Charity Commission

Annual Report and Accounts 2013-14
(For the year ended 31 March 2014)

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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

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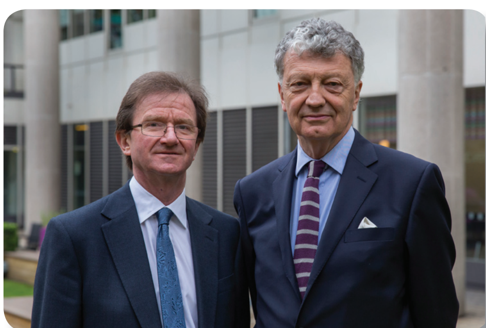
Introduction

To protect charities through effective regulation

This Annual Report describes an organisation that is undergoing rapid transformation. The Charity Commission is becoming leaner and more effective. Yet we are not becoming less supportive of the majority of well-run charities. By drawing the line between what is and what is not permissible and by tackling abuse and deterring malpractice we protect and nurture charities, a golden thread in what William Beveridge called "the living tapestry" of our national life.

This is a crucial mission. Voluntary action and the voluntary spirit provide the true foundation of our society. Charities empower communities and act as buffers between individuals and the state. Beveridge was the creator of the welfare state, yet he believed above all in the individual and wrote that "a good society depends not on the state but on citizens acting individually or in free association with one another". Kofi Annan, who visited the Commission's London office this May, has also spoken eloquently of the vital role charities and NGOs play in developing and protecting democratic societies around the world.

This report demonstrates our priorities of compliance and accountability during the year under review. In summary, I am confident that the Commission has responded quickly and effectively to the concerns raised by the National Audit Office's review of our work in 2013. For example, the volume of our serious investigatory work has increased significantly, as you can see in this report. But we cannot be complacent, and must continue to improve.



Sam Younger William Shawcross

We face serious challenges in these efforts. First, our funding position remains unstable, a matter which has been recognised by many in the charitable world and which I have raised with Government. We cannot absorb unending cuts to our budget and may have to consider alternative sources of funding. Second, weaknesses in our current legal powers are undermining our ability to be an effective regulator (see page 14). I am glad that the Government recognises this and have welcomed the announcement, in the Queen's speech, of a draft Bill. We will continue to press for the earliest possible slot to secure a full Bill that will strengthen our powers and improve our ability to regulate.

I would like to take this opportunity to thank the Commission's staff for their continued commitment under difficult circumstances. Their embrace of our new priorities is vital. I would also like to thank Sam Younger, whose term of office as chief executive has come to an end. His excellent leadership over the past four years has ensured the Commission continues to fulfil its core functions, while adapting to dramatic cuts to our budget. The board and I wish Sam all the very best for the future.

I welcome Paula Sussex, who joins the Commission as our new chief executive. She has a challenging task but I am sure she will rise to the occasion and I look forward to working with her.

William Shawcross,
Chairman

Introduction

Statement of regulatory approach

The Commission's statutory objectives, functions and duties are set out in the Charities Act 2011. Our regulatory approach is designed to meet the expectations set out in that Act, in accordance with our resources.

We consider that we can best fulfil our statutory objectives[1], with the resources at our disposal, by concentrating on promoting compliance by charity trustees with their legal obligations, by enhancing the rigour with which we hold charities accountable, and by ensuring that we uphold the definition of charity under charity law. We also believe that this is the best way for us to promote public trust and confidence in charities, and to encourage charitable giving and endeavour.

We will be vigilant against the misuse of charity or charitable funds for unlawful or improper purposes. We will be alert in particular to fraud, terrorist activities, the abuse of vulnerable beneficiaries and to improper politicisation.

We will take decisive action where necessary and will be bold in using our statutory powers in the most serious cases. We will act robustly whenever we have reason to doubt the veracity of information provided to us, or where trustees are slow or unwilling to respond to our concerns. Where genuine mistakes by trustees do not have serious consequences, we will work with those trustees to resolve matters and to get the charity in question back onto a secure footing.

We will be a proactive regulator and will exploit our data to identify risk and to pursue potential abuse of charity.

We will promote the accountability of charities to donors, beneficiaries and the general public by maintaining an accurate register and by publishing on our website accessible information about registered charities. Wherever possible, we will highlight charities that are subject to formal investigation, so that the public can make informed decisions about whether to support specific charities.

We will be an efficient, objective and proportionate authority that seeks to deliver just and reasonable outcomes. Whilst recognising the requirement to act within the law, we will support colleagues in making difficult and sometimes challenging decisions where the risks are justified.

We will respect and protect charities' independence. Under law, trustees must manage their charities. Provided they act exclusively in the best interests of the charity and comply with their duties to act prudently within the law and under the terms of their governing document, trustees have broad discretion to act as they see fit and we cannot by law interfere.

1. The five objectives are:

- The public confidence objective – to increase public trust and confidence in charities.
- The public benefit objective – to promote awareness and understanding of the operation of the public benefit requirement.
- The compliance objective – to promote compliance by charity trustees with their legal obligations in exercising control and management of the administration of their charities.
- The charitable resources objective – to promote the effective use of charitable resources.
- The accountability objective – to enhance the accountability of charities to donors, beneficiaries and the general public.

This year in figures – highlights

6,661	Applications to the register
4,968	Charity registration applications approved
48,274	Emails assessed in First Contact
1,280	Serious incidents reported by charities
86%	Annual Returns received within deadline
86%	Annual accounts received within deadline
1,972	Operational compliance cases concluded
1,082	Operational permissions cases concluded
318	Cases referred to operations monitoring team (October 2013 and April 2014)
64	Statutory inquiries opened
23	Statutory inquiries concluded
87	Investigations live as at 1 April 2014
672	Freedom of Information requests handled

For more statistical information about our work this year, see 'This year in figures' (page 34).

Registration

Being a registered charity is a privilege. It is associated with high levels of public trust and brings significant tax benefits. So it is vital that only genuine charities join our register.

One of our most important functions is to assess applications for registration and to ensure only organisations that meet the legal test for charitable status are registered.

In law, a charity is an organisation with exclusively charitable purposes for the public benefit. Deciding whether an organisation is a charity is not about making a value judgement; organisations either are charities in law or are not.

When we assess applications, our role is to make sure the organisation meets the legal test.

We cannot make our decision according to whether we think there is need for the new charity, whether the charity is likely to succeed or whether its cause is likely to attract public sympathy.

However, we expect people to consider carefully and honestly whether setting up a new charity really is the best way of furthering their chosen cause and whether they are willing and able to take on the responsibilities and duties of trustees.

Registering a new charity

If people have identified a genuine need for a brand new charity, we expect them to read our registration guidance very carefully before submitting an application. We cannot accept incomplete or faulty applications.

"I expect people to do their homework before applying to register a charity. I always say – if you don't have the patience to do a bit of work before registering a charity, you probably shouldn't be in charge of running a charity. Most applicants accept this and make an effort to ensure their application is complete."

Alison Wells, Head of Registration, Charity Commission

This year, we received **6,661** applications and approved **4,968** charities for registration.

We formally reject applications when we have concluded that an organisation is not a charity in law. See the case study on page 7 about the Human Dignity Trust, an organisation that we have turned down for registration.

We registered **4,968** charities this year.

Registration

Case Study
A charity registered this year

Borehamwood Foodbank

The charity runs a foodbank in Borehamwood in Hertfordshire, which provides urgent help to people in desperate need in the area. It submitted an online application to register in January 2014. We were able to accept the application within a matter of days, because the charity's trustees had done their homework and worked with their membership body, the Trussell Trust.

The Trussell Trust is a Christian organisation which oversees a growing network of foodbanks around the country. It helps develop new foodbanks in areas of need and provides advice and guidance to its members, including about trustees' duties under charity law.

We continue to work closely with umbrella bodies such as the Trussell Trust. This year, we provided training for its staff members on the requirements of charity status and the registration process.

Collaboration with umbrella bodies benefits charities and us as regulator. It helps charities like the Borehamwood Foodbank to register more easily and quickly and to access trained advice and guidance from an established network. It benefits us, because umbrella bodies help their members comply with charity law and avoid serious management problems.

See page 28 for more information about our work with partners in the charitable sector.

Kristan Payne, Chair of the Borehamwood Foodbank said:

"I am delighted that we were able to register with the Charity Commission so quickly. This meant we were able to start helping people in Borehamwood immediately. We would encourage other people thinking of setting up a new foodbank in their area to contact the Trussell Trust. They can help you get registered and provide lots of advice about how to run your charity well."

High risk registrations

Sometimes, concerns arise during the registration process that mean that we need to keep a watchful eye on a charity's governance and management.

Our registration teams are now referring such charities to our new operations monitoring team, which started work in October 2013.

The operations monitoring team's work involves monitoring whether the trustees are running their charity in line with their stated objects and in compliance with charity law and scrutinising the charity's annual return and accounts. If the team finds that there has been mismanagement or abuse, we will investigate the charity.

Between October 2013 and April 2014, our registration team referred **89** charities for monitoring by our operations monitoring team.

Registration

Case study
Newly registered charity referred for monitoring

We cannot name this charity as it is subject to an ongoing operational compliance case.

When this organisation applied to register, our registration team identified that one of the trustees had been involved in another charity which was subject to an ongoing compliance case. As the organisation was exclusively charitable for the public benefit, and as we had no concrete concerns about the individual which impacted on the organisation's charitable status, we registered the charity. However, the registration team referred the charity to the operations monitoring team. As part of the monitoring activities, we worked closely with other agencies and used our legal powers to request the charity's bank statements.

The individual in question has since resigned as a trustee but remains active within the charity. We continue to work with other agencies and will subject the charity's first set of accounts to close scrutiny.

Case study
A charity set up to help young people

We cannot name this charity as it has been removed from the register

This charity was registered in October 2013. The application was made by a company that frequently submits applications on behalf of charities. The charity had previously been registered under a different name but had wound up after we began looking into complaints about irregular fundraising activities. Our registrations team therefore referred the newly registered charity to the operations monitoring team.

The team contacted the charity and asked to meet the trustees. Before the meeting, the names of the trustees on the online register were changed. These new trustees were unable to provide important information about the charity's activities prior to their appointment and it was clear that no charitable activities were being undertaken. Following the meeting the trustees told us that they had resolved to wind up the charity. It has now been removed from the register.

In the meantime, we found that one of the trustees was also a proposed trustee of another organisation, which the same company was seeking to register as a charity. We contacted all the proposed trustees to arrange a meeting with them but they did not respond. We therefore informed the trustees that until they contacted the team, we would assume they no longer wished to progress their application. The charity has not contacted us since.

Any future applications from the company will be automatically referred to the operations monitoring team; we are also considering whether we need to refer the company to other agencies. We do not have regulatory jurisdiction over it, because it is not a charity.

Registration

Registering the Preston Down Trust

One of the most high profile registration cases of recent years involved the Preston Down Trust (PDT), a Plymouth Brethren Christian Church meeting hall.

In 2012, we had turned down its application for registration, because we concluded that it did not meet the public benefit requirement. The PDT appealed to the First-tier Tribunal (Charity). During the process, the trust asked for the case to be considered outside of the Tribunal. We agreed to this request.

In January 2014, we registered PDT on the basis of a new governing document and a statement of doctrine and practice. Our decision was welcomed by supporters as well as critics of the PDT. We will monitor the charity, as is our normal practice with complex registration cases, to make sure it is operating in line with its trusts and charity law.

For a full summary of this case, please see the Legal Annex to this report.

The Human Dignity Trust

This year, we upheld our decision, originally made in 2012, not to register the Human Dignity Trust (HDT) as a charity. The HDT supports individuals who seek to challenge legislation criminalising consensual sexual activity between same sex adults in certain countries. It applied to register as a charity in July 2011, and requested a decision review after we refused registration in June 2012.

Our decision not to register the organisation was no reflection on the merits of its purposes and work; we recognised the value of the work of the HDT in addressing what many see as injustices in foreign jurisdictions. However, after carefully considering the HDT's purposes, we concluded that it is not established for exclusively charitable purposes for the public benefit.

This is because the main way the HDT carries out its purposes is to bring legal proceedings in certain foreign jurisdictions, or in international courts, where the HDT believes legislation criminalising homosexuality conflicts with constitutional law or international law.

A charity cannot have purposes directed towards changing the law because the court has no means of judging that such a change is in the public benefit in the particular circumstances of the country concerned, however desirable such changes might seem. The organisation has since appealed our decision to the First-tier Tribunal (Charity).

Registration

Charitable incorporated organisations

In December 2012, we began registering charities under a new legal form, the Charitable Incorporated Organisation (CIO). The CIO structure grants charities the advantages of incorporation, such as limited personal liability for trustees, without all the administrative burdens associated with being a company. For example, CIOs do not need to register with Companies House.

The introduction of CIOs was phased. Initially the CIO form was only open to brand-new organisations or unincorporated charities with incomes of over £25,000. At the moment, all unincorporated charities are able to convert. In 2013-14, we registered **1,331** CIOs.

Is starting a new charity the best way to help?

People set up new charities for different reasons. Sometimes, it is because they have identified a genuine 'gap in the market' – a new need or a new way of solving an entrenched problem.

But sometimes people are moved to set up a new charity for more personal reasons, for example to commemorate a loved one or to 'give something back'. It is a great testament to the charitable spirit in this country that people who have life-changing experiences often respond with compassion for others. But setting up a new charity is not always the most effective way to help – and doing so brings significant legal responsibilities. Also, when a charity is set up for personal reasons, people do not always stop to think about what will happen to their charity if they are no longer able to act as trustees.

This year, we published updated registration guidance, which helps people recognise that there are many ways to make a difference without establishing a brand new charity.

The guidance suggests alternatives to creating a new charity, such as volunteering for an existing charity, setting up a named donor fund with a Community Foundation or establishing a charitable trust with the Charities Aid Foundation. These are successful alternative ways for people wishing to raise funds to respond to urgent need – for example to help people affected by a natural disaster – or to commemorate a loved one.

Holding charities to account

Charitable status is a privilege. The public expects charities to be open and accountable about what they do and how they are run. Charities must submit a certain amount of information to us each year. We make that information available to the public on the online register of charities. This helps people make informed decisions about which charities to support.

It is vital that trustees take public accountability and transparency seriously. Too many charities are persistently late in filing documents or do not file the basic information required at all. This is not acceptable and we are taking action to combat this. For example, during the year, we opened a class inquiry to investigate charities that had defaulted on their filing requirements for two or more years (see page 20 for a case study from the class inquiry).

In 2013-14 **86%** of charities required to file their Annual Return and **86%** of charities required to file annual accounts did so on time. The accounts filed with us accounted for **99%** of the total income of all registered charities.

How much information a charity is required to provide to us depends on its size. This ensures that we do not place a disproportionate burden on very small charities.

The smallest registered charities, those with annual income of less than £10,000, are required only to submit an Annual Update, which tells us and the public what they have spent, and who their trustees are.

Changes to the Annual Return

Charities with an annual income of £10,000 or more must submit an online Annual Return, which asks for a range of information about the charity's trustees, activities, income and expenditure.

Each year, we review the questions asked in the Annual Return. This helps ensure that we have the information we need to regulate effectively and that the public has access to the information it needs to make informed decisions about charities.

We have included some new questions in the Annual Return to be used by charities to report on the financial year ending in 2014. For example, a charity must now report whether it pays any of its trustees, whether it raises money from the public and whether it has a trading subsidiary.

We continue to review the information required in the Annual Return and it is likely that further questions will be added for new financial years.

Holding charities to account

Reviewing the accounting framework for charities

Annual accounts provide vital information about how a charity has used the funds entrusted to it. The Trustees' Annual Report provides a narrative that explains what a charity set out to do and what it has achieved with its resources. Together, the accounts and report provide essential accountability for the use of charitable funds.

Charities with an income of more than £250,000 and all charitable companies must prepare their accounts in line with Financial Reporting Standards (FRS) and the charities' Statement of Recommended Practice (Charities SORP), the definitive guide to applying accounting standards. These standards are changing as the UK moves towards a new UK FRS more closely aligned with international accounting standards.

The new Charities SORP will help charities apply the new UK FRS by explaining current accounting practice, setting out what a charity's accounts should include and how they should be presented. This helps charities account consistently for their financial transactions and helps ensure the quality of stewardship reporting essential for accountability.

In July the joint Charities SORP-making body (the Charity Commission and the Office of the Scottish Charity Regulator) launched a wide-ranging consultation. It included 26 events across the UK, attended by over 1,600 participants and nearly 180 written responses.

The new Charities SORP will introduce a number of changes. For example, all charities which submit accruals accounts will be required to state how many staff members earn salaries within income brackets above £60,000. This change reflects the high value which funders and donors place on information about staff salaries.

We have recognised that some charities may not be ready to move to the new FRS in 2015 and so have developed a Charities SORP based on the existing Financial Reporting Standard for Smaller Entities (the FRSSE) pending the anticipated development by the Financial Reporting Council of a new standard for smaller entities.

Charities will begin following the new SORPs when they come to report on financial years beginning on or after 1 January 2015.

Accounts monitoring and review

Every year, we review a sample of charity accounts. Our work includes both casework and proactive reviews of particular types of accounts. These comprise reviews of charities with particular risk characteristics as well as random samples. This work helps to identify abuse and highlight poor reporting, and encourages charities to follow best practice in preparing their accounts. In 2013-14 we reviewed **1,664** sets of accounts. **643** accounts were reviewed as part of casework, including the class enquiry into double defaulters, and **1,021** were looked at as part of our programme of proactive reviews.

