Charity Commission
Annual Report and Accounts
2014-15

HC 48

Charity Commission

Annual Report and Accounts 2014-15
(For the year ended 31 March 2015)

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HC 48

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1 Introduction

Foreword

Charities are among the oldest and most trusted institutions in our society - and rightly so.

Charities are the product of the generous tradition of voluntary giving that is at the heart of our national life. That generosity has been recognised in law, and regulated, since the Statute of Elizabeth in 1601. The United Kingdom has been one of the most philanthropic countries in history and its example has spread around much of the world.

Our mission as regulator is to cherish and guard that tradition in England and Wales: to increase public trust and confidence in charities, so that they can continue to play their central role in society. Recent debates about fundraising practices show that public trust in charities is not unshakable, and must not be taken for granted.

This report sets out how we fulfilled that mission in 2014-15. It describes a regulator that is becoming more proactive and decisive in deterring, preventing and responding to abuse and mismanagement in charities; that is ensuring the integrity of the Register of charities; and that is trying to help trustees to run their charities effectively.

We report on some of our case work and some of the statutory inquiries we have opened, on our work in the Tribunal and the courts, and on our updated published guidance.

2014-15 was a year of successes for the Charity Commission.

We secured an additional £9 million of investment funding from the Treasury. This vote of confidence is now enabling our transformation programme, agreed by the board in 2014. This programme will strengthen our triage systems, so that we can identify problems in existing charities and in applications for charitable registration more effectively. It will also allow us to automate most of our lowest risk interactions with charities, thereby freeing up our staff to focus on complex and high risk regulatory case work.

We have long called for legislation to address weaknesses in our legal and enforcement powers. The Charities (Protection and Social Investment) Bill, which the Prime Minister stressed would assist us in the battles against fraud and terrorism, received all party support in committee stage in the last Parliament and was in the new government's Queen's Speech on May 27, 2015.

Finally, in its latest report, the National Audit Office ('the NAO') endorsed our transformation programme and the progress we have already made. The NAO commented on our "good, early progress" in enacting their recommendations and has acknowledged the steps we are taking to become a more proactive and robust regulator.

> *"The Commission has made good, early progress in addressing all of the recent recommendations made by the Committee of Public Accounts and the NAO."*
>
> **National Audit Office, January 2015**

These successes are no grounds for complacency. Our new strategic plan, which was agreed by the board in May, sets out our principal objectives for the next three years. The plan is ambitious, and it will require the continued commitment and resolve of the board and our staff to meet our aims.

But, as this Annual Report makes clear, the Commission is well on the way to becoming the risk-based, robust, proactive and proportionate regulator that the public, and charities, expect and deserve.

The word charity derives from the Latin 'caritas' - meaning care, which Thomas Aquinas called "the most excellent of the virtues". It is to preserve and enhance that excellence that the Commission exists.

William Shawcross

Paula Sussex

Our strategic plan 2015-18: key aims

Our new three year strategic plan sets out the Charity Commission's ('the Commission') strategic aims, and summarises the approaches we are taking to achieve those aims:

- strengthening the protection of charities from abuse or mismanagement, for example by making better use of data and concentrating resources on higher risk issues
- enabling trustees to run their charities more effectively, for example by improving self-service channels and providing focused guidance digitally
- encouraging greater transparency and accountability by charities, for example by improving the integrity of the Register of charities ('the Register') and carrying out pre and post registration scrutiny
- operating as an efficient, expert regulator with sustainable funding, for example by re-designing our business processes, exploring alternative funding models and building more engagement in our workforce

Our transformation programme

A key vehicle for achieving our strategic aims is the transformation programme agreed by the board in September 2014. The programme has three main goals:

- improving our use of data to measure and act on risk
- automating services and streamlining low-risk customer-facing services
- creating the organisational and cultural change needed to support change

Eight main projects sit under the programme; all are in the early stages of development:

1. Update our risk framework.
2. Develop and implement new case management systems able to support the new risk-led approach.
3. Deliver improved collection, understanding and analysis of data to support decision making and improve data access to support case working.
4. Improve functionality of the charities' database to improve searching; enable new data to be held to support case working and the public charity search tool.
5. Deliver more and better online forms to allow self-service for simple, low-risk transactions and more efficient submission of charity accounts and online returns.
6. Jointly with HMRC, enable charities to register more efficiently with the Commission and HMRC.
7. Jointly with Companies House, agree data sharing information standards for financial returns.
8. Deliver frontline business process and structural change to free-up staff to do high-risk work. Reduce accommodation costs, deliver culture change and aim to become an employer of choice.

"Key elements of good programme management are being adopted."

National Audit Office, January 2015

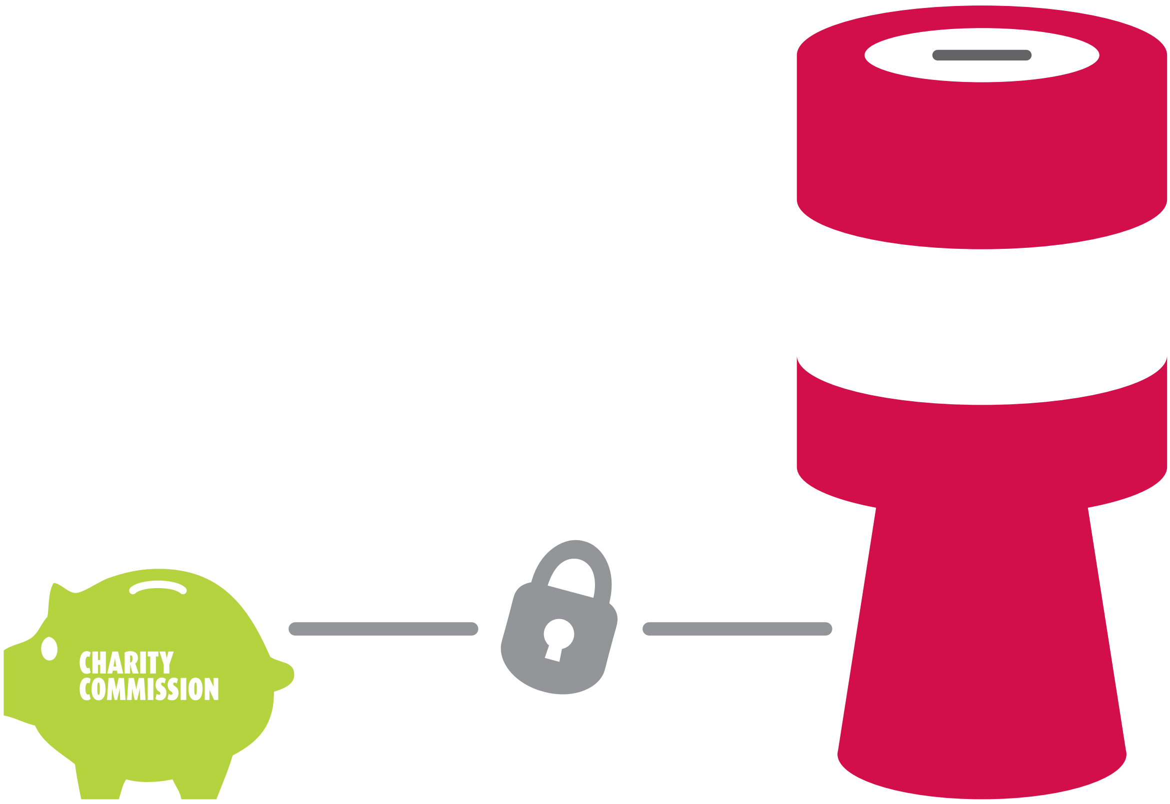
This year in figures: highlights

7,192	applications to the Register
4,648	charity registration applications approved
55,131	emails assessed in First Contact
2,129	serious incidents reported by charities
87%	Annual Returns received within deadline
86%	annual accounts received within deadline
1,024	operational compliance cases opened
1,169	operational permissions cases opened
442	monitoring cases opened
103	statutory inquiries opened
133	investigations live as at 31 March 2015
£44.6m	charity assets directly protected
£60m	charity assets accounted for in the class inquiry on double defaulters since September 2013
1,060	times we used our powers in compliance case work[1]

For further statistics, please see Part 7 This year in figures.

1 This includes powers used during the course of all our compliance case work.

Our budget for 2014-15 vs the value of charity assets we protected



£22m
Commission budget

£44.6m
charity assets

2 Charitable status and the Register of charities

All charities are subject to a common legal framework.

There are over 164,000 charities on the Register in England and Wales. These charities are very diverse - in mission, activity, size, and complexity. They range from tiny, local 'kitchen table' charities run by volunteer trustees to international organisations employing hundreds of people and delivering complex services. What unites them all is the charity law framework.

Charity status depends on a statutory test. To qualify for charitable status, an organisation must have exclusively charitable purposes for the public benefit. The Charities Act 2011 (the 'Act') sets out the descriptions of purposes recognised as charitable; the definition of public benefit is derived from the Act, and from case law.

Charities with incomes of over £5,000 must generally be registered with the Commission. Except for Charitable Incorporated Organisations (CIOs), smaller charities (under £5,000 income) do not register, but even unregistered charities must comply with charity law. Some types of charities are not required to register at all because they are either exempt, which means they are not regulated by the Commission but by another regulator (for example, academy schools), or because they have historically been excepted from the requirement to register, despite falling under our regulatory oversight.

How we assess applications for charity status

When organisations apply to register as a charity, our role is to test them against the legal definition of charity. We also make enquiries that help us determine whether the trustees are able to meet their legal duties and responsibilities.

Each year, we receive around 5,000 - 7,000 applications for charity registration. This year, we received **7,192** applications. **4,648** organisations were registered, because they were able to demonstrate conclusively that they met the charity status test. This included **2,248** CIOs - almost twice as many as registered in 2013-14.

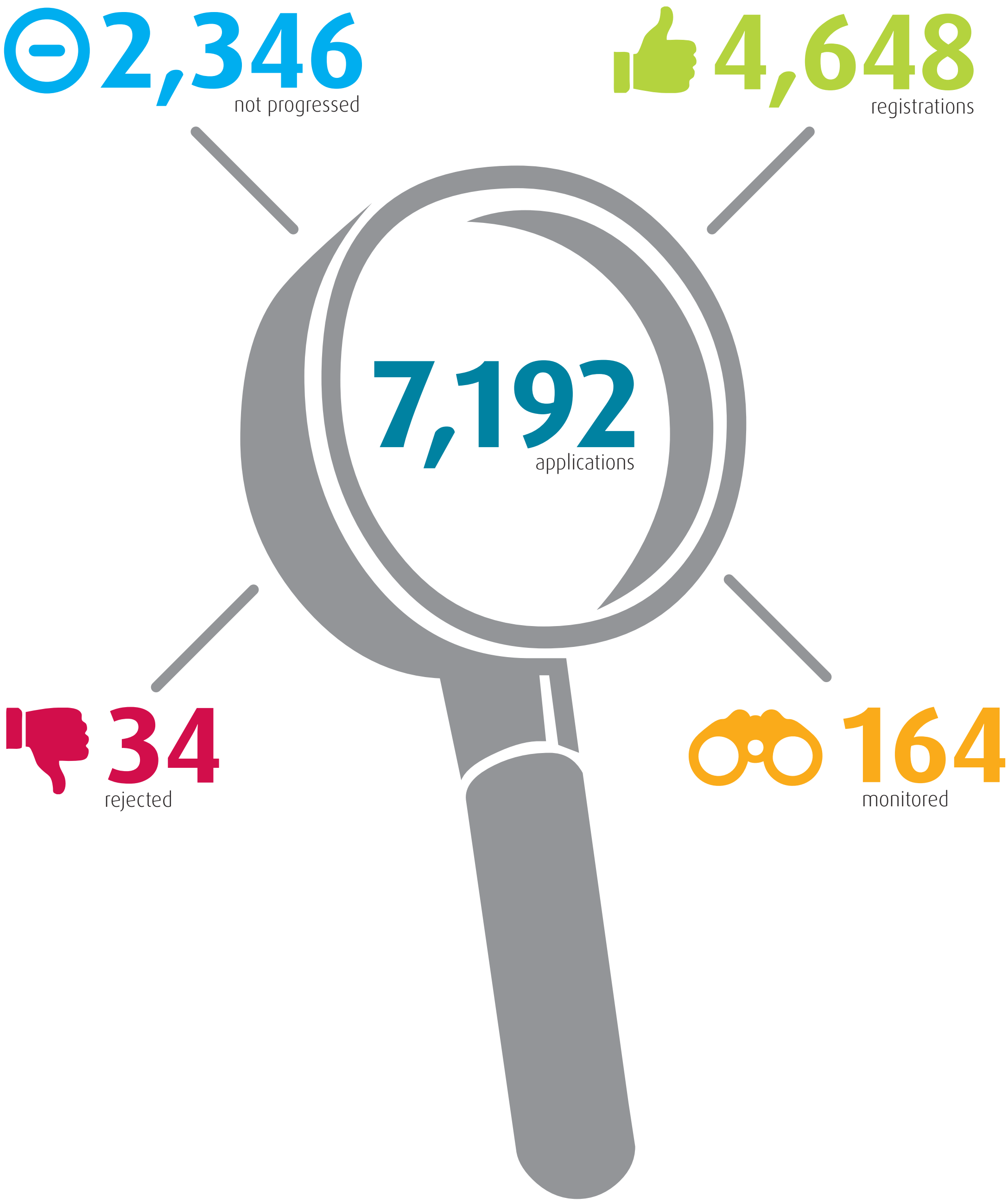
Registration applications are robustly processed, and around one third of applications in 2014-15 did not result in registrations, because the applicants failed to provide information sufficient to demonstrate that the organisation met the requirements of charitable status, or because we determined that the organisations were not within our jurisdiction.

On top of that, during the year we formally rejected **34** applications for charity status. We reject an organisation when we are not satisfied that the organisation has charity status but applicants want us to make a formal decision so that they can appeal it to the First-tier Tribunal (Charity) ('the Tribunal'). Such cases often test charity law. We welcome appeals, as the resulting decisions help provide clarity on complex areas of charity law. See Part 3 Our work in the Tribunal and the Courts.

"A charity's governing document is its rule-book. It's a legal document that sets out how to run your charity, so it's really important you draft it carefully and can understand and use it. Use our templates and guidance to choose the right structure and take professional advice if you need to; badly drafted governing documents hold up the charity registration process, so take your time."

Mark Edwards, Senior Case Officer, Registration

Proportion of applications that result in registrations



Case notes

Full Fact

Full Fact (FF) describes itself as an 'independent fact-checking organisation'. It seeks to provide accurate information on matters of public interest and improve the quality of public and political discussion and media coverage in respect of that information. FF applied to register as a charity in 2009, with objects to advance citizenship and civic responsibility. We did not register the organisation because we were not satisfied that it had exclusively charitable objects. FF appealed to the Tribunal in 2011 and the Tribunal upheld our decision.

FF submitted a new application in 2013, with revised objects to advance education, clearly a purpose which may be charitable. However, there are limits to what is educational in charity law. The courts have held that, to be a charity, an organisation must advance education in the manner intended and in a way which promotes public benefit.

In particular, this means the organisation must not promote a particular viewpoint but allow individuals to make up their own minds on subjects of clear educational merit and otherwise meet the requisite standards of education in charity law.

Whether FF is a charity for education turns on the accuracy and authoritative nature of the information it provides. This in turn depends on the quality, rigour, and political neutrality of the work and the extent to which it is capable of independent assessment. We had to determine whether FF does provide an authoritative source of information, which is sufficiently independent and free from bias that its output is not viewed as simply another opinion on a matter of public interest. We also needed to be clear about which subjects of education it engages in, and to be satisfied they had educational value.

Where an organisation's purposes are unclear, we can look at its activities. We did so in this case, including a review of the information on FF's website. FF evidenced that it has processes for verifying the accuracy and impartiality of information it publishes. We also received letters of support from independent bodies to confirm FF's work is authoritative and of value.

We agreed to register FF on the basis of revised objects, which identified the subjects and standards of education and included provision for periodic independent review to ensure FF's work is authoritative, of adequate quality and integrity, consistent with its objects, and compliant with relevant standards, such as the Code of Practice for Official Statistics.

Access: The Foundation for Social Investment

Access helps to facilitate access to social investment and the types of finance that the social sector, including charities and social organisations, require to grow. It provides guidance to the social sector, to enable the development of skills and resources.

It applied to register with detailed objects revolving around 'promoting efficiency and effectiveness in the social sector' and 'promoting the efficient use of resources for charitable purposes by charitable and non-charitable bodies'.

Promoting social investment in itself is not charitable. Neither is it charitable to promote the efficiency and effectiveness of non-charitable bodies. We therefore had to consider the application carefully to determine whether Access' purposes were exclusively charitable.

The issues we considered with Access were:

(a) whether the support to 'social organisations' was directed towards exclusively charitable purposes and any personal benefit to those organisations was incidental to this

(b) whether the trustees would have sufficient oversight of a grant-making fund to be operated by a panel which included representatives from other organisations

Access amended its objects to clarify the definition of 'social organisations' and its purpose to promoting the effective use of resources for charitable purposes for the public benefit, ensuring that any personal benefit to non-charitable organisations is ancillary. We agreed to register Access with these revised objects.

Cambridgeshire Target Shooting Association

We received an application for registration as a charity from Cambridgeshire Target Shooting Association (CTSA).

CTSA acts as a County Association. It administers small-bore target shooting leagues for its affiliated clubs and their members. It organises a number of events and competitions, including the County Championship. It also controls and manages a small-bore target shooting facility. This is made available for hire by affiliated clubs and available to other recognised clubs (those affiliated to the National Small-bore Rifle Association) and their members. The CTSA also provides coaching and instruction to clubs and individuals particularly to newcomers to the sport, young people and those with disabilities.

We considered whether CTSA was charitable against the objects for which it was established. These included promoting healthy recreation or the advancement of amateur sport. In both cases the issue which we needed to consider was whether the activity of target shooting 'is a sport or game which promotes health by involving physical or mental skill or exertion', a requirement of the Act.

Evidence was submitted which outlined potential physical and mental benefits of shooting. The benefits described included arm strength, lower back strength, flexibility, stamina, lower heart rate and improved balance. Mental elements included improved concentration, anxiety control, and increased mental discipline. It was also explained that target shooting was a sport which demanded high levels of fitness in order to succeed.

We recognised that in order to progress and achieve success in target shooting, like many sports, it is necessary to be physically and mentally fit. However, we were not satisfied that the benefits from health were necessarily gained from the actual activity itself. There was a distinction between the training undertaken in order to improve fitness and the benefit from undertaking the activity itself. Whilst the recreation or sport of target shooting might on the evidence confer certain health benefits at a certain higher level of participation, it did not promote health in the wider sense within the meaning of the Act by demonstrating a measurable impact on the overall health of the individual arising from the activity. Accordingly, we were unable to recognise CTSA as being established exclusively for charitable purposes for the public benefit and consequently concluded that it was not a charity.

CTSA has appealed our decision to the Tribunal.

Running a charity is a significant responsibility, and the decision to set up a new charity should not be taken lightly. The role of trusteeship is challenging. We encourage people to think carefully about whether they can do more to help their chosen cause by getting involved in an existing charity, perhaps by volunteering or raising funds. We know from our case work that not all charities have an impact.

We encourage existing charity trustees to keep their charity's impact under review at all times. Sometimes the most impactful way to support beneficiaries is to recognise that an existing charity is no longer needed, either because it has achieved its mission, or because another similar charity is doing a more effective job, and that it is therefore better to merge or wind up the charity.

Monitoring newly registered charities

We have considerably stepped up our work to monitor organisations that meet legal requirements for charitable status and must be registered, but give rise to concerns that the charity may not function as stated at the time of application. For example, concerns may relate to:

- the level of charitable activity
- characteristics we know to be associated with risk, such as delivering aid in conflict zones abroad or working with commercial fundraising companies (see page 15 for more information about our approach to assessing risk in charities)
- individuals involved in the charity

164 charities were referred for pre or post registration monitoring in 2014-15. This included 57 referrals related to newly registered Plymouth Brethren Christian Church (PBCC) meeting halls. We are monitoring all newly registered PBCC meeting halls to ensure that they are complying with their governing documents and delivering on the assurances they gave us when we registered them as charities. Further information about our engagement with the PBCC is available on GOV.UK.

For more information about our wider monitoring work, see Part 3 Promoting compliance.

Case notes

Children's Cancer and Leukaemia Fund (CALF)

We have been proactively engaging with newly registered charities that enter into agreements with commercial clothing companies. Our case work shows that such contracts often result in problems, because trustees are not properly monitoring and managing the partnership. In the case of this particular charity, our engagement resulted in identifying other concerns relating to abuse and mismanagement.

CALF registered in 2011 and entered into an agreement with a commercial clothing company within its first year of operation.

The action we took: We obtained the charity's bank statements. We tried to meet with the trustees, but they cancelled each meeting at short notice.

What we found: We did not identify concerns about the charity's relationship with the clothing company; the latter had been making regular payments into the charity's bank account.

However, the bank statements showed:

- payments exceeding £1,800 to one of the trustees
- payments of £7,600 for services that were not in furtherance of the charity's objects, for example dental treatment
- cash withdrawals of £7,200

We confronted the trustees and were told that some of the cash had been used to buy toys from market stalls but that these toys, along with the charity's records, were destroyed in a flood.

It became clear that a single trustee had been controlling the charity, using relatives' names without their knowledge.

Impact of our work: In March 2013, we shared our evidence and concerns with the police. We also removed the charity from the Register, as it was no longer operating. In October 2014, two of the charity's trustees pleaded guilty to criminal offences; one was given a custodial sentence, the other a suspended sentence.

The clothing company was unaware of the wrongdoing and distributed remaining funds raised for CALF to charities with similar objects.

"This case is a great example of a successfully proactive approach, which ultimately resulted in two criminals being sentenced. As a robust proactive regulator, when we spot risks to newly registered charities we act quickly. Cases like these help assure the public that we are working to disrupt abuse and protect trust and confidence in charities."

Marie Joyce, Case Manager, Investigations, Monitoring and Enforcement

Pre-registration monitoring identifies concerns

About the organisation: The organisation was purportedly set up to raise funds to support people in Bangladesh.

Why we got involved: The organisation submitted a registration application in June 2014. The application did not allow us to conclude that the organisation had exclusively charitable objects for the public benefit. For example, one of the stated objects was to raise funds. Fundraising is not a charitable purpose, but an activity to support charitable purposes. Separately, the organisation's application was submitted by an individual linked to other applications that have given rise to concerns.

The action we took: Before drawing a conclusion as to the organisation's legal status, we needed to monitor it to establish its purposes and assess the concerns. We arranged a meeting with the individuals named as trustees in July. The meeting was attended by one person named as trustee and the charity's agent.

