

ACIE

The Association of
Charity Independent Examiners

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Practice Points

Updates relevant across the UK

New reporting obligation to HMRC affects charities making grants

Those charities which receive more than half of their income from financial investments in any year need to check whether they have an obligation to report details of their grant recipients to HM Revenue and Customs (HMRC). If more than half of your charity's income is from financial investments and those investments are managed for you in whole or in part by a broker, fund manager,

independent financial adviser, or wealth manager then you may need to carry out checks on your grant recipients and make a report to HMRC to meet your obligations under the 'Common Reporting Standard'.

The Common Reporting Standard is a global agreement to combat offshore tax evasion through the sharing of financial information between tax administrations. For more information on the Common Reporting Standard and the reporting requirements please refer to guidance issued by HMRC.

In its recently updated statement of mission, regulatory approach and values the Commission says it considers that it can best fulfil all its statutory objectives by concentrating on:

- promoting compliance by charity trustees with their legal obligations
- enhancing the transparency and the rigour with which it holds charities accountable

- promoting the effective use of charitable resources by raising awareness, supporting trustees and enabling them to comply with their duties
- ensuring that only bodies that properly qualify as charities under the law are registered

“...This is an overarching approach intended to deliver the Commission’s second and third strategic priorities: enabling trustees to run their charities effectively; and encouraging greater transparency and accountability by charities. The strategy aims to enhance the services we provide, as well as support the sector’s own initiatives to improve the management and accountability of charities..”

Click [here](#) for a discussion by the Third Sector first published in January 2017. Click [here](#) to read Charity Commission Revised Regulatory Statement.

Fundraising Code of Practice consultation is now live

The Fundraising Regulator is currently responsible for maintaining and developing the Code of Fundraising Practice. This code is followed across the UK.

The aim is to develop the code in accordance with the needs of both fundraisers and donors.

A consultation on the code has been launched that will run until the end of April. The opinions of charities, fundraisers and the general public are being sought on proposed changes to the code.

A formal response can be sent by email to consultations@fundraisingregulator.org.uk. Further details are available on the [Fundraising Regulator website](#).

News and updates from the Charity Commission England and Wales

New Directions

Consultation on the New Directions closed end of September 2016. There were 27 responses and these were largely supportive but with three major concerns:

1. Extent of 2 of the 3 proposed new Directions is too burdensome
2. The prescriptive use of ‘should’ will inhibit practitioners and add to burdens
3. Linking reporting of ‘relevant matters’ to CC suite of guidance was too broad and burdensome

What can you expect from the New Directions? It seems that a review of aspects of financial sustainability and going concern will remain. There will continue to be a difference between IE for accruals (SORP) accounts and IE for receipts and payments (cash) accounts. Group IE guidance will be developed with sector/ practitioner partners. Overall, there will be a less prescriptive approach to the guidance supporting each Direction.

Publication of the New Directions will be mid 2017, with a three month lead in.

Matters of Material Significance

Consultation on new UK charity regulator list of ‘matters of material significance’ closed mid September 2017. Following consultation feedback changes have been proposed with one matter likely to be dropped. Discretionary report of relevant

matters is likely to be jurisdiction specific. Expect publication mid 2017.

Tackling abuse and mismanagement in the charitable sector

In December, CCEW published its annual report on our compliance and investigatory work, Tackling abuse and mismanagement. The report highlights the Commission's work in identifying and tackling concerns in charities as we continue to make better use of our powers and in providing guidance for trustees to help them fulfil their roles.

The report confirmed that poor governance was at the heart of a lot of the Commission's case work this year, and reminds readers that the strategic vision, oversight and evaluation that a board of charity trustees provide is not an 'optional extra' in a charity. The report also highlights the increasingly proactive side of the Commission's compliance work, and many of the lessons can be taken on board by charities more widely. The full report, along with a full statistical analysis of the Commission's case work, is available on GOV.UK.

OSCR

Scottish charities need to report on time to give the public confidence

OSCR's Head of Engagement Dr Jude Turbyne said,

"If a Scottish charity does not meet its obligations, it can damage the charity's reputation and affect public confidence. It is vital that charities demonstrate the great work they do and annual reporting allows them to do that. We recognise that the vast majority of organisations use this opportunity to their advantage."

The Scottish Charitable Incorporated Organisation

OSCR have created an online resources which answers the frequently asked questions on SCIOS. The Scottish Charitable Incorporated Organisation (SCIO) is a legal form unique to Scottish charities and is able to enter into contracts, employ staff, incur debts, own property, sue and be sued. It also provides a high degree of protection against liability. Click [here](#) to access the page. Additional information can also be found on OSCR's website: please click [here](#) to access.

