

Committee on Public Accounts

Financial Statements 2018

Charities Regulatory Authority

**Supplementary Materials**

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## **Appendix 1 - Charities Regulator Annual Report 2018**



An Rialálaí  
Carthanas

Charities  
Regulator



ANNUAL  
REPORT  
**2018**

## **Our Vision is:**

A vibrant, trusted charity sector that is valued for the public benefit it provides.

## **Our Mission is:**

To regulate the charity sector in the public interest so as to ensure compliance with the law and support best practice in the governance, management and administration of charities.

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# Charities Regulator

The Charities Regulatory Authority was established on 16 October 2014 and is responsible for the regulation and protection of charitable trusts and organisations (charities). It has a number of general functions under the Charities Act 2009 ('the Act') which are to -

- Increase public trust and confidence in the management and administration of charities;
- Promote compliance by charity trustees with their duties in the control and management of charities;
- Promote the effective use of the property of charities;
- Ensure the accountability of charities to donors and beneficiaries of charitable gifts, and the public;
- Promote understanding of the requirement that charitable purposes confer a public benefit;
- Establish and maintain a register of charities;
- Ensure and monitor compliance by charities with the Act;
- Carry out investigations in accordance with the Act;
- Encourage and facilitate the better administration and management of charities by the provision of information or advice, including in particular by way of issuing (or, as it considers appropriate, approving) guidelines, codes of conduct, and model constitutional documents;
- Carry on such activities or publish such information (including statistical information) concerning charities and charitable trusts as it considers appropriate;
- Provide information (including statistical information) or advice, or make proposals, to the Minister on matters relating to the functions of the Charities Regulatory Authority.

# Our Values





**Patrick Hopkins**  
Chairperson

## Chairperson's Statement

The 2018 Annual Report sets out how the Charities Regulatory Authority and its staff continued to deliver on the final year of its first statement of strategy. The increase in activity highlights our sustained commitment to regulate charities in the public interest, improve their management and administration, and ensure compliance with the law.

We gained valuable insight and a deeper understanding of the charity sector through research that we commissioned Indecon to carry out in relation to the size, economic and social impact of the charity sector. We published this important evidence-based research in mid-2018 which confirmed that charities in Ireland play a vital role in our society – the research highlighted the significant economic and social impact and the huge public benefit to communities across Ireland and globally.

In addition to its contribution to the development of evidence-based public policy to support charities in Ireland, this research will assist the Charities Regulator to regulate in a proportionate manner, and was important input in the development of our next three-year strategic plan.

This public trust and confidence is essential to charities, as many raise funds from the public to help meet the cost of their charitable work. The Authority is committed to supporting charities to implement the Charities Governance Code through the provision of practical guidance, template documents and training.

A key strategic goal under our Statement of Strategy 2016-2018 was to develop the Authority as an efficient and effective organisation providing value for money for the citizen.

**Another key achievement for the Charities Regulator was the delivery of the Charities Governance Code which will play a key role in building public trust and confidence in Irish charities now and into the future.**

Significant progress towards this goal was made in 2018 through the roll out of the first phase of our new Digital Platform System. This involved the launch of a new online portal, known as 'MyAccount' for registered charities and those wishing to register as a charity. The new Platform also included an enhanced Register of Charities and a modern, interactive website.

The process of developing the second Statement of Strategy for the period 2019 to 2021 commenced in 2018 following a consultation with external and internal stakeholders. The second statement will focus on embedding and developing the achievements of the first strategy. We will continue to carry out our mandate to increase public trust and confidence in charities through effective and proportionate regulation. To fulfil this role, we will continue to work to support charity trustees in complying with their legal obligations, and take steps to address non-compliance where necessary.

In October 2018, three members of the Authority retired on expiry of their warrants of appointment, and four, including myself as Chairman, were re-appointed. I would like to thank the retired members for their considerable dedication and commitment in bringing the Authority to its current stage of development.

Our CEO John Farrelly resigned in October 2018 following his appointment as CEO of the Mental Health Commission. I would like to thank John for his work in getting the Authority established. In late 2018 two senior managers resigned from the Authority moving on promotion to new positions in the Public Service. Working with our parent Department it is critical that staffing levels are maintained at our approved establishment level in 2019.

The Authority continues to work with the Department of Rural and Community Development to support vibrant, inclusive and sustainable charities throughout Ireland. I would like to acknowledge and thank Michael Ring TD, Minister for Rural and Community Development (DRCD), and his predecessor Minister Kyne, Seán Canney TD, Minister of State for Community Development, Natural Resources and Digital Development and officials of the Department for their assistance and for their continuing support for the Authority.

I would like to thank the staff of the Authority for their hard work and commitment during 2018 and to the members of the Board for the advice and direction that they provide. As we move into the period of our second statement strategy, I am confident that we will continue to build on our achievements over the last three years as we move closer to our vision of a vibrant trusted charity sector that is valued for the public benefit that it provides.



**Patrick Hopkins**  
Chairperson



**Helen Martin**  
Interim Chief Executive

# Interim Chief Executive's Statement

The final year of our first Statement of Strategy, was an important year for the Charities Regulator as we undertook an ambitious work programme designed to build on achievements in previous years. Working in collaboration with our stakeholders, we developed a Charities Governance Code, which was launched in November 2018. As part of that launch, we committed to assisting charities over the coming years to implement the Code by the provision of practical guidance documents, templates and training.

During the year we also commissioned research into and published a report on the social and economic impact of registered charities. This research was the first of its kind and it is hoped that it can be built on over the coming years to gain ever-greater insight into the important role that charities play in the day-to-day lives of our citizens.

Further progress was also made in relation to increased transparency of charity finances as staff of the Charities Regulator worked with external consultants to prepare draft Accounting and Reporting Regulations in anticipation of amendments being made to provisions of the Charities Act 2009.

The guidance available to charity trustees and potential registration applicants was expanded through the publication of key materials including 'What is a Charity?', 'Registration Guidelines' and 'Guidance on Charities and the Promotion of Political Causes.' Such materials provide an important point of reference for charity trustees and those considering setting up a charity or volunteering as a charity trustee.

Work on registering charities continued apace in 2018 with the total number of charities on the Public Register of Charities by year-end reaching 9,799.

An increase in annual reports submitted on time was noted on the new portal along with a 28% reduction in contacts and queries received by the Charities Regulator. These positive developments are attributed in large part to the new Digital Platform, which gives charities and other interested parties easier access to available guidance and other information relevant to charities in Ireland.

From an operational perspective our new Digital Platform has also delivered greater internal reporting capabilities, data analysis and insight, which facilitates better targeting of resources and identification of key trends. It is intended that the new Platform, when fully implemented, will lead to further efficiency gains in other areas of the organisation including compliance and enforcement and applications made under the older Charities Act. Significant efforts were made by staff on implementing the second phase of the project during 2018.

The number of concerns raised with the Charities Regulator increased significantly in 2018. By analysing the concerns raised, we were able to identify a number of recurring issues, which enabled us to issue key guidance in areas such as managing conflicts of interest along with public notices on matters such as clothing collections by unregistered organisations. Statutory investigations into the affairs of two charities were also concluded and two inspectors' reports were published. The reports highlighted governance issues of relevance to charity trustees more generally and therefore are an important source of learning for the charities sector as a whole.

We also continued to highlight key messages through our communications and stakeholder engagement work, which sought to reach out to the 60,866 charity trustees on the Register of Charities and the wider public using a number of channels including the launch of our eZine and holding and participating in seminars and speaking engagements including 'Meet the Charities Regulator' and 'Charities Trustee Week'. We also continued to highlight who is covered by the term "charity trustee" so that members of the public understand that anyone involved in a board or other committee of a charity including directors of companies that are charities, are "charity trustees" for the purposes of the Charities Act 2009.

Developing and implementing a new Digital Platform while at the same time continuing to deliver on important regulatory work such as the Charities Governance Code and the day-to-day work of registering charities and dealing with concerns from the public was a considerable challenge. Meeting this challenge would not have been possible without the support of our Board and the significant efforts of the staff of the Charities Regulator who are to be commended for their commitment, diligence and professionalism. I also would like to take this opportunity to thank those involved in charities and the public for their positive engagement with the staff of the Charities Regulator on issues relating to charities.

Like other public bodies, attracting and retaining appropriately skilled and experienced staff at a senior level was particularly challenging in 2018. However, as a regulator, our ability to attract senior staff and regulatory experts is key to growing the organisation's capabilities in order to ensure standards of regulatory excellence are achieved.

It is therefore in the public interest that we continue to focus on securing required resources so that we can deliver on our mission to ensure compliance with the law and support best practice in the governance, management and administration of charities.



**Helen Martin**  
Interim Chief Executive

# 2018 Highlights

**9,799**

Charities on the **Register of Charities** at the end of **2018**



**1,321**

organisations gained **charitable status**



**579**

charities had their details **removed** from the **Register of Charities**



Net Increase of

**742**



in **number of charities** from previous year on the Register of Charities

**2**

Inspection Reports **published**



**686** concerns received

**UP 29%** on **2017**



**32%**

of concerns related to **governance issues**



**7**

public engagement meetings



**118,673**

visitors to our **website**

**UP 18%** from **2017**



Launched a new **website**

**4** and published **eazines**

**Charity Services Committee** considered

**326** matters





# Organisational Overview

The Charities Regulator is made up of the following business units:

- 1. Registration and Reporting** – Key functions include assessing and processing registration and associated applications, maintaining the Register of Charities, managing the annual reporting systems and providing guidance to organisations on registration and annual reporting matters.
- 2. Compliance and Enforcement** – Key functions include monitoring and promoting compliance with the Act, carrying out inquiries and investigations where appropriate, taking enforcement action where necessary and encouraging better administration and management of charities through the provision of information and advice.
- 3. Charity Services and Legal Affairs** – Key functions in relation to charity services include assessing and processing applications submitted to the Charities Regulator under the Charities Acts 1961 and 1973 including applications for the appointment of new trustees and applications for authorisation of the disposition of lands held upon charitable trust. Key functions of the legal affairs team is to provide legal advice to each of the business units on day-to-day regulatory issues, corporate affairs matters and other specific projects.
- 4. Corporate Affairs** – Key functions include providing internal support services and ensuring compliance with applicable governance obligations, developing and overseeing the implementation of corporate policies and procedures, providing secretarial support to the Board and its committees, overseeing financial, ICT and human resources, dealing with freedom of information and data protection applications and managing the office accommodation.
- 5. Communications and Stakeholder Engagement** – Functions include handling media queries and press releases, managing website and social media content and organising public consultation and other stakeholder events.



**9,799**

Charities on the Register of Charities at the end of 2018



**579**

charities had their details removed from the Register of Charities

Net increase of

**742**

in number of charities from previous year on the Register of Charities



**1,321**

organisations gained charitable status

# 1

## Registration and Reporting

## The Public Register of Charities

There were 9,799 Charities on the Public Register of Charities<sup>1</sup> at 31 December 2018, a net increase of 742<sup>2</sup> from the end of 2017.

All charities which operate or wish to operate must apply for inclusion on the Register of Charities regardless of size, legal structure or income. Charities registered by decision under section 39 of the Act represent 32% of the total number of charities on the Register, up from 20% of the total at the end of 2017.



**A searchable Public Register of Irish Charities is available on the Charities Regulator's website – [www.charitiesregulator.ie](http://www.charitiesregulator.ie)**

To assist those considering setting up a charitable organisation on whether they should be registered, the Charities Regulator published two guidance documents in 2018 'What is a Charity?' and 'Registration Guidelines'.

At the end of 2018, 68% of the Register of Charities or 6,641 organisations were registered under section 40 of the Charities Act 2009. This provided automatic registration for those organisations who, on 16 October 2014, held a valid charitable tax exemption and associated CHY number issued by the Revenue Commissioners. Such charities are deemed registered with the Charities Regulator so long as they are entitled to hold the relevant charitable tax exemption. A total of 8,452 charities were automatically registered by this method in October 2014.

**1,321**  
organisations gained  
charitable status in  
2018.

At the end of 2018, 1,811 charities which had been automatically deemed registered in 2014 under section 40 of the Act, were no longer entitled to hold that charitable tax exemption. 579 charities had their details removed from the Register of Charities.

## Digital Platform System

Phase One of the new Digital Platform System was launched on 27 July 2018. Phase One entailed the launch of a new online portal, also known as MyAccount, for registered charities and those wishing to register as a charity. The new platform also included an enhanced Register of Charities, a new website, a new back office system for registration and greater internal reporting capabilities and data analysis.

The online portal can also be used by registered charities to upload their Annual Reports on the Register of Charities and to update charity information such as trustee details, as appropriate.



**A new online portal, also known as MyAccount, was launched for registered charities and for those wishing to register as a charity.**

- 1 The Public Register of Charities is available at: <https://www.charitiesregulator.ie/en/information-for-the-public/search-the-charities-register>.
- 2 During 2018 the Charities Regulator migrated its platform to a new Digital Platform. This resulted in a restatement of the Charities Registered at end 2017 of 9,057 previously 9061.

# Registered Charities in Ireland

## The legal form of Registered Charities

The three main types of legal form are incorporated, unincorporated and charitable trusts. The breakdown of registered charities by legal form as of 31 December 2018 was as follows:

General	Type	Charities	% of Total	2017
Incorporated	Companies	4,413	45.0%	<b>51.1%</b>
Unincorporated	Association	1,518	15.5%	
	Board of Management	2,403	24.5%	
	Other	851	8.7%	
	<b>Subtotal</b>	<b>4,772</b>	<b>48.7%</b>	<b>41.4%</b>
Charitable Trust	Trust	614	6.3%	<b>7.5%</b>
	<b>Total</b>	<b>9,799</b>	<b>100.0%</b>	

## Charities by Charitable Purpose

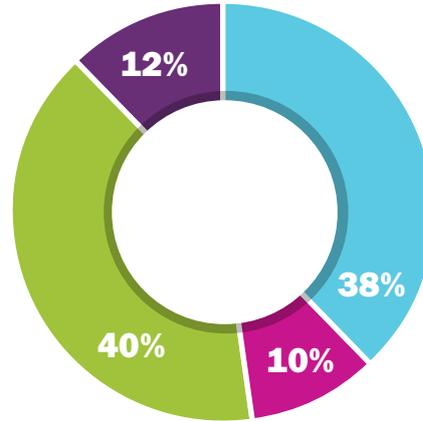
The Charities Act 2009 sets out specific categories of charitable purposes.

- ✓ The prevention or relief of poverty or economic hardship
- ✓ The advancement of education
- ✓ The advancement of religion
- ✓ Any other purpose that is of benefit to the community

'Any other purpose that is of benefit to the community' contains specific purposes such as the integration of the disadvantaged, the promotion of health and voluntary work and the advancement of: community welfare and development, environmental protection and sustainability, racial and religious integration, conflict resolution, animal welfare, and the arts. Charities may and often have more than one specific charitable purpose. The table overleaf illustrates the breakdown of registered charities by charitable purpose.

## Charitable purpose by category

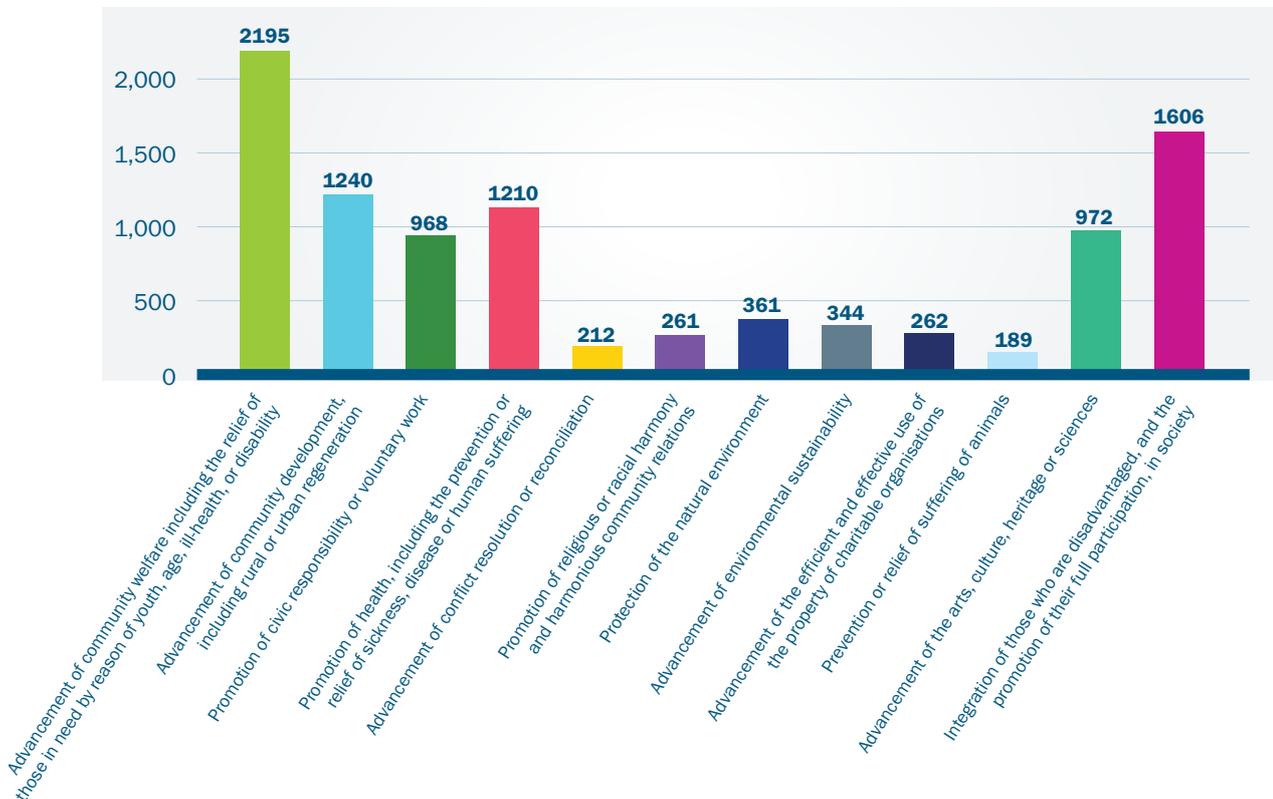
As set out in the Act there are four categories of charitable purpose. Charities may have more than one charitable purpose. For example a charity that provides grant funding to other charities may support all of the charitable purposes within the Act. Charities are authorised to carry out their charitable purposes for the public benefit. Displayed in the diagram on the right is the breakdown of the 9,799 registered charities by the four categories of charitable purpose.



- advancement of education
- advancement of religion
- other purpose of benefit to the community
- relief of poverty or economic hardship

The diagram below illustrates a further breakdown under the category of 'other purpose of benefit to the community' of which there are 12.

## The 'purpose that is of benefit to the community' broken down by category

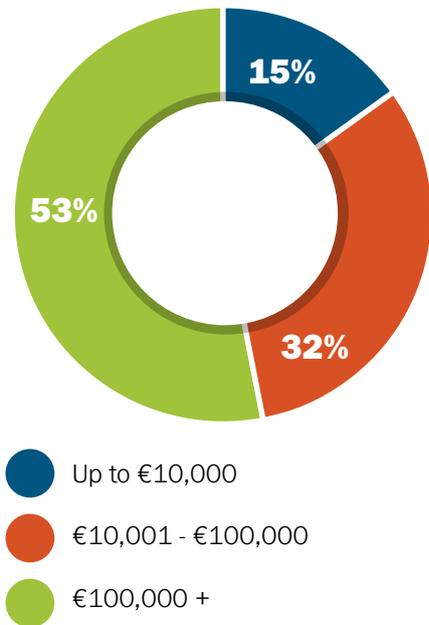


# Financial information on charities in Ireland

'Charities by Income' (see below) is a breakdown of annual reports filed by charities in 2018.

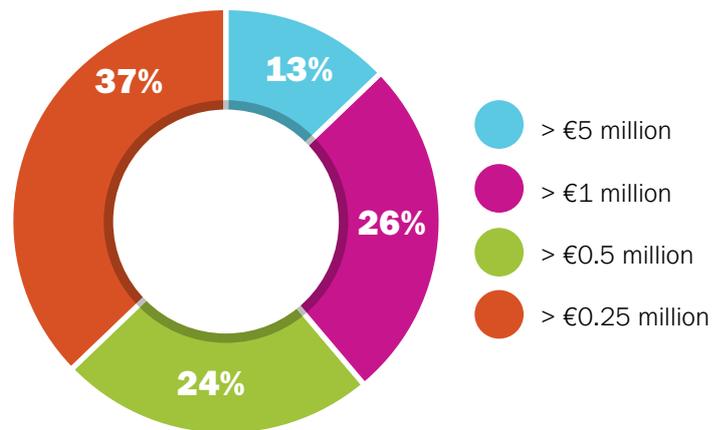
The annual reports filed for registered charities provide information on the activities of charities in a given period and show how each charity furthered its charitable purpose for the public benefit, details of its income, expenditure, numbers of employees, types and estimated number of beneficiaries in the reporting period.

## Charities by income in annual reports



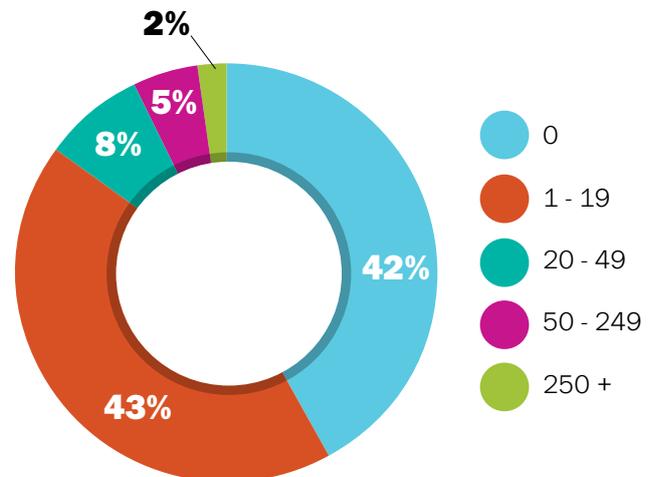
Analysis of annual reports for 2018 shows that 2,175 registered charities declared income over €250,000. The chart below shows the percentage of these by income band.

## Charities income >€250,000



Charities are required to provide information on numbers of employees in bands as set out below. For annual reports filed in 2018, 42% of charities have no employees. 85% of charities have under 20 employees with just 7% of charities reported having more than 50 employees.

## Charities by number of employees

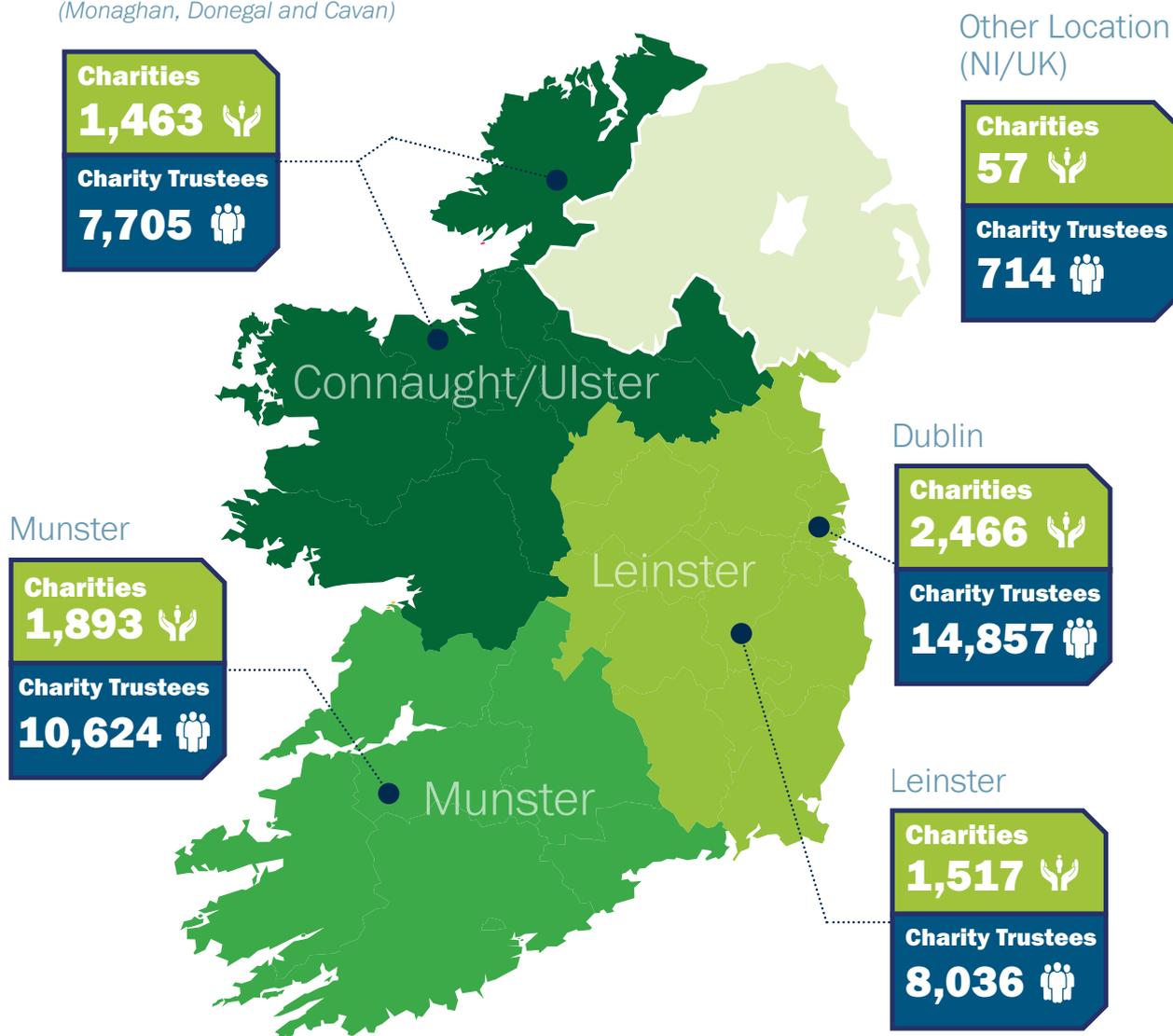


## Charity trustees and geographic location of charities

Charity trustees are the people who are legally responsible for the management of a charity. Although they are volunteers, the role of a charity trustee carries significant responsibility. There were 60,866 charity trustees on the Register of Charities as of 31 December 2018, which may include company directors, committee members and trustees of charitable trusts - see graphic below.

### Connaught/Ulster

(Monaghan, Donegal and Cavan)

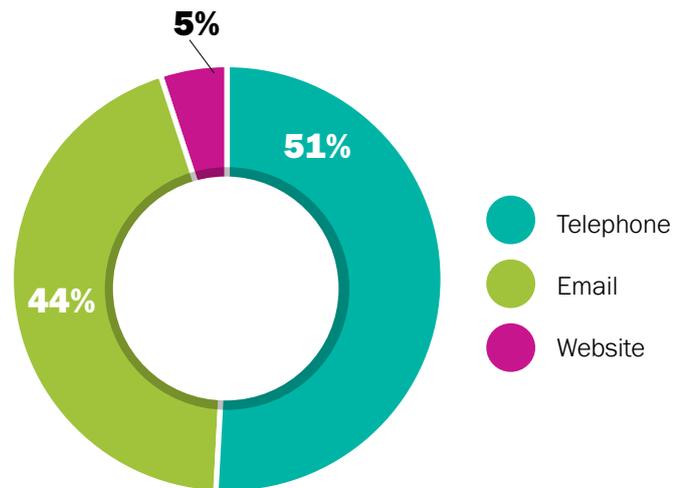


	Charities 	Charity Trustees 
 Schools	2,403	18,930
Other charities	7,396	41,936
<b>Total</b>	<b>9,799</b>	<b>60,866</b>

## Contact Management Queries

The Registration and Reporting Unit received 21,521 initial contacts and queries from charities, the public, beneficiaries and other stakeholders. Telephone remains the preferred method of communication with 51% of engagement by this method, followed by email (44%) and the website (5%).

The overall number of contacts and queries was down 28% on 2017. A large part of the reduction is likely to be attributable to the successful launch of the new online registration forms, 'MyAccount' and the new website.



The Registration and Reporting Unit received 21,521 initial contacts and queries.



# 2

## Compliance and Enforcement

**686**

concerns received



**UP 29%**  
on 2017



**32%**

of concerns related  
to governance  
issues

**57** 

was the average  
number of  
concerns raised  
each month

## Compliance and Enforcement

A key role of the Charities Regulator is to monitor and ensure compliance by charities with the provisions of charities legislation, in particular, the Charities Act 2009. Our concerns process is underpinned by our Concerns Policy, which is publicly available on our website<sup>3</sup>. During 2018 our Concerns Policy was reviewed and updated to reflect operational experience. The amended version of our Concerns Policy was published in April.

Where we receive a concern, we examine the information provided, conduct a risk assessment, and if warranted seek assurances/information from the charity or organisation. Where the Charities Regulator is not assured by the charity, then it may use its powers under the Charities Act 2009 to require information, issue directions, apply sanctions and, where necessary, appoint inspectors to investigate the affairs of the charity.



### Concerns raised

In 2018, 686 individual concerns were raised with the Charities Regulator in respect of 423 organisations. The number of individual concerns raised represents an increase of 29% on the number of concerns raised in 2017, when 532 concerns were raised.

**Table 1** - Concerns raised by year 2014 to 2018



**Note:** The figures for concerns raised in 2016 and 2017 have been revised from previously published figures on foot of amendments to how the original information received was recorded.

<sup>3</sup> The Concerns Policy is available at: [www.charitiesregulator.ie](http://www.charitiesregulator.ie)

## Concerns raised by month

The average number of concerns raised per month during 2018 was 57, with the highest number of individual concerns raised in any one month being 83 concerns, which were raised in May 2018.

This contrasts with June when the lowest number of concerns were raised, which was 33.

The higher number of concerns raised in May can be attributed in part to concerns received in respect of political campaigning for the referendum to repeal the Eighth Amendment of the Constitution. The overall increase in concerns raised in 2018 can be attributed in part to the significant increase in the number of concerns received regarding the legitimacy of clothing collections. Table 2 below sets out the number of concerns raised each month in 2018.

**Table 2** - The number of concerns raised each month in 2018



## Categories of issues raised

The varied nature of the issues raised with the Charities Regulator, reflects the wide range of organisations, charitable purposes and beneficiaries that make up the charity sector in Ireland. However, from the concerns raised it is possible to discern a number of broad categories.

Of the concerns raised with the Charities Regulator in 2018, approximately 83% raised issues in the combined categories of 'Governance Issues', 'Legitimacy of a Charity' and 'Financial Control and Transparency'. The full breakdown of the categories of issues raised in 2018 is set out in Table 3.

It should also be noted that a single concern might include a number of issues about a single organisation, some or all of which may be categorised separately, giving rise to a difference between the number of concerns raised and the number of issues raised.

**Of the concerns raised with the Charities Regulator in 2018, approximately 83% raised issues in the combined categories of 'Governance Issues', 'Legitimacy of a Charity' and 'Financial Control and Transparency'.**

**Table 3 - Categories of issues raised in 2018**

Category	No. of Concerns	%
Governance Issues	309	32.0%
Legitimacy of Charity	287	29.7%
Financial Control and Transparency	205	21.2%
Inappropriate Political Campaigning	61	6.3%
Misdirected Concerns - Issues outside of Charities Regulator's remit	55	5.7%
Private Benefit	29	3.0%
Harm to Beneficiaries	19	1.9%

During 2018, as a result of enhanced processes and investment in the training and development of staff in the Compliance and Enforcement Unit, a total of 722 concerns were closed. This figure represents an increase of 57% on the overall number of concerns that were closed in 2017, which was 461.

As of 31 December 2018, the number of open concerns stood at 294 in respect of 158 organisations.

**Table 4 - Categories of Concerns 2018**

Category	2018	2017	% variance
Number of concerns received	<b>686</b>	532	28.9% increase
Number of concerns closed	<b>722</b>	461	56.6% increase
<b>Number of concerns open at year end</b>			
by individual concern	<b>294</b>	328	10.4% increase
by organisation	<b>158</b>	187	15.5% decrease

## Concern processing targets

The targets set for 2018 and the corresponding actual performance from 1 January 2018 to 31 December 2018 are set out in the table below.

**Table 5 - Targets and corresponding actual performance from 1 January 2018 to 31 December 2018**

Key Action / Milestone from day of receipt	Performance Indicators	Actual Performance
Concerns recorded	85% within 5 days 100% within 10 days	99% within 5 days 100% within 10 days
Acknowledgement of concerns issued	85% within 5 days 100% within 10 days	98% within 5 days 100% within 10 days
Initial risk assessment conducted	75% within 15 days 100% within 20 days	89% within 15 days 99% within 20 days
Concern cases allocated	75% within 20 days 100% within 30 days	97% within 20 days 100% within 30 days
Concerns closed	75% within 180 days	91% within 180 days

## Part 4 Powers – Protection of Charitable Organisations

In September 2016, Part 4 of the Charities Act 2009 was enacted, providing investigative and protective powers for the Regulator. This includes the capability to impose sanctions if a charity breaches certain obligations such as the requirement to keep proper accounts or to submit its annual report. It also gives the Charities Regulator the authority to appoint inspectors to conduct statutory investigations into the affairs of charities.

During 2018, the Charities Regulator exercised its powers under Part 4 in a number of instances, which included:

- ▶ Publication of inspectors' reports into:
  - Solas - Galway Picture Palace CLG<sup>4</sup>, and
  - G.L.E.N. CLG Report<sup>5</sup>;
- ▶ Imposition of intermediate sanctions on one charity in respect of a failure to keep proper books of account;
- ▶ Directions to charity trustees under section 53 of the Charities Act 2009 to provide information to the Charities Regulator;
- ▶ Directions to charity trustees under section 68 of the Charities Act 2009 to produce books, documents and other records.

## Compliance Report 2017

During 2018, the Charities Regulator carried out and published a Compliance Report 2017<sup>6</sup>, that included an analysis of its compliance activities in 2017, which was the first full year that powers under Part 4 of the Charities Act 2009 were available to it.

The Report included an analysis of the concerns raised during 2017 and reported on other compliance activities during the year, including public notices on compliance matters, statutory actions taken and thematic reports.

The Report highlighted that during the course of managing concerns raised about charities and organisations during 2017, the Charities Regulator identified a number of recurring issues affecting the ability of charity trustees to meet their legal duties to effectively manage and control their charities in the following categories:

- ▶ Trustee duties and responsibilities;
- ▶ Managing conflicts of interest;
- ▶ Internal financial controls;
- ▶ Transparency;
- ▶ Unregistered charitable organisations.

The Report also set out some of the guidance and support available to charities to help address issues in the categories identified.

## 'Review of Registered Charities' Compliance Rates with Annual Reporting Requirements 2017

Once a charity has completed its details on the Register of Charities, it must file an annual report within ten months of the end of its financial year. In December 2018, the Charities Regulator published its 'Review of Registered Charities' Compliance Rates with Annual Reporting Requirements 2017<sup>7</sup>.



4 Solas – Galway Picture Palace CLG - available from: <https://www.charitiesregulator.ie/media/1416/inspectors-report-solas-galway-picture-palace-may-2018.pdf>

5 G.L.E.N CLG Inspector's Report – available from: <https://www.charitiesregulator.ie/media/1419/inspectors-report-glen-april-2018.pdf>

6 Compliance Report 2017 – available from: <https://www.charitiesregulator.ie/media/1553/compliance-report-2017-august-2018.pdf>

7 The Report is available from: <https://www.charitiesregulator.ie/media/1631/annual-reporting-compliance-review-2017.pdf>

The main finding of the review was that that 98% of registered charities submitted their annual report for 2017 (54% filed on time, 28% filed within three months of the filing deadline and the remainder filed more than three months late). The total number of annual reports outstanding for 2017 stood at 95. This represents 2% of the total number of annual reports due in that period.

While the Charities Regulator welcomed the high level (98%) of registered charities that completed the registration process and submitted an annual report to the Charities Regulator, it notes that a significant number of charities continue to file their annual reports late, despite the fact that under section 52(1) of the Act, charities are required to submit their annual reports to the Charities Regulator not later than 10 months after the end of the charities' financial year end. Failure to submit an annual report when it is due is an offence under section 52(8) of the Charities Act 2009. A key function of the Charities Regulator is to monitor compliance with the Act and it will take appropriate action to ensure that the requirements of the Act are observed. The Charities Regulator will therefore continue to engage with charities with a view to ensuring that the numbers of charities filing their annual reports on time increases.

## Guidance issued

One of the key functions of the Charities Regulator is to promote compliance by charity trustees with their duties in the control and management of charities. During 2018, the Charities Regulator developed and published the following guidance documents, which added to our existing guidance for charities:

- ▶ Guidance on Charities and the Promotion of Political Causes<sup>8</sup>;
- ▶ What is a Charity?<sup>9</sup>;
- ▶ Registration Guidelines<sup>10</sup>;
- ▶ Managing Conflicts of Interest<sup>11</sup>.

## Governance Code

In March 2017, the Charities Regulator established a Statutory Consultative Panel on the Governance of Charitable Organisations. The 'Report of the Consultative Panel on the Governance of Charitable Organisations'<sup>12</sup> was published in May 2018 and it made a number of proposals, including that there should be a new Governance Code for charities issued by the Charities Regulator to facilitate the better administration, management and governance of charitable organisations.

In November 2018, the Charities Regulator launched the Charities Governance Code<sup>13</sup>, which sets the minimum standards which charity trustees (e.g. anyone serving on the Board or a Committee of a charity), should ensure their charity meets in order to effectively manage and control their organisations.



- 8 Guidance on Charities and the Promotion of Political Causes – available from: <https://www.charitiesregulator.ie/media/1337/guidance-on-charities-and-the-promotion-of-political-causes-english.pdf>
- 9 What is a Charity? – available from: <https://www.charitiesregulator.ie/media/1544/what-is-a-charity-rev-001.pdf>
- 10 Registration Guidelines – available from <https://www.charitiesregulator.ie/media/1470/registration-guidelines-reduced-size-final-accessible-for-web.pdf>
- 11 Managing Conflicts of Interest – available from: <https://www.charitiesregulator.ie/media/1417/managing-conflicts-of-interest-may-2018.pdf>
- 12 The Report of the Consultative Panel on the Governance of Charitable Organisations - available from: <https://www.charitiesregulator.ie/media/1389/report-of-the-consultative-panel-may-2018.pdf>
- 13 The Charities Governance Code - available from: <https://www.charitiesregulator.ie/en/information-for-charities/charities-governance-code>

The Charities Governance Code consists of six principles of governance. These are:



The Charities Governance Code recognises the huge diversity which exists within Irish charities, ranging from organisations with millions of Euro in turnover and hundreds of staff, to charities that are volunteer-led with very low incomes. The Charities Governance Code aims to be proportionate and it is written with volunteer-only charities and charities with small numbers of paid staff in mind.

The Code sets out the 32 core standards that all charities should meet when putting the principles into action. It also contains 17 additional standards that reflect best practice for charities with high levels of income and/or complex organisational and funding structures and/or significant numbers of employees.

The Charities Regulator has committed to working with charities and charity trustees to help them implement the Code, including through the provision of guidance materials and template documents on its dedicated website page<sup>14</sup>. The year 2019 will be a year of learning and preparation for charities. Charities will be expected to comply with the Code in 2020. From 2021 charities will be expected to report to the Charities Regulator on their compliance with the Code.

The Charities Regulator will monitor compliance with the new Code, with charities expected to 'comply or explain' why they are not complying. Charities will be expected to keep 'compliance record forms<sup>15</sup>' on file, which the Charities Regulator may request to see at any time. In the coming years, it is the intention of the Charities Regulator that each charity's entry on the Register of Charities will indicate whether or not a charity complies with the Code.

## Charity Trustees' Week 2018

During Charity Trustees' Week in November 2018, the Charities Regulator held public meetings in Dublin and Cork featuring presentations on the Code and Question and Answer sessions, giving trustees an opportunity to learn about the Code prior to the rollout of the suite of guidance and training sessions which are planned for 2019.

<sup>14</sup> Charities Governance Code dedicated website page – available from <https://www.charitiesregulator.ie/en/information-for-charities/charities-governance-code>

<sup>15</sup> An editable and downloadable version of the Charities Governance Code's Compliance Record Form is available from: <https://www.charitiesregulator.ie/en/information-for-charities/charities-governance-code>

# 3

## Charity and Legal Affairs



On the date of its establishment, the Charities Regulator assumed the roles and functions previously carried out by the Commissioners of Charitable Donations and Bequests. The charity services team is headed by the legal advisor for regulation and charity services. Its responsibilities include processing requests from charities and their legal advisors arising under the Charities Acts 1961 and 1973, and supporting the Charities Regulator in respect of other functions previously carried out by the Commissioners.

The charity services team supports the work of the Charity Services Committee, which considers applications under the 1961 and 1973 Acts.

Requests and applications which are processed by the charity services team include the following:

▶ **Authorisation of disposition of lands held upon charitable trust**

The Charities Regulator may authorise the sale or disposition of lands held upon charitable trusts where the charity trustees do not otherwise have such a power.

▶ **Appointment of new trustees**

Upon the application of a trustee (or any person having an interest) by way of a statutory declaration, the Charities Regulator may, on application to it and where there are no surviving trustees of a charitable trust or where the personal representative of the last surviving trustee cannot be located, appoint a new trustee or trustees.

▶ **Framing of schemes applying charitable property Cy-Près**

The Charities Regulator has the power to settle schemes for applying charity property Cy-près (as near as possible to the intentions of the original donor), where the original objects have failed or are not possible to implement.

▶ **Compromise of claims by or against a charity**

Upon the application of the charity trustees of a charity, the Charities Regulator may sanction a compromise in relation to a claim made by or against a charity.

▶ **Advice to charity trustees experiencing difficulty in administering a charitable trust**

The Charities Regulator may advise charity trustees who have a difficulty in relation to the administration of a charitable trust, or executors of a will experiencing difficulty in administering a charitable devise or bequest.

▶ **Making of vesting orders in relation to leases**

The Charities Regulator may make vesting orders freeing charity property from the operation of onerous covenants in leases made pursuant to the Leases for Schools (Ireland) Act 1881 and other leases for charitable purposes, where the person entitled to the lessor's interest is unknown or cannot be found.

▶ **Examination of forms received from Probate Office**

The Charities Regulator examines summary forms received from the Probate Office, which supplies details of all charitable bequests, for the purpose of establishing if receipts for such bequests were received.

During 2018, the Charity Services Committee considered 326 matters. The matters dealt with can be broken down as follows:

Type of Matter	Number of matters dealt with in 2018
Non-routine applications (miscellaneous matters e.g. where the Charity Regulator's opinion or advice is sought; Cy-Près applications)	93
Litigation	8
Routine applications - property disposals (e.g. sanction of mortgages, sales, transfers, leases)	140
Appointment of new trustees	52
Formal items	33

**During 2018, the Charity Services Committee considered 326 matters.**

## Legal Affairs

The legal affairs team provides in-house legal support across the organisation.

In 2018, the legal services team provided legal advice on day-to-day regulatory issues and specific advice in the context of a number of projects and other corporate affairs matters.

**There are currently approximately 334 accounts in the Common Investment Fund.**

## Common Investment Fund

The Charities Regulator has responsibility for oversight of a Common Investment Fund, managed by Davy Asset Management Ltd, which was valued at circa €34,568,751.06 on 31 December 2018.

The Common Investment Fund (“Fund”) was established in April 1985 by the Commissioners of Charitable Donations and Bequests for Ireland by way of Scheme under section 46 of the Charities Act 1961. By virtue of section 82 of the Charities Act 2009, all functions of the Commissioners of Charitable Donations and Bequests for Ireland were transferred to the Charities Regulator.

There are currently approximately 334 accounts in the Fund. Investors in the Fund are charities with a valid charitable tax exemption from the Revenue Commissioners or such Charitable Trusts as the Charities Regulatory Authority admits at its discretion. No additional charities are currently being admitted to the Fund.

A dividend reinvestment scheme is in place allowing unit holders the choice of receiving dividend income in cash twice a year or reinvesting back into the Fund, which is reflected in additional units at the end of June and December. Investment is by way of purchase of units based on unit prices struck on 30 June and 31 December, or at such time as the Charities Regulator deems appropriate.

# 4

## Communications and Stakeholder Engagement

Ran

**7**



public  
engagement  
meetings



A new  
website

**4**

and  
eazines  
launched

**118,673**

visitors to our website



**UP 18%**  
from 2017

One of the strategic objectives of the Charities Regulator is to engage and communicate effectively with all stakeholders in support of its regulatory role. The Communications and Stakeholder Engagement unit made progress in achieving this through a number of activities and developments during 2018. These included the launch of a new user-friendly website, the launch of a new ezine (an electronic newsletter), the hosting of a series of regional 'Meet the Charities Regulator' meetings and significant expansion of the audiences for its social media platforms.

## Media

The Charities Regulator published 35 press releases issued during the year (a 40% increase on 2017). It received extensive coverage in the national and regional media for a number of specific announcements.

The Charities Regulator's work to establish the scale of the impact of the liquidation of Pembroke Dynamic Internet Services Ltd also generated considerable media coverage.

Other issues which received coverage included the launch of the Charities Governance Code in November, the publication of the 2017 Annual Report in June, the launch of our 'Guidance on Charities and the Promotion of Political Causes' in February.

## Website and social media

There were 118,673 users of the website in 2018 (up 18% on 2017). They visited 230,082 times (up 18% on 2017) and viewed 689,559 pages (down 11% on 2017). The average visit lasted 3:22 minutes (down 9% on 2017). The reduction in pages viewed and the duration of visits is likely to be attributable to the launch of the new website in July 2018. In addition to providing a new online portal to the upgraded registration system, it was designed to make it easier for the two largest user groups of the site (charities and potential charities, and members of the public) to access the sections they needed.

Our social media platforms played a growing role in our communications during 2018. Overall, our combined Twitter<sup>16</sup> and LinkedIn following grew by 50% during 2018.



*The Charities Regulator's new mobile responsive website – [www.charitiesregulator.ie](http://www.charitiesregulator.ie)*

16 Twitter – available from: [https://twitter.com/Charities\\_Reg](https://twitter.com/Charities_Reg)

## Publications

The Charities Regulator launched and publicised four guidance documents during the year. They were 'What is a Charity?' in January; 'Guidance on Charities and the Promotion of Political Causes' in February; 'Registration Guidelines' and 'Managing Conflicts of Interest' in May<sup>17</sup>.

The unit managed the design, publication, and publicity for five reports during 2018. These were the 'Report of the Consultative Panel on the Governance of Charitable Organisations'<sup>18</sup>, the 'Charities Governance Code'<sup>19</sup>, the Charities Regulator Annual Report 2017, Indecon's 'Registered Irish Charities Social and Economic Impact Report 2018'<sup>20</sup>, and the 'Compliance Report 2017'<sup>21</sup>.



**Charity Checklist to help charities decide whether their organisation will meet the registration requirements – an extract from page 15 of 'What is a Charity?' guidance document.**



*At the launch of the Charities Governance Code: L-R Minister of State at the Department of Rural and Community Development, Seán Canney, Chairperson of the Charities Regulatory Authority, Patrick Hopkins and Interim CEO of the Charities Regulator, Helen Martin.*

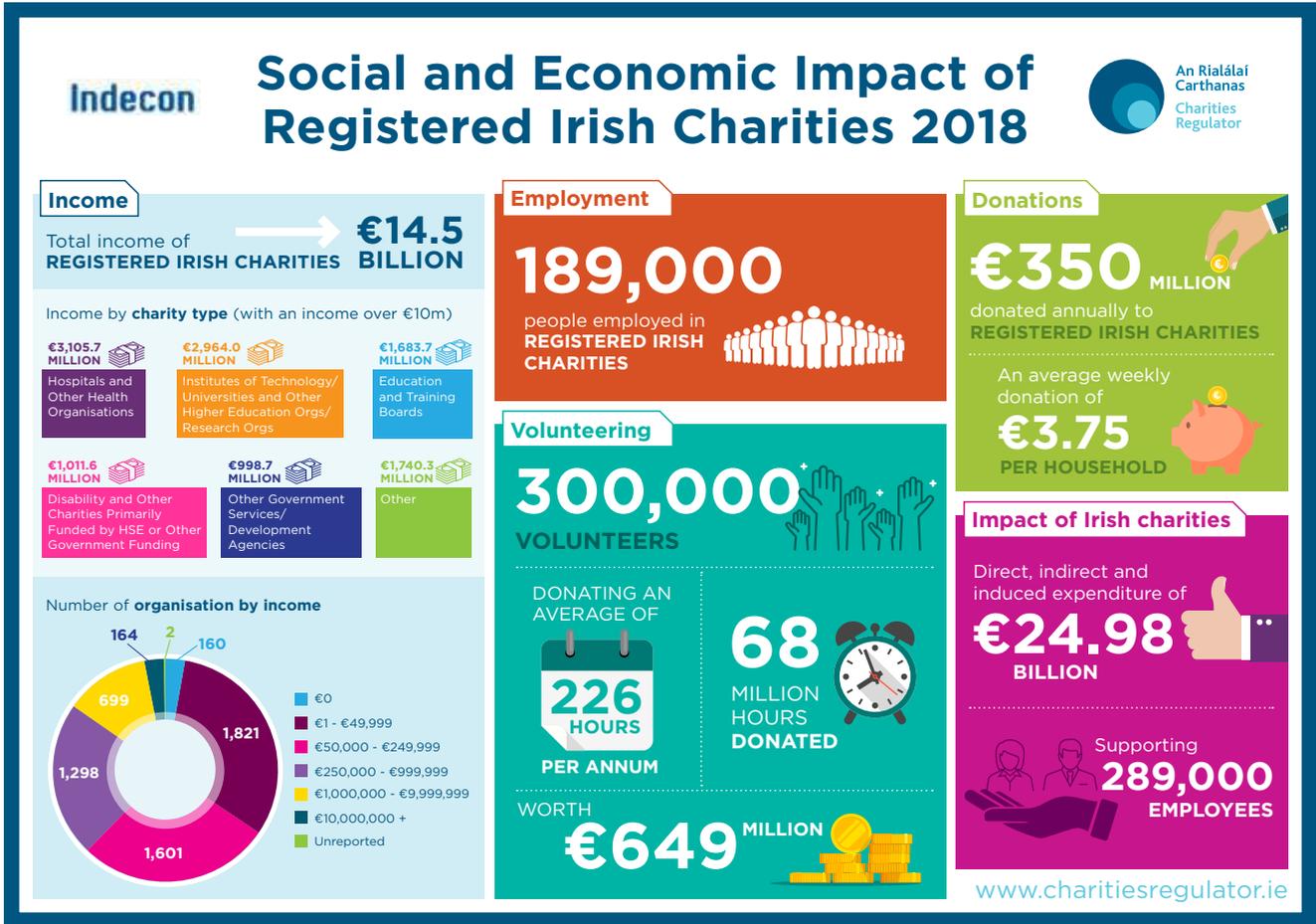
17 All of the Charities Regulator's guidance documents – available from: <https://www.charitiesregulator.ie/en/information-for-charities/guidance-for-charities>

18 'Report of the Consultative Panel on the Governance of Charitable Organisations' - available from: <https://www.charitiesregulator.ie/media/1389/report-of-the-consultative-panel-may-2018.pdf>

19 'Charities Governance Code' – available from: <https://www.charitiesregulator.ie/media/1609/charities-governance-code.pdf>

20 The Registered Irish Charities Social and Economic Impact Report - available from: <https://www.charitiesregulator.ie/media/1564/indecon-social-and-economic-impact-report-2018.pdf>

21 The 'Compliance Report 2017' – available from: <https://www.charitiesregulator.ie/media/1553/compliance-report-2017-august-2018.pdf>



Early in 2018, the Charities Regulator commissioned Indecon International Economic Consultants to produce the 'Registered Irish Charities Social and Economic Impact Report 2018'<sup>22</sup>. The report's analysis used data from the Public Register of Charities at the end of 2017, including information from annual reports provided to the Charities Regulator. Financial information regarding 5,746 charities was analysed as well as data from the Central Statistics Office.

### Charities Regulator's new ezine

The Charities Regulator launched its ezine 'Charities Regulator News'<sup>23</sup> in September. Four editions were published during the year. It is delivered to charities and charity trustees whose details are on the Register of Charities, as well as members of the public who can subscribe online through the Charities Regulator's website<sup>24</sup>.



22 The 'Registered Irish Charities Social and Economic Impact Report 2018' - available from: <https://www.charitiesregulator.ie/media/1489/social-and-economic-impact-report-2018.pdf>

23 Charities Regulator's News ezine - available from: <https://www.charitiesregulator.ie/en/information-for-the-public/email-updates-and-newsletter>

24 Ibid

## Stakeholder and Engagement Meetings

We hosted a series of ‘Meet the Charities Regulator’ meetings in September and October in Waterford, Athlone, Sligo and Limerick. Other meetings were held during the year in Wicklow (in conjunction with Wicklow PPN (Public Participation Network) and Dublin for charities and their charity trustees.

“ Very helpful and it helped me to have confidence in my administration responsibility. ”

“ The supportive role of the Charities Regulator is very re-assuring and welcome. The website and documents also appear to be very clear and informative. Many thanks. ”

*Feedback from charity trustees attending a seminar in St Andrews Resource Centre.*

## ‘Meet the Charities Regulator’ stakeholder engagement regional and ‘Charity Trustees’ Week 2018’ meetings



*Sarah Taylor Diocese of Kilmore, Elphin and Ardagh Church of Ireland and Andrew Elliott, Killinagh Parish Church of Ireland, attend the Sligo meeting on 10 October 2018.*



*Ann Breen Friends, Oncology Portiuncula Hospital and Tadhg Furlong, Cumann na Sagart attend ‘Meet the Charities Regulator’ event in Athlone on 4 October 2018.*



*Tom Malone, Head of Compliance and Enforcement, gives a talk at ‘Meet the Charities Regulator’ event in Limerick on 24 October 2018.*



*Participating in the Q&A Panel at the Charity Trustees’ Week 2018 event in Dublin were charity trustees guest speakers Pdraig McKeown, Dublin Simon Community, Sarah Watson, Aware and Margaret Foley, ‘Conor Foley Neuroblastoma Cancer Research Foundation’.*

Attending the Charities Seminar in the St Andrew's Resource Centre in Dublin on 27 June 2018 were L-R Melanie Crocy and Evelyn Byrne from Seal Rescue Ireland; Lisa Kelleher, St Andrew's Resource Centre and Lisa Kelleher from Shannon's Hope Line.



Kevin Mitchell and Kay Murphy, Wexford Festival attend the 'Meet the Charities Regulator' event in Waterford on 26 September 2018.



Participating in the Q&A Panel at the Charity Trustees' Week 2018 event in Cork were charity trustees guest speakers L-R: Denis Healy, The Donkey Sanctuary, Tom Butler, Ballincollig Tidy Towns and Mark Nolan, the Cope Foundation.

“Learnt a lot. A Director ... 6 years and learnt more in the last two hours than at all the meetings. Keep up the presentations. Thanks.”

“A very informative presentation. Heightened my awareness of issues that could be potential problems. Thank you.”

Feedback from charity trustees attending 'Meet the Charities Regulator' in Limerick.

## Launch of the Indecon 'Registered Irish Charities Social and Economic Impact Report' and the 'Report of the Consultative Panel on the Governance of Charitable Organisations'



*Attending the launch of the Consultative Panel report were L-R Stephanie Manahan, CEO, Central Remedial Clinic, Chairperson of the Charities Regulatory Authority, Patrick Hopkins, Senan Turnbull, Chairperson of the Consultative Panel and former member of the Charities Regulatory Authority, Minister of State at the Department of Rural and Community Development, Seán Kyne, Charities Regulator Chief Executive, John Farrelly and Authority Member Patricia Cronin.*



*Chairperson of the Charities Regulator, Patrick Hopkins, Minister Seán Kyne and Chief Executive John Farrelly attend the launch of the Indecon 'Registered Irish Charities Social and Economic Impact Report'.*



*Minister of State at the Department of Rural and Community Development Seán Kyne officially launching the Indecon 'Registered Irish Charities Social and Economic Impact Report'.*

## Charity Trustees' Week 2018



The second Charity Trustees' Week took place from 12-16 November. The Charities Regulator chaired a steering committee which also included Boardmatch, Charities Institute Ireland, the Carmichael Centre, Dóchas, Volunteer Ireland and The Wheel.

The aims of the week were:

- ▶ To celebrate and thank charity trustees for the key role which they play in the governance and leadership of Ireland's charities;
- ▶ To highlight the importance of good governance of boards, promote the need for a thorough knowledge of trustees' roles and responsibilities, education and upskilling of trustees;
- ▶ To highlight the need for new trustees to come forward, and highlight the means by which new trustees can be connected with charities that need trustees;
- ▶ To create a greater understanding and awareness among the general public of the role of trustees, and the awareness that trustees are members of the public.

A week-long series of events was organised by the groups represented on the steering committee. For its part, the Charities Regulator organised public meetings for charity trustees in Dublin and Cork during the week.

The Charities Regulator ran a week-long national radio advertising campaign to highlight the week. It also hosted a page of resources for charity trustees on its website.

Public information campaigns were undertaken regarding clothing collections and donations to charities at Christmas along with a further campaign designed to raise awareness of 'who is a charity trustee?' for the purposes of charity law.



**As a follow up to Charities Trustees' Week 2018, the Charities Regulator ran a 'Who is a Charity Trustee?' advertising campaign during December to raise awareness of the definition of a charity trustee and their legal duties. This included radio and newspaper advertisements and a dedicated page<sup>25</sup> on the Charities Regulator's website.**

25 The dedicated website page 'Who is a Charity Trustee?' contains relevant resources - available from: <https://www.charitiesregulator.ie/en/information-for-charities/who-is-a-charity-trustee>

## Parliamentary Questions

The Charities Regulator received 30 Parliamentary Questions during 2018 including queries relating to the Charities Regulator's expenditure and budget. Queries were also received in relation to the status of applications and governance issues concerning individual organisations.

## Public facing meetings

The Chief Executive and staff from the Charities Regulator spoke at a number of conferences and meetings during the year.



*Chief Executive of the Charities Regulator, John Farrelly attends as a speaker at 'Charities Working Across the Borders' conference in Armagh on 6 February 2018.*

These included the Northern Ireland Council for Voluntary Action (NICVA): Cross Border Charities event; the Voluntary Assistance Scheme of The Bar of Ireland's charity seminar; Institute of Chartered Secretaries and Administrators Annual Conference; the Community Connect Conference 2018 in Kilkenny in October; the Wheel Summit and the Tilman Brewin Dolphin – Charities/Not for Profit Conference.



*Singapore's Commissioner of Charities, Dr Ang Hak Seng (centre seated) and Nadia Lajam (centre standing) met with Chief Executive of the Charities Regulator John Farrelly (front right) and members of his executive management team in Dublin on 30 July 2018.*

# 5

## Developing an efficient and effective organisation

Commenced the process of developing the second Statement of Strategy 2019-2021



Changes made to the configuration and management of the Charities Regulator's telephone system



Launched the first phase of the new Digital Platform System and commenced work on the second phase

In line with the Authority's first Statement of Strategy, a key strategic objective was to develop the Charities Regulator as an effective and efficient independent regulatory Authority.

An Oversight and Assurance Agreement was agreed between the Charities Regulator and the Department of Rural and Community Development. The document outlined an agreed level of service to be provided to the Charities Regulator. It also outlined requirements on the part of the Charities Regulatory Authority regarding the delivery of ongoing improvements in efficiency and effectiveness and the Authority's compliance with the relevant requirements of the 'Code of Practice for the Governance of State Bodies' (2016).

In the latter part of 2018, the Charities Regulator commenced the process of developing its second Statement of Strategy for 2019 to 2021.

In order to facilitate the delivery of this Statement of Strategy, an external service provider was engaged by the Charities Regulator to support the strategic planning process. A crucial element of the strategic planning process involved capturing the views of internal stakeholders (staff) within the Charities Regulator and external stakeholders.

## Authority members and development

In January 2018, three new members were appointed to the Authority. In October 2018, the terms of office of three members of the Authority concluded and four members were re-appointed to the Authority.

The members of the Authority completed a self-evaluation survey in relation to 2018 and a number of actions were identified. These actions will be considered as part of the Authority's work in 2019.

## Organisational and financial resource review

The Authority continued to put in place the human and financial resources and structures required to implement the Charities Regulator's statutory remit and achieve its strategic objectives during 2018. The Charities Regulator worked closely with the Department of Rural and Community Development to identify suitably skilled and experienced staff to fill vacancies within the organisation.

At the end of 2018, the Charities Regulator had 39 members of staff.

## Quality Management System

The development of a Quality Management System (QMS) commenced in 2016. While work on QMS implementation continued during 2018, plans to seek certification to ISO 9001:2015 were deferred due to resource constraints and the need to devote available resources to the implementation of the new Digital Platform System.

The Charities Regulator intends to revisit its QMS project during 2019.

## Stakeholder service

The Charities Regulator published its 'Public Service Charter' in August 2018.

Five complaints were managed under the Charities Regulator's Customer Complaints Policy in 2018.

## Facilities

The Corporate Affairs unit is responsible for maintaining a fit-for-purpose and safe premises, and for facilitating arrangements for internal meetings, stakeholder meetings and other events.

The Charities Regulator continues to operate from offices at 3 George's Dock, IFSC, Dublin 1, for which it has a 10-year lease. The offices are open-plan and designed to accommodate both independent and team working. There remains sufficient space to accommodate new staff members as required.



## Digital platform

The availability of a new Digital Platform is a key resource for staff and those seeking to interact with the Charities Regulator. The rollout of the Charities Regulator's new Digital Platform System continued in 2018.

Work commenced on Phase Two of the Digital Platform System in Quarter 3 of 2018 and substantial progress was made in developing the Platform to include a modern case management system and a new online application facility to accommodate applications under the Charities Acts 1961 and 1973.

The Digital Platform System is unifying the various business units and in addition to introducing greater efficiencies in regulatory processes, is delivering on-demand management reporting and analysis capability that in turn, will ultimately support compliance, monitoring and other key regulatory activities.

“ Simple layout and avoidance of information overload. ”

“ Excellent, site very clear and most helpful information. Well done! ”

*Charity Trustees testing the new website and digital platform before its launch.*

## Telephone System

To coincide with the launch of the new Digital Platform System at the end of July 2018, a number of changes were made to the configuration and management of the Charities Regulator's telephone system as it relates to the handling of inbound calls.

- ▶ The hours of coverage were extended from 12:30 – 17:00 to 10:00 – 17:00 Monday to Friday;
- ▶ A specific helpdesk to assist users of the new Digital Platform System was established;
- ▶ New analytic tools were employed to measure call handling activities and performance to improve response times and the overall caller experience;
- ▶ Data captured in the first three months following the launch of the Digital Platform System was used to refine the User Guides and FAQ sections that are provided for users of the Digital Platform System and the associated training materials and guidance for staff of the Charities Regulator responsible for operating the new system.

## Risk management

Risk and control functions are under the oversight of the Finance, Audit, Risk and Governance Committee.

The Charities Regulator has a Corporate Risk Register and its Risk Management Framework is aligned with the Department of Public Expenditure Reform's guidelines on Risk Management.

Strategic Corporate Risks identified in 2018 included the following:

1. Insufficient staff with the appropriate competencies and skill sets in key posts, which affects the Charities Regulator's capability to develop and provide effective service;
2. A major 'event' occurs in the charity sector, which the Charities Regulator cannot respond to effectively due to shortage of suitably skilled staff resources;
3. Failure to engage with stakeholders effectively thereby affecting the ability of the Charities Regulator to provide acceptable service delivery.

Plans and actions were put in place to mitigate risks identified in 2018.

## Procurement

A number of procurement competitions were successfully completed by the Corporate Affairs Unit in 2018. Access to the Office of Government Procurement (OGP) contracts and frameworks provided additional support to implementation of the Charities Regulator's procurement schedule. Public procurement competitions completed in 2018 included the following:

- ▶ Framework for the Provision of Legal Services to Public Sector Bodies;
- ▶ Irish Language Translation of Website Content Services;
- ▶ Service to deliver a Governance Code for Charities;
- ▶ Service for the provision of a suite of guidance documents relating to the Charities Code of Governance;
- ▶ Research Service to produce a report into the potential for a 'Charity Passport' Scheme in Ireland.

## Financial reporting

Financial narrative and reports showing details of expenditure against budget were presented to, and considered by, the Charities Regulatory Authority at all of its meetings during 2018.

The Charities Regulator continued to adhere to the relevant aspects of the Public Spending Code published by the Department of Public Expenditure and Reform throughout 2018. Draft accounts were submitted to the Department of Rural and Community Development in accordance with the timescale set out in the Code of Practice for the Governance of State Bodies (2016).

The Financial Statements of the Charities Regulatory Authority for the year ended 31 December 2018 were prepared under FRS102, the Financial Reporting Standard applicable to the UK and Ireland issued by the Financial Reporting Council (FRC) and promulgated by Chartered Accountants Ireland. These are the Charities Regulatory Authority's third set of financial statements prepared in accordance with FRS102.

The Charities Regulator's annual accounts for 2018 have been submitted to the Comptroller and Auditor General in accordance with section 30 of the Charities Act 2009.

## Internal audit

An audit of the Charities Regulator's internal controls was carried out in 2018 during which no material issues were identified.

The Charities Regulator also received a report on a Registration and Reporting Audit Review, which had been carried out at the end of 2017. The Report included two priority recommendations, which were duly addressed during 2018.

## Disclosure of interests

In accordance with the Code of Practice for the Governance of State Bodies (2016), the Charities Regulator has a Code of Business Conduct, which includes guidance in relation to the disclosure of interests by Authority members.

Authority members are designated directors for the purpose of the Ethics in Public Office Acts 1995 and 2003, and have obligations in relation to disclosure of material interest and an annual statement of interest under the terms of the Acts.

### Health and safety

The Charities Regulator is committed to providing a safe place to work in accordance with the Safety, Health and Welfare at Work Act 2005. One fire drill took place at the Charities Regulators Offices in 2018. There were no reportable accidents in 2018.

### Protected disclosures

In accordance with section 21(1) of the Protected Disclosures Act 2014, the Authority adopted a Protected Disclosures Policy, which provides the Authority with a process for handling matters of concern disclosed to it by staff.

No disclosure as defined by the Protected Disclosures Act 2014 was made by staff to the Authority during 2018.

### Access to Information

The Charities Regulator is committed to being an open and accessible organisation. The Freedom of Information (Fol) Act 2014 is one method through which a member of the public can request access to information where they have been unable to access information under alternative routes.

We resolved a total of 50 non-personal FOI requests, one personal and four mixed (a combination of personal and non-personal) during 2018. Of these 55 requests, we received 8 subsequent requests for an internal review. No requests remained open at the end of the year.

**Table 6 - Freedom of Information requests**

Total Requests received in 2018	Total	Granted	Part Granted	Refused	Withdrawn	Internal Review
Personal	1					
Non-Personal	50	7	15	19	14	8
Mixed	4					
Open	0					
Total	55					



## Data Protection requests

The Charities Regulator received two requests for information under the Data Protection Act in 2018. One set of records were released and the other set was withheld.

**Table 7** - Data Protection requests

Total Requests received in 2018	Total	Released	Granted and some Withheld	Withheld	ID not provided	Submitted incorrectly
Personal Information	2	1		1		
Total	2					



# Governance and Management

The Charities Regulatory Authority is an independent statutory authority, which was established in 2014.

The Charities Regulatory Authority comprises of an Authority (which as of 31 December 2018 had 10 members), four sub-committees, an Interim Chief Executive, an executive management team and individual business units.



# Membership and Meetings

## The Charities Regulatory Authority (“The Authority”).



**Patrick Hopkins** (*Chairperson*)  
(*Re-appointed 16 October 2018*)

Patrick was Company Secretary and manager – Corporate Services Division at Enterprise Ireland (EI) prior to his retirement in November 2013.



**Katie Cadden**  
(*Re-appointed 16 October 2018*)

Katie is a solicitor experienced in advising in matters of charity law, public law and litigation. She also has specialist knowledge in corporate governance and has advised a range of organisations on various governance issues. Katie regularly lectures in charity law at the Law Society of Ireland.



**Niamh Cahill**  
(*Appointed 17 January 2018*)

Niamh Cahill is a barrister with extensive legal experience and a keen interest in corporate governance. She is a member of the Mental Health Commission.



**Patricia Cronin**

Patricia is a solicitor who has worked in both the private and public sectors, including over 25 years in various roles with IDA Ireland.



**Tom Costello**

Tom has held leadership positions in philanthropy, in the non-profit and public sectors, and in management development. He currently advises on policy and practice in the children’s and ageing sectors in particular.



**Fergus Finlay**  
(*Re-appointed 16 October 2018*)

Fergus Finlay retired as Chief Executive of Barnardos in October 2018.



**Máire McMahon**

*(Appointed 17 January 2018)*

Máire McMahon is a solicitor in Tipperary, trustee of a small charity, and active volunteer and former trustee of the SVP.



**Graham Richards**

*(Re-appointed 16 October 2018)*

Graham is a Notary Public and a retired solicitor. He was a Commissioner of Charitable Donations and Bequests for Ireland from 2004 to the dissolution of the Commissioners and transfer of their functions to the Charities Regulator in 2014.



**Ercus Stewart SC**

*(Appointed 17 January 2018)*

Ercus Stewart SC has practised at the Bar for over 40 years and practises also as an arbitrator and mediator.



**David Brady**

David Brady is a Chartered Accountant, consultant and advisor to the charity sector.



**Noel Wardick**

*(Term ended 15 October 2018)*

Noel worked as a senior professional in the overseas aid sector for 16 years. He is currently the CEO of Dublin City Community Cooperative.



**Sandra Chambers**

*(Term ended 15 October 2018)*

Sandra is a company director and chartered tax advisor.



**Cynthia Clampett**

*(Term ended 15 October 2018)*

Cynthia (former Chief Executive, Mayo Roscommon Hospice Foundation) has over 20 years' experience of charitable fundraising, management and development.

## Board Meeting Attendance January to November 2018

Board Members	Total	25 Jan 2018	01** Feb 2018	22 Feb 2018	26 Apr 2018	24 May 2018	28 June 2018	23 Aug 2018	27 Sept 2018	25 Oct 2018	29 Nov 2018
Patrick Hopkins***	10 out of 10	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sandra Chambers*	7 out of 8	✓	✓	✓	✓	✓	✓	✓			
Patricia Cronin	9 out of 10	✓	✓	✓		✓	✓	✓	✓	✓	✓
Graham Richards***	9 out of 10	✓	✓		✓	✓	✓	✓	✓	✓	✓
David Brady	9 out of 10	✓	✓	✓	✓	✓	✓	✓	✓		✓
Noel Wardick*	7 out of 8		✓	✓	✓	✓	✓	✓	✓		
Tom Costello	9 out of 10	✓	✓	✓		✓	✓	✓	✓	✓	✓
Katie Cadden***	9 out of 10	✓	✓	✓	✓		✓	✓	✓	✓	✓
Fergus Finlay***	9 out of 10	✓	✓	✓	✓	✓	✓		✓	✓	✓
Cynthia Clampett*	6 out of 8	✓	✓	✓		✓	✓	✓			
Máire McMahon****	9 out of 10	✓	✓	✓	✓	✓	✓	✓		✓	✓
Ercus Stewart****	9 out of 10	✓	✓	✓		✓	✓	✓	✓	✓	✓
Niamh Cahill****	9 out of 10		✓	✓	✓	✓	✓	✓	✓	✓	✓

\* Board members term of office ended 15 October 2018

\*\* Board meeting held electronically

\*\*\* Patrick Hopkins, Graham Richards, Katie Cadden and Fergus Finlay were re-appointed on 16 October 2018.

\*\*\*\* Niamh Cahill, Máire McMahon and Ercus Stewart were appointed to the Board on 17 January 2018

## Authority Members' Fees and Expenses

There were 10 meetings of the Authority in the period 1 January 2018 to 31 December 2018 and the related fees were €60,846 in 2018. Details of attendance and amounts paid to the members are outlined below. Fees were paid at the approved standard rate set by the Department of Public Expenditure and Reform.

Board Members	Board Fees in 2018	Travel and Subsistence in 2018	Board Meetings Attended in 2018
Patrick Hopkins	€8,978.00	€3,260.00	10 out of 10
Sandra Chambers	€4,733.00	-	7 out of 8
Patricia Cronin	€5,985.00	-	9 out of 10
Graham Richards*	-	-	9 out of 10
David Brady	€5,985.00	-	9 out of 10
Noel Wardick*	-	-	7 out of 8
Tom Costello	€5,985.00	-	9 out of 10
Katie Cadden	€5,985.00	€583.00	9 out of 10
Fergus Finlay**	€1,251.00	-	9 out of 10
Cynthia Clampett	€4,733.00	€649.00	6 out of 8
Máire McMahon	€5,737.00	-	9 out of 10
Ercus Stewart	€5,737.00	-	9 out of 10
Niamh Cahill	€5,737.00	-	9 out of 10

\* Members who waived their fees in 2018

\*\* 'One Person, One Salary' principle 2016 for a portion of 2018

The Authority has established four committees:

## Finance, Audit and Risk Committee\*

The Finance, Audit, Risk & Governance Committee is responsible for advising the Board of the Authority on whether an appropriate regime of internal control, financial and other, is in operation but not for the formulation or implementation of such a regime, which is the responsibility of the Executive of the Authority.

*\*The Finance, Audit and Risk Committee added Governance to its remit in June 2018. Its role was expanded to include overseeing the implementation of the 'Code of Practice for the Governance of State Bodies' (2016).*

The Committee met five times during 2018. Its membership consisted of:

- ▶ David Brady (*Chairperson and Authority member*);
- ▶ Noel Wardick (*Authority Member, term ended 15 October 2018*);
- ▶ Máire McMahon (*Authority Member, joined 2 July 2018*);
- ▶ Adrian Clements (*External Member*);
- ▶ Nuala Comerford (*External Member*).

Committee Members	Total	15 Jan 2018	16 Mar 2018	11 Jun 2018	02 Jul 2018	03 Dec 2018
David Brady	5 out of 5	✓	✓	✓	✓	✓
Noel Wardick	4 out of 4	✓	✓	✓	✓	
Máire McMahon	2 out of 2				✓	✓
Adrian Clements	5 out of 5	✓	✓	✓	✓	✓
Nuala Comerford	5 out of 5	✓	✓	✓	✓	✓

## Regulatory Committee\*

The Regulatory Committee's role is to oversee the effectiveness and controls around the delivery of the Authority's registration, reporting and other regulatory functions.

*\*The Regulatory and Governance Committee transferred responsibility for the oversight of Governance to the Finance, Audit and Risk Committee in June 2018.*

Its membership consisted of:

- ▶ Katie Cadden (*Chairperson and Authority Member*);
- ▶ Tom Costello (*Authority member*);
- ▶ Patrick Hopkins (*Authority member, resigned from the Committee in June 2018*);
- ▶ Patricia Cronin (*Authority Member, appointed to the Committee in June 2018*).

Committee Members	Total	22 Feb 2018	26 Apr 2018	28 Jun 2018	23 Aug 2018	29 Nov 2018
Katie Cadden	5 out of 5	✓	✓	✓	✓	✓
Tom Costello	4 out of 5	✓		✓	✓	✓
Patrick Hopkins	2 out of 2	✓	✓			
Patricia Cronin	3 out of 3			✓	✓	✓

## Performance and Resource Planning Committee

The Committee was established to assist the Authority to manage the recruitment of a Chief Executive, to oversee the performance management process for senior management and to consider the terms and conditions of members of staff of the Charities Regulator including the terms under which staff are assigned/seconded/allocated/transferred to the Charities Regulator. There are four members on the Committee, all of whom are members of the Authority.

The Committee met five times during 2018. Its membership consisted of:

- ▶ Patrick Hopkins (*Authority member and Chairperson*);
- ▶ Tom Costello (*Authority member*);
- ▶ Patricia Cronin (*Authority member*);
- ▶ Fergus Finlay (*Authority member*).

Committee Members	Total	13 Feb 2018	14 May 2018	23 Aug 2018	25 Oct 2018	07 Dec 2018
Patrick Hopkins	5 out of 5	✓	✓	✓	✓	✓
Tom Costello	5 out of 5	✓	✓	✓	✓	✓
Patricia Cronin	4 out of 5	✓		✓	✓	✓
Fergus Finlay	5 out of 5	✓	✓	✓	✓	✓

## Charity Services Committee

The Committee was established to assist the Authority in carrying out the functions previously vested in the Commissioners of Charitable Donations and Bequests. These include authorising disposal of charity property, appointment of new charity trustees and vesting of charity property in charity trustees, framing of schemes of incorporation and Cy-près schemes and approval of grants and scholarships.

Its membership consisted of:

- ▶ Graham Richards (*Authority Member and Chairperson*);
- ▶ Katie Cadden (*Authority Member, resigned from the Committee in May 2018*);
- ▶ Sandra Chambers (*Authority Member, term ended 15 October 2018*);
- ▶ Patricia Cronin (*Authority Member, resigned from the Committee in May 2018*);
- ▶ Niamh Cahill (*Authority Member, appointed to the Committee in May 2018*);
- ▶ Ercus Stewart (*Authority Member, appointed to the Committee in May 2018*);
- ▶ Judge John O'Connor (*External Member*).

Committee Members	Total	12 Jan 2018	08 Feb 2018	12 Apr 2018	10 May 2018	14 Jun 2018	02 Aug 2018	13 Sept 2018	11 Oct 2018	15 Nov 2018
Graham Richards	9 out of 9	✓	✓	✓	✓	✓	✓	✓	✓	✓
Katie Cadden	3 out of 3	✓	✓	✓						
Sandra Chambers	7 out of 7	✓	✓	✓	✓	✓	✓	✓		
Patricia Cronin*	3 out of 3	✓	✓	✓						
Niamh Cahill	5 out of 6				✓	✓		✓	✓	✓
Ercus Stewart	3 out of 6				✓	✓			✓	
Judge John O'Connor	7 out of 9	✓	✓	✓			✓	✓	✓	✓

# Staffing

The Charities Regulator designed a Human Resources Strategy in 2016 which it continued to roll out in 2018. Recruiting staff with the requisite competencies and skill sets continued to be a challenge in 2018. Additional support services continued to be retained in 2018 in a temporary capacity to assist with the establishment of a number of key operational activities.

The staffing complement in the Charities Regulator increased to 47 early in 2018. However at the end of 2018 the number of staff had reduced to 39.



The executive management team consisted of:

(\*John Farrelly, Eamon O'Halloran and Meiread Ashe resigned from their positions on 30 October 2018, 29 May 2018 and 15 November 2018 respectively.)



### **John Farrelly\***

John was appointed as Chief Executive of the Charities Regulator in May 2016.

Previous to that he was Deputy Chief Inspector of Social Services, where he led on the regulation of nursing homes and services for children.



### **Helen Martin**

Helen Joined the Charities Regulator as Director of Regulation in March 2017. She was appointed as Interim CEO of the Charities Regulator in October 2018. Helen is a solicitor and previously worked in the Office of the Attorney General, and as a senior associate in the Regulatory and Competition law unit of a large solicitor's firm.

