



# Related Parties

## The Why & The Who

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# Content

- History and current position
- Importance of charity governance
- Conflicts of interest
- Definition of related parties
- Examples of related party transactions
- Outline of best practice

# The history

2017-2018

- The Charity Commission opened 335 regulatory compliance and inquiry cases into:  
“Trustee pay and concerns about trustee or other private benefits or trustee decision making”
- Over 215 randomly selected financial statements were reviewed

<b>Charity income</b>	<b>% of accounts fully disclosing related party transactions</b>
<b>£25,000 - £250,000</b>	55% (of 66 charities)
<b>£250,000 - £1 million</b>	66% (of 100 charities)
<b>£1 million and greater</b>	86% (of 96 charities)

# The now

## 2024

### Naomi Campbell banned from being charity trustee

Model barred for five years after watchdog found evidence of financial misconduct at charity she fronted

[The Guardian – September 2024](#)

Among other findings, the inquiry identified that £193,730 of the donations intended for the King's Foundation were transferred from the charity's bank account to Mr Wynne-Parker's private company's bank account. This transaction was authorised by the charity's trustees.

[Charity Commission – September 2024](#)

In its inquiry report, the Commission concludes that William Bortrick and Mark Ayre were responsible for misconduct and / or mismanagement. The regulator has concluded that that they failed to manage conflicts of interest, misapplied charity funds, received unauthorised personal benefit and failed to submit accurate annual returns to the regulator.

The inquiry found that the trustees had purchased items that did not further the charity's purposes, including antique furniture, paintings and statues. In one instance, a desk and bookcase were bought for £16,000 using the charity's funds and were then kept and used at Mr Bortrick's home.

The inquiry found the charity paid for services that benefited a company linked to both of the trustees. For example, it paid for insurance which would cover legal fees to protect the name of Burke's Peerage - a guide to the genealogy and heraldry of historical families which is owned by a private company belonging to one of the trustees.

[Charity Commission – September 2024](#)

# The now

## 2024

The regulator is investigating Flic-Flac Gymnastics Club, in Chorley, Lancashire, amid concerns about payments made to trustees.

### Charity Commission – September 2024

The Commission opened its inquiry into the charity on 5 August 2024. The inquiry will examine:

- trustees' compliance with their legal duties in respect of their administration
- governance and management of the charity
- if there has been any unauthorised trustee benefit
- if there is a risk to charity property
- if there has been any misconduct and/ or mismanagement by those in control of the charity

### Charity Commission – August 2024

Following the submission of the overdue accounting information for FYE 31 October 2020 and 31 October 2021 a detailed review of the accounts and the bank statements of the charity's bank account was undertaken. The review found discrepancies between the transactions going through the bank account and the income and expenditure declared in the accounts. Furthermore, the independent audit opinion for the accounts FYE 31 October 2020 was qualified due to uncertainty over the disclosure of related party transactions.

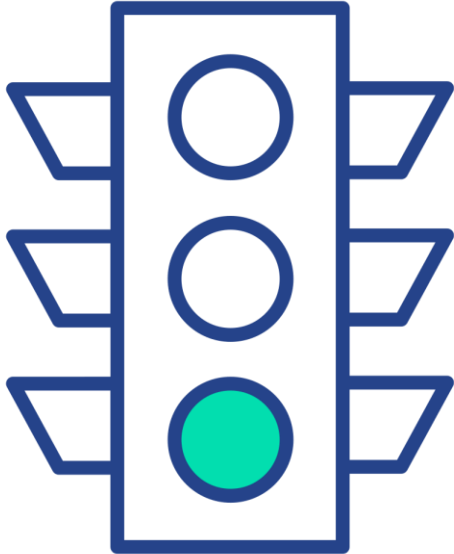
To investigate these concerns fully, a separate statutory inquiry under section 46 of the Charities Act 2011 ('the Act') was opened into the charity on 14 September 2023 ('the inquiry') to examine the following:

