A Practical Guide 2015

England & Wales Charities

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CHARTERED ACCOUNTANTS & REGISTERED AUDITORS

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Charities & Education

UK200group

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About the guide

It is becoming increasingly challenging for charities to keep up to date with the rules and regulations governing the sector. Changes to the Charities Act and Companies Act have resulted in a tighter compliance and governance framework, with the drive for greater transparency in operation and reporting an underlying theme.

Further, the Charity Commission is focussing more on its regulatory role and this is set against the near halving of its budget.

The taxes and VAT regimes are under constant review, with frequent changes made to the underlying rules, exemptions and thresholds. Whilst the introduction of the new Charities SORP 2015 (FRS 102), introduces the most significant change to accounting and financial reporting for the sector in a decade.

The aim of this guide is to summarise the key changes and impact of the new SORP ("Statement of Recommended Practice") and to provide an overview of some of the key principles impacting charity taxation and VAT. In addition, the guide reaffirms best practice in charity Risk Management and reviews latest guidance in respect of Conflicts of Interest, Public Benefit and Investment Management.

Introduction to UK200Group

The UK200Group is a nationwide association of independent Chartered Accountants and Lawyers, providing access to specialist expertise and cross fertilisation of ideas and experience across a wide range of specialist areas. The principle objective of the Group is to provide the benefits of strength in depth in specialist and technical areas normally available only to the national firms.
The UK200Group has a strong Charities and Education Group which provides training and guidance to its members in the form of seminars, newsletters and technical releases. Members are charity specialists who offer a broad range of support including:

Audit and Accounting

As well as statutory audit, internal audit and year end statutory accounts preparation, we provide guidance and advice to ensure compliance with regulatory requirements and best practice.

Business and Strategic Planning

Effective strategic planning is fundamental to all organisations. Heightened funding and "commercial" challenges along with the drive towards greater transparency, with the introduction of the requirements of the new SORP and the Charities Act 2011, have made this particularly pertinent for charities. Charities are also required to publicly report their strategic goals and objectives, and their achievements towards meeting these. We are able to assist organisations in preparing their plans through facilitated discussion and the provision of tailored documentation.

Management Accounting and Reporting

Timely and accurate management accounting information is essential to the ongoing management of any charity. We are able to support charities by either helping to embed the skills and processes needed internally or by providing more hands-on assistance with the setting of KPI's, budgets and cash flow forecasts and the preparation of monthly or quarterly management information.

Risk Management, Governance and General Compliance

Risk management is a key factor in governance and integral to the management of charities. Our support includes assisting clients with the identification, documentation and on-going review of risk, and compliance with best practice in governance.

Taxation and VAT

We provide a full range of VAT and taxation advice. Whilst the area of taxation is becoming increasingly complex, a great many charities are able to take advantage of exemptions from most forms of income and capital taxes, but need to ensure that the appropriate conditions are met.

This guide is not intended as a definitive guide to all aspects of charity accounting, taxation, law or best practice in compliance. Whilst, the guide highlights some of the key areas requiring consideration, appropriate professional advice should be taken by Trustees as the circumstances warrant.

Chairman – Andy Malpass
UK200Charities & Education Group
Partner at Whittingham Riddell LLP

Andy heads up the Charities and Education group at Whittingham Riddell LLP and is Chair of the UK200Group Charities and Education Committee. He works with a broad range of charities and educational organisation, including Academies and Independent Schools. Andy has extensive experience of audit and internal audit compliance and provides advice on governance and risk management, financial planning, budgeting and strategy. He is often called upon to speak at local and national charity conferences and seminars and regularly writes for the professional press.

Andy joined Whittingham Riddell LLP from Pricewaterhouse Coopers where he spent 13 years working in both the UK and Australia.

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UK200Group Charities & Education Group members

UK200Charities & Education Group member firms, refer to website www.uk200group.co.uk for full contact details

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Useful Contacts

The following organisations are useful points of contact for readers wishing to obtain information or clarification on issues covered in this report, either at the date of publication or in the future.

Charity Commission for England & Wales

PO Box 1227
Liverpool L69 3UG
www.charitycommission.gov.uk

HM Revenue & Customs

PO Box 205
Bootle L69 9AZ
General enquiries 0300 123 1073
www.gov.uk

Office of Scottish Charity Regulator (OSCR)

9 Riverside Drive
Dundee DD1 4NY
General enquiries 01382 220446
www.oscr.org.uk

Office of the Third Sector

2nd Floor
Admiralty Arch
South Side
The Mall
London SW1A 2WH
Tel: 020 7276 1234
www.thirdsector.co.uk

Seven Investment Management (7IM)

125 Old Broad Street
London EC2N 1AR
Tel: 0203 102 9861
www.7im.co.uk

Charity Governance & Conflicts of Interest

Governance

There is an abundance of guidance available to trustees issued by the Charity Commission and others providing details of the numerous responsibilities of trustees in relation to governance. Two key pieces of guidance and reporting are considered below.

Published in July 2008; **The Hallmarks of an effective charity** is still best practice with regards to governance. It sets out the standards which help trustees to improve the effectiveness of their charity, and the principles that the Charity Commission's regulatory framework exists to support. The six hallmarks are:

Clear about its purposes and direction

An effective charity is clear about its purposes, mission and values and uses them to direct all aspects of its work.

A strong board

An effective charity is run by a clearly identifiable board or trustee body that has the right balance of skills and experience, acts in the best interests of the charity and its beneficiaries, understands its responsibilities and has systems in place to exercise them properly.

Fit for purpose

The structure, policies and procedures of an effective charity enable it to achieve its purposes and mission and deliver its services efficiently.

Learning and improving

An effective charity is always seeking to improve its performance and efficiency, and to learn new and better ways of delivering its purposes. A charity's assessment of its performance, and of the impact and outcomes of its work, will feed into its planning processes and will influence its future direction.

Financially sound and prudent

An effective charity has the financial and other resources needed to deliver its purposes and mission, and controls and uses them so as to achieve its potential.

Accountable and transparent

An effective charity is accountable to the public and others with an interest in the charity (stakeholders) in a way that is transparent and understandable.
There are a number of other codes and standards of good practice which are reflected in guidance created for many different organisations; e.g. National Housing Federation's publication "Excellence in Governance" and, "Good Governance: a Code for the Voluntary and Community Sector" which is jointly owned by NCVO, ACEVO, SCC, ICSA & WCVA and supported by the Charity Commission.

The underlying principle which is integral to these codes and standards is the principle of equality and diversity;

Equality is about creating a fairer society where everyone can participate and have the opportunity to fulfil their potential.

Diversity is about respecting, valuing and celebrating aspects that make us unique as individuals – recognising that we contribute to society because of those aspects, not in spite of them. Diversity should be recognised in all its forms including age, gender, faith, race, sexual orientation, disability, experience and thinking.

Impact of poor governance

Each year the Charity Commission issues its report on investigations and compliance casework. The 2013-14 report **'Tackling abuse and mismanagement'** highlighted the most common types of abuse and mismanagement as:

> Financial mismanagement and financial crime
> Concerns about safeguarding
> The risk of abuse for terrorist related purposes
> Serious governance failures
> Concerns about charities' independence
> Concerns about charities abusing their charitable status
> Concerns about fundraising.

The Commission's Statement of Regulatory Approach, published in its annual report and accounts for 2013-14, emphasises robust regulation and prioritises their work to promote trustees' compliance with charity law. It makes clear that they are enhancing the rigour with which they hold charities accountable.

An important part of the Commission's new approach, is that the Commission is becoming more proactive in identifying and acting on concerns about charities.

The Commission has:

> Changed its approach to monitoring charities that have been told to improve their compliance and governance
> Improved its work to follow up on concerns raised during or shortly after registration
> Taken steps to recover lost funds, including, where appropriate, taking restitution action.

Many of the problems identified by the Commission have their roots in basic governance failures. Poor governance exposes charities to risk, hampers them in furthering their aims, and contributes to an environment in which abuse can be committed and go unnoticed. No system of control can guarantee a charity is fully protected against serious incidents or wilful criminal exploitation. But by fulfilling their duties and putting solid governance controls in place, trustees can dramatically reduce the risk of abuse, protect their charity from harm and ensure it furthers its purposes in line with its governing document.

At the heart of good governance is sound decision making. Good decision making means:

> Acting in good faith and exclusively in the charity's interests
> Acting within the trustees' powers
> Managing conflicts of interest
> Being properly informed
> Where relevant, seeking appropriate advice.

Sometimes, concerns arise in connection with transactions and dealings between the charity and a trustee or bodies closely connected to a trustee, for example loans between the charity and a trustee. Concerns can arise, when, for example, there is no record of the transaction being properly discussed by the non-conflicted trustees, no written agreements, no independent advice taken or where the transactions are not reviewed for long periods of time.

When a problem has arisen, trustees must respond appropriately, including reporting the incident to the Charity Commission. This demonstrates to donors, funders and beneficiaries that the trustees are not ignoring the issues, but protecting their charity's interests. It therefore mitigates the potential reputational damage associated with the adverse incident. If trustees fail to respond appropriately, this may be deemed to be mismanagement.

The Commission's regulatory approach is reflected in the guidance issued to trustees. They have recently consulted on and reissued guidance on conflicts of interest, and also consultated on and revised the Charity Commission's core guidance on trusteeship (The essential trustee).

The most significant change proposed to "The essential trustee" is a new explanation of what the Commission expects of trustees. Commission guidance currently distinguishes between legal requirements (what trustees 'must' do) and good practice (what trustees 'should' do). Some trustees and their advisors have been unclear whether they need to follow the specified good practice; some have treated this good practice as merely optional.

This was never the Commission's intention. Many of the examples of good practice are applications of wider legal requirements that trustees must meet. Trustees who don't follow the specified good practice are at risk of breaching their legal duties.

The Commission wants to make it clearer that it expects trustees to comply with specified good practice unless they can justify not doing so (for example by complying in a different way). If trustees can't justify why they haven't followed good practice, the Commission is likely to treat this as misconduct or mismanagement.

It is important that all trustees are familiar with the guidance available and we would consider the following to be essential reading.

