

1. The Charity Commission's Aim and Objectives

The Commission's aim is

“To give the public confidence in the integrity of charity”.

1. To ensure that charities are able to operate for their proper purposes within an effective legal, accounting and governance framework.
2. To improve the governance, accountability, efficiency and effectiveness of charities.
3. To identify and deal with abuse and poor practices.

2. Introduction

It is an eventful time for charities, and for all voluntary organisations. More than ever, Government policies stress the importance of voluntary action as an independent third force in national life, different from both government and business. The Compact has been clarifying voluntary organisations' entitlements and obligations on matters including commitment to consultation on Government policy and ground rules for public/voluntary funding relationships. The Review of Charity Taxation has widened the prospects for charitable giving. The Government has set itself the target of making substantial progress by 2004 towards 1 million new volunteers. Charities will be expected to drive and deliver a large part of this growth.

The largest charities (the largest 300 account for more than 40% of charitable income) can be as demanding to run as large multinational corporations. They need to have comparably high standards of professional management and to cope equally well with dynamically changing communications technology and proliferating consumer and stakeholder expectations.

The smallest charities (and two thirds of registered charities have annual income or expenditure of less than £10,000) have different challenges. For them, too, continuing to meet their beneficiaries' needs as they develop and change is paramount. But the challenge of delivering charitable benefits is different, centring on the need to operate effectively on modest finances and often an exclusively volunteer management and workforce.

All sizes of charity can contribute fully and effectively to national life only if they command the confidence of their stakeholders, their beneficiaries and the public. The Charity Commission's aim is to regulate charities, and the legal and

governance arrangements in which they operate, so as to promote and justify that confidence.

This report covers the Commission's activities for the 15 months to March 2000. It reflects a number of new and growing emphases in our work.

- **Transparency**

In an information age, the Commission must look to improve the supervision of charities by making more and better information about them publicly available. The Commission's website, which includes the public register of charities, received more than 3.5 million "hits" during this report period, more than double the number for the last reporting year.

- **A keener regulatory edge**

The Commission carried out a thorough review of its investigations work. As a result, we now, for the first time, routinely publish reports on the outcome of inquiries. Other recommendations are being implemented during the remainder of this year. The Commission plans to invest an extra £1 million a year in investigations work from April 2002.

- **Modernisation**

The Commission completed consultation on a revised framework for charity accounts, which provides the basis for financial monitoring of larger charities. To complement the forthcoming liberalisation of charities' investment powers, the Commission announced in 1999 that it would consult on ways to allow charities greater flexibility in the allocation of investment returns, whether in capital or income form, between current and future beneficiaries (a "total return"

approach to investment). The consultation period closed this autumn. The Commission also launched a further 6 consultations in its continuing review of charitable status issues, including one on maintaining the independence of charities from the state and another formally recognising that environmental conservation should be a charitable purpose.

- **Managing the business**

The Commission's last Annual Report gave details of a comprehensive review of performance measurement. The year ending March 2000 was the first year of measuring achievement against indicators for timeliness, output and cost-effectiveness. The Commission met eight out of ten indicators (see Annex A), and used the new system to benchmark performance between its three sites.

- **Accountability to the public**

We increased accessibility to Commission services by introducing a single common telephone number covering all of our sites. We launched new procedures allowing complainants and those unhappy at administrative decisions of the Commission to have their cases reviewed by staff not previously involved. An arrangement was introduced on a pilot basis for the independent review of complaints where complainants remain dissatisfied after internal procedures are exhausted. We introduced improved "Service First" standards for service to customers, set out in Annex B.

- **Investing in people**

Our commitment to developing staff for their and our customers' benefit was recognised by our accreditation as an Investor in People.

For the future, we hope to work yet more closely with charities and umbrella bodies where they have a contribution to make in promoting high standards and good practice in charities. We also intend to take a lead in encouraging charities to take action in fields which, though they lie outside our direct statutory authority, have a bearing on good practice and on public confidence.

In this connection, the Commission will be calling on charities to give greater attention to the scope for collaborative working. In surveys, more than three quarters of people felt that there were too many charities, reflecting unease at the proliferation of numbers in some popular areas of charity and at the perceived growth of competition in such sectors. The Commission will advise existing and prospective new charities on the many different ways of working together which could lead to more effective use of resources and simplify and rationalise the delivery of services to beneficiaries. The Commission cannot refuse registration or insist on mergers on grounds of oversupply - and diversity in charity is itself a strength. But we will be ready to enable and advise charities who want to explore or pursue the possibility of some form of joint working, including merger.

This is my first Annual Report as Chief Commissioner, and I would like to take this opportunity to pay tribute to my predecessor, Richard Fries, and to John Bonds, who retired at the end of 1999 after five years as a Commissioner. I am very pleased to welcome two new members of the Board - David Taylor, who was appointed as a Commissioner in April this year, and Simon Gillespie, who became Director of Operations in May.



Chief Charity Commissioner

3. Objective: To ensure that charities are able to operate for their proper purposes within an effective legal, accounting and governance framework

3.1 Registration as “the Gateway”

Over the last year the Commission has developed the concept of registration as the “Gateway” to a continuing relationship with a charity. It is committed to ensuring that charities admitted to the Register meet certain basic standards of governance and have a workable governing document. Trustees need to understand their duties and responsibilities and understand the financial implications of the work the organisation will do. The “Gateway” approach can help secure a sound basis for the future governance of organisations which are to be entered on the Register of Charities, and help protect the integrity of charity as a whole.

The Commission has also introduced risk assessment into the process. If a charity meets the legal requirements for registration, but there are remaining concerns about its governance, the Commission evaluates the extent of the risk. This information is then fed into the monitoring programme with the aim of identifying any difficulties at an early stage and working with the charity to overcome them.

The Commission has identified certain beneficiary groups who are particularly vulnerable to exploitation, and looked for ways to secure appropriate tests of competence of trustees, promoters, employees and volunteers working with such organisations. In particular, if an organisation involves direct access to children it expects trustees to have an appropriate child protection policy in place.

The Commission has incorporated certain checks on trustees and promoters of proposed charities into mainstream registration processes. Basic information such as the names, addresses and telephone numbers of the trustees and correspondent,

and their eligibility to be trustees, are now checked. For those organisations involving direct contact with children, background checks of names are made, including a check against the Department for Education and Employment’s List 99, which lists those barred from working with children in education. Details may also be checked against other sources of information. While such checks cannot guarantee probity, they provide independent evidence for registration applications and help deter applications from undesirable persons.

3.2 Applications for Charitable Status

During the twelve months ending in March 2000, the Commission dealt with 8,271 registration applications. There were 5,409 new registrations during this period, (1999 calendar year: 5,941) including 260 bulk registrations.

Applicants must complete an application form, sign a trustees’ declaration, provide a copy of the governing document, and supply supporting information about the proposed activities of the organisation. The Commission pursues this information so it can have a full picture of the organisation and can judge whether it is charitable, and whether it needs further guidance on governance and administration.

New charities are anxious to have a speedy decision on their applications - particularly where funding is dependent on the outcome. The Commission is committed to deciding on applications as quickly as possible, while still ensuring that decisions are made on sufficient information.

The Paddington Families Fund

Three days after the tragic rail accident at Paddington on 5 October 1999, the Sun launched an appeal to its readers to contribute to a charitable fund to help those affected. Later that day, solicitors acting for News International contacted the Commission to say that they would shortly be making an application to register the fund as a charity. The objects of the fund were agreed that day and followed the Attorney General's guidelines about disaster appeals. Commission staff were in daily contact with the promoter's solicitors to provide the necessary advice and support to ensure the registration experienced no delays. All the relevant documents were received on 14 October 1999 and the Fund was registered that day.

Registration performance results	1998	1999	1/4/1999 - 31/3/2000	
	Actual		Actual	Target
Number of applications for registration processed	8,776	9,231	8,271	8,000
% of successful applications given guidance on governance/administration			56%	58%
Staff cost per application processed			£104	£113

3.3 Review of the Register

In 1998 the Commission launched a review to consider the scope of charitable status within the current law and in the light of changing social and economic circumstances.

During 1999, six new public consultations were launched.

- **The Recreational Charities Act 1958** - to consider the scope of this Act, which provides for some recreational facilities which are provided "in the interests of social welfare" to be charitable.
- **The Promotion of Community Development** - to consider the proposal that the promotion of community development should be accepted as a charitable purpose.
- **The Maintenance of an Accurate Register** - to consider the steps to be taken by charity trustees and the Commission to ensure that property dedicated to charity continues to be used for charitable purposes whenever the purposes of the institution no longer appear to be charitable.
- **The Public Character of Charity** - to consider what is meant by the principle that charities must benefit the community; including issues relating to the availability of benefits, the ability of charities to charge, and what is acceptable as incidental private benefit to individuals.
- **The Independence of Charities from the State** - to consider how to establish whether a body has sufficient independence from local and central government to be a charity.

