

The **Charity**
Commission
for Northern Ireland



2018-19

Annual report and accounts

**The Charity
Commission**
for Northern Ireland
**Annual report and accounts
for the year ended 31 March 2019**

The Accounting Officer authorised the financial statements for issue on 28 June 2019

Laid before the Northern Ireland Assembly under the Charities Act (Northern Ireland) 2008 by the Department for Communities on 25 July 2019.

The Charity Commission for Northern Ireland is the regulator of charities in Northern Ireland, a non-departmental public body sponsored by the Department for Communities.

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1. Overview

Statement from the Chief Charity Commissioner and Chief Executive

We are pleased to report that 2018-19 has been a productive year, one which has come with much progress, development and learning for the Commission, and for the charity sector as a whole. As always, our annual report presents an opportunity to reflect on our achievements, alongside the challenges we have faced over the past year.

Perhaps one of the biggest changes for the sector has been annual reporting. Unlike registration, a one off process by which the Commission verifies that an organisation is a charity under the law, the online submission of charity accounts and reports is an annual process and the information is published in real time on the register.

Together, registration and annual reporting are supporting a key area of our work - the building of public trust and confidence in charities. During the year, 5,080 charity accounts and reports were submitted under the annual reporting programme. Filing of these accounts has led to £1.9billion of charity income being accounted for through the register.

While just over 5,000 charities submitted their accounts and reports during the financial year, there were a number of charities which filed

late or did not file at all. Overall, 5,168 charities were due to submit their annual returns to the Commission between 1 April 2018 and 31 March 2019. Of that number, 1,027 (19%) charities failed to submit by their deadline. However, on a more positive note, 4,141 (68%) charities complied on time, with some (1,598 – 32%) even submitting their annual returns early.

Another vital part of our role as regulator is to support charities in complying with their legislative duties and modern day requirements. Our engagement work, our online guidance and our casework provide the legal framework and support for charities to operate within the law and follow best practice. In 2018-19, the Commission made 240 casework decisions, published 10 pieces of new or updated guidance and participated in 45 engagement events.

Where possible, we look to engage with, and educate, the sector on areas of specific concern to them. For example, with safeguarding remaining a priority in 2018-19, we hosted an Essential safeguarding good practice seminar in May 2018, attended by over 90 charity representatives. Following the success of this seminar, a further Beyond Safeguarding conference was held in November 2018, in conjunction with NICVA, and was attended by around 100 delegates.

Coupled with that work is the role which, we find, brings us the most public attention – enquiries. It is important that the sector and the wider public have confidence that, should something go wrong in a charity, a proportionate, fair and independent regulator is in place. Over the past year we have closed 125 complaints about charities, which ranged from minor infractions to more serious cases where we have had to use our most stringent of powers under the Charities Act (Northern Ireland) 2008.

This report provides an important overview of our progress and challenges during the past year as we work to reaffirm and build public trust and confidence in Northern Ireland’s charities.

It also highlights the steps we are taking to prepare for future development. We consulted this year on our next, three year strategic plan, which included a series of innovative proposals aimed at streamlining our processes in order to speed up decision making and support the prioritisation of higher risk cases. As part of this work, we have also taken the first steps on what is termed Transformation, a programme aimed at developing an integrated risk framework which will incorporate how the Commission operates and oversees risk-based regulation. This is a major project and one which will bring a series of new processes and checks to our work; we look forward to bringing it to fruition over coming years.



Frances McCandless
Chief Executive,
Charity Commission for Northern Ireland

Tom McGrath CBE
Chief Charity Commissioner
Charity Commission for Northern Ireland

Statement of the Commission's vision, objectives and activities

The Charity Commission for Northern Ireland ("the Commission") is the independent regulator of Northern Ireland charities, as created by the Charities Act (Northern Ireland) 2008 ("the Charities Act").

The Commission is a non-departmental public body (NDPB) and is sponsored by the Department for Communities. The working relationship between the sponsor department and the Commission is extremely important and the full implementation of the Charities Act requires close co-operation between both parties. The Commission does, however, exist as an independent organisation, working to further its aims and objectives.

Our vision

A dynamic and well governed charities sector in which the public has confidence, underpinned by the Charity Commission for Northern Ireland's effective delivery of its regulatory role.

Our objectives

The objectives of the Commission are set out in the Charities Act.

- **Public confidence**
To increase public trust and confidence in charities.
- **Public benefit**
To promote awareness of the need to demonstrate public benefit.
- **Accountability**
To enhance accountability to donors, beneficiaries and the public.
- **Charitable resources**
To promote the effective use of charitable resources.
- **Compliance**
To ensure proper management and administration of charities.

Our Activities

The Charities Act introduced a regulatory framework for the charitable sector in Northern Ireland. The previous framework, dating back to the 1960s, was "light touch" in nature, with only limited provisions for enforcement and no form of charity registration. The main objective of the Charities Act was to introduce an integrated system of registration and regulation as well as support for, and supervision of, registered charities.

The Commission works to provide and implement the structures and processes through which charities can demonstrate their contribution to society and the public can be assured that charitable resources are being properly applied.

During the year our strategic themes were:

1. developing compliance regarding the use of charitable resources
2. progressing charity registration to enhance accountability
3. demonstrating the public benefit arising from charitable giving and activities
4. developing as a properly governed, transparent and independent decision making body.

To achieve these, the Commission's activities during 2018-19 have included the following.

- The ongoing maintenance and population of an accurate and up-to-date public register of all charities by progressing compulsory charity registration in Northern Ireland.
- Identifying and investigating apparent misconduct or mismanagement in the administration of charities and taking remedial or protective action in connection with any misconduct or mismanagement.
- Implementing a mandatory annual reporting programme for all charities, making accounts available to the public and introducing a new compliance monitoring regime.
- Supporting charities in implementing the proper governance procedures and policies and, where appropriate, providing legal consents for trustees to make changes to their charity.
- Publishing guidance on a wide range of matters relating to charity trustees' duties

The Board and Senior Management Team

The Board



The Board



There were a number of changes to the Board during 2018-2019.

Norman Bennett's second three-year term of office as a Commissioner ended on 28 February 2019. The Commission would like to thank Mr Bennett for his hard work, dedication and commitment during his time with the Commission and wish him every success in his future endeavours.

In March 2019, Gerard McCurdy joined the Commission as Deputy Chief Commissioner and Kieran Donaghy as a Commissioner. The appointments will run from 1 March 2019 until 29 February 2024.

Senior Management Team



Chief Executive
Frances McCandless



Head of Charity Services
Punam McGookin



Head of Corporate Services
Aubrey McCrory



Head of Enquiries & Compliance
Myles McKeown

Success stories from the year

Feedback from the Essential safeguarding good practice seminar, which took place in May 2019, was very positive. Evaluation showed that the charity representatives in attendance increased their understanding of safeguarding responsibilities and serious incident reporting by 46 per cent and 58 per cent respectively.

Following receipt of a concern, the Commission shared relevant information with Land & Property Services (LPS). LPS undertook a review of a property leased by the charity and subsequently removed the charitable exemption, returning nearly £10,000 pa to the public purse.

For the first time, in 2018 the Commission published a list of organisations which it was anticipated would be called forward to apply for registration before the end of the financial year. This was aimed at supporting future registration applicants in planning ahead.

Following review of charities in default over six months, regulatory letters were issued to the trustees of those charities. While resource intensive, this work has had a positive result, demonstrating the benefit of contacting the charity trustees directly. To support charity compliance, the Commission now issues text message reminders to the trustees of charities due to submit accounts and reports within the month in question, and which have not done so already.

With the *register of charities* exceeding 6,000 entries it is essential that the Commission makes every effort to maintain its accuracy. During the year an Accuracy of the register working group was formed to drive forward ideas aimed at raising awareness of the legal obligation on charity trustees to ensure their register entry is up to date and accurate.

The Commission agreed to participate in the Boardroom Apprentice scheme for another year. As a regulator that exists to promote good governance, the Commission's participation demonstrates a commitment to developing governance skills for potential new Board members across the public and charity sectors.

The Northern Ireland consultation event on Guiding the development of the SORP, focussed on how best to reform the process for the development of the Statement of Recommended Practice (SORP) for charity accounts took place in Belfast in January 2019. Eleven participants attended, from accountancy firms to small charities, with a range of views and suggestions, including making use of the model used by the Commission of a critical friend group in each of the regions, to gain more engagement.

The Commission was approached by the Halifax Foundation, with a suggestion that the Foundation fund an accountant to provide assistance and training to charities, particularly small charities, struggling with their financial responsibilities. The Commission was able to identify a group of charities which would benefit from this opportunity and is exploring further co-operation with the Halifax Foundation in future.

Key issues and risks

A series of risks related to delivery of the Commission's objectives were managed during the year, including a small number in the highest category in the risk register. Other key issues related to:

- reconfiguring the assessment of the risk environment at the start of the year.
- appraising weaknesses to arrangements to implement planned Information & Communication Technology (ICT) developments and bring forward orders which impacted on having necessary on line systems.
- monitoring risks relating to the need to switch resources from supporting core regulatory work to defending decisions of the Commission and the Charity Tribunal.
- ensuring relevant staff were continuously assessing and seeking to mitigate other risks which did not materialise.

For further information on the Commission's risk and control framework, please see the Governance statement section of this annual report.



Performance summary

During the year, the Commission achieved 91% of its corporate key performance indicators (KPIs). This included the following achievements:

External KPIs

- 244 registration application decisions made (target: 160).
- 87% of registration applications were processed within 5 months of a complete application being received (target: 60%).
- 100% of self-regulatory and regulatory concerns about charities were processed to closure with five months of receiving a full risk assessment (target: 80%)
- 13% of annual returns submitted to the Commission were subject to basic compliance checks (target: 12%)
- 91% of initial compliance assessments completed within 30 working days (target: 50%)
- 60 pre-registration closures reviewed and action taken (target: 20)

Internal KPIs

- 97% of creditors' invoices paid with 10 working days (target: 90%).
- budget managed within 98.83% (target: 99%).
- staff absence levels managed within 2.8% (target: 8%)

While we performed well against our targets on limited resources, it is the Commission's view that the current level of resourcing presents long-term risks to the Commission's ability to deliver the statutory framework of regulation intended in the Charities Act. During the year we discussed and successfully bid for an uplift in resources from our sponsor department.

For further information on the Commission's performance during the year, including key indicators and actions progressed, see the Detailed analysis section of this annual report.

2. Performance analysis

The performance analysis below highlights some of our achievements.

Key indicators

Strategic aim 1:

Developing compliance regarding the use of charitable resources.



