CHARITY COMMISSION
FOR ENGLAND AND WALES

Charity Commission Annual Report and Accounts

2017-18

HC 1211

Charity Commission Annual Report and Accounts 2017-18
(For the year ended 31 March 2018)

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

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

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Any enquiries regarding this publication should be sent to us at
alex.odonoghue@charitycommission.gsi.gov.uk

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Part 1 Introduction

Foreword

Charitable endeavour is at the heart of our national life, and the backbone of many communities. Charities carry out increasingly crucial functions in society, from managing our national heritage, to conducting medical research, to caring for the most vulnerable. And charities' efforts in promoting the arts, education, sport, and purposeful leisure activities make our individual lives immeasurably richer, and our communities stronger. As His Royal Highness the Duke of Cambridge said at our public meeting in January 2018: "charities nurture, repair, build and sustain our society. Without the work that charities do, society would be an empty shell."

This year we have seen the charitable instinct of the British people at its best. The huge generosity and concerted action seen in response to the Manchester terror attack and the Grenfell Tower fire, for example, demonstrated people's determination to help when they see others in distress.

Similarly, research into trusteeship, undertaken by a consortium of charities and partners for the Commission and the Office of Civil Society, was published in November. For the first time in a generation, researchers built a comprehensive picture of modern trusteeship. We now know that the time given by the 700,000 people who serve as trustees in England and Wales is valued at a monetary equivalent of £3.5 billion. This represents a crucial national asset.

But the public's confidence in charities cannot be taken for granted. Research into factors driving public trust, to be published later this year, will show that trust in charities has plateaued since 2016, and remains low. This is not surprising in the wake of serious revelations like those this year of exploitation in some household name charities. The public rightly expects charities to live up to their stated mission and to put the welfare of their beneficiaries first, as well as ensure the safety of staff and volunteers. And, we have long identified safeguarding as one of the key areas of risk facing charities.

But what we are now seeing is the impact on the public's view of the sector as a whole: many people no longer give charities the benefit of the doubt any more than they would a stranger on the street. The public is increasingly sceptical as to whether charities are who they say they are, and practise what they preach and that presents real risks for the future.

It's increasingly clear that the charity sector needs to become even more accountable to the public we serve if all parts of society are to feel its benefits.

The Commission's role as regulator is to represent the interests of the public and hold charities to account for delivering benefit to the public. We are currently reviewing our strategy and in the months ahead will consider what we need to do differently, and in partnership with charities, to build public confidence. Without it, the full potential of public benefit the sector is increasingly relied upon to deliver cannot be properly realised.

This report summarises the work we have done in 2017-18 to meet our existing strategic aims. They are to:

- protect charities from abuse and mismanagement
- enable trustees to run their charities effectively
- encourage transparency and accountability, and
- serve as an efficient and effective regulator

This report tells the story of a more confident, risk-led, proactive, and efficient regulator – a transformation that was recognised by the National Audit Office in November 2017. But we also highlight significant pressures on the Commission's resources as demand on our services increases. For example applications for registration as a charity have increased by 40% in the past 5 years, and were at a record high in 2017-18.

Additional transitional funding from Treasury, announced in January, will help us deal with this increased volume of work and build organisational resilience. However, we must be sustainably and sufficiently funded in the long term if we are to meet the legitimate expectations of the public and rebuild trust in charities as the vehicles of philanthropic endeavour in this country.

We would again like to thank the Commission's staff for their hard work. Together, they have made significant progress in transforming the Commission, and they have done so under difficult circumstances. But our journey is far from over.

Tina Stowell.

Baroness Stowell, Chair

Helen Stephenson, Chief Executive

In February of this year, William Shawcross' two terms as Chairman of the Commission came to an end.

We would like to thank William for his commitment, purpose and passion. His leadership helped drive the Commission's transformation and ensured it was granted interim funding that will help us address resource pressures. The task for the Commission now is building on past progress as we face increasing demands and new challenges ahead. We wish William all the very best in his next endeavours.

Whilst most of this report therefore predates the arrival in February of our new Chair, Baroness (Tina) Stowell, it covers the majority of our CEO Helen Stephenson's first year in office after she joined the Commission on 18 July 2017.

Part 2 Performance report

2a: Overview

Purpose and activity of the Charity Commission

The Charity Commission is the registrar and regulator of charities in England and Wales. We are an independent, non-ministerial government department accountable to Parliament. We are also accountable for the exercise of our quasi-judicial powers to the First-tier Tribunal (Charity) and the High Court. As registrar we are responsible for maintaining an accurate and up-to-date register of charities. This includes determining whether organisations are charitable and should be registered as well as removing those which are no longer considered to be charitable, have ceased to exist or do not operate. As a regulator we regulate both registered charities and charities which are not required to be registered. We regulate within a clear legal framework and follow published policies and procedures, ensuring that in making regulatory decisions we are proportionate in our approach.

At 31 March 2018, there were over 168,000 charities on the register. During the year, we regulated £76 billion of charity income (2016-17: £74.7 billion) and over £73.5 billion (2016-17: £71 billion) of charity spend.

Our statutory objectives

Parliament, through the Charities Act 2011, gives us five statutory objectives. These are to:

1. increase public trust and confidence in charities
2. promote awareness and understanding of the operation of the public benefit requirement
3. promote compliance by charity trustees with their legal obligations in exercising control and management of their charities
4. promote the effective use of charitable resources
5. enhance the accountability of charities to donors, beneficiaries and the general public.

We have wide discretion in how we achieve our objectives.

Our mission

Our mission is to be an effective regulator of charities in England and Wales. We promote public trust and confidence in charities, and thereby encourage charitable giving in all of its forms.

Our regulatory approach

Our regulatory approach is designed to meet the expectations of the Commission set out in the Charities Act 2011 amended by the Charities (Protection and Social Investment) Act 2016 (the 'Charities Act 2016'). We concentrate on promoting compliance by charity trustees with their legal obligations, holding charities accountable, promoting public trust and confidence in charities, promoting trusteeship and the effective use of charitable resources and ensuring the integrity of the register of charities. More information about us and our regulatory approach can be found on gov.uk.

Our quasi-judicial functions

As the charity registrar and regulator we carry out quasi-judicial functions regulating against both the common law and statutory obligations which govern them. We adopt a rigorous approach in the exercise of our powers, act fairly and proportionately and give reasons for our decisions. Where the law is dated, unclear or imprecise and, unless strict precedent binds us, we approach the cases in a way we think the courts would. The common law is developed by the courts in the light of changing social and economic conditions and values, and we recognise this in our decisions.

The exercise of many of our legal powers can be appealed to the First-tier Tribunal (Charity) whilst others may be subject to judicial review in the

High Court. Decisions on charitable status and registration, the use of our powers to give formal advice and permissions, and our compliance work, dealing with investigations and taking remedial action against defaulting trustees and those who abuse charities, may all be subject to appeal or review in this way.

This year we were involved in litigation both in cases brought against our decisions, brought pro-actively by us to secure money lost to charities, and to seek the Court's directions to resolve complex or contentious issues affecting a charity. Some case reports are included within the Legal annex to this report.

Our strategic priorities

Our 2015-2018 strategic plan comprises four strategic priorities as follows:

- Priority 1: Protecting charities from abuse or mismanagement
- Priority 2: Enabling trustees to run their charities effectively
- Priority 3: Encouraging greater transparency and accountability by charities
- Priority 4: Operating as an efficient, expert regulator with sustainable funding.

Our Strategic Plan 2015-18 can be found on charitycommission.gov.uk. We will be publishing our new strategic plan during 2018.

Our risk framework and priority risk areas

Our regulatory and risk framework sets out our approach to regulation alongside our statement of regulatory approach and our Strategic Plan 2015-2018. It was updated in February 2018.

Our risk framework can be found on charitycommission.gov.uk.

Our priority risk areas are:

- fraud and other financial abuse of charities
- safeguarding beneficiaries, particularly children and vulnerable adults
- misuse of a charity for terrorist purposes or to foster extremism
- other significant breaches of trust or non-compliance that significantly affect public trust and confidence in charities.

The risk framework outlines:

- how the Commission operates and oversees risk-based regulation through risk assessment and management
- how the Commission decides when and in what way it will engage
- the possible outcomes of its engagement.

Our governance

We welcomed both Baroness Stowell MBE and Helen Stephenson CBE as Chair and Chief Executive in February 2018 and July 2017. Kenneth Dibble joined the Board in March 2018. Orlando Fraser QC departed the Board following the end of his second term in December 2017. A new Director of Legal Services, Aarti Thakor, was appointed in May 2018.

Our resources

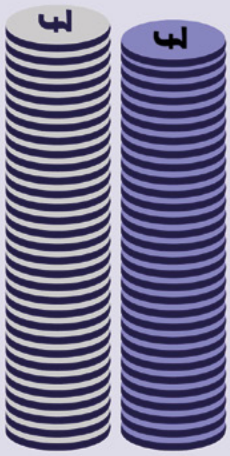
In 2017-18 we received revenue income of £22.4 million, largely funded by HM Treasury. We employed 305 staff on 31 March 2018 (permanent and fixed term full time equivalent) structured in five directorates and one unit:

- Operations
- Investigations, Monitoring and Enforcement
- Legal Services

The charity sector regulated by us
2017-18 at a glance

CHARITY COMMISSION
FOR ENGLAND AND WALES

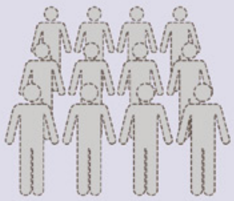
Total charity income we regulate



£76bn
charity income

£73.5bn
charity spend

Total trustees

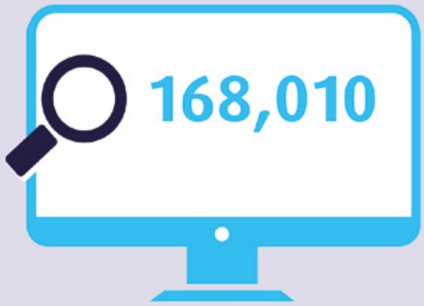


953,442
trustee positions

700,000
estimated number of trustees

80%
of whom have no support from staff or additional volunteers

Charities on the register



32.2m
views of our online register of charities

8,375
applications to register as a charity

4,360
charities were removed from the register

Customer contact

94,165
emails, calls and letters to our contact centre

Commission income

£22.4m

- Policy, Planning and Communications
- Corporate Services
- Risk Assessment Unit

We operate across four sites in Liverpool, London, Newport and Taunton. Our Newport office operates bilingually in Welsh and English.

To further understand our compliance case work please visit this glossary.

2b: Performance analysis

This section summarises our progress against the four strategic priorities set out in our Strategic Plan 2015-18.

The Commission uses a series of key performance indicators (KPIs) to monitor operational performance for its casework. The majority of these are internal facing KPIs, including a range of measures that track the number of cases we deal with and the average time taken to resolve cases. They also measure the number of accounts and annual returns filed on time and their quality.

i Protecting charities from abuse or mismanagement

A crucial part of our role as regulator, and one of our strategic aims, is to protect charities from abuse or mismanagement. Most trustees take their legal responsibilities seriously, and only a small percentage of the 168,010 charities on our register become subject to a compliance case or an investigation.

But non-compliance, as well as having a potentially serious impact on an individual charity, can also damage public trust in the sector more widely.

As explained in the foreword, pressures on the Commission have been steadily increasing, notably in the area of compliance case work, including as a result of increased reporting of safeguarding incidents by charities (see below). The statistics bear this out – new regulatory compliance cases have increased by over a third, from 1,664 last year to 2,269 this year. We are responding with ever sharper risk prioritisation, so that we first apply our resources to problems and issues likely to have the most serious consequences. This has the inevitable consequence that lower risk issues have a lesser priority and that some matters will fall below our risk threshold and will not result in our regulatory involvement.

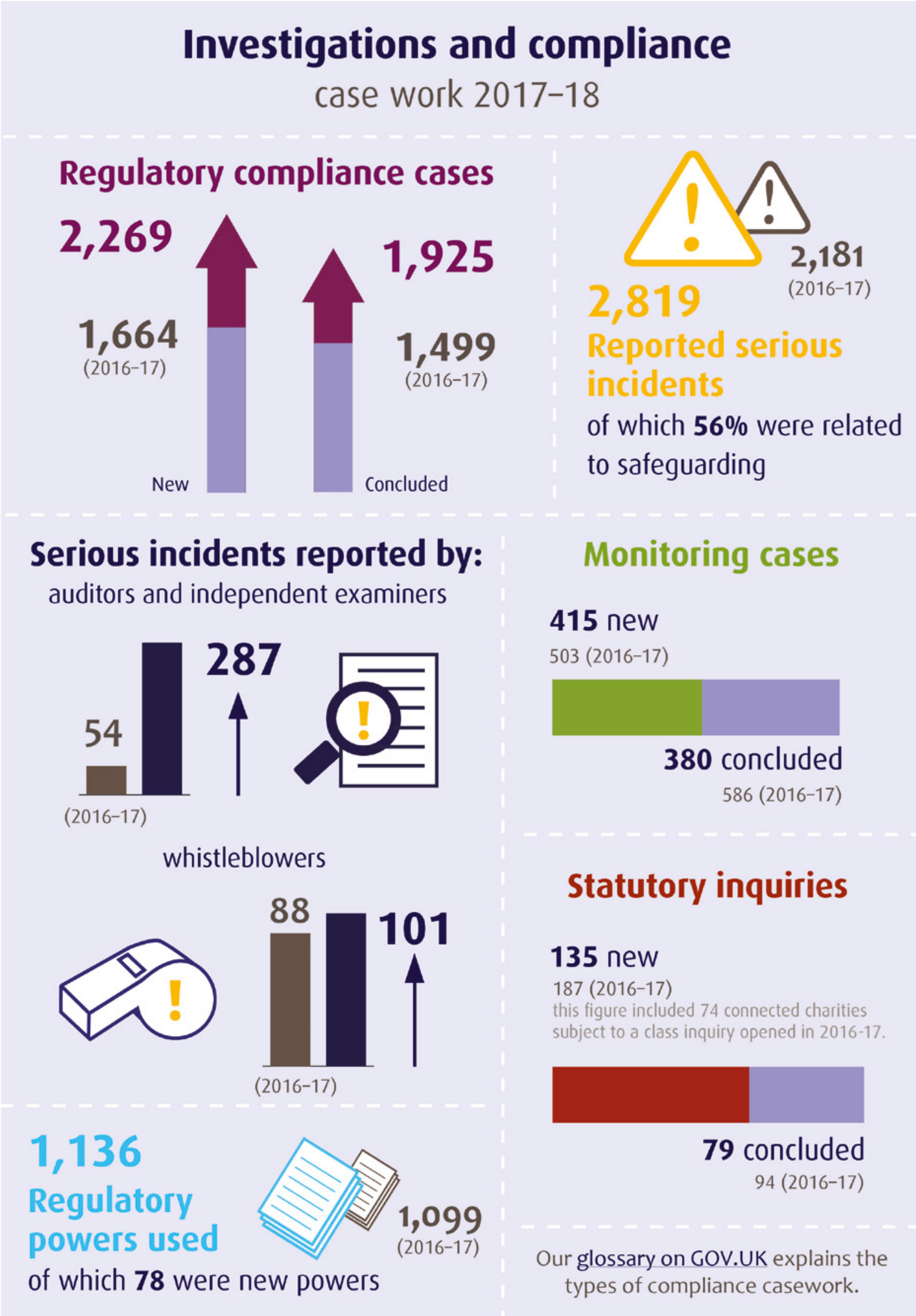
Risk-led regulation – an updated regulatory and risk framework

In February 2018, we published our updated regulatory and risk framework, which sets out our regulatory approach and explains how we assess risk when deciding how to deal with individual cases. The revised framework places a greater emphasis on our proactive work to identify and address problems in charities.