Such charities are required to provide accounts information in Part B of their Annual Returns. We analysed this information to identify charities which had one or more of the following risk characteristics:

- pension scheme deficits,
- low charitable expenditure,
- net current liabilities, and
- a reduction in permanent endowment from the previous year.

We will be publishing reports on the results of each review, including the lessons that we believe that other charities can learn. We will also pursue those instances of significant regulatory concern that we have identified in individual charities.

Holding charities to account

Charities with an income of less than £500,000

We monitored these charities through two random accounts samples. One covered charities with an income in excess of £25,000. The second covered charities with an income of less than £25,000. Whilst all charities are required to prepare accounts, charities below this threshold are not required to submit them to us unless we request them. Once the findings of these reviews have been analysed, we will determine what further action to take and whether it will be helpful to publish the results.

The online charity search tool

Members of the public go to the online charity search tool to find information about charities. In 2013-14, charities' details were viewed over **6.6 million times**. During the year, we have been developing an improved version of the online charity search. The new online register will be launched as a trial or 'beta' version. This means that we can make further changes and improvements to the functionality based on comments from users, before removing the old version entirely.

Our changes will make it easier to access and share information about charities. For example, it will be much easier to search for charities from a smartphone or tablet. This means people can check the register while out and about – for example when they are approached on the street or at their doorstep to make a donation. It will also be easier to share a charity's details via Facebook and Twitter.

Users will be able to download sections of the register as a spreadsheet. For example, community groups will be able to use the function to download the names and contact details of all charities in their area that make grants available, making it much easier to apply for funding.

We also hope the changes will encourage researchers and innovators to use the data in creative ways, for example to develop applications for electronic devices.

As well as making the register easier to use, we have extended the range of information available about charities on the online register.

Important changes

People will be able to see, at a glance:

- what proportion of the charity's spending goes to charitable activities
- whether the charity is subject to a publicly announced statutory inquiry
- whether the charity has filed its annual documents on time
- whether the charity is insolvent or in administration
- whether the charity pays any of its trustees
- whether the charity is a member of the Fundraising Standards Board, meaning that it is committed to high fundraising standards
- whether charity's accounts have been qualified by its auditor or independent examiner, meaning that there are questions about an aspect of the charity's financial management.

Holding charities to account

What the new online search tool means for charities

A charity's online register entry is its shop-front. Trustees must keep it updated so that it conveys the right message about what the charity does and why it is worth supporting.

The new online register will make it even clearer when charities are in default of their reporting requirements. If a charity's annual information is overdue, its register entry will be limited – only basic information will be available for people to view. This will signal to the public that the charity is not in good standing and probably does not deserve their support.

We expect charities to respond to the changes we have made to the online register by ensuring that they file their annual documents on time and keep information, for instance about their trustees, accurate.

Measuring public trust and confidence in charities

Ultimately, our overarching aim is to increase public trust and confidence in charities. To measure how well we are doing and to help charities respond to the views of the public, we commission independent surveys every other year. The surveys establish levels of trust in charities and find out what factors increase or decrease trust in charities.

This year, we commissioned Ipsos Mori to conduct the research. Their research found that public trust and confidence in charities overall has remained high, with people giving charities a mean score of 6.7 out of ten. This puts charities among the most trusted groups, third only after doctors and the police. These scores are consistent with 2012 levels, when we last commissioned research.

This year's survey also found that people are placing a growing emphasis on ensuring that donations are going to the end cause; just under half of those asked (49%) say this is the most important factor driving their trust in charities. This has increased significantly since 2012, when the score was 43%. This finding demonstrates how important it is that charities are open and accountable about their spending and that we as regulator continue to improve public access to information about charities via the online register.

The full report is available on our website.

"The public generally trusts that charities are making a positive difference, that they can make independent decisions and that fundraisers are honest and ethical. They are less likely to trust that a reasonable amount of donations are going to the end cause"

Quote from Ipsos Mori public trust and confidence report.

Tackling abuse and mismanagement in charities

Sadly, charities can and do fall victim to abuse and mismanagement. Often, problems arise because trustees are ignorant of the law or negligent in fulfilling their duties. But mismanagement can also involve deliberate wrongdoing by charity trustees.

All mismanagement in charities is unacceptable, regardless of what has caused it. Mismanagement and misconduct harm the charity involved and undermine trust and confidence in charities generally, especially where there is an element of deliberate or criminal abuse.

It is our role to identify, tackle and prevent abuse and mismanagement in charities. This year, we have strengthened our work in compliance, investigation and enforcement. Our new statement of regulatory approach (see page 2) makes it clear that compliance is a priority objective.

We are now quicker to intervene when trustees are putting their charity at risk. This tougher approach is reflected in the number of statutory inquiries which have been opened this year.

Improving our approach

Making better use of our legal powers

The purpose of statutory inquiries is investigating serious concerns. We therefore now use our powers routinely during statutory inquiries to obtain information or documents from trustees. In the past, we usually asked trustees for information, only using our powers when trustees refused to cooperate. Using our powers to gather information during all inquiries helps trustees understand the seriousness of the situation and speeds up our investigations.

Between 1 April 2013 and 31 March 2014, we used our legal powers in our investigative work on **540** occasions[1]; in 2012-13, we used our powers 216 times.

1. This refers to powers used in our Investigations and Enforcement Unit, and does not include powers used in our Operational compliance case work.

Tackling abuse and mismanagement in charities

Helping to prevent fraud – new trustee checks

This year, we improved our approach to checking trustee data. When charities complete their Annual Return, they must sign a declaration confirming that none of their trustees is disqualified from serving as trustee, for instance because they have an unspent conviction for an offence involving dishonesty.

This year, we joined CIFAS, the fraud prevention service, which gives us access to better information about people who have been involved in fraud. We can now use the CIFAS National Fraud Database to help identify and deal with individuals whose involvement with a charity might be a cause for concern. If further checks confirm that the individual's conduct means he or she is disqualified from serving as a trustee, we will take steps to ensure they stop acting as a trustee.

The onus remains on charities to ensure they have vetted trustees and employees prior to appointment, but joining CIFAS helps us find those who may be withholding information from their fellow trustees or who have provided false information about their eligibility to us.

Getting better at identifying risk

The true extent of fraud in charities is not known. But as well as identifying individuals who may be of concern, membership of CIFAS will help us better understand the strategic risks facing charities. For example, it will help us identify whether certain types of charities are more prone to links to fraud. This intelligence will allow us to target at-risk charities through proactive monitoring or through targeted accounts scrutiny work (see pages 10-11). This, in turn, will mean we are using our limited resources more efficiently and effectively to identify and prevent fraud.

Our call for stronger legal powers

Weaknesses in our current legal powers are undermining our ability to be an effective regulator. We have called on Government to strengthen and extend our powers to prevent and remedy abuse in charities. In response to this, in December, the Cabinet Office consulted on proposals to address these weaknesses. The changes we are seeking include extending the existing criteria for automatic disqualification from acting as a trustee and giving us a direct power to disqualify individuals whose actions make them unsuitable to be trustees. The latter power would close the current loophole that allows someone to avoid Commission action simply by resigning as a trustee. We have written to the Prime Minister to make him aware of the importance of this, and have welcomed the announcement, in the Queen's speech, of a draft Bill. We hope that this will result in legislation that strengthens our powers and improves our ability to regulate.

Tackling abuse and mismanagement in charities

Improving transparency

This year, we have continued to improve how transparent we are about our work to tackle abuse and mismanagement.

We now issue a public statement about almost all new statutory inquiries. We hold back from doing so only if there is a strong operational or public interest reason, for instance if doing so would be likely to interfere with or prejudice legal proceedings, due process or the effective outcome of our investigation or the operations of other agencies. In the past, we issued proactive statements only in exceptional circumstances. We also publish updates about the most high profile statutory inquiries when it is in the public interest to do so. The online register now shows if a charity is subject to a publicly announced statutory inquiry (see page 11). We have also begun publishing reports of operational compliance cases (see below for more information about statutory inquiries and operational compliance cases). These short reports explain why we got involved and what we found.

This increased openness will help the public make better informed decisions about which charities to support. We also hope that, by reporting more openly on our cases, we can increase public understanding of and confidence in our work as regulator and help trustees avoid similar mistakes happening in their charities.

Our regulatory casework

How we respond to concerns

We assess all concerns raised with us about charities against our risk framework.

This published document explains our criteria for responding to concerns and helps us assess them robustly and consistently. It highlights the three strategic risks we have identified as having potentially the most damaging impact both on individual charities and also trust in charities generally (see overleaf).

We keep the risk framework under constant review. This year, we updated it to make clear our priority to be alert to and deal with the impact of abusive tax arrangements on public trust and confidence.

If concerns raised with us about a charity are serious, or if they fall into one of the three areas of strategic risk, they are referred to case workers in our operations teams or, in the most serious cases, to our investigations and enforcement (IAE) team. Case workers in IAE conduct statutory inquiries, reserved for the most serious regulatory issues.

Tackling abuse and mismanagement in charities

Our three strategic priorities

Our three priority risks are: fraud and financial crime, safeguarding failures with regard to vulnerable beneficiaries and the abuse of charity for terrorist purposes.

Our strategies for dealing with these risk areas set out our role; the duties and responsibilities of trustees; and provide links to our guidance and tools to help trustees manage the risks in these areas.

We continue to publish alerts and warnings for the public and charities where there is risk of fraud or abuse (see page 25).

We have also published alerts to trustees of charities and charitable appeals organising, or participating in, humanitarian aid convoys to assist those affected by the Syria Crisis.

We have also continued our outreach work with universities and students' unions on managing risks associated with speakers and publications, with faith charities on strengthening governance and risk management in these three key areas, and with charities working internationally on good practice in due diligence and monitoring and accounting for the end use of funds.

Operational compliance cases

Most concerns about charities are addressed through operational compliance cases. Our compliance case workers assess and put right governance failures in charities. We are using our information gathering powers more frequently during operational compliance cases. Often we can achieve the intended outcome by providing robust regulatory instructions to trustees. If we uncover more serious concerns, or if trustees refuse to cooperate, we can escalate the case to statutory inquiry.

As part of operational compliance cases, we may issue action plans to instruct trustees to take certain steps within a set timeframe. We then follow up with trustees to make sure they have put the plan into action. This follow-up work is now conducted by the operations monitoring team (see page 17). This ensures consistency, and means that case officers in the operations teams have more time to deal with new cases.

We opened **1,865** new operational compliance cases in 2013-14; **1,972** operational compliance cases concluded during the year.

We issued **74** action plans as part of operational compliance cases this year.

The most common issues arising in operational compliance cases concluded this year were:

- issues raised in reports of serious incidents (RSI - see page 23 for more about RSI)
- accounting issues
- concerns about disqualified trustees,
- misapplication of funds
- fraud and theft
- issues raised in whistleblowing reports
- concerns around fundraising.

Tackling abuse and mismanagement in charities

Our approach to monitoring

In October 2013, we set up a new operations monitoring team to bolster our monitoring capability. The operations monitoring team deals with those cases that are not assessed against our risk framework as presenting the highest risk or involving the most serious concerns, but which nonetheless need monitoring. This includes following up on cases where the operations teams have issued trustees with regulatory advice and guidance or an action plan, where we need to ensure that the advice and guidance or action plan have been followed.

The team has also identified other areas of concern through closer working with other government agencies and by using statutory and non-statutory information given to the Commission by charities. The team has worked closely with our registration team to monitor charities about which concerns are raised at the pre-registration and registration stages (see page 5). This team received with **318** referrals this year (October 2013-April 2014).

In addition, we have a pre-investigation monitoring team, which monitors charities where there are concerns relating to serious non-compliance, or significant risk of serious non-compliance within a charity or class of charities.

The monitoring by this unit includes:

- close liaison with other government regulators and law enforcement agencies
- reviewing information that charities supply to us, along with appropriate and targeted scrutiny of accounts
- formal monitoring to ensure that trustees have complied with regulatory advice and guidance following the conclusion of our formal regulatory engagement with a charity
- proactive monitoring of the sector in areas that we identify as high risk and proactive engagement with those charities that may operate in high risk areas and may be facing problems
- conducting compliance visits to charities identified as potentially at risk so that we can establish if there are any serious regulatory concerns, and if so, provide regulatory advice and supervisory support.

We may also monitor charities where we are unable to take immediate action, or are restricted in the action we can take to address regulatory concerns, because a law enforcement investigation takes primacy to our own, and where our intervention may prejudice or frustrate the criminal investigation. The pre-investigation monitoring unit opened **95** and completed **54** cases and conducted **68** monitoring visits during the year under review.

Tackling abuse and mismanagement in charities

Case study
Operational compliance case into Bufferzone

About the Charity

The charity's objects included promoting the benefit of the people of Cornwall by addressing mental health issues. In practice, it provided an advocacy and outreach service for people with mental health problems.

Why we got involved

We received a number of complaints alleging that vulnerable service users had felt threatened and intimidated by the charity, including by being pressurised to pay 'voluntary fees' in return for the charity's help. We needed to understand the charity's processes for safeguarding vulnerable beneficiaries and to ensure that the trustees were responding to the complaints.

The action we took

We instructed the trustees to report the incidents to the Cornwall County Council Adult Safeguarding Officer. We asked the trustees to provide a range of documents and information (including safeguarding policies and accounts). As they were unable to do this, we arranged to meet the trustees.

What we found

We found that the trustees' supervision and management of the charity were wholly inadequate. There were no written safeguarding policies or procedures and volunteers were left unsupervised for much of the time. We also found serious concerns about the wider governance of the charity. The charity's treasurer showed little knowledge of the charity's accounting procedures and there were no management accounts, ledgers or spreadsheets to manage the flow of funds. The charity did not appear to have any financial controls in place and was not able to provide us with bank statements or cheque book counterfoils. We concluded that the trustees were failing in their duty to safeguard vulnerable beneficiaries; that there were no robust governance controls and procedures in place; that financial control was wholly inadequate.

Impact of our involvement

We told the trustees that they had two options:

1. either they needed to recognise their responsibility for the governance of the charity and the activities of its volunteers by putting in place proper policies and procedures; or
2. the trustees could dissolve the charity in line with the provisions of its constitution.

The trustees decided to dissolve the charity.

Lessons for other charities

Trustees have legal duties and responsibilities; for trustees of charities working with vulnerable beneficiaries, these duties include ensuring that there are robust policies in place to safeguard the beneficiaries and to ensure those policies are being followed. It is not for the Commission to decide whether or not a charity should continue to exist. However, it is our role to provide regulatory advice in cases of serious concern. In this case, the seriousness of the governance problems indicated to us that the charity might not be viable.

Tackling abuse and mismanagement in charities

Pre-investigation assessment cases

When an issue or case appears so serious that a statutory inquiry may need to be opened, our pre-investigation assessment team (PIA) assesses whether the case meets the threshold for opening an inquiry.

PIA case workers assess the nature of the concern and the level of risk by applying risk framework. This ensures both consistency and fairness in our decisions and that the highest risk cases are prioritised and properly resourced. All concerns about abuse of a charity for terrorist or extremist purposes are referred to the PIA team.

This year, we opened **115** and completed **118** PIA cases.

Case study

We intervened to ensure trustees protected their charity

About the charity

The charity is a students union in England.

Why we got involved

We were alerted to an event that was being organised by a student society affiliated to the charity. Two individuals who were going to speak had previously been the subject of media coverage alleging that they were known to have made controversial and extremist statements in public. We needed to find out how the charity's trustees had assessed and managed any risks that might arise from the charity in connection with the event and the external speakers, including the risk of a loss of public trust in their charity.

The action we took

We contacted the charity immediately and instructed the trustees to provide evidence that they had properly considered the risks involved in allowing controversial speakers to take part in the event. We also needed to find out whether the charity had policies and procedures in place for running events and assessing the risks.

What we found

The trustees made clear that they had an agreed speaker policy in place, but that this event had been organised without their knowledge and without following the charity's policy. They had since intervened and confirmed that it was their view that one of the two speakers was inappropriate. They had also taken steps to ensure the other speaker complied with the charity speaker policy. They explained that one trustee would be attending and monitoring the event so that they could, if necessary, challenge any statements that might be damaging to the charity.

Impact of our involvement

The trustees confirmed that they would be conducting a full internal investigation to establish how the affiliate society was able to organise an event without following the charity's policy and procedures. The trustees confirmed that they would share with us the outcome of that investigation.

Lessons for other charities

Trustees of charities that run events and produce literature must put appropriate policies and procedures in place and ensure they take reasonable steps to manage the risks and carry out due diligence. Someone with controversial views can be invited to a charity event to speak but the trustees will need to be clear about how this will further the charity's objects and must take active steps to manage the risks. This case demonstrates that we don't always need to use our powers to ensure trustees take action to protect their charity from harm.

Tackling abuse and mismanagement in charities

Statutory inquiries

We consider opening a statutory inquiry where the regulatory issue is in itself serious, where there is evidence or serious suspicion of misconduct or mismanagement or where the risks to the charity or to public confidence in charity more generally are highest.

During a statutory inquiry, we can use the full range of our legal powers of protection and remedy. These include powers to compel information, to freeze a charity's bank accounts, to appoint an Interim Manager or to suspend or remove a charity's trustees.

We have significantly increased the number of statutory inquiries this year: between 1 April 2013 and 31 March 2014, we opened statutory inquiries into **64** charities compared to 15 inquiries the previous year. We concluded **23**[2] inquiries and **7** non-inquiry investigations during the same period[3].

The three most common issues arising in statutory inquiries completed in 2013-14 were:

- accounting issues, including the failure to prepare or submit proper accounts
- trusteeship issues
- trustee benefit and conflict of interest

Concerns about governing document compliance, fraud allegations, land and property concerns and concerns about trading and commercial matters also arose frequently in inquiries concluded this year.

