The Association of ACIE
Charity Independent Examiners

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ACIE News & Events

Scottish Conference Perth 23rd August 2018

We held our annual Scottish conference in late August. It was a well attended event and once again we were lucky enough to have the input of OSCAR's Laura Anderson as well as that of Prof. Gareth Morgan.

Thank you to everyone who attended and to all of those who took the time to provide feedback. For 2019 we are considering the possibility of running four workshops per session as we do at the England/Wales event.

Dates for your diary! Hold the date!

The confirmed dates for both 2019 conferences are:

Annual England/Wales conference 20th June 2019

Venue:

National Council for Voluntary Organisations
Society Building
8 All Saints Street
London N1 9RL

Annual Scottish conference 22nd August 2019

Venue:

Perth Concert Hall
Mill Street Perth PH1 5HZ

More details to follow in the coming months

Members Networking Group - South of England

We held our first two members networking groups in October. The theme for both events was "what keeps you awake at night about IE?".

Both groups talked more broadly about what they want to see from AICE, including using webinars as well as more traditional methods of training and providing 'virtual' opportunities to link with other members. From the end of November we will be launching a online members forum which should give members an opportunity to share their experiences. The forum will be part monitored and we will be publishing an ACIE guide to etiquette!

Plans are underway to hold other networking events in the North/West of England, Scotland and Northern Ireland. If you are interested in attending or hosting these events please get in touch via info@acie.org.uk

ACIE 20th Anniversary

Next year is ACIE's 20th Anniversary. We are currently planning how best to mark the anniversary. More details to follow.

If you have any ideas or suggestions about how best to mark our anniversary, please let us know by email on info@acie.org.uk

Partnership working: Updates

The Trustees and staff are working hard to promote good practice in independent examination across the UK.

Working with ACAT

Susan Robinson and Eileen Houghton from the ACIE Board attended ACATs London conference on 13th October. Susan presented a session on 'Governance Failures' in financial reporting.

Ian Barrett presented on the same topic when he attended the ACAT Manchester conference in November. Ian and Anne-Marie (Development Manager) also staffed an ACIE stand, answering questions and enquiries form ACAT members.

Working with Charity Finance Group and the Community Accountants Network

We will be supporting the Charity Finance Group and the Community Accountants network at their annual conference on 27th February 2019 in Nottingham. See the link for more information.

ACIE members will receive a discount when booking.

ACIE will present a session on on recognising income including SORP and other reporting requirements that charities have.

Working with the Northern Ireland Charity Commission

Our Northern Ireland Advisory Committee have been awarded 'critical friend' status by the Commission. As a critical friend of The Charity Commission of Northern Ireland is defined as someone / or an organisation that can be called upon when any changes are being made to public information by the Commission. As a 'critical friend' ACIE do not form the legislation or have any say in any final outcome of any literature that is issued by the commission.

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.

Question: I have been asked to do an IE for a small charity based in England. The previous report and accounts (2016-17) were signed off by a local solicitor, acting as an IE.

Since my appointment, I have found that the accounts were not really accounts but just a list of income and expenditure and, secondly, that the income was actually £35k and not the £30K declared.

Whilst I am confident that nothing fraudulent has taken place, should I take any further action?

Answer: If for any reason one finds that the figures in the previous year's accounts were wrong, the normal way forward is to make a "prior year adjustment" in the current set of accounts - so that the last year column in the current year's accounts shows the correct figures.

This should be explained by a note, as the last year column in the current accounts obviously will not tie up with the accounts filed for the previous year and presumably the balance brought forward will also differ from the final amount in the previous accounts. Such a note is mandatory with accruals (SORP) accounts (see para 3.47 of SORP FRS102) but I would also consider it strongly desirable with R&P accounts.

Provided the prior year adjustment is properly disclosed, I wouldn't see any need for a qualified IE report in the current year if there are no other problems.