It reconfirms the priority risk issues facing the sector and individual charities as safeguarding, fraud and financial abuse, terrorism and extremism and other risks to public trust and confidence.

We report annually on compliance case work, in our publication called Tackling abuse and mismanagement. The most recent report was published in February 2018.

Overleaf, we summarise the highlights of our work to tackle abuse and mismanagement during the financial year.


Investigations and compliance
case work 2017–18
Regulatory compliance cases
2,269
1,664
(2016–17)
New
1,925
1,499
(2016–17)
Concluded
2,181
(2016–17)
2,819
Reported serious incidents
of which 56% were related to safeguarding
Serious incidents reported by:
auditors and independent examiners
54
287
(2016–17)
whistleblowers
88
101
(2016–17)
Monitoring cases
415 new
503 (2016–17)
380 concluded
586 (2016–17)
Statutory inquiries
135 new
187 (2016–17)
this figure included 74 connected charities subject to a class inquiry opened in 2016-17.
79 concluded
94 (2016–17)
1,136
Regulatory powers used
of which 78 were new powers
1,099
(2016–17)
Our glossary on GOV.UK explains the types of compliance casework.

Use of new regulatory powers

The Charities Act 2016 introduced a number of new powers to enable us to address and remedy abuse within charities; these include powers to disqualify individuals from trusteeship and senior management functions, issue Official Warnings and to direct trustees to take or not to take specific actions. The Commission asked Parliament for these powers to enable us to increase our effectiveness and plug gaps in our existing powers. In 2017-2018 we exercised these powers on 78 occasions – this included the disqualification of 14 individuals and issuing 6 Official Warnings.

A new provision of the Charities Act comes into force later this year. From 1 August, new automatic disqualification rules come into effect, which extend the range of reasons an individual is automatically disqualified from trusteeship or some senior roles within charities. New reasons for disqualification include being in contempt of court, being named under particular anti-terrorism legislation or being on the sex offenders register. We worked with stakeholders to prepare clear guidance on the new rules, and to inform those affected of a process whereby they can apply for waiver.

Safeguarding

As the foreword to this report makes clear, the public rightly expects charities to be safe and trusted places where everyone is protected from harm.

Recent revelations of safeguarding failings in international aid agencies demonstrate that this has not always been the case. There have been individual cases where people working in charities may have betrayed the trust of the public, donors and their beneficiaries, both through errors that have allowed incidents to take place, and in the subsequent handling of incidents.

Getting safeguarding right in a charity is about more than policies, processes and reporting mechanisms. It is also about values and culture.

The Commission is not a safeguarding agency; our specific, but vital, role is to ensure charities are complying with their duties under charity law, which helps restore public trust and confidence.

New safeguarding strategy

In December 2017, we published an updated safeguarding strategy, which sets out the Commission's approach to safeguarding, and explains what trustees' charity law duties mean in the context of safeguarding. The new strategy makes clear that safeguarding is a key governance priority for all charities, not just those working with groups traditionally considered at risk.

It explains that trustees should take steps to safeguard children and adults at risk and ensure that no one who comes into contact with their charity suffers distress or harm. It also makes clear that safeguarding goes beyond preventing physical abuse, and includes protecting people from harm generally, including neglect, emotional abuse, exploitation, radicalisation, and the consequences of the misuse of personal data.

Regulatory alert to charities around safeguarding

In December 2017, we issued a regulatory alert to charities following a number of serious incidents reported to the Commission, and recent public interest about accusations of harassment in the work place. The alert provided regulatory guidance to trustees on their charity law duties and specifically advised trustees to ensure that their charities:

- undertake a thorough review of their charity's safeguarding governance, management arrangements, and performance if a review has not been conducted within the previous 12 months
- contact the Commission about safeguarding issues, or serious safeguarding incidents, complaints or allegations which have not previously been disclosed to us.

The alert made clear that failures to manage safeguarding risks is of serious regulatory concern to the Commission and that we may consider such failures to be misconduct or mismanagement in the administration of a charity and a breach of trustee duties.

Proactive work with charities working overseas with vulnerable beneficiaries

In January 2018, we contacted over 1,700 charities whose details on the Commission's Register of Charities indicated that they worked with and/or helped vulnerable beneficiaries, but had stated in their latest annual return that they did not have a policy for safeguarding. We reminded the trustees of their legal duties and signposted them to our safeguarding strategy. In the next financial year we will undertake further targeted engagement with these charities.

Temporary safeguarding taskforce

In February 2018, we established an interim taskforce to help us manage and respond to the increase in reports of serious safeguarding incidents by charities, and to undertake a review of historic serious incident and whistleblowing reports on safeguarding issues.

We saw a marked increase in reports of serious safeguarding incidents from charities following the revelations about Oxfam in February. In February and March 2018, we received 532 serious incident reports on safeguarding incidents, compared to 176 during the equivalent period in 2017.

The reports cover a wide spectrum, and some relate to risks of harm, rather than to incidents of harm identified by charities – for example internal audits showing that safeguarding procedures were not followed in certain situations.

High profile new statutory inquiries and regulatory compliance cases

During the financial year, we opened a number of new statutory inquiries and regulatory compliance cases into charities relating to allegations or concerns about safeguarding and/or harassment.

In December 2017, we published a report of our regulatory compliance case into Oxfam. We had previously engaged with the charity over its handling of a number of allegations of concern about recent and non-recent safeguarding incidents involving senior programme staff, including allegations of sexual harassment of other staff. As a result of that involvement, the charity made improvements to its internal and external reporting systems and committed to an action plan, including a wider review of its culture around safeguarding.

Our engagement with Oxfam escalated in February 2018, when we opened a statutory inquiry into the charity to examine concerns about the handling and subsequent reporting of incidents in Haiti in 2011. Information about the scope of our Oxfam inquiry is available on gov.uk.

In July 2017, we published a report on our inquiry into Manchester New Moston Congregation of Jehovah's Witnesses. The inquiry made findings of misconduct and mismanagement by the charity's trustees and led to improvements in safeguarding at the charity. A separate inquiry into another Jehovah's Witnesses charity, the Watch Tower Bible and Tract Society of Britain, is ongoing. This inquiry is examining their child safeguarding policy and procedures further, as they are common to all Jehovah's Witnesses congregations in England and Wales.

Further information about our live case work is available on charitycommission.gov.uk.

Tackling fraud in charities

Preventing and tackling fraud and other financial abuse of charities is one of our key priority risk areas.

This year, we continued to work in close partnership with the Fraud Advisory Panel and other charity stakeholders in making the charitable sector a hostile environment to fraudsters. We launched a new Protect your charity from fraud online section, providing a single location for charities to access good practice in fraud prevention and detection. We also delivered the second national Charity Fraud Awareness Week, which achieved over 10 million impressions on social media. We also provided a series of fraud-focused webinars to help charities defend themselves against fraud attacks, ranging from cyber-crime to fundraising fraud. We were also instrumental in supporting the sector's launch of the first ever national charity fraud awards.

Proactive project on insider fraud

This year, we conducted a project to help charities better understand the risks and causes of fraud committed by somebody within a charity, such as a trustee, employee or volunteer.

The project reviewed our existing case work, and involved a widespread call for information; we received over 50 responses, with a third of responding charities having an income of over £1 million. We found that cultural factors, such as placing excessive trust or responsibility in individuals, or the lack of internal challenge and oversight, contributed to 70% of insider frauds within our sample.

We are therefore urging all charities to foster a culture where staff, trustees and volunteers are reminded of the need to challenge any behaviour of concern and not turn a blind eye when internal processes aren't followed.

Building cyber resilience among charities

Combatting the growing threat from cyber fraud became a prime focus and will now form a central pillar of the Commission's wider counter-fraud programme. We developed a partnership with the new National Cyber Security Centre (NCSC) and, in March 2018, published the first ever Cyber Security Guide for Small Charities, containing top tips and vital actions that trustees can take to boost their charity's resilience. A threat assessment of the sector was published at the same time, highlighting prevalent threats and areas of weakness within charities. This has allowed us, together with the NCSC, to focus our forward planning on areas of greatest need and to agree priority resources (e.g. a cyber security matrix) for launch from 2018-19 onwards.

Protecting charities against terrorist abuse

While proven cases of abuse of charities for terrorist purposes are low, where charities are misused in this way, or where such concerns are raised the impact can be far reaching and can have a corrosive impact on public confidence in the sector more widely. Preventing and tackling such abuse is therefore one of our three priority regulatory risk areas.

In October 2017, we published two reports summarising our findings in cases involving risks to charities resulting from links to individuals associated with terrorism. In both cases, two individuals later convicted of terrorism offences had travelled on humanitarian aid convoys as a cover for support of an individual involved in terrorism in Syria.

In March 2018, we confirmed a statutory inquiry into Essex Islamic Academy (also known as Ripple Road Mosque). We opened the inquiry in October 2017, and were able to announce it following the conclusion of the criminal trial of Umar Ahmed Haque, a former religious teacher at the charity.

He had admitted disseminating terrorist material to children at the Essex Islamic Academy and, following his trial, was convicted of further offences, including the preparation of terrorist acts also relating to the Essex Islamic Academy. Our investigation is ongoing.

Also in March, we published the findings of our statutory inquiry into Anatolia People's Cultural Centre. We concluded there had been misconduct and mismanagement in the administration of the charity by the trustees, including because the trustees had either consented to, or failed to take action to prevent, the display of images at the charity's premises which were entirely inappropriate and which would likely lead a reasonable member of the public to conclude that the charity supports terrorism or extremism. As a result of the various failings, we removed or disqualified all of the individuals recorded as trustees of the charity from serving as trustees in the future.

Welcoming a revised assessment of risks facing UK charities

In October 2017, we contributed to and welcomed the publication of the UK's second revised UK National Risk Assessment (NRA) of money laundering and terrorist financing. This assessed the risks of money laundering and terrorist financing to various sectors across the UK including the non-profit sector; the risks facing non-profit organisations in the UK generally was assessed as low, while recognising that certain parts of the sector – particularly charities working internationally in certain countries – face significantly higher risks. In 2015, the UK's first NRA had assessed the terrorist financing risk to the NPO sector as medium-high. We are clear that the risks charities face vary depending on what they do and where they operate.

We worked with the Home Office and HM Treasury on the NRA 2017 to help build their understanding of the risks facing charities in England and Wales.

ii Enabling trustees to run their charities effectively

Enabling trustees to run their charities effectively is an essential part of our regulatory role, and a strategic priority.

We are improving our online guidance to trustees and finding new ways of reaching trustees with information and giving them the tools they need.

We are also working to make it easier for trustees to work with us when they need permissions or other assistance.

We work in collaboration with third parties, such as charity funders, professional advisers and umbrella bodies to help improve trustee effectiveness.

Our online guidance was viewed 3.9 million times this year.
The essential trustee, our core guidance which we expect all trustees to use, was viewed over 250,000 times during the year.

Enabling services

Demand from charities for information, advice and formal permissions has remained high. We received just under 59,000 telephone calls through our contact centre and provided over 9,000 permissions. This included, for example, 100 occasions in which we granted permission to a charity to spend its permanent endowment.

We also worked to make it easier to access our services. In addition to developing new digital services (see below), we revised a number of our online forms including those for seeking permission to sell property, making an ex-gratia payment or paying a trustee for services provided to their charity. Our aim is to make the forms easier for people to use and at the same time ensure they provide us with the information we need to make an immediate decision.

Our enabling case work during the year covered a wide range of scenarios in which trustees sought our help to make running their charities easier and to adapt to a changing world. Cases included:

- facilitating the sale of a care home by a charity where the trustees had concluded that they were unable to meet new legal requirements, so that they could use the charity's assets more effectively on other projects and making grants;
- authorising a church to lease a hall which it only needed to use on a limited number of days a year to a newly established community centre charity, with the reserved right for the church to use it at specific times; and
- allowing a cats' home charity to remove reference in its objects to destroying animals which it could not rehome; the trustees explained that the charity never destroys animals and that reference to this in the governing document was hindering their fund-raising efforts.