Helen also worked in the private sector for over 10 years as an in-house legal and regulatory advisor for a number of telecommunications companies.



### **Meiread Ashe\***

Meiread joined the Charities Regulator in September 2016 as Head of Corporate Affairs and also acted as Secretary to the Authority.

Previous to this Meiread was the Head of the Central Policy unit in the Department of Public Expenditure and Reform and has extensive experience in management of corporate services and finance in a range of organisations in the private and public sectors.



### **Eamon O'Halloran\***

Eamon was appointed Head of Registration and Reporting in June 2015.

Eamon has significant experience in both public and private sectors. Prior to joining the Charities Regulator Eamon held a management role with the Official Assignee in Bankruptcy.



**Tom Malone**

Tom joined the Charities Regulator in August 2016 as Head of Compliance and Enforcement.

In October 2018 he was appointed as acting Director of Regulation. Prior to joining the Charities Regulator Tom spent 10 years with the Office of the Comptroller and Auditor General conducting financial audits and value for money examinations.



**Eamon Timmins**

Eamon joined the Charities Regulator as Head of Communications and Stakeholder Development in May 2017. Before that he worked for 11 years with the older people's charity, Age Action, initially as Head of Communications and later as Chief Executive.

He was a Journalist for 19 years, working for a number of national and regional titles.



**Ciara Cahill**

Ciara joined the Charities Regulator in August 2015, as legal advisor and she manages the Charity Services function of the Charities Regulator.

Ciara continues to provide legal advice to the Registration, Compliance and Corporate Affairs functions of the Charities Regulator.

**Office:** 3 George's Dock, IFSC, Dublin 1 D01 X5X0

# Index to Financial Statements



# Charities Regulatory Authority

For the year ended 31 December 2018

## Administration

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For the year ended 31 December 2018

### **The Charities Regulatory Authority ("The Authority")**

Patrick Hopkins (*Chairperson, re-appointed October 2018*)

David Brady

Katie Cadden (*re-appointed October 2018*)

Niamh Cahill (*appointed January 2018*)

Sandra Chambers (*term ended October 2018*)

Cynthia Clampett (*term ended October 2018*)

Tom Costello

Patricia Cronin

Fergus Finlay (*re-appointed October 2018*)

Máire McMahon (*appointed January 2018*)

Graham Richards (*re-appointed October 2018*)

Ercus Stewart (*appointed January 2018*)

Noel Wardick (*term ended October 2018*)

### **Chief Executive**

John Farrelly (*16 May 2016 - 29 October 2018*)

Helen Martin (*appointed Interim CEO 30 October 2018*)

### **Office**

3 George's Dock, IFSC, Dublin 1, D01 X5X0

## Financial Statements

The summarised financial information that is set out in this report is derived from the Audited accounts from the Comptroller and Auditor General.

### Summarised Income and Expenditure Account for the Charities Regulator Year ended 31 December 2018.

<b>Income</b>	<b>€'000</b>
Department of Rural and Community Development	3,960
<b>Total Income</b>	<b>3,960</b>
<b>Expenditure</b>	<b>€'000</b>
Staff Costs	2,132
Administration	1,465
Audit	17
Depreciation	63
<b>Total Expenditure</b>	<b>3,677</b>
<b>Excess of Income over Expenditure</b>	<b>283</b>
Transfer to Capital Account	(236)
<b>Surplus for the year</b>	<b>47</b>
<b>Opening reserves</b>	<b>83</b>
<b>Closing reserves</b>	<b>130</b>

More detailed information is available in the full accounts for the period ended 31 December 2018 and the Comptroller and Auditor General's certificate for the accounts. Copies of the accounts can be obtained from our website<sup>26</sup>.

<sup>26</sup> The Charities Regulator's website - available at: [www.charitiesregulator.ie](http://www.charitiesregulator.ie)

## Financial Statements – Common Investment Fund

The summarised financial information that is set out in this report is derived from the Audited accounts from the Comptroller and Auditor General.

	<b>€'000</b>
Common Investment Fund/Other receipts	2,031
Interest	3
New Charity Funds	0
<b>Total Income</b>	<b>2,034</b>
<b>Expenditure</b>	<b>€'000</b>
Common Investment Fund transfers and other payments	(1,930)
<b>Total Expenditure</b>	<b>(1,930)</b>
<b>Excess of Income over Expenditure</b>	<b>104</b>
<b>Opening reserves</b>	<b>1,278</b>
<b>Closing reserves</b>	<b>1,382</b>

More detailed information is available in the full accounts for the period ended 31 December 2018 and the Comptroller and Auditor General's certificate for the accounts. Copies of the accounts can be obtained from the website - [www.charitiesregulator.ie](http://www.charitiesregulator.ie).

## Statement on Internal Control

### Scope of responsibility

On behalf of the Charities Regulatory Authority, we hereby acknowledge our responsibility for ensuring that an effective system of internal control is maintained and operated. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies (2016).

### Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it. The system can therefore only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or detected in a timely way.

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform has been in place in the Charities Regulatory Authority for the year ended 31 December 2018 and up to the date of approval of the financial statements.

### Capacity to Handle Risk

The Charities Regulatory Authority has a Finance, Audit and Risk Committee (FAR) comprising three Board members one of whom is the Chair and two external members, with financial and audit expertise. The FAR met five times in 2018.

The Charities Regulatory Authority has also established its internal audit function through the Department of Justice and Equality, which was adequately resourced and conducted a programme of work agreed with the FAR in 2018.

The FAR has developed a risk management policy, which sets out its risk appetite, the risk management processes in place, and details the roles and responsibilities of staff in relation to risk. The policy has been issued to all staff, who are expected to adhere to it.

### Risk and Control Framework

The Charities Regulatory Authority has implemented a risk management system which identifies and reports key risks and the management actions being taken to address and, to the extent possible, to mitigate those risks.

A risk register is in place which identifies the key risks facing the Charities Regulatory Authority and these have been identified, evaluated and graded according to their significance. The register is reviewed and updated by the FAR on a quarterly basis. The outcome of these assessments is used to plan and allocate resources to ensure risks are managed to an acceptable level.

The risk register details the controls and actions needed to mitigate risks and responsibility for operation of controls assigned to specific staff. We confirm that a controlled environment containing the following elements is in place:

- ▶ procedures for all key business processes have been documented;
- ▶ financial responsibilities have been assigned at management level with corresponding accountability;
- ▶ there is an appropriate budgeting system with an annual budget which is kept under review by senior management;
- ▶ there are systems aimed at ensuring the security of the information and communication technology systems; and
- ▶ there are systems in place to safeguard the assets.

## Ongoing Monitoring and Review

---

Formal procedures have been established for monitoring control processes, and control deficiencies are communicated to those responsible for taking corrective action and to management and the Board, where relevant, in a timely way. We confirm that the following ongoing monitoring systems are in place:

- ▶ key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies,
- ▶ reporting arrangements have been established at all levels where responsibility for financial management has been assigned, and
- ▶ there are regular reviews by senior management of periodic and annual performance and financial reports which indicate performance against budgets/forecasts.

## Procurement

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We confirm that the Charities Regulatory Authority has procedures in place to ensure compliance with current Office of Government Procurement (OGP) rules and guidelines.

## Review of Effectiveness

---

We confirm that the Charities Regulatory Authority has procedures to monitor the effectiveness of its risk management and control procedures. The Charities Regulatory Authority's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal and external auditors, the Finance, Audit and Risk Committee which oversees their work, and senior management within the Charities Regulatory Authority responsible for the development and maintenance of the internal financial control framework.

We confirm that the Board conducted an annual review of the effectiveness of the internal controls for 2018.

## Internal Control Issues

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The internal controls were strengthened within the Charities Regulatory Authority to ensure all payments were supported by relevant backup, with evidence of authorisation and approval by the Head of Corporate Affairs/Accountant/Chief Executive to prevent erroneous payments and minimise the risk of financial loss statements.

## Employee Benefits

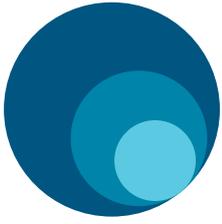
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There were no long-term benefits expected to be settled after 12 months of the annual reporting period.









An Rialálaí  
Carthanas  
Charities  
Regulator

Document Reference No SE REP 9.1 002

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## Appendix 2 - Statement of Strategy 2019 - 2021



An Rialálaí  
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Charities  
Regulator

# Statement of Strategy 2019-2021





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## 1

# Introduction

## Chairperson’s Introduction



**Patrick Hopkins**  
Chairperson

**The Charities Regulatory Authority (“Charities Regulator”) is responsible for the registration and regulation of all charities that carry out activities in Ireland.**

It was established in October 2014 to regulate Ireland’s charities in accordance with the Charities Act 2009. Ireland’s charities play a vital role in our society and provide public benefit to communities in Ireland and across the world. Having the trust and confidence of the public is essential to charities, as many raise funds from the public to help meet the cost of their charitable work.

Our first Statement of Strategy 2016 – 2018 was about getting established and resourced to deliver on our mandate. The strategic objectives set out were achieved through the huge effort and commitment of our staff and the very active support of our parent departments - the Department of Justice and Equality (Oct 2014 – July 2017) and the Department of Rural and Community Development (DRCD) (since July 2017).

This Second Statement of Strategy focuses on embedding and developing on the achievements of the first strategy. A pillar of the Charities Regulator’s mandate is to increase public trust and confidence in charities through effective yet proportionate regulation. In fulfilling this role, we will work to support charity trustees in complying with their legal obligations, and take steps to address non-compliance where necessary. In addressing non-compliance, the 2019 – 2021 strategy is based on the introduction of a risk-based model of regulation and a focus on ensuring compliance with standards of best practice in governance.

Over the next three years, we will build on the achievements of the first strategy and increase the information available on registered charities to donors, beneficiaries and the general public. This work will help to strengthen the accountability of the charity sector, and provide a valuable source of information for charity funding bodies, donors and beneficiaries. We will also seek to improve the volume and quality of guidance on good practice available to charities, with a particular focus on embedding the new Charities Governance Code in all charities, large and small.

The next three years will see further organisational development of the Charities Regulator as we continue our work to build an effective and efficient regulatory authority within the resources available to us. While the Charities Regulator is an independent authority, staff are currently assigned from our parent department – DRCD. During the lifetime of this strategy, it is proposed to move the authority to corporate independence and directly employ staff with the required expertise to deliver on our mandate. To achieve this objective, we will continue to actively engage with DRCD and the Department of Public Expenditure and Reform (DPER).

The work that we do in no small way depends on the continuing active support and engagement of stakeholders, especially from within the sector itself. We wish to thank our stakeholders for the support they have given us over the last three years and look forward to the valued engagement of all our stakeholders as we move into the period of our Second Statement of Strategy.

**Patrick Hopkins**  
Chairperson

## Interim Chief Executive's Introduction



**Helen Martin**  
Interim Chief  
Executive

**The functions and overall remit of the Charities Regulator are set out in the Charities Act 2009 and the Charities Acts 1961 and 1973.**

Over the last three years, the Charities Regulator has made significant progress in creating an organisational structure that supports the delivery of our statutory mandate. However, securing and retaining suitably qualified and experienced regulatory staff remains a significant challenge for the Charities Regulator as we move into the period of our second statement of strategy. Our overall strategic plan for the period 2019 – 2021 is dependent on successfully addressing this challenge in a way that delivers a fully resourced, experienced and stable staff complement.

In the period of our first statement of strategy, with the support of an increased budget, we established the Public Register of Charities, successfully launched our new IT Platform, introduced 'Guidelines for Charitable Organisations on Fundraising from the Public', launched the Charities Governance Code and published important research on the social and economic impact of charities in Ireland along with a suite of guidance documents for charity trustees on a range of topics. We intend to work with all of our stakeholders to build on this work over the next three years. We will do this by further developing our organisation and our IT Platform in a manner that supports the delivery of proportionate and risk-based regulation for the benefit of charities, funders, donors, beneficiaries, volunteers and the wider public.

Work remains to be done particularly in the area of transparency and accountability of charities to their stakeholders. The use of abridged accounts by some charities, which provide limited insight into the finances of their organisations, highlights this. We are conscious that full implementation of the statutory provisions relating to the preparation of accounts by charities and their audit and independent review will contribute significantly to achieving greater transparency and accountability. During the period of our first statement of strategy, we made significant progress in advancing the legislative amendments and draft regulations required to fully implement the provisions of the Charities Act 2009 relating to financial statements and their review. Our ability to fully realise our strategic plan for the period 2019 – 2021 and associated yearly business plan targets, particularly those relating to the application of risk-based regulation and deployment of our new IT Platform, will be reliant on the required legislation being enacted. I am therefore hopeful that the Charities Regulator will continue to receive the support of all relevant stakeholders in this regard.

As we move into the period of our next Statement of Strategy, it is important to acknowledge the hard work and dedication of the staff of the Charities Regulator and everyone that has engaged so positively with us over the last three years to support us in our development. Both I and the staff of the Charities Regulator, look forward to working with all of our stakeholders and moving closer to the realisation of the Charities Regulator's vision for a vibrant, trusted charity sector that is valued for the public benefit that it provides.

A handwritten signature in black ink that reads "Helen Martin". The signature is written in a cursive, flowing style.

**Helen Martin**  
Interim Chief Executive

# 2 Contextual Overview

## **Charitable organisations (“charities”) are a fundamental part of society and provide substantial public benefit in a variety of ways.**

Ireland has a diverse charity sector with almost 10,000 organisations registered as charities, which include public service type organisations such as major hospitals, universities and government services as well as smaller, localised and community-based organisations.

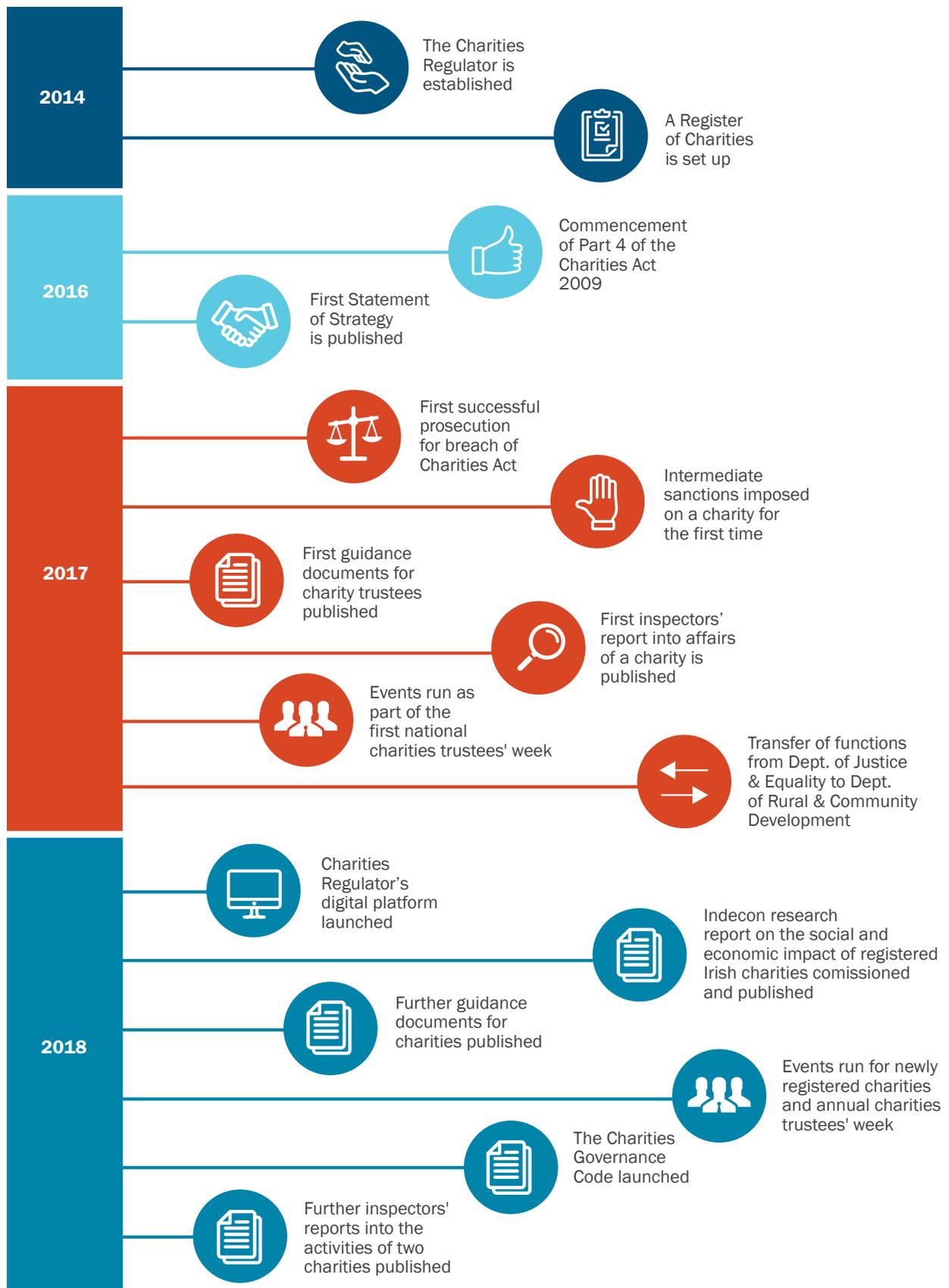
Charities receive support in many ways, including by way of volunteering, donations and State funding. Charities must demonstrate how they advance charitable purposes and achieve public benefit in an open and transparent manner, irrespective of their size.

In order for the charity sector to prosper and continue to contribute to the communities in which they operate, it is essential that public trust and confidence exists. Levels of trust and confidence in charities have been eroded in recent years, resulting in governance and fundraising practices being placed under ever-increasing public scrutiny.

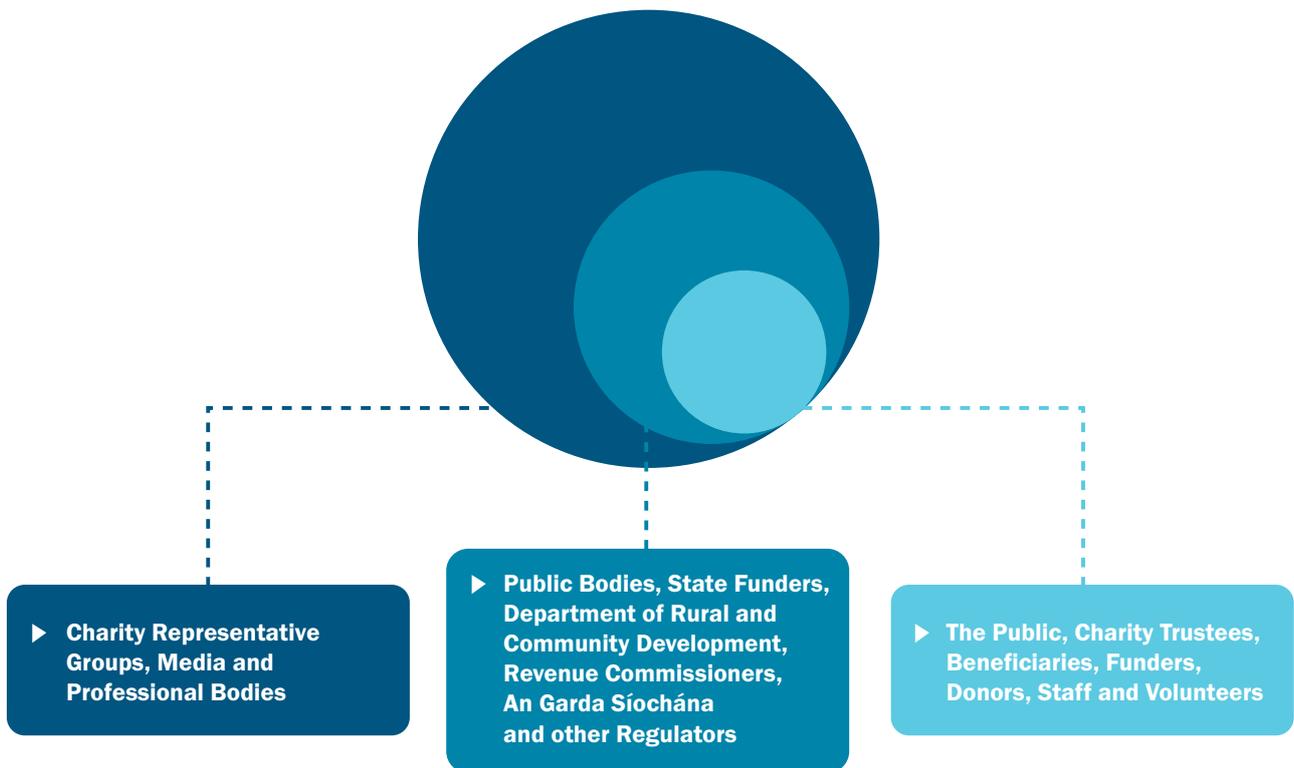
Since our establishment in 2014, the Charities Regulator has made significant progress in the regulation of charities and the protection of charitable assets. We have a number of functions under the Charities Act 2009, such as maintaining the Register of Charities, ensuring that charities comply with their legal requirements, ensuring compliance with the Charities Act 2009 more generally, carrying out inquiries and investigations into the affairs of charities and issuing guidance and other codes for charities and their charity trustees. We also deal with applications by charities under the Charities Acts 1961 and 1973 including cy-près applications and applications for authorisation to dispose of charity lands where such is not provided for in a charity’s governing document.

Our first Statement of Strategy supported the establishment of the Charities Regulator and guided us through our formative years. Over this period, a significant proportion of time was dedicated to consolidating and developing the Public Register of Charities. In addition to establishing the Register, the timeline in the graphic following provides an overview of other key milestones since our formation.

## Timeline and overview of other key milestones since the Charities Regulatory Authority's establishment.



## The Charities Regulator's main stakeholders



In developing our Second Statement of Strategy, we consulted with stakeholders, engaged with our international peers, and completed independent research and analysis. The above diagram includes some of our main stakeholders and reflects their broad and diverse nature.

The strategic planning process highlighted a broad range of strategic options. As a regulator operating in the context of limited resources, it was necessary to consider all options identified, and to prioritise on the basis of delivering our statutory mandate in a balanced and proportionate way.

Our Second Statement of Strategy sets out an ambitious direction of travel for the next three years, building on the significant progress made by the Charities Regulator in particular over the past three years. It will see the evolution of our operations to achieve corporate independence and a move towards a risk-based model of regulation that is proportionate and focuses on proactive identification and prevention of harm where possible.

In doing so, our aim is to be recognised as a regulator that charities and the public have confidence in, that acts fairly, proportionately and transparently. Notwithstanding our role as a regulator, our strategy demonstrates our commitment to championing the success of charities and supporting a sustainable, innovative and vibrant charitable sector.

Our people are key to the achievement of our strategy. Throughout the period of our first Statement of Strategy we worked with limited resources. Open and transparent recruitment, training and retention of suitably skilled people and teams is critical to the realisation of our mission and ultimately our vision. We will therefore face considerable challenges in achieving our strategic priorities and objectives over the period of our second statement of strategy if we do not have adequate resources and sufficient independence in the area of recruitment and deployment.

Over the life of this plan, we will continue to review and improve the way we operate in order to ensure we efficiently and effectively deliver on our statutory mandate.

# 3 Vision, Mission and Values

**Our vision, mission and values underpin our actions and interactions, and guide the behaviours of our people and teams.**

## **Our Vision**

*A vibrant, trusted charity sector that is valued for the public benefit it provides*



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Charities  
Regulator

## **Our Mission**

*To regulate the charity sector in the public interest so as to ensure compliance with the law and support best practice in the governance, management and administration of charities*

# Our Values



# 4 Strategic Priorities and Objectives

The Charities Regulator has identified four strategic priorities outlined below:

**STRATEGIC  
PRIORITY 1**

Strengthen Public Trust  
and Confidence in Charities

**STRATEGIC  
PRIORITY 2**

Provide Proportionate Risk-Based  
Regulation and Protection

**STRATEGIC  
PRIORITY 3**

Promote Compliance  
and Enhance Engagement

**STRATEGIC  
PRIORITY 4**

Enhance Operational Efficiency  
and Service Delivery

The four strategic priorities outlined above have 16 associated objectives that will guide the activities of the Charities Regulator over the period 2019 – 2021. The objectives outlined within this Statement of Strategy will form the basis of our annual Business Plans, which detail the specific actions required to achieve our vision in a balanced and proportionate way.

# STRATEGIC PRIORITY 1



## Strengthen Public Trust and Confidence in Charities

The following objectives will support the achievement of this priority. We will:

- 1.1** Ensure that the Public Register of Charities provides reliable and up-to-date information so that funders, donors, beneficiaries, volunteers and members of the public can inform themselves on the activities and status of charities;

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- 1.2** Identify and commission research into issues of relevance to the regulation of charities to ensure that policies and regulatory activities are underpinned by data, expert knowledge and experience;

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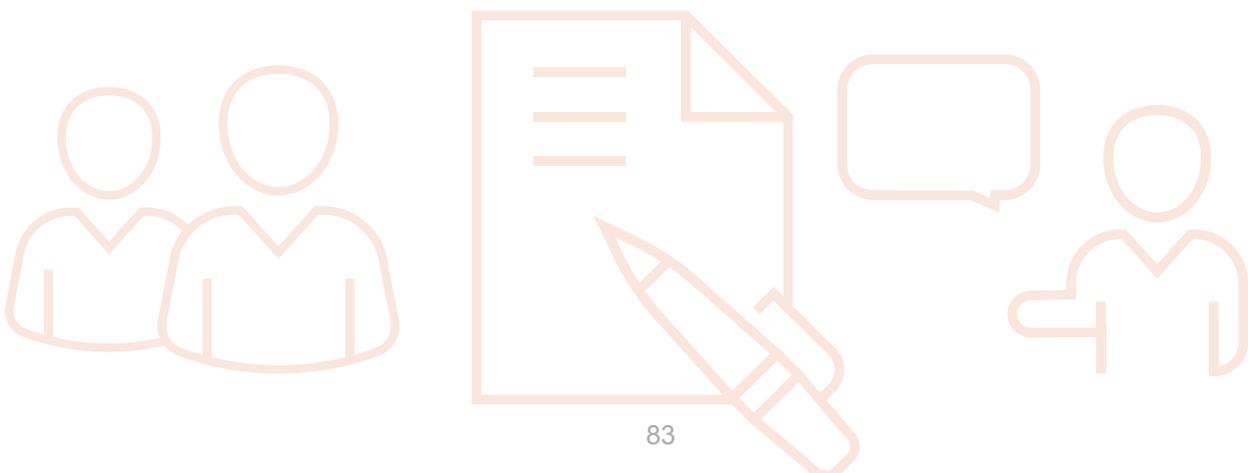
- 1.3** Enhance accountability and promote good governance within charities in respect of the control and management of their operations by underpinning the Charities Code of Governance with appropriate training, monitoring and compliance activities;

---

- 1.4** Work with stakeholders to promote a greater understanding that charitable purposes must confer a public benefit.

### OUTCOME

**The charity sector is regarded as well run and well-regulated with appropriate checks and balances in place so that people feel confident donating, providing and receiving services, volunteering and working in it.**



## STRATEGIC PRIORITY 2



### Provide Proportionate Risk-Based Regulation and Protection

The following objectives will support the achievement of this priority. We will:

- 2.1 Regulate in a manner that accords with the Charities Regulator's values and ensures decision-making processes are robust and can withstand external scrutiny;
- 2.2 Implement a pro-active monitoring approach to ensure registered charities fulfil their legal duties and take action to protect charitable assets where appropriate;
- 2.3 Develop a risk-based approach to regulation that utilises data and indicators to identify and anticipate risks and targets available resources where risks are greatest to reduce the level or likelihood of harm;
- 2.4 Utilise our regulatory powers proportionately and transparently to enquire into and investigate matters in a timely manner and hold charities accountable.

#### OUTCOME

**Based on a targeted assessment of significant risk using available data, the charities sector will be strengthened through the early identification of harm or potential harm, and proactive intervention and engagement with charities.**



## STRATEGIC PRIORITY

# 3



## Promote Compliance and Enhance Engagement

The following objectives will support the achievement of this priority. We will:

- 3.1** Provide information, advice and guidance that provides charities with the knowledge and tools necessary to fulfil their obligations;

---

- 3.2** Continue to work with the Revenue Commissioners, other regulators and stakeholders for the purpose of avoiding unnecessary duplication of activities in respect of charities and to facilitate greater levels of administrative cooperation in order to reduce the administrative burden on charities, where possible;

---

- 3.3** Build awareness among charities of potential synergies that promote the effective use of charity resources;

---

- 3.4** Engage with our stakeholders proactively and enhance our online presence to provide more easily accessible and user-friendly services to all.

## OUTCOME

**There is sufficient information, understanding and engagement amongst charities, donors, funders, beneficiaries, volunteers and the public to facilitate higher levels of voluntary compliance with regulatory obligations and increased levels of proactive engagement by charities with their stakeholders.**



## STRATEGIC PRIORITY

# 4



## Enhance Operational Efficiency and Service Delivery

The following objectives will support the achievement of this priority. We will:

- 4.1 Work with the Department of Rural and Community Development to enhance our internal governance structures and to enable the Charities Regulator to achieve corporate independence over the life of this strategy;
- 4.2 Ensure the Charities Regulator is appropriately resourced with suitably qualified, experienced and skilled staff;
- 4.3 Improve operational efficiency and deploy resources in line with regulatory priorities to achieve maximum impact and enhance the overall level of service provided by the Charities Regulator;
- 4.4 Develop a communications strategy that builds greater awareness of the Charities Regulator and delivers targeted and consistent messaging about the organisation and its activities.

### OUTCOME

**The Charities Regulator is a corporately independent organisation with the knowledge, expertise and organisational resources to effectively and efficiently deliver on our statutory mandate, with the understanding and broad support of our stakeholders.**



# Appendix:

## Part 1 : Authority

**The Charities Regulatory Authority comprised the following ten members, as at December 2018.**

Patrick Hopkins ( <i>Chairperson</i> )
David Brady
Katie Cadden
Tom Costello
Patricia Cronin
Fergus Finlay
Graham Richards
Máire McMahon
Niamh Cahill
Ercus Stewart

## Part 2 : Performance and Resource Planning Committee

The Statement of Strategy development process was supported by a sub-committee of the Charities Regulatory Authority, the Performance and Resource Planning Committee (PRPC).

**The PRPC comprised the following four members, as at December 2018.**

Patrick Hopkins
Tom Costello
Patricia Cronin
Fergus Finlay









An Rialálaí  
Carthanas

Charities  
Regulator

Document Reference No. to SE STR 5.1 000

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## Appendix 3 - Charities Governance Code



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# Charities Governance Code

### **Legal Disclaimer**

This governance code is issued by the Charities Regulator under section 14(1)(i) of the Charities Act 2009, to encourage and facilitate the better administration and management of charitable organisations. It is intended to provide support to charity trustees to meet their legal duties, by putting in place systems and processes which focus on advancing the charitable purpose and providing a public benefit and ensuring charities are managed in an effective, efficient, accountable and transparent way.

It is not, nor is it intended to be, a definitive statement of the law and it does not constitute legal advice. Charity trustees are recommended to obtain their own legal advice where necessary. The Charities Regulator accepts no responsibility or liability for any errors, inaccuracies or omissions in this governance code.

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**This Charities Governance Code explains the minimum standards you should meet to effectively manage and control your charity.**

## About the Charities Governance Code

This Charities Governance Code explains the minimum standards you should meet to effectively manage and control your charity. Good governance involves putting in place systems and processes to ensure that your charity achieves its charitable objectives with integrity and is managed in an effective, efficient, accountable and transparent way.

We have included a glossary of terms we use in this guide on pages 28 to 36.

We refer to this Charities Governance Code as the 'Code' in this document.

## What is the Code?

The Charities Governance Code is:

- six principles of governance which all charities should apply;
- core standards that we expect all charities to meet when putting the principles into action; and
- additional standards that reflect best practice for charities with high levels of income and/or complex organisational and funding structures and/or significant numbers of employees.

We wrote the Code with volunteer-only charities and charities with a small number of paid staff in mind, as this reflects the reality of the charity sector in Ireland where these two groups make up the majority of registered charities.

Additional governance standards have been included which we expect more complex charities to meet.

For these reasons, the Code is relevant for every charity operating in Ireland.

## Who is the Code for?

This document is for charity trustees. The term 'charity trustee' can include:

- committee members;
- council members;
- board members; or
- directors of a charity.

By law, charity trustees have individual and joint responsibility for what happens within their charity. This means that if their charity does not meet its legal duties, they are responsible both as individuals and together as a board, committee, council or other core group (referred to in this Code as the 'board').

## Why did we write the Code?

In March 2017, the Charities Regulator set up a Consultative Panel on the Governance of Charitable Organisations. The Panel's report<sup>1</sup> was published in May 2018 and made 10 proposals including:

- There should be a new Governance Code for charities issued by the Charities Regulator to facilitate the better administration, management and governance of charitable organisations;
- The new Governance Code should be principles-based and should operate on a 'comply or explain' basis;
- The new Governance Code should be proportionate.

### **This Code will help charity trustees meet their legal duties under charity law.**

The Charities Regulator is aware that some charities must also comply with other rules and codes specific to their area of work. This Code specifically aims to help charity trustees to put good governance systems and processes in place, which will assist them in meeting their legal duties under charity law. (See Legal duties on page 10).

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1 'Report of the Consultative Panel on the Governance of Charitable Organisations' - available from: <https://www.charitiesregulator.ie/media/1389/report-of-the-consultative-panel-may-2018.pdf>

## How should you use the Code?

You should read this Code and be familiar with its six principles and its standards – core and additional. You then need to comply with the Code by deciding:

- what actions you will take to meet each core standard; and
- what evidence you will keep to show that you have met the standard.

To make it easy for you to give us this information, we have included at the end of this document the ‘Charities Governance Code Compliance Record Form’ also referred to as the ‘Compliance Record Form’ in this Code. A version that you can edit is also available on our website<sup>2</sup>.

We expect all charities to meet all of the core standards set out in this Code, unless a particular core standard does not apply to a particular charity. For example, if you are a volunteer-only charity you cannot meet core standards that apply to charities that employ staff.

We expect more complex charities to meet both the core and the additional standards set out in this Code. Each charity should decide for itself whether their charity should meet the additional standards and base this decision on indicators such as:

- your charity’s income;
- the number of employees you have; and
- the complexity of your activities including things like,
  - working with vulnerable people,
  - operating overseas, or
  - having large numbers of volunteers.

Some charities, regardless of their complexity, may also decide to meet some or all of the additional standards if they have the organisational capacity to do so.

---

2 The ‘Charities Governance Code Compliance Record Form’ can be downloaded from our website - [www.charitiesregulator.ie](http://www.charitiesregulator.ie)

## Showing how well you are complying with the Code

Every charity must provide an annual report to the Charities Regulator. As part of your annual report, you must indicate whether or not your charity complies with the Code. If your charity is not complying with the Code, we will ask you to explain why. Valid reasons for non-compliance may include:

- Your charity is in the process of winding up.
- Your charity is newly established and needs more time to fully comply.

### How to report compliance

To comply with the Code, you must complete the Compliance Record Form (included at the end of this document and on our website) every year. On the form, you need to identify the actions you took in the year to meet each standard.

**You must keep this Compliance Record Form as the Charities Regulator could ask you for it at any time.**

We know that every charity is unique. For this reason, the language we use in each standard is broad so that you can choose how your charity meets the standards to suit your charity's specific circumstances.

### Example

The use of the phrases 'regularly' and 'from time to time' allows your board of charity trustees to discuss, agree and document what time period is appropriate for your charity, in terms of size, income and structure.

### Evidence – wide variety acceptable

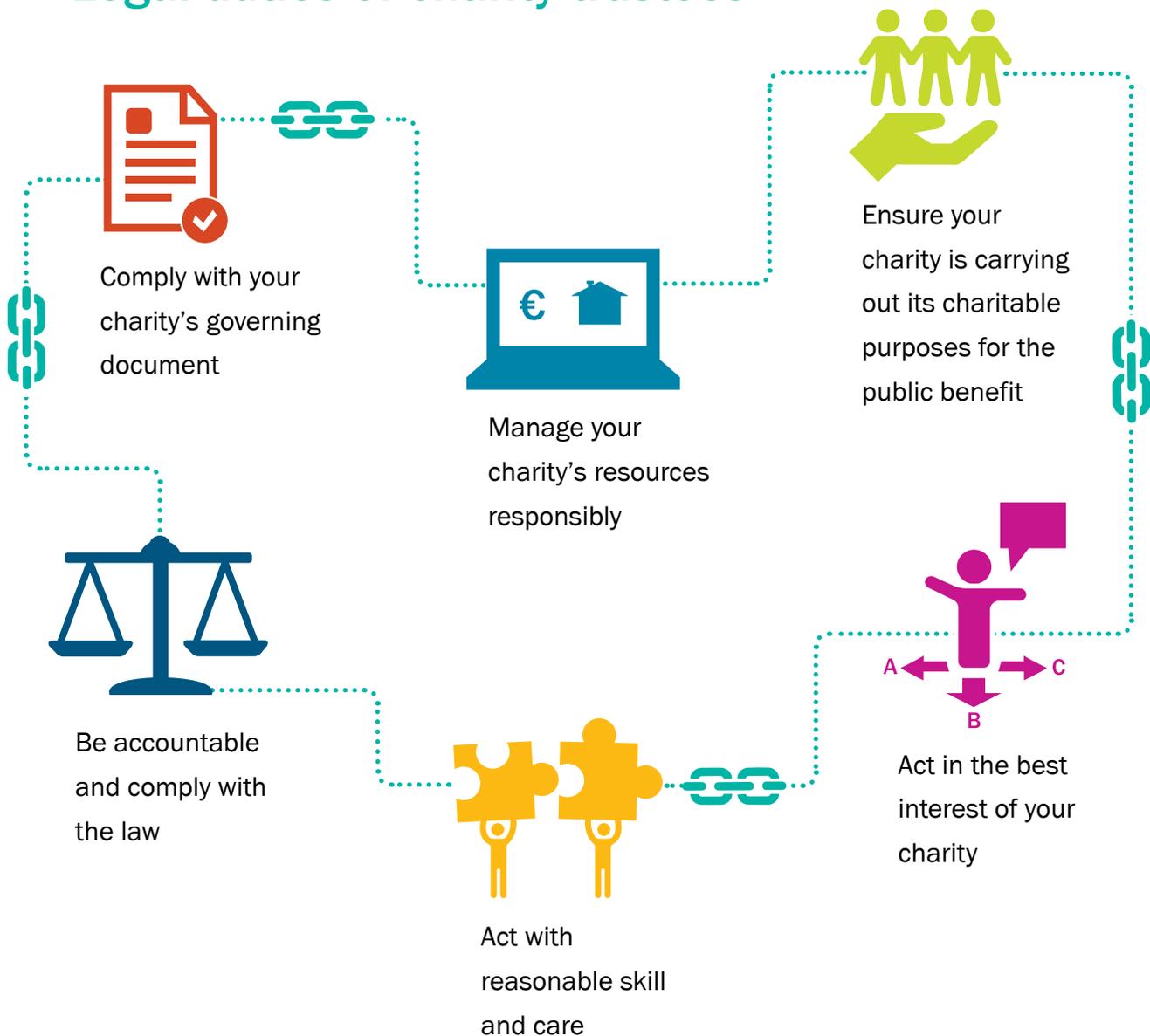
There is also flexibility about the type of evidence that we expect. For a volunteer-only charity, for example, we will be satisfied with board minutes that show decisions have been discussed and documented. This will be enough to meet many of the core standards in this Code.

In time, we will publicly display whether or not your charity complies with this Code. This will be part of your entry on the Register of Charities<sup>3</sup>. Where compliance with the Code is indicated on the Register of Charities, it should give confidence to all stakeholders that your charity has effective governance systems and processes in place.

---

3 The Register of Charities is available from:  
<https://www.charitiesregulator.ie/en/information-for-the-public/search-the-charities-register>

## Legal duties of charity trustees<sup>4</sup>



### An important note about legal requirements

Charity trustees have specific duties under the Charities Act 2009 and must make sure that their charity complies with the requirements of other relevant legislation.

Other relevant legislation includes:

- data protection legislation;
- employment legislation; and
- health and safety legislation.

Where a charity is a company, a charity trustee who is also a director of the company has additional duties under company law and common law in their capacity as company directors.

4 See 'Guidance for Charity Trustees' - available from: <https://www.charitiesregulator.ie/media/1078/guidance-for-charity-trustees-july-2017.pdf>

## Ten steps to reporting on compliance



### STEP 1

Read the Code in full.



### STEP 2

Decide if your charity is more complex for the purpose of the Code.



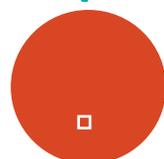
### STEP 3

For each standard, decide what action or actions you will take to meet that standard in your charity.



### STEP 4

State each action next to the relevant standard in the Compliance Record Form included with this document. You can also download the form from our website<sup>5</sup>.



### STEP 5

If any of the standards do not apply to your charity, explain why next to that standard in the Compliance Record Form<sup>6</sup>.

5 You can download the Compliance Record Form from our website - [www.charitiesregulator.ie](http://www.charitiesregulator.ie)

6 The Charities Regulator expects all charities to meet all of the core standards where applicable.

**STEP 6**

Decide what evidence you can provide for the action or actions that you are taking to meet each standard that applies to your charity.

**STEP 7**

State the evidence you can provide next to the relevant action in the Compliance Record Form.

**STEP 8**

Review the Compliance Record Form and agree it is accurate at a board meeting.

**STEP 9**

Declare your charity's compliance (or provide your charity's reason for not complying) with the Code when submitting your annual report to the Charities Regulator.

**STEP 10**

Having considered the standards, actions and evidence (steps 3 to 7) again, complete a fresh Compliance Record Form at a board meeting every year before reporting on compliance to the Charities Regulator.



## The six principles of charity governance

Charity trustees are responsible for the governance of their charity and should make sure that the following governance principles are being applied. Your charity is:



Some of these principles relate to the inner workings of the board of charity trustees and others to the external activities of the charity, but they are all equally important.

We discuss each of the six principles in turn to explain:

- why it is important; and
- how to put the principle into action using:
  - core standards, and
  - additional standards<sup>7</sup>.

<sup>7</sup> If you are unsure about any of the information in this Code, please contact us.



## Principle 1: Advancing charitable purpose

### Why this principle is important

Charitable purpose has a specific meaning in charity law. The Charities Act 2009 sets out four categories of charitable purpose:

- prevention or relief of poverty or economic hardship;
- advancement of education;
- advancement of religion; and
- any other purpose that is of benefit to the community<sup>8</sup>.

A charity must promote at least one of these purposes and must provide public benefit.

A charity's governing document elaborates on the charitable purpose in the main object clause by describing:

- what outcomes the charity is set up to achieve;
- how it will achieve these outcomes;
- who will benefit from these outcomes; and
- where the benefits will be felt.

By law, charity trustees must ensure their charity promotes its charitable purpose only and that it is of public benefit.

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<sup>8</sup> See 'What is a Charity?' guidance document - available from:  
<https://www.charitiesregulator.ie/media/1544/what-is-a-charity-rev-001.pdf>

## Putting the principle into action

---

### 1. Core standards for advancing charitable purpose

- 1.1. Be clear about the purpose of your charity and be able to explain it in simple terms to anyone who asks.
- 1.2. Consider whether or not any private benefit arises (see glossary on pages 28 to 36). If a private benefit arises, consider if it is reasonable, necessary and ancillary to the public benefit that your charity provides.
- 1.3. Agree an achievable plan for at least the next year that sets out what you will do to advance your purpose.
- 1.4. Make sure your charity has the resources it needs to do the activities you plan. If you don't have the resources, you need to show a plan for getting those resources.
- 1.5. From time to time, review what you are doing to make sure you are still:
  - acting in line with your charity's purpose; and
  - providing public benefit.

#### Additional standards

- 1.6. Develop your charity's strategic plan and associated operational plans.
- 1.7. Make sure there is an appropriate system in place to:
  - monitor progress against your plans; and
  - evaluate the effectiveness of the work of your charity.
- 1.8. From time to time, consider the advantages and disadvantages of working in partnership with other charities, including merging or dissolving (winding up).



## Principle 2: Behaving with integrity

### Why this principle is important

Ethics are fundamental in the charity sector. Statements about ethos can undoubtedly play an important role, but it is when these values are lived out that they are at their most powerful. Charity trustees have the power to create an ethical culture and set a tone where agreed values are reflected in everything the charity does. The behaviour of individual charity trustees is very important; they must lead by example.

The legal duty to act in the best interests of the charity means that charity trustees must:

- be independent; and
- not act in their own personal interest or the interest of other individuals or bodies.

This principle also means that charity trustees should maintain confidentiality about sensitive board matters. However, this requirement for confidentiality does not apply if it becomes necessary for a charity trustee to inform the Charities Regulator about any matter which could threaten the future of the charity.

## Putting the principle into action

---

### 2. Core standards for behaving with integrity

- 2.1. Agree the basic values that matter to your charity and publicise these, so that everyone involved understands the way things should be done and how everyone is expected to behave.
- 2.2. Decide how you will deal with conflicts of interests and conflicts of loyalties. You should also decide how you will adhere to the Charities Regulator's guidelines on this topic<sup>9</sup>.
- 2.3. Have a code of conduct for your board that is signed by all charity trustees. It must make clear the standard of behaviour expected from charity trustees. This includes things like maintaining board confidentiality and what to do in relation to:
  - gifts and hospitality; and
  - out-of-pocket expenses.

There are no additional standards for this principle as behaving with integrity applies equally to all charities, whatever their size or complexity.

---

9 See 'Managing Conflicts of Interest' guidance document - available from: <https://www.charitiesregulator.ie/media/1417/managing-conflicts-of-interest-may-2018.pdf>



## Principle 3: Leading people

### Why this principle is important

The most essential resource of any charity is its people. This means people should feel valued and have clarity around their own roles and the roles of others. Charity trustees are responsible for providing leadership to volunteers, employees and contractors. This includes taking their duty of care towards these people seriously and promoting a culture of respect.

As employers, charities with paid staff also have particular legal responsibilities.

## Putting the principle into action

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### 3. Core standards for leading people

- 3.1. Be clear about the roles of everyone working in and for your charity, both on a voluntary and paid basis.
- 3.2. Make sure there are arrangements in place for the effective involvement of any volunteers, including what to do if any problems arise.
- 3.3. Make sure there are arrangements in place that comply with employment legislation for all paid staff including:
  - recruitment;
  - training and development;
  - support, supervision and appraisal;
  - remuneration (money paid for work) and dismissal.
- 3.4. Agree operational policies where necessary, to guide the actions of everyone involved in your charity.

#### Additional standards

- 3.5. Make sure to document the roles, legal duties and delegated responsibility for decision-making of:
    - individual charity trustees and the board as a whole;
    - any sub-committees or working groups;
    - staff and volunteers.
  - 3.6. Make sure that there are written procedures in place which set out how volunteers are:
    - recruited, supported and supervised while within your charity; and
    - the conditions under which they exit.
  - 3.7. Decide how you will develop operational policy in your charity. You also need to decide how your charity trustees will make sure that the policy is put in place and kept up to date.
-



## Principle 4: Exercising control

### Why this principle is important

All charities, no matter what their complexity, must abide by all legal and regulatory requirements that are relevant to the work they do. The charity trustees are responsible for making sure this happens. Charity trustees must understand that the governing document of a charity is a legally binding document in its own right.

The trustees are also responsible for a charity's funds and any property or other assets that it holds. As much as is possible, they must also consider and reduce risks to which their charity is exposed.

It is essential that you exercise proper control of your charity. This goes a long way to keeping the confidence of:

- regulators;
- funders;
- beneficiaries; and
- the general public.

## Putting the principle into action

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### 4. Core standards for exercising control

- 4.1. Decide if your charity's current legal form and governing document are fit for purpose. Make changes if necessary, telling the Charities Regulator in advance that you are doing so.
- 4.2. Find out the laws and regulatory requirements that are relevant to your charity and comply with them.
- 4.3. If your charity raises funds from the public, read the Charities Regulator's guidelines<sup>10</sup> on this topic and make sure that your charity adheres to them as they apply to your charity.
- 4.4. Make sure you have appropriate financial controls in place to manage and account for your charity's money and other assets<sup>11</sup>.
- 4.5. Identify any risks your charity might face and how to manage these.
- 4.6. Make sure your charity has appropriate and adequate insurance cover.

#### Additional standards

- 4.7. Have written procedures to make sure that you comply with all relevant legal and regulatory requirements.
- 4.8. Make sure there is a formal risk register that your board regularly reviews.
- 4.9. Consider adopting additional good practice standards that are relevant to the particular work that your charity does.

---

10 See 'Guidelines for Charitable Organisations on Fundraising from the Public' - available from: <https://www.charitiesregulator.ie/media/1265/guidance-for-fundraising-english.pdf>

11 See 'Internal Financial Controls Guidelines for Charities' - available from: <https://www.charitiesregulator.ie/media/1081/financial-controls-guidelines-june-2017.pdf>



## Principle 5: Working effectively

### Why this principle is important

Running a charity well means you need capable charity trustees who work together as an effective team. Board meetings are especially important, as this is where charity trustees exercise their collective authority. It is also important that there is a good mix of skills, experience and background amongst charity trustees and that these are refreshed on an ongoing basis. It is vital that new charity trustees receive a proper induction to the charity.

### Putting the principle into action

---

#### 5. Core standards for working effectively

- 5.1. Identify charity trustees with the necessary skills to undertake:
    - any designated roles set out in your governing document; and
    - other roles as appropriate within the board.
  - 5.2. Hold regular board meetings. Give enough notice before meetings and provide prepared agendas.
  - 5.3. At a minimum, your board agendas should always include these items:
    - reporting on activities;
    - review of finances; and
    - conflicts of interests and loyalties.
  - 5.4. Make sure that your charity trustees have the facts to make informed decisions at board meetings and that these decisions are recorded accurately in the minutes.
  - 5.5. Consider introducing term limits for your charity trustees, with a suggested maximum of nine years in total.
-

- 5.6. Recruit suitable new charity trustees as necessary and make sure that they receive an induction.
- 5.7. Make sure all of your trustees understand:
  - their role as charity trustees;
  - the charity's governing document; and
  - this Code.
- 5.8. Commit to resolving problems and emerging issues as quickly as possible and in the best interests of your charity.
- 5.9. From time to time, review how your board operates and make any necessary improvements.

#### Additional standards

- 5.10. Make sure you send out board packs with enough notice and include all relevant reports and explanatory papers to enable informed decision-making.
- 5.11. Make sure that you have a charity trustee succession plan in place and consider how you can maximise diversity among your charity trustees.
- 5.12. Put in place a comprehensive induction programme for new charity trustees.
- 5.13. Conduct a regular review that includes an assessment of:
  - the effectiveness of your board as a whole, office holders and individual charity trustees;
  - adherence to the board code of conduct; and
  - the structure, size, membership and terms of reference of any sub-committees.
- 5.14. Do regular skills audits and provide appropriate training and development to charity trustees. If necessary, recruit to fill any competency gaps on the board or of your charity.



## Principle 6: Being accountable and transparent

### Why this principle is important

Accountability for your charity does not just mean accounting for the money you have brought in and spent (although that is clearly very important). It involves being open and transparent about all charity matters. It is about being able to:

- stand over what your charity does and how it does it; and
- justify this to any person or group who queries what your charity has done or is doing.

As an organisation set up to provide public benefit, this means you should be able to explain this to anyone who asks.

A charity's stakeholders are any individuals or groups of people who have a legitimate stake in the work of that charity. This includes:

- the people who benefit (directly or indirectly) from any services provided by the charity;
- members;
- staff and volunteers;
- partner organisations and supporters;
- funders and donors;
- regulators;
- public representatives; and
- the general public.

Being open and transparent is an important way for charities to build public trust not only in their own organisation, but also in the charity sector as a whole.

## Putting the principle into action

---

### 6. Core standards for being accountable and transparent

- 6.1. Make sure that the name and Registered Charity Number (RCN) of your charity is displayed on all of your written materials, including your:
  - website;
  - social media platforms; and
  - email communications.
- 6.2. Identify your stakeholders and decide how you will communicate with them.
- 6.3. Decide if and how you will involve your stakeholders in your:
  - planning;
  - decision-making; and
  - review processes.
- 6.4. Make sure you have a procedure for dealing with:
  - queries;
  - comments; and
  - complaints.
- 6.5. Follow the reporting requirements of all of your funders and donors, both public and private.

#### Additional standards

- 6.6. Produce unabridged (full) financial accounts and make sure that these and your charity's annual report are widely available and easy for everyone to access.
  - 6.7. Make sure all the codes and standards of practice to which your charity subscribes are publicly stated.
  - 6.8. Regularly review any complaints your charity receives and take action to improve organisational practice.
-



# Appendices

## Appendix 1: Glossary of terms used

### Assets

All funds held, and all property and equipment owned or held by the charity are assets.

### Board

The board is the governing body of a charity. It is made up of the charity trustees. It may also be known by a different name such as the:

- committee;
- council; or
- core group.

### Board packs

These are the papers that are sent out to the charity trustees before a board meeting. They should always contain:

- an agenda for the meeting; and
- draft minutes from the last meeting.

They may also include:

- written reports from staff, trustees and sub-committees;
- financial reports; and
- papers giving information about significant proposals to be discussed at the meeting.

### Charitable object

A charitable object is the purpose of a charity as outlined in its governing document. It may consist of a main object and a number of ancillary objects. A main object is the primary purpose of a charity detailed in its governing document. An ancillary object is a purpose detailed in a charity's governing document that is incidental to and supports the charity's main object.

### **Charitable purpose**

Under charity law, charitable purpose is one or more of the following:

- prevention or relief of poverty or economic hardship;
- advancement of education;
- advancement of religion; or
- any other purpose that is of benefit to the community.

Any other purpose that is of benefit to the community includes:

- integration of the disadvantaged;
- protection of the natural environment;
- promotion of health and voluntary work;
- promotion of religious or racial harmony;
- advancement of community welfare and development;
- advancement of environmental sustainability;
- advancement of conflict resolution;
- advancement of effective use of the property of charities;
- advancement of the sciences and the arts; and
- prevention or relief of the suffering of animals.

### **Charities Regulator**

This is the Republic of Ireland's national statutory regulator for charitable organisations. The Charities Regulator is an independent authority and was established in October 2014 under the Charities Act 2009. Its main functions include setting up and maintaining a public register of charities and making sure that charities comply with the Charities Acts.

## Charity

A charity is any organisation operating in the Republic of Ireland that has a charitable purpose and provides public benefit.

Organisations that are **not** charities include:

- those established only to promote athletic or amateur games or sports;
- trade unions;
- political parties;
- lobbyists;
- Chambers of Commerce;
- fundraising groups set up solely to fundraise for charities that are already registered; and
- fundraising groups set up solely to help a particular person.

## Charity trustees

Charity trustees are the people who ultimately exercise control over, and are legally responsible for, the charity.

If the charity is a company, these people may also be known as directors or board members.

In an unincorporated association they may be known as committee members.

In the case of a trust it can be more complicated. If the trustees of the trust (see Trust) are the ones who decide policy and control the assets, then they are also charity trustees. However, if the trustees merely have their names on the deeds of property but cannot sell or dispose of the property without the permission of the Charities Regulator, and have no other responsibilities, they are not charity trustees.

### Company Limited by Guarantee

This is the most common form of incorporated legal status for charities because:

- it is a distinct legal entity and in law is considered to be separate to its members or board members;
- it is a democratic structure – the company is controlled by the members who elect the board of directors;
- members cannot benefit from any profits made; and
- each board member's liability is limited to a nominal sum which they guarantee to pay if the company has debts on winding up.

### Conflict of interests

A conflict of interest is any situation in which a charity trustee's personal interests could prevent them, or even just appear to prevent them, from making a decision in the best interests of the charity.

**Example:** a conflict of interest may arise if a charity trustee influences the awarding of a contract to a company owned by a family member.

It is legal to award a contract to the best qualified company, even if that company is owned by a relative of a charity trustee, but the charity trustee must not be part of the decision-making process.

### **Conflict of loyalties**

A conflict of loyalties is when a charity trustee's loyalty to another group could prevent them, or even just appear to prevent them, from making a decision in the best interests of the charity.

**Example:** This might happen when the charity trustee has joined the board as a nominee of a particular group, such as members in a particular county, a funding body, or staff.

This situation could cause the charity trustee to think that they should act in the interests of the group that nominated them, rather than the charity as a whole.

### **Contractor**

A contractor works on a 'contract for services' basis and invoices the organisation for the services provided. People such as graphic designers, consultants or lawyers would often fall into the category of contractor.

Employees are different because they have a 'contract of service' and are on the organisation's PAYE payroll.

## Diversity

Diversity in the context of a board of charity trustees means the board members have a mix of skills and experience and they reflect the diversity that exists in our society.

Many charity boards are made up of people who are very similar to each other. Increasingly, diversity means considering how to attract people on to the board who are different in terms of:

- age;
- gender;
- ethnicity;
- background; and
- life experience.

It also means making sure there are no unnecessary barriers that might prevent people from joining or taking part on the board.

## Fit for purpose

'Fit for purpose' is the term used in considering a charity's legal form (see Legal form below) and governing document. It asks if these are robust enough to support the charity's current operations and needs effectively.

Small charities are often unincorporated associations – associations that do not have a legal status of their own. But, if they grow in terms of income and are thinking of taking on staff they should consider becoming an incorporated entity like a company limited by guarantee (see earlier entry). An incorporated entity is established as a separate legal entity.

Governing documents can also become outdated, but still be legally binding on the charity unless they are amended (as detailed in the governing document rules).

### Governing document

The governing document is the legal document outlining what a charity is and how it operates. It is usually called the 'constitution', but may also be known as the 'deed of trust' or the 'rules', depending on the charity's legal structure.

Companies limited by guarantee used to have a memorandum and articles of association, but these are now called 'constitutions'.

### Legal form

Legal form refers to the type of legal status that the charity has. Many small charities are unincorporated associations, which means that the charity does not have a separate legal status of its own. The most common form of incorporated legal status for charities is a company limited by guarantee (see Company Limited by Guarantee).

### Operational policy

Operational policies relate to the running of the charity rather than policy positions that are views and opinions that the charity holds.

**Example:** In a youth project, a policy on how to deal with substance abuse among service users would be an operational policy, while a policy on decriminalising drug use would be a public policy position.

### Out-of-pocket expenses

Out-of-pocket expenses cover any costs incurred by charity trustees while carrying out their duties, provided that they were incurred 'wholly, exclusively and necessarily in the performance of their duties'<sup>12</sup> as charity trustees.

You should pay back expenses based on receipts from the person who paid the expense, not on a flat-rate basis.

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12 Office of the Revenue Commissioners' definition

### Private benefit

This is something that benefits an individual. It is acceptable for a charity to provide some private benefit, but it must be necessary and reasonable and contribute to the public benefit that the charity provides.

**Example:** A paid employee of a charity receives private benefit. That is acceptable if their employment is necessary to provide public benefit and their pay and conditions are reasonable.

### Public benefit

This is something that benefits the public as a whole or a section of the public in Ireland or elsewhere.

**Example:** Raising funds for one person to receive medical treatment overseas is a private rather than a public benefit. However, raising funds to treat a number of people with a rare illness may provide public benefit, as long as everyone with that rare illness can apply to access the treatment.

### Register of Charities

This is a list of all charities registered and regulated in the Republic of Ireland, and they are publicly accessible on the website of the Charities Regulator.

### Standing items

Standing items appear on every board agenda and they should be discussed at every board meeting.

**Example:** Every board agenda should include:

- reporting on the charity's activities;
- addressing any conflicts of interests and loyalties (even if there are rarely any conflicts to declare); and
- discussion of the finances of the charity.

**Succession plan**

A succession plan is a way of identifying and developing new leaders who replace existing leaders as needed.

**Trust**

A charitable trust is a legal arrangement:

- established for a charitable purpose only;
- established under a deed of trust that requires the trustees of the trust to apply all of the property (both real and personal) of the trust to further that purpose except for money expended in the management of the trust; and
- under which none of the property is payable to the trustees of the trust other than in accordance with section 89 of the Charities Act 2009.

## Appendix 2: Compliance Record Form

Please fill in this form to record:

- the actions that your charity takes to meet each standard of the Charities Governance Code; and
- the evidence that backs this up.

You should approve the Compliance Record Form at a board meeting before you report on your compliance to us.

Every year after your first report, you need to follow the 'Ten steps to reporting on compliance'. The Charities Regulator may ask to see your most recent Compliance Record Form or any earlier Compliance Record Form at any time.

The type of evidence we expect depends on the complexity of your charity.

The minimum expected of all charities would be to discuss and agree at board meetings how they will meet the standards and document their decisions in the minutes. For volunteer-only charities this will be enough to meet many of the core standards.

We would expect a charity with paid staff to provide more documentation like workplans and written policies as evidence of the actions they have taken.

We would expect more complex charities to provide more extensive documentation than other charities.

Please use the glossary when filling in the form.



## Principle 1: Advancing charitable purpose

Standards	Actions our charity takes to meet the standards	Evidence of our actions
<b>1. Core standards for advancing charitable purpose</b>		
1.1. Be clear about the purpose of your charity and be able to explain this in simple terms to anyone who asks.		
1.2. Consider whether or not any private benefit arises (see glossary). If a private benefit arises, consider if it is reasonable, necessary and ancillary to the public benefit that your charity provides.		
1.3. Agree an achievable plan for at least the next year that sets out what you will do to advance your purpose.		
1.4. Make sure your charity has the resources it needs to do the activities you plan. If you don't have the resources, you need to show a plan for getting those resources.		

Standards	Actions our charity takes to meet the standards	Evidence of our actions
<p>1.5. From time to time, review what you are doing to make sure you are still:</p> <ul style="list-style-type: none"> <li>■ acting in line with your charity's purpose; and</li> <li>■ providing public benefit.</li> </ul>		
<b>Additional standards</b>		
<p>1.6. Develop your charity's strategic plan and associated operational plans.</p>		
<p>1.7. Make sure there is an appropriate system in place to:</p> <ul style="list-style-type: none"> <li>■ monitor progress against your plans; and</li> <li>■ evaluate the effectiveness of the work of your charity.</li> </ul>		
<p>1.8. From time to time, consider the advantages and disadvantages of working in partnership with other charities, including merging or dissolving (winding up).</p>		



## Principle 2: behaving with integrity

Standards	Actions our charity takes to meet the standards	Evidence of our actions
<b>2. Core standards for behaving with integrity</b>		
<p>2.1. Agree the basic values that matter to your charity and publicise these, so that everyone involved understands the way things should be done and how everyone is expected to behave.</p>		
<p>2.2. Decide how you will deal with conflicts of interests and conflicts of loyalties. You should also decide how you will adhere to the Charities Regulator's guidelines on this topic.</p>		
<p>2.3. Have a code of conduct for your board that is signed by all charity trustees. It must make clear the standard of behaviour expected from charity trustees. This includes things like maintaining board confidentiality and what to do in relation to:</p> <ul style="list-style-type: none"> <li>■ gifts and hospitality; and</li> <li>■ out-of-pocket expenses.</li> </ul>		



## Principle 3: Leading people

Standards	Actions our charity takes to meet the standards	Evidence of our actions
<b>3. Core standards for leading people</b>		
3.1. Be clear about the roles of everyone working in and for your charity, both on a voluntary and paid basis.		
3.2. Make sure there are arrangements in place for the effective involvement of any volunteers, including what to do if any problems arise.		
3.3. Make sure there are arrangements in place that comply with employment legislation for all paid staff including: <ul style="list-style-type: none"> <li>■ recruitment;</li> <li>■ training and development;</li> <li>■ support, supervision and appraisal;</li> <li>■ remuneration (money paid for work) and dismissal.</li> </ul>		
3.4. Agree operational policies where necessary, to guide the actions of everyone involved in your charity.		

Standards	Actions our charity takes to meet the standards	Evidence of our actions
<b>Additional standards</b>		
<p>3.5. Make sure to document the roles, legal duties and delegated responsibility for decision-making of:</p> <ul style="list-style-type: none"> <li>■ individual charity trustees and the board as a whole;</li> <li>■ any sub-committees or working groups;</li> <li>■ staff and volunteers.</li> </ul>		
<p>3.6. Make sure that there are written procedures in place which set out how volunteers are:</p> <ul style="list-style-type: none"> <li>■ recruited, supported and supervised while within your charity; and</li> <li>■ the conditions under which they exit.</li> </ul>		
<p>3.7. Decide how you will develop operational policy in your charity. You also need to decide how your charity trustees will make sure that policy is put in place and kept up to date.</p>		



## Principle 4: Exercising control

Standards	Actions our charity takes to meet the standards	Evidence of our actions
<b>4. Core standards in exercising control</b>		
<p>4.1. Decide if your charity's current legal form and governing document are fit for purpose. Make changes if necessary, telling the Charities Regulator in advance that you are doing so.</p>		
<p>4.2. Find out the laws and regulatory requirements that are relevant to your charity and comply with them.</p>		
<p>4.3. If your charity raises funds from the public, read the Charities Regulator's guidelines<sup>13</sup> on this topic and make sure that your charity adheres to them as they apply to your charity.</p>		
<p>4.4. Make sure you have appropriate financial controls in place to manage and account for your charity's money and other assets.</p>		

13 See Guidelines for Charitable Organisations on Fundraising from the Public - available from: <https://www.charitiesregulator.ie/media/1265/guidance-for-fundraising-english.pdf>

Standards	Actions our charity takes to meet the standards	Evidence of our actions
4.5. Identify any risks your charity might face and how to manage these.		
4.6. Make sure your charity has appropriate and adequate insurance cover.		
<b>Additional standards</b>		
4.7. Have written procedures to make sure that you comply with all relevant legal and regulatory requirements.		
4.8. Make sure there is a formal risk register that your board regularly reviews.		
4.9. Consider adopting additional good practice standards that are relevant to the particular work that your charity does.		



## Principle 5: Working effectively

Standards	Actions our charity takes to meet the standards	Evidence of our actions
<b>5. Core standards for working effectively</b>		
<p>5.1. Identify charity trustees with the necessary skills to undertake:</p> <ul style="list-style-type: none"> <li>■ any designated roles set out in your governing document; and</li> <li>■ other roles as appropriate within the board.</li> </ul>		
<p>5.2. Hold regular board meetings. Give enough notice before meetings and provide prepared agendas.</p>		
<p>5.3. At a minimum, your board agendas should always include these items:</p> <ul style="list-style-type: none"> <li>■ reporting on activities;</li> <li>■ review of finances; and</li> <li>■ conflicts of interests and loyalties.</li> </ul>		
<p>5.4. Make sure that your charity trustees have the facts to make informed decisions at board meetings and that these decisions are recorded accurately in the minutes.</p>		

Standards	Actions our charity takes to meet the standards	Evidence of our actions
5.5. Consider introducing term limits for your charity trustees, with a suggested maximum of nine years in total.		
5.6. Recruit suitable new charity trustees as necessary and make sure they receive an induction.		
5.7. Make sure all of your trustees understand: <ul style="list-style-type: none"> <li>■ their role as charity trustees;</li> <li>■ the charity's governing document; and</li> <li>■ this Code.</li> </ul>		
5.8. Commit to resolving problems and emerging issues as quickly as possible and in the best interests of your charity.		
5.9. From time to time, review how your board operates and make any necessary improvements.		
<b>Additional standards</b>		
5.10. Make sure you send out board packs with enough notice and include all relevant reports and explanatory papers to enable informed decision-making.		

Standards	Actions our charity takes to meet the standards	Evidence of our actions
5.11. Make sure that you have a charity trustee succession plan in place and consider how you can maximise diversity among your charity trustees.		
5.12. Put in place a comprehensive induction programme for new charity trustees.		
5.13. Conduct a regular review that includes an assessment of: <ul style="list-style-type: none"> <li>■ the effectiveness of your board as a whole, office holders and individual charity trustees;</li> <li>■ adherence to the board code of conduct; and</li> <li>■ the structure, size, membership and terms of reference of any sub-committees.</li> </ul>		
5.14. Do regular skills audits and provide appropriate training and development to charity trustees. If necessary, recruit to fill any competency gaps on the board of your charity.		



## Principle 6: Being accountable

Standards	Actions our charity takes to meet the standards	Evidence of our actions
<b>6. Core standards for being accountable</b>		
<p>6.1. Make sure that the name and Registered Charity Number (RCN) of your charity is displayed on all of your written materials, including your:</p> <ul style="list-style-type: none"> <li>■ website;</li> <li>■ social media platforms; and</li> <li>■ email communications.</li> </ul>		
<p>6.2. Identify your stakeholders and decide how you will communicate with them.</p>		
<p>6.3. Decide if and how you will involve your stakeholders in your:</p> <ul style="list-style-type: none"> <li>■ planning;</li> <li>■ decision-making; and</li> <li>■ review processes.</li> </ul>		
<p>6.4. Make sure you have a procedure for dealing with:</p> <ul style="list-style-type: none"> <li>■ queries;</li> <li>■ comments; and</li> <li>■ complaints.</li> </ul>		

Standards	Actions our charity takes to meet the standards	Evidence of our actions
6.5. Follow the reporting requirements of all of your funders and donors, both public and private.		
<b>Additional standards</b>		
6.6. Produce unabridged (full) financial accounts and make sure that these and your charity's annual report are widely available and easy for anyone to access.		
6.7. Make sure all the codes and standards of practice to which your charity subscribes are publicly stated.		
6.8. Regularly review any complaints your charity receives and take action to improve organisational practice.		

## Appendix 3: Resources

Charities Regulator	<a href="http://www.charitiesregulator.ie">www.charitiesregulator.ie</a>
Companies Registration Office	<a href="http://www.cro.ie">www.cro.ie</a>
Data Protection Commission	<a href="http://www.dataprotection.ie">www.dataprotection.ie</a>
Health and Safety Authority	<a href="http://www.hsa.ie">www.hsa.ie</a>
Office of the Director of Corporate Enforcement	<a href="http://www.odce.ie">www.odce.ie</a>
Office of the Revenue Commissioners	<a href="http://www.revenue.ie">www.revenue.ie</a>
Workplace Relations Commission	<a href="http://www.workplacelrelations.ie">www.workplacelrelations.ie</a>

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## **Appendix 4 - Sample of guidance documents and materials**

- a) Guidelines for Charitable Organisation on Fundraising from the Public (2017)**
- b) 'What is a charity?' guidance document (2018)**
- c) Internal Financial Controls Guidelines for Charities (2018)**
- d) Managing Conflicts of Interest Guidance (2018)**
- e) Guidance note on minute taking (2019) (includes sample board minutes and template)**
- f) The role of the Chairperson of a charity (2019)**

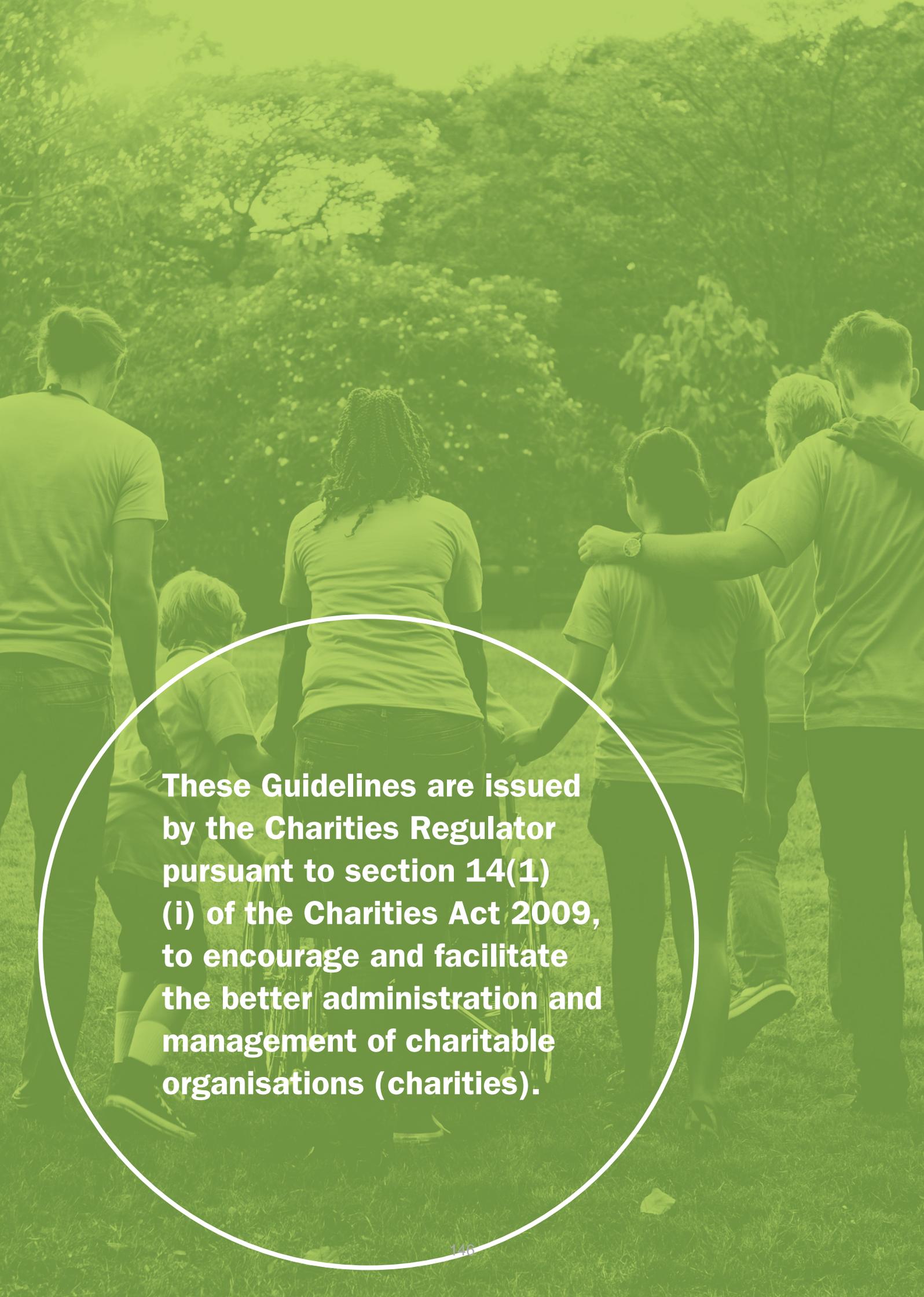


An Rialálaí  
Carthanas

Charities  
Regulator

# Guidelines for Charitable Organisations on Fundraising from the Public





**These Guidelines are issued by the Charities Regulator pursuant to section 14(1) (i) of the Charities Act 2009, to encourage and facilitate the better administration and management of charitable organisations (charities).**

# About the Charities Regulator

The Charities Regulator was established in October 2014 as Ireland's statutory independent authority for the regulation and protection of charitable trusts and organisations (charities). Under the Charities Act 2009, the Charities Regulator's general functions are to:

- **increase public trust and confidence in the management and administration of charitable trusts and charitable organisations;**
- **promote compliance by charity trustees with their duties in the control and management of charitable trusts and charitable organisations;**
- **promote the effective use of the property of charitable trusts or charitable organisations;**
- **ensure the accountability of charitable organisations to donors and beneficiaries of charitable gifts, and the public;**
- **promote understanding of the requirement that charitable purposes confer a public benefit;**
- **establish and maintain a register of charitable organisations;**
- **ensure and monitor compliance by charitable organisations with this Act;**
- **carry out investigations in accordance with this Act;**
- **encourage and facilitate the better administration and management of charitable organisations by the provision of information or advice, including in particular by way of issuing (or, as it considers appropriate, approving) guidelines, codes of conduct, and model constitutional documents;**
- **carry on such activities or publish such information (including statistical information) concerning charitable organisations and charitable trusts as it considers appropriate;**
- **provide information (including statistical information) or advice, or make proposals, to the Minister on matters relating to the functions of the Regulator.**

## Our Mission is:

To regulate the charity sector in the public interest so as to ensure compliance with the law and support best practice in the governance, management and administration of charities.

## Our Vision is:

A vibrant trusted charity sector that is valued for the public benefit it provides.

# Our Values are:

## OPENNESS

We take an open and transparent approach to our work. We make information available about how we operate and about the sector we regulate.

## PROPORTIONALITY

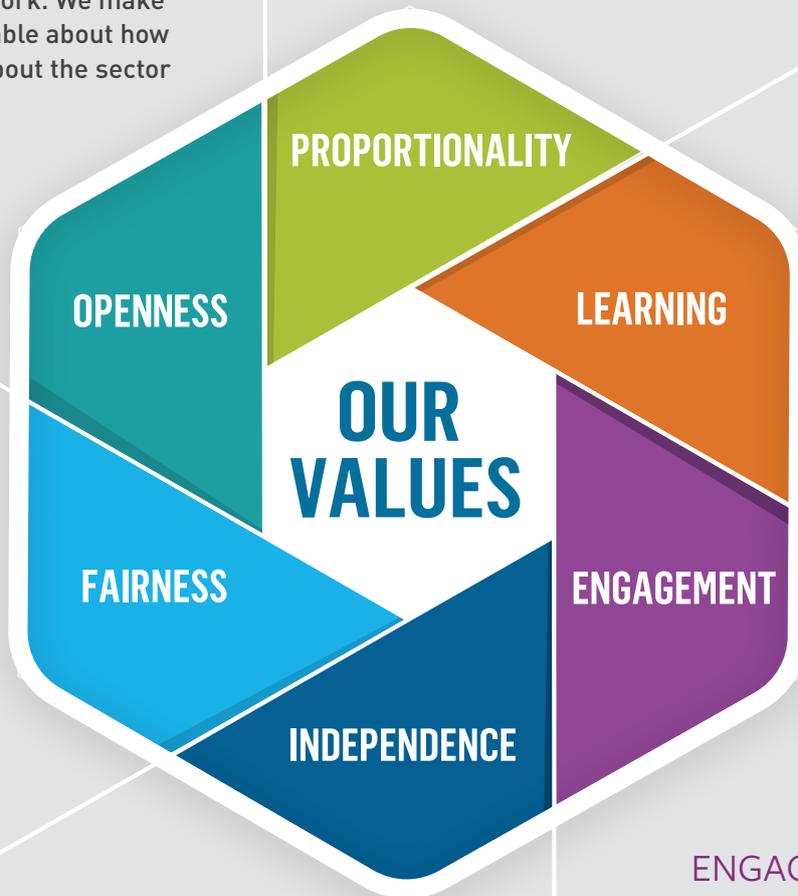
We recognise the diversity of size and capacity among the organisations which we regulate. We regulate in a proportionate way and target the resources available to us at areas of greatest risk.

## LEARNING

Our actions and decisions are informed by evidence and embedded in a learning culture. We continually seek ways to improve how we do our work and strive to be authoritative in our field.

## FAIRNESS

We operate fairly and impartially. We apply our procedures consistently and give reasons for our actions and decisions.



