The Association of
ACIE
Charity Independent Examiners

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Practice Points

Regulators seek views on amendments to the SORP

The Charity Commission for England and Wales and the Office of the Scottish Charity Regulator, who together are the SORP-making body, are inviting comments on amendments to the Charities Statement of Recommended Practice (SORP) following changes in UK-Irish accounting standards.

The consultation is now open and will close on 6th April 2018. Look out for ACIE's response.

The consultation focuses on 21 proposed amendments to the SORP which are considered necessary as a result of the changes made in December 2017 to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. These changes are to be made via a second Update Bulletin and include:

- the introduction of an accounting policy choice for entities that rent investment property to another group entity
- the clarification of the accounting treatment for payments by subsidiaries to their charitable parents that qualify for gift aid
- the clarification of the requirement for comparatives for disclosures required by the SORP

- the introduction of a requirement for a net debt reconciliation to be prepared as a note to the statement of cash flows

The consultation is inviting comments on the draft Update Bulletin with 2 questions:

1. Do you agree with how the amendments to FRS 102 have been reflected in the proposed amendments to the Charities SORP (FRS 102) in draft Update Bulletin 2? If not, which of the proposed changes do you not agree with, and why?
2. Are there any other amendments to the Charities SORP (FRS 102) that you consider to be necessary based on the recent amendments to FRS 102? If so, please state the amendment to FRS 102 and the relevant SORP paragraph(s)

For more information, including the draft SORP Update Bulletin, and detail on how to respond refer to the dedicated SORP site. Details of consultation events are also available on the site. The changes will come into effect for accounting periods beginning on or after 1 January 2019.

Charities should use the regulated financial sector

The UK's three independent regulators of charities have issued an alert to charities– it applies to a charity when it receives, holds, moves or uses money, particularly those moving funds internationally.

This alert is being published so as to raise awareness amongst charities – including their trustees, employees and volunteers – of the need to use bank accounts in the regulated financial sector and the benefits of doing so.

It is the Charity Regulators' view that all charities need to have access to, and use, a bank account in the charity's name in the regulated banking system. Trustees need to be able to use banking facilities, where they are available, to safely receive, hold and move charity funds.

Appropriate use of a bank account is a good way for trustees to demonstrate audit trails for the receipt and movement of money, and that they are discharging their legal duties to keep funds safe and meeting key elements of good governance and prudent financial management

The Charity Regulators would be concerned if a charity did not have a bank account in its name. If a charity does not have access to a secure bank account, then its funds would be at greater risk and the steps that trustees must then take to safeguard those funds, and ensure that the necessary records of income and expenditure are held, are likely to be more difficult and create a disproportionate extra burden on the trustees.

If charities use cash and other methods to transfer and move funds, the trustees must be able to show that this is a reasonable decision in the circumstances, and the risks have been appropriately managed. Trustees must also ensure that proper due diligence has been carried out, other safeguards including appropriate financial controls are in place, and all records and documentation in connection with their use are kept.

Reporting concerns to the Charity Regulators

The Charity Regulators expects trustees to ensure that any problems which may arise with the use or movement of charity funds are reported to the relevant charity regulator. Guidance about the reporting regimes and what needs to be reported can be found on the Charity Regulators' websites.

In summary, the Charity Regulators' advice for charity trustees is:

- Remember you have a legal duty to protect charity's funds, ensure they are not placed at undue risk and ensure that they are used for the charity's proper purposes. Good financial stewardship, including having appropriate banking arrangements, is also a key element of good governance. It is difficult to see, where regulated banking services are available, how trustees could show they discharged their legal duties if they did not use them to ensure the charity's funds were secure and safely transmitted.

- Modern banking systems are generally highly sophisticated and reliable, but this does not mean that the banking system is entirely risk-free and that trustees can simply assume that charitable funds held in a bank account will always be secure. Apart from the risk of loss caused by honest mistake or lack of attention to procedures, trustees should be aware that charities, like other organisations, are vulnerable to fraudulent activity, which means they do need to ensure proper financial controls and appropriate arrangements to check financial activity are in place as part of prudent financial stewardship of their charity's affairs.