What we found: As a result of the meeting, we identified further concerns. For example, we found that the organisation's fundraising material misleadingly claimed it was a registered charity. That material also claimed that donors would be sponsoring orphans in Africa, whereas the information provided in the application documents made reference to supporting people in Bangladesh.

The individuals involved remained unable to answer our original questions about the organisation's objects or provide the necessary evidence of proof of income. We therefore could not conclude that this organisation met the charity test, and did not register it.

Impact of our work: An organisation which could not demonstrate charitable purposes was not placed on the Register.

We are investing in systems and technology that will allow us to automate a significant proportion of our low risk case work, including registration applications, allowing us to dedicate more resources to higher risk cases and reducing costs and time for low risk applicants.

Maintaining the Register

We have a duty to maintain an accurate Register. Trustees must inform us when they have amended their charity's governing document or when there have been changes to trustees.

Trustees also have a duty to submit Annual Returns and accounts depending on their income. We highlight on the Register all charities which fail to meet their reporting obligations (see Part 5 Promoting accountability).

Trustees must also notify us when they wind up a charity by completing the relevant online form and we will then remove the charity from the Register. If we believe a charity is inactive, we will seek evidence from the trustees that it is still operating and if we do not receive it, we will remove the charity from the Register. In total, around **4,800** charities were removed from the Register in 2014-15.

In some circumstances, we come to the conclusion that an organisation was never legally constituted as a charity and should therefore be removed from the Register.

3 Our work in the Tribunal and the High Court

The jurisdiction of the Commission; the Tribunal and the High Court

The jurisdiction of the Commission is concurrent with that of the High Court of Justice (the 'High Court'). The Commission exercises its powers on application of the charity, the Attorney General or other interested persons. The Commission has the right to bring court cases in the High Court, particularly where charitable funds can be protected or recovered.

Charities and others have the right to challenge certain of our decisions in the First-tier Tribunal (Charity) ('the Tribunal'). The Tribunal hears appeals against our decisions and considers references from the Attorney General or from the Commission on points of law. In most cases, appeals against the Tribunal's decisions can be made to the Upper Tribunal. The Upper Tribunal has an equivalent status to the High Court, meaning that it can both set precedents and enforce its own decisions and those of the Tribunal.

Our work in the Tribunal

In 2014-15, we were involved in **32** cases defending our decisions before the Tribunal. Of these, 25 cases reached a conclusion during 2014-15. One of our decisions was overturned by the Tribunal (see case study on 'Human Dignity Trust'). The other 24 cases were resolved in the Commission's favour or withdrawn by the appellant before the Tribunal reached a decision. Seven cases were ongoing at the end of 2014-15.

The largest number of challenges were to decisions to open statutory inquiries (eight), followed by Orders for documents or information under Section 52 of the Act (five). Both types of case have special rules about the Tribunal's jurisdiction, and we welcome the Tribunal's decisions during the year that have developed and explained these rules (see case study 'Section 52 Orders').

The Act also specifies who is entitled to challenge our decisions in the Tribunal. In some cases this is straightforward: charities, their trustees and other people who are the subject of our directions or orders can generally challenge them. There is an additional category of 'persons affected' by our decisions, which can be more complex. Six cases were brought under this category in 2014-15, and have resulted in useful commentary from the Tribunal, which may be supplemented by an appeal to the Upper Tribunal in a case due to be heard in 2015-16.

We have taken steps in 2014-15 to resolve more cases without the time and cost of a final hearing. Twenty cases were resolved in this way:

(i) seven cases were struck out on procedural grounds, for example where the appellant did not have standing to bring the challenge, or the Tribunal did not have jurisdiction to hear it

(ii) four cases were struck out because they did not have a reasonable prospect of success (for example, see the case study 'Section 52 Orders')

(iii) nine cases were withdrawn by the appellant before the Tribunal reached a decision, often following discussions with the Commission

Case notes

Section 52 Orders

In these two related appeals, two trustees of the charity Thrift Urban Housing appealed to the Tribunal against the Commission's orders to obtain information from them under section 52 of the Act.

The Commission asked the Tribunal to strike out the cases, on the basis that they had no reasonable prospect of success. The Tribunal accepted the Commission's request, and struck out the appeals using the power in Rule 8(3)(c) of its Rules of Procedure.

The cases are good examples of the Tribunal applying the relevant legal principles to conclude that the appellants' prospects of success fell into the 'fanciful' rather than 'realistic' category of cases, and should therefore be struck out.

The cases also highlight that section 320 of the Act provides specific statutory criteria for appeals to the Tribunal against Section 52 Orders. In these cases, the appellants failed to raise an argument in relation to the criteria, resulting in the appeals being struck out.

For further details, see the Tribunal's decisions dated 17 December 2014, which are available on its website under the case names CA/2014/0019 *Kathleen Atherton v The Charity Commission for England & Wales* and CA/2014/0020 *Patrick Shakespeare v The Charity Commission for England & Wales*.

Human Dignity Trust (HDT)

HDT appealed to the Tribunal against the Commission's decision refusing to enter it on the Register.

HDT is established to carry out or support litigation in foreign states in support of local activists and victims who are seeking to challenge domestic law which criminalises sexual conduct in the LGBTI community contrary to human rights obligations prescribed by the constitution or international obligations. HDT's purposes are the advancement of human rights and promoting the sound administration of the law.

The Commission's position was that the purposes were not exclusively charitable, as seeking change in the law and government policy in foreign states was contrary to the legal principle against charities having political purposes. HDT accepted that its purposes could be more accurately expressed, but stated that HDT was, in essence, upholding the law given the supremacy of the constitutional or international obligations, which in the context of advancing human rights was both lawful and charitable.

The Tribunal allowed the appeal and directed the Commission to enter HDT on the Register. The decision confirmed that HDT is established for the purposes of:

(i) promoting and protecting human rights as set out in the Universal Declaration on Human Rights and subsequent United Nations conventions and declarations

(ii) promoting the sound administration of the law

The decision confirms that these purposes are charitable because they fall within the descriptions of charitable purposes in sections 3(1)(h) and 3(1)(m)(i) of the Act and are for the public benefit as required by section 4 of the Act. For further details, see the Tribunal's Judgment of 9 July 2014, which is available on its website under the case name CA/2013/0013 *The Human Dignity Trust v The Charity Commission for England & Wales*.

Our work in the High Court

We were also active in the High Court during 2014-15. For the first time, we used our power to obtain the High Court's directions on the discharge of the functions of an interim manager appointed by us.

Case notes

High Court directions

This year, we secured a High Court order giving directions to the interim manager ('IM') of the Dove Trust, the charity that ran the now defunct donation website Charitygiving.

Given the complexity of the charity and trust law issues involved, we asked the Court to decide how the IM could lawfully distribute the limited funds. This was the first use of our power in section 78(5)(b) of the Act to apply to the Court for directions to an IM.

During the case, we arranged for charities and good causes to have an opportunity to contribute their views. Over 80 took up the opportunity, and we collated and presented their submissions to the Court. The IM and the former trustees were also represented at the High Court hearing, which took place in July 2014.

In July 2014, a judge ruled that the available funds should be distributed amongst the beneficiaries in proportion to the amounts outstanding (called the 'pari passu' basis). This will result in the charities and good causes receiving around 35 pence for every pound donated.

Our statutory inquiry into the Dove Trust is ongoing.

4 Promoting compliance

Promoting compliance is identified in our Statement of Regulatory Approach[2] and our strategic plan as one of the Commission's priorities. We identify risks against our risk framework. Our regulatory engagement can range from giving regulatory advice to using legal powers and opening a statutory inquiry. We are hoping to secure a new power to issue warnings to charities[3].

Risk, compliance and investigation

Non-compliance and abuse in charities damage public trust and confidence in individual charities and in the wider charitable sector. It is therefore vital that we take robust and timely action, particularly in cases where there has been negligent, reckless or deliberate abuse on the part of trustees. Sometimes, this means we need to exercise our powers to remedy the problem. We use our powers proportionately according to the nature of the issue, the level of risk, and the potential impact. However, even where we have regulatory concerns, it may not, in some instances, be proportionate for us to formally investigate a charity.

For information about our work to prevent problems arising in the first place, see Part 6 Enabling and self-reliance.

Identifying risk in charities

We take a risk-based approach to regulatory engagement. This means we target our resources at the highest risks to charities' services and assets and where we think our intervention will have the greatest impact.

Our risk framework explains our risk assessment process; it allows us to identify the highest impact issues and so prioritise our work[4].

We focus our one-to-one engagement on cases where there are serious risks, including cases where we need to use our legal powers, and where there are risks affecting the sector as a whole or part of the sector. It sets out the three strategic risks facing charities: fraud, financial crime and financial abuse; safeguarding; and counter-terrorism. The risk framework is also used as the starting point for considering and deciding on proactive work, including developing policy, new guidance and proactive one-to-one engagement with charities[5].

We assess all concerns about charities fairly and consistently on a case-by-case basis against our risk framework.

"[The Commission] has clearly stated its strategic intent to become a robust regulator. In support of this, it has developed a credible high-level business model and transformation programme to deliver the necessary change. It is using its statutory powers more to tackle abuse of charitable status. It is also working to improve the way it assesses regulatory risk and uses data."

National Audit Office, January 2015

2 The Statement of Regulatory Approach is available on GOV.UK.
3 This proposal is in the Charities (Protection and Social Investment) Bill.
4 We are currently reviewing our risk framework to reflect the findings of our compliance case work and experience, to ensure it continues to help us respond appropriately to the risks facing individual charities and the sector as a whole. We plan to publish the updated risk framework later this year.
5 We are developing systems that help us use our data better in assessing risk. The aim is to improve our understanding of thematic risks facing the charitable sector as a whole, and to improve our response to concerns that arise in individual charities. We are using additional investment funding made available from the Treasury to invest in the necessary technology and expertise.

Case notes

The Melton Arts and Crafts Charity

The charity's objects included promoting the education of the public, particularly in the appreciation of music, drama and the arts, advancing the education of young people over the statutory school leaving age and providing facilities for recreation and other leisure-time occupation.

Why we got involved: North Norfolk District Council contacted us in November 2013 to outline its concerns that the charity was being used as a tool to avoid paying national non-domestic rates at a number of industrial units.

The action we took: We found no evidence of charitable activity. No minutes of trustee meetings were available, there was no business plan in existence and evidence of only two simple decisions were provided. There were questions about whether the leases of the units were valid and whether there had been a conflict of interest when a transfer of property was accepted. We concluded that the trust was not operating as a charity.

Impact of our involvement: We removed the trust from the Register on the grounds that it was not operating. We informed North Norfolk District Council of our decision to enable them to take this into account when deciding whether or not to refuse rating relief.

Providing essential regulatory advice and guidance

Where the risks are properly managed and trustees are willing and able to put matters right, we will provide regulatory advice and set out steps which we expect trustees to follow.

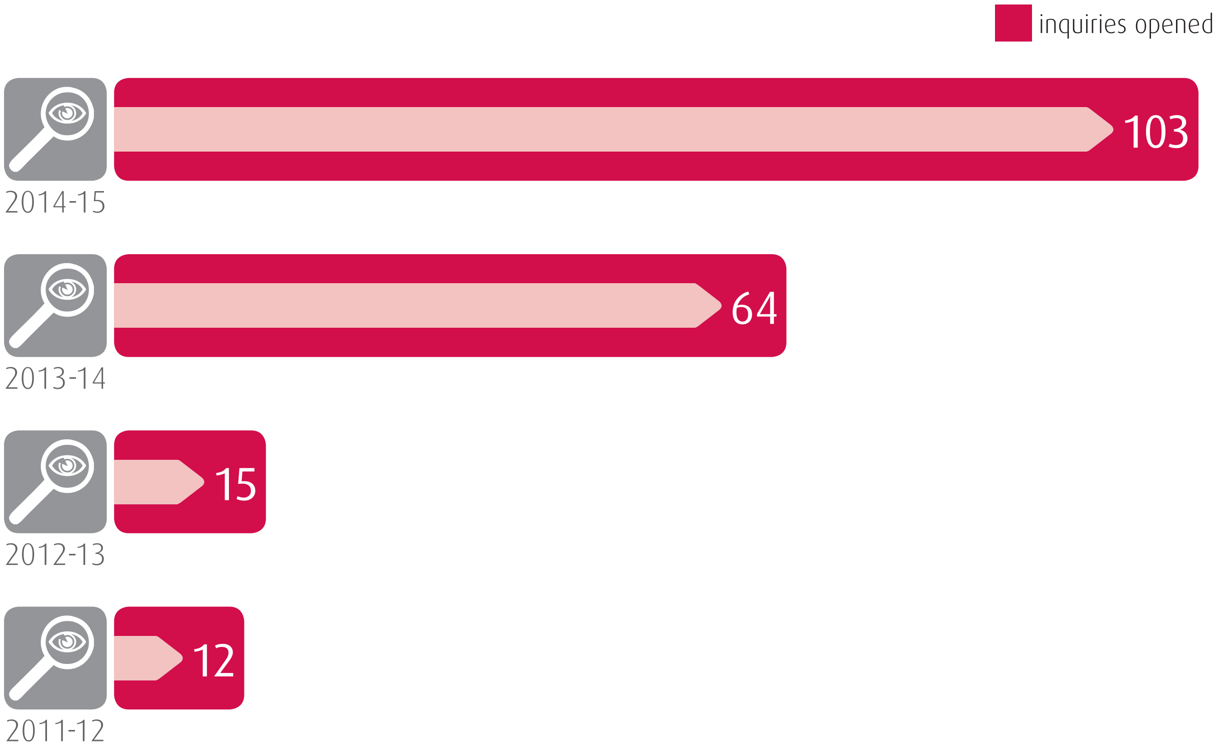
Compliance cases

In more serious cases, where the risks are higher or trustees demonstrate that they are unwilling or unable to respond appropriately, the case may need to be referred to case workers who are specialised in dealing with serious concerns in charities, or referred for monitoring. In 2014-15, we concluded **1,125** operational compliance cases. We reported publicly on the outcomes of 25 operational compliance cases. The most common issues assessed in compliance cases in 2014-15 were mismanagement/misconduct, beneficiaries at risk, poor governance, fraud, concerns arising as a result of disputes, and misapplication of funds. Conflicts of interest and accounting issues also feature frequently in our case work.

Statutory inquiries

In serious and high risk cases, including those involving our three strategic risks (see page 15), we will open a formal investigation, a statutory inquiry. Statutory inquiries allow us to access the full range of our legal enforcement powers. In 2014-15 we opened **103** and concluded **51** statutory inquiries. Opening an inquiry does not necessarily mean we have concluded that there has been wrongdoing, but sometimes it is the only way we can obtain and assess all the available evidence or act to protect public trust and confidence in charities. The most common concerns assessed in statutory inquiries opened in 2014-15 were accounting issues, concerns about mismanagement or misconduct, alleged or

Increase in statutory inquiries opened since 2011-12



suspected money laundering, sham charity, and misapplication of funds (see page 21 for further information about our use of powers this year).

Serious incident reporting

Serious incidents do happen in charities. When they do, trustees should report them to us as soon as they become aware of them. Serious incidents are those that result in loss of or damage to a charity's assets or property, harm to beneficiaries or harm to a charity's reputation. It is vital that trustees report serious incidents, so that we know they are acting responsibly in dealing with the problem. Serious incident reports are also an important way for us to develop our understanding of the types of risk the charity sector faces and target our resources and interventions accordingly. This year, charities reported **2,129** serious incidents. This is a significant increase on last year, when 1,282 were reported to us[6]. We believe this is as a result of our concerted campaign to promote awareness among trustees of their responsibility to report serious incidents[7]. While we are pleased about the increase in reporting, our case work continues to reveal too many instances where charities have experienced serious incidents but have failed to report them to us.

6 Some charities report multiple incidents to us in one report.
7 This included issuing an alert and highlighting the requirement in our newsletter to trustees (see Part 5 Enabling for more information about alerts issued this year and about our newsletter, CC News).

Whistleblowing

Charity workers can raise whistleblowing concerns under the Public Interest Disclosure Act 1998 (PIDA), which protects people who report wrongdoing in the public interest from detrimental treatment or victimisation. Whistleblowing reports we receive also include concerns raised under PIDA by accountants, auditors or independent examiners. This year, we received **114** whistleblowing reports. All whistleblowing reports are carefully assessed by a specialist team, in line with our risk framework, to determine whether there is a regulatory role for us.

Case notes

A whistleblowing case

A charity has objects to advance education and its main activity is to run a community centre. We received a whistleblowing report from the charity's auditor, detailing a number of serious concerns.

For example, the report highlighted that the charity had made loans to its trading subsidiary without following proper processes and had failed to keep adequate records of finances or board meetings. The auditor was also concerned about the charity's use of pre-signed cheques - a practice that puts a charity's finances at serious risk and is indicative of poor governance.

The source and nature of the concerns meant that the risks were high and required our swift regulatory engagement. The trustees were sent a detailed action plan, with deadlines by which the various steps needed to be implemented.

At the time of writing, the case is ongoing.

Hinckley Concordia

The charity provides recreation and leisure facilities at the Concordia Theatre in Hinckley in Leicestershire.

Why we got involved: We received information from Leicestershire Police and Leicestershire County Council that raised serious concerns about the charity's management, particularly in the safeguarding of beneficiaries.

The action we took: We quickly opened a statutory inquiry to investigate the concerns.

A short time later, Leicestershire Police and Leicestershire County Council announced a joint investigation into several people connected to the charity. The charity's licences to hold productions involving children were suspended pending an urgent review. The then chair of trustees stepped down in February 2015; the former chair and two other trustees subsequently resigned as trustees in March 2015.

What we found: We found that two former trustees knew that someone with criminal convictions that made them unsuitable from a safeguarding perspective had been employed at the theatre. One of those former trustees also failed to deal properly and responsibly with allegations of inappropriate behaviour by a member of staff. We concluded that these failings amounted to misconduct and/or mismanagement in the administration of the charity by these two individuals. We saw no evidence to suggest that the other trustees had failed in their duties.

We also found shortcomings in the charity's child protection policy in place at that time.

Impact of our involvement: We engaged with the new trustee board, who co-operated with us and demonstrated a commitment to improving the charity's governance, especially its safeguarding of children. Hinckley and Bosworth Borough Council issued the charity's theatre with a new operating licence.

Helping Hands for the Needy

Trustee of disaster relief charity receives unauthorised benefits.

Why we got involved: We opened a statutory inquiry in 2010 after an examination of the charity's financial information indicated misuse of its funds.

The action we took: We immediately suspended one of the trustees, who was also the acting CEO; he subsequently resigned before we could remove him permanently from his position as a trustee. We also took steps to restrict the charity's bank accounts, so that trustees could not withdraw funds without our consent.

What we found: The then trustees did not maintain proper financial controls over income and expenditure, keep proper records or produce annual financial accounts. This lack of adequate governance and oversight led to thousands of pounds of charitable funds being misused. One of the trustees received unauthorised payments from the charity, in breach of trust, including payments for parking and speeding fines, and for building work to his private residence.

We concluded that there had been serious failings in the administration and governance of the charity, which amounted to misconduct by the charity's then trustees. One of the then trustees disputes the Commission's findings and conclusions.

Impact of our involvement: In March 2011, the charity was placed into voluntary liquidation.

Following a referral by the liquidator and in consultation with us the Department of Business, Innovation and Skills commenced its own inquiry into the conduct of the trustees and directors, which resulted in two trustees being disqualified as company directors. As a consequence, they are also disqualified from being a charity trustee.

NB - we had intended to wait until the charity was dissolved by the liquidator before closing our investigation and publishing a report. However, that process is taking longer than anticipated due to ongoing recovery action. We therefore decided to close the substantive investigation and publish a report in January 2015.

"Other charities have thanked us for the action we took in this case. But this case also highlights the weaknesses in our current legal powers. We can only remove individuals from a specific trusteeship position; we have no power to disqualify individuals from acting as a trustee currently and prevent them from acting in other trusteeship positions. The report from the Joint Committee in respect of the Charities (Protection and Social Investment) Bill backs proposals to give us more powers, including closing the trustee disqualification loopholes, that will allow us to regulate the sector and tackle serious abuse more effectively. We have long campaigned for this."

Amy Spiller, Senior Investigator

A more proactive and robust approach

Throughout 2014-15, we continued to strengthen the pace and robustness of our approach to tackling serious abuse and mismanagement in charities.

"The Commission has hardened its stance where a charity does not comply with an order to provide information. In some cases, such failure is now considered evidence of misconduct or mismanagement."

National Audit Office, January 2015

National Fraud Database

In April 2014, we joined Cifas, the fraud prevention service. Cifas' National Fraud Database allows us access to information about people who have been involved in fraud and helps us identify people whose involvement with a charity might be of concern. We have since assessed thousands of leads highlighted in the National Fraud Database, and identified 200 cases requiring further scrutiny.

Case notes

We disrupt sham charity set up by fraudster

Case involving the use of Cifas data

The Cifas National Fraud Database logged fraud concerns about an individual connected to a charity, which was purportedly set up to help people with blood disorders. Further checks established that the individual, who was a trustee of the charity, had numerous convictions for fraud and theft, which disqualified him from serving as a trustee. Serving as a trustee while being disqualified is a criminal offence. We referred our evidence to the police.

In the meantime, we requested further documents from the charity's other trustees, including full management accounts and a summary of its activity. We received no response. Further checks suggested that the other trustee names may have been aliases used by the first trustee. We concluded that the charity was set up as a sham for criminal purposes and removed the charity from the Register.

"The Commission is making better use of data."

National Audit Office, January 2015

Class inquiry into accounts defaulters

Since September 2013, we have been investigating charities that have repeatedly defaulted on reporting requirements as part of a class statutory inquiry. Since opening the class inquiry, **74** charities have been investigated; in total, the inquiry has resulted in **£60 million** of charity funds being accounted for. This year **50** charities became subject to the class inquiry.

Case notes

The Hope Trust

About the charity: The charity's objects include advancing research into gynaecological cancers.

Why we got involved: The charity failed to submit annual accounts and reports and Annual Returns for the financial years ended 2009, 2010, 2011 and 2012. The charity was sent several automatic reminders about the need to submit annual accounting documents.

The action we took: We asked the trustees to submit the missing documents by a final deadline. The charity submitted some financial information before the deadline, but some financial years were still outstanding, and the charity therefore became part of the class inquiry. We used our powers under s.84 of the Act to require the submission of the outstanding information.

What we found: The charity's trustees were in default of their legal obligations to file accounting information with us. This was mismanagement and misconduct in the administration of the charity and a breach of their legal duties.

The trustees said that the reason for the charity's failure to file was "that it didn't have access to the full range of records it required to properly prepare its accounts". This is not a legitimate excuse.

Impact of our work: As a result of the inquiry, all the outstanding sets of accounts were filed and as a result £5,000 of charitable income and over £100,000 of charitable expenditure are now transparently and publicly accounted for on the Register.

More effective use of powers

We have made more use of our powers to gather information during statutory inquiries. These include the power to require trustees, or third parties such as banks, to provide us with documents or information about charities.

