CHARITY COMMISSION
FOR ENGLAND AND WALES

ICAEW webinar 2019 Charity Commission roundup – research findings, developments in SORP and updates to guidance

Nigel Davies Head of Accountancy Services

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Regulatory update- risks and concerns:

- Context for our regulatory approach and key risks
- Research findings and a benchmark
- Findings from key cases
- SORP developments
- Useful guidance (since Dec 2018)

Context- our new regulatory approach: a purpose driven Commission

"Our purpose is to ensure charity can thrive and inspire trust so that people can improve lives and strengthen society"

A purpose intended to both shape how the Commission regulates and be a joint endeavour to be undertake in partnership with the profession and sector. Expressed as a statement of strategic intent – our core purpose and our priorities to 2023

My take: we want charity trustees to succeed and give of their best so that charities can deliver public benefit

Matters important to trust

The key sector risks/ challenges for trustees, the Commission and the profession:

❑ Maintaining the value of charity to society

❑ Transparency in the conduct, governance and accountability of charities in particular awareness of duties and challenges

❑ Demonstrating the difference charities make

❑ Better ethics-a sector living its values and a profession that meets public expectations and charity law requirements

❑ Enhancing trustee skills and competency

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Sector reports and accounts matter

- ❑ Main findings from a user survey of our register
  - ❑ In 2018 our Registers had a combined 4.3 million users, who visited 38.4 million pages (sixth most viewed website on GOV.UK)
  - ❑ October 2018- 28% of users visited to look up accounts on line
  - ❑ Largest user group identified as 'members of the public' 41% (followed by 'charity employee' 29%)
  - ❑ Equates to 1,349,283 views of charity financials and 853,643 downloads of charity accounts a year
- ❑ It may be true nobody asks you for your report and accounts- they view them on-line now

Trends in accounts quality- missed opportunity to tell a charity's story well
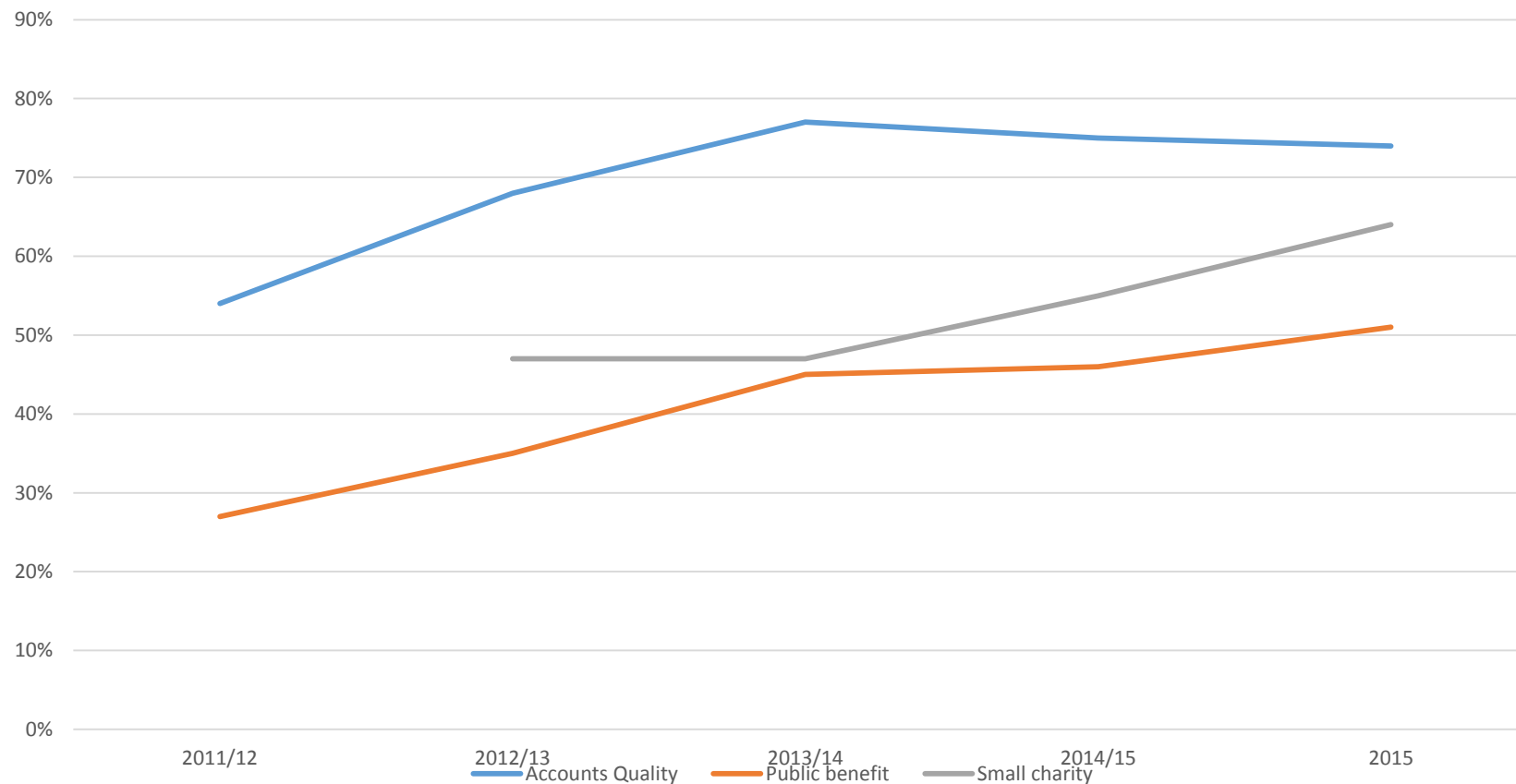
Findings from cases- Garden Bridge