A reminder about safeguarding from the three Charity Regulators

The Charity Commission England & Wales has issued an update on Strategy for dealing with safeguarding issues in charities

This strategy sets out:

- how the Charity Commission works with the charity sector and other agencies to prevent safeguarding concerns arising

- its regulatory role in ensuring that trustees carry out their duties to protect their beneficiaries, and others who come into contact with their charity, from harm

- how it responds to allegations or reports of safeguarding incidents in charities

OSCR have asked Trustees to put Safeguarding and reporting Notifiable Events on the agenda for their next meeting. See updates from OSCAR below for further details.

The Charity Commission for Northern Ireland has published an alert to trustees of all charities which have indicated to the Commission that they work with children and vulnerable adults.

The Commission has told charity trustees they are required to have appropriate policies in place for working with vulnerable beneficiaries, and robust controls to ensure these policies are effective.

Trustees must inform the Commission annually through their monitoring return that they are satisfied that effective safeguarding is in place. To do this, charity trustees must be properly acquainted with what is happening in their charity. For further information, Trustees are advised to familiarise themselves with Serious Incident Reporting.

Gift Aid Small Donations Scheme: how to claim top-up payments

If you're a charity or CASC you can claim top-up payments on small donations of £20 or less under the Gift Aid Small Donations Scheme (GASDS).

From 6 April 2017, you can claim on donations made using contactless technology, such as a contactless credit or debit card.

Before 6 April 2017, you could only claim top-up payments on small cash donations. Cash donations can be in coins or notes of any currency that have been collected and banked in the UK.

You don't need to know the identity of the donors or collect Gift Aid declarations.

News and updates from the Charity Commision England & Wales

Tackling abuse and mismanagement 2016-17:

In this year's report the Commission highlights a number of different themes. These include failure to keep basic financial receipts and records, the importance of reporting fraud, and the importance of being alert to, and discharging, safeguarding responsibilities.

In 2016 - 2017 concerns about financial abuse and/or financial mismanagement issues featured:

- 83 times in new statutory inquiries, 73 times in completed statutory inquiries
- 236 times in new regulatory compliance cases, and 206 times in completed regulatory compliance cases
- 140 times in new monitoring cases, 170 times in completed monitoring cases
- 360 disclosures between us and other agencies

The Commission has three key messages for Trustees:

1. *address financial difficulties early on* – don't leave it until it is too late or becomes more complicated - charities that are able to identify pressures and risks early often resolve them quickly
2. *address financial difficulties effectively* is an important part of a trustee's duties to act in the charity's best interests, manage the charity's resources effectively, and ensure the charity is accountable
3. *take seriously any concerns expressed by their charity's auditor or independent examiner and take appropriate action in response*

Summit on safeguarding in UK charities

The Secretary of State for International Development has already announced a joint DfID/Charity Commission safeguarding summit with charities and umbrella bodies working internationally. Click here for further details

New Charity Commission taskforce to handle the recent increase in safeguarding incident reports

The Commission is establishing a task force, including staff from across the Commission, to deal with the increased volume of safeguarding serious incident reports which it is already experiencing since the Oxfam story first appeared.

The team will also undertake proactive work to ensure prompt and full reporting of serious safeguarding incidents, and give advice to charities reporting safeguarding incidents on appropriate actions. In addition the team will undertake a 'deep dive' of existing serious incident reporting records to ensure any gaps in full and frank disclosure are identified and necessary follow up actions, for charities or the regulator, have been completed. We will intervene in serious cases where we are concerned that trustees are not fulfilling their legal duties.

Charity Commission launches consultation on draft guidance setting out the principles for managing relationships with organisations that are not charities.

- The draft guidance stresses that trustees must, among other things:
- actively manage the relationship in compliance with their legal duties and the law
- preserve the charity's separation and independence from the non-charitable organisation
- manage the risks arising from the charity's association and/or work with the non-charitable organisation
- make decisions in accordance with their legal duties
- identify and avoid conflicts of interests and loyalty in respect of the non-charitable organisation when making decisions
- be accountable about the relationship, for example by complying with all relevant accounting and reporting requirements

The consultation about the draft guidance will close at 5pm on the 15 May 2018.

