

ACIE

The Association of
Charity Independent Examiners

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ACIE News & Events

Membership Renewals 2019/2020

Thank you to everyone who has renewed to date. Just to remind you that you can renew online via Stripe, by BACS or by cheque.

If you have any questions or queries please get in touch.

Membership +1: Can you help grow our base?

Taking inspiration from the edition 2 of the Independent Examiner (“...the main growth of ACIE, can only come from members recruiting members...”), the Board is launching a membership recruitment drive.

In 1999 members were urged to ‘pass on’ an application form to at least one other person. As then, and now, the number of IEs being carried out far exceeds the number of ACIE members.

It is also far to assume that the statement made in 1999 that “...many of these people have little or no idea about what independent examination is..” holds true today.

You can download an Affiliate application form from the website and in doing so you help grow our base to ensure AICE are in a strong position for the next 20 years.

So this year, passing on an application form can not only increase ACIE’s membership but also raise awareness of what IE is (and is not).

England & Wales Annual Conference 20th June 2019

Registration is well underway for our first annual conference of the year. To celebrate the 20th anniversary of ACIE, Professor Gareth Morgan will be delivering a special plenary session on the past, present and future of IE. We will be joined by some of the founding members of ACIE as well by Chairs from the last 20 years.

We are pleased to say that Nigel Davies, Head of Accountancy Services (Charity Commission for England & Wales) will address the conference. The title of his presentation will be ‘Regulatory update from the Charity Commission with particular reference on the wider contribution examiners can make to enhancing charity transparency and resilience’.

Details of the final programme can be downloaded from the website.

ACIE Training “Best Practice: Getting your IE right”

Our “Best Practice” training has proved popular with all three sessions sold out. Feedback from the first session was very positive with participants

welcoming the opportunity to refresh their practice and interact with other IEs.

“The participation exercises and with others around table was useful in addition to listening to the knowledge of the trainer.”

“Though I was hoping for more of a tick box training, I think what I got was even better than I expected. Rachel really nailed it and drew on the many experiences of those in the team.”

ACIE are planning to rerun the sessions in the Autumn.

ACIE Partnership working

ACIE Trustee Tony Clarke was invited to speak to the CO3 (Chief Officers Third Sector) in March. Tony presented on the difference between Audit and Independent Examination. The event was well received and we hope to build on partnership.

Susan Robinson was invited to speak at the Community Accounting Network conference in February; her topic “Reporting and recognising income - including SORP and other reporting requirements that apply to charities”.

ACIE are recruiting

The current Development Manager, Anne-Marie Barry, will be leaving ACIE at the end of May 2019. The Trustees are in the process of recruiting a replacement and will update members as soon as possible.

Ask the Examiner

ACIE offers a ‘queries’ service for members. In those instances where we think the response to such queries would be helpful to the general membership, we will publish the anonymised response.

I am currently undertaking my first IE of some Church charity accounts. They are prepared on a receipts & payments basis and historical accounts are available from the Charities Commission website so I have been able to do good analysis in terms of validating the data.

The 2018 accounts are all held on QuickBooks, which I have been given read access to, and I am happy with the accounting systems in use. I have also been sent details supporting some of the accounting records, including excel recording systems for receipts and bank statements / reconciliations.

The church has been running at a deficit for at least the past 3 years; receipts are declining and costs are rising. If the present underlying deficit were to continue, the church could run out of funds in 2-3 years.

In 2018, the church began the process of putting up a hall for sale. The sale is expected to complete in 2019, resulting in a significant cash injection. This will remove the short term funding issue described above.

My query is around the accounting required. As I understand it, once the sale goes through, the church would likely move to accruals accounting. In 2018, around £20k of 'other' costs were identified relating to the development of the site; these largely related to solicitors and architects fees. This cost represents around 13% of the total expenditure in the year. Given the reason for this spend, would it be deemed a requirement to move to accruals accounting for 2018, or is it ok to continue as receipts and payments for 2018 (the preferred method)?

My other question is around the underlying trend of high costs and low receipts. I would not enter this as a material item for the IE report, but a general feedback that I would be keen to make is looking

into the level of expenditure and if there were any cost saving opportunities available to try to narrow the widening gap between receipts and payments. Would this be considered an appropriate feedback given my role as an IE?

Response:

There is no requirement to switch to accruals accounting for 2018 just because the income might go over £250K in 2019. However, if it is clear that they will be using accruals accounting in 2019, and if they have already incurred costs in 2018 that relate to the disposal of the hall, the trustees may feel it would be helpful for the 2019 and 2018 accounts to be done on the same basis - rather than one year on R&P and one year on accruals. It may be more challenging to do the prior year comparatives in 2019 if the 2018 accounts were on a different basis.