- **Preservation and Conservation** - to consider the proposal that conservation of the environment should be recognised as a charitable purpose in its own right.

The next stage of the Review will see the announcement of the results of those consultations, and published guidance. Further consultations are planned on the Promotion of Sport, and Museums and Galleries. The Review consultation documents and publications are available on the Commission's website.

3.4 Voluntary Registration

Many charities must register. However for some smaller ones registration is voluntary. In addition there are an estimated 100,000 charities in England and Wales which Ministers decided in the 1960s only had to register voluntarily. All these charities remain within the Commission's jurisdiction, are subject to its regulatory powers, and can ask for advice. They must follow the same rules for the preparation and scrutiny of accounts as other charities. However they do not have to make annual returns and are not subject to the monitoring regime. They do not appear on the Register.

The original decisions on the policy behind voluntary registration were taken in the early 1960s. The purpose of registration has now changed, with the introduction of monitoring under the Charities Act 1993. Some of the current rules on voluntary registration expire next year. As matters stand about 25,000 religious charities will then have to register. The Commission and the Home Office have recently consulted on the future basis of voluntary registration.

3.5 Human Rights/Data Protection/ Freedom of Information

Like all government departments and public authorities, the Commission has been preparing itself for the implementation of

the Data Protection Act 1998, the Human Rights Act 1998 and the planned introduction of a new Freedom of Information Act. This new raft of legislation will place new responsibilities on organisations that hold personal information, and on public bodies, to act compatibly with that legislation. The Commission has therefore embarked on an extensive programme of staff training.

The definitions of public bodies contained in this legislation are wide, but clearly embrace at least some charities. The Commission has therefore sought to ensure in commenting on the developing Freedom of Information legislation that the interests of charities are considered. Also, while it is not the Commission's direct responsibility to prepare charities for the Act's implementation, it does have a role in alerting charities to their possible obligations. It has therefore been working with the Home Office in preparing their guidance for private and voluntary bodies, and has used its own charity newsletter to raise trustees' awareness of the implications this legislation may have for their organisations.

3.6 SORP Review

The review of the Statement of Recommended Practice (SORP) for charity accounts has continued throughout the period of this report, being managed by the SORP committee under the chairmanship of John Bonds, who retired as a Charity Commissioner at the end of 1999. They considered the areas where the 1995 SORP needed amendment or clarification, in the light of responses to the preliminary consultation. The overall view was that the 1995 SORP would benefit from a re-write, including changes to the sequence of paragraphs, in order to eliminate inconsistencies, reduce repetitions, and make the recommendations clearer. This was substantively achieved in the Exposure Draft of a revised SORP published in

December 1999. The proposals in the Exposure Draft also emphasised the importance of the trustees' annual report and of reporting the economic substance of transactions. The Commission also produced Welsh and audiocassette versions of the Exposure Draft to improve access during the consultation phase, which ended in March 2000. Most respondents to the consultation expressed support for the proposals.

3.7 Schemes and Orders

The Charities Act 1993 gives the Commission powers to act in certain circumstances in place of the High Court. In general it exercises this legal authority in two ways:

- to enable charities to keep their purposes up to date in a modern environment; and

- to authorise transactions which are in the interests of charities.

When it registers a charity, the Commission will ensure it has a relevant and workable governing document. However over time some charities encounter problems in operating effectively on the basis of their original governing documents.

The difficulty is often that social changes have made the original objects no longer relevant or achievable. The Commission's role here is to facilitate a change to the objects that will allow the charity's funds to be applied more effectively. The Commission has to abide by what is known as the *cy prês* principle. This requires that any change to a charity's objects keeps faith with the spirit of its original trusts.

St Dunstan's

St Dunstan's is a charity with an annual expenditure of over £11 million. It was established in 1915 to care for ex-Service personnel blinded in 'war or warlike' conflict. Recently, the trustees became aware that these limitations meant that many ex-Service personnel who urgently needed help, but who could not prove that their condition was directly caused by their service, and those whose sight became impaired for other reasons, could not be helped by the charity.

In 1999, in order to meet the needs of all blind ex-Service men and women, St Dunstan's sought approval from the Charity Commission to widen the charity's objects to enable it to benefit all blind ex-Service personnel, irrespective of the cause of their visual impairment. The Commission therefore approved this change to the charity's objects, which will enable the charity to make the most effective use of its funds.

Charities can also find that the administrative structure provided in their governing document becomes unworkable. Again the Commission's role is to facilitate appropriate changes so that the charity can be more effectively governed.

In addition to authorising administrative changes for a particular charity, the Commission uses its powers to facilitate mergers between charities where this will enable funds to be applied more effectively.

The Most Venerable Order of the Hospital of St John of Jerusalem (Order of St John)

This charity runs ambulance and first-aid services in many countries and also an eye hospital in Jerusalem.

In 1998 the charity decided to improve its service delivery to beneficiaries by restructuring its operations in England to make them more streamlined, and by re-aligning its relationship with its overseas partners so that it could carry out an international co-ordinating role most effectively. The Commission worked closely with the charity to advise on the best way to achieve this end. A scheme was established to make the necessary changes to the Royal Charter, in conjunction with the Privy Council.

In England, a new charity was created and decided to conduct most of its charitable work through a separate charitable company, now registered as St John Ambulance. A further scheme was made to transfer over 600 properties from the Order to St John Ambulance, which saved the charity about £60,000 in legal costs.

In addition to authorising long-term changes to the objects or governance structure of a charity, the Commission will often be asked to authorise particular one-off transactions which the trustees judge to be in the charity's interests, but which are outside their own powers. Provided it agrees that the proposal is in the best interests of the charity and that it is inappropriate to amend the governing document, the Commission will issue an order to authorise the transaction.

It is clear that charities can gain financially from the Commission's exercise of legal authority. During 2000/2001, the Commission is piloting a new performance indicator, which is designed to measure the gains in financial terms.

Legal Authority performance results	1/4/1999 - 31/3/2000	
	Actual	Target
Number of times legal authority exercised	4,309	4,500
% of such cases which arose at Commission instigation	10%	5%
Staff cost per legal authority exercised	£117	£186

3.8 Developing the Legal & Fiscal Framework

3.8.1 Review of Common Investment Funds

Following public consultation, the Commission proposed changes to the regulation of charitable common investment funds (charities which comprise the pooled funds of a number of participating charities), in particular to improve the protection of the charitable assets invested in them. Parliament agreed this in December 1999. The new structure, and the requirement from June 2000 that trustees of common investment funds must be authorised by IMRO if they are carrying out investment management business, has increased the protection available for charities who invest their assets in these funds.

3.8.2 Wider Powers of Investment

The Commission is keen that charities' investment powers should provide them with an effective framework within which they can operate. Historically many charities have had relatively limited powers, often based on the provisions of the Trustee Investments Act 1961. The effect of these limited powers has been estimated to reduce charity investment returns by an average of 5% a year. In December 1999 the Commission announced that it would be prepared to use its powers on a charity by charity basis to extend the investment powers of trustees subject to certain safeguards. This approach will automatically be extended to many more charities next year by the new Trustee Act.

Looking further ahead, the Commission has been consulting on ways to allow charities greater freedom to release capital growth in their endowment to deliver benefits to current beneficiaries.

The Commission also registered the first property-based Common Investment Fund in 1999.

3.8.3 "Joined-up government"

The Commission has been working to strengthen the legal framework within which charities operate. For example:

- During 1999 it contributed to Home Office work on child protection matters - with the aim of ensuring that anyone banned from working with children should also be prevented from acting as a trustee of a children's charity.
- Its work with the Department of Trade and Industry led to the Commission being included as a body to which public interest disclosures relating to charities could be made.
- The Commission also worked with Department of Trade and Industry, and its Company Law Reform Advisory Group, on the possibility of developing a new form of legal structure specifically designed for charities. Following public consultation earlier this year, the Commission has now set up an advisory group to consider the responses.