We are also making more use of our compliance powers: in 2014-15, we directly protected **£44.6 million** in charity assets, mainly by taking action to freeze charities' bank accounts or by restricting transactions.

"The Commission is making more effective use of its powers."

National Audit Office, January 2015

Appointing interim managers

One of the ways in which we can rectify non-compliance and mismanagement is by using our power to appoint an interim manager ('IM') to act in the administration of a charity. We can appoint an IM after opening a statutory inquiry if we consider that there has been misconduct or mismanagement or when doing so is necessary or desirable to protect the charity's property.

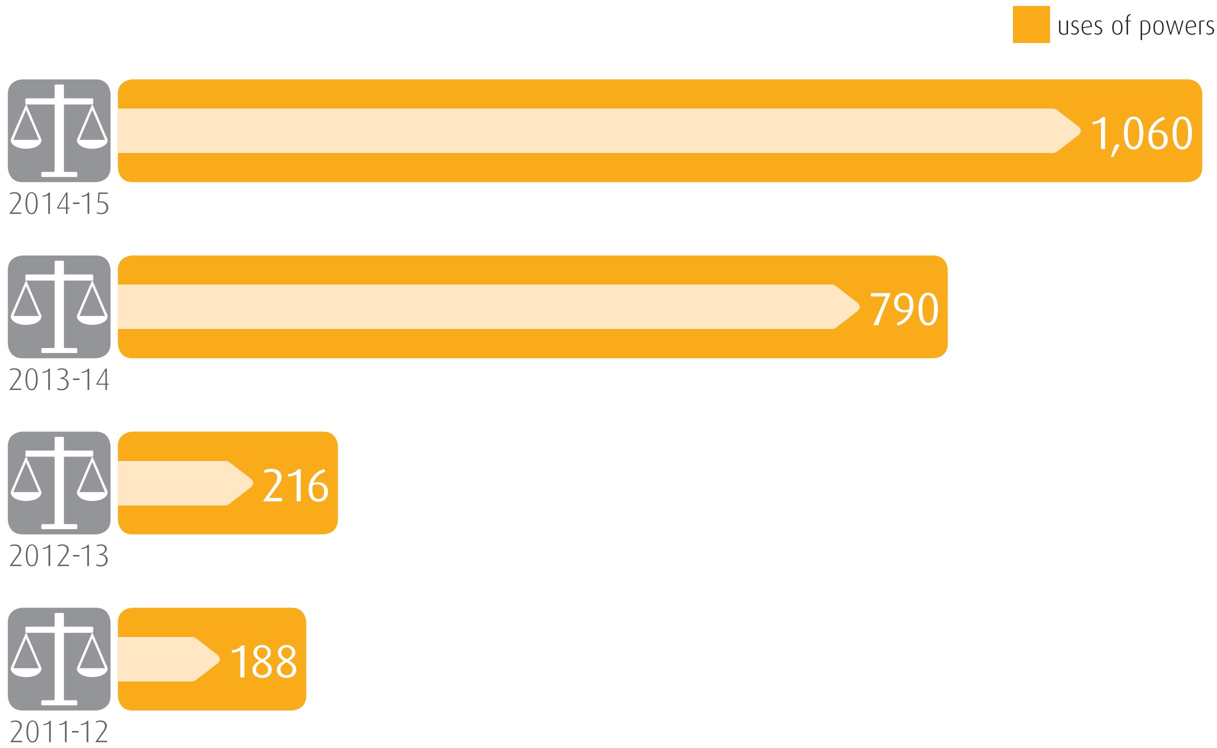
Appointing an IM is a temporary and protective step, which we only take after careful consideration of alternative solutions to the problems faced by a charity.

This year, we appointed **four** IMs; there were **11** IMs in place as at 31 March 2015.

The costs of an IM must be paid for by the charity in question. It is only in exceptional circumstances, when it is in the public interest to do so, that we may indemnify the costs of an IM if there are not enough funds in the charity to meet the costs. This year, we continued to indemnify the costs of two IMs (those in place in the Cup Trust and the Dove Trust).

We maintain a list of approved practitioners and, when appointing an IM, conduct an exercise to ensure the most appropriate individual and company are selected. This year, we opened the roster for new applicants; this process resulted in 18 new providers being added to the pre-approved list.

Increase in our use of legal powers since 2011-12



Our role in securing the restitution of charity funds

We take very seriously cases where charity property is lost as a result of serious wrongdoing by trustees or others involved with a charity.

Trustees have primary responsibility to recover the property lost to their charity. They should consider what steps to take to recover the property in the best interests of the charity, including by taking legal advice and considering the economic prospects of success and recovery to the charity. Charities may need to seek our consent or advice. However, where trustees are unable or unwilling to take relevant action, the amounts involved are significant, and there has been serious breach of trust, we will not hesitate to use our powers to secure the recovery of lost funds. In appropriate cases, and exceptionally, we will consider bringing legal proceedings in the public interest - with the Attorney General's consent - to recover funds lost to charity.

We do not always need to initiate litigation to secure the return of charity funds. As the following case study demonstrates, sometimes, our involvement leads to trustees agreeing to repay funds to charity.

Case notes

Our involvement secures return of £100,000 to charity

We opened an inquiry into Life Changing Ministries International Church South Cheshire Trust to investigate a number of concerns, including the potential receipt of unauthorised private benefit by trustees and the management of conflicts of interest.

As part of our investigation, we looked into payments made to two trustees (who were husband and wife) amounting to £72,000, and a payment of over £28,000 for a loft conversion at a property owned by the two trustees. The trustees told the inquiry that the funds were for expenses incurred by the trustees in running the charity. However, we concluded that the payments were not authorised and that conflicts of interest had not been managed. As a result of our engagement, and without the need for recourse to litigation, the trustees repaid the funds to the charity.

Regulatory alerts

Regulatory alerts are important compliance tools that help us raise awareness among charities or the public of risks facing certain types of charities or public trust in charities. In 2014-15, we issued **six** regulatory alerts, including on cheque fraud, safeguarding charitable funds, and reporting serious incidents. Our alerts were viewed online over **12,000** times in 2014-15.

Monitoring charities

As the NAO has recognised, we have taken steps to strengthen the monitoring of charities which give rise to concern. Monitoring may include: desk-based research, corresponding with or interviewing trustees; visiting the charity's premises to check that they have kept promises or taken action as required; and inspecting the charity's financial records. In some cases, this may result in providing the charity's trustees with regulatory advice and guidance, and ensuring the advice has been followed. In other cases, it may result in opening a compliance case or, in the most serious cases, a statutory inquiry. Sometimes, trustees recognise that they are unable to run a charity in line with legal requirements, and agree that the best course of action is to wind the charity up.

We are setting more action plans and are more consistently and robustly checking that trustees have completed the action plans or done what we expected of them.

Follow-up work is conducted in all of our case working teams, but we also have a dedicated monitoring team, which focuses on proactive monitoring. For example, the monitoring team works closely with the registration team, to follow up on higher risk cases and concerns or questions raised during the registration process (see page 10 for a case study of their work). In 2014-15, the monitoring team concluded **393** cases.

As well as working on registrations, the proactive work undertaken by the team included:

- engaging with charities that had previously reported serious incidents, to seek assurances that they have since acted on advice we had given
- engaging with charities that had declared nil income and expenditure on their Annual Return, to check that the financial information declared was accurate
- taking action on **35** referrals relating to Cifas information (see page 20 for information on Cifas)
- working with the Fundraising Standards Board (FRSB) and rail operators to agree a new standardised application process for charities wishing to fundraise at train stations (see Part 6 Enabling and self-reliance)
- working with a number of supermarkets and large retailers on the adoption of similar robust procedures for charities wishing to fundraise in their stores

Analysing information about charities that become subject to statutory inquiries or compliance cases

This year, we began producing regular analysis of charities that became subject to statutory inquiries or compliance cases.

The analysis is broken down according to the information submitted by charities in their Annual Returns, including by purpose (classification), beneficiary group, income, and the charities' age (years since registration). This is especially important for us to do in light of concerns raised about a perception that charities with links to Muslim communities are overrepresented in our case work (see Part 6 Enabling and self-reliance). We are confident that there is no bias in the way that we assess concerns or make decisions about opening compliance cases or inquiries. All such decisions are made by applying our risk framework. However, this analysis helps to provide additional assurance that there do not appear to be any areas of significant over or under-representation in the charities into which inquiries or compliance cases are opened. We will continue to analyse our data in this way and to report on the outcome.

Responding to concerns about political activity in charities

As is our usual practice, we carefully monitored charities' political activity in the run-up to the 2015 general election. We established a rapid response case handling system, which allowed us to follow up on concerns raised about charities' activity swiftly and consistently, to reduce any uncertainty during this period whilst also giving charities and the public confidence as to what is, and what is not, acceptable. This was especially important because of widespread uncertainty about the impact of the Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Act and heightened interest in charities' activities during this period. We will publish a review of the findings from this case work to reassure the public and help charities learn the lessons from the concerns that arose in the run-up to the election.

> *"In thinking about the impressive performance of the Charity Commission, we have had reference to the 160,000 regulated charities, the staff of 300 people and the budget of £20 million a year. If noble Lords were to look across the regulator scene and try to find another regulator that is making as good a shot at doing what it is required to do as the Charity Commission is, they might look a long way before finding one."*
>
> **Lord Eccles,**
> **speaking during second reading of the Bill**

The Charities (Protection and Social Investment) Bill ('the Bill')

There are some basic weaknesses in our current range of powers which limit our ability to stop and prevent wrongdoing and we have long argued for the need for these loopholes to be closed. The proposals set out in the Bill include provisions to:

- disqualify individuals from trusteeship and other positions of power when their conduct renders them unfit
- extend the types of convictions that lead to automatic disqualification from trusteeship to include convictions for terrorism and money laundering
- give us a power to instruct trustees to close their charity in certain circumstances
- grant us a power to stop trustees resigning to avoid disqualification action

If enacted, the new powers would help us to prevent and deal more effectively and efficiently with serious concerns in charities. While we expect the new powers to affect only a small minority of charities directly, all charities will benefit from the increased public trust and confidence which will result from more effective regulation.

> *"It is vital to ensure the public have confidence in the regulation of the charity sector if they are going to continue the British tradition of generous charitable giving. We think the Bill can contribute to that."*
>
> **Lord Hope,**
> **Chairman of the Joint Committee on the Bill**

"The new powers will help us promote public trust in charities and ensure that charities continue to play their vital role in our society."

William Shawcross

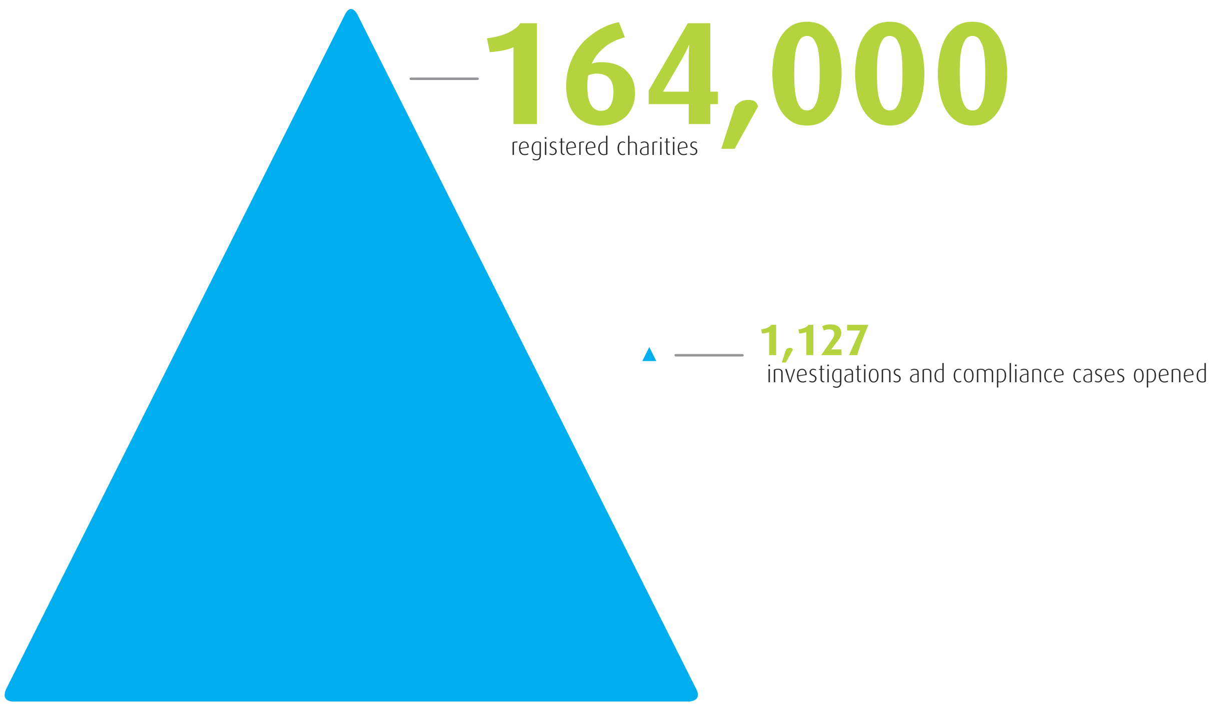
The Bill also reflects Law Commission recommendations that an incorporated charity and the charity trustees of an unincorporated charity be given a statutory power to make social investments (ie investments that further a charity's purposes as well as leading to a financial return). This is to dispel any doubts about trustees' ability to engage in social investment and to set out their duties when doing so.

Working with other agencies

As a civil regulator, it is vital that we work with other regulators and agencies to identify and tackle potential concerns in charities. This helps ensure each agency is able to make swift and effective progress in tackling issues of concern and avoids unnecessary duplication.

For example, we work closely with the regulators of exempt charities, to support them in carrying out their duty to promote exempt charities' compliance with charity law and to work in parallel where charities within our jurisdiction are also involved.

The NAO has acknowledged that we are exchanging more information with other public authorities. In 2014-15, we made and received **1,949** disclosures, compared to 1,746 in 2013-14 and 1,539 in 2012-13. Most of these disclosures were from the Commission to other agencies; we are working closely with our partners to encourage them to increase the number of disclosures they make to us.



We take a proportionate approach to regulation; only a tiny proportion of charities became subject to an investigation or compliance case in 2014-15.

5 Promoting accountability

We know from our public trust and confidence research that accountability is among the most important drivers of public trust in charities. So it is crucial that trustees file their charity's annual accounts on time and take their reporting requirements seriously. Good reporting means telling a charity's story in a way that its supporters and beneficiaries understand.

Our Statement of Regulatory Approach and strategic plan explain that one of our priorities is to promote charities' accountability. We do this by enforcing filing deadlines, setting minimum reporting requirements for documents filed, and making key information about charities available and searchable online. We also encourage trustees to go beyond the minimum formal reporting requirements to demonstrate accountability to their donors, supporters and beneficiaries and to the general public.

Charities' compliance with requirements

All charities with incomes over £10,000 are required to complete an Annual Return; charities with incomes over £25,000 are required in addition to submit annual accounts to us.

This year, we have secured a continued gradual increase in the percentage of charities filing the required annual information on time. In 2014-15, **87%** of charities required to complete an Annual Return did so on time, up from 75% in 2007-08. **99%** of the sector's income was accounted for in accounts filed in 2014-15.

Proportion of charities filing information on time

Reviewing the Annual Return

Each year, we review the Annual Return to make sure we continue to gather the information we need to ensure accountability and effectively regulate charities, without placing an excessive burden on charities. We consult on any proposed changes.

The Annual Return for the financial year ending in 2015 includes three new questions, which received broad support in consultation:

- in the reporting period, how much income have you received from:
  - contracts from central or local government to deliver services
  - grants from central or local government?
- does your charity have a policy on paying its staff?
- has your charity reviewed its financial controls during the reporting period?

"The public's appetite for information about charities is continually growing, and a key way for organisations to remain accountable to their donors and to grant funders is to file their annual information on time. If a charity is transparent about its income, expenditure and activities, then funders can feel confident in grant-making activities and donors can continue to give with confidence to their chosen cause."

Philip Howard
Grants Manager, Clothworkers' Foundation

Charity accounts

The Charity Statement of Recommended Practice (Charities SORP) is the accounting 'bible' for larger charities. It sets out how charities should prepare their accounts on an accruals basis. The Commission, together with the Scottish Charity Regulator, OSCR, is the Charities SORP-making body. This year, due to changes in UK accounting standards, the SORP was replaced by two SORPs, giving most charities a choice as to which SORP they adopt[8].

As well as scrutinising the accounts of individual charities in the context of case work, we review charity accounts proactively and by theme to monitor compliance with reporting requirements and to promote high quality reporting. This year we carried out four thematic account reviews: public benefit reporting; overall quality of accounts; pension scheme deficits; and charities with net current liabilities.

In 2014-15, we scrutinised **1,097** sets of accounts; **455** were examined as part of our compliance case work and **642** were looked at as part of our programme of proactive reviews. The total income of the charities reviewed amounted to **£3.9 billion**.

We published the findings of our four thematic account reviews. The reviews were carried out in respect of accounts filed for the two financial years ended 2012 and 2013.

The findings of all reviews pointed to weaknesses in trustees' understanding of and compliance with both basic reporting requirements and good reporting practice[9].

8 A new SORP solution was required after the new UK-Irish Generally Accepted Accounting Principles (GAAP) came into effect on 1 January 2015. As a result, for reporting periods beginning on or after 1 January 2015, most charities will have a choice to prepare accounts in accordance with either the Financial Reporting Standard for Smaller Entities (FRSSE) or the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102).
Looking ahead, due to an Accounting Directive from the European Union transforming small company reporting, FRSSE will no longer be available. The joint SORP-making body (the Charity Commission and the Office of the Scottish Charity Regulator) recently launched a consultation to seek charities' views on proposed changes to reflect the provisions of the Directive.

9 Raising trustees' awareness of these standards is an important part of our wider engagement work. See Part 6 Engagement and self-reliance for more information.

Public benefit reporting

Our review of charities' public benefit reporting found that most of the accounts reviewed failed to meet fully the public benefit reporting requirement. We analysed approximately 220 sets of accounts for the two financial years and found that only 27% of accounts in the 2012 sample and only 35% of those in the 2013 sample fully met the legal requirement. Public benefit is at the heart of the definition of charity and we were disappointed by the findings pointing to poor reporting compliance. However, the best charities actively reported on the impact on their beneficiaries and several of the reports we reviewed reflected excellent public benefit reporting.

The overall quality of accounts

The review of the overall quality of Trustees' Annual Reports and Accounts looked at how useful the accounts were for users, as well as how closely they complied with basic legal reporting requirements. We assessed 68% of the accounts in the 2013 sample and 54% of the accounts in the 2012 sample as being of acceptable quality.

Charities with pension scheme deficits

This review randomly sampled the accounts of 97 charities with incomes over £500,000 with accounts that showed a pension scheme deficit. We found that only 31 included an explanation of the financial implications of the deficit and of the trustees' plans for tackling the issue. The review also found that seven of the 97 charities had deficits that amounted to more than their unrestricted funds and over 20% of their annual income. Pension deficits can pose a potentially serious risk for charities. We reminded charities that they should be using their Trustees' Annual Report to explain to their donors and beneficiaries the financial implications and how they are tackling the problem.

Charities with net current liabilities

The review of 98 charities whose accounts recorded net current liabilities (that is their current debts exceeding their current assets) revealed that nearly 50% (42 of 98) failed to explain to funders and stakeholders how they were managing this risk. We found that most of the charities reviewed were funding their liabilities either through deferred income - payments being accounted for as though received ahead of the service being provided - or through bank loans and overdrafts.

New version of online charity search tool

Our online charity search tool enables the public to search the Register for authoritative information about charities. Charities' details were viewed over **7.5 million** times in 2014-15[10]. In order to ensure people can find the information about charities that we know drives public trust and confidence, we launched a new version of the online search tool in March 2015. We launched the new version as a 'trial' or 'beta' version to encourage comments and suggestions for improvements. The existing search tool remains available until it is replaced by the final version of the new tool later this year.

The new tool includes a number of improvements[11], including:

- key information, such as income and expenditure and charity contact details, is more prominent
- it is easier to view the tool on mobiles and tablets

10 This includes only the total number of views of the overview pages of charities' online charity search tool entries. Overall, pages relating to information about individual charities were viewed over 16 million times.

11 We continue to develop the tool, and will shortly include additional information from charities' Annual Returns, including whether a charity:
- pays its trustees
- raises funds from the public and if so whether it uses a commercial participator
- is a member of FRSB and therefore committed to high fundraising standards
- has a trading subsidiary

- the search and filtering options are more user-friendly
- there is a new option to download filtered searches as a CSV ('comma-separated value') file

"The new online charity search tool makes it really easy to find, understand and download information about charities at the press of a button. Displaying information this way is a key part of increasing transparency in charities, and these improvements mean the public can continue to donate with confidence."

Tris Lumley,
Director of Development,
New Philanthropy Capital

Our commitment to proportionate regulation

As explained earlier in this report, we are using our regulatory powers more frequently and effectively campaigned for legislation to address weaknesses in our current powers. It is important to stress that our exercise of powers will only affect a small proportion of charities directly but all charities will benefit from improved trust and confidence.

We continue to ensure our regulatory approach does not place excessive burdens on charities and this year continued to work with the Cabinet Office on ways to reduce the burden on trustees. This included work on proposals to make changes around audit and independent examination. Following consultation, several changes were introduced from 31 March 2015, including an increase in the basic income audit threshold from £500,000 to £1,000,000.

6 Enabling and self-reliance

As mentioned in the Introduction, our enabling role is one of our strategic priorities and is a core element of regulation. It enables us to prevent problems arising in the first place by helping trustees run their charity effectively in line with their duties. It also enables us to help charities to make effective use of their resources.

There are three main ways in which we have performed our enabling role this year: through case work to enable charities to, for example, update their objects or seek permission to dispose of property; through providing online services to charities and through guidance and engagement to support trustees in fulfilling their legal duties in managing their charities.

Enabling case work

The great majority of our work with charities, by volume, involves using our powers to help charities to operate more effectively. Our involvement is often prompted by charities that rightly contact us for authorisation for steps that will help them respond to changing circumstances.

We have the power to appoint trustees, grant permissions and make legal consents to amend or replace a charity's governing document (through schemes). Our involvement helps charities operate more effectively while protecting the public interest in charities.

Much of this work is simple and straight-forward and is conducted by our First Contact (FC) teams; which this year dealt with over **57,000** calls and over **55,000** emails; over **94%** of these contacts were resolved by FC teams. **2,588** permissions were granted by teams in FC this year.

Where issues are more complex or high risk, we deal with them more formally as operations cases. The operations teams opened **1,169** permissions cases and concluded **1,425** cases during the year.