National Trust
In March 2018, after careful consideration, we made an Order providing the National Trust with permission to remove the effect of modern ground rent (MGR) altogether for most long leaseholders. Given the unusual circumstance of MGR, the charity considered that overall this would be in the best interests of the charity. The National Trust has a legal entitlement to MGR which by law has to be calculated in a certain way. The charity had listened to the serious concerns of its leaseholders about MGR and the impact this was having on them but could not change the charging of MGR unless we consented.

Improving user journeys through digital communication

This year, we undertook a root-and-branch review of the way we communicate with charities when they come to us to complete certain key tasks or to seek advice. Our work spanned improvements to our messaging on social media, the website, and email reminders. For example, we reviewed our contact centre telephone scripts to make better use of digital channels such as the website. We also improved the way we communicate with charities around the annual return process.

We also improved our regulatory newsletter to trustees – CCNews – resulting in record numbers of trustees accessing important information about how to run their charities effectively.

Overall, this work resulted in an 85% year-on-year increase in engagement.

For more on our digital transformation, see page 17.

Ground-breaking research into charity trusteeship

As set out in the foreword, in November 2017 we published the findings of crucial new research into charity trusteeship, delivered by a consortium including the Cass Business School and the Cranfield Trust, and funded by the Office for Civil Society.

The research found grounds for optimism about the state of trusteeship: charity trustees, who are overwhelmingly volunteers, feel positively about their role and about the personal reward and satisfaction it gives them.

However, the research found that men outnumber women on boards by two to one, with the majority of trustees (92%) being white, older with above average income and education and with 71% of trustees being recruited through an informal process.

In our formal response to the research, we warned that uniformity at board level puts charities at risk by creating a culture of 'group think' where decision making can go unchallenged – something our casework bears out. We hope the findings of the research prompt action by charities to promote diverse trusteeship, and to better support existing trustees in their work.

Reviewing and improving our guidance

New trustee welcome pack

In April 2018, we launched a new welcome pack aimed primarily at new charity trustees and providing essential information to help trustees understand governance basics, financial filing requirements and how the Commission can offer support.

Revised guidance on reporting serious incidents

In September 2017, we published improved guidance on reporting serious incidents, to help charities report appropriate matters as soon as possible after they occur. In publishing the guidance, we reiterated our concern that there is significant under-reporting of problems by charities, putting them at potential risk of further harm, including reputational damage.

How to report a serious incident in your charity replaced previous guidance and follows a consultation with charities and includes new tools, such as examples and checklists to make it clearer to trustees what they should, and should not, report to the regulator.

Guidance on grant funding an organisation that is not a charity

This updated and extended guidance, published in August 2017, helps trustees understand the factors that should influence their decisions when making grants to organisations that are not charities.

Consultations

We launched a number of consultations on our guidance and wider approach during the year. These included a consultation, which concluded in May 2018, on new guidance for charities that are connected to non-charitable organisations. The draft is designed to help charities manage close relationships with non-charities effectively. We will publish final guidance later in 2018-19.

Guidance on returning donations

Following concerns surrounding The Presidents' Club Charitable Trust Dinner, we provided general guidance for charity trustees on their duties when considering declining or returning donations. We also provided specific advice to individual charities who had received donations.

At the time of writing, our case involving the Presidents' Club Charitable Trust is ongoing; we will publish a report setting out our findings and conclusions in the case once it has concluded.

iii Encouraging greater transparency and accountability by charities

We know the public expect and value accountability and transparency in charities.

Holding charities to account against the formal reporting framework, and encouraging transparency more widely, are therefore core to our work and a strategic priority.

Manchester attacks – providing advice to donors

In May 2017, we encouraged people wishing to support the victims of the terrorist attack in Manchester to donate to a genuine charitable appeal. Working alongside the Fundraising Regulator, Greater Manchester Police, the British Red Cross, and the Lord Mayor of Manchester we urged those wishing to help to give to the We love Manchester appeal, launched by the Lord Mayor of Manchester's Charitable Appeal Trust or to other registered charities.

Responding to the Grenfell Tower fire

The public responded with immense generosity to the horrific fire in Grenfell Tower in June 2017. To date over £28 million has been raised for those affected. We responded quickly to advise the public to continue giving to registered charities through the established appeals in order to support victims safely.

We also worked closely with the charities involved, as well as the main online giving platforms, to help them coordinate their response, ensuring that the victims knew how to access help for their urgent, immediate needs, and to help ensure that charities and independent local organisations with strong links to the community work together to develop plans for supporting the community in the long-term.

We published regular transparency updates, helping those affected and the wider public see how funds raised were distributed.

Developing co-ordinated responses to disasters in the UK

In January 2018, we brought charities from across the sector together with regulators, fundraising platforms and umbrella bodies to discuss their role in responding to future domestic disasters such as terror attacks, natural disasters, and other large scale national crises in the UK.

The participating organisations agreed to the principle of creating a collective framework to co-ordinate and enable future charity sector responses to national critical incidents. They also agreed to form a working group to develop the framework and operating principles behind any future disaster response by charities.

The group will work closely with other charities as well as national and local government where required to provide a swift, efficient and impactful response to any future disasters.

Helping the public give safely to registered charities

Most fundraising appeals and requests for donation are genuine. However, we know that a small minority of people seek to exploit public generosity for their own selfish, fraudulent purposes. The risks of this may be especially high during times of increased giving, including in response to humanitarian disasters or during religious festivals such as Christmas and Ramadan. We therefore run campaigns at these times to help the public identify genuine registered charities and to give with confidence.

The online register of charities

In 2017-18, the register of charities received over 32 million views; this includes page views of both the current main online register, and a beta version of an improved display. These figures demonstrate pubic appetite for information about charities.

In 2017 we began a 3-year programme to review the register of charities, including making improvements in data accuracy and the development of a new public register display. We will be conducting user research as we move through the programme and welcome input from charities.

Promoting accountability through the annual return

The annual return is a vital tool in promoting charities' accountability to the public, donors and beneficiaries; it also ensures we have the information we need to be an effective, proportionate, risk-led regulator.

The annual return for 2018 (AR18) will ask charities to provide information about the total remuneration received by their staff members. We will make public how many individuals receive total packages worth upwards of £60,000 and will also require charities to provide information about their highest paid employee – though that information will be held for regulatory purposes, rather than made public.

AR18 will make for an easier user experience for charities, and will be more proportionate than in the past, with many charities required to answer fewer questions, and only those with large or complex operations being required to provide more information.

We consulted extensively on the content of AR18, and made a number of changes to the proposed content as a result of charities' responses.

Post-registration monitoring of charities

As well as robustly assessing registration applications (see below), we undertake post-registration monitoring of charities to promote compliance by charity trustees with their legal obligations. This work may include desk-based research, corresponding with, or interviewing, trustees, visiting the charity's premises and inspecting financial records. This may result in us providing the charity's trustees with regulatory advice and guidance; or setting an action plan and then ensuring it has been implemented; or, in the most serious cases, using protective powers.

Strengthening guidance to charity auditors

Following a public consultation with the audit profession, the charity sector and interested stakeholders, we worked with our UK charity regulator partners to issue:

- new guidance on reporting matters of material significance in April 2017, effective from 1 May 2017, and
- published examples to inform the discretionary reporting of relevant matters in November 2017.

Improving reporting by charity auditors

Research we published in February 2018 found that fewer than one in four auditors alerted us to matters of material significance identified in their charity audit reports: of the 114 auditors who gave audit opinions containing information they were required to report to us in the six months to October 2017, only 28 had contacted us.

This was a matter of significant concern to us, and we have been working with the accountancy profession to raise auditors' awareness of requirements and address this under-reporting. Early indications suggest that auditors' compliance is improving; reporting matters of material significance increased significantly as compared to 2016-17 from 17 to 194.

iv Operating as an efficient expert regulator with sustainable funding

One of our strategic aims is to ensure we operate as an efficient, expert regulator and that we carry out our statutory functions effectively.

We have made significant achievements in this area, in spite of an unprecedented rise in demand on our core functions, including in compliance and registration.

Acknowledging these pressures and to help us respond to them, the Treasury granted us an additional £5 million in interim funding, which will remain in place until we are able to secure long term sustainable funding.

Further information about our finances and spending is set out in the resource accounts section of this report, as well as in the governance statement.

National Audit Office recognises significant progress

In November 2017, the National Audit Office (NAO), published a report recognising the progress made by the Commission in becoming a more effective regulator, including through our digital transformation. The NAO commended our progress in a number of key areas: including becoming a more risk-based regulator, securing new powers and using them, our improved services, including the launch of a new registration system, and our work with others, including an increased number of memoranda of understanding with key partner organisations and agencies. It also stressed that a sustainable funding model will be crucial to our continuing transformation.

Successful transformation programme

We completed the third year of an £8 million Treasury-funded programme to redesign our operating model and business processes to achieve greater efficiency. (The first two years of the programme focused on laying the foundations for transformational change in the Commission to enable efficiency savings and build our reputation as an efficient, risk-led regulator.) Much of the focus for the programme over the last year was strengthening our approach to risk in the sector. We have improved the quality of our data, and begun to use bespoke technology to assess regulatory risks in individual cases and across the sector. This allows us to move towards automating our services in low-risk situations, so that we can redeploy staff to more strategic and higher risk work requiring greater scrutiny.

As part of our digital strategy, we also launched our new online Annual Return and our online registration service and developed automated digital services to enable charity name change and charity amendments.

We remain committed to continuous improvement: a key part of our ongoing transformation is improving our digital services, so that it becomes easier for charities to do business with us and for us to free up time for our case workers so that they can focus on high-risk and high-priority case work.

Robust management of increasing registration applications

We continue to see sustained growth in the number of applications to register as a charity. We received a record number of applications in 2017-18 (8,375), and over the past 5 years, applications have increased by over 40%. Only about 64% of applicants are able to satisfactorily demonstrate to us that they meet the legal requirements for charity registration; in 2017-18, we registered 5,398 charities. This demonstrates our robust approach to assessing applications in order to ensure that we maintain the integrity of the register of charities. This resulted in a record number of formal refusals this year, none of which has been overruled at the First-tier (Charity) tribunal.

During 2017-18, significant national and international events required a swift and responsive service from our registration division. The team supported applications for the benefit of those affected by the Grenfell Tower Fire, the terror attacks in London and Manchester, and the hurricanes that devastated parts of the Caribbean.

Registering the first Charitable Authorised Investment Fund (CAIF)

In December 2017, we registered Sarasin Charity Authorised Investment Funds, the first of a new type of charity, the CAIF. The CAIF is a form of collective investment scheme for charities authorised by the Financial Conduct Authority (FCA), and also registered as a charity with the Commission. Plans to introduce a new fund structure for charities were announced in the 2015 Budget and the Commission worked with a group of external stakeholders to establish a model structure for such funds, which was announced in October 2016.

We worked with other parties, including the FCA, for a period of years on the establishment of these authorised investment funds. The initiative will benefit charity investment funds, and ultimately the whole charity sector, by allowing for a fully regulated fund structure specifically devoted to investment by charities.

Much of the demand for the new structure comes from managers of existing common investment funds (CIFs) seeking to convert such funds to being fully FCA-authorised. It has been estimated that the CIF sector holds up to £12.3 billion in charity assets, which will be more fully regulated as investments if transferred into CAIFs.

Helping to free up dormant charitable funds

We continued to work with stakeholders as part of the Trust Innovation Programme, which is working to transfer funds from dormant or moribund charitable trusts to UK Community Foundations for charitable use. The programme is a collaborative project between the Office for Civil Society and UK Community Foundations. This important regulatory work secured the transfer of a total of £7.2 million through UK Community Foundations for use in local communities in 2017-18. In the process, 112 charities were closed and removed from the register.

Tracking public trust in the Commission

In July 2017, we published the results of a survey into trust and confidence in the Charity Commission. The findings were encouraging: against a backdrop of falling trust in institutions of all kinds, public trust in the Commission has held steady since 2015 (at 6.0). Generally, the public (88%) think we do a vital job. And the results showed a strong endorsement from charities and the public for our regulatory priorities. But while public trust in us held firm, perceptions of charity regulation as effective slipped (but remain positive overall).

This may be indicative of rising public expectations – both of charities and of their regulator. This is a major factor in forming our current review of our strategy.

Complaints and the Parliamentary and Health Service Ombudsman (PHSO)

The Commission operates a two stage internal process for considering complaints. Stage one is an opportunity for fresh consideration within the team dealing with the original issue. Stage two is an arm's length review if the matter has not been resolved.

The number of complaints that reached stage two increased from 13 to 19 this year. We generally deal with three main types of complaints at stage two – insufficient regulatory intervention, mistakes/unclear or incorrect advice, and discrimination/bias/unfairness. Of the 53 issues considered as complaints, we partially upheld 10 issues (compared to 23 issues raised and four partially upheld last year).

The Ombudsman accepted one complaint for investigation this year (the same figure as last year) and is yet to report. Two further complaints were assessed by the PHSO but have not been taken forward at this stage.

FOIs

We received and responded to 637 Freedom of Information requests during the year (2016-17: 636). Of these 89% were responded to within statutory timescales.

Helen Stephenson
Chief Executive and Accounting Officer
4 July 2018

Part 3 Legal annex

This Legal annex gives an overview of the legal challenges against our decisions during the year and the current trends in the First-tier Tribunal (Charity) (FTT). It also contains reports of significant legal decisions taken by us, the Tribunals or the Courts about charity law and regulation. The Charities Act 2011 is referred to as the 2011 Act.

CA/2017/0007 THE BANBURY CHILDREN'S FOUNDATION

(First-tier Tribunal – decision not to register under section 30 of the Charities Act 2011)

This case concerned an application to the Commission to constitute a proposed Charitable Incorporated Organisation as The Banbury Children's Foundation ('the Foundation'), and register it as a charity. The Commission refused the application on the basis that the stated purposes were ambiguous and not clearly charitable, and the applicant had not provided sufficient evidence to demonstrate that the organisation's purposes were charitable. The proposed sole trustee of the Foundation appealed this decision.

