





# Charity Commission for Northern Ireland Annual Report and Accounts

For the year ended 31 March 2010

The Accounting Officer authorised these financial statements for issue on  
17 September 2010

Laid before the Northern Ireland Assembly Under the Charities Act  
(Northern Ireland) 2008 by the Department for Social Development on

12 October 2010



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The Charity Commission for Northern Ireland (CCNI) is the new regulator of charities in Northern Ireland, a non departmental public body sponsored by the Department for Social Development.

**CCNI aims to**

- Develop a regulatory framework in which the public have confidence and in which charities can grow and flourish, clear in the knowledge of their rights and responsibilities;

**And**

- Manage the establishment of the organisation as a statutory non departmental public body following the full implementation of the Charities Act (Northern Ireland) 2008.

Further information about CCNI's activities is available from:

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# Contents

Foreword by the Chief Commissioner	5
Chief Executive's Report	6
1. Introduction	7
Auditor	8
Disclosure of Relevant Audit Information	8
2. Responsibilities	8
3. Vision	9
4. The Charity Sector	9
5. The Developing Context	10
6. Progress and Delivery	11
7. Our Future Plans	12
The Charity Commissioners	14
Remuneration Report	15 - 16
Statements of the Responsibilities of the Commission and Chief Executive	17
Statement on Internal Control	18 - 20
The Certificate of the Comptroller and Auditor General	21 - 22
Net Expenditure Account	23
Statement of Financial Position	24
Statement of Cash Flows	25
Statement of Taxpayers' Equity	26
Notes to the Accounts	27 - 35



# Glossary

<b>CCEW</b>	Charity Commission for England & Wales
<b>CCNI</b>	Charity Commission for Northern Ireland
<b>DCEGA</b>	Department for Community, Equality and Gaeltacht Affairs (Ireland)
<b>DEL</b>	Department for Education and Learning
<b>DFP</b>	Department of Finance and Personnel
<b>DHSSPS ITG</b>	Department of Health, Social Services and Public Safety, Information Technology Group
<b>DSD</b>	Department for Social Development
<b>HMRC</b>	Her Majesty's Revenue and Customs
<b>NIAO</b>	Northern Ireland Audit Office
<b>NICVA</b>	Northern Ireland Council for Voluntary Action
<b>OSCR</b>	Office of the Scottish Charity Regulator
<b>PSNI</b>	Police Service for Northern Ireland
<b>SORP</b>	Statement of Recommended Practice

# Foreword by the Chief Commissioner Tom McGrath CBE



The Charity Commission for Northern Ireland (CCNI) is the new regulator of charities in Northern Ireland. The organisation was established on the 27th March 2009 and my fellow Commissioners and I were appointed on the 1st June 2009 by the Minister for Social Development, Margaret Ritchie.

Charities are a vital part of the social fabric of Northern Ireland providing much needed services, support, enjoyment and research often reaching out to some of the most vulnerable in our community. There is no register of charities in Northern Ireland so it is impossible to accurately state the number of charities operating here. Many charities seek recognition by HMRC for tax purposes and their records indicate that there are almost 8,000 charities who have applied to them. The Northern Ireland Council for Voluntary Action (NICVA) carries out a regular analysis of the broader voluntary and community sector and its research would indicate that there are in the region of 5,500 charities.

CCNI has a crucial role to play in the development of charities, enabling them to meet modern expectations and obligations. It is essential that we enable charities to operate in a climate of trust and respect by providing firm and fair regulation in which the public can have confidence. CCNI therefore aims to develop a regulatory framework which is not only about intervention and strong governance, but which over the longer term establishes standards and promotes good practice across the sector. It will be responsive to the charity sector, mindful of the need to promote the good work that charities do, but also mindful of the need to protect charities from misuse, abuse and mismanagement.

There are many challenges in the year ahead for my fellow Commissioners and me to provide the strategic direction and support to the staff, enabling them to develop a Charity Commission which has the respect and confidence both of the public and the charity sector.

I know from numerous events that I have attended over the last year that there is strong support in the charity sector for the new regulatory arrangements. Together I also know we will be able to meet the challenges ahead.

**Tom McGrath**

*Chief Commissioner* – Charity Commission for Northern Ireland

# Chief Executive's Report



2009-10 saw the Charity Commission for Northern Ireland take its first steps in becoming the new regulator for all charities operating in Northern Ireland.

CCNI is a relatively small organisation but will have real impact over the coming years. In the year just ended the organisation began life supported by a secretariat within the Department for Social Development and then moved to its own premises with seconded staff and its own identity.

Since appointment of the Commissioners in June 2009 we have also set up our website, begun recruiting our own staff, begun development of a charity register, carried out consultation on how we will apply the public benefit test and taken the initial steps in developing the sound management arrangements we see as crucial to our successful working.