- **Internal financial controls for charities:** http://bit.ly/1BQMqVl
- **It's your decision: charity trustees and decision making:** http://url6.org/bDGX
- **The essential trustee: what you need to know:** http://url6.org/bDGY
- **Conflicts of interest:** http://url6.org/bDGZ
- **Hallmarks of an effective charity:** http://url6.org/bDHa
- **Charity Finance Group Charity Fraud guide:** http://bit.ly/1AgUNHI
- **Fraud and financial crime:** http://url6.org/bDHc

Further reading designed to provide support to trustees in particular areas, includes:

- **Protecting vulnerable groups including children:** http://url6.org/bDHd
- **Safeguarding children:** http://url6.org/bDHe
- **Charities and terrorism:** http://url6.org/bDHf
- **Protecting charities from abuse for extremist purposes:** http://url6.org/bDHg
- **Due diligence monitoring and end use of funds:** http://bit.ly/1Ph7lmA
- **Holding moving and receiving funds safely:** http://url6.org/bDHi
- **Managing charity assets and resources:** http://url6.org/bDHj
- **Reporting serious incidents - guidance for trustees:** http://bit.ly/1wKG828
- **Speaking out: campaigning and political activity by charities:** http://bit.ly/1z2keJQ
- **Charities, elections and referendums:** http://url6.org/bDHl
- **Electoral Commission guidance on Charities and Campaigning:** http://bit.ly/1oWLIQQ

Report produced by:
Sue Foster and Mark Filsell, Knill James

Sue heads the Charities and Education team at Knill James, and is on the UK200Group Charities and Education Committee. Sue and Mark act for a number of charities and not-for-profit organisations together with independent schools and academies providing audit and assurance services and advising on governance issues, risk management and internal control procedures.

Sue and Mark speak at charity, educational and academy seminars providing trustees with updates on technical and governance issues.

Conflicts of Interest

As the independent regulator for charities in England and Wales, it is the job of the Charity Commission to ensure that trustees comply with the following responsibilities:

- Act in the interests of the charity
- Operate in a manner consistent with the charity's purpose
- Act with due care and diligence
- Ensure that the charity complies with relevant legislation.

As such, they have issued guidance to ensure that trustees do not put themselves in any position where their duties as a trustee may conflict with any personal interest they may have. The following is a summary of the Commission's guide for charity trustees in respect of 'Conflicts of Interest'.

What is a conflict of interest?

A conflict of interest is any situation in which a trustee's personal interests or loyalties could, or could be seen to, prevent the trustee from making a decision only in the best interests of the charity; for example, if a trustee (or a family member or business partner):

- Receive payment from the charity for goods or services supplied, or as an employee
- Make a loan to the charity
- Own a business that enters into a contract with the charity
- Use the charity's services
- Enter into some other financial transaction with the charity.

Conflicts of interest are common in charities and having a conflict of interest doesn't mean that the trustee has done something wrong. However, action needs to be taken to prevent them from interfering with the trustee's ability to make a decision only in the best interests of the charity.

Each charity should:

- **Identify** conflicts of interest
- **Prevent** any conflict of interest from affecting a decision
- **Record** any conflict of interest.

Identifying conflicts of interest

Each individual trustee must avoid putting themselves in a position where their duty to act only in the best interests of the charity could conflict with any personal interest they may have. Individual trustees must identify and declare any conflict of interest and the trustee body must ensure that any conflict of interest does not prevent them from making a decision only in the best interests of the charity.

A conflict of interest can relate not only to a trustee's personal interests but also to the interests of those connected to them. The list of connected persons is wide and includes child, parent, grandchild, grandparent, brother or sister and spouse or civil partner.

It is good practice to have a written **conflicts of interest policy** and **register of interests** as these can help individual trustees and the trustee body to identify conflicts of interest promptly. The Charity Commission has given guidance as to what should be included in such a policy and this is included in *Table A*.

A **register of interests** should include relevant business and pecuniary interests and the Board of Trustees should ensure that their register of interests is kept **up to date** through regular review.

The trustee body should consider conflicts of interest prior to appointment of a trustee. Where prospective trustees are likely to be subject to serious or frequent conflicts of interest then the trustees should consider seriously whether that trustee should be appointed.

Conflicts of interest usually arise where either:

- There is a potential financial benefit directly to a trustee or indirectly through a connected person; or
- A trustee's duty to the charity may compete with a duty or loyalty they owe to another organisation or person.

Although declaring conflicts of interest is primarily the responsibility of the affected trustee, the trustee body should have strong systems in place to ensure trustees are aware of their duty to declare them.

The Charity Commission expect trustees to have a standard agenda item at the beginning of each trustee meeting to declare any actual or potential conflict of interest.

Preventing conflicts of interest from affecting decision making

Having identified a conflict of interest, trustees must ensure that any potential effect on decision making is eliminated. They would normally do this by:

- Finding an alternative way forward which doesn't involve the conflict of interest
- Take appropriate steps to manage the conflict (see below).

Trustees must follow any legal or governing document requirements which say how the conflict of interest must be handled.

Trustee benefit – withdraw from decision making

Where there are no legal or governing document provisions about managing conflicts of interest, then it is expected that a trustee should be absent from any discussion that could lead to the trustee's benefit. The individual should not vote and should be **absent** for initial discussions, decisions and any subsequent discussion or decision on the issue.

Conflict of loyalty – withdraw from decision making

Where there are no legal or governing document provisions and where there is a conflict of loyalty but the trustee does not stand to gain any benefit, then it is up to the trustees as to the best course of action to take. The trustee concerned may be asked to:

- Withdraw (as above)
- Stay in the meeting but not participate
- Participate in the discussion.

The trustees should always be able to show that they have made their decision in the best interest of the charity.

Record the conflict of interest

It is expected that the charity keeps a written record within the minutes of any conflict of interest and how it was dealt with. This would normally include:

> The nature of the conflict
> Which trustee(s) were affected
> If any conflicts were declared in advance
> An outline of the discussion
> Whether anyone withdrew from the discussion
> How the trustees took the decision in the best interests of the charity.

It is recommended, and in most cases it is a requirement, that details of payments and benefits to charity trustees and people connected to them are included within the charity's annual accounts.

If you get it wrong

Problems in charities are often caused by poorly managed conflicts of interest and about 90% of Charity Commission investigations involve a conflict of interest. If you fail to identify and deal with conflicts of interest:

> The trustees' decision may be invalid and could be open to challenge
> Trustees might have to refund any payment they received from the charity, even if the charity also benefitted from the arrangement
> Trustees might have to make good any loss the charity suffers
> The Charity Commission will take regulatory action where it's necessary to protect the charity from further harm or to deal with any misconduct or mismanagement by the trustees.

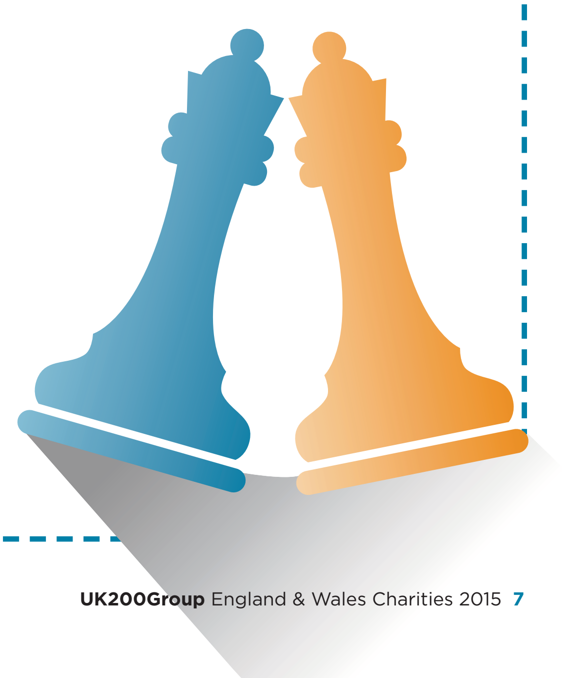
Trustees should be aware of the significant negative effects that a badly managed conflict of interest can have on the charity's reputation and on public trust and confidence generally. When dealing with conflicts of interest, trustees should be aware of how the situation may appear to someone from outside the charity, and make sure that policies and procedures are in place which will allow trustees to demonstrate that such situations have been dealt with properly.

Conflict of Interest Policy - Table A*

As a minimum, a conflicts of interest policy should:

> Define conflicts of interest
> Explain that trustees have a personal responsibility to declare conflicts of interest if they are to fulfil their legal duty to act only in the best interests of the charity
> Give an account of what the charity's governing document says about conflicts of interest
> Define all interests that trustees should declare, including business and personal interests and those of their spouse, partner, family and close relatives
> Define trustee benefits and highlight the requirement to obtain legal authority before any transaction involving trustee benefit is undertaken
> Include guidance on the procedures to follow when a trustee is subject to a conflict of interest, such as:
- Recording trustee interests in the charity's register of interests
- Declaring interests at the beginning of each meeting
- Removing the trustee concerned from the decision making process
- Recording details of the discussions and decisions made
> Set out how and by whom the policy will be monitored and enforced
> Be widely communicated and understood within the charity
> Be part of a wider policy framework, for example a trustee handbook.

* is an extract from the Charity Commission Guidance



Addressing a conflict of interest: Checklist*

Q1. If a trustee has identified that a conflict of interest exists, has the trustee body considered whether the conflict is so serious that it should be removed or they should seek authority for it. If the trustees have decided against removing the conflict of interest or seeking authority for it, go to **Q2.**

Q2. Has the conflict of interest come up because the trustee concerned will receive a benefit as a result of the decision? If yes, go to **Q3**, if not, go to **Q4.**

Q3. Is the benefit authorised:

- by the charity's governing document?
- by a statutory provision such as section 185 of the Charities Act?
- specifically, by the Charity Commission?

If no, the trustees must apply to the Commission for authority for the benefit. Go to **Q5**.

If yes, have the charity's trustees complied strictly with the terms of the authority. Go to **Q5**.

Q4. Even though there is no trustee benefit, are there procedures in place to ensure that the decision can be made only in the best interests of the charity?

If no, the charity's trustees should take advice on their decision, and for the future, ensure that suitable conflicts of interest procedures are put in place and followed.