Moreover, I wouldn't see an adjustment of total income from £30K to £35K in the prior year as being a big enough issue to require reporting to the Charity Commission if the member is confident that there was nothing fraudulent.

Practice Points

News from the UK charity regulators

The Charities SORP-Making Body has published a second Update Bulletin which makes amendments to the Charities SORP (FRS 102)

The Charities SORP-Making Body has published a second Update Bulletin which makes amendments to the Charities SORP (FRS 102). This means that there are now two Update Bulletins with which charities preparing SORP accounts must comply. Update Bulletin 2 sets out amendments to the text of the Charities SORP (FRS 102) which apply to periods commencing on, or after, 1 January 2019. However, it is important to note that the clarifying amendments in Update Bulletin 2 apply to reporting periods commencing on, or after, 5 October 2018: the date the Bulletin was published. The early adoption of amendments relating to amendments to FRS 102 (made by the Financial Reporting Council) is permitted except where prohibited by regulations or charity or company law. In relation to Scottish charities, early adoption is not permitted and amendment regulations are expected in time for 1 January 2019 implementation. Both update Bulletins are available on the Charities SORP microsite www.charitysorp.org.

News from the Charity Commission for England & Wales

Charity Commission report shows almost 40% of small charities are providing inaccurate financial information

In a review of a sample of charities, 38% of charities with incomes below £25,000 per annum were found to be submitting inaccurate data.

Small charities make up two thirds of all charities on the register and basic information on income and expenditure is the only financial information most are routinely required to provide to the Commission.

In the sample of charities with incomes over £25,000, income and expenditure figures were 90% accurate.

Larger charities, with incomes over £500,000, must provide more information and in this sample, the Commission found a 95% accuracy rate for their balance sheet figures, but income and expenditure analyses were just over 80% accurate.

The Charity Commission, which regulates charities in England and Wales, has concluded that many charities task someone with insufficient knowledge of their organisation's accounts with completing their annual return figures, resulting in errors.

Nigel Davies, Head of Accountancy Services at the Charity Commission, said:

"Not providing accurate financial information is misleading and can have an impact on public trust.

People want to know how charities spend their money; so this result is clearly not good enough."

The Charity Commission checked the accuracy of financial information provided by its samples of charities in their annual returns by comparing it with their accounts.

The charity register holds information on all registered charities' income and expenditure.

There are almost 12 million views of the register each year and this information is used to create data for the charity sector as a whole.

The full report is available on **GOV.UK**

Whistleblowing disclosures made to the Charity Commission for England and Wales 2017-2018

"We received 101 whistleblowing reports from charity workers in 2017-2018, and 88 reports in 2016-2017" says the CCEW

All received an initial assessment and of these:

- 82 reports were identified as potentially needing some regulatory action
- 19 were considered as low risk
- 51 cases have been closed

When opening a case the Commission records the nature of the issue that is raised with them. The most reported issue categories over the last four financial years were governance issues, safeguarding, fraud and money laundering.

"When we complete a case we record what we have done by allocating outcome or impact codes that indicate the action we have taken. But more than one outcome or impact code can be used for each case.

From the 51 cases he CCEW closed:

- 39 indicate some form of regulatory activity or advice, for example providing general guidance or verifying that trustees are acting correctly

- 15 indicate a higher level of regulatory activity, for example providing corrective advice for trustees to act upon.

Change your charity structure

Changing to a different charitable structure usually involves setting up a new charity, transferring your original charity's assets and liabilities to it then closing your original charity.

This can be complex, particularly if your charity has assets which are **permanent endowment**. You and the other trustees must decide that it's in your charity's interests to change to a different type of charity.

Read **Charity types: how to choose a structure (CC22a)** for more information on the advantages and disadvantages of the different types of charity structure. Use the following checklist and video to help you plan a change to a different charity structure: click here to see the checklist.