The Tribunal undertook a review of all the evidence and concluded that the Foundation's purposes were not exclusively charitable for the public benefit and that consequently the Tribunal was not satisfied that it would be a charity at the time it would be registered. The Tribunal found that the purposes set out in Foundation's proposed constitution were capable of being charitable, but identified that the trustee's appeal and submission to the Tribunal failed to provide any persuasive evidence to support a conclusion that the Foundation was being established to carry out any activities for the public benefit. In the Tribunal's view, the proposed trustee's primary motivation in setting up the Foundation, and its main purpose, was to seek to pursue ostensibly charitable purposes in order to prevent criminal activities which were inherently unlikely to exist. This was in the context of the trustee being unable to establish any evidence of the existence of criminal activities, which in any event they and the Foundation were unable to explain in credible or rational terms. The Tribunal dismissed the appeal.

Read the FTT's decision here.

CA/2017/0013 JOLE RIDER FRIENDS

(First-tier Tribunal – temporary protective Orders under section 76(3) of the 2011 Act)

This case was an appeal to the Tribunal by one of the charity's trustees to quash the Commission's two temporary and protective orders, under section 76 of the 2011 Act, to restrict transactions from the charity's bank accounts and transactions using the charity's credit card without the Commission's consent.

The Commission had concerns about the charity's governance and accountability, which included issues around apparent unauthorised remuneration to its trustees and overdue accounts. The Commission had issued a regulatory action plan to the trustees in 2016, advising that certain steps should be taken to address the unauthorised trustee remuneration, including that remuneration already paid should be repaid to the charity and that no further remuneration should be paid to the trustees. The trustees failed to act on the action plan, following which the Commission opened an inquiry under section 46 of the 2011 Act and issued two Orders. On appeal, the trustees claimed that the orders were disproportionate and would force the charity to close.

The Tribunal dismissed the appeal, accepting the Commission's arguments that there had been misconduct and mismanagement by the trustees, and that there was a risk to the charity's property. In particular, the Judge stated that she considered the trustees' failure to respond to, or take any steps to comply with, the Commission's action plan as further evidence of both misconduct and mismanagement in the administration of the charity. The Tribunal was satisfied that the Commission's Orders represented a proportionate response to the situation in the charity by preventing unauthorised expenditure but allowing for legitimate expenditure. The Commission's statutory inquiry continues.

Read the FTT's decision here.

CA/2016/0010 SUPPORT THE HEROES

(First-tier Tribunal – appointment of an interim manager under section 76(3) of the Charities Act 2011)

This case was an appeal in the Tribunal against the Commission's decision to appoint an Interim Manager ('IM') in the charity, to the exclusion of its trustees. The charity operated as a grant making charity, providing funding to other military charities that provide services direct to beneficiaries. The charity, which has a wholly owned trading subsidiary that undertakes fundraising activities, entered into a fundraising agreement with a third party company so as to manage fundraising services. The Commission received complaints identifying concerns in respect of fundraising activities conducted by the third party company, the transparency of the charity's agreement with the company, and the percentage of funds given to the charity from the funds raised. Further, the governance arrangements of the charity and its subsidiary raised serious regulatory concerns for the Commission regarding the ability of the trustees to avoid or manage potential conflicts of interest.

Following the opening of an inquiry under section 46 of the 2011 Act, the Commission directed the charity to suspend fundraising activities, and restricted payments from the charity's and its subsidiary's bank accounts under sections 84A and 76(3) of the 2011 Act. Given the serious concerns about conflicts of interest, the Commission also made an expedited IM appointment. Upon appeal, the charity challenged the suitability of the IM who had been appointed, his remuneration, and the proposed timescale for his work.

The Tribunal dismissed the appeal and upheld the Commission's decision to appoint an IM, agreeing that there had been misconduct and mismanagement in the administration of the charity. The Tribunal also agreed that there was a risk to the charity's property because the conflicts had paralysed the charity's trustees in terms of ensuring that funds due to the charity were accounted for. The Tribunal concluded by saying that they themselves would appoint an IM on the information before them and considered that the IM appointment should continue.

Read the FTT's decision here.

CA/2016/0008 CAMBRIDGE ISLAMIC COLLEGE

(First-tier Tribunal – direction to require name change under section 42 of the 2011 Act)

In this case, the Cambridge Muslim College ('CMC') asked the Commission to make a direction under section 42 of the 2011 Act, following unsuccessful attempts between CMC and another charity, Cambridge Islamic College ('CIC') to resolve issues between themselves in relation to CMC's position that CIC's name was too similar. The Commission made a direction in September 2016 requiring CIC to change its name. CIC appealed this decision and CMC joined the appeal as Second Respondent to the Commission.

As this was an 'appeal' case, the Tribunal made clear that its role was to consider the decision afresh, meaning that it had to decide whether it would, on the basis of the evidence before it, exercise the statutory power to direct CIC to change its name under section 42 of the 2011 Act.

The issues for the Tribunal included considering whether the criteria for making a section 42 direction were met and at what point in time it should assess CIC's name against the criteria in section 42 (2)(a)(ii) and section 42 (2)(d) of the 2011 Act, namely that the charity's name (at registration) is 'too like' another charity's name or that the charity's name is likely to give an impression that it is connected in some way to another body of persons when it is not, respectively.

The Tribunal considered the evidence, including witness evidence, and came to the conclusion that, in relation to the first-stage of the test of 'too like' in section 42 (2)(a)(ii) of the 2011 Act, it is a simple visual or aural test at the time of registration and that this was not satisfied in this case. The Tribunal also concluded that, in relation to the second-stage test in section 42 (2)(d) of whether there was risk of confusion of a connection between CIC and 'any other body of persons', this was also not satisfied. The Tribunal said that there was no evidence before it that people thought of CIC as being connected to CMC and that evidence of generalised confusion is not evidence of the impression of a connection. Accordingly, the First-tier Tribunal allowed the appeal and quashed the section 42 direction.

The Commission has been given permission to appeal the FTT's decision on a point of law in the Upper Tribunal and a hearing is due to take place in late 2018.

Read the FTT's decision here.

Part 4 Financial report

The resource accounts report a revenue DEL underspend of £0.3 million (2016-17: £0.12 million). This underspend amounts to 1.3% of our £22.4 million annual budget, which reflects the tight margin to which the Commission operates in order to maximise resource utilisation. Directors and budget holders continue to work closely to keep annual operating costs and programme budgets under control.

Our total revenue budget of £22.4 million was funded largely by a HM Treasury grant of £20.8 million (2016-17: £22.9 million), supplemented by additional income of £1.6 million. The fall in revenue funding includes the planned conversion of £1.5 million into capital in order to complete our ongoing digital programme following the cessation of invest-to-save funding at the end of last year. As a result of the cessation, our combined HM Treasury revenue and capital funding fell by a net £1.3 million year-on-year, with the underlying non ring-fenced revenue grant remaining unchanged and the ring-fenced grant increasing by £0.35 million to fund increased depreciation.

The Commission has made representations over a prolonged period on the need for additional funding to bolster regulatory activity in the face of an increasing caseload. This need has now been temporarily addressed by HM Treasury following the addition of £5 million (£4 million revenue + £1 million capital) to our baseline from 2018-19. The extra revenue funding will be largely invested in front-line resources to absorb annual increases in our caseload volume. The extra capital funding will restore our investment in 2018-19 to the level of £2.2 million allocated in the first year of the Spending Review, with 2017-18 being the peak investment over the five-year period.

The following table sets out our funding limits over the current spending period (2015-20):

	2015-16 (£'000)	2016-17 (£'000)	2017-18 (£'000)	2018-19 (£'000)	2019-20 (£'000)
Revenue DEL	**23,201**	**22,890**	**20,810**	**25,950**	**26,050**
of which non ring-fenced	22,351	21,740	19,310	24,350	24,350
of which ring-fenced depreciation	850	1,150	1,500	1,600	1,700
Capital DEL	**2,200**	**2,880**	**3,620**	**2,200**	**1,200**

Notes: Revenue includes invest-to-save funding of £nil (2016-17: £1.4 million) for our digital programme.
Capital includes invest-to-save funding of £nil (2016-17: £1.9 million) for our digital programme.
Ring fenced revenue DEL refers to that element of voted funding for depreciation and amortisation.

Financial performance against statutory limits

The level of expenditure incurred by government departments, including the Commission, is subject to statutory funding limits approved by Parliament. It is a fundamental form of accountability that expenditure within a financial year must not exceed these limits. There are three key financial limits which the Commission must achieve and all three of them were duly met. These are Revenue Del, Capital Del and Net Cash Requirement. A fourth limit in relation to Annually Managed Expenditure (AME) was also duly met.

	Revenue DEL (£'000)	Capital DEL (£'000)	Net Cash Requirement (£'000)
Main estimate	22,310	1,120	21,860
Supplementary estimate	(1,500)	2,500	2,000
Final limit	**20,810**	**3,620**	**23,860**
Expenditure and/or cash used	20,510	3,428	22,570
Surplus for year	**300**	**192**	**1,290**
Performance within funding limit?	✓	✓	✓

The above expenditure was used to deliver the strategic objectives of the Commission.

Sustainability Report

We are committed to sustainable development and reducing the impact of our activities on the environment. Government Departments and Executive Agencies have mandated targets for reducing greenhouse gas emissions, waste and water consumption. These are known as SDiG targets (Sustainable Development in Government). Our performance against each of the three SDiG targets is set out below.

Greenhouse Gas Emissions

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

Scope 1: Direct emissions occurring from sources owned or controlled by the organisation, for example, emissions from combustible boilers and from organisation-owned fleet vehicles.

Scope 2: Indirect emissions resulting from electricity consumed which is supplied by another party.

Scope 3: Other indirect emissions. All other emissions which occur as a consequence of our activity but which is not owned or controlled by the Commission. For example, emissions as a result of staff travel on public transport and emissions resulting from work done on the Commission's behalf by its suppliers.

Scope 1 and 2 no longer apply to the Commission as we did not manage buildings during the financial year – in each of our four sites we are minor occupiers of a larger government building. Direct emissions are accounted for by the relevant major occupier, who in each case has building-wide responsibility for sustainability reporting. Scope 3 does apply to the Commission.

Detailed analysis of performance on Scope 3:

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Scope 3 Business travel gross emissions (CO2/tonnes)	59.6	57.6	78.3	72.8	120.3	123.7
Financial indicators (£'000)	237	289	349	482	604	514

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

Waste and Water Consumption

The minimum requirements for reporting waste disposal, recycling levels and water usage are set out in the government's Sustainability Reporting Guidance. As for energy consumption, these depend on availability of data and since the Commission is, since 2016-17, a minor occupier at all sites reliable data is no longer available to enable separate reporting of performance with the exception of paper consumption. We have reduced the amount of paper we use by almost 10% from 2014-15 to 2017-18 (down from 1960 reams to 1765 reams).

Helen Stephenson
Chief Executive and Accounting Officer
4 July 2018

Part 5 Accountability report

Statement of Accounting Officer's responsibilities

This is my first statement having taken up post as Chief Executive Officer in July 2017. Prior to my appointment, this responsibility was held by my predecessor, Paula Sussex, and I took assurance from her that there was a sound system of internal controls under her leadership.

HM Treasury has appointed me 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 for safeguarding the Commission's assets, are set out in Managing Public Money published by the HM Treasury.

As Accounting Officer, I am required 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 Commission and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, I am 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 the 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 financial statements;
- prepare the financial statements on a going concern basis;
- ensure that I am not aware of any relevant audit information of which the entity's auditors are unaware, and I have taken all steps that ought to have been taken to make myself aware of any relevant audit information and to establish that the entity's auditors are aware of that information; and
- confirm that the annual report and accounts as a whole is fair, balanced and understandable, and I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

The annual governance statement below sets out the Commission's governance, risk management and internal control arrangements for the financial year 2017-18 and up to the date of approval of our annual report.

I have not prepared a separate Directors' Report as the contents of which are included within the Financial Report.

Annual governance statement 2017-18

The Commission's governance structures

The Commission's Board is responsible for strategic oversight of the Commission. In particular it is responsible for developing strategy, monitoring progress, overseeing legal matters, providing corporate governance and assurance, and managing corporate risks. It comprises of a Chair, two members with legal qualifications, one member with knowledge of the conditions in Wales and four additional members with relevant skills and expertise in technology, accountancy, risk, security and the charity sector.

All Charity Commission Board members are appointed by the Department for Digital, Culture, Media and Sport (DCMS) through open and competitive selection and serve for a term of three years, renewable to a maximum tenure of ten years. They use their range of backgrounds, skills and expertise to provide strategic direction and oversight.

The Board is currently supported by four Committees, following changes to our governance structures this year which led to the termination of the Transform Programme Oversight Committee in October 2017.

Changes to the Board

During the course of 2017-18 there were several changes to the Board:

- William Shawcross's tenure as Chairman of the Commission ended in February 2018 after five and a half years of service.
- Baroness Stowell was appointed as Chair by the Secretary of State for DCMS on 26 February 2018 for a three year term.

- Orlando Fraser, Chair of the Policy and Guidance Committee and the Governance and Remuneration Committee, and member of the Public Litigation and High Risk Cases Committee, stood down from the Board in December 2017 at the end of his second term.
- Kenneth Dibble, formerly Director of Legal Services for the Commission, was appointed as a Board member in March 2018. Between January and March 2018, the statutorily mandated role of legal Board member was filled by qualified solicitor Eryl Besse, along with Tony Leifer.

The Board was supported by a number of independent specialists.

Alan Downey MA, MBA	Independent co-optee to the Audit and Risk Committee since May 2014; stood down in June 2017 at the end of his tenure.
David Gillies BA (Hons), FCIPD, former HR Director Ofgem	Continues as the independent co-optee of the Governance and Remuneration Committee since his appointment in June 2016.
Jan Gower, former IBM Executive and PWC Partner	Continues as an independent digital and technology adviser, a role she has performed since October 2015. She attended the Transform Programme Oversight Committee as an adviser, and began attending Portfolio Board from May 2018 onwards.
John Wood, former Board member	Prior to his retirement from the Commission in September 2017, John served as an independent co-opted member of the Public Interest Litigation and High Risk Cases Committee and of the Transform Programme Oversight Committee.