If yes, go to **Q6**.

Q5. Have the charity's trustees checked whether they are required to disclose the trustee benefit in the annual report and accounts. Go to **Q6.**

Q6. Have the charity's trustees made a record of the conflict, their approach to dealing with it and their decision?

* is an extract from the Charity Commission Guidance

Report produced by:
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David is a member of the UK200Group Charity and Education committee and chairs the UK200Group Academies national training day. He has over 20 years' experience of auditing and advising charities and not-for-profit organisations and specialises in education; academies, independent schools and Sixth Form and FE colleges. He is an audit committee member at his local university and a finance advisor for a FE College.

Public Benefit

The Charities Act 2006 refers to the fact that all charities must provide a public benefit and must satisfy the public benefit test. However, the legislation contains no statutory definition of public benefit.

Whilst there is no statutory guidance on the public benefit "test", the Charity Commission was given a new regulatory objective – known as the public benefit objective – which involves promoting awareness and understanding of the operation of the public benefit requirement.

Revised Guidance was issued at the end of 2013, following a decision of the Upper Tribunal in a case involving the Independent Schools Council as a result of which the Guidance previously issued by the Charity Commission had to be amended and sections of that guidance withdrawn.

The current Public Benefit Guidance issued by the Charity Commission is split into three as follows:

1 The first part explains the legal requirements that a charity's purposes must be for the public benefit
2 The second part explains the meaning of public benefit in the context of running a charity
3 The third part explains the requirement for a charity trustee to report on how they have carried out the charity's purposes for the public benefit.

The three part Guidance does not lay down the law but rather explains how the law is interpreted and applied by the Commission. Individual decisions are based on the facts of a given case. Charity trustees must be aware of the Commission's Public Benefit Guidance and have taken it into account, where it is relevant, and only depart from it where they have good reason. Taking each part of the revised current Guidance in turn:

1 What Public Benefit Means

Charities have to have charitable purposes only:

i) These are set out in the descriptions in the Charities Act 2006; and
ii) A charitable purpose must be for the public benefit. This is split into two:

a) The "benefit aspect" which means that the purpose must be beneficial and any detriment must not outweigh the benefit. If it is not clear that a purpose is beneficial the Commission may ask for evidence

b) The "public aspect" by which it must benefit the public in general or a sufficient section of it. Whether a sufficient section of the public benefit may depend on the specific purpose and in some cases people living in a specific geographical area will be sufficient. It is also possible to decide who can benefit by reference to "protected characteristics" such as age, disability or religion. The Commission will decide whether a section of the public is "sufficient" on a case by case basis and there are different rules for poverty charities which may not require the "public" aspect of the test to be satisfied.

Further, any personal benefits received should be no more than "incidental" to carrying out a charity's purpose.

2 What Public Benefit Means in the Context of Running a Charity

Charity trustees have a duty to carry out a charity's purposes for the public benefit. That the charity's purposes are beneficial should be understood by the trustees and the purposes should be carried out so as to benefit the public in that way.

In doing this:

i) The risk of harm should be identified and minimised; and any harm which arises should be a minor consequence of carrying out the purpose
ii) Trustees should know who can properly benefit and give proper consideration to the full range of ways in which the charity's purposes can be carried out. This includes having proper reasons for so doing, not excluding the poor and making sure that the decision is within the range that trustees could make. There are special considerations for membership charities and for charges for services where charges should generally be affordable to people of modest means and the level of provision for the poor "must be more than minimal or token".

There are also special considerations with regard to physical access to a charity's facilities and whether these can be restricted.

3 The Requirement to Report

This sets out the duty that charity trustees must report on how they have carried out the charity's purposes for the public benefit. This must be reported in the trustees' annual report and there are different rules for "smaller" charities than for "larger" charities.

For smaller charities, charity trustees must include a brief summary of the main activities undertaken by the charity to carry out its charitable purposes for the public benefit and a statement as to whether they have had regard to the Commission's Guidance when exercising any powers or duties to which it is relevant.

For larger charities there are more detailed requirements.

This third requirement means that the public benefit requirement is reported by reference to the charity's purposes and it is for the trustees to demonstrate that the requirements have been fulfilled.

Recently the Charity Commission has published its letter to the Independent Schools Council stating its position on issues relating to the public benefit of independent schools. The Commission makes it clear that it does not favour a new statutory duty for independent schools but rather that it is considering its Guidance and the inclusion of more examples of reporting on sharing sports, arts or music facilities so that charitable schools are encouraged to consider what they are doing and how they report in this area. It is understood that this revised guidance will be published and promoted to charitable schools. This emphasises the approach of the Commission that trustees are free to make decisions about how they carry out their legal duties in a way which is appropriate for the individual circumstances of their charity, and that the Commission does not wish to be prescriptive.

Report produced by:
Mark Lewis – Lodders Solicitors LLP
Bio on page 35

Charities and Risk Management

The management of risk forms a key part of the day to day operation of a charity and is fundamental to the wider strategic considerations of the Board of Trustees. The formal consideration of and reporting of risk by charities, is not only consistent with good governance and good practice but, is **also a legal requirement for those charities which require an audit**.

The risks which charities face will vary according to their size, nature and the complexity of their activities and operations, whilst the finances of a charity will also have a significant bearing on risk in the wider sense. The larger and more diverse the operations of a charity, the more difficult the identification, recording and management of risk becomes. Accordingly, the risk management processes will need to be tailored to the specific circumstances of each individual charity. This guidance considers:

- The Basics of Risk Management
- Legal Reporting Requirements
- Types of Risk
- Identifying and Managing Risk
- Recording Risk Assessment – example risk registers.

The Basics of Risk Management

Identifying and managing risk is essential to the trustees achieving their key objectives and sustaining the charity's financial wellbeing and safeguarding its underlying assets. By managing risk effectively, trustees can help ensure that:

- Significant risks are known and monitored, allowing trustees and management to make informed decisions
- Opportunities can be explored and developed on an informed basis
- Strategic planning can be enhanced and improved as broader consequences are considered and evaluated.

Legal Reporting Requirements

The ultimate responsibility for the management and control of a charity sits with the trustees and their involvement in the risk management process is essential. Whilst, aspects of the risk management process will be delegated within most, if not all charities, trustees should consider and review the key aspects of the risk management process on an ongoing basis and formally minute their considerations at least annually.

Charities that are required by law to have their accounts audited must make a risk management statement in their trustees' annual report confirming that: **"the charity trustees have given consideration to the major risks to which the charity is exposed and satisfied themselves that systems or procedures are established in order to manage those risks"**.

Smaller charities which fall below the audit threshold, whilst not required to make a risk management statement in their Trustees' Annual Report, are encouraged to do so as a matter of best practice.

Business Review

Incorporated charities, other than small companies as defined by company law, must also include a business review in their annual directors' (i.e. Trustees') report for accounting periods commencing on or after 1 January 2016. To be a small company at least 2 of the following conditions must be met:

- Annual income must be £10.2m or less (previously £6.5m or less)
- Total assets on the balance sheet must be £5.1m or less (previously £3.26m or less)
- The average number of employees must be 50 or fewer.

The business review must contain a description of the principal risks and uncertainties facing the charitable company.

Purpose

The purpose of the risk management statement is to give the readers of the annual trustees report an insight into:

- How the charity approaches the management of risk
- An understanding of the major risks to which the charity is exposed
- Proposals for further developments in the management of risk.

Form and content

The form and content of the risk management statement will reflect the size and complexity of the charity but as a minimum should include:

- An acknowledgement of the trustees' responsibility
- An overview of the risk identification process
- An indication that the major risks identified have been reviewed and assessed
- Confirmation that control systems have been established to manage those risks.

The level of involvement by trustees should be sufficient for them to be able to make the required risk management statement with reasonable confidence.

Detailed approach to reporting

Larger charities and those with more complex activities may, as a matter of best practice, wish to adopt a more detailed approach to reporting in the annual report. The **Charity Commission** guidance on the structure and principles which those adopting a more expansive approach to reporting should consider is as follows:

- A description of the major risks faced
- The links between the identification of major risks and the operational and strategic objectives of the charity
- Procedures that extend beyond the financial risk to encompass operational, compliance and other categories of identifiable risk
- The link between risk assessment and evaluation to the likelihood of its occurrence and impact should the event occur
- A description of the risk assessment processes and monitoring that are embedded in management and operational processes
- Trustees' review of the principal results of risk identification processes and how they are evaluated and monitored.

Types of Risk

All charities face a level of risk both in terms of their day to day operation and in the wider sense of their existence. **Major risks** are those risks that would have a major impact on the charity and a probable or highly probable likelihood of occurring.

There are many examples of risk classification which charities can adopt in helping them to identify the major risks to which they are exposed. The following risks categories provide a guide to the sort of categories that trustees would be expected to consider:

- **Mission/objectives**
  e.g. aims/objectives do not accord with constitution, activities and future developments restricted by objects, inappropriate/lack of strategy and forward planning.
- **Governance and management**
  e.g. inappropriate organisational structure, difficulty recruiting trustees, poor relationship between trustees and management, conflict of interest, inadequate reporting to trustees.
- **Law and regulation (compliance)**
  e.g. failure to operate within objects, objects not considered charitable, adverse Charity Commission visit, penalties imposed, breach of statutory requirements (Health and Safety Legislation, Charities Act, Companies Act etc.).
- **External factors**
  e.g. political change, social and demographic changes, public perception, adverse publicity, Acts of God.
- **Operational factors**
  e.g. poor service quality, competition and pricing, supplier/customer dependency, contract risk, security of assets, lack of operational planning and control, lack of written policies and procedures.
- **Human resources**
  e.g. loss of key members of staff, difficulty in recruitment, poor staff vetting procedures, low staff morale, lack of formal terms and conditions poor training.
- **Environmental**
  e.g. planning applications, contamination.
- **Technology**
  e.g. need to invest in new technology, failure of key software/hardware, poor systems selection, lack of IT disaster recovery planning, over reliance on supplier.
- **Financial**
  e.g. weak/ineffective financial procedures and controls, inadequate budgeting and reporting, lack of capital expenditure planning.
- **Taxation**
  e.g. breach of trading limits for Corporation Tax and or VAT, poor Gift Aid procedures, lack of VAT planning.
- **Funds and fundraising**
  e.g. lack of reserves policy, funding deficit, falling income levels, failure to comply with donor requirements, poor control over fundraising, lack of investment policy.
- **Fraud**
  e.g. lack of consideration of fraud risk, poor staff education and training, inappropriate response to fraud, poor internal controls, lack of segregation of duties.