[New guide on being a Charity in Scotland](#)

The guide is for:

- Charity trustees of existing charities or people working in charities, especially smaller ones
- People who want to set up a charity
- Professionals who advise charities and organisations that want to become charities.

It sets out the key points charities need to know about Scottish charity law. Within the guide there are links to detailed guidance pages contained on the OSCR website and it also has information on other organisations that can provide help and advice to charities.

Fundraising Code of Practice consultation: OSCR highlight the Scottish dimension

A consultation on the code has been launched that will run until the end of April. The opinions of charities, fundraisers and the general public are being sought on proposed changes to the code.

Due to the distinctive nature of the charity sector in Scotland, and the different regulatory system in

place, it is important that there is a good response to the consultation from Scotland.

A formal response can be sent by email to consultations@fundraisingregulator.org.uk.

Further details are available on the [Fundraising Regulator website](#).

Northern Ireland Charity Commission

[Thematic report: the growing Northern Ireland register of charities](#) - first published December 2016

Northern Ireland's charity regulator released a report which reveals previously unknown details about Northern Ireland's charity sector, to mark three years of charity registration.

The report, compiled from the registration details of charities gathered since 2013, reveals that:

Income

- Combined income of charities registered to date stands at just over £1 billion – around 10% of the money available to devolved government
- 72% of NI charities have an income of £100,000 or less
- One-third have an income of £10,000 or less, and 24% have an income of £5,000 or less
- The top 20% of charities by income account for 88% of combined charity income.

Geography

- County Antrim is home to the most charities - despite having only 34% of the population, it is home 44% of charities

- 45% of NI-registered charities work in their local area only. Only 8% work internationally.

Purposes

- Half of charities here work to benefit the whole public rather than address the needs of a specific section
- 57% of our charities exist to advance education. 28% exist to advance religion. 2% exist to advance animal welfare.

Governance

- There is an equitable gender split among governance volunteers with 50.1% males
- and 49.9% females making up Northern Ireland's charity trustees
- 63% of charity trustees are aged over 50

Commission names 38 local charities in default after failing to submit accounts

The Charity Commission for Northern Ireland named the local charities now in default after they failed to submit an Annual Monitoring Return in January.

This could have an adverse impact on funder and public confidence in the charities concerned.

Annual Monitoring Returns, which include the submission of a set of accounts, are a legal obligation for all registered charities.

On 14 February, the Commission wrote to 556 trustees from 88 charities whose Annual Monitoring Returns were overdue, notifying them that their charities would be identified as being in default on the public register of charities if they did not respond. 38 charities have not responded and have therefore been marked as being in default.

Details of charities that fail to submit their annual returns will be passed on to HM Revenue and Customs, meaning that further action may be taken. All such charities have been marked as being in default in highly visible red letters on the online register of charities, where accounts are published. Corporate and government funders, as well as individual donors, volunteers and supporters may choose not to back charities that have not fulfilled their legal obligations.

The Commission will now take further steps, including the use of its statutory powers where necessary, to ensure that the legal obligation to submit accounts is complied with.

ACIE Training and Development in Northern Ireland

ACIE have delivered two sets of training on the preparation and Independent Examination of accounts Northern Ireland in partnership with NICVA. Both events were well received and, on the back of this success, ACIE will be talking to interested parties about establishing a Northern Ireland Advisory Group to see how we can best meet the needs of IE's in the Northern Ireland.

Reflections on IE

Good Independent Examiners Add Value

Dr Neil Dickson (MICB ACIE) Neil is an Associate member of ACIE

What is the difference between good independent examiners and not-so-good ones? One answer might be the level of their technical knowledge of charity accounting. However, discussions that I have had with some small charities cause me to

suggest a different answer: good independent examiners add value.

Let me explain. Small charities are often run by committed volunteers who focus their time and energy on the charity. Office-bearers (especially treasurers) are often not in post because of special skills or ambition, but because "someone has to do the job". For such charities, the independent examiner will prepare the accounts as well as examine them, but good examiners do far more than tick their way through their examination checklist. Good examiners work for a range of charities, they have taken time to get to know their charities and they keep themselves up to date by attending conferences and extensive networking with other examiners. As a result, they have seen how other charities have dealt with issues, what worked and what did not work.