Members' interests

We require Board members to declare all relevant personal or business interests and record these in our register of interests. Any potential conflicts of interest are declared and recorded at the outset of each Board or Committee meeting and, if needed, the individual(s) take no further part in decision making, or withdraw as required.

A register of members' interests is published on our website at https://www.gov.uk/government/organisations/charity-commission/about/our-governance#register-of-board-members-interests

Attendance at meetings

Attendance of Board members and independent co-optees during 2017-18 is listed in the following table.

	Board meetings		Audit and Risk Committee		Governance and Remuneration Committee		Policy and Guidance Committee		Public Interest Litigation and High Risk Cases Committee		Transform Programme Oversight Committee	
	Attendance	Attendance %	Attendance	Attendance %	Attendance	Attendance %	Attendance	Attendance %	Attendance	Attendance %	Attendance	Attendance %
Board members												
William Shawcross CVO (Chair until 23 February 2018)	5/5	100%			1/1	100%					3/5	60%
Baroness Stowell MBE (Chair since 26 February 2018)	1/1	100%										
Mike Ashley	5/6	83%	4/4	100%							3/5	60%
Laurie Benson	6/6	100%	4/4	100%			3/3	100%			5/5	100%
Eryl Besse	6/6	100%			1/1	100%	3/3	100%	4/5	80%	5/5	100%
Kenneth Dibble	1/1	100%										
Orlando Fraser QC	3/4	75%			1/1	100%	2/2	100%	3/4	75%		
Tony Leifer	5/6	83%					3/3	100%	5/5	100%		
Paul Martin CBE	6/6	100%			1/1	100%			5/5	100%		
Catherine Quinn	5/6	83%	3/4	75%	1/1	100%	3/3	100%				
Independent co-optees												
Alan Downey		1/2	50%									
David Gillies				1/1	100%							
Jan Gower											4/5	80%
John Wood									4/4	100%	4/4	100%

Further to the scheduled Board meetings, Board strategic away days took place in April 2017 and May 2018. Three single-item meetings were convened during the year in June, December and February.

The Board

The Board considered reports on operational, financial, legal and corporate issues. In particular, areas of focus last year included:

- Progressing proposals for additional funding and developing a consultation on a new sector funding model

- The NAO's progress review of the Commission, published November 2017
- Advancing the Commission's strategic approach to risk through oversight of the risk framework and strategic risk assessment
- The Commission's approach to responding to serious incident reports regarding safeguarding
- Oversight of preparations for the General Data Protection Regulation (GDPR)
- Improving staff engagement
- Oversight of legal matters, including the approval of charitable and authorised investment funds
- Reviewing the Law Commission recommendations for reform of technical issues in charity law

All Committees provided reports to the Board following each of their meetings.

Committees of the Board

The Committee structure underwent reform during the year as the Transform Programme Oversight Committee was disbanded in October 2017 following the conclusion of our £8 million invest-to-save Transform Programme. As a result, the Audit and Risk Committee was re-constituted as the Audit, Risk and Technology Committee to ensure continued oversight of our complex digital and technology projects.

Business conducted by Committees during the year

The **Transform Programme Oversight Committee (TPOC)** held six formal meetings and one extraordinary meeting to review the Commission's ongoing change programme, in particular the IT roadmap. Its last meeting took place in October 2017.

The **Audit, Risk and Technology Committee (ARTC)** met four times during the year and provided scrutiny, oversight and assurance to me as Accounting Officer and to the Board that the Commission is effectively discharging its responsibilities with regard to:

- The efficient stewardship of the public resources under my control
- Corporate risk management and internal controls – including a programme of risk deep dives, which this year focussed on IT strategy and preparations for compliance with GDPR
- The integrity and accuracy of our financial statements and annual governance statement
- Technology strategy, IT security and development (from October 2017)
- Security of information assets and information governance practice.

In addition to core activity, specific areas of focus were on employee whistleblowing policy, including the Civil Service 'Freedom to Speak Up!' campaign and the Commission's approach to change management following the establishment of the new Change Management Office.

ARTC maintained its scrutiny of any reportable incidents such as staff whistleblowing, allegations of fraud, theft or bribery and health and safety security events or near misses. There were no new instances of staff whistleblowing to report for the period, and no other significant events which require inclusion in my statement.

Amendments to the Committee's terms of references were approved by the Board in July 2017 to include oversight of the Commission's digital and technology projects from October 2017. There were no changes to membership during the year.

All ARTC meetings were attended by external (National Audit Office - NAO) and internal (Government Internal Audit Agency – GIAA) auditors.

The **Public Interest Litigation and High Risk Cases Committee (PILHRCC)** held five formal and one extraordinary meeting during the year and, with the Executive, monitored complex and high risk cases and those where litigation in the public interest is being considered or underway. The Committee revised its terms of reference during the year to reflect an increasingly strategic approach, receiving Board approval in November 2017.

Orlando Fraser was a member until his tenure ended in December 2017. Kenneth Dibble's appointment to the Committee was approved by the Board on in March 2018. Tony Leifer continues as Chair.

The **Policy and Guidance Committee (PGC)** met three times during the year to consider policy priorities emerging from our casework and sector trends, and to review and agree updated descriptions of charitable purpose.

Orlando Fraser chaired the Committee until December 2017. Eryl Besse became its interim Chair in January 2018 and was confirmed in that role permanently in March 2018. Kenneth Dibble also joined the Committee in March 2018.

The **Governance and Remuneration Committee (GRC)** met once during the year when it evaluated the performance of our most senior officials to determine fair remuneration levels, in compliance with government policy. Paula Sussex attended the 2017 meeting of this committee as Accounting Officer before I took up post.

Orlando Fraser was Chair of the Committee until December 2017. In March 2018 Baroness Stowell took over this role.

Review of Board effectiveness

At the close of the financial year we employed an independent governance expert to advise on our governance arrangements and on improving our Board's effectiveness. This exercise is ongoing at time of printing.

Corporate governance code

The corporate governance code (the 'Code') remains in force. Whilst it is primarily applicable to ministerial government departments, as a non-ministerial department we adopt and adhere to the Code where it is constructive and practical to do so, and not incompatible with our statutory duties.

We undertook our annual assessment of our governance arrangements against those requirements within the Code applicable to us and have concluded that we remain compliant with both its spirit and principles.

1 Corporate governance in central government departments: code of good practice – 2017

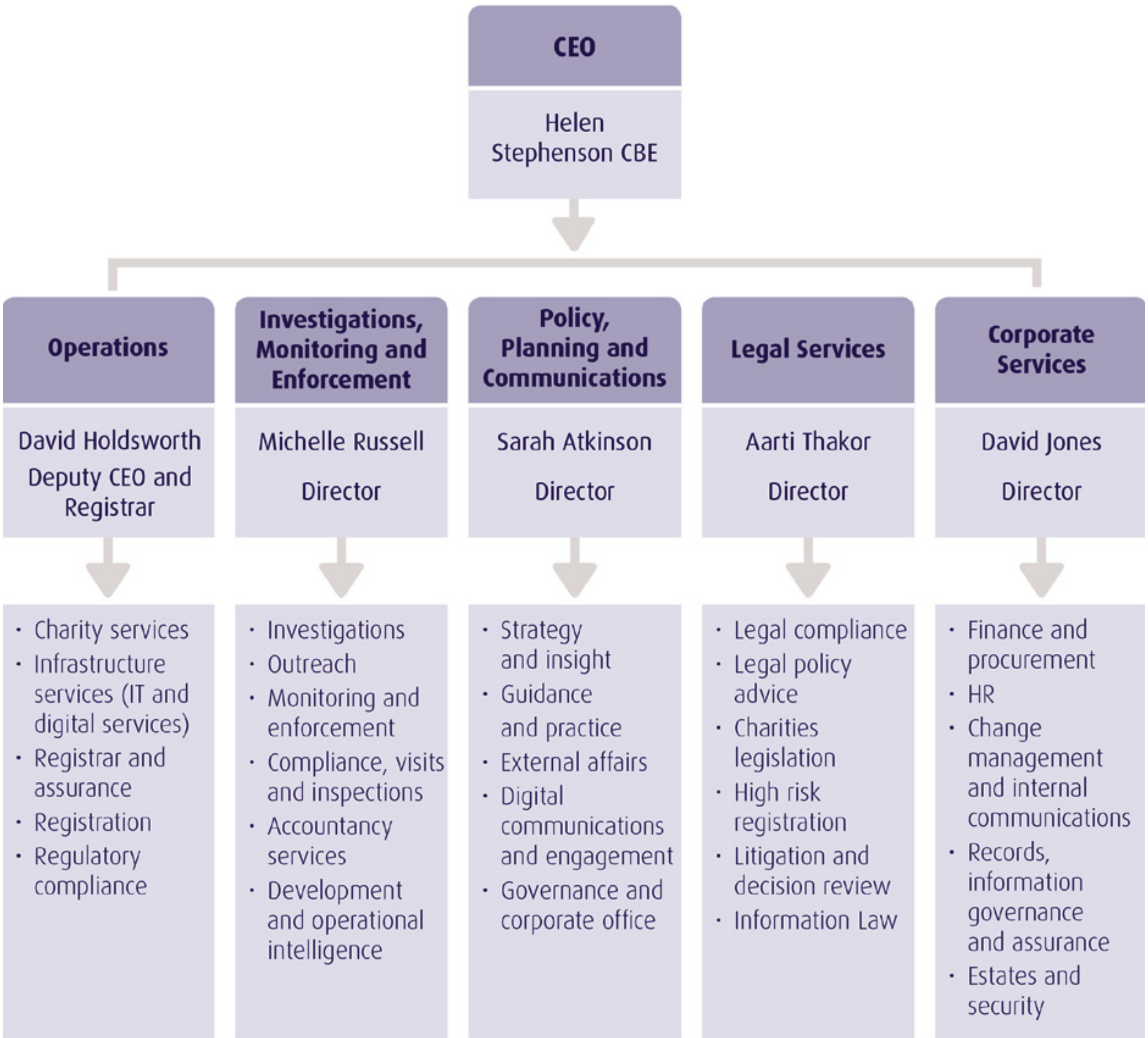
Quality of information provided to the Board and Committees

The Board and its Committees receive management information covering a variety of disciplines to enable them to monitor the Commission's performance. This includes a KPI and operations dashboard, financial and workforce data; indicators of progress against agreed priorities and information on risk. Our performance dashboard was reviewed to ensure its alignment with our strategic objects. The senior Executive team monitors the information supplied to ensure that it is of the right quality to underpin operational and strategic decisions.

Executive leadership

Operational leadership across the Commission is the remit of my team of executive directors, the Directors' Group (DG). Collectively, we are responsible for day-to-day decision making, and the delivery of policy and work programmes to achieve the Commission's statutory duties and strategic aims. DG is the principal interface with the Commission's Board.

The membership of DG changed during year with the departure of the Director of Legal Services in March 2018. Following a fair and open recruitment process, Aarti Thakor, a senior member of the Commission's legal team, was appointed as our new Director of Legal Services. She will attend her first DG meeting in June 2018. In the interim, John Maton, another of the Commission's senior lawyers, joined DG to cover the vacancy.



The DG met formally each month, where our focus was on:

- tracking progress against our strategic and business plans
- reviewing the performance of the organisation through KPIs and financial and workforce planning data
- developing proposals to increase short and long term funding of the Commission
- agreeing a new question set and digital build for the 2018 Annual Return
- commissioning and implementing an ambitious three year IT strategy
- overseeing the Commission's preparations for implementation of the GDPR
- embedding the three strategy and management groups focused on IT, data and information and charity risk
- considering the Law Commission's recommendations and the impact of their implementation on the Charity Commission

Portfolio Board: In January 2018 I established a Portfolio Board to provide oversight of and direction for the Commission's portfolio of major change projects, replacing TPOC. Between January and May the Portfolio Board met every other month, from June 2018 it will meet every month. (Membership consists of the Directors' Group, the Chief Digital & Technology Officer, the Heads of Business Change, Finance and HR, and Senior Responsible Owners of projects.) Since May, Jan Gower, independent adviser, also attends this meeting.

Strategy and Management Groups: Three corporate strategy and management groups support effective decision making in key areas: Data and Information (chaired by the Deputy Registrar), Charity Risk (chaired by the interim Head of the Risk Assessment Unit) and IT (chaired by the Chief Digital and Technical Officer). These groups report to the DG (Portfolio Board from June 2018) and to Board members through ARTC and PILHRCC.

Security Steering Group: The SSG is chaired by the Director of Corporate Services, who is our SIRO (Senior Information Risk Owner). Membership also includes the Commission's DSO (Departmental Security Officer), Deputy DSO, Head of Infrastructure Services and Data Protection Officer. It is responsible for giving overall direction on security issues; responding to day-to-day security incidents and issues; ensuring compliance with central policies/guidance and legislation and maintaining adequate protection of all government assets for which the Commission has responsibility. It met four times during the year. The Group reports to the DG and to Board members via ARTC. Additionally an annual security 'health check' is reported to the Cabinet Office along with other ad hoc reports that may be required throughout the year.

Health and Safety Committee: Co-chaired by the Director of Corporate Services, the Committee met four times during the year to ensure the robust management of health and safety at the Commission and progress against our health and safety action plan. It reports to DG and to Board members through ARTC.

Risk Management

We oversee and manage organisational risk through our Corporate Assurance Framework. Risk registers are maintained throughout the business to mitigate the strategic and operational risks inherent to our work. Responsibility for corporate risk management sits with the Director of Corporate Services with a nominated senior manager to ensure that our strategic risks are kept under regular review. Our Top Ten (strategic) risks were reviewed at each monthly DG meeting, with further reviews by senior members of staff and quarterly reporting to the ARTC.