**OUR  
VALUES**

## INDEPENDENCE

We take decisions independently and in the public interest. We stand over our actions and decisions and take responsibility for them.

## ENGAGEMENT

We communicate with and listen to our stakeholders. We seek to anticipate and address regulatory issues of concern to them.

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# 1

# Background and Introduction

## **Fundraising from the public is an essential and valuable source of revenue for many charities.**

However, it is critical that charities carry out all fundraising from the public in an open, transparent, honest, respectful and accountable manner. Fundraising should always be underpinned by an appropriate legal framework. Fundraising activities which operate on the basis of perceived loopholes in the law risk damaging the reputation of the charity and the sector more generally.

The basis for these Guidelines is the 2008 *Statement of Guiding Principles on Charitable Fundraising*. These Guidelines have benefitted from the input of a Consultative Panel on Charitable Fundraising which was set up by the Charities Regulator in 2016 at the request of the Minister for Justice and Equality. They have also been informed by evidence-based research and a public consultation which took place in Autumn 2016.

The Charities Regulator expects that any charities that fundraise will do so in a way which protects the reputations of their charity and encourages public trust and confidence in their charity and in charities more generally. This includes following the law and recognised standards, protecting the charity from undue risk and showing respect for beneficiaries, donors and the public. These Guidelines are intended to assist trustees of a charity to run the charity effectively, avoid difficulties in respect of fundraising activities and comply with their legal duties.

Charities vary in terms of their size and activities. Trustees should consider and decide how best to apply these Guidelines to their charity's particular circumstances. The Charities Regulator requires the trustees of each registered Irish charity to be able to explain and justify their approach to fundraising from the public, particularly if they decide not to follow good practice as set out in these Guidelines.



## 2 Who should read these Guidelines?

**Charity trustees have overall responsibility and accountability for their charity and this includes fundraising activities of the charity.**

They have a key role to play in setting their charity's approach to raising funds and ensuring that it is implemented in practice. The Charities Regulator recognises the commitment required of trustees and the challenges they can face in getting fundraising right. These Guidelines are devised to support them in discharging their responsibilities. They should be read in conjunction with our Guidelines on duties of charity trustees and internal financial controls.

These Guidelines apply to all types of fundraising from the public for the benefit of charities and their beneficiaries. It applies whether or not:

- > fundraising from the public is a small or major part of the charity's approach to raising money, or;
- > fundraising is carried out by the charity, by a subsidiary trading company on behalf of the charity, by another person or organisation on the charity's behalf or by a person or organisation who uses the charity's name in advertising.

Trustees should ensure that all key people within their charity who are involved in fundraising implement the approaches and practices set out in these Guidelines. These include senior management, staff, company directors, volunteers and any professional fundraisers.

Donors, potential donors and members of the public can also use the Guidelines to ensure they are educated and informed prior to making a donation.

**Trustees should ensure that all key people within their charity who are involved in fundraising implement the approaches and practices set out in these Guidelines.**

### **'Must' and 'should': what we mean**

In these Guidelines -

**'must'** means that something is a legal or regulatory requirement or a duty that trustees must comply with, and

**'should'** means that something is good practice and the Charities Regulator expects trustees to follow and implement it within their charity.

# 3 Principles

**Under the Charities Act 2009, it is a function of the Charities Regulator to ensure the accountability of each charity to its donors, beneficiaries and the public.**

To this end, the charity trustees should ensure that their charity has a Donor's Charter, which should include the commitments set out below and should be publicly available. The charity may expand on these commitments in accordance with its mission and purpose as appropriate.



## Respect

- › All fundraising will respect the rights and dignity of donors, beneficiaries and the public.

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- › Fundraising activities will not be unreasonably persistent, intrusive or place undue pressure on people to donate. Should someone not wish to donate, or wish to cease making a donation, that decision will be respected.

---

- › Beneficiaries will not be presented in a disrespectful way in promotional activities and, where possible and appropriate, clients and beneficiaries will have an input into the promotional strategies of the charity.



## Honesty and Integrity

- › Fundraising will occur in an honest and truthful manner.

---

- › Fundraisers will act with integrity and not misrepresent the charity, its need for funds or how they will be applied.

---

- › Questions about fundraising activities and fundraising costs will be answered honestly and in a timely manner.

---

- › Information about the charity's charitable purpose and activities will be made freely available.

---

- › Charitable donations and gifts will be used for the purposes for which they were donated.



## Transparency and Accountability

- › The charity will take responsibility for its actions and will be capable of explaining, clarifying and justifying those actions.

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- › The charity's trustees and management will explain and account to donors and the public for the charity's actions.

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- › The charity will operate in an open, frank and honest way and will ensure that transactions, operations, information and communications are easily understood by donors and the public alike.

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- › The charity will clearly identify to donors and the public the cause for which the fundraising is occurring and how donations will and are being used.

---

- › The charity will provide ways whereby those interested can easily contact the charity.

---

- › The charity will have a procedure in place to address complaints.

## 4

# Donors and Donations

In addition to the core principles detailed in section 3, the trustees of a charity should ensure that appropriate policies, procedures and safeguards in respect of the matters set out below are implemented by the charity in all of its dealings with donors.

## Donors

Trustees of a charity should make sure that the charity takes all reasonable steps to treat donors fairly, enabling donors to make informed decisions about any donations. This includes taking into account the needs of any potential donor who may be vulnerable or who, due to his or her circumstances, may require additional care and support to make an informed decision.

Trustees of a charity should ensure that the charity and their fundraisers do not exploit the credulity, lack of knowledge, apparent need for care and support or vulnerable circumstances of any donor at any point in time. If there are reasonable grounds for believing that an individual lacks capacity to make an informed decision to donate, a donation should not be taken. A donation given by someone who lacked capacity at the time of donating should be returned.

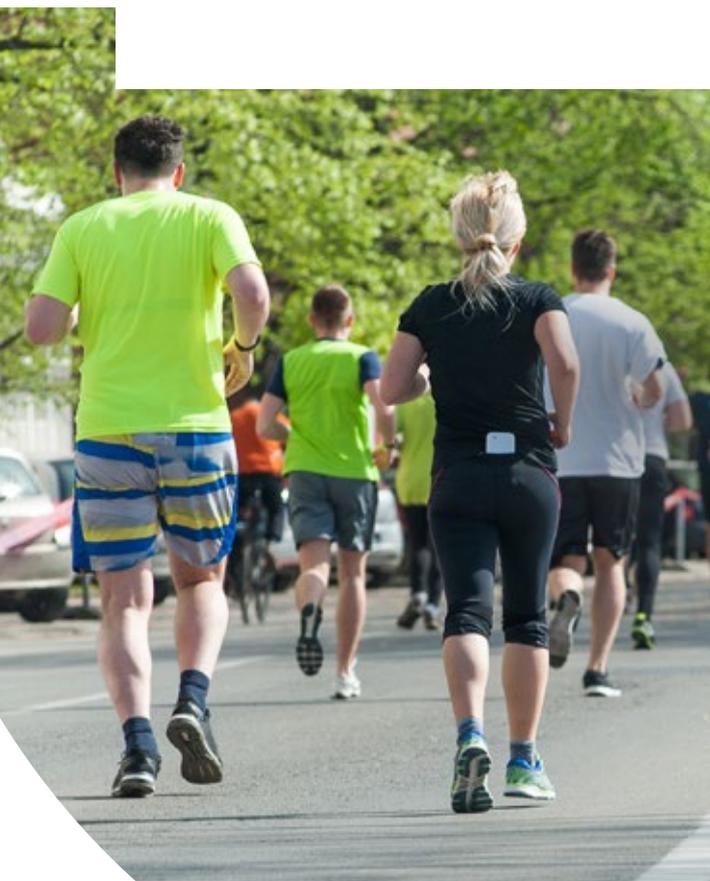
## Donations

Trustees of a charity must ensure that:

- the charity accurately describes the purpose of any fundraising;
- donations received are used to further the charity's charitable purpose;
- where donations are made for a specific purpose, the donor's request is honoured.

Trustees should ensure that:

- fundraisers carry clearly visible identification, which includes the name of the individual who is fundraising, the charity's name, logo, contact details and Registered Irish Charity Number, also known as an "RCN";
- donors are informed of the status and authority of those soliciting charitable donations on behalf of the charity so that donors are aware whether fundraisers are employees of the charity, third party agents or volunteers;
- where the charity invites the public to donate to a specific cause, that the charity has a plan in place for handling any shortfall or excess and is able to inform donors about this;
- where all of the proceeds of an event are not going to the cause/charity this should be made clear to donors;
- if it is not intended that collected items such as clothing or other articles be sent directly to the clients or beneficiaries of the charity but, for example, are to be sold or recycled instead, this should be made clear to donors.



### Third party fundraisers

Trustees should be assured that any donations sought indirectly, such as through third party agents, are solicited and received in full conformity with the law, the charity's own fundraising policies and procedures and these Guidelines.

Fundraising by third party agents should be the subject of a written contract. Trustees should ensure the contract is clear and specific as to the cost of the fundraising, including the percentage of each charitable donation that will go to the charitable purpose.

Donors have a right to expect that their gift is being used primarily for the charitable purpose. A charity must not enter into any agreement which is intended to deliver more private benefit to third party fundraisers than it does to the charity.

### Volunteer fundraisers

Trustees should ensure that the charity has a policy for any activities involving volunteers, including how they are contracted and managed.<sup>1</sup>

### Complaints and feedback procedure

Trustees should ensure the charity has clear, transparent procedures in place to enable interested parties to notify the charity of their complaints, questions or comments. These procedures should include systems to ensure that all complaints are responded to and addressed promptly, within a specified time frame.

Public or donor complaints should, in the first instance, be addressed by the charity in a prompt manner. Where the charity's initial response does not satisfy the complainant, the charity should provide clear information about the next level of the complaints procedure, as applicable.

If an individual is not satisfied with the manner in which their complaint is handled by the charity concerned, they should be advised of their right to raise a concern with the Charities Regulator.

Where, in the course of examining any matter, information comes into the possession of a charity trustee or any other person who has been duly appointed to carry out any of the functions of a charity trustee, that causes the person to form the opinion that there are reasonable grounds for believing that an offence under the Criminal Justice (Theft and Fraud Offences) Act 2001 has been or is being committed, the person must notify the Charities Regulator in writing.

### Legal obligations

Charities must be mindful of all relevant legal requirements and conform fully to these, including - but not limited to - obligations under charity, labour, equality, and data protection law.



**Donors have a right to expect that their gift is being used primarily for the charitable purpose.**

<sup>1</sup> A useful resource in this regard is the Citizens Information Board publication *Managing Volunteers: A Good Practice Guide*, available on their website [http://www.citizensinformationboard.ie/en/publications/voluntary\\_sector.html](http://www.citizensinformationboard.ie/en/publications/voluntary_sector.html)

# 5 Responsibilities of Charity Trustees

**The ultimate responsibility for adherence to these Guidelines rests with the trustees of each charity.**

The trustees are accountable to the beneficiaries, donors, funders and the public. Fundraising exists only to support the overall mission and charitable purpose of a charity. However, breach of trust in this area can lead to significant damage to the reputation of the charity and charities more generally.

Trustees are therefore responsible for ensuring that their charity fulfils its commitment to best practice in fundraising. Where, as often happens, trustees decide to delegate the day-to-day management of fundraising to employees or third parties, there should be effective systems in place to ensure that:

1. any delegation is clearly documented (for example in staff job descriptions, volunteers' role descriptions and committees' terms of reference), understood and implemented;
2. there are checks that the delegated authority is exercised properly;
3. clear reporting procedures are in place, which include guidance on any particular matters that are to be reported to the trustees;
4. trustees receive regular and fully documented reports on agreed matters, presented in a way that they can understand and use and which allows them to exercise proper oversight;
5. management and staff implement and adhere to the Guidelines and fundraising is handled in a transparent, effective and efficient manner, in line with an agreed plan;
6. procedures are in place to enable donors, potential donors and the public to notify the charity of their questions, comments or complaints related to fundraising and systems are in place to ensure that all feedback, in particular any complaint, is responded to and addressed within a specified time frame, and;
7. fundraising strategy and operations are reviewed and audited on a regular basis.



# 6 Responsibilities of Management

**Charity trustees may delegate certain responsibilities to management, including the responsibility for organising or managing fundraising campaigns.**

Those responsible for organising and managing fundraising campaigns and activities have a range of responsibilities in order to meet the commitment to donors.

The charity's Donor's Charter should be communicated to all fundraisers, whether voluntary, paid or third party agents.

Where events are organised in the charity's name but are not known to the charity until after the fact, the charity should work with the fundraiser concerned to ensure that the fundraiser is aware of the standards expected so that the fundraiser can ensure any future events held meet those standards.

## Where management has responsibility for fundraising by a charity, they should ensure the following:

1. Fundraisers, suppliers and contractors are informed about and contracted to adhere to the Guidelines in their fundraising work for the charity; all paid fundraisers have appropriate contracts, including a clause confirming compliance with the Guidelines and relevant legal requirements relating to fundraising;
2. Where fundraisers are paid, payments are not excessive and are not likely to result in undue pressure being put on the public to donate and that the charity is informed as to whether payments to fundraisers are related to the performance of the fundraiser;
3. Appropriate training and support is in place to enable fundraisers to effectively carry out their role in an open, honest and respectful manner and in compliance with applicable legal requirements;
4. So far as is reasonably practicable, fundraisers are not exposed to risks to their health and safety;
5. Checks are in place relating to the suitability and credentials of fundraisers to raise funds on behalf of the charity;
6. Fundraisers are aware of and can generally communicate the charitable purpose of the charity and of the specific fundraising efforts in which they are involved;
7. Fundraisers are aware that they should disclose if they are employees of the charity or third party agents;
8. Fundraisers provide clear and adequate written or verbal information to donors and the public regarding the nature and type of follow up contact that they can expect from the charity, such as telephone calls, texts and the frequency of planned communications;
9. There is not misleading or ambiguous information in any of the charity's fundraising communications;
10. Procedures are implemented and safeguards are in place to ensure that, to the fullest extent possible, particular caution is exercised when soliciting from people who may be considered vulnerable, including from minors;
11. All public collections have a Garda permit, or where no permit is required, permission from the relevant local or other authority (such as for collections in church grounds).

# 7

## Responsibilities of Fundraisers

**Each charity should ensure that their fundraisers (voluntary, paid or third party agents) when engaging in fundraising activities on behalf of the charity are respectful, honest, transparent and comply with all applicable legal requirements.**

It must be made clear at all times whether fundraising activities are for the charity in general or for a specific purpose. Charities must ensure that fundraising materials do not imply that money fundraised is for a restricted purpose (such as assisting a particular person or animal) when it may be used for different purposes or for general funds.

Fundraising activities should not be carried out in a manner which constitutes an unreasonable intrusion on a person's privacy, is unreasonably persistent or places a person under undue pressure to donate.

Any information obtained in confidence as part of the fundraising process must not be disclosed without express, informed prior consent of the donor.

### All fundraisers should:

1. be trustworthy and conduct themselves at all times with integrity and honesty and should act openly and in such a manner as to ensure that donors are not misled;
2. ensure that their actions enhance the charitable purpose and reputation of the charity that they represent;
3. disclose if they are employees of the charity or third party agents;
4. be able to state the purpose for which funds being collected will be used;
5. have a general knowledge about the aims and objectives of the charity and be able to inform donors of where they can find supplementary information;
6. not knowingly or recklessly disseminate false or misleading information in the course of their professional duties, nor permit others to do so;
7. not unreasonably intrude on the privacy of those from whom donations are being solicited;
8. not make unreasonably persistent approaches nor exert undue pressure on people to make donations to the charity concerned;
9. not act in a manner inconsistent with these Guidelines, or cause or permit others to do so;
10. not exploit any relationship with a donor, volunteer or employee for personal benefit or misuse their position for personal gain, and;
11. comply with all legal requirements which relate to their activities and advocate adherence to these within the organisation which employs them or for which they volunteer.

# 8 Data Protection

**A charity must follow appropriate procedures when handling and processing personal data from individuals.**

All personal data must be collected fairly and lawfully and information which can be identified or attributed to one or more individuals must be treated as confidential.

A charity must comply with all legal requirements with regard to data protection legislation. The Charities Regulator also expects charities to conform to relevant guidance issued by the *Data Protection Commissioner, in particular, the Data Protection in the Charity and Voluntary Sector Guidelines*<sup>2</sup> as well as guidance relating to direct and inter-active marketing, including direct mail, email, telemarketing, digital and social media marketing, SMS text etc. A charity should respect donors' stated preferences regarding contact by the charity and should make it easy to communicate these preferences.

Where a third party firm or agent is employed by a charity to fundraise, the public have a right to reasonably assume that any data they provide is held only by the charity and not by the third party.



**A charity must comply with all legal requirements with regard to data protection legislation.**

<sup>2</sup> Data Protection in the Charity & Voluntary Sector Guidelines (March 2014) <https://www.dataprotection.ie/docimages/CharityMarch14%201.pdf>

All relevant information must be collected and stored in line with the Guidelines issued by the Office of the Data Protection Commissioner which include the following:

1. Information must be fairly collected and all donors must be provided with adequate notice of how their personal data will be processed;
2. If a charity has information about people and wishes to use it for a new purpose, the charity is obliged to give an option to individuals to indicate whether or not they wish their information to be used for the new purpose;
3. Only the minimum necessary personal data should be sought by charities;
4. The retention of donor PPSNs, other than in relation to donations where tax relief remains relevant, is a breach of the Data Protection Acts 1988 & 2003;
5. Charities should implement a comprehensive retention policy for all records containing the personal data of donors, beneficiaries, registered campaigners etc;
6. All marketing preferences should be accurately recorded and respected;
7. Every charity should have a security policy and set of procedures which explicitly address the security aspects of any personal data being collected, transferred or held by the charity or any personal data disclosed to third parties and ensure that appropriate security measures are in place;
8. All charities should ensure that donors, clients, service users and employees are clearly informed of their rights under the Data Protection Acts to gain access to a copy of their personal data;
9. Every charity should draw up a Data Protection Privacy Policy and a separate Data Protection Statement for its website.

More information on the responsibilities of charities as data controllers is available on the website of the Data Protection Commissioner at [www.dataprotection.ie](http://www.dataprotection.ie).

## General Data Protection Regulation

The General Data Protection Regulation, commonly referred to as the “GDPR”, which will strengthen the rights of individuals in Europe, will come into force on 25 May 2018.

The GDPR will introduce significant changes in the area of data protection law by increasing the obligations and responsibilities of organisations in relation to how they collect, use and protect personal data. Many of the new requirements are of particular relevance to charities in the context of fundraising, where personal data may be collected from donors as part of such activities.

Key requirements of the GDPR include the requirement for organisations such as charities to be fully transparent about how they use and safeguard personal data and that organisations be able to demonstrate accountability for their data processing activities.

Charity trustees should ensure that they understand and are prepared for the new rules in this area.

Information on the GDPR and the main changes that it will introduce for individuals and organisations is available on the Data Protection Commissioner’s microsite: [www.gdprandyou.ie](http://www.gdprandyou.ie)

# 9

# Financial Transparency and Accountability

**Financial accountability goes to the heart of transparency and is particularly important in the context of fundraising by charities.**

## Financial controls

Trustees must ensure the following:

- **The charity keeps proper books of account, which correctly record and explain transactions;**
- **Internal financial control procedures are in place to ensure that funds are used effectively and to minimise the risk of funds being misused;**
- **The charity reports annually to the Charities Regulator.**

Charities should be in a position to provide a full financial account of each individual fundraising event. This includes the gross amount of funds raised, the associated fundraising costs and to which charitable purpose or charitable fund the proceeds of the event have been allocated.

The Charities Regulator has published separate Guidelines on Internal Financial Controls for charities (available on our website). The Guidelines give practical guidance in relation to the main areas of financial control for charities: income; expenditure; banking (including payments and loans); assets and investments and monitoring arrangements. They contain a number of useful checklists for charities to ensure they have the appropriate controls in place. Charities are expected to follow the good practice set out in these Guidelines.

## Every charity should, at a minimum, follow these procedures:

1. Cash should be counted and recorded by a minimum of two unrelated individuals, wherever possible, in a secure environment;
2. Cash and cheques should be banked as soon as is practicable. Charities should have a procedure on banking donations, identifying who does it and when. Cash not banked immediately should be placed in a secure location. Unsecured cash should never be left unattended;
3. At the earliest possible date, cash banked and income summaries should be reconciled. Where practical, this should be undertaken by a person independent of the counting and cashing up of the money;
4. Records must be made of donations for specific purposes (to certain appeals or projects) to ensure that the terms of donations are complied with. Charities must ensure that accepted donations are used to support the purposes in accordance with the conditions attached to the donation;
5. Where a charity is in receipt of funds restricted to certain purposes or projects and where the charity cannot realistically apply the funds within a reasonable timeframe to that purpose or project, the charity, in consultation with the Charities Regulator, must allocate those funds to a purpose as close as possible to the original intended purpose. Where practical, this change should be communicated to the specific donor(s);
6. All funds should be used reasonably and prudently in the interest of the charity. This involves ensuring that remuneration of fundraisers is proportionate to the benefit reasonably expected to be obtained. Payments to fundraisers must not be excessive;
7. Charities should make it clear to all volunteers that anyone raising money must ensure that the charity receives all that money. Volunteers should have only their out-of-pocket expenses reimbursed, on the basis of receipts provided;
8. Charities should implement a culture of zero tolerance to theft or fraud and any suspicions relating to such matters should be immediately raised by the charity with An Garda Síochána.

# 10 Monitoring

**These Guidelines are issued by the Charities Regulator pursuant to section 14 (1) (i) of the Charities Act 2009.**

Their primary aim is to encourage and facilitate the better administration and management of charity fundraising from the public.

The Charities Regulator's monitoring approach is primarily informed by the provisions of the Charities Act 2009. These provisions place specific and general duties on each charity and its charity trustees. They also provide the Charities Regulator with powers to register, monitor, investigate and sanction charities, as appropriate.

## We monitor charities by:

- examining information which the charity is required to provide annually to the Regulator. This includes the provision of proper books of accounts, which trustees of all charities are required by law to keep;
- examining information which the Charities Regulator directs the charity or its trustees to provide;
- considering concerns received from the public and interested parties. Any member of the public or interested party may raise a concern with the Regulator if they have evidence that a charity has not complied or is not complying with the Charities Act. The Charities Regulator's policy on raising a concern can be found on the Charities Regulator's website, and;
- carrying out site visits and formal investigations, where required.

## Cash Collections

An Garda Síochána are responsible for ensuring compliance by all persons, including charities, with the Street and House to House Collections Act 1962.

If a person believes that a breach of the Street and House to House Collections Act 1962 has occurred they should report the matter to An Garda Síochána.

Under section 28 of the Charities Act 2009, the Charities Regulator is obliged to provide any information obtained by it in the performance of its functions, that causes it to suspect that an offence has been committed by a charity trustee or a charitable organisation, to An Garda Síochána.



# Appendix:

## Useful Reference Points

### Organisations

**Charities Regulator**

[www.charitiesregulator.ie](http://www.charitiesregulator.ie)

**Office of the Revenue Commissioners**

[www.revenue.ie](http://www.revenue.ie)

**Charities Act 2009**

[www.irishstatutebook.ie](http://www.irishstatutebook.ie)

**An Garda Síochána**

[www.garda.ie](http://www.garda.ie)

**Companies Registration Office**

[www.cro.ie](http://www.cro.ie)

**Director of Corporate Enforcement**

[www.odce.ie](http://www.odce.ie)

**Data Protection Commissioner**

[www.dataprotection.ie](http://www.dataprotection.ie)

**Charities Institute Ireland**

[www.charitiesinstituteireland.ie](http://www.charitiesinstituteireland.ie)

**The Wheel**

[www.wheel.ie](http://www.wheel.ie)

**Dochas**

[www.dochas.ie](http://www.dochas.ie)





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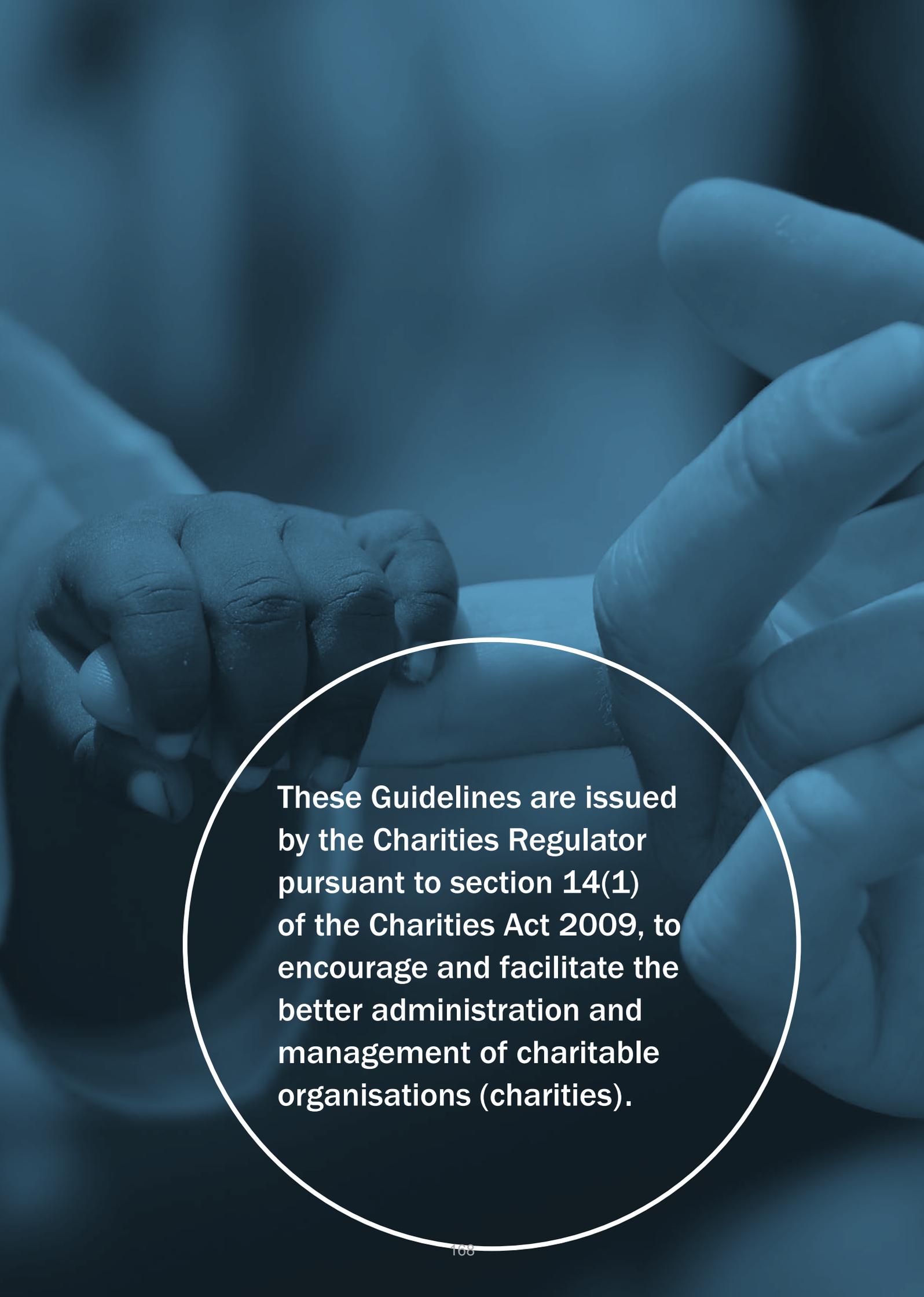


An Rialálaí  
Carthanas

Charities  
Regulator

# What is a Charity?





**These Guidelines are issued by the Charities Regulator pursuant to section 14(1) of the Charities Act 2009, to encourage and facilitate the better administration and management of charitable organisations (charities).**

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## LEGAL DISCLAIMER

This document is intended to provide general information in relation to how a charitable organisation is defined for the purposes of the Charities Act 2009. It is not, nor is it intended to be, a definitive statement of the law in this area. Organisations should obtain their own independent legal advice when making decisions relating to any of the matters referred to in this document.

# What is the Charities Regulator?

The Charities Regulatory Authority or Charities Regulator for short is a statutory organisation, set up in October 2014, to regulate and protect charities.

We have a number of functions, such as setting up and maintaining the Register of Charities. We also ensure that charities comply with their legal requirements, we carry out investigations into the affairs of charities and we issue guidelines and codes of conduct<sup>1</sup>.



1 See [www.charitiesregulator.ie](http://www.charitiesregulator.ie) for more information about us.



# What does this guide explain?

**This guide explains what a charitable organisation is for the purposes of the Charities Act 2009<sup>2</sup>.**

It looks at how we interpret the three main elements of this definition, which we refer to throughout this document as the ‘charity test’ and provides some clarity on excluded bodies.

The guide aims to assist those considering setting up and applying to register as a charity. It may also be useful for trustees of existing charities, in particular those who are considering revising their charitable purpose(s). Charity Trustees are the people who control and are legally responsible for the management of a charity. They must comply with their organisation’s governing document (constitution, deed of trust, rule book etc.), which provides the basis for everything their organisation does and how it does it.

More detailed information is available for those considering setting up or applying to register as a charity on our website.

All charities must apply to be registered with us. This is a legal requirement. If your organisation had charity status from the Revenue Commissioners on 16 October 2014, you are deemed to already be registered as an Irish charity. If not, before beginning the registration application process, your organisation first needs to consider whether it fits the legal definition of a charity. This document will help you to understand how the law defines a charity.

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<sup>2</sup> See [www.irishstatutebook.ie](http://www.irishstatutebook.ie) for the details of the Charities Act 2009.

# 2

## Does your organisation pass the charity test?

The Charities Act 2009 sets out the requirements that your organisation must meet to be considered a charity. This definition of a charitable organisation can best be illustrated using this simple graphic, the 'charity test':

### The Charity Test



To pass the charity test and meet our registration requirements, your organisation **must** provide evidence that it:

- ✓ Operates in the Republic of Ireland
- ✓ Exists for a charitable purpose(s)
- ✓ Promotes this charitable purpose(s) only
- ✓ Carries out all activities to further this charitable purpose(s)
- ✓ Exists to benefit the public or a section of the public in Ireland, or elsewhere, through its charitable purpose(s)
- ✓ Is not an excluded body

If you are unsure whether your organisation meets these requirements, we strongly suggest you discuss this matter in detail within your organisation and formally record the decision made to apply to register your organisation, or not. You may wish to seek legal advice to assist you with this decision-making process.

Charities can take any number of 'models' and 'forms'. These models may include service providers, grant givers and membership organisations, to name a few. The forms a charity can take may include a company limited by guarantee (clg), other company types, associations or trusts. Whatever model or form a charity takes, it must pass the charity test in order to apply to register.

Let us look at each element of the test in more detail.

## 2.1 Does your organisation operate in the Republic of Ireland?



**OPERATES  
IN REPUBLIC  
OF IRELAND**

A charitable organisation that operates, or intends to operate or carry out activities, in Ireland must apply to be registered. This does not mean that the people (or section of the public) that your organisation will benefit need to be in Ireland.

For example, an organisation can operate in Ireland with the main purpose of advancing education, by building schools in a number of communities in a specific region of Africa, to benefit the children and future generations of those communities.

## 2.2 What is your organisation's charitable purpose?



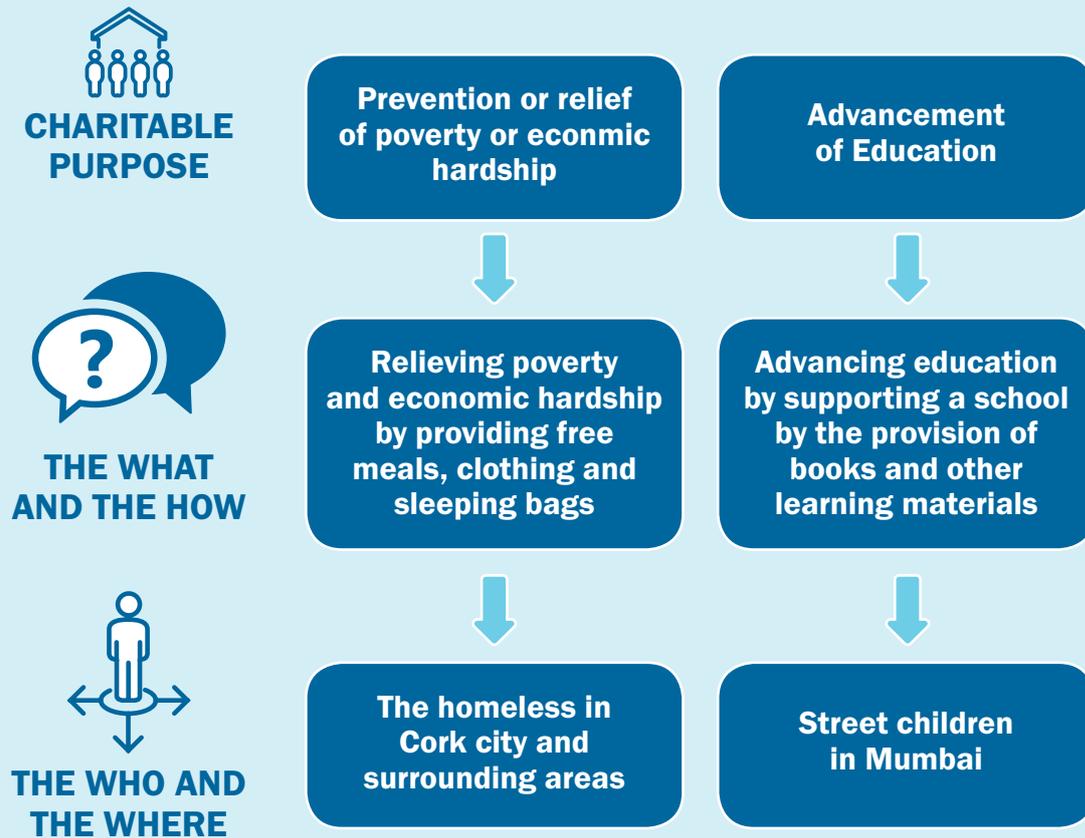
**CHARITABLE  
PURPOSE**

Your organisation's 'purpose' is what it is set up to achieve. This purpose is usually set out in the 'objects clause' of your organisation's governing document. This purpose should concisely describe **what** outcomes the charity is set up to achieve, **how** it will achieve these outcomes, **who** will benefit from these outcomes and **where** the benefits will be felt.

The Charities Act 2009 sets out specific categories of charitable purposes. To satisfy this element of the charity test, your charity's purpose must fall within one or more of these categories:

- > The prevention or relief of poverty or economic hardship
- > The advancement of education
- > The advancement of religion
- > Any other purpose that is of benefit to the community.





Examples of how a charitable purpose is set out under two categories of charitable purpose.

Let's consider each of the four categories of charitable purposes.

### CATEGORY 1:

The prevention or relief of poverty or economic hardship

Poverty and economic hardship do not necessarily mean just a lack of money or material things. It may also relate to the impact that a lack of money or material things has on a person.

For example, your organisation could fall into this category if it exists to provide money management and debt advice, or training in work skills to improve employment prospects.

What constitutes the prevention or relief of poverty or economic hardship will vary depending on where and with whom your organisation works.

For example, an organisation working in one of the world's poorest regions might address the lack of basic essentials such as clothing or food, but an organisation working in Ireland might help low-income families by providing gifts for children at Christmas.

### CATEGORY 2:

The advancement of education

A wide range of experiences can be deemed educational and people can learn in many ways. The definition of this purpose, as with the others, is not narrowly defined or static.

Schools, colleges, pre-schools, playgroups, research bodies, professional institutes, think tanks, museums and libraries could fall within this category of charitable purpose.

To advance education, your organisation's work must support education, but it does not necessarily need to directly provide structured learning.

For example, if your organisation exists to build schools in a developing country or provide school books to children of low-income families in Ireland, it could fall within this category.

### **CATEGORY 3:** The advancement of religion

The Charities Act 2009 does not contain a definition of religion. However, existing case law has established that a religion has two core elements:

- > Belief in a 'Supreme Being'
- > Faith and worship of that 'Supreme Being'

To advance religion, your organisation's work must support a religion that contains the two core elements outlined, but it does not necessarily need to be a religious body.

For example, if your organisation exists to raise awareness of a religious belief through the dissemination of religious books or films or to organise religious pilgrimages or retreats, it could fall within this category.

Unlike other jurisdictions, donations or gifts for the advancement of religion are presumed to be of public benefit, unless the contrary is proved.

However, a donation or gift is not deemed to be for the advancement of religion if it is made to, or for the benefit of, an organisation or cult, that employs oppressive psychological manipulation of its followers or to gain new followers or whose main objective is to make a profit.

### **CATEGORY 4:** Any other purpose that is of benefit to the community

While this is a broad category, the legislation provides further detail on what is deemed a charitable purpose under this heading:

#### **The advancement of community welfare, including the relief of those in need by reason of youth, age, ill-health or disability**

In addition to the more obvious organisations that could fall within this sub-category, such as meals-on-wheels or youth clubs, organisations set up to advance community welfare could include those providing specialist care or accommodation to the elderly, or those providing specialist advice or equipment to disabled people.

#### **The advancement of community development, including rural or urban regeneration**

Organisations that fall within this sub-category support people and community groups to improve the quality of life for the whole community. Remember, community does not just mean a locality; it can also refer to an interest or identity, for example ethnic origin.

Regeneration is the process of reversing the economic, physical and social decline of places where the need for improvement can clearly be identified.

#### **The promotion of civic responsibility or voluntary work**

This involves developing and teaching civic values for the good of a community or society as a whole. For example, it might include organisations that exist to promote democracy and equality, or encourage engagement with social processes.

The promotion of voluntary work is the promotion of the values and benefits that volunteering can bring, both to the volunteers and those who benefit from their activities. Organisations that fall within this sub-category include those that encourage organisations to improve their capacity to support and train volunteers, or organisations that provide a service linking volunteers to volunteering opportunities.

However, the fact that a charity may have volunteers working for it, does not mean that the charity promotes civic responsibility or voluntary work.

#### **The promotion of health, including the prevention or relief of sickness, disease or human suffering**

The promotion of health generally means that the organisation advances physical or mental health, conventional medicine and complementary or alternative therapies.

Organisations that fall within this sub-category could focus on curing specific diseases and illnesses, relieving symptoms or providing support to families of the terminally ill.

The promotion of health could also include organisations that exist to help people maintain or improve their health by providing dietary guidance, counselling or support, or undertaking medical research.

### **The advancement of conflict resolution or reconciliation**

This sub-category is very broad and relates to organisations that exist to resolve or prevent conflict or disputes between individuals and communities.

It could include organisations that exist to relieve the suffering, poverty and distress that arises from conflict, either nationally or internationally. Organisations that fall within this category might identify the causes of conflict and seek resolutions.

Organisations that promote restorative justice and organisations that offer familial counselling or mediation services could also fall within this category.

### **The promotion of religious or racial harmony and harmonious community relations**

This sub-category relates to social inclusion. Organisations that fall within this sub-category could include those that actively promote the lessening of conflict between people from different races, religions or belief systems. Such organisations could work on a local, regional, national or international basis.

### **The protection of the natural environment and the advancement of environmental sustainability**

These two sub-categories are very similar. They both relate to the preservation and conservation of the natural environment and the promotion of sustainable development. Organisations that exist to protect or conserve a specific plant or animal species, or promote energy-saving measures or the use of a renewable energy source may fall within these categories.

### **The advancement of the efficient and effective use of the property of charitable organisations**

This sub-category could include organisations that exist to ensure that other charitable organisations are well run or allow their resources to be used more effectively. An organisation with this purpose may provide support and advisory services to charities to improve their management, administration and operations through training.

### **The prevention or relief of suffering of animals**

Organisations that fall within this sub-category exist to prevent cruelty towards animals or relieve the suffering of animals. This could include rescuing or re-homing animals, providing veterinary treatment or running animal shelters.

### **The advancement of the arts, culture, heritage or sciences**

This is a broad sub-category and covers organisations working in areas such as art, music, theatre, literature, language, dance and so on. An organisation that exists to provide arts venues and facilities or to encourage high standards in the arts could fall within this sub-category.

Advancing heritage includes preserving historic land, buildings and items, as well as preserving or maintaining particular traditions.

Finally, the advancement of science could include organisations that exist to carry out scientific research or disseminate research findings, or encourage engagement with the sciences and those supporting the work of scientific bodies.

### **The integration of those who are disadvantaged, and the promotion of their full participation, in society**

This involves helping people who are disadvantaged. The disadvantage may be permanent (such as terminal ill health or a disability) or temporary (such as unemployment or upon release from prison or following a bereavement).

## Summary

To fall within one of the four categories of charitable purpose outlined in the Charities Act 2009, your organisation must exist for a reason that will further that purpose in some way. The legislation does not provide a definitive list of accepted organisation types. Neither does it specify how your organisation's charitable purpose(s) must be furthered. **We will examine this on a case by case basis.**

Once you have agreed your organisation's main purpose(s) – i.e. the what, the how, the who and the where – you and the board of trustees should consider **four key questions:**

- ✓ Is your organisation established for a charitable purpose(s) only?
- ✓ Do all of the activities your organisation undertakes (or plans to undertake) relate directly to furthering the charitable purpose(s)?
- ✓ Does your organisation apply all of its income and property towards that charitable purpose(s)?
- ✓ Is your organisation's purpose(s) of public benefit?

## 2.3 Does your organisation generate a 'public benefit'?



We have looked at the requirement for your organisation to operate in the Republic of Ireland. We have also looked at the types of charitable purpose that your organisation might have and whether it could satisfy that element of the charity test. Now let's consider whether your organisation's purpose(s) generates a 'public benefit'.

First, let's clarify what we mean by a 'public benefit'.

An organisation's purpose(s) must benefit the public or a section of the public in Ireland or elsewhere. The benefit your organisation's purpose(s) provides should be identifiable.

An organisation that benefits only one person cannot be legally regarded as a charity. However, the beneficiaries may be limited to a class of people, as long as the organisation does not put restrictions within that class or, if it does, that any such restrictions are reasonable and justified.

For example, an organisation set up to raise funds for a person to receive medical treatment overseas for a rare illness does not have a public benefit as the monies raised will benefit a specific individual. This is a private benefit.

On the other hand, an organisation set up to support sufferers of a particular rare illness (whether by fundraising for treatment, providing respite, funding a research study or all of these activities) will have a public benefit, even if the number of sufferers is very small. As long as all sufferers of that rare illness can access the same supports, the organisation is providing a benefit to a specific section of the public.

It is possible for some private benefit to occur, but this must be necessary, reasonable and ancillary to the public benefit. For example, if your organisation has a paid employee, there is a private benefit to that employee. In this case, you should be able to demonstrate that employing someone is necessary for your organisation to provide the public benefit and the employee's pay and conditions are reasonable.

**It is possible for some private benefit to occur, but this must be necessary, reasonable and ancillary to the public benefit.**

# 3

## Is your organisation an 'excluded body'?

**Let's look at 'excluded bodies' and explain why some organisations are not allowed to register as a charity.**

Firstly, organisations that do not meet each element of the charity test outlined above are unable to be registered as a charity. The legislation also sets out a number of exclusions, specifying the types of organisations that are not, and cannot become, charities.

The most obvious organisations that are not and cannot become charities are, bodies that promote activities that are unlawful, contrary to public morality, contrary to public policy or in support of terrorism or terrorist activity.

Less obvious organisations that are not and cannot become charities include, trade unions or representative bodies of employers and chambers of commerce. Other organisations specified in the legislation include:

➤ **Political parties or bodies that promote a political party, cause or candidate**

However, there can be exceptions if the promotion of that cause relates directly to the advancement of the charitable purpose(s) of the organisation. For example, an organisation that provides services to people with disabilities and also campaigns for better services for people with disabilities may still be considered a charity. Please see our 'Guidance on Charities and the Promotion of Political Causes' document for more detailed information on this topic.

➤ **Organisations established solely for the promotion of athletic or amateur games or sports**

Not all sports-related bodies are automatically excluded<sup>3</sup>. For example, a dragon boat club for cancer survivors and their families in a particular part of Ireland may be considered a charity under the advancement of community welfare and the promotion of health.

---

3 Excluded sporting bodies are listed in the [Section 235 of the Taxes Consolidation Act 1997](#).

# 4

## Is your organisation's name acceptable?

**If you are still considering setting up a charity, the final matter you need to consider is your organisation's name.**

Choosing the wrong name could prevent your organisation from being registered as a charity, even if you pass the charity test and are not an excluded body.

When deciding on a name, please consider if your organisation's name:

- ✓ Is the same or very similar to an existing charity?
- ✓ Could mislead people regarding its purpose(s) or activities?
- ✓ Could lead people to incorrectly believe it is connected to another body?
- ✓ Might cause offence to a reasonable person?

If you answer 'yes' to any of these questions, you should consider changing your organisation's name.

# 5 Charity checklist

Now that you are aware of the elements of the charity test and have had a chance to consider what bodies are excluded from becoming charities, here is our checklist again to help you decide whether your organisation will meet our registration requirements:



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July, 2018

Charities Regulator

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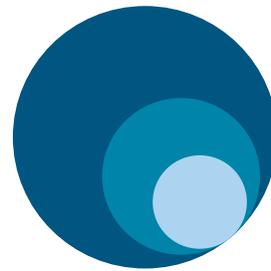
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An Rialálaí  
Carthanas

Charities  
Regulator

# Internal Financial Controls Guidelines for Charities



**Last updated 14 June, 2017**

This guidance document is subject to periodic review and updating. Please refer to the Charities Regulator's website [www.charitiesregulator.ie](http://www.charitiesregulator.ie) for the most up-to-date version of this document.

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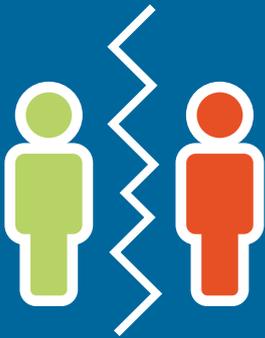
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SYSTEM OF  
**CONTROL/  
MONITORING**



KEEPING  
MAINTAINING  
**RECORDS**



SEGREGATION  
OF **DUTIES**



PREVENT AND  
DETECT **FRAUD**



SAFEGUARDING  
**ASSETS**



DEFINE ROLE/  
DOCUMENT  
**POLICIES**

# About the Charities Regulator

The Charities Regulatory Authority ('Charities Regulator') was established in October 2014, as Ireland's statutory independent authority for the regulation and protection of charitable organisations. Its general functions under the Charities Act 2009 ('Act') are to:

- ▶ increase public **trust and confidence** in the management and administration of charitable trusts and charitable organisations;
- ▶ promote **compliance** by charity trustees with their duties in the control and management of charitable trusts and charitable organisations;
- ▶ promote the **effective use of the property** of charitable trusts or charitable organisations;
- ▶ ensure the **accountability** of charitable organisations to donors and beneficiaries of charitable gifts, and the public;
- ▶ promote understanding of the requirement that charitable purposes confer a **public benefit**;
- ▶ establish and maintain a **register of charitable organisations**;
- ▶ ensure and monitor **compliance** by charitable organisations with the Act;
- ▶ carry out **investigations** in accordance with the Act;
- ▶ encourage and facilitate the **better administration and management** of charitable organisations by the provision of information or advice, including in particular by way of issuing (or, as it considers appropriate, approving) guidelines, codes of conduct, and model constitutional documents;
- ▶ carry on such activities or **publish** such **information** (including statistical information) concerning charitable organisations and charitable trusts as it considers appropriate, **provide information** (including statistical information) or **advice**, or make proposals, to the Minister on matters relating to the functions of the Regulator.

# Introduction

These Guidelines are issued by the Charities Regulator under section 14 (1) (i) of the Charities Act 2009, to encourage and facilitate the better administration and management of charitable organisations. The Charities Regulator expects charity trustees to have appropriate internal financial controls in place which protect their charity's reputation and encourages public trust and confidence in their charity.

This document is intended to provide support for trustees of small to medium sized charities on developing and implementing internal financial controls within their charity. While the guidelines may also be applicable to larger charities, trustees may need to seek professional advice on appropriate controls in more complex areas. For example, the guidance is not intended to specifically address charities working internationally, overseas aid activities or branches, sustainability objectives (including reserves management), financial abuse (including money laundering risks) or the applicable legal and other requirements relating to charity reporting and accounting.

As trustees are responsible for the overall system of internal control, the onus is on trustees to decide which controls are appropriate to the size, scale and complexity of their charity. Trustees may decide to delegate these tasks to specific trustees (acting on their behalf) or members of staff. Whatever approach is taken, ultimately, trustees are collectively responsible and trustees should design and implement financial controls so that they are proportionate to the charity's activities. This includes due consideration of any conditions or requirements detailed within specific grant funding agreements.

The Charities Regulator expects charity trustees to be able to explain and justify their approach to internal financial controls where there is any departure from the good practice set out in these guidelines.

Internal financial control activities assist charity trustees to:

- ▶ safeguard the charity's assets;
- ▶ administer the charity's financial affairs in a way that proactively identifies and manages risk;
- ▶ help prevent and detect potential fraudulent activity; and
- ▶ monitor and act upon financial reporting, by ensuring that proper books of account are maintained so that timely and relevant financial information can be obtained.

By their nature, internal financial controls reduce, but do not eliminate, the risk of loss. Examples of loss may occur due to human or system error, breach or override of controls, theft and fraud or other events. However, internal controls help trustees prevent and/or detect the risk of any such loss events in a more timely manner. Internal financial controls should also be designed and implemented to help maximise value for money objectives on behalf of the charity.

Practical examples of internal financial controls include:

- ▶ documented financial policies and procedures;
- ▶ clearly defined roles and responsibilities;
- ▶ segregation of duties;
- ▶ reconciliation of transactions;
- ▶ approval hierarchies;
- ▶ financial reporting; and
- ▶ audit trail maintenance and reporting.

The guidance is split into five sections as follows:

- ▶ Income
- ▶ Expenditure
- ▶ Banking (including payments and loans)
- ▶ Assets and investments
- ▶ Monitoring arrangements

Each section includes key control questions, which are intended to serve as a guide for charity trustees and management to develop and implement best practice internal financial controls within their charity.

# 1 Income

## 1.1. What controls should be in place for income?

Charities principally derive their income from fundraising activities, grant funding, “trading activities” (for example, charity shops), donations, legacies and other income. Regardless of the type or source of income, the internal financial controls for income should provide assurance that all income received is:

- ▶ maintained in a secure location;
- ▶ accurately counted and reconciled;
- ▶ banked in a timely manner;
- ▶ accurately recorded in the charity’s accounting system; and
- ▶ regularly checked to ensure accounting records are accurately maintained.

The key control questions below are intended to serve as a guide for charity trustees and management to develop and implement best practice income management controls within their charity. Where weaknesses are noted, the charity’s trustees and management should seek to enhance their internal financial controls in order to align them against best practice and legal requirements (for example, legal obligations or grant funding arrangements).

### 1.1.1. Income (including cash and cheques) received by post or other means of delivery

Income received by post or other means of delivery	Yes / No / N/A	Comment / Action Required?
a) Are income management procedures adequately documented, communicated and approved by trustees, including consideration of segregation of duties?		
b) Does the charity keep unopened mail or delivery in a secure location?		
c) Is incoming post or delivery opened in the presence of two people?		
d) Are all incoming cheques and cash immediately recorded, including by date, funder/donor (where known), and value?		
e) Are receipts/acknowledgements issued for all cash/cheques received (i.e. where known)?		

Income received by post or other means of delivery	Yes / No / N/A	Comment / Action Required?
f) Are incoming cash and cheque receipts banked promptly?		
g) Are funds banked without deduction of expenses?		
h) Where feasible, is there rotation of the staff involved in the receipting and recording of cash and cheques?		
i) Are regular, independent reconciliations performed to ensure cash and cheque income records agree with the bank paying-in books and statements?		
j) Are checks made by someone other than the person who made the entry in the accounting records?		
k) Is adequate insurance held to cover the contents of any safe or cash box held on the charity's premises and cash in transit?		
l) Are secure arrangements in place regarding key(s) or access code(s) for safes or cashboxes used to temporarily hold cash or cheques on the premises overnight?		

### 1.1.2. Income from public collections

Public collections	Yes / No / N/A	Comment / Action Required?
a) Are public collections undertaken in accordance with legal requirements, including obtaining the necessary permits?		
b) Are collection boxes individually numbered and details recorded of whom the box was issued to?		
c) Are all collection boxes sealed with locks or security seals so that it is apparent if they have been opened before they are returned?		
d) Are the staff responsible for custody of the keys to the boxes separated from the staff assigned to collect donations?		
e) Are collections counted in the presence of the collector and a receipt given to him/her? Alternatively, for larger collection events, are two unrelated people involved in counting and recording the income?		
f) Is cash banked as soon as possible and without deduction of expenses?		
g) Are regular, independent reconciliations performed to ensure that public collection income records agree with the bank paying-in books and statements?		
h) Does the charity engage with professional fundraisers for collection activities? If so, are agreements/contracts put in place which clearly state the obligations of both the charity and the professional fundraiser?		

### 1.1.3. Income from events

Events, including ticket income	Yes / No / N/A	Comment / Action Required?
a) Is a master schedule or record of events maintained by the charity, including details of timing, event title, pricing (for ticketed events), total amount collected or received (ticketed events), total amount lodged, date of lodgement and lodgement reference number(s)?		
b) Are all event tickets pre-numbered?		
c) Are detailed records kept of all persons allocated tickets to sell, and which ticket numbers they have been allocated?		
d) Are records kept of which tickets were sold and unsold?		
e) Are receipts issued for all monies returned?		
f) Is there adequate segregation of duties in place for the issuing of tickets, counting of monies returned, recording of tickets returned, and the recording and lodging of monies?		
g) Is an independent reconciliation performed between ticket records, money returned and money lodged for each individual event?		

#### 1.1.4. Trading based income

Trading income (either trading to advance the charity's objects or non-charitable trading):	Yes / No / N/A	Comment / Action Required?
a) Does the charity have a pricing policy for the goods and services supplied?		
b) Does the charity have invoicing procedures for the goods and services supplied?		
c) Does the charity review outstanding debts and collection procedures?		
d) Is the charity in receipt of trading income from the sale of goods through a charity shop?		
e) Are there procedures in place to reconcile cash and electronic point of sale (EPOS) receipts to till records (such as "Z" reads and other reports produced from the till / EPOS system)?		
f) Are income reconciliations performed at the end of a person's shift where they have been involved in the receipt of income?		
g) Are daily income totals reconciled and lodged to the bank on a timely basis?		
h) Are floats issued to persons/employees operating tills and are these floats signed in and out by both the issuer and employee?		
i) Are discrepancies (if any) between actual cash on hand and cash per the till records investigated and are adequate explanations obtained and recorded?		
j) Where applicable, is the charity registered for VAT in respect of trading income and are regular VAT returns submitted to Revenue to ensure the charity is tax compliant? <sup>1</sup>		

<sup>1</sup> See <http://www.revenue.ie/en/tax-professionals/ttm/value-added-tax/part02-accountable-persons/vat-and-charities/accountable-persons-charities.pdf> for additional guidance

### 1.1.5. Grant income

Grantee Checklist	Yes / No / N/A	Comment / Action Required?
a) Is a master record of grants maintained by the charity (including details of funder, total grant amount, timing of payments, date received/receivable and related bank account used to receive the grant income)?		
b) Are grant agreements, which contain terms and conditions of funding, signed by both the charity and the funder?		
c) Are banking arrangements set up to ensure that the receipt of income is easily identifiable and is in line with the stated funding arrangements?		
d) Is all grant income appropriately classified in the accounting system so that it is appropriately reported upon at year end (including in accordance with any stated conditions within funding agreements)?		
e) Is an independent reconciliation performed between grant income records, grant income received and the bank paying-in books and statements?		

### 1.1.6. Gifts and Donations

Charitable Donation Scheme	Yes / No / N/A	Comment / Action Required?
a) Does the charity maximise the allowable tax relief on donations?		
b) Are the applicable 'Enduring Certificates (CHY3 Cert)' or 'Annual Certificates (CHY4 Cert)' obtained from donors?		
c) Are regular checks made to ensure all eligible tax repayments are obtained?		
d) Does the charity keep the records of the eligible tax repayments claimed?		

### 1.1.7. Other Income

Other Income	Yes / No / N/A	Comment / Action Required?
a) Is a master record of other income maintained by the charity (including details of source of income, total amount, timing of payments, date received/ receivable and related bank account used to receive the other income)?		
b) Are banking arrangements set up to ensure that the receipt of other income is easily identifiable and is in line with the stated funding arrangements?		
c) Is all other income appropriately classified in the accounting system so that it is appropriately reported upon at year end (including in accordance with any stated conditions within funding agreements)?		
d) Does the charity have written agreements with funders, detailing the nature and purpose of the other income, which are signed by both the charity and the funder?		
e) Does the charity identify and monitor the receipt of large legacy incomes and ensure that they are correctly included in the accounts?		

### 1.1.8. Income Recognition and Reporting

Income Recognition – Statement of Recommended Practice (SORP)	Yes / No / N/A	Comment / Action Required?
a) Does the charity identify and report upon income in line with its stated income recognition policy and generally accepted accounting principles (including best practice financial reporting where adopted) <sup>2</sup> ?		
b) Does the charity adequately identify, distinguish and report upon unrestricted, restricted & designated income to enable adequate reporting upon both income and reserves?		

2 Charity SORP

## 2 Expenditure

### 2.1. What controls should be in place for expenditure?

The internal financial controls for expenditure should provide assurance that -

- ▶ all expenditure is authorised and a valid expense of the charity;
- ▶ goods or services ordered have actually been received;
- ▶ expenditure is paid from funds within approved budgets;
- ▶ payments are made by authorised approval levels; and
- ▶ all expenditure is –
  - ▷ supported by sufficient documentation to verify the expenditure;
  - ▷ accurately recorded in the charity’s accounting system; and
  - ▷ regularly checked to ensure accounting records are accurately maintained.

The key control questions below are intended to serve as a guide for charity trustees and management to develop and implement best practice expenditure management controls within their charity.

Where weaknesses are noted, the charity’s trustees and management should seek to enhance the internal financial controls in order to align them with any legal requirements and best practice guidance.

### 2.1.1. General expenditure (Purchase and Payments)

Expenditure (Purchase and Payments)	Yes / No / N/A	Comment / Action Required?
a) Are purchase to payment procedures adequately documented, communicated and approved by trustees (including consideration of end-to-end segregation of duties)?		
b) Do purchasing procedures (or policies) include adequate consideration of value for money principles (for example, obtaining quotations and tendering procedures)?		
c) Are approval limits in place for certain values of expenditure?		
d) Is there a purchase order system in place?		
e) Are purchase invoices date-stamped when received?		
f) Are purchase invoices checked for accuracy, including a comparison against original orders (and, where applicable, records of goods received)?		
g) Once approved, are invoices marked as approved by the budget holder or responsible person and posted to the relevant nominal ledger code?		
h) Are payment runs prepared on a scheduled basis and subject to independent review and authorisation?		
i) Are dual signatories required to approve all invoice payments?		
j) Are regular checks made to ensure there are no discrepancies between the payments made and the original invoice or payment records?		
k) Are regular checks made to ensure that expenditure records are accurate and agree with bank statements?		

Expenditure (Purchase and Payments)	Yes / No / N/A	Comment / Action Required?
l) Are checks performed by someone other than the person who made the entry in the accounting records?		
m) Are supplier reconciliations carried out regularly?		
n) Are budgets versus actual expenditure monitored on a regular basis with appropriate follow up and understanding of any material variances?		
o) Do the statutory accounts adequately disclose details of expenditure (including disclosure of any related party transactions) in accordance with generally accepted accounting principles?		

### 2.1.2. Wages and Salaries

Wages and Salaries	Yes / No / N/A	Comment / Action Required?
a) Are payroll procedures adequately documented, communicated and approved by trustees (including consideration of end-to-end segregation of duties)?		
b) Are salary levels properly authorised and recorded?		
c) Are contracts of employment in place for all individuals who are processed by the charity's payroll?		
d) Are personnel records maintained for all individuals who are processed via the charity payroll? Are these records held separately from wages records?		
e) Does the charity process its payroll using a software package?		
f) Is there a system of authorisation for recording and notifying starters and leavers, changes to gross pay or any other payroll changes (including any deductions or pension arrangements)?		

<b>Wages and Salaries</b>	<b>Yes / No / N/A</b>	<b>Comment / Action Required?</b>
g) Are statutory tax deductions (PAYE, USC and PRSI) made from wages and salaries and regularly forwarded to Revenue?		
h) Are independent checks performed on all payroll processing, including payroll reports?		
i) Is there segregation of duties between the payroll preparer and the person authorising the payroll payment ?		
j) Are dual signatories required to approve the payroll payment?		
k) Are payslips provided in a secure manner to all employees in receipt of wages/ salaries?		
l) Are the end-of-year returns completed and filed with Revenue in a timely manner?		
m) Do the statutory accounts adequately disclose details of wages and salaries (including consideration of any related party payments and/or other benefits) in accordance with generally accepted accounting principles?		
n) Are checks performed to ensure that any such payments are in accordance with the constitution of the charity and/or the conditions of taxable status?		

### 2.1.3. Travel and Subsistence Expenses

	Yes / No / N/A	Comment / Action Required?
<p>a) Does the charity have a written policy in place, approved by the trustees, which covers the following minimum items:</p> <ul style="list-style-type: none"> <li>- Who is entitled to claim expenses;</li> <li>- What expenses may be eligible for payment;</li> <li>- The timeframe for submission of expenses;</li> <li>- Any rates or limits on payments, for example, subsistence allowances or mileage rates;</li> <li>- The procedure for submitting expense claims, including requirements for the use of standardised claim forms;</li> <li>- What supporting documentation is required to validate expense claims submitted, for example, receipts;</li> <li>- Any insurance requirements, for example, motor insurance;</li> <li>- Authorisation levels;</li> <li>- Methods of payment, excluding the use of any cash payments;</li> <li>- Responsibility for processing claims and what records must be maintained;</li> <li>- Frequency of review of the policy.</li> </ul>		
b) Is the policy communicated to all trustees, staff and volunteers?		
c) Is the policy regularly updated by the charity and approved by the trustees?		
d) Are travel and subsistence costs incurred in line with budgeted expenditure and subject to pre-approval where necessary?		

	Yes / No / N/A	Comment / Action Required?
e) Are expenses reimbursed only where the individual incurred the expense in the course of carrying out the charity's business?		
f) Are standardised expense claim forms used by the charity, which record <sup>3</sup> the following: <ul style="list-style-type: none"> <li>- Name and address of the director or employee;</li> <li>- Date of the journey/expense;</li> <li>- Reason for the journey/expense;</li> <li>- Amount claimed;</li> <li>- Kilometres involved;</li> <li>- Starting point, destination and finishing point of the journey;</li> <li>- Basis for the reimbursement of travel and subsistence expenses, for example, where a worker needs an overnight stay away from home</li> </ul> <p><b>Note:</b> all records must be kept for six years after the end of the tax year to which the records relate.</p>		
g) Where actual expenses are reimbursed, does the charity maintain all receipts?		
h) If the charity pays mileage and subsistence rates for travel, are the rates in accordance with Revenue approved rates?		
i) Does the expense claim include a self-declaration that the claim is accurate and incurred on the business of the charity?		
j) Are all expense claims subject to independent checks and approval, including any CEO and/or trustee expenses?		
k) Are dual signatories required to approve all such payments?		

<sup>3</sup> See <http://www.revenue.ie/en/employing-people/employee-expenses/travel-and-subsistence/index.aspx> for additional guidance.

#### 2.1.4. Debit Card / Credit Card Payments

Debit Card / Credit Card Payments	Yes / No / N/A	Comment / Action Required?
a) Does the charity have debit cards/credit cards in use?		
b) Does the charity have a policy for the use of payment cards, including criteria for their issue, spending limits and security?		
c) Does the charity communicate the policy for the use of cards to all trustees and staff using them?		
d) Are cards cancelled when the holder ceases to work for the charity?		
e) Are travel and subsistence costs incurred in line with budgeted expenditure and subject to pre-approval where necessary?		
f) Is all card expenditure supported by vouchers and invoices and recorded in the accounting records each time the card is used?		
g) Are card statements sent to the responsible charity department and independently checked against supporting records and invoices?		
h) Is expenditure incurred by way of debit/credit cards subject to adequate levels of financial monitoring and reporting?		
i) Is the cardholder's use of the card independently reviewed on a periodic basis to confirm its use is consistent with the policy?		

# 3 Banking

## (including payments and loans)

### 3.1. What controls should be in place for banking (including payments and loans)?

The internal financial controls for banking should provide assurance that:

- ▶ bank accounts and cash are secure;
- ▶ cash in transit is insured;
- ▶ bank accounts and cash are accurately counted and reconciled;
- ▶ bank accounts and cash are accurately recorded in the charity's accounting system; and
- ▶ bank accounts and cash are used solely for the charity's stated purpose.

The key control questions below are intended to serve as a guide for charity trustees and management to develop and implement best practice banking controls within their charity.

Where weaknesses are noted, the charity's trustees and management should seek to enhance the internal financial controls in order to align them against any legal requirements and best practice guidance.

#### 3.1.1. Banking and Cash

Controls over Banking and Cash	Yes / No / N/A	Comment / Action Required?
a) Are bank and cash procedures adequately documented, communicated and approved by trustees (including consideration of end-to-end segregation of duties)?		
b) Do procedures clearly state who is authorised to open or close bank accounts on behalf of the charity?		
c) Are instructions to open or close accounts properly authorised and reported to trustees?		
d) Are checks made to ensure there are no dormant accounts?		

Controls over Banking and Cash	Yes / No / N/A	Comment / Action Required?
e) Are the accounts monitored to ensure there is no third party use?		
f) Do the trustees regularly review the costs, benefits and risks of their current and deposit accounts?		
g) Are incoming receipts banked promptly?		
h) Is cash which is held onsite at the charity's premises kept in a safe/cash box?		
i) Is all cash in the safe arranged by denomination, appropriately sealed, and the amount labelled on each bundle?		
j) Is insurance held to cover the contents of the safe or cash box and cash in transit to the bank?		
k) Does the total cash count reconcile with the recorded total in the cashbook, the cash journal and in the daily cash position register?		
l) Are funds banked without deduction of expenses?		
m) Are bank reconciliations prepared at least monthly for all accounts?		
n) Is there a second reviewer of the bank reconciliations?		
o) Are discrepancies in bank reconciliations recorded and subsequently resolved?		
p) Are direct debits, standing orders, transfers and cheque payments reviewed on at least a monthly basis for correctness?		
q) Are trustees provided with regular financial reporting and updates on the available cash balance of the charity?		

Controls over Banking and Cash	Yes / No / N/A	Comment / Action Required?
r) Is a list maintained of all bank accounts held by the charity?		
s) Are updated bank mandates maintained of all bank accounts and credit cards held?		

### 3.1.2. Cheque Payments

Cheque Payments	Yes / No / N/A	Comment / Action Required?
a) Is there a documented policy in place relating to cheque payments?		
b) Is there documented delegated authority in place about who can sign cheques on behalf of the charity?		
c) Do the delegated signatories agree to the bank mandate?		
d) Does the bank mandate require at least two signatories?		
e) Is there a practice in place to ensure blank cheques are not signed?		
f) Are cheque books etc. kept in a secure place with access restricted to nominated people?		
g) Are any monetary limits placed on an individual signing cheques, consistent with documented procedures?		
h) Is all cheque expenditure recorded in the cash book and noted with the relevant cheque number, nature of payment and payee?		
i) Is all cheque expenditure outstanding recorded in the bank reconciliations?		
j) Are cheques signed only with documentary evidence of the nature of the payment, e.g. invoice?		

### 3.1.3. Direct Debits, Standing Orders and automated payments

Direct Debits, Standing Orders and automated payments	Yes / No / N/A	Comment / Action Required?
a) Are procedures documented for all areas of online banking use and the use of direct debits, standing orders etc.?		
b) Is the online banking set up consistent with the documented procedures?		
c) Is online banking access restricted to those who require it?		
d) Is there a listing of everyone (trustees and staff) who have approved access to online banking and the authorisation of any electronic based payments?		
e) Is the principle of dual authorisation applied to all changes associated with electronic based payment processing (for example, changes to supplier bank account details, changes to direct debits, approval of actual payments)?		
f) Does the charity monitor the arrangements to ensure that automatic payment arrangements are cancelled when the goods and services are no longer being supplied to the charity?		
g) Are PCs and other ICT devices of the charity kept secure with up-to-date anti-virus and spyware software and a personal firewall?		
h) Are trustees and staff made aware of the need to ensure that the charity's security details (including the password and PIN, where used) are not compromised?		
i) Is the use of any PIN and password regularly changed, for example to mitigate the risks of compromising security when individuals leave the charity?		
j) Are online bank logins and passwords updated in a timely manner when individuals leave the charity?		

<b>Direct Debits, Standing Orders and automated payments</b>	<b>Yes / No / N/A</b>	<b>Comment / Action Required?</b>
k) Does the charity keep an audit trail of electronic banking transactions?		
l) Have those using online banking facilities been trained in their use?		

### 3.1.4. Cash Payments (if any)

<b>Cash Payments</b>	<b>Yes / No / N/A</b>	<b>Comment / Action Required?</b>
a) Is every effort made to prohibit and/or minimise cash payments?		
b) Where petty cash is maintained, is there a petty cash policy in place?		
c) Is petty cash stored in a safe location?		
d) Is there a designated authority in respect of who can access petty cash?		
e) Are all cash payments made from a petty cash float and not from incoming cash?		
f) Are receipts received and maintained for petty cash expenses?		
g) Is supporting documentation authorised by someone other than the person maintaining the petty cash or the person making the claim?		
h) Are regular petty cash reconciliations carried out?		
i) Are details of all payments entered in a petty cash book?		
j) Is there a designated authority in respect of who can top-up petty cash?		
k) Are regular independent checks made of the petty cash float and records held?		

### 3.1.5. Banking and payment procedures: Restricted or endowment funds

Restricted funds and endowment funds	Yes / No / N/A	Comment / Action Required?
a) Is the charity in receipt of restricted funds or endowment funds?		
b) Are procedures in place to ensure that any restrictions put on the use of funds, by the trustees, donors or through an appeal, are observed through banking and payment procedures?		
c) Are separate codes set up within the charity's financial system to ensure that restricted and/or endowment funds are clearly distinguishable for financial and statutory reporting purposes?		
d) Are any movements on such funds subject to the principle of minimum dual authorisation?		

### 3.1.6. Loans

Loans	Yes / No / N/A	Comment / Action Required?
a) Does the charity maintain a listing of all loan accounts in existence?		
b) Are all loan arrangements supported by written agreements?		
c) Does the charity maintain details of repayment plans in place to repay the principal and any interest due?		
d) Are all loan accounts subject to regular, independent reconciliation?		
e) Are all loan arrangements (including related party loans) subject to adequate levels of financial monitoring and reporting?		
f) Do the statutory accounts adequately disclose details of all loan arrangements, including any related party loans (for example, made to/from trustees, management of the charity)?		

# 4 Assets and Investments

## 4.1. What controls should be in place for Assets and Investments?

The internal financial controls for assets (primarily fixed assets and stock within this guidance) and investments should provide assurance that assets:

- ▶ can be identified;
- ▶ are secure;
- ▶ are adequately insured;
- ▶ are accurately counted and reconciled and recorded;
- ▶ are accurately recorded in the charity's accounting system; and
- ▶ are used solely for the charity's stated purpose.

The questions in the checklist below are designed to assist charity trustees, charity management and advisers evaluate processes against legal requirements and best practice recommendations.

Where weaknesses are noted, the charity's trustees and management should seek to enhance the internal financial controls in order to align them against any legal requirements and best practice guidance.

### 4.1.1. Fixed Assets

Controls over Fixed Assets	Yes / No / N/A	Comment / Action Required?
a) Is there a fixed asset policy in place?		
b) Is a comprehensive fixed asset register maintained and updated regularly for additions and disposals?		
c) Is the fixed asset register reconciled to the charity's accounts on a periodic basis?		
d) Is there a financial threshold in place for the capitalisation of expenditure as a fixed asset?		

Controls over Fixed Assets	Yes / No / N/A	Comment / Action Required?
e) Are fixed asset reviews carried out to check for existence and condition on a periodic basis?		
f) Where practicable, does the charity physically tag assets to assist in the tracking and overall management of fixed assets?		
g) Are fixed asset disposals subject to formal review and approval (including the secure disposal of any ICT equipment)?		
h) Are motor vehicles used and managed in accordance with Revenue guidelines (for example, use of pooled vehicles)?		
i) Is the use of fixed assets reviewed annually (to ensure they are put to best use and are serving the charity's interests)?		
j) Are adequate insurance arrangements in place for all types of fixed assets?		
k) Are fixed assets depreciated in accordance with the charity policy?		
l) Do the statutory accounts adequately disclose details of all asset classes held by the charity (including accounting policy, cost/valuation, depreciation, net book value and any related party considerations)?		

#### 4.1.2. Stock

Controls over Stock	Yes / No / N/A	Comment / Action Required?
a) Is a list of stock maintained by the charity to record and identify stock values and location?		
b) Are goods received (including donated goods) subject to formal checks and recording?		
c) Where practicable, is there adequate segregation of duties between receiving, issuing, recording and safeguarding of stock?		
d) Are goods held in a secure location?		
e) Are periodic checks performed on the existence and condition of stock?		
f) Are material stocks subject to periodic and/or year-end stock counts and valuation across all location(s)?		

#### 4.1.3. Investments

Investments	Yes / No / N/A	Comment / Action Required?
a) Does the charity have an approved investment policy?		
b) Where investments are held, are all investments supported by written agreements so that the title is clearly known?		
c) Is the performance of investments regularly reviewed?		
g) Is professional advice taken, where appropriate, on the selection or disposal of investments?		
e) Are all investment accounts appropriately accounted for, reconciled and independently reviewed for the purpose of financial and statutory year end reporting?		

# 5 Monitoring arrangements

In addition to considering controls aimed at managing the individual areas outlined above, trustees should develop and implement controls which provide them with assurance that there is a robust system for managing financial risk within the charity. Monitoring of financial activities is fundamental to this objective and also helps trustees meet an important part of their governance obligations on an ongoing basis.

## 5.1.1 Monitoring arrangements

Monitoring arrangements	Yes / No / N/A	Comment / Action Required?
a) Does the charity have an approved financial budget in place prior to each financial year?		
b) Do the trustees <sup>4</sup> receive financial reporting at each trustee meeting, which details the financial performance and position of the charity?		
c) Does the financial reporting information include reporting upon: <ul style="list-style-type: none"> <li>- the latest management accounts;</li> <li>- a comparison of budget vs actual financial results;</li> <li>- explanations for variances between budgeted and actual financial results; and</li> <li>- details of cash movements, including closing bank, investment and loan balances.</li> </ul>		
d) Do the trustees carry out an annual review of internal financial controls?		

<sup>4</sup> May be delegated to a Board sub-committee (for example, audit or finance) under specific terms of reference

Monitoring arrangements	Yes / No / N/A	Comment / Action Required?
e) Subject to size, scale and complexity, does the charity maintain an audit committee (under specific terms of reference) to manage the relationship with the external auditor?		
f) Subject to size, scale and complexity, does the charity have an internal audit function, which reports to the audit committee?		
g) Are the statutory accounts formally approved by the trustees at an annual meeting?		
h) Do the trustees file the annual report on time with the relevant bodies (including their annual reporting requirements to the Charities Regulator)?		

# 6 Additional References

## **Guidance documents:**

A suite of guidance documents on a number of relevant topics for charities is currently being developed by the Charities Regulator. These guidance documents will be available on the Charities Regulator's website [www.charitiesregulator.ie](http://www.charitiesregulator.ie)

## **Link to guidance re annual reporting requirements:**

<https://www.charitiesregulatoryauthority.ie/en/CRA/Annual%20Reporting%20User%20Guide%2026%2008%202016.pdf/Files/Annual%20Reporting%20User%20Guide%2026%2008%202016.pdf>

## **Link to Revenue section for charities:**

<http://www.revenue.ie/en/companies-and-charities/charities-and-sports-bodies/index.aspx>

## **Link to CRO/ODCE for reporting requirements for companies**

<https://www.cro.ie/Annual-Return/Overview>  
<http://www.odce.ie/en-gb/faq/annualfinancialstatements.aspx>

## **Link to legislation re collection permits**

<http://www.irishstatutebook.ie/eli/1962/si/134/made/en/print>

## **Link to sorp.org:**

<http://www.charitysorp.org/>



An Rialálaí  
Carthanas

Charities  
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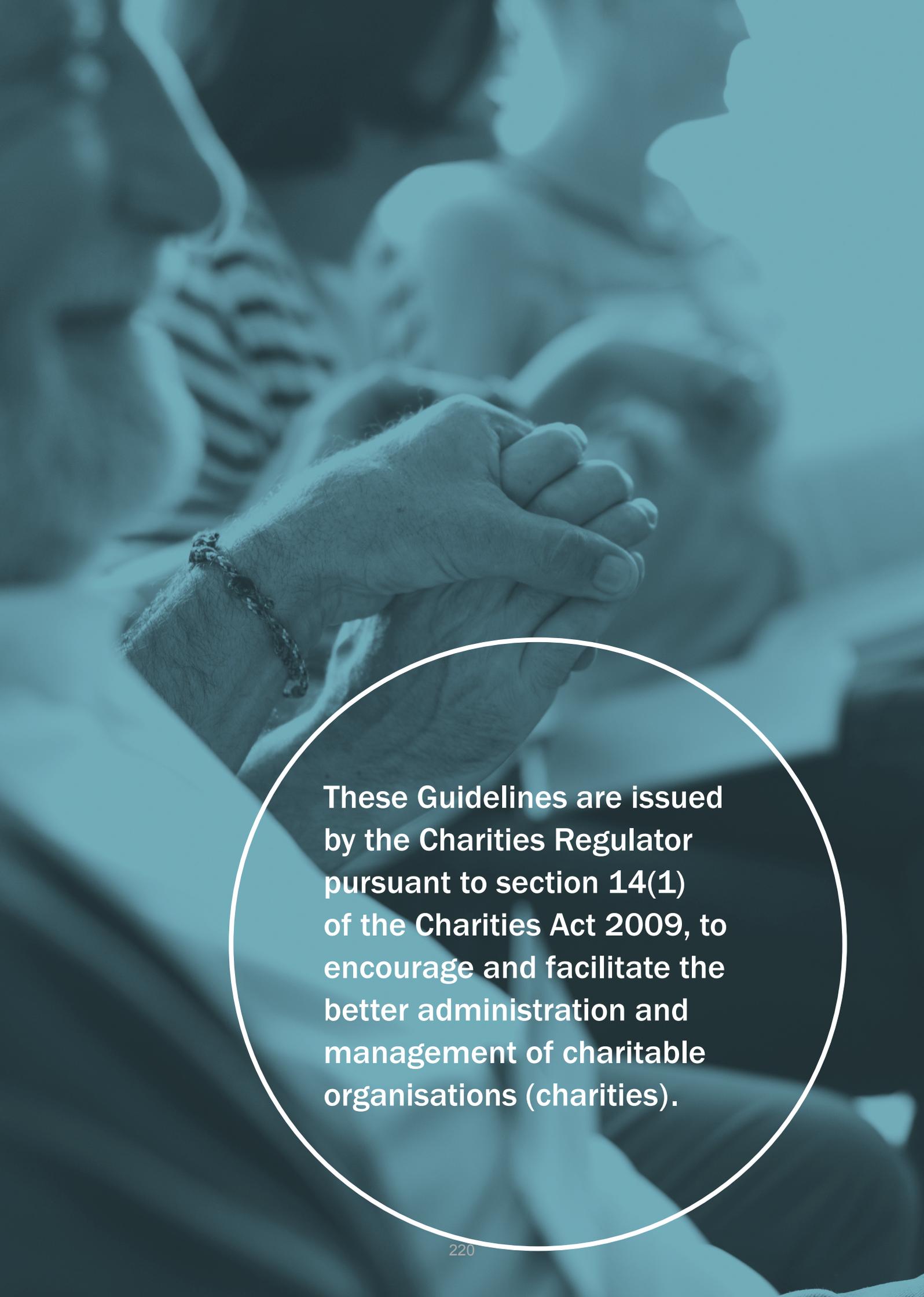


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Charities  
Regulator

# Managing Conflicts of Interest





**These Guidelines are issued by the Charities Regulator pursuant to section 14(1) of the Charities Act 2009, to encourage and facilitate the better administration and management of charitable organisations (charities).**

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## LEGAL DISCLAIMER

This document is intended to provide general guidance in relation to managing conflicts of interest. It is not, nor is it intended to be, a definitive statement of the law in this area. Organisations and individuals should obtain their own independent legal advice when making decisions relating to any of the matters referred to in this document.