The categorisation of risk and the specific risks attributed will vary according to the size and complexity of the charity and smaller charities may consider simplifying their risk model by combining some of the categories.

Identifying and Managing Risk

There are many models/example processes which trustees' may adopt in fulfilling their obligations. They are all similar in that they set out a number of stages to be considered and trustees must select the model which is most suited to the particular circumstances of their charity. The stages which trustees' must work through should effectively address the specific requirements of the statement which they are required to make annually. These are as follows:

Establish a risk policy

Risk is inherent in all activities and may arise as a consequence of a positive decision to do something, or from inaction. Charities will have differing risk profiles according to their size, nature and the complexity of their activities, and operations will have different capacities to absorb or tolerate risk. Not only will a charity need to understand its tolerance to risk but will also need to understand its overall risk profile, the balance between higher and lower risk activities.

These considerations will form the basis of the trustees decision making in respect of the level of risk they are willing to accept, and from a starting point of which to undertake the initial risk assessment and determine the policy in respect of risk. The trustees will need to communicate the boundaries and limits set by their policy to ensure that there is a clear understanding through the organisation of acceptable and unacceptable risks.

Identify the major risks

The identification of risks is best achieved by involving the trustees and members of management and staff who have a detailed knowledge of the day to day operations of the charity. The wider the input the more comprehensive the assessment is likely to be. Achieving structured input can be difficult and may best be achieved by holding a series of workshops to gather information and ideas. If the charity has subsidiaries or branches, risk identification must extend to them.

Examples of the general types of risks to which a charity may be exposed are listed above, and these can be used as a starting point/checklist. However, it is important that the process of risk identification is specific to the charity and not simply viewed as a generic exercise.

Assess the impact of identified risks

The requirement for trustees to report on risk management is focussed on “major” risk. Accordingly it is important that once risks have been identified they are put into perspective in respect of their relative importance by considering the severity of **impact** and the **likelihood** of occurrence. There are various models which consider this. The following scoring matrix on page 12, which is included in the Charity Commission guidance, is one such model which attempts to give an overall score for each risk identified.

IMPACT

Description	Score	Example
Insignificant	1	• no impact on service/reputation • complaint unlikely • litigation risk low
Minor	2	• slight impact on service/reputation • complaint possible • litigation possible
Moderate	3	• some service disruption • potential adverse publicity – avoidable • complaint probable • litigation probable
Major	4	• service disrupted • adverse publicity not avoidable • complaint probable • litigation probable
Extreme/Catastrophic	5	• service interrupted for significant time • major adverse publicity not avoidable • major litigation expected • resignation of senior management and board • loss of beneficiary confidence

LIKELIHOOD

Description	Score	Example
Remote	1	• may only occur in exceptional circumstances
Unlikely	2	• expected to occur in a few circumstances
Possible	3	• expected to occur in some circumstances
Probable	4	• expected to occur in many circumstances
Highly Probable	5	• expected to occur frequently

There are a number of different ways in which the overall risk can be determined. Whilst equal weighting can be given to the likelihood and impact scores, many examples apply a greater weighting to impact. Applying the formula xy+y, where x is likelihood and y is impact, this can be achieved and is modelled in the "heat map" below.

IMPACT						
Extreme/ Catastrophic	5	10	15	20	25	30
Major	4	8	12	16	20	24
Moderate	3	6	9	12	15	18
Minor	2	4	6	8	10	12
Insignificant	1	2	3	4	5	6
		1 Remote	2 Unlikely	3 Possible	4 Probable	5 Highly Probable

LIKELIHOOD

The "heat map" categorises the assessed risks as:

- Major Risk – score 15 and above
- Moderate Risk – score 8 to 14
- Minor or Insignificant Risk – score 7 and below

Identify Controls, Actions and Responsibilities

Where major risks are identified the trustees will need to assess what controls and procedures, if any, are in place to manage those risks to an acceptable level by reducing the likelihood and or impact. This review should include an assessment of the adequacy of those controls and procedures which are already in place.

Once the existence and adequacy of existing controls and procedures has been assessed the trustees will then be able to build up a plan of additional actions/controls which need to be put in place to lessen the likelihood of an event occurring, or lessen its impact if it does. In doing so, it is important that the person responsible for each new action/control is identified, to ensure that there is clarity of ownership, and that a timetable for implementation is also drawn up. It is this assessment and action plan (appropriately documented) which will enable trustees to make a risk management statement in accordance with the regulations.

Risk management is aimed at reducing the "gross level" of risk (initial risk) to a reduced level of "net risk". Example templates for recording the risk assessment are set out on pages 14 and 15.

The implementation of new controls and procedures to manage risk needs to be considered in the context of cost benefit. Clearly, there would be little point in implementing a highly complex and expensive series of controls if the impact on risk reduction was minimal. Conversely, the process may help trustees identify existing control and procedures which provide little value and add unwanted cost.

The identification of major risks and the controls which exist to manage them, along with the preparation of an action plan for the implementation of additional controls and procedures where required, will enable trustees to make a positive statement in respect of risk management in the Trustees' Annual Report.

Regular Monitoring and Assessment

The identification and assessment of risk and associated controls must not be relegated to a one-off event. The management of risk is on-going and any process employed must ensure that new risks are identified and addressed as they arise and that established risks are reassessed on a regular basis. As a minimum, the risk assessment should be revisited on a formal basis at least once a year, but the processes employed should allow for ongoing assessment and reporting of risk. Many charities have risk and risk management as a standing agenda item for all trustee and management meetings.

Recording Risk Assessment

In order for risk management to be effective and allow trustees to formally evidence their assessment of risk, it is essential that the assessment is appropriately recorded. Many charities do so by adopting a form of risk register/matrix. There is no prescribed format which charities must adopt and the form and content will vary depending upon the size of a charity. The following are examples of risk register templates which have been adopted:

Example Format 1

Risk Factor	Risk Likelihood 1 - 5	Risk Impact 1 - 5	Gross Risk Score	Control Procedure	Net Risk L/M/H	Responsibility	Monitoring	Further Process/ Review Date
e.g. Governance and Management								
Structure, skills and conduct of the Board of Trustees and management committees is inappropriate	1	5	10	Review of structure and constitutional change to ensure that the Board contains the necessary experience and skills/skills audit Terms of reference and reporting lines clearly defined Appropriate training and advisory support in place Recruitment process Organisation chart and clear understanding of roles and responsibilities	Low	Board of Trustees	Formal review and assessment of Board structure, training and skills – annually	None
e.g. Financial								
Weak or ineffective financial controls and inadequate financial planning and forecasting	2	4	12	Budgets linked to business planning and objectives Timely and accurate monitoring and reporting Proper costing procedures for product or service delivery Adequate skills base to produce and interpret budgetary and financial report Procedures to review and action budget/cash flow variances	Low	Finance Manager/ Board of Trustees	Formal review of strategy – annually Formal Review and approval of budgets – annually Formal review of management accounts and variance analysis - monthly	

Example Format 2

Risk area/risk identified	**Governance and management:** Structure, skills and conduct of the Board of Trustees and management committees is inappropriate
Likelihood of occurrence (1-5)	1
Severity of impact (1-5)	5
Overall or "gross" risk	10
Control procedures	Review of structure and constitutional change to ensure that the Board contains the necessary experience and skills/skills audit Terms of reference and reporting lines clearly defined. Appropriate training and advisory support in place. Recruitment process Organisation chart and clear understanding of roles and responsibilities
Retained or "net" risk	Low
Monitoring process	Formal review and assessment of Board structure, training and skills
Responsibility	Board of Trustees
Further action required	None
Date of review	Annual

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Andy heads up the Charities and Education group at Whittingham Riddell LLP and is Chair of the UK200Group Charities and Education Committee. He works with a broad range of charities and educational organisation, including Academies and Independent Schools. Andy has extensive experience of audit and internal audit compliance and provides advice on governance and risk management, financial planning, budgeting and strategy. He is often called upon to speak at local and national charity conferences and seminars and regularly writes for the professional press.

Andy joined Whittingham Riddell LLP from Pricewaterhouse Coopers where he spent 13 years working in both the UK and Australia.

Charity Accounting and Financial Reporting

Introduction

Charity accounting and reporting requirements applicable to England and Wales are primarily dictated by the Charities Act 2011 and the Statements of Recommended Practice (known under the acronym SORP).

The SORP issued in 2005 has been replaced by SORP 2015 and the detailed reporting requirements have been amended to be in line with changes to UK Generally Accepted Accounting Principles (GAAP) imposed by the adoption of Financial Reporting Statement 102 (FRS 102). The new provisions apply for accounting periods beginning on or after 1 January 2015. The details of SORP 2015 and the changes it introduces are set out in the section of this handbook entitled "Charity accounting and financial reporting – SORP 2015".

The areas covered in this section are as follows:

- Accounting records
- Annual statutory accounts and trustees' annual report
- Annual return
- Summary of accounts and report production and filing requirements
- External scrutiny.

Overriding principle

In order to benefit from the special tax status granted to charities and to fulfil the principles of public accountability and transparency required of them, **all** charities are required to not only maintain accounting records and prepare accounts, but also to make the accounts available to the public on request.

(If the particular charity is also required to prepare a trustees' annual report then this has to be made available too.)

This duty is in addition to any other filing requirements under the Charities or Companies Act or by any other principal regulators (exempt charities). To assist in defraying the cost of the provision above, the trustees are permitted to make a reasonable charge to cover incidentals such as copying and postage.

Accounting Records

All charities must comply with the following requirements in respect of the preparation and maintenance of accounting records:

- Prepare and maintain accounting records. These records which will include cash books, invoices, receipts, bank statements, wage details etc must be retained for at least 6 years (as set out in the Charities Act)
- Where gift aid payments are received, records must be maintained for six years including the details of substantial donors, in accordance with HMRC requirements.

