Press release: Poor due diligence and monitoring put charity assets at risk

The Charity Commission ('the Commission') has today published a report of its statutory inquiry into Human Aid UK (registered charity number 1138111) ('the charity'). The charity describes itself as an international humanitarian charity which strives to alleviate the suffering of the oppressed and says it works in collaboration with dedicated partner organisations in remote areas of the world, including Africa, Middle East and South Asia. The inquiry was opened to examine issues identified at visits to the charity regarding their controls around fundraising and the end use of charitable funds.

The inquiry found that whilst the charity acted on some of the earlier regulatory advice provided by the Commission to address vulnerabilities in its financial controls and management of fundraising, the charity had not exercised sufficient oversight of its work with partners, particularly in areas which are considered to be high risk or where conflict prevails.

The Commission found that the charity's records and systems regarding its activities in Turkey/Syria and/or on the Syrian border did not sufficiently account for the proper end use of all the funds transferred from the charity to partner organisations. The inquiry could not reconcile some costs with the records and systems inspected at the time on one project with a partner organisation based in Turkey for an emergency medical service convoy to Syria and found further deficiencies in relation to the charity's monitoring of the end use of funds relating to a baby milk project with another UK partner.

The inquiry did not find evidence of specific misapplication of charity funds. However, due to the overall lack of adequate documentation to demonstrate the charity's due diligence checks and monitoring of the end use of funds, the inquiry concluded that the trustees had failed to adequately protect the charity and its assets.

The Commission has exercised its powers and directed the trustees to carry out a number of actions to address compliance with key trustee duties including a review of the charity's financial management and controls as well as its due diligence policies and record keeping. The Commission is monitoring the charity's compliance with the order.

Michelle Russell, Director of Investigations, Monitoring and Enforcement at the Charity Commission, said:

> Many charities doing vital humanitarian work rely on partner organisations to help them carry out activity in the UK and overseas. The findings in this report are a reminder to those charities about the need for them to carry out proper due diligence on partners that receive money from or work closely with the charity and proper monitoring and verification of spend of the

charity’s funds.

A fundamental basic is the need to keep adequate and appropriate receipts and other records of spend and have proper systems and procedures in place to request, analyse, record and hold these on a systematic and regular basis.

Monitoring is important to ensure that trustees are able to account for the proper use of the charity’s funds and that they maintain donor confidence. Our experience of talking to and visiting charities that work in this field is that good record keeping is a basic given but there is also the need to use a combination of monitoring and verification techniques adapted to the different working environment and areas the charity is working in. This is particularly important where a charity works with or through partners, or works in high risk areas.

Further guidance about trustees’ obligations and responsibilities can be found in The essential trustee: what you need to know, what you need to do (CC3). Further guidance on due diligence and monitoring is available in the Commission’s compliance toolkit – Chapter 2: Due diligence, monitoring and verifying the end use of charitable funds.

The full report is available on GOV.UK.

Ends

PR 13/17

Notes to editors

1. The Charity Commission is the independent regulator of charities in England and Wales. To find out more about our work, see our annual report.
2. Search for charities on our online register.
3. Details of how the Commission reports on its regulatory work can be found on GOV.UK.

News story: Defence Secretary applauds service of globally deployed Scots

During a visit to Edinburgh, Sir Michael met soldiers from Scots-based Army units. Many have either recently returned, or are about to deploy on missions with the UK’s allies overseas.

Defence Secretary Sir Michael Fallon said:

> Scotland is on the frontline defending the United Kingdom from growing threats at sea, in the air, and on land. Whether countering Daesh, improving security in Afghanistan, or playing a leading role in peace-keeping missions, Scottish troops deserve our gratitude for the incredible job they do.

At any time, at least 20% of the troops from Army units in Scotland are actively involved in operational, defence engagement or training with other nations.

Midlothian-based personnel of The Royal Highland Fusiliers, Second Battalion the Royal Regiment of Scotland (2 SCOTS) are part of the UN mission in South Sudan. They are also supporting NATO’s Very High Readiness Joint Task Force and is currently deployed to Kenya where it is leading battle group training for 950 personnel.