# 1

## Introduction

**This guidance document is issued by the Charities Regulator under section 14(1)(i) of the Charities Act 2009, to assist charity trustees to effectively manage conflicts of interest that may arise during their management and control of charities.**

The Charities Regulator expects charities to be controlled and managed in a way, which protects the charity's reputation and encourages public trust and confidence in the charity, this includes the fundamental duty to act in the best interests of your charity. For more detailed information on your duties as a charity trustee, please see our 'Guidance for Charity Trustees'<sup>1</sup> which is available on our website.

This document is intended to provide support for charity trustees of small and medium size charities to manage conflicts of interest that may arise within their charity. This guidance document should also be useful to larger charities.

# 2

## What is a conflict of interest?

A conflict of interest is any situation in which a charity trustee's personal interests or loyalties could, or could be seen to, prevent the charity trustee from making a decision in the best interests of the charity. This personal interest may be direct or indirect, and can include interests of a person connected to the charity trustee. See the section below for further information on who is a 'connected person'.

# 3

## Types of conflict of interest

A conflict of interest exists when the interests of the charity conflicts with:

- > the interest of a person or organisation that appointed you as a charity trustee (an appointment conflict), or
- > your own personal or business interest in relation to that matter (a personal conflict).

---

<sup>1</sup> Available from: [www.charitiesregulator.ie](http://www.charitiesregulator.ie)

## 4 Who is a 'connected person'?

Section 2(2) of the Charities Act 2009<sup>2</sup> sets out what is meant by a 'personal connection'. Persons who may be classed as a 'connected person' in respect of a charity trustee include:

- > a parent, brother, sister, spouse, grandparent or grandchild of the individual, or a child of the spouse of the individual;
- > any person the individual is in a partnership with;
- > any person the individual is employed by under a contract of service;
- > a body corporate if the individual has control of it, or if the individual and any of the above mentioned connected persons together have control over it.

## 5 Why it is important that charity trustees manage conflicts appropriately?

Conflicts of interest can and do arise from time to time within charities. In reality, due to their funding structures, volunteer nature and trustee recruitment practices, charities are more susceptible to conflicts of interests than other entities.

The problem is not that conflicts of interest arise, but that they are not managed appropriately.

Failing to effectively manage conflicts of interest can negatively impact the charity in terms of governance and associated reputational risk, where a conflict interferes with a charity trustee's actual or perceived ability to comply with his or her duty to act in the best interests of the charity.

<sup>2</sup> Available from eISB - <http://www.irishstatutebook.ie/eli/2009/act/6/section/2/enacted/en/index.html>

**A key test to identify if a conflict of interest exists is to ask the question:**

Would a reasonable person, who was aware of the charity trustee's personal interest, believe that the charity trustee might be influenced by that personal interest when making a decision on behalf on the charity?

As a charity trustee, you should be in a position to demonstrate to the Charities Regulator that you effectively manage any conflicts of interest that arise.

It is important to remember that the board of charity trustees is collectively responsible for the oversight of the charity. As such, if you know another charity trustee is conflicted, and it is not declared, it is your duty to speak up.



# 6 Three key stages in dealing with a conflict of interest

There are three key stages in dealing with a conflict of interest:

## 1 - IDENTIFY



- > Adopt a conflicts of interest policy
- > Know what your governing document says about conflicts of interest
- > Create and maintain a register of interests
- > Include 'conflicts of interest' as an agenda item at the beginning of all charity trustee meetings
- > Declare any potential conflict of interest as soon as you become aware of it

## 2 - MANAGE



- > Put clear procedures in place that state what should happen when a conflict of interest is identified
- > Apply the conflict of interest policy in all situations where there is a conflict or potential conflict
- > Decide if any person with a conflict of interest should be involved in any discussions or decisions about the situation
- > Ensure that decisions are taken in the charity's best interests
- > Ask yourself: Would a reasonable person, who was aware of the charity trustee's personal interest, believe that the charity trustee might be influenced by that personal interest when making a decision on behalf on the charity?
- > Ensure that your charity can still carry on its business and form a quorum, even if a number of charity trustees have to withdraw due to a conflict arising

## 3 - RECORD



- > Document any conflicts of interest and how you and the other charity trustees have managed them

# 1 - IDENTIFY



The early identification of conflicts is key to ensuring that charity trustees act only in the best interests of the charity. As a charity trustee, you should ensure that:

- > the charity has a conflicts of interest policy\* so that all of the charity trustees (and potential charity trustees) understand what could be a conflict of interest;
- > you know what the charity's governing document says about conflicts of interest;
- > the charity sets up a register of interests\*\* for all charity trustees and makes sure that it is kept up to date;
- > conflicts of interest is an agenda item\*\*\* at the beginning of all charity trustee meetings;
- > you declare any potential conflict of interest as soon as you become aware of it.

## \*Conflicts of interest policy

Charity trustees should ensure that the conflicts of interest policy they adopt meets the specific needs of their charity. For example, the policy should apply at a minimum to charity trustees, but could include key senior staff, depending on the structure of the charity and the roles and responsibilities of staff.

**Note:** Appendix A includes a template Conflicts of Interest policy.

## \*\*Register of interests

The Charities Regulator recommends that each charity establish a register of interests to record all relevant interests (actual, potential and perceived) of the charity trustees and the steps taken, if any, to manage them.

Providing details for the register of interests should be a requirement for all new charity trustees and the register should be updated annually by all charity trustees and other senior staff if applicable. While the determination of what is a relevant interest is a judgement individual charity trustees must make, the Charities Regulator recommends charity trustees adopt a prudent approach. Where a material or fundamental interest arises during the year, the charity trustee affected should provide this information for inclusion on the register of interests outside of the scheduled annual update.

Completing a register of interests should assist you and your charity to detect conflicts before they arise, giving the charity trustees time to consider how best to manage them. The conflicts of interest policy should set out how the register of interests operates.

**Note:** Appendix B has a template for a 'Register of Interests'. This template should be used as a guide only with the charity trustees adopting a register that is suitable to their charity's circumstances.

### \*\*\*Agenda item

Regular meetings of the board of charity trustees should assist charity trustees in meeting their obligations to ensure that the charity is managed and controlled effectively.

Where a conflict arises either in advance of, or during a meeting of the board of charity trustees, the individual with the potential conflict should declare it immediately to the Chairperson and Secretary of the board if possible in advance of the meeting, or to the full board of charity trustees during the meeting.

## 2 - MANAGE



Conflicts of interest will arise, therefore they need to be managed appropriately. As a charity trustee, you should:

- > ensure that the charity has clear procedures in place that state what should happen when a conflict of interest is identified. For example, the conflicted charity trustee might withdraw from the meeting or part of the meeting while the particular matter on which a conflict has arisen is dealt with;
- > where the charity has a conflict of interest policy, make sure it is applied in all situations where there is a conflict or potential conflict. The policy should also distinguish between the two different types of conflict, 'appointment conflicts' and 'personal conflicts';
- > decide if the person(s) with a conflict of interest should be involved in any discussions or decisions about the situation – if it is decided they should be involved be prepared to justify that decision;
- > where there is a conflict, make sure that decisions are taken in the charity's best interests. This should include consideration of how a reasonable person may perceive the circumstances giving rise to the conflict; and
- > ensure that your charity can still carry on its business and form a quorum even if a number of charity trustees have to withdraw due to a conflict arising.

## 3 - RECORD

Charity trustees should maintain a record that clearly documents any conflicts of interest that arise and how the trustees have managed them. This record could simply be the minutes of the meeting at which, or in advance of which, the conflict was declared. As a charity trustee, you should ensure that the written record of each conflict situation and what the charity did about it, includes:

- > what sort of conflict of interest it was;
- > which trustee or trustees were affected;
- > where applicable, the fact that any conflicts of interest were declared in advance;
- > an outline of the discussion;
- > where applicable, the fact that the person with the conflict withdrew from the discussion;
- > whether a vote was taken by you and the other charity trustees;
- > the decision arrived at by you and the other charity trustees; and
- > how you and the other charity trustees made the decision in your charity's best interests.



# Appendix A

## Conflict of Interest Policy

**[Insert name of Charity]**

### **Conflict of interest policy**

#### **1. Purpose**

The purpose of this policy is to assist charity trustees of **[insert name of charity]** to effectively identify, record and manage any conflicts of interest in order to protect the integrity of **[insert name of charity]** and to ensure that the charity trustees act in the best interest of their charity.

#### **2. Objective**

The **[insert name of charity] [board, committee of management or other governance structure as relevant]** (called the 'board of charity trustees' in this policy) aims to ensure that the charity trustees are aware of their obligations to disclose any conflicts of interest that they may have, and to comply with this policy to ensure they effectively manage those conflicts of interest as representatives of **[insert name of charity]**.

#### **3. Scope**

This policy applies to the trustees of **[insert name of charity]**.

**[It may be appropriate for your policy to apply to other people who work within, or for, the charity, for example, senior staff members. If you include people other than the board of charity trustees, you will need to amend the policy to take this into account.]**

#### **4. Definition of conflicts of interests**

A conflict of interest is any situation in which a charity trustee's personal interests or loyalties could, or could be seen to, prevent the charity trustee from making a decision in the best interests of the charity. This personal interest may be direct or indirect, and can include interests of a person connected to the charity trustee.

These situations present the risk that a person will make a decision based on, or affected by, these influences, rather than in the best interests of the charity and therefore must be managed accordingly.

## 5. Policy

This policy has been developed because conflicts of interest commonly arise, and do not need to present a problem to the charity if they are openly and effectively managed. It is the policy of the **[insert name of charity]** as well as a responsibility of its charity trustees, that ethical, legal, financial or other conflicts of interest be avoided and that any such conflicts (where they do arise) do not conflict with their obligations to **[insert name of charity]**.

**[insert name of charity]** will manage conflicts of interest by requiring charity trustees to:

- avoid conflicts of interest where possible
- identify and record any conflicts of interest
- carefully manage any conflicts of interest, and
- follow this policy and respond to any breaches.

### 5.1 Responsibility of the board of charity trustees

The board is responsible for:

- establishing a system for identifying, disclosing and managing conflicts of interest across the charity;
- monitoring compliance with this policy; and
- reviewing this policy on an annual basis to ensure that the policy is operating effectively.

The charity trustees should ensure they are aware of their legal obligations in the management and control of their charity and should refer to the Charities Regulator's 'Guidance for Charity Trustees' for further information on this see the Charities Regulator website<sup>3</sup>.

### 5.2 Identification and disclosure of conflicts of interest

Once an actual, potential or perceived conflict of interest is identified, it must be entered into **[insert name of charity]**'s register of interests, as well as being raised with the board of charity trustees. The register of interests must be maintained by **[insert person/role]**, and record all information related to a conflict of interest (including the nature and extent of the conflict of interest and any steps taken to address it).

#### Confidentiality of disclosures

**[In order to support charity trustees to disclose their conflicts of interest, the level of confidentiality associated with any disclosure should be set out.]**

**Include details of who will have access to the information disclosed, such as restricting this to the board of charity trustees and the secretary to the board. It may also be necessary to provide for an alternative disclosure mechanism if additional restrictions on disclosure are required.]**

---

<sup>3</sup> [www.charitiesregulator.ie](http://www.charitiesregulator.ie)

## 6. Action required for management of conflicts of interest

### 6.1 Conflicts of interest of members of the board of charity trustees

Once the conflict of interest has been appropriately disclosed, the board of charity trustees (excluding the disclosing charity trustee and any other conflicted person) must decide whether or not a conflicted charity trustee should:

- vote on the matter (**this is a minimum**),
- participate in any debate, or
- be present in the room during the debate and the voting.

In exceptional circumstances, such as where a conflict is very significant or likely to prevent a charity trustee from regularly participating in discussions, it may be worth the board of charity trustees considering whether it is appropriate for the person with the relevant conflict to resign from the board of charity trustees.

### 6.2 What should be considered when deciding what action to take

- In deciding what approach to take, the board of charity trustees will consider whether the conflict needs to be avoided or simply documented
- whether the conflict will realistically impair the disclosing person's capacity to impartially participate in decision-making
- alternative options to avoid the conflict
- the charity's objects and resources, and
- the possibility of creating an appearance of improper conduct that might impair confidence in, or the reputation of, the charity.

The approval of any action requires the agreement of at least a majority of the board of charity trustees (excluding any conflicted charity trustee) who are present and voting (if applicable) at the meeting. All details regarding the conflict of interest, including the action arising, will be recorded in the minutes of the meeting.

## 7. Compliance with this policy

If the board of charity trustees has a reason to believe that a person subject to this policy has failed to comply with it, it will investigate the circumstances.

If it is found that this person has failed to disclose a conflict of interest, the board of charity trustees may take action against the person. This may include seeking the person's resignation from the charity.

**[Insert any other relevant sanctions that are proportionate to the seriousness of a breach]**

If a person suspects that a charity trustee has failed to disclose a conflict of interest, they must **[insert relevant action, such as: discuss with the person in question, notify the board of charity trustees, or the person responsible for maintaining the register of interests]**.

### Contacts

For questions about this policy, contact the board of charity trustees or **[insert person/role]** by **[insert contact details]**.

# Appendix B

## Template of Register of interests

**[Insert name of Charity]**

### Register of interests

Name of charity trustee	Date of appointment	Description of interest	Has the board of charity trustees been notified of the interest?	Date of disclosure

**Signed:**

**Date:** [ / / ]

**[Insert name of charity trustee]**

# Appendix C

The following case studies relate to fictitious charities and scenarios and are for illustrative purposes only.

<b>01 Case Study</b>	<b>‘Teaching Africa Foundation’</b>
<b>Conflict Scenario</b>	
<p><i>‘Teaching Africa Foundation’</i>, a charity that provides education resources in a region of Africa requires specialist advice in an area in which Aoife, one of the charity trustees, is an expert and runs a successful firm. Aoife declared her firm on the register of interests.</p> <p>At a meeting of the board of charity trustees at which Aoife participated in all deliberations and decisions, the board decides to engage Aoife’s firm to provide the expert advice, in the knowledge that she is the owner.</p> <p>Aoife’s firm is one of a number who specialises in the area and she provides the expert advice at the going-rate.</p>	
<b>Our Assessment</b>	
<b>IDENTIFY:</b>	
<p>This is a personal conflict. Aoife was correct to declare her involvement in the firm for inclusion in the register of interests. However, she should have raised the issue again when it arose at the meeting of the charity trustees.</p> <p>If Aoife did not raise the interest, the Secretary who would have sight of the register of interests should have raised it. Failing that, anyone with knowledge of the interest should have raised it with a charity trustee or the secretary to the board of charity trustees, who should in turn declare it to the charity trustees.</p>	
<b>MANAGE:</b>	
<p>Aoife should have withdrawn herself from the part of the meeting where discussion or deliberations around the proposed engagement of <i>‘Teaching Africa Foundation’</i> engages, was taking place.</p> <p>Aoife should have no involvement at all with any aspect of this selection process, within or outside of a meeting.</p> <p>If Aoife did not withdraw herself from the relevant part of the meeting, she should have been asked to do so by the other charity trustees.</p> <p>The board of charity trustees of <i>‘Teaching Africa Foundation’</i> should have requested quotes from at least three different firms, to ensure they were getting the best value for money for the charity and thus the proper use of charitable assets.</p> <p>This would have assisted the board of charity trustees in considering whether a reasonable person who was aware of Aoife’s interest would believe that the board might be influenced by that interest.</p>	
<b>RECORD:</b>	
<p>How the charity trustees managed the conflict of interest should have been recorded in the minutes of the meeting.</p>	

## 02 Case Study 'Strength Institute'

### Conflict Scenario

'Strength Institute', a charity whose purpose is to improve the lives of individuals with disabilities, is considering buying a specific piece of land to develop a specialised gymnasium for wheel-chair users. Kevin, a trustee of 'Strength Institute', owns a coffee shop and car park on the site adjoining the land in question.

Kevin will not benefit directly from the sale of the adjoining land. However, Kevin may benefit from the potential use by the charity of that land.

Kevin does not declare his interest and participates in a meeting of the board at which the board of charity trustees decide to purchase the land in question.

### Our Assessment

#### IDENTIFY:

This is a personal conflict. Kevin should have declared his interest to the other charity trustees as soon as (within or outside of a meeting) the land in question was identified as a potential site for purchase.

If Kevin did not raise the interest, anyone with knowledge of the interest should have raised it with a charity trustee or the secretary to the board of charity trustees, who should in turn declare it to all of the charity trustees.

#### MANAGE:

Kevin should have withdrawn from the part of the meeting where discussion or deliberations around the purchase of the land, was taking place.

Kevin should have no involvement at all with any aspect of the land purchase, if it involves the land adjoining his own.

If Kevin did not withdraw himself from the relevant part of the meeting, he should have been asked to do so by the other charity trustees.

The board of charity trustees of 'Strength Institute' should carry out a full assessment of their requirements, compare the viability of a number of sites and undertake a cost benefit analysis, to ensure they are getting the best value for money for the charity and thus the proper use of charitable assets.

This would have assisted the board of charity trustees in considering whether a reasonable person who was aware of Kevin's interest would believe that the board might be influenced by that interest.

#### RECORD:

How the charity trustees managed the conflict of interest should have been recorded in the minutes of the meeting.

## 03 Case Study 'Rising Stars'

### Conflict Scenario

Mirabelle is a CEO of 'Rising Stars' a theatre group for troubled youths. The roof of the charity's premises has been badly damaged in a snowstorm.

Mirabelle's husband Biodun runs a successful roofing company, Mirabelle has no involvement in the company.

The charity obtains three quotes from roofing companies, including one from Biodun's company. The quotes are similar in price and the charity trustees choose the lowest quote which happens to be Biodun's company.

A contract was signed and the work was completed satisfactorily.

### Our Assessment

#### IDENTIFY:

This is a personal conflict. Although not a charity trustee, Mirabelle holds a senior management position and as such, she should have declared the interest as soon as she had knowledge of it.

If Mirabelle did not raise the interest, anyone with knowledge of the interest should have raised it with a charity trustee or the secretary to the board of charity trustees, who should in turn declare it to all of the charity trustees.

#### MANAGE:

Mirabelle should not have any involvement in the decision making process regarding what company should be contracted to fix the roof.

The charity trustees of 'Rising Stars' acted correctly and in the best interests of the charity by obtaining 3 quotes and getting the best value for money for the charity.

#### RECORD:

This interest, how it was managed and the action arising should be recorded in the minutes of the meeting.

**04 Case Study****'A Listening Ear' (One of two)****Conflict Scenario**

Camilla is a charity trustee of 'A Listening Ear' a charity providing counselling services to individuals affected by suicide. Camilla offers to provide two rooms in her home for the counselling to take place. At a meeting of the board of charity trustees, at which Camilla is present, the charity trustees agree to rent these rooms from Camilla.

**Our Assessment****IDENTIFY:**

This is a personal conflict. Camilla should ensure that all of the charity trustees are aware that the rooms are in her home.

**MANAGE:**

Camilla should have withdrawn herself from the part of the meeting where discussion or deliberations around her offer to provide two rooms in her home for the counselling to take place, was taking place.

As Camilla did not withdraw herself from the relevant part of the meeting, she should have been asked to do so by the other charity trustees.

The charity trustees of 'A Listening Ear' should ensure that a contract is drawn up regarding the rental of the two rooms. The rent agreed should be at market value and any utilities being charged (for example electricity) would need to be quantified.

The rooms should be fit for purpose and be the best option for the charity and best use of charitable assets.

This would have assisted the board of charity trustees in considering whether a reasonable person who was aware of Camilla's interest would believe that the board might be influenced by that interest.

Camilla should withdraw herself from the relevant part of any future meetings where the location of 'A Listening Ear's' counselling services is being reviewed or discussed.

If Camilla does not withdraw herself from the relevant part of any future meeting, she should be asked to do so by the other charity trustees.

**RECORD:**

The interest should be declared in the register of interests.

How the charity trustees managed the conflict of interest should have been recorded in the minutes of the meeting and in any future meeting where the location of A Listening Ear's counselling services is being reviewed or discussed.

## 05 Case Study 'A Listening Ear' (Two of two)

### Conflict Scenario

The charity, *'A Listening Ear'*, has decided that it should seek the services of additional counsellors. Camilla is not only a charity trustee of *'A Listening Ear'* but she and Colin, another charity trustee, also provide counselling to individuals affected by suicide.

Camilla and Colin participate in the meeting of the charity trustees at which the need for additional counsellors is discussed and they offer to provide counselling services to the charity for free.

Although Camilla and Colin will not be paid for the counselling they provide, they will benefit from the practice hours, which will go towards their course accreditation.

### Our Assessment

#### IDENTIFY:

This is a personal conflict. If they have not already done so, Camilla and Colin should both declare their interest for inclusion in the register of interests.

If neither Camilla nor Colin declared the interest, anyone with knowledge of the interest should have raised it with a charity trustee or the secretary to the board of charity trustees, who should in turn declare it to the charity trustees.

#### MANAGE:

Camilla and Colin should have withdrawn from any part of the meeting where a discussion or deliberations around the counsellors at *'A Listening Ear'*, was taking place.

If Camilla or Colin did not withdraw themselves from the relevant part of the meeting, they should have been asked to do so by the other charity trustees.

The charity trustees of *'A Listening Ear'* should consider whether a reasonable person who was aware of Camilla and Colin's personal interest would believe that the board might be influenced by that interest.

The charity trustees of *'A Listening Ear'* should act in the best interests of the charity.

If the charity trustees of *'A Listening Ear'* decide to accept both Camilla's and Colin's offer to provide counselling services, they should both withdraw themselves from the relevant part of any future meetings where the counsellors of *'A Listening Ear'* are being reviewed or discussed.

If Camilla and Colin do not withdraw themselves from the relevant part of any future meeting, they should be asked to do so by the other charity trustees.

#### RECORD:

How the charity trustees managed the conflict of interest should have been recorded in the minutes of the meeting and in any future meeting where the counsellors of *'A Listening Ear'* are being reviewed or discussed.

## 06 Case Study 'Survive'

### Conflict Scenario

Peter is a charity trustee of 'Survive', a cancer research and support network. The charity has raised significant funds over the past year and an audit of their accounts is now required.

Peter is a partner in an auditing firm. At a meeting of the charity trustees at which Peter is present, the chairperson of the board of charity trustees is adamant that Peter's firm are contracted to undertake the audit.

The charity trustees decide to engage Peter's firm to audit the charity's accounts.

### Our Assessment

#### IDENTIFY:

This is a personal conflict. Peter should have declared his involvement in the firm in the register of interests and should have raised the issue again when it arose at the charity trustee meeting.

#### MANAGE:

Peter should have refused to involve his firm in the auditing of 'Survive' as an audit should be carried out independently. There is a clear conflict between Peter's duty to act in the best interests of the charity and his ability to carry out an independent audit.

Given the nature of an audit, the board of charity trustees should insist on it being undertaken by an independent firm. The board should also get a minimum of three quotes to ensure value for money and thus proper use of charitable assets.

If Peter's firm provides a quote for the work, Peter should remove himself from the board of charity trustees.

#### RECORD:

How the charity trustees managed the conflict of interest should have been recorded in the minutes of the meeting.

## 07 Case Study 'Fluffy Friends'

### Conflict Scenario

Diego is a charity trustee of 'Fluffy Friends' dog rescue centre. Diego's home is used to house the dogs. Diego decides to set up a dog-minding business and to use the kennels erected by 'Fluffy Friends' to also house the dogs he is being paid to mind.

Diego does not declare a personal conflict to the other charity trustees of the charity.

### Our Assessment

#### IDENTIFY:

This is a personal conflict. Diego should declare the fact he is setting up a dog minding business for inclusion on the register of interests regardless of whether the scheduled annual update has already occurred.

Diego should declare his intention to use charitable assets for his private benefit.

If Diego did not raise the interest anyone with knowledge of the interest should have raised it with a charity trustee or the secretary to the board of charity trustees, who should in turn declare it to the charity trustees.

#### MANAGE:

Diego should have withdrawn himself from any discussion by the charity trustees of 'Fluffy Friends' around his private dog-minding business.

The charity trustees of 'Fluffy Friends' should confirm to Diego that under no circumstances can he use charitable assets i.e. the kennels, and any other equipment acquired by 'Fluffy Friends' for the maintenance and care of the rescue dogs, for his dog-minding business.

If Diego is not agreeable, the charity trustees of 'Fluffy Friends' should consider re-locating the dog rescue centre.

If Diego is agreeable, the charity trustees should seek assurances in the future as to how Diego is running his dog-minding business without using charitable assets.

#### RECORD:

How the charity trustees managed the conflict of interest should have been recorded in the minutes of the meeting.

## 08 Case Study 'Strive'

### Conflict Scenario

'Strive' is a charity set up to assist parents of children with a rare genetic disorder that can result in numerous disabilities.

Mary is a charity trustee and a parent of a child with the illness.

The charity is in trouble financially and unless significant savings can be made, there is a real risk that 'Strive' will have to close its doors.

The board of charity trustees of 'Strive' decide to cut the number of clinic days for each child beneficiary from four days to two.

Due to her emotional involvement and the potential impact of the cut in services on her child, Mary is adamant that the charity trustees of 'Strive' find an alternative way to make savings, instead of reducing clinic hours.

The charity trustees cannot agree on a way forward.

'Strive' has to close its doors the following month resulting in the loss of the many vital resources it provided to many beneficiaries and their families.

### Our Assessment

#### IDENTIFY:

This is a personal conflict. If she had not already done so, Mary should have declared that her child is a beneficiary of 'Strive' for inclusion in the register of interests. Mary should have again raised the issue when it arose at the charity trustee meeting during discussions around *Strive's* financial status.

If Mary did not raise the interest, the Secretary who would have sight of the register of interests should have raised it. Failing that, anyone with knowledge of the interest should have raised it with a charity trustee or the secretary to the board of charity trustees, who should in turn declare it to the charity trustees.

#### MANAGE:

As a charity trustee, Mary should have made decisions and acted in the best interests of 'Strive'. These decisions can sometimes be hard, but they must be made in the best interest of the charity.

Mary should have withdrawn from any involvement or decision-making around *Strive's* financial future, where those discussions involved matters which would directly affect her child as a beneficiary of the charity.

The charity trustees of 'Strive' should have been fully aware of their current financial position and for how long they could continue operating.

The charity trustees should have considered all viable options that would have allowed 'Strive' to continue operating and make the necessary decisions in the charity's best interest, even though the decisions were difficult.

If a consensus could not be reached, decisions in the best interests of the charity should have been made by way of a vote.

#### RECORD:

How the charity trustees managed the conflict of interest and how the decisions taken in the best interests of the charity should have been recorded in the minutes of the meeting.

## 09 Case Study 'Temenos'

### Conflict Scenario

'Temenos' is a charity set up to provide temporary and emergency housing for individuals, couples and families who find themselves homeless.

The charity has received considerable funding and its impact across Ireland has expanded.

As a result of its almost overnight growth, the charity trustees of 'Temenos' decided to put a management team in place, comprising of a CEO and an architect/project manager.

Sean is a charity trustee of 'Temenos' and his daughter Donna is a qualified architect, who recently worked on a town planning project for a firm contracted by the Norwegian government, which was hailed a great success.

Sean informs Donna of the soon-to-be-advertised vacancy and suggests that she prepare her CV.

Donna applies for the job as soon as it is advertised.

Sean discusses his daughter's application with those involved in the charity and participates in meetings of the board of charity trustees at which the recruitment process for the architect/project manager is discussed.

### Our Assessment

#### IDENTIFY:

This is an appointment conflict. Sean should have declared his interest to the other charity trustees (within or outside of a meeting) as soon as his daughter Dona submitted her application for the architect/project manager position.

If Sean did not raise the interest, anyone with knowledge of the interest should have raised it with a charity trustee or the secretary to the board of charity trustees, who should in turn declare it to the charity trustees.

#### MANAGE:

Sean should have withdrawn himself from the part of the meeting where discussion or deliberations around the recruitment of an architect/project manager took place. Sean should have no involvement at all with any aspect of this recruitment process, within or outside of a meeting. As Sean did not withdraw himself from the relevant part of the meeting, he should have been asked to do so by the other charity trustees.

The board of charity trustees of 'Temenos' should carry out a fair recruitment process, assessing each application on its merits and the applicant's performance at a competitive interview. The most suitable candidate for the position of architect/project manager, should be offered the position at 'Temenos'.

If Donna is the preferred applicant, this process would have assisted the board of charity trustees in considering whether a reasonable person who was aware of Sean's interest would believe that the board might be influenced by that interest. If Donna is offered and accepts the position at 'Temenos', both Donna and Sean should declare their relationship on the register of interests.

Sean should also withdraw himself from the relevant part of any future meetings where Donna's performance is being reviewed or performance-related issues are being discussed including salary review and the approval of travel and subsistence claims. If Sean does not withdraw himself from the relevant part of any future meeting, he should be asked to do so by the other charity trustees.

#### RECORD:

How the charity trustees managed the conflict of interest should have been recorded in the minutes of the meeting and in any future meetings where Donna's position is being reviewed or discussed.

**10 Case Study****‘Angel Creations’ and ‘Colour me Cool’****Conflict Scenario**

Marius sits on the board of two charities; ‘*Angel Creations*’ a charity assisting bereaved children through art therapy and ‘*Colour me Cool*’ an art and design group for young disadvantaged adults. Both charities have applied for a grant from their Local Authority.

Only one grant is available.

Marius participates in the meetings of the boards of charity trustees of both charities at which the grant applications are discussed.

**Our Assessment****IDENTIFY:**

This is an appointment conflict. Marius should have declared his interest in each charity on the register of interests for both charities. Marius should have raised the issue as soon as it arose at each charity’s charity trustee meeting.

If Marius did not raise the interest, the Secretary of each charity who would have sight of their respective register of interests should have raised it. Failing that, any charity trustee with knowledge of the interest should have raised it.

**MANAGE:**

Marius should have withdrawn himself from the part of the meeting where discussion of the grant application or the grant application process was taking place at both charities.

If Marius did not withdraw himself from the relevant part of the meeting, he should have been asked to do so by the other charity trustees.

Marius should have no involvement at all with any aspect of the grant application process, within or outside of a meeting, at either charity.

Given the nature of the conflict that arose, Marius should consider whether his position on the board of the two charities is tenable.

**RECORD:**

How the charity trustees managed the conflict of interest should have been recorded in the minutes of the meetings at both charities.

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# Guidance note on minute taking

### **Legal Disclaimer**

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## Guidance note on minute taking

Taking and keeping minutes is a vital tool for your charity. This guidance document will explain why by outlining the following:

- The **purpose** of minutes
- The **content** and standard format that minutes should take
- The usual **procedures** around minute taking
- Useful **tips for minute takers**
- **Common mistakes** made by minute takers
- **Other relevant documents** to assist minute takers

### Purpose<sup>1</sup>

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Minutes are a record of what happened at a board meeting. They are needed so that people:

- who were not there can find out what happened;
- who were there can be reminded about what happened;
- are clear what decisions were taken and don't repeat the same discussion again;
- are clear what action they are supposed to take;
- in the future can find out what decisions were taken at the meeting.

### Content

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Board Minutes should be written in an agreed standard format for your charity and include the following:

- the name of the charity;
- the date and time of the meeting;
- place of the meeting;
- charity trustees present;
- name of the charity trustee chairing the meeting;
- other people in attendance, in what capacity (e.g. volunteers, auditor, etc.) and for what parts of the meeting;

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1 This document refers to Board minutes – the procedure for reflecting votes and circulating minutes at an AGM or EGM is different and is not covered by this document.

- apologies for absence;
- any corrections to previous minutes, and the fact that they were accepted as an accurate record;
- if there are not enough people to make up a quorum<sup>2</sup> at a meeting or if people leave the meeting and there is no longer a quorum;
- matters arising from the minutes of the previous meeting;
- declarations of any conflicts of interests (personal or appointment conflicts) and how the board dealt with them<sup>3</sup>;
- a separate minute for each item or topic discussed (usually in line with the agenda)\* and to include 'AOB' (Any Other Business) if applicable. AOB should be for information purposes rather than matters requiring a board decision;
- date, time and place of the next meeting.

\*A minute on a particular item must record what happened at the meeting and not be altered afterwards, even if the situation has since changed. They should include words such as "It was agreed..." or "It was decided...". Beyond that each charity must decide for itself how much information needs to be included on each item. It may be useful to include some of the reasons for the decision but is not usually necessary to try and record the whole discussion. It is not generally helpful to try and say who said what in a discussion. If it is a very complex discussion it might be helpful to say "In the discussion, the following points were made...". However, the following should be included for each item:

- any decision reached - even if this was a decision not to make a decision;
- the action required to implement the decision;
- who will take the action;
- any deadline or time limit for the action.

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- 2 Your charity's quorum is the minimum number of trustees participating in the meeting for the meeting to be a valid meeting of the charity.
  - 3 For more information on Conflicts of Interests see: [Managing Conflicts of Interests](#). This includes a [Register of Interests template \(appendix B\)](#).

## Procedures

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- It is important to follow procedures already in place, e.g. your governing document or board handbook may have specific information on what constitutes a quorum, how decisions are taken (e.g. by vote or consensus), how voting is managed (if applicable), how minutes are stored etc.
- If no procedures are in place, it is usually the responsibility of the secretary to take the minutes, write these up formally and circulate to the board;
- Write the minutes up as soon as possible after the meeting;
- Make sure the minutes and any additional papers presented at the meeting, are stored appropriately for future reference;
- The minutes are draft until approved and signed by the chairperson and secretary at the next board meeting.

The minutes of board meetings must be made available to all charity trustees and where necessary to appropriate professional advisors (e.g. auditors). They are not open documents and do not have to be made available for public inspection unless the charity's governing document requires this.

## Tips for minute takers

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- Familiarise yourself with the agenda before the meeting starts;
  - Check the Register of Interests before the meeting – should a conflict arise that is not declared, declare it;
  - Take notes during the meeting;
  - If you cannot follow the discussion, say so. The chances are that other people are not following it either;
  - If you are not clear what the decision was, say so. The chances are that no decision was taken. Or the decision may have been taken, but nobody was identified to take action as a result;
  - Reading out what you think the decision was is a useful way of checking with the group;
  - Use headings to keep items separate. If possible, align this with the agenda items, as this is how the final draft minutes should be presented;
  - Avoid unnecessary jargon, acronyms or abbreviations;
-

- Make sure you understand how decisions are taken in your charity e.g. voting or by consensus. Ensure decisions are recorded appropriately;
- In conjunction with the chairperson, review decisions and actions to be taken at the end of the meeting;
- If your notes are not clear, check with the chairperson;
- Before circulating the minutes, provide a draft to the chairperson, incorporate any feedback into the draft and then circulate them as quickly as possible to the entire board.

## Common mistakes

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- Quorum or decisions not documented properly;
- Failure to record declared conflicts of interest;
- Emphasis on subjective opinions rather than objective decisions;
- Ambiguous record of decisions that are open to different interpretations;
- Mistakes in the final draft of the minutes.

## Other Relevant Documents

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This document should be read in conjunction with [Appendix A ‘Explanatory Sample board minutes’](#) and [Appendix B ‘Minutes Template’](#).





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# Appendix A - Explanatory sample board minutes

### **Legal Disclaimer**

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# Explanatory sample board minutes

Insert your charity name here

Minutes of board (or specified sub-committee) meeting held on  
(insert the date, time and venue here)

## Present

(Record the names of the charity trustees who attended, including the name of the charity trustee chairing the meeting.)

## Quorum

(Record whether a quorum is present – this is the minimum number of charity trustees present at the meeting to make the proceedings valid. The quorum for your charity might be outlined in your charity's governing document or Terms of Reference.)

## In attendance

(Record others in attendance and their role in attending the meeting e.g. employee, volunteer, legal advisor etc. Others in attendance are any individuals who attended the meeting who are not charity trustees. Such individuals may contribute to items at the meeting, however they are not allowed to participate in any decisions taken at the meeting. Confirm whether their attendance was for the entire meeting or for certain items.)

## Apologies

(Record the names of the charity trustees who had confirmed that they could not attend the meeting. Only record apologies received. Do not record persons who are absent.)

## Minutes of last meeting

(Record if the minutes of the last meeting were approved at this meeting or if approved corrections were made. Corrections should be to facts only.)

## Matters arising

(Record any updates on items that were on the previous meeting agenda.)

### **Declarations of conflicts of interests or loyalties**

(Record whether any charity trustee(s) declares a conflict of interest in relation to any matter on the meeting agenda. The charity trustee (which includes you as secretary) may themselves be conflicted or may declare that another charity trustee is conflicted. Record what the conflict was in relation to, and how it was managed at the meeting e.g. did the conflicted charity trustee leave the room while the matter was being discussed and also refrain from participating in the particular decision. How the conflict was managed should be in line with your charity's Conflict of Interest Policy.)

### **Financial report**

(Record a separate minute for each item discussed e.g. income, expenditure, financial statements, matters in relation to financial procedures, grants, funding, balance sheet items, reserves etc. Include any decisions made and actions agreed.)

### **Report on activities**

(Record a separate minute for each item discussed e.g. individual events etc. Include any decisions made and actions agreed.)

- The above headings represent standing items that should appear on every agenda and therefore should appear in the minutes of every meeting. Your charity may decide to have additional standing items e.g. Compliance with the Charities Governance Code.
- Other items discussed at the meeting, in line with the agenda should be included at this point, under separate headings, in the same order as they appear in the agenda. The points discussed in addition to any decisions made and actions agreed for each item should be included in the minutes.

### **Any other business (AOB)**

(Record matters raised under this item at the meeting or not otherwise on the agenda. Note - AOB should be used for information purposes, rather than matters requiring board approval.)

### **Date, time and place of next meeting**

(Record the date, time and place of the next meeting of the charity trustees.)

**Actions arising from this meeting**

(Record all of the actions arising from the meeting, including persons responsible and timeframes for completion at the end of the minutes.)

**Chairperson and secretary's signatures**

(Once approved by the board at the next meeting, the minutes should be signed and dated by the chairperson and the secretary.)

The minutes along with the agenda and any papers presented at the meeting, should be stored appropriately for future reference.

This document should be read in conjunction with our 'Guidance Note on Minute Taking' and Appendix B 'Minutes Template'.

## Appendix B - Board minutes template

<b>[CHARITY NAME]</b>	
Minutes of board (or) <b>[specified sub-committee]</b> meeting <b>[No. X]</b>	
Date:	
Time:	
Venue:	

Chairperson:	
Present (Charity Trustees):	
Quorum:	<input checked="" type="radio"/> Yes <input type="radio"/> No
In Attendance (Others):	
Apologies:	

Approval of the minutes of the meeting of <b>[ date of last meeting ]</b> :
Matters arising:
Declarations of conflicts of interest:
Financial report:

Report on activities:
<b>[ Heading for other standing item if applicable, in line with the agenda ]</b>
<b>[ Heading for other standing item if applicable, in line with the agenda ]</b>
<b>[ Heading for general business item, in line with the agenda ]</b>

[ Heading for general business item, in line with the agenda ]
[ Heading for general business item, in line with the agenda ]
Any other business (AOB):
1.
2.
3.

<b>Next Meeting</b>	
Date:	
Time:	
Venue:	

<b>Actions Arising From This Meeting:</b>			
<b>Item No.</b>	<b>Action</b>	<b>Person Applicable</b>	<b>Timeframe</b>

<b>Chairperson's signature and date</b>	<b>Secretary's signature and date</b>
<b>Chairperson's name (printed)</b>	<b>Secretary's signature and date</b>

This document should be read in conjunction with our [‘Guidance note on minute taking’](#) and [‘Appendix A - Explanatory sample board minutes’](#)

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# The role of the Chairperson of a charity

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## The role of the Chairperson of a charity

Charity trustees are the people who ultimately exercise control over, and are legally responsible for, the charity. Each board of charity trustees should have a chairperson whose duties include:

- Leading the board;
- Ensuring smooth running of board meetings;
- Promoting good governance among fellow charity trustees;
- Providing supervision and support to the manager/CEO (where applicable);
- Acting as a figurehead or spokesperson where required.

The duties and responsibilities of the chairperson are as follows:

### To lead the board

---

#### Prioritising the governance role:

The board of charity trustees is responsible for the governance of the charity. For volunteer-only charities (charities with no staff) the trustees are likely to be actively involved in both the governance and in the day-to-day management of the charity.

At meetings of the board, the chairperson must be clear on whether a matter being considered by the board relates to an operational issue i.e. the day-to-day work of the charity, or whether the issue is strategic in nature and thus relates to the longer term plans or governance of the charity.

Charity trustees of more complex charities, should keep their eyes on the 'bigger picture'. Even in more complex charities (i.e. charities with a CEO, a manager or management team, and/or employees), it is very easy for the board to get drawn into the operational side of things. It is the role of the chairperson in more complex charities to be clear in their own mind about the boundaries between governance, management and operations and to ensure that the board fulfils its governance role and doesn't stray into areas of management or operations, which may be carried out by employees or other volunteers.

### Ensuring that the charity is managed effectively:

The chairperson must co-ordinate the board of charity trustees to ensure that appropriate policies and procedures are in place for the effective management of the charity. If the charity is more complex, the chairperson should ensure that where the Board delegates authority to carry out any of its functions, to a manager/CEO or other employee of the charity, that such delegations are subject to regular reporting requirements. Delegations of authority by the Board and the associated reporting requirements should be documented, understood and applied.

### Driving charity trustee recruitment and succession planning:

It is difficult for some charities to find and retain new charity trustees. Successful recruitment of charity trustees requires thought, planning and effort. It is essential that the chairperson takes the lead in this process. A really effective chairperson will give some consideration to succession planning for both their role as chairperson and other trustees who may be nearing the end of their term of office. The chairperson should also consider how they will be replaced when they step down as chairperson and how new charity trustees with the necessary skills and experience will be recruited.

### Leading board development:

It is also part of the chairperson's role to make sure that the board of charity trustees is operating as effectively as possible. This may involve the induction of new charity trustees and on-going training and development to ensure that all charity trustees understand their role and have the necessary skills to carry it out. All charity trustees benefit from the opportunity to reflect on the way in which they work together and there are a number of ways of doing this such as planning days, training and board evaluations.

## To ensure smooth running of board meetings

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### Preparation:

A certain amount of preparation is necessary to ensure that board meetings are as effective as possible. In the case of volunteer-only charities the chairperson and board secretary should discuss and agree the agenda, ensuring items on the agenda and any accompanying papers identify what is operational in nature and what is strategic or governance related in nature. In larger charities the chairperson and secretary should agree the agenda ensuring the focus is always on strategy and governance. In all cases the agenda itself should tell charity trustees as much as possible about what to expect at the meeting. It is also useful to draw up a calendar of annual items such as agreeing the budget, approving the annual report and financial statements or preparing for the AGM so that they can be scheduled appropriately. These items should also appear in the charity's work plan.

### Managing the meeting process and behaviour of charity trustees:

Chairing the meeting itself, is perhaps the most obvious part of the chairperson's role. It can also be a challenge. The chairperson must work through the agenda in a timely fashion, but also allow for the necessary discussion and ensure that everyone has an opportunity to speak. Some charity trustees can exhibit unhelpful behaviour, such as dominating the discussion or carrying on 'side conversations' with their neighbours. Meetings may also get heated or argumentative. Where inappropriate behaviour persists, it may be helpful to spend some time drawing up ground rules, or a code of conduct for the board. It is good practice for charities to have a code of conduct in place for charity trustees. This makes it much easier for the chairperson to challenge difficult or inappropriate behaviour in an objective manner.

### Decision-making:

There should always be a certain number of decisions to be taken at board meetings. If the decisions that are proposed to be made at a particular meeting are unclear, the necessity for the meeting should be questioned. It is helpful if the agenda indicates where a decision needs to be taken and, where appropriate, supporting papers should outline both the background and the proposals. The chairperson's role here is crucial, in ensuring that all the charity trustees understand what the decision, if taken, will mean for the charity. It may be necessary for the chairperson to put the decision to a vote, in accordance with the charity's governance procedures and/or its constitution.

### Checking and signing the minutes:

The chairperson should work closely with the secretary and read over the draft minutes prepared after each meeting, before they are circulated to the board in order to correct any major inaccuracies. Minutes are draft minutes until they are approved and signed at the following board meeting by the chairperson.

## To promote good governance among fellow charity trustees

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- Leading on recruitment of suitable new charity trustees.
- Supporting new charity trustees through the induction process.
- Following up with charity trustees on items or actions outstanding throughout the year.
- Encouraging dialogue and participation from charity trustees.

## **To supervise and provide support to the manager/CEO (where applicable)**

### **Overseeing the recruitment process of the manager/CEO:**

It is the role of the chairperson to oversee the recruitment process and ensure that all steps are taken to find the best possible person for the role.

### **Guiding work priorities:**

It is vital that the chairperson and manager/CEO meet regularly to discuss and agree work priorities.

### **Providing support:**

The role of the manager/CEO is also demanding and can be quite isolating. An effective chairperson will encourage their manager/CEO to discuss any difficulties that they may be facing and act as a sounding board. While there may be times when they have to act as a 'critical friend', this needs to take place against a backdrop of encouragement and support.

### **Succession planning:**

The most effective chairperson will also give some thought to what will happen when the current manager/CEO leaves. Ideally, this is something that the chairperson and manager/CEO will work on together.

## **Acting as figurehead or spokesperson**

The chairperson of any charity may be seen by many people as the figurehead or main spokesperson for that charity. If there is a manager/CEO, or a public relations officer on the board, the chairperson may delegate a significant amount of their public duties or contact with the media. It is also possible to delegate attendance at events or meetings to other trustees, as long as everyone is clear about what they are, or are not able to say on behalf of the charity.

However there will be certain meetings that require the presence of the chairperson, such as meetings with regulatory bodies including the Charities Regulator, significant funders or politicians. It may also be the case that the media will want a comment from the chairperson if the charity is receiving adverse publicity. In these circumstances, the chairperson should have the confidence and competence to rise to the occasion on behalf of the charity.

The role of chairperson can be demanding at times, but it is also worthwhile and rewarding. The chairperson leads the board in developing an ethical culture in line with the values of the organisation. An effective chairperson is a key player in ensuring effective governance for the charity.

## Other Relevant Documents

This document should be read in conjunction with our ‘Sample Code of Conduct for Charity Trustees’.



## **Appendix 5 - Research commissioned and published by the Charities Regulator**

**a) Indecon Social and Economic Impact Report 2018**

**b) Indecon Report into potential for Charity Passport facility for Charity Data in Ireland (2019)**

**Indecon**



An Rialáil  
Carthanas  
Charities  
Regulator

REGISTERED IRISH CHARITIES

# **Social and Economic Impact Report**

# 2018





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# Foreword



On behalf of the Charities Regulatory Authority, I welcome this independent research by Indecon Economic Consultants into the social and economic impact of Registered Irish Charities.

This is the first piece of research commissioned by the Authority as part of its strategy of creating transparency. It highlights the huge diversity of organisations which are registered as charities in Ireland. At one end of the scale there are large hospitals and universities with budgets funded by the Exchequer extending to hundreds of millions of Euro and hundreds of paid staff. Many of these large charities are engaged in delivering critical health, education and social services.

At the other end of the scale there are completely volunteer-led organisations, providing services at community level, with small budgets. The contrast is stark.

Organisations with a reported income of over €10 million account for 79% of the 188,714 people employed by charities. However, many of the smaller, community-based charities are dependent on volunteers. The report found that more than 300,000 people volunteer with charities, working over 67 million hours annually. They are an important feature of registered Irish charities and the lifeblood of smaller charitable organisations. Without volunteers, many charities would not have the impact they currently have.

## Large publicly funded charities

The relatively small number of very large public service type charities account for most of the economic impact of registered charities, in terms of income and employment. They were deemed to be registered under the Charities Act 2009 as they held CHY numbers issued by the Revenue Commissioners prior to the establishment of the Charities Regulator in 2014. Under the Act, they are entitled to be registered, and to remain as registered charities, so long as they continue to hold a CHY number. The Charities Regulator has yet to register any large public service type organisation as a charity under its registration process.

## Vision

The vision of the Authority is that Ireland has a vibrant trusted charity sector that is valued for the public benefit it provides. The Authority is determined that the regulation and protection of Charities in Ireland is evidenced-based, proportionate and transparent. This research will assist the Authority to monitor and regulate in a proportionate manner and facilitate donors, beneficiaries and the public to broaden and deepen their understanding of the role of charities in modern Ireland.

The creation over the past two years of a Register of Charities has enabled this first independent research to occur. As our data set expands and improves, we will see an improvement in the accuracy and timeliness of research in the coming years.

This particular report evidences the significant economic and social impact of Irish charities. It crystallises the diversity in size and scale of charitable activity in Ireland.

The report also indicates the significant support provided by the State, the level of volunteerism, how charities are funded and other interesting and relevant facts. The report clearly shows that Ireland has a vibrant charity sector which impacts socially and economically in the complex weave of Irish society.

This research will feed into the creation of a second strategy for the regulation and protection of charities in Ireland. We hope it will also facilitate evidenced-based public policy development to support charities in Ireland.

Finally, I would like to thank the staff of the Authority and the Ministers and their officials within the Department of Rural and Community Development for their support which enabled this research to occur.

A handwritten signature in black ink, appearing to read 'Patrick Hopkins', written in a cursive style.

**Patrick Hopkins**  
Chairperson  
Charities Regulatory Authority

# Executive Summary

Indecon was appointed by the Charities Regulatory Authority to complete independent research into the Register of Irish Charities with a particular emphasis on the economic and social impact of regulated charities.

Using Indecon's model of the Irish economy, when total macro-economic impacts are estimated, charities in Ireland are estimated to have direct, indirect and induced expenditure of €24.98 billion, and support 289,197 employees. In interpreting the data Indecon notes that all economic activity has an impact on other parts of the economy and this is not unique to registered charities.

The evidence presented also indicates that there are over 300,000 people volunteering for registered charities with an economic value of the volunteering of €649 million per year. However, it also notes from a public policy perspective that volunteerism in charities is lower than in other not-for-profit areas and that the 15 - 34 age group has the lowest participation rate.

The research also highlighted the diverse range of organisations which are registered as charities in Ireland. These include a small number of public service type organisations such as major hospitals, universities and government services as well as a very large number of smaller, localised and community-based organisations which have low levels of income and employment but high levels of volunteerism.

Over half of registered charities examined had income of less than €250,000 and the majority of this group had income of less than €50,000. In tandem with this, the research provides evidence that a significant number of these charities have no employees and exist because of the participation of volunteers. The large number of very small, volunteer-led charities has implications for governance and regulatory oversight in that any regulations and codes need to be proportionate and recognise and support this large group of grassroots charities.

The research highlights that a relatively small number of very large public service type charities account for most of the employment and economic impact. The results show that of the estimated 189,000 employees in registered charities, approximately 100,000 of these jobs are directly supported by public expenditure.

The research indicates that charities in Ireland are well supported by the State. However, some particularly the very large charities, have a significant dependency on public funding. It is also noteworthy that within this particular group, philanthropy represented a small proportion of reported income for Irish charities. This presents both opportunities and challenges for future funding.

## 1

# Income of Registered Irish Charities

The scale of economic activity of charitable organisations is indicated by the fact that a total of €14.5 billion of income was reported by organisations on the Register of Charities<sup>1,2</sup>.

Indecon estimates that if account is taken of charitable organisations who did not report their financial data the overall size of charitable organisations may be as high as €16 billion (equal to 5.8% of GDP).<sup>3</sup> If health and education organisations are excluded the estimated size of charitable organisations is around €8.3 billion. These estimates exclude the HSE as a separate organisation, however HSE payments/grants to registered charities are included in our analysis.

Organisations who reported income of over €10 million accounted for the majority of the income of registered charities. An analysis of this cohort provides important new insights of the type of organisations that are registered charities. This indicates that hospitals and other healthcare providers have income of over €3.1 billion. In addition, higher education and research organisations report income of just under €3 billion.

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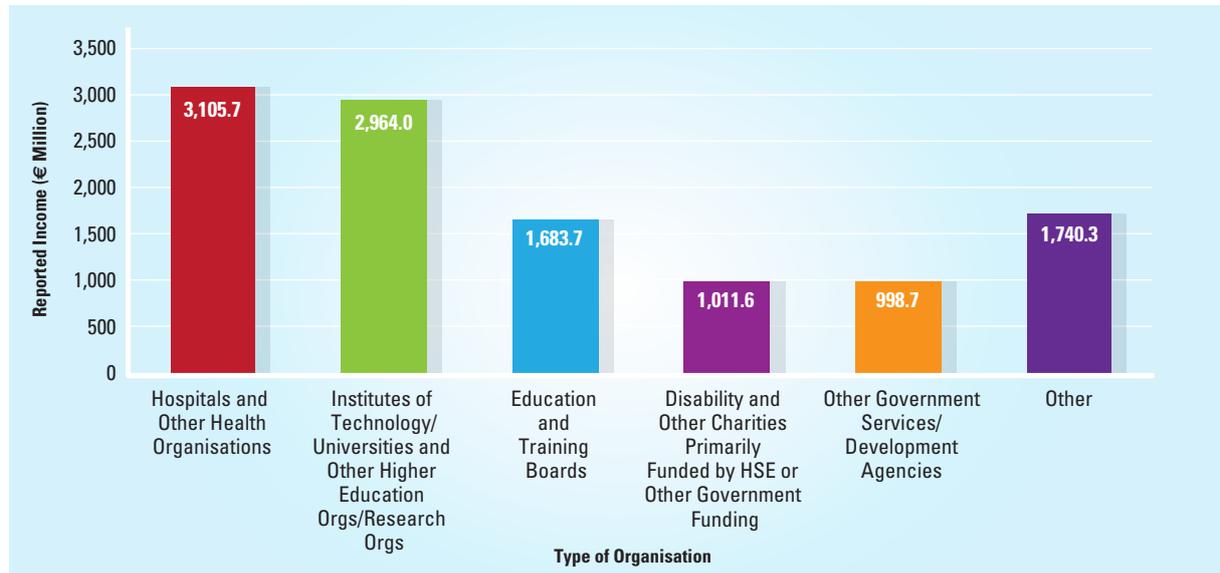
1 Indecon's analysis of charitable organisations in Ireland uses data from the Register of Charities as at Year End 2017 which includes data from annual reports provided to the Charities Register, the majority of which cover the period 1/1/2016 to 31/12/2016. In total detailed financial information on 5,746 organisations was analysed as part of this research as well as data from the Central Statistics Office (CSO). It also includes supplementary data from financial accounts of five large charities for which financial information was not included on the Register of Charities.

2 The Register of Charities is available at: [www.charitiesregulator.ie](http://www.charitiesregulator.ie)

3 This is an indicative estimate based on assuming that smaller charities who did not report their financial income accounted for an additional 10.3% of the income of charities.

It is clear from the data that these public service type organisations account for the majority of the income of larger charities (see Figure 1 below).

**Figure 1: Reported Income of Organisations with Income Over €10 Million by Type of Organisation**



Source: Indecon analysis of Charities Regulator data

The significance of public funding for charitable organisations is evident in the following figure two below which shows that public funding of €7.69 billion was provided to the registered charities. Of the reported income, income from philanthropy and donations made up 7% of the total.

**Figure 2: Reported Income by Source**



Source: Indecon analysis of Charities Regulator data

Note: Figures include all organisations who provided financial data as well as information from financial accounts of three other larger charities

Table 1 below breaks down the sources of income and funding for these larger charities. This again shows the significance of income from government and public bodies. It also indicates that while Philanthropy is strongest in higher education and research, there is room for growth in other areas.

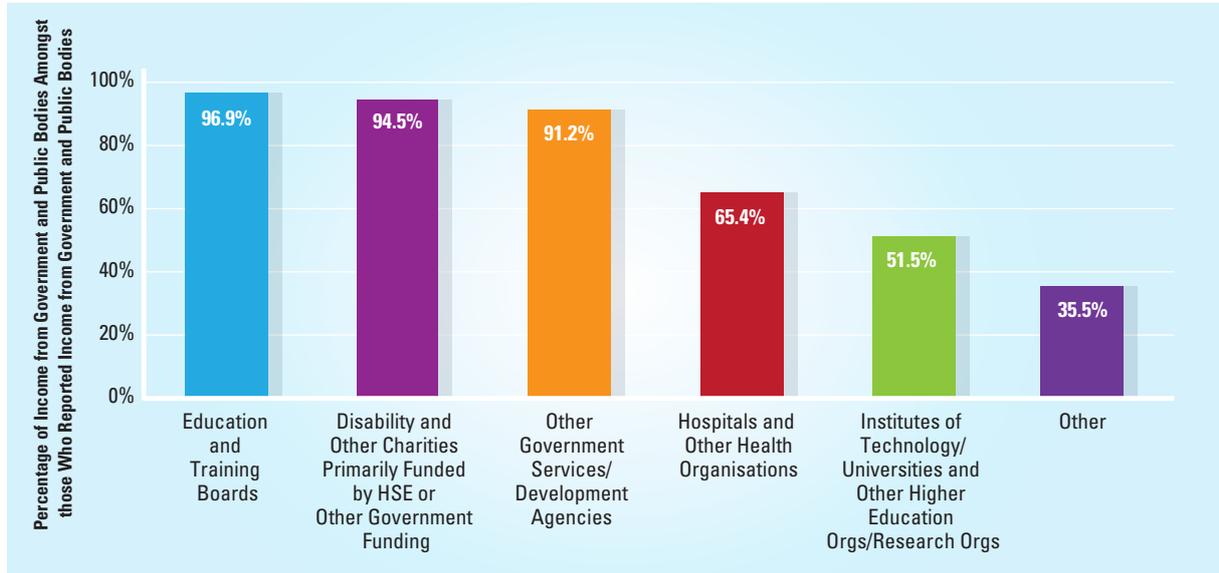
**Table 1:** *Total Income of Organisations Earning over €10 Million by Source of Income*

Type of Organisation	Government and Public Bodies	Philanthropy and Donations	Trading Income	Other Income	Source Unreported	Total Income
Hospitals and Other Health Organisations	1,710.5	23.1	375.4	412.8	583.8	3,105.7
Institutes of Technology/ Universities and Other Higher Education Orgs/ Research Orgs.	1,214.6	57.4	742.6	337.1	612.2	2,964.0
Education and Training Board	1,529.0	0.2	0.2	48.8	105.4	1,683.7
Disability and Other Charities Primarily Funded by HSE or Other Government Funding	878.9	9.9	13.3	28.4	81.1	1,011.6
Other Government Services/ Development Agencies	815.8	25.1	112.9	21.7	23.3	998.7
Other	385.9	328.6	176.3	200.3	649.2	1,740.3
<b>Total</b>	<b>6,534.8</b>	<b>444.3</b>	<b>1,420.8</b>	<b>1,049.1</b>	<b>2,055.0</b>	<b>11,504.0</b>

**Source:** *Indecon analysis of Charities Regulator data*

An analysis of the significance of public expenditure in funding different types of charitable organisations is presented in Figure 3 below. This shows that in many sectors public expenditure accounted for over 90% of the income of the registered charity and again highlights the economic importance of public service type organisations in education and healthcare within registered charities.

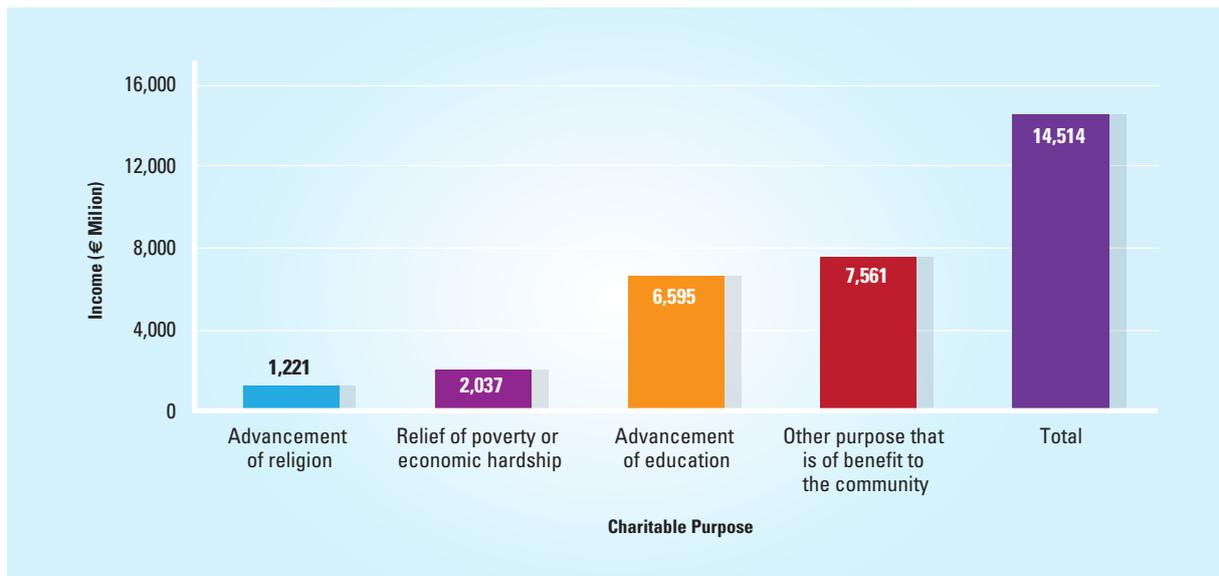
**Figure 3: Percentage of Reported Income from Government and Public Funds by Organisation Type**



Source: Indecon analysis of Charities Regulator data

An analysis of the income by charitable purpose presented in Figure 4, shows that relief of poverty or economic hardship accounted for approximately €2 billion out of a total of €14.5 billion.

**Figure 4: Income of Organisations by Charitable Purpose**



Source: Indecon analysis of Charities Regulator data

Note: Sum of income by charitable purpose does not equal total report income as charities could select more than one purpose

While a relatively small number of very large public service type charities account for most of the economic impact of registered charities, it is of note that over half of registered charities had income of less than €250,000. The large number of very small charities has implications for governance and regulatory oversight.

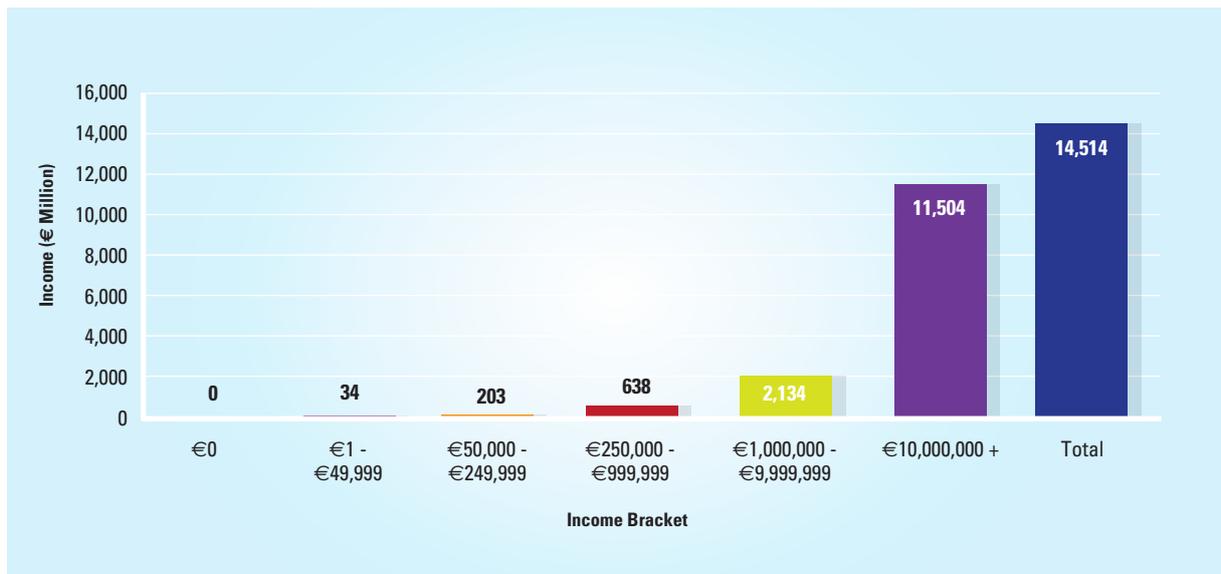
**Figure 5: Number of Organisations by Income Bracket**



Source: Indecon analysis of Charities Regulator data

As can be seen in Figure 6, a very small number (2.8%) of organisations who reported income of over €10 million, account for 79.3% of the reported income of these charities.

**Figure 6: Income of Charitable Organisations by Income Bracket**



Source: Indecon analysis of Charities Regulator data

# 2

## Employment in Irish Registered Charities

While precise employment numbers are not reported on the Charities Regulator database, Indecon have estimated that there are approximately 189,000 employees in charitable organisations<sup>4</sup>.

**Table 2:** *Estimated Number of Employees in Charitable Organisations*

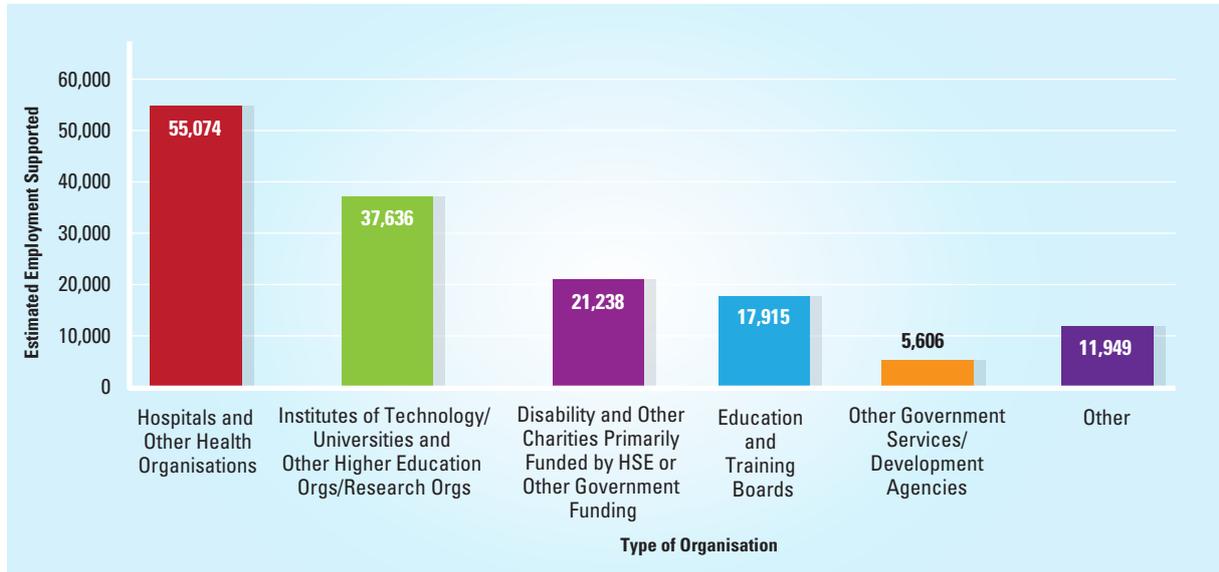
Estimated number of employees in charitable organisations	188,714
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**Source:** *Indecon analysis of Charities Regulator data*

<sup>4</sup> Estimated based on expenditure data on sectoral salaries and average earnings. While some charities may have lower than national average earnings, in major charities who account for most of the expenditure earnings may be higher.

Organisations with reported income of over €10 million account for a large portion of the estimated employees (approximately 79%). Over 55,000 of employees are estimated to work in hospitals and other healthcare organisations, with a further 38,000 in higher education and research organisations.

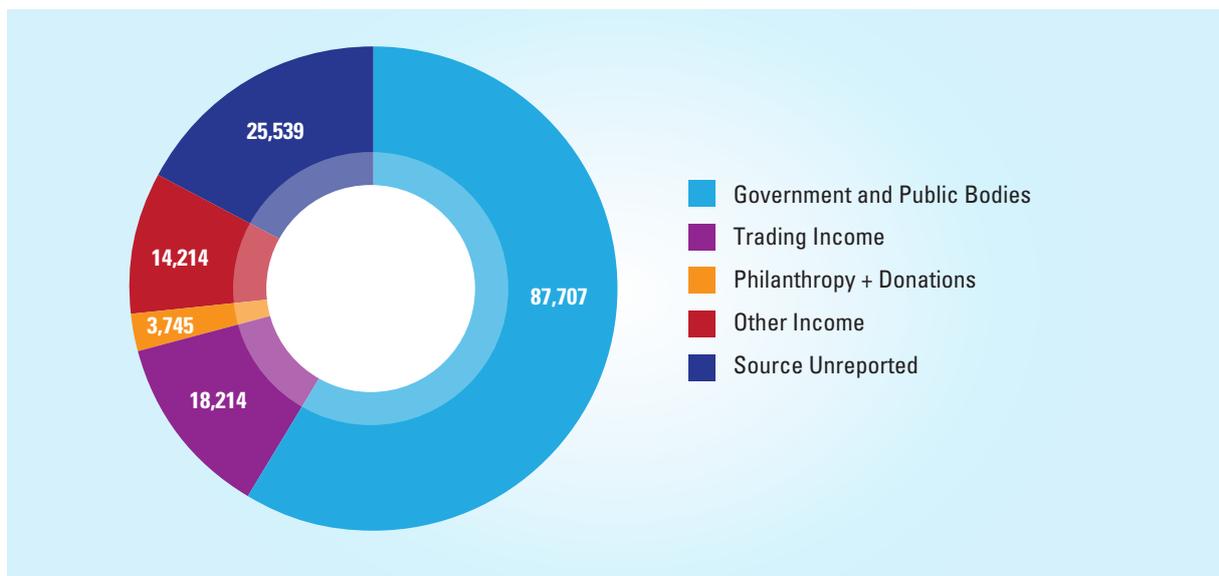
**Figure 7: Estimated Employment Supported in Organisations with Over €10M in Income**



Source: Indecon analysis of Charities Regulator data

Using the percentage sources of income for large charities with over €10m of income, Indecon estimates that the majority of employment is supported by income from government and public bodies (87,707 employees). Trading income is estimated to support approximately 18,214 employees while philanthropy and donations support 3,745 employees.

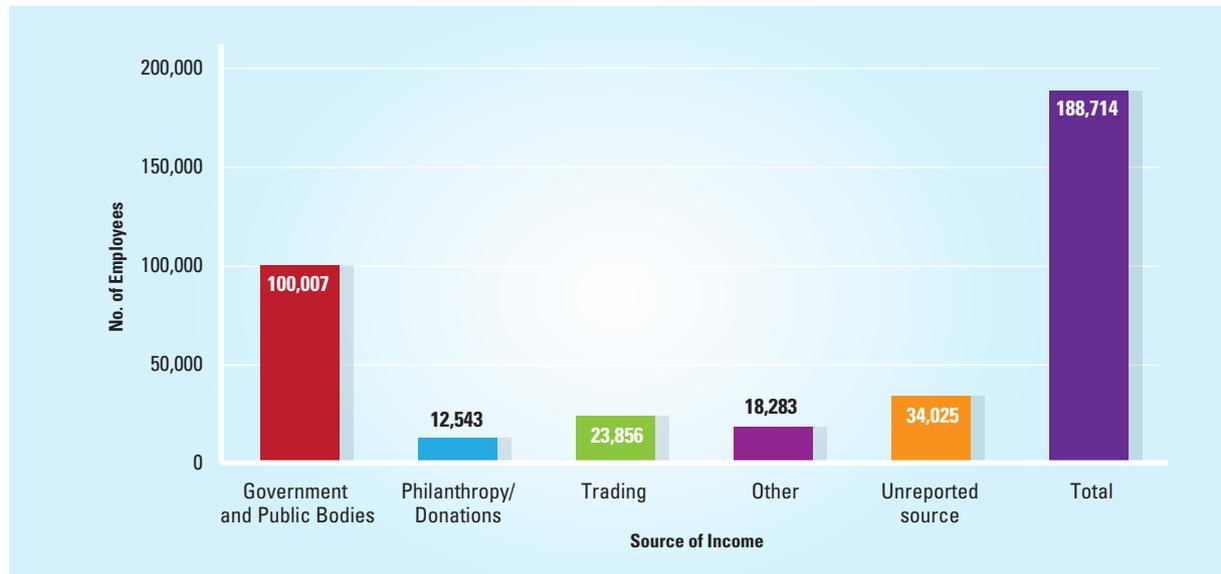
**Figure 8: Estimated Employment Supported in Organisations with Over €10M in Income by Source of Income**



Source: Indecon analysis of Charities Regulator data

Based on the percentage of total income, the following figure shows Indecon's estimate for the total number of employees in all registered charities supported by Government expenditure. This represents 53% of the estimated employment supported by charitable organisations. Employment in all of the registered charities supported by philanthropic/donations represents a small percentage of overall employment (12,543).

**Figure 9: Estimated Employment by Source of Income**



Source: Indecon analysis of Charities Regulator data



## 3

# Analysis of Charitable Donations

Indecon's estimate for household charitable donations in 2018 is €350m. Also of note is that reported donations to larger charities amounted to €389m, but this figure includes donations from corporations and other sources.

**Table 3:** Charitable Donations by Urban/Rural Area

	2005 Average Weekly Household Donation	2010 Average Weekly Household Donation	2015 Average Weekly Household Donation	Number of Households 2016	2018 Estimated Value of Donations (€ Million)
Urban	2.8	3.83	3.51	1,082,119	204.91
Rural	2.25	5.37	4.35	620,170	145.54
<b>State</b>	<b>2.59</b>	<b>4.40</b>	<b>3.75</b>	<b>1,702,289</b>	<b>350.45</b>

**Source:** Indecon analysis of Household Budget Survey, Census and Central Bank data

Reflecting its economic and population size Dublin accounted for a significant percentage of charitable household donations, with an estimated value of donations of €94.06 million. (See Figure 10 below of breakdown of estimated value of donations by region).

**Figure 10:** *Estimated Value of Donations by Region*



Source: Indecon analysis of Charities Regulator data

The following table shows that those in Social Group 1 (Professionals, employers and managers) had the highest average weekly donation in each of the three years reflecting differences in income.

**Table 4: Charitable Donations by Social Group**

Social Group	2005 Average Weekly Household Donation	2010 Average Weekly Household Donation	2015 Average Weekly Household Donation	Number of Households 2016	2018 Estimated Value of Donations (€ Million)
1	3.68	6.90	5.16	577,484	163.59
2	2.82	3.39	2.95	282,072	45.68
3	2.11	3.08	2.22	271,046	33.03
4	1.61	2.62	3.00	272,025	44.80
5	1.63	3.72	3.23	295,038	52.32
Unreported	-	-	-	4,624	11.03
<b>State</b>	<b>2.59</b>	<b>4.40</b>	<b>3.75</b>	<b>1,702,289</b>	<b>350.45</b>

**Source:** Indecon analysis of Household Budget Survey, Census and Central Bank data

Households with retired persons had the highest average weekly expenditure on charitable donations (€7.08). They had the highest estimated value of donations (€131.14 million), with households with employees having the second highest (€129.79 million). (Table 5 refers).

**Table 5: Charitable Donations by Livelihood Status**

Livelihood Status	2005 Average Weekly Household Donation	2010 Average Weekly Household Donation	2015 Average Weekly Household Donation	Number of Households 2016	2018 Estimated Value of Donations (€ Million)
Self Employed	2.40	6.65	4.85	175,511	46.73
Retired	2.83	7.16	7.08	337,391	131.14
Employee	3.20	4.43	2.82	838,365	129.79
Unemployed	0.84	1.63	2.38	136,319	17.81
Other	1.55	2.76	2.17	214,703	25.58
<b>State</b>	<b>2.59</b>	<b>4.40</b>	<b>3.75</b>	<b>1,702,289</b>	<b>350.45</b>

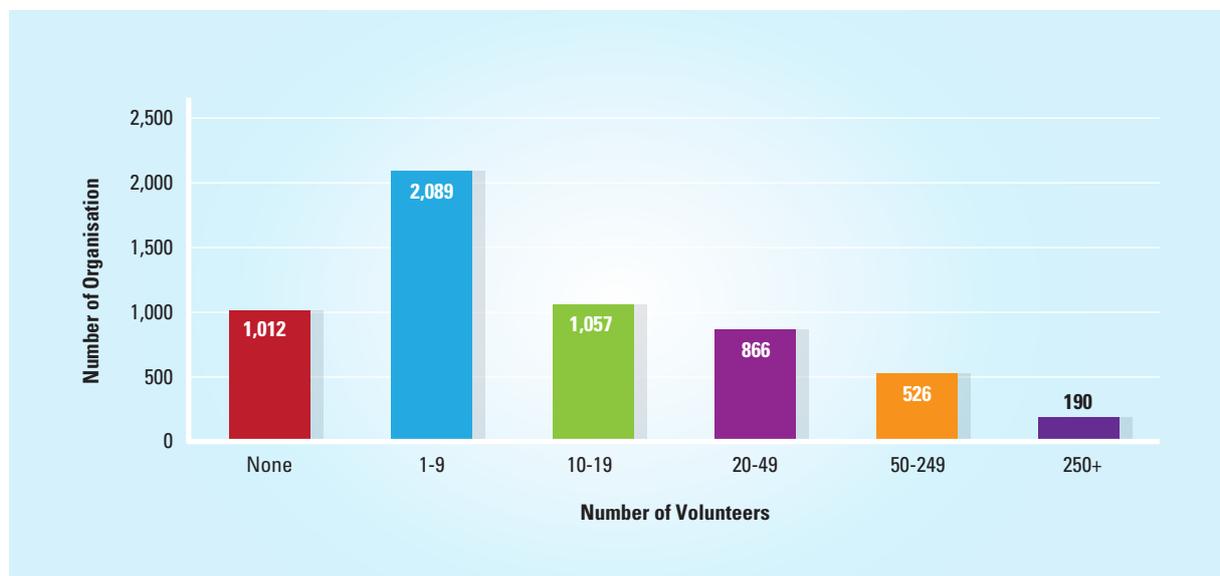
**Source:** Indecon analysis of Household Budget Survey, Census and Central Bank data

# 4

## Level of Volunteering in Irish Charities

The following figure shows that over half of charitable organisations (54.8%) indicated they had between one and 20 volunteers. Just over 3% of charities said they had over 250 volunteers.