Most of the main risks we faced remained constant throughout the year:

Insufficient financial resources: As in previous years, our primary risk was being able to meet increasing demands for services against a backdrop of limited financial resources. The dramatic increase in reporting of safeguarding issues within the sector has intensified this challenge.

We maintained a dialogue with Treasury over our resourcing needs, and from April 2018 have received additional funding of £5 million. This funding will remain in place until such time as we are able to progress our sector funding proposals further. We undertook a robust corporate exercise to review value for money in applying this funding to specific activities and are currently in the process of implementing our strategy to recruit further staff and continue our programme of service digitisation.

Maintaining public trust and confidence in charities – We continue to focus on improving the quality of governance within the sector and ensuring that our compliance and investigative actions remain robust. Specific measures have included: increased use of legal powers; an end-to-end review of casework practice, including those conducted in our highest risk cases; proactive monitoring of key and recurring issues; monitoring charities with identified risk factors and extending the regulatory guidance we make available to charities to facilitate and nudge their compliance with charity law, reinforced by awareness campaigns and public events.

Changes to leadership – This year saw changes to both the CEO and Chair of the Commission, and we recognised the risk to business continuity and our change programme. Proficient induction procedures combined with the stability and experience within the Board and senior executive ensured that the transitions were managed effectively.

IS system and cyber security – We take very seriously the risk that we will be unable to fulfil our responsibilities due to a sustained cyber-attack. We have mitigated this risk through a rigorous software patching regime, penetration testing of all Commission systems in accordance with CESG policy, oversight of suppliers (liaising with government agencies as required), and updating our IT systems and infrastructure in line with our new corporate IT road map.

Staff skills and engagement – In order to deliver to the public and the sector, we must maintain investment in staff training, skills and engagement. We encourage all staff to engage in a minimum of 5 days training per year and ran several targeted training campaigns aimed at upgrading core skills. We are reforming induction procedures to sit alongside refresher training for existing caseworkers, to ensure new staff are embedded effectively into existing teams. Engagement workshops have taken place across the Commission throughout the year, consulting staff on reward and recognition, workloads, work-life balance and diversity and inclusion.

GDPR compliance and new data protection law – This has been a closely managed risk throughout the year, given the extent of activity required to meet the requirements and potential consequences of non-compliance. We established and resourced a project group to lead on implementation and delivery. Oversight has been exercised at several levels within the organisation, including though our Data and Information Strategy and Management Group, the Portfolio Board and ARTC.

By 25 May 2018 we were compliant with most of the requirements and had prioritised activity in areas where further work was needed. An internal member of staff has been appointed to the role of Data Protection Officer and is overseeing the delivery of strategies to continuously improve data governance and maintain compliance with information law.

Personal Data Incidents

No incidents required reporting to the ICO during this period.

We saw an increase in the number of personal data incidents reported, demonstrating increased awareness amongst staff of the importance of data security. The majority of these resulted from inadvertent errors by individual members of staff and did not result in risks to the rights and freedoms of individuals. Each incident was managed through immediate actions to swiftly contain and rectify the breach, and to prevent reoccurrences. Five incidents related to a system error generating automatic emails to incorrect individuals for which we have programmed an urgent technical fix.

Category/Nature of personal data breach	Incidents reported to ICO	Incidents not reported to ICO
i Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	0	0
ii Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	0	2
iii Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0	0
iv Unauthorised disclosure	0	19
v Other	0	0
Total	**0**	**21**

Independent Assurance and Scrutiny

Internal Audit - The Commission sought assurance through an annual assurance programme delivered by the Government Internal Audit Agency (GIAA).

Five audits were conducted during the year into:

- Financial controls
- Organisational capacity
- Equality and diversity
- Casework written communications
- GDPR readiness

In each of these a Moderate assurance rating was given meaning that some improvements were required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

From these audits, management accepted 48 recommendations to enhance governance and risk control. Only 1 of these recommendations warranted High priority action and was responded to immediately. There were no matters arising from the work of internal audit during the period that requires separate comment. I have taken assurance from the Head of Internal Audit’s overall opinion for the year that, based on the assignments performed this year, the Commission's governance, risk management and control is Moderate which is the second highest of four possible ratings.

NAO

The NAO's report in November 2017 found that we have continued to improve significantly from their first review in 2013 through our commitment to transformation, our culture of continuous improvement and our adoption of a more risk-based approach.

Our focus now is on realising their 2017 recommendations, including maintaining momentum on our change programme, improving the quality and relevance of our performance data, enhancing our understanding of the expectations of the sector and expanding our engagement with key partners in government and beyond to better shape our own agenda.

Accounting officer's statement of effectiveness

I have reviewed the effectiveness of the Commission's governance structures, risk management and internal controls. Taking into account: the results from our internal audit programme and other external assurances; assurance letters from each of my directors summarising the effectiveness of their systems of governance, risk management and control; and the ongoing review of our governance arrangements, I have concluded that the Commission has satisfactory governance and risk management systems in place with effective plans to ensure continuous improvement.

Remuneration and Staff Report

1. 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.

All Board members are on fixed term contracts from the Department for Digital, Culture, Media and Sport. Paula Sussex, David Holdsworth, David Jones and Helen Stephenson are or were on fixed term contracts also. The CEO and the Directors are all directly employed by the Commission. No payments were made to senior officials under an off-payroll arrangement.

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)

All Board Members serving in 2017-18 received a fee of £350 per day (unchanged from last year), so their overall fee/salary reflects days worked. Catherine Quinn has provided her services at no cost since October 2017. Orlando Fraser, who left the Commission in December 2017, similarly did not take a fee for his services. No pension contributions are paid.

Board, Chair and Chief Executive	Fee/Salary £'000		Bonus payment £'000		Pension benefits £'000		Total £'000	
	2017-18	**2016-17**	**2017-18**	**2016-17**	**2017-18**	**2016-17**	**2017-18**	**2016-17**
William Shawcross CVO Chair (to 23 Feb 2018)	45-50 (50-55 full year equivalent)	50-55	0	0	0	0	45-50 (50-55 full year equivalent)	50-55
Baroness Stowell MBE Chair (from 26 Feb 2018)	5-10 (60-65 full year equivalent)	0	0	0	0	0	5-10 (60-65 full year equivalent)	0
Paula Sussex Chief Executive (to 17 July 2017)	55-60 (130-135 full year equivalent)	130-135	0	0	22	51	75-80 (155-160 full year equivalent)	180-185
Helen Stephenson CBE Chief Executive (from 18 July 2017)	85-90 (125-130 full year equivalent)	0	0	0	170[2]	0	255-260 (295-300 full year equivalent)	0
Eryl Besse	20-25	15-20	0	0	0	0	20-25	15-20
Tony Leifer	5-10	15-20	0	0	0	0	5-10	15-20
Mike Ashley	0-5	5-10	0	0	0	0	0-5	5-10
Laurie Benson	5-10	0-5	0	0	0	0	5-10	0-5
Paul Martin CBE	5-10	0-5	0	0	0	0	5-10	0-5
Catherine Quinn	0-5	0-5	0	0	0	0	0-5	0-5
Kenneth Dibble (from 23 March 2018)	0-5 (5-10 full year equivalent)	0	0	0	0	0	0-5 (5-10 full year equivalent)	0

Directors	Fee/Salary £'000		Bonus payment £'000		Pension benefits £'000		Total £'000	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Sarah Atkinson	75-80	65-70	0	0-5	30	27	105-110	100-105
Kenneth Dibble (to 22 March 2018)	120-125 (120-125 full year equivalent)	105-110	0	0-5	(35)[1]	22	85-90	130-135
Michelle Russell	90-95	75-80	0	0	24	30	115-120	105-110
David Jones	95-100	90-95	0	0	9	27	100-105	115-120
David Holdsworth	85-90	80-85	5-10	5-10	34	32	130-135	115-120

1 Kenneth Dibble, formerly Director of Legal Services for the Commission, retired from his position as a Director and was appointed as a Board member in March 2018. The amount of pension benefit for Kenneth Dibble is the increase in the real value of the actuarially assessed capitalised valuation of the civil service final salary pension scheme. The financial option exercised at his retirement has resulted in a negative benefit of £35,000 for 2017-18.

The pension benefits for each Director is calculated as the real increase in actuarial assessed capitalised valuation of the pension scheme – see later section on Civil Service Pensions for additional explanation of the scheme. No other benefits in kind were paid to the above officials.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. The banded remuneration of the highest-paid director in the Charity Commission as at 31 March 2018 was £130-135k (2016-17: £130-135k). This was 4.3 times (2016-17: 4.4 times) the median remuneration of the workforce, which was £30,581 (2016-17: £30,293).

In 2017-18, Nil (2016-17: Nil) employees received remuneration in excess of the highest-paid Director. Remuneration ranged from £17,509 to £130,000-135,000 (2016-17: £17,284 to £130,000-135,000).

Total remuneration includes salary, non-consolidated performance pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions. 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.

	2017-18	2016-17
Highest earner's total remuneration (£000)	130-135	130-135
Median total remuneration of all staff	30,581	30,293
Ratio	4.3	4.4

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

Our senior staff pay policy is in line with the work and recommendations of the Senior Salaries Review Body.

Reimbursement of expenses

Expenses claimed by Board Members are in respect of actual receipted expenditure for travel, subsistence and accommodation in 2017-18. For the Chair, Chief Executive, Directors 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. The Commission publishes on its website details of expenses claimed by the Chair, Board Members and the Chief Executive.

Pension Benefits (audited)

	Accrued pension at pension age at 31 March 2018 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2018	CETV at 31 March 2017	Real increase in CETV
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Paula Sussex Chief Executive (to 17 July 2017)	5-10	0-2.5	116	102	11
Helen Stephenson CBE Chief Executive (from 18 July 2017)	30-35 Plus 90-95 lump sum	7.5-10 Plus 22.5-25 lump sum	682	481	160[2]
Sarah Atkinson	10-15	0-2.5	141	120	10
Kenneth Dibble	60-65 Plus 180-185 lump sum	-2.50- 0 Plus -7.5 to -5 lump sum	1,150	1,137	(28)
Michelle Russell	20-25	0-2.5	288	260	7
David Jones	35-40	0-2.5	626	579	7
David Holdsworth	0-5	0-2.5	37	21	9

2 The increase in Helen Stephenson's CETV is mainly attributable to a pay rise received on taking up her post as Chief Executive Officer, and is additionally attributable to her own additional voluntary contributions into the pension fund.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal retirement age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) 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 4.6% and 8.05% for members of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**. 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** members builds up a pension based on their pensionable earnings during their 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. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate in 2.32%. 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 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 0.5% 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**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages).

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

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 2017-18.

2. Staff Report

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

		31 Mar 2016	31 Mar 2017	31 Mar 2018
Staff on payroll	Number in post	306	307	305
Agency staff	Number in post	27	16	23
Workforce shape	Staff at Pay Band 3 and below	32% (97)	31% (96)	28% (86)
	Staff at Pay Band 4 and above, excluding SCS	66% (203)	67% (205)	70% (214)
	Senior civil servants	2% (6)	2% (6)	2% (5)
Workforce diversity	Black and minority ethnic	7%	9%	6%
	Women SCS	50%	50%	60%
	Women Directors	50%	50%	60%
	Women in overall workforce	51%	53%	57%
	Disabled	14%	16%	14%
Attendance	Average working days lost	5 days	6 days	7 days
Civil Service People Survey	Engagement Index %	55%	53%	54%
Pay Multiple	(ratio between highest and lowest paid as at year end)	7.7	7.6	7.7
Trade Union Relationships	Number of Trade Union Officials (Full Time Equivalent)	Not available	Not available	15 (14.6)

The Commission does not hold pre-2017 data on Number of Trade Union Officials, or the percentage of time spent on Trade Union activities.

Staff Changes over the year

The pace of change for our employees is illustrated by the quantity of staff movements and appointments made in-year, which totalled over 100 changes in post-holder (both permanent and temporary) consisting of:

- 48 new appointments including 2 temporary secondments
- 29 promotions
- 32 sideways moves

Attrition

Our attrition figures were nearly 50% higher this year at 47 leavers compared with 33 previously. This was accounted for by 10 voluntary redundancies (of which 8 were agreed in 2016-17) and a higher number of transfers out to other government departments. Overall average attrition is 15.6% but this hides wide regional differences ranging from 0% in Newport, 8.5% in Taunton, 11% in Liverpool and 38.3% in London. The reasons people gave for leaving varied but 47% cited career opportunities and 40% career prospects. The next highest contributory factor was pay at 29%.

Employee Engagement

We recognise the link between high employee engagement and good performance, so it was pleasing in a year of considerable staffing turbulence that our overall measure of engagement in the Civil Service wide staff survey improved by 1% to 54%. However, this is lower than the average of high performing departments so we will be looking to build on our strengths and address some of the weaker areas: improved scores were evident in responses about “My Team” and “My Manager” and the provision of learning and development opportunities. Our lowest scores comparative with high performing departments were around pay and benefits, resources and workload, and leadership and managing change.

Gender Pay Gap

Gender pay gap reporting is a legal requirement introduced last year for organisations with over 250 employees to enable employers to identify and address any disparity of pay women receive in the workplace. Our results, validated by an independent consultancy, show that women in the Commission were paid, on average, more than men by 6.9%. However, on bonus payments men average 19.4% more than women. We will use this report to identify areas for further consideration and action.

Learning & Development

Learning and Development continues to be a key business priority, with multiple streams of work being delivered in 2017/18. The Caseworker Core Skills framework was launched to enable the Commission to undertake a training needs analysis of our entire caseworker population. The results were fed into a longer term learning roadmap and will form part of our essentials program for new starters, which will include: Commission Essentials, Technical Essentials and Line Manager Essentials.

Our leadership development programme concluded this year, with a further 50 senior managers attending modules on core leadership. This has supported the business as it transitions toward becoming a digitally enabled, robust regulator. To further support the business transformation program, we have designed and delivered a series of digital upskill courses, giving our colleagues the key skills to operate in a digital space, in particular our contact centre, who have also undergone a programme of soft skills training, aimed at pursuing customer service excellence, through a blended approach of learning. Further skills focussed training has been designed and delivered, through a series of mandatory modules, focussing on: improving regulatory compliance and further developing caseworker accountancy skills.