Counter fraud best practice: templates for charity trustees

The CCEW have a developed a range of best-practice templates for you to use when protecting your charity against fraud. All of the following can be adapted to suit the needs of your charity:

Anti Fraud and Corruption Policy (MS Word Document, 48.3KB)

Anti fraud policy 1 (MS Word Document, 45KB)

Anti fraud policy 2 (MS Word Document, 18.7KB)

Fraud investigation plan (MS Word Document, 24.9KB)

Quick guide to investigative interviews (MS Word Document, 28.2KB)

Terms of Reference for investigations (MS Word Document, 25.8KB)

Whistleblowing policy template (MS Word Document, 17.4KB)

Ensuring charity can thrive and inspire trust so that people can improve lives and strengthen society

The CCEW have published our new **Statement of Strategic Intent**, which sets out our core purpose and our priorities for the five years to 2023.

"That new purpose, to ensure charity can thrive and inspire trust so that people can improve lives and strengthen society, will inform everything we do", says the CCEW

The Statement of Strategic Intent sets out and explains 5 new strategic objectives. They are:

- holding charities to account
- dealing with wrongdoing and harm
- informing public choice
- giving charities the understanding and tools they need to succeed
- keeping charity relevant for today's world

Charity Commission responds to draft Charity Code of Ethics

The Charity Commission has submitted feedback to the National Council for Voluntary Organisations' consultation on its draft Charity Code of Ethics. The code aims to support charities in recognising and resolving ethical issues and conflicts.

News and Updates from the Scottish Charity Regulator

Changes to charity accounting requirements

The Scottish Government have today (12 November 2018) set in progress a change to charity accounting requirements for some Scottish charities.

The changes will affect:

- larger charities (those with income of £250,000 and more)
- all charitable companies
- charities that use the Housing and Higher & Further Education SORPs.

The changes are happening because the Charities Statement of Recommended Practice (SORP) that sets out the accounting and reporting rules for these organisations has recently been amended by way of Update Bulletin 2.

As a result, the Charities Accounts (Scotland) Regulations 2006 are being amended in order to bring the updates made to the SORP into law. The Regulations will become law on 1 January 2019, providing they pass through the Parliamentary process.

However, the clarifying amendments contained in section 3 of Update Bulletin 2 came into force for accounting periods starting on or after 5 October 2018. It is possible for a Scottish charity to have a very short accounting period that has started on or after 5 October and will end before the Regulations are finalised. Although these instances would be quite unusual, OSCR would still expect the charity to apply the clarifying amendments set out in Update Bulletin 2.

Regulator publishes new guidance on Charity Investments

'Charity Investments: Guidance and Good Practice' aims to help and support trustees of charities that have investments or are considering investing some of the charity's funds.

Read the new guidance here.

The guidance has been developed with the assistance of Julie Hutchison of Aberdeen Standard Investments and finalised following a public consultation over the summer.

Safeguarding and beyond: Working together to build good practice - Jude Turbyne (OSCR)

Earlier this year we published our interim safeguarding guidance. It outlines the responsibility that charity trustees have to make sure their charity has the appropriate safeguarding measure in place to prevent and protect vulnerable beneficiaries from harm and to make sure that they can enjoy their right to feel safe and secure.

But beyond safeguarding, it is also essential that charities are protecting all those who they are working with, whether they be staff, volunteers, beneficiaries, visitors, contractors and so on. Is the culture of the organisation one in which staff, volunteers and beneficiaries can raise issues and feel confident that they will be dealt with? Is it a culture where there is zero tolerance for bullying and harassment? Are HR policies conducive to the creation and maintenance of a positive culture? Is the employment cycle robust enough to make it difficult for anyone with a hidden, abusive agenda to infiltrate the organisation? How good is the organisation about being honest about and learning from its mistakes?