Scotland’s 51 Brigade have taken part in exercises with the Emiratis, Kuwaitis and the Qatari Armed Forces.

Scotland is also home to the UK’s nuclear deterrent submarines at Her Majesty’s Naval Base Clyde, and the Quick Response Aircraft at RAF Lossiemouth.

News story: Ministers in latest dialogue with financial services firms

During a roundtable yesterday, Ministers underlined their commitment to maintaining London’s position as a global financial hub.

Hosted by Ministers from the Department for Exiting the European Union and HM Treasury, discussions centered around topics including the Great Repeal Bill, the movement of skilled workers and opportunities to increase the sector’s global competitiveness in the future.

As the leading European centre for fund management, the UK asset management industry plays an important role channelling capital into businesses and infrastructure in the UK, the EU and around the world – enabling individuals to plan and invest for their future.

Commercial Secretary to the Treasury, Baroness Neville-Rolfe, said:

> I am delighted to have this opportunity to hear from this vital part of the financial services industry. UK-based firms manage more assets than those in France, Germany and Italy combined.
>
> We are determined that the UK will continue to be a global financial hub and are focused on negotiating the best deal for financial services, including asset management, to ensure the sector continues to be one of Britain's great success stories.

DExEU Minister, Robin Walker, said:

> The financial services sector is a vital part of the UK economy. We have been clear that we want the best deal for the UK. One that allows British companies the maximum freedom to trade with and operate within European markets – and let European businesses do the same in Britain.
>
> Investment and the management of investments are a crucial part of the UK's success in global financial markets and will be key to the success of a Global Britain. Hearing directly from the sector about the potential impacts and opportunities for them is hugely valuable – providing us with the information we need as we prepare to enter the negotiations.

Chris Cummings, Chief Executive, Investment Association said:

> The Investment Association is calling for the UK and the EU to strike a bespoke post-Brexit agreement, which will allow UK based asset managers to continue to provide products and services to millions of savers across the EU and the world to the extent that they do today. This kind of agreement could be part of an EU-UK Free Trade Agreement or a similar type of treaty.

In attendance at the event were senior executives from the following businesses and organisations:

- Allianz Global Investors
- Barings Europe
- BlackRock Investment Management
- HSBC
- Independent Franchise Partners
- Investec
- Investment Association
- M&G
- Pictet Asset Management
- Schroders
- Vanguard

News story: Maintaining our close ties with Slovakia

The UK and Slovakia share a great number of common interests, not least the thriving trade between our great nations and the security of our continent.

So my simple message, as I visit Bratislava today, is that our strong relationship will not diminish after the UK leaves the European Union following last summer’s referendum.

For while we may be leaving the institutions of the EU, we are not turning our back on Europe. The UK intends to remain a good European and global citizen.

Our countries have both already achieved a huge amount together.

The UK is among the top five export destinations for Slovakia, and overall trade between our countries has grown by an impressive 30 per cent in the last two years alone.

We both have thriving automotive industries – Slovakia is a world leader in car production, with Volkswagen, Kia and Peugeot all manufacturing in the country.

And more recently, Jaguar Land Rover, one of Britain’s best known multinational car manufacturers, announced a £1.2 billion investment in Slovakia to produce its latest Discovery model from 2018.

In fact, one in every seven cars made in Slovakia is sold to drivers in the UK.

Building on existing trade ties is important for both of us, and it won’t be in anyone’s interest to see barriers to trade erected between our two countries.

That is precisely why we are seeking a comprehensive new free trade agreement with the EU, that allows for the freest possible trade in goods and services between Britain and the EU’s member states.

Of course, trade is not our only shared interest.

There are also around 90,000 Slovakians currently living in the UK and around 2,000 Brits living in Slovakia.

Nothing should change for either group after the UK leaves the EU – and indeed, we would have liked to have provided that guarantee with an agreement with the EU already.

It is only fair that those who have built lives for themselves abroad, and who are contributing to our economies, see their status secured as soon as possible. So we want to reach agreement on this issue as a top priority once the formal negotiations over the UK's new partnership with the EU commence.