Looking ahead, the work underway as part of the transformation programme will help us automate a significant proportion of our lower risk case work, so that we can provide an efficient, fuss-free service to charities while prioritising our resources on higher risk cases.

Our permission is also required before a charity can get involved in court proceedings. Before we agree to grant permission, we will ask trustees to demonstrate that they have considered alternatives to costly litigation, such as mediation and negotiation.

"Most of our interactions with charities are about helping them change and modernise so that they can continue to serve the best interests of their beneficiaries. It is really important that we as regulator provide an efficient and effective service when charities do need permission or authorisation from us. We regularly receive positive feedback from charities that we have helped."

Jan Provost, Case Work Manager in First Contact

Case notes

Advising a large conservation charity on changing its objects

The charity's objects are restricted to maintaining existing nature reserves in the UK, acquiring new reserves in the UK and encouraging others to carry out similar work in other countries in Europe. The trustees asked whether the restriction could be lifted to enable the charity to undertake wider activity to further the conservation of certain types of wildlife in the UK and Europe.

We noted that the bequest, which originally gifted the charity with its funds, acknowledged that the charity might at some time in the future wish to apply to us to lift the restriction. The bequest confirmed that this would be acceptable, provided the trustees were entirely satisfied that they had sufficient funds to maintain and protect their current nature reserves.

We therefore confirmed that if the trustees were satisfied that they could meet the condition, we would consider an application to remove the restrictions attached to the gift. We also advised on section 62(1) of the Act, which sets out the circumstances under which the purposes of a charitable gift can be altered so that it may be applied for a similar purpose. We explained that we would need to make a scheme to remove the restrictions and to alter the original purposes. The charity has since indicated that it will make a formal application to us for a scheme.

Providing permission to transfer a charity's funds

The charity (a church charity in the North of England) contacted us to request advice on transferring funds from an unincorporated trust to a new CIO (Charitable Incorporated Organisation). We advised that as the proposed transfer involved liabilities as well as assets and involved two organisations that had some trustees/directors in common, there was a conflict of interest that either needed to be managed (by a quorum of non-conflicted trustees) or authorised by us. We explained that our authority was required and could be provided if:

- there were not enough non-conflicted trustees
- the proposed transfer is in furtherance of the transferring charity's purposes
- the liabilities are not unduly onerous in the circumstances for the charity receiving the transfer

The charity was able to satisfy these conditions. We therefore made a Section 105 Order to authorise the transfer of assets and liabilities, allowing the charity to continue providing services through the new CIO.

Providing permission to pay a trustee

Why we got involved: The charity (a mental health charity) wanted to remunerate its chairman and future chairmen for serving in the role. The charity's governing document contains a power to pay trustees in 'exceptional cases' but only with our prior written consent. So it applied to us for permission.

The action we took: We carefully assessed the request and concluded that the charity had not provided sufficient information to enable us immediately to conclude that it was clearly in the best interests of the charity's beneficiaries to pay the chairman.

We advised the charity what information we would need to make a decision and the charity made further submissions. It explained the changing circumstances of the charity, notably a rapid increase in size and complexity. It explained that the role of chairman had changed significantly, and the demands on the serving chairman were considerably heavier than had been the case when he was recruited. The charity also provided information about the calibre of the chairman, explaining why it was in the charity's best interests to retain him for a further two years, until a suitable successor could be found.

What we found: The charity made a persuasive case for modestly remunerating its current chairman and we agreed to authorise this. However, the trustees did not satisfy us of the need to remunerate all future chairmen. The charity stated that it would be difficult to recruit a future chair of similar calibre unless the role was remunerated. But it was not able to evidence this, because it had not undergone a recruitment exercise as there was not yet a vacancy.

Impact of our work: Our involvement ensured that the charity was able to retain an effective chairman, and continue to operate effectively in the best interests of its beneficiaries. We were also able to protect the public interest in charity by ensuring that the decision to pay the chairman was indeed in the charity's best interest.

Band Aid Charitable Trust

Why we got involved: In November we were approached by the trustees of the Band Aid Charitable Trust, the charity which raised millions of pounds in the 1980s with the song 'Do they know it's Christmas'. The charity wanted to release a new version of the song to raise funds to help fight the Ebola outbreak in West Africa. They thought they would have to establish a new charity, as their objects were restricted to the relief of hunger and poverty in Ethiopia.

The action we took: We assessed the charity's request in light of the emergency in West Africa. We concluded that to save time and money for the charity, we could make a scheme to add an additional purpose of the 'relief of sickness' to the charity's objects. We ensured that the charity's original property and any income arising from it were ring-fenced for the original objects.

Impact of our work: By concluding our work within three days, we ensured that the charity's plans were not delayed because of administrative hurdles. The charity's single raised £1 million on its first day, and has since reported having raised £2.8 million for charities helping in the fight against Ebola.

Improving online services for charities

Online access for charity advisers

In January 2015, we launched a digital service that allows a charity's accountant or other nominated agent to submit annual accounts on behalf of their charity client. We created the new facility in response to calls from charities to make it easier for their advisers to file accounts once they were audited and ready. In the past, charities had to file their accounts themselves; we found that this often led to charities defaulting, because of a misunderstanding as to who was responsible for ensuring the accounts were submitted to us. However, it remains the duty of a charity's trustees to ensure that their charity's accounts are prepared and submitted to us within the deadline. By the end of 2014-15, the service had been used to file accounts **119** times.

Move to GOV.UK platform

During the year, our web presence received around **330,000** visitors every month. In September 2014, we migrated to the government's GOV.UK platform, as part of a wider move to streamline all government digital services. Our analytics to date indicate that a high number of users are able to find what they are looking for, and that certain pieces of core guidance are now accessed more frequently than they were through our old website. We are working directly with the Government Digital Service to address customer feedback that suggests some people find it harder to browse our content and services since we moved to GOV.UK. We are also developing a digital communications strategy that aims to ensure that we are delivering a seamless service across all channels, where charities are able to further self-serve and access our services via a variety of different devices.

Helping trustees do their best: online guidance and partnership work

There are over a million trustees in England and Wales. Most are volunteers who balance the responsibilities of trusteeship with their commitments to family and jobs. It is therefore vital that we provide guidance that helps trustees understand their duties and responsibilities, and that this guidance is accessible and easy to follow.

Revising core guidance: The essential trustee

This year, we consulted on a revised version of our core guidance for trustees, The essential trustee. The essential trustee describes trustees' duties and responsibilities in a way that all trustees, including those new to the role, can understand. The revisions to our guidance aim to make the guidance even clearer as to what the law and the Commission expect from trustees.

We were pleased with the level of engagement; the draft guidance was viewed over **21,000** times on GOV.UK, we received **114** written responses and held round-tables attended by over 30 key charity representatives and commentators.

Most trustees who responded said the new version was an improvement and that they found the explanations of trustees' duties clear. But some respondents, mostly advisers, were critical of the tone of the guidance and queried the way the draft explained the difference between recommendations trustees 'should' follow and requirements they 'must' comply with.

A revised version of the guidance, taking account of responses received, will be published shortly.

"I found everything in the main part as clear as it could be and felt that it made it all seem simple and not too daunting whilst making us aware of the legal implications."

Response to CC3 consultation from a trustee of a small charity via email

Reaching trustees

A key challenge for us is reaching trustees in the first place, and making them aware that our guidance exists and encouraging them to use it when making important decisions.

This year, we began issuing our quarterly newsletter, CC News, to all trustees for whom we hold an email address (over 220,000). Previously the newsletter went only to one named correspondent at each charity. CC News is a key vehicle for reaching trustees directly with updates on guidance, reminders about their duties and responsibilities, and, where relevant, information about the Commission. The newsletter is short and to the point, in recognition that trustees' time is limited.

Our digital offering

We are extending and improving our use of digital tools to promote effective trusteeship. This includes online question and answer sessions and infographics to explain key messages, as well as the promotion of important guidance to trustees. Our monthly digital campaigns to promote awareness of specific trustee duties and charity law requirements have already led to significant increases in views of key guidance. During a month-long focus on fraud during March 2015, views of our guidance on risk increased by 1,200% compared to the previous month, and views of our compliance toolkit increased by 53%.

Public meetings and Outreach work

We hold regular public meetings and outreach workshops in England and Wales, aimed at helping trustees understand their duties and responsibilities and to give charities an opportunity to ask questions of Commission members and staff. We also take part in events run by charities and other external organisations.

The Act requires us to hold an Annual Public Meeting ('APM') that allows charities and the public the opportunity to hear from our board and senior executive, and to ask us questions about our work during the previous financial year. This year's APM was held in London in September 2014. The meeting was chaired by our Chairman, and included an update on the Commission's activities by the Chief Executive, a question and answer session, and a lecture by the historian Dr Frank Prochaska. Dr Prochaska's lecture, The State of Charity, offered a historical perspective on government and societal attitudes towards charity and philanthropy. The meeting was attended by over 150 delegates, including charity trustees, advisers, Parliamentarians and journalists.

Some events, such as our APM, and three other quarterly public meetings open to all charities in the local area, are broad in terms of the topics covered. Others are tailored to particular groups of charities, such as charities working internationally, or faith charities. These events also provide an opportunity for our officers to listen to charities and better understand the contexts and environments in which they work.

In 2014-15, we held or attended over **50** outreach events and meetings, reaching around **2,000** delegates from **1,000** charities.

We are exploring cost effective ways of extending the reach of our events for charities, including live streaming, audio podcasts and edited videos.

Reaching out to charities with links to Muslim communities

We have taken part in several events with charities linked to Muslim communities in the UK, which has provided us with the opportunity to offer reassurance following concerns raised with us about perceptions of bias towards such charities in the Commission's work. We are confident that there is no bias in our approach to assessing concerns raised about charities (see page 24). However, any suggestion or perception of bias is of concern, and we needed to address it proactively.

> *"We were delighted that William Shawcross spoke at the pre-launch of our new charity fundraising platform, which will encourage professional Muslims around the world to donate directly to charities. The feedback we received following the event was extremely positive, especially in relation to William's speech and the sentiments he expressed about the link between faith and charity and the generosity of Muslim communities in the UK and beyond."*
>
> **Zareen Roohi Ahmed,**
> **Charities Director, ExecutiveMuslim.com**

For example, we took part in a series of nationwide Eid events after Ramadan as well as an Eid Dinner hosted by the Muslim Charities Forum at the Muslim Cultural Heritage Centre in London, which was attended by a number of charities with links to Muslim communities, including Islamic Relief and Muslim Aid. Commission staff reassured participants that there is no bias in its regulatory work and that it assesses concerns about charities objectively against a published risk framework. The Commission acknowledged the sensitivity of the issue and welcomed the opportunity for an open and frank discussion with charities about its work and the way its work is reported in the media.

In September 2014, our Chairman spoke at a charity event in Leeds at which he explained our approach to identifying and responding to concerns about charities. He explained that our criteria for opening an investigation are absolutely neutral and have nothing to do with whether a charity is established for a religious purpose or not, or whether its work supports a particular community or group. He also emphasised that it was emphatically not the case that the Commission is targeting or disproportionately focusing on charities with links to Muslim communities.

Working with partners

While we continue to provide online guidance and engage with trustees using digital tools, our resources do not allow us to provide bespoke advice to individual charities. Indeed, as a regulator, it should not be our role to 'hand-hold' trustees through decisions that are theirs to make.

During the year, we worked closely with a number of partner organisations that are equipped to provide more hands-on support to charities.

For example, this year, we helped the Ethical Property Foundation ('EPF') launch a new advice line for charities with questions or concerns relating to land and property. We refer all charities with general queries about land and property issues to EPF. We continue to take on cases that require our involvement as regulator.

> *"Since our referral partnership with the Commission began in February, we have extended our reach both online and on the phone, helping increasing numbers of people working in small charities across England and Wales. We have been able to advise on really knotty challenges, such as land transfers and historic leases, and charities now know that there is expert help available."*
>
> **Antonia Swinson,**
> **Chief Executive, Ethical Property Foundation**

Case notes

Example of advice provided by the Ethical Property Foundation

The EPF was contacted by a pre-school in Sussex, which operates from a building that it holds on lease from the primary school next door. The charity is considering building an extension in order to be able to take on more children. As the building does not belong to the charity, it needed to know what would happen to the money spent on the extension when the land is eventually handed back to the landlord at the end of the lease. The EPF were able to clarify that that rules on the disposal of charity land would apply, and put the charity in touch with a professional able to carry out the necessary reports should they decide to go ahead with the extension at discounted fees.

We also have agreements in place with a number of umbrella bodies, including the Pre-School Learning Alliance and the National Federation of Women's Institutes, to ensure their members comply with reporting requirements.

This year, we began trialling a project whereby umbrella bodies check members' charity registration applications; this is akin to the Post Office passport checking service. The aim of such services would be to help eliminate errors in applications and thus improve the speed with which we process registration applications. If the trials are successful, we would hope to launch the service with a limited number of umbrella bodies, with a view potentially to involving wider groups across the charity sector.

Trustees' Week

Trustees' Week is a national collaborative campaign to promote awareness of trusteeship and to encourage more people from diverse backgrounds to consider becoming a charity trustee. The campaign involves a broad range of groups and organisations within and beyond the charity sector, and has grown considerably in profile since the first Trustees' Week in 2010. Trustees' Week 2015 was launched at the NCVO Trustee Conference in London and, in total, 35 events were held under the Trustees' Week banner, including seminars for existing trustees and 'matching events' to pair prospective trustees with trustee vacancies. This year, we held a competition inviting trustees to submit a short video explaining why they find trusteeship rewarding. The winning three submissions were played at the NCVO Trustee conference.

"Trustees' Week is a fantastic opportunity for people of all ages and abilities, and from all backgrounds, to get involved in trusteeship. We have been a campaign partner since its inception and have been inspired to see how the Week has grown and developed, raising awareness of good governance and giving people the chance to make a real difference in the charities that matter to them."

Karl Wilding, Director of Public Policy, NCVO

Promoting safer giving

As regulator, it is vital that we protect charity funds by ensuring the public understand how to spot a genuine charity.

We work closely with partners in the charity sector and beyond in promoting safer giving; we focus our work around times of increased giving. This year, we worked with umbrella bodies for charities working with Muslim community umbrella bodies to publicise a Ramadan safer giving video, aimed at helping Muslims identify genuine registered charities. We circulated a similar video at Christmas. In total, our videos have been viewed over **22,000** times.

A screenshot of our Christmas 2014 Safer Giving video

Our safer giving work is also designed to celebrate and encourage the generosity of the public and people linked to religious communities. For example, we attended dinners to celebrate the generosity of Muslim communities during Ramadan.

This year, our monitoring team worked with seven major rail and station operators and the Fundraising Standards Board (FRSB) to champion safer giving across England and Wales's rail network. The seven operators, which manage more than 1,000 stations, committed to safer giving measures in their stations. For example, they agreed a new standardised application process for charities wishing to fundraise on their premises and committed to closer monitoring of charity collections. This application process ensures greater clarity and consistency amongst rail operators on the key checks they need to make when giving permission to charities who wish to collect at their stations. The aim of the initiative is to minimise the scope for fraudulent collections at stations, strengthen public confidence in charitable giving and to help preserve this important income stream.

"These safer giving measures are an important step forward to help minimise fraud, protect the public and deter the long term risk of reputational damage to charities."

Paul Brogden, British Transport Police Chief Superintendent

Our International work

Around 16,000 charities registered with the Commission provide overseas development aid. Many work with and through partners on the ground; it is estimated that UK charities send around £5 billion in funds to partner organisations abroad each year. This means that the UK public has a direct stake in the good management and effective regulation of charities and non-government organisations internationally. The purpose of the Commission's international work is to:

- ensure we remain sufficiently aware of and responsive to developments in international frameworks for charity regulation
- ensure adequate support and expertise for regulatory actions regarding charities that operate both in England and Wales and other jurisdictions
- help prepare other regulatory bodies overseas to regulate fairly, transparently and effectively through sharing best-practice, experience and operational tools and procedures that are unique to the Commission
- and, in parallel, support the development of healthy and accountable charity sectors worldwide

Some of this work is conducted by the International Programme, a small team which is part funded by the Foreign and Commonwealth Office (FCO).

Work with UK and European Partners

The Commission continues its liaison work with charity and non-governmental organisation regulators in both the United Kingdom and the European Union. Our relationship with both OSCR (the Scottish Charity Regulator) and the Charity Commission for Northern Ireland remains strong, with regular meetings to discuss regulatory policy and operational matters. Within the European Union, a European Charity Regulators Forum has now been established, which brings together government regulators within the Union. The Commission is an active member of the forum. This has proved to be an important forum for discussions on effective regulation and on ways of mitigating risks such as fraud and abuse from criminals and other terrorist organisations. The forum has also discussed cross-border work by Europe's charity sectors and cross-border regulation.

Regional workshops

Teams from the Commission participated in regional workshops in Slovakia and Bangladesh supporting the prevention of abuse of non-profit organisations for terrorist financing, in collaboration with the Organisation for Security and Cooperation in Europe, the UN Counter Terrorism Executive Directorate, the US State Department and others. The workshops were attended by delegations from Pakistan, Bangladesh, Nepal, Russia, Mongolia, Ukraine and others. Country delegations included representatives from the non-profit sector, law enforcement, and regulatory bodies.

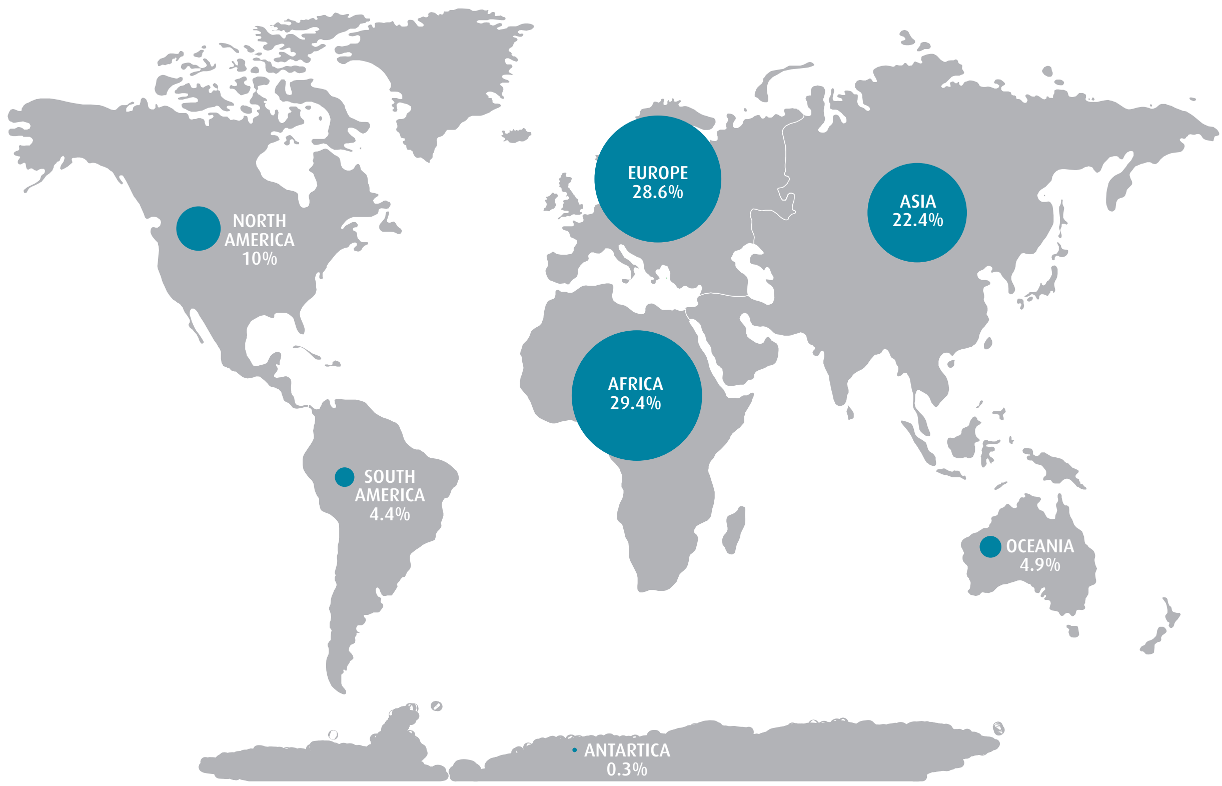
Inspection visits in East Africa

The Commission's teams hosted a round-table in Kenya for charities working in or supporting activities in Somalia, and conducted a series of meetings and on-site inspection visits to a number of charities. The need for this programme of work was identified from our operational and investigative work; it also ensured that our staff better understand and recognise the context of operating internationally, particularly in conflict zones and areas where terrorist groups and organisations exert control.

The Financial Action Task Force (FATF)

The Commission co-operates closely with the FATF, an inter-governmental body promoting the effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats.

In 2014-15, the International Programme co-chaired a study group of the FATF on behalf of the UK Government. The group included 14 countries and produced a global policy paper on the 'Risk of Terrorist Abuse in Non-Profit Organisations'. The Commission worked closely with other UK departments in co-ordinating the UK's contribution to the report.



Around 16,000 registered charities work internationally. This map breaks them down by continent of operation. Please note, some charities work in more than one continent.

Work in Bahrain

The International Programme is working with the Ministry for Social Development in Bahrain to improve the regulatory environment of Bahrain's charity sector. This year, we provided technical assistance and capacity building to government officials and charities in Manama. We also hosted a visit to the UK of Bahraini civil servants and representatives of leading Bahraini NGOs. This work is fully funded by the FCO.

Inward visits

We continue to host inward visits by Ministers and senior civil servants from around the world. In 2014-15, the International Programme organised presentations and study tours for charity regulators from China, Bahrain, Jamaica, USA and Canada.

International Common Law Regulators Conference

This year, we took part in the International Common Law Regulators Conference held in Melbourne, Australia, hosted by the Australian Charities not-for-profits Commission (ACNC). The conference is held every 18 months as a means of sharing legal and regulatory developments in charity regulation and improving effective liaison between regulators in common law jurisdictions. Items of interest on the agenda included campaigning and advocacy by charities following the Aid Watch decision in Australia, the extent of ancillary private benefit in charities' 'for profit' operations, and the comparison of best regulatory business models.

7 This year in figures

The Commission has four top-level External Performance Indicators (EPIs) to measure its performance in the following key business areas:

EPI 1: Deliver value-for-money efficiency savings in readiness for 2015-16

Met.

As part of the 2013 Spending Review, the Commission agreed with Treasury to deliver a 6.3% real reduction in its spending plans in readiness for a reduced budget in 2015-16. Further revisions to the budget were made by Treasury subsequent to the 2013 Spending Review. During 2014-15, the Commission successfully adjusted its recurring staff and non-staff spending commitments in line with its revised budget for the year ahead.

EPI 2: Quality of case work

Exceeded.

The percentage of Commission case work or other pieces of work reviewed as acceptable or better is **95%** (2013-14: 90%). The target was 90%.

