



# News

CC News - spring edition 2014

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## Are you aware of the changes to the Annual Return?

The [Annual Return 2014](#) is now available to complete on our website. This follows a consultation about the information that should be collected and displayed on the Online Register of Charities. The new Annual Return includes 7 new question areas. These include whether the charity pays its trustees for carrying out trustee duties or owns a trading subsidiary. As part of our toughened approach

to account scrutiny, we will also be publishing information on whether charities' accounts have been qualified by an auditor. The information submitted helps to support public trust and confidence in the sector through increased transparency, and will help the public to make informed decisions about charities. The extra details will also allow us to better regulate the sector.

The Annual Return must be completed by all registered charities with an income over £10,000 within 10 months of their financial year end. All CIOs, regardless of income, must submit an annual return. We have also provided guidance for those completing the form, and on the charity's profile page, to help the public understand the information that is displayed.

## Help us improve our usability

We want our guidance and website services to enable you to complete your task easily. To help us with this, we work with real users of our site to test different aspects. Would you be willing to complete your charity's annual return with a Charity Commission staff member? This can be done at one of the Commission's offices, or we can come to you. Email [usability@charitycommission.gsi.gov.uk](mailto:usability@charitycommission.gsi.gov.uk).

## We welcome our new Chief Executive

Our Chief Executive Sam Younger is stepping down after four years at the Commission, and is replaced by Paula Sussex, who takes up the appointment on a three year contract on 30 June 2014. Paula joins us from CGI, where she is Senior Vice President, Public Sector and a

member of the CGI UK board. She is a qualified barrister and also has a longstanding association with Crisis, the charity for single homeless people, where she was a trustee for six years.

## Do you know what a conflict of interest is?

From our case work, we know this is an area trustees can struggle with, but it's essential they understand what conflicts of interest are, and how to deal with them, in order to carry out their duties. Some common ones are:

- trustees who are appointed by other organisations (a conflict of loyalty)
- payments or benefits to close relatives of trustees

- trustees who are directors or employees of a charity's trading company.

Following a consultation, we have updated our [conflict of interest guidance](#). Included is a short summary, more detailed guidance and legal underpinning for those who require it, alongside examples. The new guidance:

- contains a revised definition of conflict of interest

- introduces a simple, three-step approach to handling conflicts of interest
- highlights the serious consequences that can result from mishandling conflicts of interest and sets out our regulatory expectations.

Make sure you read the new guidance and get clued up on your responsibilities around conflicts of interest.

## Check out our Operational Compliance Reports (OCRs)

We now regularly publish [operational case reports](#), which help us explain what impact our casework has and provide lessons for trustees. We recently published an OCR into a [Cornwall-based charity](#) which provided an advocacy and outreach service for people with mental

health problems. Have a read through this short report and make sure your charity has robust safeguarding policies in place. [Safeguarding guidance](#) can also be found on our website.

**Did You Know...?** The [City of London Police Overseas Anti Corruption Unit \(OACU\)](#) has launched a new video, [Consequences begin at home](#), to help organisations understand the implications of the Bribery Act and how it affects them. The video, designed to be used for internal staff training, is available for free.

## What if one of your trustees is unable to carry out their role?

We recently published [inquiry reports](#) into four of the charities that were under investigation as part of a class inquiry into charities in default on their accounts. The four reports detail responses from trustees about why the accounts were late. Lack of action by

accountants, alongside trustees' and accountants' health and family issues, featured.

On occasion, a trustee may encounter circumstances which mean they temporarily find it difficult to carry out their role. They remain legally liable and the other

trustees must make sure that they collectively continue to carry out their legal duties and ensure the charity continues to run effectively. If the issues continue then the affected trustee(s) should consider whether they are able to continue in their role.

**Plug In To...**our new [audio podcasts](#), designed to help charity trustees understand their duties under charity law. Tackling both real-life and fictional case studies, senior Commission staff talk listeners through [Internal Financial Controls](#) and [Conflicts of Interest](#).

## Are you clued up on the new SORP?

We recently published the [analysis of the consultation](#) on the draft new Statement of Recommended Practice (SORP). The SORP provides a framework for charity accounting and reporting, and all charities that prepare their accounts on a 'true and fair' basis (also known as accruals accounts) must follow it. The SORP does not apply to small charities choosing to prepare receipts and payments accounts.