Case study

Charity subject to statutory inquiry – Michael Davies Charitable Settlement

The Michael Davies Charitable Settlement is a grant maker with general charitable objects. The charity failed to submit Trustees' Annual Reports and Accounts and Annual Returns for the financial years ended 2010, 2011 and 2012. It became subject to the class inquiry on 11 November, after failing to respond to computer generated reminders and to a final warning requesting that the missing documents be submitted.

The charity eventually filed audited accounts for the financial years ended April 2010, 2011 and 2012 on 26 November 2013. The charity also filed the relevant documents for the financial year ended April 2013, ensuring they have already fulfilled their legal reporting obligations for 2013 in advance of the deadline.

The trustees informed us that despite the charity's instruction to their accountants, they had failed to provide the required documents by the deadline, however they emphasised the purposes of the charity had been fulfilled and funds had been distributed to a wide range of charitable organisations. The accountancy firm acting on behalf of the charity indicated it was their inaction that led to the default.

We concluded that the trustees were in default of their legal obligations to file accounting information with the Commission. This was mismanagement and misconduct in the administration of the charity and a breach of their legal duties. Following an accounts scrutiny, guidance was provided to the trustees for consideration when preparing future accounts.

As a result of our class inquiry, we have ensured that in excess of £29 million of charitable funds are now accounted for in accounts published on the online register of charities.

2. This figure relates to the completion of substantive investigations in a case; an inquiry formally concludes upon the publication by us of an inquiry report.

3. Prior to the Commission's strategic review and restructure in December 2011, the IAE investigations team also conducted regulatory compliance cases (RCC); these were investigations that were less serious than statutory inquiries. No new RCCs investigations have been opened since December 2011, but some that opened prior to the restructure are still underway.

Tackling abuse and mismanagement in charities

Cup Trust – an update

One of the most high profile cases this year involved The Cup Trust, a charity into which we opened a statutory inquiry in April 2013, to investigate ongoing concerns about the charity's involvement in a Gift Aid scheme and the potential damage to public trust and confidence. Following the opening of the inquiry, we appointed an Interim Manager (IM) to take control of the charity and its affairs. These steps were taken immediately after we received new information from HMRC about the charity, which came on top of our growing concerns about its administration and management. The trustee made application to the First-tier Tribunal (Charity) (FTT) to review the decision to open the inquiry and to appeal the appointment of the IM; both were dismissed by the FTT in October 2013 which subsequently in January 2014 refused permission for the trustee to appeal the decisions to the Upper Tribunal. However, in February 2014, the Upper Tribunal granted permission for the trustee to appeal the IM appointment. The trustee has successfully applied for an oral hearing of the matter at which the grounds of appeal will also be decided. The hearing date is yet to be set.

The Dove Trust – an update

This year, we appointed an Interim Manager (IM) to take over the management of the Dove Trust, which ran the online giving website CharityGiving. After careful consideration and consultation with us, the IM decided to suspend the website to protect funds raised by the public and to prevent further charitable pledges being made while the investigation into the charity and the IM's work continued.

Some months later, the IM concluded that there was, at that time, approximately £500,000 available for an initial distribution to over 1,800 charities and good causes owed money by the Dove Trust. In December, the court was asked to decide how the IM should lawfully distribute funds to those owed money by the charity. This was because there are several different approaches the IM could take and care needed to be taken to ensure the funds were shared out fairly and properly. Both the Commission and the IM wanted the IM to make a distribution as quickly as possible. But given the complexity of the charity and trust law issues involved, only the court can decide on the fairest and most equitable approach to distributing available funds. We have asked the court to deal with it as soon as possible.

In March 2014, following a directions hearing, the court said that those affected would have the opportunity to submit evidence to the court to support a particular approach to distribution. The full hearing took place on 3 July 2014.

Tackling abuse and mismanagement in charities

Working with other agencies

We are a civil regulator responsible for enforcing charity law. It is not our role to investigate criminality. However, we work closely with other government agencies and regulators, including the police.

For example, our work sometimes uncovers evidence of criminality or concerns that are for another regulator to investigate. Similarly, other agencies often find evidence of concerns about trustees' management of their charities, which they refer to us.

We work especially closely with the Police, Her Majesty's Revenue and Customs (HMRC), the Serious Fraud Office (SFO), the new National Crime Agency (to which the work of the previous Serious Organised Crime Agency has moved), Action Fraud, the Financial Conduct Authority (formerly Financial Services Authority), the Insolvency Service, the Welsh Government, Ofsted and the Department for Education, the Higher Education Funding Council for England, the Higher Education Funding Council for Wales, the Care Quality Commission and others. This year, we exchanged information with other agencies through the formal statutory gateway on **1,633** occasions.

New Memorandum of Understanding with HMRC

This year, we updated our Memorandum of Understanding (MoU) with HMRC. This makes a renewed commitment to:

- promote a common understanding of our individual responsibilities
- promote co-operation between us
- ensure the necessary safeguards are in place for the effective investigation and exchange of information to prevent, detect and remedy misconduct or mismanagement in the administration of charities and charitable funds
- ensure appropriate consultation and co-operation on matters of mutual interest
- facilitate the undertaking of joint working where there are issues of shared regulatory interest

We have agreed to work collaboratively and proactively together to identify charities where HMRC has concerns about: the suitability of individuals to be involved in a charity; the conduct of trustees in relation to the financial management of a charity; or other indications of significant misconduct or mismanagement issues. The MoU commits to regular strategic, operational and policy level staff engagement and to offering mutual secondment and shadowing opportunities.

Tackling abuse and mismanagement in charities

Reporting serious incidents (RSI)

Charity trustees have a duty to report serious incidents to us as soon as they suspect them. Serious incidents include, for example, fraud, theft or the charity losing a significant amount of money in another way; links with terrorism; suspicions, allegations and incidents of abuse or mistreatment of vulnerable beneficiaries.

Trustees of charities required to file accounts (those with an income of over £25,000) must also confirm, in their Annual Return, that the charity did not experience any serious incidents or other matters that should have been brought to our attention but was not.

Serious incident reports are an important way for us as regulator to identify and assess the nature and scale of risks facing charities. We assess all serious incident reports that are submitted to us carefully, to decide what action, if any, we need to take as regulator. In some cases, we may need to take action ourselves, but in most cases, we check that the trustees are handling the incident properly and responsibly, and we help ensure the charity is protected for the future. This year, charities reported **1,280** serious incidents to us.

Case study - reporting a serious incidents (RSI)

An animal charity

The charity's treasurer submitted a serious incident report, raising concerns about suspected fraud by the charity's chairman. The treasurer had suspicions that the chairman was not banking all of the cash and cheques he received on behalf of the charity. The treasurer, who was one of only two unconflicted trustees on the charity's board, had reported the matter to the police, but had not taken action to protect the charity in the meantime. We were concerned that the charity could potentially be losing further funds and the case was referred to an operations team.

We liaised with the local police and the trustees to ensure urgent steps were taken to protect the charity from further losses. The matter was resolved when the police began a criminal investigation and the chairman resigned from the charity. We provided regulatory guidance to the remaining trustees, explaining how they should improve the charity's internal financial controls to avoid similar issues arising in future.

Promoting compliance – online guidance and regulatory alerts

Charity trustees must comply with the law when running their charities. Our online guidance helps them do just that. It explains, in clear language and with the use of examples, what the law expects from them.

Providing online guidance based on charity law is an important part of our role as regulator. We expect all trustees to use our guidance when making decisions on behalf of their charities. This year, we developed and updated guidance in a range of areas.

Addressing conflicts of interest

Conflicts of interest in charities can seriously undermine public trust and confidence. Our casework shows that, sadly, trustees often fail to identify conflicts of interest and prevent them from affecting decision making. This puts their charity's assets and reputation at risk.

Our updated guidance makes clear that, when making decisions on behalf of their charity, trustees must act only in terms of the charity's best interest – regardless of their outside roles, activities or interests.

In the most serious cases of conflicting interests or loyalties, trustees should remove the conflict of interest. Where a conflict is not removed it must be properly identified and handled in a way which prevents it from affecting the trustees' decision making. This includes making sure that trustees do not take part in decision making on issues where they have a conflicting interest.

Our new guidance also makes clear that individual trustees carry personal responsibility for identifying and declaring any conflicts of interest they may have.

Guidance on permanent endowments

In January 2014, new Regulations came into effect, allowing trustees of permanently endowed trusts to adopt a total return approach to investment without seeking our prior approval. For permanently endowed charities, taking a total return approach means treating all investment returns as a whole, rather than labelling them as either capital or income.

Our guidance on the Regulations explains that charities adopting the new power can allocate the total return in the way they think will best further their charity's aims now and in the future. We published specific guidance because we know the area is complex and many trustees will need an overview of the rules they must follow if exercising the new power.

Promoting compliance – online guidance and regulatory alerts

Explaining our policy on restitution

This year, we published our policy on the recovery of property lost to charity because of serious breaches of trust. Our policy acknowledges that people should not be put off volunteering as trustees because of a fear that they may be held personally and financially responsible when losses arise as a result of honest and reasonable actions.

But it also makes clear that trustees do have a duty of care towards their charity and its property, which means that they must respond properly where losses have occurred. This should include considering the recovery of funds lost to the charity because of deliberate or reckless behaviour. Trustees are responsible for taking steps to get the money back. Our policy makes clear that where trustees fail to act, we may consider taking regulatory action to ensure they take the appropriate steps. In exceptional cases, where trustees will not or cannot act, we will consider bringing enforcement action to recover losses to the charity.

Regulatory alerts

We regularly issue regulatory alerts where we become aware, through our live casework, or through horizon scanning, of significant arising risks or vulnerabilities which may affect other charities and their operations. The alerts raise awareness of the risk and provide advice as to how people should respond. This year, we issued 10 alerts, covering a variety of topics such as general safer giving advice for trustees and the public; donation scams; risks when getting involved in arrangements to enter into tenancy agreements and taking advantage of business rates relief; and alerts for trustees of charities and charitable appeals organising or participating in humanitarian aid convoys to assist those affected by crisis in Syria.

Charity donations scam

In June 2013, we alerted charities to a scam involving fraudulently obtained credit cards. The scam, which was identified by the Serious Organised Crime Agency (now the National Crime Agency), involves a fraudster informing a charity that he or she will be donating a large sum of money on the condition that the charity sends half of the donation on to another specified charity which is, in fact, the personal bank account of the fraudster. The payment to the charity is made using a compromised or stolen credit card. When the card issuer identifies the fraud and recalls the money, the charity is liable for the full amount. The charity unwittingly becomes involved in money laundering.

Promoting compliance – online guidance and regulatory alerts

Syria and Aid Convoys

The crisis in Syria has led to a terrible humanitarian catastrophe. We have provided detailed guidance as to how charities and the public can most effectively help those affected. For example, we issued an alert to coincide with the launch of the Disasters Emergency Committee's ('DEC') Syria appeal in December 2012. Our advice was to give to charities with experience of providing humanitarian assistance in high risk, insecure and dangerous environments and those with ongoing relief operations in Syria or surrounding countries. In February 2014, we issued an alert following media reports that a suspected British suicide bomber in Syria had travelled to the country as part of a humanitarian convoy. Our alert reminded charities organising and participating in charitable aid convoys to Syria of the risk that they may be abused for non-charitable purposes, including helping British fighters travel to the region. We reminded those organising convoys to take certain steps, including to verify the aid they provide is only used for lawful humanitarian purposes, to vet all volunteers travelling with the convoy and to ensure that vehicles are checked prior to departure to ensure that they are not used to transport inappropriate or illegal items. Our alert also warned charities organising and participating in convoys that they may face regulatory oversight and scrutiny by the Commission, including a compliance visit.

Podcasts on good governance

We publish audio podcasts that help trustees understand our guidance and improve the governance of their charity. This year, we published a series of new podcasts based on typical scenarios that arise in our casework, to help trustees learn the lessons. For example, one of our podcasts told the story of a charity where poor financial controls allowed a trustee to steal money; another explained what can go wrong when conflicts of interest are not properly avoided and managed.

Bilingual regulation

The Commission is a bilingual regulator. Our website is available both in Welsh and English, 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 calling us, people are given the option of talking to a Welsh speaker.

Promoting compliance – online guidance and regulatory alerts

Working with partners to improve governance

We work with partners across and beyond the charity world to help us reach charities with guidance and advice on good governance. The long-term purpose of this work is to improve charities' compliance with their legal obligations through raised standards of governance, so that fewer charities suffer the kind of mismanagement that undermines public trust and requires us to intervene.

Endorsing charity quality assessment systems

We endorse quality systems using standards set by umbrella and support bodies. Charities can incorporate the standards within their governance and then apply to be tested against them. We only endorse comprehensive and vigorously assessed standards that have governance legal requirements at their heart. A charity that meets a Commission endorsed standard is therefore able to provide assurance to the public, funders and service commissioners that it is well governed and effective.

We currently have 9 endorsed quality systems, of which 7 were re-endorsed or newly-endorsed this year. These include those developed by Home-Start UK, the family support charity that works with over 300 local members, Age UK, UKCF, the umbrella body for local community foundations, and the mental health charity Mind.

Charity review projects

We aim to work with a range of organisations to establish charity review projects with themes of regulatory interest. These projects rely on charities volunteering to receive a pro bono review from experts provided by our project partners, typically from among their membership. The anonymised collated findings help us understand governance risks facing charities. This year, we worked on a project with the Institute of Chartered Accountants in England and Wales (ICAEW), which examined trustees' approaches to developing, implementing and reviewing their charity's strategy. The project found that charities with clear strategies in place are better able to meet their challenges. Sadly, the report also highlighted governance weaknesses present in many charities, often linked to poor understanding among trustees of their role and responsibilities and a lack of financial skills within charity boards. We are currently considering our response to the ICAEW's findings.

Promoting compliance – online guidance and regulatory alerts

Trustees' Week 2013

Trustees' Week is an annual campaign to promote the work of charity trustees and to encourage people to consider volunteering as trustees. Trustees' Week involves a wide range of charities and other organisations, including the National Council for Voluntary Organisations, the Wales Council for Voluntary Action, the Institute of Fundraising, the Small Charities Coalition, the National Union of Students and the Wales Audit Office. We encourage charities to use the campaign to recruit new trustees, provide training to existing trustees, or simply thank their trustees for their contribution.

Trustees' Week 2013 proved a great success, with over 50 events held across the UK, ranging from seminars organised by professional advice firms, to 'speed-matching evenings' matching people interested in volunteering as trustees to recruiting charities. We achieved wide media coverage for the campaign, including several national newspaper articles and over 40 regional articles.

We also received great support from Members of Parliament, many of whom took part in a reception that brought MPs together with trustees in their constituency. The event was addressed by the Minister for Civil Society, Nick Hurd, and a young trustee, Smita Jalaf.

Campaign to promote better-informed trustees

People join boards for the best of reasons but often their commitment, energy and objectivity are not used to maximum effect for their organisations because their knowledge of the role and responsibilities of trustees is poor.

Together with the Cass Centre for Charity Effectiveness and the Cranfield Trust we are developing a coalition of sector bodies around a joint campaign targeting trustees. The aim is that, in three years' time, almost every trustee should have a clear understanding of their role and responsibilities, be aware that they need to access advice and guidance, and know where to go to get the information to support them in their role. We can only achieve this aim by working closely with a range of organisations in the charity sector and beyond.

New hub for guidance on property

Managing property can be among the most challenging of trustees' responsibilities. We began a project this year with four initial partners to improve trustees' decision making in this area by developing a single hub for guidance about trustees' duties when purchasing, managing, sub-leasing and possibly eventually disposing of property. While we can provide information on the charity legal framework regarding property transactions, others are better placed to offer practical support and help to charities when making decisions about their property. The initial four partners are: Action with Communities in Rural England (ACRE), Community Matters, the Ethical Property Foundation and Locality.

Charity supervision and facilitation

First Contact case work

The majority of the Commission's case work is conducted within our First Contact Team. This team receives all initial correspondence from charities and members of the public.

This year, the team dealt with **48,274** emails, **88,822** phone calls and **9,681** letters; **94%** of the issues raised in these contacts were resolved within First Contact, without referral to other teams in the Commission.

The work is wide ranging and includes permissions case work (see below), as well as less serious concerns about a charity's management. Serious cases are referred either to the Commission's operations or to the pre-investigation assessment teams.

Example of a First Contact case - The Fire Fighters Charity

The charity exists to enhance the quality of life for existing and former fire fighters, fire personnel and their families, through a range of services. It is a large charity with an income of around £8 million. We were contacted by the charity, whose trustees wanted to widen its objects so that it could offer its services to the increasing numbers of civilians that had joined individual Fire and Rescue Services volunteer programmes. Volunteers undertake duties in support of fire prevention, protection or emergency response such as fitting fire alarms, providing fire safety talks for school children, supporting engagement programmes with the Prince's Trust and attending community events.

Having considered their request, First Contact were able to advise that the charity's governing document already recognised the small number of volunteers who were engaged as operational Fire Fighters, but volunteers who carried other activities could not currently benefit from the charity's services. The charity therefore needed our prior written consent to amend its governing document and widen its beneficiary class. Having considered the charity's request and any potential impact on its existing beneficiaries, we were able to approve the change which enabled the charity to make its services available to Fire and Rescue Services volunteers.

Charity supervision and facilitation

Our permissions casework

In many situations, the law requires trustees to seek our permission before taking a certain step. We then judge whether a proposal is in the interests of a charity, its beneficiaries and other stakeholders. This supervision ensures that charity property is protected and potential conflicts of interest properly managed.