The Public Benefit guidance consultation was a major piece of work for the new organisation which involved staff and Commissioners travelling across Northern Ireland to hear views and engage in debate. The roadshows which were held in Belfast, Derry/Londonderry, Ballymena, Enniskillen, Newry and Coleraine gave many charities the opportunity to begin to learn what the new legislation involves and what it will mean for them. Commissioners and staff also spoke at events, gave presentations and held one-to-one meetings to ensure the consultation ranged as widely as possible. In total 296 responses were received, demonstrating a very high level of engagement in a fairly complex and challenging issue.

Another major piece of work, and also a major investment, in the past year was the first stage of development of an online registration process to create the Northern Ireland Charity Register. CCNI has worked closely with the Charity Commission in England and Wales on this to ensure we benefit from tried and tested systems elsewhere.

My own appointment as the first permanent member of staff, towards the end of the year, indicated a significant step for CCNI towards establishment of its own staffing structure and separate corporate identity. Warm thanks are due to all my colleagues from DSD who began CCNI's work and saw the organisation through its early phases. We now look forward to a busy year in which we begin our regulatory work and establish the organisation as a key part of Northern Ireland's charity landscape.

**Frances McCandless**

*Chief Executive* – Charity Commission for Northern Ireland

# 1. Introduction

The Charities Act (NI) 2008 introduced a new regulatory framework for the charitable sector in Northern Ireland. The previous framework did not provide for any form of registration and only made limited provisions for enforcement generally. The main objective of the 2008 Act was to introduce an integrated system of registration and regulation (including control of charitable, philanthropic or benevolent fund-raising), as well as supervision and support of registered charities. The aim of these changes will be to provide a structure and process through which charities can demonstrate their contribution to society, the public can be assured regarding how charities are spending any donations and Government can assist in the better governance of the charity sector.

Following extensive public consultation, the Department for Social Development (DSD) concluded that the need for a regulatory structure to provide reassurance to the public about how charities manage their affairs, undertake collections and dispose of donations, ruled out maintaining the status quo as a viable option. The possibility of extending the remit of the Charity Commission for England and Wales had certain advantages; however, it would not have delivered the objectives set out in relation to the adoption of a more rigorous public benefit test and the need to apply different procedures in relation to registration and financial controls. It was determined, therefore, that the establishment of an independent Commission that would be able to respond to the needs of the local charity sector presented the best solution for Northern Ireland.

The 2008 Act provides a definition of “charity” and “charitable purpose”, establishes the Charity Commission for Northern Ireland and the Charity Tribunal for Northern Ireland, creates a register of charities and provides for a new form of charitable body (a charitable incorporated organisation) and deals with the regulation of charities, their assets and public charitable collections. The Commission was formally established on 1 June 2009 and is a non-Departmental Public Body (NDPB) sponsored by the Department for Social Development.

Whilst CCNI will have a key role in regulation of the charitable sector, it is also important that it develops effective relationships and works in partnership with those engaged in charitable activities. This will involve provision of advice and guidance to assist charities with compliance issues but will also require development of an ethos which promotes confidence in public charitable giving, encourages sharing of best practice and ultimately helps to raise standards.

## Auditor

The Comptroller and Auditor General was appointed the Statutory Auditor under the Charities Act (Northern Ireland) 2008. He is the head of the Northern Ireland Audit Office and he and his staff are wholly independent of the Charity Commission for Northern Ireland and reports his findings to the Northern Ireland Assembly.

## Disclosure of Relevant Audit Information

There is no relevant audit information of which the auditors are unaware; and the Accounting Officer has taken all the necessary steps to ensure that both she and the auditors are aware of all relevant audit information.

# 2. Responsibilities

The Charity Commission has objectives which are set out in the legislation. These are:

- The public confidence objective – to increase public trust and confidence in charities
- The public benefit objective – to promote awareness and understanding of the operation of the public benefit requirement
- The compliance objective – to promote compliance by charity trustees with their legal obligations in exercising control and management of the administration of their charities
- The charitable resources objective – to promote the effective use of charitable resources
- The accountability objective – to enhance the accountability of charities to donors, beneficiaries and the general public.

CCNI has already begun to establish ongoing formal and informal relationships with its key stakeholders. These key stakeholders include the Department for Social Development (DSD), the Northern Ireland Assembly and Executive, the Charity Commission for England and Wales (CCEW), the Office of the Scottish Charity Regulator (OSCR), Department of Community Equality and Gaeltacht Affairs (DCRGA), other regulatory bodies (such as HM Revenue & Customs), umbrella bodies (such as NICVA and the Institute of Fundraising), the public, the media and charities themselves.