**Figure 11:** Number of Organisations by Number of Volunteers



Source: Indecon analysis of Charities Regulator data

CSO data on the percentage of individuals who are involved in volunteering suggests that there are approximately one million volunteers. However many of these are involved in sporting, human rights, religious, politics or other organisations which are not registered charities. Using data on the Register of Charities, Indecon estimates that there are 300,536 volunteers in registered charitable organisations. This is based on a mid-point for numbers of volunteers based on reported range. We integrate this with CSO data of estimated 226 hours of volunteering annually.

Indecon's estimate for the value of volunteering in registered charitable organisations using the minimum wage is €648.8 million. This estimate is lower than the total value of volunteering contained in the Central Statistics Office's Quarterly National Household Survey, which covers all types of volunteering, not just volunteering for registered charitable organisations.

**Table 6: Estimated Value of Volunteering in Charitable Organisations**

Estimated number of volunteers	300,536 volunteers
Estimated number of volunteering hours per volunteer per annum (based on Quarterly National Household Survey special module)	226 hours
Estimated volunteering hours in charitable organisations	67.9 million hours
Estimated value of volunteering in charitable organisations (using minimum wage) - € million	€648.8 million
Estimated value of volunteering in charitable organisations (using average earnings) - € million	€1,539.4 million

**Source:** Indecon analysis of Charities Regulator, Quarterly National Household Survey and Central Statistics Office data

**Note:** The number of volunteers is estimated using 875 as the average number of volunteers for charitable organisations that reported 250+ volunteers. This is based on the midpoint of 250 and 1,500.

The following table contains Indecon analysis of the Quarterly National Household Survey data on volunteering in Ireland. When broken down by age category, those between the ages of 45 and 64 were most likely to volunteer and had the highest estimated value of volunteering.

**Table 7: Level of Volunteering in Ireland**

	Volunteer	Do Not Volunteer	Number of Hours Volunteered (Million)	Unweighted sample (No. of Persons)
<b>State</b>	28.4%	71.6%	232.8	13,891
<b>Sex</b>				
Male	28.1%	71.9%	99.2	5,534
Female	28.7%	71.3%	133.6	8,357
<b>Age Group</b>				
15-24	16.8%	83.2%	16.0	674
25-34	21.7%	78.3%	23.1	2,271
35-44	30.3%	69.7%	41.4	3,019
45-54	38.0%	62.0%	58.8	2,576
55-64	37.2%	62.8%	52.2	2,285
65+	27.8%	72.2%	41.2	3,066

**Source:** Indecon analysis of Quarterly National Household Survey Special Module on Volunteering and Wellbeing (2013) and Central Statistics Office data

# 5

## Legal Status, Structure and Characteristics of Registered Irish Charities

The following table shows that there were over 51,000 trustees in Irish registered charities, with the average charity having 6.5 trustees. No data is available on the qualification or expertise of trustees.

**Table 8:** Trustees in charities on the Charities Register

Number of Trustees	51,219
Average	6.5
Median	6

**Source:** Indecon analysis of Charities Regulator data

The following table shows that almost half (44.3%) of organisations on the Charities Register are companies limited by guarantee. The next most common forms are board of management for primary schools and associations. A small number of organisations are private unlimited companies or limited liability partnerships.

**Table 9:** *Frequency and Relative Frequencies by Legal Form*

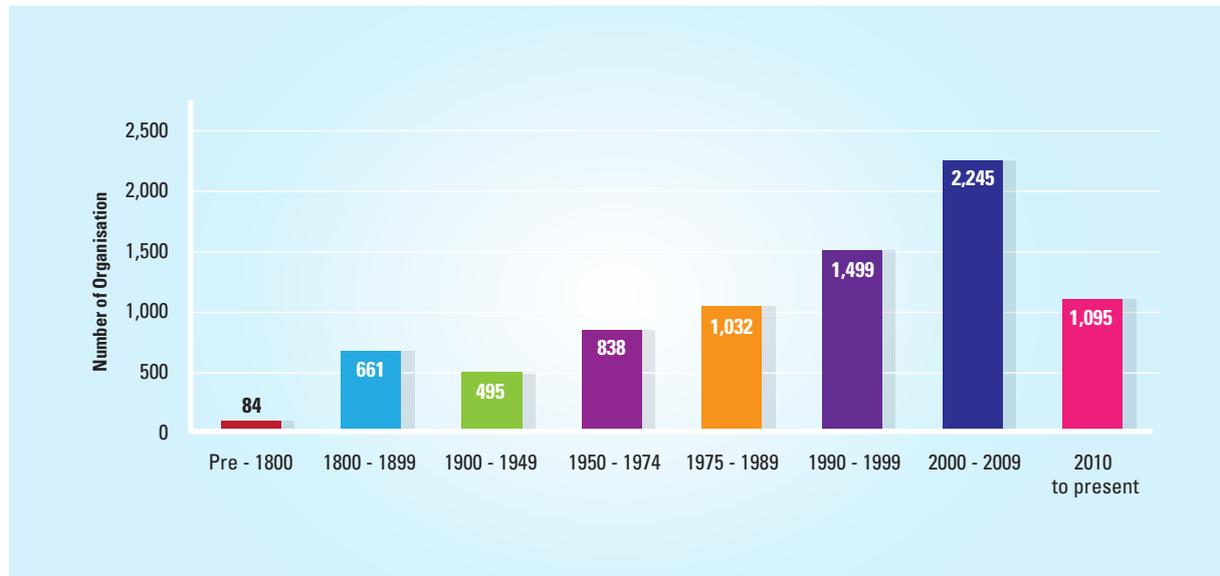
Legal Form	Number of Organisations	Percentage of Organisations	Cumulative Percentage
Company Limited by Guarantee	3,700	44.3%	44.3%
Board of Management (Primary School)	1,367	16.4%	60.7%
Association	1,357	16.3%	77.0%
Other	459	5.5%	82.5%
Private Charitable Trust	441	5.3%	87.8%
Private Limited Company	348	4.2%	91.9%
Board of Management (Post-Primary School)	226	2.7%	94.6%
Other Trust	190	2.3%	96.9%
Public Limited Company	98	1.2%	98.1%
Friendly Society	52	0.6%	98.7%
Co-operative	31	0.4%	99.1%
Designated Activity Company	31	0.4%	99.5%
Royal Charter Governance	30	0.4%	99.8%
Private Unlimited Company	12	0.1%	100.0%
Limited Liability Partnership	3	0.0%	100.0%
<b>Total</b>	<b>8,345</b>	<b>100.0%</b>	<b>100.0%</b>

**Source:** *Indecon analysis of Charities Regulator data*

## Other Characteristics of Irish Charities

Whilst the majority of charities (4,839) were established since 1990, a significant minority were established prior to 1950. The following figure shows that 745 organisations were established before 1900.

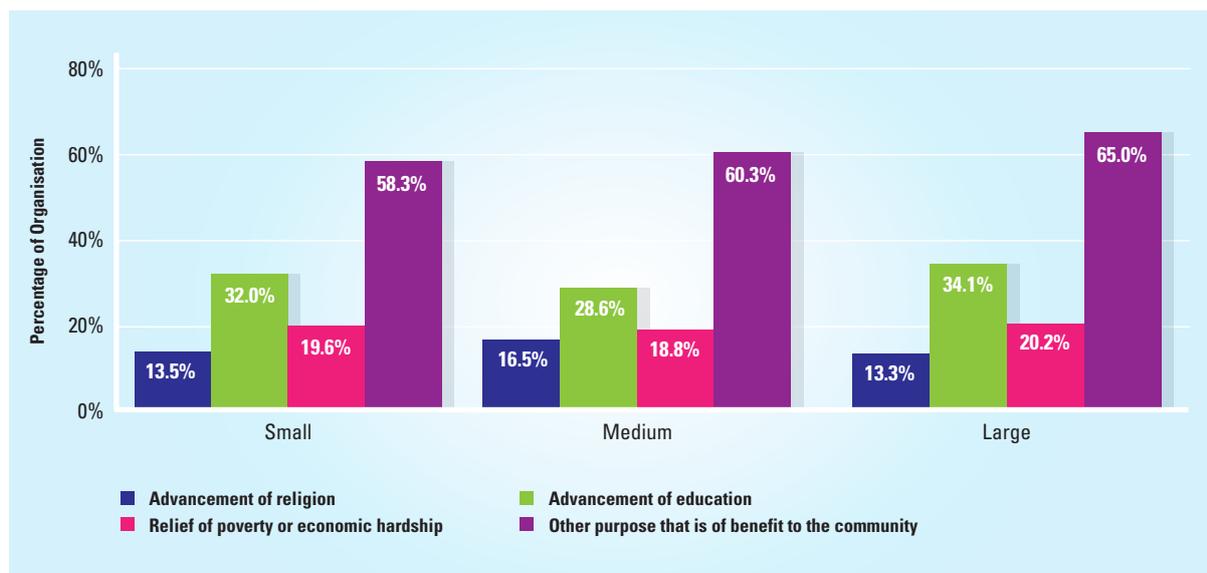
**Figure 12:** Number of Organisations by Year of Establishment



Source: Indecon analysis of Charities Regulator data

Figure 13 presents the breakdown of charitable purpose by the size of charitable organisation. Whilst there are some differences across the different sizes, the breakdowns are similar across the different sizes.

**Figure 13:** Organisations by Charitable Purpose and Reported Size



Source: Indecon analysis of Charities Regulator data

Note: Percentages do not add up to 100% as many charities report more than one charitable purpose

Evidence on charities sub-purpose is presented in Table 10. This shows that almost half of organisations (47.3%) having the advancement of community welfare including the relief of those in need by reason of youth, age, ill-health or disability as a charitable sub-purpose. This was followed by the integration of those who are disadvantaged in society (33.9%) as outlined in the following table.

**Table 10:** *Organisation by Charitable Sub Purpose*

Charitable Sub Purpose	Number	Percentage
Advancement of community welfare including the relief of those in need by reason of youth, age, ill-health, or disability	1,992	47.3%
Integration of those who are disadvantaged, and the promotion of their full participation, in society	1,430	33.9%
Advancement of community development, including rural or urban regeneration	1,104	26.2%
Promotion of health, including the prevention or relief of sickness, disease or human suffering	1,065	25.3%
Advancement of the arts, culture, heritage or sciences	867	20.6%
Promotion of civic responsibility or voluntary work	855	20.3%
Protection of the natural environment	303	7.2%
Advancement of environmental sustainability	293	7.0%
Advancement of the efficient and effective use of the property of charitable organisations	238	5.6%
Promotion of religious or racial harmony and harmonious community relations	236	5.6%
Advancement of conflict resolution or reconciliation	203	4.8%
Prevention or relief of suffering of animals	156	3.7%

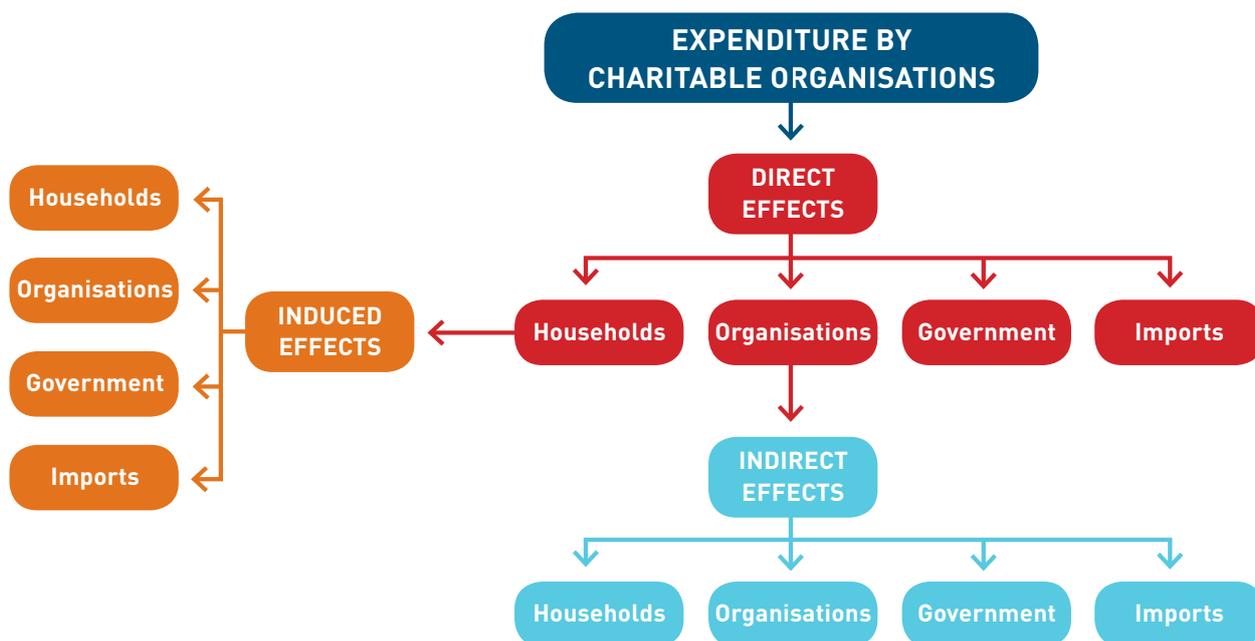
**Source:** *Indecon analysis of Charities Regulator data*

**Note:** *Percentages do not add up to 100% as many charities report more than one charitable sub purpose*

# 6 Overall Economic and Social Impacts

Figure 14 presents an overview of the economic impact of charities. This includes the direct impact and the overall indirect and induced impact as measured by economic multipliers<sup>5</sup>.

**Figure 14:** *Economic Impact of Charitable Organisations*



**Source:** *Indecon analysis of Charities Regulator data*

Using Indecon’s model of the Irish economy, when total macro-economic impacts are estimated, charities in Ireland are estimated to have direct, indirect and induced expenditure of €24.98 billion, and support 289,197 employees. In interpreting the data Indecon notes that all economic activity has an impact on other parts of the economy and this is not unique to registered charities.

5 Direct multipliers allow for the estimation of the direct effects of economic activity in terms of expenditure and employment. Type I multipliers estimate the indirect impacts of economic activity. Indirect impacts include the knock-on business activity that is supported through direct economic activity, Type II multipliers include both indirect and induced effects. Induced effects are concerned with the knock-on impact of household consumption due to direct economic activity.

**Table 11: Economic and Social Impacts of Charities in Ireland**

	Direct Impact	Indirect Impact	Induced Impact	Total Impact
Expenditure (€ Million)	14,491	3,907	6,583	<b>24,981</b>
Employment	188,714	39,647	60,835	<b>289,197</b>
	<b>Using Minimum Wage</b>		<b>Using Average Earnings</b>	
Estimated Value of Volunteering in Charitable Organisations (€ Million)	648.8		1,539.4	

Source: Indecon analysis

The following table shows that amongst organisations with income of over €10 million, Indecon estimates that their expenditure impact is €19.6 billion, with employment of 228,977 supported.

**Table 12: Economic and Social Impacts of Charities in Ireland with Income Greater than €10 Million**

	Direct Impact	Indirect Impact	Induced Impact	Total Impact
Expenditure (€ Million)	11,355	3,062	5,158	<b>19,575</b>
Employment	149,418	31,392	48,167	<b>228,977</b>

Source: Indecon analysis

Just over 60,000 jobs (less than 25% of the total jobs supported) are supported by organisations with income of less than €10 million.

**Table 13: Economic and Social Impacts of Charities in Ireland with Income Less than €10 Million**

	Direct Impact	Indirect Impact	Induced Impact	Total Impact
Expenditure (€ Million)	3,136	846	1,425	<b>5,406</b>
Employment	39,296	8,256	12,668	<b>60,219</b>

Source: Indecon analysis

Removing income from Government and public funding leads to an estimated total expenditure impact of €11.723 billion and 135,941 employees supported, see Table 14 below. These figures reflect the importance of government and public funding to these organisations. In evaluating the wider economic impacts we note that there is what economists refer to as a shadow price or opportunity cost associated with all public expenditures. This is a technical term which relates to the fact that because Governments fund expenditure by raising taxation there are potential negative impacts elsewhere of this taxation on the economy. This needs to be taken into account in considering the net economic impact of registered charities.

**Table 14: Economic and Social Impacts of Charities in Ireland less Government and Public Funding**

	Direct Impact	Indirect Impact	Induced Impact	Total Impact
Expenditure (€ Million)	6,800	1,833	3,089	<b>11,723</b>
Employment	88,707	18,637	28,596	<b>135,941</b>

Source: Indecon analysis

Note: This assumes that all income from government and public bodies to charitable organisations is spent

# 7

## Recommendations on data collection and wider policy implications

Based on the findings of Indecon's analysis, we outline below a number of recommendations for refinements in data collection to facilitate future research:

- Indecon believes there is merit in considering adjustments to the Register of Charities to allocate charities by nature of organisation (hospitals, third level educational institutions, etc.).
- Indecon recommends that additional data on employment numbers and on FTE and part-time employees is collected from all charitable organisations.
- There are merits in collecting data on governance including expertise of trustees, number and type of other board involvements and training/qualification in corporate governance.
- Information on whether focus is on local, regional, national or overseas activities should be collected.
- It is important to ensure that all large charities submit detailed financial information and that all charities, including smaller registered charities, submit income and expenditure as well as estimate of overall employment.

### Wider Policy Implications

The findings in this study have potentially important implications which should be considered by the Charities Regulator and by policymakers. The research particularly points to the need for:

- Infrastructures to support volunteering in registered Irish charities, particular within the 18-34 age groups.
- Infrastructures to increase and support philanthropy and donations to registered Irish charities.
- Regulation which recognises the diversity of registered Irish charities and be particularly sensitive to the large amount of volunteer-led, low income and grassroots charities.

# Annex 1: Data Sources

The Charities Regulator's Charities Register (*as of end of December 2017*).

Available from <http://www.charitiesregulator.ie>

Annual Financial Accounts of Charities as per the Companies Registration Office (CRO).

Central Bank of Ireland, 2018. *Quarterly Bulletin – QB1 2018*.

Available at: <https://www.centralbank.ie/docs/default-source/publications/quarterly-bulletins/qb-archive/2018/quarterly-bulletin---q1-2018.pdf?sfvrsn=5>

Central Statistics Office, 2018. *Census 2016*. Available from: <http://www.cso.ie/en/databases/>

Central Statistics Office, 2018. *Household Budget Survey 2015*.

Available from: <http://www.cso.ie/en/databases/>

Central Statistics Office, 2015. *Quarterly National Household Survey – Volunteering and Wellbeing*.

Available at: [http://pdf.cso.ie/www/pdf/20150716100414\\_QNHS\\_Volunteering\\_and\\_Wellbeing\\_Q3\\_2013\\_full.pdf](http://pdf.cso.ie/www/pdf/20150716100414_QNHS_Volunteering_and_Wellbeing_Q3_2013_full.pdf)

Central Statistics Office, 2012. *Household Budget Survey 2009-2010*. Available at:

<http://www.cso.ie/en/media/csoie/releasespublications/documents/housing/2010/full.pdf>

Central Statistics Office, 2007. *Household Budget Survey 2004-2005*. Available at:

<http://www.cso.ie/en/media/csoie/releasespublications/documents/housing/2005/2004-2005.pdf>

Charity Commission for England and Wales, 2018. *Register of Charities as of 31 December 2017*.

Available at: <https://www.gov.uk/government/publications/charity-register-statistics/recent-charity-register-statistics-charity-commission>

Powell, A., Cortis, N., Ramia, I. and Marjolin, A. (2017). Australian Charities Report 2016.

Centre for Social Impact and Social Policy Research Centre, UNSW Australia. Available at:

<http://australiancharities.acnc.gov.au/wp-content/uploads/2017/12/Australian-Charities-Report-2016-FINAL-20171203.pdf>





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Carthanas  
Charities  
Regulator**

[www.charitiesregulator.ie](http://www.charitiesregulator.ie)

# Report into the Potential for a 'Charity Passport' Facility for Charity Data in Ireland

## Final Report

Prepared for the  
Charities Regulatory Authority

by

Indecon International Economic Consultants

**Indecon**

*[www.indecon.ie](http://www.indecon.ie)*

21 October 2019

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## Glossary

<b>Definition of Economic Terminology Used</b>	
CBA	Cost-Benefit Analysis is an economic appraisal tool for the comparison of costs and benefits associated with alternative approaches.
BCR	The Benefit/Cost Ratio (BCR) is the ratio between the present value of benefits and costs of an option/project. The preferred option is that with the ratio greatest in excess of 1.
NPV	Net Present Value - The difference between the lifetime benefits and costs of a project/option discounted to present values.
Discount rate	The discount rate is a concept related to the NPV method. The discount rate is used to convert costs and benefits to present values to reflect the principle of time preference.
Shadow Price of Public Funds	The Shadow Price of Public Funds is a technical parameter for use in economic appraisal. The parameter is employed to account for the distortionary effects of taxation, such as productive and consumptive decisions which are different than they would be relative to a 'Do-Minimum' or 'Do-Nothing' scenario.
<b>General Glossary</b>	
ACNC	Australian Charities and Not-for-profits Commission
Charities SORP	Statement of Recommended Practice - sets out how charities should prepare their annual accounts and report on their finances.
CII	Charities Institute of Ireland
CRO	Company Registration Office
CSO	Central Statistics Office
OECD	Organisation for Economic Co-operation and Development
PSC	Public Spending Code
RCN	Registered Charity Number
Reporting Costs	The costs in meeting all the reporting requirements of public agencies.
Compliance Costs	The costs in complying with all requirements of public agencies. This terminology tends to be used in academic international literature and is sometimes used interchangeable with the term reporting costs. This term accurately reflects costs which 'Charity Passport' schemes attempt to reduce.
Governance costs	Governance costs is the terminology which tends to be used in financial accounts to measure the costs associated with the governance arrangements. These costs will normally include internal and external audit, legal advice for trustees and costs associated with constitutional and statutory requirements for example the cost of trustee meetings and preparing statutory accounts. Included within governance costs are any costs associated with the strategic as opposed to day to day management of the charity's activities. These costs may include the cost of charity employees involved in meetings with trustees and the cost of any administrative support provided to the trustees.

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## Executive Summary

### Introduction and Background

Indecon is a leading independent economic research consultancy practice in Ireland and was appointed after a competitive tender process by the Charities Regulatory Authority to conduct research into the potential for a 'Charity Passport' scheme in Ireland. This report represents an independent evidence-based examination of the potential for a 'Charity Passport' scheme in Ireland.

The main example of what has been termed a 'Charity Passport' is the initiative in Australia. The concept of a 'Charity Passport' is that charities would submit financial, governance and other information to one organisation which would then be shared with other authorised public agencies. The rationale for a 'Charity Passport' is to reduce the amount of information that charities provide to different organisations by allowing access to information directly from one organisation without having to ask the charity to provide this information again. This has the potential in theory to reduce administrative costs and to create a "report once, use often" framework. However, it is important to analyse what initiatives already exist and what expanded measures could deliver in practice, as users of information on charities often have very different data requirements.

Indecon's methodological approach to this report utilises evidence from a wide range of sources to provide a rigorous assessment of the potential for a 'Charity Passport' in Ireland. This involved engagement with 41 stakeholder organisations and a survey of nearly 1,000 charities. We have also examined new evidence on the extent of reporting requirements both in Ireland and internationally. In addition, we forensically examined examples of the data required by a number of different funding organisations. This has assisted in informing our analysis of the extent of any repetitive administrative and financial reporting which could potentially be reduced by such an initiative. As part of our work, we analysed extensive international research and consulted with the Australian Charity Regulator. In addition, we examined the potential costs and benefits of different options and completed some indicative formal economic cost-benefit modelling in line with best practice and with the requirements of the Public Spending Code. The consultations, survey work and empirical analysis represent one of the most comprehensive reviews undertaken on the issue of reporting requirements in this sector.

### Regulation of Charities in Ireland

The Charities Regulator<sup>1</sup> fulfils a number of functions which include the following:

- To increase public trust and confidence in the management and administration of charitable trusts and charitable organisations;
- To promote compliance by charity trustees with their duties in the control and management of charitable trusts and charitable organisations;
- To promote the effective use of the property of charitable trusts or charitable organisations;
- To ensure the accountability of charitable organisations to donors and beneficiaries of charitable gifts, and to the public;
- To promote understanding of the requirement that charitable purposes confer a public benefit;
- To establish and maintain a register of charitable organisations;

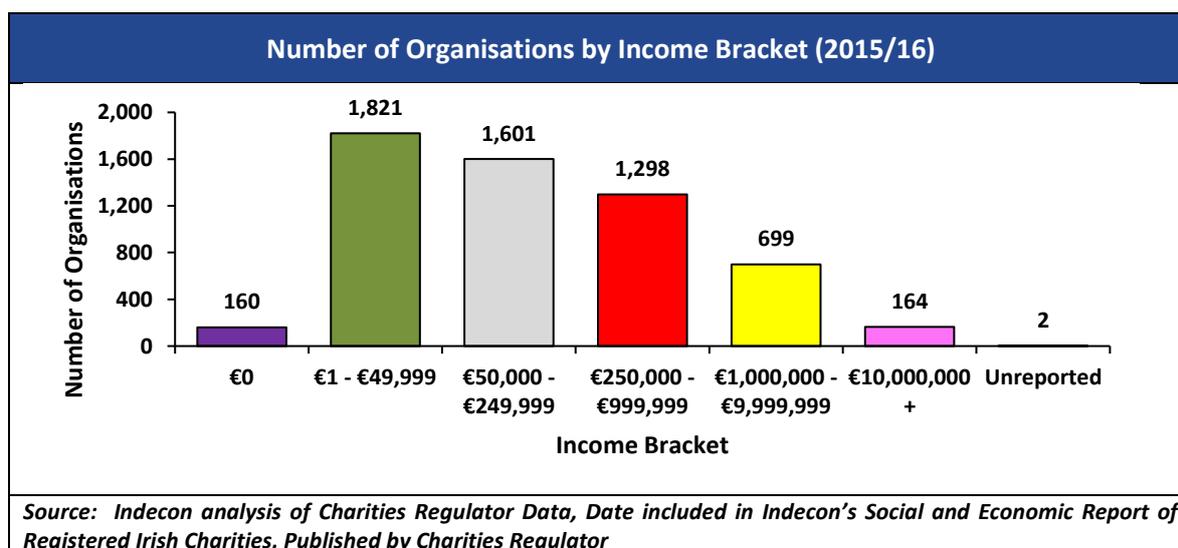
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<sup>1</sup> The Charities Regulator is alternatively known as the Charities Regulatory Authority. In this report the former name is used.

- ❑ To ensure and monitor compliance by charitable organisations with the Charities Act 2009;
- ❑ To carry out investigations in accordance with the Charities Act 2009;
- ❑ To encourage and facilitate better administration and management of charitable organisations by the provision of information or advice, including in particular by way of issuing (or, as it considers appropriate, approving) guidelines, codes of conduct, and model constitutional documents;
- ❑ To carry on such activities or publish such information (including statistical information) concerning charitable organisations and charitable trusts as it considers appropriate; and
- ❑ To provide information (including statistical information) or advice, or make proposals, to the Minister on matters relating to the functions of the Charities Regulator.<sup>2</sup>

As noted above, the Charities Regulator is mandated to establish and maintain a publicly available register of all charitable organisations in Ireland. The Register of Charities currently includes over 10,000 organisations.<sup>3</sup> An analysis of charities on the Register shows that there are 164 organisations with income in excess of €10m but the Register also includes data on a wide range of smaller organisations. Indecon notes that the Irish Government has provided funding for a centralised database on the wider non-profit sector which has been developed by Benefacts. Data from the Charities Regulator and from Benefacts is also available from the Irish Government's open data portal.

In reviewing the information provided by charities, Indecon notes that the Charities Regulator's Consultative Panel on Governance recommended that the Charities Regulator should support work to reduce and streamline the multiple reporting by clients and this current report is focussed on examining whether a 'Charity Passport' could assist in this objective. The proposed provision of Charity SORP (Statement of Recommended Practice) in preparing standard accounts will also increase transparency, and will assist in increasing the utilisation of financial information by other users. However, legislative changes are needed to facilitate this initiative in respect of charities.

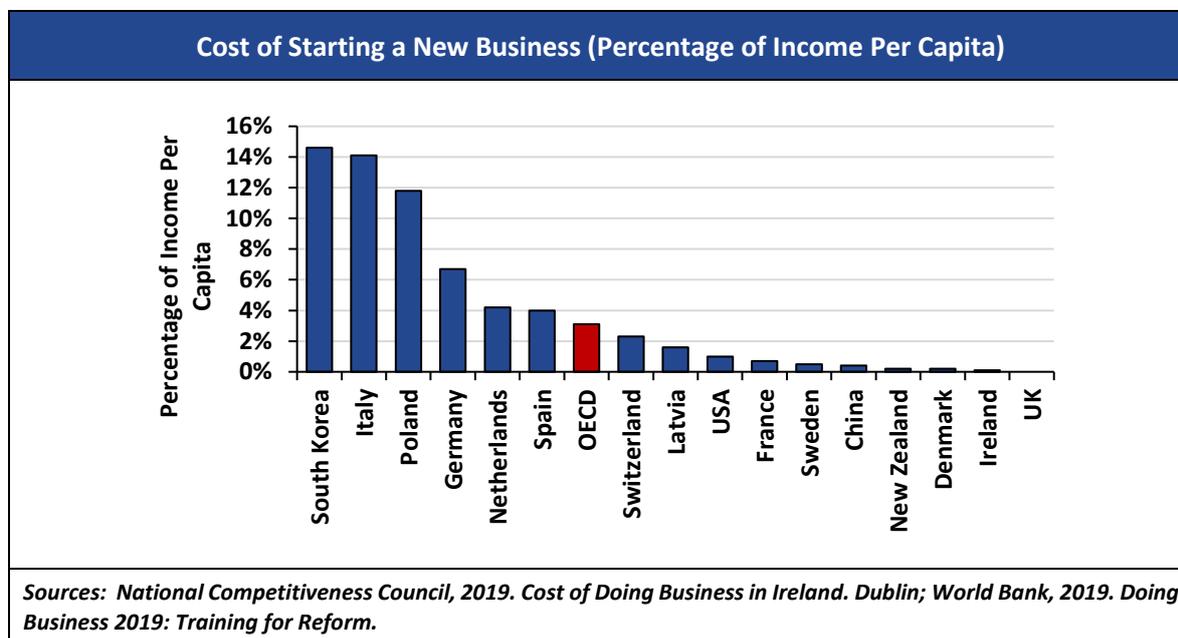


<sup>2</sup> <https://www.charitiesregulator.ie/en/who-we-are/what-we-do> (Accessed 22/01/2019)

<sup>3</sup> Charities Regulator's Statement of Strategy 2019 – 2021 (Published 12/06/19)

## Reporting Requirements of Irish Charities

In nearly all developed countries, business and non-profit organisations have to meet a range of information and reporting requirements. The overall costs of commencing and operating a business/organisation in Ireland is relatively low compared to other countries, as indicated in the next figure. However, charities have to meet additional requirements related to their activities and to provide detailed information to meet the needs of funders and other organisations.



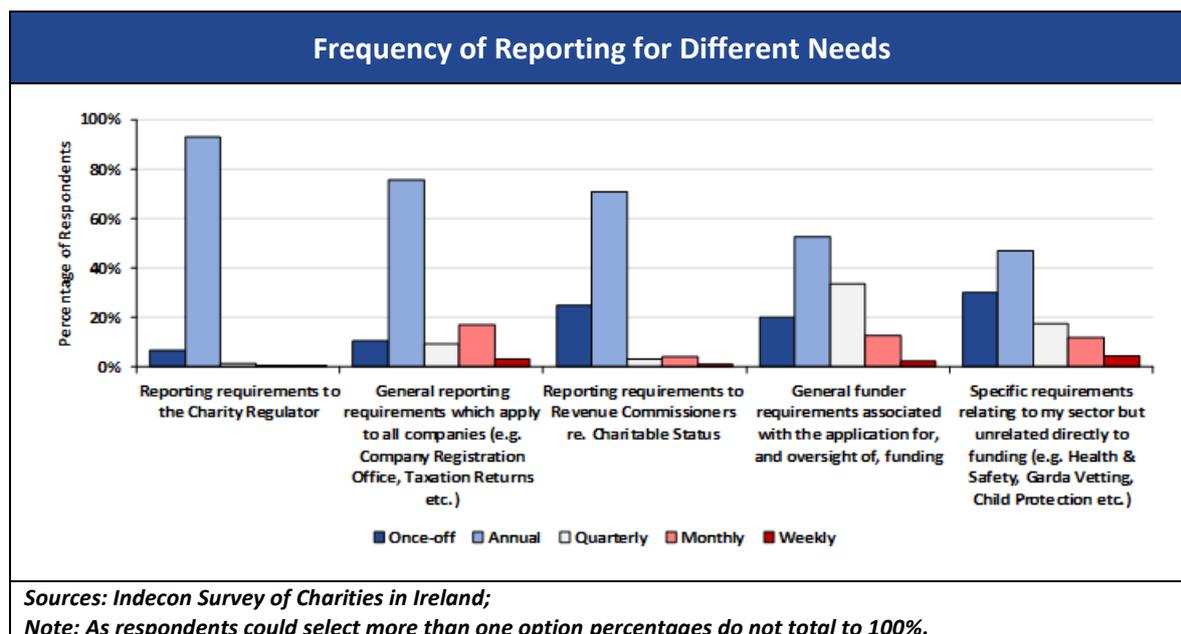
Charities are required to supply information to a wide range of organisations. Some of these requirements, such as information provided to the Revenue Commissioners and the Companies Registration Office, are standard requirements for all companies. Some illustrative examples of bodies which some charities may have to report to include:

- Companies Registration Office;
- Revenue Commissioners;
- Charities Regulator;
- HSE;
- HIQA;
- HEA;
- Tusla;
- Housing Agency;
- Pobal;
- Irish Aid;
- Department of Employment Affairs and Social Protection;
- Department of Education and Skills/ETBs;
- Department of Agriculture, Food and the Marine;
- State Claims Agency;
- An Garda Síochána;
- Register of Lobbying;

- Data Protection Commission; and
- Health and Safety Authority.

In many cases, the information required by individual funding organisations such as the HSE and HEA, or organisations such as An Garda Síochána or HIQA, are very different to that collected by the Charities Regulator. This makes it difficult to standardise processes for charities into a generalised “report once, use often” framework.

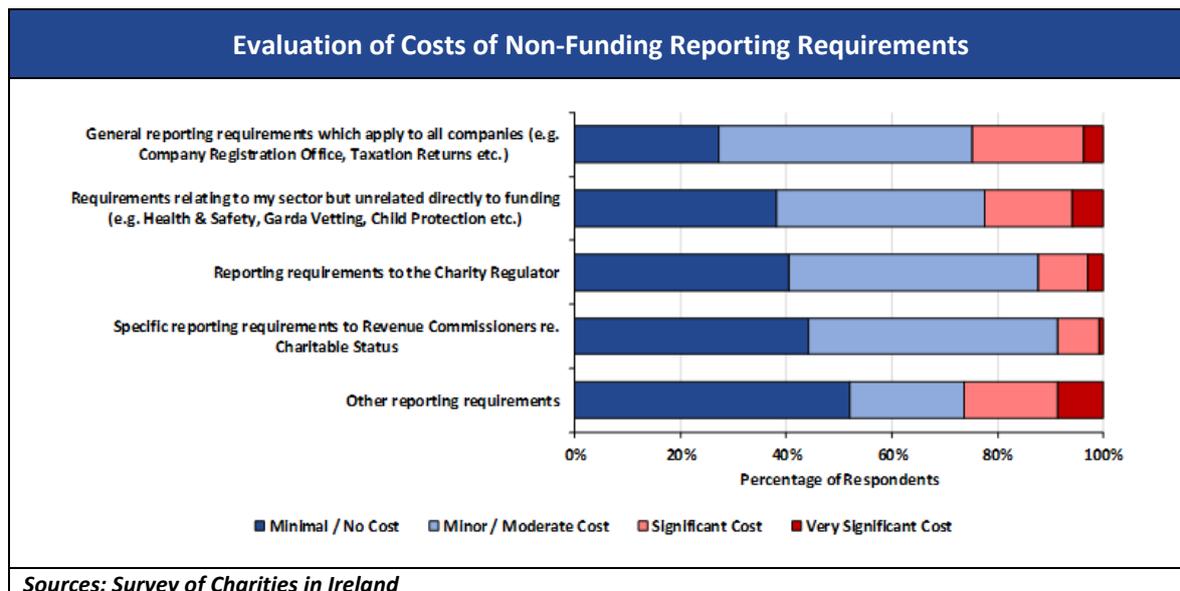
The significance of reporting costs<sup>4</sup> faced by charities and other non-profit organisations is influenced by the frequency of reporting requirements. Indecon’s analysis suggests that most reporting is on an annual or once-off basis but in certain areas more frequent reporting is required. Indecon’s consultation with stakeholders also suggests that larger charities tend to be required to report more frequently.



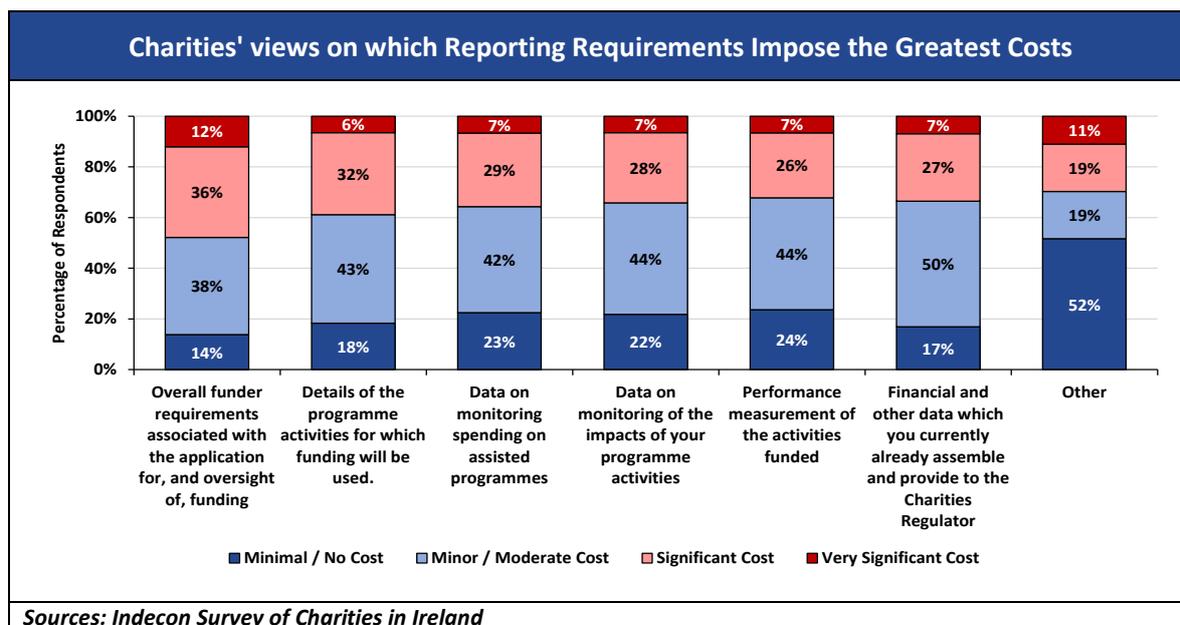
Indecon sought the judgement of charities on their evaluation of reporting costs which refers to the costs incurred arising from reporting requirements from public agencies including regulators and funding organisations. In line with best practice this was based on a variant of a Likert scale which measured the rating by charities of the costs of meeting reporting requirements. A four-scale rating was used, namely: (i) minimal/no costs; (ii) minor/moderate costs; (iii) significant costs, and (iv) very significant costs. The new survey evidence obtained for this study suggests that non-funding reporting requirements do not impose significant costs for most charities. However, it is important to recognise that such requirements are only one part of the reporting requirements faced by charities. The findings also suggest that the reporting requirements of the Charities Regulator were not perceived as generating a significant cost for charities in Ireland. This finding is consistent with

<sup>4</sup> Indecon defines reporting costs as the costs faced by charities of meeting the reporting and requirements of public agencies and funding organisations. This term is directly relevant to consideration of the potential impacts of a ‘Charity Passport’ as such an initiative is focused on the concept of “report once and use often”. In some of the international literature, as is evident from Section 4 of our report, a similar and related term is used which refers to ‘compliance costs’. This in general can be defined as the costs in complying with the reporting and other requirements of public agencies. These include the costs of compiling and submitting reports for public agencies. In some financial accounts in the UK and Ireland there is quantification of what is termed governance costs. Charity SORP defines Governance Costs as ‘the costs associated with the governance arrangements of the charity. These costs will normally include internal and external audit, legal advice for trustees and costs associated with constitutional and statutory requirements.’

Indecon’s independent review of the standard information sought by the Charities Regulator from charitable organisations.



In informing an evaluation of the costs on charities of note is that the reporting requirements associated with the application for, and oversight of, funding were reported to be the costliest, as illustrated in the next figure. For example, 38% of respondent charities stated that providing details of the programme activities for which funding would be used imposed a significant or very significant cost. These costs were perceived as more significant by larger charities. The costs associated with meeting the detailed requirements of funders were also raised in our consultation programme.



In order to test the evaluation by the sector on the costs of meeting reporting requirement, Indecon examined the financial accounts of six leading Irish charities of different sizes who reported governance costs in their financial accounts.<sup>5</sup> For this sample of charities, annual governance costs were significant and ranged from €159,000 to €1,373,000 per annum. As a share of resources, governance costs were estimated to range from 0.5% to 3.1%.

Data Illustrative Examples of Governance Costs for Irish Charities			
	Governance Costs	Total Resource Expended (€ 000)	Percentage of Total
Organisation 1: Governance Costs	858	159,811	0.5%
Organisation 2: Governance costs	249	70,644	0.4%
Organisation 3- Governance and Compliance	1,373	123,223	1.1%
Organisation 4: Governance Costs	159	17,800	0.9%
Organisation 5: Governance Costs	311	17,873	1.7%
Organisation 6 - Governance costs	596	19,135	3.1%

Given the findings from our survey research and from our stakeholder consultations on the costs of meeting reporting requirements of funders, Indecon felt it would be beneficial to examine the performance-related reporting including administrative and financial data which is required by those organisations who provide funding to charities. As part of our research, Indecon examined in detail examples of the type of information required by funders in the health and education sectors, as these two areas are major sub-sectors with the overall charity sector. Our analysis suggests that the detailed reporting information required by some major funders in sectors such as health and education, inevitably requires significant resources. In many cases this information is necessary to evaluate the effectiveness of public expenditure and to provide an evidence base for policymakers. However, such information in general would not be of interest to most other regulatory or funding organisations and may not be impacted by the development of a centralisation of data on the sector.

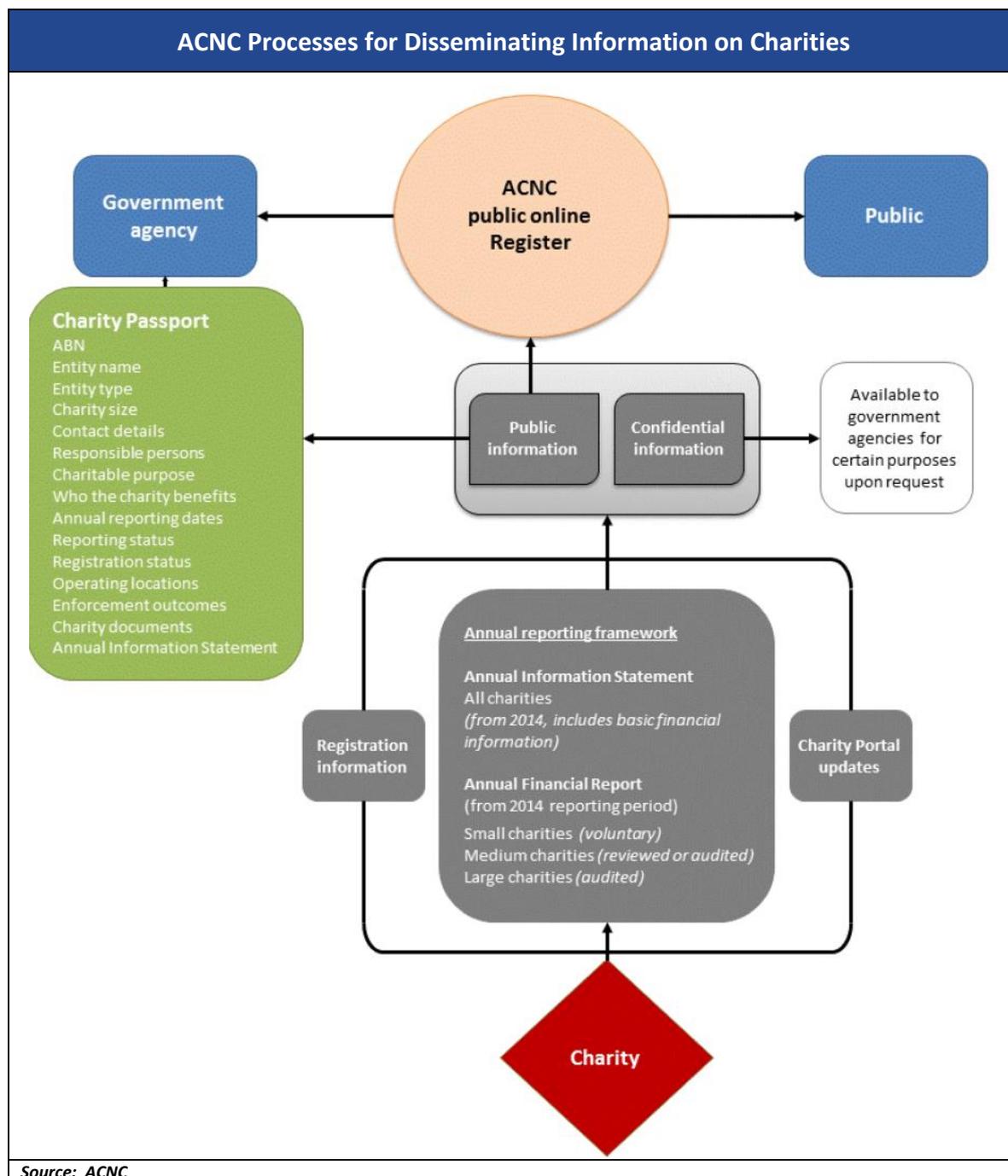
## International Review

As part of the research into the potential impact of the introduction of a 'Charity Passport' Scheme in Ireland, Indecon reviewed schemes in place internationally which provide a form of centralised information on charities and non-profit organisations.

In many countries including Ireland, attempts have been made to provide access to centralised datasets concerning charities. However, as noted earlier the main example of what has been termed a 'Charity Passport' is the initiative in Australia. The Australian Charities and Not-for-profits Commission (ACNC) maintains a data register of 73,000 charities which is searchable by the public. It also provides access to the public information it collects for the purpose of sharing it with authorised public agencies. The 'Charity Passport' was designed with the intention of reducing the number of times charities report the same information to different agencies. The 'Charity Passport'

<sup>5</sup> The definition of governance costs was presented in the previous footnote and while this may not exactly measure the costs incurred in meeting all reporting requirements it is the most aligned quantified measure included in financial accounts of relevance. For example, it would not include costs in meeting reporting requirements which were concerned with the day to day management of the charity's activities. It therefore may represent a prudent conservative estimate.

was launched in 2014 and was underpinned by a requirement that public agencies should use this data. However, Government policy changed subsequently and the use of the data is no longer mandatory. The processes by which the ACNC disseminates information on charities are illustrated in the next figure.



Source: ACNC

The type of information included on the ACNC 'Charity Passport' is presented in the next table. Many of the variables included are also available for Irish charities on the Charities Regulator's Register of Charities.

Information Available in the Australian 'Charity Passport'	
Charity details including name, Australian Business Number (ABN), address for service, email, telephone number and website, charitable purpose (subtype), beneficiaries, size, operating locations, registration status, reporting status.	Financial year
Responsible Persons	Operating locations
Charity registration (current status and history)	Annual Information Statements
Charity subtype (current status and history)	Financial reports
Beneficiaries	Governing Rules
Charity size (based on annual revenue)	Enforcement outcomes
Financial Information from charities that have submitted an annual report	
<i>Source: ACNC</i>	

While the information in the ACNC 'Charity Passport' is useful for many public agencies that provide funding to charities, it must be acknowledged that individual funders in different sectors require differing levels of information. Indecon understands that the information that is contained in the 'Charity Passport' facility is not sufficient to fulfil the requirements of funders in Australia. Despite now being five years old, many public agencies in Australia still do not avail of the 'Charity Passport' facility. The next table gives the number of 'Charity Passport' accounts held by public agencies in each Australian jurisdiction as of 31 December 2018. While there were 90 accounts, 18 public agencies who used the ACNC 'Charity Passport' are allowed to hold multiple accounts; therefore, the number of accounts does not directly correlate to the number of public agencies using the 'Charity Passport' facility.<sup>6</sup> Of note is that there are 188 public agencies functioning at Commonwealth Level in Australia indicating that 9.6% of them use the ACNC 'Charity Passport'.<sup>7</sup> At state level, three agencies in New South Wales use the 'Charity Passport' despite there being 21 user accounts recorded.<sup>8</sup> The Australian Taxation Office (ATO) has the most user accounts for the 'Charity Passport', which reflects specific arrangements with the ACNC, whereby the ACNC has been given responsibility to collect information on charities seeking tax concessions at Commonwealth Level.

Indecon notes that progress has been slow in the utilisation of the 'Charity Passport' in Australia by agencies who make grants to charities and that many agencies do not have the technology to access the 'Charity Passport' due to compatibility issues. We also understand that some organisations may use the online search function on the ACNC's online Charity Register instead of the ACNC 'Charity Passport'. Uptake of the ACNC 'Charity Passport' may increase over time if more agencies are mandated to use it or if it is expanded to include information on charities not included in the ACNC Charity Register such as religious charities.

One of the most important findings of our international review is that while many other countries, including the United States and Canada, have developed a variety of systems and databases to help disseminate information on charities, none of the countries reviewed by Indecon have implemented a 'Charity Passport' scheme which has completely removed the need for charities to report separately to funders and other organisations.

<sup>6</sup> Indecon correlation.

<sup>7</sup> <https://www.directory.gov.au/departments-and-agencies> (accessed 17/05/2019)

<sup>8</sup> Indecon correlation.

In addition to examining the measures taken in other countries to provide centralised information, it is useful to consider international evidence on governance costs incurred by charities. To examine this issue, Indecon undertook new research on the estimated governance costs of 50 charities in the UK where financial accounts of organisations based on SORP were available. The results show that estimated governance costs vary and range in the sample from 0.1% of turnover to 6.8%. In many cases for large charitable organisations, governance costs are in excess of €1 million per annum, highlighting the significance of such costs. A summary of the estimated governance costs for UK charities is presented in the next table. The significance of governance and reporting requirements costs facing the sector was also confirmed by Indecon’s review of other existing international research.

Governance Costs as a Percentage of Income of UK Charities	
	Governance Costs as a Percentage of Total Income
Average	0.84%
Median	0.58%
Max	6.85%
Min	0.11%

*Source: Indecon analysis of annual reports/financial accounts of charities in the UK*

### Costs and Benefits of a ‘Charity Passport’

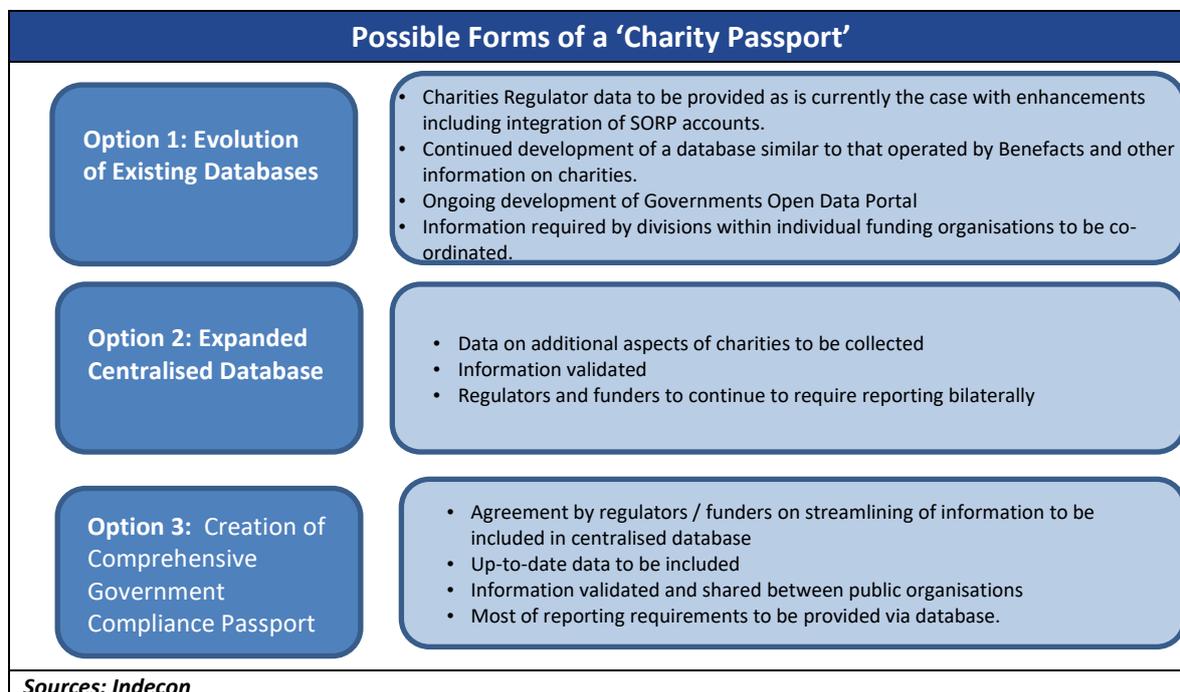
One of the key issues which became evident in our research is that there is great variance in the interpretation of what a ‘Charity Passport’ would involve. At a basic level the existing Charities Regulator database represents a ‘Charity Passport’. In this context it is noteworthy that the Australian Regulator indicated to Indecon that *“the ‘Charity Passport’ is the information collected from charities by the ACNC, not the mechanism used to access it.”* There is, however, a very different concept whereby a centralised information data would be developed including the extensive information required by public agencies. Such an initiative would require the accuracy of the data to be verified and for information to be up to date. It is only if a very expanded information database including detailed performance measures was developed that there would be the likelihood of achieving a marked reduction in compliance costs.

The above assessment is consistent with the view of Pobal who during the consultation noted that *“the full benefit of any future passport concept could only be fully realised when there is a whole-of-government agreement on financial statements and other forms of governance reporting.”*

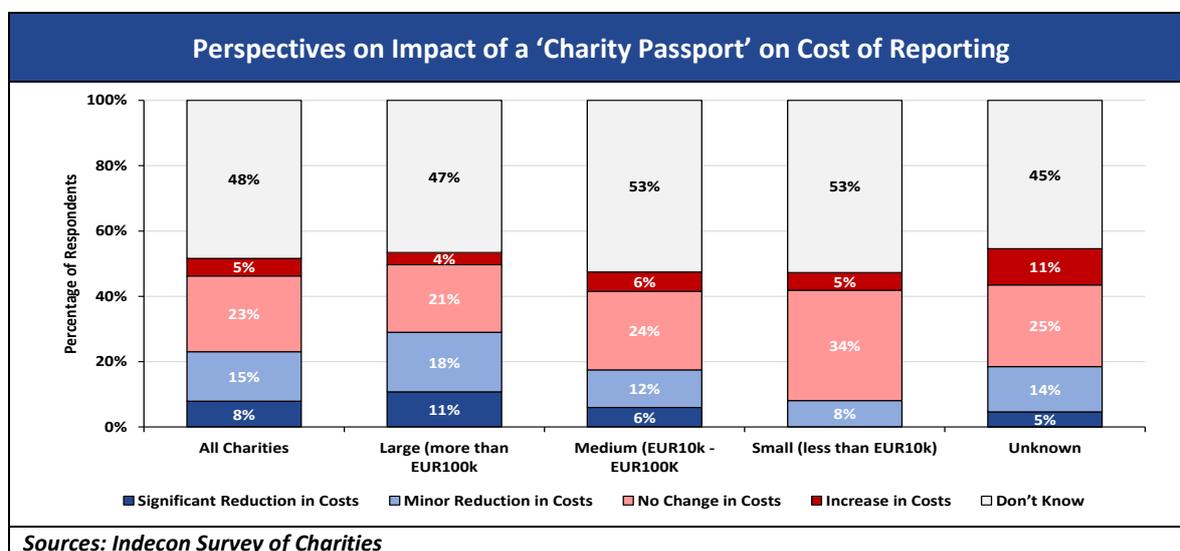
There is therefore no generally accepted definition as to what a ‘Charity Passport’ is, and what role it should play and depending on what is envisaged the costs and benefits are likely to vary. Indecon’s analysis indicates, the costs and benefits of any initiative depends upon:

- The range of information that is collected centrally and made available to other organisations.
- The extent to which the powers to collate data from charities include compulsion, or whether it is voluntary.
- Whether the information is collected and validated, or just collected.
- The number of non-profit organisations included in any database. For example, whether it is confined to registered charities or includes all non-profit organisations.
- The extent of take-up by public agencies.
- The extent to which it reduces the need for charities to separately submit detailed information to funding and other organisations.

In the next figure we set out the different forms that a ‘Charity Passport’ could take. Indecon’s assessment is the ‘Charity Passport’ in Australia is based on Option 1 and that this option is also largely aligned with existing initiatives in Ireland. Option 2 would involve a more centralised database but funders would require individual reporting to meet their needs. Option 3 would involve a radical comprehensive whole-of-government centralised database which would meet most of the reporting requirements. Indecon is not aware of any example of Option 3 currently in operation internationally.



Indecon’s analysis suggests that there is very a wide range of potential interpretations of the definition for a ‘Charity Passport’ scheme. Reflecting the range of possible options and the uncertainty as to what a ‘Charity Passport’ would involve in practice, nearly half of the charities surveyed for this study were not in a position to judge whether a ‘Charity Passport’ would reduce the costs of reporting. However, of those who expressed a view only a very small percentage judged that it would result in a significant reduction in reporting costs.



There are potential benefits of an initiative to centralise information on charities, if it is possible to design such a scheme in a way where very little further information was required by funders or other bodies. Some illustrative potential benefits from what we refer to in this Report as a ‘Government Compliance Passport’ are presented below. This suggests that if such an initiative represented a one-stop shop for all reporting and if it cut down on duplication, it would be of value.

Some organisations consulted by Indecon expressed the opinion that the ‘Charity Passport’ would not significantly reduce administrative reporting requirements because of the different requirements of agencies. As one stakeholder indicated:

***“Much of the reporting to the funder is specific to that body and access to the data returned to other bodies would undoubtedly help, it would still leave a significant amount of funder-specific data to be returned.”***

Developing a comprehensive Government Compliance Passport Scheme would involve capital and operational costs both in the establishment and maintenance of an appropriate system. There are also some costs which could be incurred by charities if comprehensive information was required from all charities. A selection of issues raised by charities is reported below.

#### Selected Quotes from Respondent Charities’ on Potential Costs of a ‘Charity Passport’

*“Inevitably it will involve an increase in costs in having yet more compliance obligations being imposed even if just once off.”*

*“We are a small rural group, and we would not relish lots more paperwork. We do not have members with good I.T. skills.”*

*“We would have a concern that a ‘Charity Passport’ might become yet another layer of administration for charities to comply with. Many State agencies require different information as part of funding proposals and we feel that the first step of any ‘Charity Passport’ system would be to standardise requirements for all governmental funding.”*

*“A passport would in theory standardise our reporting requirement. We would have to establish a centralised administration system to support the requirement. Concern that this may be an additional requirement as funders have very specific reporting requirements that may not fall under the passport scheme.”*

*“Each funder requires different details, e.g. copies of Finance Policy and Procedure Manual should be standard for all funders so that we don't have to do up separate and could just use one Policy and Procedure Manual for all funders.”*

**Sources: Inputs to Indecon**

While there is inevitable uncertainty regarding the likely quantified costs and benefits of a ‘Charity Passport’, Indecon has developed some indicative modelling of the potential and costs of benefits of different options. A summary of the estimates is presented in the next table. The detailed assumptions on costs and potential savings underlining these estimates are provided in Chapter 5 of this report. However, of note is that in line with the Public Spending Code, we assume a 4% real

discount rate<sup>9</sup> in estimating the net present values and a 130% shadow price of public funds.<sup>10</sup> The results on the economic cost-benefit ratios measure the net benefits of the options. When the benefit-cost ratio is less than one, the benefits are less than the cost and the project should not proceed.

This is also evident from what is referred to as the NPV or Net Present Value. Net Present Value is defined as the net benefit flow from a project and “this technique enables one to add up all the benefits of an investment and subtract the costs. Both the benefits and the costs are discounted back to the specified time period in order to give the present value of the investment.”<sup>11</sup> The results suggests that there are likely to be net benefits from the evolution of existing measures to enhance centralised information including the initiatives by Charities Regulator to facilitate the introduction of Charity SORP and efforts by individual funding organisations to ensure the co-ordination of information requests within their organisations. However, if the option was to develop a new expanded centralised database and there was low take-up, and if funders and other agencies continued to require bilateral reporting, the net impact would likely be negative. The results also suggest that there are potential net positive benefits from Option 3, namely the introduction of a whole-of-Government Compliance Passport scheme but only if it resulted in a significant reduction in reporting costs. While the benefit-cost ratio of Option 3 is higher than of Option 1, it would involve higher level of capital costs and would only be justified if there was agreement by funders and other organisations that the information would meet most of their needs. The benefits and costs in our modelling are in addition to any savings arising from existing databases.

<b>NPV of Estimated Cost and Benefits of ‘Charity Passport’ (10 Year)</b>			
	<b>Option 1 Evolution of Existing Databases</b>	<b>Option 2 Expanded Centralised Database</b>	<b>Option 3 Creation of Comprehensive Government Compliance Passport</b>
<b>NPV of Capital Cost over 10 years (€m)</b>	1.18	9.47	14.21
<b>NPV of Operational Cost over 10 years (€m)</b>	21.93	43.86	76.76
<b>NPV of Reduction in Charity Costs over 10 years (€m)</b>	27.00	33.48	122.43
<b>Net Present Value of option (€m)</b>	3.88	-19.86	31.46
<b>Benefit/Cost Ratio</b>	1.168	0.628	1.346
<i>Source: Indecon</i>			

<sup>9</sup> “The discount or interest rate is simply the numerical value that relates to costs or benefits in one period to those in another”. See Gray A. W. (1995) ‘A Guide to Evaluation Methods’ Chapter 2 Techniques for Investment Appraisal p.25, Published by Gill and Macmillan Ltd, ISBN 071712242 5 British Library Catalogue No. : 13542.

<sup>10</sup> The Shadow Price of Public Funds is defined as “a technical parameter for use in economic appraisal. The parameter is employed to take account of the distortionary effects of taxation”. See Department of Public Expenditure and Reform Public Spending Code. Central Technical References and Economic Appraisal Parameters, July 2019.

<sup>11</sup> See Gray, A. W. 1995 Op cited.

## Key Findings

A summary of the key findings is presented below.

Summary of Key Findings	
1.	The Australian Charity Passport Scheme is in effect a centralised database which contains information largely similar to what is already available on the Charities Regulator's Register of Charities.
2.	There is a significant cost for some charities in meeting the information requirements of funders and other agencies in Ireland.
3.	While many countries internationally have developed a variety of systems and databases to help re-use information on charities, none of the countries reviewed by Indecon have implemented a 'Comprehensive Government Compliance Passport' scheme which has removed the need for charities to bilaterally submit other information to regulators and funders.
4.	The proposed requirement for charities to prepare financial accounts in line with guidelines in the Charity SORP represents a potentially important initiative. However, amendments to the Charities Act 2009 are required to facilitate its introduction.
5.	A comprehensive Government Compliance Passport would be technically feasible in Ireland but the merits of proceeding with this would be dependent on establishing a whole-of-government approach to governance reporting. Simply sharing access to existing centralised data would not remove multiple reporting requirements.
6.	The development of a new comprehensive Government Compliance Passport is only likely to have a net positive economic benefit-cost ratio if it significantly reduces charities' governance costs.

- 1. The Australian Passport Scheme is in effect a centralised database which contains information largely similar to what is already available on the Charities Regulator's Register of Charities.**

The Australian system has an electronic facility to facilitate a bulk access by government agencies to the available information on various charities collected by the Australian regulator. The information provided is of value but does not replace the type of detailed performance data required by funders and other organisations. The information available using the 'Charity Passport' in Australia is similar to the information already contained in the Charities Regulator's Register of Charities, the Benefacts database and the Irish Government's open data portal.

- 2. There is a significant cost for some charities in meeting the information requirements of funders and other agencies.**

There is a significant cost faced by many charities in meeting the continued information requirements of funders and other agencies. This reflects the importance for funders and other public agencies in ensuring that charities operate to the highest standards and that information is obtained to evaluate the effective use of scarce public funds. While Indecon's research indicates that the Charities Regulator's information requirements do not impose significant reporting costs

on charities, charities face significant costs in meeting the combined requirements of funders and other agencies. This finding is consistent with existing international research. An analysis of new empirical research by Indecon of the governance costs of a sample of Irish charities showed that these were significant and ranged from €159,000 to over €1.3 million and as a share of resources ranged from 0.5% to 3.1%. The significance of costs in meeting, reporting and other requirements of funders and other agencies, was aligned with estimates of governance costs of charities in the UK examined by Indecon. It is also consistent with the views expressed by stakeholders during our extensive consultation programme. This suggests that any cost-effective initiatives which would reduce reporting costs should be given a high priority.

- 3. While many countries internationally have developed a variety of systems and databases to help re-use information on charities, none of the countries reviewed by Indecon have implemented a ‘Comprehensive Government Compliance Passport’ scheme which has removed the need for charities to bilaterally submit other information to regulators and funders.**

An awareness of the need to follow the principle of “report once, use often” has led governments and other organisations to develop databases and other initiatives to share information on charities. However, none of the initiatives has removed the need for charities to also bilaterally supply other reporting requirements.

- 4. The proposed requirement for charities to prepare financial accounts in line with guidelines in the Charity SORP represents a potentially important initiative. However, amendments to the Charities Act 2009 are required to facilitate its introduction.**

A standardised format for certain core documentation and practices, particularly in relation to financial accounts and governance requirements, represents important avenues for reducing some aspects of reporting cost of charities. While there will be some costs for charities in meeting Charity SORP once introduced, its introduction will have wider benefits in terms of standardising financial reporting and increasing transparency and trust in the sector. It would also mean that this data could be used by more than one agency.

- 5. A comprehensive Government Compliance Passport would be technically feasible in Ireland but the merits of proceeding with this would be dependent on establishing a whole-of-government approach to governance reporting. Simply sharing access to centralised data would not remove multiple reporting requirements.**

There is no technical or policy reason why an extensive ‘Government Compliance Passport’ type database scheme facility could not be feasible in an Irish context. However, given the likely capital and operating costs in establishing and maintaining such a facility, the case for proceeding with this would be dependent on establishing a whole-of-government approach to governance reporting by charities. Without this, Indecon believes the benefits would not justify the costs involved. Such a concept would require a standardisation of information requirements by funders and other agencies to an extent which may be difficult to achieve in the short run.

**6. The development of a new comprehensive Government Compliance Passport is only likely to have a net positive economic benefit-cost ratio if it significantly reduces charities' governance costs.**

A new centralised Government compliance 'Charity Passport' database scheme specifically for the non-profit sector which would meet most of the reporting needs of funders would involve significant investment in a centralised system. It would also require investment in the technological interface with funders and other public agencies although a common IT system would not be necessary. It would require on-going administrative costs in collecting, monitoring and verifying up to date data on a very wide range of metrics. Most importantly, it would require agreement by public agencies on what data is required. If such a mechanism was developed it could facilitate a situation where charities were only required to provide information on a once-off basis which would then be used by different public agencies. The rationale for such a Government led scheme for the non-profit sector, is the same as that underlying the wider Governments National Data Strategy. This has involved the development of the Government's open data portal. Responsibility of the development of such an initiative is in Indecon's opinion an issue for central government and is much wider than the responsibilities of the Charities Regulator, which regulates a subset of the wider not-for-profit sector.

### Recommendations

A summary of recommendations is outlined below.

Summary of Recommendations	
1.	<b>Individual funding and regulatory agencies should review their current reporting requirements.</b>
2.	<b>A 'Forum of Funders/Regulators' should be established to help coordinate reporting requirements, and identify areas where information requests could be streamlined.</b>
3.	<b>Funding agencies should consider including an allowance for the cost of reporting by charities in making funding decisions.</b>
4.	<b>If a decision is made to proceed with a comprehensive Government Compliance Passport, careful consideration needs to be given to ensuring that this is done in a way which maximises take-up and use.</b>

**1. Individual funding and regulatory agencies should review their current reporting requirements.**

Before considering the merits of introducing an inter-agency system of data sharing and re-use such as a comprehensive government compliance passport for the charities sector, regulatory agencies and funding organisations should ensure that as a first step there is re-use of data internally within their organisations, and that all data being collected is required for the effective discharge of their statutory duties. There is also a need to ensure that there is consistency within large funding organisations on the formats and templates requested from different units within their organisations and that there is one point of information co-ordination in their organisations. For some funding organisations such as Pobal our consultations suggest that if an applicant is applying for funding under multiple schemes, they do not have to furnish documentation sets if they have already provided them and if they are in date. A single point of contact in large funders responsible for maintaining the collection, maintaining and sharing of information from voluntary providers is strongly recommended.

**2. A ‘Forum of Funders/Regulators’ should be formed to help coordinate reporting requirements, and identify areas where information requests could be streamlined.**

Consideration should be given to the formation of a forum whereby funders and regulators would investigate the potential for the greater standardisation of information reporting requirements and how such information could be shared. While the Charities Regulator could play a role in such a forum, a wider whole-of-government approach would be necessary. Indecon notes that there is no statutory basis on which the Charities Regulator could require information and data from charities that it did not need to carry out its own functions. In this context, Indecon notes that the IRG review group report (which examined the role of the voluntary sector in health care) proposed that public agencies agree a memorandum of understanding to re-use data provided to them, and which is publicly available, instead of asking voluntary organisations to provide data that has already been supplied elsewhere. Indecon would be very supportive of this proposal.

**3. Funding agencies should consider including an allowance for the cost of reporting by charities in making funding decisions.**

Complying with reporting requirements of funding agencies represents a cost for many charities. This should be recognised as an integral part of the provision of services on behalf of the State, and some allowance for this cost should be considered in concluding funding agreements. There is international recognition of the necessity to ensure charities have adequate resources to meet such requirements. As a result, many funders internationally provide grants to cover non-profit such overhead costs.<sup>12</sup> Indecon understands that in Ireland this is also taken into account of by some funders as part of their evaluation of overall administration costs. While this is not directly related to the case of whether or not to establish a ‘Charity Passport’, this is an important issue identified as part of our stakeholder consultations and one which Indecon believes is valid to highlight in the context of this review.

**4. If a decision is made to proceed with a comprehensive Government Compliance Passport, careful consideration needs to be given to ensuring that this is done in a way which maximises take-up and use.**

In order to maximise the benefits of introducing any potential new Government Compliance Passport for the sector, a number of issues must first be addressed. In particular, policy and legislative changes may be needed to allow agencies to share and re-use data. Further, appropriate governance and verification procedures and an appropriate technological infrastructure would be required. Indecon notes that some large public organisations who are major funders of the sector have developed at significant cost, their own internal systems to meet their information requirements and to interact with organisations in the charities sector. The full benefits of a more comprehensive scheme would only be realised if the information collated meets the needs of the public agencies and if charities comply with the data requirements. This is an issue which could be considered further by the recommended ‘Forum of Funders/Regulators’.

<sup>12</sup> See Knowlton. C (2015), When the Show Must Go On: Non Profits and Adversity, Non Profit Quarterly

## Overall Conclusion

Indecon's analysis suggests that the 'Charity Passport' scheme implemented in Australia is similar in many ways to the existing centralised databases and information sources available in Ireland the Charities Regulator's Register of Charities, the data available on the Government's open data portal and on the Benefacts database. Ongoing development of these or similar initiatives are likely to be of value. However, significant reductions in the reporting costs of charities would only arise if there was a whole-of-government approach to co-ordinate and streamline information requirements. While this longer-term initiative is being assessed, immediate gains can be achieved by ensuring that charities do not have to submit the same information multiple times to different divisions within individual funding organisations. Development of a memorandum of understanding by funders and other agencies to re-use data should also be prioritised. Given the vital role played by charities and other non-profit organisations in Ireland, every effort should be taken to ease any unnecessary information requirements or duplication while maintaining key information to meet regulatory and accountability objectives.

# 1 Introduction and Background

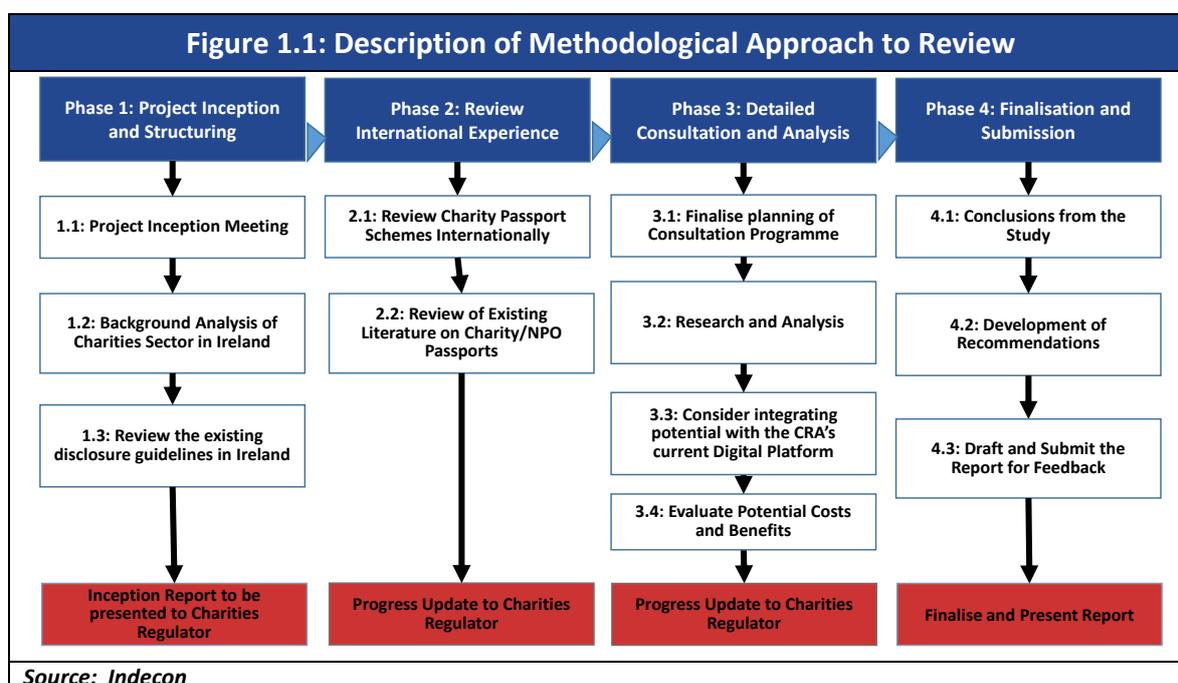
## 1.1 Introduction

Indecon is a leading independent economic research consultancy practice in Ireland and was appointed after a competitive tender process by the Charities Regulatory Authority to conduct research into the potential for a ‘Charity Passport’ scheme in Ireland. This report represents an independent evidence-based examination of the potential for a ‘Charity Passport’ scheme in Ireland.

The main example of what has been termed ‘Charity Passport’ is the initiative in Australia. The concept of a ‘Charity Passport’ is that charities would submit financial, governance and other information to one organisation which would then be available to be shared with other authorised public agencies. The potential rationale for a ‘Charity Passport’ is to reduce the amount of information that charities provide to different organisations by allowing access to information directly from one organisation without having to ask the applicant charity to provide this information again. This has the potential in theory to reduce reporting costs and to create a “report once, use often” framework. However, it is important to analyse what initiatives already exist and what expanded measures could deliver in practice, as users of information on charities often have very different data requirements.

## 1.2 Methodological Approach to Review

Indecon’s methodological approach to this report utilises evidence from a wide range of sources to provide a rigorous assessment of the potential for a ‘Charity Passport’ in Ireland. This involved engagement with 41 stakeholder organisations and a survey of nearly 1,000 charities. The research was undertaken using a comprehensive four-phased methodological approach and an associated work plan that is outlined in Figure 1.1.



We have also examined new evidence on the extent of governance costs both in Ireland and internationally. In addition, we forensically examined examples of the data required by a number of different funding organisations. This has assisted in informing our analysis of the extent of any repetitive administrative and financial reporting which could potentially be reduced by a ‘Report once, use often’ approach. As part of our work we analysed extensive international research and consulted with the Australian Charity Regulator. In addition, we examined the potential costs and benefits of different options for a ‘Charity Passport’ Scheme and completed some indicative formal economic cost-benefit modelling in line with best practice and with the requirements of the Public Spending Code. The consultations, survey work and empirical analysis completed as part of this review represent one of the most comprehensive reviews undertaken on the issue of reporting requirements in this sector.