Alongside the High Court, we have jurisdiction to exercise powers for the administration of charities. We have powers to appoint trustees, grant certain permissions and make schemes, which comprise legal documents that provide formal consent to amend or replace a charity's governing document.

This work plays an important role in our supervision of charities. For instance, if there is the potential for a trustee personally to benefit from a transaction, we must be satisfied that there is sufficient benefit to the charity to justify such a trustee benefit. If land is to be sold for less than the market price, we want to understand why this is necessary and ensure that the sale is in the best interests of the charity. And if we are asked to give consent to court proceedings, we must be satisfied that the trustees have considered negotiation or mediation to avoid costly or unnecessary litigation.

This work complements and supports our compliance casework (see page 15).

Much of this case work is conducted in our Operations teams. This year, the teams concluded **1,082** Operational permissions cases and opened **887** new cases.

Case study

Court upholds Bath Rec scheme

The Recreation Ground at Bath has objects to maintain a piece of land in Bath for recreation including for sports, fetes, shows, exhibitions and other activities.

In March, the First-tier Tribunal (Charity) (FTT) ruled in favour of a scheme for the charity which, among other things, replaced the trustee, the local authority, with a new independent body of trustees which could take un-conflicted decisions about future lease arrangements. An appeal against our scheme had been lodged in July 2013.

In the decision, the judge agreed that we were right to establish the scheme and that the scheme was made in accordance with due process. The FTT accepted that the Scheme was a proportionate use of the Commission's powers in respect of a charity that has had governance problems in the past. The judge made a number of additions and substitutions to the scheme, some of which are (at the time of writing) the subject of an appeal to the Upper Tribunal by the trustees.

"There has long been huge local interest in the future of the Rec, which is an important recreational facility for the people of Bath. We were pleased that the Tribunal found favour with our approach in making this scheme and are optimistic that the trustees will be able to move forward and enhance the use of this valuable asset for the community."

Kenneth Dibble, Chief Legal Adviser and Head of Legal Services at the Charity Commission

Charity supervision and facilitation

Case study
Requesting permission to pay a trustee

The Charity

The Chartered Institute of Taxation (CIOT) is the leading professional body in the UK for advisers dealing with all aspects of taxation. It benefits the public through the pursuit of its primary purpose which is to promote education in taxation with a key aim of achieving a more efficient and less complex tax system for all. Its comments and recommendations on tax issues are made solely in order to achieve this aim; and it is entirely apolitical. The CIOT's 17,000 Chartered Tax Adviser members are subject to the Institute's professional standards and codes of conduct including 'Professional Conduct in Relation to Taxation' which is endorsed by HMRC.

The Background

The charity requested our permission to employ a charity trustee in a senior role. It explained that an initial recruitment drive had been unsuccessful and that the charity had been advised that, unless something changed, the trustees would be unlikely to identify any new candidates in the short term. A trustee then put himself forward for the post. An interview panel, chaired by the Institute's public interest lay observer decided that the trustee met the requirements and would, on merit, be shortlisted as a candidate for the role. The trustees decided that it would be in the best interests of the charity to employ him.

The regulatory issues

We needed to establish whether we had to provide authority for the charity to employ the trustee and, if so, whether we should grant authority. The latter required us to consider whether the trustees had demonstrated that their proposed action was in the best interests of the charity.

Outcomes and impact

We established that we would need to provide authority for the appointment, because the individual was a trustee and therefore in a position of trust at the time the appointment was made.

We considered all the facts of the case, including the charity's explanation around the suitability of the trustee, information about how the initial recruitment process had been organised and how conflicts of interest had been managed. The trustees pointed out that the person in question would stand down from their trustee role in the event of clearance for the appointment, so the two positions would not overlap. We were ultimately satisfied that it was in the best interests of the charity to employ the trustee and therefore granted the charity the requested permission.

Wider lessons for charities

No trustee or former trustee should benefit from their position unless specifically authorised by the Commission, the courts or a provision in the charity's governing document. If a trustee wishes to be employed by the charity either the governing document must contain a provision authorising it or authority must be sought from the Commission. Simply resigning as a trustee to take up employment with a charity is not always sufficient; the Commission's authority may still be needed.

The International Programme

Most of the 13,000 charities that are involved in international development deliver their services with local partner charities or not-for-profit organisations. Our International Programme (IP) aims to promote good governance in charities around the world so that the British public can have confidence that their donations are going to charitable purposes.

The IP works in two main ways: First, by developing bilateral relationships with partner governments to help them put effective regulatory frameworks in place. Second, it delivers workshops and policy advice at international and regional events to raise awareness of the principles of good charity governance and explain the regulatory framework in England and Wales.

Between 2004 and 2013, the IP was funded principally by the Foreign and Commonwealth Office. Since then, its income has diversified and it has undertaken a variety of projects funded by other sources, including the Australian and Canadian governments and the Baring Foundation.

Bilateral support

Since 2004 the IP has worked in over 60 countries and, because of its international reputation, it is a well-known and recognised contact point for overseas governments that seek advice on NGO regulation, those looking for an introduction to the Commission's role and functions, or more detailed technical assistance in developing new legislation and regulation. As part of this service, the IP has welcomed and received an average of two inward visits per month from a wide range of countries. Visits in 2013 include Government and NGO representatives from China, the Gulf, Algeria, Malaysia, Vietnam, Ethiopia, Southern Africa, the US, Canada, Zambia, Saudi Arabia, Serbia and Indonesia.

This year, the IP:

- began an important one-year project with the Ministry for Social Development in Bahrain, which will see the development of a new regulatory framework for NGOs which will contribute to a stronger NGO sector in the country.
- advised the Qatari government on legislation to prevent the abuse of charity for criminal purposes. The new NGO law is based, in part, on evidence provided by the IP about the Commission's role and functions. The IP also supported the UK Embassy in Qatar deliver a workshop, and ran a regional workshop on NGO regulation in Doha.
- following on from a four year project in Indonesia, began a two year follow-up project using Australian Government money. The project aims to facilitate working practices between different Indonesian Government Ministries when regulating and investigating terrorist abuse of their NGO sector. Staff in London and Taunton hosted an inward visit by Indonesian officials in September where registration, website, monitoring and investigation techniques were discussed.

The International Programme

International Engagement

The IP has worked closely with the international Financial Action Task Force (FAFT) and its subsidiary bodies. The FAFT is an inter-governmental body based in Paris, which promotes legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.

The IP chairs a working group of the FATF; the working group comprises 14 countries and aims to produce a global report on terrorist financing abuse of NGOs. The 180 countries involved in FATF are expected to agree the global report in the summer of 2014.

The IP also sits on the Community of Democracies (CoD) Working Group on Enabling and Protecting Civil Society. This Inter-Governmental Group fosters collaboration among states, civil society and international organisations to counter, through concrete initiatives, the growing global trend towards constraining civil society organisations and restricting the space in which they can operate through legal means. During the year, the working group identified a number of countries where civil society space was under threat, such as Kenya, Uganda and Egypt, and members of the CoD used their embassies and contacts to lobby and deter Governments from passing new laws which would constrain NGOs and wider civil society.

This year in figures

The Commission has 3 top-level External Performance Indicators (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 35p (2012-13: 43p). The target was to deliver a reduction on the 2012-13 running costs, which was **achieved.**

EPI 2: Quality of Casework

The percentage of Commission casework or other pieces of work that has been reviewed as acceptable or better is 90% (2012-13: 89%). The target was 90%, which was **achieved**.

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

Based on an independent survey, on a scale of zero (low) to ten (high), the level of public trust and confidence is **6.7** (2012-13: 6.7). The target was based on the statutory objective to increase public trust and confidence and therefore to achieve an increase on the 2012-13 figure. **Unchanged**

Registration

6,661	Applications to register
4,968	Registration applications approved
1,331	Charitable Incorporated Organisations registered
23	Registration applications formally refused

First Contact (FC)

88,822	Phone calls to our call centre
48,274	E-mails logged in FC
9,681	Letters logged in FC
1,280	Reports of serious incidents received
86	Whistleblowing reports received
94%	Contacts resolved within FC
86%	Annual Returns filed within deadline
86%	Annual 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 start a charity?
3. How do I get a password?
4. What exactly do we need to submit?
5. How do I register as a CIO?
6. How do I complete the Annual Return online?
7. I want a copy of a charity's governing document
8. Where can I find x (website navigation queries)
9. How do we update our trustee details?
10. What is the responsibility of a trustee?

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

1,865	Operational compliance cases opened
1,972	Operational compliance cases concluded
887	Operational permissions cases opened
1,082	Operational permissions cases concluded
318	Cases referred to operations monitoring team (October 2013- April 2014)

Most common areas of concern in Operational compliance cases

1. Issues raised in reports of serious incidents (see page 23 for more about reporting serious incidents)
2. Accounting issues
3. Concerns about disqualified trustees,
4. Misapplication of funds
5. Fraud and theft
6. Issues raised in whistleblowing reports
7. Concerns around fundraising

Commission services and complaints in blocks

627	Freedom of Information requests responded to
53	Complaints dealt with by the Business Assurance Team[4]
9	Complaints fully upheld
10	Complaints partially upheld

Investigation and enforcement

23[4]	Statutory inquiries concluded
7	Non-inquiry investigations concluded
64	Statutory inquiries opened
87	Investigations live as at 1 April 2014
118	Assessment cases concluded
115	Assessment cases opened
54	Monitoring cases concluded
95	Monitoring cases opened
68	Monitoring visits
540	Occassions where we used our statutory powers during investigations and enforcement work

Most common issues featured in investigations closed this year

- accounting issues, including the failure to prepare or submit proper accounts
- trusteeship issues
- trustee benefit and conflict of interest

4. This figure relates to the completion of substantive investigations in a case; an inquiry formally concludes upon our publishing an inquiry repor.

Our commitment to better regulation

We welcome this opportunity to explain the steps we take to ensure our approach to regulation is proportionate. The Commission is becoming a more robust regulator; one of the consequences is that we will be exercising our regulatory powers more frequently.

This will continue to have a direct impact on only a small proportion of registered charities. While we are committed to improving our approach to promoting compliance and tackling serious abuse, we are also careful to ensure our regulatory approach does not place excessive or unnecessary burdens on charities.

One of the most important tools in our regulatory work is the Annual Return (AR). This is designed to be proportionate. Registered Charities with incomes of over £10,000 and all CIOs are required to complete an AR. We keep the AR under continuous review, ensuring that we capture the data we need to regulate and which helps the public hold charities to account, without placing an unnecessary burden on charities. This year, our revisions of the AR (see page 9) added a range of new questions, including whether charity trustees are paid for their work as trustees. We did not simply add to the AR, however, and have dropped the summary information return, which was previously compulsory for registered charities with incomes of over £1m.

Separately, we are working with the Cabinet Office on two proposals that would reduce the burden on trustees on which they will consult shortly. One is whether to raise some financial thresholds so that more charities can take advantage of a simplified process to, for example, change their objects or spend permanent endowment. The other is whether the audit threshold should be raised (currently set at £500,000). We also support the work of the Law Commission's charity law project. It is looking at a range of issues some of which, including the regulation of land transactions, may produce more deregulatory proposals. The Law Commission expects to issue a consultation by the end of 2014. We will, working with Cabinet Office where necessary, continue to assess both the individual and collective impact of the above changes and proposals for change.

Separately, PASC recommended that we should work with Companies House to find a way to remove duplication in the filing requirements of charitable companies. We accepted this in principle and agreed to explore how it might be achieved subject to concerns about cost and proportionality. We also said we would report on progress. Our main focus in this area has been on a form of electronic submission of accounts that, if introduced for charities, would be an important step towards making arrangement for joint filing. Unfortunately, our preliminary work has raised real doubts about its affordability. This was a set-back but we are looking to see if there are ways of reducing the costs, or spreading them over a longer period. We will also continue to look for other affordable ways to tackle the issue.

Our commitment to better regulation

Sunset Regulations

We included a clause in the regulations on the Total Return approach to investment that we published in connection with the Trusts (Capital and Income) Act 2013, which commits us to review the regulations within five years of the date of the regulations (25 October 2013). We also prepared an Impact assessment for the regulations on Total Return.

Alternatives to regulation

We have also continued to develop our work with partners. For example, our programme to endorse charity quality assessment systems aims at promoting good governance in a way that doesn't place additional involuntary regulatory burdens on charities (see page 27).

Legal Annex

This year, the Commission was involved in or was affected by a number of high profile and significant legal cases which have a bearing on the development of charity law. A legal summary of these cases is included in this section.

Preston Down Trust (PDT)

Application for registration as a charity

The Commission rejected an application for registration of the Preston Down Trust (PDT), a Plymouth Brethren Christian Church (PBCC) meeting hall (formerly called the Exclusive Brethren) on 7 June 2012 on the grounds that PDT had not demonstrated sufficient beneficial impact on the wider community to meet the public benefit requirement. That decision was appealed to the First tier Tribunal (Charity). Those proceedings were subsequently stayed at the request of PDT, to see if the issues could be dealt with by an alternative process.

The Commission considered the matter afresh taking into account new evidence as the Tribunal would have done. The outcome was a decision of the Commission dated 3 January 2014 that PDT could be registered as a charity if it reapplied for registration with revised trusts containing, as an integral part of the trusts statements (i) the core doctrine of the PBCC and (ii) the faith in practice. The Commission was satisfied such trust were charitable for the advancement of religion for the public benefit and that this provided a framework for the future administration of the trusts in a way which is charitable and which is binding on the trustees. The Tribunal proceedings were consequently withdrawn.

Determining whether PDT was a charity with purposes for the advancement of religion for the public benefit involved the following issues:

- The Commission doubted that the purposes of the original trust deed of PDT were sufficiently certain to be charitable. It decided that, although not completely free from doubt, as a matter of construction, the trust deed disclosed a sufficient intention to establish an exclusively charitable trust of a religious nature. Accordingly, more precise charitable trusts were capable of being established by a deed of variation.
- PDT had argued that ***Holmes v Attorney General (The Times 12 February 1981)*** was a binding legal precedent for its charitable status. The Commission concluded that the decision in ***Holmes*** could not be regarded as a precedent and should be distinguished on the law, since that decision either turned on a presumption, or at least had been largely influenced by the existence of a presumption, of public benefit. In so deciding, the Commission followed the principles in ***ISC v Charity Commission [2011] UKUT 421 (TCC)*** on the extent to which case law prior to the Charities Act 2006, which had removed any presumption of public benefit for the advancement of religion as well as other descriptions of purposes which may be charitable, was binding. ***Holmes*** was also distinguished on the facts on the basis that the Commission, unlike the court in ***Holmes,*** had received and considered evidence relating to detriment and harm.

- The Commission analysed the pre 2006 case law relating to the advancement of religion and the public benefit considering the effect of the Charities Act 2006. It concluded from the case law that it is not enough for a religious charity to show a benefit to its adherents, the public benefit is determined by the extent to which its moral and ethical teaching impacts on the community leading to a betterment of society generally (***Holmes, Neville Estates v Madden [1962] Ch 832).*** Where access to religious services is the issue, these must be held in public to confer public benefit (***Cocks v Manners [1871] LR 12 Eq 574)*** and tend towards the instruction or edification of the public (***Gilmour v Coats [1949] AC 426).***
- The Commission considered the doctrines and nature of the religious practices of PDT and whether they confer public benefit. On the evidence, the Commission found that the doctrine of separation from evil, which is central to the beliefs and practices of PDT and the PBCC, resulted in (i) both a moral and physical separation from the wider community and (ii) limited interaction between the adherents and the wider public. The Commission also considered evidence relating to allegations of detriment and harm arising from the disciplinary practices carried out by the PBCC.
- The Commission concluded that beneficial impact was evidenced through instruction and edification of the public in a Christian way of life by: providing public access to worship; street preaching; distribution of religious publications; and engaging to a certain extent in the wider community, including disaster relief work, encouragement of charitable giving and living out Christian beliefs in the community.
- The benefit to the public or a sufficient section of the public was considered. On balance, the evidence suggested that PDT operates predominantly rather than exclusively for the benefit of its members. However, in law this was not necessarily fatal to charitable status where there was engagement with and a beneficial impact on the wider community, consistent with ***Neville Estates v Madden***.
- Allegations of detriment and harm presented to the Commission were taken into account in the assessment of public benefit. The principal legal authority ***National Anti Vivisection Society v IRC [1948] AC*** 31 held that notwithstanding clear benefit arising from the purposes of an organisation, where these are outweighed by detriment or harm to the community by pursuing its purposes, then the public benefit requirement will not be met. Assessing the impact of detriment and harm was considered at length in ***ISC v Charity Commission***. It held that the court "***has to balance the benefit and disadvantage in all cases where detriment is alleged and is supported by evidence. But great weight is to be given to a purpose which would, ordinarily, be charitable; before the alleged disadvantages can be given much weight, they need to be clearly demonstrated."***
- The Commission decided that there were elements of detriment and harm which emanated from the doctrine and practices of the PBCC and which had a negative impact on the wider community as well as individuals so as to present a real danger of outweighing public benefit.
- The PBCC had acknowledged past mistakes and was willing to make amends. It planned to address these issues by amending its trust deed, clearly setting out its doctrine and practices, including highlighting the concept of showing compassion to others, particularly in relation to its disciplinary practices and relations with former Brethren members. The Commission was satisfied that the doctrine and practices were made integral to the trusts; these demonstrated charitable intent and were binding on the trustees when administering the meeting hall. The Commission was further satisfied that it is able to regulate against these trusts and would monitor PDT in the future.

