



News

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Charity Commission News – Summer 2011

www.charitycommission.gov.uk



Introduction by Dame Suzi

Welcome. It has been another busy few months at the Commission. First, we have published our new structure, which reflects the outcome of our strategic review consultation. The consultation revealed that our stakeholders endorse our role, but it did not identify areas of our work that we can stop altogether. So we remain committed to registering charities, providing guidance, advice and permissions, ensuring charities report on their work and addressing fraud and abuse. We will cope with the reduction in our resources by managing demand for one-to-one interaction - for instance by providing excellent online guidance and sign-posting charities to umbrella bodies. In all our work, we will encourage trustees to take their own decisions as far as possible.

Second, the Charity Commission's Annual Report and Accounts for 2010-11 are now published – you can find more information about the report in this edition.

Third, we have been involved in a high profile legal case, brought by the Independent Schools Council, which has challenged the lawfulness of our public

benefit guidance as it applies to fee-charging charitable independent schools. The case was heard in the Upper Tribunal (Tax & Chancery Chamber), together with a Reference by the Attorney General asking the Tribunal to clarify what the law is. As a public body, we accept that the way we carry out our responsibilities should be open to challenge and we welcome any clarification of the law which may result from the hearing. This may have implications for fee charging charities more generally and we will update you as soon as we can.

Separately, we have published research into the way charities are reporting, through their Trustees' Annual Reports, on the public benefit they provide. This issue explains the findings of the research and makes recommendations for your charity. Finally – a plea for you to take part in a survey about [CC News](#). We would like to learn more about how you read and share CC News and how you feel about new types of content, such as podcasts. Please do have your say.

Suzi Leather

A year at the Charity Commission

You can learn about the highlights of the Commission's work in 2010-11 by taking a look at our latest Annual Report and Accounts, which are now available online. The report follows a 'charity life-cycle' theme, to help the reader understand how and when we work with charities. It reveals that we have made good progress in encouraging charities to access our services online, highlighting, for instance, that 88% of charity registration applications in 2010-11 were made online, compared to 50% in 2009-10. Many of the new pieces of guidance featured in CC News over the past year are also mentioned in the report, including the new small charities section of our website and the updated set of financial guidance. The report also reveals that the Commission met all of our Key Performance indicators in 2010-11.

As Dame Suzi's introduction explains, the Commission is in the process of adopting a new strategy, and the

report reflects this by explaining, in 'looking ahead' sections, how our approach to certain areas of our work is likely to change. You can also read about examples of our interaction with individual charities featured as case studies in the report. The Accounts, which this year were published together with the report, explain how we have used our resources this year.



Reporting on public benefit – a chance to show your impact

How does your charity describe the way it benefits the public? New research has shown that many charities need to do more to explain the positive impact they have on the lives of their beneficiaries. Trustees are required to report on their public benefit in their Trustees' Annual Reports (TARs), under a requirement introduced in 2008.

The [new independent research](#) looked at how well charities are getting to grips with the requirement and found that, while charities have made progress, there is still room for improvement.

The research, which is based on 1402 Trustees Annual Reports (TARs) and discussions with 30 charities, showed that:

- 26% of charities with an income over £500K fully and clearly met the reporting requirement, but this fell to just 2% of charities under £100K.
- 67% of charities over £500K had at least met the basic legal requirements, with some lacking clarity in a few areas. This fell to 13% of those under £25K.

- The number of charities that stated in their TARs they had 'had regard' to the Commission's guidance on public benefit was 72% of those over £500K and 11% of those under £25K.

Reporting on public benefit is not just a requirement – it's also an opportunity to demonstrate to grant-makers and funding bodies what impact your charity has had. Find out how to report on the public benefit your charity provides in the [Commission's public benefit guidance](#).

Risk Management for small charities

We know that trustees of small charities often need basic guidance on running a charity effectively. That's why the Commission has dedicated a section of our website to guidance for small charities (see CC News 33). We have recently updated that section to include a range of [new information on avoiding problems](#) – an approach generally known as 'risk management'. The information includes 10 useful questions trustees can

ask themselves to help avoid problems, as well as a list of common risks. You can follow links to more detailed guidance, and even use a step-by-step guide to make your own risk management plan. We'd love to know what you think about this guidance. Tell us using the *Rate This Page* feature of the [Small Charities web pages](#).