News and updates from OSCR

Regulator publishes fundraising guidance for charity trustees

The Scottish Charity Regulator (OSCR) has * published guidance that sets out the rules that a charity must follow when carrying out their fundraising activities.

'Fundraising Guidance for Charity Trustees' highlights the duties of all charity trustees under the Charities and Trustee Investment (Scotland) Act 2005 and how these duties can apply to fundraising.

It contains information on:

- Scotland's system of fundraising self-regulation and OSCAR's role
- charity trustee duties
- fundraising with third-party organisations
- public collections and exempt promoters

The guidance has been published following a 12 week consultation on its content at the end of 2017.

In addition to this new guidance, OSCR has also updated its technical guide on Charities and Benevolent Fundraising (Scotland) Regulations 2009 to reflect some of the changes in policy since it was first published.

OSCR wants Trustees to put Safeguarding and Notifiable events on the agenda for their next meeting

"The recent reports of abuses connected to some charities working in the international aid sector are deeply troubling and as a regulator we take such matters extremely seriously"

There are two key points that OSCR would like to remind charities of in light of the reports.

- Safeguarding (keeping vulnerable beneficiaries, volunteers and staff safe)
- Notifiable Events

"Due to the importance of them both, we are asking charity trustees to make sure that these topics are Agenda Items at the next meeting."

Here are some key actions for charity trustees to take in relation to Safeguarding:

- Know what you have to do – trustees must follow charity law but there may be other specific statutory duties because of the type of work your charity does (for instance, your staff and volunteers may need to be members of the Protection of Vulnerable Groups –PVG –scheme depending on the type of work your charity carries out)
- Assess your safeguarding risks and address them where necessary
- Be confident that the steps you put in place are relevant to the size and work of your charity
- Make sure your charity's policies and procedures are effectively applied in practice throughout the organisation, and you are confident that they will continue to be followed in the future
- Review your safeguarding policies and procedures at least once every 12 months. If there are gaps, make sure that any new policies or procedures are in line with the charity's purposes and the law
- Encourage a safe environment so that volunteers, staff and beneficiaries feel that they can speak up when they think something is going wrong
- Be decisive with any action you have to take, procrastinating can be viewed as complacency
- Be transparent when incidents do occur, and learn if things go wrong
- Ensure that serious incidents are reported to OSCR and other relevant bodies.

In terms of notifiable events, OSCR draws attention to the Notifiable Events system which should be used in circumstances like this.

A Notifiable Event could be:

- fraud and theft
- significant financial loss
- incidents of abuse or mistreatment of vulnerable beneficiaries
- a lack of charity trustees required to make a legal decision
- when a charity has been subject to a criminal investigation or an investigation by another regulator or agency; sanctions have been imposed, or concerns raised by another regulator or agency
- when significant sums of money or other property have been donated to the charity from an unknown or unverified source
- suspicions that the charity and/or its assets are being used to fund criminal activity (including terrorism)
- charity trustees acting improperly or whilst disqualified.

There is no legal requirement to report a Notifiable Event. However, it is an important way for charities to reassure the Regulator, and other interested parties, that they are on top of the issues they are facing.

News and updates from the Northern Ireland Charity Commission

Alert for Trustees of Charities working with vulnerable beneficiaries

The Commission has issued an alert to trustees of all charities which have indicated to the Commission that they work with children and vulnerable adults.

The Commission has told charity trustees they are required to have appropriate policies in place for working with vulnerable beneficiaries, and robust controls to ensure these policies are effective.

Trustees must inform the Commission annually through their monitoring return that they are satisfied that effective safeguarding is in place. To do this, charity trustees must be properly acquainted with what is happening in their charity.

The Commission has pointed out to charity trustees who work overseas that there may be greater risks in relation to the protection of vulnerable beneficiaries. Trustees have been advised to revisit their policies to ensure they are sufficient, and that controls in place are effective. Charity trustees must be aware of the reporting requirements to the relevant regulator and have procedures in place for employees and volunteers to follow.