Kennedy v Charity Commission [2014] UKSC 20

The background to the case was a request for information under the ***Freedom of Information Act 2000("FOIA")*** made by Mr Kennedy (the Appellant), a journalist with The Times, for information relating to the Commission's statutory inquiries into the Mariam Appeal, a charity associated with George Galloway which operated between 1998 and 2003. The Commission's inquiries were conducted between 2003 and 2007. The initial request was subsequently refined to:

a) documents which explained the Commission's conclusion that Mr Galloway may have known that Iraqi bodies were funding the appeal

b) documents by which it had invited Mr Galloway to explain his position and by which he had responded

c) documents which had passed between the Commission and other public authorities; and

d) documents which cast light on the reason for the institution and continuation of each of the three inquiries.

The Commission refused the request, relying on a number of exemptions under ***FOIA***, including ***Section 32(2). Section 32(2)*** provides that information is exempt from disclosure where it is held by the regulator only by virtue of being contained in (a) any document placed into the custody of a person conducting an inquiry or arbitration, for that purpose, or (b) any document created by the person conducting the inquiry or arbitration for that purpose. The information remains exempt until it becomes a historical record, currently 20 years after the inquiry has closed subject to transitional provisions, although at the time the Court was considering the point it was 30 years (see ***Sections 62(1) and 63(1) of FOIA*** and the ***Public Records Act 1958***).

The case had progressed on appeal to the Information Commissioner's Office, Information Tribunal and the Court of Appeal. It was considered that the importance of the case was for the Court to consider the competing issues of access to information and the protection of information. Access to information was essential to ensure sound decision-making, accountability, the underpinning of democracy and the combatting of oppression, corruption, prejudice and inefficiency. However, the protection of information which is genuinely private, confidential or sensitive remains necessary to guard overriding issues, such as the relationships between States.

The Appellant asked the Court to consider (1) whether applying common law principles of construction to ***Section 32(2)*** of FOIA, the exemption applies only while the inquiry is continuing and ceases once it has ended, and (2) whether even if, applying common law principles of construction, the exemption continues to apply after the inquiry has ended, that construction of s32(2) interferes with his rights under ***Article 10(1)*** of the ***European Convention on Human Rights ("ECHR"***), the interference is not justified under ***Article 10(2)***, and ***Section 3*** of the ***Human Rights Act 1998 ("HRA"***) requires ***Section 32(2)*** to be read and given effect to so as to cease to apply at the end of the inquiry. ***Article 10(1)*** provides the right to freedom of expression, including freedom to hold opinions and to receive and impart information and ideas without interference by public authority and regardless of frontiers.

The Appellant argued that applying common law principles of statutory construction, the correct interpretation of ***Section 32(2)*** is that once an inquiry has ended, information held by a public authority that otherwise falls within s32(2) will cease to be held only by virtue of being contained in a document to which ***Section 32(2) (a) or (b)*** applies and will cease to be held only for the purposes of that inquiry. As such, ***Section 32(2)*** will no longer apply to the information. Even if the application of common law principles produces a different interpretation, that interpretation is incompatible with his right to freedom of expression under ***Article 10(1).*** That right is clearly established in a line of authorities from the ***European Court of Human Rights*** (" ***ECtHR***") starting with ***Matky v Czech Republic*** **[2006] ECHR 1205**, in which the ECtHR has variously held that Article 10(1) creates a right to information where public watchdogs are gathering government information on matters of public concern for the purpose of creating a forum for public debate. In the circumstances ***Section 32(2)*** must be read to give effect to that right, pursuant to Section ***3 HRA***.

The Commission argued that applying common law principles of construction the exemption in ***Section 32(2)*** continues until 30 years after the inquiry has closed (now 20 years subject to transitional provisions). Further, ***Article 10(1)*** does not confer a general right of access to information that the holder is not willing to impart. This argument is supported by a clear and constant line of authority in the ECtHR, starting with ***Leander v Sweden*** **(1987) 9 E.H.R.R. 433**, and following through ***Gaskin v United Kingdom*** **[1990] 12 E.H.R.R. 36**, ***Guerra v Italy*** **(1998) 26 E.H.R.R. 357**, and ***Roche v United Kingdom*** **[2006] 42 E.H.R.R. 30**. The point was confirmed by the Grand Chamber in ***Gillberg v Sweden*** **(2012) 34 BHRC 247**, in which the ECtHR stated that "The right to receive and impart information explicitly forms part of the right to freedom of expression under Article 10. That right basically prohibits a Government from restricting a person from receiving information that others wish or may be willing to impart to him".. Even if the Court did hold that a right existed, the absence of a FOIA route to access the information does not interfere with that right, and if there is interference it is justified under ***Article 10(2)***. If there is found to be incompatibility the appropriate remedy is a declaration of incompatibility under ***Section 4 HRA***.

The majority of the Lords Justices dismissed the appeal and upheld the Commission's view in this case. They held that:

- As a matter of ordinary statutory construction the more natural interpretation of ***Section 32(2)*** of ***FOIA*** is that it imposes an absolute exemption from disclosure that lasts until the relevant information is destroyed or until it becomes a historical record (currently 20 years subject to transitional provisions). This also fits better with the scheme of FOIA. Under ***Section 63(1) of FOIA***, information contained in a historical record cannot be exempt information by virtue of ***Section 32***. The natural inference is that information falling within ***Section 32*** would continue to be exempt until that time rather than ceasing to be exempt at the end of the inquiry.
- The Appellant is not assisted by his reliance on ***Article 10 of the ECHR*** as he has other routes by which to access the information which put him in no less favourable position than he would be in if ***Article 10*** were engaged. As ***FOIA*** does not prohibit the disclosure of the information, ***Section 32(2)*** does not interfere with any right the Appellant has to receive the information.
- The Commission has wide powers to disclose information under the Charities Act 2011.These are set out in ***Sections 14-16 of the Charities Act 2011***.

- The interpretation of the Charities Act is underpinned by a common law presumption in favour of openness in a context such as in this case. Judicial processes should be open to public scrutiny, unless and to the extent that there are good reasons for secrecy. Letting in the light is the best way of keeping those exercising the judicial power of the state up to the mark, and for maintaining public confidence.
- Common law principles of open justice apply to disclosures in inquiries as they do to disclosure by the Court, although the application of such principles will vary. Open justice is a constitutional principle to be found not in written text but in common law. It is a principle which emanates from the requirement of openness/fairness in judicial proceedings. The requirements of open justice apply to all tribunals exercising the judicial power of the state. These principles are discussed in the case of ***R (Guardian News and Media Ltd) v City of Westminster Magistrates' Court (Article 19 intervening)*** **[2012] EWCA Civ 420, [2013] QB 618.** The public interest in disclosure under such principles would need to be weighed against any public or private interest not to disclose mirroring ***Article 10(2).***
- Given the importance of openness and transparency in judicial processes, such as those in an inquiry, the court will apply a very high standard of review to any judicial review of a decision not to disclose information relating to an inquiry under these powers.
- If it had been necessary to do so, the majority would have concluded that ***Article 10*** does not impose a freestanding positive duty of disclosure on public authorities. However, ***Article 10*** was not engaged.

The minority concluded that they would have allowed the appeal on the basis that:

- Section 32(2) could be read down such that the absolute exemption expired at the end of the relevant inquiry. This would preserve ***FOIA*** as the mechanism for obtaining information, which would offer a number of advantages to a person seeking information compared with a judicial review procedure.
- The Appellant had a right to receive the requested information under ***Article 10*** of the ***ECHR***.

Implications for the Charity Commission

The Commission welcomes the clarification from the Court that ***Section 32(2) of FOIA*** is an absolute exemption which continues until the inquiry documents become historical records The Commission will be considering disclosure issues in relation to such information under its powers as set out in the Charities Act 2011, in accordance with principles of open justice.

R (on the application of Hodkin and another) (Appellants) v Registrar-General of Births, Deaths and Marriages (Respondent) [2013] UKSC 77

The appeal concerned the question whether a church of the Church of Scientology is recordable as a "place of meeting for religious worship" under the Places of Worship Registration Act 1855 ("PWRA"), with the effect that a valid ceremony of marriage can be performed there.

The Registrar General of Births, Deaths and Marriages stated that she was bound by the Court of Appeal's 1970 judgment in ***R v Registrar General, ex parte Segerdal*** **[1970] 2 QB 697** ("***Segerdal***") to reject the Appellants' application. In that case, which involved an earlier attempt by the Church of Scientology to record a chapel under PWRA, the Court of Appeal had held that Scientology did not involve "religious worship" since it did not involve "reverence or veneration of God or of a Supreme Being", but rather instruction in a philosophy.

The Appellants judicially reviewed the Registrar-General's decision. The High Court also held that they were bound by ***Segerdal*** to dismiss the Appellants' judicial review claim, concluding on the evidence that Scientology was a religion, but that the ***Segerdal*** definition of "religious worship" remained unfulfilled, since there had been no essential change in the nature and practices of Scientology since 1970. Since ***Segerdal*** would be binding at Court of Appeal level also the High Court certified a point of law of general public importance for a "leapfrog" appeal directly to the Supreme Court.

The Supreme Court unanimously allowed the appeal. They reviewed the existing case law including cases in America and Australia and overruled the case of ***Segerdal***. They held that:

- In considering whether the Appellants' church qualifies for recording under PWRA, the first substantive question is whether Scientology is properly to be regarded as a religion?
    - The interpretation of "religious worship" in **Segerdal** carried within it an implicit theistic definition of religion: what the Court of Appeal required was reverence for God.
    - The High Court correctly decided that Scientology was a religion, although feeling bound by the Court of Appeal decision in **Segerdal** that religious worship required an object of veneration to which the worshiper submitted. Religion should not be confined to faiths involving a supreme deity, since to do so would exclude Buddhism, Jainism, and others. Moreover, it would involve the court in difficult theological territory: Scientologists do believe in a supreme deity, but one of abstract and impersonal nature. It is not appropriate for the Registrar General or the courts to determine questions such as whether this belief constitutes a religion. In a different context, the Charities Act 2006 states that "religion" includes religions not involving belief in a god.
    - Religion could in summary be described as a belief system going beyond sensory perception or scientific data, held by a group of adherents, which claims to explain mankind's place in the universe and relationship with the infinite, and to teach its adherents how they are to live their lives in conformity with the spiritual understanding associated with the belief system. On this approach to religion, Scientology was clearly a religion.

- The question that followed was whether the Appellants' church was a "place of meeting for religious worship".
- Religious worship" includes "religious services" as well as the ***Segerdal*** concept of veneration or adoration of a deity. This accords with the purpose of the statute: the authorisation to marry in conformity with one's faith should not depend on fine theological or liturgical niceties as to how believers see and express their relationship with the infinite.
- Since marriages on non-registered premises could not involve any form of "religious service", if Scientologists were unable to marry in their church they could not have a legal marriage in accordance with their faith. Since the Church of Scientology held religious services, it follows that its church is a "place of meeting for religious worship", and the Registrar General is ordered to record it as such.

Implications for the Charity Commission

The Charity Commission in its decision dated 17 November 1999 on the application of the Church of Scientology for registration as a charity for the advancement of religion identified a four point definition of religion for the purposes of charity law. The first is the nature of the belief system, the second is the existence of religious worship, the third is the need to advance the religion, the fourth is that the religion must be for the public benefit. The overruling of **Segerdal** may well modify the meaning of the first two heads of this definition relating to the definition of religion for the purposes of charity law. As indicated above, the advancement of religion for the purposes of charity law must still be for the public benefit.

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

Resource Accounts 2013-14

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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 2013-14, as required by the Financial Reporting Manual (FReM) produced by HM Treasury.

Results for the year

The Commission's funding position reflects a tighter fiscal policy across government as a whole, with less funds available for regulatory activity than in previous years. In 2013-14, the Commission's funding reduced for the fourth year in succession, falling by 15% when compared to the previous financial year (see "Our Funding" below). In order to meet further reductions scheduled for both 2014-15 and 2015-16, the Commission launched a voluntary exit scheme in December 2013 and has subsequently agreed the phased departure of 34 members of staff.

The resource accounts report a small revenue surplus of £0.32 million (2012-13: £0.40 million), which represents less than 2% of our funding for the year. The accounts also report an excess spend on capital of £0.15 million (2012-13: no excess spend on capital vote). The reasons for the excess spend are set out in full within the Governance Statement on page 15, and are also referred to within the Audit Certificate on page 30.

The Commission has delivered the second year of its 2012-15 Strategic Plan, of which further details are set out within the Annual Report 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 and Risk 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 and Risk 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. The cost of audit work was £56,000 (£56,000 for 2012-13). In addition, a fee of £1,000 was charged to the Commission for the audit of the Official Custodian of Charities' 2013-14 Financial Statements (£1,000 in 2012-13).

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 98% (97% in 2012-13).

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 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 monitor them regularly.

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 also reviewed at all meetings of the Audit and Risk Committee and the Board.

Our Funding

Our baseline revenue funding for 2013-14 was £22.3m. 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	22,289	21,143
of which non-ring-fenced	0	26,100	25,250	21,489	20,293
of which ring-fenced for depreciation	0	1,480	770	800	850
Total Capital DEL	700	493	361	725	412
Annual reduction in non-ring-fenced revenue DEL	3%	6%	3%	15%	4%

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	22,689	325	22,144
Supplementary Estimate	(400)	400	1,000
Final limit	**22,289**	**725**	**23,144**
Performance against limits			
Expenditure incurred	**21,966**	**878**	-
Cash drawn down	**-**	**-**	**22,796**
Performance within funding limit?	✓	X	✓

Our Staff

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

		31 Mar 2012	31 Mar 2013	31 Mar 2014
Staff on payroll	Number in post	337	305	304
Agency staff	Number in post	1	4	7
Workforce shape	Staff at Pay Band 3 and below	130	113	97
	Staff at Pay Band 4 and above, excluding SCS	200	187	203
	Senior civil servants	7	5	4
Workforce diversity	BME in full	5.8%	4.7%	4.8%
	Women	53.2%	51.2%	48%
	Disabled	12.9%	10.3%	11%
Attendance	Average working days lost	6.1 days	5.9 days	6.8 days
Civil Service People Survey	Engagement Index %	55%	58%	58%
Pay Multiple	(ratio between highest and lowest paid)	8.22	8.34	8.63

Note: the staff numbers and workforce shape numbers quoted above are based on 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. We are pleased that our Civil Service staff engagement index has remained at 58% for 2013 during a challenging period and equals the Civil Service median.

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 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 2013/14 with excellent feedback on all specialist training and in-house training delivered. Most training is now delivered centrally through Civil Service Learning (CSL) with 495 individual learnings in 2013/14. However, CSL do not currently provide individual department evaluations. Senior leadership development was facilitated through 360 degree feedback. We also engaged our first accountancy apprentices to support our operational accountancy unit and the central Government apprenticeship initiative. Looking forward, The Commission has just agreed a new KPI on learning of 5 days per employee per annum which is a significant investment and commitment to employee learning and development.

Equality and diversity

The Commission is committed to equality and diversity. For 2013 we had 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.

A Board member is always appointed as the Commission's Diversity Champion. The Diversity Champion attends regular meetings of the Diversity Steering Group, which is also 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 was provided to staff during the year.

The Commission adheres to the Civil Service Code of Practice on the Employment of Disabled People. The Code states that the Commission does not discriminate on grounds of disability. Access to employment, training and career development and advancement are 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 is higher than the Civil Service average.

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 will be 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 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 combustion 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 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 2009/10 baseline from the whole estate and business related transport.	Scopes 1 and 2 - % reduction achieved (Note 1)	Yes
	Scope 3 - % reduction (Note 2)	Yes

Detailed analysis of performance

		2009-10	2010-11	2011-12	2012-13	2013-14
Non-financial indicators (tonnes of C02)	Total gas emissions from Scopes 1 & 2	1,073	793	708	636	602
	Gross emissions Scope 3 Business travel	114	98	61	60	58
Related energy consumption (kwh)	Electricity	1,339,085	1,054,242	984,439	939,458	1,004,836
	Gas	1,212,870	700,315	613,408	791,786	792,094
	LPG	0	0	0	0	0
	Other	0	0	0	0	0
Financial indicators (£k)	Expenditure on Energy	186	130	135	141	162
	CRC Licence Expenditure	0	3	1	1	1
	Expenditure on official business on travell	381	278	213	237	289

Note 1: For Scopes 1 and 2, data is only available for our London, Liverpool and Taunton offices. Data is unavailable for our Newport office 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	We are on schedule to reduce the amount of waste we generate by 2015, but by less than the 25% target We have reduced the amount of paper we use by 5% (e) from 2011-12 to 2013-14	No

Detailed analysis of performance

			2009-10	2010-11	2011-12	2012-13	2013-14
Non-Financial Indicators (tonnes)	Hazardous waste	The Commission does not generate hazardous waste					
	Non hazardous waste	Landfill	47	9(e)	4(e)	10	9.5
		Reused/Recycled	80	60(e)	55	57	58
		Incinerated/energy from waste	0	0	0	0	0
Financial Indicators Disposal Costs (£k)	Hazardous waste	The Commission does not generate hazardous waste.					
	Non Hazardous waste	Landfill	3	3	1	2	3
		Reused/Recycled	11	14	12	12	14
		Incinerated/energy from waste	0	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.

Detailed analysis of performance

			2009-10	2010-11	2011-12	2012-13	2013-14
Non-Financial Indicators (cubic metres)	Water Consumption	Supplied	4,488	3,197 (e)	2,495 (e)	2,682 (e)	2,635
		Abstracted	0	0	0	0	0
Financial Indicators (£'000)	Water supply costs		8	7(e)	6 (e)	8(e)	9

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.