Annual Statutory Accounts and Trustees' Annual Report

Requirement to prepare and file accounts

All Charities are required to prepare annual accounts in some form and are obliged to make them available to the public, upon request, together with, if required, a trustees' annual report. The availability to the public of the accounts and the trustees' annual report is needed to underpin the principle of public accountability and transparency of Charities.

Also as a matter of public record, certain information has to be filed with the Charity Commission. The amount of information depends entirely on the level of income of the Charity, apart from Charitable Incorporated Organisations (CIOs) which are required to file an annual return, trustees' annual report and accounts regardless of the level of their income.

Basis of preparation of accounts

Receipts and Payments Accounts

Receipts and payments accounts can be prepared by non-company Charities with a gross income of £250,000 or less during the financial year with the following items contained within them:

- Receipts and payments account
- Statement of assets and liabilities
- Notes to the accounts (where appropriate)
- Trustees' annual report.

Charities with a gross income of £250,000 or less can opt to prepare accounts on an accruals basis.

Charity Commission guidance on the preparation of receipts and payments accounts, in the form of its 'receipts and payments accounts pack (CC16)' is available on the Commission website.

Accruals Accounts

All charitable companies, non-company Charities with a gross income exceeding £250,000 and those Charities where required by their underlying constitution, must prepare in each financial year an annual report and accounts based upon the accruals concept with the following key components:

- Statement of Financial Activity ("SOFA") (including an income and expenditure account - where appropriate)
- Balance sheet (also known as the statement of financial position)
- Cash flow statement (where required *)
- Notes to the accounts
- Trustees' annual report.

** SORP 2015 effective from 1 January 2015 has been initially designed in 2 parts allowing small charities to take advantage of the FRSSE and not prepare a cash flow, however this standard is being withdrawn in 2016 and after that date all charities will need to follow the new FRS 102 format which includes a requirement for a cash flow –* ***(refer to page 20 for section on SORP 2015)***.

Such accounts for Charities are normally required to show a true and fair view. Charities are required to apply the methods and principles of the SORP and the regulations when preparing their financial statements.

Charity Commission guidance on the preparation of accruals accounts in the form of its 'accruals accounts pack (CC17)' is available on the Commission website.

Group Accounts

Under the provisions of the Charities Act 2011, Charities with subsidiaries must prepare group accounts to consolidate the accounts of the Charity and any subsidiaries, if the income of the group, after eliminating intra-group transactions and consolidation adjustments, exceeds £1,000,000 for accounting periods ending on or after 31 March 2015 (previously £500,000). These accounts are prepared on the accruals basis and in accordance with the SORP and comprise:

> Group SoFA
> Group income and expenditure account – if appropriate
> Group and charity only balance sheet
> Group and charity only cash flow – where required
> Notes to the accounts
> Trustees' annual report.

Trustees' Annual Report

All registered charities must prepare a trustees' annual report (TAR). Some of the basic contents are mandatory for all charities but the bigger the charity the more comprehensive the information should be. The purpose of the TAR is to explain the aims of the charity and how it is going about achieving them. It does not have to be complicated, particularly for the smaller charity, but it should enable the reader of the accounts to understand how the money was raised, spent and, crucially, what difference it made.

The TAR is structured under the following headings for all charities:

> Reference and administration details of the charity, its trustees and advisers
> Structure, governance and management
> Objectives and activities
> Achievements and performance
> Financial review
> Any funds held as custodian trustees on behalf of others – if appropriate
> Public benefit.

In addition for larger charities, (those subject to statutory audit) must include:

> Plans for future periods

and for group accounts:

> Relationship between the charity and related parties including subsidiaries
> Significant activities through the subsidiaries (under objectives and activities)
> Differentiation in achievements and performance between the charity and the subsidiary
> Financial position of the charity and subsidiary (under financial review).

The detailed legal requirements for the trustees' annual report are set out in the Charities (Accounts and Reports) Regulations 2008 which underpins the recommendations of the Charities SORP.

Excepted and Exempt Charities

These charities are not required to file their trustees' annual report or accounts with the Charity Commission, but may be required to file elsewhere in accordance with their principle regulators (exempt charities). The basic requirements to keep accounting records and to prepare accounts which are available to the public on request do, however, have to be met.

Annual Return

Charity trustees, by law, must keep the charity's registered details up-to-date.

Small charities with a gross income of £10,000 or less do this utilising an annual information update form. If the charity's income is more than £10,000, an annual return must be completed. The annual return should be compiled when the accounts for the period are finalised and signed using the information contained in them to complete the form.

Annual Information Update

This requests basic information about the charity including trustee details and details of its area(s) of operation.

Annual Return

This comprises the following basic information:

> Registered charity number (and company number if applicable)
> Charity's bank or building society details - account name, number and sort code
> Trustees' details - names, dates of birth and contact details
> Details of the main contact at the charity
> Number of volunteers and employees at the charity.

The following additional information is also required:

Financial information

> Start and end dates of the financial period you are reporting on
> Total income and spending for the period
> The amount spent outside England and Wales.

Information on aims and activities

> A description of activities in the reporting period (around 100 words)
> Information about what the charity does
> Locations where the charity worked in the period.

Where the charity's income is > £25,000 the following digital copies (PDF format) will also be required:

> The charity's accounts, agreed by the trustees
> Independent examiner or auditor's report
> Trustees' annual report
> A list of any serious incidents that took place in the year, even if already reported to the Charity Commission.

There is no longer any requirement for larger charities to complete the Summary Information Return (SIR).

Summary of Changes to Annual Return

For the annual return for 2015 the Charity Commission is introducing three new questions to be answered by all charities that complete the annual return.

> In the reporting period how much income did you receive from:

- Contracts from central or local government to deliver services
- Grants from central or local government

> Does your charity have a policy on paying its staff?
> Has your charity reviewed its financial controls during the reporting period?

The Charity Commission have produced guidance to accompany these new questions.

Summary of Accounts and Report Production and Filing Requirements

Set out below is a table summarising the accounts and report production and reporting requirements for Charities of different sizes:

Reporting Requirements	Prepare Accounts Report	Prepare Annual Report	File Annual Report & Accounts	File Annual Return	Report Serious Incidents	Receipts and Payments Accounts
CIOs	Y	Y	Y	Y	-	Income <£250k
Other charities:						
Unregistered	Y	-	Y	-	-	Y
Income < £10k	Y	Y	-	Y	-	1
Income £10k to £25k	Y	Y	Y	Y	-	Y
Income £25k to £250k	Y	Y	Y	Y	Y	Y
Income £250k to £1m*	Y	Y	Y	Y	Y	2
Income 1m*	Y	Y	Y	Y	Y	2

1 Registered charities with income below £10k are asked to complete and file an update form.

2 Accrual basis of accounts preparation if corporate charity, income >£250k or required by governing document.

There is a link on the charity commission website for information on, and to access, the annual return which is as follows http://bit.ly/1ylbmMk

Filing Deadline

Charity Commission

The deadline for filing accounts and reports with the Charity Commission is within 10 months of the end of each financial reporting period.

Companies House

Incorporated charities must also file their accounts and trustees annual report with Companies House within 9 months of the year end.

External Scrutiny

Income level	Requirement	Note
Up to £25,000	None	Unless governing documents require independent examination or audit*
£25,001 to £250,000	Independent examination	Unless governing documents require audit*
£250,001 to £1,000,000** And gross assets < £3.26m	Independent examination by qualified examiner only	Unless governing documents require audit*
£250,001 to £1,000,000** And gross assets > £3.26m	Statutory audit	
> £1,000,000**	Statutory audit	

* Incorporated charity – In addition to governing document, 10% of members can request an audit

** For year ends on or before 30 March 2015, the upper threshold was £500,000.

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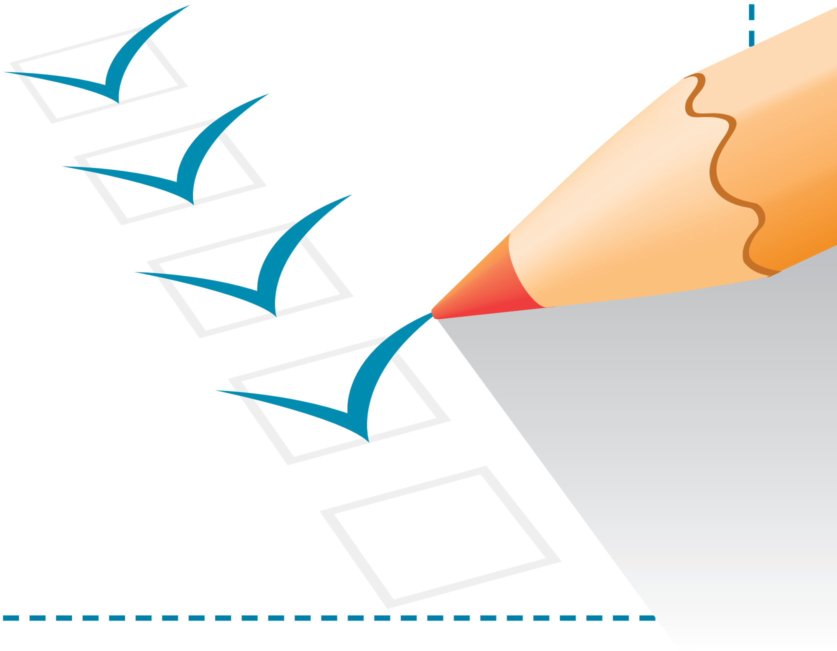

Charity Accounting and Financial Reporting – SORP 2015

Introduction

The new Charity Statement of Recommended Practice ("SORP") brings the first significant change to accounting and financial reporting for the charity and not-for-profit sector in a decade.

In 2013 the Financial Reporting Council issued a new accounting standard, FRS 102, to replace all existing accounting standards. Since the SORP puts the accounting standards into the specific context of the charity and not-for-profit sector, revisions to the existing SORP (SORP 2005) were needed.

The new Charities SORP, "Charities SORP (FRS 102)", applies to all charities that prepare their financial statements on the accruals basis, unless they are small, and choose to, adopt the "Charities SORP (FRSSE)".