If a serious incident occurs involving vulnerable beneficiaries, the Commission expects charity trustees to report to us immediately on what has happened and explain how it is being managed. It is important that charities engage with the regulator frankly and openly so that we can fully understand any allegations that have been made to ensure we have confidence in the charity's approach to safeguarding now and in the future.

Incidents should be reported to the Commission even if the trustees have already reported them to the PSNI, donors or another regulator.

Reflections on IE: Maintaining Standards

With membership renewals due at the start of April 2018, it is worth reflecting on the benefits of being part of ACIE. The organisation's purpose is to promote excellence in independent examination and we do this by offering training, access to good practice guidance and advice and by developing resources such as the standard 'letters of engagement', ACIE Standards of Practice and Independent Examination File.

The first of our articles reminds us that the Charity Commission can access an Examiner's working Papers during an enquiry, emphasising the importance of maintaining high practise standards.

The second article addresses the question of risk and professional indemnity insurance. The final article is a gentle reminder to all Full Members that, as part of ACIE's CPD Pilot, when you renew your membership you will be asked to confirm that you have undertaken sufficient CDP to maintain a good standard of practice.

A Charity Commission Inquiry can require access to an Independent Examiner's Working Papers - Dr Gareth Morgan (The Kubernesis Partnership LLP - Charity Consultants)

It is worth bearing in mind that if a charity is subject to an formal inquiry, the Charity Commission has the power to request any documents held by the charity or its officers, and in some cases this may include the working paper of the independent examiner,

In a recent inquiry regarding the Reb Moishe Foundation (https://www.gov.uk/government/publications/charity-inquiry-the-reb-moishe-foundation/the-reb-moishe-foundation) it appears that the IE may have initially raised concerns with the Commission. But, as the inquiry report makes clear, the Commission subsequently requested the IE's working papers as part of their investigations.

Fortunately in this case it seems the examiner's working papers were sufficient and the inquiry were able to proceed - leading eventually to the recovery of more than £2M for the charity from a company connected to a former trustee.

But if in another situation the examiner had failed to keep proper records as required under the Charity Commission's Directions to IEs, the consequences for the examiner could be serious.

Professional Indemnity Insurance: Why it pays to be covered

As an independent examiner is giving a formal opinion on a charity's accounts, there is always a possibility that a charity could make a claim against you for compensation, if problems subsequently emerged with the accounts. (This could happen even if you are only acting on a voluntary basis).

Although the risk is small, an independent examiner could still face a large claim if, after completing an independent examination, a charity subsequently accused you of negligence.

A major advantage of being a member of ACIE is that, through the Association, you can obtain professional indemnity insurance (PI) cover for your work as an independent examiner, at a very attractive rate. This provides valuable protection and removes one of the concerns that have made some people reluctant to act as independent examiners.

If you join this scheme, the insurers will indemnify you against any allegations of negligence for work you have undertaken in relation to:

Full Members: "the preparation and independent examination of charity accounts: provided that the insured remains a Full Member of the Association of Charity Independent Examiners and provided that he/she does not accept any appointment as an independent examiner outsider his/her Full Member Category as registered with the Association".

Affiliate members: "the preparation and independent examination of charity accounts: provided that the insured remains an Affiliate Member of the Association of Charity Independent Examiners and provided that he/she does not accept any appointment as an independent examiner outsider his/her Affiliate Member Category as registered with the Association".

The policy also covers you for legal expenses involved in defending a claim.

ACIE recognises that some members, particularly those working in firms of accountants, may already have PI cover. However, bear in mind that an Independent Examiner is always an individual and your firm's policy may not provide cover for opinions that you give as an individual. Also, a firm's PI policy certainly wouldn't cover any informal independent examination work you do in your spare time.

Other professional bodies to which you may belong may require you to have a certain level of PI insurance cover. In some instances, the cover offered by this scheme may not be sufficient for these purposes. You are therefore strongly recommended to check the membership rules of other bodies to which you belong. If this proves to be an issue for you, please inform the ACIE office so that we can review the policy if necessary.