Additionally this year, we have broadened our previous approach of all colleagues having a ‘Personal Learning Objective,’ to include a PDP, focussing on both skill and technical competence, in addition to personal development goals. We continue to focus on career development as a core focus within L&D, and this year we welcomed our first apprentice into the business as part of the new Levy, in addition to highlighting future apprenticeship schemes and opportunities for the business.

Diversity and Inclusion

The Equality, Diversity and Values Steering Group (EDVSG) is chaired by Eryl Besse (Deputy Chair of the Board) and held four meetings during the year. Membership is drawn from all directorates and grades across the Commission. This year the Group focused on raising mental health awareness within the Commission and supporting an internal audit of our corporate approach to equality, diversity and inclusion. It reports to the Board and DG annually.

The equality and diversity audit noted the organisation's stated commitment to diversity and inclusion and our intention to build and maintain an inclusive environment and all our policies, processes and practices include appropriate references to diversity and equality. A key recommendation is to set out diversity and inclusion priorities in a longer term plan in order to drive continuous improvement. The HR team, with the support of the EDVSG, are now developing a strategy for equality, diversity and inclusion, which will set out our aims and priorities.

On mental health, we are participating in the broader Civil Service agenda which includes the provision of mental health first aiders, championing at a senior management level and opening up a debate through the imaginative use of blogs and articles. We have completed a Civil Service benchmarking exercise on mental health which has identified key areas for us to work on, together with identifying the areas where we have made progress.

Through these objectives and activities, together with our staff guidance, training and health & safety policies, we fulfil our requirements to respect human rights.

Published sickness absence data

The average number of days lost to sickness remains relatively low compared with similar organisations, but has seen an increase this year from 6 to 6.7. This is split between short-term absence 3.2 and long-term absence 3.5.

We continue to support health and wellbeing where we can and work with managers to bring people back to work. Tackling workplace stress continued as a priority this year and during this period we were pleased to note that absence attributed to stress dropped from 1.86 to 0.95 days by the end of the year.

We monitor this closely on a monthly basis to provide support at an early stage as possible for both the employee and for managers. We ran a series of good value health checks for our staff towards the end of the year and all employees continue to have access to our confidential employee assistance programme.

2.1 Staff Costs (audited)

	2017-18			2016-17		
	Permanently employed staff (£'000)	Temporarily employed staff (£'000)	Total (£'000)	Permanently employed staff (£'000)	Temporarily employed staff (£'000)	Total (£'000)
Wages and salaries	10,624	0	10,624	10,591	0	10,591
Social security costs	1,100	0	1,100	1,103	0	1,103
Other pension costs	2,097	0	2,097	2,113	0	2,113
Agency staff	0	1,595	1,595	0	2,570	2,570
Severance costs	(20)	0	(20)	347	0	347
(Decrease)/Increase in IAS 19: employee benefits accrual	3	0	3	26	0	26
Total	**13,804**	**1,595**	**15,399**	**14,180**	**2,570**	**16,750**
Charged to Capital	(195)	(557)	(752)	(187)	(641)	(828)
Total Net Costs	**13,609**	**1,038**	**14,647**	**13,993**	**1,929**	**15,922**

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) and the Civil Servant and Other Pension Scheme (CSOPS) – known as 'alpha' - are unfunded multi-employer defined benefit schemes but the Commission is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2017-18, employers' contributions of £2.089 million were payable to the PCSPS at one of four rates in the range 20.0% to 24.5% 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 are set to meet the cost of the benefits accruing during 2017-18 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employers' contributions of £8,000 were paid to one or more of a panel of three appointed stakeholder pension providers. Employers' contributions are age-related and range from 8% to 14.75%.

In addition, employer contributions of £Nil, 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

No staff members retired early on ill health grounds; the total additional accrued pension liabilities amounted to £Nil.

Contributions due to the partnership pension providers at 31 March 2018 were £3,000. Contributions prepaid at that date were £nil.

There were no off-payroll payments made during the year. The amount spent on consultancy during the year was £37,000 (2016-17 £148,000).

2.2 Average number of persons employed (audited)

The average numbers of full time equivalent persons, including senior management, employed during the year was as follows:

	Permanently employed staff	Temporarily employed staff	**2017-18** Number	**2016-17** Number
Charity Commission staff	282	0	282	290
Agency staff	0	19	19	22
Total	**282**	**19**	**301**	**312**

2.3 Reporting of Civil Service and other compensation schemes – exit packages (audited)

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. Two voluntary exits were made during the year and both were approved in accordance with the Commission's governance structure.

The table below analyses these exits by cost banding:

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Less than £10,000	0	0	0	1	0	1
£10,000 - £24,999	0	0	1	3	1	3
£25,000 - £49,999	0	0	0	3	0	3
£50,000 - £99,999	0	0	1	3	1	3
Total number of exit packages	0	0	2	10	2	10
Total resource cost (£'000)	**0**	**0**	**87**	**309**	**87**	**101**

	2017-18 £'000	**2016-17 £'000**
Highest exit package	65-70	55-60
Lowest exit package	15-20	5-10
Mean exit package	40-45	25-30

Looking Ahead

With the additional funding from the Treasury, to ease the pressure brought about by increased demand on our services, our key focus for the first six months of 2018-19 will be attracting, recruiting and inducting up to 85 new employees. This is not just about numbers- we are looking at how to attract a more diverse workforce and working on our induction and training of new starters to improve our engagement and retention of all staff.

One of our key activities in 2018-19 will be an improved focus on performance management. We have procured an audit of our current Performance Management policies and processes, with the intention that recommendations will be implemented for the 2019-20 performance year, including improved leadership and performance management training.

Parliamentary Accounting Disclosures

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. The SoPs and related notes are subject to audit.

Summary of Resource and Capital Outturn 2017-18

								2017-18	2016-17
	Estimate				Outturn			Voted outturn compared to Estimate: Saving/ (Excess)	Outturn
	SoPS Note	Voted	Non-voted	Total	Voted	Non-voted	Total		Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Departmental Expenditure Limit									
– Resource	1.1	20,810	0	20,810	20,510	0	20,510	300	22,766
– Capital	1.2	3,620	0	3,620	3,428	0	3,428	192	2,818
Annually Managed Expenditure									
– Resource	1.1	73	0	73	(150)	0	(150)	223	148
– Capital		0	0	0	0	0	0	0	0
Total Budget		**24,503**	**0**	**24,503**	**23,788**	**0**	**23,788**	**715**	**25,732**
Non-Budget									
– Resource	**1.1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total		**24,503**	**0**	**24,503**	**23,788**	**0**	**23,788**	**715**	**25,732**
Total Resource		20,883	0	20,883	20,360	0	20,360	523	22,914
Total Capital		3,620	0	3,620	3,428	0	3,428	192	2,818
Total		**24,503**	**0**	**24,503**	**23,788**	**0**	**23,788**	**715**	**25,732**

Net Cash Requirement 2017-18

				2017-18	2016-17
	SoPS note	Estimate	Outturn	Net outturn compared to Estimate: Saving/(Excess)	Total outturn
		£'000	£'000	£'000	£'000
Net cash requirement	**2**	**23,860**	**22,570**	**1,290**	**24,878**

Administration Costs 2017-18

				2016-17
	Estimate	Outturn		Total outturn
	£'000	£'000		£'000
	20,810	**20,510**		**22,766**

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 3 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 11).

Notes to the Statement of Parliamentary Supply

SoPS 1. Net outturn

SoPS 1.1 Analysis of net resource outturn by section

	2017-18									2016-17
	Outturn							Estimate		Outturn
	Administration			Programme				Net total	Net total compared to Estimate: Saving/ (Excess)	Total
	Gross	Income	Net	Gross	Income	Net	Total			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in department expenditure limit										
Voted: Giving the public confidence in the integrity of charities										
	22,089	(1,579)	20,510	0	0	0	20,510	20,810	300	22,766
	22,089	**(1,579)**	**20,510**	**0**	**0**	**0**	**20,510**	**20,810**	**300**	**22,766**
Annually managed expenditure										
Voted: Giving the public confidence in the integrity of charities										
	0	0	0	(150)	0	(150)	(150)	73	223	148
Total	**22,089**	**(1,579)**	**22,510**	**(150)**	**0**	**(150)**	**20,360**	**20,883**	**523**	**22,914**

SoPS 1.2 Analysis of net capital outturn by section

						2016-17
	Outturn			Estimate		Outturn
	Gross	Income	Net	Net total	Net total compared to estimate	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Spending in department expenditure limit						
Voted: Giving the public confidence in the integrity of charities						
	3,428	0	3,428	3,620	192	2,880
Total	**3,428**	**0**	**3,428**	**3,620**	**192**	**2,880**

SoPS 2 Reconciliation of net resource outturn to net operating expenditure

	SoPS Note	2017-18 £'000	2016-17 £'000
Total resource outturn in Statement of Parliamentary supply	1.1	20,510	22,766
Add			
Utilisation of Provision		(70)	(2)
Movement in provision in year		(80)	150
Net operating expenditure in Statement of Comprehensive Net Expenditure		**20,360**	**22,914**

SoPS 3 Reconciliation of net resource outturn to net cash requirement

	SoPS Note	Estimate	Outturn	Net total outturn compared to Estimate: Saving/ (Excess)
		£'000	£'000	£'000
Resource Outturn	1.1	20,883	20,360	523
Capital Outturn	1.2	3,620	3,428	192
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation/Amortisations		(1,500)	(978)	(522)
New provisions and adjustments to previous provisions		(73)	80	(153)
Auditors' remuneration		(70)	(57)	(13)
Adjustments to reflect movements in working balances:				
Increase/(decrease) in trade and other receivables		1,000	(89)	1,089
(Increase)/decrease in trade and other payables		0	(244)	244
Use of provisions		0	70	(70)
Net cash requirement		**23,860**	**22,570**	**1,290**

Regularity of expenditure (audited)

There are no material losses and special payments for the year.

There are no material remote contingent liabilities for the year.

Fees and charges disclosure requirements under Managing Public Money are met in Note 2 to the Accounts. The column headed 'Other Government Funded projects' relates wholly to services for which costs are fully recovered.

Helen Stephenson
Chief Executive and Accounting Officer
4 July 2018

The certificate and report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Charity Commission for the year ended 31 March 2018 under the Government Resources and Accounts Act 2000. The financial statements comprise: Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2018 and of the Department's net operating expenditure 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 regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2018 and shows that those totals have not been exceeded; and
- the income and expenditure 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 of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Charity Commission in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Officer for the financial statements

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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charity Commission's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Charity Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the Charity Commission and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance and Accountability Reports 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 parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
10 July 2018

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

Part 6 Resource accounts

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Statement of Comprehensive Net Expenditure

For the year ended 31 March 2018

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

The notes on pages 63 to 74 form part of the financial statements.

	Note	2017-18	2016-17
		£'000	£'000
Operating income	4	(1,579)	(1,286)
Total operating income		**(1,579)**	**(1,286)**
Staff costs	3	14,647	15,922
Other administration costs	3	7,292	8,278
Total operating expenditure		**21,939**	**24,200**
Net operating expenditure		**20,360**	**22,914**

All income and expenditure relates to continuing operations.

Statement of Financial Position

As at 31 March 2018

The Statement of Financial Position is a summary of all the Commission's assets and liabilities as at 31 March 2018.

Accounts were prepared in sterling and rounded to the nearest £1,000.

The notes on pages 63 to 74 form part of the financial statements.

	Note	31 March 2018	31 March 2017
		£'000	£'000
Non-current assets:			
Property, plant and equipment	5	345	475
Intangible assets	6	6,188	3,608
Total non-current assets		**6,533**	**4,083**
Current assets:			
Trade, other receivables and prepayments	9	1,079	1,168
Cash and cash equivalents	8	1,290	132
Total current assets		**2,369**	**1,300**
Total assets		**8,902**	**5,383**
Current liabilities:			
Trade and other payables	10	(4,959)	(3,557)
Provisions for liabilities	11	0	(150)
Total current liabilities		**(4,959)**	**(3,707)**
Total assets less liabilities		**3,943**	**1,676**
Taxpayers' equity:			
General fund		3,943	1,676
Total taxpayers' equity		**3,943**	**1,676**

Helen Stephenson
Chief Executive and Accounting Officer
Date: 4 July 2018

Statement of Cash Flows

For the year ended 31 March 2018

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 63 to 74 form part of the financial statements.

	Note	**2017-18** £'000	**2016-17** £'000
Cash flows from operating activities			
Total Net operating expenditure		**(20,360)**	**(22,914)**
Non-cash transactions	3	1,070	1,217
Movements in dilapidation provisions	3	(80)	150
Decrease in trade and other receivables	9	89	(310)
Increase in trade and other payables	10	244	(188)
Use of provisions	11	(70)	(2)
Net cash outflow from operating activities		**(19,107)**	**(22,047)**
Cash flows from investing activities			
Purchase of plant, property and equipment	**5**	**(142)**	**(172)**
Purchase of intangible assets	6	(3,321)	(2,659)
Net cash outflow from investing activities		**(3,463)**	**(2,831)**
Cash flows from financing activities			
From Consolidated Fund (Supply) – current year		**23,728**	**24,273**
Net financing		**23,728**	**24,273**
Net increase/(decrease) in cash in the period		**1,158**	**(605)**
Cash and cash equivalents at the beginning of the period	8	**132**	**737**
Cash and cash equivalents at the end of the period	8	**1,290**	**132**

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2018

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

The notes on pages 63 to 74 form part of the financial statements.