4. Objective: To improve the governance, accountability, efficiency and effectiveness of charities

4.1 Introduction

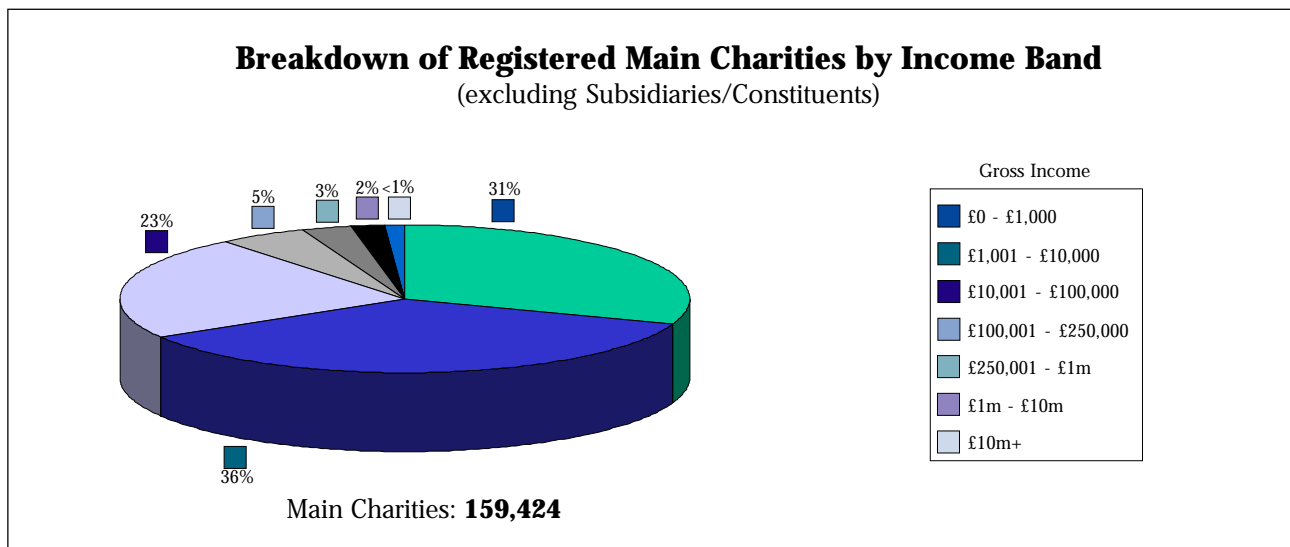
The total gross income of registered charities in 1999/2000 was estimated at £24 billion - larger than the GNP of many countries. Supervising a sector of this size is a major task, capable of consuming any amount of resource.

Section 5 deals with the Commission's programmes for dealing with mismanagement and misconduct. But the Commission aims as far as possible to avoid such difficulties arising, or to remedy them before they become serious enough to warrant the use of formal powers of intervention. This section covers the Commission's attempts to achieve this through monitoring, through making information about charities accessible to the public, and through providing advice and guidance both on best practice and on the basic legal and administrative standards with which charities must comply.

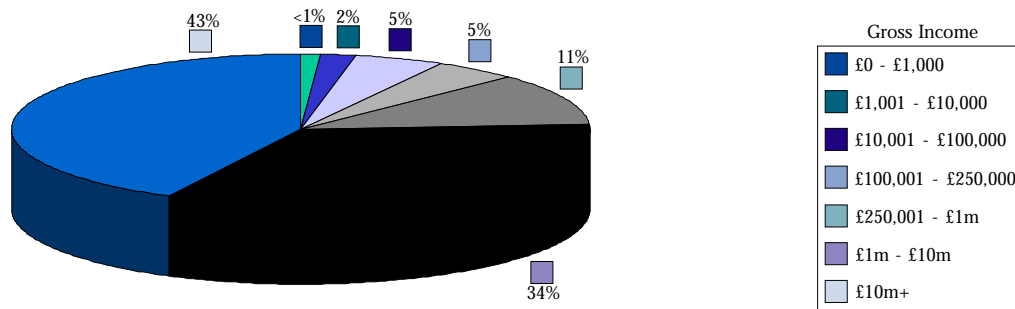
4.2 Size and Income

Figures 1 and 2 show how the number and income of registered charities is distributed among the income bands. The pattern has remained consistent with the previous year, showing that although concentration of numbers is in the lower income bands, the concentration of income is in a relatively few very large charities.

The Commission's financial monitoring concentrates on the one third of charities with gross income above £10,000 a year, and special attention is paid to the 10% with income above £100,000.



Distribution of gross income of Registered Main Charities by Income Band



Recorded total gross income: **£23.8bn**

4.3 Monitoring

Charities above the monitoring threshold (currently those with income or expenditure over £10,000) are required to complete an annual return and send the Commission a copy of their accounts. These are subject to checks. Where necessary, issues are referred to the appropriate specialist units in the Commission. This monitoring programme is new: as yet there have been only two completed rounds of compulsory submissions. But it plays a crucial part in the Commission’s commitment to early identification and resolution of problems, and is high in its priorities for developing the future supervision of the sector.

A trading issue

The charity in this case is set up to advance the Christian religion and for relief in need purposes. Monitoring identified that it had loaned just over £100,000 to its subsidiary trading company, on interest free terms, with no specific repayment date, and with no security. That part of the charity’s assets was therefore put at risk.

Following the Commission’s intervention, the charity agreed to put the loan on a proper footing by securing it against the assets of the trading company, fixing a repayment term of 10 years, and charging a commercial rate of interest.

A case of trustee remuneration

The charity in this case is established for the advancement of education. Monitoring identified that it had made payments to a firm of solicitors, where one of the trustees was a partner. The payments were in breach of established principles of trust law and were specifically prohibited by the charity’s governing document.

The trustee concerned agreed to repay the amount received (in the region of £40,000) back to the charity.

The second cycle of monitoring annual returns and accounts ended in March 2000. At that point, 88% of charities within the monitoring threshold had made a return and submitted accounts. For charities with incomes exceeding £250,000, the rate of return was over 95%. Nearly 12,000 charities displayed an issue of potential concern. Most of these could be resolved using information available to the monitoring team. But over 1,200 cases were referred to specialist units in the Commission for further advice or to consider whether an inquiry should be undertaken. Those returns and accounts submitted after 31 March will still be checked and so improve further the overall response rate.

Objective - Promoting Efficiency and Effectiveness

The three most common concerns referred for further action were fundraising, trustee benefits and charities' relationships with trading subsidiaries. This type of analysis helps inform the Commission's policy-making and outreach work, and helps shape the content of future annual return forms.

The key results of the Commission's Monitoring activity for the 1999/2000 year are shown in the table below.

Monitoring results 1/4/1999 - 31/3/2000	Actual	Target
Number of charities monitored	53,760	42,500
% of target group monitored	91%	85%
Staff cost per charity monitored	£14	£14

Over 11,000 accounts were also checked for compliance with the Statement of Recommended Practice (SORP) for charity accounts. In November 1999 this was followed up by a mailshot to over 39,000 charities with incomes between £10,000 and £100,000 in order to highlight the problems identified during checks made on SORP compliance, and scrutiny arrangements, on this size of charity. The large majority of these were associated with the independent examination of accounts.

The Commission is determined to pursue actively those charities over the monitoring threshold that fail in their legal duty to comply with the statutory ten-month deadline for Annual Returns and accounts. Only 50% of charities currently comply with their obligations within the time limit, and this is not acceptable. Those with incomes over £100,000 not responding to initial reminders are referred to the dedicated Enforcement Section within the Investigations Division. The table below shows the overall results for those charities that have a legal obligation to submit their accounts.

Accounts submission - Results as at 31/3/2000		
Charity Income	Accounts for financial year ends 28/2/1997-27/2/1998	Accounts for financial year ends 28/2/1998-27/2/1999
Over £250,000	94%	95.42%
Between £100,000 and £250,000	84%	92.84%
Between £10,000 and £100,000	79%	86.13%

4.4 Enforcing the submission of charities' annual returns and accounts

The 1998 Annual Report mentioned the establishment of a small enforcement team to pursue the submission of overdue annual returns and/or accounts from charities with an income of £100,000 or more. Persistent failure, without sufficient excuse, to submit returns or accounts is an offence under Part VI of the Charities Act 1993.

Between January 1999 and March 2000, 527 charities with financial years ending on or after 28 February 1998 were referred to the enforcement team, because they had failed to comply with the requirement to submit either an annual return or accounts within ten months of their year end. In 57% of cases the team either secured submission

of the overdue documents within a month of referral, or established that they were not required because the charities concerned had wound up or had otherwise become inactive. The team achieved a 79% result within three months of referral.

The Commission decided initially to use its inquiry and protection powers under sections 8 and 18 of the Act to deal with defaulting charities, rather than instigate prosecution. The potential consequences of an inquiry, which can include suspension or removal of defaulting trustees, are severe. The Commission is exploring with the prosecuting authorities concerned the feasibility of future prosecutions under section 49 of the Act. During 2000/2001, the Commission will be taking robust action against repeat defaulters.

Enforcement Unit results	1/4/1999 - 31/3/2000	
	Actual	Target
% of enforcement cases cleared within 1 month of referral	57%	50%
% of enforcement cases cleared within 3 months of referral	79%	75%

4.5 Providing access to the Register

The introduction of the Commission's website has enabled anyone who wishes to do so to access the Central Register of Charities on line (see Register/Register of Charities page). The register pages on the website attract a consistently high level of interest and over the report period nearly 900,000 enquiries were made.