# 3. Vision

CCNI's vision is for:

**'A dynamic and well governed charities sector in which the public has confidence, underpinned by CCNI's effective delivery of its regulatory and advisory role.'**

Delivery of this vision will clearly not happen overnight. Rather, it will take the concerted effort of a number of different players in the charities sector in the short, medium and long term. CCNI is only one player in this complex environment, although the nature of its role, responsibilities and powers make it a key player.

# 4. The Charity Sector

There is no register of charities in Northern Ireland so it is impossible to accurately state the number of charities operating here. Many charities seek recognition by HMRC for tax purposes and their records indicate that there are almost 8,000 charities who have applied to them. The Northern Ireland Council for Voluntary Action (NICVA) carries out a regular analysis of the broader voluntary and community sector and its research would indicate that there are in the region of 5,500 charities.

Our own estimates based on work with the charity sector are that there may be in excess of 10,000 charities. Once the register of charities is established we can then provide more accurate analysis. In comparison there are 170,000 charities in England and Wales and 23,500 in Scotland.

The profile of charities in Northern Ireland is different from that elsewhere in the United Kingdom. We have proportionately many smaller charities with gross income below the £100,000 level. We do not have the large multi-million pound charities that exist in England and operate across the UK and globally.

# 5. The Developing Context

There are a number of developments that will inform and influence CCNI's focus and operational working. Expectations of donors, the public and broader civil society are evolving. Charities are essential to the fabric of society and the commitment and sheer variety of charitable activity is a valuable aspect of life in Northern Ireland and internationally today. However, the scale of activity, the amounts of money involved, and the emphasis on standards elsewhere, has led to increasing public expectations of charities.

These expectations extend to good governance, financial probity, sound management, employment and ethical concerns for staff and volunteers and of course effectiveness and impact. A modern regulatory framework will take account of all of the aspects and over the longer term will focus on raising standards and competence as well as on investigation and intervention in individual cases.

There is a legitimate concern relating to the burden of compliance on the majority of charities, particularly small charities, who are well managed and of the utmost probity. It is however essential that charities are seen to be transparent and that public confidence in charities remains high, with a view to sustaining the level and frequency of donations and the continued willingness of volunteers to support charities' activities.

The regulatory landscape is changing. While CCNI has a remit to develop a regulatory framework for charities in Northern Ireland that has not existed before, CCNI is by no means the only regulator. Until the new legislation is operational, Revenue & Customs will continue to recognise charitable status for tax reliefs in Northern Ireland but will have a close working relationship with CCNI.

CCNI has also been in discussions with the PSNI in order to develop a protocol for working together and the sharing of information. The PSNI currently issues permits for public charitable collections. This function will transfer to CCNI once the legislation is enacted.

The activities and the governance of many charities are the subject of regulation by other regulators. Housing Associations are regulated by DSD, while universities and

further education colleges are regulated by DEL. In addition, charities operating UK-wide are subject to multiple audit, regulation and tax requirements.

CCNI recognises that many charities and voluntary organisations have been amongst the pioneers in developing their own internal regulation. CCNI aims to adopt a modern approach from the outset, focusing on achieving impact and adding value in our own operations and encouraging this same approach in the charity sector, through working with major funders and other regulators and the sector itself.

## 6. Progress and Delivery

This is a period of transition in charity regulation and charity legislation. Currently DSD has a range of responsibilities and functions under the Charities Act (Northern Ireland) 1964, the Charities (Northern Ireland) Order 1987 and the House to House Charitable Collections Act (Northern Ireland) 1954. These functions and responsibilities will gradually transfer to CCNI as the various parts of the Charities Act (Northern Ireland) 2008 are put into place.

In the first months of the organisation's existence, the Charity Commission's objectives included establishing a secretariat, moving to premises outside the Department, recruiting a Chief Executive and commissioning an IT system to produce an online register and website. The Secretariat was initially created by DSD to assist in the establishment of CCNI and it continued also to discharge the functions of DSD under the existing legislation. Towards the end of the year, these functions were separated and a distinct Charity Commission secretariat remained. The work undertaken during this year thus included a mix of efforts by DSD and Charity Commission secretariat.

Under the Charities Act (Northern Ireland) a range of requests are submitted by charities concerning change of objects, disposal of land, transfer of assets and winding up of a charity. Often these involve complex legal issues and consultation with lawyers, trustees and land valuation. These are dealt under the 1964 Act. From April 2009, 34 new cases were received and the following were finalised:

- [4 Change of Objects for Charitable Companies](#)
- [3 cy-près Schemes \(these are schemes for putting charitable assets to a use as near as possible to the use for which they were originally intended\)](#)
- [1 Order of Consent for New Trustees - The Quinn Charity](#)

In terms of public collections across Northern Ireland under the House to House Charitable Collections Act (Northern Ireland) 1954, 3 Exemption Orders were granted.