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)

	Fee/Salary £'000		Bonus payment £'000		Pension benefits £'000		Total £'000	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
William Shawcross CVO Chair	50-55	20-25 (50-55 full year equivalent)	0	0	0	0	50-55	20-25 (50-55 full year equivalent)
Sam Younger CBE * Chief Executive	130-135	130-135	0	0-5	51	50	180-185	180-185
Sharmila Nebhrajani Board Member (to June 2013)	0-5	5-10	0	0	0	0	0-5	5-10
Theo Sowa CBE Board Member (to July 2013)	0-5	5-10	0	0	0	0	0-5	5-10
John Wood Board Member (to Feb 2014)	10-15	15-20	0	0	0	0	10-15	15-20
John Knight CBE Board Member (to May 2013)	0-5	5-10	0	0	0	0	0-5	5-10
Eryl Besse (from June 2013)	10-15	0	0	0	0	0	10-15	0
Peter Clarke (from May 2013)	15-20	++0	0	0	0	0	15-20	0
Claire Dove (from July 2013)	0-5	0	0	0	0	0	0-5	0
Orlando Fraser (from July 2013)	0	0	0	0	0	0	0	0
Tony Leifer (from May 2013)	10-15	0	0	0	0	0	10-15	0
Nazo Moosa (from May 2013)	0-5	0	0	0	0	0	0-5	0
Professor Gwythian Prins (from June 2013)	10-15	0	0	0	0	0	10-15	0
Highest Earner's Total Remuneration (£000)	130-135				130-135			
Median Total Remuneration of all staff	28,885				28,496			
Ratio	4.5				4.7			

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. This has been extended to 30 June 2014.

All Board Members serving in 2013-14 received a daily fee of £350 save for Orlando Fraser who provided his services pro bono. 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 2012-13).

"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.

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 2013-14, 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 2014 and related lump sum (£'000)	Real increase in pension and related lump sum at age 60 (£'000)	CETV at 31 March 2014 (£'000)	CETV at 31 March 2013 (£'000)	Real increase in CETV (£'000)
Sam Younger CBE Chief Executive	10-15	2.5-5	188	130	40

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 6.25% of pensionable earnings for classic and 3.5% and 8.25% for premium, classic plus and nuvos. Increases to employee contribution rates will apply from 1 April 2014. 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 4 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 2013-14.

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.

Sam Younger CBE

Chief Executive and Accounting Officer

Statement of Accounting Officer's Responsibilities

Under Section 5 of the Government Resources and Accounts Act 2000, HM Treasury has directed the Charity Commission to prepare for each financial year resource accounts detailing the resources acquired, held, or disposed of during the year and the use of resources by the 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*.

Annual Governance Statement

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 we provide an account of our stewardship of the public resources within my control during the accounting period. This statement summarises the context in which governance has operated, describes the system of control which has been in place, reviews the assurances provided by that system and explains the critical control challenges which the Commission managed in 2013-14.

In making this statement, I confirm my opinion that the Commission's governance, internal control and risk procedures remain fit for purpose, they support the achievement of the Commission's policies, aims and objectives whilst safeguarding public funds and that HM Treasury's code of practice for corporate governance[1] has been met.

Accountability

The Commission demonstrates accountability formally through:

- Our annual report laid before Parliament
- Appearing before the Public Administration Select Committee as we did in February 2014
- Appearing as required at other Parliamentary committees, e.g. the Public Accounts Committee (PAC) in December 2013
- Scrutiny of our performance by other agencies, e.g. the National Audit Office (NAO) who audited our regulatory effectiveness in 2013; and Ministry of Justice who monitor our effectiveness in responding to Freedom of Information requests
- Key performance indicators
- Reviews of complaints made about us by members of the public and to the Parliamentary and Health Service Ombudsman
- Publishing reports about our work
- Independent review of certain of our statutory decisions at the first-tier Tribunal (charities) and higher courts, and
- Holding regular public meetings, which this year took place in Nottingham, London, Bristol and Llandudno.

1. `Corporate governance in central government departments: Code of good practice` Published July 2011

Context

The context within which our governance arrangements have been exercised has been challenging for the Commission. Our year was characterised by a drive to transform at pace to strengthen our regulatory impact within a reducing budget allocation whilst sustaining the full range of our statutory responsibilities.

Like most other government departments, the Commission is subject to decreasing funding from the Government, as established in the 2010 Spending Review. Our budget currently stands at £22.3m. This represents a decrease of 40% in real terms when compared to our allocation in 2007-08. This year, alongside our programmed decrease in budget, we experienced a further unexpected in-year cut of 1.1% to our budget as a result of the Autumn Statement.

Yet the scope of our regulatory responsibility has not diminished and we face the constant challenge of seeking to increase our regulatory impact whilst achieving the required budget savings.

We continue to experience high demand for our services. Our First Contact centre alone took 88,822 phone calls last year and dealt with 57,955 letters and emails. We received 6,681 applications for registration and registered 4,968[2] organisations as new charities. We reviewed 1,664 sets of charity accounts, completed 1,972 operational cases, and opened 64 statutory inquiries in the year, using our powers 540[3] times. By comparison, in 2012-13 we received 5,742 applications for registration resulting in 4,714 new registrations, opened 15 statutory inquiries and used our powers 75 times. Much of our work is highly considerative in nature making it relatively time-consuming when compared with processing activity.

Taking tougher action where trustees fail to comply with their legal requirements increases the prospect of challenges to our decisions. This, in turn, produces more considerative work and increases our risk of exposure to unexpected litigation costs.

The Commission sets aside an overall contingency fund of 5% in line with Treasury recommended practice and we expect litigation costs to place an increasing call on these funds. In addition, this year for the first time we agreed to indemnify the costs of interim management for two charities where we considered this the most effective way to protect charitable assets.

Our settlement for 2015-16 will bring a further reduction of 6.3% to our budget compounded by a further 1.1% reduction announced in the Autumn Statement and an increase of 2.2% in employer's pension contribution announced in February 2014. This means that we had to identify this year a further 25 posts to cut on top of previous large scale job losses.

I wrote to the Treasury to flag a potential drain on our resources due to our tougher stance as a regulator. Sustainable funding for the future is vital for our success so that we can pursue more rigorous action and invest in vital technology.

We have continued to focus on releasing resources through effective demand management measures, notably by improving our web-site, process automation and by developing our partnership strategy with charity umbrella bodies. In 2013-14 this resulted in a continued downward trend in contact with the Commission by telephone, email or letter. The headroom this created enabled us to begin a process of shifting resources into investigations and monitoring, thereby building capacity for countering fraud and taking forward the tougher approach to Compliance mandated by our Board this year. However, we recognise that more efficiency gains could be created. With the right level of investment in our technology, coupled with appropriate decisions on risk appetite, we can automate more of our processes and thus widen public access to our advice and services and give charities greater freedoms in applying for charitable status or making permissible changes to their governing documents

2. The difference between charities registered compared with those applying results from the fact that not all applicants complete the registration process, not all meet the legal requirements for charitable status, and some registrations arise from applications in the previous year or are carried over to the next reporting year.

3. This refers to powers used in our Investigations and Enforcement Unit, and does not include powers used in our Operational compliance case work

A small number of our engagements with charities, most notably the Cup Trust case, attracted a high profile this year resulting in unfavourable publicity. At the same time, external scrutiny of our activities by the PAC and the NAO concluded that we should develop clearer strategies to make better use of our powers to provide stronger regulation and to identify the resources needed to be an effective regulator.

Our annual scrutiny by the Public Administration Select Committee was concluded in February by the Chairman, Bernard Jenkin, expressing the committee's view…" that this has been an exceptionally difficult time with regular controversies, downsizing and redundancies as well as big changes and challenges. We are immensely grateful for the commitment that [Commission staff] show to the Charity Commission and to charities in our country."

However, regulatory intervention can only occur within the scope permitted by our legal framework. We have identified specific circumstances where our legal powers are inadequate, e.g. we are unable to prohibit individuals from acting as trustees where they have resigned prior to us taking steps to remove them or where they have been convicted of offences. We wrote to the Home Secretary in 2013 seeking an extension to our powers in several areas where we currently have no legal scope to intervene. The Cabinet Office undertook a consultation on our proposals early in 2014 and a draft bill was announced in the Queen's Speech of June 2014.

A further factor likely to have a significant impact on our future strategic direction will be the arrival of the new chief executive who will join us in July 2014.

Governance Arrangements

Our Board members are non-executive and are appointed by the Cabinet Office. Collectively they are responsible for addressing the strategic and operational issues affecting the achievement of our aims and objectives and for scrutinising and challenging our policies and performance. Between four and eight members may serve on our Board. Two of those members must be legally qualified and at least one must be knowledgeable about charity conditions in Wales. Individual Board members may serve for a term of three years, renewable to a maximum of ten years.

Our Senior Management Team (SMT) is responsible for directing our performance and for stewardship of our resources.

Throughout the year the SMT remained largely unchanged from the previous year. Conversely, we experienced wholesale change to the membership of our Board with 6 new appointees taking up post between May and July of 2013. The risks inherent in entirely new Board membership were mitigated through a programme of induction and training and we will review the effectiveness of the Board formally in 2014-15.

Board meetings are routinely attended by the Chief Executive Officer, the Head of Information and Communications, and the Head of the Office of the Chair and Chief Executive. The Chief Legal Advisor and Head of Investigations and Enforcement attend for case discussions and the Head of Business Services attends where corporate services are being discussed. Other senior managers attend as required.

Membership of our Senior Management Team and of our Board, are detailed on pages 27 to 29.

Our Governance Framework sets out the arrangements for the Commission. Combining the need to apply our diminishing resources to maximum effect, with learning from high profile cases and findings from external scrutiny of our effectiveness, we sought within the year to strengthen our arrangements through the establishment of new groups and Committees. Included below in Table 1, these are targeted at providing critical challenge or driving forward various aspects of our extensive transformation programme. Some are permanent and others time-limited.

Table 1

Permanent Committees	
Audit and Risk Committee	This Committee supports the Board and Accounting Officer by reviewing the comprehensiveness and reliability of assurances on governance, risk management and the control environment and the integrity of our annual report and financial statements. The ARC is chaired by a Board member and reports formally to the full Board..
Governance and Remuneration Committee	This committee is responsible for reviewing the effectiveness of the Commission's leadership and succession planning and for making recommendations for the remuneration structure. One of our Board members takes the role of chair.
Public Interest Litigation and High Risk Cases Committee	We established this committee in year to monitor cases where the Commission is considering or actively pursuing litigation and other cases which are high risk. One of our Legal Board members chairs this committee which reports formally to the full Board.
Our Governance Framework has been revised to reflect any new or changed structures.	
Ad hoc Committees	
Business Planning Steering Committee	This new committee provides strategic oversight of key business transformation initiatives. It is chaired by our Chairman and attended by specific senior managers. Business from the Change Management Steering Group, which I chaired between October 2013 and March 2014 to deal with crucial short term changes, was subsumed by this Committee at the year end. Key items passed over included: ongoing review of our structure and resources; review of our Risk Framework; development of our Data Mining Project.
Data Mining Oversight Project	New this year, this committee steers progress on our initiative to boost proactive regulation through improved use of our data. It is chaired by a Board member.
Fraud Management Steering Group	This new group has been established to strengthen the Commission's capabilities in countering fraud. It is chaired by a Board member.

Coinciding with the new groups, we appointed a number of special advisors to the Commission to input to various aspects of our business transformation plans. Their details are provided on page 27.

Items referred to the Board:

The Board met on 6 occasions when its attention was dominated by the two main challenges of providing direction on a number of high profile and complex cases and leading transformation in the light of external criticism from the PAC and NAO. A further priority was the recruitment of a new Chief Executive Officer in readiness for 2014-15.

As a result of our 2010-2012 investigation into the Cup Trust – a high profile case involving issues of potential tax avoidance - the PAC called the Commission to give evidence in March 2013. Following that hearing the NAO was asked to review our activities, publishing findings in their report of December 2013[4]. Their report was critical of several aspects of our work, citing us as being slow to act, under using our statutory enforcement powers and being insufficiently proactive. The NAO made 7 recommendations for change focused on re-thinking our business model to be more proactive, making greater use of our statutory powers, working more closely with HMRC and developing new performance measures to monitor our effectiveness. These findings were the subject of a further hearing of the PAC in December 2013 as reflected in their report published in February 2014[5]. This further recommended that we should strengthen our leadership, radically transform our culture and operations, and put into action a robust change management plan.

The NAO/PAC recommendations were consistent with priorities for improvement already identified by the Board and Executive which included; driving down the time taken to conclude cases where appropriate; being bolder and quicker in using our powers, being tougher on trustees who demonstrate reluctance in co-operating with us; and, improving the way we use our data to determine our regulatory interventions. Our Board established and continue to supervise a programme of business transformation targeted to deliver stronger and more proactive regulation yet also to secure a more appropriate level of funding to support our activities. Our strategy development is being informed by comparisons with other regulators and by the findings of independent consultants commissioned by the Board to review potential business models and options for change. We expect our effectiveness in responding to the recommendations to be assessed by both NAO and the PAC in 2014-15.

Within the year, other issues which drew Board attention were:

- High profile cases requiring Board oversight or decisions on litigation. Arising from this the new Public Interest Litigation and High Risk Cases Committee was formed to ensure that there is an appropriate forum for strategic briefing and review of the most risky cases, and for decision making on cases where there is a prospect of litigation with consequences for the public purse
- Our new Memorandum of Understanding with HMRC to increase regulatory collaboration and information sharing
- Development of our position on campaigning and lobbying
- The launch of our revised public benefit guidance
- A voluntary exit scheme for staff to enable us to achieve essential budget savings
- Changes to our accommodation strategy
- Revised guidance on tax planning for charities
- Monitoring progress of the outcome of an appeal we lodged with the Employment Tribunal. After careful consideration and legal advice we appealed a judgement in 2012 that we had constructively dismissed a member of staff due to failure to make a reasonable adjustment under Section 20 of the Equality Act (2010). The appeal hearing took place on 13 May 2013 and we are yet to receive the ruling.

4. The regulatory effectiveness of the Charity Commission' December 2013
5. House of Commons Committee of Public Accounts: The Charity Commission. Forty Second Report of Session 2013-14.

In their inaugural months our Board members worked above and beyond the levels anticipated in their letters of appointment as they, firstly, developed their understanding of our role and responsibilities and, secondly, responded to the challenges of external scrutiny and criticism. This meant increased input as Board members supplemented strategic direction with active support of the executive. The Cabinet Office confirmed that this temporary increase in Board member activity should be revisited mid way through 2014-15. Given the relatively short time in which the Board members have worked together and the focus of their efforts during the year, we decided to defer the annual review of their effectiveness until 2014-15 when a more informative picture is likely to emerge.

Governance and Remuneration Committee

Meeting once in the year, the Governance and Remuneration Committee discussed pay progression as part of their overall discussions on pay, reviewed changes to our four Senior Civil Servants' terms and conditions and agreed their remuneration and objectives. The recruitment of the new Chief Executive Officer also formed part of the business conducted.

Internal Control

As Accounting Officer I am responsible for maintaining a sound system of internal control that supports the achievement of the Commission's policies, aims and objectives while safeguarding the public funds and assets for which I hold personal responsibility.

Our system of control is exercised through the roles and responsibilities of our Board and myself, and by controls delegated through the SMT which are codified in our Finance Manual and operating procedures.

I have reviewed the effectiveness of the system of internal control and the assurances that it has provided to me. Each SMT member has provided me with assurance that they have proactively addressed risks throughout the year, applied resources effectively and exercised appropriate internal controls.

Assurance Mechanisms

I rely on assurance derived through our monitoring systems, our ongoing programme of internal audit and a selection of ad hoc assessments within the year. The table on page 27 sets out key sources of assurance.

Parliamentary and Health Service Ombudsman (PHSO)

Within the year, the PHSO considered two complaints about our administration. Neither complaint was upheld. We view complaints as a source of assurance and are grateful for the independent review performed by the Ombudsman's office.

Risk Management

Our Strategic Risk Register (SRR) identifies our most significant risks categorized as risk of failure in competence, confidence and capacity. SMT updated the SRR every month after consider emerging risks and whether known risks were intensifying or declining. The SRR was also reviewed by the ARC at each of its meetings with significant issues reported on to the Board. Each business function retained its own localised risk register although we have identified that these could be used more consistently in informing day-to-day management and internal control. We plan a fundamental review of our approach to business risk in 2014-15 which will consider the appropriate level of complexity within the measures we use for quantifying risk and our risk appetite.

Our single most significant business risk relates to funding as we have highlighted in this statement. Our funding position is such that we are exposed to a greater risk of breaching our revenue and/or capital limits. We are actively managing this risk, but it materialised into a live issue this year when we inadvertently breached our capital limit following an accounting adjustment that came to light in the final stage of our audit. Further explanation is provided at the end of this statement within the section titled External Audit. We are mid way through a review of the unit costs of our activities and are considering our organisational model and structure ready to support our case to Treasury for increased funding.

