



Annual Report
and Accounts
2019-2020

List to do:
Team meeting 2 pm



**annual report and accounts
for the year ended 31 March 2020**

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under the Charities Act (NI) 2008
by the Department for Communities
on 26 August 2020*

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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PERFORMANCE REPORT

1: Overview

Statement from the Chief Charity Commissioner and Chief Executive



At the outset of our annual report 2019-20, we would like to take this opportunity to pay tribute to the immense contribution made by the former Chief Commissioner, Tom McGrath, who left his post at the end of July 2019. We wish to recognise the tremendous contribution which Tom made to the Commission, since his appointment in June 2009 until his departure. Tom was a constant in the development of the regulation of charities and his leadership in this area is greatly appreciated. We both wish Tom well and thank him for his work in the sector. As the 2019-20 financial year drew to a close, we have also reflected on what has arguably been one of the most challenging years for the Commission to date.

One of the biggest challenges has undoubtedly been the legal ruling regarding the method used by the Commission to make decisions. The judgement by the High Court in May 2019 (upheld by the Court of Appeal in February 2020) relates to a point of law that all Commission orders, directions and decisions should be made by the Board of Commissioners or a committee of Commissioners with delegated authority, rather than Commission staff following manuals approved by the Commissioners. The judgement is welcomed as a vital clarification of the law, which is imperative to enable the Commission to undertake its statutory duties and give charities confidence in the regulator and its powers. However, while the judgement does not relate to the substance of any decisions made, it does have a major impact both on past decisions and on how the Commission operates going forward. While the decision of the High Court was under appeal, the Commission continued, where possible to deliver on its business plan objectives. In light of the Court of Appeal judgment (which was delivered towards

year end) the decisions underpinning certain areas of the Commission's work have been fundamentally affected. However, in the interests of transparency, we have reported on the work carried out as against the business plan.

As we await guidance from our Minister on how to proceed, the Commission's work and oversight is continuing, with a resolution in place to ensure compliance with the Courts. As highlighted above, the judgement has had a major impact and, while most key performance targets for 2019-20 have been met, some have not as decisions have been delayed due to new processes being introduced. For example, the Commission was unable to progress the target number of registrations this year, with 111 decisions made against a target of 475. Proactive steps are being taken to minimise this delay as work on applications, requests and queries continues and we are hopeful for a resolution as soon as possible which will allow work to progress, albeit in a different manner than before.

And, of course, another challenge to overcome - within just a few weeks of the year end, the Commission, alongside the rest of Northern Ireland, faced unprecedented changes in our work and personal lives due to the COVID-19 pandemic. Work continued but in a new way, with Commissioners and staff operating remotely in line with government advice to stay at home, where possible. Our focus quickly moved to how we could guide charities through the obstacles they faced, with advice on issues such as holding online meetings and how they might adapt their own charitable objectives to assist those in need.

It has undoubtedly been a demanding year for the Commission. However, while there have been challenges and lessons learned, there have also been many achievements of which we, as Chief Executive and Chief Commissioner alike, are very proud. The Commission has continued to grow as a regulator, to become more confident, more resilient and more proactive.

Our successes have included, amongst others, the holding of the first annual monitoring return workshop to support charities reporting on their activities. We also trialled the issuing of annual reporting reminder letters, in another first. The trial proved effective - the proportion of charities that did not file on time last year was an average of 20% compared to 13.7% this year with the decline driven by the late filing rates for two trial periods which were 5.8% (October 2019) and 11.1% (January 2020). The annual reporting programme also saw 5,901 charity accounts and reports published during the year - equating to around £2.15 billion of charitable income accounted for through the Commission's website. As indicated above the Court of Appeal judgment has had a significant impact on certain aspects of the Commission's work. The current position as regards charity reporting is that no organisation is in default of obligations set out in The Charities (Accounts and Reports) Regulations (Northern Ireland) 2015.

During the year the enquiries team also passed a notable milestone, with the submission of the 1,000th concern about charities. We continued to develop our Transformation project, which aims to improve the relevance and accuracy of information held by the Commission, identify process improvements and ensure regulatory actions target resources to maximise outcomes and address risks.

Developing and bedding in a completely new regulatory regime was never going to be without its difficulties. Challenges were always expected, although few could have foreseen some of the obstacles that lay ahead. While it is acknowledged that the regulator has come far, there is a great deal still to do. Together, with Frances' many years of experience as Commission Chief Executive and Nicole's fresh eyes having joined as Chief Charity Commissioner in August 2019, we look to the future with optimism and pride.

Where we can, we will work to support and guide the charity sector through the first months of 2020-21 as we all feel the impact of an unprecedented health emergency. Following on from the Court of Appeal, we will work to adapt our processes and reassure the public and the charity sector as we apply any action from the Minister for Communities following the Courts' judgement. And we will continue working to develop, adapt and grow as a robust, proportionate and effective charity regulator in which all can have confidence.

This annual report gives a flavour of the challenges, the achievements and the direction of the Commission during 2019-20. It has been truly heartening to see the development that has taken place, often in difficult circumstances, and we would like to pay tribute to our hard working and diligent Board of Commissioners and staff. Their dedication, knowledge and enthusiasm continues to inspire us, and we both appreciate and acknowledge how they have often gone above and beyond the expectations of their roles.

Finally, we would like to voice our appreciation of the charity sector in Northern Ireland. As 2019-20 drew to a close, and the world came to grips with the reality of life in a pandemic, charities came to the fore, playing a crucial role in addressing the consequences of the pandemic and supporting those most in need. We thank you for your endeavors and we look forward to the future.



Frances McCandless
Chief Executive
Charity Commission for Northern Ireland



Nicole Lappin
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 (DfC). 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 2019-2020 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 an 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



There were a number of changes to the Board during 2019-2020.

Tom McGrath CBE, who has led the regulator as Chief Commissioner from the beginning, saw his final term of office end in July 2019. The Commission would like to thank Mr McGrath for his hard work, dedication and commitment during his time with the Commission and wish him every success in his future endeavours.

Nicole Lappin joined the Board as Northern Ireland's Chief Charity Commissioner in August 2019. Mrs Lappin has been appointed Chief Charity Commissioner for a five year term of office, to 31 July 2024.

Hugh McKeag and Carmel Mullan also joined the Commission as Commissioners. Their appointments will run from 1 September 2019 to 31 August 2020.

Senior Management Team



Highlights from the year

The Commission hosted its first, targeted annual reporting seminar during 2019-20, aimed at supporting charities preparing to submit their annual return for the first time on or before 30 June 2020.

*The Commission published new guidance, *Using and understanding the register of charities*, to highlight how everyone, from the public to funders to researchers and the media, can make the most of the register of charities. The guidance sets out what information is available on the register, the importance of maintaining an accurate register and how to use the register.*

*For the third year in a row, the Commission took part in the *Boardroom Apprentice* initiative, which aims to provide practical experience, training and support to individuals who wish to become Board members within the public and third sectors. Under the initiative, successful applicants are assigned to a participating Board, with a Board buddy, and undertake training to enhance their knowledge and understanding.*

Five charities were removed from the Northern Ireland register of charities during the year as they were believed to be no longer in operation. All of the charities were in default of their annual reporting requirements for two years or more, did not appear to have carried out any recent activities and had either informed the Commission of their closure or the charity trustees have proven to be uncontactable. This marked the first time the Commission has taken action to remove charities from the register under section 16(5) of the Charities Act (Northern Ireland) 2008.

In September, the Commission issued letters to each of the trustees of 1,135 registered charities (10,770 trustees) to remind them their charity's annual return deadline date was drawing close. Usually, the Commission issued email notifications regarding annual reporting to the charity contact only. The trial proved to be effective - the proportion of charities that did not file on time in 2018-19 was on average 20% - the average for 2019-20 was 13.7%

Safeguarding, data protection and fundraising in charities are just some of the major issues on which the Commission aims to gather data over coming years. As part of this work, a public consultation was launched on a series of new and updated questions to be added to the charity registration application and the Annual Return Regulations 2019. The questions were aimed at helping the regulator gather important data on both individual charities and the charity sector as a whole.

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. These key issues related to:

- Public confidence in the Commission and the ability to make statutory decisions could be damaged due to the consequences of the May High Court decision and related litigation.
- The Transformation project may not have been as effective as anticipated because of unintended consequences, potentially resulting in some charities being able to evade regulation across registration, monitoring and compliance, and enquiries work.
- Outcome of litigation had the potential to create fundamental challenges that diverted resources from planned work and achievement of objectives, damaging public trust in the Commission and regulation.

Some elements of these risks, such as the pressures of litigation in which the Commission was involved, materialised. The Commission had to switch resources from supporting core regulatory work to supporting litigation and implementing its outcomes. 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 70% of its corporate key performance indicators (KPIs). This included the following achievements:

External KPIs

- 111 registration application decisions made (target: 475)*
- 82% of registration applications were processed within five months (target: 60%).
- 100% of self-regulatory concerns about charities were processed to closure with six months of receiving a full risk assessment (target: 80%)
- 19% of annual returns submitted to the Commission were subject to basic compliance checks (target: 17%)
- 64% of initial compliance assessments done within 30 days (target: 50%)
- 95 pre-registration closures reviewed and action taken (target: 75)

Internal KPIs

- 89% of creditors' invoices paid within 10 working days (target: 90%).
- total budget managed within 97.9% (target: 99%).
- staff absence levels managed within 2.87% (target: 8%)

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.