We also have a very strong interest in maintaining the security of Europe and protecting our citizens.

Whether implementing sanctions against Russia, sharing counter-terrorism intelligence or working to secure Europe's external border, we are committed to standing with our allies.

But we know we cannot do it alone. As members of NATO, we both understand the importance of collaboration on defence and security.

Solidarity is crucial and, in the face of growing concern about the threat to security across the continent, working together has never been so vital.

That is why we want to continue partnering closely with Slovakia's armed forces on land, sea and air, with your police and your intelligence community.

So as we look ahead to negotiations to leave the EU, we do so in the spirit of friendship and goodwill. We want to see the EU succeed politically, economically and socially, and that is in the UK's interests as much as it is that of EU member states.

We are seeking a new, positive partnership between the UK and the EU – one based on mutual values, trust, free trade and continued cooperation.

Press release: Social housing regulator to charge fees from October 2017

The regulator of social housing has confirmed that it has listened to the sector and will delay the introduction of fees for social housing regulation to October 2017. Providers will pay 50% of the annual fee for 2017 to 2018.

The regulator was granted powers to charge fees under the Housing and Regeneration Act 2008. It set out initial proposals in a discussion paper in 2014 and held a further statutory consultation at the end of 2016.

Following the outcome of the consultation, the regulator will introduce:

- a one-off flat-rate registration fee of £2,500 for successful registration with the regulator

- a fixed annual fee of £300 for providers with fewer than 1,000 social housing units
- an annual per unit fee of £4.72 for large providers with 1,000 or more social housing units – with the fee charged at group level rather than for each individual entity on the register.

Taking account of points raised in the consultation responses, the regulator has also committed to:

- waive fees for 2017 to 2018 for providers with fewer than 60 social housing units, where a complete de-registration application is made by 1 September 2017 and it has a reasonable chance of being completed by the financial year end
- a cap on the maximum increase to total income raised from fees to 1% per annum until the end of current Spending Review period in 2020 from a base of £12.5 million
- introduce a Fees and Resources Advisory Panel alongside existing stakeholder arrangements publish an annual fees statement in addition to the transparency information it already publishes.

Julian Ashby, Chair of the HCA Regulation Committee said:

> Thank you to everyone who participated in the consultation and our various discussions around fees. I'm pleased to see a high level of support for our proposals, which were described as fair, simple, transparent and practical. In our approach to implementing fee charging we have carefully considered the impact on existing budgets and business planning for 2017 to 2018 and noted the affordability challenges raised by some of the very small providers.
>
> Introducing fee charging complements the HCA review conclusion to establish the regulator as a separate legal entity. We're committed to keeping our costs low and therefore the fee level reasonable and proportionate, while maintaining effective regulation. We will establish a Fees and Resources Advisory Panel to ensure that there is accountability for fees charged.

A decision statement which outlines an analysis of the consultation responses, has been published on the fees consultation page of the Gov.uk website.

There were 169 responses to the statutory consultation which ran from 25 November 2016 to 9 January 2017. The regulator also consulted extensively with sector representative bodies.

The case for charging fees was supported by many respondents as the best way of maintaining the effectiveness and independence of the regulator. Many confirmed regulation to be essential to enable the sector to continue to access the investment it needs on attractive terms.

Funding for some aspects of the regulation function such as reactive regulation, including consumer regulation, will be continued through government grant in aid.

The Homes and Communities Agency is the single, national housing and regeneration delivery agency for England, and is the regulator of social housing providers. As regulator, its purpose is to promote a viable, efficient and well-governed social housing sector able to deliver homes that meet a range of needs. It will do this by undertaking robust economic regulation, as enshrined in legislation, focusing on governance, financial viability and value for money that maintains lender confidence and protects the taxpayer.

For more information, visit the HCA website or follow us on Twitter.

Our media enquiries page has contact details for journalists.

For general queries to the HCA, please email mail@homesandcommunities.co.uk or call 0300 1234 500.