Significant risks managed within 2013-14 included:

Capacity	
The risk of demand outstripping our resources/ Unsustainable workload pressures in operational areas	We have kept work volumes under constant review. Stress indicators were regularly monitored throughout the year to highlight trends and inform management decisions. To better manage demand we transferred work from Registration and Operations to our First Contact function. Resources were targeted to high priority activity or 'bottlenecks' after we balanced the impact this has to the Commission overall. A review group was set up to identify potential resource savings through process re-engineering. Work on our channel-shift strategy continued with investment in technology to enable greater self-service through our website. Our push on partnership working continued. We worked with the Law Commission on deregulation. We prioritised resources for our project to facilitate self-service changes to governing documents by charities. The risks to productivity through staff welfare issues were, and continue to be, regularly reviewed by the SMT. This continues as one of our top priority risks and is likely to intensify as we try to achieve fundamental transformation alongside 'business as usual'.
Failure to maintain key internal and online systems' performance at a consistently high level	We arranged prompt diagnosis and fix of online systems using third party suppliers. We will seek to enhance our commercial skills to secure more effective supplier performance. We commissioned an internal audit of risk within our main systems. Two projects were continued to deliver upgrades to our main case-working and document retention systems.
Confidence	
Financial exposure as a result of litigation cases	We established our Public Interest Litigation and High Risk Cases (PILAHR) Committee and took advice from Treasury about cost exposure. Counsel's advice on cases was sought where relevant.
High profile casework decisions/insufficient explanation of our regulatory interventions calls into question our effectiveness	Our Board crafted a new statement of regulatory approach. Improved high risk case scrutiny was achieved through the PILAHR committee. We improved the way we report casework and are considering additional measures to explain our regulatory impact and effectiveness. Our Risk Framework for determining regulatory intervention was reviewed in year.
Capability	
Failure to undertake sufficient checking or follow-up in casework	We established an Operations Monitoring Unit to perform sample follow up checks where we have made a regulatory intervention or set action plans for charities. We scrutinize more robustly the assurances given by charity trustees.
Failure to use powers appropriately/failure to act quickly and decisively enough in cases	We closely monitored our use of powers which increased significantly within the year. We opened a new class inquiry into charities defaulting on their annual accounts/returns. We pressed for improved powers in legislation. Progress of cases was subject to frequent review, and we established clearer criteria for escalation to the Board.

Data Security

Data Security: Our Senior Information Risk Owner (identified on page 29) is responsible for ensuring that we have procedures in place for properly safeguarding information. Within the year there were 10 unauthorised disclosures of personal information. Whilst all were reported to our internal Security Steering Group, none was serious enough to require reporting to the Information Commissioner's Office. Where protected personal data related incidents arose we reviewed what had happened and amended our procedures to prevent recurrences. In the following table we compare the incidence of protected personal data related incidents, this year with previous years.

Summary of protected personal data related incidents

Category / Nature of incident	2013-14	2012-13	2011-12	2010-11
I Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	1	1	0	0
II Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	0	0	0	0
III Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0	0	0	1
IV Unauthorised disclosure	10	0	8	5
V Other	0	13	0	5
Total	**11**	**14**	**8**	**11**

Sources of Assurance	
Structure / Process	**Purpose**
Security Steering Group	Reviews the physical and technical cyber security risks that apply to the Commission and reviews breaches in information security. The terms of reference for this forum were revised during the year. See below.
Key Performance Indicators	New indicators have been designed ready for implementation in 2014-15 which are more closely aligned to our strategic priorities and objectives, targeted to capture information about our effectiveness as a regulator and which measure outcomes as well as outputs. These are brigaded under 4 perspectives: Compliance; Accountability; Process; People and Resources.
Quality Framework and Quality Evaluation Panel	Together these two initiatives have driven wider and more consistent application of our process for reviewing quality with arms' length oversight.
Corporate Project Group	Monitors performance against the project programme.
Complaints Process	We operate a two stage procedure for people who wish to complain about any aspect of our administration.
Decision Review Process	Our process provides an opportunity for members of the public to challenge certain classes of legal decisions which may affect them.
Whistleblowing Procedure	Under our procedure members of staff or the public can make a Public Interest Disclosure. Our procedure was assessed this year by the NAO as part of their wider governmental review and was rated as a strong performer, setting a positive environment for whistleblowing. The Civil Service recommended changes to departments' whistleblowing policies and we reflected this in the new procedure we launched mid year.
First Contact accreditation	We are assessed annually by the Customer Contact Association. Following their visit in December 2013 we were awarded a pass.
Internal Audit	See below.
Accounting Officer Certificate for Pension Schemes Executive	We returned a fully assured certificate for the Commission covering 2013-14.
IT	Several checks have been carried out on our processes: • A cryptographic controls audit was undertaken by CESG Cheltenham. The resulting action plan was agreed with CESG with completion signed-off by them in January 2014. • We passed a GCF Code of Connection review by Cabinet Office / CESG and secured accreditation of our ICT systems until 30 April 2014. • A CESG CHECK health check took place in October 2013. The actions arising from this review have been cleared and a re-test took place in January. The high and medium priority actions from this were cleared by March 2014 and PSN accreditation was confirmed in April 2014. There is an agreed action/remediation plan in place for the low risk items identified in the test, the majority of which could be remediated without further work. The next test is due in September 2014.
HR	An array of activities were audited through the Cabinet Office and Civil Service Employee Policy, including: • An Annual Skills Review against the new Civil Service Capabilities Plan which was submitted to Civil Service Learning in September 2013. No issues were raised. • A Recruitment Audit was submitted to the Cabinet Office in May 2013 which reported full compliance with Civil Service Principles. • Quarterly review of costs under Next Generation HR implementation, revealing that our costs have reduced significantly since monitoring began.

Internal Audit

This year marked the beginning of our relationship with the Cross Departmental Internal Audit Service (XDIAS)[6], who now supply us with internal audit services under the Government's shared scheme.

We have benefitted from working with a supplier from within the Government community where there is a strong appreciation of our operating environment and risk universe. This has facilitated unification of our own internal assurance programme with XDIAS's. Six audit assignments were completed within the year resulting in 40 agreed actions of which only 6 required an urgent response. No material systemic control weaknesses were identified, although a review of information governance was rated as having 'significant weaknesses in control environment' and identified several actions necessary to improve the security of our information and monitoring of controls. All other assignments received a rating of 'some weaknesses in control environment' or 'strong control environment'.

At the close of the first year of supply, XDIAS have provided an overall opinion of our risk management, control and governance based on the coverage within the programme of assurance assignments as Satisfactory.

Audit and Risk Committee

The Audit and Risk Committee (ARC) was substantially refreshed this year to align its areas of scrutiny more closely to the Commission's strategic priorities and challenges. We recruited new members to replace retiring Board members, including a new chair for the Committee, and increased the number of Board members sitting on the ARC to three. Continuity in terms of membership was provided by our long-serving independent member as he entered the final year of his appointment. We have co-opted a new member to join us in 2014-15 bringing on board change management expertise.

Meetings of the ARC were routinely attended by the CEO and other relevant senior managers, XDIAS and the NAO, our external auditors. We welcomed Susan Ronaldson, Director, to our meetings as a new representative from the NAO.

Matters falling within the ARC's scope this year included:

- Progress of the Business Planning Steering Committee
- KPI out-turns and the proposals for new KPIs for 2014-15
- Quarterly management accounts
- IT systems' risk and performance. As a result of the risk review, an action plan was identified to address some control and efficiency shortfalls
- Delays to the development of our knowledge management strategy
- A review of our new Whistleblowing Policy
- Monitoring the performance of our new internal audit contract with a review of management's progress against recommendations
- The Commission's Strategic Risk Register
- Performance of the project programme.

6. Currently part of the Department for Business Innovation and Skills

A range of reportable incidents is referred to the scrutiny of the ARC, being: potential instances of fraud, theft or bribery; any significant breaches in security or health and safety: any instances of whistleblowing. No material/high risk incidents in these categories required reporting to the ARC during the year.

As with the Board, the new membership of the ARC mid year means that a review of effectiveness is likely to be more useful once the changes made have been embedded. Consequently, we plan to also perform this review towards the end of next year.

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.

This year the C&AG has given a qualified opinion on our accounts arising from a technical accounting breach. We prepared our estimates on the basis that an element of our programme for the development of our electronic case management system could be classified as revenue expenditure. We now accept that this element is more appropriately accounted for as capital – an intangible asset – under IAS38. As this judgement was made after the autumn deadline for submitting our Supplementary Estimate, we could not obtain additional cover and this led to an excess capital vote of £0.15 million.

We are reviewing how our IT and finance teams work together in future to prevent this reoccurring and to ensure that we apply the provisions of IAS 38 at an earlier stage. We will also maintain a regular dialogue with External Audit over any classification items that could be regarded as contentious, prior to the Supplementary Estimate in the autumn.

Sam Younger, CBE.

Chief Executive and Accounting Officer

Date: 27 June 2014

Board Members 2013-14

Board Member	Role
William Shawcross CVO	Chairman. Joined in October 2012.
Peter Clarke	Joined in May 2013. Chair of the Fraud Management Group.
Tony Leifer	Joined in May 2013. Legally qualified Board member. Chair of our Public Interest Litigation and High Risk Cases Committee.
Nazo Moosa	Joined in May 2013. Chair of the Audit and Risk Committee.
Eryl Besse	Joined in June 2013. Board member with special interest in Wales.
Professor Gwythian Prins	Joined in June 2013. Chair of the Data Mining Oversight Committee.
Claire Dove	Joined in July 2013.
Orlando Fraser	Joined in July 2013. Legally qualified Board member. Chair of the Governance and Remuneration Committee.
John Knight CBE	Joined in December 2009. His appointment ended in May 2013.
Sharmila Nebhrajani	Chair of the Audit Committee. Joined in July 2007. Her appointment ended in June 2013.
Theo Sowa CBE	Joined in July 2007. Her appointment ended in July 2013.
John Wood	Legally qualified Board member. Joined in February 2008. His appointment ended in February 2014. He remains a special advisor to the Board on legal matters until February 2015.

Audit and Risk Committee

Chair: Nazo Moosa (Sharmila Nebhrajani until June 2013)
Member: Gwythian Prins, Peter Clarke (John Knight until May 2013)
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: Orlando Fraser (John Wood until January 2014)
Members: William Shawcross, Sam Younger, Claire Dove (part year), Eryl Besse (part year), (Theo Sowa until July 2013)
Independent Member: Louise Rose

Public Litigation and High Risk Cases Committee

Chair: Tony Leifer
Members: Orlando Fraser, John Wood (advisor to Board)

Other special appointments

Simon Wethered – Retired as a legally qualified Board member in March 2013 – but provided advice to our Legal function until March 2014

Professor Lorraine Dodd – joined us in March 2014 to provide specialist input to our Data Mining Oversight Committee.

Schedule of Meetings and Attendance during 2013-14

	Board Members												Committee Members	
	William Shawcross	Sharmila Nebhrajani	Theo Sowa	John Knight	John Wood	Peter Clarke	Tony Leifer	Nazo Moosa	Eryl Besse	Gwythian Prins	Claire Dove	Orlando Fraser	Christopher Daws	Louise Rose
	Board Meetings													
May	Y	Y	Y	N	Y	Y	N	Y	N/A	N/A	N/A	N/A		
July	Y	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	Y		
September	Y	N/A	N/A	N/A	Y	N	Y	Y	Y	Y	Y	Y		
November	Y	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	N	N	Y	
January	Y	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	Y		
March	Y	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y		
Attendance %	100	100	100	0	100	83	83	100	100	100	83	83	*	
	Audit (and Risk) Committee													
May		Y		N		N/A		N/A		N/A			Y	
June		Y		N/A		N/A		Y		N/A			Y	
October		N/A		N/A		Y		Y		Y			Y	
February		N/A		N/A		N		Y		Y			Y	
Attendance %		100		0		50		100		100			100	
	Governance and Remuneration Committee													
September					Y				Y		N	Y		Y
Attendance %					100				100		0	100		100
	Public Litigation and High Risk Cases Committee													
March					Y		Y					Y		
Attendance %					100		100					100		

% relates to percentages of meetings that could have been attended

* N/A (Observer)

Senior Managers who served in 2013-14

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

Name	Post
Nick Allaway	Head of Business Services. Also our Senior Information Risk Owner.
Sarah Atkinson	Head of Information and Communications.
Steve Barnett	Took up post as Head of Operations London mid year.
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. Took up post mid year as Head of the Office of the Chair and Chief Executive. On maternity leave from January 2014 with the post being covered by Jeanna Grenville.
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 OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Charity Commission for the year ended 31 March 2014 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.

Basis for Qualified Opinion on regularity

Parliament authorised a Capital Departmental Expenditure Limit for the Charity Commission of £0.725m. Against this limit, the Commission Office incurred expenditure of £0.878m, therefore breaching the authorised limit by £0.153m as shown in the Statement of Parliamentary Supply.

Qualified Opinion on regularity

In my opinion, except for the excess described in the basis for qualified opinion paragraph, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2014 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.

More details of the reason for my qualified audit opinion are set out in my report on page 32.

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 2014 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 Management Commentary and Sustainability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; 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.

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

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

Introduction

1. The Charity Commission (the Commission) is a non-ministerial government department and is the registrar and regulator of charities in England and Wales. Its core role is to protect the public's interest in the integrity of charity.

2. In 2013-14 the Department was responsible for £23.210 million of UK public expenditure, of which £0.878 million related to capital expenditure. The Commission secures the approval to incur expenditure through the parliamentary supply process on an annual basis. The Commission accounts to Parliament on its expenditure under an accounts direction issued by HM Treasury under the Government Resource and Accounts Act 2000. This requires the Commission to prepare financial statements in accordance with the Government Financial Reporting Manual (FReM).

Purpose of Report

3. The Commission prepares an Annual Estimate of its net expenditure; authorisation to incur the net expenditure is then provided by Acts of Parliament.

4. These Acts set a series of annual limits on the net expenditure which the Commission may not exceed and on the total overall cash they can use. Where these limits are breached, I qualify my regularity opinion on the financial statements. HM Treasury then prepares a statement of all such excesses in the year and requests that the House of Commons approves the expenditure, which is then given statutory authority as part of a Supply and Appropriations (Anticipation and Adjustments) Act. Further detail on the authorised limits can be found within the Supply Estimates for 2013-14.

5. Parliament authorised a Capital Departmental Expenditure Limit for the Commission of £0.725 million. The Commission's outturn against this limit was £0.878 million meaning that the authorised limit was breached by £0.153 million and so I have qualified my regularity opinion on the Commission's financial statements in this regard. HM Treasury propose to ask Parliament to authorise a further £0.153 million of Capital supply.

Explanation for Qualified Audit Opinion

6. During the year the Commission undertook a project to replace its case management system. It estimated that the project would consume £0.248 million of capital and submitted its Estimate to Parliament on this basis. In doing so it did not identify that project management costs of £0.177 million should be capitalised under International Financial Reporting Standards. In presenting its accounts the Commission has correctly included these costs as capital but this has resulted in it exceeding its Capital Departmental Expenditure Limit by £0.153m.

7. The Accounting Officer has undertaken to review the Commission's processes for identifying and monitoring capital expenditure. He has made appropriate disclosures in his Governance Statement on the matter.

Sir Amyas C E Morse
Comptroller and Auditor General

3 July 2014

National Audit Office
157-197 Buckingham Palace Road
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London
SW1W 9SP

Statement of Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the Commission to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes to show resource outturn against the Supply estimate presented to Parliament, in respect of each budgetary control limit.

Summary of Resource and Capital Outturn 2013-14

£'000								2013-14	2012-13
				Estimate			Outturn	Voted outturn compared with Estimate: saving/ (excess)	Outturn
	Sops Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total		Total
Departmental Expenditure Limit									
- Resource	2.1	22,289	0	22,289	21,966	0	21,966	323	25,617
- Capital	2.2	725	0	725	878	0	878	(153)	360
Annually Managed Expenditure									
- Resource	2.1	400	0	400	366	0	366	34	155
- Capital		0	0	0	0	0	0	0	0
Total Budget		23,414	0	23,414	23,210	0	23,210	204	26,132
Non-Budget									
- Resource	2.1	0	0	0	0	0	0	0	0
Total		**23,414**	**0**	**23,414**	**23,210**	**0**	**23,210**	**204**	**26,132**

Total Resource		22,689	0	22,689	22,332	0	22,332	357	25,772
Total Capital		725	0	725	878	0	878	(153)	360
Total		**23,414**	**0**	**23,414**	**23,210**	**0**	**23,210**	**204**	**26,132**

Net Cash Requirement 2013-14

	Sops Note	2013-14 Estimate	2013-14 Outturn	2013-14 Net outturn compared with Estimate: saving/(excess)	2012-13 Total Outturn
		£'000	£'000	£'000	£'000
Net cash requirement	4	**23,144**	**22,796**	**348**	**25,404**

Administration Costs 2013-14

2013-14 Estimate	2013-14 Outturn	2012-13 Total Outturn
£'000	£'000	£'000
22,289	**21,932**	**25,437**

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Explanations of variances between Estimate and outturn are given in SOPS Note 2 and in the Management Commentary.

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 13).

Notes to the Departmental Resource Accounts (Statement of Parliamentary Supply)

SOPS 1 Statement of accounting policies.

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by HMT. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirement set out in the 2013-14 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

SOPS 1.1 Accounting convention

The Statement of Parliamentary Supply and the related notes are presented consistently within Treasury budget control and Supply estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes, have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- Ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- Support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

SOPS 1.2 Comparison with IFRS-based accounts

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences as detailed below. A reconciliation of the department's outturn as recorded in the SoPS compared to the IFRS-based SoCNE is provided in SoPS note 3.2.

SOPS 1a Accounting treatment differences within the Resource Accounts of the Charity Commission:

Provisions - Administration and Programme expenditure

Provisions recognised in IFRS-based accounts are not recognised as expenditure for national accounts purposes until the actual payment of cash (or accrued liability) is recognised. To meet the requirements of both resource accounting and national accounts, additional data entries are made in the Statement of Parliamentary Supply across AME and DEL control totals, which do not affect the Statement of Comprehensive Net expenditure. As the Administration control total is a sub-category of DEL, Administration and Programme expenditure reported in the Statement of Parliamentary Supply will differ from that reported in the IFRS-based accounts.

