

## The number of serious incident reports published by charities is on the rise

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**CATEGORY:**  
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[CHARITIES AND NON-PROFIT](#)

In December, the Charity Commission published its report; 'Tackling Abuse and Mismanagement 2014-15'. The report highlights that, whilst only a very small proportion of registered charities are subject to a compliance case or investigation by the Commission (less than 0.7%), all charities can be vulnerable to abuse or mismanagement if the trustees have not put in place appropriate systems and governance procedures.

The report also reiterated the three most common risks facing charities:

- fraud, financial crime and financial abuse;
- safeguarding issues; and
- abuse of charities for terrorist related purposes.

One of the most interesting statistics highlighted in the report is the rise of the number of serious incidents reported to the Commission. In the last year, there have been 2,129 serious incident reports, up from 1,264 the year before. Interestingly, almost half (1,042) of these related to concerns about current or historic safeguarding. The next most frequent subject was financial mismanagement or abuse (417), followed by serious governance issues (130), with just a handful of reports relating to fundraising (16) and terrorism (11).

Trustees are required by law to submit, as part of the Annual Return, any information specified by the Charity Commission in its regulations. For charities with an income over £25,000, this includes a declaration that there are no serious incidents or other matters relating to the charity which should have been brought to the Charity Commission's attention. A 'serious incident' will include any of the following:

- fraud or theft;
- other significant loss (in general the lower of 20% or more of the charity's income or £25,000);
- significant sums of money or property donated to the charity from an unknown or unverified source;
- the charity (including any of its staff, trustees or volunteers) has any known or suspected links to a proscribed organisation or to terrorist or other unlawful activity;
- a person disqualified from acting as a trustee has been or is currently acting as a trustee of the charity;
- the charity has no vetting procedure to ensure that a trustee or member of staff is eligible to act in the position he or she is being appointed to;
- the charity does not have a policy for safeguarding its vulnerable beneficiaries;
- suspicions, allegations and incidents of abuse or mistreatment of vulnerable beneficiaries;
- the charity has been subject to a criminal investigation, or an investigation by another regulator or agency; or sanctions have been imposed or concerns raised by another regulator or agency
- the incident is also reported to the police or other statutory agencies (unless it is a technical or minor issue that poses little or no risk)
- the charity, or individuals associated with it and in connection with their role, are subject of a police or other statutory agency investigation
- the trustees decide that the incident presents a serious or significant risk to the charity, its beneficiaries, reputation or assets
- the internal risk assessment of the incident concludes that the charity should act to avoid a serious or significant risk to the charity, its beneficiaries, reputation, services or assets;
- the charity's professional advisers have advised that the trustees notify the Charity Commission.

As a matter of good practice, any serious incident should be reported to the Charity Commission at the time, rather than upon completion of the Annual Return. By reporting a serious incident to the Charity Commission, trustees are showing that they have identified a risk and are taking appropriate action to deal with that risk. Where the trustees act responsibly in dealing with the risk, the Charity Commission is unlikely to take any further action, although in some cases, the Charity Commission may use its legal powers to protect the charity, its assets or beneficiaries.

It is of course possible that the increased number of serious incident reports is due to increased awareness of the need to make reports to the Charity Commission, rather than any increase in abuse and mismanagement within charities. Having said that, the reports relating to safeguarding and fundraising may have been prompted by inquiries carried out by other organisations.

If you have any questions about serious incident reports, do not hesitate to contact [Chris Priestley](#), [Alison Paines](#) or your usual Withers contact.

The Charity Commission's guidance on serious incident reporting is available [here](#).

The Charity Commission's full report on tackling abuse and mismanagement is available [here](#).

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