### Consultation

A key piece of work for the Charity Commission in this year was production of and consultation on Public Benefit Guidance.

CCNI carried out a public consultation exercise from the 3rd September 2009 to the 27th November 2009.

Roadshows were held across Northern Ireland and various other presentations and one-to-one meetings were held, many attended by Charity Commissioners. In total 296 responses were received.

These can be viewed on the CCNI website [www.charitycommissionni.org.uk](http://www.charitycommissionni.org.uk). The Commissioners have welcomed all of the submissions received and would like to extend their thanks to the organisations which took the time and effort to input to the consultation. The responses will be carefully considered, along with legal advice, to produce revised guidance.

### The Charity Register and Website

Work was begun in 2009-10 to purchase and adapt an online registration system that will produce the publicly available Charity Register for Northern Ireland. CCNI has worked in partnership with the Charity Commission in England and Wales (CCEW) to develop a system tailored to meet the needs in Northern Ireland but based on a tried and tested system which has been operating effectively for a number of years in England and Wales. Along with this CCNI has begun development of a comprehensive website based on the framework already developed and tested by CCEW.

## 7. Our Future Plans

The introduction of the Charities Act is a major change for the charity sector. It also represents a substantial challenge for CCNI in terms of establishing itself as the regulator of charities in Northern Ireland. Implementing the legislation and its associated regulatory requirements will be an extended process taking 3-4 years. The timetable for implementation of key actions which CCNI has drafted is not final, it will be subject to change as circumstances and events impact upon it. CCNI

is very aware of the need to raise understanding of the requirements within the charity sector and provide sufficient time for charities to adapt where necessary to the requirements.

There are also a number of internal challenges associated with the creation and implementation of any new organisation.

These include:

- Building the CCNI team and recruiting the permanent staff
- Identifying key functions and developing associated policies and procedures
- Building the appropriate technical infrastructure
- Embedding key operational processes
- Developing relationships with our sponsor department
- Locating suitable premises

The coming year will see CCNI begin to register charities and become a visible presence in Northern Ireland. We know that expectations of regulation and scrutiny are evolving, with a growing sense that the process adds value to the organisations being regulated. As a new regulator, the Charity Commission for Northern Ireland intends to add value to charitable activity in Northern Ireland, working in partnership with the public, government and the charities themselves.

### **Equality of Opportunity**

CCNI is an Equal Opportunities employer and has a range of policies and procedures in place to ensure fair representation and participation in the workforce, irrespective of religious belief, political opinion, race or ethnic origin, gender, marital status, disability, age, sexual orientation or those with or without dependents.

CCNI is also committed to effective compliance with its obligations under Section 75 of the Northern Ireland Act 1998 and aims to ensure that, in practice, issues of equality of opportunity are given due prominence in all appropriate spheres of CCNI activity.

# The Commissioners of the Charity Commission for Northern Ireland



**Tom McGrath**

Chief Commissioner



**Paddy Sloan**

Deputy Chief Commissioner

*Chief Executive, BBC Children in Need Northern Ireland*



**Angila Chada**

Commissioner

*Chief Executive, Springboard Opportunities*



**Rosemary Connolly**

Legal Commissioner

*Solicitor, Warrenpoint, County Down*



**Walter Rader**

Commissioner

*Director, Northern Ireland, Big Lottery*



**Paul Cavanagh**

Commissioner



**Philip McDonagh**

Commissioner

*Consultant*

# Remuneration Report

## Remuneration policy

The Commissioners of the Charity Commission for Northern Ireland are appointed by the Minister for Social Development in line with the Code of Practice issued by the Commissioner for Public Appointments.

The Board has corporate responsibility to appoint, subject to the Minister's and sponsor Department's approval a Chief Executive to CCNI and in consultation with the sponsor Department, set performance objectives and remuneration terms linked to these objectives for the Chief Executive which give due weight to the proper management and use of public monies.

## Service contracts

Both the Chief Commissioner and the Deputy Chief Commissioner have been appointed for a five year term of office. All other Commissioners have been appointed for a three year term. The Chief Executive of the Commission was appointed in April 2010 and this appointment is open-ended.

## Salary and pension entitlements

### *Emoluments of Chief Executive and Senior Management*

The following sections provide details of salary, pension entitlements and the value of any taxable benefits in kind of the most senior members of the Commission.