In summary, it is well worth taking out PII although it is not compulsory to take out the scheme offered by ACIE. If you already have PII, please do take the time to check that your work as an IE is covered.

ACIE's CPD Pilot: one year on

Each year, at the time of Membership Renewal (first week of April) we will ask you to confirm that you have gone through the four phases of CPD (Reflection, Action, Evidence and Impact) as laid out in the ACIE proforma and updated your CPD plan as required.

You will need to complete any required CPD activity to ensure that you have the appropriate knowledge and skills required for your role. Where necessary, you should take appropriate action to remain up to date and fully competent. You will then be asked to assess the effectiveness of those actions and consider whether your learning and development objectives have been met.

In April , we will randomly select a small number of Full Members to assess. What we will ask for is written evidence of your CPD during the year.

However, since this is the first full year of the pilot, ACIE would also like to talk to a small number of people to find out more about their experiences.

CPD activities should be proportional and relevant to your role. If you are a member of another professional body, you may include examples and evidence from this source. It will be useful, however, to highlight the specific elements relevant to Independent Examination. There is an expectation that at least 50% of the CPD you undertake in directly relevant to Independent Examination and/or Charity accounting.

Applicable activities can include, online research, focused discussion with professional colleagues or reading.

Safeguarding: advice for Trustees - Susan Robinson (Susan Robinson BA FCA MCMI FCIE DChA) -Kreston Reeves

The recent controversy surrounding Oxfam and the conduct of some of its aid workers in Haiti and Chad has highlighted the importance for charities in managing their reputation.

Adverse publicity can have a devastating effect on a charity, impacting on its ability to maintain levels of income, retain and recruit staff and ultimately to meet the needs of the beneficiaries the charity seeks to support. The damage is not always confined to charity concerned, as high profile cases can lead can result in a lack of trust in the charity sector as a whole.

This is an issue that does not just concern large charities or those operating overseas. It is one of the fundamental trustee duties to avoid exposing the charity's assets, beneficiaries or reputation to undue risk, which means taking reasonable steps to protect beneficiaries, employees and volunteers from harm. All charities, regardless of their size and complexity, should take this opportunity to review their own circumstances to take whatever action is necessary to strengthen their own compliance with safeguarding requirements. This will include a review of past conduct, to determine whether there are any historic incidents that have not been adequately resolved.

The Charity Commission has recently updated its strategy on safeguarding in charities, and in doing so have reminded trustees that they should proactively safeguard and promote the welfare of the charity's beneficiaries and to take reasonable steps to ensure that their beneficiaries or others who come into contact with their charity do not, as a result, come to harm. This was issued in response to an increase in the number of safeguarding concerns being reported to them, with 302 cases being referred to them in 2016/17 compared to only 163 the year before. Hopefully this increase has arisen principally from greater awareness of the need to report incidents to the Charity Regulators, not from an underlying increase in the number safeguarding incidents taking place.

A priority for trustees should be the need to create a culture where everyone within the organisation prioritises safeguarding, so that the risk of safeguarding incidents is minimised, but also crucially so that it is safe for those affected to come forward and report incidents with the assurance that they will be handled sensitively and appropriately. In doing so it will be necessary to have adequate safeguarding policies, procedures and measures in place, and to provide clarity as to how incidents and allegations will be handled should they arise. It is not sufficient to rely on having a series of policy statements if these are not then enforced by the trustees and other members of the charity's management, and that when any incidents are reported they are not acted upon.

Inevitably though incidents will arise, and how these are managed following their discovery will often determine a charity's fate. Charities are required to report serious incidents to the Charity Commission in accordance with its guidelines, as well as to other agencies in accordance with legal requirements and best practice. This includes any historic incidents that have come to light which have not previously been reported. With the growing need for effective governance and transparency an approach of trying to 'cover up' incidents can no longer be seen as an attempt to be acting in the charity's best interests.

