



the7stars foundation, established by the7stars, supports the most challenged 16 year olds and under in the United Kingdom.

Assisting forgotten young people lacking opportunity, to achieve their potential.

Our grant funding prioritises the areas of:



Central to our grant funding are the following values:

### Potential

the7stars foundation understands circumstance can hinder our fulfilment. The foundation's grant programme will work to assist the most challenged 16 year olds and under to achieve their potential.

### Opportunity

the7stars foundation recognises there are some young people who face unjust barriers to development and achievement. The foundation's grant programme will unlock opportunity for the United Kingdom's most vulnerable young people.

### Fairness

We support 16 year olds and under coping with unfair situations. The foundation's grant programme will fight to further fairness for such individuals.

### Impact

We are committed to ensuring each grant advances these values, and supports the most challenged under 16 year olds and under, in the best way possible. Each grant will be assessed on the social impact it has, not just to the applicant and beneficiaries, but also on the wider peer communities working to protect and support young people struggling with difficulties.

## 1. Definitions within this policy document

- i. the7stars foundation appreciates the Charity Commission uses the word 'must' in operational guidance where there is a specific legal or regulatory requirement the7stars foundation must comply with. 'Should' relates to recommended (minimum) good practice steps, which the7stars foundation should follow unless there is a good reason not to.
- ii. Due Diligence is the range of practical steps taken by the7stars foundation's trustees in order to be assured of the provenance of charitable funds, as well as the direction of spend regarding funding awarded to the7stars foundation's partners. Due Diligence enables the7stars foundation to identify and manage associated risks and is an important part of the trustees' duty to safeguard the7stars foundation'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 the7stars foundation in accordance with the Charity Commission's outlined definition. When the7stars foundation 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. the7stars foundation 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. the7stars foundation 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; the7stars foundation 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 the7stars foundation.
  - a. Abuse of funds
  - b. Money Laundering
  - c. Fraud or theft

### 3. Due Diligence Policy Overview

- i. the7stars foundation'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. the7stars foundation 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 the7stars foundation.
  - b. Comply with the legal principles of duty of care and duty of prudence and maintain control of charitable funds
  - c. Ensure that the7stars foundation's funds are used properly, lawfully and in furtherance of the7stars foundation'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 the7stars foundation's funds, assets or reputation at undue risk. the7stars foundation 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. the7stars foundation's due diligence and compliance policy takes a risk-based proportionate approach, understanding the greater the risk, the more the7stars foundation's trustees must do.
- v. the7stars foundation complies with the Charity Commission's regulatory requirements with regards due diligence and compliance:
  - a. the7stars foundation 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 the7stars foundation's charitable aims.
  - b. the7stars foundation 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 the7stars foundation.
  - c. the7stars foundation have carefully considered what due diligence and monitoring policies we need, to carry out our legal duties.
  - d. the7stars foundation 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. the7stars foundation'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** – the7stars foundation is committed to knowing who we are receiving funds from, or financially supporting.
  - b. **Verify** – the7stars foundation (when it is deemed reasonable/necessary) will verify the risks when deemed high.
  - c. **Know** – the7stars foundation will always have confidence the businesses attached to a donor or partner is appropriate to be connected to the7stars foundation.
  - d. **Know** – the7stars foundation will always have confidence a partner will deliver the set outcomes attached to collaboration with the7stars foundation.
  - e. **Watch Out** – the7stars foundation 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 the7stars foundation 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. the7stars foundation understands "The Know your donor principle" does not mean anonymous donations cannot be received. Such donations are perfectly acceptable, providing the7stars foundation 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 – the7stars foundation is committed to compliance with this.
- ii. The trustees of the7stars foundation are committed to the following procedural steps regarding "Know your partner" principle:
  - a. the7stars foundation (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 the7stars foundation'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 the7stars foundation 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 the7stars foundation 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. the7stars foundation 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 the7stars foundation. This is in accordance with their legal duties as trustees.
- ii. the7stars foundation'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. the7stars foundation holds robust monitoring processes, to protect funds from abuse, misuse and or loss.
- iv. the7stars foundation'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 the7stars foundation 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 the7stars foundation. Please see below for the7stars foundation's Grant Administration procedure which includes the due diligence processes.
- v. the7stars foundation's effective and credible monitoring can take the form of formal reporting; verbal recording; self-certification; supervision and or evaluative partner visits.
- vi. the7stars foundation understands, under charity law, trustees are accountable for the proper and legitimate use of funds in furtherance of the7stars foundation'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 the7stars foundation incurs non-charitable expenditure its tax reliefs can be restricted and the7stars foundation 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 at the7stars foundation		Applications are checked that they meet the qualifying criteria and sent to finance at the7stars foundation 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...				

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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 the7stars foundation, 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 the finance team at the7stars foundation	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 at the7stars foundation			
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:**

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

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

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

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