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

Not measured this year.

The Commission undertakes an independent survey in alternate years to assess the level of public trust and confidence in charities. The most recent survey was undertaken in March 2014, which rated trust and confidence in charities as 6.7 on a scale of zero (low) to ten (high). The next survey is scheduled to be undertaken in March 2016.

EPI 4: Overall level of public trust and confidence in the Commission

Met.

The Commission's target was to maintain or improve upon the level of public trust and confidence in the Commission, measured through an independent survey which rated trust in the Commission at 6.1 on a scale of zero (low) to ten (high) in 2014. This year the score remained unchanged at 6.0 (based on the size of the survey, statistically, this does not represent a change). The score for the level of charities' trust and confidence in the Commission was higher at 8.3 on the same scale of zero to ten.

Registration

7,192	applications to register (2013-14: 6,661)
4,648	registration applications approved (2013-14: 4,968)
2,248	Charitable Incorporated Organisations registered (2013-14: 1,331)
34	registration applications formally refused (2013-14: 23)

Investigation and enforcement

51	statutory inquiries concluded (2013-14: 23)
103	statutory inquiries opened (2013-14: 64)
133	investigations live as at 31 March 2015 (87 were live as at 1 April 2014)
119	assessment cases concluded (2013-14: 119)
133	assessment cases opened (2013-14: 115)
393	monitoring cases concluded (2013-14: 54)[12]
442	monitoring cases opened (2013-14: 96)[13]
137	compliance and inspection visits conducted (68 monitoring visits conducted in 2013-14)
1,060	powers used during compliance case work (2013-14: 790)
£44.6m	charity assets directly protected (2013-14: 31.3m)
£60m	charity assets accounted for in the class inquiry on double defaulters since September 2013

12 All monitoring work is now conducted by teams within the Investigations, Monitoring and Enforcement (IME) directorate. Last year, some monitoring was conducted by a monitoring team that sat outside IME. For this reason, these monitoring figures are not directly comparable to the IME monitoring figures for last year.

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Most common issues featured in investigations opened this year

- accounting issues
- mismanagement/misconduct
- alleged/suspected money laundering
- suspected sham charity
- misapplication of funds

Operations teams

1,024 ▶ operational compliance cases opened (2013-14: 1,865)

1,125 ▶ operational compliance cases concluded (2013-14: 1,972)

1,169 ▶ operational permissions cases opened (2013-14: 887)

1,425 ▶ operational permissions cases concluded (2013-14: 1,082)

Most common areas of concern in operational compliance cases

- mismanagement/misconduct
- beneficiaries at risk
- poor governance
- fraud
- disputes
- misapplication of funds
- Annual Return or accounting issues
- conflicts of interest
- abuse of beneficiaries
- concerns about the application of income

First Contact (FC)

- **57,075** ▶ calls to FC (2013-14: 88,822)
- **55,131** ▶ emails logged in FC (2013-14: 48,274)
- **7,951** ▶ letters logged in FC (2013-14: 9,681)
- **94.7%** ▶ contacts resolved in FC (2013-14: 94%)
- **87%** ▶ Annual Returns filed on time (2013-14: 86%)
- **86%** ▶ accounts filed on time (2013-14: 86%)
- **99%** ▶ sector's income accounted for in accounts filed (2013-14: 99%)

Ten most common issues raised in emails/letters to FC

1. Amendments to governing documents.
2. Queries about Annual Returns and accounts.
3. Complaints against charities.
4. Queries about closing or merging a charity.
5. Queries about trustee duties responsibilities.
6. Land queries.
7. Correspondent/email/trustee address.
8. Charity details.
9. Queries about mergers.
10. How to register.

Commission services and complaints

- **560** ▶ Freedom of Information requests responded to (2013-14: 672)
- **55** ▶ complaints (stage two reviews) dealt with by the Business Assurance Team (2013-14: 53)
- **2** ▶ complaints fully upheld (2013-14: 9)
- **12** ▶ complaints partially upheld (2013-14: 10)

The Parliamentary and Health Service Ombudsman has advised us that it has accepted **six** complaints for investigation in 2014-15. Of these, **two** have been concluded - neither was upheld. **Two** cases remain ongoing.

8 Resource accounts

Contents

Strategic Report

This strategic report is prepared and published as part of the Commission's resource accounts for 2014-15, as required by the Financial Reporting Manual (FReM) produced by Treasury.

The Commission sets out its future direction in a new three year strategic plan 2015-18, a copy of which is available on GOV.UK at: www.gov.uk/government/organisations/charity-commission

Results for the year

The Commission's funding position reflects a tighter fiscal policy across government as a whole, with less funds available for regulatory activity than in previous years. In 2014-15, the Commission received a reduction in funding for the fourth year in succession, falling by 4% when compared to the previous financial year (see Our funding on page 46).

The resource accounts report a small revenue underspend of £0.25 million (2013-14: £0.32 million), which represents approximately 1% of our funding for the year.

The level of expenditure incurred by government departments, including the Commission, is subject to statutory limits approved by Parliament. It is a fundamental form of accountability that expenditure within a financial year does not exceed these limits. There are three key financial targets which the Commission must achieve. Our performance against these targets is set out in the following table:

	Revenue DEL (£'000)	Capital DEL (£'000)	Net cash requirement (£'000)
Expenditure limits set at the start of the year and subsequent adjustments			
Main estimate	21,143	412	20,635
Supplementary estimate	300	550	850
Final limit	21,443	962	21,485
Performance against limits			
Expenditure incurred	21,192	705	-
Cash used for activities funded by supply	-	-	20,896
Outturn compared to estimate	251	257	589
Performance within funding limit?	✓	✓	✓

Our funding

Our baseline revenue funding for 2014-15 was £21.4 million. The following table sets out our funding limits for the spending review period (2010-11 to 2014-15).

Funding limits for the Commission for the spending review period (nominal terms)	Year 1 2010-11 (£'000)	Year 2 2011-12 (£'000)	Year 3 2012-13 (£'000)	Year 4 2013-14 (£'000)	Year 5 2014-15 (£'000)
Total Revenue DEL:	29,334	27,580	26,020	22,289	21,443
of which non-ring-fenced	0	26,100	25,250	21,489	20,593
of which ring-fenced for depreciation	0	1,480	770	800	850
Total Capital DEL	700	493	361	725	962
Annual reduction in non-ring-fenced revenue DEL	3%	6%	3%	15%	4%

Revenue DEL includes one-off funding of £550k (nil in 2013-14) for the Commission's transformation programme. Capital DEL includes one-off funding of £300k (nil in 2013-14) for the Commission's transformation programme.

Development and performance

The Commission has increased its investigation and enforcement coverage during the year. Please refer to Part 7 of the Annual Report entitled 'This year in figures - Investigation and Enforcement' which illustrates a two or threefold increase in some of the relevant statistics this year when compared to 2013-14. The business is positioned to maintain this level of coverage in 2015-16.

The Commission publishes four top-level External Performance Indicators (EPIs), with associated targets to measure its performance. Two of the four targets were duly met, whilst a third target was exceeded and the fourth will be covered in the next year's Annual Report following the conclusion of an independent survey in March 2016. A full commentary is given on all four EPIs in the opening paragraph of Part 7 of the Annual Report.

Environmental performance is covered later in this document under the heading of 'Sustainability Report'.

Risk management

Our risk management activity is directed at identifying and addressing risks upfront rather than dealing with their consequences. Our approach considers both the likelihood and the impact of specific risks. In particular we seek to safeguard our services, reputation, projects, assets and information security and minimise the possibility of any organisational failure. We also identify, report and manage risks that are directly linked to the achievement of our aims, objectives and priorities and monitor them on a regular basis.

The risk management system we operate was in place throughout the year with each director responsible for managing risks within their own function. Our strategic risk register (SRR) catalogues each risk and its trend and is reviewed and revised by directors at each of their monthly meetings. The SRR is also reviewed at periodic meetings of the Audit and Risk Committee and the board.

Paula Sussex
Chief Executive and Accounting Officer

22 June 2015

Directors' Report

Future developments

There are no important events to report since the end of the financial year that are expected to have a material impact on the business in future years.

The Commission expects to undertake a limited programme of research and development during 2015-16, the main item being an independent survey into public trust and confidence in charities. The outcome of this research will be published in the 2015-16 Annual Report.

The Commission operates solely from its base in England and Wales and does not have any overseas branches.

Board members

Board members	
William Shawcross CVO **Chairman** October 2012 - February 2018	Chair of our Transform Project Oversight Committee, member of our Governance and Remuneration Committee.
Michael Ashley MA, FCA November 2014 - September 2017	Chair of the Audit and Risk Committee and board Whistleblowing Champion. Other current appointments include: Chair of the Government Internal Audit Agency. Unpaid work: Governor and Director, Dulwich College Preparatory School Trust.
Eryl Besse June 2013 - May 2016	Board member with special interest in Wales. Member of our Governance and Remuneration Committee, member of our Policy Guidance Committee and our Transform Project Oversight Committee. Unpaid work includes: Advisory Board, Teach First Cymru; Campaign Board, Development Committee, Magdalen College School.
Peter Clarke, CVO, OBE, QPM May 2013 - April 2016	Board member, member of our Public Interest Litigation and High Risk Cases Committee, member of our Audit and Risk Committee, member of our Transform Project Oversight Committee. Unpaid work includes: Patron of the International Centre for Study of Radicalisation (Kings College, London); Trustee, Crimestoppers.
Claire Dove , MBE, DL July 2013 - June 2016	Board member and board Diversity Champion. Unpaid work includes: Trustee, Alder Hey Childrens' Hospital; Vice-Chair, City of Liverpool College; board member, Steve Biko Housing Association.
Orlando Fraser, QC July 2013 - June 2016	Legally qualified board member. Chair of our Governance and Remuneration Committee, Chair of our Policy Guidance Committee, member of our Public Litigation and High Risk Cases Committee.

Board members	
Tony Leifer May 2013 - April 2016	Legally qualified board member. Chair of our Public Interest Litigation and High Risk Cases Committee. Unpaid work includes: Chairman of the Jewish Council for Racial Equality; Trustee of the Corinne Burton Memorial Trust; Trustee of YaD; Trustee of The Olswang Foundation.
Nazo Moosa, MBA May 2013 - September 2014	Board member and Chair of the Audit and Risk Committee before her resignation in September 2014.
Professor Gwythian Prins, MA, PhD (Cantab), FRHS June 2013 - May 2016	Board member, member of our Audit and Risk Committee, member of our Transform Project Oversight Committee, member of our Policy Guidance Committee, member of our Risk and Data Hub expert advisory group. Unpaid work includes: Trustee of the Waterford School Trust.

Register of Interests

In common with other public bodies, the Commission has arrangements under which potential conflicts of interest can be recognised and managed. Board members' current roles where there is potential for conflicts of interest are summarised above.

Board members are able to continue to serve as trustees or officers in charities. It is also normal for those whose livelihoods require professional involvement with charities to continue with these functions provided that they are declared, transparent and not inconsistent with the Commission's regulatory role.

As a matter of practice, the Chair and the Chief Executive are required not to hold trusteeships during their term of office. Where the circumstances of a board member or senior civil servant involve, or might appear to involve, potential for a conflict of interest in his or her official role, he or she will declare this position and, if required, withdraw from related Commission business and discussions.

Conflicts of interest arose on a number of occasions during the year when specific charities came under discussion at our Public Interest Litigation and High Risk Cases Committee. Our new Audit and Risk Committee Chair, Michael Ashley, is also chairman of the Government Internal Audit Agency which supplies our internal audit service. On each occasion where a conflict occurred the committee member declared their interest and absented themselves when needed.

There were no company directorships or significant interests that would conflict with their management responsibilities that required declaration by the Chief Executive or any executive director.

Further information and our full board Register of Interests can be found on GOV.UK at:
www.gov.uk/government/organisations/charity-commission/about/our-governance#register-of-board-members-interests

So far as board members and executive directors are aware, there is no relevant audit information of which the NAO is unaware. The board members and directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the NAO are aware of that information. 'Relevant audit information' means information needed by the NAO to prepare their audit report.

Independent advisers

To strengthen the knowledge and skill mix of committee membership the Commission has independent advisers who sit on the following committees: Audit and Risk, Governance and Remuneration, Policy Guidance, Public Interest Litigation and High Risk Cases and Transform Programme Oversight.

Alan Downey MA, MBA - has been the independent co-optee to our Audit and Risk Committee since May 2014.

Professor Lorraine Dodd, (Research Director, Cranfield University) BSc (Hons), MSc - is an independent adviser to the Commission on risk and data.

John Wood - Former board member (up to February 2014), is an independent member of our Public Interest Litigation and High Risk Committee and our Transform Programme Oversight Committee. He is also an adviser to our Policy Guidance Committee.

Louise Wood, MCIPD - has been the independent member of our Governance and Remuneration Committee since 2008.

In addition, Christopher Daws MA (Cantab), FCA, ATII, MCT served as an independent member of our Audit and Risk Committee until August 2014.

Pension liabilities

The directors and employees are members of several pension schemes as disclosed in note 1.10 to the Financial Statements and in the Remuneration Report. All employer pension contributions payable are included in the Income Statement for the financial year as incurred, on the basis that the schemes are multi employer and the Commission is unable to identify its share of the underlying assets and liabilities.

Present and past employees of the Commission are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The scheme allows employees to make pension provision for retirement if they wish. A new pension scheme, Alpha, was introduced on 1 April 2015. The majority of PCSPS members will join the new scheme on this date. More information about both schemes can be found on the Civil Service Pensions website.

The pension benefits of Commission board members and directors are outlined in the Remuneration Report.

Payment of suppliers

The Commission is committed to the Confederation of British Industry's (CBI) Better Payment Practice Code and aims to pay all undisputed invoices within ten days of the later of receipt of goods and services or receipt of the invoice. During the year, the percentage of invoices paid within ten days was 95% and the percentage paid within five days was 81% (ten days 98%, five days 84% in 2013-14).

Auditors

This year's resource accounts have been audited by the National Audit Office ('the 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 (£56,000 in 2013-14). In addition, a fee of £1,000 (£1,000 in 2013-14) was charged to the Commission in 2014-15 for the audit of the Official Custodian of Charities' 2014-15 financial statements.

So far as the Accounting Officer is aware, there is no relevant audit information of which the NAO are unaware. The Accounting Officer has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that the NAO are aware of that information. 'Relevant audit information' means information needed by the NAO to prepare their audit report.

Our staff

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

		31 Mar 2013	31 Mar 2014	31 Mar 2015
Staff on payroll	Number in post	305	304	288
Agency staff	Number in post	4	7	27
Workforce shape	Staff at pay band 3 and below	113	97	91
	Staff at pay band 4 and above, excluding SCS	187	203	191
	Senior civil servants	5	4	6
Workforce diversity	BME in full	4%	4%	6%
	Women	51%	48%	51%
	Disabled	10%	11%	13%
Attendance	Average working days lost	6 days	7 days	6 days
Civil service people survey	Engagement index %	58%	58%	53%
Pay multiple	Ratio between highest and lowest paid	8.34	8.63	7.48

There were no personal data incidents that require reporting this year.

Improving organisational culture and employee engagement

We are committed to an inclusive and open culture and recognise that staff engagement is vital to the Commission's success. Senior management promotes a spirit of cooperation and partnership, in the interests of productivity, efficiency and the well-being of all Commission staff. This means an enabling culture of mutual respect, good internal communications and timely consultation (and where appropriate negotiation) on issues affecting staff and their conditions of service. It also means running regular surveys and actioning the results.

Since 2011, we have been taking part in the Civil Service People Survey and we use the results to prioritise action to maintain staff engagement. We are disappointed that our staff engagement index dropped to 53% this year but we recognise that this was at the end of a particularly challenging period of downsizing and a disappointing report from the NAO. Focus groups were arranged as soon as it became clear that our score had dropped and the results from those focus groups were used to inform our corporate employee relations and communications planning processes.

The Commission is committed to maintaining effective employee relations, both directly between line managers and their staff, and indirectly between management and the two active trade unions (PCS and FDA). Our new Chief Executive and selected board members facilitate open staff sessions on each site regularly throughout the year to enable all staff to input ideas for improving the way we work and for consultation on key business/ workforce issues. We meet with our unions monthly and we continue to maintain good employee relations during a period when the challenges of the transformation programme we are embarking upon are considerable.

We remain committed to investing in staff training and development and corporate training was delivered to meet all identified priorities for 2014-15 with excellent feedback on all specialist training and in-house training delivered. Most training is now delivered centrally through Civil Service Learning (CSL). Senior leadership development was facilitated through 360 degree feedback. This was the first year of implementing a new drive to deliver five days learning per employee per annum and by the end of the year we provided 1,004 training days (averaging 3.25 days per person), an achievement of 65% against a target of 80%.

Equality and diversity

The Commission is committed to equality and diversity. In all our activities we aim to treat colleagues and customers fairly and with respect.

A board member is always appointed as the Commission's Diversity Champion. The Diversity Champion attends regular meetings of the Diversity Steering Group, which is also attended by the Chief Executive and includes wide representation from across the Commission. Our employment policies incorporate relevant employment law and good practice to ensure that the organisation does not discriminate against anyone who works for it or comes into contact with it. We monitor our workforce against diversity targets covering ethnicity, gender, disability, sexual orientation, age, religion and belief. We are pleased to note this year that our BME and disability profiles are increased from last year.

The Commission adheres to the Civil Service Code of Practice on the Employment of Disabled People. The Code states that the Commission does not discriminate on grounds of disability. Access to employment, training and career development and advancement are based solely on competence required for the job and individual ability. This is reflected in the proportion of Commission staff with a declared disability, which continues to be significantly higher than the Civil Service average.

We also participate in the 'two ticks' guaranteed interview scheme for job applicants with a disability, and have an active Disability Forum for the benefit and support of staff.

Social and community issues

The Commission actively encourages staff to get involved in social and community issues, in particular volunteering within the not for profit sector, and offers between one to five days paid time off if there is a clear benefit to an individual's development in connection with their job.

Paula Sussex
Chief Executive and Accounting Officer

22 June 2015

Sustainability Report

We are committed to sustainable development and reducing the impact of our activities on the environment. This will be achieved through implementation of our sustainability action plan, a copy of which can be found on GOV.UK. In addition, all government departments and executive agencies have mandated targets for reducing greenhouse gas emissions, waste and water consumption. These are known as SDiG targets (sustainable development in government). Our performance against each of the four SDiG targets is set out in the following tables.

Where our records are incomplete, we have made a reasonable estimate based on the information available. This is identified by an '(e)' in the following performance table.

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 are 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.

SDiG target	Commission performance	Target achieved
By 2015 we will reduce greenhouse emissions by 25% from a 2009-10 baseline from the whole estate and business related transport	Scopes 1 and 2% reduction achieved (note 1)	Yes
	Scope 3% reduction (note 2)	Yes

Detailed analysis of performance

		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Non-financial indicators (tonnes of C02)	Total gas emissions from scopes 1 and 2	1,073	793	708	636	602	625
	Gross emissions scope 3 business travel	114	98	61	60	58	78
Related energy consumption (kwh)	Electricity	1,339,085	1,054,242	984,439	939,458	1,004,836	945,245
	Gas	1,212,870	700,315	613,408	791,786	792,094	656,160
	LPG	0	0	0	0	0	0
	Other	0	0	0	0	0	0
Financial indicators (£k)	Expenditure on energy	186	130	135	141	162	147
	CRC licence expenditure	0	3	1	1	1	6
	Expenditure on official business travel	381	278	213	237	289	349

Note 1: for scopes 1 and 2, data is only available for our Liverpool, London and Taunton offices. Data is unavailable for our Newport office as these services are provided by the landlord and recharged to the Commission as part of the service charge.

Note 2: scope 3 covers all types of travel undertaken by Commission staff and the use of couriers.

Waste

SDiG target	Commission performance	Target achieved
By 2015 we will reduce the amount of waste we generate by 25% from a 2009-10 baseline	We have reduced the amount of waste we generated by 2015	Yes
	We have reduced the amount of paper we use by 44% from 2013-14 to 2014-15	Down from 7,125 reams to 4,913 reams

Detailed analysis of performance

			2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Non financial indicators (to the nearest tonne)	Hazardous waste	The Commission does not generate hazardous waste						
	Non hazardous waste	Landfill	47	9(e)	4(e)	10	9.5	13(e)
		Reused/recycled	80	60(e)	55	57	58	34(e)
		Incinerated/ energy from waste	0	0	0	0	0	0
Financial indicators (£k)	Total disposal costs		14	17	13	14	15	6*
	Hazardous waste	The Commission does not generate hazardous waste						
	Non hazardous waste	Landfill	3	3	1	2	3	2*
		Reused/recycled	11	14	12	12	14	4*
		Incinerated/ energy from waste	0	0	0	0	0	0

* We are unable to derive a breakdown of costs from our Liverpool and London landlords.

Water consumption

SDiG target	Commission performance	Target achieved
By 2015 we will reduce water consumption from a 2009-10 baseline and report on office water use against best practice benchmarks	Water continues to reduce, but when reporting against best practice benchmarks we reflect poor practice in both our offices reported on	Yes Water has decreased by 40% since 2009-10, we now need to work on best practice benchmarks

Detailed analysis of performance

			2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Non-financial indicators (M3)	Water consumption	Supplied	4,488	3,197(e)	2,495(e)	2,682(e)	2,635	2,581
		Abstracted	0	0	0	0	0	0
Financial indicators (£k)	Water supply costs		8	7(e)	6(e)	8(e)	9	9

The above tables have been prepared in accordance with guidelines laid down by Treasury in 'Public Sector Sustainability Reporting' published www.financial-reporting.gov.uk. Defra/DECC GHG Conversion Factors were used to calculate our C02 emissions.

Remuneration Report

Service contracts

The Constitutional Reform and Governance Act 2010 requires civil service appointments to be made on merit on the basis of fair and open competition. The recruitment principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise. All appointments are overseen by the Office of the Commissioner for Public Appointments.

Unless otherwise stated, the officials covered by this report hold appointments which are open-ended. Early termination by the Commission, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at: www.civilservicecommission.org.uk

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of board members and the most senior executive officials of the Commission.