The Charity Commission has made it clear that failure to manage safeguarding risks is of serious regulatory concern for them, and could be considered to be misconduct and/or mismanagement in the administration of the charity, and could even be a breach of trustee duty. It is essential therefore for all charity trustees to know their duties and responsibilities, and to be familiar with the Commission's guidance in this area, which can be easily obtained from their website. We would also recommend that all trustees subscribe to the Commission's news feed, partly to keep updated with any changes that are made to the guidance material, but also to receive details of the regulatory action that is taken by the Commission in respect of failing charities, as this can often highlight areas where improvements can be made.

Charity Sector News

Accounting for Gift Aid

Financial Reporting Standard 102 (FRS102) was updated in December 2017 to ensure that there is clarity and consistency in how gift aid payments by subsidiaries are reported. While the tax implications of this arrangement have not changed, there have been changes to the accounting standards which will affect the way the gift aid payment is presented in the subsidiary's statutory accounts.

If you have a trading subsidiary, click here to read our help sheet which details the changes and our suggestions for how to deal with them in the accounts.

General Data Protection Regulation (GDPR) is a new, Europe-wide law that sets out requirements for how organisations will need to handle personal data from 25 May 2018.

To help you comply with your responsibilities, the Information Commissioner's Office (ICO) has produced a package of tools aimed at small and micro organisations, including charities.

Click here to view GDPR FAQs for charities.

First set of charitable companies can now convert to CIOs (Third Sector News)

The CIO legal form, which was included in the Charities Act 2006 but not introduced until 2013 after significant delays, allows charities to enter into contracts as corporate entities with limited liability for trustees and members.

Any charity that wanted to convert to CIO status previously had to wind up their old organisation and start a new CIO.

But parliament passed legislation in November to enable charities with company structures and community interest companies to convert simply to CIOs, speeding up the process.

The conversion process is being introduced on a phased basis, starting with the smallest charities from January 2018.

Guidance produced by the Charity Commission, which regulates as well as registers CIOs, says the conversion process "should be simple and straightforward in most cases".

The new legislation also means all CIOs will from this week be listed on the business names index, held by Companies House, that will protect CIO names in the event of others looking to set up companies with similar titles.

More than 12,500 new CIOs have been registered with the Charity Commission since 2013.

The regulator's guidance on how to change a charity's structure can be found here.

Gaps in charities' reserves position highlight 'financial vulnerability' of the sector (Charity Times)

Charities need to address the 'concerning' gaps in how they calculate their reserves position before it leads to financial vulnerability, research has revealed.

According to new data from tax and audit firm RSM, the majority of charities have gaps in how they calculate reserves and how they communicate their plans with internal and external audiences – findings that highlight just how financially vulnerable the charity sector is.

The statistics, taken from RSM's Charity Reserves: resilience in 2018 report, highlighted that 94 per cent of the charities researched needed to make improvements to their charity reserves policy and over 22 per cent needed to make significant improvements. [Click here to read more]

New guide to major donor fundraising

The Institute of Fundraising has published an important and practical resource to help charities understand how they can lawfully undertake major donor fundraising and prospect research on existing and potential new supporters. This guidance will help fundraisers understand the lawful bases for processing data, and ensure they are treating people fairly and lawfully as they go about their major donor fundraising and prospect research work. Click here to download a copy.

Trust in charities remains constant (Charity Digital News)

Around half of people across the UK still believe charities are trustworthy in spite of recent reports about charities, research for the Charities Aid Foundation (CAF) has found.

CAF tracks levels of trust in charities on a monthly basis. A regular poll was carried out by YouGov on behalf of CAF between 13th-19th February, the week after stories about the actions of aid workers in Haiti first appeared in the media, asking to what extent people believed most charities were trustworthy.

The research showed that levels of trust in charities were consistent with those in previous months, with around half of those surveyed (49%) agreeing that most charities were trustworthy. This is consistent with levels of trust in charities recorded since CAF began researching trust in May 2016.

Overall, 21% of those surveyed disagreed that most charities were trustworthy.

According to CAF's 2017 annual UK Giving report, at an overall level, half of the population (50%) believed that most charities were trustworthy across the whole of 2016. The most recent polling for mid-February, therefore, shows that trust is stable.

