



## Tackling abuse and mismanagement 2015 to 16

# Annex 2: glossary - types of compliance case work

### Accounts monitoring and review

Our accounts monitoring and review programme helps us identify potential mismanagement or non-compliance as well as concerns about inadequate reporting. This work also encourages charities to follow good practice in preparing their accounts. In 2015 to 16 our programme of proactive accounts monitoring included thematic account reviews focused on public benefit reporting, the quality of charity accounts, the quality of small charity accounts and low levels of charitable expenditure.

In total, we scrutinised **986** sets of accounts; **377** were looked at as part of our programme of proactive reviews and **609** were examined as part of our compliance case work. This includes reviews of the accounts of charities that are subject to the double defaulters class inquiry. The total income of all the 986 charities reviewed amounted to £8.3billion. We conducted **107** financial books and records inspections to charities to hold trustees to account.

### Monitoring

We undertake proactive and reactive monitoring of charities which give rise to concern. The charities monitored are identified on the basis of various risk factors, for example those operating in high risk areas, undertaking high risk activities or those which have previously reported safeguarding issues, and are identified from the commission's data and referrals from other teams, such as our Registration team.

Monitoring may include: deskbased research; corresponding with or interviewing trustees; visiting the charity's premises; and inspecting the charity's financial records. Where we identify regulatory concerns, we can issue a formal action plan. If the concerns identified through monitoring in individual cases meet the criteria for a statutory inquiry, they are referred for investigation. In 2015 to 16, we opened **424** (2014 to 15: 429) monitoring cases and concluded **405** (2014 to 15: 375). As part of this we carried out **106** proactive inspection and compliance visits (2014 to 15: 116).

## Operational compliance cases

Most concerns that we identify in charities are dealt with as operational compliance cases. These cases are not formal investigations, but we make further inquiries and we aim to ensure trustees address any failures and weaknesses in their charities' management. During operational compliance cases, we can use certain powers, these are limited but include, for example, to require charities and other organisations to provide information or documents to us. We are using these powers more frequently than in the past. However, it is not always necessary for us to use specific powers to put right problems in charities. Often, we can ensure matters are put in order by providing robust regulatory advice to the trustees, or instructing them to fulfil an action plan. We opened **1,327** and concluded **1,309** operational compliance cases in 2015 to 16.

## Reports of serious incidents (RSIs)

A serious incident is one that results in, or risks, significant loss of a charity's money or assets, damage to a charity's property or harm to a charity's work, beneficiaries or reputation. Serious incidents include, for example, fraud, theft or other significant loss, large donations from unknown or unverified sources, and suspicions and allegations or incidents of abuse or mistreatment of vulnerable beneficiaries. Charity trustees need to report actual or suspected serious incidents to the commission and should do so as soon as they are aware of them. In the course of our compliance case work with charities into matters of regulatory concern, we are still seeing instances where serious incidents that have occurred in charities have not been reported to us. In 2015 to 16 2,217 incidents were reported to us – around the same as 2014 to 15 (2,132) and nearly double the number that we saw in 2013 to 14 (1,281). In the autumn of 2016 **we launched a consultation** on draft updated guidance on how to report a serious incident in your charity. This updated guidance aims to help charities identify what to report and when. Listing the most common types of incidents, the guidance explains what should be reported to the commission (as well as to the police and other regulators). New checklists and a table of examples of what, and what not, to report to the commission are included

## Risk framework

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

## Statutory inquiries

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

Opening an inquiry allows us to use the full range of enforcement powers, including powers to compel evidence under oath or by way of attendance at a meeting, to freeze a charity's bank accounts, to appoint an interim manager or to suspend or remove a charity's trustees. During 2015 to 16, we opened **53** inquiries into charities, compared to **103** inquiries the previous year largely because of fewer charities in the double defaulter class inquiry and increasing amounts of more serious cases being dealt with as compliance cases. This has allowed our investigations teams to focus on the most serious and complex cases. There are more charities in inquiry than in the past. As at 1 April 2016, **135** inquiries were ongoing. (2014 to 15: 132; 2013 to 14: 76).

## Whistleblowing reports

Whistleblowing reports are reports from people involved in a charity or advising a charity about issues of concern. Reports can, for example, be made by accountants, auditors or independent examiners of charities. Whistleblowing reports also include complaints from charity workers made under the Public Interest Disclosure Act 1998 (PIDA). PIDA protects workers from detrimental treatment or victimisation from their employer if, in the public interest, they report wrongdoing. See our guidance on **Complaints about charities** for more detail. We received **143** whistleblowing reports in 2015 to 16 (2014 to 15: 114) and 101 cases were referred on, 5 to investigations, 94 to operations and 2 to monitoring; and as a result we opened 85 cases of which 16 are still active, 1 resulted in a statutory inquiry, and 3 in action plans. Please see Annex 3: Statistical analysis (section 6.2) for information about issues covered in whistleblowing reports in 2015 to 16.