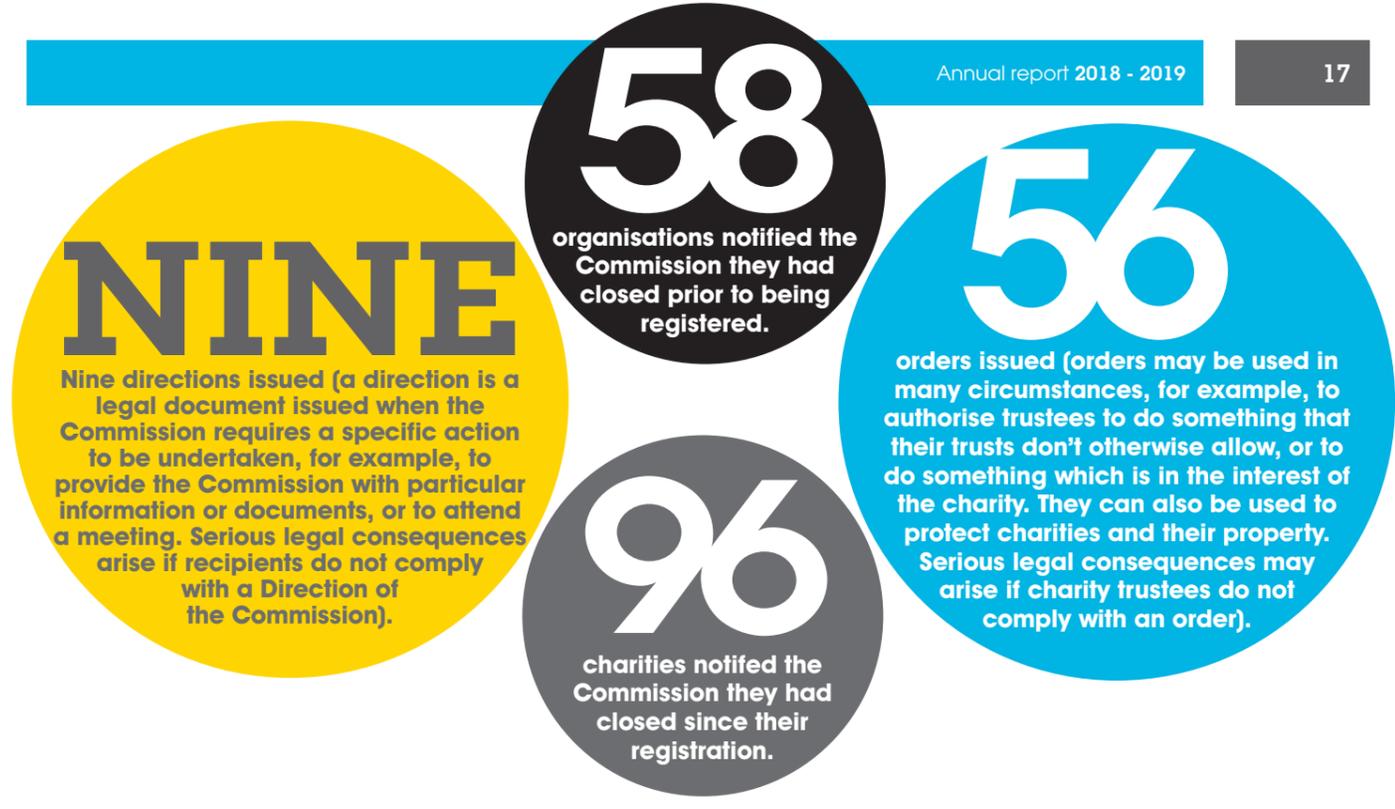
**Due to the High Court and subsequent Court of Appeal judgements, the Commission was unable to meet the registration target set for 2019-20.*

2. Performance analysis

The performance analysis below highlights some of our achievements. Please see the Overview section of this document for the context in which these actions are being reported, as the underpinning decisions are affected by the Court of Appeal judgement, but the work was carried out prior to that judgement being received.

Key indicators

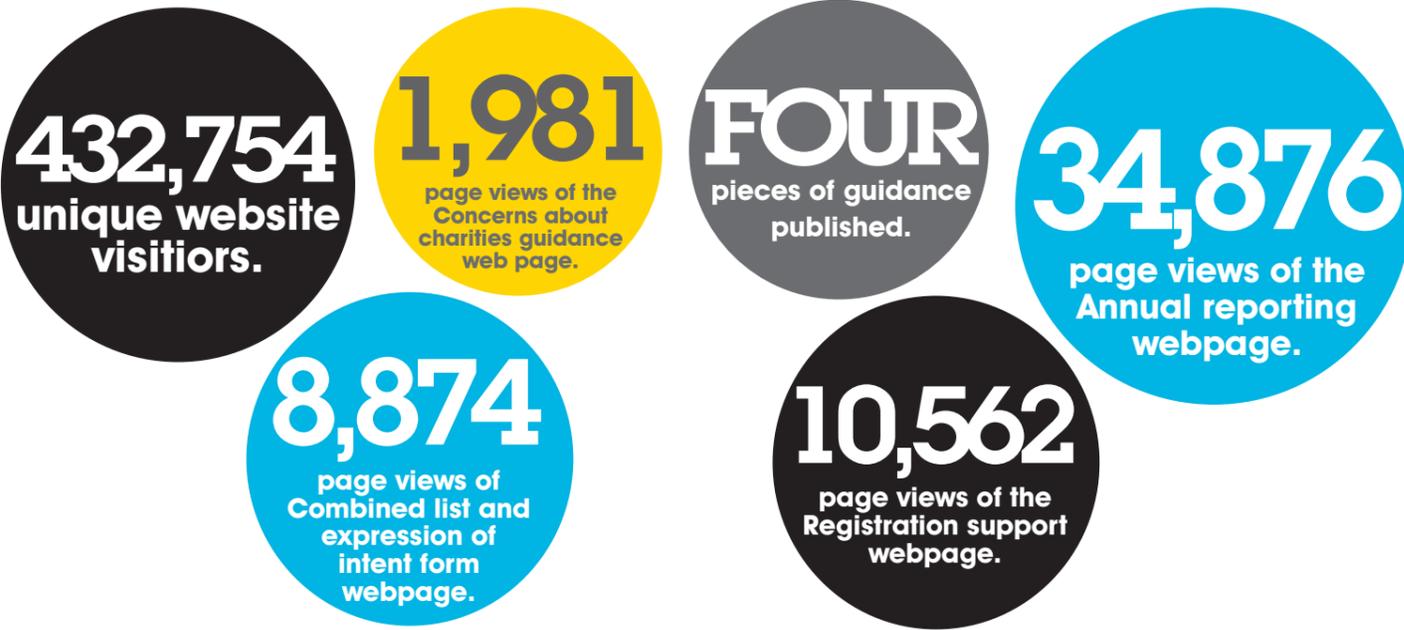
Strategic Aim 1: Developing compliance regarding the use of charitable resources



Strategic Aim 2: Progressing charity registration and casework to enhance accountability



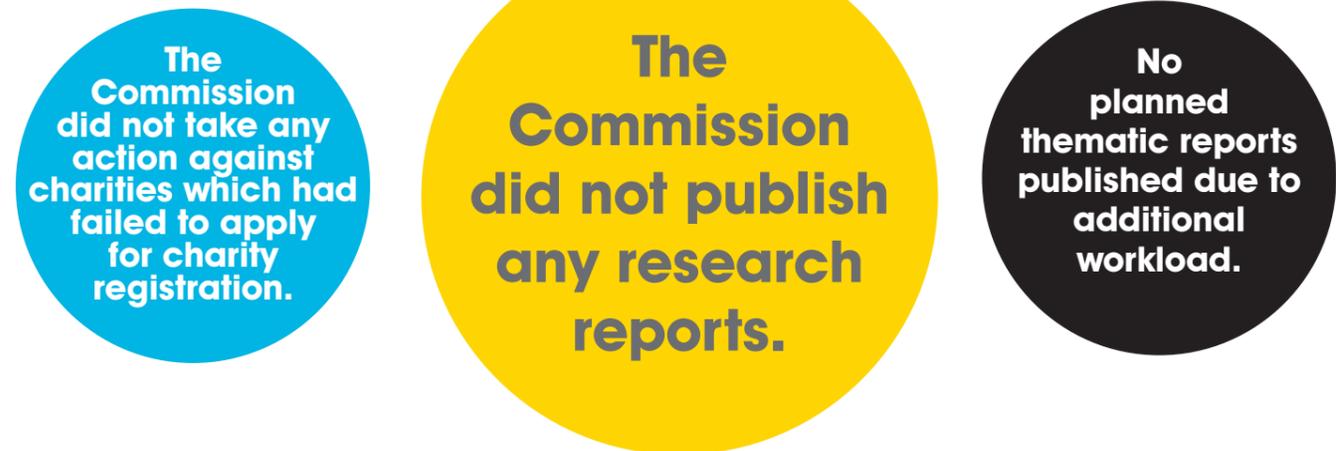
Strategic Aim 3: Demonstrating the public benefit arising from charitable resources and activities