The Financial Reporting Standard for Small Entities ("FRSSE") is a less onerous accounting standard which is available for small entities. To reflect this standard an additional SORP (Charities SORP (FRSSE)) was also issued.

For most charities the first reporting period for which the new SORP will apply will be the year ending 31 December 2015 or 31 March 2016. The first set of financial statements compiled under the new SORPs will need to include comparatives which are restated for the new accounting regulations, as well as reconciliations of the opening comparative balance sheet, the closing comparative balance sheet and the comparative surplus/(deficit) reported under the current SORP and those reported under the new SORP. Additionally, each change in accounting policy will need to be described and explained in the notes to the financial statements.

The SORP is in a modular format with requirements for larger charities being included in a separate section. Terms used throughout are "must", should" and "may" making its requirements easily understandable.

Choosing to adopt the FRSSE

The SORP (FRSSE) can be used by charities who meet the small company thresholds, as set out below:

A charity qualifies as small where any two of the following three criteria are met in both the current and preceding financial years:

- Gross income of less than £6.5m
- Balance sheet total of less than £3.26m
- Average number of employees less than 50.

Whilst the requirements of the SORP (FRSSE) are much less onerous (see key areas of change below) the FRSSE (and consequentially the SORP (FRSSE)) will be revised shortly which could result in further changes for those who choose to adopt this SORP. Therefore many charities that are eligible for adopting the SORP (FRSSE) may in fact choose to adopt SORP (FRS 102) instead.

Charities should seek professional advice when deciding which SORP to adopt, where the choice is applicable.

The Trustees' Annual Report

The new SORP continues to stress the importance of Trustees' providing a balanced annual report, covering the impact, as well as the outputs of the charity during the year.

The main changes noted for all charities are:

- An explanation of the **policy for holding reserves**, including stating the amount of the reserves held and the reasons for holding them. Actual reserves should be compared to the policy and any differences explained. Where funds are in deficit, the report should explain why and set out the steps being taken to eliminate the deficit
- A separate category of identified reserves can be established within unrestricted reserves. Where Trustees have decided that holding reserves is unnecessary, the report must disclose this fact as well as providing the reasons behind this decision. This follows the good practice which many charities have already established
- For any charities with more than 50 Trustees, all Trustees names must now be disclosed.

The main changes noted for larger charities are:

- An explanation of **social investment policies**, explaining how any programme related investment has contributed to the achievements of the charity's aims and objectives
- In addition to reporting the significant charitable activities undertaken, an explanation of the **financial effect of significant events** is required
- A description of the **principal risks and uncertainties** facing the charity, as identified by the Trustees, together with a summary of their plans and strategies for managing those risks
- Arrangements for setting the pay and **remuneration of key management personnel**[1] and any benchmarks, parameters or criteria used in setting their pay
- A charity which makes **large fundraising payments in advance** must explain the basis upon which the payments are made and the effect on fundraising ratios must be qualtified.

[1] Key management personnel are "those persons having authority and responsibility for planning, directing and controlling the activities of the charity, directly or indirectly, including any Directors of the charity. This definition includes Trustees and those senior management personnel to whom the Trustees have delegated significant authority or responsibility in the day-to-day running of the charity.

The Statement of Financial Activity (SoFA)

The basic structure of the SoFA remains a columnar presentation, distinguishing between the classes of funds held, where applicable (unrestricted, restricted and endowed). One change introduced is the requirement to now include this analysis for the comparative period either on the face of the SoFA or within the notes to the accounts. Additionally, where consolidated accounts are produced the parent entity SoFA will also need to be included in the financial statements of the group as well as the consolidated SoFA.

The main change to the SoFA relates to the headings which have been reduced and the wording simplified to provide a clearer description of the nature of the income and expenditure. There will be fewer expenditure headings, with governance costs[2] no longer being separately disclosed on the face of the SoFA and gains/losses on investment assets being shown before the net income/expenditure. This is highlighted in the summary below:

2005 SORP	FRS 102 SORP
> Voluntary income > Activities for generating funds > Investment income > Incoming resources from charitable activities > Other incoming resources	> Donations and legacies > Other trading activities > Income from investments > Income from charitable activities > Other income
Total incoming resources	Total income and endowments
> Costs of generating voluntary income > Costs of fundraising > Investment management costs > Resources expended on charitable activities > Governance costs > Other resources expended	> Expenditure on raising funds > Expenditure on charitable activities > Other expenditure
Total resources expended	Total expenditure
	Net gains/(losses) on investments
Net incoming/outgoing resources before transfers	Net income/(expenditure)
Gross transfers between funds	Transfer between funds
Gains on revaluation of fixed assets for the charity's own use	Gains/(losses) on revaluation of fixed assets
Gains/losses on investment assets	
Actuarial gains/losses on defined benefit pension schemes	Actuarial gains/(losses) on defined benefit pension schemes
	Other gains/(losses)
Net movement in funds	Net movement in funds

[2] *Under FRS 102 SORP governance costs are now considered akin to support costs and are to be allocated and apportioned to charitable activities.*

The Balance Sheet

The format of the balance sheet is unchanged under the new SORP other than the definitive requirement to present a revaluation reserve on the face of the balance sheet where such a reserve exists. There is also an opportunity to include a reserve fund (**continuity fund**) as a separate unrestricted fund and any defined pension benefit surplus/deficit can be disclosed as a separate **pension reserve**.

There are, however some changes to how balance sheet items should be accounted for and the details of these are included in the summary of key changes (later in this section).

Transitional arrangements

SORP 2015 provides a one-off opportunity to simplify the preparation of the opening balance sheet and comparative figures, when reporting under it for the first time. In particular, a charity may elect to measure a fixed asset (including buildings) on the date of transition at its fair value and use that fair value as its deemed cost at that date.

Charities will need to weigh-up the cost of obtaining such valuations and the likely increased depreciation charge against the potential benefit.

Cash Flow Statement

Unlike the previous SORP, FRS 102 SORP does not contain an exemption for small entities from preparing a cash flow statement. Therefore, unless a charity is able to, and chooses to adopt the FRSSE SORP, it will have to prepare a cash flow statement.

Subsidiaries of charities (whether trading or charitable) are able to take advantage of the disclosure exemptions permitted by FRS 102 and not prepare a cash flow statement.

A template for the cash flow statement and associated notes as required under the new SORP is shown below:

Statement of cash flows

	Total funds £	Prior year funds £	Note
Cash flows from operating activities:	x	x	Note 1
Net cash provided by (used in) operating activities	A	A	
Cash flows from investing activities:			
> Dividends, interest & rents from investments	X	X	
> Proceeds from the sale of property, plant & equipment	X	X	
> Purchase of property, plant & equipment	(x)	(x)	
> Proceeds from sale of investments	X	X	
> Purchase of investments	(x)	(x)	
Net cash provided by (used in) investing activities	B	B	
Cash flows from financing activities:			
> Repayments of borrowing	(x)	(x)	
> Cash inflows from new borrowing	X	X	
> Receipt of endowment	X	X	
Net cash provided by (used in) financing activities	C	C	
Change in cash and cash equivalents in the reporting period	=A+B+C	=A+B+C	
Cash and cash equivalents at the beginning of the reporting period	X	X	Note 2
Change in cash and cash equivalents due to exchange rate movements	X	X	
Cash and cash equivalents at the end of the reporting period	x	x	Note 2

Note 1 – Reconciliation of net income/(expenditure) to net cash from operating activities

	Current year £	Prior year £
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	x	x
Adjustments for:		
> Depreciation charges	x	x
> Gains/(losses) on investments	x	x
> Dividends, interest & rents from investments	(x)	(x)
> Loss/(profit) on sale of fixed assets	x	x
> (Increase)/decrease in stocks	(x)	(x)
> (Increase)/decrease in debtors	(x)	(x)
> Increase/(decrease) in creditors	x	x
Net cash provided by (used in) investing activities	x	x

Note 2 – Analysis of cash and cash equivalents

	Current year £	Prior year £
Cash in hand	x	x
Notice deposits (less than three months)	x	x
Overdraft facility repayable on demand	x	x
Total cash and cash equivalents	X	X

Analysis of changes in net funds

	Prior year £	Cash flow £	Other non-cash changes £	Current year £
Cash at bank and in hand	x	x	x	x
Debt:				
Finance leases	x	x	x	x
Due within one year	x	x	x	x
Debt falling due after more than one year	x	x	x	x
Net Funds	x	x	x	x

Disclosure of Trustee and Staff Remuneration, Related Party and Other Transactions

The main changes in the FRS 102 SORP are:-

Related parties

- Use of the Charities Act definition of a related party - the new SORP clarifies that any transactions involving a Trustee or other related party must now always be regarded as material transactions, potentially meaning further disclosures. Additionally, the new SORP requires disclosure of the terms and conditions of any related party transactions, and states that a related party transaction should not be described as being 'at arm's length' unless this can be substantiated
- Clarification that Trustee expenses do include reimbursed costs and costs paid directly to third parties
- The total amount of Trustee donations without conditions made must be disclosed – there is no requirement to disclose this individually for each Trustee
- The total amount of expenses waived by Trustees must be disclosed, unless immaterial.

Staff Remuneration

- Contributions to a pension fund for the benefit of employees
- Details of redundancy and termination payments for staff
- Disclosure of the numbers of staff paid more than £60,000 in £10,000 bands from £60,000 upwards
- The total remuneration paid to key management personnel.

Key Areas of Change

Summarised below are the main areas of change between the treatment under the current SORP and the new FRS 102 SORP (2015).

