



An Rialálaí
Carthanas

Charities
Regulator

Charities Governance Code 2022 Review



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1. Introduction

- 1.1 The Charities Governance Code sets out the minimum standards that charity trustees should meet to effectively manage and control their charity. It is designed to help charity trustees to meet their legal duties under the Charities Act 2009.
- 1.2 From 2021 charities were required to report on their compliance with the Charities Governance Code through a declaration on their Annual Report.
- 1.3 Charities are required to declare if, at the date of filing of their Annual Report with the Charities Regulator, the charity –
 - is fully compliant with the Charities Governance Code, or
 - is partially compliant with the Charities Governance Code, with a free text box allowing the charity to explain what standards it is not in compliance with and why, or
 - has not started implementing the Charities Governance Code, with a free text box allowing the charity to explain why it is not in compliance, or
 - prefers not to say whether it is in compliance with the Charities Governance Code.
- 1.4 In this report we set out our key findings from an analysis of declarations of compliance submitted in 2022.



2. Declarations of Compliance

- 2.1 A summary of declarations submitted in relation to compliance with the Charities Governance Code in Annual Reports in 2021 and 2022 is set out in Table 1 below:

Table 1

Per Annual Reports Submitted	2021 No. of Charities	2021 %	2022 No. of Charities	2022 %	Increase/ (Decrease)
Declared themselves to be in full compliance	4,245	69%	4,706	73%	+4%
Declared themselves to be partially compliant	912	15%	746	12%	-3%
Declared themselves to be non-compliant	967	16%	481	7%	-9%
Preferred not to complete the compliance declaration – note 1	26	0%	504	8%	+8%
Submitted Charities Governance Code compliance declaration	6,150		6,437		

Note 1 – the option prefer not to complete the compliance declaration was only added to the Annual Report form in December 2021.

- 2.2 It would appear from these figures that the increase in the percentage of charities that have declared full compliance with the Charities Governance Code consists mostly of charities that had declared partial compliance in 2021 which have since completed the process and are now fully compliant.
- 2.3 Where a charity declares it is in full compliance with the Charities Governance Code, this declaration is included automatically in their entry on the public Register of Charities. Charities that declare they are in partial compliance have the option to display this status on the register, and many have availed of this opportunity to inform donors and the public of their progress in complying with the Charities Governance Code.
- 2.4 Charity trustees should note that the purpose of enabling charities to declare whether or not they have implemented the Charities Governance Code and to have this published on the Register of Charities is to provide greater transparency for the public. Research shows that there is a strong link between transparency and public trust and confidence in a charity. A charity's declaration of their compliance status with the Charities Governance Code is included in their entry on the public Register of Charities and it's an

important means for charities to demonstrate greater transparency to the public. It is for this reason, that the Charities Regulator is closely monitoring declarations regarding the Charities Governance Code made by registered charities when submitting their Annual Reports. As part of our monitoring work, individual charities are asked to demonstrate that their charity has implemented the Charities Governance Code by furnishing a completed Compliance Record Form along with other associated information as may be deemed necessary.

- 2.5 Based on information provided in Annual Reports submitted in 2022, it would appear that the age of a charity i.e. the number of years since the charity was established, may have some bearing on whether a charity files an accurate or inaccurate declaration of compliance with the Charities Governance Code. Charities established more than 5 years ago are more likely to file an accurate declaration compared to those established less than 5 years ago. Similarly, tenure of charity trustees, appears to be a factor. It was found that charities where trustees have served less than 10 years are more likely to have filed an accurate Governance Code declaration than those of longer tenure.
- 2.6 A declaration by a registered charity that it has fully implemented the Charities Governance Code when it is not in a position to demonstrate that it has done so, is considered a very serious matter. **Any registered charity that is found to have made an incorrect declaration or a declaration which it is unable to support by reference to documentary evidence recorded in their Compliance Record Form, will be required to amend its declaration. It will also be subject to further regulatory scrutiny by the Charities Regulator.**
- 2.7 Similarly a charity that indicates that it has not commenced compliance or that it would prefer not to say, will be subject to further regulatory scrutiny as to why this is the case. The overall aim is to move to a greater level of compliance with the Charities Governance Code.
- 2.8 Charity trustees should ensure that any decision regarding their charity's compliance declaration are recorded in the minutes of their board meetings.

