been adjusted to reflect this reversal.

8 Other Administration costs

	Note	2012-13 £'000	2011-12 £'000
Rentals under operating leases		1,784	1,524
Interest charges (incurred on finance leases)		0	0
Non-cash items:			
Depreciation	11	466	466
Amortisation	12	458	1,335
Revaluation/re-lifed assets	11 & 12	(1)	22
Loss on disposal of fixed asset	11 & 12	1	15
Capital write-off	11 & 12	0	0
Auditor's remuneration		57	59
Total non cash items		981	1,897
Other expenditure:			
Personnel related		748	749
Accommodation		1,697	1,197
Office services		1,790	1,598
Contracted services/consultancy		510	386
Specialist services		5,517	2,568
Losses and special payments	22	0	6
Total expenditure		13,027	9,925

The increase in 'Specialist services' expenditure mainly relates to non-recurring charges for the implementation of externally hosted IT services.

9 Programme Costs

	Note	2012-13 £'000	2011-12 £'000
Non-cash items			
Provisions provided in year	16	405	132
Provisions written back in year	16	(70)	(100)
Total programme costs		335	32

10 Income

	Note	2012-13 £'000	2011-12 £'000
Income received in respect of the International Programme:			
from other UK Government Departments		458	515
from non-UK entities		281	310
Income received for rendering services to or on behalf of other UK Government Departments		293	133
Other income		3	9
Total income		1,035	967

11 Property, plant and equipment

	Information Technology £'000	Furniture & Fittings £'000	Leasehold Improvements £'000	Total £'000
2012-13				
Cost or valuation				
At 1 April 2012	1,170	235	691	2,096
Additions	200	1	159	360
Re-lifed assets	1	0	0	1
Disposals	(4)	(1)	0	(5)
Revaluation	0	0	0	0
At 31 March 2013	1,367	235	850	2,452
Depreciation				
At 1 April 2012	579	191	529	1,299
Charged in year	278	16	172	466
Disposals	(4)	0	0	(4)
Revaluations	0	0	0	0
At 31 March 2013	853	207	701	1,761
Net Book Value at 31 March 2012	591	44	162	797
Net Book Value at 31 March 2013	514	28	149	691
2011-12				
Cost or valuation				
At 1 April 2011	876	416	691	1,983
Additions	430	0	0	430
Re-lifed assets	1	0	0	1
Disposals	(137)	(181)	0	(318)
Revaluation	0	0	0	0
At 31 March 2012	1,170	235	691	2,096
Depreciation				
At 1 April 2011	519	335	296	1,150
Charged in year	194	39	233	466
Disposals	(125)	(179)	0	(304)
Revaluations	(9)	(4)	0	(13)
At 31 March 2012	579	191	529	1,299
Net Book Value at 31 March 2011	357	81	395	833
Net Book Value at 31 March 2012	591	44	162	797

All assets are owned by the Commission. There are no assets held under finance leases (none in 2011-12).

12 Intangible assets

	IT databases £'000	Websites £'000	Assets under Construction £'000	Total £'000
2012-13				
Cost or valuation				
At 1 April 2012	7,699	42	0	7,741
Additions	0	0	0	0
Transfers	0	0	0	0
Disposals	(82)	0	0	(82)
Revaluation (write-off)	0	0	0	0
At 31 March 2013	7,617	42	0	7,659
Amortisation				
At 1 April 2012	6,910	42	0	6,952
Charged in year	458	0	0	458
Disposals	(82)	0	0	(82)
Revaluation	0	0	0	0
At 31 March 2013	7,286	42	0	7,328
Net book value at 31 March 2012	789	0	0	789
Net book value at 31 March 2013	331	0	0	331
2011-12				
Cost or valuation				
At 1 April 2011	8,630	42	0	8,672
Additions	(264)	0	0	(264)
Transfers	0	0	0	0
Disposals	(632)	0	0	(632)
Revaluation (write-off)	(35)	0	0	(35)
At 31 March 2012	7,699	42	0	7,741
Amortisation				
At 1 April 2011	6,207	42	0	6,249
Charged in year	1,335	0	0	1,335
Disposals	(632)	0	0	(632)
	0	0	0	0
At 31 March 2012	6,910	42	0	6,952
Net book value at 31 March 2011	2,423	0	0	2,423
Net book value at 31 March 2012	789	0	0	789

All intangible assets are owned by the Commission. There are no intangible assets held under finance leases (£nil in 2011-12). Assets under construction represent expenditure on IT developments.