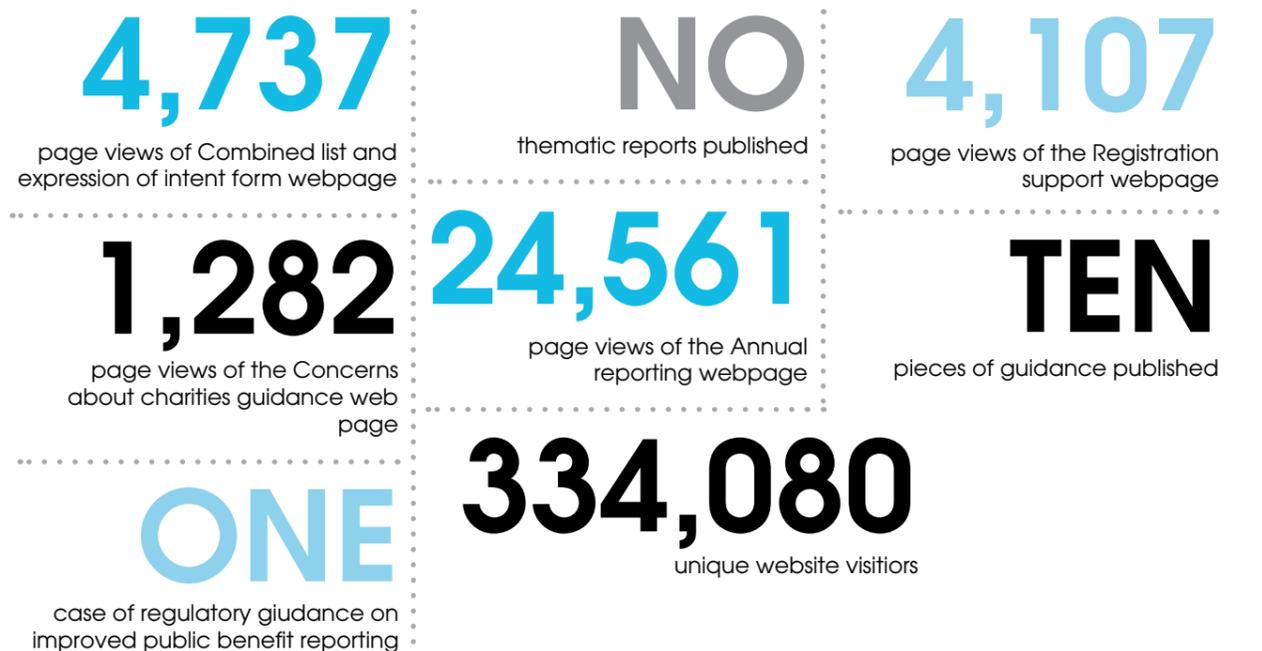
Strategic aim 2:

Progressing charity registration and casework to enhance accountability.



Strategic aim 3:

Demonstrating the public benefit arising from charitable resources and activities.



Strategic aim 4:

Developing as a properly governed, transparent and independent decision-making body.



Due to resourcing issues, a number of performance measures were not completed during the year. They are listed below.

- The Commission did not take any action against charities which had failed to apply for charity registration.
- The Commission did not publish any research reports.
- During 2018-19, the Commission undertook a survey of individuals who had completed the annual monitoring return, to gather feedback on the annual reporting guidance. While 261 respondents replied to the survey, between 87 and 165 respondents expressed a view on how helpful or unhelpful they found the guidance. All seven pieces of guidance were found to be very/fairly helpful by over 65% of respondents.

Timeline



Detailed analysis

Our vision is for a dynamic and well governed charities sector in which the public has confidence, underpinned by the Charity Commission for Northern Ireland's effective delivery of its regulatory role.

We work to achieve this aim through:

- **Registration:**
the building of a comprehensive and accurate *register of charities*, which provides the public with detailed information on the thousands of charities in Northern Ireland.
- **Annual reporting:**
supporting charities in being open and accountable to the public by publishing their annual accounts and reports online.
- **Enquiries:**
taking proportionate and robust action to set things right where mismanagement or misconduct has occurred within a charity, giving the public confidence that a strong and decisive regulator is in place.
- **Casework:**
providing the legal consents required for charities to ensure the proper procedures and policies are in place and the charity is being managed effectively.
- **Engagement and guidance:**
educating and raising awareness amongst the charity sector of legislation and best practice.

The analysis on the following pages provides a deeper insight into our progress in each of these areas.

Registration

A key change for the charity sector in recent years has been the introduction of charity registration to Northern Ireland for the first time. This marked a step towards the provision of a single, online directory where the public can check a charity is registered, as they should be under the law, as well as see a swathe of important charity information, from accounts to trustee names to activities.

However, the opening of the register was only the beginning of the story. The register still had to be populated - a mammoth project, with initial

estimates quoting the number of charitable organisations in Northern Ireland at around 12,000, each of which would have to be carefully assessed as potential charities. As registration itself has progressed, so too have the estimates and it is now believed there could be around 17,000 charities operating in Northern Ireland.

The Commission is managing the process of registration carefully – marrying available resources, work priorities and the complexity of individual cases against the flow of applications at a given time. This has meant that registration progress in recent years has been slower than hoped.

However, registration remains a priority for the Commission and proposals have been put in place to find new ways to streamline registration and increase the number of applicants which can be called forward in the years ahead (see Spotlight section below).

During the 2018-19 year, 244 registration decisions were made, which saw 234 organisations registered as charities and 10 refused as they did not meet the legal criteria. These decisions brought the total number of charities on the *register of charities* up to 6,358 at the end of 2018-19.

While registration is ongoing, the Commission has published a Combined list where the public can check that an organisation is known to the Commission, and will be called forward to apply for registration in due course. This list also details if an organisation has been refused registration, or is required to get in touch with the Commission to provide contact information for the charity.

Available to view on the Commission's website, this list is regularly updated with the names of organisations which have submitted an Expression of intent, notifying the Commission of their existence. The Commission receives an average of 37 Expressions of intent each month, the submission of which outpace the Commission's annual capacity to make registration decisions.

SPOTLIGHT: STREAMLINING REGISTRATION

The register provides detailed information on each charity and its purposes, from the charity's public benefit statement to whether or not annual accounts and reports were submitted on time. This means anyone, from funders to researchers to charity supporters, can find out information and undertake scrutiny on Northern Ireland's registered charities, all at the click of a button.

However, in order to be entered on the register, an organisation must first submit a registration application to the Commission. The application asks

for specific information which will be used by the Commission to make a legal assessment of the organisation. For example, the applicant must explain what the charity does, its charitable purposes and provide a public benefit statement.

The registration assessment itself is a rigorous and robust analysis of the information provided, against the legal criteria as set out in the Charities Act (Northern Ireland) 2008. As such, it can take time to complete an assessment, particularly if information is missing from the application or further clarification must be sought from the charity.

As highlighted above, the registration progress has been slower than the Commission had hoped, constrained by limited resources, staff turnover and rising demand in other areas of work.

To support organisations keen to start their charity registration application, the Commission has looked at ways to be innovative and manage processes so that more charities can apply. One of those proposals, which will be implemented in early 2019, will see the timescale for submission of registration applications changed. The aim is two-fold – the change is in keeping with new data protection legislation and will support the Commission in working through the Combined list at a quicker pace.

The Commission will continue managing registration applications in tranches. However, organisations in each tranche will be advised by the Commission two to three months in advance of when they are likely to be called forward to apply (and in fact may receive up to six months' notice of their submission date – longer than ever before - by regularly checking the Call forward list on the Commission's website). This will allow them to prepare in advance, including gathering information and attending a free registration workshop where they will be guided through the application process. Attending a workshop is voluntary, but is highly recommended.

The applicant will then be "called forward" by the Commission to apply for registration. At this point they will be issued with a password and advised they have a maximum of 30 days to complete the online form.

Annual reporting

Once a charity is registered, the charity's trustees are required to report annually to the Commission on the charity's finances, resources and activities. This is known as "annual reporting" and is a legal requirement, beginning with the charity's first full financial year after registration.

Alongside the information provided at registration (and updated by trustees during the year to ensure their charity's entry remains accurate), annual reporting opens up a wealth of new data on individual charities and the charity sector as a whole.

Under annual reporting, each charity must submit their annual accounts for the financial year alongside their trustees' annual report and an independent examination or audit, as applicable. As time goes on, this information will support the charity in building up a library of annual reports, which can be accessed for research, information or communications purposes by the charity's staff and supporters, by the public, funders, academics and the media, to name but a few.

At the end of March 2019, a total of 8,332 charity accounts and reports had been received by the Commission and published on the *register of charities*. Of that number, 5,080 accounts and reports were submitted in 2018-19.

During the year, 1,027 charities failed to comply with their annual reporting duties by the set deadline – in contravention of the law. When a charity fails to comply with the deadline, it is marked on the *register of charities* in red as "in default". If a charity submits the information late, this note is updated to reflect the late submission of accounts and reports.

However, as well as meeting their annual reporting deadline, it is also important that the charity submits accounts and reports which meet the regulatory requirements. In 2018-19, the Commission issued 470 pieces of regulatory guidance to charities following basic checks of the information submitted. Amongst the non-compliance issues identified were missing trustees' reports, missing audits or information not submitted in the correct format.

The Commission also took regulatory action in relation to charities that had failed to submit their accounts and reports by the deadline, with the issuing of 13 section 23 or 65 orders, requiring charity trustees to supply the Commission with the information. In addition, as part of a public consultation on the Commission's strategic development, proposals were put forward to add additional information to the *register of charities*, which would make it more obvious if a charity is complying with the law in what it has submitted to the Commission.

SPOTLIGHT: CHARITY SORP

It was announced in July 2018 that the Financial Reporting Council (FRC) had approved the addition of the Commission and the Charities Regulatory Authority for the Republic of Ireland as joint members of the SORP-making body, with the Charity Commission for England and Wales (CCEW) and the Scottish Charity Regulator (OSCR). The inclusion of the Charities Regulatory Authority is subject to the SORP being formally adopted by way of regulations for use in the Republic of Ireland.

This meant that the four charity regulators of the UK and Ireland would, for the first time, work together to develop the charity accounting framework for use across all four charity law jurisdictions.

Statements of Recommended Practice (SORPs) are sector-driven recommendations on financial reporting, auditing practices and actuarial practices for specialised sectors. The FRC's decision recognises that the charity regulators have agreed to jointly develop a sector-specific framework for accounting and reporting by charities in accordance with the Policy on developing SORPs.

Over the past year, the Commission has put a great deal of commitment, work and resource into the SORP committee (of which the Commission is co-chair) and the governance review of both the SORP and the SORP-making body.

The current version of the SORP requires an update to reflect the changes in the accounting standards and law. For example, the current SORP does not refer to the Accounting and Reporting regulations for Northern Ireland. The new edition of the SORP is planned for publication at the end of 2019.

A completely new SORP is also being planned, however, the timetable for this will not be agreed until the governance review is complete. As this is planned to be a fundamental review of the existing SORP, it is not anticipated that a new SORP will be published before 2022.

Enquiries

With guidance on serious incident reporting and matters of material significance now live on www.charitycommissionni.org.uk, the Commission's enquiries team has been busier than ever over the past 12 months.

In fact, the Commission's enquiries team received a total of 223 cases, which can be broken down into:

- 125 concerns about charities
- 76 serious incident reports
- 22 matters of material significance reported

As always, the concerns about charities received by the Commission covered a range of areas, from minor complaints up to more serious incidents. Some key themes emerging included a lack of transparency, conflicts of interest, failure to adhere to the correct policies and procedures, and safeguarding issues.

The Commission's concerns are received from a wide range of sources, including some which are opened internally or on receipt of information from other regulators and bodies such as the PSNI. However, the public remain the biggest source of concerns.

A concern may take some time to investigate, depending on how complex the case is, what evidence is available and what risk there is to the charity's assets or beneficiaries. Some concerns may also involve other regulatory bodies, and concerns may remain open while the Commission liaises with or awaits the results of investigations by other bodies, which can further lengthen the process. For example, the Commission alerted Land and Property Services to a number of instances where charity property was not being used for exclusively charitable purposes. The Commission's enquiries team also worked closely with the Northern Ireland Housing Executive, the Department of Finance, the Public Health Agency and different departments within the PSNI on a range of cases, supporting our enquiries work as well as the functions of the other bodies.

Given the high volume of enquiries-related queries and concerns received, the Commission does not currently have the resources to progress investigations into more minor concerns, instead focusing scarce enquiries resources on the issues of highest risk to a charity's beneficiaries and assets.

However, the public can be assured that where there is a serious risk, the Commission will not hesitate to use its legal powers under statutory

inquiry to help the charity get back on track, such as using its legal powers to restrict transactions made by a charity in financial difficulty, to appoint an interim manager to manage the property and affairs of a charity, or to issue orders to remove named individuals as trustees of a charity.