## Remuneration (Audited)

<b>2009–10 Commissioners</b>	<b>Salary (£'000)</b>	<b>Benefits in kind (to nearest £100)</b>
Tom McGrath, Chief Commissioner	0–5	Nil
Paddy Sloan, Deputy Chief Commissioner	0–5	Nil
Angila Chada, Commissioner	0–5	Nil
Rosemary Connolly, Legal Commissioner	0–5	Nil
Walter Rader, Commissioner	0–5	Nil
Paul Cavanagh, Commissioner	0–5	Nil
Philip McDonagh, Commissioner	0–5	Nil

### **Salary**

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

### **Benefits in kind**

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument.

### **Pension benefits (Audited)**

No Commissioners or any other Senior Management received pension benefits in the year. The Chief Executive of the Commission was appointed in April 2010 and as such did not receive either remuneration or pension benefit in the year ended 31 March 2010.



**Signed**  
(Chief Executive)

**Date**  
17 September 2010

# Statements of the Responsibilities of the Commission and Chief Executive

Under Schedule 1, Section 8(2), of the Charities Act (NI) 2008, the Department for Social Development (DSD), with the approval of the Department of Finance and Personnel (DFP), has directed the Charity Commission for Northern Ireland to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Commission and of its income and expenditure, changes in taxpayers' equity, and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the accounts direction issued by DSD, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- Make judgements and estimates on a reasonable basis.
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements.
- Prepare the financial statements on a going concern basis.

The Accounting Officer of DSD has designated the Chief Executive of the Charity Commission for Northern Ireland as Accounting Officer of the Commission. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper accounting records, and for safeguarding the Commission's assets, are set out in Managing Public Money Northern Ireland published by DFP.

# Statement on Internal Control

## **1. Scope of responsibility**

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Commission's policies, aims and objectives, whilst safeguarding the public funds and managing the assets assigned to the Charity Commission for Northern Ireland, for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money. The Commission was established on 27 March 2009 and established internal controls from this point onwards which are, and will continue to be, reviewed on an annual basis.

## **2. The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Commission's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been brought into place in the Charity Commission for Northern Ireland since establishment, during the period ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## **3. Capacity to handle risk**

The identification and impact of risk is incorporated into the corporate planning and decision making processes of the Commission. Consequently the Commission ensures that there are procedures in place for verifying that internal control and aspects of risk management are regularly reviewed and reported on.

In addition to the actions mentioned above, in the coming year the Commission plans to:

- Continue and update the records of risk.
- Ensure that the Commission's audit committee reviews the risk framework at its meetings.
- Further develop a system of key performance and risk indicators.
- Continue to identify and arrange for appropriate training for staff and audit committee members.
- Continue to provide assurance to senior management and the Commissioners that agreed processes and procedures are in place and are being acted upon and complied with.

#### **4. The risk and control framework**

As part of the Commission's corporate planning process, the Commission identifies the inherent risks for each corporate objective, and assesses each inherent risk for impact and likelihood using a risk matrix. The Commission also identifies the controls to mitigate against each risk. Thus key areas of risk are identified, risk ownership assigned to staff and action plans drawn up.

The Audit and Risk Committee was established in June 2009 and these risks are reported to and managed by the Audit and Risk Committee who review and report to the Commissioners on risk management issues. Risk is reviewed on a quarterly basis by the Audit and Risk Committee and in turn they inform the Commissioners of any emerging issues. As noted below, the first internal audit review was carried out in March 2010 by the DSD Internal Audit Unit. The Audit and Risk Committee commissions reports on specific issues where they feel this necessary. The Audit and Risk Committee has also reviewed the systems and controls in place to protect our information. Risk registers are maintained by the Commission.

#### **5. Review of effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work the internal auditors and those within the organisation who have responsibility for the development and maintenance of the organisation's internal control framework and comments made by the external auditors in their Report to Those Charged with Governance and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is being put in place.

In respect of 2009/10 I have been informed by internal and external audit on the adequacy and effectiveness of internal controls operating within the Charity Commission for Northern Ireland. In the internal auditors report they have stated that in their opinion the Commission's internal control systems were adequate and operated effectively thereby providing satisfactory assurance regarding the effective and efficient achievement of the Commission's objectives; however a number of recommendations were made and an implementation plan is in place. Progress on issues raised by internal and external audit continues to be formally monitored through the Audit Committee.

#### **6. Significant internal control issues**

There are no significant control issues which might prejudice achievement of a Public Service Agreement, have a material impact on the accounts, divert resources from another aspect of the business, damage the organisation's reputation nor any regarded as significant by the Audit and Risk Committee.

However, the Charity Commission for Northern Ireland is an organisation in its infancy and was at an early stage of development during the year relating to this Annual Report and Accounts. Many of the organisation's governance processes are still in development and will be fully functioning only in the period ahead. The organisation does not yet have full permanent staffing in place and continues therefore to be reliant on resources from the Department for Social Development.

Taking these matters into account I am content that the internal control framework in operation within the Charity Commission for Northern Ireland provides reasonable assurance that objectives will be met.