SOPS 2. Net outturn

SOPS 2.1 Analysis of net resource outturn by section

	2013-14										2012-13
	Outturn							**Estimate**			**Outturn**
	Administration			Programme							
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
Spending in Department Expenditure Limit											
Voted:											
Giving the public confidence in the integrity of Charities	22,984	(1,018)	21,966	0	0	0	21,966	22,289	323	323	25,617
Annually Managed Expenditure											
Voted:											
Giving the public confidence in the integrity of Charities	0	0	0	366	0	366	366	400	34	34	155
Total	22,984	(1,018)	21,966	366	0	366	22,332	22,689	357	357	25,772

SOPS 2.2 Analysis of net capital outturn by section

	2013-14										2012-13
	Outturn							Estimate			Outturn
	Administration			Programme							
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
Spending in Department Expenditure Limit											
Giving the public confidence in the integrity of Charities	878	0	878	0	0	0	878	725	(153)	(153)	360
Total	878	0	878	0	0	0	878	725	(153)	(153)	360

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

SOPS 3.1 Reconciliation of net resource outturn to net operating cost

	SoPS Note	**2013-14 Outturn**	**2012-13 Outturn**
		£'000	£'000
Total Resource outturn in Statement of Parliamentary Supply			
Budget	2.1	22,332	25,772
Net Operating Costs in Consolidated Statement of Comprehensive Statement of Net Expenditure		**22,332**	**25,772**

SOPS 3.2 Outturn against final Administration Budget and Administration net operating costs

	2013-14 Outturn £'000	2012-13 Outturn £'000
Estimate – Administration cost limit	22,289	26,020
Outturn – Gross Administration Costs	22,984	26,652
Outturn – Gross Income relating to administration costs	(1,018)	(1,035)
Outturn – Net administration costs (Statement of Parliamentary Supply)	**21,966**	**25,617**
Reconciliation to operating costs:		
Less: Provisions utilised (transfer from Programme) (note 13)	(34)	(180)
Add: Provisions provided in year	400	405
Less: Provisions written back in year	0	(70)
Administration net operating costs	**22,332**	**25,772**

SOPS 4. Reconciliation of Net Resource Outturn to Net Cash Requirement

	SoPS Note	Estimate £'000	Outturn £'000	Net total outturn compared with Estimate: savings/(excess) £'000
Resource Outturn	2.1	22,689	22,332	384
Capital Outturn	2.2	725	878	(181)
Accruals to cash Adjustments:				
Adjustments to remove non-cash items:				
Depreciation/Amortisation		(800)	(541)	(258)
Loss on disposal			(12)	12
New provisions and adjustments to previous provisions		(450)	(400)	(50)
Auditors Remuneration		(70)	(57)	(13)
Adjustments to reflect movements in working balances:				
Increase/(Decrease) in trade and other receivabless		0	(11)	11
(Increase)/Decrease in trade and other payables		1,000	573	427
Use of provisions		50	34	16
Net cash requirement		**23,144**	**22,796**	**348**

SOPS 5. Income payable to the Consolidated Fund

SOPS 5.1 Analysis of income payable to the Consolidated Fund

	Outturn 2013-14 £'000		Outturn 2012-13 £'000	
	Income	Receipts	Income	Receipts
Operating income outside the ambit of the Estimate	0	0	0	0
Excess cash surrenderable to the Consolidated Fund	0	0	0	0
Total income payable to the Consolidated Fund	0	0	0	0

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2014

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 44 to 58 form part of these accounts.

	Note	2013-14 £'000	2012-13 £'000
Administration costs:			
Staff costs	3	14,864	13,445
Other Administration costs	4	8,086	13,027
Operating Income	6	(1,018)	(1,035)
Total Administration costs		**21,932**	**25,437**
Programme expenditure:			
Other costs	5	400	335
Total Net Operating costs		**22,332**	**25,772**

Statement of Financial Position

As at 31 March 2014

The Statement of Financial Position is a summary of all the Commission's assets and liabilities as at 31 March 2014.

The notes on pages 44 to 58 form part of these accounts.

	Note	31 March 2014 £'000	31 March 2013 £'000
Non-current assets:			
Property, plant and equipment	7	566	691
Intangible assets	8	782	331
Total non-current assets		1,348	1,022
Current assets:			
Trade and other receivables	11	1,595	1,606
Cash and cash equivalents	10	348	137
Total current assets		1,943	1,743
Total assets		**3,291**	**2,765**
Current liabilities:			
Trade and other payables	12	(4,163)	(4,595)
Provisions	13	(24)	(35)
Total current liabilities		(4,187)	(4,630)
Total assets less Total current liabilities		**(896)**	**(1,865)**
Non-current liabilities:			
Provisions	13	(814)	(437)
Staff exits	12	(245)	(174)
Total non-current liabilities		(1,059)	(611)
Assets less liabilities		**(1,955)**	**(2,476)**
Taxpayers' equity:			
General fund		(1,955)	(2,476)
Total taxpayers' equity		**(1,955)**	**(2,476)**

Sam Younger

Chief Executive and Accounting Officer Date: 27 June 2014

Statement of Cash Flows

For the year ended 31 March 2014

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 44 to 58 form part of these accounts.

	Note	2013-14 £'000	2012-13 £'000
Cash flows from operating activities			
Total Net operating cost		**(22,332)**	**(25,772)**
Adjustments for non-cash transactions			
Administration costs	4	609	981
Programme costs	5	400	335
Increase in trade and other receivables	11	11	(574)
Decrease in trade and other payables	12	(572)	165
Use of provisions	13	(34)	(180)
Non-cash adjustment (roundings)			1
Net cash outflow from operating activities		(21,918)	(25,044)
Cash flows from investing activities			
Purchase of plant, property and equipment	7	(256)	(360)
Purchase of intangible assets	8	(622)	0
Net cash outflow from investing activities		(878)	(360)
Cash flows from financing activities			
From Consolidated Fund (Supply) – current year		23,144	25,541
From Consolidated Fund (Supply) – prior year		(137)	(2,716)
Net financing		23,007	22,825
Net increase/(decrease) in cash in the period before adjustment for receipts and payments to the Consolidated Fund		211	(2,579)
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		211	(2,579)
Cash and cash equivalents at the beginning of the period		**137**	**2,716**
Cash and cash equivalents at the end of the period		**348**	**137**

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2014

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

The notes on pages 44 to 58 form part of these accounts.

	Note	£'000
Balance at 1 April 2013		(2,476)
Non-cash charges – auditor's remuneration	4	57
Net operating cost for the year		(22,332)
Total recognised income and expense for 2013-14		(22,275)
Net Parliamentary Funding – drawn down		23,007
Net Parliamentary Funding – deemed		137
Supply payable		(348)
Balance as at 31 March 2014		**(1,955)**

Changes in taxpayers' equity for 2012-13

	Note	£'000
Balance as at 1 April 2012		(2,166)
Non-cash charges – auditor's remuneration	4	57
Net operating cost for the year		(25,772)
Total recognised income and expense for 2012-13		(25,715)
Net Parliamentary Funding – drawn down		22,285
Net Parliamentary Funding – deemed		2,716
Supply payable		(137)
Supply adjustment (roundings)		1
CFERs payable to the Consolidated Fund		0
Balance as at 31 March 2013		**(2,476)**

Notes to the Resource Accounts

1. Statement of accounting policies

These financial statements, which cover the accounting period 1 April 2013 to 31 March 2014, 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.

1.10 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme, which are described in Note 3. 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 1.8%).

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 2018. 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. Statement of Operating Costs by Operating Segment

For internal reporting purposes, the Charity Commission operates two segments: Charity Commission core business and the International & Prevent Programmes. The International & Prevent Programmes are reported separately as they have their own funding streams and are operated as distinct units within the Commission. The primary financial statements record the total income, expenditure, assets and liabilities of the Charity Commission and the International & Prevent Programmes. The note below shows the amounts attributable to the two segments.

	2013-14			2012-13		
	£'000			£'000		
	Charity Commission: core business	Other Government Funded projects	Total	Charity Commission: core business	Other Government Funded projects	Total
Gross Expenditure	22,344	1,006	23,350	25,786	686	26,472
Income	(12)	(1,006)	(1,018)	(349)	(686)	(1,035)
Net Expenditure	22,332	0	22,332	25,437	0	25,437
Total Assets	3,061	230	3,291	2,573	192	2,765
Total Liabilities	(5,246)	0	(5,246)	(5,208)	(33)	(5,241)
Net Assets	(2,185)	230	(1,955)	(2,635)	159	(2,476)

2.1 Reconciliation between Operating Segments and CSoCNE

	2013-14			2012-13		
	£'000			£'000		
	Charity Commission: core business	Other Government Funded projects	Total	Charity Commission: core business	Other Government Funded projects	Total
Total net expenditure reported for operating segments	21,932	0	21,932	25,437	0	25,437
Reconciling item:						
Provisions provided/ written back in year (transfer from Programme)	400	0	400	235	0	235
Total net expenditure per Consolidated Statement Statement of Comprehensive Net Expenditure	22,332	0	22,332	25,772	0	25,772

3. Staff numbers and related costs

	2013-14	2012-13
	£'000	£'000
Wages and salaries	10,452	10,511
Social security costs	842	847
Other pension costs	1,935	1,956
Agency staff	293	156
Severance costs	1,314	(24)
Decrease in IAS 19: employee benefits accrual	28	(1)
Total Net Costs	**14,864**	**13,445**

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 2013-14, employers' contributions of £1.34m were payable to the PCSPS (£1.51m in 2012-13) at one of four rates in the range 16.7% to 24.3% (16.7% to 24.3% in 2012-13) 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 £592k were paid to one or more of a panel of three appointed stakeholder pension providers (£441k in 2012-13). Employers' contributions are age-related and range from 3% to 12.5% (3% to 12.5% in 2012-13) of pensionable pay. In addition, employers' contributions of £405 (£593 in 2012/13,) 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 £50,320 (£35,734 in 2012-13). Contributions prepaid at that date were £nil (£nil in 2012-13). No staff (nil in 2012-13) retired early on ill health grounds.

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:

	2013-14	2012-13	2013-14	2012-13
	Number	Number	£'000	£'000
Charity Commission staff	303	316	14,571	13,289
Agency staff	7	4	293	156
Total	**310**	**320**	**14,864**	**13,445**

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 2014, 163 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)	1 (21)	1 (21)
£10,000 - £24,999	0 (0)	10 (43)	10 (43)
£25,000 - £49,999	0 (0)	13 (34)	13 (34)
£50,000 - £99,999	0 (0)	8 (26)	8 (26)
£100,000- £149,999	0 (0)	2 (3)	2 (3)
£150,000- £200,000	0 (0)	0 (1)	0 (1)
Total number of exit packages	**0 (0)**	**34 (129)**	**34 (129)**
Total resource cost (£'000)	**0 (0)**	**1,338 (4,313)**	**1,338 (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.

4. Other Administration costs

	Note	2013-14	2012-13
		£'000	£'000
Rentals under operating leases		1,292	1,784
Non-cash items:			
Depreciation	7	370	466
Amortisation	8	171	458
Revaluation/re-lifed assets	7 & 8	(1)	(1)
Loss on disposal of fixed asset	7 & 8	12	1
Auditor's remuneration		57	57
Total non cash items		609	981
Other expenditure:			
Personnel related		799	748
Accommodation		1,010	1,697
Office services		1,559	1,790
Contracted services/consultancy		321	510
Specialist services		2,496	5,517
Total expenditure		**8,086**	**13,027**

Note: Specialist services includes expenditure on computer and information systems of £2.2 million (2012-13: £4.8m)

5. Programme Costs

	Note	2013-14	2012-13
		£'000	£'000
Non-cash items			
Provisions provided in year	13	400	405
Provisions written back in year	13		(70)
Total programme costs		**400**	**335**

6. Income

	2013-14	2012-13
	£'000	£'000
Income received in respect of the International Programme:		
from other UK Government Departments	595	458
from non-UK entities	0	281
Income received for rendering services to or on behalf of other UK Government Departments	411	293
Other income	12	3
Total income	**1,018**	**1,035**

7. Property, plant and equipment

	Information Technology	Furniture & Fittings	Leasehold Improvements	Total
	£'000	£'000	£'000	£'000
2013-14				
Cost or valuation				
At 1 April 2013	1,367	235	850	2,452
Additions	199	57	0	256
Re-lifed assets	1	0	0	1
Disposals	(136)	(11)	(691)	(838)
At 31 March 2014	**1,431**	**281**	**159**	**1,871**
Depreciation				
At 1 April 2013	853	207	701	1,761
Charged in year	312	27	31	370
Disposals	(125)	(10)	(691)	(826)
At 31 March 2014	**1,040**	**224**	**41**	**1,305**
Net Book Value at 31 March 2013	**514**	**28**	**149**	**691**
Net Book Value at 31 March 2014	**391**	**57**	**118**	**566**
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)
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)
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**

All assets are owned by the Commission. There are no assets held under finance leases (nil in 2012-13).

8. Intangible assets

	IT databases	Websites	Assets under Construction	Total
	£'000	£'000	£'000	£'000
2013-14				
Cost or valuation				
At 1 April 2013	7,617	42	0	7,659
Additions	0	0	622	622
Transfers	0	28	(28)	0
Disposals	0	0	0	0
At 31 March 2014	**7,617**	**70**	**594**	**8,281**
Amortisation				
At 1 April 2013	7,286	42	0	7,328
Charged in year	165	6	0	171
Disposals	0	0	0	0
At 31 March 2014	**7,451**	**48**	**0**	**7,499**
Net book value at 31 March 2013	**331**	**0**	**0**	**331**
Net book value at 31 March 2014	**166**	**22**	**594**	**782**
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)
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)
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**

All intangible assets are owned by the Commission. There are no intangible assets are held under finance leases (nil in 2012-13). Assets under construction represent expenditure on IT developments.

9. Capital and other commitments

9.1 Capital commitment

As at 31 March 2014, the Commission had no capital commitments (nil as at 31 March 2013).

9.2 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.

	2013-14	2012-13
	£'000	£'000
Obligations under operating leases comprise:		
Buildings		
Not later than one year	1,076	1,104
Later than one year and not later than five years	1,102	2,160
Later than five years	0	0
	2,178	**3,264**

10. Cash and cash equivalents

	2013-14	2012-13
	£'000	£'000
Balance at 1 April	137	2,716
Net change in cash and cash equivalent balances	211	(2,579)
Balance at 31 March	**348**	**137**
The following balances at 31 March were held at:		
Government Banking Services	348	136
Cash in hand	0	1
Balance at 31 March	**348**	**137**

11. Trade receivables, financial and other assets

	2013-14	2012-13
	£'000	£'000
Amounts falling due within one year:		
VAT	324	383
Deposits and advances	20	8
Other trade receivables	85	321
Prepayments and accrued income	1,166	894
	1,595	**1,606**
Amounts falling due after more than one year:		
Prepayments and accrued income	0	0
Total trade and other receivables	**1,595**	**1,606**

11.1 Intra Government Balances

	2013-14	2012-13
	£'000	£'000
Amounts falling due within one year:		
Balances with other central government bodies	591	630
Balances with bodies external to government	1,004	976
	1,595	**1,606**
Amounts falling due after more than one year:		
Balances with bodies external to government	0	0
Total trade and other receivables	**1,595**	**1,606**

12. Trade payables and other current liabilities

	2013-14	2012-13
Amounts falling due within one year:	£'000	£'000
Taxation and social security	480	465
VAT	0	486
Trade payables	867	667
Other payables	22	0
Staff exit costs	1,354	762
Accruals and deferred income	1,092	2,078
Amounts issued from the Consolidated Fund for Supply but not spent at year end*	348	137
	4,163	**4,595**
Amounts falling due after more than one year:		
Staff exit costs	245	174
Total trade and other payables	**4,408**	**4,769**

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

12.1 Intra Government balances

	2013-14	2012-13
	£'000	£'000
Amounts falling due within one year:		
Balances with other central government bodies	850	1,088
Balances with bodies external to government	3,313	3,507
	4,163	**4,595**
Amounts falling due after more than one year:		
Balances with bodies external to government	245	174
Total trade and other receivables	**4,408**	**4,769**

13. Provisions for liabilities and charges

	Early departure costs	Property dilapidation	Total 2013-14	Total 2012-13
	£'000	£'000	£'000	£'000
Balance at 1 April	72	400	472	317
Provided in year	0	400	400	405
Provision utilised in year	(34)	0	(34)	(180)
Provision written back	0	0	0	(70)
Balance at 31 March	**38**	**800**	**838**	**472**

13.1 Analysis of expected timing of cash flows

	Payment by 31 March 2015	Payment after 1 April 2016	Total
	£'000	£'000	£'000
Early departure costs	24	14	38
Property dilapidation	0	800	800
Total	**24**	**814**	**838**

13.2 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 1.8% in real terms.

13.3 Property dilapidation

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

13.4 Legal

The Commission had no material legal commitments or liabilities as at 31 March 2014.

14. Contingent liabilities

The Commission has no contingent liabilities judged to be probable or material at 31 March 2014 (nil as at 31 March 2013).

15. Losses and special payments

15.1 Losses Statement

	2013-14		2012-13	
	Number	**£'000**	**Number**	**£'000**
Total losses for the year	2	0	0	0

There were two losses in 2013-14 amounting to £238, relating to long outstanding debts owing of £215 and £23 (nil in 2012-13).

15.2 Special Payments

	2013-14		2012-13	
	Number	**£'000**	**Number**	**£'000**
Total special payments for the year	1	5	0	0

16. Related party transactions

During the year 2013-14, 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.

17. Events after the reporting period 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 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.