But that is really a choice for them in terms of those who will use the accounts - there is no legal reason to do accruals accounts in 2018 if the income is under £250K and if they don't feel accruals accounts would be helpful.

On the second issue, there is no reason why an IE cannot feedback comments and suggestions about cost savings - but as you say that would be part of your informal feedback in confidence (often described as a 'management letter') rather than part of your formal IE report.

However, if they will have a big injection of funds from the hall sale, they may of course feel it is quite reasonable to continue expenditure at the current level, or even higher, if that are clear that the expenditure is supporting the advancement of the church's charitable aims. It would not be good use of charitable funds to receive a large receipt and just sit on it.

Practice Points

Consultation on the process for developing the SORP

The charity regulators in the UK as the SORP-making body for charities sought views on what changes may be needed to the process used to develop the SORP. The SORP-making body aims to make changes so that the Charities SORP continues to serve the needs of those interested in the work of the charity sector and the sector itself as well as it can.

A consultation document was issued: [Guiding the Development of the Charities SORP](#)

The consultation opened on 26 November and closed at noon on Monday 4 February 2019. In addition to inviting responses, two consultation events were held and a number of respondents requested a meeting with the Panel to express their views.

The charity regulators intend to make any changes in time for the development of the next full SORP. The development of the next SORP will therefore be put on hold until the findings and recommendations of the Panel have been reported and considered by the regulators. The Panel's recommendations will also be shared with the FRC.

See the [consultation responses](#).

News from the Charity Commission for England & Wales

[Regulator finds quality and transparency in charity accounts has fallen](#)

Commission's review also finds just half of charities are meeting public benefit reporting requirements. Charities are not doing enough to demonstrate their public benefit, or explain how they spend their money, according to [reviews of charity accounts](#), published today by the Charity Commission.

Charity trustees are under an important legal duty to publish a trustees' annual report and accounts, by which they are accountable to the Commission and the public. The regulator has therefore carried out proactive scrutiny of charity accounts and trustees' annual reports*, and assessed these against public expectations and public benefit reporting requirements.

Just 70% of trustees' annual reports and accounts in the '[Public reporting review](#)' met the Commission's basic benchmark of user requirements, compared with last year's 74%. The quality benchmark was based on [recent research into trust in charities](#) which found that 'ensuring a reasonable proportion of donations make it to the end cause' and 'making a positive difference to the cause they work for' were the most important factors driving public trust and confidence in charities.

The main reasons why charities' accounts submissions did not meet the Commission's basic benchmark were failure to evidence that their accounts had been subject to independent scrutiny by an auditor or independent examiner, as required by law, and/ or not providing meaningful information about their charity's purposes or the activities carried out to achieve those purposes.

Just 52% of trustees' annual reports in the '[Public Benefit reporting' review](#) met the public benefit reporting requirements. Although this is a 1% increase on last year, trustees are still falling short on the requirements to explain activities undertaken

by the charity to further its purposes for the public benefit, and to provide a ‘public benefit statement’.

Charities and trading

Your charity is trading if it sells goods or services to customers. There are rules on [what types of activities count as trading](#).

The small trading tax exemption limits have been updated for 2019 to 2020.

Your charity will not pay tax on profits it makes from trade if:

- you are making money to help your charity’s aims and objectives, known as ‘primary purpose trading’
- your level of trade that is not primary purpose falls below the charity’s [small trading tax exemption limit](#)
- you trade through a [subsidiary trading company](#)

Your charity must pay tax on any other profits.

The importance of safeguarding and protecting people

Safeguarding is a key governance priority for all trustees, not just those working with groups traditionally considered at risk.

Charities should read the guidance about [safeguarding duties for charity trustees](#) which was recently updated.

CCEW advise you to carry out a thorough review of your charity’s safeguarding governance and management arrangements and performance, if you haven’t done in the last 12 months.

It is also important that you contact CCEW about any safeguarding issues, or serious safeguarding incidents, complaints or allegations which have not previously been reported to us.

Dealing with wrongdoing and harm 2017-18

The Charity Commission has used new legal powers on over 130 occasions since they were introduced in the Charities Act 2016. The 2016 Act provided a range of new enforcement powers to the regulator, including the power to disqualify individuals from charity trusteeship, and to issue Official Warnings to a charity or an individual trustee.

This shows that, in total, the Commission has used new powers on 137 occasions; this has included disqualifying 21 and suspending 7 individuals from trusteeship, and removing 12 individuals as a trustee during an inquiry.

The Commission has also issued 6 Official Warnings since the power became available to it in November 2016, and issued 14 notifications of its intention to issue an Official Warning. Among the charities that have been issued with an Official Warning is the [RSPCA](#), which received an OW in August 2018.