**Signed**  
(Chief Executive)

**Date**  
17 September 2010

# The Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly

I certify that I have audited the financial statements of the Charity Commission for Northern Ireland for the year ended 31 March 2010 under the Charities Act (Northern Ireland) 2008. These comprise the Net Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## **Respective responsibilities of the Chief Executive and auditor**

As explained more fully in the Statement of Chief Executive's Responsibilities, the Chief Executive is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standard for Auditors.

## **Scope of the Audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Charity Commission for Northern Ireland's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Charity Commission for Northern Ireland; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

## **Opinion on Regularity**

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

## Opinion on Financial Statements

In my opinion:

- The financial statements give a true and fair view, of the state of the Charity Commission for Northern Ireland's affairs as at 31 March 2010 and of its net expenditure, changes in taxpayers' equity and cash flows for the year then ended; and
- The financial statements have been properly prepared in accordance with the Charities Act (Northern Ireland) 2008 and Department of Finance and Personnel directions issued thereunder.

## Opinion on other matters

In my opinion:

- The part of the Remuneration Report to be audited has been properly prepared in accordance with Department of Finance and Personnel directions issued under the Charities Act (Northern Ireland) 2008; and
- The information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

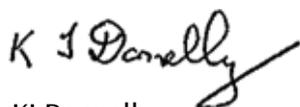
## Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- Adequate accounting records have not been kept; or
- The financial statements are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- The Statement on Internal Control does not reflect compliance with Department of Finance and Personnel's guidance.

## Report

I have no observations to make on these financial statements.



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

23 September 2010

*The Charity Commission for Northern Ireland's accounts are audited by the Comptroller and Auditor General in line with statutory requirements.*

# Net Expenditure Account

For the period ended 31 March 2010

<b>Expenditure 2009–10</b>	<b>Note</b>	<b>£</b>
Staff costs	3	224,667
Commissioners costs	3	15,583
Depreciation	6	163
Other expenditure	4	128,830
Notional costs	5	8,165
<hr/>		
Net expenditure after cost of capital charge		377,408
Reversal of notional costs	5	(8,165)
<hr/>		
<b>Net Expenditure</b>		<b>369,243</b>

Other than grant-in-aid from the Department for Social Development, the Charity Commission for Northern Ireland received no income in the year.

The notes on pages 27 to 35 form part of these accounts.

# Statement of Financial Position

As at 31 March 2010

	Note	2010 £
<i>Non-current assets</i>		
Property, plant and equipment	6	7,679
Intangible assets	7	116,186
Total non-current assets		123,865
<b>Total assets</b>		<b>123,865</b>
<i>Current liabilities</i>		
Trade and other payables	10	(128,770)
<b>Total current liabilities</b>		<b>(128,770)</b>
Non-current assets less net current liabilities		(4,905)
Assets less liabilities		(4,905)
Reserves		
General reserve		(4,905)
		<b>(4,905)</b>

The financial statements on pages 23 to 35 were approved by the Board on 14 June 2010 and were signed on its behalf by:

**Signed**  
(Chairperson)



**Date**  
17 September 2010

**Signed**  
(Chief Executive)



**Date**  
17 September 2010

The notes on pages 27 to 35 form part of these accounts.

# Statement of Cash Flows

For the period ended 31 March 2010

	Note	2009–10 £
<i>Cash flows from operating activities</i>		
Net expenditure		(369,243)
Increase in trade payables		30,209
Depreciation charge		163
<b>Net cast outflow from operating activities</b>		<b>(338,871)</b>
<i>Cash flows from investing activities</i>		
Purchase of property, plant and equipment	6	(7,842)
Purchase of intangible assets	7	(17,625)
<b>Net cast outflow from investing activities</b>		<b>(25,467)</b>
<i>Cash flows from financing activities</i>		
Grants from sponsor Department		364,338
<b>Net financing</b>		<b>364,338</b>
Net increase/(decrease) in cash and cash equivalents in the period		–
Cash and cash equivalents at the beginning of the period		–
Cash and cash equivalents at the end of the period	9	–

The notes on pages 27 to 35 form part of these accounts.

# Statement of Taxpayers' Equity

For the year ended 31 March 2010

	I & E Reserve (£)	Total Reserves (£)
Balance at establishment	–	–
<i>Changes in Taxpayers' Equity 2009-10</i>		
Retained deficit	(369,243)	(369,243)
<b>Total recognised Income and expense for 2009-10</b>	<b>(369,243)</b>	<b>(369,243)</b>
Grant from sponsor Department	364,338	364,338
<b>Balance at 31 March 2010</b>	<b>(4,905)</b>	<b>(4,905)</b>

The notes on pages 27 to 35 form part of these accounts.