	SORP 2005	FRS 102 SORP
Income recognition (including legacies)	Income is recognised in the financial statements when the following criteria are met : > Entitlement > Certainty (virtually certain) > Measurement	Income is recognised in the financial statements when the following criteria are met : > Entitlement > Probable (more likely than not)[3] > Measurement
Donated goods for resale	Income from the receipt of donated goods for sale was recognised once sold, and goods for distribution on distribution	The fair value of donated goods received for resale or distribution should be accounted for within donations and legacies on receipt, unless it is not practical and/or the costs of recognition outweigh the benefit of this information to the user of the accounts and the charity. Any profit/loss on eventual sale should be accounted for as income from other trading. Where donated goods are not accounted for on receipt the income should be recognised when they are sold or distributed
Donated tangible fixed assets	Should be recognised at their current value at the date of the gift	Recognised at fair value
Net investment gains/losses	Disclosed below net income figure	Included within net income figure, but may include an additional sub-total
Governance costs	Disclosed separately in the notes and on the face of the SOFA	As for support costs, they are allocated and apportioned across the other categories of expenditure
Mixed use properties (own use and held for rental capital appreciation)	Mixed use properties were classified based on the main use of the property	A mixed use class of assets has been introduced with the property being apportioned between its investment use and operational use. Where this is impractical it is treated as a tangible fixed asset
Financial instruments	Disclosure only	Detailed disclosure now required for concessionary loans, complex interest rate swaps, options and forward contracts, some foreign exchange arrangements and more complex advanced fee schemes
Multi-employer defined benefit pension schemes	Recognition of contributions/ payments in the year	Deficit recovery plans on multi-employer scheme will result in the recognition of a liability on the balance sheet More detailed disclosure requirements

[3] In the context of legacy income, receipt is considered to be probable when there has been grant of probate, the executors have established that there are sufficient assets in the estate, after settling any liabilities, to pay the legacy and any conditions attached to the legacy are either within the control of the charity or have been met.

	SORP 2005	FRS 102 SORP
Government grants	Disclosure requirement based on nature of grant	Additional disclosure requirements for those charities in receipt of government grants
Trustee benefits	Disclosure required of trustees benefits and related party transactions	Greater disclosure required regarding Trustee benefits and related party transaction including requirements to state "none" if there are no benefits
Donations made by Trustees	No requirements	Disclosed in aggregate
Staff costs	Aggregate staff costs and numbers of staff should be disclosed. Where a charity is subject to a statutory audit then the notes should show the number of employees whose emoluments for the year (including taxable benefits in kind but not employer pension costs) fell within each band of £10,000 from £60,000 upwards	Additional disclosure required including the aggregate pay of key management personnel and more detail regarding redundancy and termination payments
Ex gratia payments	Disclosure of ex-gratia payments required to be made in notes	Disclosure of ex-gratia payments required to be made in notes. Small ex-gratia payments such as flowers and chocolates are not to be regarded as ex-gratia
Investment properties	Investment properties are measured initially at cost then at fair value at the year end, using "any reasonable approach" to obtain a market valuation	Valuations at the year-end are to be made by an independent expert or disclosure is required that this has not been done
Group properties	Previously recognised as freehold properties	Property which is let by or occupied by another group undertaking must now be treated as an investment property
Holiday pay accrual	No mention	An accrual is required for the liability for paid annual leave' if material
Retail gift aid	No mention	Treated as a donation
Heritage assets	Explicit definition with reference to charity's objects	Definition redefined to remove reference to the charity's objects

	SORP 2005	FRS 102 SORP
Fixed asset revaluation	Tangible fixed assets (other than investment assets) do not need to be revalued unless the charity adopts a policy of revaluation. Where such a policy is adopted, whilst it need not be applied to all fixed assets, it must be applied to entire classes of fixed assets	First time adopters may elect to: > Measure an item of property or equipment on the date of transition to SORP 2015 (FRS102) at its fair value and use that value as its deemed cost at that date; or > Use a previous GAAP revaluation of an item of property or equipment at, or before, the date of transition to SORP 2015 (FRS102) as its deemed cost at the revaluation date; or > Measure an item of property or equipment on the date of transition to SORP 2015 (FRS102) at its brought forward cost less depreciation
Lease arrangements	Rebuttable presumption that where the present value of the minimum lease payments is 90% or more of the fair value of the asset, then the lease is a finance lease	No rebuttable presumption that where the present value of the minimum lease payments is 90% or more of the fair value of the asset, then the lease is a finance lease
		First time adopters of SORP 2015 may elect to determine whether an arrangement existing at the date of transition to the new SORP contains a lease on the basis of the facts existing at that date, rather than when the arrangement was entered into
Lease incentives	Lease incentives are released over the period up to the first rent review	Lease incentives are released over the lease term as opposed to the period up to the first rent review. A first time adopter is not required to apply the new rules on lease incentives provided that the term of the lease commenced before the date of transition to SORP 2015
Major judgements impacting accounts	No specific reporting requirement	Need to be set out in the notes to the accounts
Prior year adjustments	Occur as a consequence of a fundamental error	Occur as a consequence of a material error
Cash flow statement	Not required for smaller charities	Now required
Strategic report	Required for some corporate charities based on size	Required

The new SORP also contains new guidance relating to **group accounts**, specifically:

> Parent entity SoFA disclosure
> Merger accounting
> Associates
> Joint Ventures

Key Differences Between the FRSSE SORP and FRS 102 SORP

Whilst many of the requirements of the FRSSE and FRS 102 SORPs are the same, there are also some significant differences. The more significant differences are considered below, with reference to the useful Helpsheet produced by the Charity Commission and its Scottish counterpart OSCR.

Trustees Report

The requirements of the FRSSE SORP and FRS 102 SORP are identical. Both SORPs require more information to be provided by larger charities. Larger charities are those that are subject to statutory audit under charity law.

SOFA

There are a number of key differences:

- Gains and losses on investment assets count towards net income/expenditure in the FRS 102 SORP but are excluded from net income/expenditure in the FRSSE SORP
- An additional category of 'other gains and losses' is present in the FRS 102 SORP only.

The FRSSE requires the separate disclosure of 'exceptional items' which are exceptional by virtue of size or incidence whereas the FRS 102 requires the separate disclosure of 'material items'. FRS 102 has an additional category of 'extraordinary items' which fall outside of ordinary activities and are of an abnormal nature and unlikely to recur; these must be disclosed separately in the SoFA after striking the total for net income/expenditure.

Balance Sheet

The format of the balance sheet is common to both SORPs but there are some differences in terminology.

There are also differences of detailed accounting treatments, including:

- The FRSSE does not permit revaluation of intangible fixed assets
- Under FRS 102 capitalised goodwill is assumed to have a life which does not exceed 5 years (except where the economic life can be reliably measured) whilst under the FRSSE the life of capitalised goodwill is not to be more than 20 years
- The options of including tangible fixed assets and stock at a fixed amount (where certain criteria are met) are only available under the FRSSE
- FRS 102 does not permit the exclusion from the category of investment property, properties which are let and occupied by another group undertaking
- Under FRS 102 unlisted investments should be measured at fair value where practicable, whereas an alternate approach is permitted under the FRSSE
- Under FRS 102 any contractual obligation to make additional payments to a defined benefit pension scheme must be recognised.

There are also differences in the approach taken to disclosure. FRS 102 SORP requiring greater disclosures in relation to:

- Fixed assets
- Investments
- Stock
- Liabilities.

The disclosure requirements also differ in respect of contingent items. The FRSSE requires disclosure of amounts to do with capital expenditure whilst FRS 102 requires an indication of uncertainties and any reimbursement.

Cash Flow Statement

The cash-flow statement is optional under the FRSSE and its format is based on old GAAP with three sections:

- Cash generated from operating activities
- Cash flows from other sources
- Application of cash.

A cash flow statement is mandatory under the FRS 102 SORP and is based on the new GAAP. It has three sections as follows:

- Cash flows from operating activities
- Investing activities
- Financing activities.

Accounting policies, concepts and principals

There are differences between terminology and definitions, some of the most significant being:

- Whilst both SORPs require trustees to assess going concern, the FRS 102 SORP specifies that their review covers at least 12 months from the date the accounts are approved
- The FRSSE SORP refers to prudence and accruals which is not specifically mentioned in FRS 102
- The FRSSE takes a different approach to determining accounting policies than FRS 102 with users of the FRSSE 'having regard' to FRS 102 as 'current practice'
- The FRS 102 requires more disclosures than the FRSSE.

Other differences

Donated goods, facilities and services

Both SORPs take the same approach to the criteria for income recognition with the definition of entitlement, measurement and probable (receipt is more likely than not) essentially the same, except for donated tangible fixed assets. The FRSSE requires donated tangible fixed assets to be recognised at their current value whereas FRS 102 requires recognition at their fair value.

Holiday pay accrual

The FRS 102 SORP requires a provision to be made for paid annual leave (holiday pay) and paid sick leave, where material. This is not required by the FRSSE.

Disclosure of trustees and staff remuneration, related party and other transactions

The FRS 102 SORP requires additional disclosures as follows:

- The aggregate value of unconditional donations made by trustees
- Disclosure of a charity's contributions to a pension fund for the benefit of employees
- The terms and conditions of transactions with, and the details of any guarantee given or received from, related parties
- Additional information on the nature, accounting policy and funding of

termination payments
- Disclosure of the total amount of employee benefits received by key management personnel.

Financial Instruments

The FRSEE has a much less detailed approach to financial instruments with much less disclosure required.

Retirement benefits/retirement and post-employment benefits

Where a charity is participating in a multi-employer defined benefit pension scheme and is required to make additional contributions but its share of any actuarial pension liability cannot be identified, the FRSSE SORP permits a charity to continue with its existing accounting policy whereas the FRS 102 SORP requires the present value of any additional repayments due to past service to be recognised as a liability. The FRS 102 SORP requires more disclosure for defined contribution and defined benefit pension schemes.

Group Accounts

The FRSSE SORP permits a charity to continue with its existing accounting policies provided those policies reflect accepted practice. Otherwise charities following the FRSSE should adhere to current practice which is the same as that required of charities following FRS 102.

Action plan

- Confirm which SORP you are going to apply (where a choice is available)
- What further information will be required? Are your systems gathering that information now and will it still be available when needed?
- Review your accounting policies and select suitable policies compatible with the new SORP applied
- Are any external valuations required?
- Financial statement templates will need to be updated to cover all of the new compliance requirements
- Consider whether additional accounting or auditing work will be required and ensure this is budgeted for
- Do your internal management accounts need to be "re-mapped" to reflect the presentational changes which will impact the financial statements?

Report produced by
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Clair is a charities specialist, providing advice and support to a broad spectrum of charities and not-for-profit organisations. Her guidance and support incorporates audit and accounting, systems and controls, governance, risk management and reporting. Clair has also acted as a charity trustee and experienced the demands and challenges facing charities from an internal perspective.