Remuneration (audited)

Board, Chair and Chief Executive	Fee/salary (£'000)		Bonus payments (£'000)		Pension benefits (£'000)		Total (£'000)	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
William Shawcross Chair	50-55	50-55	0	0	0	0	50-55	50-55
Sam Younger Chief Executive (to 30 June 2014)	35-40 (130-135 full year equivalent)	130-135	0	0-5	18	51	50-60	180-185
Paula Sussex Chief Executive (from 1 July 2014)	95-100 (125-130 full year equivalent)	0	0-5	0	36	0	130-135	0
Eryl Besse	15-20	10-15	0	0	0	0	15-20	10-15
Peter Clarke	15-20	15-20	0	0	0	0	15-20	15-20
Claire Dove	0-5	0-5	0	0	0	0	0-5	0-5
Orlando Fraser	0	0	0	0	0	0	0	0
Tony Leifer	15-20	10-15	0	0	0	0	15-20	10-15
Professor Gwythian Prins	15-20	10-15	0	0	0	0	15-20	10-15
Nazo Moosa (to 1 Oct 2014)	0	0-5	0	0	0	0	0	0-5
Mike Ashley (from 1 Nov 2014)	0-5	0	0	0	0	0	0-5	0

Directors	Fee/salary (£'000)		Bonus payments (£'000)		Pension benefits (£'000)		Total (£'000)	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Sarah Atkinson Director (from 1 Oct 2014)	30-35 (60-65 full year equivalent)	0	0-5	0	18	0	50-55	0
Nick Allaway Director (from 1 Oct 2014)	50-55 (90-95 full year equivalent)	0	0-5	0	17	0	65-70	0
Kenneth Dibble Director (from 1 Oct 2014)	50-55 (105-110 full year equivalent)	0	0-5	0	20	0	75-80	0
Michelle Russell Director (from 1 Oct 2014)	35-40 (75-80 full year equivalent)	0	0-5	0	18	0	55-60	0
Neville Brownlee Director (from 1 Oct 2014)	35-40 (70-75 full year equivalent)	0	0-5	0	70	0	105-110	0

	2014-15	2013-14
Highest earner's total remuneration (£'000)	130-135	130-135
Median total remuneration of all staff	27,819	28,496
Ratio	4.7	4.7

No other benefits in kind were paid to officials.

All board members serving in 2014-15 received a daily fee of £350 save for Orlando Fraser and Nazo Moosa who provided their services free of charge during the year. No pension contributions are paid.

In 2014-15 an internal restructure resulted in the directors being appointed. Our senior staff pay policy is in line with the work and recommendations of the Senior Salaries Review Body.

'Salary' includes: gross salary, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation.

Reimbursement of expenses

Expenses claimed by board members are in respect of actual receipted expenditure for travel, subsistence and accommodation. For the chair, Chief Executive, 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. In 2014-15, the Commission published on GOV.UK details of expenses claimed by the chair, board members and the Chief Executive on a quarterly basis.

Pension benefits (audited)

	Accrued pension at age 60 at 31 March 2014 and related lump sum (£'000)	Real increase in pension and related lump sum at age 60 (£'000)	CETV at 31 March 2015 (£'000)	CETV at 31 March 2014 (£'000)	Real increase in CETV (£'000)
Sam Younger Chief Executive (to 30 June 2014)	10-15	0-2.5	200	188	15
Paula Sussex Chief Executive (from 1 July 2014)	0-5	0-2.5	27	0	18
Sarah Atkinson Director (from 1 Oct 2014)	5-10	0-2.5	77	62	7
Nick Allaway Director (from 1 Oct 2014 to 31 March 2015)	35-40 Plus 110-115 lump sum	0-2.5 Plus 2.5-5 lump sum	754	700	14
Kenneth Dibble Director (from 1 Oct 2014)	55-60 Plus 170-175 lump sum	0-2.5 Plus 2.5-5 lump sum	1,134	1,148	17
Michelle Russell Director (from 1 Oct 2014)	15-20	0-2.5	186	165	8
Neville Brownlee Director (from 1 Oct 2014)	25-30 Plus 40-45 lump sum	2.5-5 Plus 2.5-5 lump sum	479	404	52

Civil service pensions

Pension benefits are provided through the civil service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for classic and 3.5% and 8.85% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos, a member builds up a pension based on his/her pensionable earnings during his/her period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the civil service pension arrangements are available at www.civilservice.gov.uk/pensions

New career average pension arrangements will be introduced from 1 April 2015 and the majority of classic, premium, classic plus and nuvos members will join the new scheme. Further details of this new scheme are available at: www.civilservicepensionscheme.org.uk/members

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

Nick Allaway left under Voluntary Exit terms on 31 March 2015. He will receive a compensation payment of £150,000 - £155,000. This figure did not include any enhancement to his entitlement under the Civil Service Voluntary Exit Scheme.

Review of tax arrangements of public sector appointees

As part of the 'Review of tax arrangements of public sector appointees' published by the Chief Secretary to the Treasury on 23 May 2012, departments published information in relation to the number of off payroll engagements - at a cost of over £58,200 per annum - that were in place on 31 January 2012. Departments are now required to present sets of data in relation to off payroll engagements for more than £220 per day and more than six months. The Commission has no appointees that meet the criteria.

In addition the Commission is also required to disclose any off payroll payments made to board members or directors. One board member (nil 2013-14) was paid off payroll for a period of six months from 1 April 2014 to 30 September 2014, at which point they were transferred onto payroll with effect from 1 October 2014. The necessary assurances were received from the board member that they would disclose income earned during this period within their 2014-15 tax return.

Paula Sussex
Chief Executive and Accounting Officer — 22 June 2015

Statement of Accounting Officer's responsibilities

Under section 5 of the Government Resources and Accounts Act 2000, Treasury has directed the Commission to prepare for each financial year resource accounts detailing the resources acquired, held, or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Commission and of its net resource outturn, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the government Financial Reporting Manual and in particular to:

- observe the accounts direction issued by Treasury, including relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards, as set out in the government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis

Treasury has appointed the Chief Executive as Accounting Officer of the Commission. The responsibilities of an accounting officer, including responsibility for the propriety and regularity of the public finances for which the accounting officer is answerable, for keeping proper records and safeguarding the Commission's assets, are set out in the accounting officers' memorandum issued by Treasury and published in 'Managing Public Money'.

Governance Statement 2014-15

This statement sets out the governance structures, risk management and internal control procedures that have operated within the Commission during the financial year 2014-15.

Context

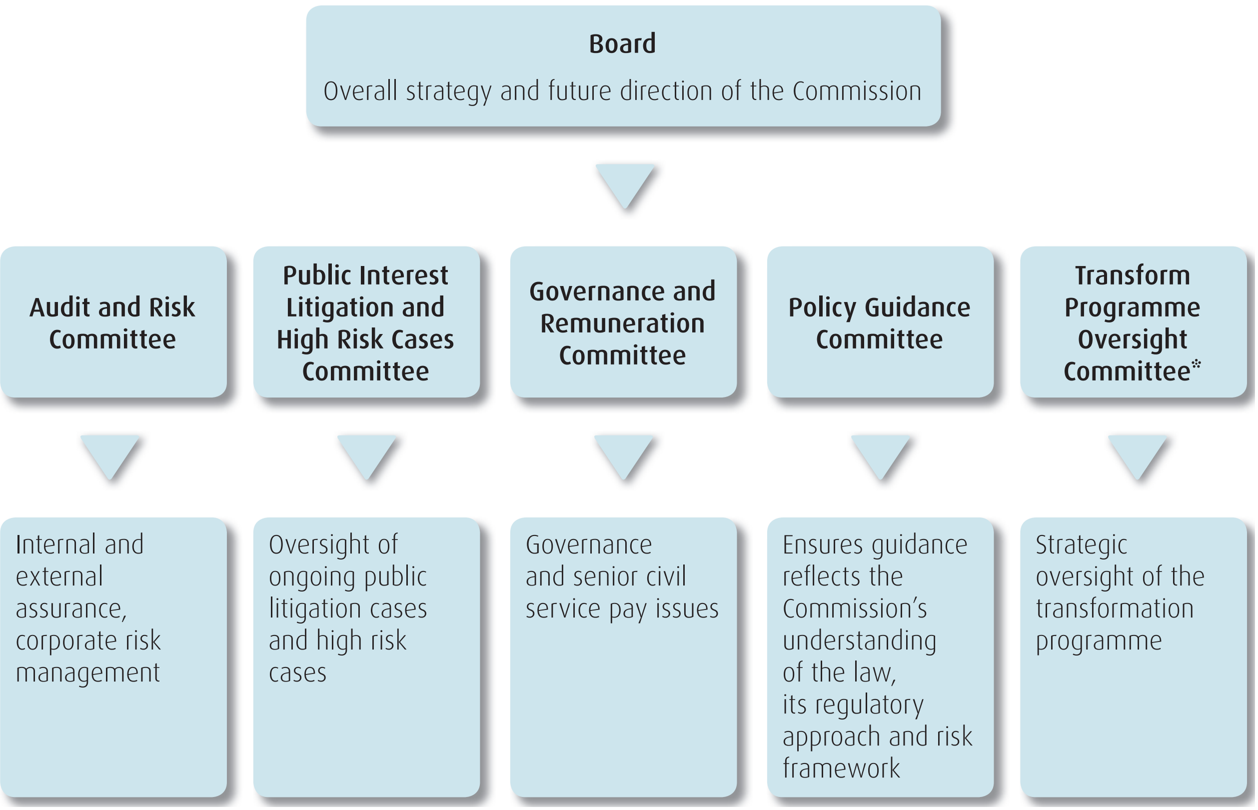
As we have highlighted earlier, our year has seen changes in our structure, introduction of new management systems and an ambitious transformation programme which is making us a leaner, more risk-based regulator.

Our important enabling work to provide charities with more effective tools and services has been maintained. We also continued to build our capacity to more vigorously tackle abuse within charities.

As the new Chief Executive and Accounting Officer for the Commission from July 2014, I am delivering this transformation programme under the strategic oversight of our board.

Governance arrangements

Board and sub-committees



* This is a time-limited committee.

The Commission is a body corporate, according to the provisions set out in the Charities Act 2011 ('the Act'), and it consists of and acts through its board members who have the power to delegate as they think fit and to regulate their own procedures. The board is legally required to recruit a Chief Executive and such other staff as it may determine.

The Act provides for a board of between four and eight members led by the chair of the Commission. Two board members must be legally qualified and at least one must be knowledgeable about conditions in Wales. Individual board members may serve for a term of three years, renewable to a maximum of ten years.

All appointments to our board are made by the Minister for the Cabinet Office following the Commissioner for Public Appointments' Code of Practice.

Our Chairman, William Shawcross, entered his third year in office in October 2014. The recent announcement by the Cabinet Office that his appointment will be extended until 2018 provides welcome continuity to the Commission during this period of transformation.

Members of our board and its sub-committees contribute expertise across diverse areas giving a sound platform for strategic oversight and decision making. Membership of and attendance at board and committees meetings is provided on pages 63 and 73.

Our board operated with eight members in 2014-15, including our Chairman. A successful mid-year recruitment exercise took place following the resignation of one board member, who was chair of our Audit and Risk Committee.

Board members who served in 2014-15

Chairman:	William Shawcross
Board members:	Michael Ashley (from 1 November 2014) Eryl Besse Peter Clarke Claire Dove Orlando Fraser Tony Leifer Nazo Moosa (to 1 October 2014) Professor Gwythian Prins

For further information about our board members, including our arrangements for managing conflicts of interest, please refer to page 47 of our Directors' Report.

Meeting on six occasions, the board's main focus in year was maintaining vigilance over progress of our regulatory priorities - particularly those arising from high profile, novel or contentious cases. The board routinely scrutinised corporate performance, transformational activity and organisational risks.

Other specific business given prominence included:

- measures to promote our effectiveness and increase operational capacity
- further development of the Commission's risk-based approach to regulation
- options for a new funding model for the Commission to help ensure a more stable longer term financial position
- migration of our website to GOV.UK
- agreeing what information should be collected from charities to continue developing our knowledge of the sector and enhance public accountability
- other measures to support accountability and the effective use of resources by charities, including tax management
- the development of guidance on political campaigning by charities in preparation for the general election of 2015
- complex legal issues relating to the charitable status of certain types of charity
- the outcomes from our annual staff satisfaction survey plus actions proposed by management to improve outlying scores
- regular performance reviews using our new management information
- our annual review of complaints about the Commission's administration

In two further ad hoc meetings, board members discussed strategic priorities to inform the new strategic plan for 2015-18, published alongside this Annual Report. Members also kept progress of the draft Charities (Protection and Social Investment) Bill under regular review.

Board sub-committees

As the year developed, the board's capacity was enhanced through the increasing effectiveness of its committees. Our Public Interest Litigation and High Risk Cases Committee increased its scrutiny of our most challenging cases. Our Transform Programme Oversight Committee ensured that we closely monitored progress and pace of transformation programmes and our Audit and Risk Committee increased its focus on performance and assurance. Steps to streamline meetings have also improved board-level governance with papers available earlier to aid the flow of comments.

The committees which support the board met regularly within the year with two new committees established, whilst others, such as committees established to look at how we use data to regulate proactively and tackle fraud within charities, merged to better integrate oversight. Our Policy Guidance Committee was created to ensure that our published guidance is strategically focussed in accordance with our regulatory approach and priorities, and our risk framework.

All sub-committees report formally to the board following each of their meetings.

Audit and Risk Committee	
Chair	Michael Ashley (from November 2014), previously Nazo Moosa (until September 2014)
Members	Peter Clarke, Gwythian Prins
Independent member	Christopher Daws (until August 2014)
Independent co-optee	Alan Downey

Key coverage

- advised on revisions to our management Information and scrutinised performance against targets
- reviewed its membership requirements, leading to the board's reappointment for a further year of the independent co-opted member
- reviewed the Commission's arrangements for identifying and managing fraud risks
- provided critical challenge for the production of the annual financial and governance statements
- reviewed the control environment and incidence of serious incidents relating to alleged fraud, theft or bribery, significant breaches of health and safety (or near misses) or information security and instances of whistle blowing - no material incidents were reported in year
- reviewed arrangements for corporate risk and assurance, including the performance of the internal audit supplier and management responses to any actions agreed from audit assignments
- commissioned a revised Corporate Assurance Framework
- agreed a review of its effectiveness, which is underway at the time of preparing this report

Governance and Remuneration Committee	
Chair	Orlando Fraser
Members	Eryl Besse, William Shawcross
Independent member	Louise Rose

Key coverage

- agreed the 2014-15 pay award strategy
- considered our staff performance management process
- discussed plans for cultural change aligned to business objectives
- assessed the performance and remuneration of our senior civil servants

Public Interest Litigation and High Risk Cases Committee	
Chair	Tony Leifer
Members	Peter Clarke, Orlando Fraser
Independent member	John Wood
Key coverage • ongoing review of all cases involving litigation or restitution where there is a strong public interest • ongoing review of our highest risk cases where there is a strong public interest • examined criteria for opening statutory inquiries • reviewed proposals for speeding up case progression	
Policy Guidance Committee - established October 2014	
Chair	Orlando Fraser
Members	Eryl Besse, Gwythian Prins

Key coverage
• strategic oversight of guidance to ensure that it is:
  • focussed on areas of strategic importance
  • in accordance with our regulatory approach and risk framework
• reviewed the schedule of work on new and revised guidance and agreed current priorities
• considered legal and policy issues underlying specific guidance	

Transform Programme Oversight Committee - established October 2014	
Chair	William Shawcross
Members	Eryl Besse, Peter Clarke, Gwythian Prins
Independent member	John Wood
Key coverage • strategic oversight of the transform programme to monitor delivery of the programme and the risks to its achievement • monitoring the recruitment and development of expert staff delivering the programme • appraising our strategy for renewing our infrastructure	

Compliance with the corporate governance code

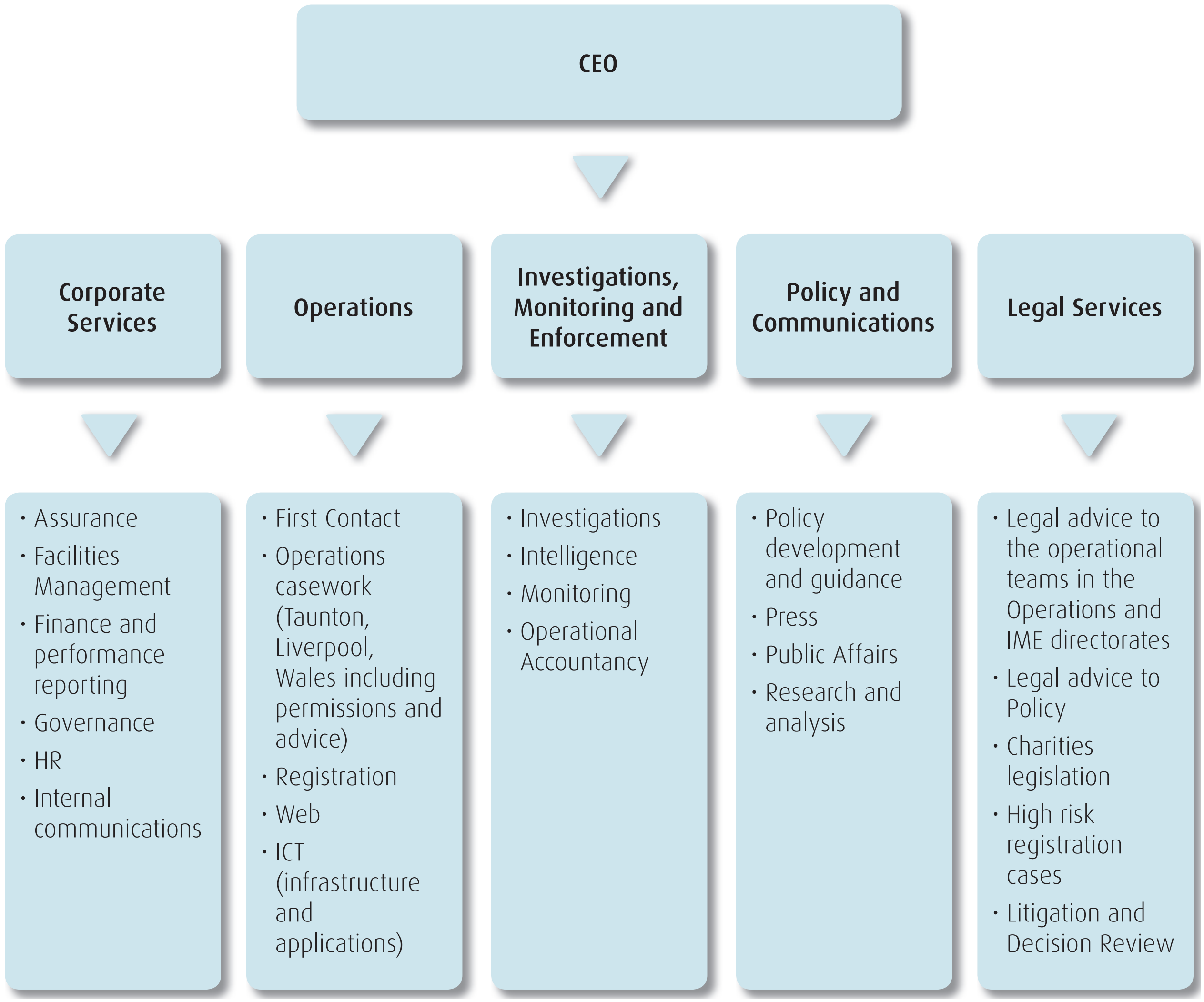
We have assessed our compliance with the 'Corporate governance in central government departments: Code of good practice (2011)'. I am satisfied that we are compliant with the spirit and principles of the code, insofar as they apply to a public body with our status and constitution.

The Commission's board differs in some significant respects from the boards of ministerial departments and of comparable public bodies. Our governance framework therefore describes the status and role of our board and its relationship with the rest of the organisation.

A review of our governance and board effectiveness was commissioned in March 2015. The effectiveness of our Audit and Risk Committee has also been assessed as part of this review. I have seen an early draft report, and there is nothing in it which requires explanation in my governance statement. The report will be finalised after discussion with the board and I will report the outcome in my statement next year.

Senior Executives

This year, as the cornerstone of our transformation programme, I recruited a new team of directors to lead the Commission. The following streamlined structure comprises five directorates, showing their functional responsibilities.



Three existing senior managers took up permanent director posts on 1 October 2014 with two further directors joining us early in 2015-16 from outside organisations. Reducing the team to five directors from a team of 11 senior managers has rationalised our leadership structure, establishing a high level of accountability for each director.

Senior Managers who served in 2014-15

Chief Executive Officer	
Paula Sussex, appointed 1 July 2014 **Sam Younger, CBE**, was CEO until 30 June 2014	
Name	**Position held (post restructure 1 October 2014)**
Nick Allaway	Acting Director of Corporate Services
Sarah Atkinson	Director of Policy and Communications
Neville Brownlee	Acting Chief Operating Officer
Kenneth Dibble	Director of Legal Services
Michelle Russell	Director of Investigations, Monitoring and Enforcement

Revised senior management processes have increased the effectiveness of our governance and control. I have introduced a new framework of co-ordinated business meetings, strategic communications and standardised management information which is consistent across the business.

Changes to our executive governance have included:

- formal monthly meetings of our directors' group, backed by weekly briefings
- weekly or fortnightly meetings with each of my direct reports to discuss progress, issues and challenges
- creation of a Wider Leadership Team - an extended team of senior managers which meets monthly to contribute to the leadership
- establishing a new management information reporting system and corporate dashboard, and introducing completely new performance indicators
- co-ordination of meetings so that management information is contemporary and relevant and to promote a two-way flow of information
- formal reviews of progress against our business plan each quarter
- quarterly measurement of progress against NAO recommendations made in its follow-up review of the Commission in January 2015

Alongside the new framework of co-ordinated meetings, I have reviewed and re-invigorated the way in which internal communications support the achievement of our objectives. Our new communications strategy equips leaders to share vital information and updates, and facilitates a culture of interaction and feedback where all staff have an opportunity to contribute their ideas about our business priorities and plans for transformation. Open staff sessions feature at least monthly in our communication calendar, alongside daily, weekly and monthly online updates.

Management information

On joining the Commission in summer 2014, I introduced a new performance reporting system with more reliable indicators which are better at measuring relevant outcomes and operational outputs. Our monthly report provides management information about workload volumes, financial outturns, including spend on corporate projects, our top 20 management indicators, IT performance, significant risks to our operations and other performance trends.

The board have appraised this data which has been enhanced with substantial changes in year to improve the relevance and usefulness of specific components.

The reliability of this data is assessed through monthly challenge of significant variances and trend analysis, and through periodic reviews by internal audit, last performed in 2013-14.

This core management information is systematically reviewed throughout all formal management structures, from board to local team meetings, meaning the same information drives our performance. Dynamic information about our effectiveness and the impact of our regulatory activity provides a prompt for action, triggering the redeployment of staff and enabling us to prioritise reviews of business processes.

Risk management

Our framework for managing risks is a system of delegated authority backed by internal controls assessed through a programme of assurance activities. Directors review the strategic risk register (SRR) every month. This identifies high level risks which pose the greatest threat to the achievement of our objectives. Ownership of each risk is assigned to directors, who provide a monthly commentary on activity to mitigate residual risks. The board also monitors the SRR at each of its meetings, supplemented by review at each meeting of the Audit and Risk Committee.

