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DUE DILIGENCE, REPORTING AND COMPLIANCE POLICY

Housing Justice and GLA Grant Programme

Charity no. 294666
Company no. 2017207

Housing Justice is the national voice of Christian action to prevent homelessness and bad housing. We believe that human dignity is challenged by the lack of a decent home, and aim to mobilise Christians united in their determination to work with and for homeless and badly housed people.

Housing Justice recognises the regulations of the Charity Commission (as set out in the Charities Act 2011), and is committed to upholding best practice with regard the requirements attached to the area of Due Diligence, Reporting and Compliance. This policy covers the charitable activities of Housing Justice, including its grant programme (in partnership with the GLA).

1. Definitions within this policy document

i. Housing Justice appreciates the Charity Commission uses the word 'must' in operational guidance where there is a specific legal or regulatory requirement Housing Justice must comply with. 'Should' relates to recommended (minimum) good practice steps, which Housing Justice should follow unless there is a good reason not to.

ii. Due Diligence is the range of practical steps taken by Housing Justice's trustees in order to be assured of the provenance of charitable funds, as well as the direction of spend regarding funding awarded to Housing Justice's partners. Due Diligence enables Housing Justice to identify and manage associated risks and is an important part of the trustees' duty to safeguard Housing Justice's assets and aims. Due diligence will usually involve judging the quality and completeness of initial information obtained and then deciding whether further checks or enquiries are necessary.

iii. Monitoring is understood by Housing Justice in accordance with the Charity Commission's outlined definition. When Housing Justice awards financial support to partners or beneficiaries, appropriate steps are needed to verify the funds reach the destination intended.

2. Due Diligence: Risks Managed

i. Housing Justice has identified the following risks attached to receiving support from donors, and as such are aware of any funding relationship which involves a return or benefit to, the donor.

    a. Money laundering: donors can make loans to charities as a means of laundering money through a charity or they can make donations with specific restrictions as to which partner or project is to be funded as a means of transferring funds overseas and disguising the origin of the funds.
    b. Proceeds of crime: anonymous cash donations or donations through suspect third parties may be a means of disposing of the proceeds of crime.
    c. Tax avoidance/evasion: donors may seek tax relief on their donation while at the same time seeking private benefit as a result of their donation or insist that the charity purchase services from an associated company as a condition of the donation, thereby obtaining tax relief on the donation and securing business at the same time.

ii. Housing Justice has identified the following risks attached to awarding support to partners who are funded to implement a project or deliver aid, and as such will only support those partners who are bona fide organisations; Housing Justice has evidence the partner can implement the programme in a way expected and the partner's internal management and financial controls enable them to identify loss or abuse directly to Housing Justice.

    a. Abuse of funds
    b. Money Laundering
    c. Fraud or theft

3. Due Diligence Policy Overview

i. Housing Justice's trustees must use their charity's funds and assets only in furtherance of the charity's purposes. They must avoid undertaking activities that might place the charity's funds, assets or reputation at undue risk.

ii. In practice, this means that to meet their legal duty to protect charity assets with the necessary care and properly to assess risk, trustees must carry out appropriate due diligence on those individuals and organisations that the charity receives donations from, gives money to or works with closely.

iii. Housing Justice recognises the legal requirement imposed by the Charity Commission, that trustees have ultimate responsibility for controlling and managing the affairs of a charity. They must:

   a. Comply with the law (including charity law) and act in the best interests of Housing Justice.
   b. Comply with the legal principles of duty of care and duty of prudence and maintain control of charitable funds
   c. Ensure that Housing Justice's funds are used properly, lawfully and in furtherance of Housing Justice's purposes
   d. A trustee's duty of care requires that they exercise reasonable care and skill in carrying out their responsibilities to ensure this is the case.
   e. Trustees must avoid undertaking activities that might place the Housing Justice's funds, assets or reputation at undue risk. Housing Justice complies with the Charity Commission's stance, that as a minimum, trustees must consider, identify and manage the risks and their impact on the charity and its property.

iv. Housing Justice's due diligence and compliance policy takes a risk-based proportionate approach, understanding the greater the risk, the more Housing Justice's trustees must do.