During the year, we have been working closely with partners in Scotland and beyond to look at the best ways of building good practice in terms of safeguarding and on some of the wider issues touched on above. We have been delighted at the willingness of the sector to engage in constructive debate and action in this area. What we have seen over the year is that while there is a great deal of good practice, there are gaps that need to be filled, and practices that need to be improved. We are working closely with Scottish Government, SCVO, the Scottish International Development Alliance and other sector partners to work out the best ways to give overall support to the sector in Scotland.

We are also engaging with partners in other parts of the UK. Charities often stretch beyond geographical borders and so it is essential that we are working closely with the Charity Commission for England and Wales and the Charity Commission for Northern Ireland. There is also a lot of good work being spearheaded by the Department for International Development (DfID), as it looks at how to build best practice on an international scale.

As part of that work, DfID organised a summit aimed at tackling exploitation, abuse and harassment in the 'aid' sector. This was a great opportunity for key organisations to come together to commit to building good practice in different areas. Aside from a great number of representatives from international development charities, there were also representatives from donors, the United Nations, the private sector, research organisations, UK and international financial institutions. Each grouping made **key commitments** as to how they were going to tackle sexual exploitation, sexual abuse and sexual harassment in their work within the aid sector.

Key to all the commitments is putting those affected by sexual exploitation, sexual abuse and sexual harassment at the centre of the solutions, and some powerful voices of those who had been affected were heard during the day. Making everyone safe involves developing cultures, systems and procedures that make it as difficult as possible for anyone who might want to exploit difficult, complex and sometimes chaotic humanitarian and development situations to engage in bad or criminal behaviour.

Some of the biggest challenges for the sector are around the employment cycle; how to make sure that recruitment and vetting procedures are robust enough. This is complicated where people are moving around the globe, and where different jurisdictions will have distinct legal and procedural approaches. There are concrete commitments to try and work on that, through developing a positive 'passport' for those working in development and by trying to develop better information sharing between charities at the point of referencing, allowing appropriate disclosures to be make. It will be interesting to watch the progress of these initiatives over the next period.

I left the summit feeling very hopeful. The commitment I had seen here in Scotland was strongly echoed throughout the day and across all sectors. Many of the issues we need to deal with are societal and cultural in nature, and therefore very complex. Only through building strong partnerships and learning from each other will we be able to build on the best practice that is already out there, and to deal with the gaps and difficulties that have led to problems for several charities.

OSCR has guidance for charity trustees about safeguarding available on their website.

Special focus on: AML Supervision

Anti-money laundering supervision: does it apply to me and who is my supervisor? Anne Davis, Director of Professional Standards, IFA

The **Money Laundering Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017**(MLR 2017) which came into force on 26 June 2017 determine which organisations are required to register with a supervisor body or HMRC. You are committing an offence if you carry on a business activity that's covered by the MLR 2017 and you're not registered with a supervisory body or HMRC.

For most independent examiners the two questions you need to be asking are:

- Does the MLR 2017 apply to me?
- Who is my supervisor?

Does the MLR 2017 apply to me?

The MLR 2017 apply to a number of business and financial sectors and includes anyone who in the course of business act as:

- An external accountant
- An auditor
- A trust or company service provider
- An insolvency practitioner
- A tax adviser.

The MLR 2017 defines an external accountant as someone who provides accountancy services to other persons by way of business.

There is no definition given for the term accountancy services. However, the Anti-Money Laundering Guidance of the Accountancy Sector defines accountancy services as any service which involves the recording, review, analysis, calculation or reporting of financial information, and which is provided under arrangements other than a contract of employment.

Therefore, functions included in accountancy services usually include:

- Bookkeepers, accountants, independent examiners and auditors.
- Tax advisers and tax consultants (including filling in or submitting tax returns or duty claims, advising on whether something is liable to a tax or duty, advising on the amount of tax or duty that is due).
- Payroll agents if they provide accountancy services and/or tax advice - for example, if they calculate the tax liability, earnings or payments that are made to a business' employees or subcontractors.
- Interim (or temporary) managers who carry out any of the activities of the businesses listed above.