Where we do take action, that action will be evidence based and proportionate, taking account of the issue, the risk involved to the charity and its beneficiaries, and the capacity of the charity to comply. This allows the public to have confidence that the charity sector is being regulated by a robust watchdog that will take the necessary enforcement action when required.

During the past year the Commission's enquiries team has:

- issued 12 directions to individuals and/or organisations under its powers of inquiry, including directions to produce information.
- issued 39 orders to individuals and/or organisations as part of its investigatory work, for example, the Commission used its powers to restrict transactions made by a charity and to appoint an interim manager to manage the property and affairs of a charity.

The Commission also opened two statutory inquiries – the highest level of investigation open to the Commission - which provides the enquiries team with a range of enforcement provisions under the law.

In July 2016, the Commission opened an inquiry into registered Northern Ireland charity, Morning Star House (NIC101035). The inquiry relates to concerns regarding the governance and administration of the charity, with a focus on safeguarding. It was ongoing at the end of the year.

In May 2018 a statutory inquiry was opened into the registered charity Rehabilitate Youth Ireland (NIC101040) relating to concerns regarding the governance and administration of the charity. As part of this inquiry, the Commission appointed Deloitte (NI) Limited as interim manager of the charity as a temporary and protective measure. While the inquiry itself is ongoing, the interim manager took the decision to close the charity, which has been reflected on the *register of charities*.

In December 2018, the Commission published an interim inquiry report into the charity, Victoria Housing Estates Limited (VHE). The Commission had opened a statutory inquiry into the charity in July 2012 following concerns raised by Her Majesty's Revenue & Customs (HMRC). On conclusion of all legal matters related to this inquiry, it is anticipated that a more detailed final report will be produced. You can read the interim report on the Commission's website www.charitycommissionni.org.uk.

SPOTLIGHT: SERIOUS INCIDENT REPORTING AND MATTERS OF MATERIAL SIGNIFICANCE

In April 2017, in conjunction with the UK's other charity regulators, the Charity Commission for England and Wales (CCEW) and the Office of the Scottish Charity Regulator (OSCR), the Commission published new guidance on matters of material significance. This was followed in November 2017, with the publication of *Serious incident reporting: A guide for charity trustees*.

Matters of material significance are items which independent examiners and auditors must report to the Commission should they encounter them while handling the accounts of a charity.

The Commission regards a serious incident as an adverse event, whether actual or alleged, which results in, or risks, a significant:

- loss of charity money or assets
- damage to charity property
- harm to the work of the charity, its beneficiaries or reputation.

In the event of a serious incident occurring, the Commission's regulatory role is to ensure that charity trustees manage the incident responsibly and comply with their legal duties. In this way the charity trustees can take steps to limit the immediate impact of the incident and prevent it from happening again.

Moving into 2018-19, both the serious incident reporting and matters of material significance have become an increasing part of our regulatory and oversight role. During 2017-18, a total of 33 serious incident reports, and 20 matters of material significance were reported to the Commission. This compares to 2018-19, which saw 76 serious incident reports and 22 matters of material significance reported.

The serious incident reports received by the Commission cover a wide range of areas. However, amongst the common themes are:

- financial impropriety/fraud/theft
- safeguarding/potential safeguarding
- other legal/technical and reputational issues
- closure of charity/curtailment of service
- damage to charity property
- data handling issues
- internal dispute

Taking action quickly can help protect your charity from further harm and ensure that public confidence is maintained. Dealing appropriately with these types of events will benefit other charities by maintaining public confidence in the sector as a whole.

Casework

Where charity trustees require approval from the Commission to make a change or undertake a transaction, they must apply to the Commission's casework team. During the 2018-19 year, 281 casework applications were received and 240 decisions on application were made. This has included applications for schemes, to authorise transactions and to make changes to a charitable company's articles of association (regulated consents). The first administrative scheme under section 31 of the Charities Act (Northern Ireland) 2008 was sealed by the Commission in March 2019 and is published on our website. The scheme was for the Dorinda Lady Dunleath Charitable Trust.

These legal processes support the charity in ensuring it is well managed and complies with the requirements of charity law and other regulators and legislation. It also helps the charity to keep the correct and most up-to-date procedures and policies in place to manage the charity's resources effectively.

The overall result is not only a charity which is in good governance – a vital component of any successful charity – but also helps the public have trust and confidence that charities are operating as they should be, and trustees have the charity's best interests at heart.

Engagement and guidance

During the 2018-19 year the Commission participated in 45 engagement events. This included meetings, seminars, conferences and presentations with a wide range of bodies, including CO3 Chief Officers 3rd Sector, the Law Society, SportNI, Chartered Accountants Ireland, Church of Ireland and the Association of Charitable Foundations. In association with the Developing Governance Group, the Commission took part in a Good Governance Roadshow, with a series of free seminars focusing on good governance and charity regulation ongoing into the new financial year. Five registration workshops and two helper group training sessions were also undertaken at venues across Northern Ireland.

In the first event of its kind from the regulator, the Commission hosted an Essential safeguarding good practice seminar in May 2018, which was attended by over 90 charity representatives. The free seminar was aimed at ensuring charities working with vulnerable beneficiaries overseas are aware of their responsibilities as charity trustees, and the safeguarding standards expected of them. A further Beyond Safeguarding event was held in November 2018, in conjunction with NICVA and focused on creating a culture of safety for the beneficiaries, staff and volunteers of charities. A series of safeguarding resources were also published on the Commission's website, providing further support to the charity sector. The Commission held its fourth annual public meeting in September 2018, at Mossley Mill, Newtownabbey. There were around 40 attendees, who used the opportunity to find out more about the work of the Commission, ask questions and, as part of new round table format, share their views on the Commission's strategic development.

The Commission's website continues to act as a central hub for information and guidance on charity regulation. In 2018-19 the website had 334,080 unique website visitors and the Commission's Twitter channel ended the year with 3,323 followers. The Commission dealt with almost over 15,805 calls and enquiries during the year, with queries on everything from concerns to registration to annual reporting.

Supporting this engagement work, the Commission's online guidance provides charity trustees with important information and advice on their legal duties and best practice. During the year, there were 10 new or updated pieces of guidance published. They are detailed below.

- Serious incident reporting: a guide for charity trustees
- Making payments to charity trustees
- Access to information guidance

- Fundraising for charities, a guide for charity trustees and the public
- Fundraising at a glance: a guide for members of the public
- Fundraising at a glance: a guide for charity trustees
- Customer charter: our service standards
- Practical guidance on how to complete the annual monitoring return online
- Annual monitoring return (AMR) tutorial video
- Public benefit toolkit – reporting public benefit in the trustees’ annual report

As highlighted above, the Commission published a new online video tutorial during the year to support charities in submitting their annual monitoring return. The tutorial provides an overview of the online annual monitoring return submission process as well as specific guidance to assist charity trustees and officers to prepare the accounts.

Budget

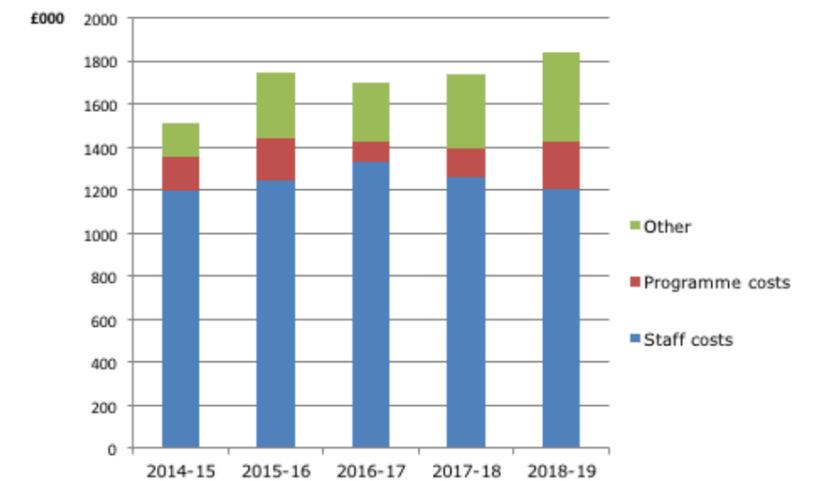
The Commission has a key performance indicator of achieving a budget spend within 99% of overall budget, which for 2018-19 was £1,862,800. The revenue budget was £1,800,800 and the capital budget was £62,000.

During 2018-19, the Commission reported a 98.83% total spend, broken down as 98.84% of revenue budget and 98.61% of capital budget.

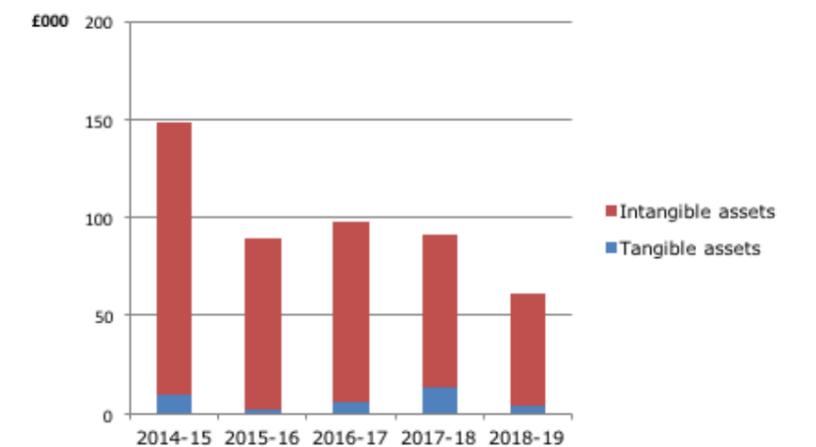


Long-term expenditure trends

- Resource expenditure over the last five years was as follows:



- Capital expenditure over the last five years was as follows:



Complaints about our services

The Commission has published information on its complaints policy, including how to submit a complaint, and its approach for dealing with complaints received about service standards, in the About us section of the Commission's website www.charitycommissionni.org.uk.

During 2018-19, the Commission received 18 complaints which were dealt with in accordance with the published policy. Twelve complaints were not upheld; four complaints were partially upheld. Two complaints were ineligible. In accordance with our business plan monitoring, the Commission did not receive any complaints in relation to the information available about charities on its website.

The monitoring of complaints received by the Commission forms an important part of our quality assurance process, providing a means by which trends and common issues about service delivery may be identified and resolved. It also allows the Commission to determine how successfully it has dealt with the complaints. We monitor complaints and these are reported through senior management reports to the Board.

The Commission is also committed to a process of continuous learning and development, with complaints providing an important means by which stakeholders may share their views and feedback with us and, where appropriate, lessons may be learned for the future.

Sustainability

The Commission is aware of its environmental responsibilities and follows Northern Ireland Civil Service practices regarding recycling.

Open data

The Commission is committed to sharing as much of the data it holds as possible. The Commission publishes the *register of charities* using the Open Government Data License on data.nicva.org and www.opendatani.gov.uk, in line with the Department of Finance's Open Data strategy for the Northern Ireland public sector.

Human rights, equality, and anti-corruption

The Commission is committed to complying with all its human rights and equality obligations and best practice. The Commission applies its equal opportunities policy to prevent any instances of direct and indirect discrimination. During the 2018-19 year the Commission further developed its consideration of human rights implications as a part of its decision making processes, started work on internal human rights guidance for staff and Commissioners, and liaised with the Human Rights Commission to agree their provision of in house training.

The Commission's published Equality scheme and action plan demonstrates our commitment to promoting equality, diversity and accessibility across our work.

In keeping with this commitment, the Commission undertakes a range of activities during the year aimed at ensuring equality and good relations are integrated into all our activities. During 2018-19, these activities included:

- ongoing implementation of internal systems to monitor the Commission's integrated Equality scheme and action plan and how the Commission works with charities and the public.
- publication of quarterly screening decisions on the Equality page of the Commission's website.
- annual equality awareness training for all staff in November 2018, supporting understanding of equality, diversity and good relations.