Spotlight on managing charity funds

Are small charities aware of the rising costs and risks of multi-employer pension schemes? Neil Barton at Broadstone Consulting Actuaries

Background

Many charities have been struggling to manage, or indeed understand, the rising costs and growing risks associated with multi-employer (defined benefit) pension schemes.

A 'defined benefit' (or DB) pension is one in which an employer or sponsor promises a specified pension payment, lump-sum (or combination thereof) on retirement that is predetermined by a formula. This formula is usually based on the employee's salary history and length of service and gives a pension that is largely fixed rather than depending directly on contributions and investment returns (which would be a 'defined contribution' or DC arrangement). As the employer has therefore made a fixed pension promise to the employee, the employer also bears the risks of being able to deliver the expected benefits. These risks can be significant.

Often, charities will have historically joined a multi-employer defined benefit pension scheme as an alternative to setting up their own. There were good reasons for this, as on the face of it multi-employer schemes offered some significant advantages compared to going it alone. These included:

- The pooling of scheme advisory and administration costs – it is cheaper 'per member' to run a large scheme than a smaller one
- Lower investment charges – larger schemes are more attractive to investment managers and benefit from reduced management charges
- A reduced requirement for local administration by the charity as the day-to-day scheme administration and governance function is undertaken centrally

Many charities currently have exposure to defined benefit pension schemes via the LGPS (the Local Government Pension Scheme), and arrangements provided by TPT Retirement Solutions (more commonly known as the Pensions Trust), an organisation that was originally set up to provide pension provision for the charitable and not-for-profit sectors. There are many other multi-employer schemes in existence, but those run under the auspices of the LGPS and TPT Retirement Solutions are the most common found in the charitable sector.

The Changing Pensions Landscape

The pensions landscape has changed significantly over the course of the past 5 to 10 years and charities; in particular; have been materially impacted. Charities are now needing to address many different issues related to multiemployer DB schemes. These include:

- Increased contributions – DB scheme liabilities (the estimated total of the pensions that will be paid out over time) have generally increased at a much greater rate than the assets (investments) that underpin these schemes. The difference is known as the deficit, and this needs to be addressed. Broadly speaking, employers are asked to contribute more cash to the schemes (known as deficit recovery contributions) to try and plug the gap. Many charities are finding this unaffordable, and are concerned that potential benefactors will query why the charity is funding such a generous type of pension arrangement for its employees when cheaper, less risky options are available.
- A lack of control – whilst pooling of resources can help to drive efficiencies of cost and effort, it does mean that a 'one size fits all' approach generally gets adopted. In many multi-employer schemes this means that the largest participating employers get heard more loudly than the smaller ones. What is good for one large charity may well not be good for a much smaller one.
- Section 75 Exit Debts – most multiemployer DB schemes are known as 'last man standing' arrangements. What this means is that if an employer ceases to actively participate within the scheme (effectively if it has no current 'active' employees making contributions) then it automatically triggers a section 75 debt. This is the participating employer's share of the deficit in the scheme (the difference between the value of the assets and the liabilities) and crucially measured on a "buyout" basis which is a very expensive measure. Worse still, it is possible to inadvertently trigger this section 75 debt and we would advise charities to stay alert and informed in this area.

The Department for Work & Pensions last year ran a consultation process in respect of draft regulatory proposals to allow employers who participate in multiemployer DB pension schemes to defer the payment of a section 75 debt upon ceasing to employ an active scheme member. This offered some hope to employers that the situation might be about to change. However, all has currently gone quiet, and with the Government's immediate priority being Brexit it may be some time before we see this important area rising to the surface once more.

- Orphan liabilities - employers who leave multi-employer schemes (generally due to insolvency) without paying their full share of the accumulated deficit place a greater burden of responsibility upon the employers that remain – those employers are required to pay an increased amount in terms of deficit recovery contributions to fund the 'orphan liabilities' left behind by previous employers.

What can be done to manage the costs and the risks?

Sadly, there is no 'magic bullet' that will simply fix the issues associated with defined benefit pension provision.

However, and positively, there is much that can be done to help charities to control and manage their positions but the key is being informed and positioned to do so. To help achieve this, we would advocate creating a long-term viable plan to help keep the costs and risks under control.