We have been working alongside the [Office of the Scottish Charity Regulator \(OSCR\)](#) and the sector-based SORP Committee to write a new SORP to accommodate the new Financial Reporting Standard (FRS102), and to support charities that choose to report under the

Financial Reporting Standard for Smaller Entities (FRSSE). Decisions made include:

- all charities that submit accruals accounts under the SORP must disclose staff pay in bands over £60,000, with larger charities disclosing their pay and remuneration policy for senior staff in their trustees' annual report
- there will be two SORPs: one based on the new FRS102 and the other on the FRSSE. Charities can choose which accounting standard and SORP they use depending on their size.

The new SORPs will apply to accounting periods starting on or after 1 January 2015.

## Check out the revised online registration form

Our revised online application for registration form (OLAR) is launching this month. We have refreshed the operating system to support both the public's experience in making applications for charity registration, and

our handling of the completed applications. The new form will be supported by revised guidance on setting up and registering a charity. It also incorporates new questions linked to our [public benefit guidance](#). These revisions will help

applicants to clearly explain the purposes of their organisation, and how it operates to further those purposes for the public benefit. The new form will be available shortly on our website.

## Is your charity supporting aid convoys or humanitarian assistance to the Syria crisis?

If so, read [our regulatory alert](#) on Syria. There is a risk that charitable aid convoys to Syria may be abused for non-charitable purposes, including helping British foreign fighters travel to the region.

If you are organising or participating in any convoy, you must make sure you:

- take proper steps to ensure that the aid you provide is only used for lawful humanitarian purposes
- are able to account for its proper use
- take reasonable steps to guard against abuse, including vetting any volunteers travelling with the convoy.

## Do you know how to protect your charity from cheque fraud?

[Charity Finance Group](#) and the [Cheque and Credit Clearing Company](#) at the [Payments Council](#) have developed guidance to Charities on how to avoid being victims of cheque fraud. Recent research shows that over 90% of charities issue cheques on a regular basis, and the [Factsheet](#) provides information on how to safeguard your organisation.

## How does the lobbying act affect your charity?

The [Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Act 2014](#) (the Lobbying Act) was passed on 30 January 2014. The [Electoral Commission](#) regulates the rules that, under electoral law, non-party campaigners must follow in the run-up to an election. These come into effect on 19 September 2014.

Whilst charities that carry out campaigning and political activity must never engage in party political activity, there may be circumstances when they need to register with the Electoral Commission. The [Lobbying Act](#) introduces some changes to this requirement, and to the rules that apply if registration is necessary.

The Electoral Commission is publishing guidance for charities in July, which will also be linked to our website. If your charity carries out campaigns make sure you look out for the guidance, as well as [reading our own](#).

## Can you answer for your charity's fundraising decisions?

A [recent UK survey](#) of charity fundraising and finance showed almost nine in ten respondents think that the year ahead will bring more scrutiny and media interest. With the spotlight on how funds are raised, charities must be able to answer for their fundraising decisions and activities.

However, the same survey reveals that almost half of charities (49%) had taken steps over the past year to enhance levels of transparency and disclosure

of financial information. There is also greater commitment to best practice and accountable fundraising, with 225 charities signing up to [self-regulation of fundraising](#) in 2013.

Read the survey and make sure that your charity is being open about its fundraising practices, committing to best practice and is willing to answer questions and address any concerns from the public.

The [FRSB](#) has more information about self-regulation.

## How to handle a pension scheme deficit

Charities' accounts are publically available on our website. Each year, we monitor a sample to check compliance with the Charities Statement of Recommended Practice (SORP), and to identify issues of regulatory concern. We are publishing a series of reports on our findings, which will help trustees to manage the risks their charity faces, and improve reporting standards.

The first report is on [pension schemes](#). Our findings remind trustees of charities with defined benefit pension schemes that they should have a clear picture of their charity's financial obligations and a plan to manage any future contribution increases. Trustees should use their charity's annual report to provide stakeholders with information about any pension

scheme deficit and the actions being taken to deal with it.

If a charity has a pension scheme deficit, the trustees should take prompt professional advice on the action required. [The Pensions Regulator](#) has published guidance to assist employers in dealing with their pension scheme deficits.