Enquiry services relating to the Central Register of Charities are now centralised at the Commission's London site. Staff there deal with all telephone queries regarding the Register, provide information regarding charities' registered details, produce copies of charities' governing documents and accounts, and can also provide lists of charities, tailored to the customer's

requirements. At all sites, customers can view any registered charity's governing document and accounts, and access the register database and the Commission's website.

The website provides quarterly analyses of the total number of registered charities and their income, and also breaks them down into income bands. At the end of March 2000, there were just over 185,000 charities on the register. Just over 159,000 were main charities - the remainder being subsidiaries, branches or constituents of group charities. The register showed that the total recorded annual income of the charities on the register at that date was a little under £24bn. (Recorded income includes grants received by one registered charity from another.)

4.6 Review of charity classification

The Register of Charities contains a system for classifying all charities by reference to their purposes, beneficiaries and method of operation. However, the Commission has recognised that the information was becoming difficult to keep accurate and up to date, and recently undertook a review of the classification system. Following a successful pilot study, the system has been simplified so that in future charities can classify themselves. The information will be gathered via a new section on the annual Database Update Form, starting with the 2000 mailing programme. Trustees will simply be asked to select (from a list of classification categories) which combination of categories best describes their charity's beneficiaries, its purpose and the methods used to achieve it. The new system should make the database easier to use and more reliable for all who want to research issues

that are more complex than information about particular charities.

4.7 Keeping the Register accurate

The Charities Act 1993 requires any registered charity to notify the Commission if it ceases to exist or if there are changes to its trusts or to any of its particulars entered on the register. The register's accuracy is critical for charities' accountability.

Each year since July 1998 every charity has been sent a separate form containing pre-printed extracts from the register. This provides a regular means by which charities can fulfil their legal obligations to update their entry on the register. During the period of this report the Commission processed over 157,000 completed forms. The results from the latest annual exercise are in the table below - returns were 10% more than for the previous cycle.

Obtaining Database Update Forms - Results for the last monitoring cycle as at 31/3/2000		
Charity Income	% Received	Target
Over £250,000	94%	100%
Between £100,000 and £250,000	91%	92%
Between £10,000 and £100,000	88%	85%
Under £10,000	81%	80%

During the 1999/2000 year there were over 9,000 instances where charities were given guidance on action they needed to take for the Commission to record a change to their register entry.

The Commission has been keen to develop ways of measuring the accuracy of the register. It has developed two measures of accuracy. The first is based on the percentage of update forms returned. Higher targets apply to those charities with higher income levels, as shown in the table above.

The second target is based on a regular audit conducted by the Commission's internal

auditors on a similar basis to that used by the National Audit Office in their report in 1997. A sampling exercise in March 2000 showed that 94% of key database fields were accurate. The Commission continues to seek to improve register accuracy, and the results from the first formal audit by its internal auditors will be included in its Annual Report for 2000/2001.

The Commission has also been concerned about the effect on register accuracy of the number of inactive charities. In September 1999 the Commission set up a team to examine 18,800 charities that had failed to send in an annual return or database update

form in the last 4 years. Contact was re-established with 4,000 charities, and 4,500 have been removed from the register. A further 1,900 were found to be either active or inactive (and thus removed) by other parts of the Commission during the normal course of their business. 8,400 remain under consideration.

This exercise has been a major factor in the increased number of charities removed from the register. During the period of this report, a total of over 10,500 charities were removed, compared with around 4,400 for each of the previous two calendar years.

4.8 Guidance and Advice

The Charities Act 1993 gives the Commission duties to offer guidance and advice to charity trustees and to promote the effective use of charitable resources through the development of improved methods of administration. This work is intended to minimise risk, and to help trustees use funds efficiently and effectively in support of their charity's objects. Where trustees encounter difficulties the Commission tries to help them resolve their problems in a pragmatic way which seeks the best outcome in the interests of charity beneficiaries.

A mistaken use of funds

An Army Regiment used money from the Regiment's charitable welfare funds to purchase a residential training centre for use by the Regiment for military efficiency purposes. This was not a proper use of the charity's money.

Commission staff advised that the charitable funds would have to be restored to the position that they would have been in had the money not been withdrawn. A total of £160,000 (representing capital and lost interest) was repaid to the charity.

A wide range of issues is covered by the guidance - including financial control, trustee responsibilities, and the disposal of property. Sometimes the advice needed is straightforward, and can be found in Commission publications. Often detailed research is needed (and consultation with a Commission lawyer or accountant) for the charity to be given the appropriate guidance.

The Commission does not interfere with the proper exercise of the trustees' discretion - the Charities Act 1993 forbids it to act in the administration of a charity - but will provide advice to help them reach an informed decision. Where the Commission gives advice where the safety of the charity assets is an issue, the Commission will follow through to ensure that trustees have taken action to safeguard the assets.

The Commission deals with a wide range of charities in its advisory work. Queries come not only from organisations on the register, but also from charities that are not required to be registered including charities whose income is below the limit for registration, or charities which are statutorily exempt from registration, such as University funds. The Commission has found that certain types of charities benefit from being dealt with by specialist units. In the London office there is a dedicated unit advising 200 or so of the larger charities. All Armed Forces charities are served by a specialist unit in Taunton and all NHS charities by one in Liverpool. Both the NHS and Armed Forces units operate "one-stop shops" covering registration applications as well as advice work.

Objective - Promoting Efficiency and Effectiveness

Guidance performance results	1/4/1999 - 31/3/2000	
	Actual	Target
Number of cases where guidance given on governance or administration	21,849	12,000
% of such cases which arose at Commission instigation	10%	10%
Staff cost per guidance case	£117	£186

4.9 Developing Charity Standards

During the year the Commission took forward several projects aimed at improving standards in charity trusteeship.

4.9.1 Guidance to new trustees

In late 1999 the Commission introduced a short leaflet for all trustees of newly registered charities - "Welcome to Trusteeship". Taking on the trusteeship of a charity is a valuable way of contributing voluntarily to the local community or to society more widely - and it can be personally very fulfilling. At the same time it carries legal responsibilities which trustees must carry out diligently. The leaflet aims to:

- acknowledge the commitment that they are making voluntarily;
- give them a realistic view of the benefits and demands of trusteeship, and of what is expected of them as trustees;
- signpost them to sources of further help.

4.9.2 Users as trustees

Early in 2000 the Commission published "Users on Board" (CC24) - detailed guidance for charities wishing to involve their users or beneficiaries directly in the governance of the charity. The introduction of users as full members of the Board of trustees can be an effective way of making the charity

more inclusive and of improving the quality of its services. But if not handled carefully, it can also lead to conflicts of interest giving rise to legal and management problems. The guidance helps charities to foresee and avoid those problems.

4.9.3 Trustee remuneration

The voluntary principle of trusteeship continues to be the subject of debate. The Commission responded to this debate in autumn 1999 with a consultation document on trustee remuneration. The document did not offer the possibility of any change in the basic legal presumption against the remuneration of trustees, but sought views on whether or not the Commission should expand the range of circumstances in which it authorised remuneration. There was a large response to the consultation document - about 1,000 copies were sent out and a further 1,900 enquiries were made on the website. The Commission received 225 written replies from a large range of charities, umbrella and representative bodies, professional firms and individual trustees.

The consensus was that the principle of voluntary trusteeship is still compatible with the efficient running of today's charities, and that it is a significant asset for the charitable sector as a whole. There was a feeling that charity trustees have an increasingly difficult job to do, and some charities were undoubtedly finding it harder to attract the right people to be trustees. However, respondents did not, in general, believe that offering payment would be a solution to

these problems or would lead to higher standards of trusteeship. There was some sympathy for the view that, while trustees should not be paid for their work as trustees, they should be paid for any professional or other services they provide to the charity on top of their work as trustees.

Revised guidelines on payments to trustees (CC11) were published in September 2000.

4.10 Publications

During 1999/2000 the Commission added eight new or substantially revised publications to its range, almost all of which are available both in hard copy and from its website. It produced new guidance on a range of practical subjects such as managing financial difficulties, and resolving charity

disputes - in addition to the guidance for new trustees and on users as trustees. The Commission also substantially revised its guidance on investigations of charities.

As part of its commitment to meeting the needs of customers whose first language is not English, the Commission has produced four booklets of summary guidance in a total of nine languages (Arabic, Bengali, Chinese, Gujarati, Kurdish, Somali, Urdu, Vietnamese and Welsh). It has also continued to expand and update its range of publications in Welsh, in Braille and on audiotape.