Therefore good examiners, who may be the only professionals that trustees of small charities meet regularly, are a valuable source of advice – and not just in relation to accounts and record-keeping systems. Good examiners are familiar with constitutional and governance issues, and how best to handle relations with regulators (and not only the charity regulators – for example nurseries and preschool groups have to interact with care regulators and local authorities). They have seen the range of bank accounts, online banking facilities, and prepayment and credit cards available to charities. They have knowledge of other charities' experience in dealing with HMRC and grant-awarding bodies, and setting up auto-enrolment pension schemes. They are aware of exemptions and reductions that small charities should be claiming: no VAT on advertising, reduced VAT rate on electricity, reductions on business rates, water rates and employer's National Insurance contributions, for example. They also have good contacts. For example, even the smallest

charity can get into difficulties with employment issues or VAT. Good examiners will know of an expert that another charity found useful on such matters, or can use their contacts to help find one. So good examiners don't just do accounts: they add value by allowing charities to tap into their store of knowledge.

I think that the ACIE needs to get the message out loud and clear into the charity sector that good independent examiners add value. I think it also needs to get the message out to independent examiners that the ACIE, as the only professional body focused exclusively on independent examining, is the body to which all good independent examiners ought to belong.

When is 'qualified', not qualified?

**Juliet Kemp - Sheffield Hallam University
(Postgraduate Charity Resources Management Student)**

Research finds small charities reporting 'qualified' accounts misunderstand question

Almost 96 per cent of charities who say their accounts are 'qualified' when filing them with the Charity Commission have wrongly answered the question, according to new research by Sheffield Hallam University.

A study conducted under the University's Business School found that 96 per cent of charities telling the Charity Commission that their accounts were 'qualified' by their independent examiner have misunderstood the question being asked.

Most of these small charities wrongly believed 'qualified' to mean there were no issues with their accounts. However, for the accounts to be qualified means the auditor or examiner had some

qualifications or reservations. This could be because of minor issues, but in other cases it can be a serious indication of concerns with a charity's financial affairs.

From 2014, the Charity Commission began asking charities, when they file their accounts whether the accounts were 'qualified' by the charity's auditor or independent examiner.

Independent examination is an alternative to audit, now permitted for most charities with income of up to £1million in England and Wales and £500,000 in Scotland and Northern Ireland.. Postgraduate Charity Resource Management student Juliet Kemp carried out the study, focusing on charities with annual incomes of between £100,000 and £250,000.

She found that 1095 charities told the Commission as part of their 2014 Annual Return, that their accounts had been qualified.

Her study reviewed a random sample of almost 20% of these accounts and only 6 out of 145 charities actually had a qualified report from their auditor or independent examiner. Ninety-six per cent of those that said their accounts were qualified and had appropriate independently examined accounts appear to have misunderstood the question, saying that their accounts were qualified when in fact the audit or report did not include any concerns.

Charity Sector News

Measures to cut red tape for charities delayed - Civil Society 27th February 2017

Three initiatives to make it easier for charities to register, file accounts and change their legal status have been delayed. During the last Parliament it

was announced that the Charity Commission and Companies House were working on a way make it possible for charities to only have to file their annual accounts in one place. It was also announced that the commission and HM Revenue and Customs were working on a joint registration portal – so that charities did not have to register separately with commission as a charity and with HMRC to be able to claim

Gift Aid. There also been another delay to introducing legislation needed to allow charities to become charitable incorporated organisations – a legal form, which was introduced in 2013 and is currently only available to charities. It had initially been expected that existing charitable companies would be able to convert to CIO status in 2014 but it has been delayed a number of times and is now not expected until later this year.

Kate Sayer: What's the truth behind the numbers?

We need to be clear that estimation and judgement are widely used in producing accounts. In this "post-truth" era it can appear to be difficult to distinguish facts from fiction, but that makes it even more important to be able to interpret data and statistics. Quite often the problem is the lack of context for the numbers being presented, and they only actually make sense if you know a little about how the author was thinking. Click [here](#) to read the full story.

One in three would be more likely to donate to charity if they could use contactless payment, says You Gov

The [‘Charitable Giving 2017’](#) report indicates that one in three (30%) of Britons would be more likely to donate to charity in some way if they could do so by using contactless technology.

Charity Commission does not know how many charities pay trustees -

The Charity Commission does not know how many charities currently pay their trustees, or how many it has allowed to do so, but it is considering asking about it on a future iteration on the annual return form. - [Read more at Civil Society](#)

One in five UK charities 'struggling to survive'

Almost one in five UK larger charities and more than a quarter of smaller UK charities are “struggling to survive” in the face of growing demand and a tough financial climate.