# Notes to the accounts of Charity Commission for Northern Ireland

## **1. Statement of accounting policies**

These financial statements have been prepared in accordance with the 2009-10 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Charity Commission for Northern Ireland for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Charity Commission for Northern Ireland are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies Act 2006 and of the accounting standards issued or adopted by the Accounting Standards Board, so far as those requirements are appropriate.

### **1.1 Accounting convention**

The financial statements have been prepared under the historical cost convention modified to account for the revaluation of non-current assets, at their value to the Charity Commission for Northern Ireland by reference to their current costs.

### **1.2 Financing**

In accordance with the amendments to FReM, Grant in Aid has been treated as Financing and had been credited directly to the Income and Expenditure Reserve. Capital Grant in Aid has been credited to the Income and Expenditure Reserve.

### 1.3 Capital charge

A charge, reflecting the cost of capital utilised by the Commission, is included in the Net Expenditure Account. The charge is calculated at the real rate set by the Department of Finance and Personnel, currently 3.5 per cent, on the average carrying amount of all assets less liabilities.

### 1.5 Property, plant and equipment

Expenditure on property, plant and equipment of £3,000 or more is capitalised. On initial recognition, assets are measured at cost including any costs attributable to bringing them into working condition.

### 1.6 Intangible assets

Expenditure on intangible assets, which are primarily the Commission's database and the associated costs of implementation, is capitalised where the cost is £3,000 or more. Intangible assets utilised by the Commission are purchased externally.

### 1.7 Depreciation

Non-current assets, with the exception of leased assets, are depreciated on a straight line basis in order to write off the cost, less estimated residual value of each asset over its expected useful life at the following rates;

- Furniture fixtures and fittings 10% per annum
- Equipment 25% per annum
- Information technology 25% per annum
- Charity Commission database 10% per annum
- Leased equipment Period of Lease

### 1.8 Research and development

Pure and Applied research expenditure, in relation to Charity Commission activity, is charged to the Net Expenditure Account in the year it is incurred.

### 1.9 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as non current assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in current liabilities net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

### **1.10 Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the date of the transactions. Translation differences are dealt with in the Net Expenditure Account.

### **1.11 Value added tax**

All items in these financial statements are inclusive of VAT, which is not recoverable.

### **1.12 Staff costs**

Under IAS 19 Employee Benefits legislation, all staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave as at the year end. The cost of untaken leave has been determined using data from electronic leave records.

### **1.13 Accounting estimates**

No material accounting estimates or judgements were made by the Commission in preparing these accounts.

### **1.14 Financial instruments**

The Commission does not hold any complex financial instruments. The only financial instruments in the accounts are receivables and payables (Notes 8 and 10). Receivables are recognised initially at fair value less a provision for impairment. A provision for impairment is made when there is evidence that the Commission will be unable to collect an amount due in accordance with agreed terms.

### **1.14 Analysis of net expenditure by segment**

The Charity Commission for Northern Ireland has one purpose, and as such is considered to have only one operating segment. All income, expenditure, assets and liabilities relate to the Commission's sole activity.

### **1.15 Accounting standards, interpretations and amendments to published standards adopted to the year ended 31 March 2010**

The Commission has reviewed the standards, interpretations and amendments to published standards that became effective during 2009-10 and which are relevant to its operations. The Commission anticipates that the adoption of these standards will have no material impact on the Commission's financial position or results of operations.

### 1.16 Accounting standards, interpretations and amendments to published standards not yet effective

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Commission's accounting periods beginning on or after 1 April 2010, but which the Commission has not adopted early. The Commission does not anticipate that the adoption of these standards will have a material impact on its accounts in the period of initial application.

### 2. First-time adoption of International Financial Reporting Standards

As stated under Note 1 to the accounts, these financial statements have been prepared in accordance with the 2009-10 Government Financial Reporting Manual (FRM), applying International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. These are the first financial statements since the establishment of the Charity Commission for Northern Ireland and as such there have been no previous financial statements prepared under previous standards.

### 3. Staff numbers and related costs

#### 3(a) Staff costs comprise:

2009-10	Total £	Permanently employed staff	Others £
Wages and salaries	178,822	–	178,822
Commissioners' remuneration	15,583	–	15,583
Social security costs	13,131	–	13,131
Other pension costs	32,714	–	32,714
<b>Total net costs</b>	<b>240,250</b>	–	<b>240,250</b>

During the initial phase of establishing the Charity Commission for Northern Ireland, the staff of the Commission are secretariat staff provided by the Department for Social Development. The Commission does not operate a pension scheme and the costs above relate to those staff seconded from the Department for Social Development, who are members of the pension schemes in which that body participates.