In certain circumstances accountancy services may not be provided by way of business and therefore the independent examiner will not be obliged to adhere to MLR 2017 requirements, including registration for supervision. Examples of these circumstances include providing accountancy services for free or at a nominal rate (not defined) or providing payroll services that do not include accountancy services or tax advice.

Who is my supervisor?

Ordinarily, as an independent examiner, you must register with the supervisor that regulates the accountancy sector. You're breaking the law if you carry on a business activity covered by the regulations, but don't register with a supervisory authority.

The list or AML professional body supervisors is available in Schedule 3 to the MLR 2017 and listed below**:**

- Association of Accounting Technicians
- Association of Chartered Certified Accountants
- Association of International Accountants
- Association of Taxation Technicians
- Chartered Institute of Management Accountants
- Chartered Institute of Taxation
- Institute of Certified Bookkeepers
- Institute of Chartered Accountants in Ireland
- Institute of Chartered Accountants in Scotland
- Institute of Chartered Accountants of England and Wales
- Institute of Financial Accountants
- International Association of Book-keepers.

You should check with your professional body about what to do if you believe you should be supervised for compliance with the regulations.

If you are not under the supervisory jurisdiction of one of the professional bodies identified above and provide accountancy services by way of business, you will need to register for AML supervision with HMRC.

Businesses supervised by HMRC are:

- **Money service businesses not supervised by the Financial Conduct Authority (FCA).**
- **High value dealers.**
- **Trust or company service providers not supervised by the FCA or a professional body.**
- **Accountancy service providers not supervised by a professional body.**
- **Estate agency businesses.**
- **Bill payment service providers not supervised by the FCA.**
- **Telecommunications, digital and IT payment service providers not supervised by the FCA.**

If you have any queries regarding AML supervision or are interested in finding out more about AML supervision by the IFA refer to our website https://www.ifa.org.uk/technical-resources/aml/anti-money-laundering-supervisionand/or contact us by email aml@ifa.org.uk

Many members have asked if ACIE would consider becoming a supervisory body for examiners. There are no plans to do so as the cost and time associated with doing so are prohibitive.

GDPR: Areas of concern

Annabel Kaye (first published in Accounting WEB 18th September 2018)

The profession has to share information with statutory bodies, but also keep information safe and confidential. How can GDPR problems be avoided?

GDPR came into force in the UK on 25 May 2018. All practices (and organisations) are 'data controllers' when choosing which information to collect about prospective or active clients. This imposes a duty on the data controller to limit the information collected about living individuals to what is necessary for a given purpose.

For example, if you are building a mailing list of potential clients then you will not need their tax reference number to add them to your mailing list. Conversely, if you are negotiating a complex tax case with HMRC you may need to collect a range of data about the client's personal and business affairs Team members may need to access some of that data to carry out their work, but the billing department is not going to need access to all the information on file about a client.

You will need to limit not only the range of data collected but also who has access to it. Giving team members full access to client data is going to be a thing of the past. GDPR is all about giving access only to what is needed only to those who need it.

We are all familiar with team roles in software such as Xero, but we need to take care to use a role-based approach to everywhere we share data with our internal teams.

It is easy to get lost in the jargon of GDPR with its various lawful purposes for collecting data, but get back to basics and ask yourself:

- Do we need this information at all?
- If we do need this, do we need it at this stage or later?
- Who needs to access it and why?
- Can they manage with access to some of the data?

With these questions you will find it a lot easier to make sense of what needs to be done. The person who does your marketing does not need access to your data which supports anti-money laundering checks – and neither does your day-to-day service team or billing team.

Think of client information like money in the business: it flows through from marketing, to identity checks, to getting and doing the work, to billing and credit control, to accounting and historic record. Not everyone you have contact with makes it through this entire cycle. And not everyone who works at various stages of the cycle needs all the information.