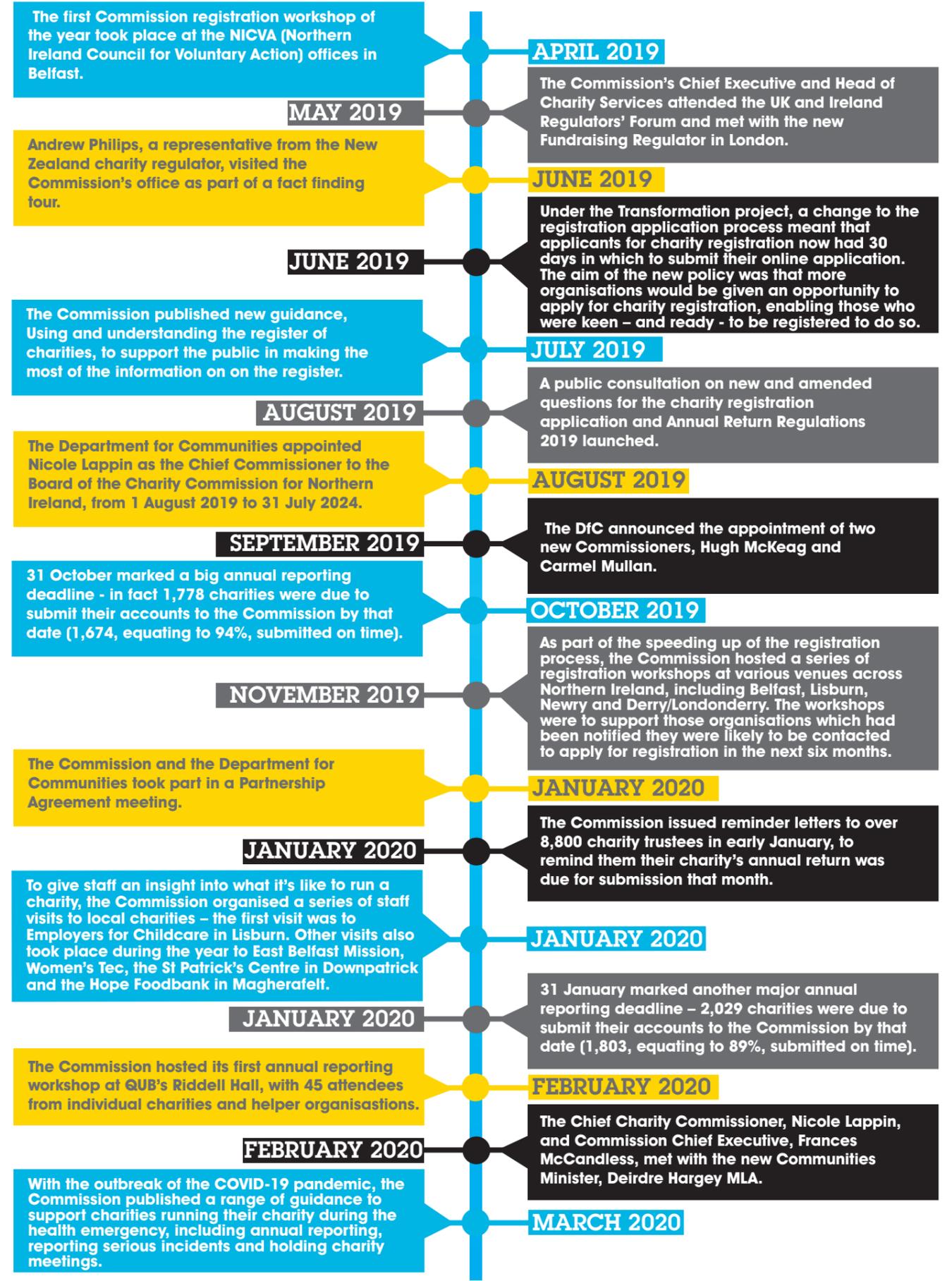
Strategic Aim 4: Developing as a properly governed, transparent and independent decision-making body



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



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

One of the key areas of the Commission's work since the beginning has been to progress charity registration - building a single, online resource where the public can check a charity is registered as well as see important charity information, from accounts to trustee names and charitable activities.

Registration was always going to be a daunting task, with estimates indicating there are between 11,000 and 16,500 charitable organisations in Northern Ireland, each having to be carefully assessed against the law as a potential charity. Given the numbers, the Commission has been carefully managing registration – marrying available resources, work priorities and the complexity of individual cases against the flow of applications at a given time. However, as we have indicated in recent years, registration has been slower than hoped due to resourcing.

During the 2019-20 year, proposals were put in place aimed at streamlining registration so that more charities can apply sooner. Under the changes, applicants for charity registration had more advance notice of their likely call forward, to allow them to prepare and submit their application within 30 days of their "call forward" date. The policy change impacted on organisations wanting to register as charities from June 2019 onwards and, in fact, during 2019-20, 899 organisations were called forward to apply for registration.

However, the High Court judgement in May 2019 (later upheld by the Court of Appeal in February 2020) impacted on the Commission's decision-making

procedures, including those related to registration. Previously, the majority of registration decisions had been made by staff following manuals approved by Commissioners. However, the court ruled that decisions should be made at Commissioner level, an operational change to previous Commission processes.

In order to continue its registration work while awaiting the Minister for Communities' preferred way forward, the Commission has adjusted its procedures to comply with the court judgements. This allows for applications, requests and queries to be processed by the registration team up to the point at which they could make a recommendation to Commissioners for decision. However, as Commissioners work on a part time basis, are not based at the Commission's office and are also tasked with a range of other strategic oversight functions, they currently only have the capacity to make decisions on a smaller number of cases than was previously possible.

While this process is in place, the judgement has impacted on the number of registration decisions made and has caused delays in processing applications. During the year 111 decisions were made (109 charities registered, two refusals issued) against a performance target of 475 decisions. The additional work required to bring decisions to Commissioners and the impact on resources is such that, even by adding all staff recommendations to those decisions, the performance target is not reached. However, once a permanent way forward has been agreed, processes will be redesigned and the registration progress will continue in a more efficient manner.

In the meantime, the public *Combined list* continues to be updated, with a further 344 organisations added to the list this year. These are organisations which have made themselves known to the Commission so they may be contacted to apply for registration in due course. By publishing the list, which also highlights if an organisation has been refused registration, the public can be assured that the Commission knows a potentially charitable organisation exists, and it will be required to apply for registration in due course.

Annual reporting

Alongside registration, a core part of supporting the charity sector in being open and accountable is the annual reporting programme.

Under annual reporting, each registered charity must submit their annual accounts for the financial year alongside their trustees' annual report and an independent examination or audit, as applicable. Along with 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 range of new information on individual charities and the charity sector as a whole.

During 2019-20, 5,901 accounts and reports were submitted – equating to around £2.15 billion of charitable income accounted for through the register. At the end of March 2020, the total number of charity accounts and reports for multiple years published on the *register of charities* was 14,233 – a number which will grow year on year as more accounts and reports are added to the register.

During 2019-20, the Commission also took action to address charities which had remained in default for over six months, with 33 charities ordered by the Commission to submit their annual reporting information. Regulatory guidance, identifying the requirement to submit annual monitoring returns, was issued to 321 charities.

As well as meeting their annual reporting deadline, it is also important that the charity submits accounts and reports which meet the regulatory requirements. The Commission completed basic compliance checks on 1,137 accounts and reports submitted during the year. A variety of issues, ranging from incomplete trustees' annual reports to a charity not submitting a statutory audit report were identified in 608 cases. For more serious matters (219 cases), regulatory guidance was issued, requiring resubmission of accounts and/or reports to comply with charity law.

The Commission also used powers under section 65 of the Charities Act requiring the audit of a charity's accounts in one case. The remaining 389 cases had less concerning issues noted, with a number of charities advised and requested to correct these issues for the following year but not requiring re-submission of accounts/reports.

Commissioners also made the *Annual monitoring return regulations 2019* during the year, which enabled the development of the online specification for the annual monitoring return 2020. The form will go live in 2020-21.

Spotlight: Charity SORP

Three representatives from Northern Ireland have been appointed to the committee that oversees the rules for how charities across the UK and Ireland report on their finances.

The Commission, along with the Office of the Scottish Charity Regulator (OSCR) and the Charity Commission for England and Wales (CCEW), is part of the body that oversees and develops the rules for how charities report – the joint SORP making body. The three new representatives will be part of an advisory Committee to the SORP making body.

The three new members, who joined Myles McKeown, the Commission's Head of Compliance and Enquiries and Joint Chair of the committee, on the SORP Committee are:

- Tony Clarke of Clarke & Co.
- Noel Hyndman of Queen's University, Belfast
- Gareth Hughes of Down and Connor Diocesan Trust

The SORP refers to the Charities Statement of Recommended Practice, the set of rules which governs charity financial reporting and accounting for charitable companies (which may be small) and larger charities with an income of £250,000 and more. The main purpose of the SORP Committee is to identify potential changes to the SORP and advise the SORP making body (made up of the charity regulators) who make the SORP rules.

Enquiries

As always, the enquiries team remains one of the busiest sections of the Commission, dealing with a range of concerns about charities, from serious cases requiring the opening of a statutory inquiry to minor complaints where self-regulatory guidance can provide the right support.

In addition to concerns about charities, the enquiries team is also responsible for serious incident reporting (SIR) and the reporting of matters of material significance. Matters of material significance (MOMs) are issues 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.

During the year, the enquiries team received a total of 257 cases, which can be broken down into:

- Concerns received: 136 (133 cases were concluded during the year)
- SIRs received: 86 (99 closed)
- MOMs received: 32 (33 closed)

Due to limited resources and the high volume of concerns about charities received, the Commission cannot progress investigations into more minor concerns at this time. Instead it focusses on cases 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 act in a proportionate and evidence based manner, taking account of issues including the risk to the charity and its beneficiaries.

As a result of the investigatory work carried out by the team the Commission opened its most serious and high level investigation – a statutory inquiry – on three occasions. This type of inquiry provides the Commission with a range of enforcement provisions under the law.