### 3(b) Average number of persons employed

The average number of whole-time equivalent persons (including senior management but excluding Charity Commissioners) employed during the year was as follows:

2010	Total	Permanent staff	Others
Directly employed	7	–	7
Total	7	–	7

The Commission seconded staff from their sponsor Department for the period since establishment.

### 4. Other expenditure

2009–10

<i>Commission costs</i>	£
Rent and service charges	21,634
Rates	5,270
Maintenance and repairs	26,633
Cleaning	1,458
Telephone and postage	3,964
Heat, light and power	1,516
IT consumables and stationery	4,304
Publicity, printing and advertising	9,769
Staff/Commissioners training	4,322
Travel and subsistence	5,397
Conference fees	2,484
Recruitment costs	24,381
Hospitality (Public Benefit Road Shows)	2,759
Accountancy	2,879
Legal and professional fees	11,365
Miscellaneous expenses	695
<b>Total</b>	<b>128,830</b>

During the year, and preceding the creation of the Commission, the Department for Social Development incurred the following expenditure in respect of the Commission; which has been treated as revenue expenditure by the Department in the relevant period:

	2009-10 £	2008-09 £
Information technology	–	7,353
Accommodation	3,496	–
<b>Total</b>	<b>3,496</b>	<b>7,353</b>

## 5. Notional Costs

	2009-10 £
Notional interest on capital employed	(86)
<i>Other notional costs incurred during the year relate to:</i>	
Audit fee	8,251
<b>Total</b>	<b>8,165</b>

## 6. Property, plant and equipment

	Information technology (£)
<i>Cost or valuation</i>	
At establishment	–
Additions	7,842
<b>At 31 March 2010</b>	<b>7,842</b>
<i>Depreciation</i>	
At establishment	–
Charged in year	163
<b>At 31 March 2010</b>	<b>163</b>
<b>Net book value at 31 March 2010</b>	<b>7,679</b>

The Commission owns all its assets and has no finance leases or PFI contracts.

## 7. Intangible assets

Intangible assets comprise the Commission's database, and the associated costs of implementation, which remains under development as at 31 March 2010 and as a result has not been amortised in the year.

	<b>Total £</b>
<i>Cost or valuation</i>	
At establishment	–
Additions	116,186
<b>At 31 March 2010</b>	<b>116,186</b>
<hr/>	
<i>Amortisation</i>	
At establishment and at 31 March 2010	–
<b>Net book value at 31 March 2010</b>	<b>116,186</b>

## 8. Financial instruments

As the cash requirements of the Charity Commission for Northern Ireland are met through Grant-in-Aid provided by the Department for Social Development, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the Charity Commission's expected purchase and usage requirements and the Charity Commission is therefore exposed to little credit, liquidity or market risk.

## 9. Cash and cash equivalents

	<b>2009-10 (£)</b>
Balance at establishment	–
Net change in cash and cash equivalent balances	–
<b>Balance at 31 March 2010</b>	<b>–</b>
<hr/>	
<i>The following balance at 31 March 2010 was held at:</i>	
Commercial banks and cash in hand	–
<b>Balance at 31 March 2010</b>	<b>–</b>

## 10. Trade payables and other current liabilities

	2009-10 (£)
<i>Amounts falling due within one year:</i>	
Capital payables	98,561
Accruals and deferred income	30,209
<b>Total</b>	<b>128,770</b>

As invoices have been paid by the Department for Social Development, payments are made in line with departmental policy.

## 11. Commitments under leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	2009-10 (£)
<i>Buildings</i>	
Not later than one year	10,000
Later than one year and not later than five years	–
Later than five years	–
<b>Total</b>	<b>10,000</b>
<i>Other</i>	
Not later than one year	925
Later than one year and not later than five years	1,387
Later than five years	–
<b>Total</b>	<b>2,312</b>

The Charity Commission for Northern Ireland had no commitments under finance leases at the statement of financial position date.

## 12. Capital commitments

The Charity Commission for Northern Ireland had no capital commitments at the statement of financial position date.

### **13. Related party transactions**

The Charity Commission for Northern Ireland is a Non-Departmental Public Body (NDPB) sponsored by the Department for Social Development (DSD).

DSD is regarded as a related party. During the year the Commission had a number of material transactions with the Department. In addition, the Commission had a small number of material transactions with other Government Departments and other central government bodies.

### **14. Contingent liabilities**

The Charity Commission for Northern Ireland had no contingent liabilities at 31 March 2010.

### **15. Losses and special payments**

No losses and special payments that required separate disclosure because of their nature or amount were incurred.

### **16. Events after the reporting period**

There were no events after the reporting period, as defined by IAS 10, between the statement of financial position date and the date the accounts were signed. The accounts were authorised for issue on 17 September 2010.