Directors are responsible for ensuring that adequate controls are maintained within their operations. Local risk registers describe the impact of the top risks on their operations plus any additional local risks which could compromise our ability to deliver against targets. Key mitigating controls to prevent unwanted events are also articulated. Risks which could impact across the Commission are escalated to directors.

Our primary risk this year, as in the previous year, was the impact of our funding on our capacity to deliver risk-based regulation. Significant year-on-year reductions in government funding have meant that we now operate in real terms with 50% of the funding we had in 2007-08. Our staff are dedicated to delivering more with diminishing resources, but choices have to be made on priorities. Consequently our Chairman and I approached Treasury in 2014 seeking investment funding to support our plans for business transformation.

Treasury announced in October 2014 that we had been successful in securing additional investment income of up to £9 million over three years. The bulk of this funding will be invested in technology and systems which increase our risk-based regulatory capability, streamlining processes and digitising services. This will mean that we can target resources to higher-risk monitoring and enforcement activity and away from lower-risk transactional operations. This will improve both regulatory outcomes and access to our services. We will also save £1 million per annum from 2016 by rationalising our accommodation base.

Other prominent risks we managed this year were:

Capacity	
Risk	**Control**
Business transformation is not delivered to the required timescales or quality; costs of change exceed budget.	There are clear delegated authorities and milestones for the Programme Director with the Transform Project Oversight Committee meeting monthly to scrutinise progress. Subject matter experts are providing specialist input. An advisory team provide technical expertise to our crucial Risk and Data Hub project to ensure that valid research and design underpins the construction of this new tool which will enable us to improve our use of data to assess and act on risk within the charitable sector.
Organisational capacity to absorb change whilst managing business as usual/unsustainable workload pressures in operational areas.	Functional restructuring with investment in resources, alongside measures to build capacity and agility within our workforce, took place this year. We redeployed staff to areas of high demand, particularly to proactive regulatory work including our registrations, investigations and complex case working activities. Within our Investigations, Monitoring and Enforcement directorate we restructured our compliance assessment activity, re-prioritised high risk work and recruited additional investigators. Standardised monthly management information has provided a central mechanism for reviewing our performance, work volumes and trends to enable effective deployment of resources and maintain grip and pace within our operations.
The Charities Act does not give legal authority for important regulatory actions we wish to undertake to protect charities.	We actively mitigated this risk through an approach to the Cabinet Office seeking enhancements to the statutory powers available to us to take regulatory action to protect the public interest in charities. This led to a formal consultation with a Joint Committee set up to scrutinise a draft Protection of Charities Bill to strengthen our regulatory powers. We provided evidence to assist the drafting of a Bill, including appearances before the Joint Committee. The Charities (Protection and Investment) Bill was announced in the new government's Queen's Speech in May 2015.
ICT systems do not deliver the required level of performance to support productivity.	We have taken action to improve effective supplier management, including regular performance review meetings and the establishment of supplier improvement plans. We have launched a programme to replace our core IT systems in winter 2015-16.

Capacity	
Risk	**Control**
Confidence	
High profile, novel, contentious or unsupportable case decisions impacting on public confidence in the Commission.	Our Public Interest Litigation and High Risk Cases Committee continued its ongoing oversight of high risk cases with improved reporting from management. We delivered training to staff to support better quality decision making and we have increased oversight within the management line. Our Risk and Data Hub project will make a significant contribution to the management of this risk. We are striving to obtain the methods and means of decision support that will empower our front-line staff to conduct radically safer, swifter and fully audited primary triage that is directed by the board's risk priorities, as expressed in its 2014 Statement of Regulatory Purpose, which the board regularly reviews and updates. This workstream is central to fulfilling that requirement. The core enabler is currently under research, design and shortly development. Within its own new directorate, the Risk and Data Hub will give the Commission a new organic facility that will support all front-line directorates in primary triage. An early win has been development by our own staff, and now pilot testing, of a 'risk engine'. The next steps are proceeding at high tempo. Our business transformation investment will deliver new technologies that will enable us to make smarter use of data. In turn this will increase our capacity to deliver consistent, evidence-based regulatory actions which are targeted and proportionate. We have taken steps to increase the transparency of our compliance work by issuing more alerts, press releases, public statements and reports on our regulatory impacts. These also offer crucial learning points to the charitable sector.
Capability	
Charity sector risks are not sufficiently understood or addressed through suitable proactive strategies.	We maintained our engagement with the sector. We agreed a business model for monitoring, and for themed reviews, of charities' accounts. Our new Policy Guidance Committee is providing valuable oversight to ensure that our guidance to charities is accurate, reflects our regulatory priorities and underpinned by a solid legal rationale. The charity risk assessment tool described above will also contribute to the management of this risk in 2015.

Capacity	
Risk	**Control**
Dips in staff motivation; inadequate succession planning; workforce skills unmatched to key business activities.	We launched a talent management programme this year, enhanced our succession planning and re-targeted our learning and development programme. Focus groups were rolled out promptly to hear direct feedback from staff following our annual staff survey; action plans were launched to tackle areas of low morale/engagement. Directors remained vigilant of rising absence attributed to work-related stress and required managers to undertake stress risk assessments. We are planning a more detailed study of stress 'hotspots' in 2015-16 and a further targeted staff survey to probe the effectiveness of our action plan.

Looking ahead, our capacity to deliver robust and proportionate proactive regulation and manage incoming demand remain amongst our highest risks. It will take time to achieve full case working capacity as staff acquire skills in new tools and associated processes.

Investment in systems and technology to allow us to automate a significant proportion of our low risk case work will increase scope for charities to 'self-serve' with a consequent release of resources. Robust controls will be built into these processes.

Our ICT services are due to be re-procured in late 2015-16. This will inevitably bring risks to business continuity in the coming year as we migrate to new desktop systems. This risk is being managed through close attention to supplier selection and the timing and execution of transition will be carefully planned.

At the time of writing, we are preparing to implement a revised Corporate Assurance Framework which will maintain the control environment, prioritise assurance activity and build capacity for identifying, assessing and managing risks.

Security

Our security risk management procedures are assessed regularly against Cabinet Office requirements, with our Security Steering Group (SSG) leading on security issues. The SSG is chaired by the Senior Information Risk Owner who is also the Director of Corporate Services. It has wide representation from across the Commission including the Departmental Security and Records Officers and the Data Protection Officer.

The SSG met three times, reviewing reported security incidents, ensuring that they were managed properly, and addressing wider issues including staff training needs and communications to raise awareness of security requirements.

At the outset of the year we successfully rolled out the new Government Security Classification System, with mandatory Handling and Protecting Information training delivered to staff across all sites supported by e-learning and written guidance.

We undertook Annual Security Reviews, reviewed our Register of National Security Vetting posts and dealt with clearance requests.

A programme of ICT health-checks and penetration tests was carried out by third party providers on our ICT applications and external website, and a related cyber security assessment took place. Action plans were agreed with service providers to address identified issues.

We reviewed our physical security in the wake of the Paris terrorist attack in January 2015. Drawing directly on advice from independent security experts, we took steps to ensure that our security measures were fit for purpose and proportionate.

There were no significant data security lapses in year which require reporting in this statement.

Whistleblowing

The Audit and Risk Committee reviewed our approach to employee whistleblowing during the year, prompted by a Cabinet Office review of whistleblowing across government. Our approach is based on Civil Service Employee Programme guidance and was rated as good by NAO during their audit covering 2013-14. The chair of our Audit and Risk Committee became our first board member 'whistleblowing champion' shortly after joining us.

Incidences of protected disclosures[1] within our workforce are extremely rare and none were made this year. Regular communications with staff maintain awareness of how confidential disclosures may be made.

Internal audit

For the second year our internal audit activity was delivered by the department for Business Innovation and Skills through the XDIAS[2] who supplied our Chief Audit Executive. I revised the risk-based assurance programme established early in the year to ensure it addressed the Commission's changing focus and priorities as our business-change activities gathered pace.

XDIAS delivered five assurance assignments in year, examining assurance within operational processes and financial controls. One review elicited a 'Strong' rating of our governance and risk control activity. Four assignments merited a 'Moderate' assurance opinion, with recommendations of improvements to enhance the adequacy and effectiveness of our governance, risk management and control. No systemic or control weaknesses were identified, and none of internal audit's recommendations required urgent attention. We accepted all of the recommendations made and management are addressing these through timely actions.

We commissioned further external insights about the data we collect annually from charities in our regulatory capacity and to support the development of our new Corporate Assurance Framework.

At year end, our Chief Audit Executive provided me with his Annual Report which incorporated his opinion on the Commission's system of governance, risk management and internal control. This confirmed that the Commission's overall assurance and internal control had improved and was generally effective and supported achievement of our objectives. Our assurance was assessed as 'Moderate', a rating which provides substantial assurance while identifying specific improvements to enhance the effectiveness of the framework of governance, risk management and control.

Other assurance activity

Other audits and reviews of our activities were carried out in year. Reports to external stakeholders on our activities were submitted, including returns to the Cabinet Office on our recruitment activity, HR costs and staff headcount, and submissions to central government on our progress against the Civil Service Capabilities plan; all were found to be acceptable. Our remuneration strategy was agreed by Treasury in June 2014.

HMRC conducted a VAT audit in February 2015 which resulted in a minor compliance issue which we rectified swiftly.

In further activity, a CESG[3] Cryptographic Controls audit and Public Services Network (PSN) Code of Connection compliance inspection were both completed without any major or reportable issues emerging. We subjected both our internal ICT systems and our website to external review and have taken appropriate action to address any issues highlighted in those reviews. None of these were significant enough to jeopardise our PSN reaccreditation which was secured in April 2015.

External scrutiny

External audit

The Comptroller and Auditor General (C&AG) is responsible for auditing the Commission's accounts and reporting the results to Parliament. He provides an audit certificate with his opinion on the truth and fairness of the accounts and regularity of the underlying transactions.

1 Disclosures made under the Public Interest Disclosure Act (1998).
2 Cross Department Internal Audit Service, superseded on 1 April 2015 by the Government Internal Audit Agency.
3 CESG is the UK government's national technical authority for information assurance.

In June 2015 the Audit and Risk Committee considered the external auditor's management report for 2014-15. NAO's report recommended that the Comptroller and Auditor General that he should certify our 2014-15 financial statement with an unqualified audit opinion and without modification.

NAO follow-up/Committee of Public Accounts

In January 2015, the NAO published a follow-up report on the Commission's progress against the recommendations set out in its critical 2013 report and the recommendations made by the Committee of Public Accounts ('the PAC') in February 2014. As explained earlier in this report, the follow-up review acknowledged the 'good early progress' we have made in responding to NAO's and PAC's recommendations.

Key areas of progress recognised by the NAO include:

- developing a credible high level business model and transformation programme
- that we have begun a project making wider use of date and improving our ability to detect fraud in charities
- using our powers more frequently and effectively during case work
- securing additional investment funding from Treasury

While the NAO has made clear that there is much work ahead in implementing all of the required changes, its report represented cautious support for the changes we are making to transform the Commission into the regulator the public and charities expect and deserve. I am pleased that the NAO has recognised the steps we have taken and our achievements this year.

Since the publication of the report, we have continued to make progress against the NAO's recommendations. Throughout our annual report we have explained the many ways in which we have stepped up the level and quality of our work to monitor charities that give rise to concern and the work we are doing to improve our use of data.

Accounting Officer's Statement of effectiveness of internal control and assurance

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control and assurance. Each of my directors has reported to me on the effectiveness of their risk management, internal control and governance activity throughout the year. Their annual assurance statements have confirmed to me that there were no significant control weaknesses and that risks have been managed promptly with corrective action applied where necessary. Routine management information has informed my opinion and I have taken assurance from the outcomes and annual opinion derived from internal audit activity this year and from conclusions drawn by our external auditors in their management letter and final report. I have taken into account further positive outcomes from other reviews by independent bodies, which have contributed to my overall assessment of our assurance arrangements. I have also relied on the annual assurance opinion delivered to the board from the Audit and Risk Committee, which is that our arrangements for governance, internal control and risk management are adequate.

As mentioned earlier, the review of our governance framework and board effectiveness has yet to be concluded. I can confirm my opinion that our current governance, internal control and risk procedures remain fit for purpose and that they support the achievement of the Commission's policies, aims and objectives, whilst safeguarding public funds.

Paula Sussex
Chief Executive and Accounting Officer

22 June 2015

Schedule of board and committee meetings during 2014-15

	Board meetings		Audit and Risk Committee		Governance and Remuneration Committee		Public Interest Litigation and High Risk Cases Committee		Transform Programme Oversight Committee		Policy Guidance Committee	
	Attendance	Attendance %	Attendance	Attendance %	Attendance	Attendance %	Attendance	Attendance %	Attendance	Attendance %	Attendance	Attendance %
Board members												
William Shawcross	6/6	100			1/1	100			5/6	83		
Mike Ashley	2/3	66	1/1	100								
Peter Clarke	6/6	100	4/4	100			3/4	75	5/6	83		
Tony Leifer	6/6	100					6/6	100				
Nazo Moosa	2/3	66	2/2	100								
Eryl Besse	6/6	100			1/1	100			2/2	100	3/3	100
Gwythian Prins	6/6	100	3/4	75					5/6	83	3/3	100
Claire Dove	4/6	66			0/1	0	2/2	100			1/3	33
Orlando Fraser	5/6	83			1/1	100	5/6	83			3/3	100
Independent committee members												
Christopher Daws	Observer at 1 meeting		2/2	100								
Louise Rose					1/1	100						
John Wood							6/6	100	6/6	100		
Independent co-optee												
Alan Downey			4/4	100								

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

I certify that I have audited the financial statements of the Charity Commission for the year ended 31 March 2015 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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 2015 and shows that those totals have not been exceeded
- 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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2015 and of its net operating cost for the year then ended
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and Treasury directions issued thereunder

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000
- the information given in the 'year in figures', Strategic Report, Directors' Report and Sustainability Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns
- I have not received all of the information and explanations I require for my audit
- the Governance Statement does not reflect compliance with Treasury's guidance

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse 25 June 2015
Comptroller and Auditor General National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Statement of Parliamentary supply

In addition to the primary statements prepared under IFRS, the government Financial reporting manual (FReM) requires the Commission to prepare a statement of Parliamentary supply (SoPS) and supporting notes to show resource outturn against the supply estimate presented to Parliament, in respect of each budgetary control limit.

Summary of resource and capital outturn 2014-15

£'000								2014-15	2013-14
		Estimate			Outturn			Voted outturn compared with estimate: saving/ (excess)	Outturn
	SoPS note	Voted	Non-voted	Total	Voted	Non-voted	Total		Total
Departmental expenditure limit									
- Resource	2.1	21,443	0	21,443	21,192	0	21,192	251	21,966
- Capital	2.2	962	0	962	705	0	705	257	878
Annually managed expenditure									
- Resource	2.1	215	0	215	(412)	0	(412)	627	366
- Capital		0	0	0	0	0	0	0	0
Total budget		22,620	0	22,620	21,485	0	21,485	1,135	23,210
Non-budget									
- Resource	2.1	0	0	0	0	0	0	0	0
Total		22,620	0	22,620	21,485	0	21,485	1,135	23,210

Total resource		21,658	0	21,658	20,780	0	20,780	878	22,332
Total capital		962	0	962	705	0	705	257	878
Total		22,620	0	22,620	21,485	0	21,485	1,135	23,210

Net cash requirement 2014-15

				2014-15	2013-14
	SoPS note	Estimate	Outturn	Net outturn compared with estimate: saving/(excess)	Total outturn
		£'000	£'000	£'000	£'000
Net cash requirement	4	21,485	20,896	589	22,796

Administration costs 2014-15

	Estimate	Outturn	2013-14 Total outturn
	£'000	£'000	£'000
	21,443	21,192	21,966

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

Explanations of variances between estimate and outturn are given in SoPS note 2 and in the management commentary.

All estimate and outturn balances disclosed under the departmental expenditure limit relate to administration costs. All estimate and outturn balances disclosed under annually managed expenditure are classified as programme costs and relate to transactions in respect of provisions (see note 14).

Notes to the departmental resource accounts (statement of Parliamentary supply)

SOPS 1. Statement of accounting policies

The statement of Parliamentary supply and supporting notes have been prepared in accordance with the 2014-15 government Financial Reporting Manual (FReM) issued by Treasury. The statement of Parliamentary supply accounting policies contained in the FReM are consistent with the requirement set out in the 2014-15 consolidated budgeting guidance and Supply estimates guidance manual.

SOPS 1.1 Accounting convention

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

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

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

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

SOPS 1.2 Comparison with IFRS-based accounts

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

SOPS 1a Accounting treatment differences within the resource accounts of the Commission:

Provisions - administration and programme expenditure

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

SOPS 2. Net outturn

SOPS 2.1 Analysis of net resource outturn by section

	2014-15										2013-14
	Outturn							Estimate			Outturn
	Administration			Programme							
	Gross	Income	Net	Gross	Income	Net	Total	Net total	Net total compared to estimate	Net total compared to estimate, adjusted for virements	Total
Spending in department expenditure limit											
Voted:											
Giving the public confidence in the integrity of charities	22,698	(1,506)	21,192	0	0	0	21,192	21,443	251	251	21,966
Annually managed expenditure											
Voted:											
Giving the public confidence in the integrity of charities	0	0	0	(412)	0	(412)	(412)	215	627	627	366
Total	22,698	(1,506)	21,192	(412)	0	(412)	20,780	21,658	878	878	22,332

SOPS 2.2 Analysis of net capital outturn by section

	2014-15						2013-14
	Outturn			Estimate			Outturn
	Gross	Income	Net	Net	Net total compared to estimate	Net total compared to estimate, adjusted for virements	Total
Spending in department expenditure limit							
Voted:							
Giving the public confidence in the integrity of charities	705	0	705	962	257	257	878
Total	705	0	705	962	257	257	878

SOPS 3. Reconciliation of outturn to net operating cost and against administration budget

SOPS 3.1 Reconciliation of net resource outturn to net operating cost

	SoPS note	2014-15 Outturn £'000	2013-14 Outturn £'000
Total resource outturn in statement of Parliamentary supply			
Budget	2.1	20,780	22,332
Net operating costs in consolidated statement of comprehensive statement of net expenditure		**20,780**	**22,332**

SOPS 3.2 Outturn against final administration budget and administration net operating costs

	2014-15 Outturn £'000	2013-14 Outturn £'000
Estimate - administration cost limit	21,443	22,289
Outturn - gross administration costs	22,698	22,984
Outturn - gross income relating to administration costs	(1,506)	(1,018)
Outturn - net administration costs (statement of Parliamentary supply)	**21,192**	**21,966**
Reconciliation to operating costs:		
Less: provisions utilised (transfer from programme) (note 14)	(197)	(34)
Administration net operating costs	**20,995**	**21,932**

SOPS 4. Reconciliation of net resource outturn to net cash requirement

	SoPS note	Estimate £'000	Outturn £'000	Net total outturn compared with estimate: savings/(excess) £'000
Resource outturn	2.1	21,658	20,780	878
Capital outturn	2.2	962	705	257
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation/amortisation		(850)	(676)	(174)
Revaluations		0	5	(5)
New provisions and adjustments to previous provisions		(240)	215	(455)
Auditors remuneration		(70)	(57)	(13)
Adjustments to reflect movements in working balances:				
Increase/(decrease) in trade and other receivables		0	(885)	885
(Increase)/decrease in trade and other payables		0	612	(612)
Use of provisions		25	197	(172)
Net cash requirement		21,485	20,896	589

Statement of comprehensive net expenditure

For the year ended 31 March 2015

The statement of comprehensive net expenditure summarises the resources that have been consumed in the financial year in providing the Commission's services.

The notes on pages 86 to 97 form part of these accounts.

	Note	2014-15 £'000	2013-14 £'000
Administration costs:			
Staff costs	3	14,259	14,864
Other administration costs	4	8,242	8,086
Operating income	6	(1,506)	(1,018)
Total administration costs		**20,995**	**21,932**
Programme expenditure:			
Other costs	5	(215)	400
Total net operating costs		**20,780**	**22,332**

Statement of financial position

As at 31 March 2015

The statement of financial position is a summary of all the Commission's assets and liabilities as at 31 March 2015.

The notes on pages 86 to 97 form part of these accounts.

	Note	31 March 2015 £'000	31 March 2014 £'000
Non-current assets:			
Property, plant and equipment	7	632	566
Intangible assets	8	750	782
Total non-current assets		1,382	1,348
Current assets:			
Trade and other receivables	12	708	1,595
Cash and cash equivalents	11	589	348
Total current assets		1,297	1,943
Total assets		2,679	3,291
Current liabilities:			
Trade and other payables	13	(4,037)	(4,163)
Provisions	14	(426)	(24)
Total current liabilities		(4,463)	(4,187)
Total assets less total current liabilities		(1,784)	(896)
Non-current liabilities:			
Provisions	14	(1)	(814)
Staff exits	13	0	(245)
Total non-current liabilities		(1)	(1,059)
Assets less liabilities		(1,785)	(1,955)
Taxpayers' equity:			
General fund		(1,785)	(1,955)
Total taxpayers' equity		(1,785)	(1,955)

Paula Sussex
Chief Executive and Accounting Officer

22 June 2015

Statement of cash flows

For the year ended 31 March 2015

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 86 to 97 form part of these accounts.

	Note	2014-15 £'000	2013-14 £'000
Cash flows from operating activities			
Total net operating cost		(20,780)	(22,332)
Adjustments for non-cash transactions			
Administration costs	4	728	609
Programme costs	5	(215)	400
Decrease in trade and other receivables	12	885	11
Decrease in trade and other payables	13	(612)	(572)
Use of provisions	14	(197)	(34)
Net cash outflow from operating activities		(20,191)	(21,918)
Cash flows from investing activities			
Purchase of plant, property and equipment	7	(415)	(256)
Purchase of intangible assets	8	(290)	(622)
Net cash outflow from investing activities		(705)	(878)
Cash flows from financing activities			
From consolidated fund (supply) - current year		21,137	23,007
Net financing		21,137	23,007
Net increase/(decrease) in cash in the period before adjustment for receipts and payments to the consolidated fund		241	211
Payments of amounts due to the consolidated fund		0	0
Net increase/(decrease) in cash in the period after adjustment for receipts and payments to the consolidated fund		241	211
Cash and cash equivalents at the beginning of the period		348	137
Cash and cash equivalents at the end of the period		589	348

Statement of changes in taxpayers' equity

For the year ended 31 March 2015

The statement of changes in taxpayers' equity summarises the movement in the net worth of the Commission.

The notes on pages 86 to 97 form part of these accounts.

	Note	£'000
Balance at 1 April 2014		(1,955)
Non-cash charges - auditor's remuneration	4	57
Net operating cost for the year		(20,780)
Other		(3)
Total recognised income and expense for 2014-15		(20,726)
Net Parliamentary funding - drawn down		21,137
Net Parliamentary funding - deemed		348
Supply payable		(589)
Balance as at 31 March 2015		**(1,785)**

Changes in taxpayers' equity for 2013-14

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

Notes to the resource accounts

1. Statement of accounting policies

These financial statements, which cover the accounting period 1 April 2014 to 31 March 2015, have been prepared in accordance with the government 'Financial Reporting Manual (FReM)' issued by 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 following describes the particular policies adopted by the Commission. They have been applied consistently in dealing with items that are considered material to the financial statements.