- In June, the Commission opened a statutory inquiry into the charities, Karmel City Church (NIC102774), Karmel Trust (NIC100584) and Make a Difference Worldwide (NIC100378). The inquiry relates to concerns regarding the governance and administration of the charities, with a focus on the proper application of charity property.
- In August the Commission opened a statutory inquiry into the Minnowburn Trust (NIC100824) relating to the administration and governance of the charity.
- In February 2020, a statutory inquiry was opened into Woodvale & Shankill Community Housing Association Ltd (NIC100843) relating to concerns regarding the administration and financial controls of the charity.

Under its concerns work during the past year the Commission's enquiries team has also:

- issued eight orders for the protection of charities, including orders to appoint additional trustees and appoint an interim manager; and have also issued six orders relating to the appointment of an auditor and obtaining documents and information
- issued 11 directions as part of its statutory inquiry work, for example directions to obtain copies of documents which relate to any matter in question and to have the copy documents verified by way of statutory declaration.

Casework

Where charity trustees require approval from the Commission to make a change or undertake an action or transaction, they must apply to the Commission's casework team. Examples include applications for schemes, to authorise certain payments and to make changes to a charitable company's articles of association (consent to regulated alterations). These legal processes support the charity in ensuring it is well managed, is aware of 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 and to manage its resources effectively.

However, as with registration, the method of making casework decisions has been impacted by the court judgement referred to above. A process has been introduced to ensure cases are progressed in line with court judgements, thereby enabling work to continue.

During the 2019-20 year, 245 casework applications/notifications were received and 161 casework processes completed. This included 34 statutory decisions taken by a committee of Commissioners with the remainder (127) being administrative functions carried out by staff.

Engagement and guidance

During the 2019-20 year the Commission participated in 39 engagement events. This included meetings, seminars, conferences and presentations with a wide range of bodies, including the Equality Commission, NICVA, CIPFA and Joint SORP Making Body, NIFHA (Northern Ireland Federation of Housing Associations) and CO3 Chief Officers 3rd Sector. Nine registration workshops were also undertaken at venues across Northern Ireland, with a total of 270 attendees.

In the first event of its kind from the regulator, the Commission hosted its initial targeted annual reporting seminar during the year, aimed at supporting charities preparing to submit their annual return for the first time on or before 30 June 2020. The session provided practical guidance on how to submit an annual monitoring return, covering the statutory obligations on charities as well as offering tips on how to submit an accurate return and trustees' annual report. The event, which had 45 attendees, also provided an opportunity to meet some of the Commissioners who attended. The session was well received with some of the feedback including the following quotes:

- "All speakers Excellent!"
- "Overall an excellent presentation"
- "First time doing this at start a bit scary but as talk progressed became clearer and more helpful."

The Commission's website continues to act as a central hub for information and guidance on charity regulation. In 2019-20 the website had 432,754 unique website visitors, there were 203 subscribers to its monthly e-newsletter and the Commission's Twitter channel ended the year with 3,516 followers. A new Commission LinkedIn page was also started, to support the regulator in sharing its news and information with the community. The Commission dealt with 17,794 calls and email enquiries during the year, with queries on everything from concerns to annual reporting to running charity meetings during a pandemic.

Supporting this engagement work, the Commission's guidance provides charity trustees with an online library of information and advice on their legal duties. During the year, there were five new or updated pieces of guidance published, bringing the total list of available guidance up to 75:

- Using and understanding the register of charities
- Registering as a charity guidance
- *How to raise a concern about a charity*
- *Dealing with Concerns about charities*
- *Serious Incident Reporting* guidance

Financial Performance

Budget

The Commission has a key performance indicator of achieving a budget spend within 99% of overall budget, which for 2019-20 was set at £2,468,000. The resource budget was £2,301,000 and the capital budget was £167,000.

During 2019-20, the Commission reported a 97.9% total spend, broken down as 97.9% of resource budget and 98.8% of capital budget.

Statement of Comprehensive Net Expenditure

Total expenditure for the year excluding asset revaluations has increased by £450k from £1.893m to £2.343m. This is due to the costs of additional staff numbers to address the new strategic safeguarding risk in the sector and increased legal and professional costs.

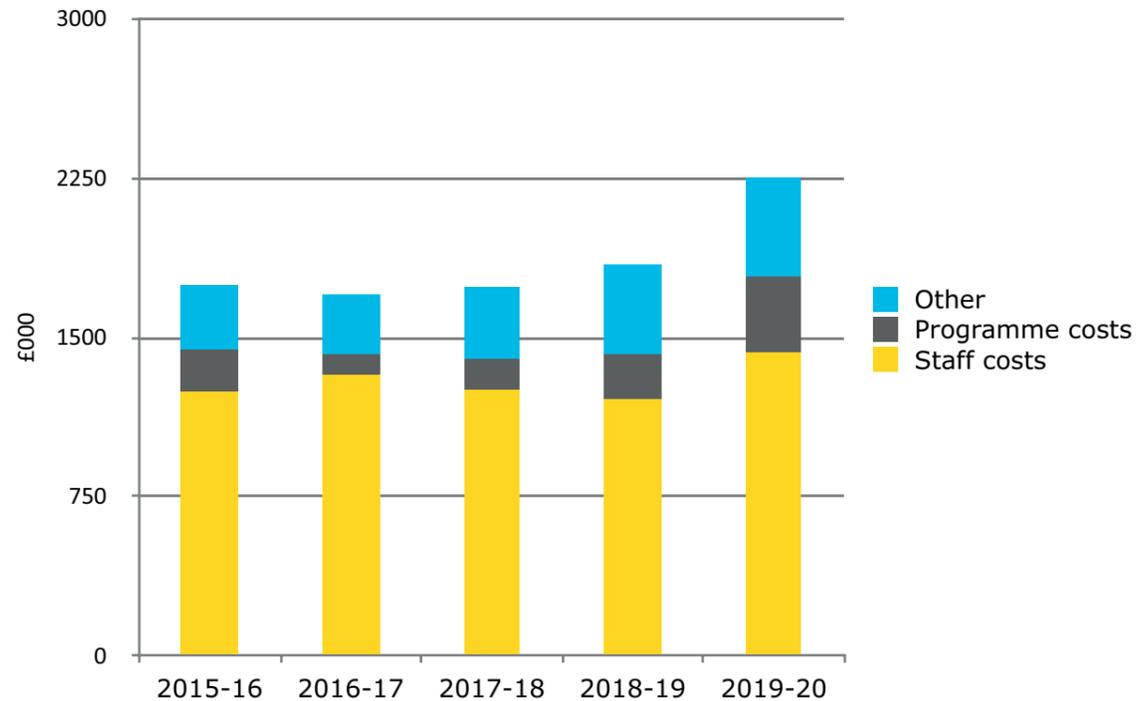
Statement of Financial Position

Non-current assets at the year-end were £643k, an increase of £55k on 2018-19. This increase reflects the capital work in year being greater than the revaluations and depreciation/amortisation of assets at 31 March 2020. Working capital has remained unchanged at (£122k).

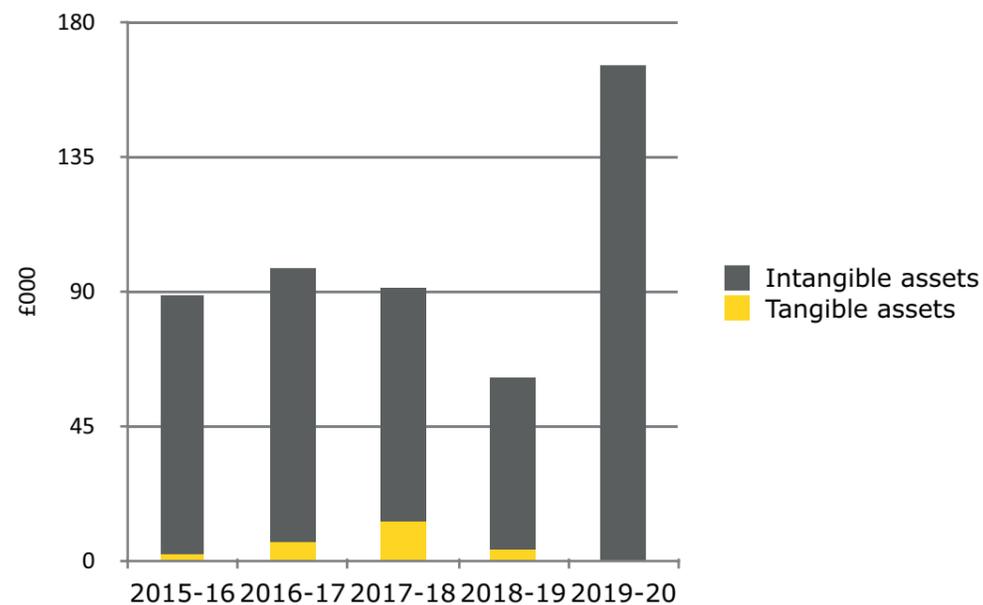
Financial results and position are set out in detail in the financial statements at page 54 and page 55 respectively.

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 2019-20, the Commission received 16 complaints, which were dealt with in accordance with the published policy. Four complaints were not upheld; one complaint was partially upheld. One complaint was ineligible as it was out of time. One complaint was resolved as a result of action taken by the Commission, as requested by the complainant. Two complaints were withdrawn by the complainants. Consideration of the remaining seven complaints was ongoing at year end. 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 regularly 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.

Equality and diversity

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 2019-20, 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 October 2019, 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.

3. Future focus

As the 2019-20 year drew to a close, the Commission temporarily moved its main priority to supporting the charity sector during the unprecedented health emergency brought about by COVID-19.