13 Trade receivables, financial and other assets**13.1 Analysis by type**

	2012-13 £'000	2011-12 £'000
Amounts falling due within one year:		
VAT	383	241
Deposits and advances	8	16
Other trade receivables	321	148
Prepayments and accrued income	894	627
	<u>1,606</u>	<u>1,032</u>
Amounts falling due after more than one year:		
Prepayments and accrued income	0	0
Total trade and other receivables	<u>1,606</u>	<u>1,032</u>

13.2 Intra Government Balances

	2012-13 £'000	2011-12 £'000
Amounts falling due within one year:		
Balances with other central government bodies	630	334
Balances with bodies external to government	976	698
	<u>1,606</u>	<u>1,032</u>
Amounts falling due after more than one year:		
Balances with bodies external to government	0	0
Total trade and other receivables	<u>1,606</u>	<u>1,032</u>

14 Cash and cash equivalents

	2012-13 £'000	2011-12 £'000
Balance at 1 April	2,716	1,569
Net change in cash and cash equivalent balances	(2,579)	1,147
Balance at 31 March	<u>137</u>	<u>2,716</u>
The following balances at 31 March were held at:		
Government Banking Services	136	2,715
Cash in hand	1	1
Balance at 31 March	<u>137</u>	<u>2,716</u>

15 Trade payables and other current liabilities

15.1 Analysis by type

	2012-13	2011-12
Amounts falling due within one year:	£'000	£'000
Taxation and social security	465	498
VAT	486	0
Trade payables	667	432
Other payables	0	2
Staff exit costs	762	1,729
Accruals and deferred income	2,078	1,293
Amounts issued from the Consolidated Fund for Supply but not spent at year end*	137	2,716
	<hr/> 4,595	<hr/> 6,670
Amounts falling due after more than one year:		
Staff exit costs	174	513
Total trade and other payables	<hr/> 4,769	<hr/> 7,183

* For the purposes of the Cash flow Statement, movements in these figures are excluded

15.2 Intra Government balances

	2012-13	2011-12
	£'000	£'000
Amounts falling due within one year:		
Balances with other central government bodies	1,088	3,214
Balances with bodies external to government	3,507	3,456
	<hr/> 4,595	<hr/> 6,670
Amounts falling due after more than one year:		
Balances with bodies external to government	174	513
Total trade and other payables	<hr/> 4,769	<hr/> 7,183

16 Provisions for liabilities and charges

	Early departure costs	Property dilapidation	Total 2012-13	Total 2011-12
	£'000	£'000	£'000	£'000
Balance at 1 April	114	203	317	717
Provided in year	5	400	405	132
Provision utilised in year	(47)	(133)	(180)	(432)
Provision written back	0	(70)	(70)	(100)
Balance at 31 March	72	400	472	317

16.1 Analysis of expected timing of cash flows

	Payment by 31 March 2014	Payment after 1 April 2015	Total
	£'000	£'000	£'000
Early departure costs	35	37	72
Property dilapidation	0	400	400
Total	35	437	472

16.2 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 it, by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.35% in real terms.

16.3 Property dilapidation

In consultation with our Landlords, provisions has been created for dilapidations on our current Taunton and Liverpool offices. The leases on both of these properties expire in 2015/16.

16.4 Legal

The Commission had no material legal commitments or liabilities as at 31 March 2013.

17 Capital commitments

As at 31 March 2013, the Commission had no capital commitments (£nil as at 31 March 2012).

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.

	2012-13 £'000	2011-12 £'000
Obligations under operating leases comprise:		
Buildings		
Not later than one year	1,104	1,241
Later than one year and not later than five years	2,160	2,017
Later than five years	0	0
	3,264	3,258

19 Other financial commitments

The Commission has no material financial commitments other than those disclosed in Notes 16, 17 and 18 (£nil in 2011-12).

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 has no contingent liabilities judged to be probable or material at 31 March 2013 (£nil as at 31 March 2012).

22 Losses and special payments

22.1 Losses statement

	2012-13		2011-12	
	Number	£'000	Number	£'000
Total losses for the year	0	0	2	0

There were no losses in 2012-13 (two in 2011-12 amounting to £311).

22.2 Special payments

	2012-13		2011-12	
	Number	£'000	Number	£'000
Total special payments for the year	0	0	2	6

There were no special payments in 2012-10 (two in 2011-12).

23 Related party transactions

During the year 2012-13, no Board Member, key manager or other related parties undertook any material transactions with the Commission. As an entity, the Commission had a small number of transactions with other government departments and other central government bodies. These transactions were with the Foreign and Commonwealth Office, the Department for Communities and Local Government and the Charity Commission for Northern Ireland. All transactions were undertaken on arm's length terms.

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 statements. 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 intangible asset over the useful life of that asset.

Annually Managed Expenditure (AME)

Expenditure incurred by the Commission that falls outside the scope of DEL control totals. In general, this relates to the creation of and increase to provisions.

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 fulfil statutory requirements.

Delegated Expenditure Limit (DEL)

A control total specified for the Commission. Separate DELs are set for Resource 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 property, plant and machinery.

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. Access to EYF was withdrawn in 2010-11.

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 amortisation, 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 out-turn

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

Non cash transactions

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.

Resource Expenditure

Expenditure on non-capital related activity, which is either subject to the Delegated Expenditure Limit (DEL) or Annually Managed Expenditure (AME).

Supply

The resources voted to the Commission by Parliament.

Trade payables

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

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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ISBN 978-0-10-298330-2



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