Information is a dynamic thing in your business and as a result GDPR compliance is a continuous process. Your data needs may be quite different to another practitioner's needs if you are offering a different range of services or working in a different way.

If you change what you offer, or how your structure your team, you will need to revisit your processes to make sure you are still complying with those fundamental principles. If you go from a mostly employed team to an outsourcing model, this will trigger a big change. If you change the platforms you use to market or to provide your services, you will need to review your GDPR compliance in this context too.

It is important to have policies and to train anyone who touches the data you handle. This is not something you do once and forget about. New team members need to be brought up to speed with how you do things and why, and changes to processes will mean updating established team members.

Securing or sharing

Sharing data with external bodies may be a legal requirement. It is not always up to you which information you share with whom. Anti-money laundering procedures require disclosure without notifying the client and HMRC can require a wide range of personal information about clients, particularly when conducting investigations.

With the exception of anti-money laundering reporting, the client should always be notified what information you are sharing with HMRC and why. The client should know what is happening with their information, and who it is being disclosed to. If it would not be obvious to the client from your data privacy policy that you would be sharing this information then you should make an explicit disclosure to the client first.

However, a legal obligation to share information about living individuals does not bypass the requirement to process data securely. The information clients share with you should be:

- Sent to you securely
- Held securely
- Shared securely

Clients can often be the biggest hazard to data security by emailing sensitive personal data in open emails. They can be resistant to using more secure ways of data sharing, and some may lack the skills or equipment to do so.

The reality is that firms have to support clients into secure data sharing, since few are already on top of this and ready to go.

HMRC also seem to struggle with some aspects of GDPR, and their old technology may take a while to get fully up to speed.

Data privacy policies should make this all clear

Clients do not always fully understand an accountant's role. This is particularly true now, when different practices have widely different service options. It is easy to assume, wrongly, that they know what you are doing and why.

Your firm needs an easy-to-understand Data Privacy Policy, so your clients know in advance what will happen to their data. It is easy to get lost in the jargon of compliance, but you should remember that if the client does not understand your policy, then your policy is not having the necessary effect.

You will quickly lose 'trusted adviser' status if you lose your clients in the small print of your policies and do something they were not expecting you to do with their personal data.

A clear Data Privacy Policy can help you and your clients develop a shared understanding.

Technology can help with security, but it won't get there on its own

Whilst online platforms have made great strides to secure data about living individuals, they are not all equal in their security standards. And however great your platform may be, if your people don't use it securely you cannot be sure the information is safely held.

Sharing passwords with colleagues, using one password across multiple platforms, and giving people higher levels of access than they need are all still common issues across many firms. While the software and the hardware can be, and is being improved, the human 'wetware' is struggling to keep up. Poor data handling by people is still the biggest risk to data security.

Regulatory change is not over

While many practices saw 25 May 2018 as GDPR-Day, the reality is that the Information Commission is still formulating and developing guidance and advice. We also have the forthcoming change to the E-Privacy Regulations to look forward to. Meanwhile the EU is in dispute with the USA about the EU-US Privacy Shield Framework that underpins our ability to use many US-based servers without having to contract specifically for non-EEA processing of personal data. And right now we cannot be sure of the effect that Brexit will have on all of this. Although the Data Protection Act 2018 confirms the direct effect of GDPR in UK law, if we are longer in the EEA after Brexit we will need an EU ruling of the adequacy of our data protection regime if we are to avoid painful paperwork and procedural checks for any cross-border transfers of data.

Data Privacy is not an EU-based fad. Countries throughout the world are implementing their own privacy regimes. While GDPR is currently the gold standard – it is not true that everywhere else everyone can do what they want. Secure and appropriate data collecting and sharing is going to be at the heart of any accounting practice as we move into an increasingly online world.