As noted by our Chief Commissioner in her public letter to all charity trustees, the Commission recognised the crucial role charities played in addressing the immediate consequences of the pandemic, from bringing food and medicine to those in isolation, to making much needed equipment for the NHS, as well as providing many other vital services. Well-run charities are never more needed than at a time of crisis and, as COVID-19 highlighted, that time of crisis can bring with it challenges no one had foreseen just a few months prior.

As the aftermath of the pandemic unfolds, the Commission will continue in 2020-21 to look at where we can support and guide charities as we all adapt to the new normal. To do this, we will listen to the sector, their concerns and queries, developing and adapting our guidance where needed, from advice on charities facing financial difficulties and tough funding questions through to how they may move ahead for the future.

As the charity regulator, we also look forward to moving ahead with our own key aims and priorities. We anticipate receiving guidance from our Minister on how to proceed in light of the Court of Appeal judgement of February 2020. This will provide the Commission with a clear direction that will bring with it a renewed confidence and stability. Following this guidance, we will look to redesign and update our processes where required, allowing areas such as registration and casework to get back up to speed effectively and efficiently.

The Commission will also continue to grow as a more risk-focused regulator, developing our Transformation plans to identify process improvements, maximise our resources and address the highest risks to charities. Alongside the information on charities available on the register of charities, we will also improve the data we gather on areas such as charities' safeguarding priorities and practice, data protection and fundraising. This will again support the Commission in building knowledge of the sector and targeting resources more effectively.

As in previous years, there is much work ahead for the Commission as we work to support and affirm public trust and confidence in an open, accountable and well run charity sector.

This Performance report was signed by the Accounting Officer of the Charity Commission for Northern Ireland on 28 July 2020.



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 Nicole Lappin 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 2019-20, the Commission reported a personal data related incident to the Information Commissioner's Office (ICO) which investigated and concluded no breach had occurred. 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, Statement of Financial Position, 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 2019-20

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 its 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 2020. 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 2019-20.

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 2019-20 the Board reviewed its own operating policies including the Standing Orders, Board Operating Framework and Code of Conduct.

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 was in place during part of 2019-20, the Chief Commissioner post and two other Commissioner posts were filled in August 2019 following a decision by the DfC Permanent Secretary. The two Commissioners were initially appointed for a period of six months, with a further extension of six months from March 2020. One of these is an appointee with accountancy experience, as requested by the Commission.

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. During the year work was begun to develop a new Partnership Agreement which will replace the MSFM. 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.

The role of the Board changed during this year in that, following a High Court ruling in May 2019, in addition to some specific previous examples, the Board extended the range of its decision making to include all statutory decisions under the Charities Act (Northern Ireland) 2008, in addition to their normal governance role.

During the year the Board undertook its responsibilities by:

- submitting a new 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.
- 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. This was done particularly in relation to ongoing litigation involving the delegation powers in the Charities Act (Northern Ireland) 2008, to which the Department was joined as a party. Meetings between the Board and

Permanent Secretary took place in June and September 2019 and the Minister met with the Chief Commissioner and Chief Executive in February 2020. Two sponsorship meetings took place involving Senior Management Team and officials from the sponsor branch. Senior representatives of Board and staff also participated in an ALB planning forum 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 a review of the terms of the MSFM. This 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 previous independent member being appointed as a Commissioner, through open competition, a new independent Audit and Risk Assurance Committee member was sought during the year and was appointed in February 2020.
- 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 implementation of GDPR continued throughout the year, including additional staff training.
- continuing to undertake 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.
- agreeing and receiving updates on business continuity arrangements put in place in response to the Covid-19 emergency.

Attendance at Board meetings during the year:

Board member	Number of meetings attended
Tom McGrath, Chief Commissioner	3 out of 3
Gerard McCurdy, Deputy Chief Commissioner	9 out of 9
Geraldine Donaghy, Commissioner	2 out of 3
Steven Cockcroft, Legal Commissioner	7 out of 9
Séamus Magee, Commissioner	8 out of 9
Kieran Donaghy, Commissioner	9 out of 9
Nicole Lappin, Chief Commissioner (appointed 1 August 2019)	6 out of 6
Carmel Mullan, Commissioner (appointed 1 September 2019)	5 out of 6
Hugh McKeag, Commissioner (appointed 1 September 2019)	5 out of 6

Board performance and assessment of its own effectiveness

In 2019-20 the Board met nine times, rather than the usual seven. This included two extraordinary meetings to consider judgements received from the High Court and the Court of Appeal. The Board also met outside of formal board meetings on a number of occasions for information and discussion sessions related to the ongoing legal issues, resulting in a lot more time being given by Commissioners to the work of the Commission in 2019-20. The Audit and Risk Assurance Committee met four times, and the Human Resources Committee met once. Board and committee minutes are published regularly on the Commission's website.

Following the High Court ruling on the interpretation of the Charities Act (Northern Ireland) 2008, a committee was also formalised during this year to make statutory decisions under Schedule 1 of the Act. Committee memberships were refreshed when new Commissioners were appointed.

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. High level results were reported to the Board in March, but a full analysis had not been prepared at year end owing to reprioritisation of work due to Covid-19. The Board noted that no issue had scored below the level at which action was promptly required at year end.

A programme of inductions was carried out for newly-appointed Commissioners and for the new independent Audit & Risk Assurance Committee member. In light of their increased role in statutory decision making, the Board also identified additional training needs during the year, which resulted in the development and delivery of resources and training sessions over a number of months.

Key decisions of the Board in 2019-20

The Board's main focus in the year under review switched back to building the *register of charities*, alongside planning for and responding to an ongoing litigation process, which resulted at year end in a decision from the Court of Appeal that statutory decision making under the Charities Act (Northern Ireland) 2008 cannot be delegated to staff acting alone. This work proceeded in tandem with a continuing focus on checking charity accounts and annual returns to further boost public confidence and develop a culture of compliance with statutory reporting regulations within the sector. 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.
- Schedule 1 committee terms of reference and operating procedure, which were reviewed and refined during the course of the year to ensure compliance with judicial rulings.
- Review and amendment of business plan targets following required changes to decision making arising from litigation.
- Consideration of premises issues – an anticipated office move was still awaited at year end.
- Review of finance, risk, fraud, business continuity and environmental policies and procedures and of the governance framework.
- Approval of a number of procedures and policies relating to compliance, casework, enquiries and registration.
- Legal issues, ongoing litigation and related risks.
- Approval of new IT hosting arrangements.
- Adoption of an annual agenda schedule and a new process for evaluating the effectiveness of Board meetings.
- Approval of new Annual Return Regulations for charities and a new approach to dealing with safeguarding risks in charities.
- Approval of the Commission's annual equality report.
- Agreement of a new communications annual plan and an updated social media policy.

In addition, Board members were updated at each Board meeting throughout the year on progress on the transformation project, aimed to streamline and improve Commission services and use of risk information.

During this year the Board participated for a third time in the Board Apprentice Scheme, to demonstrate its commitment to increasing the diversity of candidates for public and charity 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 Chief Executive and Head of Corporate Services 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 2019 using the National Audit Office Checklist. In broad terms the committee were content with their approach. They noted that the Commissioner appraisal process could be improved by ensuring liaison between the Chair of Audit and Risk Assurance (A&RA) Committee and the Chief Commissioner when appraisal is taking place. The Committee also noted that careful management was required to separate the oversight role of committee members and their role as Commissioners making statutory decisions, following the High Court ruling on the interpretation of the Charities Act ((Northern Ireland)) 2008. The committee also undertook an annual review of its *Terms of Reference*. A temporary reduction in the quorum which had been introduced while Commissioner numbers were low was removed.

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 and the business continuity plan. The committee also considered an assurance mapping framework, an assurance check on the range of MOUs and Service Level Agreements operated by the Commission and received updates on cyber security.

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 2019-20.

The committee agreed a new four year internal audit strategy which was supported by an audit plan for 2019-20 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 2019-20 were as follows.

- Phase 1 – investigating issues of public concern, corporate governance, handling of complaints, and integrity and reliability of system data.
- Phase 2 – registration of charities, dealing with conflicts of interest, information security and use of IT systems.

The internal audit report on their 2019-20 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 one recommendations and the first audit assignment had no recommendations at all.

The Audit and Risk Assurance (A&RA) Committee may commission reports on specific issues. In this year, the committee requested a presentation from NICVA, the umbrella body for the voluntary and community sector, on risks in the charity sector in Northern Ireland, to better inform the Commission's approach to risk in its statutory role regulating charities.

During the year under review the Northern Ireland Audit Office (NIAO) attended all four committee meetings. The committee considered the *2018-19 NIAO Report to Those Charged with Governance* which indicated an unqualified audit opinion, without modification, on the 2018-19 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 no recommendations. The report was laid before the Assembly on 25 July 2019.

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

The membership of the committee was changed during 2019-20. The new independent member was appointed with specific experience, following a request from the Committee for someone with strategic IT and change management experience. As part of reconstituting the committee, new members received induction and completed training on effective governance, while existing members undertook a refresher course on audit committee membership from a leading training provider.

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

Séamus Magee, Chair	4 out of 4
Kieran Donaghy	3 out of 3
Gerard McCurdy	3 out of 4
Carmel Mullan	1 out of 1
Caron Alexander Independent Member of committee	1 out of 1

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 2019-20 the Committee considered a three-year People Strategy, HR-related audit recommendations and evaluation of training carried out during the year.