A full listing of the current range of publications available is given in the booklet CC1 (Charity Commission Publications) and on the website. This list is updated at least three times a year.

Publications results	1998	1999	1/4/1999 - 31/3/2000	
	Actual		Actual	Target
Number of substantially new Commission guidance leaflets issued	3	9	8	7
Number of Commission guidance leaflets revised	3	31	35	30

4.11 Internet

During the report period, over 400,000 enquiries were made of the Publications section on the Commission’s website. A range of other material is being added to the website. This includes guidelines on particular issues. During this report period, eleven new sets of guidelines were added, on subjects as diverse as “Charities and the Millennium Timebomb” (now withdrawn), “Paying for Wills with Charity Funds” and “Open Government - access to Charity Commission records”.

As part of its commitment to openness, the Commission has also started to place on its website the Operational Guidance it provides to staff on key issues of charity law, policy and best practice.

In addition it is publishing on the website a range of information on particular cases. This includes key registration decisions (so far that of the Commissioners in the case of Scientology) and also reports produced following formal inquiries.

4.12 Helplines

During the report period, the Commission re-organised its telephone service following a call-handling review. It introduced a General Enquiry Line and a number of specialist helplines. Staff on the General Enquiry Line give consistent and swift answers to the more straightforward queries and can direct more complex matters to specialists with the depth of technical knowledge to provide a quality service on more difficult issues. Accountants at the

Objective - Promoting Efficiency and Effectiveness

Liverpool site provide detailed professional guidance on a wide range of technical issues to charities, accountants and auditors. Feedback from this has been valuable in informing the revision of the Statement of Recommended Practice (SORP) on charity accounts.

Minicom services are available for customers with hearing difficulties, and customers whose first language is not English can access a three-way telephone translation service.

The number of calls dealt with by the helplines during 1999/2000 were:

- General Enquiry Line (0870 333 0123) 60,667
- Accounts & Annual Returns (0151 703 1515/1570 & 0870 333 0123) 74,456

- Central Register (0870 333 0123) 42,168

4.13 Visits

The Commission’s visiting programme is an important way of preventing or resolving problems. Since the programme was introduced in 1997, the target for visits has steadily increased to 330 for 2000/2001. A wide range of charities is included in the visiting programme - last year included Manchester Grammar School, Arundel and Brighton Diocesan Trust, Tyne Mariners’ Benevolent Institute, Battersea Dogs Home, Starlight Childrens’ Foundation, Christ’s Hospital, and Soldiers, Sailors, Airmen and Families Association.

Visits results	1998	1999	1/4/1999 - 31/3/2000	
	Actual		Actual	Target
Number of visits conducted	230	357	321	300
% of visits which resulted in guidance on governance or administration, or in the exercise of legal authority			100%	90%

The programme is aimed at charities whose annual income is in excess of £100,000. The key target for a visit is to provide substantive guidance and advice, which may include the exercise of legal authority. The table above shows the Commission’s performance against this target.

4.13.1 Visits development

As the programme has developed the Commission has increasingly applied the principles of risk management to focus on areas where the visit is likely to have the maximum impact. During 2000/2001, an

internal working group has been set up to evaluate the programme as it has developed, to identify the possibilities for greater use of risk assessment, to improve the targeting of visits and to improve their impact as a form of regulatory activity.

4.14 Outreach and Education

The Commission’s outreach and education programme is a means of promoting efficiency and effectiveness in charities. It raises awareness of good practice and potential pitfalls among trustees, in particular among new trustees.

4.14.1 Educational events

Last year the Commission organised 92 events to promote good governance issues - against a target of 45. A total of 3,379 people attended. They were organised in conjunction with national and local umbrella bodies to meet the needs particularly of smaller organisations. The Commission is keen to build on contacts made with umbrella groups serving ethnic minority charities, and to involve them more in events. Events typically consist of a presentation on topics such as trustee responsibilities or accounting requirements, followed by surgery advice to individual charities.

In addition, registration staff held 17 events advising on registration requirements and the application process.

5. Objective: To identify and deal with abuse and poor practice

5.1 Introduction

There will always be charities that become the victims of abuse or maladministration. Only a small proportion fall into this category, but they inevitably attract attention which can be damaging to charity as a whole.

As in other areas of operation, the Commission looks for best value for money from its use of resources on investigations. Inquiries are primarily the means to put services to charity beneficiaries back on track where, owing to accident or design, things have gone wrong.

Inquiries are often contentious and difficult, and often happen in circumstances where not only merits, but also facts, are subject to vigorous disagreement. They are not primarily a means to punish or shame those charity trustees and staff who have made honest mistakes, serious though those mistakes may sometimes be. Still less are they a means for the Commission to take sides in disputes about policy, priorities or control as between charities, between trustees within a charity, between trustees and staff or between a charity and its beneficiaries and stakeholders.

Where problems arise, the Commission will, where possible, take remedial action with the co-operation of trustees, opening a formal inquiry only where there may be a need for the powers of intervention (such as the suspension or dismissal of trustees or the freezing of accounts). It is important in particular that trustees who are getting into difficulties should be able to come to the Commission for advice without fearing an oppressive or disproportionate response.

An inquiry is nevertheless likely to be opened in, and in due course a report published on, any case where evaluation

suggests there is prima facie evidence of fraud, serious or wilful maladministration, or deliberate abuse.

5.2 Investigations Review

During the last year the Commission has carried out a review of its investigative functions. This review addressed process, training and organisational issues, and was informed by reviews of recent court cases concerning Commission inquiries. This also provided an opportunity to check that the Commission's practice is compatible with new or pending legislation on human rights, freedom of information and data protection.

The proposals for change build on the strengths of the current organisation, address areas of difficulty, and take account of best practice in other investigatory organisations, which were taken as benchmarks. Key recommendations include:

- clarifying the position on public access to inquiry findings, with the preparation and publication of inquiry reports as the norm;
- re-engineering procedures to address the implications of Human Rights and Freedom of Information legislation;
- developing clearer criteria for opening and not opening inquiries, and the alternatives;
- proactive targeting of inquiries - for example on non-compliance with annual return obligations;
- concluding inquiries more quickly, especially where there is a clear willingness on the part of the charity to tackle the issues;

- investing in the training of staff to support the changes.

The Commission will be implementing the final recommendations during the remainder of this year.

5.3 Evaluations

Allegations of mismanagement and misconduct arise from a variety of external sources and also from the Commission’s

own monitoring and accounts scrutiny. First, there will be a preliminary evaluation of the evidence. This is a quick and cost-effective way of gathering information and of identifying those problems that can be resolved by advice. This helps to focus inquiry resources where they have the most impact. The Commission is mindful of the fact that the evaluation period can be stressful for those concerned and has a target of completing the process in two months.

Evaluation results	1998	1999	1/4/1999 - 31/3/2000	
	Actual		Actual	Target
Number of evaluations completed	1,030	1,240	1,312	1,305
% of evaluations completed within 2 months		78%	82%	80%

Outcomes from evaluations	1998	1/1/1999 - 31/3/2000
No significant cause for concern	46%	53%
Concern cleared by the evaluation process	35%	30%
Inquiry opened	19%	17%

5.4 Inquiries

Staff conducting inquiries are skilled in interviewing techniques and evidence acquisition, and have a sound knowledge of charity law and accounts. They have professional support from the Commission’s lawyers and investigative accountants. They work closely with the police, other Government departments including Inland Revenue and Customs and Excise, and other agencies including local authorities.

The Commission is committed to investigate in depth all serious cases of alleged abuse, to rectify any irregularities discovered, and to conclude inquiries in a timely manner.

Objective - Protecting Charity Assets

Inquiry results	1998	1999	1/4/1999 - 31/3/2000	
	Actual		Actual	Target
Number of inquiries completed	199	255	255	259
% of inquiries completed within 12 months		70%	68%	75%
% of inquiries where irregularity corrected		89%	91%	90%
Amount directly protected		£18.7m	£25.4m	£32m
Staff cost per inquiry where irregularity corrected			£3,388	£3,175

The Charities Act 1993 gives the Commission a variety of powers (through the making of orders and directions) to protect charity assets and to acquire documents and

information, including from third parties such as banks or building societies. During the period of this report, 333 orders and directions were issued.

Analysis of protective powers exercised	1998	1/1/1999 - 31/3/2000
Bank account frozen	37	39
Orders restricting transactions	34	32
Orders & directions requiring info/documents	172	197
Receivers & Managers appointed	2	2
Trustees removed	9	5
Trustees suspended	11	9
Trustees appointed	5	5
Directions to attend meetings	29	35
Other orders	18	9

Analysis of the inquiries closed during the period of this report shows that deliberate malpractice accounted for 19% of cases. Fund-raising problems accounted for 35%. The biggest issue was maladministration, which accounted for 41%. At the end of an inquiry, the Commission will aim to ensure

that the charity is again delivering benefits effectively and efficiently to its beneficiaries. It will arrange to give continuing support wherever necessary to ensure that the charity can operate effectively and will arrange monitoring to ensure that remedial action is followed through.