In addition to the primary statements prepared under IFRS, the FReM also requires the Commission to prepare one additional primary statement. The statement of Parliamentary supply and supporting notes show outturn against estimate in terms of the net resource requirement and the net cash requirement.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets.

1.2 Property, plant and equipment

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis where that expenditure exceeds £1,000 and the benefit it yields has a life of more than one year. Expenditure on routine repairs and maintenance that does not add to the value of the asset is not capitalised. Grouped assets with a total value exceeding £1,000 and individual item value exceeding £500 are also capitalised.

Property, plant and equipment are stated at the lower of net current replacement cost and recoverable amount and are therefore reported at fair value. Where held at depreciated historical cost, this is regarded as a suitable proxy for fair value. On initial recognition, these assets are measured at cost, including any costs such as installation directly attributable to bringing them into working condition. Indexation rates are not applied to property, plant and equipment assets as the impact on the net book value of those assets would not be material.

1.3 Intangible assets

Intangible assets are assets that do not have physical substance but are identified and controlled by the Commission and have a life of more than one year, such as software licences. Expenditure on intangible assets is initially recorded at cost. This includes directly attributable costs for bringing the intangible asset into use. Intangible assets will only be recognised where these costs exceed £1,000. Once the assets have been brought into use, they are amortised at a rate calculated to write them down to an estimated residual value on a straight line basis over their estimated useful life. Intangible assets are therefore reported at fair value and where held at depreciated historical cost, this is regarded as a suitable proxy for fair value. Indexation is not carried out as it isn't material.

1.4 Depreciation and amortisation

Property, plant and equipment and intangible assets are depreciated/amortised at a rate calculated to write down their value to their estimated residual value on a straight line basis over their estimated useful life. Depreciation on property, plant and equipment, and amortisation on intangible assets, is applied in the year of acquisition for purchased assets or, in the case of assets under construction, in the year which the asset is brought into use. Fully depreciated assets are restated at a book value of £50.

Asset life is normally in the following ranges:

Information technology	2-7 years
Furniture and fittings	5-7 years
Leasehold improvements	Term of lease or initial break point
IT databases	5 years
Websites	5 years
Laptops	3 years

1.5 Impairments

The value of non-current assets is reviewed at the end of each financial year for evidence of reduction in value. Where an impairment is identified that is attributable to the clear consumption of economic benefit, the loss is charged to the statement of comprehensive net expenditure.

1.6 Inventories

The Commission only holds inventories (stock) of stationery, computer spares and similar consumables for its own use. Due to the nature and low value of these items, they are not recorded in the statement of financial position. The full cost of these items is recognised in the statement of comprehensive net expenditure at the point they are received.

1.7 Operating income

Operating income is income which relates directly to the operating activities of the Commission. Operating income is stated net of VAT. Income is recognised as it is earned.

1.8 Administration expenditure

Administration expenditure reflects the costs of running the Commission. The classification of expenditure as administration follows the definition of administration costs set by HM Treasury.

1.9 Foreign currency

As part of the Commission's International Programme, work is undertaken in foreign countries and expenditure will be incurred in the local currency. These transactions are converted into £ sterling using the exchange rate at, or close to, the official exchange rate on the date of the transaction.

1.10 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme, which are described in note 3. The defined benefit schemes are unfunded and non-contributory except in respect of dependents' benefits. The Commission recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Scheme (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS and is not, therefore, reflected in the Commission's statement of financial position. In respect of the defined contribution schemes, the Commission recognises the contributions payable for the year.

1.11 Leases

The Commission holds only operating leases as recognised under International Accounting Standard (IAS) 17. A lease is classified as a finance lease if a substantial element of the risk and reward associated with ownership of the asset is borne by the Commission. All other leases are classified as operating leases. Rental payments due in respect of operating leases are charged directly to the statement of comprehensive net expenditure on a straight line basis over the term of the lease.

1.12 Provisions

Where the Commission incurs a legal or constructive liability to make a payment, the amount and timing of which are uncertain at the statement of financial position date, a provision is created on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by the Treasury (currently 1.8%).

1.13 Value added tax

Most of the activities of the Commission are outside the scope of VAT. In general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT on revenue expenditure is charged to the statement of comprehensive net expenditure. VAT incurred on capital expenditure is included within the cost of property, plant and equipment and intangible assets. Where output VAT is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.14 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, the Commission discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of 'Managing public money'. Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament noted separately. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.15 Significant estimates and judgements

The Commission is required, when applying its accounting policies, to make certain judgements, estimates and associated assumptions relating to assets, liabilities, income and expenditure. These judgements, estimates and associated assumptions are based on knowledge of current facts and circumstances, assumptions concerning past events and forecasts of future events and actions. Actual results may differ from the estimates stated for the provisions relating to property dilapidations and the useful economic lives of the tangible and intangible assets.

1.16 IFRS that have been issued but are not yet effective

IFRS 13 - 'Fair Value' was issued in January 2013 and will be effective for financial reporting periods beginning on or after 1 April 2015. The Standard requires fair value be measured using the most reliable data and inputs available to determine the exit price for an asset/liability. The application of this Standard will not have a material effect on the disclosure of assets/liabilities within the Commission's financial statements.

IAS 36 - 'Impairment of assets' on recoverable amount disclosures was issued in January 2014 and will be effective for financial reporting periods beginning on or after 1 April 2015. The Standard modifies some of the disclosure requirements regarding measurement of the recoverable amount of impaired assets. The application of this Standard will not have a material effect on the disclosure of assets/liabilities within the Commission's financial statements.

2. Statement of operating costs by operating segment

For internal reporting purposes, the Commission operates two segments: firstly Commission core business, secondly the International programme, the Counter Terrorism programme and subleased buildings. The International and Counter Terrorism programmes are reported separately as they have their own funding streams and are operated as distinct units within the Commission. The primary financial statements record the total income, expenditure, assets and liabilities of the Commission and the International programme, Counter Terrorism programme and subleased buildings. The following note shows the amounts attributable to the two segments.

	2014-15			2013-14		
	£'000			£'000		
	Charity Commission: core business	Other government funded projects and subleased buildings	Total	Charity Commission: core business	Other government funded projects and subleased buildings	Total
Gross expenditure	20,778	1,508	22,286	22,344	1,006	23,350
Income	0	(1,506)	(1,506)	(12)	(1,006)	(1,018)
Net expenditure	20,778	2	20,780	22,332	0	22,332
Total assets	2,380	299	2,679	3,061	230	3,291
Total liabilities	(4,434)	(30)	(4,464)	(5,246)	0	(5,246)
Net assets	(2,054)	269	(1,785)	(2,185)	230	(1,955)

3. Staff numbers and related costs

	2014-15			2013-14		
	Permanently employed staff	Temporarily employed staff	Total	Permanently employed staff	Temporarily employed staff	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	10,253	15	10,268	10,387	65	10,452
Social security costs	826	1	827	836	6	842
Other pension costs	1,911	3	1,914	1,922	13	1,935
Agency staff	923	0	923	293	0	293
Severance costs	402	0	402	1,314	0	1,314
(Decrease)/Increase in IAS 19: employee benefits accrual	(17)	0	(17)	28	0	28
Total	**14,298**	**19**	**14,317**	**14,780**	**84**	**14,864**
Charged to Capital	(58)	0	(58)		0	0
Total Net Costs	**14,240**	**19**	**14,259**	**14,780**	**84**	**14,864**

As a non-ministerial government department, the Commission's pay costs relate to staff. There are no ministers or advisers.

The Principal Civil Service Pensions Scheme (PCSPS), of which most of the Commission's employees are members, is an unfunded multi-employer defined benefit scheme and the Commission is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: civil superannuation (www.civilservice-pensions.gov.uk).

For 2014-15, employers' contributions of £1.26 million were payable to the PCSPS (£1.34 million in 2013-14) at one of four rates in the range 16.7% to 24.3% (16.7% to 24.3% in 2013-14) of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employers' contributions of £655k were paid to one or more of a panel of three appointed stakeholder pension providers (£592k in 2013-14). Employers' contributions are age-related and range from 3% to 12.5% (3% to 12.5% in 2013-14) of pensionable pay. In addition, employers' contributions of £450 (£405 in 2013-14,) of pensionable pay, were payable to the PCSPS to cover the cost of future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at 31 March 2015 were £56,058 (£50,320 in 2013-14). Contributions prepaid at that date were £nil (nil in 2013-14). No staff (nil in 2013-14) retired early on ill health grounds.

Average number of persons employed

The average numbers of full time equivalent persons, including senior management, employed during the year and their related cost, were as follows:

	Permanently employed staff	Temporarily employed staff	2014-15	2013-14
	Number	Number	Number	Number
Commission staff	302	1	303	303
Agency staff		16	16	7
Total	302	17	319	310

Reporting of civil service and other compensation schemes - exit packages

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.

The following table analyses these exits by cost bandings, (2013-14 shown in brackets).

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
Less than £10,000	0 (0)	0 (1)	0 (1)
£10,000 - £24,999	0 (0)	0 (10)	0 (10)
£25,000 - £49,999	0 (0)	4 (13)	4 (13)
£50,000 - £99,999	0 (0)	3 (8)	3 (8)
£100,000 - £149,999	0 (0)	0 (2)	0 (2)
£150,000 - £200,000	0 (0)	0 (0)	0 (0)
Total number of exit packages	0 (0)	7 (34)	7 (34)
Total resource cost (£'000)	0 (0)	371 (1,338)	371 (1,338)

The resource cost of 2014-15 exit packages above differs from the exit cost figures in note 3 due to an increase in the cost of exit packages agreed in prior years.

4. Other administration costs

	Note	2014-15 £'000	2013-14 £'000
Rentals under operating leases		1,404	1,292
Non-cash items:			
Depreciation	7	354	370
Amortisation	8	322	171
Revaluation/re-lifed assets	7 & 8	(5)	(1)
Loss on disposal of fixed asset	7 & 8	0	12
Auditor's remuneration		57	57
Total non-cash items		728	609
Other expenditure:			
Travel, subsistence and staff related costs		935	799
Accommodation		961	1,010
Office services		1,364	1,559
Contracted services/consultancy		310	321
Specialist services		2,534	2,496
Losses and special payments	16	6	0
Total expenditure		8,242	8,086

The total expenditure relating to research on the Transform programme was £767k (nil in 2013-14). The total expenditure relating to consultancy was £21k (£62k in 2013-14).

5. Programme costs

	Note	2014-15 £'000	2013-14 £'000
Non-cash items:			
Provisions provided in year	14	10	400
Provisions written back in year	14	(225)	0
Total programme costs		(215)	400

6. Income

	2014-15 £'000	2013-14 £'000
Income received in respect of the International and Counter Terrorism programmes:		
from other UK government departments	1,011	595
from non-UK entities	0	0
Income received for rendering services to or on behalf of other UK government departments	495	411
Other income	0	12
Total income	1,506	1,018

7. Property, plant and equipment

	Information technology	Furniture and fittings	Leasehold improvements	Total
	£'000	£'000	£'000	£'000
2014-15				
Cost or valuation				
At 1 April 2014	1,431	281	159	1,871
Additions	230	2	183	415
Re-lifed assets	5	0	0	5
Disposals	(17)	0	0	(17)
At 31 March 2015	1,649	283	342	2,274
Depreciation				
At 1 April 2014	1,040	224	41	1,305
Charged in year	289	22	43	354
Disposals	(17)	0	0	(17)
At 31 March 2015	1,312	246	84	1,642
Net book value at 31 March 2014	391	57	118	566
Net book value at 31 March 2015	337	37	258	632
2013-14				
Cost or valuation				
At 1 April 2013	1,367	235	850	2,452
Additions	199	57	0	256
Re-lifed assets	1	0	0	1
Disposals	(136)	(11)	(691)	(838)
At 31 March 2014	1,431	281	159	1,871
Depreciation				
At 1 April 2013	853	207	701	1,761
Charged in year	312	27	31	370
Disposals	(125)	(10)	(691)	(826)
At 31 March 2014	1,040	224	41	1,305
Net book value at 31 March 2013	514	28	149	691
Net book value at 31 March 2014	391	57	118	566

All assets are owned by the Commission. There are no assets held under finance leases (nil in 2013-14).

8. Intangible assets

	IT databases	Websites	Assets under construction	Total
	£'000	£'000	£'000	£'000
2014-15				
Cost or valuation				
At 1 April 2014	7,617	70	594	8,281
Additions	64	0	226	290
Transfers	689	0	(689)	0
Disposals	(908)	(42)	0	(950)
At 31 March 2015	**7,462**	**28**	**131**	**7,621**
Amortisation				
At 1 April 2014	7,451	48	0	7,499
Charged in year	317	5	0	322
Disposals	(908)	(42)	0	(950)
At 31 March 2015	**6,860**	**11**	**0**	**6,871**
Net book value at 31 March 2014	**166**	**22**	**594**	**782**
Net book value at 31 March 2015	**602**	**17**	**131**	**750**
2013-14				
Cost or valuation				
At 1 April 2013	7,617	42	0	7,659
Additions	0	0	622	622
Transfers	0	28	(28)	0
Disposals	0	0	0	0
At 31 March 2014	**7,617**	**70**	**594**	**8,281**
Amortisation				
At 1 April 2013	7,286	42	0	7,328
Charged in year	165	6	0	171
Disposals	0	0	0	0
At 31 March 2014	**7,451**	**48**	**0**	**7,499**
Net book value at 31 March 2013	**331**	**0**	**0**	**331**
Net book value at 31 March 2014	**166**	**22**	**594**	**782**

All intangible assets are owned by the Commission. There are no intangible assets are held under finance leases (nil in 2013-14). Assets under construction represent expenditure on IT developments.

9. Capital and other commitments

9.1 Capital commitments

As at 31 March 2015, the Commission had no capital commitments (nil as at 31 March 2014).

9.2 Operating leases

Total future minimum lease payments under operating leases are given in the following table, analysed according to the period in which the lease expires.

	2014-15	2013-14
	£'000	£'000
Obligations under operating leases comprise:		
Buildings		
Not later than one year	1,052	1,076
Later than one year and not later than five years	1,694	1,102
Later than five years	0	0
	2,746	2,178

	2014-15	2013-14
	£'000	£'000
Income receivable under non-cancellable subleases comprise:		
Buildings		
Not later than one year	150	317
Later than one year and not later than five years	0	150
Later than five years	0	0
	150	467

The Commission holds leases on four sites where rent is calculated on floor area utilised and is payable on a quarterly basis. All leases expire within the next five years.

10. Financial instruments

As the cash requirements of the Commission are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Commission's expected purchase and usage requirements and the Commission is therefore exposed to little credit, liquidity or market risk.

11. Cash and cash equivalents

	2014-15	2013-14
	£'000	£'000
Balance at 1 April	348	137
Net change in cash and cash equivalent balances	241	211
Balance at 31 March	589	348
The following balances at 31 March were held at:		
Government banking services	589	348
Cash in hand	0	0
Balance at 31 March	589	348

The Commission holds no cash equivalents.

12. Trade receivables, financial and other assets

	2014-15	2013-14
	£'000	£'000
Amounts falling due within one year:		
VAT	207	324
Deposits and advances	3	20
Other trade receivables	56	85
Prepayments and accrued income	442	1,166
	708	1,595
Amounts falling due after more than one year:		
Prepayments and accrued income	0	0
Total trade and other receivables	708	1,595

12.1 Intra government balances

	2014-15	2013-14
	£'000	£'000
Amounts falling due within one year:		
Balances with other central government bodies	526	591
Balances with bodies external to government	182	1,004
	708	1,595
Amounts falling due after more than one year:		
Balances with bodies external to government	0	0
Total trade and other receivables	708	1,595

13. Trade payables and other current liabilities

	2014-15	2013-14
Amounts falling due within one year:	£'000	£'000
Taxation and social security	251	480
VAT	0	0
Trade payables	705	867
Other payables	5	22
Staff exit costs	1,337	1,354
Accruals and deferred income	1,150	1,092
Amounts issued from the consolidated fund for supply but not spent at year end*	589	348
	4,037	4,163
Amounts falling due after more than one year:		
Staff exit costs	0	245
Total trade and other payables	4,037	4,408

* For the purposes of the cash flow statement, movements in these figures are excluded.

13.1 Intra government balances

	2014-15	2013-14
	£'000	£'000
Amounts falling due within one year:		
Balances with other central government bodies	840	850
Balances with bodies external to government	3,197	3,313
	4,037	4,163
Amounts falling due after more than one year:		
Balances with bodies external to government	0	245
Total trade and other payables	4,037	4,408

14. Provisions for liabilities and charges

	Early departure costs	Property dilapidation	Legal costs	Total 2014-15	Total 2013-14
	£'000	£'000		£'000	£'000
Balance at 1 April	38	800	0	838	472
Provided in year	0	0	10	10	400
Provision utilised in year	(15)	(182)	0	(197)	(34)
Provision written back	(7)	(218)	0	(225)	0
Balance at 31 March	16	400	10	426	838

14.1 Analysis of expected timing of cash flows

	Payment by 31 March 2016	Payment after 1 April 2017	Total
	£'000	£'000	£'000
Early departure costs	15	1	16
Property dilapidation	400	0	400
Legal costs	10	0	10
Total	425	1	426

14.2 Early departure costs

The Commission meets the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Commission provides in full for this when the early retirement programme becomes binding on it, by establishing a provision for the estimated payments discounted by the Treasury discount rate of 1.5% in real terms.

14.3 Property dilapidation

In consultation with our landlords, provisions have been created for dilapidations on our current Taunton office. The lease on this property expires in 2015-16.

14.4 Legal

The Commission had no material legal commitments or liabilities as at 31 March 2015.

15. Contingent liabilities

The Commission has no contingent liabilities judged to be probable or material at 31 March 2015 (nil as at 31 March 2014).

16. Losses and special payments

16.1 Losses statement

	2014-15		2013-14	
	Number	£'000	Number	£'000
Total losses for the year	3	1	2	0

There were three losses in 2014-15 amounting to £1,439 (two in 2013-14 amounting to £238). In 2014-15 the Commission changed its policy on charging for reports and decided to refund external customers who had purchased reports in 2013-14, accounting for £1,430 of the above figure.

16.2 Special payments

	2014-15		2013-14	
	Number	£'000	Number	£'000
Total special payments for the year	2	5	1	5

17. Related party transactions

During the year 2014-15, no board member, key manager or other related parties undertook any material transactions with the Commission. As an entity, the Commission had a small number of transactions with other government departments and other central government bodies. These transactions were with the Foreign and Commonwealth Office, the Department for Communities and Local Government, the Home Office, the Department for Work and Pensions, the Valuation Office, the Skills Funding Agency, the Department for Business, Innovation and Skills and the Charity Commission for Northern Ireland. All transactions were undertaken on arm's length terms.

18. Events after the reporting period date

There have been no events after the statement of financial position date requiring an adjustment to the financial statements. The annual report and accounts were authorised for issue on the same date that the Comptroller and Auditor General signed his certificate.

Glossary

Accruals
Income or expenditure relating to the financial year which had not been received or paid by the financial year end but is reflected in the financial statements.

Amortisation
The writing off of the value of an intangible asset over the useful life of that asset.

Annually managed expenditure (AME)
Expenditure incurred by the Commission that falls outside the scope of DEL control totals. In general, this relates to the creation of and increase to provisions.

Capital expenditure
Expenditure greater than £1,000 on the acquisition or construction of plant, property and equipment and intangible assets, or on enhancing the value of such assets. Grouped assets with a total value exceeding £1,000 and individual item value exceeding £500 are also capitalised.

Comprehensive spending review
A three year plan setting out the aims and objectives of the Commission and the related funding and spending budgets.

Consolidated fund
The government's 'current account' operated by Treasury and used to finance central government spending. The main source of income to the fund is taxation receipts.

Consolidated fund extra receipts (CFERs)
Income received by the Commission which we are not authorised by Parliament to use to offset our expenditure. CFERs are paid into the consolidated fund.

Contingent liability
A possible liability to make a future payment that is dependent on the outcome of certain events, for example, legal action.

Corporate governance
The systems and processes by which organisations are directed and controlled to ensure they meet their aims and fulfil statutory requirements.

Delegated expenditure limit (DEL)
A control total specified for the Commission. Separate DELs are set for resource and capital. The Commission's expenditure cannot exceed its DEL.

Depreciation
The measure of wearing out, consumption or other reduction in the useful economic life of property, plant and machinery.

Estimate/supply estimate
A summary of the resources and cash voted by Parliament to the Commission for the financial year, against which we monitor our expenditure.

Excess vote
Additional funding that is approved by Parliament where expenditure by a government department exceeds the estimate for the financial year.

Finance lease
A lease that transfers substantially the risks and rewards of ownership of the asset to the lessee.

Financial instrument
A contract that gives rise to a financial asset for one party and a financial liability to another party.

Financial Reporting Manual (FreM)
The technical accounting guide to preparing the financial statements of government departments, written by Treasury.

General fund
This represents the historic costs of the total assets less the liabilities of the Commission. It is included in taxpayers' equity in the statement of financial position.

Impairment
The reduction in value of plant, property and equipment and intangible assets reflecting either the consumption of economic benefits, such as obsolescence, or physical damage, or a general fall in prices.

International financial reporting standards (IFRS)
The financial reporting standards under which the Commission's financial statements are prepared. IFRSs are set by the International Accounting Standards Board.

Managing public money
HM Treasury publication setting out the principles government departments should follow when dealing with resources.

Materiality
The extent to which a misstatement or omission in the financial statements might reasonably be expected to impact on the understanding of the reader.

National Audit Office (NAO)
The external auditors of the Commission.

Net book value
The amount at which non-current assets are included in the statement of financial position after providing for amortisation, depreciation and revaluations.

Net cash requirement
The amount of cash to be released from the consolidated fund to fund the Commission's expenditure for the financial year. The net cash requirement will be different from the DEL as DEL takes into account 'non-cash' expenditure such as depreciation and notional charges for which there is no physical transfer of cash.

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

Net resource out-turn
The net total of income and expenditure of the Commission during the financial year.

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

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

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

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

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

Resource expenditure
Expenditure on non-capital related activity, which is either subject to the Delegated expenditure limit (DEL) or Annually managed expenditure (AME).

Supply
The resources voted to the Commission by Parliament.

Trade payables
These are amounts the Commission owes for goods and services received in the financial year for which payment has not been made by the year end.

Trade receivables
These are amounts owing to the commission for goods or services provided in the financial year for which payment has not been received by the year end.

Vote
The process by which Parliament approves the Commission's funding requested in our estimate.

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