The work which had been ongoing to progress a new staff handbook reflecting the structure of the NICS handbook and adopting NICS policies, where appropriate, had to be deprioritised during the year, due to the outcomes of litigation and the demands of the ongoing transformation project. Actions flowing from the agreed People Strategy continued throughout the year.

Membership of the committee was refreshed in the final quarter of the year.

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

Committee member	Number of meetings attended
Geraldine Donaghy, Chair	1 out of 1
Steven Cockcroft	1 out of 1

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 2019-20, the Commission continued to enhance the identification and consideration of risk within the organisation.

During the year a series of risks related to the delivery of the 2019-20 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. Staff 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 2019-20 the Commission reviewed its approach to risk management for the coming year and drafted a new risk register. The Board also updated the rating of risks and assurance checking in light of experience and the operating of new decision-making processes.

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 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 2019-20 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:

- Public confidence in the Commission and the ability to make statutory decisions could be damaged due to the consequences of the May High Court decision and related litigation.
- The Transformation project is not as effective as anticipated because of unintended consequences resulting in some charities being able to evade regulation across registration, monitoring and compliance, and enquiries work.
- Outcome of litigation may create fundamental challenges that divert resources from planned work and achievement of objectives damaging public trust in the Commission and regulation.

Some elements of these risks, such as the outcome of litigation creating fundamental challenges and the transformation project being affected, materialised.

A fundamental risk to the Commission's past decisions was realised in February 2020 when the Court of Appeal upheld a ruling by the High Court in May 2019 on the correct interpretation of the Charities Act (Northern Ireland) 2008. This determined that statutory decisions cannot be made by staff acting alone. At year end the Commission was still considering the implications of this ruling, in conjunction with the Department for Communities, and had met with the Minister to outline potential consequences and ways forward. New procedures were immediately implemented following the High Court ruling, to ensure the Commission was compliant with the law. These changes were made on the basis of extensive legal advice and with the support of the sponsor department.

The risk relating to the outcomes of this litigation and its impacts on the Commission's operations and targets remained high throughout the year. The fact that statutory decisions could only be made by Commissioners from May onwards meant that the Commission was unable to achieve business targets relating to the registration of charities, as these had been predicated on operation of the Commission's normal systems. This also had a major costs impact on the Commission, leading to the risk of insufficient resources increasing. DfC immediately provided necessary funds to ensure the legislative ruling could be fully complied with and to prevent this risk being realised. This included additional remuneration for Commissioners for the additional time taken to make statutory decisions via Schedule 1 committees. There were 15 Schedule 1 committee meetings during the year.

The legislative ruling affected the risks relating to the ongoing Transformation project as work had to be paused in some areas relating to the IT systems underpinning decision making. This risk was managed by surrendering capital and re-profiling planned spend.

In the final month of the year the Commission activated its Business Continuity Plan in response to the threat from Covid-19. This involved altering staff working patterns to ensure social distancing and eventually moving to all staff working from home, continuing to provide a service.

The Commission experienced issues in implementing planned Information & Communication Technology (ICT) developments and bringing forward orders which impacted on having the necessary on line systems as anticipated.

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.

Additional resourcing was secured through in year bids. Year end results show the organisation allocated resources effectively to achieve business plan targets where possible in light of legal issues; 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 implemented by our sponsor department at year end and agreed in March that a delay to plans would be requested, given the emerging Covid-19 situation.

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 2019-20 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 normally appointed for a three to five year term. In 2019-20 two Commissioners were appointed for a period of one year initially. The Chief Executive of the Commission, who is also the Accounting Officer, was appointed in April 2010 and this appointment is open-ended.

Remuneration and pension entitlements

Emoluments of Commissioners, Chief Executive and senior management

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

Remuneration and pension entitlements (Audited information)

Single total figure of remuneration				
Commissioners	2019-20		2018-19	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Nicole Lappin, Chief Charity Commissioner (term began 01 August 2019)	0-5 <i>(5-10 full-year equivalent)</i>	n/a	n/a	n/a
Tom McGrath, Chief Charity Commissioner (term ended 31 July 2019)	0-5 <i>(5-10 full-year equivalent)</i>	n/a	5-10	n/a
Gerard McCurdy, Deputy Chief Commissioner (term began 01 March 2019)	0-5	n/a	0-5 <i>(0-5 full-year equivalent)</i>	n/a
Norman Bennett, Commissioner (term ended 28 February 2019)	n/a	n/a	0-5 <i>(0-5 full-year equivalent)</i>	n/a
Geraldine Donaghy, Commissioner (term ended 30 June 2019)	0-5 <i>(0-5 full-year equivalent)</i>	n/a	0-5	n/a
Séamus Magee, Commissioner	0-5	n/a	0-5	n/a
Steven Cockcroft, Legal Commissioner	0-5	n/a	0-5	n/a
Kieran Donaghy (term began 01 March 2019)	0-5	n/a	0-5 <i>(0-5 full-year equivalent)</i>	n/a
Hugh McKeag (term began 01 September 2019)	0-5 <i>(0-5 full-year equivalent)</i>	n/a	n/a	n/a
Carmel Mullan (term began 01 September 2019)	0-5 <i>(0-5 full-year equivalent)</i>	n/a	n/a	n/a

Remuneration and pension entitlements (Audited information)

Single total figure of remuneration								
Senior management	2019-20				2018-19			
	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	-	29	100-105	70-75	-	36	105-110
Head of Charity Services Punam McGookin	50-55	-	8	60-65	50-55	-	16	65-70
Head of Compliance and Enquiries Myles McKeown	50-55	-	28	80-85	50-55	-	24	75-80
Head of Corporate Services Aubrey McCrory	50-55	-	20	70-75	50-55	-	22	70-75

*The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation and any increase or decrease due to a transfer of pension rights.

Fair pay review disclosure (Audited information)

	2019-20	2018-19
Band of highest paid director's total remuneration*	£70k-£75k	£70k-£75k
Median total remuneration*	£25,004	£25,477
Ratio	2.9	2.9

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

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 2019-20 was £70k-£75k (2018-19: £70k-£75k). This was 2.9 times (2018-19: 2.9) the median remuneration of the workforce, which was £25,004 (2018-19: £25,477).

Remuneration ranged from £21,642 to £74,946 (2018-19, £20,692 to £72,563).

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 severance or ex gratia payments.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs 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.

Northern Ireland Civil Service (NICS) Pension Schemes

Pension benefits are provided through the Northern Ireland Civil Service pension schemes which are administered by Civil Service Pensions (CSP). 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 2019 was 1.7% and HM Treasury has announced that public service pensions will be increased accordingly from April 2020.

Employee contribution rates for all members for the period covering 1 April 2020 – 31 March 2021 are as follows:

Scheme Year 1 April 2020 to 31 March 2021

Annualised Rate of Pensionable Earnings (Salary Bands)		Contribution rates for All members
From	To	From 01 April 2020 to 31 March 2021
£0	£23,999.99	4.6%
£24,000.00	£55,499.99	5.45%
£55,500.00	£152,499.99	7.35%
£152,500.00 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: www.finance-ni.gov.uk/civilservicepensions-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 2015 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)

	2019-20			2018-19
	Permanently employed staff £	Other £	Total £	Total £
Wages and salaries	970,533	85,756	1,056,289	960,386
Social security costs	97,406	-	97,406	81,132
Other pension costs	283,275	-	283,275	183,576
Total staff costs	1,351,214	85,756	1,436,970	1,225,094

During 2019-20, 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.

Pension

The Northern Ireland Civil Service main pension schemes are unfunded multi-employer defined benefit schemes but the Commission is unable to identify its share of the underlying assets and liabilities. The Government Actuary's Department (GAD) is responsible for carrying out scheme valuations. The Actuary reviews employer contributions every four years following the scheme valuation. The 2016 scheme valuation was completed by GAD in March 2019. The outcome of this valuation was used to set the level of contributions for employers from 1 April 2019 to 31 March 2021.

For 2019-20, employers' contributions of £274,648 were payable to the NICS pension arrangements (2018-19: £172,081) at one of three rates in the range 28.7% to 34.2% of pensionable pay, based on salary bands. This change is primarily due to the reduction in the SCAPE discount rate (as announced at Budget 2018) to 2.4% per annum above CPI. The contribution rates are set to meet the cost of the benefits accruing during 2019-20 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 £8,389 (2018-19: £11,136) were paid to one or more of the panel of two appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2018-19: 8% to 14.75%) of pensionable pay.

The partnership pension account offers the member the opportunity of having a 'free' pension. The employer will pay the age-related contribution and if the member does contribute, the employer will pay an additional amount to match member contributions up to 3% of pensionable earnings.

Employer contributions of £238, 0.5% (2018-19: £359, 0.5%) of pensionable pay, were payable to the NICS pension schemes 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 (2018-19: £nil). Contributions prepaid at that date were £nil (2018-19: £nil).

Commissioners' costs (Audited information)

	2019-20			2018-19
	Permanently employed staff £	Other £	Total £	Total £
Commissioners' remuneration	42,615	-	42,615	15,490

In addition to their salary, subsequent to the High Court ruling, commissioners are paid a fee for attendance at Schedule 1 Committee meetings.

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:

	2019-20			2018-19
	Permanently employed staff	Other	Total	Total
Directly employed	29	2	31	27

Staff composition (Audited information)

At 31 March 2020 there were 32 staff employed and 4 temporary staff. The staff composition was as follows:

	Male	Female
Chief Executive (SCS)	-	1
Permanent staff	9	22
Other employees	1	3
Total staff composition	10	26

Other employees relate to temporary agency 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 2019-20 was 2.9% (2018-19: 2.8%) 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 2019-20 financial year.