Follow the money – ensuring proper use of your charity’s funds

Last year (CC News 31) we told you about *Protecting charities from harm*, our practical guide for charities, which provides the tools you need to manage risks and protect your charity and its property from harm and abuse. We launched the toolkit with the first chapter *Charities and terrorism*, which explains the UK’s counter-terrorism legislation and how it affects charities’ work. We have now published three further chapters:

Chapter 2, *Due diligence, monitoring and verification of the end use of funds*, reminds you how important it is that you are aware of the provenance of funds given to your charity and that you are confident you know the people and organisations your charity works with or gives money to. It also explains how to manage any risks that you might identify and provides practical advice on how to verify that your charity’s money has been put to proper use by partners.

Chapter 3, *Fraud and financial crime*, highlights some of the types of fraud and financial crime that charities are vulnerable to, and provides practical advice to help trustees to manage the risks and devise ways of preventing fraud.

The fourth and final chapter, *Holding, moving and receiving funds in the UK and internationally*, explains that using formal banking systems is the best way of ensuring your charity’s funds are safeguarded. But the chapter also provides advice about the more risky methods of moving funds, which charities may occasionally need to make use of, and offers practical advice on how to develop the right financial controls and audit trails.



Preparing for possible accounting changes

Preparing Trustees’ Annual Reports and accounts is among the most important ways in which trustees make their charity accountable to the public – it is also a legal requirement.

So it’s important for you to be aware that the [Accounting Standards Board \(ASB\)](#) is now suggesting making changes to the accounting framework, which would affect small and medium sized charities from 2013 onwards.

If the changes go ahead they are likely to have a significant impact on most charities, not least

because the charities Statement of Recommended Practice (SORP) will need to be updated. It is not yet certain whether these suggested reforms will take effect, but we are recommending that charities prepare by:

- tasking a trustee or sub committee with finding out what the planned changes would mean for your charity
- asking your professional adviser or accountancy firm for advice on the preparations you should be making

If your charity is a registered social landlord or education institution not covered by the charities Statement of Recommended Practice (SORP), find out how your sector SORP is being updated. You can find out more about the planned changes on the [our website](#) and in a [podcast on the future of charity reporting](#).

The charities [SORP Committee](#) have decided that SORP 2005 will remain in place until the plans for UK accounting are settled.

Unsure about insurance?

Have you ever been uncertain about whether you need to take out insurance to cover any of your charity's activities? The Commission has published updated guidance, *Charities and Insurance (CC49)*, to help support you in making the right decision for your charity.

The updated guidance provides a framework designed to give trustees confidence in their own judgement. It sets out trustees' legal duties in connection with insurance and emphasises that decisions around insurance should be part of trustees' wider risk management policy.

As the guidance explains, insurance is not the only solution to managing risks, but it can be an appropriate way for you to protect your charity against any loss, damage or liability arising from risks. When deciding whether to buy insurance, trustees should ask a series of questions, which are set out in the guidance. These include the question of how much it would cost to buy insurance to cover against an identified risk, whether it would be better to pass on the risk to a third party, or whether trustees should consider stopping or reducing the activity that gives rise to that risk.

The answers to these questions will depend on the specific circumstances of the charity and the decision will always lie with trustees.

However, two types of insurance that are required by law: All charities that own or operate motor vehicles must take out motor insurance, and all charities employing staff members must take out employers' liability.

Get on board with Trustees' Week 2011

Following the success of last year's first annual Trustees' Week, a campaign to raise awareness of trusteeship, Trustees' Week 2011 will take place on 31 October – 6 November. The aim of the campaign is to encourage people from a range of personal and professional backgrounds to get involved and consider becoming a trustee.

Last year more than 30 events were held across the country to celebrate the great work that trustees do and we hope that charities and other organisations will get involved again this year to help raise awareness of how important trusteeship is.

More information about the campaign is available on the [Trustees' Week blog](#). We are currently looking for case studies to feature on the blog and if you're a charity trustee we want to hear about your experiences and what trusteeship means to you.

If you have a story to tell, or are planning an event, please email us at trusteesweek@charitycommission.gsi.gov.uk. You can also follow us on Twitter [@trusteesweek](#).



Sign up for CC News

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If you are a trustee, simply update the details for your charity through the *Manage Your Charity* section of our website to include a public email address. Or sign up for email alerts on our website.

Also, please tell us what you think about CC News and using social media by taking part in a short [survey on our website](#).