v. Housing Justice complies with the Charity Commission's regulatory requirements with regards due diligence and compliance:

   a. Housing Justice have appropriate internal and financial controls in place to ensure all funds (received and awarded) are fully accounted for and monitored in a manner which is consistent to Housing Justice's charitable aims.
   b. Housing Justice have proper and adequate financial records (for both receipt and use of funds) along with audit trails of decisions made, and transactions – with detail attached to outline funds have been spent in a manner consistent with the purpose and objectives of Housing Justice.
   c. Housing Justice have carefully considered what due diligence and monitoring policies we need, to carry out our legal duties.
   d. Housing Justice has taken reasonable and appropriate steps to know our partners, and their beneficiaries (in broad terms) and we commit to carry out appropriate checks where the risks are high.

vi. Housing Justice's approach to due diligence, and compliance attached centres on the "know your" principles, set out by the Charity Commission, and in line with best practice. These principles hold the following core elements:

a. **Identify** – Housing Justice is committed to knowing who we are receiving funds from, or financially supporting.
b. **Verify** – Housing Justice (when it is deemed reasonable/necessary) will verify the risks when deemed high.
c. **Know** – Housing Justice will always have confidence the businesses attached to a donor or partner is appropriate to be connected to Housing Justice.
d. **Know** – Housing Justice will always have confidence a partner will deliver the set outcomes attached to collaboration with Housing Justice.
e. **Watch Out** – Housing Justice is committed to being alert for unusual or suspicious activities, conducts or requests.

vii. The 'know your' principles also complement and are in line with internationally recognised standards, such as those set out in Financial Action Task Force Special Recommendation VIII (FATF SR VIII): "charities should make best efforts to confirm the identity, credentials and good standing of their beneficiaries and associates undertake best efforts to document the identity of their significant donors".

4. Due Diligence Procedure Overview

i. The trustees of Housing Justice are committed to the following procedural steps regarding "Know your donor" principle:

a. Implementing effective processes to provide adequate assurances regarding the identity of donors, and to verify this where it is reasonable and necessary.
b. Reasonable assurance relating to the provenance of donations and conditions attached.
c. In the case of significant donors – and where the donor is an organisation, knowledge will be obtained as to the nature of business and if it is appropriate to be connected.
d. Housing Justice understands "The Know your donor principle" does not mean anonymous donations cannot be received. Such donations are perfectly acceptable, providing Housing Justice look out for suspicious circumstances and put adequate safeguards in place.
e. The Charity Commission states "A charity's responsibility is not to work out if a donation is illegal or if it is being asked to use a donation for illegal purposes. However, trustees should carry out good due diligence and report concerns and
f. Suspicious activities – Housing Justice is committed to compliance with this.

ii. The trustees of Housing Justice are committed to the following procedural steps regarding "Know your partner" principle:

a. Housing Justice (despite it not being a specific legal requirement) will enter into a formal partnership agreement (by way of a "grant agreement form" or other documentation, which will illustrate trustees have property protected Housing Justice's legal position and have acted in its best interests. This is in accordance with the Charity Commission's guidelines on best practice.
b. Carrying out appropriate and proper due diligence on organisations Housing Justice gives grants to or uses to carry out charitable projects to further its aims. This involves assessment of the risks attached, to ensure the partners are suitable and appropriate for collaboration.

c. Key details to be obtained prior to a partnership agreement include: 1) who the partner is 2) where it/they are located 3) the contact liaison.
d. Holding reasonable confidence as to the nature of the partner's business and whether they are an appropriate connected.
e. Assurance on the intended outcomes of the partnership, and that the partner has the ability to deliver.
f. To be alert to signs funds are not being properly or legitimately used.
g. It is for the Housing Justice trustees to decide the level of due diligence and the type of checks they need to carry out. The nature and extent of due diligence checks should be proportionate to the risks involved in the project and from entering into a new relationship or extending an existing one.
h. B-g to be achieved through an application form which prospective grantees are to submit in order to be considered for partnership.

5. Key Points: Monitoring and Verifying End Use of Funds

i. Housing Justice recognises its trustees must be able to demonstrate charitable funds have been used for the proper purposes for which they were intended and ultimately to further the aims of Housing Justice. This is in accordance with their legal duties as trustees.
ii. Housing Justice's monitoring of funds spent and awarded will take a variety of forms, appropriate to the nature of the project involved. It will always include steps to verify the end use of funds.
iii. Housing Justice holds robust monitoring processes, to protect funds from abuse, misuse and or loss.
iv. Housing Justice's effective and credible monitoring involves the following steps:
    a. The charity's funds can be accounted for
    b. There is an audit train showing the expenditure of funds by the partner
    c. The funds were received by the partner and if the partner forwarded these funds on, this is recorded.
    d. The partner has delivered the project and charitable outcomes expected
    e. The funds have been used for the purposes to which they were intended
    f. Any concerns or challenges to the above are identified and managed to the trustees' satisfaction.
    g. The trustees of Housing Justice are committed to reporting suspicious activities to the relevant authorities, including the police if a crime is suspected.