Ex-gratia payments (Audited information)

No ex-gratia payments were made in the 2019-20 financial year.

Exit packages (Audited information)

No exit packages were awarded in the 2019-20 financial year.

Expenditure on consultancy

In line with the Department for Communities' guidance on classification of expenditure, in the 2019-20 financial year, no external consultancy was undertaken.

Expenditure on temporary staff

Total expenditure on temporary staff for 2019-20 was £85,756 (2018-19: £155,444). This was to progress additional work to address the strategic safeguarding risk facing the sector, expanded monitoring and compliance workload during peak reporting periods, address historic concerns, and support for litigation caseload.

Off-payroll engagements

There were no off-payroll engagements during the financial year (2018-19: Nil).

6. Assembly accountability and audit report

Assembly accountability disclosure notes

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 2020 (2019: £nil).

This *Accountability report* was signed by the Accounting Officer of the Charity Commission for Northern Ireland on 28 July 2020.



Frances McCandless
Chief Executive
Charity Commission for Northern Ireland

The certificate of the Comptroller and Auditor General

CHARITY COMMISSION FOR NORTHERN IRELAND

THE AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

Opinion on financial statements

I have audited the financial statements of the Charity Commission for Northern Ireland for the year ended 31 March 2020 under the Charities Act (Northern Ireland) 2008. The financial statements comprise: the Statement 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 2020 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 Communities 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.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs(UK) require me to report to you where:

- the Charity Commission for Northern Ireland's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Charity Commission for Northern Ireland has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Charity Commission for Northern Ireland's ability to continue to adopt the going concern basis.

Other Information

The Commission and the Accounting Officer are 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, this audit report and the appended C&AG's 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 the 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 Commission and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer Responsibilities, the Commission and the Accounting Officer are 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.

My objectives are 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 (UK) 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 the 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 attached a report on the consequences of the High Court decision into the delegation of decision making in CCNI, to these financial statements and it can be found at pages 70 to 73.



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

29th July 2020

7. Statement of Comprehensive Net Expenditure

for the year ended 31 March 2020

	Notes	2019-20 £	2018-19 £
Income			
Other operating income	5	-	17,353
Total operating income		-	17,353
Expenditure			
Staff costs	2	1,436,970	1,225,094
Commissioners' remuneration	2	42,615	15,490
Depreciation and amortisation	3	97,314	96,136
Provision expense	3	(5,861)	-
Other operating expenditure	3	772,376	556,596
Notional costs	4	24,301	21,500
Net expenditure		2,367,715	1,914,816
Reversal of notional costs	4	(24,301)	(21,500)
Total operating expenditure		2,343,414	1,893,316
Net expenditure for the year		2,343,414	1,875,963
Other comprehensive net expenditure			
Net loss/(gain) on revaluation of property, plant and equipment	6	8,657	(8,802)
Net (gain) on revaluation of intangible assets	7	(10,388)	(5,644)
Comprehensive net expenditure for the year		2,341,683	1,861,517

The notes on pages 58 to 69 form part of these accounts.

8. Statement of Financial Position

as at 31 March 2020

	Notes	2020 £	2019 £
Non-current assets:			
Property, plant and equipment	6	12,553	29,537
Intangible assets	7	630,795	558,642
Total non-current assets		643,348	588,179
Current assets:			
Trade and other receivables	9	19,186	22,827
Cash and cash equivalents	10	244,665	114,394
Total current assets		263,851	137,221
Total assets		907,199	725,400
Current liabilities			
Trade and other payables	11	(339,070)	(205,902)
Provisions	12	(47,102)	(52,963)
Total current liabilities		(386,172)	(258,865)
Total assets less current liabilities		521,027	466,535
Taxpayers' equity			
Revaluation reserve		78,717	76,986
General reserve		442,310	389,549
Total equity		521,027	466,535

The financial statements on pages 54-57 were approved by the Board on 28 July 2020 and were signed on its behalf by:



Frances McCandless
Chief Executive
Charity Commission for Northern Ireland



Nicole Lappin
Chief Commissioner
Charity Commission for Northern Ireland

The notes on pages 58 to 69 form part of these accounts

9. Statement of Cash Flows

for the year ended 31 March 2020

	Notes	2019-20 £	2018-19 £
Cash flows from operating activities			
Net Operating Expenditure		(2,343,414)	(1,875,963)
<i>Adjustments for non-cash transactions</i>			
Decrease in trade and other receivables		3,641	23,555
Increase in trade and other payables		92,565	45,206
Decrease in provisions		(2,000)	-
Loss on disposal	7	13,947	-
Use of provisions	12	(3,861)	(6,894)
Depreciation/amortisation	6,7	97,314	96,136
Net cash (outflow) from operating activities		(2,141,808)	(1,717,960)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	-	(3,921)
Purchase of intangible assets	7	(164,699)	(57,219)
Increase/(decrease) in capital payables	11	40,603	(59,842)
Net cash (outflow) from investing activities		(124,096)	(120,982)
Cash flows from financing activities			
Grants from DfC		2,396,175	1,743,538
Net cash inflow from financing activities		2,396,175	1,743,538
Net increase/(decrease) in cash and cash equivalents in the period		130,271	(95,404)
Cash and cash equivalents at the beginning of the period		114,394	209,798
Cash and cash equivalents at the end of the period		244,665	114,394

The notes on pages 70 to 84 form part of these accounts.

10. Statement of changes in taxpayers' equity

for the year ended 31 March 2020

	General Reserve £	Revaluation Reserve £	Taxpayers' Equity £
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
Grants from sponsor department - DfC	2,396,175	-	2,396,175
Comprehensive net expenditure for the year	(2,343,414)	-	(2,343,414)
Revaluation gains and losses	-	1,731	1,731
Balance at 31 March 2020	442,310	78,717	521,027

The notes on pages 58 to 69 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 2019-20 Government Financial Reporting Manual (FRM) issued by Department of Finance. The accounting policies contained in the FRM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FRM 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 FRM, 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	10-17% 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 2019-20. 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.

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 2020

The Commission has reviewed the standards, interpretations and amendments to published standards that became effective during 2019-20 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 2019, 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. IFRS 16 (Leases) is applicable for reporting periods beginning from 1 January 2019. However HM Treasury has deferred adoption until 1 April 2021.

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 2020. 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

	2019-20	2018-19
	£	£
Wages and salaries	1,056,289	960,386
Social security costs	97,406	81,132
Other pension costs	283,275	183,576
	1,436,970	1,225,094

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:

	2019-20		2018-19	
	Permanently employed staff	Others	Total	Total
	£	£	£	£
Commissioners' remuneration	42,615	-	42,615	15,490

In addition to their salary, subsequent to the High Court ruling, commissioners are paid a fee for attendance at Schedule 1 Committee meetings.

3. Other operating expenditure

	2019-20	2018-19
	£	£
Rent and service charges	46,093	46,093
Rates	15,216	14,849
Security	35,851	35,368
Maintenance and repairs	6,910	6,490
Cleaning	6,163	6,769
Telephone and postage	45,289	29,130
Heat, light and power	7,569	6,570
IT network support	21,881	18,430
Stationery and consumables	8,264	4,594
Publicity, printing and advertising	2,653	3,572
Staff/Commissioners' training	36,530	36,376
Travel and subsistence	13,659	13,579
Conference fees	-	1,491
Recruitment costs	47,671	20,097
Events and hospitality	5,539	4,806
Legal and professional fees	347,949	197,063
Miscellaneous expenses	20	20
Membership and licence fees	12,086	11,796
Commission library costs	1,071	182
Charity digital services maintenance	85,896	82,626
Minor equipment	2,015	3,040
Communication and research costs	10,104	13,655
Loss on disposal of intangible asset (<i>non-cash</i>)	13,947	-
Total	772,376	556,596
Depreciation and amortisation (<i>non-cash</i>)	97,314	96,136
Decrease in provisions (<i>non-cash</i>)	(5,861)	-
	863,829	652,732

4. Notional Costs

	2019-20	2018-19
	£	£
Notional costs incurred during the year relate to:		
NIAO audit fee	10,500	10,500
Internal audit fee	13,801	11,000
	24,301	21,500

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. Other operating income

The Commission had no income during the year. In 2018-19 there was income of £17,353 relating to the outward secondment of staff.

6. Property, plant and equipment**2019-20**

	Buildings	Furniture & fittings	Information technology	Assets under construction	Total
	£	£	£	£	£
Cost or valuation					
At 31 March 2019	168,442	55,308	47,922	-	271,672
Additions	-	-	-	-	-
Reclassifications	-	-	-	-	-
Revaluations	(5,328)	(11,932)	281	-	(16,979)
At 31 March 2020	163,114	43,376	48,203	-	254,693
					3
Depreciation					
At 31 March 2019	155,750	44,127	42,258	-	242,135
Charged in year	3,473	2,022	2,832	-	8,327
Revaluations	(2,652)	(5,904)	234	-	(8,322)
At 31 March 2020	155,750	44,127	45,324	-	242,140
					0
Net book value at 31 March 2020	6,543	3,131	2,879	-	12,553
Net book value at 31 March 2019	12,692	11,181	5,664	-	29,537

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
Reclassification	-	-	-	-	-
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
Revaluation	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

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 for submission of annual monitoring returns during reporting periods, and the associated financial statuses a charity can acquire. At 31 March 2020, development work is underway to design a more risk-based approach to regulation involving the refinement of existing information flows in the OLS. These development costs have not been amortised in the 2019-20 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 2020 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 development costs have not been amortised in the 2019-20 financial year.

