Findings of compliance inspections and corrections made 2016/2017

Recommendations by category

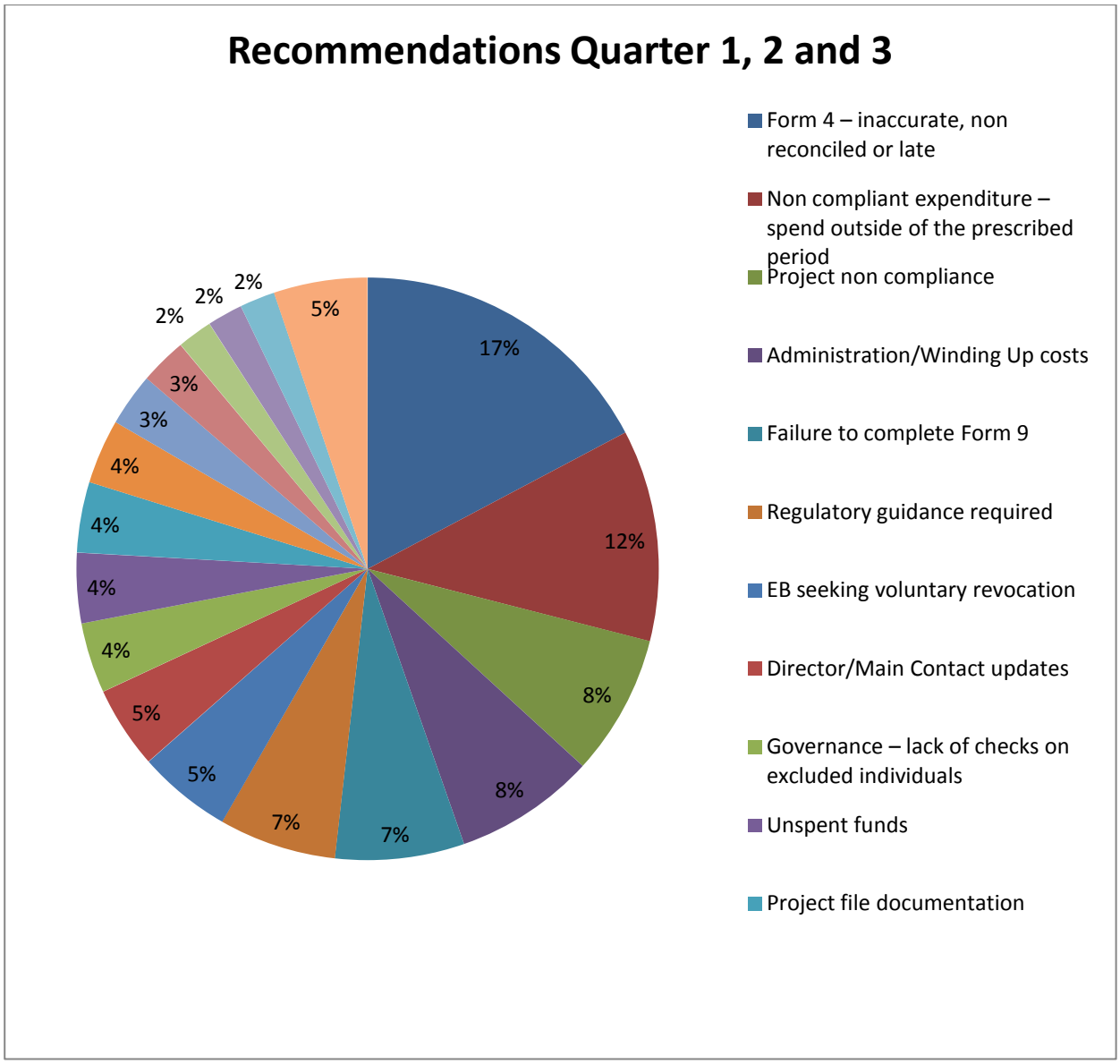
At the conclusion of each compliance review we issue a report giving our findings and where appropriate we raise recommendations. During quarters 1, 2 & 3 of 2016/2017 we issued 243 reports that contained a total of 310 recommendations of which 113 (36%) were for issues of non compliance, 20 (7%) for regulatory guidance and 177 (57%) recommendations raised for issues for improvement and good practice. The recommendations are split into the recommendations categories outlined in the table below:

Position	Change Qtr v Qtr	Recommendation type	Total	
			No. of recs	% of recs
1	↔	Form 4 – inaccurate, non reconciled or late	53	17.1%
2	↔	Non compliant expenditure – spend outside of the prescribed period	36	11.6%
3=	↔	Project non compliance	24	7.7%
3=	↑	Administration/Winding Up costs	24	7.7%
5	↔	Failure to complete Form 9	22	7.1%
6	↔	Regulatory guidance required	20	6.5%
7	↑	EB seeking voluntary revocation	16	5.2%
8	↑	Director/Main Contact updates	14	4.5%
9=	↓	Governance – lack of checks on excluded individuals	12	3.9%
9=	↔	Unspent funds	12	3.9%
9=	↑	Project file documentation	12	3.9%
12	↓	Failure to maintain records of expenditure	11	3.5%
13	↑	Assets – recording & protection	9	2.9%
14	↑	Failure to retain adequate records of Contributions and Transfers	8	2.6%
15=	↓	Reliance on one individual	6	1.9%
15=	↑	Governing document not adequate for LCF purposes i.e., no object match	6	1.9%
15=	↑	Non compliant expenditure – spend before project approval	6	1.9%
18=	↓	Bank statement less than Form 4 closing balance	3	1.0%
18=	↓	Form 3 – late/inaccurate	3	1.0%
18=	↑	Governing document – changes not notified	3	1.0%
21=	↓	CTP failure to maintain records	2	0.6%
21=	↓	Post project monitoring	2	0.6%
21=	↑	CTP compliance	2	0.6%
24=	↓	Contributions – failure to spend within 2 years	1	0.3%
24=	↓	Income derived	1	0.3%
24=	↓	Form 7 – late/inaccurate	1	0.3%
24=	↓	Declaration of Interests	1	0.3%
28	↔	Unique benefit	0	0.0%
		Total	**310**	**100.0%**

Analysis of recommendations raised in Quarter 1, 2 and 3 2016/2017:

During 2016/2017 we are reporting the year to date findings and providing analysis of the number of recommendations raised at the conclusion of the compliance reviews completed during the period. In addition we are showing the movement between quarters of each type of recommendation, this will enable us to show trends in areas of recommendations over time.

A chart of all recommendations raised in Quarters 1, 2 and 3 is shown below;



Summary of main findings

At the end of quarter 3 the highest proportion of recommendations raised continued to be in the Form 4 category. The majority of recommendations made were due to the lack of project start and end dates. However a number of recommendations raised were due to the EB having inaccurately completed the Statutory Annual Return. ENTRUST issued a How to Guide on completing the Form 4 which can be found on our website.

Project non compliance – spending outside of the prescribed period, was the next highest category and the recommendations related to the condition whereby EBs had recorded expenditure outside of the prescribed limits i.e., after the recorded project completion date on the projects Form 2. Guidance has been issued to EBs and is contained in the ENTRUST Guidance Manual section 5.4 and also the Form 2 Guide which can be found here Form 2 Guide.

During our compliance reviews we found that a number of projects were non compliant with the Regulations due to either the project being no longer open to the general public, or closed due to outside circumstances such as a recent fire. We are working with the EBs to bring these projects back into compliant use. ENTRUST guidance relating to How to Run a Project is shown here in section 5 of our Guidance Manual.

The quarter also saw an increased amount of recommendations being raised around EBs' Administration and Winding Up costs. A number of EBs were unclear about the levels of administration costs charged to LCF and also the elements that were included in the winding up costs of their organisation. A number of EBs, for example, had included day to day running costs in their winding up provision. We have provided guidance to the EBs involved and sign posted our guidance on these matters. The ENTRUST Guidance Manual within section 3.10 has guidance on EB running costs.

We found that a number of EBs had failed to complete the Form 9 Completion Form for a number of projects completed during 2014/2015 and 2015/2016. We therefore provided a reminder to the EBs concerned and asked them to complete the outstanding Forms. Our How to Guide for Form 9 can be found on our website.

Overall in Quarter 3 we have also seen an increase in EBs seeking voluntary revocation from the scheme together with the failure by EBs to keep EOL up to date with Director and Trustee changes.

We continue to review and monitor EBs' compliance with the Regulations and follow up recommendations raised at the next compliance visit to ensure that corrections and improvements have been made by the EB.

Recommended actions to address Compliance findings:

Suggestions for corrective actions to the five most frequently raised findings are detailed below for EBs to consider.

Recommendation type	ENTRUST recommended action
Form 4 – inaccurate, non reconciled or late	• EBs must review their financial records and re-submit an updated and accurate Form 4. • EBs must provide actual start and end dates for projects. • EBs reminded they can make adjustments and corrections to their Form 4 on EOL. • Deadline for submitting the annual return should be recorded on EB management team calendars/agendas.
Non compliant expenditure – spend outside of prescribed period	• EBs reminded to monitor the completion of projects and request extensions to projects approaching their completion date. • EBs reminded to obtain project approval before spending LCF monies. • EBs to ensure LCF monies are only spent on the areas detailed in the project cost breakdown approved at registration.
Project non compliance	• EBs to monitor projects to ensure Object D projects are open to the general public in compliance with the LCF Regulations. ENTRUST has issued monitoring requirement guidance which can be found here Guidance Manual
Administration/Winding Up Costs	• EBs reminded of guidance which details what should be included within an EB's winding up provision. • EBs reminded of current guidance on administration costs. • EBs reminded that costs charged to the LCF should be reasonable and relevant to LCF activity.
Failure to complete Form 9	• EBs reminded to complete Form 9 once an end date has been entered onto the Project Breakdown sheet of the Annual Return.