Public Law Centre

The Public Law Centre was established to provide legal advice to people who could not otherwise afford it. Soon after its registration, the Commission was informed that its founder was passing himself off as a barrister when he was not in fact qualified in the UK as either a barrister or a solicitor. He was also appealing for funds to grant making organisations in the charity's name.

A Commission investigator visited the charity's premises in conjunction with the police. The police arrested the founder on suspicion of deception. The Commission took action to freeze the charity's bank account. Its enquiries revealed that the founder had been running the organisation single-handedly as the individuals named as trustees of the charity did not exist. The founder was subsequently convicted of a number of offences (including supplying false or misleading information to the Charity Commission contrary to section 11(1) of the Charities Act 1993) and sentenced to 30 months imprisonment after a trial in which Commission staff were called to appear as witnesses by the prosecution.

Close co-operation with the police, the Lord Chancellor's Department and the banks brought about the closure of this organisation. The Commission intends to make a scheme under section 18(2) of the 1993 Act so that the funds in the frozen bank account can be applied for charitable purposes.

Sherburn House Charity

This is a very old charity with assets of approximately £30 million. Its main activities are the provision of a residential care home and sheltered accommodation for the elderly.

As a result of concerns reported by the charity, the Commission opened an inquiry. The inquiry identified that the charity's administration had been dominated by the former Master and Chairman, and that they had failed to account for charity funds which they had wrongly allowed to be mixed together with other non-charitable funds, and used for non-charitable purposes. Charity funds had also been spent on cars for the former Master and a pension fund for the former Master's wife.

With the agreement of the Attorney General the Commission instituted High Court proceedings under section 32 of the Charities Act 1993 against the former Chairman and the former Master.

The Court ordered the repayment of over £200,000 to the charity.

Objective - Protecting Charity Assets

The Commission plans to devote an additional £1 million a year to investigation and related work from April 2002, enough to carry out 20%-25% more full investigations than in 1999. This increase will be in addition to the efficiency benefit from improved practices introduced from October 2000 following the investigations review.

The Commission's inquiry work will support, and be supported by, other activities designed to secure compliance by charities with charity law and with essential aspects of good practice. Much of the Commission's guidance and support work, covered in sections 4.8 to 4.14, falls into this category. The work described at 4.13 to improve the targeting and regulatory impact of the Commission's visits to charities is particularly relevant. In addition, the Commission intends to develop the capacity to carry out and publish crosscutting studies to highlight good and bad practice in relation to major issues and themes in charity administration. The Commission has secured funding for this development in the 2000 Comprehensive Spending Review, and will report further on preparations and pilot arrangements in its Annual Report for 2000/01.

6. Managing the Commission - Action and Plans

6.1 Introduction

This report has concentrated on the Commission's work to fulfil its statutory duties and the impact that it seeks to make in the interests of charities and (in particular) charity beneficiaries.

However, the Commission is also committed to applying, targeting and monitoring resources efficiently and effectively; to being a good and enabling employer and developer of its staff; and contributing imaginatively to the Government's efforts to reform the Civil Service and to modernise Government. This section describes some of the key work being done in this area.

6.2 Policy Making and Customer Service

6.2.1 Developing links with other Government departments

Many activities conducted by charities relate to the policies of other Government departments and of local authorities - for example in delivering health care, housing or education, and involve special tax reliefs. The Commission will build on current good practice and seek to pilot regular quarterly review meetings with five departments in 2001, and evaluate this in 2002 before deciding whether to extend it to other departments and local government in 2003.

6.2.2 Developing a framework for risk management

The Commission, in its role of regulator of the charitable sector, is concerned with identifying key risks to charities in order to focus its work on areas that add real value. A project has been set up to examine emerging approaches to risk management across a range of private and public

organisations, and how they might be applicable to the Commission. The objective is to develop the capacity of the Commission to use information and evidence generated from front line staff and casework to identify key issues and trends, and to inform policy making, decisions and work prioritisation. The next stage will be to bring the project into line with developments across government generally, and to use risk management more directly to support the delivery of business objectives.

6.2.3 Single telephone enquiry number

In January 1999 the Commission set up a new central switchboard, supported by a single number **0870 333 0123**, in order to make it easier for customers to contact the Commission by telephone. Operators then put the caller through to the person or help-line they need. For the twelve months to the end of March 2000 the switchboard handled nearly 144,000 calls. The average time to answer was 9 seconds.

6.2.4 Customer survey results

In early 2000, the Commission instructed NOP to undertake a customer satisfaction survey among people who run charities. The key findings were that:

- 83% of those asked said that overall, the Commission was doing a very good or fairly good job;
- 86% of those who had asked for advice in the past year were very or fairly satisfied with the help they received;
- 85% of those who had telephoned for assistance were confident that the member of staff they spoke to was able to deal with their query; and

- 94% of respondents who had applied for registration in the past year felt that Commission staff were both polite and helpful.

The Commission recognises that the survey shows that there are areas where it needs to improve. The three main areas where customers asked for improvement in service levels were increased speed, greater clarity and a more personal approach. The Commission will continue to explore ways to provide a better customer service, and in particular will be reviewing the needs of its ethnic minority customers, and access needs of its disabled customers. In recognition of its commitment to customers, Julia Unwin, one of the Commissioners, has been appointed as the Commission's Consumer Champion.

6.2.5 Complaints and Reviews pilot

In January 2000 the Commission began a pilot of new procedures for dealing with complaints about its standard of service, and requests for reviews of its decisions. The 1998 Annual Report gave a commitment to improved arrangements for complaints handling, and the pilot is the result of this work. The new structure is designed to make the procedures clear, accessible and fair, and reflects the Commission's commitment to be open and accountable in the way it conducts business. There is for the first time an independent element in the assessment of complaints about standards of service, where these have not been resolved to complainants' satisfaction by the internal complaints procedures. Mrs Jodi Berg, who is also the Independent Complaints Reviewer to HM Land Registry, has been retained as Independent Complaints Reviewer for the pilot. The law does not allow her to overrule the Commission on the way in which it has exercised its legal powers, but she is able to comment on the way decisions have been reached.

The Commission has also introduced structured internal procedures to deal with requests for a decision to be reviewed. As a part of this process, decisions can be reviewed at various levels in the organisation up to, and including, review by Commissioners.

The pilot will run until December 2001. The Board will receive an interim evaluation report towards the end of this year and a full evaluation report in late autumn 2001. The outcome will be published and will in particular be covered in the Commission's Annual Report for 2001/2002.

6.3 e-Government

6.3.1 Year 2000

The Commission's year 2000 project was completed on schedule and it was able to confirm that it was 100% compliant by October 1999. The success of this project was demonstrated by the fact that the Commission experienced no Year 2000 related problems.

As part of the Year 2000 programme of work, the opportunity was taken to enhance the quality of the IT infrastructure, to deliver a more robust environment with a lower cost of support. These objectives have been realised, and the infrastructure now provides a strong platform on which the Commission can deliver its commitments under the e-Government portfolio of work.

6.3.2 Review of information systems strategy and electronic service delivery

In January 2000, the Commission initiated a project to review and update its Information Systems (IS) Strategy, and the plan was endorsed by the Board in March. This work is being undertaken with assistance from the Central Computer and Telecommunications Agency.

In common with all Government Departments, the Commission has a commitment to be capable of delivering all its services electronically by 2005. The IS strategy document will incorporate the arrangements for achieving this.

6.3.3 Website enhancement

During the period of this report, the Commission's website received over 3.5 million enquiries. Planning has begun for delivery of an enhanced Register of Charities (incorporating the updated classification system) and supporting search facility. Publishing the Commission's Operational Guidance on the website has been welcomed, and further guidance will appear in the coming year.

6.3.4 Plans for electronic business

The enhancements to the website discussed so far have concentrated on the publication of information and access to the Register of Charities. In line with the e-Government initiative, the Commission also intends to implement the on-line submission of annual returns and database update forms. It anticipates that these facilities will contribute towards improved accuracy within the Register of Charities, and improved efficiency of its internal support systems.

The Commission has secured provisional funding in the Comprehensive Spending Review 2000 to further expand the scope of the Commission's on-line presence to enable the Commission to provide services such as:

- The on-line availability of extracts from the Register of Charities;
- Access to the Governing Documents for charities; and
- On-line access to copies of the accounts for charities.