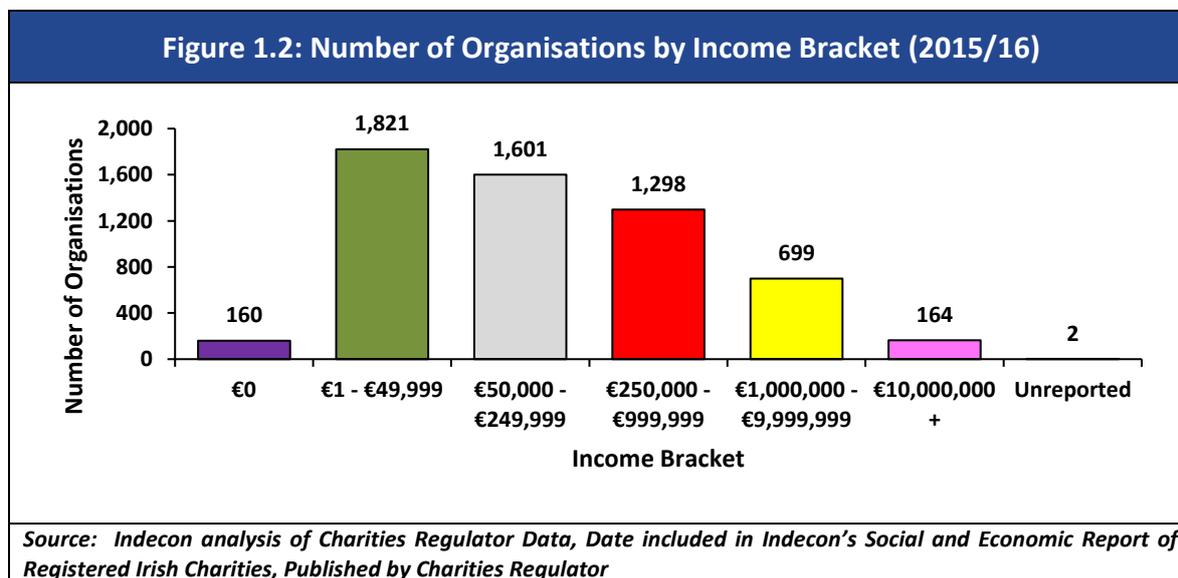
Indecon is very grateful to the large number of stakeholders who provided valuable inputs including from the organisations listed below.

Table 1.1: Stakeholder Engagement	
– Ability West	– Department of Rural and Community Development
– Accord Ireland	– Department of An Taoiseach
– Australian Charities and Not-for-profits Commission	– Dóchas
– Benefacts	– Enable Ireland
– Barnardos	– Focus Ireland
– Care Response Ireland	– ISPCA
– Carmichael	– Irish Wheelchair Foundation
– Central Statistics Office	– Health and Safety Authority
– Charities Institute Ireland	– Health Service Executive
– Charities Regulator	– Higher Education Authority
– Children’s Rights Alliance	– HIQA
– Companies Registration Office	– National Youth Council of Ireland
– Data Protection Commission	– Office of the Revenue Commissioners
– Department of Agriculture, Food and the Marine	– Philanthropy Ireland
– Department of Business, Enterprise & Innovation	– Pieta House
– Department of Education and Skills	– Pobal
– Department of Finance	– Rehab Group
– Department of Health	– Revenue Commissioners
– Department of Public Expenditure and Reform	– St. Joseph’s Foundation
	– The Wheel
	– Tusla
	– Western Care

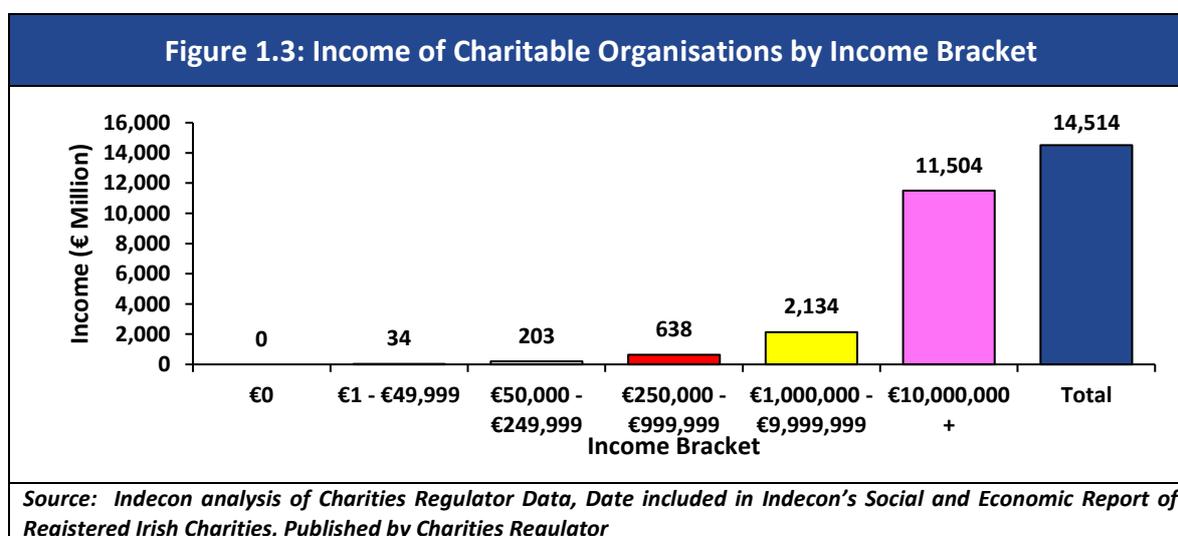
*Source: Indecon*

### 1.3 Characteristics of Charities

An analysis of charities on the Charities Regulator’s Register of Charities shows that there are 164 organisations with income in excess of €10m but the Register also includes data on a wide range of smaller organisations.<sup>13</sup> Indecon notes that the Irish Government has provided funding for a centralised database on the wider non-profit sector which has been developed by Benefacts. Data from the Charities Regulator’s Register and from Benefacts is also available from the Irish Government’s open data portal.

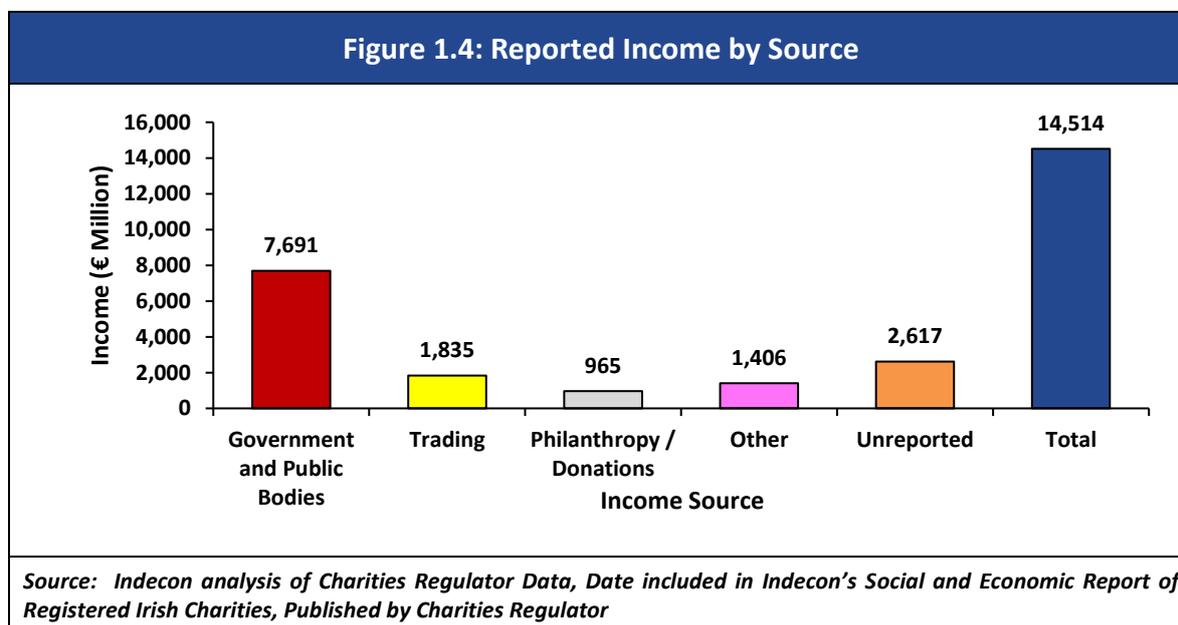


Large charities constitute a large portion (79%) of total income for the charities sector in Ireland, as can be seen in Figure 1.3.



<sup>13</sup> Charities Regulator’s Statement of Strategy 2019 – 2021 (Published 12/06/19)

Figure 1.4 shows the reported sources of income for charities in Ireland. Public bodies are the largest source of income for charities in Ireland. While some public agencies have their own internal databases, funders also use data from the Charities Regulator and from Benefactors and other sources. It is important that adequate information is available to public agencies who fund the sector, to meet accountability requirements and to ensure the effective use of scarce public funds.



## 1.4 Report Structure

The remainder of the report is structured as follows:

- ❑ Section 2 provides an overview of the regulatory framework governing charities in Ireland;
- ❑ Section 3 reviews the reporting requirements applicable to Irish charities;
- ❑ Section 4 reviews international experience;
- ❑ Section 5 details the potential costs and benefits of options concerning the development of a 'Charity Passport'; and
- ❑ Section 6 summarises our findings and recommendations.

## 1.5 Acknowledgements and Disclaimer

Indecon would like to acknowledge the assistance provided by the Charities Regulator and a wide range of other stakeholders in preparing this Report. These inter alia include valuable inputs from officials in the Charities Regulatory Authority including Helen Martin, Eamonn O'Halloran, Sarah Mongey and Tom Malone and Melissa Moloney. We would also like to acknowledge the inputs of Paul Morrin and Declan Smyth, CSO; Ciara Bates, Department of Rural and Community Development; Orla O'Brien, Department of Business, Enterprise and Innovation; Tom Deegan, Department of Education and Skills; Dermot Murphy, Department of Agriculture, Food and the Marine; Joe Cullen, Department of Finance; Ray Vader and Laura Casey, Department of Health; as well as inputs from Ian Devlin, the Department of Public Expenditure and Reform. Thanks are also due to Liz Canavan, Department of An Taoiseach; Vivienne Byrne, Data Protection Commission; Kevin Cleary, HSE; Finbarr Colfer, HIQA; Ivan Cooper, The Wheel; Breda Crehan-Roche, Ability West; Mark Cullen, Health and Safety Authority; Teresa Hearty, Office of the Revenue Commissioners; Suzanne Keatinge, Dochas; Scott Kelley, Charity Institute; Jerry Murphy, Pobal; Eilis Murray, Philanthropy Ireland; Rosaleen McMenemy of Tusla; Diarmaid Ó Corrbuí, Carmichael Centre for Voluntary Groups; John O'Sullivan, Enable Ireland; Liam O'Sullivan, Care Alliance Ireland, Patricia Quinn, Benefacts; Sallyann Stonier and Paul Ketelaar, Australian Charities and Not-for-Profits Commission; Tanya Ward, Children's Rights Alliance; Bernard O'Regan, Western Care; Pamela Keenan, Focus Ireland; Maureen Warren, Accord Ireland; Aoife Gleeson, Bernardos; Dr. Andrew Kelly, ISPCA; Rosemary Keogh, Irish Wheelchair Association; Mary Cunningham, National Youth Council of Ireland; Eamonn Duignan, Pieta House; Sonya Felton, Rehab Group; and Noreen Ryan, St. Joseph's Foundation. We are also grateful to the HEA for sharing information on their annual reporting requirements for universities and to the nearly 1,000 individual charities who provided detailed insights on their assessment of key issues.

**The usual disclaimer applies and responsibility for the analysis and findings in this independent report remains the sole responsibility of Indecon.**

## 2 Regulation of Charities in Ireland

### 2.1 Regulation of Charities in Ireland

The Charities Regulator was established in 2014 pursuant to the Charities Act 2009<sup>14</sup> and the general functions of the Charities Regulator as set out in the Charities Act 2009 include the following:

- ❑ To increase public trust and confidence in the management and administration of charitable trusts and charitable organisations;
- ❑ To promote compliance by charity trustees with their duties in the control and management of charitable trusts and charitable organisations;
- ❑ To promote the effective use of the property of charitable trusts or charitable organisations;
- ❑ To ensure the accountability of charitable organisations to donors and beneficiaries of charitable gifts, and to the public;
- ❑ To promote understanding of the requirement that charitable purposes confer a public benefit;
- ❑ To establish and maintain a register of charitable organisations;
- ❑ To ensure and monitor compliance by charitable organisations with the Charities Act;
- ❑ To carry out investigations in accordance with the Charities Act;
- ❑ To encourage and facilitate better administration and management of charitable organisations by the provision of information or advice, including in particular by way of issuing (or, as it considers appropriate, approving) guidelines, codes of conduct, and model constitutional documents;
- ❑ To carry on such activities or publish such information (including statistical information) concerning charitable organisations and charitable trusts as it considers appropriate; and
- ❑ To provide information (including statistical information) or advice, or make proposals, to the Minister on matters relating to the functions of the Charities Regulator.<sup>15</sup>

The definition of a charity under the Charities Act 2009 is presented in Figure 2.1.

<sup>14</sup> <https://drcd.gov.ie/about/charities-regulator/> (Accessed 29/01/2019) Also of note is that the regulator has functions under the Charities Act 1961 and 1973

<sup>15</sup> <https://www.charitiesregulator.ie/en/who-we-are/what-we-do> (Accessed 22/01/2019)

**Figure 2.1: Definition of a Charity in Ireland**

- ❑ *“The trustees of a charitable trust, or*
- ❑ *A body corporate or an unincorporated body of persons:*
  - (i) that promotes a charitable purpose only,*
  - (ii) that, under its constitution, is required to apply all of its property (both real and personal) in furtherance of that purpose, except for moneys expended:*
    - a. in the operation and maintenance of the body, including moneys paid in remuneration and superannuation of members of the staff of the body, and*
    - b. in the case of a religious organisation or community, on accommodation and care of members of the organisation or community, and*
  - (iii) none of the property of which is payable to the members of the body other than in accordance with section 89 [of the Charities Act].”*

**Source: Charities Act 2009**

Certain bodies that meet the definition outlined in Figure 2.1 are termed “excluded bodies”. The types of excluded bodies that are not considered to be charities for the purposes of the Charities Act 2009 are outlined in Figure 2.2.

**Figure 2.2: Excluded Bodies According to the Charities Act 2009**

- ❑ Political Parties or any organisation that promotes a political party or candidate for election to public office. Political parties in Ireland have to register with the Registrar of Political Parties which is housed in the Houses of the Oireachtas.
- ❑ Any organisation that promotes a political cause with an exception made where the promotion of the said political cause directly concerns the advancement of the organisations’ charitable purpose. Regardless of whether they are classed as a charity or not, organisations which promote political causes must comply with the Regulation of Lobbying Act 2015, whereby they must apply for inclusion in the Register of Lobbying and must send information concerning their lobbying activities to the Standards in Public Office Commission.
- ❑ Sporting organisations that are defined within section 235 of the Taxes Consolidation Act 1997. This means that the majority of sporting organisations (e.g. GAA clubs) are not classified as charities. Only sporting organisations which have a clear charitable purpose and fulfil the other criteria to meet the definition of a charity under the Charities Act 2009 may be classed as charities. An example of such an organisation would be a running club for Cystic Fibrosis sufferers.
- ❑ Trade unions or employers’ representative organisations – such organisations are obliged to register as “friendly societies” with the Companies Registration Office for inclusion on the Register of Friendly Societies.
- ❑ Chambers of Commerce – while these are non-profits, they are not charities. As these are companies limited by guarantee without share capital, they have to register with the Companies Registration Office.
- ❑ Any organisation that promotes purposes that are unlawful, that contravene public morality, contravene public policy or support terrorism or terrorist activity inside Ireland or overseas or for the benefit of organisations of which membership is unlawful.

**Source: Charities Act 2009 and Regulation of Lobbying Act 2015**

An overview of key milestones in the history of charity regulation and the provision of data on non-profits in Ireland is provided in Table 2.1 below.

Table 2.1: History of Charity Regulation and Data Provision in Ireland	
2009	Charities Act legislates for the establishment of Charities Regulator (it is not actually established until 2014). The Irish Non-profits Knowledge Exchange (INKEx) is also established.
2011	www.irishnonprofits.ie a searchable website/database of non-profits developed by the INKEx becomes available to non-profits, though subsequently shuts in 2012.
2014 (October)	Charities Regulator is established.
2016	The Charities Regulator's online Register of Charities goes live. Members of the public can search for certain high level financial and organisational information concerning charities.
2016	Part IV of the Charities Act 2009 commenced.
2018	Charities Governance Code launched.
2020	Charities will be expected to comply with the <i>Charities Governance Code issued by the Charities Regulator in 2018</i>
<i>Source: Indecon</i>	

## 2.2 Register of Charitable Organisations

Of relevance to examining the potential for a Charities Passport scheme is that the Charities Regulator is mandated by the terms of the Charities Act 2009 to establish and maintain a publicly available Register of all charitable organisations in Ireland. However, the Charities Regulator only regulates voluntary and non-profit organisations that are defined as charities under the Act. In addition, many voluntary and non-profit organisations are not included in the Charities Regulator's Register of Charities, as they do not fall within the definition of a charity under the Act. The definition of a charity under the Charities Act 2009 is presented in Figure 2.1.

While organisations which are defined as charities register with the Charities Regulator, they may also separately register with the Revenue Commissioners for charitable tax exemption purposes.<sup>16</sup> Bodies that are granted a charitable tax exemption by the Revenue Commissioners are listed in Revenue's own register and are allocated a CHY Number. Upon registering with the Charities Regulator, a charity receives a Registered Charity Number (RCN).

<sup>16</sup> Citizens Information, [http://www.citizensinformation.ie/en/government\\_in\\_ireland/national\\_government/standards\\_and\\_accountability/charities\\_regulatory\\_authority.html](http://www.citizensinformation.ie/en/government_in_ireland/national_government/standards_and_accountability/charities_regulatory_authority.html) (Accessed 22.01.2019)

There are over 10,000 organisations on the Register of Charities that is maintained by the Charities Regulator.<sup>17</sup> Members of the public as well as public agencies can search this database for records on individual charities and there is also a facility for bulk download of the Register in Microsoft Excel format.<sup>18</sup> The information fields that are available in the public Register of Charities (a searchable facility) on the Charities Regulator’s website are outlined in Table 2.2.

Table 2.2: Information Available from the Charities Regulator Database	
Charitable Purpose	Gross income
Charitable Objects	Total expenditure
Other Locations / Premises in Ireland	Average number of employees
Also Operates in	Average number of volunteers
<i>Source: Charities Regulator</i>	

Other information provided by registered charities includes information on the following:

- ❑ **Activities:** A description of the charity’s activities during the reporting period to demonstrate that they have undertaken activities in order to advance their charitable purpose.
- ❑ **Beneficiaries:** A description of those who have benefited from the activities of the charity.
- ❑ **Number of Volunteers and Staff:** The numbers of volunteers and staff employed in the charity.
- ❑ **Financials:** The charity’s gross income and expenditure, the sources of the charity’s income and staff costs.

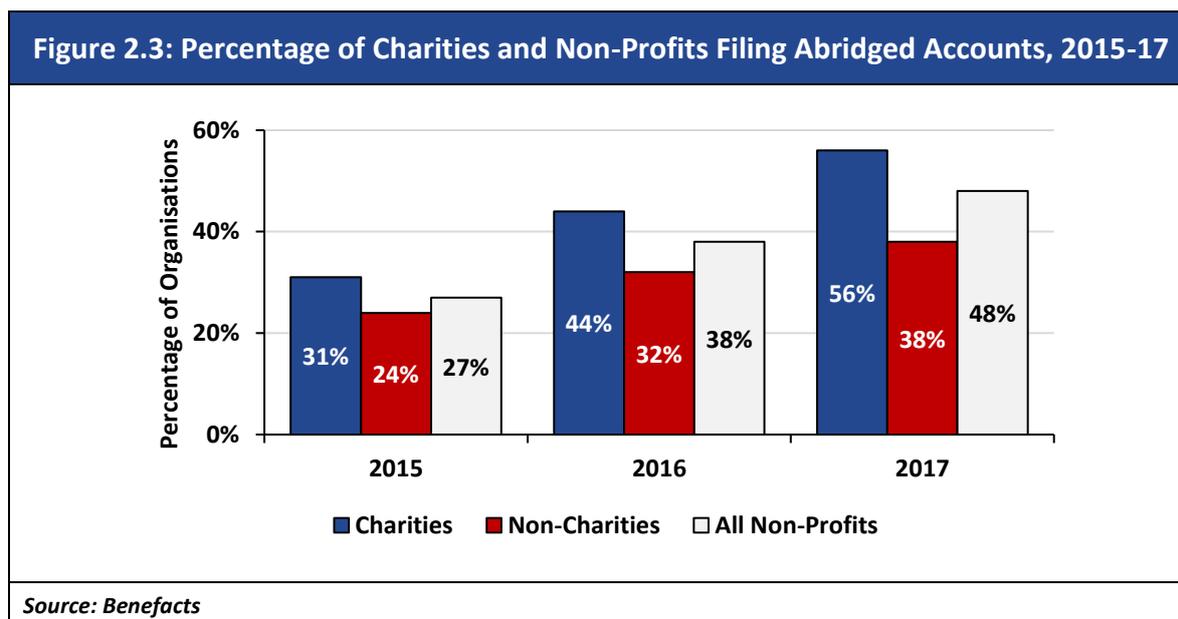
If a charity is a company and has submitted annual accounts to the Company Registration Office (CRO), the accounts will be available for download on the Charity Regulator’s website also. The amount of detail with respect to the financial information that a charity is statutorily obliged to disclose to the CRO is dependent on the charity’s size. Large charities (or companies) with over 50 employees, a balance sheet exceeding €6 million, or a turnover in excess of €12 million, must file their financial statements in full to the CRO.<sup>19</sup>

Charities or companies that fall under these thresholds can avail of an exemption on the amount of information they disclose – thereby only being required to provide abridged accounts without information on income and expenditure during the year or the amount paid in salaries to staff. In 2014, new rules under company law were introduced which allow small charities that are registered as companies to avail of the same privilege of filing abridged accounts. This has led to an increase in recent years in the number of charities (from 31% in 2015 to 56% in 2017) and non-charity non-profits (from 24% in 2015 to 38% in 2017) filing abridged accounts as can be seen from Figure 2.3.

<sup>17</sup> Charities Regulator’s Statement of Strategy 2019 – 2021 (published 12 June 2019)

<sup>18</sup> <https://www.charitiesregulator.ie/en/information-for-the-public/search-the-charities-register> (accessed 18/01/2019)

<sup>19</sup> <https://www.cro.ie/Annual-Return/Financial-Statements-Requirements/Small-Company>



In reviewing the information provided by charities, Indecon notes that the Charities Regulator’s Consultative Panel on Governance recommended that the Charities Regulator should support work to reduce and streamline multiple reporting by charities and this current report is focussed on whether a ‘Charity Passport’ could assist in this objective.

In 2018, the Charities Regulator introduced a new Governance Code, known as the Charities Governance Code.<sup>20</sup> This Code sets out 32 core standards that all charities should meet as well as 17 additional standards that reflect best practice for charities with high levels of income and/or numbers of employees and/or complex organisational and funding structures. Among the additional standards that reflect best practice include the publication of full unabridged accounts.<sup>21</sup>

## 2.3 Summary

- ❑ The Charities Regulator is mandated by the terms of the Charities Act 2009 to establish and maintain a publicly available Register of all charitable organisations in Ireland that are defined as charities under the Act and are not excluded bodies within the meaning of the Act. Many voluntary and non-profit organisations that meet the definition of a charity under the Act have yet to register with the Charities Regulator. In addition to many voluntary and non-profit organisations are not included in the Charities Regulator’s Register of Charities, as they do not fall within the definition of a charity under the Act.
- ❑ There are over 10,000 organisations currently on the Register of Charities which is maintained by the Charities Regulator.

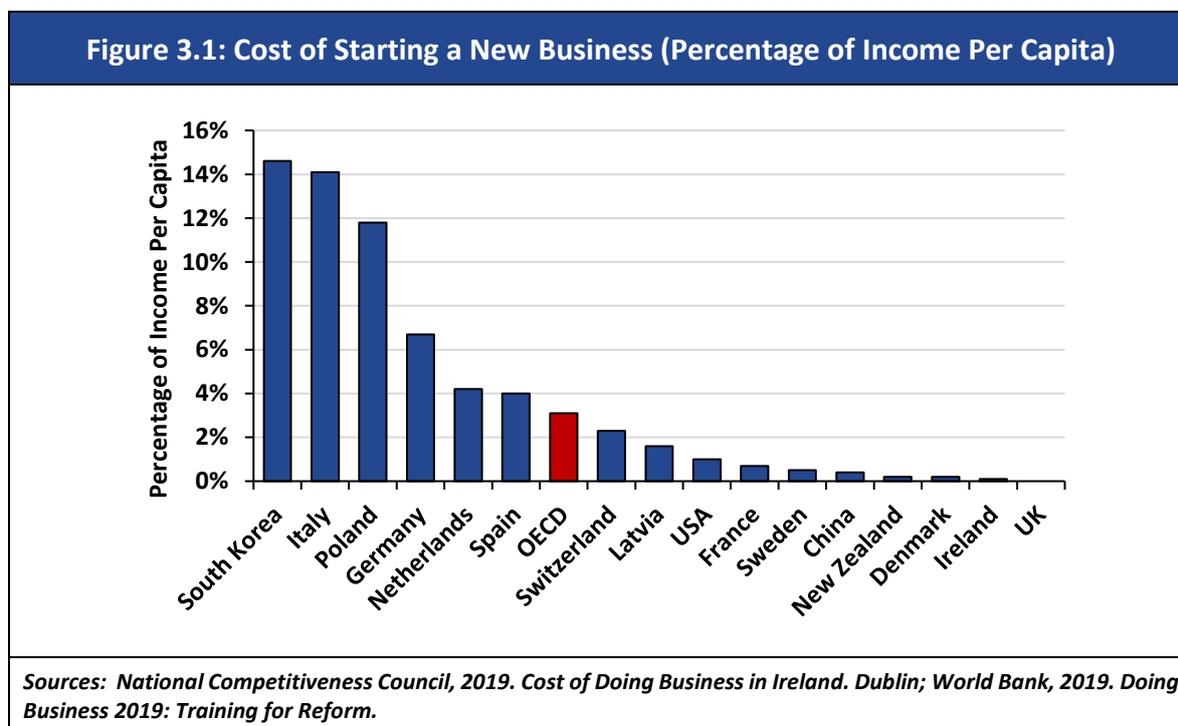
<sup>20</sup> <https://www.charitiesregulator.ie/en/information-for-the-public/our-news/2018/november/charities-governance-code-launched> (accessed 24/05/2019).

<sup>21</sup> Charities Regulator, 2018. *Charities Governance Code*. Dublin. Available for download at: <https://www.charitiesregulator.ie/en/information-for-the-public/our-news/2018/november/charities-governance-code-launched>

### 3 Reporting Requirements of Irish Charities

#### 3.1 Introduction

In nearly all developed countries, business and non-profit organisations have to meet a range of information and reporting requirements. The overall costs of commencing and operating a business/organisation in Ireland is relatively low compared to most OECD countries (Figure 3.1). However, charities have to meet additional requirements related to their activities and to meet the needs of funders and other organisations.



Charities are required to supply information to a range of funding bodies and public bodies. Some of these requirements such as information provided to the Revenue Commissioners and the Companies Registration Office are standard requirements for all companies. Examples of different bodies that charities may have to report to include:

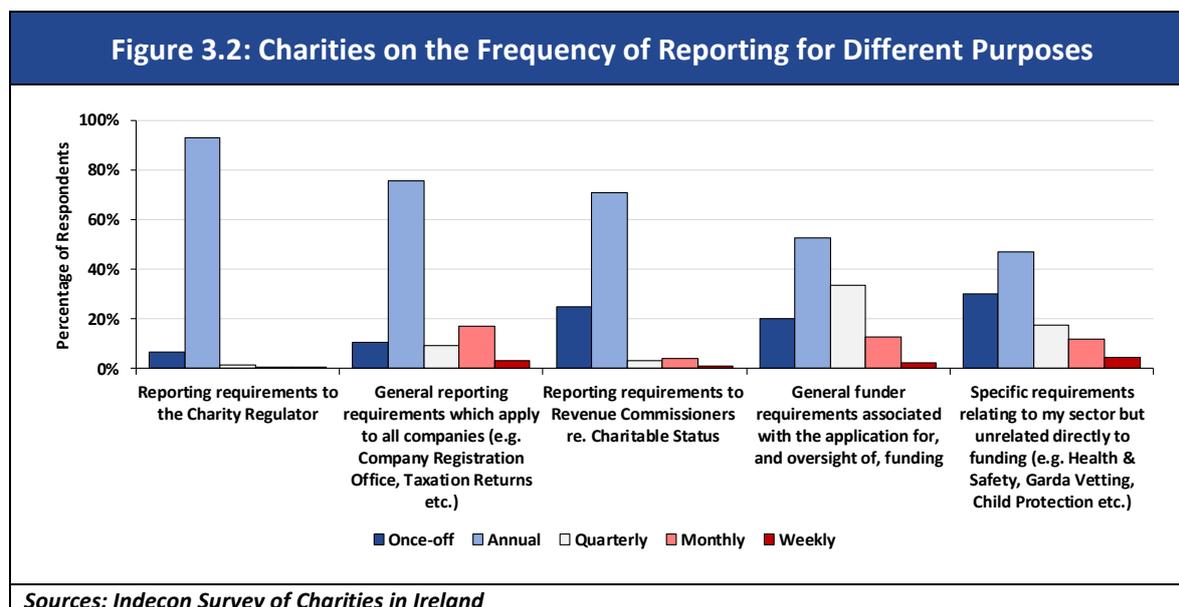
- Companies Registration Office;
- Revenue Commissioners;
- Charities Regulator;
- HSE;
- HIQA;
- HEA;
- Tusla;
- Housing Agency;
- Pobal;
- Irish Aid;
- Department of Employment Affairs and Social Protection;

- Department of Education and Skills/ETBs;
- Department of Agriculture, Food and the Marine;
- State Claims Agency;
- An Garda Síochána;
- Register of Lobbying;
- Data Protection Commission; and
- Health and Safety Authority.

In many cases, the information required by individual funding organisations such as the HSE and HEA, or organisations such as An Garda Síochána or HIQA, are very different to that collected by the Charities Regulator. This makes it difficult to standardise reporting requirements for charities into a generalised “report once, use often” framework.

### 3.2 Frequency of Reporting

The significance of reporting costs faced by charities and other non-profit organisations is influenced by the frequency of reporting requirements. The results in the next figure indicate that most reporting is on an annual or once-off basis but in certain areas more frequent reporting is required. Indecon’s consultations with stakeholders also suggest that larger charities tend to be required to report more frequently.



The reported frequency of reporting requirements differs based on charity size as indicated in Figure 3.3.

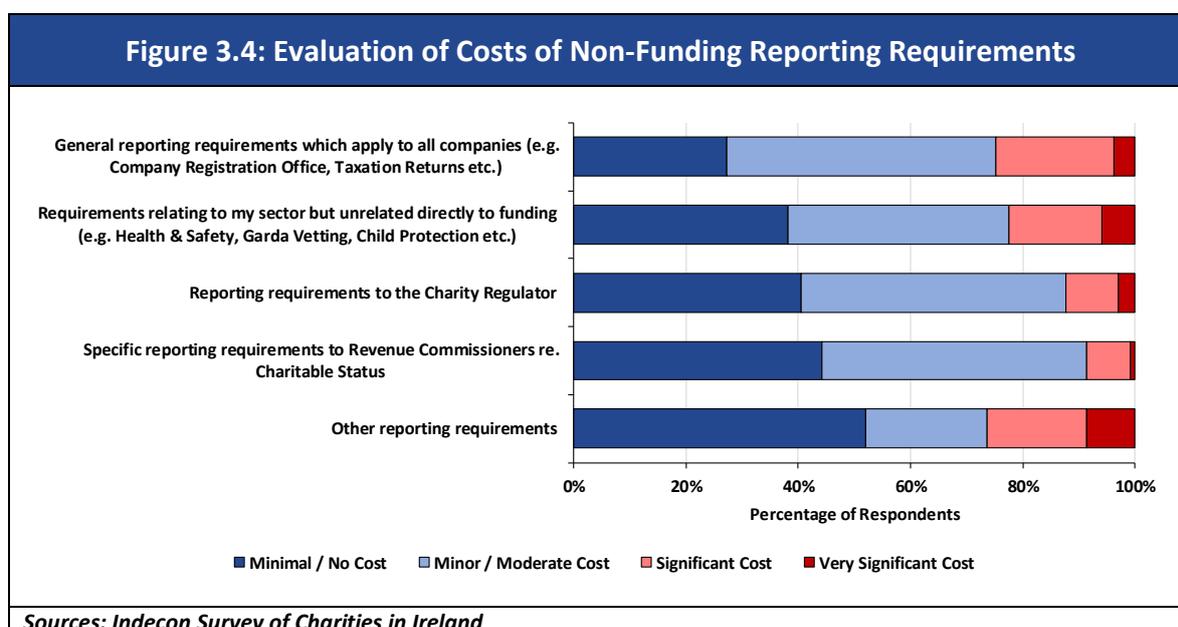
Figure 3.3: Different Sized Charities on the Frequency of Reporting for Different Needs



### 3.4 Non-Funding Related Reporting Costs

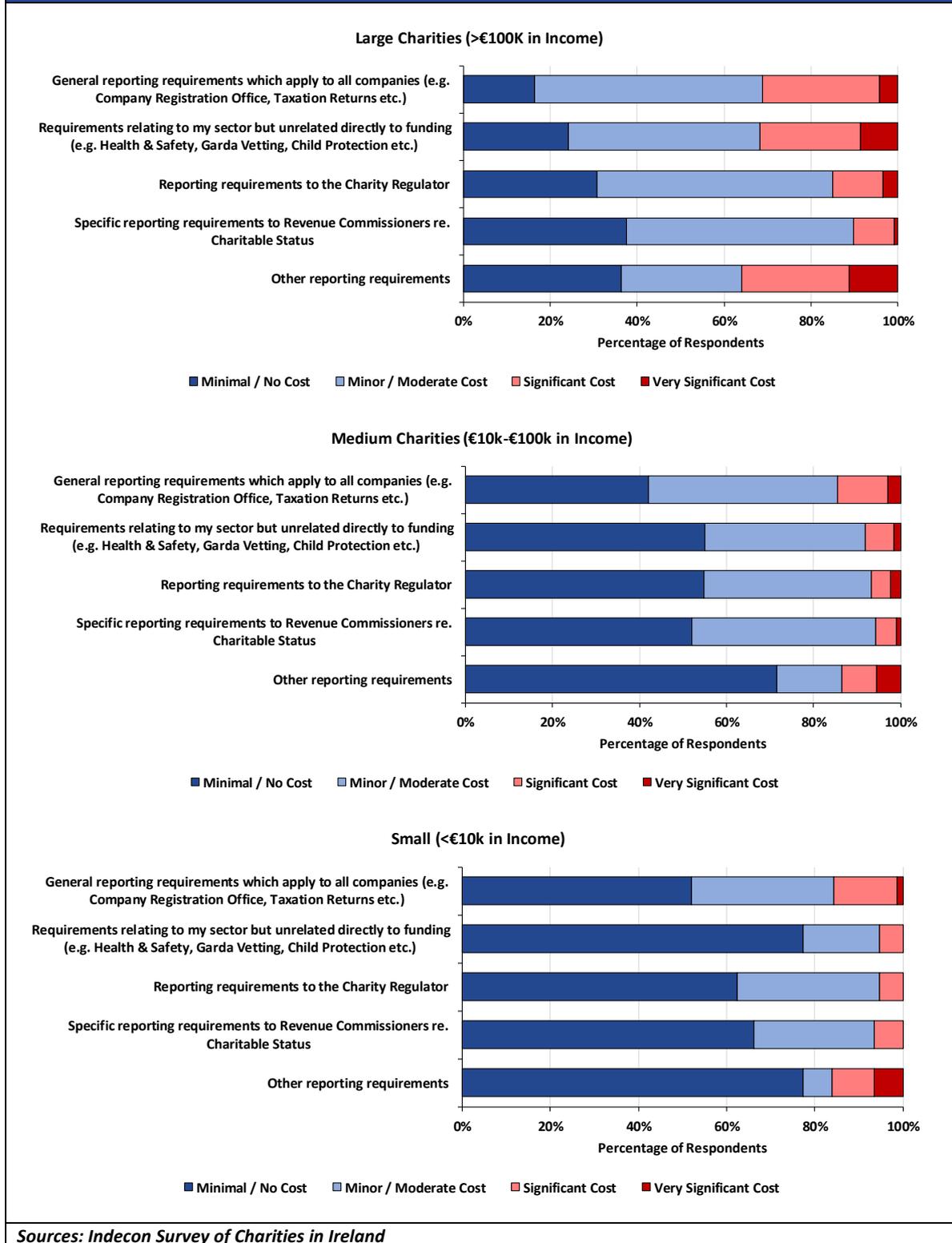
Indecon sought the judgement of charities on their evaluation of reporting costs which refers to the costs incurred arising from reporting requirements from public agencies including regulators and funding organisations. In line with best practice, this was based on a variant of a Likert scale which measured the rating by charities of the costs of meeting reporting requirements. A four-scale rating was used, namely: (i) minimal/no costs; (ii) minor/moderate costs; (iii) significant costs; and (iv) very significant costs.

The new survey evidence obtained for this study suggests that non-funding reporting requirements do not impose significant costs for most charities. However, it is important to recognise that such requirements are only one part of the overall reporting requirements faced by charities. The findings also suggest that the Charities Regulator's reporting requirements were not perceived as generating significant costs for charities in Ireland. This finding is consistent with Indecon's independent review of the standard information sought by the Charities Regulator from charitable organisations.



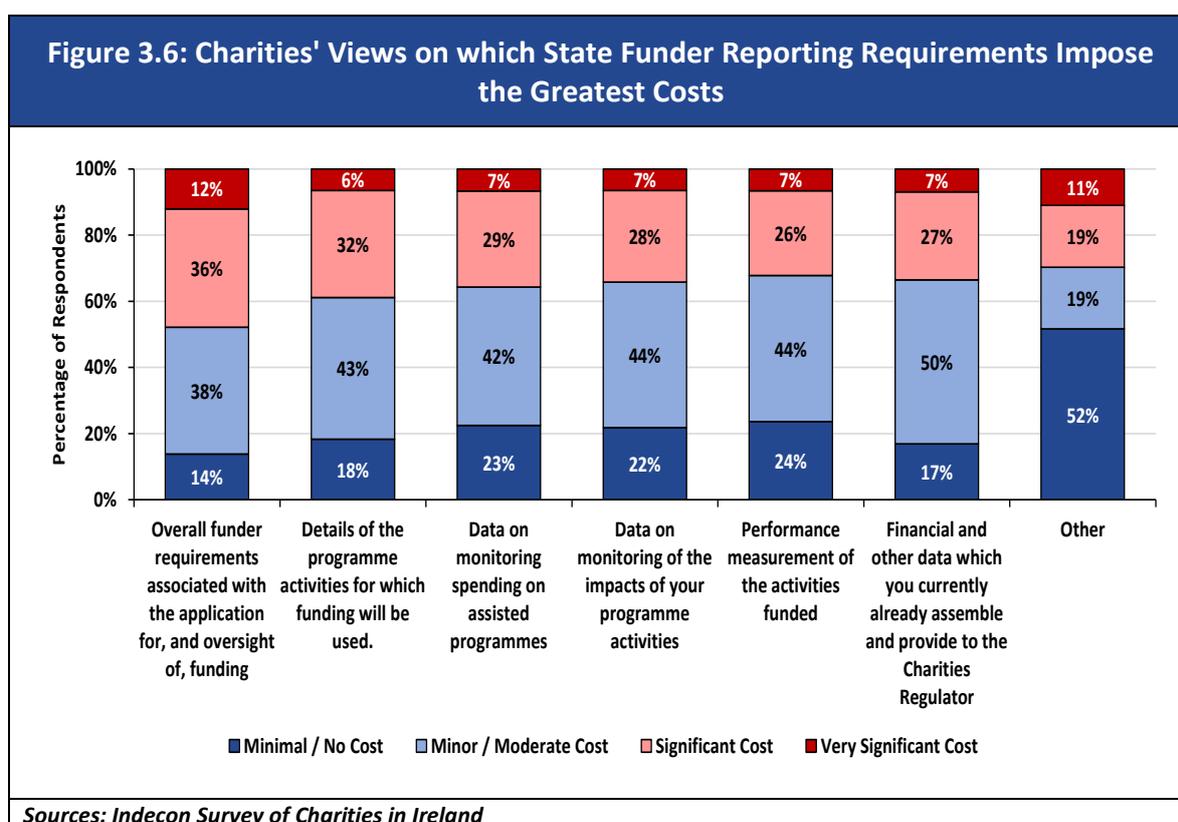
The perceived overall cost of reporting requirements not surprisingly appears to be greater for larger charities as indicated in Figure 3.5. Our consultations, however, indicate that for smaller charities with low levels of resources, reporting requirements can also be a significant administrative burden.

**Figure 3.5: Non-Funding Reporting Requirements and Costs by Charity Size**



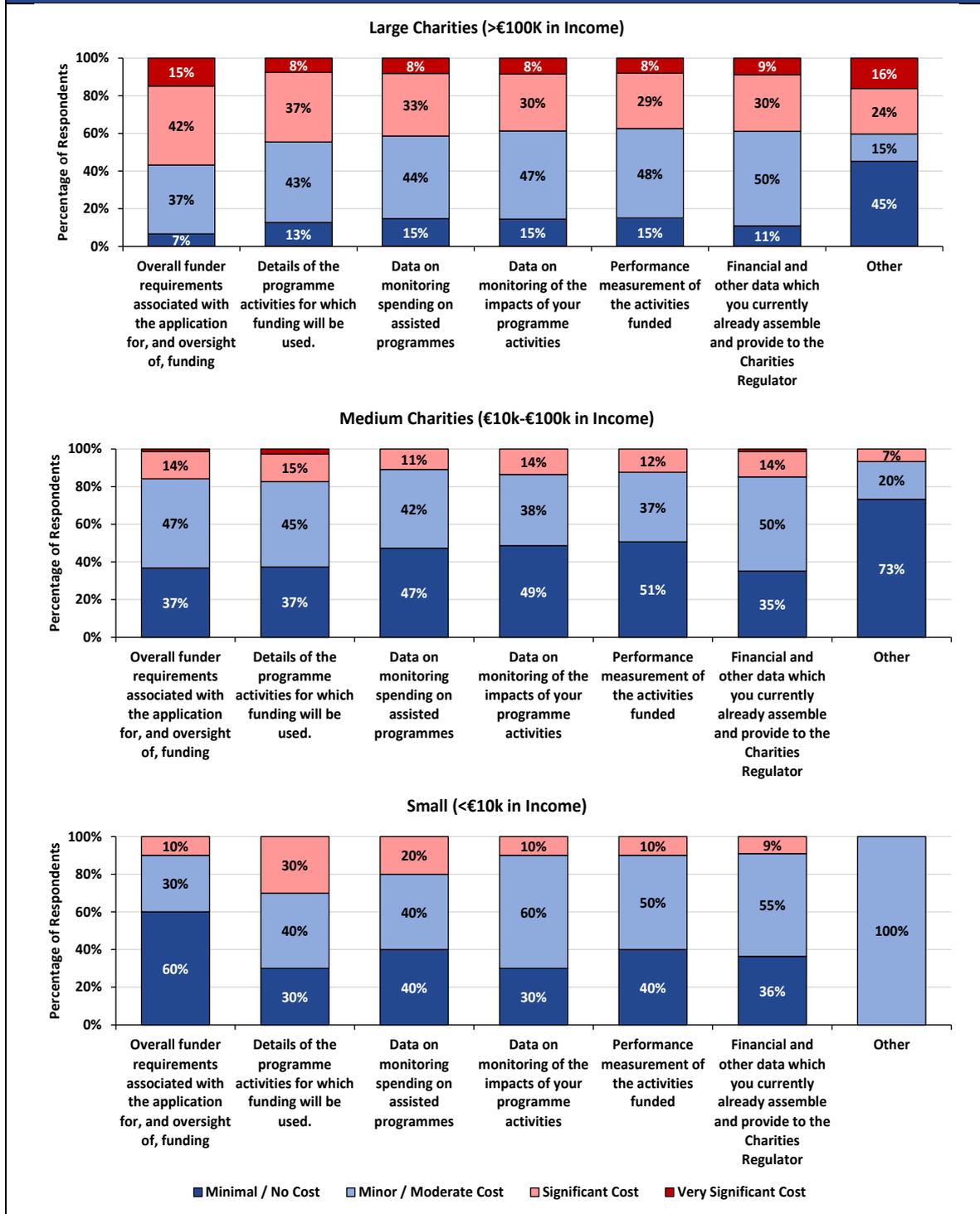
### 3.5 Funding Related Reporting Costs

In informing an evaluation of the reporting costs incurred by charities, of note is that the reporting requirements associated with the application for, and oversight of, funding were reported to be the costliest, as illustrated in the next figure. For example, 38% of respondent charities stated that providing details of the programme activities for which funding would be used imposed a significant or very significant cost. These costs were perceived as more significant by larger charities. The costs associated with meeting the detailed information reporting requirements of funders were also raised in our consultation programme.



Indecon's research suggests some differences between large and small charities concerning the costs. These costs are perceived as more significant by larger charities although as a percentage of overall revenues they may be lower. This is consistent with international evidence presented in Chapter 4 of this report.

**Figure 3.7: Charities' Views on which Reporting Requirements Impose the Greatest Costs**



Sources: Indecon Confidential Information Request on Behalf of Charities Regulator of Registered Charities in Ireland (Survey Data); Charities Regulator Database (Charity Size Data).  
 N= 333 large charities, 77 medium charities and 11 small charities

In order to test the evaluation by the sector of the significance of the costs in meeting reporting requirements, Indecon examined the financial accounts of six leading Irish charities of different sizes who reported governance costs in their financial accounts.<sup>22</sup> For this sample of charities, annual governance costs were significant and ranged from €159,000 to €1,373,000 per annum. As a share of resources governance costs were estimated to range from 0.5% to 3.1%. Complying with reporting and other requirements not surprisingly represents a significant cost for many charities both in Ireland and internationally.

Table 3.1: Data Illustrative Examples of Governance Costs for Irish Charities			
	Governance Costs (€ 000)	Total Expenditure (€ 000)	Percentage of Total
Organisation 1: Governance Costs	858	159,811	0.5%
Organisation 2: Governance costs	249	70,644	0.4%
Organisation 3: Governance and Compliance	1,373	123,223	1.1%
Organisation 4: Governance Costs	159	17,800	0.9%
Organisation 5: Governance Costs	311	17,873	1.7%
Organisation 6 - Governance costs	596	19,135	3.1%

Given the findings from our survey research and from our stakeholder consultations on the significance of meeting reporting requirements of funders, Indecon felt it would be beneficial to examine performance-related reporting including administrative and financial data which is required by those organisations who provide funding to charities. As part of our research, Indecon examined in detail examples of the type of information required by funders in the health, education and community sectors as these three areas are major sub-sectors with the overall charity sector. Based on our review, we outline below three examples which highlight the types of information required by funders within the health, educational and community sectors.

In the case of charitable acute hospitals, the HSE *inter alia* requires the data specified in what is known as HIPE (Hospital In-Patient Enquiry) which is maintained by the Healthcare Pricing Office (HPO). The information entered into HIPE impacts on funding for hospitals and the monitoring of their performance. Since 2014, some of the largest charitable organisations which run hospitals (as well as other acute hospitals) submit very detailed data on their activity and targets set by the HPO. Table 3.2 outlines the types of variables that are returned by acute hospitals for each patient who goes through an episode of care. Also outlined are examples of the variables which are submitted. In total, information on 260 variables are returned, depending on what occurs in relation to the patient during their episode of care. To further illustrate the volume of information required, the 2019 HIPE

<sup>22</sup> The definition of governance costs was presented in the previous footnote and while this may not exactly measure the costs incurred in meeting all reporting requirements it is the most aligned quantified measure included in financial accounts of relevance. For example, it would not include costs in meeting reporting requirements which were concerned with the day to day management of the charity's activities. It therefore may represent a prudent conservative estimate.

Data Dictionary with variable descriptions amounts to 289 pages while the simpler HIPE instruction manual for those submitting the information is 23 pages. Diagnoses and procedures in the HIPE dataset are coded using a system of diagnosis related groups (DRGs) which in turn is coded according to the ICD-10-AM/ACHI/ACS system. The system for coding discharges and procedures in HIPE is inevitably very complex and requires each hospital to have staff to collect and administer this system. This information is important for the evaluation of performance and the effectiveness of public expenditure. It is also relevant in the monitoring of patient safety.

**Table 3.2: Types of Variable in HIPE**

Variable Type	Examples of Variables/Information
<b>Patient Specific Background</b>	Sex, Age, Date of Birth, Area of Residence, Nationality, Marital Status, Medical Card Status etc.
<b>Admission Related Variables</b>	Mode of Admission (emergency etc.), Source of Admission (home, other hospital etc.), Admission Type (the type of admission (whether it was elective, maternity etc.)) Admission Date, the hospital from which a patient was transferred from (if applicable), The Admitting Ward, The Admitting Consultant, the Admission Weight (the weight of the patient at admission if they are an infant)
<b>Discharge Related Variables</b>	Date of Discharge, the hospital to which a patient was transferred to (if applicable, Day-case (if the patient was a day-case), Discharge Status (whether the patient was public or private), Discharge Code (where the patient was discharged to) etc., the health insurer of the patient, a waiting list indicator to capture if the case funded by the National Treatment Purchase Fund etc.
<b>Diagnosis Related Variables</b>	Up to 30 Diagnoses fields can be recorded for each patient. These are coded according to the Australian Refined Diagnoses Related Group System.
<b>Procedure Related Variables</b>	Up to 20 Procedures fields can be recorded for each patient. These are coded according to the Australian Refined Diagnoses Related Group System.
<b>Consultant Related Variables</b>	Hospitals record the principal consultant who treated the patient and their speciality and any consultant who attended to any subsequent diagnosis that was made in the hospital during the patient's stay. Also recorded are the consultants who was responsible for anaesthetics in each procedure that occurred during the patient's stay.
<b>Hospital Code</b>	The hospital's own HIPE code
<b>Hospital Acquired Diagnosis</b>	A field to capture if the any of the patient's diagnoses were acquired in Hospital

*Source: Indecon Analysis of Reporting Requirements of Voluntary Hospitals*

To provide further insights into the type of information required, it is useful to consider just one of the categories, namely, the information required on the type of diagnosis. Information to HIPE is returned monthly by each hospital. The various diagnoses related variable fields, where relevant are required for each patient. By definition, a principal diagnosis will have to be entered for every patient.

The information summarised above is just one aspect of the reporting requirements faced by voluntary hospitals. Indecon's assessment is that such information would not be of interest to most other regulatory or funding organisations and would not be relevant for inclusion in a 'Report one, use often' type scheme. However, there may be ways of reducing other aspects of the reporting costs on voluntary organisations within the health and other sectors by ensuring that individual public agencies only ask for the same information once. For example, the IRG report, which examined information requests from voluntary organisations in the health sector, noted the following:

"We heard a great deal from voluntary organisations in relation to repetitive requests for information in a variety of formats and templates from different units and individuals within the HSE. This imposes a huge time and resource burden on smaller organisations, as well as placing an unnecessary difficulty on the HSE to request and process that information multiple times. We noted the plan by the HSE to establish Contract Management Support Units (CMSUs) in each of the Community Healthcare Organisations (CHOs), which should improve the reporting arrangements, in particular for those large Section 39 organisations which currently have Service Arrangements (Sas) with multiple CHOs."

In order to consider the extent of differences by sector in the information required from charities, we also examined the position in the higher education sector. Each of the Irish universities are required to make annual reports to the Higher Education Authority (HEA) under the annual statistical return process. These returns contain a range of data on a large number of indicators aimed at assessing progress towards key policy objectives. The HEA data returns template requests data under six broad objectives:

- ❑ Objective 1: Providing a strong talent pipeline combining knowledge, skills and employability which responds effectively to the needs of our enterprise, public service and community sectors, both nationally and regionally, and maintains Irish leadership in Europe for skills availability;
- ❑ Objective 2: Creating rich opportunities for national and international engagement which enhances the learning environment and delivers a strong bridge to enterprise and the wider community;
- ❑ Objective 3: Excellent research, development and innovation that has relevance, growing engagement with external partners and impact for the economy and society and strengthens our standing to become an Innovation Leader in Europe;
- ❑ Objective 4: Demonstrates consistent improvement in the quality of the learning environment with a close eye to international best practice through a strong focus on quality and academic excellence;

- ❑ Objective 5: Significantly improves the equality of opportunity through Education and Training and recruits a student body that reflects the diversity and social mix of Ireland’s population; and
- ❑ Objective 6: Demonstrates consistent improvement in governance, leadership and operational excellence.

Each broad objective listed above also contains sub-objectives and a number of key indicators for which each university must provide data. The following table illustrates the number of sub-objectives under each of the broad objectives and the number of sub-indicators under each broad objective.

Table 3.3: Sub-Objectives and Indicators		
Broad Objective	No. Sub-Objectives	No. Indicators
Objective 1	9	9
Objective 2	8	4
Objective 3	6	9
Objective 4	6	8
Objective 5	6	8
Objective 6	9	11

*Source: Indecon*

Each indicator can require several different data inputs in order to fully complete the HEA return template. For example, under Objective 1, Indicator A requires five different data inputs as follows:

1. Graduation rates.
2. Time to graduation.
3. Graduate employment, earnings and further studies.
4. 1st Year Retention Rates.
5. Springboard and Other Evaluations.

It is also the case that single indicators may require comprehensive data inputs. For example, Indicator B under Objective 1 requires the completion of a number of data inputs with regards to the number of students undertaking studies in different fields.

Certain indicators also request qualitative inputs rather than purely data inputs. For example, Indicator C under Objective 1 requests institutions to:

*Set out a brief synopsis of the overarching institution policy on the development of apprenticeships, including anticipated number of programmes and registrations (if applicable to the HEI) in the table below (High Level Objective 1 - 7).*

The nature and type of data and information requested by the HEA thus covers a wide range of topics. Data and information are requested in terms of inputs and outputs. For example, information is required on the following areas:

- ❑ Data on student outcomes;
- ❑ Financial and funding data;
- ❑ Data on staff training and qualifications;
- ❑ Data on programme uptake;
- ❑ Indicator data on student engagement;
- ❑ Participation by underrepresented groups;
- ❑ Research expenditure;
- ❑ Research outputs; and
- ❑ A range of other areas.

Examples of performance-related reporting can also be seen in other programmes, such as the Community Services Programme (CSP) which is operated by Pobal on behalf of the Department of Rural and Community Development. The CSP supports community companies and co-operatives to locally deliver social, economic and environmental services that tackle disadvantage by providing a co-funding contribution towards the cost of employing a manager and full-time equivalent positions.

Continued funding of an organisation through the CSP requires the submission of a three-year business plan. Table 3.4 outlines the types of variables that are required by Pobal as part of this business plan. In addition to information in relation to the facilities and services operated, detailed information is also required on the specific duties of supported staff.

<b>Table 3.4: Types of Information Required in a CSP Business Case Application</b>	
<b>Variable Type</b>	<b>Examples of Information</b>
<b>Physical facilities</b>	Description of the physical hall/building/centre the CSP service resides in and what it is comprised of (if applicable). Include the size of the facility, the number of rooms and their function (e.g. 1 sports hall, 2 meeting rooms, 1 games room, 2 astro pitches), and whether it has a kitchen, parking etc.
<b>Services and Activities to be provided</b>	Examples of services might include meals on wheels service, transport services, meeting rooms for community groups, local information office or day centre for older people. Examples of activities might include evening classes, fitness programmes etc. Organisations have to outline, where appropriate, how they propose to support and aid the progression of CSP funded staff.
<b>Social Benefits</b>	In addition to the local community in general, organisations have to identify particular sections of the community and how they benefit from the facility (e.g. young people, older people, people with a disability etc.)
<b>Significant Changes Planned</b>	Organisations have to set out details of any upgrade of facilities either by refurbishment or renovations, or change the nature of the services or activities available. This is to include a description of what the planned changes are, and when it is envisaged that they will happen and when they will be completed. They must also state whether any of these changes are conditional on other factors (e.g. planning permission, successful application for LEADER funding etc...).
<i>Source: Indecon Analysis of CSP Business Plan Template and supporting guidance documentation</i>	

In addition to the qualitative description of the services provided, Pobal also require CSP organisations to provide projections in terms of a number of outcome metrics against which future performance can be measured. The type and form of information required is illustrated in Table 3.5 below. It is not likely that this information would be of specific interest to other regulatory or funding organisations, and as such would not be relevant for inclusion in a 'Report one, use often' type scheme.

<b>Table 3.5: Types of Standard Operational Metrics Required in CSP Business Case</b>				
<b>Output</b>	<b>Target 2020</b>	<b>Target 2021</b>	<b>Target 2022</b>	<b>Explanatory Notes</b>
Total footfall ((i.e. Total number of individual visits to your service by users per year)				Explanation for each output and its targets in this column.
Number of community and voluntary groups availing of your service each year				
Number of days open per week				
Number of hours open per week				
<b>For strand 3 only</b>	<b>Target 2020</b>	<b>Target 2021</b>	<b>Target 2022</b>	<b>Explanatory Notes</b>
Number of one to one support sessions provided to CSP supported staff				
Number of hours per week of on the job training provided to CSP supported staff				
Number of CSP supported staff progressing within the social enterprise or to new jobs				

*Source: Indecon Analysis of CSP Business Plan Template and supporting guidance documentation*

Given the highly varied nature of CSP organisations, in addition to the metrics collected above, Pobal also require organisations to provide details of objectives which best capture the activities of the organisation, and to forecast the expected outcomes of these metrics. This could, for example, relate to the number of childcare places expected to be provided, or the number of meals delivered as part of a meals on wheels service, etc.

The examples shown in the health, education and community spheres highlight the diversity of the information required from charities and the fact that a standard 'Charity Passport' may not significantly impact on the continued need of charities to submit information to funders.

### 3.6 Non-Mandatory Provision of Information by Charities

In addition to the information provided to funders and other statutory bodies, some charities believe that there is an advantage in complying with additional standards in order to signal to funders, the public and others that they are a trustworthy and transparent charity in terms of governance and finance. Among these are the Triple Lock Standard, which is awarded by the Charities Institute of Ireland (CII) to charities that conform to the following three standards:<sup>23</sup>

- ❑ Ethical Fundraising: where the charity has adopted the Charities Regulator's *Guidelines for Charitable Organisations on Fundraising from the Public*.
- ❑ Annual and Financial Reporting: where the charity prepares a trustees' annual report and financial statements in compliance with the Charity SORP (Standard of Reporting Practice under FRS102) and makes them easily available to the public on their website.
- ❑ Governance: where the charity formally adopts the Charities Regulator's *Charities Governance Code*. The code sets out 32 core standards that all charities should meet.<sup>24</sup> In addition it also sets out 17 "best practice" standards for charities, including the publication of full unabridged accounts.<sup>25</sup> Of note is that all registered charities will be required to implement the *Charities Governance Code* in 2020.

As of May 2019, 71 charities held Triple Lock status with the CII. In addition to the Triple Lock Standard, there are a number of other certification methods that are available internationally to charities to signal trustworthiness. These include the ISO 9001, which was developed by the International Organization for Standardization (ISO).<sup>26</sup> Achieving ISO certification requires an organisation to follow the guidelines of the ISO 9001 standard, fulfil its own requirements, to meet customer requirements and statutory and regulatory requirements, and to maintain documentation.<sup>27</sup>

Other charities rely on the 'Trusted Charity' (previously known as the Practical Quality Assurance System for Small Organisations (PQASSO) scheme), which is a UK based quality assurance service.<sup>28</sup> It is designed for use by voluntary and community sector organisations and certification is designed to cover 12 areas including governance and money management. Of the 255 charities based in the UK and Ireland with the Trusted Charity award,<sup>29</sup> ten were based in the Republic of Ireland.

<sup>23</sup> <https://www.charitiesinstituteireland.ie/triplelock>

<sup>24</sup> <https://www.charitiesregulator.ie/en/information-for-the-public/our-news/2018/november/charities-governance-code-launched> (accessed 24/05/2019).

<sup>25</sup> Charities Regulator, 2018. *Charities Governance Code*. Dublin. Available for download at: <https://www.charitiesregulator.ie/en/information-for-the-public/our-news/2018/november/charities-governance-code-launched>

<sup>26</sup> <https://www.nsai.ie/certification/management-systems/iso-9001-quality-management/>

<sup>27</sup> As of November 2016, there were only two ISO-certified charities in Ireland. See: <https://alone.ie/alone-it-is-time-for-all-charities-in-ireland-to-get-serious-about-quality-and-transparency/>.

<sup>28</sup> <https://www.nefconsulting.com/our-services/evaluation-impact-assessment/prove-and-improve-toolkits/pqasso/>

<sup>29</sup> Accessed on 16.07.19 from: <https://www.ncvo.org.uk/practical-support/quality-and-standards/trusted-charity/trusted-charity-mark/awarded-organisations>

### 3.7 National and Sectoral Data Strategies

In reviewing the reporting requirements of Irish registered charities, it is of note that data management has become increasingly important for public administration, and the Irish Government has committed to putting data at the centre of the delivery of public services. This is reflected in the inclusion of Open Data in the government's strategy for the development of public services, *Our Public Service 2020*, and the establishment of a dedicated Open Data Governance Board in the Department of Public Expenditure and Reform (DPER).<sup>30</sup> DPER recently outlined its policies in relation to open data which will increase transparency and trust in the government among the public, as well as improving the delivery of public services.<sup>31</sup> It is intended that the open data strategy will lead to benefits that include improved policy formulation driven by better data insights; reduced bureaucracy by removing the need for individuals and organisations to provide the same data multiple times; improved data protection procedures; improved transparency in the way data is utilised; and better policy and public services through improved data quality.<sup>32</sup>

The Government's policies in relation to open data are in line with a series of policy statements concerning government and open data from the OECD, EU Commission and UN.<sup>33</sup> Among these is the EU Tallinn Declaration on eGovernment of 2017, which Ireland has signed, which binds signatories to take initiatives to develop a culture of re-usable and transparent data within administrations.<sup>34</sup> An additional goal underpinned by the Tallinn Declaration concerns a once-only policy for the giving of data by members of the public and organisations in order to reduce the bureaucratic burden on individuals/organisations. Governmental organisations are encouraged to collect data only once and to share such data with other public agencies in order to achieve this.

The Irish Government's data strategy commits to further develop the government's open data portal *www.data.gov.ie*. Over 80 government departments and public bodies have published datasets on the website with others harvested from domain-specific data catalogues.<sup>35</sup> Each dataset on the open data portal receives a star rating depending on the number of formats in which the published dataset can be downloaded.<sup>36</sup> The minimum for publication of a dataset on the open data portal is three stars, which means that the dataset is available in either CSV, JSON or XML format.<sup>37</sup> Indecon notes that data from the Charities Regulator's Register of Charities and other information on non-profit organisations is currently available on the open data portal and in a sense this represents a 'Charity Passport'.

<sup>30</sup> DPER 2017, *Our Public Service 2020*.

<sup>31</sup> DPER 2017, *Open Data Strategy 2017-2022*

<sup>32</sup> DPER 2018, *Public Service Digital Strategy 2019-2023*

<sup>33</sup> DPER 2018, *Public Service Digital Strategy 2019-2023*

<sup>34</sup> EU Commission 2017, Tallinn Declaration on eGovernment. Available at: <https://ec.europa.eu/digital-single-market/en/news/ministerial-declaration-egovernment-tallinn-declaration> (accessed 28/01/2019)

<sup>35</sup> <https://data.gov.ie/pages/aboutdata-gov-ie> (accessed 28/01/2019)

<sup>36</sup> This is based on a 5 star rating system proposed by Tim Berners-Lee, must "(1) be available on the Web under an open licence, (2) be in the form of structured data, (3) be in a non-proprietary file format, (4) use URIs as its identifiers, (5) include links to other data sources (linked data)." Fulfilling 1-3 of these criteria means a dataset is awarded 3 stars. For more see DPER 2017, *Open Data Strategy 2017-2022*.

<sup>37</sup> DPER 2015, *Open Data Technical Framework* available at: <https://data.gov.ie/pages/opendatatechnicalframework> (accessed 28/01/2019)

Data that is submitted for publication on the open data portal should be “High Value Data”. The definition of such data is dependent on how it complies with the aforementioned ratings as well as reference to the publisher’s and the re-user’s perspectives.<sup>38</sup> From the perspective of the re-user, the classification of data as high value is dependent on its re-use potential. The Open Data Governance Board of DPER aims to increase the quantity of High Value Data that is present on the open data portal through encouraging organisations that provide public services to make high value data held by them public, easy to access and free to use.<sup>39</sup> As well as the implementation of best practice standards and methods in open data, the Open Data Governance Board also intend to embed a culture of open data by promoting the utilisation of datasets as well as promoting a realisation of potential socio-economic benefits of such open data. Table 3.1 illustrates the published data on non-profits on the Irish Government’s open data profile.

<b>Table 3.6: Data on Non-Profits Available from Irish Government’s Open Data Website www.data.gov.ie</b>		
<b>Body</b>	<b>Available Data</b>	<b>Download Format</b>
Charities Regulator	Registered Charity Number/Name, Primary Address, Governing Form, CHY and CRO Numbers, Country Established, Charitable Purpose, Objects & Activities, Beneficiaries, Gross Income/Expenditure, Number Volunteers	XLSX, CSV
Revenue Commissioners - Bodies with charitable tax exemption	Names and addresses and CHY number	CSV, PDF
Revenue Commissioners - Resident charities and approved bodies – tax relief on donations	Names and addresses and CHY number	XLS, CSV, PDF
Revenue Commissioners - Non-resident charities and approved bodies – tax relief on donations	Names and addresses and CHY number	CSV, PDF
Revenue Commissioners – Sporting bodies with tax exemption	Names and addresses and GS exemption number	CSV, PDF
Benefacts	Names, addresses, Eircode, country, sub-sector (i.e. area of operation), if the body is on the Register of Friendly Societies and CRO, Charities Regulator CHY, AHB, DES numbers*	API, CSV, JSON
<i>Source: Irish Government Open Data Portal (www.data.gov.ie)</i>		

<sup>38</sup> DPER 2017, Open Data Strategy 2017-2022.

<sup>39</sup> DPER 2017, Our Public Service 2020.

### 3.8 Summary of Findings

- ❑ In nearly all developed countries business and non-profit organisations have to meet a range of reporting requirements. The overall costs of commencing and operating a business/organisation in Ireland is relatively low. However, charities have to meet additional requirements related to their activities and to provide detailed information to meet the needs of funders and other organisations.
- ❑ Charities are required to supply information to a range of organisations. Some of these such as the Revenue Commissioners and the CRO are standard requirements for all companies. In many cases the information required by individual funding organisations such as the HSE or HEA, or organisations such as HIQA or An Garda Síochána, is very different to that collected by the Charities Regulator. This makes it difficult to standardise processes for charities into a generalised “report once, use often” framework.
- ❑ An analysis of the frequency of reporting requirements for Irish registered charities suggests that most reporting is on an annual or once-off basis but in certain areas more frequent reporting is required. Indecon’s research also suggests that larger charities tend to be required to report more frequently.
- ❑ Indecon’s analysis suggests that non-funding reporting requirements do not impose significant costs for most charities but it is important to recognise that such requirements are only one part of the overall reporting requirements that charities may be subject to. The findings also suggest that the reporting requirements of the Charities Regulator were not perceived as generating a significant cost to charities in Ireland. This finding is consistent with Indecon’s independent review of the standard information sought by the Charities Regulator from charitable organisations.
- ❑ In informing an evaluation of the costs on charities, of note is that the reporting requirements associated with the application for, and oversight of funding were reported to be the costliest. For example, 38% of respondent charities stated that providing details of the programme activities for which funding would be used imposed a significant or very significant cost. These costs were perceived as more significant by larger charities. The costs associated with meeting the detailed requirements of funders were also raised in our consultation programme.
- ❑ In order to test the evaluation by the sector on the costs of meeting reporting requirements, Indecon examined the financial accounts of six leading Irish charities of different sizes who reported governance costs in their financial accounts. For this sample of charities annual governance costs were significant and, as a share of total expenditure, governance costs were estimated to range from 0.5% to 3.1%.
- ❑ Our analysis suggests that the detailed reporting information required by some major funders in sectors such as health and education inevitably require significant resources. In many cases this information is necessary to evaluate the effectiveness of public expenditure and to provide an evidence base for policymakers. However, such information in general would not be of interest to most other regulatory or funding organisations and would not be significantly impacted by the development of a ‘Charity Passport’ type scheme.

## 4 International Review

### 4.1 Introduction

As part of the research into the potential impact of the introduction of a ‘Charity Passport’ facility in Ireland, Indecon reviewed schemes in place internationally which provide centralised information on charities and non-profit organisations. The main example of what has been termed a ‘Charity Passport’ is the experience in Australia. Our analysis, however, shows that other countries (including Ireland) have developed centralised databases to share information on the charity sector and include information which is part of the Australian ‘Charity Passport’.

### 4.2 Australian ‘Charity Passport’

The Australian Charities and Not-for-profits Commission (ACNC) maintains a data register which is searchable by the public. It also provides access to the public information it collects for the purpose of sharing it with authorised government agencies. The ‘Charity Passport’ was designed with the intention of reducing the number of times charities report the same information to different government agencies. The ‘Charity Passport’ was launched in 2014 and was underpinned by a requirement that Commonwealth government Agencies should use this data. However, Government policy changed subsequently and the use of the data is no longer mandatory. Indecon’s research indicates that in practice some Government Agencies in Australia do not have the capacity to fully utilise data from the ‘Charity Passport’.

The background to the Australian ‘Charity Passport’ is that charities in Australia are regulated at commonwealth (federal) level by the (ACNC) which was established in 2012.<sup>40</sup> The objectives of the ACNC are to *“maintain, protect and enhance public trust and confidence in the sector through increased accountability and transparency; support and sustain a robust, vibrant, independent and innovative not-for-profit sector and promote the reduction of unnecessary regulatory obligations on the sector.”*<sup>41</sup> To achieve these objects the ACNC:

- ❑ Registers eligible entities as charities and maintains a public register that is free and searchable so that members of the public can research information about registered charities;
- ❑ Assists charities in understanding and meeting their obligations using, among other supports, information, advice and guidance;
- ❑ Assists the public in understanding the work of charities using other supports, information, advice and guidance; and
- ❑ Develops a “report once, use often” reporting framework for charitable organisations by working in conjunction with state and territorial governments.

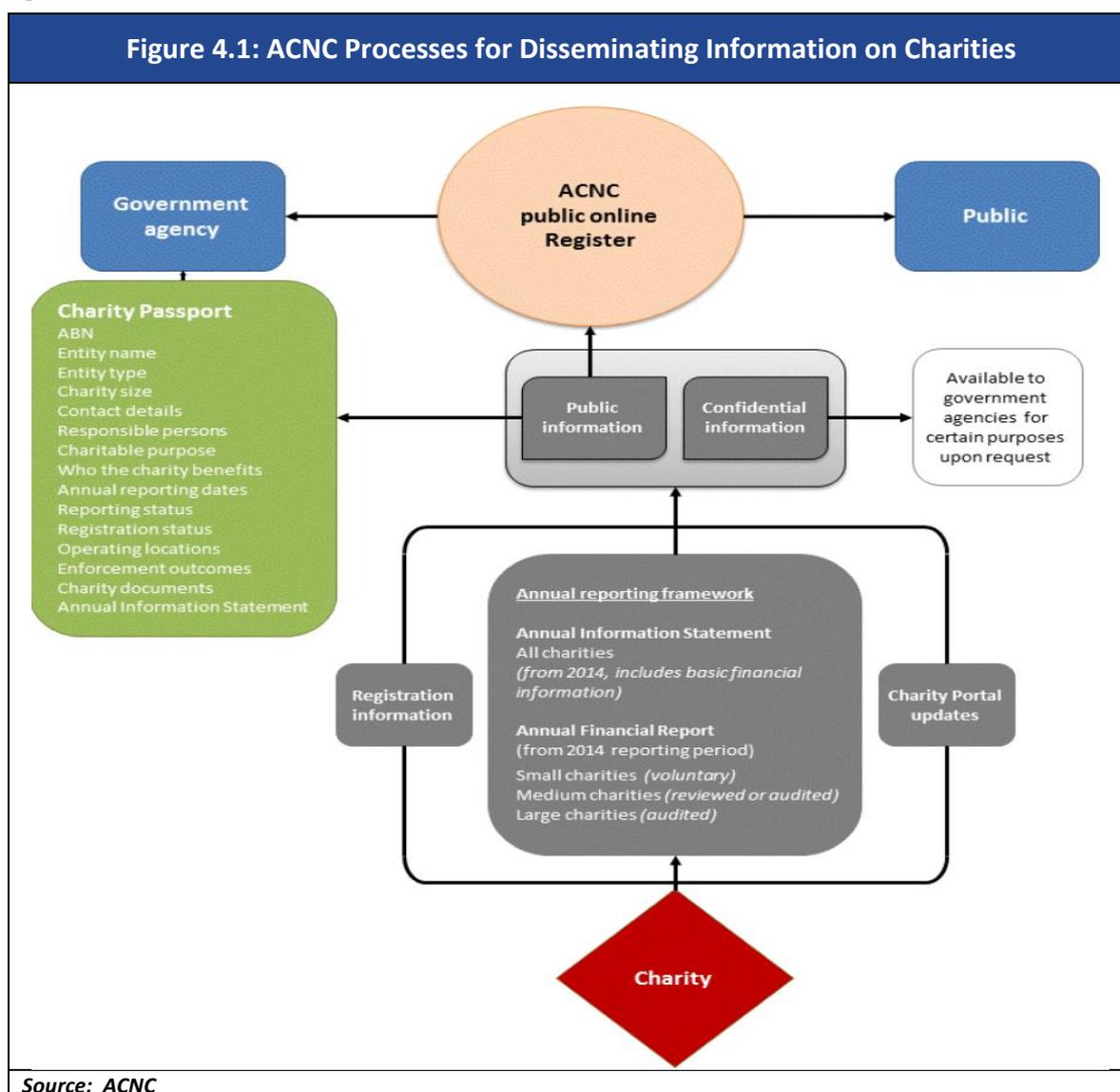
<sup>40</sup> <https://www.acnc.gov.au/about> (accessed 25/01/2018)

<sup>41</sup> <https://www.acnc.gov.au/about> (accessed 25/01/2018)

Prior to the formation of the ACNC, regulation of charities was fragmented and inconsistent, and due to the federal structure of Australia, reporting arrangements concerning financial information varied from state to state.

The database and information are distributed through a number of channels. The processes by which the ACNC disseminates information on charities are illustrated in the Figure 4.1. Individual charities submit information to the ACNC including annual financial reports (where required) and annual information statements to maintain their ACNC registration.

Data is stored on the ACNC database and data that is publicly available on the Charity Register is then uploaded in Excel files onto *data.gov.au*, a government open data storage site where it can be downloaded in bulk. The 'Charity Passport' includes data already on *data.gov.au* in addition to some data that is not downloadable in a bulk format, e.g., list of responsible persons). The 'Charity Passport' can only be accessed by approved public agencies.



A key rationale for the 'Charity Passport' in Australia was to reduce the reporting burden on charities.

### Information Contained in the ACNC 'Charity Passport'

The ACNC 'Charity Passport' contains information that is publicly available on the online search facility and allows access to download data in bulk. Users can access a MS Excel spreadsheet which contains all the annual information statement data for a given year. Only information on registered (rather than regulated) charities is contained in the ACNC 'Charity Passport' and many non-profit organisations are not covered by it. Among registered charities are those classed as Basic Religious Charities, which are subject to less stringent regulation than other charities.<sup>42</sup> Such charities do not have to submit annual financial reports to the ACNC or comply with ACNC governance standards. Additionally, in certain cases the ACNC may have to withhold information on certain charities. The 'Charity Passport' service is only accessible to government agencies. The type of information included on the 'Charity Passport' is illustrated in Table 4.1.

Table 4.1: Information Available in the Australian 'Charity Passport'	
Charity details including name, Australian Business Number (ABN), address for service, email, telephone number and website, charitable purpose (subtype), beneficiaries, size, operating locations, registration status, reporting status.	Financial year
Responsible Persons	Operating locations
Charity registration (current status and history)	Annual Information Statements
Charity subtype (current status and history)	Financial reports
Beneficiaries	Governing Rules
Charity size (based on annual revenue)	Enforcement outcomes
<b>Source: ACNC</b>	

While the information in the ACNC 'Charity Passport' is useful for many funders, it must be acknowledged that individual funders in different sectors require differing levels of information. From our international research on the 'Charity Passport' in Australia, Indecon understands the information that is contained in the 'Charity Passport' database is not sufficient to fulfil all of the requirements of funders and other organisations in Australia.

<sup>42</sup> <https://www.acnc.gov.au/for-charities/manage/manage-my-charity-type/basic-religious-charities> (accessed 30/01/2019)

### **Uptake of the ACNC ‘Charity Passport’**

Despite now being five years old, many government agencies in Australia still do not avail of the ‘Charity Passport’ facility. The next table gives the number of ‘Charity Passport’ accounts held by public agencies in each Australian jurisdiction as of 31 December 2018. While there were 90 accounts, 18 public agencies who used the ACNC ‘Charity Passport’ are allowed to hold multiple accounts therefore the number of accounts does not directly correlate to the number of public agencies using the ‘Charity Passport’ facility.<sup>43</sup> Of note is that there are 188 public agencies functioning at commonwealth level in Australia indicating that 9.6% of them use the ACNC ‘Charity Passport’.<sup>44</sup> However, our consultations suggest that some of these 188 agencies may not have significant engagements with non-profit or charities. At state level, three government agencies in New South Wales use the ‘Charity Passport’ despite there being 21 user accounts recorded.<sup>45</sup> The Australian Taxation Office (ATO) has the most user accounts for the ‘Charity Passport’, which reflects specific arrangements with the ACNC, whereby the ACNC has been given responsibility to collect information on charities seeking tax concessions at commonwealth level.

<b>Table 4.2: ‘Charity Passport’ Accounts by Australian Jurisdiction as of 31 December 2018</b>	
<b>Jurisdiction</b>	<b>Number of Accounts</b>
Commonwealth	50
Australian Capital Territory (Canberra)	5
New South Wales	21
Northern Territory	3
Queensland	1
South Australia	1
Victoria	3
Tasmania	2
Western Australia	4
<b>Total</b>	<b>90</b>

*Source: ACNC*

Over the past five years, the sector has become increasingly familiar with their regulatory obligations – and the corresponding services and tools offered by ACNC, most of which are accessed from the website. These factors, together with the increased awareness of the ACNC, and their digital-by-default approach to communication and education, have contributed to 53% overall growth in the website’s usage since 2013–14. This year, the number of views grew from 4.6 million to 5.5 million.

Consultations by Indecon with the ACNC indicates that viewings of listings on the Charity Register dropped to 1 million from 1.4 million in 2016-2017, but searches of the Charity Register increased to 900,000, up 19% on the previous year. This indicates that the manner in which the public use the database is subject to fluctuations.

<sup>43</sup> Personal correspondence with representatives of the ACNC.

<sup>44</sup> <https://www.directory.gov.au/departments-and-agencies> (accessed 17/05/2019)

<sup>45</sup> Personal correspondence with representatives of the ACNC.