The Commission's Equality scheme and action plan is available to view on www.charitycommissionni.org.uk.

During 2018-19 the Commission reviewed and updated its Fraud policy and procedures, including anti-bribery procedures and a risk assessment, and provided training to all staff. In addition to the Fraud policy the Commission applied a suite of governance policies and procedures to ensure appropriate anti-corruption measures are in place including in its finance manual, procurement procedures and whistleblowing procedures.

3. Future focus

During the year under review significant work was done on preparing and consulting on a new strategic plan for the next three years. This plan sets out how the Commission will adapt its approach to charity regulation, preserving the quality of work across all functions while prioritising registration, compliance and investigations.

As a major part of the new approach, the Commission will continue to take risk-based decisions on whether to act, but in a more robust manner. The Commission will monitor a range of casework, annual monitoring submissions and concerns which carry a low risk of damaging public trust and confidence in the sector. This will support the Commission in fast tracking other routine work while simultaneously concentrating resources on higher risk cases, which require in-depth scrutiny and analysis.

As we grow to be a more risk-focused regulator, issues such as safeguarding will come increasingly under the spotlight. We will look to gather new information on safeguarding priorities and practice within the charity sector, while prioritising thematic reporting on non-compliance and issues of concern.

As in previous years, building a culture of compliance will also continue. More charity accounts and reports will be added to the register, opening up a new era of charity transparency and accountability. We will also strive to highlight the availability and importance of the *register of charities* as an information hub, the data it provides creating new opportunities and learning for funders, researchers and the public.

Looking ahead, with some additional resourcing confirmed, the Commission will also develop internally with a recruitment drive early in 2019-20 and a programme of staff training and development. This will see additional resources added to the monitoring & compliance, casework and enquiries teams, bolstering priority areas.

As in previous years, the Commission anticipates further work to defend its decisions in the Charity Tribunal. The unpredictable nature of litigation means it will have an impact on our ability to progress core work, and the Commission's 2019-20 business plan includes activities which can be de-prioritised in light of the litigation workload.

This Performance report was signed by the Accounting Officer of the Charity Commission for Northern Ireland on 27 June 2019.



Frances McCandless
Chief Executive,
Charity Commission for Northern Ireland



4. Corporate governance report

Directors' report

The Charity Commission for Northern Ireland is the regulator of charities in Northern Ireland, a non-departmental public body sponsored by the Department for Communities.

The Chief Charity Commissioner is Tom McGrath, and the Chief Executive is Frances McCandless.

The Board of the Charity Commission comprises a Chief Charity Commissioner, a Deputy Chief Charity Commissioner and five Charity Commissioners. Legislation determines that at least one Commissioner must be a barrister or solicitor of at least seven years standing.

The Register of interests for the Commission Board can be viewed at: <http://www.charitycommissionni.org.uk/about-us/about-the-charity-commission/our-governance/register-of-interests/>

During 2018-19, the Commission did not formally report any personal data related incidents to the Information Commissioner's Office (ICO). The Commission takes its data processing responsibilities extremely seriously and is a statutory body with the appropriate security clearance to process and hold sensitive data securely and lawfully.

Statement of Accounting Officer's responsibilities

Under Schedule 1, Section 8(2), of the Charities Act (Northern Ireland) 2008, the Department for Communities, with the approval of the Department of Finance, has directed the Charity Commission for Northern Ireland to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. 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 income and expenditure, 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 the Department for Communities, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- make judgements and estimates on a reasonable basis.
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements.
- prepare the financial statements on a going concern basis.

The Accounting Officer of the Department for Communities has designated the Chief Executive of the Charity Commission for Northern Ireland 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 accounting records, and for safeguarding the Commission's assets, are set out in Managing Public Money Northern Ireland published by the Department of Finance.

As the Accounting Officer of the Commission, the Chief Executive confirms that:

- as far as she is aware, there is no relevant audit information of which the entity's auditors are unaware.
- she has taken all steps that she ought to have taken to make herself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.
- the annual reports as a whole are fair, balanced and understandable.
- she takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Governance statement 2018-19

Introduction

As a regulator, the Charity Commission for Northern Ireland is dedicated to operating to the highest standards of corporate governance. The Commission's Board is accountable to the sponsor department, the Department for Communities, and the Northern Ireland Assembly.

The Commission's arrangements to meet that commitment are detailed in a formal corporate governance framework which brings together a variety of related policies and procedures. The Commission's assessment of its governance is informed by various internal and external opinions including those of auditors, other stakeholders, such as service users, staff, fellow regulatory bodies, the Charity Tribunal and the courts.

In this statement, the Board and Accounting Officer outline how they have discharged their responsibilities to manage and control the Charity Commission for Northern Ireland's resources throughout the financial year ended 31 March 2019. It is for the Accounting Officer, with Board support and input, to decide the format and content of this governance statement. In developing this statement the Accounting Officer has considered guidance set out in DAO (DFP) 10/12, Managing Public Money NI Annex 3.1, the relevant NI Audit Office fact sheet and feedback from governance experts so as to tailor the disclosure to the organisation and its features during 2018-19.

Scope of responsibility

The Charity Commission for Northern Ireland is the independent regulator of charities in Northern Ireland. The Commission is a non-departmental public body (NDPB), established by Royal Assent to deliver the legislative requirements of the Charities Act (Northern Ireland) 2008 as amended. It is sponsored by the Department for Communities. The Commission's strategic aims are:

- to increase public trust and confidence in charities
- to promote awareness and understanding of the operation of the public benefit requirement
- to promote compliance by charity trustees with their legal obligations in exercising control and management of the administration of their charities
- to promote the effective use of charitable resources
- to enhance the accountability of charities to donors, beneficiaries and the public
- to manage the Commission as an effective and efficient non-departmental public body.

The purpose of the governance framework

The Commission's governance framework is designed to allow the organisation to operate as an accountable, efficient and effective public body and to manage risk to a reasonable level. It is impossible to eliminate all risk of failure to achieve policies, aims and objectives and it can therefore only provide reasonable and not absolute assurance of effectiveness. The framework is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Commission's policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised and to manage them efficiently, effectively and economically.

A governance framework has been implemented within the Commission since establishment and is published on the Commission's website. During 2018-19 the Board reviewed its own operating policies and converted its Terms of Reference into a Board Operating Framework, in keeping with other public bodies.

The Charity Commission for Northern Ireland's governance framework

Board

The Board provides strategic leadership and directs the Commission's strategic planning, financial and operational management, governance and risk assessment to ensure that statutory obligations are met. The Board provides strategic direction, challenge and oversight to the Senior Management Team which is responsible for operational management and performance. The Board comprises a Chief Commissioner, a Deputy Chief Commissioner and up to five Charity Commissioners, all on a part-time basis. At least one Charity Commissioner must be a barrister or solicitor of at least seven years' standing. Appointments of Charity Commissioners, who constitute the Board, are required to be made by the Minister for Communities in accordance with the Northern Ireland Code of Practice for Ministerial Appointments to public bodies issued by the Commissioner for Public Appointments. Given that no Minister has been in place during 2018-19, the Deputy Chief Commissioner post and one other Commissioner post remained vacant during most of the year, being filled at the start of March 2019 following a decision by the DfC Permanent Secretary. Arrangements and quorums for committees were altered on a temporary basis to accommodate this. However, this presented a serious risk throughout the year, as the legal minimum number of Commissioners required by the Charities Act 2008 is five. Towards the end of the year the Department for Communities commenced a recruitment exercise to replace the Chief Commissioner, whose term expires in June 2019.

The Board acts independently of senior management in line with a formal governance agreement known as the Management Statement and Financial Memorandum (MSFM). This was last reviewed and a new version agreed and signed during August 2016. It is the responsibility of the Board members to ensure the Commission continues to act within the law and fulfils the aims and objectives set by its sponsor department and approved by the Minister, and promotes the efficient, economic and effective use of staff and other resources.

During the year the Board undertook these responsibilities by:

- submitting a new draft three-year strategic plan and annual business plan for departmental approval with a series of targets and outputs within the policy and resources framework determined by the sponsor department and the Charities Act (Northern Ireland) 2008.

This process was underpinned by consultation with the public and the sponsor department.

- ensuring the sponsor department was kept informed of developments, changes in assumptions and policy which were likely to impact on the strategic direction of the Commission or on the attainability of its targets, and determining the steps needed to deal with such changes through sharing of Board information including business plan progress reports and the corporate risk register. A meeting between the Board and Deputy Secretary took place in August 2018. Twice-yearly meetings were held between the Accounting Officer and the Head of the Sponsor Branch and regular sponsorship meetings took place involving Senior Management Team and officials from the sponsor branch. Senior representatives of Board and staff also participated in ALB planning days organised by the Department for Communities.
- ensuring any statutory or administrative requirements for the use of public funds were complied with and that the Board operated within the limits of its statutory authority and any delegated authority agreed with the sponsor department through six-monthly reviews of the terms of the MSFM. These found full compliance, as no breaches had been identified.
- receiving and regularly reviewing financial and performance management information in terms of budget updates and forecast spend at each Audit and Risk Assurance Committee and Board meeting, and quarterly business plan progress reports, which provided positive assurance to the sponsor department that performance was being assessed and appropriate action was being taken to meet performance commitments, or take appropriate alternative action in an open and timely manner.
- demonstrating high standards of corporate governance at all times, including using an independent Audit and Risk Assurance Committee member to help the Board address the key financial and other risks facing the Commission. Due to the independent member being appointed as a Commissioner, through open competition, a new independent Audit and Risk Assurance Committee member was being sought at year end.
- undertaking an annual Board effectiveness review to inform the strategic governance agenda and reviewing the Board's Operating Framework, Standing Orders and Code of Conduct.

- operating a live Register of interest on the Commission’s website, with conflicts a standing agenda item at Board.
- having in place a Chief Executive and annually setting performance objectives for the Chief Executive which give due weight to the proper management and use of public monies.
- receiving reports at meetings from its Audit and Risk Assurance and Human Resources sub-committees, and ensuring that the recommendations from these sub-committees receive properly proposed and recorded approvals by the Board itself.
- taking account of fraud awareness reports from the Department of Finance as appropriate.
- undertaking ongoing work on fraud, including reviewing the policy and updating the organisational bribery assessment.
- ensuring an effective risk management process is in place, annually updating the policy and setting a risk appetite, and reviewing the corporate risk register at each Board meeting following its prior assessment by the Audit and Risk Assurance Committee.
- ensuring that effective preparation for the introduction of GDPR was undertaken by the start of the year and that implementation of actions continued to be rolled out throughout the year by Commission staff.
- undertaking a transformation project, streamlining decision-making processes and developing a risk assessment framework project to help the Commission to focus its resources on regulatory interventions where risks are highest.
- holding an annual public meeting to enable it to engage better with stakeholders, increase accountability and communicate its work to the widest possible audience.

Attendance at Board meetings during the year:

Board member	Number of meetings attended
Tom McGrath, Chief Commissioner	7 out of 7
Norman Bennett, Commissioner (term ended 28 February 2019)	5 out of 6
Geraldine Donaghy, Commissioner	5 out of 7
Séamus Magee, Commissioner	6 out of 7
Steven Cockcroft, Commissioner	7 out of 7
Gerard McCurdy, Deputy Chief Commissioner (appointed 1 March 2019)	1 out of 1
Kieran Donaghy, Commissioner (appointed 1 March 2019)	1 out of 1

Board performance and assessment of its own effectiveness

In 2018-19 the Board met seven times, the Audit and Risk Assurance Committee four times, and the Human Resources Committee twice. Board and committee minutes are published regularly on the Commission’s website.