	Note	£'000
Balance as at 1 April 2017		1,676
Non-cash charges – auditors' remuneration	3	57
Net operating cost for the year		(20,360)
Total recognised income and expense for 2017-18		**(20,303)**
Net Parliamentary Funding – drawn down		23,728
Net Parliamentary Funding – deemed		132
Supply payable		(1,290)
Balance as at 31 March 2018		**3,943**

Changes in taxpayers' equity for 2016-17		
		£'000
Balance as at 1 April 2016		(345)
Non-cash charges – auditors' remuneration	3	57
Net operating cost for the year		(22,914)
Total recognised income and expense for 2016-17		**(22,857)**
Net Parliamentary Funding – drawn down		24,273
Net Parliamentary Funding – deemed		737
Supply payable		(132)
Balance as at 31 March 2017		**1,676**

Notes to the Departmental Resource Accounts

1 General Information

The Charity Commission is an independent, non-ministerial government department accountable to Parliament with our registered head office at: 102 Petty France, London, SW1H 9AJ.

Our responsibilities are:

- registering eligible organisations in England and Wales which are established for only charitable purposes
- taking enforcement action when there is malpractice or misconduct
- ensuring charities meet their legal requirements, including providing information on their activities each year
- making appropriate information about each registered charity widely available
- providing online services and guidance to help charities run as effectively as possible

2 Statement of accounting policies

These financial statements, which cover the accounting period 1 April 2017 to 31 March 2018, 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.

2.1 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.

2.2 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. Grouped assets with a total value exceeding £1,000 and individual item value exceeding £500 are also capitalised.

Property, plant and equipment held for their service potential are stated at depreciated historical cost which is regarded as a suitable proxy for current value in use given their short lives and low value. Such expenditure includes any costs such as installation directly attributable to bringing them into working condition.

2.3 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. They are therefore stated at depreciated historical cost which is regarded as a suitable proxy for depreciated replacement cost as any indexation would not be material.

2.4 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	2-5 years
Websites	5 years
Laptops	3 years

2.5 Impairments

The value of databases and assets under construction are 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 future economic benefit, the loss is charged to the Statement of Comprehensive Net Expenditure.

2.6 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.

2.7 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.

2.8 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.

2.9 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.

2.10 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme and Alpha Scheme, which are described in the Remuneration and Staff Report under the heading 'Civil Service Pensions'.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 schemes of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS and alpha, 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.

2.11 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.

2.12 Provisions

Where the Commission incurs a legal or constructive liability to make a payment, the amount and timing of which are uncertain at the Statement of Financial Position date, a provision is created on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by the Treasury (currently -2.7% for short–term provisions).

2.13 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.

2.14 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.

2.15 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 and the useful economic lives of the tangible and intangible assets. The main judgement areas applied in 2017-18 were firstly when to transfer intangible assets from assets under construction to live assets to be amortised, and secondly estimating impairment of these assets where the agile development process has necessitated a change of approach.

2.16 Capitalisation of intangible assets

The Commission capitalises intangible assets in line with IAS 38. Projects are separated into two clearly identifiable stages (the research phase and the development phase). Costs are capitalised when the development phase is entered and there is a commitment and funding to see the project through to completion, bringing future benefit to the Commission.

2.17 Future Accounting Standards

There are a number of new standards, amendments to standards and interpretations that are not yet effective for the year ended 31 March 2018, and have not been applied in these Accounts. The following new standards may affect the Accounts if they are adopted by the FReM:

- IFRS 9 addresses classification, measurement and impairment of financial assets. This standard has been adapted and interpreted by HM Treasury for implementation in the 2018-19 FReM. IFRS 9 will result in terminology changes only.
- IFRS 15 covers the recognition of revenues from contracts with customers. This standard has been adapted and interpreted by HM Treasury for implementation in the 2018-19 FReM. The impact on the Charity Commission is not substantial, with income recognition unaffected and changes in terminology and disclosure only.
- IFRS 16 eliminates the operating/finance lease distinction and imposes a single model geared towards the recognition of all but low value or short term leases. These will now be recognised on the Balance Sheet as a 'right of use' asset and lease liability. The Charity Commission does not have any finance leases at the moment, but has operating leases in place in respect of the four buildings it occupies. As a result of IFRS 16, the leases in respect of buildings occupied are likely to be recognised on the Balance Sheet as a 'right of use' assets and liability.

2 Statement of Operating Costs by Operating Segment

For internal reporting purposes, the Charity Commission operates two segments: Charity Commission core business and other Government funded projects. The other Government funded projects 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 other Government funded projects. The note below shows the amounts attributable to the two segments.

	2017-18			2016-17		
	£'000			£'000		
	Charity Commission: core business	Other government funded projects	Total	Charity Commission: core business	Other government funded projects	Total
Gross Expenditure	20,360	1,579	21,939	22,914	1,286	24,200
Income	0	(1,579)	(1,579)	0	(1,286)	(1,286)
Net Expenditure	20,360	0	20,360	22,914	0	22,914

Total Assets	8,384	518	8,902	5,100	283	5,383
Total Liabilities	(4,959)	0	(4,959)	(3,688)	(19)	(3,707)
Net Assets	3,425	518	3,943	1,412	264	1,676

3 Expenditure

	Note	2017-18 £'000	2016-17 £'000
Staff Costs:			
Wages and salaries		10,624	10,591
Social security costs		1,100	1,103
Other pension costs		2,097	2,113
Agency staff		1,595	2,570
Severance costs		(20)	347
(Decrease)/Increase in IAS 19: employee benefits accrual		3	26
Total		**15,399**	**16,750**
Charged to Capital		(752)	(828)
Total net costs		**14,647**	**15,922**

Goods and services:			
Rentals under operating leases		804	707
Non-cash items:			
Depreciation	5	272	414
Amortisation	6	706	698
Revaluation/re-lifed assets	5 & 6	0	35
Loss on disposal of fixed asset	5 & 6	35	13
Auditors' remuneration		57	57
Total non-cash items:		**1,070**	**1,217**
Other expenditure:			
Travel, subsistence and staff related costs		1,235	1,243
Accommodation		219	325
Office services		218	260
Contracted services/consultancy		164	772
Information systems and telephony		3,378	3,333
Specialist services		284	270
Losses and special payments		0	1
Increase/decrease in provisions		0	150
Provisions written back in year		(80)	0
Total expenditure		**7,292**	**8,278**

The amount spent on consultancy during the year was £37,000 (2016-17 £148,000).

Further analysis on staff numbers, compensation scheme packages and pension disclosure can be found within the accountability report.

Severance costs relate to two new in-year agreements totalling £87,000, and a write-back of historic reimbursements from Capita of £107,000 which had previously been held as a potential liability but is now confirmed as settled.

The total expenses relating to non-capital expenditure on the Transform Programme was £429,000 (2016-17 £2.489 million).

Auditors

This year's resource accounts have been audited by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General. No further services were provided by the NAO. The cost of audit work was £56,000 (2016-17: £56,000). In addition, a fee of £1,000 (2016-17: £1,000) was charged to the Commission in 2017-18 for the audit of the Official Custodian of Charities' 2016-17 Financial Statements.

4 Income

	2017-18 £'000	2016-17 £'000
Income received from other UK government departments:		
in respect of the International and Counter Terrorism Programmes	1,477	1,153
in respect of services rendered	102	133
Total income	**1,579**	**1,286**

5 Property, plant and equipment

	Information technology £'000	Furniture and fittings £'000	Leasehold improvements £'000	Total £'000
2017-18				
Cost or valuation				
At 1 April 2017	1,616	63	509	2,188
Additions	11	0	131	142
Disposals	0	0	(159)	(159)
At 31 March 2018	**1,627**	**63**	**481**	**2,171**
Depreciation				
At 1 April 2017	1,322	48	343	1,713
Charged in year	150	13	109	272
Disposals	0	0	(159)	(159)
At 31 March 2018	**1,472**	**61**	**293**	**1,826**
Net Book Value at 31 March 2017	**294**	**15**	**166**	**475**
Net Book Value at 31 March 2018	**155**	**2**	**188**	**345**
2016-17				
Cost or valuation				
At 1 April 2016	1,788	63	509	2,360
Additions	172	0	0	172
Disposals	(344)	0	0	(344)
At 31 March 2017	**1,616**	**63**	**509**	**2,188**
Depreciation				
At 1 April 2016	1,415	35	180	1,630
Charged in year	238	13	163	414
Disposals	(331)	0	0	(331)
At 31 March 2017	**1,322**	**48**	**343**	**1,713**
Net Book Value at 31 March 2016	**373**	**28**	**329**	**730**
Net Book Value at 31 March 2017	**294**	**15**	**166**	**475**

All assets are owned by the Commission. There are no assets held under finance leases (nil in 2016-17).

6 Intangible assets

	Databases and management systems £'000	Websites £'000	Licenses £'000	Assets under construction £'000	Total £'000
2017-18					
Cost or valuation					
At 1 April 2017	9,650	28	56	1,803	11,537
Additions	19	0	0	3,302	3,321
Transfers	3,138	0	0	(3,138)	0
Disposals	(90)	0	(56)	0	(146)
At 31 March 2018	**12,717**	**28**	**0**	**1,967**	**14,712**
Amortisation					
At 1 April 2017	7,885	22	22	0	7,929
Charged in year	689	6	11	0	706
Disposals	(78)	0	(33)	0	(111)
At 31 March 2018	**8,496**	**28**	**0**	**0**	**8,524**
Net Book Value at 31 March 2017	**1,765**	**6**	**34**	**1,803**	**3,608**
Net Book Value at 31 March 2018	**4,221**	**0**	**0**	**1,967**	**6,188**
2016-17					
Cost or valuation					
At 1 April 2016	8,427	28	56	402	8,913
Additions	0	0	0	2,659	2,659
Transfers	1,223	0	0	(1,223)	0
Disposals	0	0		0	0
Revaluation (write-off)	0	0	0	(35)	(35)
At 31 March 2017	**9,650**	**28**	**56**	**1,803**	**11,537**
Depreciation					
At 1 April 2016	7,203	17	11	0	7,231
Charged in year	682	5	11	0	698
Disposals	0	0	0	0	0
Revaluation	0	0	0	0	0
At 31 March 2017	**7,885**	**22**	**22**	**0**	**7,929**
Net Book Value at 31 March 2016	**1,224**	**11**	**45**	**402**	**1,682**
Net Book Value at 31 March 2017	**1,765**	**6**	**34**	**1,803**	**3,608**

All intangible assets are owned by the Commission. There are no intangible assets held under finance leases (nil in 2016-17). Assets under construction represent expenditure on IT developments.

7 Capital and other commitments

7.1 Capital commitments

As at 31 March 2018, the Commission had no capital commitments (nil as at 31 March 2017).

7.2 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.

	2017-18 £’000	2016-17 £’000
Obligations under operating leases comprise: Buildings		
Not later than one year	934	678
Later than one year and not later than five years	2,344	1,406
Later than five years	1,924	1,349
	5,202	**3,433**

The Charity Commission holds leases on four sites where rent is calculated on floor area utilised and is payable on a quarterly basis. As at 31 March 2018 the lease for the Taunton office was under negotiation, therefore there is no formal agreement recognised above.

8 Cash and cash equivalents

	2017-18 £’000	2016-17 £’000
Balance at 1 April	132	737
Net change in cash and cash equivalent balances	1,158	(605)
Balance at 31 March	**1,290**	**132**
The following balances at 31 March were held at:		
Government Banking Services	1,290	132
Balance at 31 March	**1,290**	**132**

The Commission holds no cash equivalents.

9 Trade, other receivables and prepayments

	2017-18 £'000	2016-17 £'000
Amounts falling due within one year: VAT		
VAT	257	473
Other receivables	118	102
Prepayments and accrued income	704	593
	1,079	**1,168**

10 Trade and other payables

	2017-18 £'000	2016-17 £'000
Amounts falling due within one year:		
Taxation and social security	298	307
Trade payables	597	1,183
Other payables	8	12
Staff exit costs	122	344
Accruals and deferred income	2,644	1,579
Amounts issued from the Consolidated Fund for Supply but not spent at year end*	1,290	132
	4,959	**3,557**

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

11 Provisions for liabilities

	Property dilapidation £'000	Total 2017-18 £'000	Total 2016-17 £'000
Balance at 1 April	150	150	2
Provided in year	0	0	150
Provision utilised in year	(70)	(70)	(2)
Provision written back	(80)	(80)	0
Balance at 31 March	**0**	**0**	**150**

The opening provision of £150,000 was released as all dilapidation costs were settled during the year, resulting in an actual charge of £70,000 and a write-back of £80,000 due to a favourable settlement negotiated with the landlord.

11.1 Legal

The Commission had no material legal commitments or liabilities as at 31 March 2018 (nil as at 31 March 2017).

12 Contingent liabilities

The Commission has no contingent liabilities judged not to be remote as at 31 March 2018 (nil as at 31 March 2017).

13 Related party transactions

During the year 2017-18, no Board Member, key manager or other related parties undertook any material transactions with the Commission except remuneration (Board and senior staff salaries are disclosed within the remuneration report). 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 Home Office, the Department for Work and Pensions, the Ministry of Justice, the Office for National Statistics, the Office of Civil Society, the Government Internal Audit Agency, and the Charity Commission for Northern Ireland. All transactions were undertaken on arm's length terms.

14 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 (not audited)

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. Grouped assets with a total value exceeding £1,000 and individual items with a value exceeding £500 are also capitalised.

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.

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 fixed assets

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)

An 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 for which there is no physical transfer of cash.

Net current replacement cost

The current cost of replacing or recreating an asset in its existing use.

Net resource out-turn

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

Non cash transactions

Items of expenditure that are recognised in the Commission's financial statements but do not give rise to the physical transfer of cash, for example, depreciation.

Operating lease

A lease where the risks and rewards of ownership of the asset rest substantially with the lessor.

Outturn

The actual level of expenditure and income for the financial year.

Prepayment

Payment in the current financial year for goods or services to be received or provided in the next financial year.

Provisions

Amounts set aside to fund known liabilities relating to the current or previous financial years, the exact timing and amount of which is uncertain.

Resource Expenditure

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

Supply

The resources voted to the Commission by Parliament.

Trade Payables and Receivables

Payables 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. Receivables 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.

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Created by Design102
hello@design102.co.uk

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