- the charity's financial management and whether there has been any unauthorised personal benefit and/or breach of trust by any of the current or previous trustees
- whether the trustees have identified and managed conflicts of interest and/or loyalty in accordance with the charity's governing document and their legal duties
- whether there has been any misconduct or mismanagement in the administration of the charity by the current or previous trustees

### Charity Commission – July 2024

# The now

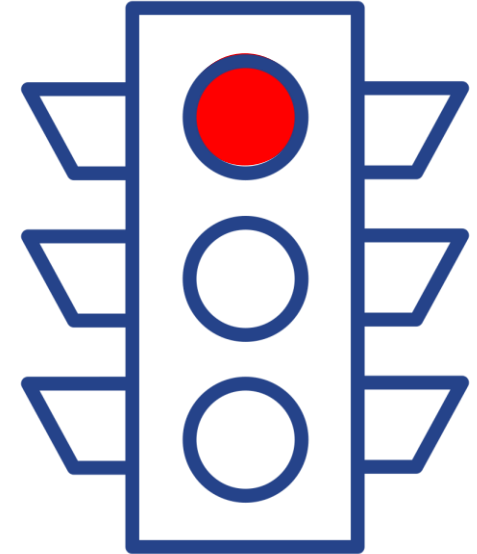
## Audit findings



“Register of interest forms were not provided for 2 trustees”



“When reviewing the register of interest form of A Trustee no interests were disclosed. However, from searches of Companies House it was identified this individual is a Director in 2 active companies”



“On a search of the nominal ledger for potential related party transactions a payment was discovered which had been made to PR Services Ltd, a company controlled by a trustee, which had not been disclosed”

# Charity governance

## The importance



Public benefit



Interests of the charity



Not for private gain



Nonbiased decision making



Legal compliance



Safeguard public trust



Reputational damage



Transparency

# Conflicts of interest

## Definition and types

### What is a Conflict of Interest

**A conflict of interest arises when a personal interest clashes with the charity's interests**

#### Financial Conflicts

Trustee or family member benefiting financially from the charity's actions

#### Non-Financial Conflicts

Personal relationships influencing decisions

#### Loyalty Conflicts

Conflicts between loyalty to the charity and loyalty to another organisation or individual



# Related parties

## The definition

- Related parties are individuals or entities connected to the charity who may influence decisions
- Examples:
  - Trustees or custodian trustees
  - Key management personnel
  - Spouses of trustees or key management
  - Family members of trustees or key management (child, parent, grandchild, brother or sister)
  - Businesses owned by trustees or their family
  - Other charities or organisations closely connected to the charity
  - Other person, or a close member of that person's family who has control or significant influence over the charity
- A transaction involving a trustee or other related party is material regardless of its size
- Most related party transactions are required to be disclosed, but not all

# Related parties

## Examples of transactions requiring disclosure



Donations  
from trustees  
(cash)



Remuneration  
of key  
management  
personnel



Payments to  
spouses of  
trustees



Trustee  
expenses



Transactions  
with trading  
subsidiaries



Payments to  
Companies  
majority  
owned by a  
trustee

# Related parties

## Examples of transactions NOT requiring disclosure



# Related parties

## Examples of prohibited transactions

Trustees:

- Taking a lease on the charity's property
- Borrowing money from the charity
- Making contracts to do business with the charity

Remuneration of trustees unless:

- The Commission has given approval for the remuneration; or
- It's allowed under the governing document

# Best practice

## Guidance

### Identifying Conflicts:

- Keep a register of trustees' and key management interests and ensure this is regularly updated
- Review this against publicly available data and known information

### Disclosing Conflicts:

- Transparency is key - disclose potential conflicts at meetings

### Managing Conflicts:

- Remove the conflicted individual from the decision-making process

### Documenting Decisions:

- Maintain records of conflicts and how they were managed in meeting minutes

# Conclusion

How to not hit the headlines

Educate

Be Aware

Document

Implement Strong Governance Procedures

Follow Guidance



# Thank You

## Any Questions?



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