3. Compliance Monitoring Programme

- 3.1 The Compliance Monitoring Programme for the Charities Governance Code in 2022 consisted of a random sampling exercise and high level desk-based analysis of Charities Governance Code declarations submitted in 2022. Registered charities in the sample, were required to furnish a copy of their charity's Compliance Record Form ('CRF'), which enabled the Charities Regulator to determine whether the CRF had been completed.
- 3.2 As with the previous year's findings, most CRFs received in 2022 were completed to a high standard and registered charities are to be commended for their continuing efforts to comply with the Charities Governance Code.
- 3.3 Charities that submitted an inaccurate declaration have been directed to amend their declarations, and they are being monitored to ensure that they comply. These charities have also been subjected to further scrutiny, and other issues that have come to light in relation to these charities have been dealt with as part of the Charities Regulator's concerns process. This process involves engaging with the charity trustees to ensure that all matters are resolved in a satisfactory manner.
- 3.4 Charities can amend their Charities Governance Code declaration at any time by logging in to their ['MyAccount'](#). All charity trustees are urged to check that their charity's declaration regarding the Charities Governance Code is accurate and to take action where this is not the case. We have more guidance on [maintaining governance code status](#) on our website.
- 3.5 In 2023 the focus of the Compliance Monitoring Programme is being changed to follow up with charities that have declared that they are not in compliance, or who prefer not to state that they are in compliance, with the Charities Governance Code. The Charities Governance Code has been in existence for a number of years, and all charities are now expected to be in compliance with the Code.

4. Reasons for Non-Compliance

- 4.1 Any charity which confirmed that it had not started implementing the Charities Governance Code or was not in full compliance with the Charities Governance Code was required to select a reason for non-compliance from a list provided.

Table 2: Most common reasons provided for non-compliance / partial compliance

Reason for non-compliance	Had not yet started implementing the Code			Not in full compliance with the Code		
	2021	2022	Increase/ (Decrease)	2021	2022	Increase/ (Decrease)
Charity is winding up	9%	7%	-2%	2%	2%	0%
Insufficient resources	22%	29%	+7%	19%	23%	+4%
Insufficient understanding of the Charities Governance Code	26%	25%	-1%	10%	6%	-4%
New charity still in the process of establishing structures	11%	12%	+1%	8%	10%	+2%
Other	32%	26%*	-6%	61%	59%**	-3%

* Approximately 9% of these charities mentioned Covid-19 as one of the reasons for non-compliance compared to 25% of charities in 2021.

** Approximately 11% of these charities mentioned Covid-19 as one of the reasons for non-compliance compared to 20% of charities in 2021.

- 4.2 While we have seen a significant reduction in the number of charities that selected Covid-19 as one of the reasons for non-compliance with the Charities Governance Code, as virtually all Covid related restrictions have been removed, all charities would be expected to have adjusted their operations to take this into account at this stage. As part of our compliance monitoring programme during 2023, the Charities Regulator will engage with these charities on a proactive basis in order to gain further understanding of the challenges they are facing.
- 4.3 The Charities Governance Code sets out the minimum standards that charity trustees should meet to effectively manage and control their charity. The following Charities Governance Code standards were identified as the standards with which registered charities making Charities Governance Code declarations were least compliant overall:

- Standard 4.5 - Identify any risks your charity might face and how to manage these;
- Standard 5.5 - Consider introducing term limits for your charity trustees, with a suggested maximum of nine years in total;
- Standard 5.9 - From time to time, review how your board operates and make any necessary improvements.

4.4 These findings are consistent with the previous year's figures and a number of guidance documents were published on our [website](#) to assist charities with these areas.

- **Risk Management for Charities**

Charity trustees are responsible for ensuring that a risk management system is put in place in order to protect the charity from any harm that may be caused, by reducing the likelihood of each risk occurring and minimising the impact of each risk where possible. This document should assist charity trustees to identify, evaluate and manage all of the risks within the charity.