While it is hard to look into the future and predict what platforms and security measures accountants will be using in the future, it is clear that there is an obligation to incorporate privacy at the design stage of any new platform or process. Security can no longer be viewed as an afterthought or a bolt-on after everything else is done.

GDPR Webinar with Clearcomm (Small Charities Coalition), please follow the link: https://www.smallcharities.org.uk/789/

Charity Sector News

What did the Autumn Budget bring for charities? (First published in the charity times)

Chancellor Phillip Hammond has delivered his highly-anticipated Autumn Budget, but what did it have in store for charities?

Taxes

Among some of the main changes to affect the charity sector, the government has pledged to "reduce administrative burdens on charities" by introducing a "package of measures" from April 2019.

The Budget document revealed these measures will help to increase the upper limit for trading that charities can carry out without incurring a tax liability from £5,000 to £8,000 where turnover is under £20,000 and from £50,000 to £80,000 where turnover exceeds £200,000.

Furthermore, they claim to allow charity shops using the Retail Gift Aid Scheme to send letters to donors every three years when their goods raise less than £20 a year, rather than every tax year.

The package of measures is also set to allow charities to increase the individual donation limit under the Gift Aid Small Donations Scheme to £20, which applies to small collections where it is impractical to obtain a Gift Aid declaration.

In a statement published on its Twitter page, the Charity Tax Group said: "This at least shows that the Government recognises that irrecoverable VAT provides an obstacle for charities - we now a more strategic review of the wider impact on the sector and the political will to resolve this long-term problem."

IR35

The Chancellor has also announced the extension of IR35 off-payroll working to the private sector has been put back until 2020 and will only apply to large and medium sized businesses.

The Charity Tax Group said this delay will help charities "who need time adapting to these new requirements", but CFG chief executive Caron Bradshaw argued the amends will require thought as to how any changes will impact charities "such as theatre companies".

Funding

While announcements surrounding funding for charities were minimal, the Budget document revealed the government is set to provide £15 million to charities and others to distribute around 250 million meals' worth of accessible edible food that is currently "needlessly wasted every year".

Mental health also received a mention in the Chancellor's speech this year, with the government pledging to grow funding for mental health services as a share of the overall NHS budget over the next five years.

However, dormant assets failed to make an appearance in the statement, despite many charities campaigning for more funds to be released for charitable activity.

The sector has long been waiting for an announcement about how the government intends to further spend up to £2bn in dormant assets, but are yet to receive any further information.

Earlier this year, leaders from a number of charitable organisations, including the NCVO, ACEVO and the Small Charities Coalition, wrote to Hammond asking for him to take "substantive action" on dormant assets as per the government's intentions in its civil society strategy.

"We are calling for this funding to be designated for the purpose of strategic, long-term investment in civil society organisations," the leaders said in their letter to the Chancellor.

"There are a number of ways in which dormant assets funding could be directed to support this long-term vision, including through investment in community ownership of land and buildings, endowments to community foundations, and strategic investment in skills and capacity building around income generation and fundraising."

Autumn Budget 2018 - Briefing provided by Charity Finance Group

Download the full briefing here

Budget changes to Gift Aid and GASDS (first published by the Charity Tax Group)

Gift Aid and GASDS

From April 2019, the Government will introduce a package of measures to reduce administrative burdens on charities. These will:

- increase the upper limit for trading that charities can carry out without incurring a tax liability. This will allow charities to undertake more trading activity before a trading subsidiary is needed and is a welcome change having been at the same rate for almost 20 years. A Tax Impact and Information note can be read here.

This measure will increase the rates to:

Annual charity income	Maximum non-primary purpo trading
Under £32,000	£8,000
£32,000-£320,000	25% of income
Over £320,000	£80,000

- allow charity shops using the Retail Gift Aid Scheme to send letters to donors every three years when their goods raise less than £20 a year, rather than every tax year. This follows work with HMRC by CTG and the Charity Retail Association.
- increase the individual donation limit under the Gift Aid Small Donations Scheme to £30, which applies to small collections where it is impractical to obtain a Gift Aid declaration. A Tax Impact and Information note can be read here.
- update the Gift Aid donor benefit thresholds (as previously announced last year).