6.3.5 Collaborative data interchange with other Government Departments

A key feature of the e-Government initiative is the concept of "joined-up" Government. This will allow for all government systems to be updated from a single data source. The Commission will incorporate the necessary changes to its internal systems as these are updated in the coming 24 months.

6.3.6 Records Management

The Commission's past records are of historical importance, as well as providing transparency and accountability for its operations. As part of its commitment to openness, and in line with Public Record legislation, the Commission undertook a major release of Commission policy records into the Public Record Office. Over a third of the 222 files were made available to the public earlier than the thirty-year point. One of the subjects covered was the first public Register of Charities. The Commission also began work on ensuring that its information and records management complies with the Data Protection Act and the planned Freedom of Information legislation. It has participated in the Public Record Office/Central Computer and Telecommunications Agency "Invest to Save Project" to identify requirements for Electronic Records Management Systems across government.

6.3.7 Procurement Review

The Commission has implemented the recommendations of a procurement review undertaken in 1998, and has restructured its purchasing function in order to improve its efficiency and effectiveness. Work over the past year has focused on refining the purchasing processes in order to realise unit cost savings.

6.3.8 Payment to staff and suppliers

The Commission has installed software to enable electronic payment to staff, and to all suppliers who are BACS compliant. It is a signatory to the CBI's Better Payment Practice Code.

6.3.9 Charity Commission Accounts

From an allocation of £21.8 million (gross) for 1999/2000, Commission expenditure stands at £21.3 million. The unspent funds have been earmarked to fund pilots and other preparations for innovatory work to be implemented from April 2002.

The 2000/2001 financial year is the final one for which the Commission will prepare Appropriation Accounts. The transition to Resource Accounts will take place from April 2001 and the Commission hopes to publish these in future Annual Reports.

6.4 Public Service/Civil Service Reform

6.4.1 Investors in People

The Commission gained official recognition as an Investor in People in November 1999.

As an Investor in People, the Commission has a permanent commitment to improving the way in which it communicates with, trains, develops and manages its staff. In 1999 the annual Training and Development Plan was refined, and then regularly reviewed, to provide a clearer link to business objectives and to set high level training priorities for key business skills and knowledge.

The Commission has developed a comprehensive strategy for improving internal communication and successfully piloted new team briefing arrangements, which will be rolled out to all staff during the year ahead.

The Commission will ensure it retains and builds upon its recognition as an Investor in People through periodic reassessment against the revised IiP Standard introduced in April 2000.

6.4.2 Leadership and personal development initiatives

Over the period of this report, the Commission has been working towards meeting its future commitments in this area under the Modernising Government agenda. The priorities have been to explore ways to improve the performance of its managers and to maximise the potential of staff to achieve Commission objectives. This work has included:

- Researching and commissioning a new leadership/management programme for delivery in 2000.
- The Board agreeing a "Statement of Management Values" to describe the management style it would like to see within the Commission.
- Encouraging all staff to take advantage of personal learning opportunities. All staff received guidance on identifying learning and development needs. The Commission has piloted a programme of NVQs in Customer Service and Business Administration and offered opportunities for obtaining professional and developmental qualifications through funding of courses in Further Education.

The Commission's future plans include:

- scoping and designing a development programme for non-managerial grades;
- analysing the career progression of those under-represented in senior grades; and

- encouraging interchange activities with the private and voluntary sector.

6.4.3 Equal Opportunities and diversity targets

The Commission is committed to achieving equality of treatment and opportunity for all staff and customers.

During 1999, it launched an initiative with ethnic minority staff to identify any barriers that might exist both internally (for example in career development) and externally. Professional consultants assisted in a review of internal procedures and processes, to ensure there was no institutionalised racism, either internally for staff, or externally for customers. In March 2000 the Board agreed an action plan to take forward initiatives under the First Division Association Charter for Action, and a project officer was appointed in April.

In collaboration with the sector, the Commission has been exploring where it might make improvements to customer service - particularly in relation to its service to ethnic minority charities. In response to the Modernising Government initiative the Commission has produced a two-year action plan - with targets - to improve its diversity. The aim is to continue developing this important area as an integral part of all activities.

The Commission remains committed to maintaining an open and transparent appointments system. Recruitment in the Commission is carried out on the basis of fair and open competition and selection on merit, in accordance with the recruitment code laid down by the Civil Service Commissioners. Its processes are subject to annual internal checks.

The following table shows all staff appointed between 1 January 1999 and 31 March 2000. Data on ethnic origin is given on a voluntary basis and the return rate is approximately 96%.

Managing the Commission - Action and Plans

Pay Band	Total Number of Appointments	Permitted Exceptions to Fair and Open Competition	Number of Female Staff	Staff of Ethnic Origin	Staff with Disability
1	66	0	35	3	0
2	17	0	11	0	0
3	57	0	33	3	1
4	2	0	1	0	0
5	4	0	3	0	0
6a - SCS	4	0	2	0	0
Total	150	0	85	6	1

The Commission has employed 17 individuals under the Government's New Deal initiative, 3 of whom have since been appointed to permanent positions through fair and open competition.

Annex A - Performance Against Objectives

The Commission reports quarterly to HM Treasury on the key indicators in its Public Service Agreement. These are summarised below. The Commission met eight out of

ten of these indicators. Other performance results are set out in tables attached to the narratives for the activities to which they relate.

Key Performance Information	1/4/1999 - 31/3/2000	
	Achieved	Target
% of cases where legal authority was exercised which arose at Commission instigation	10% ✓	5%
% of cases where guidance was given which arose at Commission instigation	10% ✓	10%
Staff cost per guidance or legal authority case	£117 ✓	£186
% of database entries complete and accurate	94% of fields ✓	85%
% of target group monitored	91% ✓	85%
Staff cost per charity monitored	£14 ✓	£14
% of inquiries completed within 12 months	68%	75%
% of inquiries where irregularity corrected	91% ✓	90%
Staff cost per inquiry where irregularity corrected	£3,388	£3,175
Average turnaround time for correspondence	8 days ✓	15 days

Annex B - Charity Commission Service First Standards

A Standard for Correspondence

- If you write to us we will endeavour to give you a full and clear response within fifteen working days from receipt of your letter. We will ensure that our response is both accurate and appropriate. This service standard applies to all forms of correspondence including e-mails and faxes.
- If we cannot give you a full response within fifteen days, we will contact you and let you know the reasons why this is not possible and indicate when we expect to be in a position to give you a full response. We will also let you have the name and contact number of the person dealing with your query.
- If you contact us centrally by e-mail we will initially acknowledge receipt of your enquiry. Whilst we recognise that e-mail offers great advantages in terms of speed, many of the queries we receive can be complex requiring careful consideration and advice from a number of sources within the Charity Commission. Your message will therefore be referred to the appropriate unit for handling and we will respond fully within the published service standard for other correspondence.
- We will monitor our performance against this service standard and publish the results.

A Standard for Visitors

- If you visit one of our offices you will be seen within ten minutes of your scheduled appointment time (or within ten minutes of your arrival if

you are delayed) by the person with whom you have an appointment.

- If you do not have an appointment we will ensure that you are able to speak to someone within ten minutes who is able to discuss your query. If that person cannot deal with your query fully, they will make arrangements to ensure that your query is followed up within the published standard for customer correspondence so that you can be given a full response.
- We will monitor our performance against this standard and publish the results.

A Standard for Telephone Calls

- If you ring us we will answer your call promptly, courteously and helpfully. If the person you wish to speak to is not available, we will take a message and arrange for your call to be returned by them or some other suitable person.
- We will assess our performance against this standard and ensure that action is taken to improve standards where this is found to be necessary.
- We are committed to the development of a more detailed standard for our helplines and will incorporate this into our Service First commitment in due course.

An Information Standard

- We will provide clear and straightforward information about our services to our customers. This will be available on request including through our helplines, guidance

leaflets and on our website where you will also find our central e-mail addresses.

- We will supply this information in a wide variety of languages and formats to ensure that we accommodate the needs of our non-English speaking customers and those with special needs.

Our Service Availability Standard

- We will endeavour to make our services widely available to all of our customers including people with special needs such as those with disabilities, elderly people, parents with young children and those who are not fluent in English.
- In delivering our services and thinking about how to refine them we will consult with customers and potential customers and let you know the outcome of this research by publishing our findings. We have appointed a Consumer Champion who will be the voice of our customers.
- In consulting with customers we will use a broad range of communication media and formats to ensure that anybody who wants to be involved is not prevented from doing so.

Complaints

- If we fail to meet our published service standards or if you are in any other way unhappy about the standard of service you have received from us, we will put you in touch with one of our Customer Complaints Managers who will tell you how you can make an official complaint or send you information about the procedure on request.