❑ A high profile and expensive failure but trustees fulfilled their legal duties except for timely filing of their report and accounts

❑ 'Transparency and accountability should go beyond complying with basic fin' reporting requirements…'

❑ In respect of the accounting framework, the minimum should be 'viewed as just that: a minimum, not an aspiration'

❑ Reflection: 'SORP sets out the expectations around transparency, reporting and accounting'- implications for the next one

Reserves (November 2018)

- ❑ Recent media interest and FRC guidance on going concern put reserves in the spotlight again:
- ❑ Study looked at income of over £500,000 found:
    - ❑ Policy explained 92%
    - ❑ Levels stated 67%
    - ❑ Why reserves held 90%
    - ❑ All three requirements met 64%
- ❑ Only 22%correctly calculated reserves figure (CC19)
- ❑ OSCR calculator: https://www.oscr.org.uk/guidance-and-forms/charity-reserves-factsheet/1-what-are-reserves/
- ❑ A relevant matter- IE should consider reporting to us (Direction 9) as should the auditor (PN11 para 174)

External scrutiny benchmark (August 2019)

❑ 15 criteria- 9 apply to any accounts (income over £25,000) and 6 apply only to accruals (SORP) accounts

❑ Checks for the presence of:
  ❑ Trustees' annual report
  ❑ Primary financial statements
  ❑ A scrutiny report

❑ Also looks at fund accounting, internal consistency of accounts and the disclosure of related party transactions as required by SORP

❑ If deficiencies are identified in a comment in the scrutiny report then the benchmark is not failed

Quality of external scrutiny (August 2019):

- ❑ Three samples: audit required, qualified independent examiner (IE) required, any person can be IE
- ❑ Main findings:
  - ❑ 23% of auditors failed
  - ❑ 82% of unqualified examiners failed
  - ❑ 56% of qualified examiners failed
- ❑ Basis of assessment- a new benchmark based on the requirements of law and the disclosure of related parties SORP
- ❑ Initial follow up by ICAEW and ACCA
- ❑ Just referring incidents for info' for now

Reporting serious incidents:

❏ Duty on trustees as part of AR- income over £25,000
❏ New guidance with examples and checklist issued in September 2017
❏ Valuable source of trends and intelligence
❏ Common issues are currently (2017-18)

    ❏ Safeguarding (1580)

    ❏ Financial crime (491)

    ❏ Governance related (291)

    ❏ Terrorism/ extremism (27)

    ❏ Other incl. disqualified trustee acting and significant data breach (430)