7. Intangible assets (continued)

2019-20	OLS	OLS in development	CRM operational	CRM in development	Total	£
Cost or valuation						
At 1 April 2019	496,568	47,544	402,541	9,675	956,328	
Additions	8,460	94,361		61,878	164,699	
Disposals	-	-	(25,749)	-	(25,749)	
Reclassification	-	-	-	-	-	
Revaluation	8,456	2,376	6,309	1,198	18,339	
At 31 March 2020	513,484	144,281	383,101	72,751	1,113,617	
Amortisation						
At 1 April 2019	248,091	-	149,595		397,686	
Charged in year	51,307	-	37,679	-	88,986	
Disposals			(11,801)		(11,801)	
Reclassification	-				-	
Revaluation	5,013	-	2,938	-	7,951	
At 31 March 2020	304,411	-	178,411	-	482,822	
Net book value at 31 March 2020	209,073	144,281	204,690	72,751	630,795	
Book value at 31 March 2019	248,477	47,544	252,946	9,675	558,642	

2018-19	Database	Database in development	CRM operational	CRM in development	Total	£
Cost or valuation						
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
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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

	2019-20	2018-19
	£	£
Amounts falling due within one year:		
Prepayments and accrued income	16,3167	18,920
Other receivables	2,870	3,907
	19,1862	22,827

10. Cash and cash equivalents

	2019-20	2018-19
	£	£
Balance at 1 April	114,394	209,798
Net change in cash and cash equivalent balances	130,271	(95,404)
Balance at 31 March	244,665	114,394
The following balances at 31 March were held at:		
Commercial banks and cash in hand	244,665	114,394
Balance at 31 March	244,665	114,394

11. Trade and other payables

	2019-20	2018-19
Amounts falling due within one year:	£	£
Trade payables	2,577	5,183
Capital payables	59,095	18,492
Pension	11,019	11,019
Accruals and deferred income	266,379	171,208
	339,070	205,902

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 2019 to 31 March 2020.

	2019-20		2018-19	
Total invoices in accounting period	742		694	
Invoices paid within 10 days	660	88.9%	671	96.7%
Invoices paid 10 - 30 days	82	11.1%	20	2.9%
Invoices paid over 30 days	0	0%	3	0.4%

12. Provision for liabilities and charges

	2019-20	2018-19
	Legal Costs	Legal Costs
	£	£
Balance at 1 April	52,963	59,857
Provided in the year	11,500	48,425
Provisions not required written back	(13,500)	-
Provisions utilised in the year	(3,861)	(55,319)
Balance at 31 March	47,102	52,963

Analysis of expected timing of discounted flows

	2019-20	2018-19
	Legal Costs	Legal Costs
	£	£
Not later than one year	47,102	52,963
Balance at 31 March	47,102	52,963

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:

	2019-20	2018-19
	£	£
Buildings		
Not later than one year	46,093	46,093
Later than one year and not later than five years	23,045	69,138
Later than five years	-	-
Total	69,138	115,231

The Charity Commission for Northern Ireland had no commitments under finance leases at 31 March 2020 (2019: £nil).

14. Capital commitments

The Charity Commission for Northern Ireland had no capital commitments at 31 March 2020 not otherwise included in these accounts.

15. Contingent liabilities

The Charity Commission for Northern Ireland had no contingent liabilities at 31 March 2020 (2019: £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 £2,396,175 (2019: £1,743,548).

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

None of the Commissioners undertook 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 29 July 2020.

ACCOUNTS DIRECTION GIVEN BY THE DEPARTMENT FOR COMMUNITIES, WITH THE APPROVAL OF THE DEPARTMENT OF FINANCE, 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 2020 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 2020 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.

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.

CHARITY COMMISSION FOR NORTHERN IRELAND

The Consequences of the High Court Decision into the Delegation of Decision Making in CCNI

The Charity Commission for Northern Ireland (CCNI) was established by the Charities Act (Northern Ireland) 2008. It came into effect in March 2009 and began operating in the June of that year. Part two of the Act sets out the main functions of CCNI, these are outlined on pages 8 and 9 of the Commission's Annual Report and Accounts to which this report is attached.

The legislation states that CCNI should consist of a chair, a deputy chair and at least three but no more than five other members with at least one being legally qualified. All members are to be appointed by the Department (Department for Communities (DfC)).

If CCNI makes a decision that a charity/trustee does not agree with, the charity/trustee can appeal to the Charities Tribunal. This Report considers the consequences arising from three appeals which were taken to the Tribunal and subsequently the High Court, challenging the legality of decisions made by CCNI staff acting on their own i.e. without the Commission itself taking the final decision. See Appendix 1 for details. The Tribunal granted the respective parties (including CCNI) leave to appeal these decisions to the High Court.

The central issue being appealed was whether the functions of the Charity Commission as set out in the 2008 Act could be lawfully discharged by CCNI employees. In May 2019 the High Court found against CCNI in all three cases, concluding that CCNI did not have the ability to delegate decision making functions to its staff. The Judge also concluded that the only way CCNI could carry out its decision making functions was as a whole body or via the option in Schedule 1 to the Charities Act 2008, i.e. via a committee. CCNI further appealed this decision but in February 2020 the Appeal Court rejected this.

Impact of this Judgement

The consequences arising from the judgement are significant and wide reaching not just for CCNI itself but for the charity sector in Northern Ireland, as a whole. As at May 2019 there were approximately 6,000 bodies who had achieved charitable status and were included on the Charities Register. The decision in the High Court now invalidates the status of the Charities Register. The impact of this includes matters such as:

- The ability of charities to attract funding. Some funders will require charities to be registered as a pre-condition of any grant support and there is a possibility that this may cause some of them to reconsider funding in the future. I understand that CCNI is taking steps to mitigate this risk as it has arisen due to problems with the registration process and not the actions of the charities themselves.
- The lack of charitable registration means that annual accounts will no longer be required to be submitted to CCNI and published on the Charities Register. This could lead to a decrease in transparency and accountability of charities to the public.
- Previous decisions taken to remove trustees who were found to be mismanaging or behaving inappropriately are no longer valid;
- There may be an impact on banking arrangements and insurance coverage if these things were based on the charitable registration of the bodies;
- CCNI staff have given approval to approximately 500 charitable companies to make what are known as 'regulated alterations' to governing documents. This will have included changes to a charity's purposes, including who can be a beneficiary, broadening the purposes under which a charity works or extending the area in which the charity can operate. This leaves charities themselves, open to challenge if they continue to implement the 'regulated alterations' previously agreed with CCNI staff; and
- The ability of CCNI to make timely decisions going forward. Since May 2019 all decisions have been made via a special committee (on which at least one commissioner will sit) so that CCNI is in compliance with the legislation. CCNI has seven commissioners but they are part-time.

The above list is not exhaustive and CCNI is currently carrying out a full assessment of what decisions have been made and the likely impact to both itself and the charity sector.

The Department for Communities is currently assessing the full implications of the Judgment in respect of decisions made by CCNI staff, including the register of charities and the future functioning of CCNI. CCNI is contributing to this process and in the interim is considering:

- how to continue to make decisions in respect of bodies which have applied for charitable status but had not achieved it at the time of the High Court decision; and
- how to prevent a backlog of work increasing further due to operating via a special committee thus ensuring that decisions are made on a timely basis.

I understand that options have been identified and provided to the Minister for her consideration and I will keep developments on this matter under review as part of my annual audit.

This matter has the potential to impact on a number of ALBs across Central Government. I understand that the DfC Permanent Secretary has written to the other permanent secretaries to alert them to this issue. All ALBs should ensure their decision making processes are in line with the requirements of their governing legislation.



K J Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street, Belfast, BT7 1EU
29th July 2020

Appendix 1

Timeline of the Three Cases Taken to Tribunal

Case One

- September 2013 CCNI staff gave approval to Lough Neagh Rescue to alter its constitution. Two individuals appealed this decision to the Charity Tribunal.
- April 2017 Tribunal concluded the decision reached in this case could lawfully be made by CCNI staff.
- Under Section 14 of the 2008 Charities Act (NI) 2008 and the 2010 Charities Tribunal Rules, the Attorney General requested permission to appeal this judgment.
- June 2017 Tribunal gave both the Attorney General and the two individuals leave to appeal to the High Court.
- December 2017 Department for Communities was granted leave to participate in the appeal alongside CCNI.

Case Two

- February 2014 CCNI begin statutory inquiry into the affairs of the Disabled Police Officers' Association
- January 2015 CCNI Inquiry decided one individual should be removed as trustee of the Charity.
- October 2015 Following the individual's appeal to the Charities Tribunal, the Tribunal upheld the decision made by CCNI staff
- Early 2016 Attorney General appealed tribunal decision to the High Court. It returned the matter to a differently constituted Tribunal for review
- December 2017 Following a hearing on the preliminary matter only, the Tribunal determined that the Commission could delegate its decision making functions to staff.
- December 2017 The Tribunal gave the individual and the Attorney General leave to appeal the preliminary question of law to the High Court. The substantive appeal regarding the merits of the individual's removal remained before the Tribunal for a fresh determination.

Case Three

- October 2016 CCNI made an order to restrict the transactions undertaken by Newry and Mourne Carers Limited. It further ordered that a joint interim manager be appointed. This manager was appointed in April 2017.
- An individual lodged an appeal to the Charities Tribunal on both of the orders and the Attorney General exercised his right to intervene in the appeals on them.
- November 2017 Charities Tribunal concluded the Commission could not delegate its decision making functions to staff.
- December 2017 Tribunal granted CCNI leave to appeal to the High Court.

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