



Tackling abuse and mismanagement 2016 to 17

## Annex 2: glossary - types of compliance case work 2017

### 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 2016-17 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 financial distress issues.

In total, we scrutinised 894 sets of accounts; 380 were looked at as part of our programme of proactive reviews and 514 were examined as part of our regulatory 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 894 sets of accounts and 607 charities reviewed amounted to £3.5 billion.

### Monitoring

We undertake proactive and follow up 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 which made commitments on their registration that we want to follow up. This year we have been using the data and information provided in annual returns and accounts to help identify which charities to monitor.

Monitoring may include: desk-based research; corresponding with or interviewing trustees; visiting the charity's premises and inspecting the charity's financial records and appropriate and targeted scrutiny of accounts. We always undertake follow-up monitoring when we have required trustees to take specific actions to obtain assurance and verify that they have acted on our regulatory advice.

Where we identify regulatory concerns, we can issue regulatory advice and guidance which may include a formal action plan. If the concerns identified through monitoring in individual cases means there is a need to use powers or open a statutory inquiry, they are referred for investigation. In 2016-17, we opened 503 monitoring cases and concluded 586. As part of this we carried out 113 proactive inspection and compliance visits.

## Regulatory compliance cases

Most concerns that we identify in charities are dealt with as regulatory 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 regulatory 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. For the first time, we can also issue official warnings.

However, it is not always necessary for us to use compliance powers or heavy sanctions 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 meet an action plan. Last year in our compliance work 62 action plans were set. We opened 1,664 and concluded 1,499 regulatory compliance cases in 2016-17.

## 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 beneficiaries.

As explained in our guidance, charity trustees need to report actual or suspected [serious incidents to the commission](#) and 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 2016-17, 2,182 incidents were reported to us.

## Risk framework

Our [risk framework](#) is a key document that explains our approach to regulation and 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 confirms three priority risk areas; which are fraud and financial abuse, safeguarding and terrorism.

## Statutory inquiries

We may open an inquiry where there is a high risk to public trust and confidence in the charity or need to use powers 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. In 2016-

17, we opened 187 inquiries into charities, and closed 94. As at 1 April 2017, 248 inquiries were ongoing.

## **Whistleblowing, or “Speaking Out”**

Whistleblowing reports are from people involved in a charity or advising a charity about issues of concern. There are three main types of formal whistleblowing: from employees, and by auditors or independent examiners of charities.

Employment legislation protects workers from detrimental treatment or victimisation from their employer if, in the public interest, they report wrongdoing. We publish [whistleblowing guidance for charity employees](#).

We received 142 whistleblowing reports in 2016-17. See Annex 3: Statistical Analysis for more information about issues covered in whistleblowing reports this year.