Findings from cases- Oxfam

❑ Each charity needs to have a culture that reflects its mission and values
❑ Embed the culture in its practices as well as reflect it in its activities
❑ Be candid if things go wrong (RSI reporting)
❑ Effective trustee oversight esp. of senior staff on whom they may rely- delegation, sign-off, accountability arrangements
❑ Safeguarding affects all charities to some degree

SORP developments

Implementing the SORP governance review:

❑ SORP Governance Panel reported June 2019- 36 recommendations- improving the way the SORP is developed

❑ New engagement process launched with new SORP Ctte

❑ Recruiting shortly to a new SORP Committee (closed) and recruiting engagement partners (individuals and organisations)- closes 31 January

❑ Looking to transform the way we do the SORP- see the website for details: http://www.charitysorp.org/about-the-sorp/join-us/

❑ SORP development informed by findings from 4 working parties:

* Tiered Reporting

* Burden on small charities

* Transparency

* Governance disclosures

Tactical changes to SORP:

❑ A second edition of the FRS 102 SORP published incorporating- effective 1/1/19:

  ❑ Update Bulletins 1 and 2

  ❑ Changes to law and regulations (but may signpost rather than repeat requirements that are jurisdiction specific)

❑ Information sheets on large company reporting (No.3) and aspects of pension reporting (No.4)- added and two more due

❑ Next SORP- probably for financial years beginning in 2022 or 2023

❑ Refer to the updated SORP microsite for further details: www.charitysorp.org

Updates to guidance
and resources (for reference)

Combatting fraud and financial abuse:

- Published latest research on fraud risks and incidence: https://www.gov.uk/government/news/new-research-reveals-the-biggest-risks-to-charities

- A Board toolkit aimed at larger charities: https://www.ncsc.gov.uk/collection/board-toolkit

- Small charity cyber guide: https://www.ncsc.gov.uk/collection/charity

- Free fraud awareness hub: https://gateway.on24.com/wcc/experience/elitebba/1917599/2071337/charity-fraud-awareness-hub

Guidance / Resources (1):

❑ Updated Safeguarding Guidance (October 2018): Safeguarding and protecting people for charities and trustees https://www.gov.uk/guidance/safeguarding-duties-for-charity-trustees

❑ The guiding principle of safeguarding- trustees must safeguard children and adults at risk, and protect anyone that comes into contact with their charity from harm

❑ CC News 64 October 2019

❑ Key guidance on campaigning: https://charitycommission.blog.gov.uk/2019/09/13/charities-and-political-campaigning-a-reflection-on-charities-responsibilities/

Guidance / Resources continued (2):

❑ Commission updates the protecting charities from harm toolkit (Dec 2018)

❑ New guidance for charities with a connection to a non-charity (April 2019)

❑ Reporting of relevant matters- advice updated (May 2019)

❑ Reporting matters of material significance reissued (May 2019) with new email contacts

❑ Updated Independent examination of charity accounts: guidance for trustees (CC31)- (Sept 2019)

Guidance / Resources updates due (3):

❑ Change charity structure guidance updated (Nov 2019)

❑ Appointment of interim managers (Jan 2019)

❑ Exempt charities guidance –CC33 updated (Aug 2019)

❑ Dispensation to remove trustee name from register (July 2019)

❑ Charities working with linked non-charitable organisations (March 2019)

❑ Dealing with wrong doing and harm 2017-18

Digital services:

❑ New 3 step Annual return process (log on, update details then complete AR):
https://www.gov.uk/government/news/if-your-charity-last-did-an-annual-return-before-12-november-2018

❑ On line services guide:
https://www.gov.uk/guidance/online-services-for-charities

Useful information produced by other bodies:

❑ Discussion paper on value of charity sector
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/835686/Value_of_Charity_-_Oct_19_-_published.pdf :

❑ New Code of Fundraising Practice (wef 1Oct 2019):
https://www.fundraisingregulator.org.uk/code

❑ Privacy and electronic communications regulations:
https://ico.org.uk/for-organisations/guide-to-pecr/what-are-pecr/

❑ Impact reporting (CFG) 2012- Principles into Practice:
http://www.socialvalueuk.org/app/uploads/2016/09/Principles-into-Practice.pdf

www.gov.uk/charity-commission

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