A [survey of UK charity chief executives](#) published on 28 February by the Charities Aid Foundation (CAF), has revealed that 18% of all UK charities fear for the future of their organisation, rising to 28% of charities with an annual income of less than £1m. Read the full story [here](#).

Charities set for £2bn funding from dormant accounts

Charities and communities could be in line for a windfall after up to £2bn was found in dormant stocks and shares.

An investigation has identified unclaimed assets including insurance policies, investment portfolios and pensions that could be distributed to good causes across the UK.

Minister Rob Wilson said the money could change millions of lives. But the National Council for Voluntary Organisations said charities should help decide where the cash should go.

The dormant accounts scheme has already identified £1bn of dormant cash, with £360m distributed to good causes. Read the full story [here](#).

Poll finds majority oppose levy to fund the Charity Commission

More than three-quarters of respondents to a Third Sector poll about whether charities should pay towards the cost of running the [Charity Commission](#) were against the idea.

An online poll run last month asked if charities should contribute to the regulator's funding. Seventy-eight per cent of the 225 respondents said no, with 22 per cent saying yes. Read the full article [here](#).

Annual Reports: Telling your story and telling it well

Charity regulators, North and South of the border have commented on the importance of the Annual Report. According to Nigel Davies, an Annual Report combined with your accounts can

“... say a lot about your charity. Written in the right spirit they are an opportunity to tell funders, donors, beneficiaries and others about what your charity is set up to do, what it achieved in the year, who you helped and how you helped them. We publish the reports and accounts of those registered charities with an income of over £25,000 online...”

With the public having access to reports and accounts via the internet, a lot more people will see your report than you might have anticipated. The CCEW, for example, reports about 350,000 downloads of individual accounts. Anyone has the right to ask a charity for a copy of its annual report. With the public increasingly concerned about how charity funds are spent, reports offered an opportunity to showcase now your organisation meets its charitable objectives. Charity accounts may be rigid in their content but the Annual Report does not have to be. Telling the public how you

spend your money helps bolster confidence in the charity sector as a whole.

Nigel's message is echoed by OSCR's, Laura Anderson who recently commented:

The “Trustees' Annual Report” (TAR) is a great tool that every charity can use to show how good they are at what they do. This narrative part of your annual report and accounts should help readers make sense of the numbers, letting them understand why you have spent the money in the way you have done.

According to Laura, it is very easy to see what makes a good TAR. “It will show how your charity is run and what it does. It will have clear evidence of its work and the impact that work is having. It will be written in such a way that allows the audience to understand the work and engage with it. And it will clearly explain why money has been used in certain ways. Get it right, and you will be getting your fantastic stories out to more people more of the time. Get it wrong, and you may undermine the trust and confidence that supporters and the wider public have in your charity and the sector as a whole”

ACIE: News and Events

Revamping our brand and logo

Our first newsletter of 2017 gives you a taste of our new branding and logo. We wanted to update our 'look' with a sharper, more modern logo and colours. Over the next few months, we will make changes to the look and feel of the website as well as rebranding all our materials. The logo will shortly be available in a downloadable format for Full Members to use.

ACIE needs you! How to become a Trustee

Once again, the opportunity arises for members to take a role in leading ACIE. It's an exciting time for the organisation as we look to increase our visibility and activity, deliver more training, and consolidate our initial work in Northern Ireland.

ACIE trustees comprise up to nine ACIE members (Full or Affiliate) and up to three co-opted trustees (who need not be members) selected by the nine member trustees. Full Members must be in the majority.

This year, there are six vacancies for elected board members. Could you be one of them? It is crucial for ACIE that members come forward to serve on the board, in order that the organisation is able to continue and grow its important work, driving up standards in IE.

We particularly encourage nominations from groups that are currently under-represented on our board, including:

- full members (Associate or Fellow)
- members from a minority ethnic background
- members from the South East of England
- members from Northern Ireland

In the first instance, (self) nomination forms will be issued 31st March 2017 for return to our office by 31st April 2017. If the number of self nominations exceed the places available, a ballot will be held, with papers going out at the end of May for return by the end of June.

Look out for an email landing in your inbox at the end of this Month. You can also log in to the

Members section of the website to find out more details.

Forthcoming events

We have two national conferences planned for this year; one England and Wales and one in Scotland. You can book online via our website.

Conference provides a great opportunity to update your learning, network with fellow ACIE members and learn more about the organisation.

London 23rd June 2017

Key note speakers include Alan Rawlings from the CCEW who will explain the new Directions from the Commission. Workshops for this year include Professor Gareth Morgan on CIOs and CICs and Mrs Sarah Smith covering FRS102.

