



17 July 2013

Our ref: ICAEW Rep 97/13

Your ref:

Charity Commission First Contact
PO Box 1227
Liverpool
L69 3UG

Dear Sir/Madam

Consultation on developing the content of the annual return and information displayed on the register of charities

ICAEW is pleased to respond to your request for comments on *the consultation on developing the content of the annual return and information displayed on the register of charities*.

Please contact me should you wish to discuss any of the points raised in the attached response.

Yours sincerely

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ICAEW REPRESENTATION

DEVELOPING THE CONTENT OF THE ANNUAL RETURN AND INFORMATION DISPLAYED ON THE REGISTER OF CHARITIES

**Memorandum of comment submitted in July 2013 by ICAEW, in response to the
Charity Commission's consultation on developing the content of the annual return
and information displayed on the register of charities**

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INTRODUCTION

1. ICAEW welcomes the opportunity to comment on the consultation paper on *developing the content of the annual return and information displayed on the register of charities* published by the Charity Commission, a copy of which is available from this [link](#).

WHO WE ARE

2. ICAEW is a world-leading professional accountancy body. We operate under a Royal Charter, working in the public interest. ICAEW's regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the UK Financial Reporting Council. We provide leadership and practical support to over 140,000 member chartered accountants in more than 160 countries, working with governments, regulators and industry in order to ensure that the highest standards are maintained.
3. ICAEW members operate across a wide range of areas in business, practice and the public sector. They provide financial expertise and guidance based on the highest professional, technical and ethical standards. They are trained to provide clarity and apply rigour, and so help create long-term sustainable economic value.
4. ICAEW has a charities technical sub-committee and a charities and voluntary special interest group with over 3,400 members. Many ICAEW members are active in charities and the voluntary sector; approximately 30,000 are charity trustees, treasurers, school governors and in other voluntary roles.

MAJOR POINTS

5. In making our comments we are bearing in mind that the Annual Return must be completed by all registered charities over £10,000 income, therefore the vast majority of Annual Returns are completed by smaller and medium-sized charities. The questions are likely to be more difficult for smaller charities to answer; the larger ones are likely to have a much better understanding of the issues without further research. The impact of these requirements will therefore be proportionately higher upon smaller charities.
6. It must be ensured that the information requested is likely to be useful to those who use the Register of Charities. The quality of information provided in an annual return will rely on the questions including appropriate guidance, in particular, in relation to questions 1, 3, 4 and 6.
7. We recommend that the draft Charity SORP disclosure requirements are considered in the light of what is asked for in the annual return. This should help avoid unnecessary duplication.

RESPONSES TO SPECIFIC QUESTIONS/POINTS

QUESTION 1a: Do you agree that we should ask and display 'Does your charity raise funds from the public?'

8. Yes. We agree it makes sense to ask whether charities raise funds 'from the public' but the term should be defined in the Annual Return documentation, or the answers will be meaningless. It would be best to align this with the FRSB definition, but it should be noted that this includes charities which only have a very small number of donors, and charities which raise money from business, even though they may not raise funds directly from individuals.
9. The wording should make clear whether charities should answer 'yes' to this question even if they accept public contributions only in a very small way. It might be better to ask 'Do you raise a significant proportion of your income (at least 10%) from the public?'

QUESTION 1b: Do you agree that we should ask and display ‘Do you work with a commercial participator?’

10. Yes. However, the term ‘commercial participator’ should be defined and explained to make this question meaningful. On balance, we anticipate the number of charities which will say ‘yes’ to this question may not be high. We would recommend that the question ‘Do you work with a professional fundraiser?’ is also included.

QUESTION 1c: Do you agree that we should ask and display ‘Do you have an agreement in place with a commercial participator?’

11. No. Whilst we welcome the Commission drawing attention to the legal requirement to have written agreements with commercial participators and professional fundraisers, we would recommend addressing the need for such agreements through guidance such as articles in ‘Charity Commission News’ rather than through questions in the Annual Return.

QUESTION 2: Do you agree that we should ask whether a charity has a trading subsidiary?

12. Yes. This would definitely be useful and increase transparency. We assume that the question refers to non-charitable trading subsidiaries, but this should be made clear as some charities may have charitable trading subsidiaries. We would also recommend offering charities the option of providing additional information about their subsidiaries.

QUESTION 3: Do you agree that we should ask whether the main activity is making grants and publish this information?

13. Yes. We agree in principle but we think the question should be ‘whether *one of* the main activities of the charity is making grants. Charities with substantial grant programmes who also operate in other ways may not want to be pigeon-holed as ‘a grant-making charity’ as they may feel this detracts from their other important activities.
14. It will also be important for the Charity Commission to define what it means by ‘main’ so that charities do not interpret this question in different ways. If the Commission is asking whether one of the main activities of the charity is making grants, we would suggest that ‘main’ is defined as meaning where a charity has spent around 30% or more of its charitable expenditure on grant-making activities.

QUESTION 4: Do you agree that we should ask whether there are written policies?

15. No. As a matter of good governance there should be key written policies in place. Appropriate governance arrangements vary greatly according to the size and nature of the charity. However, we believe the proposed tick box approach does not demonstrate the quality of a charity’s written policies or the quality of compliance with those policies. We would suggest that it is for the trustees of a charity to decide what written policies should be in place for the charity to be governed well, having regard to Commission guidance. We believe that the Commission can continue to raise awareness of the need for good governance, through its written guidance and newsletters.

QUESTION 5: Do you agree that we should ask whether a charity is regulated/registered otherwise than by the Charity Commission, and display this information?

16. Yes. This would be useful. We agree that a specific list of regulators should be given and then a box for ‘other’. The list should certainly include OSCR in terms of other regulators, so that the register of Charities will enable easy identification of charities which are also registered in Scotland. It may however be difficult to know where to draw the line, as activities and associated regulators become further removed from the principal activities of the charity.

QUESTION 6: Do you agree that we should ask whether a charity pays one or more of its trustees for acting as trustee, and display this information?

17. Yes. This would be useful information to collect. However, many charities with remunerated trustees - even full-time salaried staff - would argue that they are paid for other duties, not for the time they spend as trustees. It may be better to collect details about all kinds of trustee remuneration if a question is to be asked on this issue.

QUESTION 7: Do you agree that we should discontinue the SIR from 2014?

18. Yes. We believe the SIR to be of little value, and we agree it should be discontinued.

QUESTION 8: Do you agree that we should encourage charities to explain what they have achieved during the year and display this information on the register?

19. No. This information should be provided in the Trustees' Report. Any question of this kind should certainly focus on public benefit. However, we feel such a question would significant extra work to summarise what is already in the Trustees' Report, so we do not believe this would be beneficial.
20. Nevertheless the Annual Return should encourage charities to update the 'activities' information held on the Register – in many cases this is confusing or out of date.

QUESTION 9: Do you agree that we should show on the register if a charity is a member of the Fundraising Standards Board?

21. Yes. It would definitely be very beneficial to show charities with FRSB membership.

QUESTION 10: Do you agree that we should display information about whether a charity was formed from a merger, or a charitable company set up to receive assets of an unincorporated charity?

22. Yes. This information would be extremely valuable. In particular we would make a strong request to structure this information so that the accounts filed by the former charity(ies) are still available. It is a huge limitation at present that former accounts cease to be available when a charity is wound up due to a merger.

QUESTION 11: Do you think that the proposals in this consultation would significantly increase the time it would take to complete the annual return?

23. No

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