For example, we worked with a regional charity based in the West Midlands that was struggling to manage their participation within the LGPS. On their behalf we thoroughly reviewed the LGPS regulations and identified a clause which would allow the charity to cease their LGPS membership for all employees, apart from retaining one nominal pensionable position that was still accruing benefits, but without triggering the Section 75 termination debt.

The charity significantly reduced its projected future pension contributions by moving to a defined contribution scheme for current and future employees, with a matching contribution structure that exceeds the minimum Automatic-Enrolment requirements.

For further information please contact Neil Barton at Broadstone Consulting Actuaries (email: Neil.Barton@Broadstone.co.uk or telephone: 07904 492 921).

ACIE: News and Events

Membership Renewals

Membership renewals are due on 1st April 2018 for the year 2018/19 and you will receive an email on that day. In the meantime, we wanted to let you know about two significant changes; we are making additions to the membership package and we are changing membership prices.

What will I get in the new membership package?

- Free access to Letters of Engagement templates
- Free access to the Independent Examination File (due to be updated)
- Free access to our IE 'enquiry line' to help you make sure you follow best practice
- Opportunities to attend IE training at subsidised rates
- Written verification of your course and/or conference attendance for CPD purposes
- E-newsletters with updates on changes in IE requirements

- Opportunities to feed in to ACIE's response to national consultations
- Accreditation for Full members
- ACIE online directory listing for full member IEs
- Resources to support with your CPD
- Access to ACIE's Professional Indemnity Insurance scheme

What will I have to pay in 2018/19?

For the first time in several years, membership fees will increase: 2018/19 prices will 10% higher than the previous year. The Board of Trustees feel that this increase is necessary to keep pace with the rising cost of the running organisation. The Board also agreed the principle that all costs levied to Voluntary IEs (with the exception of Professional Indemnity Insurance) should be 55% of those charged to all non VIE equalivelants.

During the process of thinking through membership costs, the Board identified an anomaly; Associate VIE's and Fellow VIE's were charged at the same price despite the different levels at which they were working. Prices have been adjusted accordingly and the 55% principle will be applied across the Board.

Here is a summary of the price changes:

Membership Type	Current	2018/19
Affiliate	£55	£60
Affiliate VIE	£30	£35
Associate	£90	£100
Assoc VIE	£50	£55
Fellow	£150	£165
Fellow VIE	£50	£90

We look forward to working with you and for you in the next year and hope that the new membership package will help support your practice to be the best it can.

ACIE: Out and About

We are working hard to promote ACIE and best practice in independent examination. Here are some examples of what's been happening behind the scenes:

- ACIE Chair, Ian Barrett, presented an update of charity accounting to the February Community Accountants Network conference in Manchester.
- ACIE Fellow, Helen Blundell, contributed to a Charity Commission England & Wales 'staff away' about aspects of an IE and what the Commission can reasonably expect of an IE in terms of their records and approach. Many thanks to Helen for doing this.
- Board member, Alison Cook, will be presenting on IE at a joint ACIE and IFA event in London later this year. More details to follow.
- Next month Fellow, Chris Harris, will be talking to the Milton Keynes Branch of IFA about all things IE.
- Board members Thomas Ojo and Shaun Birch will be presenting an ACAT workshop on 'external scrutiny of accounts' - 23rd June 2018. More details to follow.
- Margaret Birse, Fellow, will be presenting on IE to the Northern Ireland Charity Commission later this month.

Registration is now open for our England/Wales Conference

Click on the link now to get the 'early bird' price of £100 (£55 for VIE's).

The conference programme can be accessed here.

The date for our next **England & Wales conference is 14th June 2018** - Location Manchester (Friends' Meeting House, 6 Mount Street, Manchester, M2 5NS)

Save the date

The date for our next **Scottish conference 23rd August 2018** - Location Perth Concert Hall

Interested in contributing to the next issue?

We are always looking for articles (500 words approx) and examples of good practice to publicise. Deadline for copy 15th May 2018. Email anne-marie@acie.org.uk

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