Official Custodian for Charities Accounts

Foreword to Accounts

The Official Custodian for Charities is, by virtue of section 2 of the Charities Act 1993, a corporation sole whose function it is to act as a custodian trustee for charities in respect of land or other property vested in the Official Custodian by an Order of the Court or the Charity Commissioners. The Charity Commissioners designate one of their officers to be the Official Custodian, and he performs these duties in accordance with the directions of the Commissioners.

The Official Custodian has the same powers, duties and liabilities as a custodian trustee appointed under section 4 of the Public Trustee Act 1906, except that he has no power to charge fees for his statutory services. The responsibility for managing charity property held in the name of the Official Custodian remains wholly with the managing trustees; he may not exercise any powers of management.

Land and interests in land may be vested in the Official Custodian under Section 22 of the Charities Act 1993. The primary advantage of vesting land in the name of the Official Custodian is that there is no further need for new deeds to be made when the trustees of the charity change. The Official Custodian cannot take part in managing land vested in him. Charity trustees keep all the powers and duties of management, and will account for the land (and buildings) in their own financial statements.

The only charity property, other than land, to be held by the Official Custodian is that which has been transferred to him by Order for the protection of the charity. The primary aim of the Official Custodian, in respect of property entrusted to him for a charity's protection, is to safeguard that property until authorised to arrange its transfer to the managing trustees or their appointed representatives. He may sell any investments only on the instructions of the trustees or their appointed representatives. Where necessary he uses stockbrokers for this purpose.

Statement of Responsibilities of the Accounting Officer and the Official Custodian

As the senior full-time official of the Charity Commission, the Chief Charity Commissioner for England and Wales carries the responsibilities of an Accounting Officer. His relevant role and duties as Accounting Officer, including his responsibility for the propriety and regularity of public finances for which he is answerable, and for the keeping of proper records, are set out in the Accounting Officer's Memorandum, issued by Treasury and published in Government Accounting.

The Charity Commissioners have appointed the Official Custodian for Charities under Section 2(2) of the Charities Act 1993. Under section 2(6) of the Charities Act 1993 the Official Custodian is required to prepare a statement of accounts for each financial year. The financial statements are prepared on a cash basis and must properly present the receipts and payments for the financial year and the balances held at the end of the year. In preparing the financial statements the Official Custodian is required to apply, on a consistent basis, any accounting guidance given by the Treasury.

The Official Custodian is responsible for the propriety and regularity of the public finances for which he is answerable; and for the keeping of proper accounts. He must ensure that proper financial procedures are followed and that accounting records are maintained in the form prescribed, and all assets for which he is responsible are safeguarded.

Jonathan Thorne
The Official Custodian for Charities

John Stoker
Chief Charity Commissioner and Accounting Officer

Statement of Internal Financial Control

This statement is given in respect of the Receipts and Payments Account and Statement of Balances for the Official Custodian for Charities. As Accounting Officer for this Account, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned. I carry out this responsibility in conjunction with the Official Custodian for Charities, who I have appointed under Section 2(2) of the Charities Act 1993.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

My review of the effectiveness of the system of internal financial control is informed by the work of the Official Custodian for Charities, who has responsibility for the financial control framework, and comments made by the external auditors in their management letter and other reports.

John Stoker
Chief Charity Commissioner and Accounting Officer

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages v, vi and vii under Section 2(7) of the Charities Act 1993.

Respective responsibilities of the Accounting Officer, the Official Custodian for Charities and Auditor

As described on page i, the Accounting Officer and the Official Custodian for Charities are responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. They are also responsible for preparing the Foreword on page i. The Accounting Officer is responsible for the statement on the system of internal financial control on page ii. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements properly present the receipts and payments and statement of balances, and whether in all material respects the payments and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements or if proper accounting records have not been kept, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page ii reflects compliance with the Treasury's guidance "Corporate Governance: Statement on the System of Internal Financial Control". I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of opinion

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the judgements made by the Accounting Officer and Official Custodian in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the payments and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the account properly presents the receipts and payments of the Official Custodian for Charities for the 15 months ended 31 March 2000 and the balances held at that date and have been properly prepared in accordance with Section 2(6) of the Charities Act 1993 and directions made thereunder by the Treasury; and
- in all material respects, the payments and receipts have been applied to the purposes intended by Parliament and conform to authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

1 September 2000

Receipts and Payments Account and Statement of balances for the fifteen months ended 31 March 2000

Receipts and Payment account:

	Notes	15 months ended 31 March 2000			1998
		<u>Protected</u>	<u>General</u>	<u>Total</u>	<u>Total</u>
		<u>Funds</u>	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>
		£	£	£	£
Receipts					
From charities for protection	2	12,471.30		12,471.30	2,879.60
From disposal of investments	2		4,077.31	4,077.31	24,860.37
From investments	2	386.71		386.71	618.22
Total receipts		12,858.01	4,077.31	16,935.32	28,358.19
Payments					
From protected funds	2	526.89		526.89	
Remitted to trustees	2		438.41	438.41	39,704.34
Capital	2				11,206.32
Income	2				66,161.17
Miscellaneous payments	3				
Total payments		526.89	438.41	965.30	117,071.83
Excess of receipts over payments		12,331.12	3,638.90	15,970.02	(88,713.64)
<i>Statement of balances:</i>					
Balance at start of period		17,799.73	4,050.96	21,850.69	110,564.33
Balance at end of period	4	£30,130.85	£7,689.86	£37,820.71	£21,850.69

Notes to the Account

Note 1 - Basis of preparation

In accordance with section 2(6) of the Charities Act 1993, the Account is drawn up in the form directed by the Treasury. On an exceptional basis the accounting period is fifteen months, rather than twelve months, in order to realign the year end to that of the Charity Commission.

Interest bearing deposits, representing protected funds, that were previously shown on the securities schedule, are now shown in the receipts and payments account and statement of balances. The comparatives for 1998 have been restated to reflect this change.

Note 2 - Accounting policies

The Official Custodian has no funds of his own, other than monies ultimately accountable to the Consolidated Fund which are retained to meet unforeseen liabilities.

Since 11 December 1992 the Official Custodian has been divesting himself of investments and cash as directed by the Commissioners under section 29 of the Charities Act 1992.

Investments held by the Official Custodian for more than one charity are registered in aggregated holdings in his name. Where an aggregated investment holding is held, the Official Custodian apportions dividends or interest payments received between the charities concerned.

Note 3 - Payments to the Consolidated Fund

This comprises a payment of £66,161.17 to the Consolidated Fund under the provisions of section 29(11) of the Charities Act 1992.

Note 4 - Funds held

The funds held at the Bank of England are as follows:

	31 March 2000			1998
	<u>Protected Funds</u> Note (a)	<u>General Funds</u> Note (b)	<u>Total Funds</u>	<u>Total Funds</u>
• Deposit Account Balance	£18,186.44		£18,186.44	£17,799.73
• Current Account Balance	£11,944.41	£7,689.86	£19,634.27	£4,050.96
Total Funds	£30,130.85	£7,689.86	£37,820.71	£21,850.69

(a) The protected funds shown consist of the following:

• Muslim Girls' and Young Women's Association (MGYWA)	£18,186.44
• Duncombe Place Masonic Hall Trust	£11,832.64
• Daneez Community Association	£111.77

The funds in respect of MGYWA are held in a designated interest bearing deposit account in the name of the Official Custodian. Other protected funds were held in the current account with the Bank of England awaiting transfer to separate designated deposit accounts (implemented after the year end).

- (b) The current account also holds £7,689.86 (£4050.96) general funds represented as follows:
- £4,050.96 as unpresented cheques issued to charities in respect of dividends on stocks held by OCC or liquidated stock.
 - £3,638.90 as amounts awaiting identification of and distribution to charities holding liquidated stock.

Note 5 - Securities held

Securities that remain from divestment and are still held by the Official Custodian are as follows:

2670 ordinary 10p shares in Northern Development Holdings Ltd for the Alexandra Trust;

£100 5.25% Cumulative Preference Shares in Parade Cinema (Skegness) Ltd on behalf of the Nottingham Gordon Memorial Trust for Boys and Girls; and

£40,000 6.5% Convertible Unsecured Loan Stock 2000/2005 Staflex International (in liquidation).

£17,479 8% Partly Convertible Unsecured Loan Stock 1992/2002 Acrow plc (in liquidation).

These securities are excluded from the Statement of balances, having an estimated market value of nil.

The Seal of the Official Custodian for Charities was affixed hereto in the presence of:

Jonathan Thorne
The Official Custodian for Charities

John Stoker
Chief Charity Commissioner and Accounting Officer

24 August 2000

Authorised under Section 2(4) of the Charities Act 1993,
Charity Commission, Harmsworth House, 13-15 Bouverie Street, London EC4Y 8DP