- **Charity Trustee Term Limits and Succession Planning**

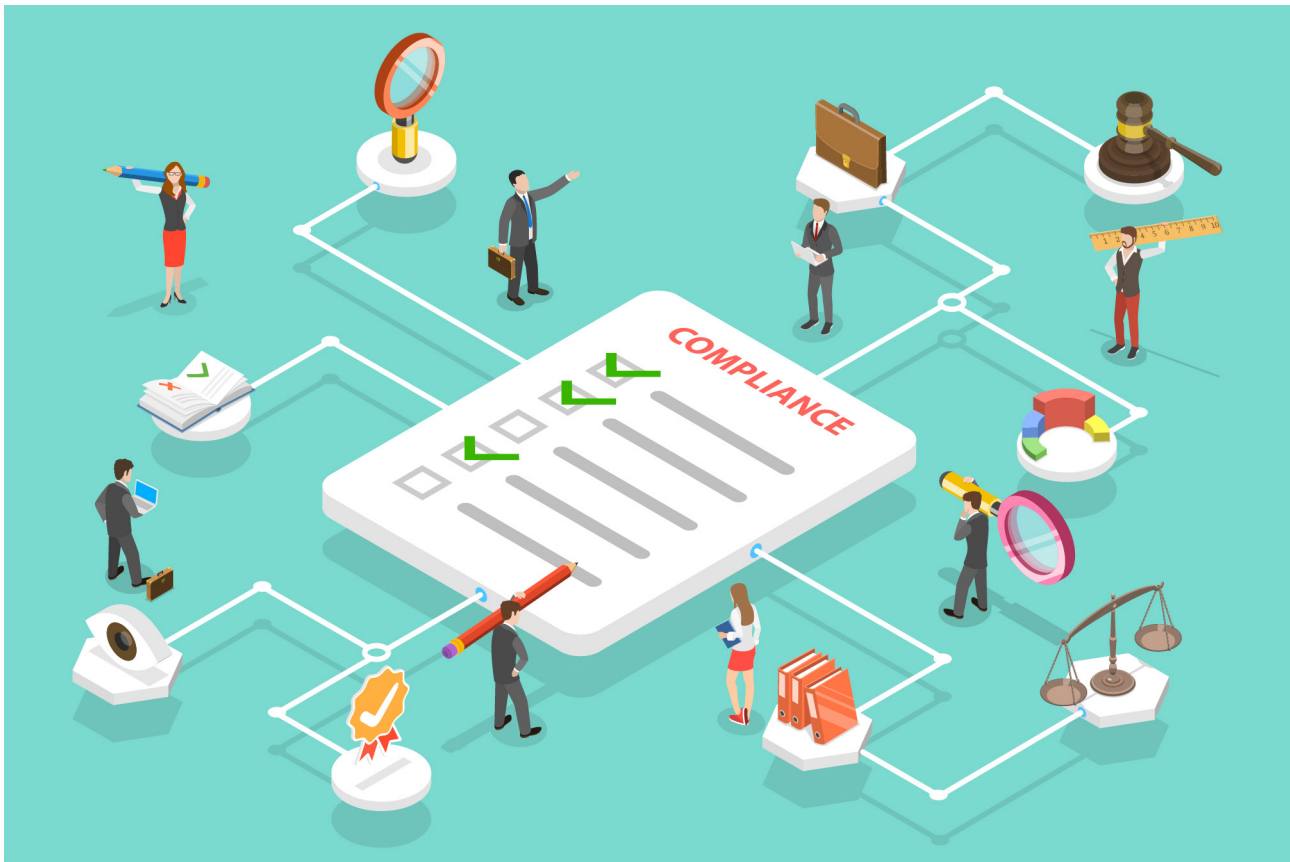
To comply with the Charities Governance Code charity trustees should consider introducing term limits in line with the recommendations of the Charities Governance Code. This document explains the importance of having a good mix of skills, experience and knowledge amongst charity trustees and how limits can help to ensure the progressive renewal of the Board of Trustees.

- **Board Appraisal for complex and non-complex charities**

One of the most effective ways for charities to enhance governance and achieve their maximum potential is by the improvement and development of their board of charity trustees. These documents provide guidance on how to implement a board evaluation / learning culture at board level and include a template for board appraisal and a skills audit.

5. Conclusion

- 5.1 The Charities Regulator would like to thank the thousands of charities that have engaged positively with good governance through the Charities Governance Code. It's very encouraging to see the positive levels of engagement with the Charities Governance Code across the entire sector. Good governance is a continuous process.
- 5.2 The process of monitoring compliance with the Charities Governance Code is ongoing, and the Charities Regulator will consider what changes are required in order to provide transparency to those who wish to support charities. This may include changes to information displayed for each charity on the Register of Charities as to whether or not they have declared that they are in compliance with the Charities Governance Code.
- 5.3 We are committed to listening to charities and reflecting their input in our guidance materials and other relevant publications. We would urge charities to continue to utilise the resources available on [our website](#) and to engage with any surveys that we run in future so that your voice is heard.





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