Indecon understands that progress has been slow in the utilisation of the ‘Charity Passport’ by some government agencies who makes grants to charities and many government agencies do not have the technology to access the ‘Charity Passport’ due to compatibility issues. We also understand that some agencies may use the online search portal on the ACNC’s website instead of the ACNC ‘Charity Passport’. Uptake of the ACNC ‘Charity Passport’ may increase over time if more agencies are mandated to use it, or if it contained additional information needed to meet the specific requirements of funders. Indecon understands that there are limitations regarding the information that can be included on the Register based on the ACNC regulations and additional information can only be included if the regulations are amended by Government.

A feature of the Australian system is that charities can proactively make changes to their details through the online charity portal. Resources are however required to ensure the assembly and accuracy of data. In Australia the information collected must meet legislative criteria. Specifically, charities are required to notify ACNC in case of change to name, address or responsible persons, governing rules, or a significant contravention of the Act or governance standards. The ACNC has discretion to withhold or remove information that is inaccurate, and not to release personal information maintained on the database.

### 4.3 Charity Data Availability - North America

One of the most important findings of our international review is that while many other countries, including the United States and Canada, have developed a variety of systems and databases to help disseminate information on charities, none of the countries reviewed by Indecon have implemented a scheme which has removed the need for charities to report separately to funders and other organisations.

Charities in the US are regulated at the federal level by the Internal Revenue Service (IRS). Charities file detailed financial and administrative information to the IRS via Form 990 as opposed to via annual and financial reports used by regulators in other countries.<sup>46</sup> While most organisations that are registered as charitably tax-exempt in the US must submit a Form 990, some, such as religious institutions, are exempt. The level of detail required to complete Form 990 means that it is not necessary for charities to provide financial reports. The IRS has a very rich dataset, and the largest dataset on non-profits by the number of fields that must be filled in by organisations.<sup>47</sup> In 2016, the IRS made electronically filed data from online filed Form 990 forms available for download in bulk XML format.<sup>48</sup> This database does not include data from paper filed forms, but these are available as scanned documents on the IRS website. Additionally, funders have to interpret the information in the IRS database in order to determine if the organisations meet their criteria. A number of companies have emerged in recent decades to re-use data IRS Form 990 data in a way that is usable to the public. Some of these organisations are discussed overleaf.

<sup>46</sup> <https://www.irs.gov/charities-non-profits/applying-for-tax-exempt-status> (accessed 30/01/2019)

<sup>47</sup> Kane, D. 2018. “International comparison of information available from charity regulators”. Available at: <http://www.threesixtygiving.org/wp-content/uploads/Charity-regulators-transparency.pdf> (accessed 30/01/2019)

<sup>48</sup> This service can be accessed via: <https://registry.opendata.aws/irs990/>

GuideStar is a non-profit organisation which collates and publishes IRS Form 990 data in a format that is easy for the funders or potential public donors to look up. Individuals can search for a charity profile using GuideStar’s online search facility. While GuideStar’s online search facility is free, it charges users to download bulk data as well as for access to a more developed user interface, GuideStar Pro, which allows users to analyse trends on individual non-profits.<sup>49</sup> Charities, which are exempt from submitting an IRS 990 Form, can supplement their profiles on GuideStar with additional information.

Charity Navigator was established in 2001 and assesses the financial health accountability and transparency of over 9000 US charities using IRS 990 Form data.<sup>50</sup> It provides star ratings on charities that are classified as being eligible to receive tax deductible donations.<sup>51,52</sup>

CharityWatch was founded as the American Institute of Philanthropy in 1992 and describes itself as “America’s most independent and assertive charity watchdog”.<sup>53</sup> It analyses data from IRS 990 forms, financial and annual reports and other charity information filed at state level to produce financial efficiency ratings on approximately 600 large charities.<sup>54</sup> These ratings can be accessed by searching for a charity on CharityWatch’s website.

GiveWell is a charity ratings organisation that focuses on giving ratings to charities which focus not only on financials and fundraising but also on how much good programmes ran by charities produced.<sup>55</sup> GiveWell publishes a list of charities that it defines as “top charities”. However, as the criteria for this include a commitment to helping people in low income countries, charities that are focused on domestic causes are not rated as highly by GiveWell.

ProPublica is a US non-profit news sourcing organisation founded in 2007 which keeps a database of charities containing headline financial information obtained from non-profits’ IRS 990 Forms.<sup>56</sup> This is publicly searchable via their website.

Silicon Valley Community Foundation – Global Charity Database is an advisory community foundation founded in 2007 which maintains the names of global charities that passed their due diligence process. This process includes tax compliance with the IRS (in the case of US charities) and the submission to the Silicon Valley Community Foundation of governing documents, lists of board members and key employees and volunteers, documents concerning laws/provisions guiding distribution of grantee’s assets in the event of the charity’s dissolution and audited financial information for the previous five years.

<sup>49</sup> <https://learn.guidestar.org/products/guidestar-pro> (accessed 06/02/2019)

<sup>50</sup> <https://www.charitynavigator.org/index.cfm?bay=content.view&cpid=628> (accessed 31/01/2019)

<sup>51</sup> Anders SB. Charity navigator and GuideStar. *The CPA Journal*. 2015 Jun 1;85(6):72.

<sup>52</sup> Gordon TP, Knock CL, Neely DG. The role of rating agencies in the market for charitable contributions: An empirical test. *Journal of accounting and public policy*. 2009 Nov 1;28(6):469-84.

<sup>53</sup> <https://www.charitywatch.org/home> (accessed 31/01/2019)

<sup>54</sup> <https://www.charitywatch.org/about-charitywatch/faq/3113/3115> (accessed 31/01/2019)

<sup>55</sup> <https://www.givewell.org/about> (accessed 31/01/2019)

<sup>56</sup> <https://projects.propublica.org/nonprofits/> (accessed 31/01/2019)

Charities in Canada are regulated by the Charities Directorate of the Canada Revenue Agency where all charities, regardless of size, must fill out the “T3010 Registered Charity Information Return” form.<sup>57</sup> The information required on the T3010 Form is less comprehensive than the IRS 990 in the US, but it is still quite extensive, with information on many areas such as programmes, revenue, expenditures, staff, fundraising activities and types of non-cash gifts received.<sup>58</sup>

In addition to the T3010 Form, charities must fill out the TF725 Form, with more basic information such as address, programme areas and contact information. The public and funders can search for information on specific charities from these forms on the Canadian Government’s website. In addition to the Canada Revenue Agency, a number of other organisations provide or re-use information on the non-profit sector.

Charity Intelligence Canada is a non-profit organisation established in 2006 which uses T3010 form information. They provide star ratings for charities which can be searched by funders or potential donors using their free-to-use website.<sup>59</sup> These ratings are based on its assessment of Social Results Reporting, Financial Transparency, Program Cost Coverage, Fundraising Costs and Administrative Costs.<sup>60</sup> In addition, they provide charities with an impact rating of high, good, fair or low, based on an individual charity’s so-called Social Return on Investment.

CharityData was established in 2016 and collates data from the T3010 forms of charities.<sup>61</sup> It provides an online search portal which displays extensive information for a number of years under the following headings: Assets, Liabilities, Revenue, Expenses, Staff, Fundraising, and Programs. Additionally, information on Gifts Received from Other Registered Charities Over Last 5 Years (Top 100) and Gifts to Qualified Donees Over Last 5 Years are also displayed. The website also displays the names of the trustees/directors of the charity.

#### 4.4 Charity Data Availability - Europe

There are separate charity regulators for England and Wales, Scotland and Northern Ireland, namely the Charity Commission for England and Wales (founded under the Charitable Trusts Act of 1853 with expansion of powers under the Charities Act of 2006),<sup>62</sup> the Office of the Scottish Charity Regulator (founded in 2003) and the Charity Commission for Northern Ireland (established in 2006). All of these regulators keep publicly available registers of charities and charities are obliged to file financial statements and annual reports with them.

<sup>57</sup> <https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/t3010-charity-return-filing-information.html> (accessed 06/02/2019)

<sup>58</sup> All information here is sourced from the Canada Revenue Agency’s T3010 form that can be downloaded at: <https://www.canada.ca/content/dam/cra-arc/formspubs/pbg/t3010/t3010-19e.pdf> (accessed 13/02/2019). For the sake of brevity this report only summarises the information that is provided in the T3010 form – there are a lot more information fields available than those discussed here.

<sup>59</sup> <https://www.charityintelligence.ca/about-ci> (accessed 06/02/2019)

<sup>60</sup> <https://www.charityintelligence.ca/research/charity-profiles?id=176> (accessed 25/01/2018)

<sup>61</sup> <https://www.charitydata.ca/faq/> (accessed 25/01/2018)

<sup>62</sup> [https://uk.practicallaw.thomsonreuters.com/8-633-4989?transitionType=Default&contextData=\(sc.Default\)&firstPage=true&comp=pluk&bhcp=1](https://uk.practicallaw.thomsonreuters.com/8-633-4989?transitionType=Default&contextData=(sc.Default)&firstPage=true&comp=pluk&bhcp=1) (accessed 13/02/2019)

In order to operate across the UK, a charity must register separately with all three of these regulators. Additionally, businesses in all of the UK's constituent countries have to register with Companies House. In order to reduce bureaucratic burden on charities a new form of legal entity was created in 2011, namely the Charitable Incorporated Organisation (CIO). This means that charities that register as CIOs only need to register with the charity regulator in the constituent country they are located in, as opposed to with both the charity regulator and Companies House. However, companies registered as CIOs still have to register with the charity regulators in the other UK countries if they want to operate in them.

Some organisations have attempted to present data on UK charities in a different format. These include Charity Choice UK which provide information on over 160,000 UK charities<sup>63</sup> and Charity Financials which is an online interactive platform containing the latest available financial information and key contracts for UK charities with comparative league tables and benchmarking.<sup>64</sup> These capture charities in all of the UK's jurisdictions.

GuideStar UK was established in 2002 with a £3 million three-year grant from the UK Treasury,<sup>65</sup> to provide a GuideStar service for the UK. It used data from annual and financial reports filed by charities to the Charities Commission for England and Wales, with the option, as in the US, for charities to provide supplementary information.<sup>66</sup> In 2007 the government decided not to renew its funding and the project never reached the same potential as its US model. GuideStar UK is still running as a search website with information on income and expenditure, activities and beneficiaries relating to charities from 2015 onward.<sup>67</sup>

Charities in Norway are regulated by "The Foundation Authority", a government agency which keeps a database (the "Foundation Register" or "Stiftelsesregisteret") of all charities in Norway.<sup>68</sup> In addition to the Foundation Register, charities also have to register with other relevant state business and employment bodies. Information on charities is available in the Register of Business Enterprises (Business Register), the NAV State Register of Employers and Employees (individuals have to apply for public access), the VAT Register, the Volunteer Register and the Entities Register. There is no 'Charity Passport' type scheme currently in operation.

<sup>63</sup> <https://www.charityfinancials.com/about-us.php> (accessed 13/02/2019)

<sup>64</sup> <https://www.charityfinancials.com/marketing.php> (accessed 13/02/2019)

<sup>65</sup> <https://www.guidestar.org/Articles.aspx?path=/rxa/news/articles/2003/british-version-of-guidestar-launched.aspx> (accessed 31/01/19)

<sup>66</sup> <https://fundraising.co.uk/2006/07/10/guidestar-uk-responds-feedback-about-financial-information/#.XFQWJFX7SUK> (accessed 31/01/19)

<sup>67</sup> <https://guidestar.org.uk/> (accessed 31/01/2019)

<sup>68</sup> This Database can be accessed through the Foundation Authority's website at: <https://lottstift.no/nb/stiftelser/informasjon-om-stiftelsesregisteret/> (Accessed 24/01/2019)

In 2015, it became mandatory for Croatian Charities to supply details to a register of charities kept by the Croatian Ministry for Finance that can be searched online by the public.<sup>69</sup> Charities have to submit detailed financial information via reports. Additionally, they have to provide details of the location of the organisation and the person responsible for making the return. However, the other data requirements are limited and, for example, there is no requirement to provide the names of the persons who are members of the Board of a charity and no requirement to specify the number of full-time staff employed in the organisation.

#### 4.5 Charity Data Availability - Rest of World

Charities in Israel have to register with the Corporations Authority, the body which is also responsible for regulating for-profit companies. There are two main types of non-profit organisations in Israel – *Amutot* and Public Benefit Companies (PBCs).<sup>70</sup> Both of these are prohibited from distributing profits to shareholders or members and are entitled to tax concessions concerning their income and donations.<sup>71</sup> Additionally, *Amutot* and PBCs have to appoint an audit committee by law.<sup>72</sup> *Amutot* register with the Register of *Amutot* whereas PBCs register with the Register of Companies. PBCs can either be charitable companies or charitable funds.<sup>73</sup> In addition to these legal forms, non-profits in Israel can also take the form of public endowments.<sup>74</sup> These organisations register with the register of endowments.<sup>75</sup> Both the Register of *Amutot* and the Register of Companies publish limited information on the charities that are registered with them. In 2009 the Israeli Ministry of Justice part funded the establishment of GuideStar Israel to simplify dissemination to the public of the information collected in these various non-profit registers.<sup>76</sup>

Charities in New Zealand are regulated by *Charities Services*, an arm of the Department of Internal Affairs in New Zealand that was established under the Charities Act 2005.<sup>77</sup> This body keeps a register of over 27,000 charities in New Zealand. Information is collected from charities in the form of annual returns, financial reports and performance reports. Data is accessible to the public through the “Charities Services” website: <https://www.register.charities.govt.nz/CharitiesRegister/Search>. As well as financial information, board members are listed. Information on staffing, paid work (numbers

<sup>69</sup> The database can be accessed by the public through a service provided on the Croatian Ministry for Finance’s Website: <https://banovac.mfin.hr/rnoprt/Pretraga.aspx>

<sup>70</sup> <https://neo-project.github.io/global-blockchain-compliance-hub//israel/israel-registry-requirements.html> (Accessed 24/01/2019)

<sup>71</sup> <https://www.barlaw.co.il/blog/israeli-non-profit-organizations-amutot-public-benefit-companies-and-everything-in-between/> (accessed 02/02/2019)

<sup>72</sup> For further detail on the differences between these legal forms see: <https://www.lexology.com/library/detail.aspx?g=f689012a-1bd8-437e-9e14-f55bdaf092c4> (Accessed 24/01/2019)

<sup>73</sup> <https://neo-project.github.io/global-blockchain-compliance-hub//israel/israel-registry-requirements.html> (Accessed 24/01/2019)

<sup>74</sup> [https://uk.practicallaw.thomsonreuters.com/5-633-3670?transitionType=Default&contextData=\(sc.Default\)&firstPage=true&comp=pluk&bhcp=1](https://uk.practicallaw.thomsonreuters.com/5-633-3670?transitionType=Default&contextData=(sc.Default)&firstPage=true&comp=pluk&bhcp=1) (Accessed 24/01/2019)

<sup>75</sup> <https://neo-project.github.io/global-blockchain-compliance-hub//israel/israel-registry-requirements.html> (Accessed 24/01/2019)

<sup>76</sup> <http://www.yadhanadiv.org.il/project/guidestar> (Accessed 24/01/2019)

<sup>77</sup> <https://www.charities.govt.nz/apply-for-registration/considering-registering-as-a-charity/> (accessed 29/01/2019)

employed full-time, part-time, average hours per week) and voluntary work (total number of volunteers and the average hours per year they provide) is also collected.

The regulator of charities in Singapore is the Commissioner for Charities, to which charities must return annual and financial reports. These reports include information on a charity's purpose, objectives, board members, total current assets and liabilities, funds, numbers and costs of employees. Members of the public can access profiles of each charity on the Commissioner for Charities' website. These profiles contain attachments of the complete annual and financial reports that have been submitted by the charity being researched and can be accessed by Singaporean citizens through the SingPass electronic system. Also included in the register entry for each charity is a code compliance checklist which lists whether the charity in question complied with a particular aspect of Singapore's tax code.<sup>78</sup> This indicates to donors and funders whether the charity fulfils certain transparency and governance requirements.

#### **4.6 International Evidence on Governance Costs Incurred by Charities**

In addition to examining the measures taken in other countries to provide centralised information it is useful to consider international evidence on governance costs incurred by charities. To examine this issue Indecon undertook new research on the estimated governance costs of 50 charities in the UK where financial accounts of organisations based on SORP were available. The results show that estimated governance costs vary and range in the sample from 0.1% of turnover to 6.8%. Indecon notes that the National Council for Voluntary Organisations in the UK has estimated governance costs as 2.1% of the sector's total budget.<sup>79</sup> In the sample of cases examined for large charitable organisations, where income was in excess of €200m, governance costs are in excess of €1 million per annum, highlighting the significance of such costs.

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<sup>78</sup> The Commissioner for Charities' search portal can be accessed at: <https://www.charities.gov.sg/Pages/Home.aspx>

<sup>79</sup> [https://www.ncvo.org.uk/images/documents/about\\_us/media-centre/reporting-on-charities-3-running-costs.pdf](https://www.ncvo.org.uk/images/documents/about_us/media-centre/reporting-on-charities-3-running-costs.pdf)

Table 4.3: Governance Costs as a Percentage of Total Income

	Income (£000)	Governance Costs (£000)	Governance Costs as a Percentage of Income
Charity 1	1,314	90	6.85%
Charity 2	3,332	140	4.20%
Charity 3	15,169	463	3.05%
Charity 4	26,088	373	1.43%
Charity 5	21,795	308	1.41%
Charity 6	32,153	451	1.40%
Charity 7	48,301	639	1.32%
Charity 8	30,503	386	1.27%
Charity 9	284,500	3,300	1.16%
Charity 10	18,955	207	1.09%
Charity 11	39,965	429	1.07%
Charity 12	28,852	268	0.93%
Charity 13	1,896	17	0.92%
Charity 14	15,774	145	0.92%
Charity 15	18,118	165	0.91%
Charity 16	24,511	216	0.88%
Charity 17	95,930	836	0.87%
Charity 18	235,718	1,982	0.84%
Charity 19	21,425	163	0.76%
Charity 20	83,373	633	0.76%
Charity 21	85,449	610	0.71%
Charity 22	32,709	209	0.64%
Charity 23	16,192	101	0.62%
Charity 24	56,089	348	0.62%
Charity 25	132,635	819	0.62%
Charity 26	34,837	189	0.54%
Charity 27	118,328	482	0.41%
Charity 28	427,200	1,700	0.40%
Charity 29	35,015	130	0.37%
Charity 30	48,164	176	0.37%
Charity 31	74,929	268	0.36%
Charity 32	140,200	500	0.36%
Charity 33	67,689	239	0.35%
Charity 34	28,877	96	0.33%
Charity 35	101,671	328	0.32%
Charity 36	40,060	121	0.30%
Charity 37	104,972	305	0.29%
Charity 38	5,268	15	0.28%
Charity 39	4,165	10	0.24%
Charity 40	28,884	66	0.23%
Charity 41	96,144	208	0.22%
Charity 42	11,878	25	0.21%
Charity 43	67,401	136	0.20%
Charity 44	8,883	17	0.19%
Charity 45	65,142	120	0.18%
Charity 46	29,763	50	0.17%
Charity 47	135,457	222	0.16%
Charity 48	24,888	39	0.16%
Charity 49	203,748	252	0.12%
Charity 50	88,472	97	0.11%

Source: Indecon analysis of annual reports/financial accounts of charities in the UK

A summary of the estimated governance costs for UK charities is presented in the table below. The significance of such costs facing the sector was also confirmed by Indecon's review of other existing international research.

<b>Table 4.4: Governance Costs as a Percentage of Income of UK Charities</b>	
	<b>Governance Costs as a Percentage of Total Income</b>
Average	0.84%
Median	0.58%
Max	6.85%
Min	0.11%
<i>Source: Indecon analysis of annual reports/financial accounts of charities in the UK</i>	

The findings of this sample of 50 charities in the UK indicate that governance costs amounted to annual costs of £19.1 million, highlighting the overall scale of governance costs faced by the sector.

<b>Table 4.5: Governance Costs as a Percentage of Income of UK Charities</b>	
	<b>Governance Costs as a Percentage of Total Income</b>
Number of Charities	50
Total Income (£ m)	3,363
Average Income (£ m)	67.3
Total Governance Costs (£ m)	19.1
Average Governance Cost (£ m)	0.4
Total Governance Cost as Percentage of Total Income	0.57%
<i>Source: Indecon analysis of annual reports/financial accounts of charities in the UK</i>	

The evidence presented shows there are significance governance costs for charities which is also confirmed by our review of existing international research. While some of the international academic research refers to compliance costs, rather than the term 'governance costs', or 'reporting costs', these are related. The term 'compliance costs' is also aligned with the definition of reporting costs used in this report. A detailed analysis of one element of compliance costs<sup>80</sup> in the United States by Renee A. Irvin of the University of Oregon<sup>81</sup> developed a quantification of the costs for home state compliance for non-profits and estimated the costs of this aspect of compliance as over US\$ 120 million per annum.

<sup>80</sup> Blumenthal M. Kalambokidis L., 2006, The Compliance Cost of Maintaining Tax Exempt Status, National Tax Journal Vol Iviv No. 2.

<sup>81</sup> Renee. A. Irvin (2005) University of Oregon, State Regulation of Nonprofit Organisations: Nonprofit and Voluntary Sector Quarterly Vol 34, No 2 June 2005.

Table 4.6: Fees and Preparation Time Costs for Home State Compliance	
Small organisations (<\$25,000 revenues)	
Estimated fees	\$3,574,500
Value of hours spent preparing and filing	<u>\$19,091,000</u>
Total home state registration	\$22,665,500
Larger organisations (>\$25,000 revenues)	
Estimated fees for organisations >\$25,000	\$10,981,000
Value of hours spent preparing and filing	<u>\$64,436,500</u>
Total home state regeneration	\$75,417,500
Total home state registration, large and small organisations	\$120,748,500
<i>Source: Irvin. R. A. (2005)</i>	

Other research in the US<sup>82</sup> examined other elements of compliance costs including the costs of maintaining tax exempt status. For example, one study examined the costs involved the cost of personal time in meeting tax compliance, the cost of professional fees and non-personal costs as well as state fees. A breakdown of these costs is presented below which highlights the significance of professional fees and non-personnel costs.

Table 4.7: Estimated Breakdown of Compliance Costs for Non-profit in Maintaining Tax Exempt Status	
	Percentage of Compliance Costs
Personnel costs	6%
Professional fees	38%
Non-personnel costs	53%
State fees	3%
Total	100%
<i>Source: Blumenthal M. Kalambokedus, The Compliance Cost of Maintaining Tax Exempt Status, National Tax Journal Vol Iviv No. 2.</i>	

Based on the detailed research with 612 non-profit organisations and weighing the results to represent all of charitable organisations, Kalambokedus (2006) estimated the costs of compliance with tax exempt status to be US\$3.2 billion as presented in the next table. This compares to total revenues of \$866.2.

<sup>82</sup> Blumenthal M. Kalambokedus, The Compliance Cost of Maintaining Tax Exempt Status, National Tax Journal Vol Iviv No. 2.

**Table 4.8: Compliance Cost in Maximising Tax Exempt Status Weighted, All Organisations**

	Federal	State	Audit	Sum
Personnel costs	\$98,423,014	\$89,913,855	\$0	\$188,345,869
Professional fees	\$326,817,788	\$133,329,084	\$751,734,794	\$1,211,881,666
Non-Personnel Costs	\$914,186,525	\$763,755,319	\$0	\$1,704,961,843
State Fees	\$0	\$110,012,745	\$0	\$110,012,745
Total	\$1,366,436,327	\$1,097,031,003	\$751,743,794	\$3,215,202,123

*Source: Blumenthal M. Kalamokedus, The Compliance Cost of Maintaining Tax Exempt Status, National Tax Journal Vol Iviv No. 2.*

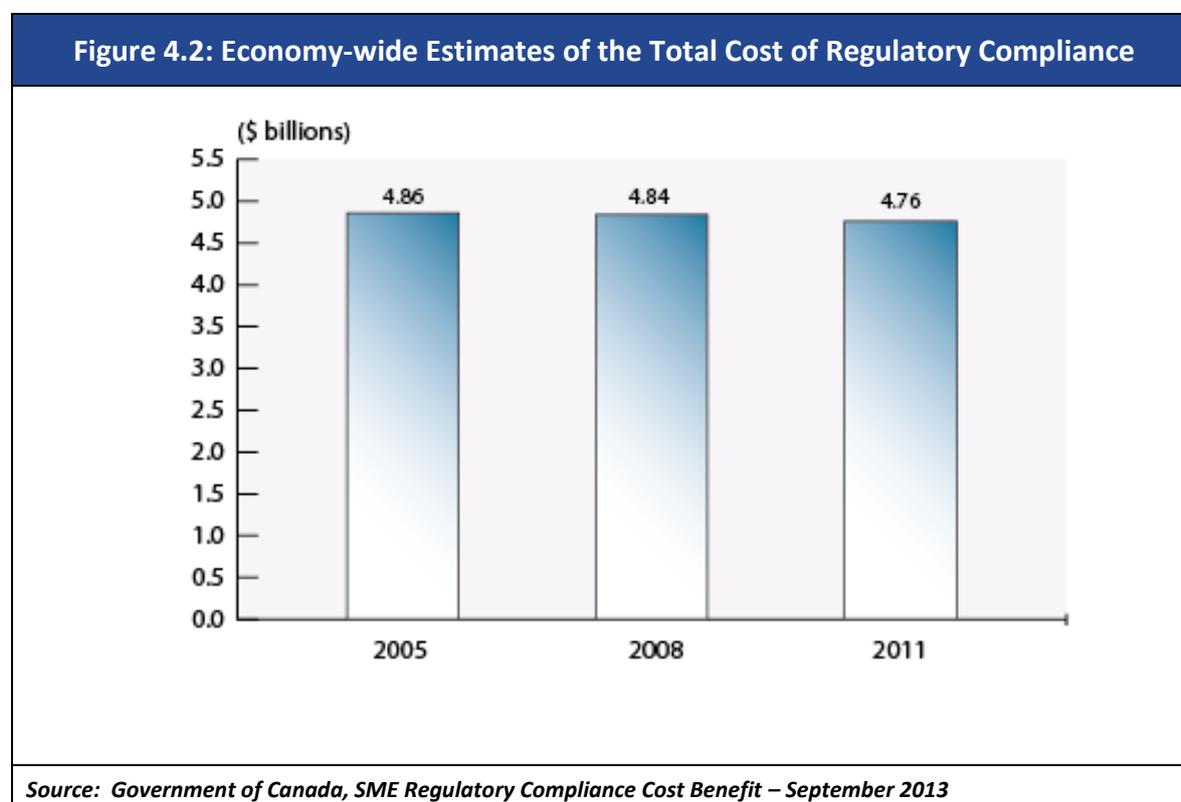
It should also be noted that compliance costs incurred by non-profits tend to be in addition to wider compliance costs faced by businesses. A Government of Canada study of SME regulatory compliance costs suggests that business compliance costs were on average about 0.28% of revenue.

**Table 4.9: Regulatory Compliance as a Share of Business Revenue by Size of Business**

	Burden Rate (%) 2011
<b>Size of Business (Number of Employees)</b>	
1-4	0.59
5-19	0.3
20-99	0.18
100-499	0.18
<b>Sector</b>	
Manufacturing	0.19
Retail Trade	0.16
Professional, Scientific and Technical Services	0.47
Accommodation and Food Services	0.36
Other Services	0.44
Canada	0.28

*Source: Government of Canada, SME, Regulatory Compliance Cost Report – September 2013.*

The overall economy-wide costs of standard business regulatory compliance in Canada was estimated to be over \$4.76 billion Canadian dollars. These compliance costs only measured standard business compliance costs in areas such as payroll, remittances, records of employment, tax filing and corporate regulations.



A study by McGregor-Lowndes and Ryan on the compliance costs of non-profit organisations<sup>83</sup> in Australia examined the contribution of different types of paperwork to the overall compliance burden. The paperwork was classified into four groupings: submissions which sought funding; acquittals which reported on actual funded activities; taxation returns such as Business Activity Statements; and other paperwork. Submissions and acquittals accounted for about half of the forms by number and also constituted the bulk of time spent on compliance. The results suggested average compliance costs of 1.74% of revenue and that most of the costs related to funding applications and acquisitions.

<sup>83</sup> McGregor-Lowndes, M and Ryan C, Queensland University of Technology, The Australian Journal of Public Administration, Vol 68, No.

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## 4.6 Summary

- ❑ As part of the research into the potential impact of the introduction of a 'Charity Passport' Scheme in Ireland, Indecon reviewed schemes in place internationally to provide better information on charities and non-profit organisations.
- ❑ In many countries including Ireland, attempts have been made to provide access to centralised datasets concerning charities. However, the main example of what has been termed a 'Charity Passport' is the experience in Australia.
- ❑ The Australian Charities and Not-for-profits Commission (ACNC) maintains a data register which is searchable by the public. It also provides access to the public information it collects for the purpose of sharing it with authorised government agencies. The 'Charity Passport' was designed with the intention of reducing the number of times charities report the same information to different government agencies. The 'Charity Passport' was launched in 2014 and was underpinned by a requirement that Government Agencies should use this data. However, Government policy changed subsequently and the use of the data is no longer mandatory. Indecon's research indicates that in practice some public agencies in Australia do not have the IT infrastructure to access the 'Charity Passport'.
- ❑ One of the most important findings of our international review is that while many other countries, including the United States and Canada, have developed a variety of systems and databases to help disseminate information on charities, none of the countries reviewed by Indecon have implemented a scheme which has removed the need for charities to report separately to funders and other organisations.
- ❑ In addition to examining the measures taken in other countries to provide centralised information, it is useful to consider international evidence on governance costs incurred by charities. New research on the estimated governance costs of 50 charities in the UK estimated governance costs ranging from 0.1% of turnover to 6.8%. In many cases for large charitable organisations governance costs were in excess of €1 million per annum, highlighting the significance of such costs. Other international research studies indicate compliance costs on charities to be between 1.74% to 2.1% of resources.

## 5 Costs and Benefits of a 'Charity Passport'

### 5.1 Forms of a 'Charity Passport'

One of the key issues which became evident in our research is that there is great variance in the interpretation of what a 'Charity Passport' would involve. At a basic level the existing Charities Regulator database represents 'a 'Charity Passport''. In this context it is noteworthy that the Australian Regulator indicated to Indecon that "the 'Charity Passport' is the information collected from charities by the ACNC, not the mechanism used to access it." There is however a very different concept whereby a centralised information data would be developed including the extensive information required by public agencies. Such an initiative would require the accuracy of the data to be verified and for information to be up to date. It is only if an expanded information database including detailed performance measures was developed that there would be the likelihood of achieving a marked reduction in compliance costs. The above assessment is consistent with the view of Pobal who during the consultation noted that "the full benefit of any future passport concept could only be fully realised when there is a whole-of-government agreement on financial statements and other forms of governance reporting."

There is therefore no generally accepted definition as to what a 'Charity Passport' is, and what role it should play and depending on what is envisaged the costs and benefits are likely to vary. Indecon's analysis indicates the costs and benefits of any 'report once, use often' initiative depend upon:

- The range of information that is collected centrally and made available to other organisations.
- The extent to which the powers to collate data from charities include compulsion, or whether it is voluntary.
- Whether the information is collected and validated, or just collected.
- The number of non-profit organisations included in any database. For example, whether it is confined to registered charities or includes all non-profit organisations.
- The extent of take-up by public agencies.
- The extent to which it reduces the need for charities to separately submit detailed information to funding and other organisations.

In the next Table we set out the different forms that a 'Charity Passport' could take. Indecon's assessment is the 'Charity Passport' in Australia is based on Option 1 and that this option is also largely aligned with existing initiatives in Ireland. Option 2 would involve a more centralised database but funders would require individual reporting to meet their needs. Option 3 would involve a radical comprehensive whole-of-government centralised database which would meet most of the reporting requirements. Indecon is not aware of any example of Option 3 currently in operation internationally.

Table 5.1: Possible Forms of a 'Charity Passport'

<b>Option 1: Evolution of Existing Databases</b>	Charities Regulator data to be provided as is currently the case with enhancements including integration of SORP accounts. <ul style="list-style-type: none"> <li>Continued development of a database similar to that operated by Benefacts and other information on charities.</li> <li>Ongoing development of Governments Open Data Portal</li> <li>Information required by divisions within individual funding organisations to be co-ordinated.</li> </ul>
<b>Option 2: Expanded Centralised Database</b>	<ul style="list-style-type: none"> <li>Data on additional aspects of charities to be collected</li> <li>Information validated</li> <li>Regulators and funders to continue to require reporting bilaterally</li> </ul>
<b>Option 3: Creation of Comprehensive Government Compliance Passport</b>	<ul style="list-style-type: none"> <li>Agreement by regulators / funders on streamlining of information to be included in centralised database</li> <li>Up-to-date data to be included</li> <li>Information validated and shared between public organisations</li> <li>Most of reporting requirements to be provided via database.</li> </ul>

Sources: *Indecon*

## 5.2 Main Potential Category of Costs and Benefits of a 'Charity Passport'

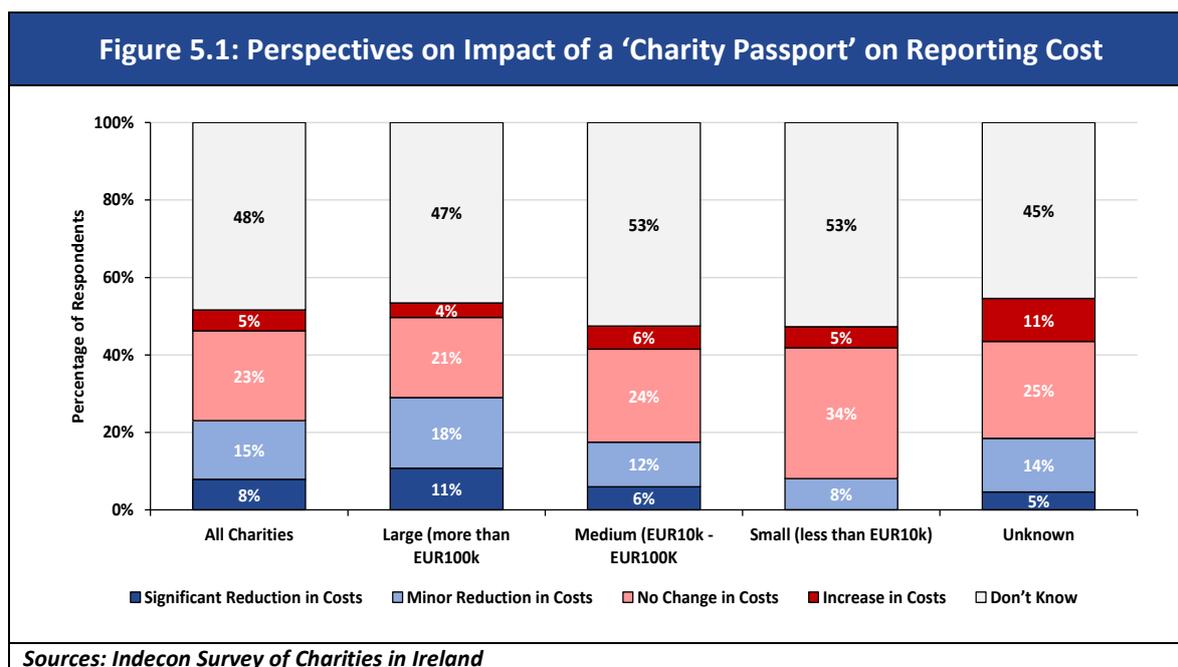
A summary of the main types of potential benefits and costs of a 'Charity Passport' is shown in the next table. As noted in Section 5.1 the extent of the costs and benefits will vary depending on what the 'Charity Passport' includes.

Table 5.2: Summary of Costs and Benefits of a 'Charity Passport' Scheme

	Benefits	Costs
<b>Public Agencies</b>	<ul style="list-style-type: none"> <li>Some potential reduction in internal costs for public agencies in overseeing compliance</li> <li>Increased confidence in charities among funders, regulators and general public</li> <li>May support other Government initiatives, such as Open Data Strategy</li> </ul>	<ul style="list-style-type: none"> <li>Could require significant set up and ongoing capital and operation costs</li> <li>Costs in personnel to align information sought with needs of funders and other users</li> <li>Risk that Passport is not widely taken up by other agencies, reducing benefit</li> </ul>
<b>Registered Charities</b>	<ul style="list-style-type: none"> <li>Potential reduction in reporting costs</li> <li>Process of creating Passport may result in greater consistency of regulations across different agencies</li> <li>Potential increased confidence in sector</li> </ul>	<ul style="list-style-type: none"> <li>Risk that this creates another 'layer of bureaucracy' which increases compliance costs</li> </ul>

Source: *Indecon*

The main potential benefit of a 'Charity Passport' would be the reduction in reporting costs faced by charities. However, significant cost reductions would not arise in some options and a 'Charity Passport' scheme would require investment and ongoing costs. Indecon's analysis suggests that among the sector and other stakeholders there is a wide range of potential interpretations of the definition for a 'Charity Passport' scheme. Reflecting the range of possible options and the uncertainty on what a 'Charity Passport' would involve in practice, nearly half of the charities were not in a position to evaluate whether a 'Charity Passport' would reduce reporting costs. However, of those who expressed a view, only a very small percentage judged that it would result in a significant reduction in reporting costs. The differentiation in scale of potential costs and benefits is discussed in Section 5.3.



Some organisations consulted by Indecon expressed the opinion that the 'Charity Passport' would not significantly reduce reporting requirements because of the different requirements of agencies. As one stakeholder indicated:

***“Much of the reporting to the funder is specific to that body and access to the data returned to other bodies would undoubtedly help, it would still leave a significant amount of funder-specific data to be returned.”***

This view is aligned with Indecon's assessment that there are very significant differences in the required information of funders in different sectors. This is also reflected in the comments from the charities and other stakeholders consulted as presented overleaf.

### Figure 5.2: Respondent Charities' Concerns on the Need for Wide Uptake of 'Charity Passport'

*"While in theory a good idea the passport system will only work if government funders and agencies actually adopt it across the board."*

*"If it [the 'Charity Passport'] succeeded in consolidating reports given in various formats to various agencies, it could help, but without a solid agreement by agencies to recognise the passport, it's likely to just be extra work."*

*"'Charity Passport' sounds like a good idea once all the entities involved have the dots joined."*

*"The development of a 'passport model' is a very welcome one, however it would be predicated on complete engagement in particular of the HSE/Department of Health."*

*"Government funders would have to agree that this information could replace current reporting requirements. There would be a huge benefit in standardising the reporting output as providing individual reports causes huge pressure on our finance team and system changes are an ongoing issue for us in terms of being able to capture the data coming in so we can report appropriately."*

*"It is difficult to gauge exactly how beneficial a 'Charity Passport' would be as it will depend on how many of the authorities we report into would accept the passport."*

**Sources: Input to Indecon**

There are potential benefits of a 'Charity Passport' scheme, if it was possible to design it in a way where no further information was required by funders or other bodies. Some illustrative potential benefits from a 'Charity Passport' are presented below. This suggests that if 'Charity Passport' represented a one-stop shop for all reporting and if it cut down on duplication, it would be of value. This would require the development of a comprehensive 'government compliance passport' as outlined in Figure 5.2.

### Figure 5.3: Selected Quotes from Respondent Charities on the Potential Benefits of a 'Charity Passport'

*"It could make things easier for everyone if there is a one stop shop for all reporting and the reporting templates were agreed by all. But different agencies require very different things that can be very specific, e.g. a complaint reporting mechanism or monitoring use of a service by a very specific cohort or people. Somethings are just specific to one agency and would not be necessary to post on the 'Charity Passport'."*

*"It would hopefully cut down on duplication. We are a totally voluntary organisation and anything which would decrease the amount of form filling and reporting to statutory bodies would be of great benefit to us."*

*"Yes, I think this would be a good, positive development for the charities sector. It would involve some additional costs initially but, in the longer term, it would increase transparency and improve public confidence in the sector."*

**Sources: Input to Indecon**

Developing additional centralised databases would involve capital and on-going costs in the establishment and maintenance of an appropriate system. There are also costs which could be incurred by charities if comprehensive information was required from all charities. A selection of issues raised by charities is reported in the following figure.

#### Figure 5.4: Selected Quotes from Respondent Charities on Potential Costs of a 'Charity Passport'

*"Inevitably it will involve an increase in costs in having yet more compliance obligations being imposed even if just once off."*

*"We are a small rural group, and we would not relish lots more paperwork. We do not have members with good I.T. skills."*

*"We would have a concern that a 'Charity Passport' might become yet another layer of administration for charities to comply with. Many State agencies require different information as part of funding proposals and we feel that the first step of any 'Charity Passport' system would be to standardise requirements for all governmental funding."*

*"A passport would in theory standardise our reporting requirement. We would have to establish a centralised administration system to support the requirement. Concern that this may be an additional requirement as funders have very specific reporting requirements that may not fall under the passport scheme."*

*"Each funder requires different details, e.g. copies of Finance Policy and Procedure Manual should be standard for all funders so that we don't have to do up separate and could just use one Policy and Procedure Manual for all funders."*

**Sources: Indecon Confidential Information Request on Behalf of Charities Regulator of Registered Charities in Ireland**

Many of the views expressed by charities regarding the potential costs and benefits of a 'Charity Passport' scheme were also reflected in the comments of public agencies that Indecon consulted with as part of this study. Some illustrative examples are presented in the figure below.

#### Figure 5.5: Summary of Views of Public Bodies

- Awareness that reporting requirements place a burden on charities.
- Need among funding bodies to have robust tracking mechanisms to ensure adequate oversight of bodies they fund. Significant reputational pressure on public bodies.
- Some public bodies have their own systems which meets their requirements, and have been developing them over a number of years.
- Others rely in part on external sources of information.
- Extent of information requirements differs between different bodies.
- Introduction of standardised accounting (i.e. SORP) viewed as potentially helpful.
- Public agencies would see some potential advantages of 'Charity Passport', though many highlight that this would involve significant investment in implementing new systems.
- Legislative and other policy changes may be needed to take full advantage of a 'Charity Passport'.

**Sources: Input to Indecon**

### 5.3 Indicative Modelling of Potential Costs and Benefits

The detailed analysis outlined in this report indicates a range of potential benefits and costs of developing a 'Charity Passport'. It is very difficult to attempt to precisely quantify the overall costs and benefits of introducing a 'Charity Passport' scheme at this concept stage and these costs and benefits will vary by the type of options envisaged. As part of this study, Indecon engaged in an in-depth consultation with charities, representative bodies and public agencies regarding the costs and benefits of introducing a 'Charity Passport' type scheme. Indecon also conducted a detailed survey of nearly 1,000 charities regarding the costs and benefits of a 'Charity Passport' and reviewed the cost of governance faced by charities.

In considering the potential costs and benefits as set out in the Government's Public Spending Code, as well as defining different options for any proposed public expenditure, it is also necessary to identify and examine a benchmark or counterfactual for comparative purposes. The counterfactual involves an assumption about the future state of the world in the absence of the project. Commonly used counterfactuals include 'do nothing', or 'do the minimum' options. The Public Spending Code states that counterfactuals based on the 'do nothing' scenario are often unrealistic as they do not reflect the most likely alternative in the face of a decision not to proceed with a project. As such, Indecon has modelled the impact of 'do minimum' option which would involve the continued development of the existing centralised databases. This would *inter alia* involve the introduction of Charity SORP, which is dependent on certain amendments being made to the Charities Act 2009. Two other options are also presented.

Table 5.3: Counterfactual and Potential Options		
<b>Option 1</b>	Counterfactual 'Do minimum' option. This option we refer to as <b>Evolution of Existing Initiatives</b> .	Continue to develop existing centralised databases.
<b>Option 2</b>	New Centralised Database - Limited agency take-up. This option we refer to as <b>Expanded Centralised Database</b>	Develop expanded database with agreed data and reporting standards among agencies - limited take-up among agencies and requirement for charities to separately submit information to funders.
<b>Option 3</b>	New Centralised whole-of-Government Database - Widespread agency take-up. This option we refer to as <b>Comprehensive Government Compliance Passport</b> .	Develop new database with agreed data and reporting standards among agencies – high level of take-up among agencies and for the Compliance Passport to meet most of ongoing needs of funders.
<i>Source: Indecon</i>		

In our indicative modelling of the costs and benefits we include a number of technical assumptions as summarised in the table below, and discussed in subsequent paragraphs.

Table 5.4: Model Technical Assumptions	
Time period for analysis	10 years
Discount rate used	4%
Shadow price of public funds	130%
<i>Source: Indecon</i>	

The time period for analysis used is based on guidance from the Department of Public Expenditure and Reform's recent review of the Public Spending Code. This suggests that the relevant time horizon for analysis should be set having regard to the asset, project or intervention's lifetime taking into account its nature and impacts. This is aligned with best practice. Residual values, to capture any impacts/values beyond the lifetime, should also be included. In Indecon's judgement, given the relatively rapid change of IT infrastructure and the growth and the changing reporting needs in the charity sector, it is prudent to limit the time period to 10 years and to assume no residual value.

On the issue of the discount rate which is needed to calculate net present values and cost-benefit ratios, the latest technical advice from the Department of Public Expenditure and Reform suggests that an appropriate value for the Social Discount Rate in Ireland is 4%. Indecon utilises this in our analysis.

A shadow price of public funds has been used in our modelling. Any public expenditure would have to reflect an appropriate valuation for the Shadow Price of Public Funds which is set in the Public Spending Code at 130%. This is based on potential distortions related to taxation.

In addition to the technical model parameters, it is necessary to consider the potential reduction in governance costs for both the counterfactual and the other options for inclusion must be included in the model. As part of our consultations we explored the issue of costs with a major funder who had invested in systems to liaise and monitor charities which they fund and which includes monitoring of detailed performance measures. We also reviewed the costs incurred in developing other databases including databases for the charity sector. It is, however, exceptionally challenging to attempt to quantify the overall costs involved. This reflects the fact that estimates of the potential cost are difficult to ascertain until there is agreement on the precise specifications for any such initiative. In our modelling we assume, under Option 1, investment in the development of upgrading of existing databases and technology of €0.5m in Year 1 and a further investment of the same level in Year 6. We assume annual operating costs of €2m per annum. In Option 2, we assume investment in a new database of €4m in Year 1 and a similar level of investment in Year 6. Estimated annual operation costs of €4m per annum is utilised in the modelling. For Option 3, involving the more expanded databases and interface technology, it is assumed that capital investment of €6m will be required in both Year 1 and Year 6. Annual operating costs of €7m is included to reflect the much wider scope of data coverage. We have also tested the finding in our scenario analysis.

It is also challenging to quantify the potential benefits arising from reduced reporting costs. Indecon, however, has evaluated the costs faced by a number of charities as well as existing international estimate. Based on our analysis we believe an appropriate assumption to use in our modelling is that on average reporting costs of around 0.84% as a percentage of revenue represent an appropriate measure of existing reporting costs. We also make indicative estimates of how these costs will be impacted by different options based on our understanding of what levels of reporting represent the costliest aspects for charities. These cost savings will be influenced by the level of take-up by public agencies and by the percentage of non-profit organisations concerned.

Our base case assumptions on reporting cost savings are presented overleaf. In Option 1, we assume the level of reporting costs savings arising from the evolution of the existing database will result in a 5% reduction in annual reporting costs. In Option 2, a 7.5% reduction is envisaged. However, it is in Option 3 that most significant savings in reporting costs are expected amounting to 20% reduction in annual costs. The balance (80%) of reporting costs will in our judgement continue to be incurred.

In our scenario analysis we examine the impact of changes in the underlying estimates.

<b>Table 5.5: Assumptions on Level of Take-Up of Different Options</b>			
	<b>Option 1 Evolution of Existing Initiatives</b>	<b>Option 2 Expanded Centralised Database</b>	<b>Option 3 Comprehensive Government Compliance Passport</b>
Use by Public Agencies	70%	70%	80%
Percentage of Non-Profits Covered	75%	75%	90%
Reduction in Reporting Costs	5%	7.5%	20%
<i>Source: Indecon</i>			

A summary of the results of the analysis is presented in the next table. The results on the economic cost-benefit ratios measure the net benefits of the options. When there is a negative cost-benefit ratio, the benefits are less than the cost and the project should not proceed. This is also evident from what is referred to as the NPV or Net Present Value. Net Present Value is defined as the net benefit flow from a project and "this technique enables one to add up all the benefits of an investment and subtract the costs. Both the benefits and the costs are discounted back to the specified time period in order to give the present value of the investment."<sup>84</sup>

The results suggest that there are likely to be net benefits from Option 1 in so far as it entails the evolution of existing measures to enhance centralised information including the initiatives by Charities Regulator to introduce Charity SORP and efforts by individual funding organisations to co-ordinate information requests from different units within their organisations. However, if Option 2 was adopted to develop a new expanded centralised database and there was low take-up, and if funders and other agencies continued to require

<sup>84</sup> See Gray, A. W. 1995 Op cited.

bilateral reporting, the net impact would likely be negative. The results also suggest that there are potential net positive benefits from Option 3, namely the introduction of a whole-of-Government Compliance Passport scheme but only if it resulted in a significant reduction in compliance costs. While the ratio of Option 3 is higher than of Option 1, it would involve higher level of capital costs and would only be justified if there was agreement by funders and other organisations that the information would meet most of their needs. The benefits and costs in our modelling are in addition to any savings arising from existing databases.

<b>Table 5.6: NPV of Estimated Cost and Benefits of 'Charity Passport' (10 Year)</b>			
	<b>Option 1 Evolution of Existing Initiatives</b>	<b>Option 2 Expanded Centralised Database</b>	<b>Option 3 Comprehensive Government Compliance Passport</b>
<b>NPV of Capital Cost over 10 years (€m)</b>	1.18	9.47	14.21
<b>NPV of Operational Cost over 10 years (€m)</b>	21.93	43.86	76.76
<b>NPV of Reduction in Charity Governance Costs over 10 years (€m)</b>	27.00	33.48	122.43
<b>Net Present Value of option (€m)</b>	3.88	-19.86	31.46
<b>Benefit/Cost Ratio</b>	1.17	0.63	1.35
<i>Source: Indecon</i>			

## 5.4 Scenario Analysis

In line with the Public Spending Code, it is appropriate to consider the impact on the overall costs and benefits of the options using alternative assumptions for the key variables. Specifically, we have modelled the impact of changes in:

- Levels of Investment and Capital Costs Involved;
- Operational Costs of the Proposed Options; and
- Scale of Reductions in Reporting Costs.

Our findings on each of these scenarios is presented overleaf.

### Higher Investment/Capital Costs

Our modelling of the likely capital costs has been based on an analysis of the costs of developing centralised databases and on the judgement of Indecon's internal experts. Indecon believes the estimates presented in the base case are reasonable assumptions for inclusion in the evaluation of the options at this conceptual stage. However, if a decision was made to proceed with the development of a new comprehensive 'Government Compliance Passport' scheme, a detailed IT specification based on analysis of data to be included would be required.

Given the experience of cost overrun of both public and private sector IT based projects, it is important to consider whether the cost-benefit appraisal of the broad options would change if the investment/capital costs were higher than assumed in our base case. In the scenario analysis we examine the impact if the capital costs for Option 2 and Option 3 were three times higher than in the base case. The results are presented below. These show that if capital costs increased then the comprehensive Government Compliance Passport would not be justified.

<b>Table 5.7: Impact on Cost/Benefit Appraisal of Higher Capital Costs</b>			
	<b>Option 1 Evolution of Existing Initiatives</b>	<b>Option 2 Expanded Centralised Database</b>	<b>Option 3 Comprehensive Government Compliance Passport</b>
<b>Benefit/Cost Ratio</b>	1.168	0.45	0.99
<i>Source: Indecon Modelling</i>			

### Higher Operating Costs

Indecon estimates of operating costs of the options have been guided by our review of the experience of other organisations in developing new databases including those dealing with the charity sector. It is, however, important to examine the impacts if the operating costs are higher than envisaged. In our scenario analysis we examine the impact of assuming that operating costs of Option 2 and Option 3 are three times the levels assumed. The results of the cost-benefit appraisal assuming higher operating costs are presented in the next table. This shows that the net benefits are very sensitive to any escalation in operating costs.

<b>Table 5.8: Impact on Cost/Benefit Appraisal of Higher Operating Costs</b>			
	<b>Option 1 Evolution of Existing Initiatives</b>	<b>Option 2 Expanded Centralised Database</b>	<b>Option 3 Comprehensive Government Compliance Passport</b>
<b>Benefit/Cost Ratio</b>	1.17	0.23	0.48
<i>Source: Indecon Modelling</i>			

### Lower Savings in Governance Costs

The other major uncertainty regarding the options concern the level of savings in governance costs which would be secured. In our analysis we consider two separate scenarios, one where savings in governance costs are half of what was assumed and a more optimistic assumption where the savings were 50% higher than in our base case. The results are presented in the next table. The results highlight the importance of any initiatives which reduce the governance costs faced by charities.

Table 5.9: Impact of Alternative Impacts on Governance Costs

	Option 1 Evolution of Existing Initiatives	Option 2 Expanded Centralised Database	Option 3 Comprehensive Government Compliance Passport
Benefit/Cost ratio if savings in Options 2 and 3 are half levels envisaged	1.17	0.30	0.65
Benefit/Cost ratio if savings are 50% higher in Options 2 and 3	1.17	0.91	1.94
<i>Source: Indecon</i>			

Our overall analysis of the costs and benefits indicate that a Comprehensive Governance Compliance Passport specifically for the non-profit sector which would meet most of the reporting needs of funders would involve significant investment in a centralised system. It would also require investment in the technological interface with funders and other public agencies although a common IT system would not be necessary. It would involve new centralised databases for the sector, significant up front and on-going investment would be needed. Such investment would only be justified if it significantly reduced governance costs on charities and other non-profit organisations. Illustrative cost-benefit modelling was undertaken based on a 10-year project economically useful life span, a 4% discount rate and 130% shadow price of public funds. The results of our modelling suggest that if such an initiative only partially met the needs of funders and other public agencies and if charities had also to separately submit most of the very detailed data requested by individual agencies then the scheme would have a cost benefit ratio of less than one. An economic cost-benefit ratio of less than one means that the benefits for society are less than the costs and the project should not proceed. If, however, agreement in the future is secured on centralised data requirements which would significantly reduce the need for charities to provide data to individual funders and public agencies, a positive net benefit would arise. Based on our review of the type of information required by different funding bodies and by other public agencies, Indecon has some doubts about whether a streamlining of information requirements could be achieved to the extent whereby a centralised database would significantly reduce charities' reporting costs. This however requires on-going consideration by the key funders and other agencies and any streamlining and sharing of data, which would reduce reporting costs, should be supported.

## 5.5 Implementation Issues

If it was decided to proceed with the implementation of a centralised government compliance passport there are a number of significant implementation issues which would need to be addressed.

In order to maximise the benefits of introducing a new Comprehensive Government Compliance Passport, a number of legislative and policy changes would be required. For example, legislation to require charity SORP accounts. There may also be changes needed to meet the legislative requirement of accounting officers to facilitate use of information collected by a separate agency. There would also be a need for changes in the established practices of public agencies. Proceeding with this initiative without these changes being addressed would likely result in a much more limited take-up of the scheme and would not be justified. Examples of some of these issues are outlined in Figure 5.6 below. Indecon would stress that this list is non-exhaustive and is for illustrative purposes. If it was decided to proceed with Comprehensive Government Compliance Passport a more detailed examination by a committee of funders supported by specialised legal and technology advisers would be needed.

**Figure 5.6: Legislative/Policy Changes Possibly Needed to Maximise 'Charity Passport' Benefits**

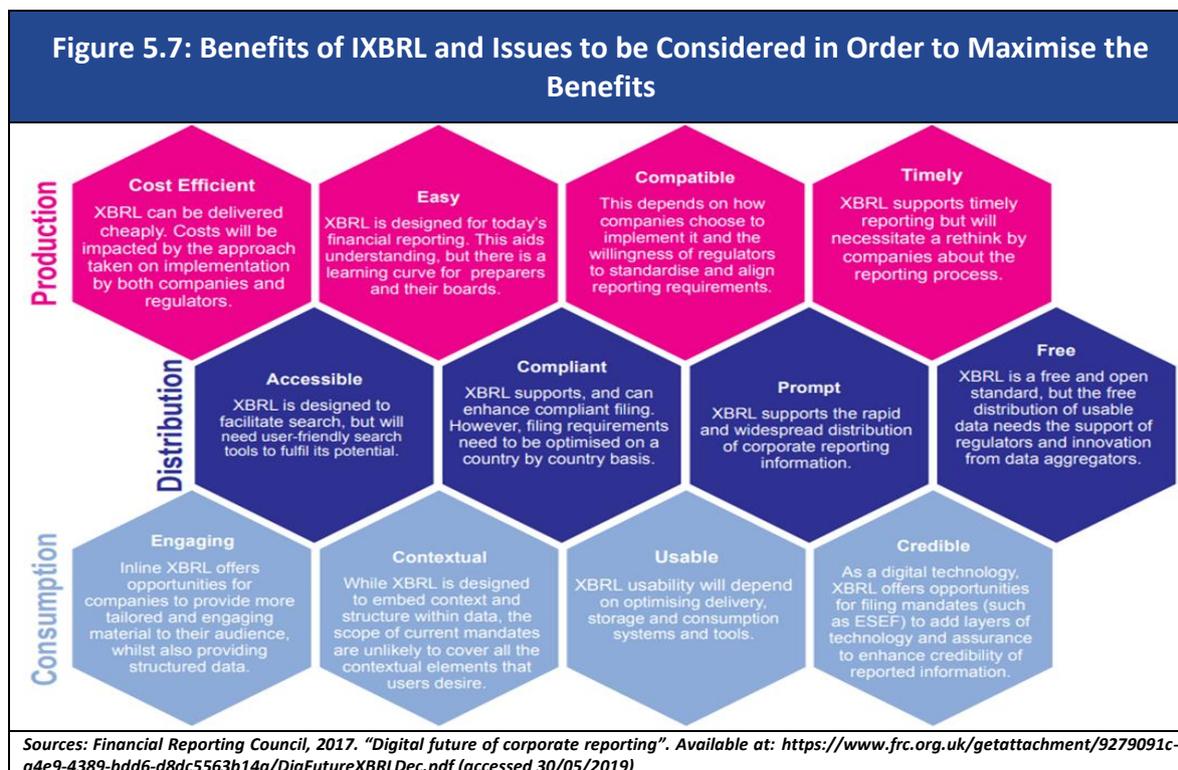
- Legislative changes to require compliance by charities and use of data by funders
- Legislative changes to allocate responsibility for the 'Government Compliance Passport' to a specific organisation if required
- Changes to the requirement for physically signed accounts
- Agreement on centralised compliance requirements
- Integration with Government Portal and Open Data Strategy
- Approval of use of 'Government Compliance Passport' by agencies needed by C&AG and DPER (Circular 13/2014)

*Sources: Indecon Correspondence with Charity Stakeholders*

A more developed 'Government Compliance Passport' database scheme, such as Option 3, would need to be comprehensive and regularly updated, and underlying data would need to be verified. The scope of the database would also need to include a wider range of organisations than those currently included in the Charities Regulator's Register of Charities. This is because the issues associated with multiple reporting and information requirements arise in the context of the wider non-profit and community and voluntary sectors and thus are not limited to charities. For the effective introduction of a Comprehensive Government Compliance Passport, it would be important that efficient technology is adopted in obtaining information from non-profit organisations and in facilitating its re-use. One option would be to use the same technology which the Revenue Commissioners currently require larger companies to use, namely eXtensible Business Reporting Language (XBRL).<sup>85</sup> This is the international standard for sharing business information and is used by companies

<sup>85</sup> <https://www.revenue.ie/en/companies-and-charities/submitted-financial-statements/index.aspx> (accessed 30/05/2019)

to meet the reporting requirements of over 100 different regulators in 70 countries on either a mandatory or voluntary basis.<sup>86</sup> Since 2010 it has been mandatory for all companies to use XBRL when filing financial statements with the UK Revenue service, (HMRC).<sup>87</sup> XBRL is presented as a series of tags and numbers, which enable documents to be presented in a format that is both human and machine readable. It is intended that this format will become common across Europe from 2020 onward to allow for data sharing and legislation has been developed for this purpose, the European Single Electronic Format.<sup>88</sup> Figure 5.7 provides an overview of the benefits of XBRL in terms of production, distribution and consumption along with issues that need to be considered in order to make it effective.



XBRL means that paper filing as well as pdf filing will no longer be acceptable formats in which to file accounts. The benefits of XBRL filing for transparency in charities and for making governance more efficient was also highlighted by one of the charity stakeholders consulted by Indecon. However, it must be acknowledged that there would be costs to non-profit organisations in presenting files in this format (in terms of staff time and having individuals able to deal with the technology as well as having the necessary technology in the first place) and these costs would place a greater burden on smaller charities than on their larger counterparts (who in many cases already use XBRL).

<sup>86</sup> Financial Reporting Council, 2017. "Digital future of corporate reporting". Available at: <https://www.frc.org.uk/getattachment/9279091c-a4e9-4389-bdd6-d8dc5563b14a/DigFutureXBRLDec.pdf> (accessed 30/05/2019)

<sup>87</sup> <https://www.gov.uk/government/publications/xbrl-guide-for-uk-businesses/xbrl-guide-for-uk-businesses> (accessed 30/05/2019)

<sup>88</sup> <https://www.esma.europa.eu/policy-activities/corporate-disclosure/european-single-electronic-format> (accessed 30/05/2019)

The above is only illustrative of potential technological options and would need more detailed specification and evaluation if an agreement was secured on the scope of the information to be included in any future Government Compliance Passport.

## 5.6 Summary

- ❑ Developing a Comprehensive Government Compliance Passport would involve capital and operational costs both in the establishment and maintenance of an appropriate system. There are also some potential costs which could be incurred by charities if comprehensive information was required from all charities in XBRL format for example.
- ❑ While there is inevitable uncertainty regarding the likely quantified costs and benefits, Indecon has developed some indicative modelling of the potential and costs and benefits of different options. The results suggest that there are likely to be net benefits from the evolution of existing measures to enhance centralised information including the initiatives by Charities Regulator to facilitate the introduction of Charity SORP, and the co-ordination of information requests within individual funding organisations. However, if the option was to develop a new expanded Comprehensive Government Compliance Passport and there was low take-up by state agencies, and if funding agencies continued to require bilateral reporting, the net impact would likely be negative. The results also suggest that there are potential net positive benefits from the introduction of a Government Compliance Passport but only if it resulted in a significant reduction in reporting costs.

## 6 Key Findings and Recommendations

### 6.1 Key Findings

Table 6.1: Summary of Key Findings	
1.	The Australian Charity Passport Scheme is in effect a centralised database, which contains information largely similar to what is already available on the Charities Regulator's Register of Charities.
2.	There is a significant cost for some charities in meeting the information requirements of funders and other agencies in Ireland at present.
3.	While many countries internationally have developed a variety of systems and databases to help re-use information on charities, none of the countries reviewed by Indecon have implemented a 'Comprehensive Government Compliance Passport' scheme which has removed the need for charities to bilaterally submit other information to regulators and funders.
4.	The proposed requirement for charities to prepare financial accounts in line with guidelines in the Charity SORP represents a potentially important initiative. However, amendments to the Charities Act 2009 are required to facilitate its introduction.
5.	A comprehensive Government Compliance Passport would be technically feasible in Ireland but the merits of proceeding with this would be dependent on establishing a whole-of-government approach to governance reporting. Simply sharing access to existing centralised data would not remove multiple reporting requirements.
6.	The development of a new comprehensive Government Compliance Passport is only likely to have a net positive economic benefit-cost ratio if it significantly reduces charities' governance costs.

- 1. The Australian Charity Passport Scheme is in effect a centralised database which contains information largely similar to what is already available on the Charities Regulator's Register of Charities.**

The Australian system has an electronic facility to facilitate a bulk access by government agencies to the available information on various charities collected by the Australian regulator. The information provided is of value but does not replace the type of detailed performance data required by funders and other organisations. The information available using the 'Charity Passport' in Australia is similar to the information already contained in the Charities Regulator's Register of Charities, the Benefacts database and the Irish Government's open data portal.

- 2. There is a significant cost for some charities in meeting the information requirements of funders and other agencies.**

There is a significant cost faced by many charities in meeting the continued information requirements of funders and other agencies. This reflects the importance for funders and other public agencies in ensuring that charities operate to the highest standards and that information is obtained to evaluate the effective use of scarce public funds. While Indecon's research indicates that the Charities Regulator's information requirements do not impose significant reporting costs on charities, charities face significant costs in meeting the combined requirements of funders and other agencies. This finding is consistent with existing international research. An analysis of new empirical research by Indecon of the governance costs of a sample of Irish charities showed that these were significant and ranged from €159,000 to over €1.3 million and as a share of resources

ranged from 0.5% to 3.1%. The significance of costs in meeting, reporting and other requirements of funders and other agencies, was aligned with estimates of governance costs of charities in the UK examined by Indecon. It is also consistent with the views expressed by stakeholders during our extensive consultation programme. This suggests that any cost-effective initiatives which would reduce reporting costs should be given a high priority.

3. **While many countries internationally have developed a variety of systems and databases to help re-use information on charities, none of the countries reviewed by Indecon have implemented a ‘Comprehensive Government Compliance Passport’ scheme which has removed the need for charities to bilaterally submit other information to regulators and funders.**

An awareness of the need to follow the principle of “report once, use often” has led governments and other organisations to develop databases and other initiatives to share information on charities. However, none of the initiatives has removed the need for charities to also meet other reporting requirements of funders which arise on a bilateral basis.

4. **The proposed requirement for charities to prepare financial accounts in line with guidelines in the Charity SORP represents a potentially important initiative. However, amendments to the Charities Act 2009 are required to facilitate its introduction.**

A standardised format for certain core documentation and practices, particularly in relation to financial accounts and governance requirements, represents important avenues for reducing some aspects of reporting cost of charities. While there will be some costs for charities in meeting Charity SORP once introduced, its introduction will have wider benefits in terms of standardising financial reporting and increasing transparency and trust in the sector. Detailed data of this nature could be used by other agencies.

5. **A comprehensive Government Compliance Passport would be technically feasible in Ireland but the merits of proceeding with this would be dependent on establishing a whole-of-government approach to governance reporting. Simply sharing access to centralised data would not remove multiple governance requirements.**

There is no technical or policy reason why an extensive ‘Government Compliance Passport’ type database scheme could not be feasible in an Irish context. However, given the likely capital and operating costs in establishing and maintaining such a facility, the case for proceeding with this would be dependent on establishing a whole-of-government approach to governance reporting by charities. Without this, Indecon believes the benefits would not justify the costs involved. Such a concept would require a standardisation of information requirements by funders and other agencies to an extent which may be difficult to achieve in the short run.

6. **The development of a new comprehensive Government Compliance Passport Scheme is only likely to have a net positive economic benefit-cost ratio if it significantly reduces charities’ reporting costs.**

A new centralised ‘Government Compliance Passport’ database scheme specifically for the non-profit sector, which would meet most of the reporting needs of funders, would involve significant investment in a centralised system. It would also require investment in the technological interface with funders and other public agencies although a common IT system would not be necessary. It would require on-going administrative costs in collecting, monitoring and verifying up to date data on a very wide range of metrics. Most importantly, it would require agreement by public agencies

on what data is required. If such a mechanism was developed it could facilitate a situation where charities were only required to provide information on a once off basis which would then be used by different public agencies. The rationale for such a Government led scheme for the non-profit sector, is the same as that underlying the Government's National Data Strategy. This has involved the development of the Government's open data portal. Responsibility for the development of such an initiative is in Indecon's opinion an issue for central government and is much wider than the statutory remit of the Charities Regulator which regulates a subset of the wider not-for-profit sector.

## 6.2 Recommendations

A summary of recommendations is outlined below.

Summary of Recommendations
<b>1. Individual funding and regulatory agencies should review their current reporting requirements.</b>
<b>2. A 'Forum of Funders/Regulators' should be established to help coordinate reporting requirements, and identify areas where information requests could be streamlined.</b>
<b>3. Funding agencies should consider including an allowance for the cost of reporting by charities in making funding decisions.</b>
<b>4. If a decision is made to proceed with a comprehensive Government Compliance Passport, careful consideration needs to be given to ensuring that this is done in a way which maximises the utilisation of the data.</b>

### **1. Individual funding and regulatory agencies should review their current reporting requirements.**

Before considering the merits of introducing an inter-agency system of data sharing and re-use such as a comprehensive government compliance passport for the charities sector, regulatory agencies and funding organisations should ensure that as a first step there is re-use of data internally within their organisations, and that all data being collected is required for the effective discharge of their statutory duties. There is also a need to ensure that there is consistency within large funding organisations on the formats and templates requested by different units within their organisations and that there is one point of information co-ordination in their organisations. For some funding organisations such as Pobal our consultations suggest that if an applicant is applying for funding under multiple schemes, they do not have to furnish documentation sets if they have already provided them to Pobal and if they are still in date. A single point of contact in large funders responsible for maintaining the collection, maintaining and sharing of information from voluntary providers is strongly recommended.

### **2. A 'Forum of Funders/Regulators' should be formed to help coordinate reporting requirements, and identify areas where information requests could be streamlined.**

Consideration should be given to the formation of a forum whereby funders and regulators would investigate the potential for the greater standardisation of information reporting requirements and how such information could be shared. While the Charities Regulator could play a role in such a forum, a wider whole-of-government approach would be necessary. Indecon notes that there is no

statutory basis on which the Charities Regulator could require information and data from charities that it did not need to carry out its own functions. In this context, Indecon notes that the IRG review group report (which examined the role of the voluntary sector in health care) proposed that public agencies agree a memorandum of understanding to re-use data provided to them, and which is publicly available, instead of asking voluntary organisations to provide data that has already been supplied elsewhere. Based on its research, Indecon would be very supportive of this proposal.

**3. Funding agencies should consider including an allowance for the cost of reporting by charities in making funding decisions.**

Complying with reporting requirements of funding agencies represents a cost for many charities. This should be recognised as an integral part of the provision of services on behalf of the State, and some allowance for this cost should be considered in concluding funding agreements. There is international recognition of the necessity to ensure charities have adequate resources to meet such requirements. As a result, many funders internationally provide grants to cover non-profit such costs.<sup>89</sup> Indecon understands that in Ireland this is also taken into account of by some funders as part of their evaluation of overall administration costs. While this is not directly related to the potential for a 'Charity Passport' Scheme in Ireland, this is an important issue identified as part of our stakeholder consultations and one which Indecon believes is valid to highlight in the context of this review.

**4. If a decision is made to proceed with a comprehensive Government Compliance Passport, careful consideration needs to be given to ensuring that this is done in a way which maximises take-up and use.**

In order to maximise the benefits of introducing any potential new Government Compliance Passport for the sector, a number of issues must first be addressed. In particular, policy and legislative changes may be needed to allow agencies to share and re-use data. Further, appropriate governance and verification procedures within public bodies and an appropriate technological infrastructure would be required. Indecon notes that some large public organisations who are major funders of the sector have developed at significant cost their own internal systems to meet their information requirements and to interact with organisations in the charities sector. The full benefits of any more comprehensive scheme would only be realised if the information collated meets the needs of the public agencies and if charities comply with the data requirements. This is an issue which could be considered further by the recommended 'Forum of Funders/Regulators'.

### Overall Conclusion

Indecon's analysis suggests that the 'Charity Passport' scheme implemented in Australia is similar in many ways to the existing centralised databases and information sources available in Ireland, the Charities Regulator's Register of Charities and the data available on the Government's open data portal and on the Benefacts database. Ongoing development of these or similar initiatives are likely to be of value. However, significant reductions in the reporting costs of charities would only arise if there was a whole-of-government approach to co-ordinate and streamline information requirements. While this longer-term initiative is being assessed, immediate gains can be achieved by ensuring that charities do not have to submit the same information multiple times to different

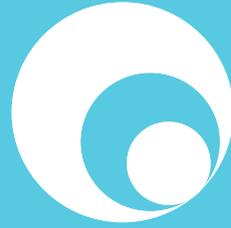
<sup>89</sup> See Knowlton. C (2015), When the Show Must Go On: Non Profits and Adversity, Non Profit Quarterly

divisions within individual funding organisations. Development of a memorandum of understanding by funders and other agencies to re-use data should also be prioritised.

Given the vital role played by charities and other non-profit organisations in Ireland, every effort should be taken to ease any unnecessary information requirements or duplication while maintaining key information to meet regulatory and accountability objectives.

## **Appendix 6 - Sample of Compliance Publications and Notices**

- a) Compliance Report 2017 (published 2018)**
- b) Statement regarding inspection of Good and New Shop (July 2018)**
- c) Section 66 Inspectors' Report: Solas – Galway Picture Palace CLG (May 2018)**
- d) Section 66 Inspectors' Report: G.L.E.N Company Limited by Guarantee (April 2018)**



An Rialáil  
Carthanas  
Charities  
Regulator

# Compliance Report 2017



August 2018

**This report is issued by the Charities Regulator pursuant to its functions under section 14 of the Charities Act 2009, which include promoting compliance by charity trustees with their duties in the control and management of charitable organisations and ensuring and monitoring compliance by charitable organisations with the Act.**

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# CEO Foreword

**This is the Charities Regulator's first compliance report. It covers our compliance activities during 2017.**

Although the Charities Regulator was established in 2014, the early focus was on establishing the Regulator as an independent entity and building a robust public Register of Charities.

The Charities Regulator did not receive its powers to protect charitable organisations (Part 4 of the Charities Act 2009) until September 2016. As a result, 2017 was the first full year when the compliance function was in operation.

We have used these powers to publish our first inspector's report in 2017 and commenced two further investigations during the year.

I am particularly pleased with the improvements and efficiencies in terms of our concerns process which occurred during the year. The development of our online concerns form allows members of the public to easily and efficiently raise a concern with us if they suspect a breach of the Charities Act 2009.

The number of concerns raised about charities has substantially increased year-on-year. The number that we received last year (531) represents about half of the total number of concerns we received from our inception in October 2014 to the end of 2017.

The areas of financial control and governance of charities have emerged as common themes from the concerns about charities. These emerging themes informed our selection of areas targeted for our first suite of guidance documents which included trustees' duties, internal financial controls and managing conflicts of interest.

We are grateful to those people who have raised concerns. They have assisted in our monitoring of charities and their compliance with the Charities Act 2009, and in doing so they have helped increase public trust and confidence in the management of charities.

One of the Charities Regulator's key functions is to ensure and facilitate the better administration and management of charities through the provision of information. The issues identified in section three, page 8 of this report provide valuable learnings for all charity trustees working to fulfil their duties to control and manage charities.

I am confident that with our plans to recruit additional professional staff and the introduction of a tailored case management system, which is currently being developed, we will enhance our compliance function capabilities.

We will continue to undertake our compliance work to assist us to deliver on our mission to create a vibrant, trusted charity sector that is valued for the public benefit it provides.



**John Farrelly**  
Chief Executive

**The number of concerns raised about charities has substantially increased year-on-year. The number that we received last year (531) represents about half of the total number of concerns we received from our inception in October 2014 to the end of 2017.**



# Executive Summary

**Last year, 2017, was the first full year the Charities Regulator had powers under the Charities Act 2009 (Part 4) to protect charitable organisations. These include powers to investigate the affairs of charitable organisations, to require production of documents and to impose intermediate sanctions.**

During the year, the Charities Regulator appointed inspectors to carry out statutory investigations into two charities. It published the inspectors' report into a third charity, in respect of which inspectors were appointed in 2016. Separately, it imposed intermediate sanctions on another charity.

The Regulator received 531 concerns in respect of 351 organisations during 2017 – a 67% increase on the number of concerns received during the previous year. However, the majority (52%) of organisations which were the subject of concerns were not registered charities.

An analysis of concerns raised since the Charities Regulator was established in October 2014, up to the end of 2017, shows the main category of concerns related to financial control and transparency (29%), legitimacy of a charity (23%) and governance issues (23%).

As part of its compliance work, the Charities Regulator met with 48 trustees and 18 other representatives of organisations during the year in relation to compliance matters. It also received 18 reports under section 59 of the Charities Act 2009 (possession of information that causes a person to form the opinion that offences under the Criminal Justice (Theft and Fraud Offences) Act 2001 has been, or is being, committed).

Some of the key issues which emerged from the Charities Regulator's compliance work were shared with charities and the wider public. An examination of the concerns received during 2017 highlighted recurring issues which were affecting the ability of charity trustees to meet their legal duties to effectively manage and control their organisations. These were categorised under six themes. The largest categories related to trustee duties and responsibilities and internal financial controls. These trends shaped the Charities Regulator's work, with guidance documents for charity trustees published on both issues.

The work of the Compliance Unit was also shared with the public. The Charities Regulator issued public information notices regarding house-to-house collections, and the Charities Regulator's work relating to shops, which are describing themselves as charity shops, but which are not part of registered Irish charities. It also published an information note on the Charities Regulator's role in respect of sales of charity land.

Two thematic reports were published during 2017 regarding registered charities holding shares in section 110 companies on trust, and compliance rates of registered charities with their annual reporting requirements.

## 2

## Background to the Charities Regulator

**The Charities Regulatory Authority or ‘Charities Regulator’ is a statutory organisation, set up in October 2014, to regulate and protect charities.**

The Charities Regulator has a number of statutory functions, such as setting up and maintaining the [Register of Charities](#)<sup>1</sup>, ensuring that charities comply with their legal obligations, investigating the affairs of charities and where appropriate issuing guidance to charities and charity trustees.

Charities are independent organisations run by charity trustees. They play a vital role in our society and provide public benefit in diverse ways to communities in Ireland and across the world.

The Charities Regulator may open a concern inquiry case about a charity or an organisation that is potentially in breach of the Charities Act 2009<sup>2</sup>. These alleged breaches may be brought to the Charities Regulator’s attention in a number of different ways, for example, by members of the public, through media reports, through monitoring or other aspects of the Charities Regulator’s work.



- 1 The Register of Charities is available at: <https://www.charitiesregulator.ie/en/information-for-the-public/search-the-charities-register>
- 2 The Charities Act 2009 is available at: <http://www.irishstatutebook.ie/eli/2009/act/6/section/1/enacted/en/index.html>

## 3

## Common issues identified

**During the course of managing concerns raised about charities and organisations during 2017, the Charities Regulator identified a number of recurring issues which are affecting the ability of charity trustees to meet their legal duties to effectively manage and control their charities.**

Specific issues identified during the course of managing a concern were addressed with organisations on an individual basis. However, as many of the issues arising were identified as being common to a number of different organisations, they highlighted a need to address the issues on a wider basis.

One of the Charities Regulator's functions is to encourage and facilitate the better administration and management of charitable organisations by the provision of information or advice.

These issues identified have shaped the Charities Regulator's work, as they informed the topics which the first suite of guidance documents addressed. Of the common issues identified, more than half related to trustees' duties and responsibilities or internal financial controls (see Table 1).

The Charities Regulator published 'Guidance for Charity Trustees' in July 2017. The Charities Regulator expects charities to be controlled and managed by charity trustees in a way which protects their charity's reputation and encourages public trust and confidence in their charity. The Charities Regulator holds the view that well-intentioned, well-informed charity trustees are key to increasing public trust and confidence.