    i-iv are to be achieved through monthly and 'end of grant' reporting to be facilitated by documents provided by Housing Justice. Please see below for Housing Justice's Grant Administration procedure which includes the due diligence processes.

v. Housing Justice's effective and credible monitoring can take the form of formal reporting; verbal recording; self-certification; supervision and or evaluative partner visits.
vi. Housing Justice understands, under charity law, trustees are accountable for the proper and legitimate use of funds in furtherance of Housing Justice's charitable purposes. In extreme cases, if funds have not been properly used, and the trustees failed to take reasonable steps in the circumstances to protect them and ensure they could be accounted for, trustees may have to repay any loss to the charity. Moreover, if Housing Justice incurs non-charitable expenditure its tax reliefs can be restricted and Housing Justice may be required to pay tax on its income and/or capital gains.

Appendix A.
Equipping Shelters Grants Programme: Due Diligence Procedure

What	How	Who	When	Notes
Advertise / encourage grant applications	Press release	Director		
	Social Media and Branding	Director		
	Partner organisations	Catalyst team		
	Website	Director		
	Social media posts	Director		
	E-news	Director		
	Personal introductions to each project in the network	Director Catalyst team		
Application processing	Check inbox	Shelter Project Coordinator		Shelter Project Coordinator passes emails on from inbox to relevant Catalyst team member
	Deal with queries	Catalyst Team		Queries are followed up and resolved
	Verification Process;	Catalyst Team / finance@ housingjustice		Applications are checked that they meet the qualifying criteria and sent to finance@ housingjustice for financial assessment. The due diligence performed here will follow the 'know your partner' principle outlined in the Due Diligence policy.
	Decision making	Internal; JQ / Shelter Project Coordinator / Chief Executive		Verified applications assessed for quality by Catalyst Worker who then makes a recommendation to go with the application ready for consideration by panel
		External Panel meets		Draft Agenda for Panel meeting signed off

Continued...

Appendix A.
Equipping Shelters Grants Programme: Due Diligence Procedure

What	How	Who	When	Notes
Award logistics	Decision email sent to this month's projects	Catalyst Team member responsible for the borough		
	Grant agreement processed by HJ, signed by JQ/ Chief Executive sent out	Catalyst Team member responsible for the borough		
	Grant agreement signed by project and returned, saved in S-drive location (TBC)	Catalyst Team member responsible for the borough		
	Payment request made by email to finance@housingjustice.org.uk	Catalyst Team member responsible for the borough		
	Template PR sent out	Catalyst Team member responsible for the borough		
	Two person sign off procedure	Chief Executive/ JQ		
	Payment made by BACS	Finance @ HJ		
Monitoring (compliant with the Due Diligence requirements outlined in this policy)	Reporting dates put in diary and logged in the grants spreadsheet	Catalyst Team member responsible for the borough		
	Monthly check in, troubleshooting etc	Catalyst Team member responsible for the borough		
	Monthly Report (including expenditure update, with receipts proof of transactions attached)	Project coordinator		Catalyst worker to chase
	Identified key Risks to achieving outcomes to be recorded (and appropriately managed) as per the Due Diligence and Fraud and Risk Management Policies.			
	End of Grant Report (including expenditure record, with receipts proof of transactions attached)	Project coordinator		Catalyst worker to chase
	Successes and Challenges reviewed by the Panel.			

Sources:

Charity Commission, 2014, Conflicts of interest: a guide for charity trustees (CC29).

Charity Commission, 2016, Charity reporting and accounting: the essentials November (CC15d).

Charity Commission, 2016, Guidance Charities and risk management (CC26)

Charity Commission, 2016, Chapter 2: Due diligence, monitoring and verifying the end use of charitable funds in Compliance toolkit: Protecting Charities from Harm

Charity Commission, 2016, Chapter 3: Fraud and financial crime in Compliance toolkit: Protecting Charities from Harm

Saffery Champness, 2015, Guidance for grant making charities on SORPs 2015

Association of Charitable Foundations, 2008, Tackling External Grant Fraud: a guide to help charitable trusts and foundations deter and detect fraud

Firth. L., 2017, Developing decision making processes and tools.

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