[Trustee removed and over £13 million distributed to good causes following the Commission’s inquiry](#)

Charity Commission reports on its inquiry into Relief for Distressed Children and Young People

[Guidance for charities with a connection to a non-charity](#)

CCEW’s engagement with charities shows that risks and challenges can come with a connection to a

non-charitable organisation (a non-charity).
Sometimes the risks are significant.

To this end the Commission have produced guidance to help you manage your charity's connection with a non-charity in line with your:

- charity's best interests
- legal trustee duties

It says that your charity's connection to, and work with, the other organisation must always further its purposes. You and your co-trustees:

- must not allow your charity's resources or activities to fund or support non-charitable purposes
- should identify, properly address, and review any risks which come from the connection

News from OSCR

New OSCR Board Chair appointed

The Cabinet Secretary for Communities and Local Government, Aileen Campbell recently announced the appointment of Lindsay Montgomery as Chair of OSCR.

Lindsay Montgomery CBE has many years' experience of leadership and governance roles in the public sector. Lindsay was a Board member of OSCR from its inception and as Deputy Chair from 2008 until 2014. He also has many years' experience as a charity trustee including since 2015 as Chair of the environmental charity, Keep Scotland Beautiful. Other current roles include visiting Professor at University of Strathclyde School of Law, Vice Chair of the International Legal Aid Group and Chair of the Scottish Government Digital Transformation Board.

News from Northern Ireland Charity Commission

No updates.

Charity Sector News

Making Tax Digital

With Making Tax Digital becoming law on 1 April, eligible charities will need to have begun keeping digital VAT records and send their VAT returns using MTD compatible software (aside from those who have had mandation delayed).

HMRC have provided some useful guidance which should help charities get to grips with the new system. Please find a selection of these updates below:

[VAT Notice 700/22](#): This is the main guidance relating to Making Tax Digital for VAT. This was updated on 5 March 2019

The software choices selection tool on [GOV.UK https://www.tax.service.gov.uk/making-tax-digital-software](#) has been enhanced with the addition of filters in regards to accessibility and bridging software.

Please find the following [step by step guide to help you sign up and follow the rules for MTD](#) (if you are required at this stage).

- HMRC have also produced [the following Mythbuster](#) to help address some of the misconceptions about Making Tax Digital

AML Update from HMRC

HMRC is introducing significant changes to tackling non-compliance with the Money Laundering Regulations. Key improvements include:

- increasing the number of staff available for compliance activity. That means carrying out more face-to-face and desk-based interventions with registered and unregistered businesses
- providing more educational products and activity, including webinars and online learning. Helping registered businesses to get things right first time.

These enhancements come at a cost. HMRCs [Anti Money Laundering Supervision Fees](#) are changing from 1 May 2019:

- the annual registration fee is increasing to £300 per premises for businesses with turnover of £5,000 or above
- the annual registration fee is increasing to £180 for businesses with a turnover below £5,000.

All customers will pay the £300 premises fee when they renew. However, if your turnover is less than £5,000 you can apply for a reduction. Information on how to do this is on [GOV.UK](#).

[CFG is calling for all charities to pledge to tackle fraud.](#)

Fraud is estimated to cost the charity sector £1.9bn every single year. This is money which is being syphoned off from charities and the beneficiaries we serve.

Charities are awake to this threat and many are leading the way with robust counter fraud policies.

This is why CFG have created the Counter Fraud Pledge which both acknowledges the work that charities are doing to combat fraud and guides you through the steps to prevent fraud in your organisation.

Taking the pledge couldn't be easier, simply follow these two steps:

Step 1: [Read the Counter Fraud Pledge](#)

Step 2: [Take the Counter Fraud Pledge](#)

Training and Resources

Charity Training: 23rd May 2019 Burnley

KM invite Trustees and Senior Representatives of Charities and Community Amateur Sports Clubs (CASC) to a Training Day to be held on Thursday 23rd May 2019 at The Life Church, Burnley, BB12 6QP - 09:30 - 15:15

Topics to be covered:

- An in depth look at Gift Aid to ensure compliance with the rules and maximise revenue
- Insurance for Charities
- Financial Management for Charities & Use of Cloud Accounting Software

Fees: £30 per delegate. This includes lunch and refreshments.

For further details click [here](#) or email info@kmaccountants.co.uk

ACAT Training Programme 2019/2020

Our partners, the Association of Church Accountants and Treasurers have launched their 2019/2020 training programme. Topics include:

- Being a Treasurer - the basics
- Gift Aid and GASDS and
- Income Generation

[For more details go to the ACAT website](#)