The second guidance document 'Internal Financial Control Guidelines for Charities' produced by the Charities Regulator in 2017 addressed internal financial controls and is intended to provide support for trustees of small to medium sized charities on developing and implementing internal financial controls within their charity. Fundraising guidance 'Guidelines for Charitable Organisations on Fundraising from the Public' was published in September, covering a wide range of issues from donors and donations, to the responsibilities of trustees, management and fundraisers, to financial transparency and accountability.

Other emerging themes included issues related to fundraising, the lack of financial transparency, managing conflicts of interest and issues relating to unregistered charitable organisations. The recurring themes are listed in the table below, along with the guidance and support that is available to download from our website.

**Many of the issues arising were identified as being common to a number of different organisations, they highlighted a need to address the issues on a wider basis.**

**Table 1** - Common Issues identified

Theme	Common issues identified	Guidance and Support available
<b>Trustee duties and responsibilities</b>	<ul style="list-style-type: none"> <li>▶ Charity trustees not aware of their legal duties and responsibilities;</li> <li>▶ Charity trustees lack knowledge of the requirements and conditions in their charity's governing document;</li> <li>▶ Charity trustees not holding meetings/trustees not attending meetings;</li> <li>▶ Charity trustees making decisions without documenting those decisions in formal Board minutes;</li> <li>▶ Charity trustees making significant decisions without seeking out specialist advice;</li> <li>▶ Charity trustees allowing one or a group of trustees control the charity;</li> <li>▶ Charity trustees not aware of their legal obligations to the Charities Regulator around:               <ul style="list-style-type: none"> <li>- Making an annual return;</li> <li>- Keeping their details up to date on the public Register of Charities;</li> <li>- Disclosing suspected offences under the Criminal Justice (Theft and Fraud Offences) Act, 2001;</li> </ul> </li> </ul>	'Guidance for Charity Trustees' <sup>3</sup>
<b>Managing conflicts of interest</b>	<ul style="list-style-type: none"> <li>▶ Charities having too many connected persons as charity trustees;</li> <li>▶ Charities having no conflict of interest policy in place;</li> <li>▶ Charities not having a 'conflict of interest' standing agenda item;</li> <li>▶ Where a conflict exists, the conflicted charity trustees not being removed from the decision-making process;</li> <li>▶ Charities not recording how they managed conflicts that were identified;</li> </ul>	'Managing Conflicts of Interest' guidance <sup>4</sup>

3 Guidance for Charities Trustees - available at: <https://www.charitiesregulator.ie/media/1078/guidance-for-charity-trustees-july-2017.pdf>

4 Managing Conflicts of Interest guidance is available at: <https://www.charitiesregulator.ie/en/information-for-charities/guidance-for-charities>

Theme	Common issues identified	Guidance and Support available
<b>Internal financial controls</b>	<ul style="list-style-type: none"> <li>▶ A lack of documented financial policies and procedures in place;</li> <li>▶ No segregation of duties;</li> <li>▶ Cash not being counted in the presence of two people;</li> <li>▶ Receipts/acknowledgments not being issued for donations received;</li> <li>▶ Reconciliations not being performed;</li> <li>▶ Restricted and unrestricted income not being adequately identified and recorded;</li> <li>▶ No contracts of employment in place;</li> <li>▶ Lack of supporting documents to validate expense claims;</li> <li>▶ Credit card expenditure not supported by receipts;</li> <li>▶ Charity trustees not being provided with regular financial reports detailing the financial performance and position of the charity;</li> <li>▶ No fixed asset register in place;</li> </ul>	'Internal Financial Control Guidelines for Charities' <sup>5</sup>
<b>Transparency</b>	<ul style="list-style-type: none"> <li>▶ Charities submitting abridged accounts;</li> <li>▶ Charities not clearly communicating how they are using charitable funds and the impact of those funds;</li> <li>▶ Charities not publishing key finance and governance information;</li> </ul>	SORP (Statement of Recommended Practice) <sup>6</sup>
<b>Fundraising</b>	<ul style="list-style-type: none"> <li>▶ Charities not obtaining and/or displaying a valid collection permit;</li> <li>▶ Charity collectors not displaying charity information and authorisations;</li> <li>▶ Charities not using sealed boxes for cash collections;</li> <li>▶ Charities not describing the purpose of the fundraising;</li> <li>▶ Charities using third party fundraising agents without a written contract in place;</li> </ul>	'Guidelines for Charitable Organisations on Fundraising from the public' <sup>7</sup>

Theme	Common issues identified	Guidance and Support available
<b>Unregistered charitable organisations</b>	<ul style="list-style-type: none"> <li>▶ Charitable organisations not applying to the Charities Regulator to be included in the Register of Charities;</li> <li>▶ An organisation (other than a registered charity) describing or promoting itself as a charity.</li> </ul>	‘What is a Charity?’ guidance. <sup>8</sup>



5 What is a Charity?’ guidance - available at: <https://www.charitiesregulator.ie/media/1544/what-is-a-charity-rev-001.pdf>

## 4

# Compliance developments in 2017

**There were a number of key developments in the Charities Regulator's Compliance Unit during the year which included:**

- ▶ Publication of the Charities Regulator's Concerns Policy;
- ▶ Development of an online concerns form;
- ▶ Publication of an information note relating to concerns regarding sales of charity land;
- ▶ Publication of information notices related to compliance matters; and
- ▶ Staff training.

## 4.1 Concerns Policy

The Compliance Unit developed and published its Concerns Policy on 23 February 2017. This policy explains to the public:

- ▶ What matters the Charities Regulator can and cannot deal with;
- ▶ How to raise a concern about a charity;
- ▶ How the Charities Regulator will deal with concerns about charities;
- ▶ What to expect if you raise a concern;
- ▶ What to expect if your charity is the subject of a concern;
- ▶ Considerations when providing information to the Charities Regulator; and
- ▶ How the Charities Regulator decides on the outcome of the concern.

The policy is reviewed annually with the latest version available on our website<sup>6</sup>.

## 4.2 Online concerns form

Since the establishment of the Charities Regulator, members of the public have raised concerns in respect of charities or organisations they suspect may be in breach of the Charities Act 2009.

In order to improve the efficiencies of the Charities Regulator's concern handling process, the Compliance Unit developed a dedicated concerns form. The form, which can be populated and submitted online, was uploaded to our website at the beginning of April 2017. In 2017, 246 forms were completed and submitted to the Charities Regulator.

**In 2017,  
246 concern  
forms were  
completed and  
submitted to  
the Charities  
Regulator.**

<sup>6</sup> Concerns Policy is available from: <https://www.charitiesregulator.ie/media/1386/concerns-policy-english-may-2018.pdf>

### 4.3 Public information notices on compliance matters

In addition to press releases specific to individual cases, a number of other information notices on compliance matters were published during 2017. These included advice to members of the public regarding house-to-house collections and a public notice on the Charities Regulator's work relating to shops that are not part of registered Irish charities, but who describe themselves as charity shops.

### 4.4 Information note relating to 'Concerns re Sales of Charity Land'

The Commissioners of Charitable Donations and Bequests for Ireland (CCDB) were mandated under the Charities Acts 1961 and 1973 to provide services to charity trustees, including services relating to the disposal of charitable property. A disposal encompasses the sale, mortgage, exchange, transfer or surrender of charitable property. This function was adopted by the Charity Services Committee of the Charities Regulator upon the dissolution of the CCDB under the Charities Act 2009.

Following the receipt of a number of concerns about sales of charity land, the Compliance Unit identified a need to clarify the extent of the Charities Regulator's role in respect of such sales. The Compliance Unit, in conjunction with the Charity Services Committee, developed an information note on the matter. This information note was published on the Charities Regulator's website in December 2017<sup>7</sup>.

### 4.5 Staff training

In line with the Charities Regulator's commitment in its strategy statement to invest in staff training, staff in the Compliance Unit attended a number of training courses and conferences during 2017.

In addition to training in more general areas, which included Data Protection and Freedom of Information, staff in the Compliance Unit attended compliance-specific training, relating to regulatory investigations.

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<sup>7</sup> Information note relating to 'Concerns re Sales of Charity Land' available at: <https://www.charitiesregulator.ie/media/1433/concerns-re-sale-of-land.pdf>

# 5 Statutory Actions

The number of statutory actions taken by the Charities Regulator in 2017 is set out in Table 2 below.

It should be noted that concerns raised with the Charities Regulator are initially dealt with by the Compliance Unit on an administrative basis as non-statutory inquiries. If information is required from a charity or other organisation to process a concern, the Compliance Unit will generally request the information on a voluntary basis, before a statutory instruction to provide the information is considered.

**Table 2** - Statutory Actions taken by the Charities Regulator in 2017

Section of the Charities Act 2009	No.
Section 53 - Requirement to provide information	1
Section 64 - Appointment of inspectors re investigation	2
Section 65 - Requirement to produce books, documents and other records, to attend before or to give assistance to an inspector	25
Section 68 - Requirement to produce books, documents or other records	2
Section 73 - Imposition of intermediate sanctions	1

## 6

## Notifications under section 59 of the Charities Act 2009

Section 59 of the Charities Act 2009 requires charity trustees, and other relevant persons, to report to the Charities Regulator where information comes into their possession that causes them to form the opinion that there are reasonable grounds for believing that an offence under the Criminal Justice (Theft and Fraud Offences) Act 2001 has been, or is being, committed.

During 2017, **18** reports were made to the Charities Regulator pursuant to section 59 of the Charities Act 2009.

**During 2017,  
18 reports were  
made to the  
Charities Regulator  
pursuant to section  
59 of the Charities  
Act 2009.**



## 7

# Thematic Reports

During 2017, the Charities Regulator published two thematic reports:

## 7.1 'Review of registered charities holding shares in section 110 companies on trust'<sup>8</sup>

In April 2017, the Charities Regulator published a review of charities on the Register of Charities which hold shares in special purpose vehicles established for the purpose of section 110 of the Taxes Consolidation Act 1997 on trust.

The purpose of the review was to determine the most appropriate regulatory approach for these organisations and whether these organisations fell within the remit of the Charities Act 2009.

The main findings of the review were that the Charities Regulator recognised that registered charities can make investments and hold shares in order to achieve a return, so that they can further their charity's existence.

An organisation seeking to obtain or maintain registration as a charity must satisfy the Charities Regulator that it has exclusively charitable purposes.

## 7.2 'Review of registered charities compliance rates with annual reporting requirements 2016'<sup>9</sup>

In October 2017, the Charities Regulator published a review of registered charities' compliance rates with annual reporting requirements in 2016.

The main findings of the review found that 86% of charities submitted their annual return for 2016 (42% filed on time, 30% filed within three months of the filing deadline and the remainder filed more than three months late). The total number of annual returns outstanding for 2016 stood at 751. This represents 14% of the total number of annual returns due in that period.

While the Charities Regulator welcomed the high level (86%) of registered charities that completed the registration process and submitted an annual report to the Charities Regulator, it reminded charity trustees that a failure to submit an annual report is an offence under section 52(8) of the Charities Act 2009. A key function of the Charities Regulator is to monitor compliance with the Charities Act and it will take appropriate action to ensure that the requirements of the Charities Act are observed.

Both reports are published on the Charities Regulator's website.

**The main findings of the review found that 86% of charities submitted their annual return for 2016.**

<sup>8</sup> Review is available from - <https://www.charitiesregulator.ie/media/1542/review-of-registered-charities-holding-shares-in-section-110-companies.pdf>

<sup>9</sup> Review is available from - <https://www.charitiesregulator.ie/media/1262/annual-reporting-compliance-review-2016.pdf>

## 8

# Concerns analysis 2017

## Introduction to Concerns Analysis

To facilitate the processing of concerns and to reflect how concerns are raised with the Charities Regulator, concerns are recorded and reported on primarily in two ways:

### 1. By individual concern raised

Concerns raised with the Charities Regulator are assessed, processed and recorded based on the issues raised in the concern.

### 2. By the organisation in respect of which a concern was raised

Individual concerns raised about an organisation are considered in the context of any other concerns about the same organisation.

## Source of concerns

Concerns are raised with the Charities Regulator through a variety of sources, both external and internal, and include the following:

- ▶ members of the public (including charity trustees, volunteers and employees);
- ▶ other government bodies/regulators; and
- ▶ through proactive monitoring by the Charities Regulator.

## Multiple issues in a single concern raised

A concern raised may include a number of issues in respect of a single organisation. As the different issues raised may fall into different categories, the number of categories of issues recorded will be higher than the number of concerns raised.

For example, a single concern could include issues about an organisation's financial controls as well as issues about inappropriate political campaigning. In this instance, the concern would be recorded once as a concern received and in two separate categories as issues raised.

## Concerns about multiple organisations

A single piece of correspondence received from a member of the public may raise issues about a number of different organisations. In this instance, the single piece of correspondence would be recorded as a concern raised about each of the organisations referred to in the correspondence.

**From  
October 2014  
until the end of  
December 2017, 1,077  
individual concerns  
were raised in  
respect of 564  
organisations.**

### 8.1 Concerns raised

The number of concerns raised with the Charities Regulator has increased year-on-year since its establishment on 16 October 2014. From establishment until the end of December 2017, **1,077** individual concerns were raised in respect of **564** organisations.

In 2017, **531** individual concerns were raised in respect of **351** organisations, which represents an increase of **67%** on the number of concerns received in 2016 (**318**). The amount of concerns raised in 2017 amounts to almost 50% of the total number of concerns raised with the Charities Regulator from establishment to the end of that year.

**Table 3 - Concerns raised from 16 October 2014 to end 2017**



During 2017, the average number of concerns per month increased from **36** per month in the first half of the year to **53** per month in the second half of the year. The increase in the number of concerns raised per month during the year is illustrated in Table 4 below.

**Table 4 - Individual Concerns raised by month in 2017**



## 8.2 Category of issue raised

The varied nature of the issues, raised with the Charities Regulator, reflects the wide range of organisations, charitable purposes and beneficiaries that make up the charity sector in Ireland. The issues raised are recorded in a number of relatively broad categories.

As indicated in the introduction to this section, a single concern may raise multiple issues in respect of a single organisation, which leads to a disparity between the number of concerns raised and the number of issues falling within each category of concern raised.

Of the concerns raised with the Charities Regulator from the date of establishment on 16 October 2014 to the end of 2017, the main categories of issue raised were Financial Control and Transparency (**29%**), Legitimacy of an Organisation (**23%**) and Governance Issues (**23%**). The full breakdown of the categories of issues raised from establishment to the end of 2017 is set out in Table 5 below.

**The varied nature of the issues, raised with the Charities Regulator, reflects the wide range of organisations, charitable purposes and beneficiaries that make up the charity sector in Ireland.**

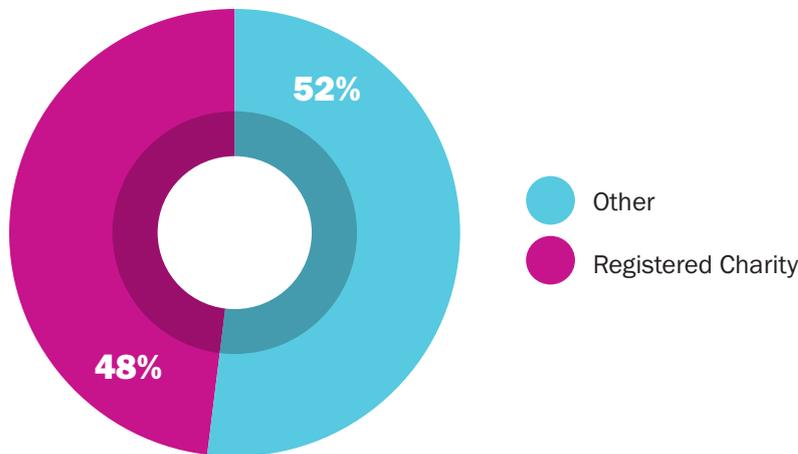
**Table 5 - Breakdown of concerns raised from 16 October 2014 to end 2017**  
– Category of issue raised

Category	No of Concerns	%
Financial Control and Transparency	451	29%
Legitimacy of Charity	357	23%
Governance Issues	352	23%
Inappropriate Political Campaigning	137	9%
Misdirected concerns - Issues outside of Charities Regulator's remit	104	7%
Private Benefit	70	5%
Harm to Beneficiaries	62	4%

### 8.3 Status of Organisation(s)

Of the **351** organisations in respect of which concerns were raised in 2017, **170 (48%)** were registered charities as set out in Figure 1 below.

**Figure 1 - Breakdown of Concerns Raised in 2017- Registered Charity/Other**



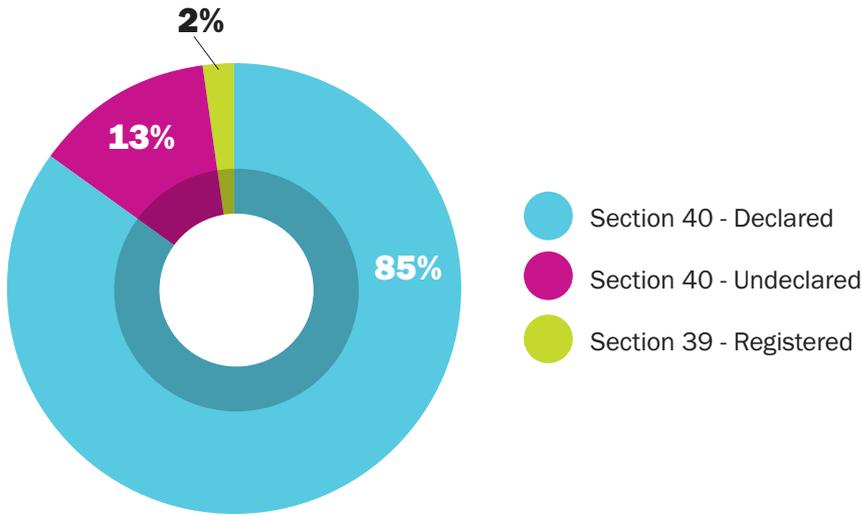
In addition to its role in respect of registered charities, the Charities Regulator has a role in ensuring that organisations other than registered charitable organisations comply with certain provisions of the Charities Act 2009. Figure 1 above shows that the majority of concerns raised are in respect of organisations other than registered charitable organisations. It should be noted that the proportion of concerns raised about organisations other than registered charities in Figure 1 above includes:

- ▶ concerns about organisations that are not registered charities in respect of which the Charities Regulator has no role e.g. fundraisers for the benefit of a single individual; and
- ▶ concerns about organisations that are not registered charities in respect of which the Charities Regulator does have a role e.g. charitable organisations carrying out activities in the State while not registered, organisations misrepresenting themselves as charitable organisations etc.

The registered charities about which concerns were raised in 2017 can be divided into three categories as set out in Figure 2.

**The Charities Regulator has a role in ensuring that organisations other than registered charitable organisations comply with certain provisions of the Charities Act 2009.**

**Figure 2 - Breakdown of concerns raised in 2017 - Registered Charities**



**Section 39** - Charitable organisations who did not have a CHY number prior to 16 October 2014, who applied for inclusion in the Register of Charities and who were subsequently added to the register.

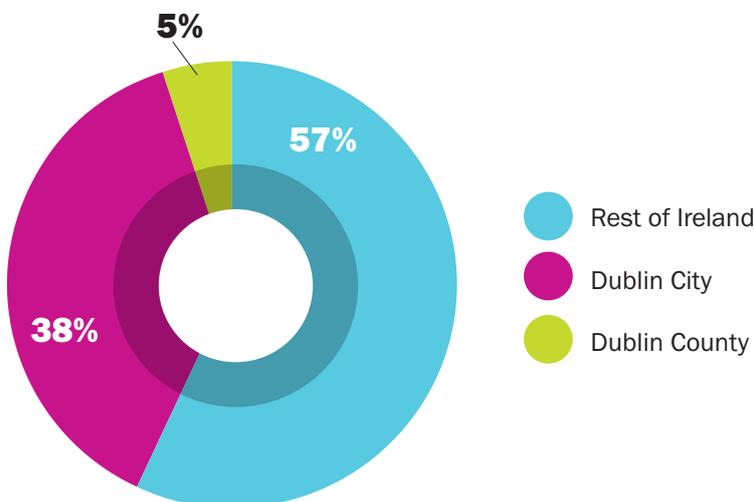
**Section 40** - Charitable organisations who were automatically included in the Register of Charities under section 40 of the Charities Act 2009, having held a Revenue CHY number prior to establishment of the Charities Regulator. These organisations were required to submit additional information to the Charities Regulator, for inclusion in the Register of Charities.

The section 40 organisations who submitted the required additional information are recorded as ‘declared’ and those who failed to submit the additional information are recorded as ‘undeclared’.

### 8.4 Location of organisations

Location information was compiled on organisations about which concerns were raised in 2017 and whose details were recorded by the Charities Regulator. In addition to registered charities, records include details of draft applications and de-registered charities. The location information was compiled by the Compliance Unit for analysis purposes only, and was not compiled at the time the concerns were recorded.

**Figure 3 - Breakdown of concerns raised in 2017 - Location**



**Table 6** - Breakdown of concerns raised in 2017 - Location by County

Location	Number	%
Dublin City	87	38%
Cork	24	11%
Dublin County	11	5%
Galway	10	4%
Donegal	8	4%
Kerry	8	4%
Limerick	8	4%
Waterford	8	4%
Cavan	7	3%
Kildare	7	3%
Mayo	7	3%
Tipperary	7	3%
Roscommon	6	3%
Wicklow	5	2%
Carlow	4	2%
Other (3 or less)	21	9%
<b>Total</b>	<b>228</b>	

## 8.5 Size of organisations

In line with the values of the Charities Regulator, a proportionate approach is adopted in relation to any action in respect of concerns raised. In assessing a concern(s) the case manager will consider the magnitude of the potential harm or loss that could arise from an issue raised. One factor used to determine the magnitude of the potential loss or harm is the size of the organisation.

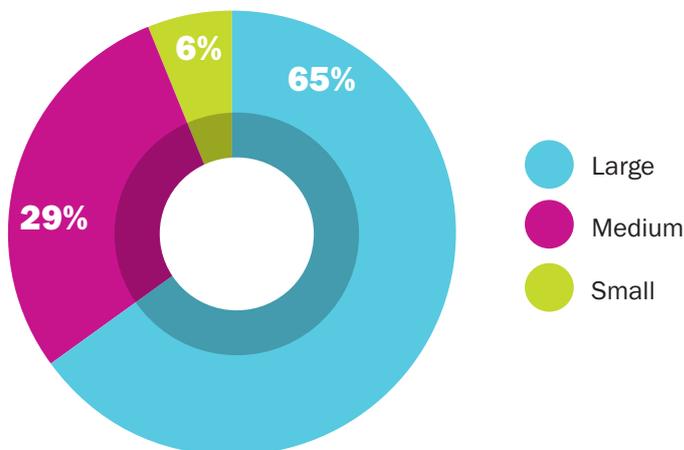
The size of an organisation is recorded on the Register of Charities as large, medium or small, according to the size of the organisation's gross annual income:

- ▶ Large - Gross annual income of more than €100,000;
- ▶ Medium - Gross annual income of €10,001 - €100,000; and
- ▶ Small - Gross annual income of €10,000 or less.

Information was compiled regarding the size of organisations about which concerns were raised in 2017 and whose details were recorded by the Charities Regulator. In addition to registered charities, records include details of draft applications and de-registered charities. While the size of an organisation is considered by the case manager when examining a concern, the sample information in Figure 4 below was compiled by the Compliance Unit for analysis purposes only, and was not compiled at the time the concerns were recorded.

From the sample reviewed, the size of the organisations in respect of which concerns were raised in 2017 is set out in Figure 4. The majority of concerns were raised in respect of organisations whose size was recorded as large (**65%**).

**Figure 4** - Breakdown of concerns raised in 2017 – Size of organisations



## 8.6 Charitable purpose

The Charities Act 2009 outlines four charitable purposes:

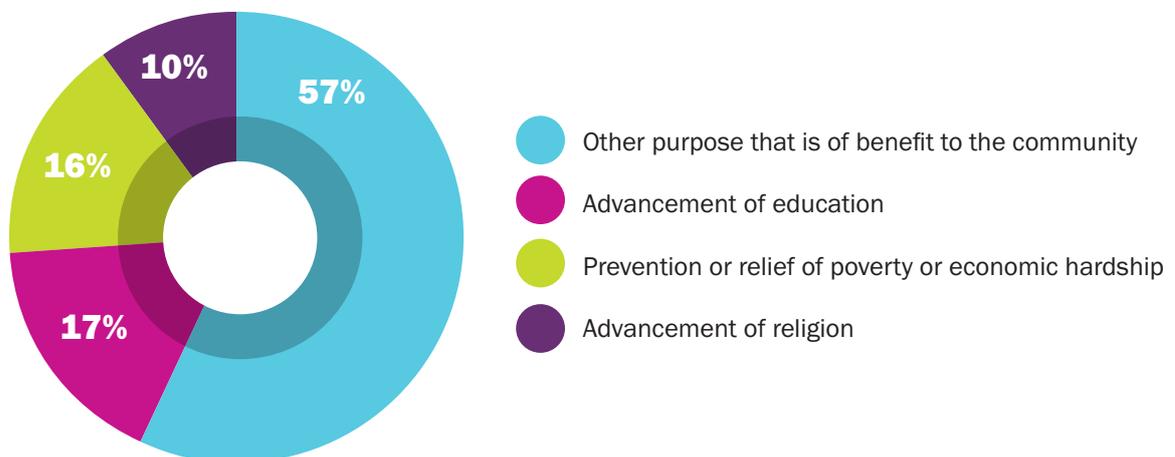
- ▶ the prevention or relief of poverty or economic hardship;
- ▶ the advancement of education;
- ▶ the advancement of religion; and
- ▶ any other purpose that is of benefit to the community.

Information was compiled regarding the charitable purpose of the organisations about whom concerns were raised in 2017 and whose details were recorded by the Charities Regulator. In addition to registered charities, records include details of draft applications and de-registered charities. The sample information in respect of the charitable purpose of the organisations was compiled by the Compliance Unit for analysis purposes only, and was not compiled at the time the concerns were recorded.

From the sample reviewed, concerns were raised with the Charities Regulator in 2017 regarding organisations whose purposes included each of the four charitable purposes. As set out in Figure 5, the majority of concerns were raised regarding organisations that included 'any other purpose that is of benefit to the community' as a charitable purpose (57%).

**Concerns were raised with the Charities Regulator in 2017 regarding organisations whose purposes included each of the four charitable purposes.**

**Figure 5** - Breakdown of Concerns Raised in 2017 - Charitable Purpose



The Charities Act 2009 provides further detail on the subdivisions that are deemed a charitable purpose under 'any other purpose that is of benefit to the community'. Concerns were raised regarding organisations whose charitable purpose included a subdivision of 'any other purpose that is of benefit to the community' as set out in Table 7.

**Table 7 - Breakdown of concerns raised in 2017 – ‘Any Other Purpose that is of Benefit to the Community’**

Charitable Purpose	%
The advancement of community welfare including the relief of those in need by reason of youth, age, ill-health, or disability	22%
The promotion of health, including the prevention or relief of sickness, disease or human suffering	18%
The integration of those who are disadvantaged, and the promotion of their full participation, in society	17%
The promotion of civic responsibility or voluntary work	10%
The prevention or relief of suffering of animals	7%
The advancement of community development, including rural or urban regeneration	7%
The advancement of the arts, culture, heritage or sciences	7%
The advancement of the efficient and effective use of the property of charitable organisations	4%
The promotion of religious or racial harmony and harmonious community relations	3%
The advancement of conflict resolution or reconciliation	3%
The protection of the natural environment	1%
The advancement of environmental sustainability	1%

## 8.7 Relationship of concernee with organisation

Any person raising a concern about an organisation, via the [online concerns form](#)<sup>10</sup>, is requested to indicate what the nature of their relationship is, with the organisation they are raising a concern about.

The majority of persons (**57%**) who submitted an online concern form during 2017 indicated they had no relationship with the organisation they were raising a concern about. A further breakdown is set out in Table 8 below.

**The majority of persons (57%) who submitted an online concerns form during 2017 indicated they had no relationship with the organisation they were raising a concern about.**

**Table 8** - Breakdown of concerns raised in 2017 – Relationship of concernee with organisation

Relationship with organisation	Number	%
None	141	57%
Beneficiary including Service User	29	12%
Other	17	7%
Director/Trustee, or Former Director/Formal Trustee	16	7%
Employee/Former Employee	16	7%
Donor/Supporter	14	6%
Volunteer/Former Volunteer	13	5%
<b>Total number of concern forms received</b>	<b>246</b>	

## 8.8 Concerns closed

As indicated in the introduction to the concerns analysis, concerns are processed individually and also in the context of other concerns raised about the same organisation. Reflecting the wide range of issues that can be raised with the Charities Regulator about an organisation, concerns can be closed for a variety of reasons, including:

- ▶ Specific actions to address issues raised were taken by the charity;
- ▶ Assurances in respect of the issue raised were provided by charity trustees;
- ▶ Organisation is now in compliance with the Charities Act 2009;
- ▶ Issues raised in the concern are outside of the remit of the Charities Regulator;
- ▶ Following examination, issues raised in the concern were considered to be without substance.

During 2017, 461 individual concerns were closed in respect of 329 organisations. As at the end of the year there were 328 individual open concerns and 187 concerns open in respect of organisations.

<sup>10</sup> Online Concern Form – available from <https://www.charitiesregulator.ie/en/information-for-the-public/raise-a-concern>

## 8.9 Meetings with organisations

The Compliance Unit met with a number of organisations in relation to compliance matters during 2017.

**Table 9** - Number of Meetings with Organisations in 2017

Organisation Type	Number	%
Registered Charities	19	83%
Other Organisations	4	17%
<b>Total</b>	<b>23</b>	

In the majority of the meetings in the table above, charity trustees attended to represent their organisation. However, the Compliance Unit also met with other representatives of organisations, including staff, volunteers or persons who provide a professional service, such as accountants or solicitors.

**Table 10** - Representatives met with during 2017

Representatives	Number	%
Trustees	48	73%
Other Representatives	18	27%
<b>Total</b>	<b>66</b>	

## 8.10 Correspondence with charities/organisations in 2017

In 2017, the Compliance Unit initiated correspondence with at least 123 organisations in respect of compliance matters. This figure represents initial correspondence with an organisation only and does not include follow-up correspondence or correspondence regarding new concerns received about an organisation with which the Charities Regulator may have corresponded with previously.

## 8.11 Concerns analysis – future developments

The information on organisations for processing concerns and for reporting and analysis purposes is currently recorded on a manual basis. The planned introduction of a tailored case management system will enhance how the Compliance Unit carries out the Charities Regulator's compliance function and enable on-demand reporting and analysis, allowing the Regulator to produce figures on compliance related matters with increased accuracy and efficiency.

# 9

## References

- 1 The public Register of Charities is available at: <https://www.charitiesregulator.ie/en/information-for-the-public/search-the-charities-register>
- 2 The Charities Act 2009 is available at: <http://www.irishstatutebook.ie/eli/2009/act/6/section/1/enacted/en/index.html>
- 3 'Guidance for Charities Trustees' - available at: <https://www.charitiesregulator.ie/media/1078/guidance-for-charity-trustees-july-2017.pdf>
- 4 'Managing Conflicts of Interest' guidance - available at: <https://www.charitiesregulator.ie/en/information-for-charities/guidance-for-charities>
- 5 'Internal Financial Control Guidelines for Charities' - available at: <https://www.charitiesregulator.ie/media/1081/financial-controls-guidelines-june-2017.pdf>
- 6 SORP (Statement of Recommended Practice) – available at: <http://www.charityorp.org/>
- 7 'Guidelines for Charitable Organisations on Fundraising from the Public'- available at: <https://www.charitiesregulator.ie/media/1083/guidance-for-fundraising-english.pdf>
- 8 'What is a Charity?' - available at: <https://www.charitiesregulator.ie/media/1544/what-is-a-charity-rev-001.pdf>
- 9 Concerns Policy – available at: <https://www.charitiesregulator.ie/media/1386/concerns-policy-english-may-2018.pdf>
- 10 Information note relating to 'Concerns re Sales of Charity Land' - available at: <https://www.charitiesregulator.ie/media/1433/concerns-re-sale-of-land.pdf>
- 11 'Review of registered charities holding shares in section 110 companies on trust' - available at: <https://www.charitiesregulator.ie/media/1542/review-of-registered-charities-holding-shares-in-section-110-companies.pdf>
- 12 'Review of registered charities compliance rates with annual reporting requirements 2016' - available at: <https://www.charitiesregulator.ie/media/1262/annual-reporting-compliance-review-2016.pdf>
- 13 Online Concerns Form available at: <https://www.charitiesregulator.ie/en/information-for-the-public/raise-a-concern>

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## Press Release

09 July 2018

The Charities Regulator today confirmed that it is satisfied, following an inspection last month of the Donegal-based charity Good and New Shop (Registered Charity Number 20074432), that it has rectified the contravention of the Charities Act 2009 and adopted the necessary course of action, identified by the Regulator in February when it imposed an intermediate sanction on the charity.

The Charities Regulator issued a notice to the Good and New Shop on 5 February, following an assessment of the charity by the Regulator. The assessment found that the charity had contravened section 47 of the Charities Act 2009 by failing in its duty to keep proper books of account.

The notice set out the proposed imposition of an intermediate sanction, being the publication of the contravention on the website of the Charities Regulator. The notice also set out the requirement for the charity to rectify the contravention within a specified timeframe, and the requirement to adopt the following course of action for the purposes of ensuring that the contravention concerned would not occur again:

- Introduce formal documented procedures for maintaining adequate accounting records;
- Assign the task of keeping proper books of account to a person(s) with the appropriate skills and experience;
- With regard to financial reporting:
  - Introduce regular financial reporting detailing the income and expenditure (including the nature of that income and expenditure) and the assets and liabilities of the charity, and
  - Ensure all financial reports are scrutinised by the charity trustees under a standing agenda item – ‘financial performance and position of the charity’ as part of all trustee meetings.

On 12 February 2018, the charity accepted the imposition of an intermediate sanction under section 73 of the Act, and undertook to rectify the contravention and adopt the course of action specified in the notice.

On 28 June 2018, the Charities Regulator carried out an inspection of the charity to determine if the charity had rectified the contravention and adopted the course of action set out in the Notice.

The Charities Regulator is satisfied that the charity has rectified the contravention referred to in the notice within the specified timeframe and has adopted the course of action set out in the notice.

*For more information: email [press@charitiesregulator.ie](mailto:press@charitiesregulator.ie) or contact Eamon Timmins, Head of Communications and Stakeholder Engagement, at 01-6331517 or 087-7520978.*

# **Section 66 Inspectors' Report**

## **Solas – Galway Picture Palace CLG**

**(Registered Charity Number 20068493)**

**May 2018**

# Inspector's Report

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Solas – Galway Picture Palace CLG (Registered Charity Number: 20068493)

We have, in accordance with the provisions of Section 64 of the Charities Act 2009 carried out an investigation into the affairs of Solas – Galway Picture Palace CLG (SGPP CLG).

We hereby submit our report to the Charities Regulatory Authority in accordance with Section 66 of the Act.

Signed:



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Eugene McMahon  
Inspector  
Mazars



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Eamon O'Halloran  
Inspector  
Charities Regulatory  
Authority

Dated: 16 May 2018

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## 1 Charity Background

Solas - Galway Picture Palace Company Limited by Guarantee (the Charity) was originally founded in 2007 in order to:

- establish a state-of-the-art contemporary arthouse cinema in the region;
- promote arts, culture, heritage and sciences in the community; and
- promote the advancement of education and understanding of the arts.

The idea of developing a cultural cinema in Galway was first proposed in 2002 by a group of like-minded people in the region who had an involvement in the arts. Over the succeeding years, the process of raising the required funds and obtaining a suitable location was commenced. Upon obtaining a location for the arthouse cinema the group formally established a company incorporated on the 1st November 2007.

The company obtained a charitable tax exemption and a CHY number from the Revenue Commissioners on the 4<sup>th</sup> November 2008. Further to Section 40 of the Charities Act 2009, the Charity was automatically entered onto the Public Register of Charities as a registered Irish Charity on 16 October 2014.

From November 2008, there were eight charity trustees on the Board of the Charity who were re-elected annually. No new members were appointed over the ensuing years. The Board oversaw the affairs of the charity and the construction of the cinema over the period 2007 to 2017.

In the period from July 2009 to February 2014, the Charity was responsible for the sourcing of funding, tendering and overseeing the construction of Phase 1 of the cultural cinema in Galway. This period included the signing of a Heads of Agreement on 27 November 2013 with a third party to operate the cinema. As part of the agreement, a third party<sup>1</sup> would provide funding of €750,000 as well as pay an annual rent upon completion for a 25-year lease of the cinema.

Following completion of Phase 1, the contractors reviewed the budgeted costs for phase 2 and advised the Charity that the cost to complete would be €4.65m (previously original budgeted contract amount being €4.1m).

In the period from December 2014 to June 2016, a number of different individuals were appointed to advance the project. In June 2016, it was agreed the third-party operator (subject to the Heads of Agreement referred to above) would be appointed as project manager to oversee the completion of the project and this was formalised in December 2016 with the signing of the interparty agreement.

At the same time (i.e. June 2016), negotiations and discussions commenced in relation to putting a new arrangement in place in respect of the cultural cinema and responsibility

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<sup>1</sup> This is the same third party that would be a party to the interparty agreement.

for its long-term future. The parties who were subject to the proposed agreement at this time were many of the original funders of the project (which included grant funding from the Department of Culture, Heritage and the Gaeltacht, Galway City Council, The Irish Film Board and financing from the Western Development Commission), the third-party operator and the Charity. Based on the negotiations and discussions, it was agreed that a substantial portion of the assets and liabilities of the Charity (as reported in their audited financial statements), including the underlying funding obligations, would be transferred to the third-party operator.

The third-party operator, through a newly incorporated company, was assigned a 30-year lease<sup>2</sup> with Galway City Council (GCC), for the site on which the partially constructed cinema asset stood, and a rent of €1 per annum is being paid for the first 25 years. The third party agreed to the payment of market rent for the final 5 years of the lease. The market rent to be determined on the basis of income and expenditure of the cinema as a going concern. The third party obtained access to the remaining funding to complete the project, and agreed to provide approximately €881k in funding in order to complete the project. On 21 December 2016, all parties signed the interparty agreement to affect the transfer of the partially built asset which was to be the cultural cinema out of the control of the Charity with the third-party operator being responsible for the completion of the construction of the asset and the operation of the cinema. The inspectors note that the freehold interest of the site is owned by GCC.

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<sup>2</sup> A variation to the original 99 – year lease signed the 3<sup>rd</sup> April 2009 between GCC and SGPP CLG was completed by way of a deed of variation and a deed of assignment.

The total amount of funding granted to the project was approximately €9.48m. The sources of that funding are summarised in the following table which were agreed to the interparty agreement.

Funder	Amount
<b>Access II from the Government Department which carried the arts and culture function</b>	€ 2,000,000
<b>Irish Film Board</b>	€ 1,063,000
<b>Cultural Cinema Consortium (Note 1)</b>	€ 1,250,000
<b>Additional funding from the Government Department which carried the arts and culture function</b>	€ 990,000
<b>Western Development Commission</b>	€ 650,000
<b>Western Development Commission - bridging finance to Galway City Council</b>	€ 200,000
<b>Galway City Council</b>	€ 242,000
<b>Fundraising</b>	€ 301,975
<b>Third party Operator contribution</b>	€ 881,844
<b>Total funding provided</b>	€ 7,578,819
<b>Purchase of site by Galway City Council in 2007</b>	€ 1,900,000
	<u>€ 9,478,819</u>

**Note 1:** From the 1st January 2010, the Government Department which carried the arts and culture function took over responsibility for capital funding from the Arts Council (AC). The AC's involvement in the project effectively ceased from this date and, as a result, the AC were not a party to the interparty agreement and its negotiations in 2016. The AC retrospectively executed a Deed of Novation in December 2016 and a Deed of Transfer in January 2017 in relation to its interest in SGPP CLG which gave formal effect to the arrangement which occurred in January 2010.

The latest audited financial statements for the Charity as filed with the Companies Registration Office were for the financial year ended 31 December 2014. Audited accounts have not been prepared for subsequent year ends. For the financial year ended 31 December 2014, the charity reported a loss of €106,777 (2013: loss of €76,787) and net liabilities of €541,921 (2013: net liabilities of €435,144).

The charity's details can be viewed on the Public Register of Charities, [www.charitiesregulatoryauthority.ie](http://www.charitiesregulatoryauthority.ie).

## **2 Background and Approach to the Investigation**

In September 2016, media reports regarding the charity came to the attention of the Charities Regulatory Authority.

The compliance unit of the Charities Regulatory Authority thereafter conducted preliminary inquiries, which included reviewing charity information and documentation and meeting with the charity's chairman and auditor/accountant to the charity.

On the 23<sup>rd</sup> February 2017, the Charities Regulatory Authority appointed Eugene McMahon (Mazars) and Eamon O'Halloran (Charities Regulatory Authority) as inspectors, pursuant to section 64 of the Charities Act 2009, in order to investigate the affairs of the charity and to prepare a report thereon.

In March 2017, a formal request to produce documentation, pursuant to section 65(2)(a) of the Charities Act, 2009, was issued to individuals and organisations, who were identified as potentially having information pertinent to the investigation.

The inspectors conducted interviews pursuant to section 64 (4) of the Charities Act 2009 with individuals identified as potentially having information relevant to the investigation.

Drafts of the report (or extracts as appropriate) were furnished to persons in respect of whom there is a reference to or who may be affected by the matters dealt within the report. The inspectors have considered all information and submissions received from those persons. The Charity, and those interviewed, fully co-operated with the inspectors during the course of the investigation.

The investigation findings and conclusions are set out in Section 3 and relate solely to the following matters:

- i). Disposal of a significant charitable asset without an adequate, independent valuation being obtained by the trustees
- ii). Weaknesses in the governance, management and accounting for public fundraising and donations
- iii). Weaknesses in governance and oversight, including in respect of the management of a significant capital project

### 3. Investigation findings and conclusion

#### 3.1 Disposal of a significant charitable asset without an adequate, independent valuation being obtained by the trustees

The inspectors found the following matters:

- (i) At the date of the last audited accounts of the Charity on 31 December 2014, the partially built cinema was being recorded as an asset on the charity's balance sheet at €3,894,386. The Deed of Assignment dated 20th December 2016 gave effect to the transfer of substantially all of the assets (for example, the charity retained their bank account) and liabilities of the charity to a third party. The funding received by the Charity up to the point of transfer totalled circa €5.4m (€7.3m including the value of the site).

Despite the significance of the value of the asset and the associated funding received by public sector bodies and public donations, an independent valuation of the asset was not obtained by the charity trustees prior to the transfer of the charitable asset to an independent, third party operator. Consequently, the inspectors were unable to verify whether the trustees had obtained the maximum benefit on behalf of the charity (and funders) prior to entering into the formal interparty agreement.

- (ii) The inspectors were informed that the value of the liabilities transferred was the consideration at the time for the transfer of the charity asset. From our review, the only liabilities that appear to exist are the WDC loan of €650,000 and, per the third party, amounts not included in the project budget of c€98,000, €70,000 of which was for the Charity legal advisor. New conditions were input into the interparty agreement outlining what repayment would be required from the third party if certain conditions were not met, specifically in the event the property was not used as a cultural cinema.
- (iii) There was an absence of any form of suitable evidence to demonstrate that the charity trustees entered into any form of a competitive disposal process, including seeking to source competitive bids within the private sector or charitable sector. The absence of this competitive disposal process further undermines the ability to fully determine or assess whether the charity trustees obtained the best available return at the time of disposal.

**Conclusion(s):**

The charity trustees did not demonstrate adequate or reasonable levels of care and skill prior to the disposal of the charitable asset. The absence of any independent valuation and/or competitive disposal process prior to the disposal of the charitable asset means that the trustees did not have full visibility of its potential full market value. Considerable public funding and public donations were provided to the charity to construct a cultural cinema asset for the benefit of the public. While the asset was not fully complete at the time of disposal, significant public monies had been expended. The decision of the trustees to enter into negotiations with one preferred operator effectively removed any potential opportunity for the asset to remain within the charitable sector, which may have been a motivation of public donation.

### 3.2 Weaknesses in the governance, management and accounting for public fundraising and donations

The inspectors found the following matters:

- (i) The Charity obtained fundraising/donations from many sources since its incorporation. Based on the charities records provided to the inspectors, the total amount of monies donated by the public were €360k. In the most recent audited financial statement for year end 31 December 2014, the figure recorded is €341k. As per section 1 of this report, the fundraising schedule included in the interparty Agreement states fundraising amounts received totalled €301k. As a result, we were unable to corroborate fully or quantify the scale and extent of private donations received. The failure to account for private donations as income in the regular accounts of the charity contributed to this difficulty. In addition to this there were weaknesses in the controls in operation to govern the fundraising/donation process.
- (ii) Fundraising/donations were included in liabilities under “Grants and other funding received” and these were recorded by the charity as amounting to €341k. In line with generally accepted accounting principles, all fundraising/donations received, not being refundable in any circumstances, should have been included as income in the ‘profit & loss account’ in the year they occurred. It was erroneous to include donations as a liability. A liability, as defined in FRS 12, is a present obligation of the entity arising from past events, with the probability of a transfer of economic benefits to settle that obligation. These funds were never due to be paid back. In addition to the above, no income was recorded in the financial statements in any of the above years. We were informed by the Charity’s accountant that the company recorded income of c€41k in the financial statements for the year ended 31/12/2007 but have not recorded income since this date.
- (iii) The charity trustees did not provide adequate evidence of due consideration of the assessment of the net realisable or fair value of the charitable assets or provisions in respect of construction contracts at each balance sheet date in accordance with generally accepted accounting principles. Furthermore, the trustees did not provide adequate disclosure, within the financial statements, of the accounting policy adopted for government grants; the effects of government grants on the results for the period and/or the financial position of the enterprise; and unfulfilled conditions and other contingencies not recognised in income. The absence of such disclosure, or indeed potential resulting adjustments to the financial statements, may have adversely impacted the ability of funders to fully assess the financial position of the charity (and the value of the underlying asset) when making decisions in respect of any additional funds to be advanced.

**Conclusion(s):**

No income was recorded after 2007 by the Charity when income was in fact generated in the form of donations.

Specifically, in relation to donations received from the public, it was incorrect to include these as liabilities as there was never an indication these amounts would be due back to those who donated.

In the financial statements, while the costs of putting the asset in its present location and condition were recorded, no consideration was given to an assessment of the net realisable or fair value of the assets at each balance sheet date.

### **3.3 Weaknesses in governance and oversight, including in respect of the management of a significant capital project**

The inspectors found the following matters:

- (i) The board minutes reviewed for the period 2013 to end 2016 by the inspectors did not reflect the depth of analysis and review we would expect from a charity managing a capital project of this scale. There was insufficient evidence of formal documented review by the Board trustees of ongoing progress and management of costs. The Charity explained that much of this activity was not formally documented but was performed verbally.
- (ii) Through review of board minutes and other information supplied, there was limited evidence of robust scrutiny by the charity trustees of decisions impacting the strategic direction and financial position of the charity and how these decisions advanced the charity's core objective. For example, there was an absence of any formal documented strategic workplan, including key activities, responsibilities and timelines.
- (iii) There was limited evidence that its status as a registered Charity was regularly considered or reflected upon, nor were the responsibilities of board members as charity trustees discussed on a regular basis.
- (iv) The Charity did not keep funders up to date on decisions made by the Board in relation to the project or provide regular status updates on progress, costs and funding remaining. The Inspectors note that the Charity did not inform the funders that it had signed a new public works contract in 2012 at a time when funding was not in place to meet all costs.
- (v) The Charity did not maintain adequate records of who served as a director in the charity with conflicting information recorded with the Companies Registration Office (CRO), the audited financial statements and those actively acting as directors in practice.
- (vi) The Charity did not have documented policies and procedures to govern the key processes and procedures within the organisation including, but not limited to, internal financial controls, budgeting and fundraising.
- (vii) The auditor to the charity resigned on 13th October 2016 citing concerns over corporate governance. Asked by the inspectors to expand on this, the auditor pointed to concerns he had in the manner the trustees were interacting with the Charity Regulatory Authority. While the board sought legal advice after the auditor notified them of his resignation, there is no evidence the charity trustees took action to address the corporate governance concerns of the retiring auditor.
- (viii) The inspectors note there were weaknesses in the internal financial controls governing the financial reporting and accounting processes including, but not limited to, lack of segregation of duties, no defined budgetary process and fundraising/donation records maintained.

- (ix) On the 3<sup>rd</sup> July 2017, the Charity passed an ordinary resolution to appoint a liquidator. Based on a review of board meeting minutes of the charity in 2015 and 2016 it is apparent to the Inspectors that liquidation had been under consideration by the trustees of the charity. The inspectors noted with concern that the Charity did not inform the Charities Regulatory Authority on a timely basis that they had entered liquidation despite the fact that the Charity's affairs were the subject of a statutory investigation under the Charities Act 2009. The Inspectors also note that up to date accounts were not filed with the Companies Registration Office up to point the company entered a creditors voluntary liquidation. The inspectors further note, the liquidator submitted a form E2A "notice of resignation of liquidator" on 27<sup>th</sup> April 2018.

**Conclusion(s):**

From initiation and over the subsequent years, the Charity did not ensure it had the appropriate corporate governance structure in place to govern and oversee the activity and decisions made by the Charity. The necessity for suitable skills, experience and a defined governance structure was essential considering the level of public funding involved and the size of the capital project that was being managed by the Charity.

The absence of formal documentation of decisions meant that the trustees were unable to provide evidence of a robust challenge to key decisions which impacted upon the charitable affairs. This was exacerbated by the absence of Board renewal and the resulting absence of the necessary skills to oversee a project of this nature.

The trustees failed to ensure consistency of reporting between the financial statements and CRO filings in respect of those acting as directors and trustees.

## **4. RECOMMENDATIONS**

Based on the investigation findings and conclusions, the inspectors make the following recommendations to the Charities Regulatory Authority:

1. The Charities Regulatory Authority should review the need for guidance in relation to trustees legal duties in the management and control of their charities in light of the conclusions and findings contained in this report.
2. Under s28, the Charities Regulatory Authority should consider furnishing a copy of this report as it deems relevant.

# **Section 66 Inspectors' report**

**G.L.E.N**  
**Company Limited by Guarantee**  
**(Registered Number 20060404)**

**April 2018**

## Inspectors' Report

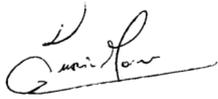
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G.L.E.N (Registered Charity Number: 20060404)

We have, in accordance with the provisions of Section 64 of the Charities Act 2009 carried out an investigation into the affairs of G.L.E.N ("GLEN").

We hereby submit our report to the Charities Regulatory Authority in accordance with Section 66 of the Act.

Signed:



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Justin Moran  
Inspector  
Mazars



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Corné Mouton  
Inspector  
Mazars

Dated: 20 April 2018

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## 1. Charity background

G.L.E.N (“the Charity”) was originally founded in 1988 and became a company limited by guarantee in 2005. The Charity was established to achieve the following primary objectives:

- To work for and promote the welfare of Lesbian, Gay and Bisexual (LGB) people including relief from all forms of inequality and discrimination, direct and indirect - and relief from exclusion, deprivation and associated poverty.
- To promote the advancement of education and the extension of knowledge for the public benefit, in matters related to the rights of LGB people to equality and relief from discrimination and exclusion.

The Charity has subsidiary objectives that are secondary to the primary objectives as follows:

- To establish initiatives in research and communications on the needs of LGB people.
- To work for and promote all forms of health awareness and well-being among LGB people through research, disseminating information, facilitating education, and specific interventions.
- To promote and facilitate the growth of community spirit and community structures among LGB people through information, education and support.
- To seek that sexual orientation is addressed properly within formative and critical settings such as in educational establishments and in health services – so that LGB people are not subjected to exclusion, inequalities or discrimination, either direct or indirect.
- To keep the government and other social partners informed of the needs of LGB people, and on occasions, organise interventions aimed at influencing policy or delivering changed.

The Charity’s details can be viewed on the public Register of Charities

<http://www.charitiesregulator.ie/en/CRA/Charity/B9109101B4184A178025800B003B1960>

The latest audited accounts for the Charity relate to the year end 31 December 2015. The Charity reported a deficit of €91,961 for the year ended 31 December 2015 (2014: €71,406) and net assets of €224,873 as at 31 December 2015 (2014: €316,834). During 2015, the average number of employees was 8 (2014: 9), which included one employee who worked as an “Executive Director” but was not a member of the Board.

In the period 2014 – 2016, approximately 60% of the Charity's income derived from state funding and the remaining 40% derived from fundraising, sponsorship and donations.

Following a series of events, the Charity's trustees announced their intention to perform an orderly wind down of the Charity in May 2017. At the time of reporting, the inspectors understand that the orderly wind down is in progress, including the transfer of services and any returns to funders (where applicable).

## **2. Background and approach to the investigation**

In the period January to March 2017, the Charities Regulatory Authority was contacted by the Charity's Executive Director (who commenced employment in October 2016) in respect of potential concerns with the governance of the Charity. The initial contact received from the Executive Director was approved by the Board of the Charity.

In April 2017, the Charities Regulatory Authority issued a direction under section 53 requesting that specific documents be supplied within 21 days, which the Charity complied with. The compliance unit of the Charities Regulatory Authority thereafter conducted preliminary inquiries, which included reviewing Charity information and reports prepared by independent consultants, who were appointed by the Charity to review the Charity's finances and to perform a review of the organisation.

On 24 May 2017, the Charities Regulatory Authority appointed two Inspectors from Mazars, Corné Mouton and Justin Moran, pursuant to section 64 of the Charities Act 2009 ("the Act"), in order to investigate the affairs of the Charity and to prepare a report thereon.

On 14 June 2017, a formal request was issued to the Charity under section 65(1) (a) of the Act to provide detailed information. The inspectors conducted interviews on oath under section 65(4) of the Act, which included interviews with trustees of the Charity, the former Executive Director (who was employed by the Charity between December 2007 and October 2016 and is hereafter referred to as "Executive Director A") and certain members of staff. Assistance was also provided by the Executive Director who was in place from October 2016 to April 2017 (hereafter referred to as "Executive Director B") and the Charity's external auditor and a written submission was also sought and received from one former employee of the Charity.

Draft reports were furnished to persons in respect of whom there was a possibility of any adverse findings and for the purpose of factual accuracy verification. The inspectors adhered to fair procedures during the course of the investigation and considered all information and submissions provided to them. The Charity, and those interviewed, fully co-operated with the inspectors during the course of the investigation.

The investigation findings and conclusions are set out in Section 3. They relate to matters brought to the attention of the Charities Regulatory Authority, are not intended to make any comment in respect of any previous general work and purpose of the Charity, and relate solely to the following matters:

- i) Charitable funds used to support the individual political campaign of the original founder and former Co-Chair (Section 3.1)
- ii) Inadequate and inappropriate controls applied to the use of Charity credit cards, including personal expenditure and cash withdrawals (Section 3.2)
- iii) Absence of formal agreements in place between GLEN and other third parties in respect of expenditure incurred or sums advanced (Section 3.3)
- iv) Other observations in respect of Charity financial governance and controls (Section 3.4)

Due to the nature of the findings and conclusions, the Inspectors have set out specific recommendations to the Charities Regulatory Authority (Section 4).

### 3. Investigation findings and conclusions

#### 3.1 Charitable funds used to support the individual political campaign of the original founder and former co-Chair

The inspectors found the following matters:

- (i) In the period from March to May 2016, a total amount of €10,738.98 was paid out of GLEN charitable funds for the purpose of the Seanad campaign of the founding member and former Co-Chair of GLEN ("former co-Chair"). The expenditure included items such as a laptop, mobile phone, venue hire, photography, campaign team and advertising. Based upon interview, the former co-Chair explained that he was late commencing his campaign, which he explained required a separate bank account to be set up for the purpose of the campaign. The former co-Chair explained that there was a "verbal agreement" with Executive Director A to use GLEN funds for the purpose of his campaign. Executive Director A explained that "the aim" of supporting the co-Chair was to provide a "short term convenient facility" due to most of the suppliers also being active GLEN suppliers. On 10 May 2016, an amount of €10,738.98 was invoiced by the Charity for the purpose of re-imburement by the co-Chair. On 7 July 2016, the invoice was repaid by the co-Chair.
- (ii) The former Co-Chair did not advise the Board of the campaign transactions funded by GLEN until it was disclosed by Executive Director B. The Board members advised that they became aware of the campaign expenditure in December 2016<sup>1</sup>, when the newly appointed Executive Director, Executive Director B, reported the matter to the Board at the December board meeting. Upon notification at this Board meeting, the Charity minutes state that the "[former co-Chair] explained that he used an office in GLEN to run his Senate campaign on a commercial basis and paid for the use of the office and services that GLEN provided to him. This was thought to be a good idea at the time but perhaps with hindsight it was not."
- (iii) Both the Charity administrator (who was responsible for performing day to day duties and reported to the Executive Director) and Executive Director A both confirmed their knowledge of the expenditure being incurred in respect of the Seanad campaign. The administrator commented that she was requested by Executive Director A to keep track of the invoices coming in to the Charity in respect of the campaign. During interview, Executive Director A explained that he viewed the Seanad campaign as furthering GLEN's objectives, his belief that there was no deliberate attempt to "mask transactions" in the accounts and he also commented that there was no personal financial gain arising from the use of the charitable funds for the purpose of the campaign. Executive Director A advised that he had no recollection of "formally" telling the Board and "in hindsight", he "would have notified others" on the Board. The inspectors noted that there was evidence of clear recording and posting of all such expenditure by the

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<sup>1</sup> GLEN Board CEO report Dec 13 2016 (which is dated in error as November 15, 2016)

administrator and documented approval by Executive Director A, including specific reference to the former co-Chair on invoices or payment transfers. All other staff interviewed as part of the investigation confirmed that they were not aware of any GLEN funds being used for the purpose of the Seanad campaign.

- (iv) Based upon interviews, all other Board members of GLEN confirmed that they did not authorise, nor did they have knowledge of, the expenditure on the political campaign. Indeed, the Board members also commented that they would not have authorised the use of charitable funds for the purpose of this campaign had they been aware or requested to do so. In the period March to October 2016, the inspectors noted that the financial reporting information provided by Executive Director A to the Board did not include any specific details in respect of the expenditure on the political campaign. The transactions were posted to an "other debtor" account, contained within the balance sheet, which was not presented to the Board in this period.
- (v) Following the initial identification of the campaign expenditure by Executive Director B (appointed in October 2016), Executive Director B identified additional expenditure of €516, which related to Facebook advertising which was not previously invoiced by the Charity to the former co-Chair. A further invoice was raised by the Charity for this amount on 11 December 2016. The Charity received payment for this amount on 13 March 2017.
- (vi) The inspectors noted that the former co-Chair offered to resign his position as Co-Chair and Board member in January 2017, which was not accepted by the Board at that time. The Board invited the co-Chair to remain on as a Board member due his "*vital contribution to GLEN over several decades and his role as co-founder*". The inspectors noted that the co-Chair ultimately remained on the Board until his formal resignation in April 2017.
- (vii) In May 2017, a further amount of €300 was paid by the former co-Chair, which related to payment in respect of rent for the use of GLEN offices. Both the former co-Chair and Executive Director A explained that this was based on a verbal agreement agreed at the commencement of the campaign.
- (viii) In August 2017, the inspectors identified a further €150 of expenditure in respect of flyers which was not invoiced by the Charity to the co-Chair. The co-Chair confirmed that he paid a total of €376.29 on 27 October 2017, which included the expenditure in respect of the flyers identified by the inspectors and an interest payment, amounting to €226.29, due on all amounts advanced by the Charity in respect of the campaign. We understand that the payment of interest followed on from advice from which the co-Chair received independently from the Standards in Public Office Commission. Based upon interview, the co-Chair and the Board confirmed that all amounts have now been invoiced and paid in respect of charitable funds used for the purpose of the Seanad campaign.

**Conclusion(s):**

The use of charitable funds for the purposes of a political campaign was inconsistent with the trustee common law duties i.e. for trustees to ensure that their actions comply with the charities governing document (including purpose) and to ensure that the Charity is carrying out its charitable purposes for the public benefit in accordance with Section 3, Charities Act 2009.

Furthermore, the inspectors note that certain bodies are excluded from being registered Irish charities under Section 2(1) of the Charities Act 2009, which includes a body that promotes a political party or candidate. The use of charitable assets to promote a political candidate could have had serious implications for GLEN's status as a registered charitable organisation under the 2009 Act.

The absence of evidence of any communication or notification by the former Co-Chair and/or Executive Director A to the Board in respect of the financial arrangement was also inconsistent with key governance principles, including the principles of disclosure and transparency. The expenditure also exposed the Charity to potentially serious reputational risk.

Furthermore, weaknesses in financial reporting processes and oversight implemented by the Board meant that they were unable to detect such expenditure on a timely basis.

### **3.2 Inadequate and inappropriate controls applied to the use of charity credit cards, including personal expenditure and cash withdrawals**

#### *Credit card policies and procedures*

The inspectors found the following matters:

- i) The Charity did not have adequate controls governing the use or monitoring of actual credit card based expenditure in the period examined<sup>2</sup>. Prior to the appointment of the new Executive Director ("Executive Director B") in October 2016, a total of seven (7) Charity credit cards were in use by six individual staff members and one Board member (former co-Chair). The inspectors found that the credit card held by the former co-Chair was not used (with the exception of bank charges) and the remaining credit cards held by staff members were subject to frequent use. The inspectors found that there was no evidence of formal approval of cards issued and there was no formally documented credit card policy approved by the Board. The Board (including Chair of the Finance subcommittee) also confirmed that they neither requested nor received any specific detailed analysis or reporting upon actual credit card expenditure. The Chair of the Finance subcommittee, which was established by the Board in 2015, explained that the focus of this subcommittee was on the funding challenges which were being experienced by the Charity at that time. The Chair of the Finance subcommittee also explained that, upon appointment, he was not made aware of any potential internal control issues in respect of credit cards (neither by management, meeting with the external auditor or the formal management letter<sup>3</sup> issued to the charity). Following the disclosure of the existence of the relatively high number of credit cards in November 2016, the Board requested that Executive Director B cancel all credit cards, with the exception of one credit card to be held by Executive Director B for the purpose of charitable expenditure.
- ii) Based upon interviews with GLEN staff, the inspectors noted that the credit cards were provided upon appointment and were used to pay for expenditure such as travel costs, events, lunch, meeting costs and accommodation incurred in the course of performing work on behalf of the Charity. All such credit card holders confirmed that they were responsible for analysing their own credit card statements (by way of notations provided on credit card statements) and attaching any receipts, which were then to be provided to the administrator. The administrator was then responsible for posting the transactions to the Charity accounting system. The Charity's approved financial policies and procedures<sup>4</sup> in place at the time made no reference to the existence or use of credit cards or any form of approval or reporting upon credit card expenditure. The absence of documented internal controls guidance specific to credit card usage and the absence of any meaningful, independent review by the Board (or subcommittee)

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<sup>2</sup> January 2014 to May 2017

<sup>3</sup> For the year ending 2014 or 2015.

<sup>4</sup> 11 November 2010

increased the potential risk of unauthorised or inappropriate use of credit cards. The inspectors found that credit card holders had a significant degree of autonomy in terms of incurring expenditure. Furthermore, there was an absence of evidence of formal approval of expenditure in line with general purchasing thresholds set by the Charity.

- iii) The inspectors found that credit card expenditure was not adequately supported by itemised till receipts or invoices. The inspectors note that visa receipts are not adequate support for credit card expenses as it only proves payment and does not provide detail of what was paid for. This limited the ability to fully assess the underlying purpose of the expenditure incurred. For example, where expenditure was incurred via hotel stay, dinner, lunch, restaurant or bar and an itemised receipt was not provided, it was not possible to readily determine the purpose of the expenditure, the number of people in attendance, actual items purchased etc.
- iv) The inspector's finding of inadequate record keeping and maintenance was common across all credit card expenditure in use in the period January 2014 to May 2017. This is further illustrated in the table below:

<b>Year</b>	<b>Total Expenditure</b>	<b>Total expenditure not adequately supported by receipts or invoices</b>	<b>% Not Supported by itemised receipts or invoices</b>
<b>2014 Total</b>	€ 43,890	€ 15,014	34%
<b>2015 Total</b>	€ 59,885	€ 21,179	35%
<b>2016 Total</b>	€ 43,313	€ 14,909	34%
<b>2017 Total</b>	€ 904	€ 72	8%
<b>2014-17 Total</b>	<b>€ 147,992</b>	<b>€ 51,174</b>	<b>35%</b>

Executive Director A acknowledged that the preparation and submission of his receipts was not done on a timely basis. Executive Director A explained that he submitted his expenses "once or twice a year". At the conclusion of the investigation (April 2018), Executive Director A also advised that he recently forwarded additional receipts and invoices to the charity in respect of expenditure incurred on his credit card. As at 1 December 2016, the inspectors noted that the unaudited Charity records indicated an amount of €8,869 was due to be reconciled and settled between the Charity and the former Executive Director A. Executive Director A further commented that the need for the reconciliation and settlement of the expenditure was acknowledged and agreed with the Charity prior to leaving employment. In the period December 2016 to January 2017, Executive Director A provided a total estimate of €5,269 in receipts to the Charity and repaid €4,800 in respect of any non-Charity related expenditure incurred. The inspectors noted that the Charity records indicated that the Charity owed approximately €1,200 back to Executive Director A as at the end of 2016. The inspectors noted that Executive Director A waived any monies which the charity owed back to him.

*Personal expenditure incurred on Charity credit cards*

- v) In the period subject to review, the inspectors found that three credit card holders regularly used credit cards for incurring personal expenditure. The expenditure was recorded by the Charity administrator as an "other debtor" amount for all credit card holders and was included in the Charity financial statements. The three credit card holders re-imbursed personal expenditure amounts to the Charity on a regular basis. Executive Director A expenditure accounts for the majority of the total personal expenditure incurred on GLEN credit cards. The opening other debtors balance at 1 January 2014 included €2,115 for personal expenditure. In the period January 2014 to May 2017, a total amount of €13,852 was incurred on personal expenditure. As of 30 November 2017, the inspectors noted that the Charity records (unaudited) showed that an amount of €384 was due to the charity by staff members. Staff interviewed by the inspectors noted that they were not aware of any amounts due to be repaid to the Charity and, at the time of interview, the inspectors noted that staff were not formally requested to repay any potential amounts owing to the Charity.
- vi) Trustees who were on the Board in the period January 2014 to May 2017 confirmed that they were not aware of the use of Charity credit cards for the purpose of incurring personal expenditure until it was disclosed by Executive Director B. The trustees also advised that they were not aware of the existence or use of the "other debtor" account, which was used for the purpose of recording and tracking personal expenditure incurred via credit card.
- vii) The inspectors noted that the external audit management letters for 2014 and 2015 did not formally communicate any issues in respect of internal control within the Charity. The external auditor did, however, provide a copy of the 2010 management letter, dated 8 March 2011, which makes reference to "Other Debtors" and stated:

*"Although all monies owed and paid are going through the 'other debtors' code, it is difficult to see what the individual balances are at any point in time. Therefore, going forward we will agree the opening balances to [administrator] and as well as using the 'Other Debtors' code, a separate record for each individual should be kept. These amounts should be agreed with all parties and repayment terms agreed."*

The former co-Chair was the only Board member interviewed who was present at that time i.e. 2011. The former co-Chair advised that he did not recall any internal control weaknesses being raised by the external auditor other than a point raised by the external auditor in respect of the payment of intern expenses. Similarly, Executive Director A advised that he did not recall any internal control weaknesses being raised by the external auditor other than a point raised by the external auditor in respect of the payment of intern expenses. The external auditor also advised that they were not invited to attend and/or present the financial statements to the trustees of the charity on an annual basis. The inspectors found that there were no formal, written agreements (including

repayment terms) in place in respect of personal expenditure incurred. The inspectors did note, however, that the administrator did maintain an annual breakdown and analysis of such balances in line with the advice received from the external auditor.

- viii) The Board members confirmed that they did not request or receive any regular balance sheet reporting. On an annual basis, the Board did receive and approve the annual financial statements, which did include a balance sheet. However, given the absence of knowledge amongst the Board members of personal expenditure being incurred by staff, it is evident that the Board did not request or receive any detailed balance sheet reporting information and did not ask or seek to question what comprised the "other debtor" balance which was included in the annual financial statements. The financial statements also did not include any additional disclosure in respect of the makeup of the other debtor balance, including any potential disclosures in respect of any staff amounts owing to the Charity.

*Cash withdrawals on credit cards*

- ix) The inspectors found that credit cards were used for cash withdrawals and the Charity records did not adequately obtain or retain suitable evidence to demonstrate the underlying nature of the actual expenditure incurred. The total value of cash withdrawals in the period 2014 - 2016 totalled €10,030. Bank fees were charged on top of this amounting to c. €205. The inspectors identified up to approximately 70% of cash withdrawals from credit cards were not adequately supported by actual supporting itemised till receipts or invoices to evidence the exact nature of the underlying expenditure. An amount of €1,050 (c.10%) of the cash withdrawn was used for personal expenditure by two employees, which was recorded within the 'other debtors' account and re-imbursed to the Charity. An amount of €4,630 (c. 46%) of the cash withdrawn was analysed as miscellaneous / petty cash.
- x) All staff interviewed in the investigation advised that cash withdrawals were made primarily for the purpose of petty cash and/or paying for postage related costs where the Charity did not possess a franking machine. Other credit cards holders also highlighted examples of occasions where cash withdrawals were made for the purpose of paying suppliers who would only accept cash or cash withdrawals being made for the purpose of paying for expenditure associated with events held by the Charity. Staff explained that where there was any cash remaining, they would pass any such amounts to the administrator for the purpose of petty cash. The trustees confirmed to the inspectors that they were not aware of the use of credit cards for the purpose of cash withdrawals nor would they have approved. The pattern of cash withdrawals and expenditure allocation is further illustrated in the tables below:

Total cash withdrawals by year by employee				
Name	Year			€
	2014	2015	2016	Grand Total
Employee 1	€ 1,910	€ 2,450	€ 1,330	€ 5,690
Employee 2	€ 660	€ 100	€ 500	€ 1,260
Employee 3	€ 200	€ 470	€ 440	€ 1,110
Employee 4	€ 50	€ 580	€ 200	€ 830
Employee 5	€ 150	€ 40	€ 400	€ 590
Employee 6	€ -	€ -	€ 300	€ 300
Employee 7	€ 110	€ 140	€ -	€ 250
<b>Grand Total</b>	<b>€ 3,080</b>	<b>€ 3,780</b>	<b>€ 3,170</b>	<b>€ 10,030</b>

Nominal ledger account where cash usage was posted 2014 – 2016	Total
Miscellaneous / Petty Cash	€ 4,630
Publication / Events	€ 1,810
Debtors	€ 1,050
Diversity Champions	€ 860
Conferences / Networking	€ 350
Post	€ 340
European Work	€ 300
Post / Index	€ 250
Travel	€ 200
Post / intern Expense	€ 140
Equipment	€ 100
<b>Grand Total</b>	<b>€ 10,030</b>

- xi) The Charity did not operate a proper petty cash system, including the use of any petty cash control account, imprest system, formal reconciliations (including independent review) or actual petty cash counts. The inspectors found that the petty cash records were therefore inadequate. The Charity administrator and Charity staff explained that where cash withdrawals were made (for example, via credit card), the cash withdrawal was recorded on the accounting system as petty cash by the administrator. Alternatively, cash withdrawals could be used to pay suppliers in the first instance with any remaining cash being entered and recorded as petty cash by the administrator. Charity staff explained that any remaining cash was then stored in the petty cash box, which was held by the administrator. The administrator confirmed that petty cash was not “*formally recorded*”, “*there was no petty cash float*” and there was “*not consistency with providing receipts*”. The overall weaknesses in the system of petty cash meant that the charity was subject to potential increased financial control risk. The weaknesses in record keeping (including the absence of actual underlying receipts for all expenditure items) also meant that the inspectors were unable to perform any meaningful analysis on the miscellaneous/petty cash expenditure incurred in the period 2014 – 2016 i.e. total of €4,630 over the three year period.

**Conclusion(s):**

The use of credit cards for personal expenditure and cash withdrawals was not in accordance with best practice and should not have been facilitated. There was an overall absence of proper financial procedures and the necessary oversight in respect of the approval and use of credit cards and petty cash. Such weaknesses in financial controls meant that the trustees did not implement suitable procedures to consistently safeguard the Charity's assets and funds.

The Charity trustees did not implement suitable procedures to obtain and/or review the necessary financial information to identify and review the transactions being recorded in the balance sheet i.e. the use of the "other debtors" account. The inspectors further concluded that the organisational culture was one where the trustees appeared to place relatively high levels of trust in staff members without adequate checks and balances being put in place to provide the necessary oversight of all financial transactions and financial reporting.

When reporting to the Board, Executive Director A did not fully report upon the nature and existence of personal expenditure transactions, which did not adhere to the principles of openness, transparency and disclosure. Furthermore, the use of charitable funds for the purpose of personal expenditure resulted in a failure by the Charity to ensure that charitable assets/funds were used to further the Charity's charitable purpose. When considering the personal expenditure incurred by Executive Director A, the inspectors were satisfied that Executive Director A repaid personal expenditure incurred and does not owe any further amounts to the Charity.

The inspectors note the importance of the need for continuous communication by the external auditor where internal control issues are identified. Notwithstanding the primary trustee obligations, the absence of continuous reporting upon internal control weaknesses, including the associated risk(s), potentially reduces the ability of trustees to fully assess and address such control issues on a timely basis.

### 3.3. Absence of formal agreements in place between GLEN and other third parties in respect of expenditure incurred or sums advanced

- (i) The Charity entered into a number of arrangements to:
- a) provide funds to third party organisations for activities potentially aligned to the Charity's objects; or
  - b) incur up front actual expenditure which was funded by GLEN in the first instance with a view to subsequent re-imburement.

Whilst the funded activities appear consistent with the charitable objective of GLEN, many of the arrangements were not supported by formal, written agreements or formally approved by the Board. All such transactions were recorded in the "other debtor" account within the Charity accounting system and financial statements. Specific financial arrangements entered into by the Charity included the following:

- Funds amounting to €25,045 advanced to the "GLEN campaign for Marriage" in 2015, which was a separate non charitable organisation comprising of Board members and staff of GLEN. We understand the funds transferred to the "GLEN campaign for Marriage" were used to pay for communications activities and the monies were repaid to the Charity prior to March 2016. The transaction was not separately classified or reported upon as a related party transaction in the 2015 audited financial statements.
- Expenditure incurred on behalf of LGBT Equality Limited amounting to €18,854 in the period from March 2015 to September 2016, which the inspectors noted as "*expenses paid by GLEN on behalf of Yes Equality using GLEN visa card*" and expenditure relating to a post marriage referendum archiving project. The Charity explained that as GLEN had accounts with certain office service providers which LGBT Equality Ltd did not at that time, GLEN paid certain services on an interim basis on the understanding that these services would be reimbursed in full by LGBT Equality Limited. As at the end of November 2017, the Charity confirmed that an amount of €2,431 remained outstanding.
- Expenditure incurred by Executive Director A in respect of his appointment to the Board of ILGA Europe. The inspectors noted that this nomination was approved by the Board of GLEN, updates were provided by Executive Director A to the Board on these activities and it was also noted that the expenditure was incurred using the Charity credit card held by Executive Director A with such expenditure to be re-imbursed by ILGA Europe to the Charity.

**Conclusion(s):**

The trustees did not implement suitable, formal written agreements in respect of funding provided to other third party organisations or related parties.

Additionally, the trustees did not adequately disclose the nature of any related party transactions in the financial statements for 2015, which forms part of their responsibilities when preparing and approving such financial statements in accordance with generally accepted accounting principles.

### 3.4 Other observations in respect of charity financial governance and controls

The inspectors found the following matters:

- i) The Board implemented financial reporting processes whereby it received regular reporting in respect of the overall budget, income, expenditure, reserves and cashflow. However, the Board did not request or obtain suitable reporting to fully understand the full financial position of the Charity i.e. the balance sheet. As previously noted, there was an absence of any regular reporting upon the overall balance sheet of the Charity, which contributed to the absence of Board knowledge or awareness of the "other debtor" account and the transactions recorded therein. The "other debtor" account was used to record the financial transactions associated with the political campaign, any personal transactions incurred on credit cards and financial transactions entered into with third parties, which were to be subsequently re-imbursed to the Charity. The Board did set up a finance subcommittee in 2015, however, the Chair of the subcommittee acknowledged that the focus of the subcommittee was on strategic challenges i.e. funding challenges which were present at the time. The inspectors also noted that the subcommittee did not have any formal terms of reference, including roles and responsibilities.
- ii) The Charity operated a system of sole online banking authorisation without adequate levels of independent review and oversight in the period examined. The inspectors noted that the matter was brought to the Board's attention by Executive Director B in November 2016 when the Board took action to implement additional controls within the financial control environment. This included additional online banking users and the use of an independent, third party accountant for the purpose of managing the financial affairs of the Charity.
- iii) In May & June 2017, following the decision to wind down the Charity, the inspectors noted that the Charity made ex gratia payments to two employees amounting to €2,500 each. The charity explained that the payments were made in full and final settlement of all claims or potential claims against the GLEN having due regard to the cost of any such claims. Whilst the inspectors noted that GLEN funding came from a variety of sources, including government funding, donations from philanthropic organisations and private companies (primarily in respect of Diversity Champions), it was not clear which actual reserves were used to fund the ex gratia payments. Furthermore, the charity did not provide evidence of any correspondence with any funder(s) whose funding may have been applied to such payments. The unaudited net assets of the Charity (February 2017) amounted to €174k, part of which was due to be returned to funders. At the time of reporting, the process for determining how the net assets will be wound down/distributed was ongoing.

**Conclusion(s):**

Whilst the inspectors acknowledge that the trustees did obtain and review income and expenditure based financial reporting and budgets, the trustees did not implement suitable procedures to fully assess the full financial position of the Charity on a regular basis. The finance subcommittee set up by the Board also did not have any documented terms of reference to help to guide and inform its remit, activities and reporting to the Board.

The use of single authorisation and approval of bank transfers was further evidence of a weakness in the internal financial control environment.

The trustees did not appear to obtain explicit approval from funders (where applicable) prior to the making of ex gratia payments.

## 4. Recommendations

Based on the investigation findings and conclusions, the inspectors make the following recommendations to the Charities Regulatory Authority:

1. We recommend that the Charities Regulator Authority obtain a final update from the Charity on the status of *other debtor* amounts due to the charity prior to the wind down being completed.
2. Under s28, the Charities Regulatory Authority should consider furnishing a copy of this report as it deems relevant.
3. The Charities Regulatory Authority should review the latest guidance issued to the Charity sector and update (where deemed necessary) in order to further strengthen such guidance when considering the findings and conclusions contained within this report.