Commissioners were subject to annual appraisal and the results were reported to the sponsor department. During the year a self-assessment review of the Board’s effectiveness was carried out and resulting action agreed. This recorded that the Board was provided with sufficient information to fulfil its role in the strategic governance of the Commission and it was provided with sufficient information to monitor the effectiveness of the Commission as regards use of resources and operational management.

Key decisions of the Board in 2018-19

The Board's main focus in the year under review continued to be compliance monitoring of charity accounts and annual returns to further boost public confidence and develop a culture of compliance within the sector with statutory reporting regulations. This sat alongside maintaining work to build the charity register and a substantial amount of litigation arising from challenges to Commission decisions. In addition to standing item discussions of budget and finance, business plan performance and risk management, other issues considered and agreed during the year included the following.

- Annual report (including governance statement) and accounts to the Assembly.
- A refreshed risk appetite linked to the business plan.
- Strategic options for the next three-year plan.
- Consideration of premises issues – an anticipated office move was still awaited at year end.
- Review of finance, whistleblowing, fraud, business continuity and a variety of human resources policies and procedures.
- Approval of a number of procedures and policies relating to compliance, casework, enquiries and registration.
- Legal issues, ongoing litigation and related risks.
- Approval of a Data Sharing Agreement with Land and Property Services.
- Adoption of a new, three-year communications strategy and approved a refreshed media policy and protocol.
- Early consideration of future ICT strategic options and suppliers.
- Approval of the Commission's annual equality report.

In addition, Board members were updated at each Board meeting throughout the year on the use of the Commission's statutory powers relating to specific casework, including the progress of inquiries under section 22 of the Charities Act (Northern Ireland) 2008, as well as the

first use of any new powers, high risk registration applications and any refusals of charity registration. During this year the Board participated for a second time in the Boardroom Apprentice Scheme, to demonstrate its commitment to increasing the diversity of candidates for public appointments in Northern Ireland.

Audit and Risk Assurance Committee

The Audit and Risk Assurance (A&RA) Committee was established in June 2009. The committee supports the Board and the Accounting Officer in their responsibilities regarding issues of risk, control and governance, and associated assurances. During the period under review its oversight role included, but was not limited to, internal and external audit, the budgetary control system, the Commission's financial statements, and risk management. At each meeting the Commission's senior executives report risks to the Committee, which reviews and challenges assessments and planned actions, and identifies its own view on emerging issues and the organisational risk agenda. The committee, in turn, reports to the Board on governance matters and informs the Board of any emerging issues which are then discussed.

The committee undertook an annual self-assessment in October 2018 using the National Audit Office Checklist. In broad terms the committee were content with their approach. They noted that the committee's quorum remained challenging in the absence of additional Commissioners and identified the potential benefit of external input regarding general risks to the charity sector. The committee also undertook an annual review of its Terms of Reference. A temporary reduction in the quorum was retained due to a reduced number of Commissioners during the year and regular consideration of cyber security was added and approved by the Board.

The committee undertook reviews of a number of key policies as part of its annual schedule. This work covered the risk management policy, fraud policy (including bribery risk assessment), finance procedures, whistle blowing and the business continuity plan. The committee also considered departmental guidance on the completion of assurance statements by arm's length bodies.

Also during this period the committee received independent assurance from Internal Audit which was provided by the Internal Audit function of the Department for Communities. Representatives of Internal Audit attended all four Audit and Risk Assurance Committee meetings during 2018-19.

This was the third year of a three year internal audit strategy which was supported by an audit plan for 2018-19 that included two phases of audit work during the year. This co-ordinated with the work of external

audit. The areas audited during the year in line with the agreed audit plan for 2018-19 were as follows.

- Phase 1 – charity registration, compliance monitoring, business continuity and information security.
- Phase 2 – IT systems, casework processes, risk management, legal manual processes, performance management, attendance management and previous recommendations.

The internal audit report on their 2018-19 audit work gave a ‘satisfactory assurance’ rating, reflecting the view that management had established a satisfactory system of internal control to mitigate risks relating to the activities examined. There were no category 1 recommendations.

The Audit and Risk Assurance Committee may commission reports on specific issues. This was felt necessary during the year under review in relation to cyber security. A report compiling results of assessments using the National Audit Office guidance on Cyber and Information Security and the National Cyber Security Centre 10 Steps was considered. The Audit and Risk Assurance Committee also considered the systems and controls in place to protect Commission information and no data handling issues that required notification to the regulator were identified.

During the year under review the Northern Ireland Audit Office (NIAO) attended all four committee meetings. The committee considered the 2017-18 NIAO Report to Those Charged with Governance which indicated an unqualified audit opinion, without modification, on the 2017-18 financial statements. Having reviewed the accounting policies, the NIAO were content at their appropriateness. No significant issues were identified regarding regularity, and the audit did not identify any significant internal control weaknesses. The report made one priority three recommendation. The audit identified one immaterial misstatement, however, no adjustments to the financial statements were required. The report was laid before the Assembly on 29 June 2018.

As usual, the committee met during the year with both sets of auditors without staff present.

The membership of the committee in 2018-19 remained constant for its four meetings. At the end of the year the term of the Committee Chair, Norman Bennett, came to an end and the independent member, Kieran Donaghy, was appointed as a Commissioner, retaining his membership on the committee. Departmental observers also attended some meetings.

Attendance at Audit and Risk Assurance Committee meetings during the year was as follows:

Committee member	Number of meetings attended
Norman Bennett, Chair	4 out of 4
Séamus Magee	4 out of 4
Kieran Donaghy, Independent Member of committee	3 out of 4

Human Resources Committee

The Human Resources Committee supports the Board in its responsibilities regarding issues of staff resource and staff performance including, but not limited to, recruitment, staff structure, remuneration and resource, human resource policies and practice and legislative compliance.

During 2018-19 the Committee considered staffing needs for the forthcoming year’s business plan, a staff survey and evaluation of training carried out during the year.

The period under review also saw the committee continue to progress a new staff handbook reflecting the structure of the NICS handbook and adopting NICS policies, where appropriate. This aims to reduce the risks of the Commission, as a small body, operating a stand-alone staff handbook. The committee also reviews any human resources-related audit recommendations.

Due to the small number of Commissioners available, the co-option of the independent A&RA Committee member on to the Human Resources Committee was retained during 2018-19.

Attendance at Human Resources Committee meetings during the year was as follows:

Committee member	Number of meetings attended
Geraldine Donaghy, Chair	2 out of 2
Steven Cockcroft	2 out of 2
Kieran Donaghy, Independent Member of committee	2 out of 2

During the year departmental observers attended both of the Human Resources Committee meetings.

Risk and control framework

The Commission's approach to risk management and internal control is proactive and reflects reviews and assurances at various levels within the organisation. During 2018-19, the Commission continued to enhance the identification and consideration of risk within the organisation. The Board continued to reflect on a series of overall strategic risks within the corporate risk register, in addition to risks relating to business plan objectives. This reflected the fact that the level of resourcing presented overarching strategic risks to the effective delivery of statutory as well as business plan objectives.

During the year a series of risks related to the delivery of the 2018-19 business plan were managed. These included a small number in the highest category in the risk register. Details on these issues are set out in the following section on significant control/governance issues. Significant time and effort was given to addressing audit recommendations and updating the Audit and Risk Assurance and Human Resources Committee members on progress.

At the end of 2018-19 the Commission reviewed its approach to risk management for the coming year and made a number of changes to reflect practice in its sponsor department. The Board also updated the rating of risks and assurance checking in light of experience and of an agreed increase in risk appetite related to the ongoing transformation project. This includes not only a new risk assessment framework for statutory decision making, but also a review and streamlining of processes to increase efficiency and effectiveness. The Board increased its risk appetites across business objectives and in particular in relation to compliance-related objectives, in light of experience of the operation of the reporting regulations for a full business plan period.

The systems in place included:

- a risk policy that specifically required identification of risks, an assessment of their impact and an action plan that accorded ownership, was time bounded and monitored regularly.
- monthly review of the corporate risk register by Senior Management Team and sign off by the Chief Executive.
- signed monthly/quarterly assurance reports and statements by management along with monthly review of risks by middle management relating to various project and programme team risk registers.
- quarterly stewardship statements to the sponsor department which

were informed by business level assurance statements and agreed by the Board, Chief Commissioner and the Audit & Risk Assurance Committee.

- regular review of the corporate risk register with sponsor branch at liaison meetings.
- consideration and updating of the risk register as a standing item at Audit and Risk Assurance Committee and at subsequent Board meetings.
- annual fundamental review of the risk policy and organisational appetite linked to business plan objectives.
- assurance framework covering all policies and procedures subject to various monthly, quarterly and annual checks, which inform the overall stewardship statement by the Accounting Officer.
- annual internal and external audit programmes, which are informed by a review of strategic business risks.

As part of the Commission's strategic and business planning processes, the Commission identified the inherent risk appetite for each objective. In addition, it assessed each policy and procedure for impact and likelihood using a risk matrix to provide an overview of key areas of risk, and levels of assurance checking were assigned for progression and monitoring.

Although the Corporate Governance in Central Government Departments Code of Good Practice (NI) 2013 is for central government departments, the Commission's own governance policies comply with the principles of this central government code. The Commission's Board Operating Framework, Code of Conduct and Standing Orders, in conjunction with its MSFM, set out the roles, duties, procedures and values of the organisation's governance function.

Significant control/governance issues

The Commission's assessment of the risk environment was reconfigured at the start of the year, in line with the 2018-19 business plan. The inherent and residual risk assessments, and mitigating actions to reduce all risks, were regularly discussed by the Audit and Risk Assurance Committee and put into practice by the Senior Management Team. A series of risks related to delivery of the business plan were managed

during the year, including a small number in the highest category in the risk register. These related to:

- delays and difficulties in registering charities diminishes confidence in the charity sector and undermines accountability to stakeholders.
- failure to have necessary resourcing (people, budget, systems and facilities) compromising ability to deliver efficient and effective services because of ineffective plans, policies, and performance monitoring.
- Court and tribunal judgements and other external challenges from stakeholders may negatively affect the Commission's reputation and impact on Commission processes and procedures, leading to decreased public trust in the Commission and diversion of resources from planned work.
- Potential for weak oversight and poor governance arrangements to put the Commission at risk of not meeting its legal obligations as a public body.

Some elements of these risks, such as having necessary systems to deliver efficient and effective services and the number of court and tribunal appeals in which the Commission is involved, materialised during the year. Post year end the High Court upheld a legal challenge to the delegation of decision making powers by the Commission to members of staff. It did not examine the substance or merits of any previous decision. All previous decisions and orders remain valid and retain their legal effect unless and until they are quashed by the Courts in a further legal challenge. At all times staff were bound to follow Board approved manuals and the Commission is appealing this ruling.

The Commission experienced issues in implementing planned Information & Communication Technology (ICT) developments and bringing forward orders which impacted on having the necessary online systems as anticipated. In late January a weakness in relation to the implementation of the ICT Memorandum of Understanding (MOU) by Charity Commission for England & Wales was identified. A number of orders for developments could not be progressed and measures to address were taken forward. The Board acknowledges the benefits of this shared service arrangement and that the MOU is progressed on basis of best endeavours.

In relation to judgements and decisions, the Board accepted the need to switch resources again from supporting core regulatory work to defending decisions of the Commission and the Charity Tribunal.

The diversion of legal and enquiry team resources from planned work to ongoing legal cases reduced during the year, in part following amalgamation of a series of challenges into one hearing. At year end the Board's view was that at present there is no evidence that challenges have decreased public trust in the Commission.

Although other elements in the corporate risk register did not materialise the Board and A&RA committee ensured relevant staff were continuously assessing and seeking to mitigate other risks.