What does the perfect annual report look like?

Daniel Chan - first published in Charity Times 24th October 2018

There is no one size fits all ‘perfect’ annual report, and nor should there be given the diversity of the charity sector. However, there is a lot that charities can do to move beyond a minimum compliance lens in their reporting. Here are five areas that charities should consider as they take the journey towards authentic, engaging and impactful storytelling.

Openness around context

No charity operates in a vacuum and reporting should explain where the charity fits in the broader landscape and the societal need it is responding to. The charity's purpose and strategy should be clearly set out, with a view to the medium to longer term. It is important that reporting brings the values of the charity to the fore through being open about its response to key sector issues, including fundraising, data protection, safeguarding and senior management remuneration, where appropriate.

Openness in how you prioritise

In an environment where funding is scarce, reporting needs to be clear about how and why key decisions are made and how resources are prioritised. Reporting should consider how the needs of different stakeholders have been taken into account, such as funders, staff and volunteers, as well as beneficiaries and wider society. This should be aligned with clear explanations of the risks and uncertainties as well as opportunities for the charity, including how it is responding to a constantly changing external environment.

Openness around governance

The 'tone at the top' is important, often first communicated through a statement by the chair and chief executive. It is useful to explain the charity's governance structure, including any committees and the relationship between the trustees and senior management team. It can also be helpful to comment on how the board of trustees is made up, including how, together, the trustees bring a diversity of background, skills, experience and thought to effectively meet charitable objectives. However, people reporting should go beyond the trustees and a comprehensive report will demonstrate how equality, diversity and inclusion across the charity is achieved.

Openness in how you manage and measure performance

The charity should be clear about its definition of success and how impact is measured. This means explicitly setting out performance, often alongside a comparison with the previous year and current targets, as well as against any longer term ambitions. This should correlate with the charity's financial review, covering how, as well as how much, has been raised and spent and clarity on financial sustainability. Great case studies will engage hearts and minds, but the charity should also be open about the challenges which have prevented it from being even more impactful, and how it has responded to them.

Openness in how you communicate

At their core, an annual report should embody the purpose and values of the charity. All aspects of reporting should be aligned and communicated with 'one voice', for example, by using an overarching theme. The charity should abide by the principles of open, balanced and authentic reporting, which will engage readers and make reporting stand out from the rest.

So, while there may not be one 'perfect' annual report, by embracing openness and investing in telling a clear, concise, consistent and compelling story, charities can demonstrate their value and build public trust.

Cash or accruals: choices made by Scottish charities with income under £250,000

Elaine Alsop and Gareth Morgan report on a study assessing how the receipts and payments regime is currently operating for Scottish charities.

Key points from the study

- There is an appetite for the R&P regime among larger charities eligible for this concession, with Scottish charities and their advisers appreciating the usefulness of R&P accounts for engaging stakeholders.

- Professional accountants acting for charities should ensure that their knowledge of charity accounting is kept up to date to ensure that charity accounts are of sufficient quality.
- There is concern among qualified charity treasurers, that independent examination fees are not sufficient to reflect the work that is required.

Click here to read more.

Training and Resources

Gift Aid schedule spreadsheets to claim back tax on donations

Use these schedule spreadsheets to claim back tax through Gift Aid, Gift Aid Small Donations Scheme (GASDS) or other income using Charities Online.

Community Accounting Plus are hosting a series of free webinars on the following topics:

More complex accounts (for companies and larger charities) - Click here to register Wednesday 21st November 2018, 10am – 11am

Trustee responsibilities - click here to register Wednesday 16th January 2018, 10am – 11am

Financial reports for your committee - click here to register Wednesday 6th February, 10am – 11am

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