ACHIEVING ACCOUNTABILITY THROUGH
PUBLIC AND SELF-REGULATION INITIATIVES

ENGLAND & WALES
The Charity Commission for England and Wales
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I. How is CSO accountability and transparency addressed in England and Wales (e.g., which laws, which self-regulation mechanism or another model)?

1.1. Public Regulation Initiatives

• Charity Commission for England and Wales: Is an independent non-ministerial government regulator of charities which has a highly developed policy approach towards accountability and transparency, which has been developed with charity sector involvement. Besides its regulatory role it provides a significant amount of advice and guidance to a major sub-sector of CSOs (charities/NGOs) on various themes. For example, its Counter Terrorism Strategy is the only explicit counter-terrorist strategy for the CSO sector published by a European regulator.

• Charities Act 2006: It serves as a legal background for the operation of the charities; hence it lays down the definition of “charity”, the rules of registration, supervision and funding.

• Statement of Recommended Practice for Charity Accounting (SORP): Is a comprehensive framework and includes a set of standards for charity accounting and interpretation on how to meet such standards. The Charity Commission and the Office of the Scottish Charities Regulator are responsible for issuing the SORP for charities.

• The Compact is an agreement that sets out the ‘rules of engagement’ for how government and the non profit sector should work together for the benefit of the people they serve. It was first published in 1998 and on the basis of the experiences a new national Compact was adopted in 2009. Local versions of the Compact and its codes have been developed by nearly all local authorities.

1.2. Self-Regulation Initiatives

• Institute of Fundraising: The Institute of Fundraising established in 1983 is the professional membership body for UK fundraising. It currently has 5000 individual and 300 organisational members and contributes to the accountability and transparency of its members by setting standards and promoting best practice concerning fundraising activity.
• **Self Regulation of Fundraising**: Self-regulation in fundraising was introduced in 2007 and essentially aims to allow fundraising and charity organisations to set some of their own standards within their organisation. This can be on the basis of best practice, regulating what their organisation does, eradicating any poor practice they notice within their organisation and also hopefully increasing public trust in their charity organisation. There are two essential aspects to self-regulation within the fundraising sector. The first is that you are required to sign up to the Codes of Fundraising Practice. This exists to show the best practice standards that you will be expected to reach based on the criteria set by the Institute of Fundraising Standards Committee. The second crucial aspect is that the donor faces an independent Fundraising Standards Board who exist to hear any complaints and ensure that members of the public have some place to go to have their views and opinions noted.

II. **What is the Charity Commission model about?**

2.1. **What is the aim and the roles of the Commission related to accountability and transparency issues?**

The Commission aims to enhance the accountability of charities to donors, beneficiaries and the general public. It aims to promote the effective use of charitable resources and compliance with legal regulations in order to increase public trust and confidence. The main regulatory roles of the Commission related to accountability and transparency include: registering new charities, maintaining a national web-based database, monitoring annual returns, reports and accounts, giving advice and/or legal consent to certain dealings, promoting best practices, investigating apparent misconduct and mismanagement and using legal powers to protect charities. The Commission exercises a risk-based and proportionate approach. For example, accountability and transparency requirements are lower for smaller charities.

2.2. **How does Commission operate and what is the proportion of CSOs in the governing and the monitoring bodies?**

The Commission is a non-ministerial government department and has a Board mainly responsible for the overall strategy and future direction. The Board consists of a chairman and at least four, but not more than eight other members. The members are appointed by the Minister for the Third Sector based on their specific experience, knowledge and qualification prescribed by the Charities Act 2006. Board members, including the Chair, are appointed following fair and open competition. Each appointment is regulated and overseen by the Office of the Commissioner for Public Appointments and the Chair’s appointment is subject to a pre-appointment hearing before the Public Administration Select Committee of Parliament. A sector representative sits on the Appointment Committee to ensure
sector involvement. Most Board members have charity sector experience before joining the Commission.

2.3. **What are the specific preconditions of registering a charity?**

With a few exceptions it is compulsory to register a charity governed by the laws of England and Wales so far as its annual income exceeds £5000. Furthermore, the Commission may consider the registration of charities under this threshold as well. An organization can only be a charity if it established exclusively for charitable purposes and its aims are for public benefit. This means that the registration doesn’t make an organization into a charity - it must already be one. So far approximately 180,000 charities are registered by the Charity Commission out of the estimated 865,000 CSOs existing in UK.

2.4. **How the work of the Commission is monitored and evaluated.**

The Commission does not answer to a Minister, but reports to Parliament, and faces scrutiny from the Public Accounts Committee. Furthermore, annual reports on its use of funds and achievements against key performance indicators are submitted to the Treasury and an annual external audit is undertaken by the National Audit Office. The Commission answers to the public through open Board meetings, the Annual Report and the sector media. Complaints against the Commission are considered by an Independent Complaints Reviewer, whose decisions the Commission is committed to abide by. Finally, the legal decisions it makes can be challenged and overturned in the Courts or by the independent Charities Tribunal.

2.5. **How does the Commission support the implementation of the accountability and transparency requirements among the charities? What tools does it use? How does it ensure compliance?**

The Commission maintains a public register which specifies the organization's name, the date of its first operation, its area of operation, contact details of a correspondent, the countries in which it will operate, its address, and its classification. Other information is also provided to the Commission, including the charity's bank accounts, finances, funding, ownership of land and trustee benefits. Furthermore, the Commission provides advice and guidance through its website, publications, through answering e-mails, letters and telephone queries.

2.6. **How much does the Commission cooperate with charities in developing and implementing the guidelines on accountability and transparency rules?**

The Charity Commission has been the regulator for charities in England and Wales since 1853 and has developed a good working relationship with the sector. All important legislation, regulations and policies developed by the Charity Commission have been developed with charity sector involvement and consultation. Sector
umbrella bodies such as the National Council for Voluntary Organisations are regularly consulted on new initiatives.

III. How developed is the sector in England and Wales?

The sector is extremely well-established, being large, diverse, active and effective, with an excellent reputation both at home and abroad. There are currently 180,000 registered charities with an annual income of over £9.85 billion, of which 13,000 work internationally.

IV. How accountability and transparency requirements relate to other models (if any). For example, do they complement or ignore each other?

England and Wales is a good example of a balanced and complementary approach to regulation and self-regulation. There has been a move from public regulation towards the self-regulation. For example, recent changes to the laws were made to create greater flexibility (e.g., remove legal limits on trustees’ rights to pay themselves for additional services, purchase trustee indemnity insurance, sell property, invest charity funds or spend endowments). Individual charities now have responsibility to develop their own rules and clearly demonstrate that their organization has acted in line with the Charity Commission’s policy and guidance, and that fundamentally they have acted in the best interests of the charity.

V. What is the impact of the operation of the Charity Commission so far? What are the main recommendations and lessons learned?

The Commission operates in a highly developed accountability system and in an environment where the role of the charities is well understood, the sectoral identity is well-established and where philanthropy has a long and deep-rooted tradition. Furthermore, the accountability of the Commission itself helps to demand high standards of accountability from the sector. These factors shall be considered when the Commission model or some of its aspects are planned to be replicated in another country and environment.

VI. Useful links

- The summary of the Charity Commission was prepared based on the “Study on Recent Public and Self-Regulatory Initiatives Improving Transparency and Accountability of Non-Profit Organisations in the European Union”
- Charity Commission: http://www.charity-commission.gov.uk/
- Institute for fundraising: http://www.institute-of-fundraising.org.uk
- Fundraising Standards Board: http://www.frsb.org.uk

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