In relation to addressing the challenges of registering all charities with available resources the Commission dealt with an increased number of complaints during the year regarding the timescale to build the register. Overall the Board believes confidence in the charity sector and accountability to stakeholders was not significantly affected by the timescales, but this would not continue indefinitely.

Additional resourcing was secured through in year bids. Year end results show the organisation allocated resources effectively to achieve business plan targets; planning and budget processes were managed well and pressures escalated to sponsor department.

The Board monitored plans for a change in premises which had yet to be finalised by our sponsor department at year end.

In light of vacancies, the Board took a series of decisions to amend the terms of reference of committees, most notably quorums, to ensure the Commission avoided the risk of not meeting its legal obligations as a public body. Towards year end sponsor department made a number of public appointments to address the shortfall and was progressing a recruitment exercise for additional Commissioners.

Overall the Board has continued to pay particular attention to developing a culture of compliance within the charity sector as a whole and has skewed resources towards this. The Board placed significant emphasis on creating a proportionate regime of checking, allocating resourcing to ensure returns were made and poor practice detected as early as possible so that the charity sector was more accountable to the public.

Review of effectiveness of internal control

As Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, those within the organisation who have responsibility for the development and maintenance of the organisation's internal control framework and comments made by external auditors in their Report to Those Charged with Governance.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit and Risk Assurance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

In respect of 2018-19 I have been informed by internal audit on the adequacy and effectiveness of internal controls operating within the Charity Commission for Northern Ireland. In the internal auditors' report they have stated that, in their opinion, the Commission's internal control systems were adequate and operated effectively thereby providing satisfactory assurance regarding the effective and efficient achievement of the Commission's objectives.

Frances McCandless
Chief Executive



5. Remuneration and staff report

Remuneration policy

The Commissioners of the Charity Commission for Northern Ireland are appointed by the Minister for Communities in line with the Code of Practice issued by the Commissioner for Public Appointments.

The Board has corporate responsibility to appoint, subject to the Minister's and sponsor department's approval, a Chief Executive to the Commission. In consultation with the sponsor department, the Board sets performance objectives and remuneration terms linked to these objectives for the Chief Executive, which give due weight to the proper management and use of public monies.

Service contracts

The Chief Charity Commissioner and Deputy Chief Charity Commissioner are appointed for a five year term of office. Five Commissioners are appointed for a three to five year term. One Commissioner post was vacant at year-end. The Chief Executive of the Commission was appointed in April 2010 and this appointment is open-ended.

Salary and pension entitlements

Emoluments of Commissioners, Chief Executive and senior management

The following sections provide details of salary, pension entitlements and the value of any taxable benefits in kind of the most senior members of the Commission.

Remuneration (Audited information)

Commissioners	2018-19		2017-18	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Tom McGrath, Chief Charity Commissioner	5-10	Nil	5-10	Nil
Geraldine Donaghy, Commissioner	0-5	Nil	0-5	Nil
Norman Bennett, Commissioner (term ended 28 February 2019)	0-5	Nil	0-5	Nil
Séamus Magee, Commissioner	0-5	Nil	0-5	Nil
Steven Cockcroft, Legal Commissioner	0-5	Nil	0-5	Nil
Gerard McCurdy, Deputy Chief Commissioner (term began 01 March 2019)	0-5	Nil	n/a	n/a
Kieran Donaghy, Commissioner (term began 01 March 2019)	0-5	Nil	n/a	n/a

Remuneration (Audited information)

Senior Management	2018-19				2017-18			
	Salary £'000	Benefits in kind Nearest £100	Pension Benefits £'000	Total £'000	Salary £'000	Benefits in kind Nearest £100	Pension Benefits £'000	Total £'000
Chief Executive Frances McCandless	70-75	Nil	36	105-110	70-75	Nil	28	95-100
Head of Charity Services Punam McGookin	50-55	Nil	16	65-70	50-55	Nil	10	60-65
Head of Compliance & Enquiries Myles McKeown	50-55	Nil	24	75-80	50-55	Nil	15	65-70
Head of Corporate Services Aubrey McCrory	50-55	Nil	22	70-75	50-55	Nil	19	70-75

Fair pay review disclosure (Audited information)

	2018-19	2017-18
Band of highest paid director's total remuneration	£70k-£75k	£70k-£75k
Median total remuneration	£25,477	£29,610
Ratio	2.9	2.5

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director in the Commission in the financial year 2018-19 was £70k-£75k (2017-18: £70k-£75k). This was 2.9 times (2017-18: 2.5) the median remuneration of the workforce, which was £25,477 (2017-18: £29,610).

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

Salary

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

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument.

Bonuses

The Charity Commission for Northern Ireland does not operate any form of performance pay, bonus scheme, overtime or private office allowances.

Pension benefits (Audited information)

No Commissioners received pension benefits. In the 2012-13 year, Department of Finance approval was given to provide pension benefits through membership of the Principal Civil Service Pension Scheme to the Chief Executive and staff. Details of the Commission's pension benefits and entitlements are detailed as follows.

Pension entitlements (Audited information)

Officials	Accrued pension at pension age as at 31/3/19 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/19	CETV at 31/3/18	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Frances McCandless						
Chief Executive <i>(alpha scheme)</i>	20-25 plus lump sum of Nil	0-2.5 plus lump sum of Nil	323	267	19	-
Punam McGookin						
Head of Charity Services <i>(premium scheme)</i>	10-15 plus lump sum of Nil	0-2.5 plus lump sum of Nil	214	179	14	-
Myles McKeown						
Head of Compliance and Enquiries <i>(alpha scheme)</i>	15-20 plus lump sum of 35-40	0-2.5 plus lump sum of 0-2.5	283	237	12	-
Aubrey McCrory						
Head of Corporate Services <i>(alpha scheme)</i>	15-20 plus lump sum of Nil	0-2.5 plus lump sum of Nil	112	87	11	-

Northern Ireland Civil Service (NICS) pension arrangements

The alpha pension scheme was introduced for new entrants from 1 April 2015. The alpha scheme and all previous scheme arrangements are unfunded with the cost of benefits met by monies voted each year. The majority of existing members of the classic, premium, classic plus and nuvos pension arrangements also moved to alpha from that date. Members who on 1 April 2012 were within 10 years of their normal pension age did not move to alpha and those who were within 13.5 years and 10 years of their normal pension age were given a choice between moving to alpha on 1 April 2015 or at a later date determined by their age. Alpha is a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The rate is 2.32%.

New entrants joining can choose between membership of alpha or joining a 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

New entrants joining on or after 30 July 2007 were eligible for membership of the nuvos arrangement or they could have opted for a partnership pension account. Nuvos is also a CARE arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%.

Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium and classic plus). From April 2011, pensions payable under classic, premium, and classic plus are reviewed annually in line with changes in the cost of living. New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining the partnership pension account.

All pension benefits are reviewed annually in line with changes in the cost of living. Any applicable increases are applied from April and are determined by the Consumer Prices Index (CPI) figure for the preceding September. The CPI in September 2018 was 2.4% and HM Treasury has announced that public service pensions will be increased accordingly from April 2019.

Employee contribution rates for all members for the period covering 1 April 2019 – 31 March 2020 are as follows:

Scheme year 1 April 2019 to 31 March 2020

Annualised rate of pensionable earnings (salary bands)		Contribution rates for all members
From	To	From 01 April 2019 to 31 March 2020
£0	£23,500.99	4.6%
£23,501.00	£54,500.99	5.45%
£54,501.00	£150,000.99	7.35%
£150,001.00 and above		8.05%

Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' 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 (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of classic, premium, and classic plus and 65 for members of nuvos. The normal pension age in alpha is linked to the member's State Pension Age but cannot be before age 65. Further details about the NICS pension schemes can be found at the website <https://www.finance-ni.gov.uk/topics/working-northern-ireland-civil-service/civil-service-pensions-ni>.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) 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 CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NICS pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential 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 effectively 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. However, the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer.

Staff report

The Chief Executive has remuneration at senior civil servant band 5. The remuneration of all other staff follows that of the Northern Ireland Civil Service.

Staff costs (Audited information)

	2018-19			2017-18
	Permanently employed staff £	Other £	Total £	Total £
Wages and salaries	804,942	155,444	960,386	987,143
Social security costs	81,132	-	81,132	83,232
Other pension costs	183,576	-	183,576	187,396
Total staff costs	1,069,650	155,444	1,225,094	1,257,771

During 2018-19, the Commission continued the employment of its permanent staff complement and provision of pension benefits through membership of the Principal Civil Service Pension Scheme (Northern Ireland) to the Chief Executive and staff. Other staff costs comprise temporary agency staff and staff seconded from other government departments.

Pension

The Northern Ireland Civil Service pension arrangements are unfunded multi-employer defined benefit schemes but the Commission is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2012. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting date of the Department of Finance Superannuation and Other Allowances Resource Accounts as at 31 March 2019.

For 2018-19, employers' contributions of £172,081 were payable to the NICS pension arrangements (2017-18: £169,587) at one of three rates in the range 20.8% to 26.3% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new scheme funding valuation based on data as at 31 March 2012 was completed by the Actuary during 2014-15. This valuation was used to determine employer contribution rates for the introduction of a new career average earning

scheme from April 2015. From 2018-19, the new rates range from 28.7% to 34.2%. The contribution rates are set to meet the cost of the benefits accruing during 2018-19 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account: a stakeholder pension with an employer contribution. Employers' contributions of £11,136 (2017-18: £13,900) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2017-18: 8% to 14.75%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £359, 0.5% (2017-18: £464, 0.5%) of pensionable pay, were payable to the PCSPS(NI) to cover the cost of the 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 the reporting period date were £nil. Contributions prepaid at that date were £nil.

Commissioners' costs

	2018-19		2017-18
	Permanently employed staff	Other	Total
	£	£	£
Commissioners' remuneration	15,490	-	15,490
			14,949

Average number of persons employed (Audited information)

The average number of whole-time equivalent persons (including senior management but excluding Charity Commissioners) employed during the year was as follows:

	2018-19		2017-18
	Permanently employed staff	Other	Total
Directly employed	24	3	27
			29

Staff composition (Audited information)

At 31 March 2019 there were 24 staff employed and 2 temporary staff. The staff composition was as follows:

	Male	Female
Chief Executive (SCS)	-	1
Permanent staff	7	16
Other employees	-	2
Total staff composition	7	19

Other employees relate to temporary agency staff and seconded staff.

Sickness absence

The Commission has an attendance management policy and the monitoring and management of employee attendance is based on this. Sickness absence in 2018-19 was 2.8% (2017-18: 2.83%) against a target of 8%.

Staff policies

The Commission has an equal opportunities policy and is committed to a policy of equality of opportunity in its employment practices and aims to ensure that no actual or potential job applicant or employee is discriminated against, either directly or indirectly, on the grounds of gender, marital status, disability, race, community background or political persuasion, age, dependants, sexual orientation or trade union membership. The Commission is an Equal Opportunities Employer and all applications for employment are considered strictly on the basis of merit. A training and development policy is also in operation. Each employee shall have equal opportunity for training and advancement on the basis of ability, qualifications and performance. This maximises the effective use of human resources in both the organisation and the individual's best interests. The policy includes discretion for managers to consider a range of training and learning support as well as funding of additional learning to enable employees with disabilities to continue employment.

The recruitment policy sets out that applicants are given the opportunity to advise the Commission of any reasonable adjustments that they may require. It also allows the desirable criteria to be set aside to enable candidates with disabilities to participate further in the recruitment process.

To facilitate equality of opportunity the Commission offers a range of family friendly policies.

To help ensure that we are meeting our equality of opportunity obligations, the Commission monitors the composition of employees and applicants. This monitoring helps to identify if any of our policies, procedures or activities are operating to the detriment of any individual from any particular grouping within our diverse society.