You can book a place at the England/Wales conference from 1st April 2017. If you book before 5th May 2017 you can take advantage of our 'Early bird' rate of £90 (Standard £120). VIE's are offered a special rate of £60.

Perth 24th August 2017

Key note speakers include Laura Anderson from OSCAR talking about the importance of Trustees Annual Report and Heather Lamont from CCLA on Cash and investments - managing conflicting risks.

Could you be a trainer for ACIE?

Could you be a trainer for ACIE? You'll be experienced and highly competent in carrying out I.E., be that of accruals or R&P accounts, or both, and you'll hold ACIE membership appropriate to your practice. You'll have excellent communication skills and the ability to engage trainees in complex issues. You'll have a background of delivering training. You'll have a strong commitment to

keeping on top of your own CPD, and will have a current CPD record. You'll be passionate about driving up the quality of Independent Examination across the charity sector. Sounds like you? We can't wait to hear from you. Visit our website to download the trainers form.

All new applicants to join the ACIE register of accredited trainers will be assessed by the ACIE training committee, according to the criteria outlined in the application form. Once accepted to the register, trainers may then be approached in future to deliver training for ACIE on the basis of a trainer day rate (or half day rate). The course materials have been prepared for the forthcoming programme of training, according to the ACIE curriculum, so trainers are not required to produce sessions and content. Registration will be subject to annual review and members will be required to submit evidence of ongoing CPD.

To help you decide whether training is for you here is one of our current trainers, Margaret Birse (MSc Cert.Acc(Open) CCFA CIPFA (FCIE Fellow) , talking about what it takes to be a trainer.

“Training is not simply the ability to talk knowledgeably about a particular subject, but to enable others to learn from our experiences. It requires an understanding that knowledge is not ours to keep hold of but to share and pass on.

The skills required of a trainer are a combination of knowledge, communication skills, curiosity, patience, passion and a real desire for others to learn.

Of course, we have to understand our subject in depth, and be able to explain the detail to others perhaps in a multitude of different ways. However, knowledge and understanding alone do not create

good trainers. We need some of the other softer skills that are often overlooked.

If we are poor communicators the flow of learning can be disrupted and for the learner it can feel like trying to separate a radio signal from a background of white noise. Understanding that not everyone learns in the same way, and that for most of us, repetition and practice are key to developing a deep understanding, can be key to unlocking a subject that at first appears to be completely alien to a learner. Having the patience to allow the slowest learner in the group to take their time to reach a certain level of understanding before moving on increases learning opportunities for everyone.

The best trainers, or educators, are those who are always seeking to learn more themselves. Understanding that you can learn as much from those you train as you pass on to them makes training an immensely rewarding role, that encourages personal development for everyone. In addition to having a depth of knowledge of the topic, the best educators also have a breadth of knowledge about the wider aspects and related fields that impact their own speciality.

For someone acting as a trainer in charity accounts preparation and independent examination for ACIE, a wider understanding of the charity sector and other aspects of charity finance or law, such as governance, VAT and other taxation issues, legal structures or the role of volunteers within the sector is key in helping to put the subject into context within the charity environment – rather than teaching the subject independently of other factors which influence the financial landscape for charities.

To have an infectious passion about your subject with a real desire to inspire others and encourage

them to learn is a gift that is worth so much more when it is shared with others.

Do you think you have the skills needed to help ACIE train others in the preparation of accounts or the process of undertaking an Independent Examination? “

ACIE launches CPD pilot

In April 2017, the ACIE will be launching a CPD programme for Full Members (Associates, VIE Associates, Fellows and VIE Fellows)¹. For the first two years participation will be voluntary, but after that date all members must comply with the requirements.

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.

Each year, beginning in 2018, we will randomly select a small number of Full Members to assess. For this reason we recommend that you keep a written record of your CPD during the year so that you can easily submit, if required to do so.

¹ There is no requirement for Affiliates or Affiliates VIE to undertake CPD. However, ACIE is happy to support those who wish to do so.

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

ACIE have prepared a template to take you through the process. We will support you throughout the year. You can download the CPD template from the members section of the the website from 1st April 2017.

Forthcoming Training Events

Look out for events in South and North of England later this year:

- Introduction to IE - Accruals
- Introduction to IE - Receipts and Payments
- ACIE Professional Series: Best Practice in Charity Accounting & Independent Examination
- Understanding the New Directions from CCEW - half day course

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 2017. Email anne-marie@acie.org.uk

Next Issue: June 2017