Compensation payments (Audited information)

No compensation payments were made in the 2018-19 financial year.

Ex-gratia payments (Audited information)

No ex-gratia payments were made in the 2018-19 financial year.

Exit packages (Audited information)

No exit packages were awarded in the 2018-19 financial year.

Expenditure on consultancy

In line with the Department for Communities' guidance on classification of expenditure, in the 2018-19 financial year, no external consultancy was undertaken.

Expenditure on temporary staff

Total expenditure on temporary staff for 2018-19 was £155,444 (2018-19: £62,134). This was to progress expanding core work on monitoring and compliance during peak periods, address historic concerns, and support for litigation caseload.

Off-payroll engagements

There were no off-payroll engagements during the financial year (2017-18: Nil).

6. Assembly accountability and audit report

Regularity of expenditure

Losses and special payments (Audited information)

The Charity Commission for Northern Ireland has experienced no losses and has made no special payments during the financial year.

Remote contingent liabilities (Audited information)

In addition to contingent liabilities reported within the meaning of IAS 37, the Charity Commission for Northern Ireland had no remote contingent liabilities at 31 March 2019 (2018 £nil).

This Accountability report was signed by the Accounting Officer of the Charity Commission for Northern Ireland on 27 June 2019.



Frances McCandless
Chief Executive,
Charity Commission for Northern Ireland

CHARITY COMMISSION FOR NORTHERN IRELAND**THE CERTIFICATE OF THE COMPTROLLER AND
AUDITOR GENERAL TO THE NORTHERN IRELAND
ASSEMBLY****Opinion on Financial Statements**

I certify that I have audited the financial statements of the Charity Commission for Northern Ireland for the year ended 31 March 2019 under the Charities Act (Northern Ireland) 2008. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes including significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the Charity Commission for Northern Ireland's affairs as at 31 March 2019 and of the Charity Commission for Northern Ireland's net expenditure for the year then ended; and
- have been properly prepared in accordance with the Charities Act (Northern Ireland) 2008 and Department for Community directions issued thereunder.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of Opinions

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

Other Information

The Accounting Officer is responsible for the other information included in the annual report. The other information comprises the information included in the annual report other than the financial statements, the parts of the Accountability Report described in the report as having been audited, and my audit certificate and report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on Other Matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Department for Communities directions made under the Charities Act (Northern Ireland) 2008; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities of the Board and Accounting Officer for the Financial Statements

As explained more fully in the Statement of Accounting Officer Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's Responsibilities for the Audit of the Financial Statements

My responsibility is to examine, certify and report on the financial statements in accordance with the Charities Act (Northern Ireland) 2008.

I am required to obtain evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the

basis of these financial statements.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

In addition, I am 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 Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with the Department of Finance's guidance.

Report

I have no observations to make on these financial statements



K J Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

Date 28th June 2019

Financial Statements

7. Statement of Comprehensive Net Expenditure

for the year ended 31 March 2019

	Notes	2018-19 £	2017-18 £
Income			
Secondment income	5	17,353	42,032
Total operating income		17,353	42,032
Expenditure			
Staff costs	2	1,225,094	1,257,771
Commissioners' remuneration	2	15,490	14,949
Depreciation and amortisation	3	96,136	90,971
Other expenditure	3	556,596	463,865
Notional costs	4	21,500	22,970
Net expenditure		1,914,816	1,850,526
Reversal of notional costs	4	(21,500)	(22,970)
Total operating expenditure		1,893,316	1,827,556
Net expenditure for the year		1,875,963	1,785,524
Other comprehensive net expenditure			
Net (gain)/loss on revaluation of Property, plant and equipment	6	(8,802)	(285)
Net (gain)/loss on revaluation of Intangible assets	7	(5,644)	(11,402)
Total comprehensive net expenditure for the year		1,861,517	1,773,837

The notes on pages 73 to 88 form part of these accounts.

8. Statement of Financial Position

As at 31 March 2019

Notes	2019 £	2018 £	
Non-current assets:			
Property, plant and equipment	6	29,537	28,252
Intangible assets	7	558,642	580,477
Total non-current assets		588,179	608,729
Current assets:			
Trade and other receivables	9	22,827	46,382
Cash and cash equivalents	10	114,394	209,798
Total current assets		137,221	256,180
Total assets		725,400	864,909
Current liabilities			
Trade and other payables	11	(205,902)	(220,538)
Provisions	12	(52,963)	(59,857)
Total current liabilities		(258,865)	(280,395)
Total assets less current liabilities		466,535	584,514
Taxpayers' equity			
Revaluation reserve		76,986	62,540
General reserve		389,549	521,974
		466,535	584,514

The financial statements on pages 69 to 72 were approved by the Board on 27 June 2019 and were signed on its behalf by:



Frances McCandless
Chief Executive,
Charity Commission for Northern Ireland



Tom McGrath CBE
Chief Charity Commissioner
Charity Commission for Northern Ireland

The notes on pages 73 to 88 form part of these accounts.

9. Statement of Cash Flows

for the year ended 31 March 2019

Notes	2018-19 £	2017-18 £	
Cash flows from operating activities			
Net expenditure	(1,875,963)	(1,785,524)	
<i>Adjustments for non-cash transactions</i>			
Decrease/(Increase) in trade and other receivables	23,555	(30,280)	
Increase/(Decrease) in trade and other payables	45,206	17,212	
(Decrease)/Increase in provisions	(6,894)	59,607	
Depreciation/amortisation	6+7	96,136	90,971
Net cash outflow from operating activities	(1,717,960)	(1,648,014)	
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(3,921)	(13,000)
Purchase of intangible assets	7	(57,219)	(78,334)
Decrease in capital payables	11	(59,842)	1,652
Net cash outflow from investing activities	(120,982)	(89,682)	
Cash flows from financing activities			
Grants from sponsor department – DfC		1,743,538	1,804,977
Net cash inflow from financing activities	1,743,538	1,804,977	
Net (decrease)/increase in cash and cash equivalents in the period	(95,404)	67,281	
Cash and cash equivalents at the beginning of the period	209,798	142,517	
Cash and cash equivalents at the end of the period	114,394	209,798	

The notes on pages 73 to 88 form part of these accounts.

10. Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2019

	General reserve £	Revaluation reserve £	Taxpayers' equity £
Balance at 31 March 2017	502,521	50,853	553,374
Grants from sponsor department - DfC	1,804,977	-	1,804,977
Comprehensive net expenditure for the year	(1,785,524)	-	(1,785,524)
Revaluation gains and losses	-	11,687	11,687
Balance at 31 March 2018	521,974	62,540	584,514
Grants from sponsor department – DfC	1,743,538	-	1,743,538
Comprehensive net expenditure for the year	(1,875,963)	-	(1,875,963)
Revaluation gains and losses	-	14,446	14,446
Balance at 31 March 2019	389,549	76,986	466,535

The notes on pages 73 to 88 form part of these accounts.

11. Notes to the accounts of the Charity Commission for Northern Ireland

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2018-19 Government Financial Reporting Manual (FRoM) issued by Department of Finance. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FRoM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Charity Commission for Northern Ireland for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Charity Commission for Northern Ireland are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies Act 2006 and of the accounting standards issued or adopted by the Accounting Standards Board, so far as those requirements are appropriate. The accounts direction is reproduced as an appendix to these financial statements.

1.1 Accounting convention

The financial statements have been prepared under the historical cost convention modified to account for the revaluation of fixed assets, at their value to the Charity Commission for Northern Ireland by reference to their current costs.

1.2 Financing

In accordance with the amendments to FReM, Grant-in-Aid has been treated as Financing and had been credited directly to the income and expenditure reserve. Capital Grant-in-Aid has been credited to the income and expenditure reserve.

1.3 Property, plant and equipment

Expenditure on property, plant and equipment of £1,500 or more is capitalised. On initial recognition, assets are measured at cost including any costs attributable to bringing them into working condition. Individual assets may be grouped together where deemed significant.

1.4 Intangible assets

Expenditure on intangible assets, which are primarily the Commission's database, CRM system and the online annual reporting application and the associated costs of implementation, are capitalised where the cost is £1,500 or more.

1.5 Depreciation

Non-current assets, with the exception of leased assets, are depreciated on a straight line basis in order to write off the cost, less estimated residual value of each asset over its expected useful life at the following rates.

Furniture, fixtures and fittings	20% per annum
Equipment	25% per annum
Information technology	25% per annum
Charity Commission Online Services	10% per annum
CRM system	10% per annum
Leased equipment	Period of Lease
Buildings under lease	Period of Lease
Leasehold improvements	Period of Lease

1.6 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as non-current assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in current liabilities net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period. Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.7 Impairments

The value of non-current assets is reviewed at the end of each full financial year after acquisition for evidence of reduction in value. Where impairment is identified that is attributable to the clear consumption of economic benefit, the loss is charged to the statement of comprehensive net expenditure. Impairment reviews will also take place in other periods if events or changes in circumstances occur which indicate that the carrying values may not be recoverable.

1.8 Foreign currencies

There were no foreign currencies purchased during 2018-19. Any monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the date of the transactions. Translation differences are dealt with in the statement of comprehensive net expenditure.

1.9 Value added tax

All items in these financial statements are inclusive of VAT, which is not recoverable.

1.10 Income

Income is accounted for on an accruals basis. Income from operating activities represents income from the outward secondment of staff.

1.11 Staff costs

Under IAS 19 Employee Benefits legislation, all staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave as at the year end. The cost of untaken leave has been determined using data from electronic leave records.

1.12 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pensions Scheme (Northern Ireland) (PCSPS) (NI). Detailed information on pensions can be found in the Remuneration Report and in the notes to the accounts.

1.13 Accounting estimates

No material accounting estimates or judgements were made by the Commission in preparing these accounts.

1.14 Financial instruments

The Commission does not hold any complex financial instruments. The only financial instruments in the accounts are receivables and payables (Notes 9 and 11). Receivables are recognised initially at fair value less a provision for impairment. A provision for impairment is made when there is evidence that the Commission will be unable to collect an amount due in accordance with agreed terms.

1.15 Analysis of net expenditure by segment

The Charity Commission for Northern Ireland has one purpose, and as such is considered to have only one operating segment. All income, expenditure, assets and liabilities relate to the Commission's sole activity.

1.16 Accounting standards, interpretations and amendments to published standards adopted to the year ended 31 March 2019

The Commission has reviewed the standards, interpretations and amendments to published standards that became effective during 2018-19 and which are relevant to its operations. The Commission anticipates that the adoption of these standards will have no material impact on the Commission's financial position or results of operations.

1.17 Accounting standards, interpretations and amendments to published standards not yet effective

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Commission's accounting periods beginning on or after 1 April 2018, but which the Commission has not adopted early. The Commission does not anticipate that the adoption of these standards will have a material impact on its accounts in the period of initial application.

1.18 General reserve

The general reserves of the Commission represent the net of its total assets and total liabilities at the Statement of Financial Position date. The non-current assets of the Commission have been funded through Grant-in-Aid and capitalised in accordance with the policies set out under notes 1.3 and 1.4. The current assets and liabilities are a result of receivables, cash and payables arising due to the timing of invoices received and payments made as at 31 March 2019. The reserves of the Commission are non-distributable.

1.19 Revaluation reserve

All property, plant and equipment and intangible assets are carried at fair value and any revaluation of assets are taken to the Revaluation reserve. The Commission's assets are re-valued annually on the basis of appropriate indices from the Office for National Statistics.

1.20 Provisions

The Commission makes provision for liabilities and charges where, at the Statement of Financial Position date, a legal or constructive liability exists (that is a present obligation from past events), where the transfer of economic benefits is probable and a reasonable estimate can be made. IAS 37 requires that where the effect of the time value of money is material the amount of a provision should be the present value of the expenditures expected to be required to settle the obligation. Where cash flows have been adjusted for risk the standard requires the use of a risk free discount rate.

2. Staff costs

	2018-19 £	2017-18 £
Wages and salaries	960,386	987,143
Social security costs	81,132	83,232
Other pension costs	183,576	187,396
	1,225,094	1,257,771

A breakdown of the above costs into permanent staff and others can be found in the staff report within the Accountability Report.

Commissioners' costs comprise:

	2018-19 Permanently employed staff £	Others £	Total £	2017-18 Total £
Commissioners' remuneration	15,490	-	15,490	14,949

3. Other expenditure

	2018-19	2017-18
Commission costs:	£	£
Rent and service charges	46,093	46,093
Rates	14,849	14,451
Security	35,368	18,395
Maintenance and repairs	6,490	6,314
Cleaning	6,769	6,694
Telephone and postage	29,130	16,902
Heat, light and power	6,570	5,770
IT support	18,430	17,443
Stationery and consumables	4,594	2,672
Publicity, printing and advertising	3,572	2,077
Staff/Commissioners' training	36,376	13,609
Travel and subsistence	13,579	12,174
Conference fees	1,491	447
Recruitment costs	20,097	25,287
Events and hospitality	4,806	4,029
Legal and professional fees	197,063	177,396
Miscellaneous expenses	20	20
Membership and licence fees	11,796	12,343
Commission library costs	182	1,313
Charity register maintenance	82,626	76,387
Minor equipment	3,040	104
Communication and research costs	13,655	3,945
Total	556,596	463,865
Non-cash items		
Depreciation/amortisation	96,136	90,971
	652,732	554,836

4. Notional costs

Notional costs incurred during the year relate to:	2018-19 £	2017-18 £
NIAO audit fee	10,500	10,500
Internal audit fee	11,000	12,470
	21,500	22,970

During the year the Commission purchased no non-audit services from its auditor, the Northern Ireland Audit Office, and the notional cost above relates to the audit of the financial statements.

5. Income

	2018-19 £	2017-18 £
Income from outward secondments	17,353	42,032
	17,353	42,032

6. Property, plant and equipment

2018 - 19					
	Buildings	Furniture & fittings	Information technology	Assets under construction	Total
Cost or valuation	£	£	£	£	£
At 31 March 2018	162,990	39,271	47,829	-	250,090
Additions	-	3,921	-	-	3,921
Reclassifications	-	-	-	-	-
Revaluations	5,452	12,116	93	-	17,661
At 31 March 2019	168,442	55,308	47,922	-	271,672
Depreciation					
At 31 March 2018	146,686	36,286	38,866	-	221,838
Charged in year	6,323	1,785	3,330	-	11,438
Revaluations	2,741	6,056	62	-	8,859
At 31 March 2019	155,750	44,127	42,258	-	242,135
Net book value at 31 March 2019	12,692	11,181	5,664	-	29,537
Net book value at 31 March 2018	16,304	2,985	8,963	-	28,252
2017 - 18					
	Buildings	Furniture & fittings	Information technology	Assets under construction	Total
Cost or valuation	£	£	£	£	£
At 31 March 2017	149,805	39,221	47,277	122	236,425
Additions	12,832	-	168	-	13,000
Reclassifications	122	-	-	(122)	-
Revaluations	231	50	384	-	665
At 31 March 2018	162,990	39,271	47,829	-	250,090
Depreciation					
At 31 March 2019	139,588	36,822	33,617	-	210,027
Charged in year	6,959	(569)	5,041	-	11,431
Revaluations	139	33	208	-	380
At 31 March 2018	146,686	36,286	38,866	-	221,838
Net book value at 31 March 2018	16,304	2,985	8,963	-	28,252
Net book value at 31 March 2017	10,217	2,399	13,660	122	26,398

The Commission owns all assets and has no finance leases or PFI contracts. The Commission's assets are re-valued annually on the basis of appropriate indices from the Office for National Statistics.

7. Intangible assets

Intangible assets represent the integrated IT system in the Commission to facilitate the registration and regulation of charities. The integrated IT system comprises:

- the Commission's charity registration database
- a Customer Relationship Management (CRM) software package
- a website
- an online application for submitting annual returns and the associated costs of implementation.

Online Systems (OLS)

OLS encompasses the previous intangible categories of database and annual return. The Commission's online charity register system was brought into use in June 2011. A number of important enhancements were subsequently made to the suite of online services available to the charity sector. Updates improve the level of functionality available to registered charities in Northern Ireland, to those organisations applying to register as a charity and others viewing their information published on the Commission's website. The charity register has been variously updated to reflect annual reporting regulations, requirements in particular reporting periods, and the associated financial statuses a charity can acquire. At 31 March 2019, development work is underway to design a more risk-based approach to regulation involving the refinement of existing information flows in the OLS. These costs have not been amortised in the 2018-19 financial year.

CRM

CRM was initially configured to manage registration workflows and this element of the software package has been operational since 2014-15. Further development of CRM was undertaken to allow other workflows to be incorporated into the software package and has been operational since 2015-16. A fourth phase of CRM development was undertaken, providing further functionality covering administration of use of powers and upgrading the software version used. This allows internal departments to fully record and report on these functions. At 31 March 2019 development work is underway to design a more risk based approach to regulation and involves the design and development of new CRM software functionality. These costs have not been amortised in the 2018-19 financial year.

7. Intangible assets continued

2018 - 19	OLS	OLS in	CRM	CRM in	Annual	Total
Cost or valuation	£	development	operational	development	return	£
		£	£	£	£	
At 1 April 2018	453,043	37,908	368,448	31,846	-	891,245
Additions	-	47,544	-	9,675	-	57,219
Reclassification	37,908	(37,908)	31,846	(31,846)	-	-
Revaluation	5,617	-	2,247	-	-	7,864
At 31 March 2019	496,568	47,544	402,541	9,675	-	956,328
Amortisation						
At 1 April 2018	200,077	-	110,691	-	-	310,768
Charged in year	46,629	-	38,069	-	-	84,698
Reclassification	-	-	-	-	-	-
Revaluation	1,385	-	835	-	-	2,220
At 31 March 2019	248,091	-	149,595	-	-	397,686
Net book value at 31 March 2019	248,477	47,544	252,946	9,675	-	558,642
Net book value at 31 March 2018	252,966	37,908	257,757	31,846	-	580,477
2017 - 18						
Cost or valuation	Database	Database in	CRM	CRM in	Annual	Total
	£	development	operational	development	return	£
		£	£	£	£	
At 1 April 2017	349,815	29,586	319,908	40,202	55,893	795,404
Additions	8,580	37,908	-	31,846	-	78,334
Reclassification	85,479	(29,586)	40,202	(40,202)	(55,893)	-
Revaluation	9,169	-	8,338	-	-	17,507
At 31 March 2018	453,043	37,908	368,448	31,846	-	891,245
Amortisation						
At 1 April 2017	145,166	-	72,506	-	7,451	225,123
Charged in year	43,530	-	36,010	-	-	79,540
Reclassification	7,451	-	-	-	(7,451)	-
Revaluation	3,930	-	2,175	-	-	6,105
At 31 March 2018	200,077	-	110,691	-	-	310,768
Net book value at 31 March 2018	252,966	37,908	257,757	31,846	-	580,477
Net book value at 31 March 2017	204,649	29,586	247,402	40,202	48,442	570,281

8. Financial instruments

As the cash requirements of the Commission are met through Grant-in-Aid provided by the Department for Communities, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy 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.

9. Trade and other receivables

Amounts falling due within one year:	2018-19	2017-18
	£	£
Prepayments and accrued income	18,920	20,257
Other receivables	3,907	26,125
Total	22,827	46,382

10. Cash and cash equivalents

	2018-19	2017-18
	£	£
Balance at 1 April	209,798	142,517
Net change in cash and cash equivalent balances	(95,404)	67,281
Balance at 31 March	114,394	209,798
The following balances at 31 March were held at:		
Commercial banks and cash in hand	114,394	209,798
Balance at 31 March	114,394	209,798

11. Trade and other payables

Amounts falling due within one year:	2018-19 £	2017-18 £
Trade payables	5,183	(1,186)
Capital payables	18,492	78,334
Pension	11,019	11,019
Accruals and deferred income	171,208	132,371
	205,902	220,538

11.1 Public sector payment policy – measure of compliance

The department requires that the Commission pays its non-Commission trade creditors in accordance with the Account NI Prompt Payment Code and Government Accounting Rules. The Commission payment policy is consistent with the Accounts NI Prompt Payment Codes and Government Accounting rules and its measure of compliance for invoices paid 1 April 2018 to 31 March 2019.

	2018-19		2017-18	
Total invoices in accounting period	694		658	
Invoices paid within 10 days	671	96.7%	655	99.5%
Invoices paid 10 - 30 days	20	2.9%	3	0.5%
Invoices paid over 30 days	3	0.4%	0	0%

12. Provision for liabilities and charges

	2018-19 Legal Costs £	2017-18 Legal Costs £
Balance at 1 April	59,857	250
Provided in the year	48,425	59,857
Provisions not required written back	-	(16)
Provisions utilised in the year	(55,319)	(234)
Balance at 31 March	52,963	59,857

The Commission has included provisions for the future legal costs associated with existing legal cases that are listed with the Charity Tribunal, and the High Court.

13. Commitments under leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	2018-19 £	2017-18 £
Buildings		
Not later than one year	46,093	46,093
Later than one year and not later than five years	69,138	115,231
Later than five years	-	-
Total	115,231	161,324

The Charity Commission for Northern Ireland had no commitments under finance leases at 31 March 2019 (2018 £nil).

14. Capital commitments

The Charity Commission for Northern Ireland has no capital commitments at 31 March 2019 not otherwise included in these accounts.

15. Contingent liabilities

The Charity Commission for Northern Ireland had no contingent liabilities at 31 March 2019 (2018 £nil).

16. Related party transactions

The Charity Commission for Northern Ireland is a non-departmental public body (NDPB) sponsored by the Department for Communities.

The Department for Communities is regarded as a related party. During the year the Commission had a number of material transactions with the department, including receipt of grant in aid of £1,743,538.

In addition the Commission had a number of transactions with other government departments and other central government bodies.

None of the Commissioners have undertaken any material transactions with the Commission in the financial year.

17. Events after the reporting period

There were no events after the reporting period, as defined by IAS 10, between the statement of financial position date and the date the accounts were signed.

The Accounting Officer authorised the issue of these financial statements on 28 June 2019

ACCOUNTS DIRECTION GIVEN BY THE DEPARTMENT FOR COMMUNITIES, (FORMERLY DEPARTMENT FOR SOCIAL DEVELOPMENT), WITH THE APPROVAL OF THE DEPARTMENT OF FINANCE, (FORMERLY DEPARTMENT OF FINANCE AND PERSONNEL, IN ACCORDANCE WITH SCHEDULE 1 SECTION 8(2) OF THE CHARITIES ACT (NI) 2008

1. This direction applies to the Charity Commission for Northern Ireland.
2. Charity Commission for Northern Ireland shall prepare accounts for the financial year ended 31 March 2019 and subsequent financial years in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury ("the FReM") which is in force for the financial year for which the accounts are being prepared, together with any additional disclosure or other requirements as agreed with the department. The accounting policies contained in the Government Financial Reporting Manual apply International Financial Reporting Standards as adapted or interpreted for the public sector context.
3. The accounts shall be prepared so as to:
 - (a) give a true and fair view of the state of affairs at 31 March 2019 and subsequent financial year-ends, and of the income and expenditure, total recognised gains and losses and cash flows for the financial year then ended; and
 - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by the Assembly or material transactions that have not conformed to the authorities which govern them.
4. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgment should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed with the Department for Communities and the Department of Finance.



Further information on our activities is available from:

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