Charity Tax

Taxation Notes for Charities

Surely charities don't need to worry about tax, do they?

Yes they do! The very first thing for charities to understand about tax is that they cannot simply ignore it. By this we mean that charities do not have a blanket exemption from taxes: there are of course generous tax reliefs for charities but the only safe starting point is to recognise that charities are treated for tax purposes in exactly the same way as everyone else unless the precise terms of some specific exemption or relief are satisfied. So, for example, a charity which carries on a trade is subject to tax unless the trade fulfils one of several alternative conditions which we look at in more detail below; a charity carrying on a business or having rental income may be liable to account for VAT on its turnover; and a charity which employs people is going to be subject to the same PAYE obligations as any other employer. A charity which has taxable income is required to notify HMRC and to file a tax return in exactly the same way as any other taxpayer and is liable to the same penalties if it fails to meet its obligations.

Who gets the exemptions?

Only bodies recognised by HMRC as charities qualify. If you are recognised as a charity by the Charity Commission or the Office of the Scottish Charity Regulator ("OSCR"), HMRC will usually accept that you are a charity for tax purposes. Occasionally, because Scottish law differs from UK tax law, things may not be quite so straightforward for a Scottish charity; but this will be rare.

Some charities are not registered with the Charity Commission or with OSCR. This may be because the charity is excepted or exempt from registration or if its income is below the income threshold. Such unregistered charities are still able to access tax reliefs and exemptions but they must establish their charitable credentials with HMRC by submitting details of their governing documentation and charitable objectives and activities.

What exemptions are available?

Provided the income is applied only for charitable purposes, charities are exempt from UK tax on most types of investment income (including income from investments overseas) and on rental income from property. Where tax has been deducted at source from exempt income, charities are able to claim repayment of the tax; they are not, however, any longer able to reclaim payment of tax credits in respect of dividends. Charities are also exempt from Capital Gains Tax provided the proceeds of disposal are used for charitable purposes only.

It is in relation to non-investment income (in particular, trading income) that the main complications arise. There is no blanket exemption from tax for such income, though there are no fewer than five separate exemptions which might apply: if none of those are available it may be advisable to consider trading through a subsidiary (non-charitable) trading company.

How do trading reliefs work?

There are five possible exemptions from Income Tax (or Corporation Tax if the charity is a company). In each case there is a common requirement that the profits must be used for charitable purposes only. The exemptions are briefly described below:

1 "Primary purpose" trading

This is trading which is carried out in the course of carrying out a primary purpose of the charity. Examples might include an independent school or a museum – the trade is carried out not to raise funds for the primary purpose of the charity but is itself the primary purpose. This exemption also extends to trading activity which is not itself part of the charity's primary purpose but which is ancillary to the "primary purpose" trading. An example would be a museum running a café to cater for visitors to the museum or sale of necessary text books to students of an independent school run by a charity. Something to watch out for here is that trading may be partly ancillary to primary purpose trading and partly not. For example, a shop associated with a museum may sell both goods related to the primary educational purpose of the charity (books about the exhibits, for example) and pure fund-raising items (such as mugs, pens and other souvenirs). Subject to de minimis rules, such mixed trading may lead to the partial loss of exemption.

2 "Beneficiary" trading

This is trading where the work is mainly carried out by beneficiaries of the charity – for example, a workshop for the disabled selling goods produced in the workshop is likely to qualify; the exemption is still sometimes referred to as the "blind basket weavers" exemption. Another example would be a catering school running a canteen open to the public where the food is prepared and served by students as part of their course.

3 Minor trading

Where neither of the main exemptions applies in full, profits may be exempt if the gross turnover (NB not the profit from the trade) is less than 25% of the charity's annual income and is also less than £50,000. However, regardless of the level of the charity's income, a trade with a turnover of less than £5,000 will always be exempt. This can be combined with the main exemptions: so if for example, a trade is largely covered by the "primary purpose" exemption but a small part is not, the non-exempt part may be covered by the minor trading rules.

4 Fund-raising events

Profits from events which are undertaken by a charity are exempt from Income Tax or Corporation Tax if they meet the definition of "VAT-exempt" events. For more detail of "VAT exempt" events, see below. One rather confusing point to remember is that although the VAT relief can apply to bodies which are not charities, the corresponding direct tax relief is restricted to charities.

5 Lotteries

If a charity organises a lottery to raise funds, any profits are exempt from tax provided the lottery is promoted and conducted in accordance with the terms of a lottery operating licence.

What about sponsorship income?

The tax treatment of sponsorship income may require careful examination. If the charity gives nothing substantial in return for a donation from a business, the donation will retain its character as a gift, even if a business donor seeks and obtains good PR from the gift and indeed may see it as the main benefit of the gift. However, where the charity provides some goods or services in return for the sponsorship this may be regarded as amounting to a trade, which will not usually fall within any of the tax exemptions; and it can sometimes be difficult to know where the line is drawn. Where an event promoted by a charity is sponsored by a business, the sponsorship will not amount to a receipt of a trade merely because there is a simple acknowledgement of the sponsorship in the programme for the event. But a more fulsome acknowledgement, perhaps including prominent display of the sponsor's logo or a description of the sponsor's business may well be regarded as the provision by the charity of advertising services, which would (subject to the exemptions above) be a taxable business. Other services which a charity might provide in return for business sponsorship might include some form of product endorsement or recommendation, or perhaps access to the charity's mailing list: either of these might well give rise to taxable income. This area is particularly fraught and great care needs to be taken at the margins.

Trading companies

Rather than trade itself, a charity may establish a company in which it owns all the shares as a vehicle through which all trading is conducted, with a view to procuring that the company pays all its profits to the parent charity under Gift Aid. There are two main reasons for this. First, the charity may not wish to expose all its assets to the commercial risks of trading; second, if there are non-charitable activities for which the charity would not be entitled to relief, this does not matter: taxable profits will be "washed out" by the Gift Aid payment. There is a special relaxation of the Gift Aid rules for companies owned by a charity whereby payments made within nine months of the end of the company's accounting year can be "related back" to the accounting year: this will make it easier to ensure that the full amount of profit for the accounting year is paid up as Gift Aid rather than having to make an educated guess.

Because a charity is at risk of losing some or all of its tax reliefs if it makes any loans or investments which are "non-qualifying", it is important to ensure that any investments which a charity makes in a trading subsidiary are commercially justifiable: for example any loan should carry a reasonable rate of interest which should actually be paid. Charities will also need to bear in mind the constraints imposed by charity law, which are covered elsewhere in these notes.

Gift Aid

How does Gift Aid work?

Both companies and individuals can make payments under the Gift Aid scheme, although the detailed rules differ. From the charity's perspective the important point is that Gift Aid receipts from individuals (but not companies) are treated as if they had had basic rate tax deducted from them, which tax is repayable to the charity. Thus with basic rate tax at 20% a Gift Aid receipt from an individual of £100 will be treated as a gift of £125 from which tax of £25 has been deducted and will generate a tax repayment of £25 for the charity. Most charities will be familiar with the basic Gift Aid procedures for cash donations and we shall not cover those here. But there are some complexities…

Gifts of money

Gift Aid relief can be claimed only on gifts of money (though there are special rules about gifts of shares, securities and land). This includes cash, cheque, credit/debit card and all other forms of money transfer, and the gift can be in sterling or foreign currency (though to make a Gift Aid payment the payer must be liable to pay UK Income Tax or Capital Gains Tax of at least the amount which is treated as deducted from the payment).

How to claim Gift Aid

The donor must provide a Gift Aid Declaration, examples of which are available on the HMRC website. This is confirmation that they have paid, or will have paid, sufficient income or capital gains tax to cover the amount of Gift Aid the charity will reclaim from HMRC. The declaration need not be written, and may be made by telephone or over the internet, providing the donor's name and address is obtained and detailed auditable records are maintained.

The charity then submits their Gift Aid claims online to HMRC by way of a summary spreadsheet attached to the claim form. The original declarations are not required to be submitted, but must be retained by the charity in case they need to be checked by HMRC.

Retail Gift Aid

A particular Gift Aid issue can arise in respect of the sale of donated goods. If a donor gives goods worth say £10 for sale through the charity's shop the proceeds of sale are of course tax-free and the charity receives £10. If the donor sells the goods himself and donates the cash proceeds to the charity, the donation can be gifted-aided and becomes worth £12.50 to the charity. For this reason various "Retail Gift Aid" schemes have evolved whereby the charity purports to act as undisclosed agent for the donor in selling the goods and in receiving the cash proceeds of sale which are then (as cash gifts) donated to the charity under Gift Aid. These schemes can certainly work, but only if they are meticulously planned and carefully implemented: they are full of pitfalls for the unwary.

Gifts with strings or a quid pro quo

Gifts "with strings" do not count: so Gift Aid would not apply to "gifts" which are in any circumstances repayable; or gifts made on behalf of other people. "Gifts" which are in fact payment for goods or services are not within Gift Aid; but the provision of benefits which are of small value relative to the gift are acceptable. For gifts up to £1,000 the value of the benefit must be less than £25 and less than 25% of the gift; for larger gifts it must be less than £2,500 and less than 5% of the gift. There are, however, special exemptions of which the main one (the so-called "National Trust" exemption) operates to permit Gift Aid in respect of annual subscriptions affording the giver free or reduced-rate admission to view property the preservation of which is within the charity's charitable purposes.

Buying the benefit

Where a Gift Aid payment would otherwise fall foul of the "benefit" rule, it is possible for the donor to make a separate payment for the benefit ("buying the benefit") and only to claim Gift Aid on the remainder of the payment. This can be done only where:

- The benefit is available to be purchased separately (i.e., is commercially available)
- The donor is aware of the value of the benefit at the time he makes the payment.

This can be helpful at charity auctions, but only where the item sold is in fact commercially available. The problem with many charity auctions is that the lots offered are unique and are not commercially available; as for example a football shirt signed by a star player or a handbag donated by a celebrity. It is not then possible to identify separate elements of donation and payment for the benefit and Gift Aid cannot apply to any part of the payment - even though the amount of the successful bid will almost always have been inflated by an intention to benefit the charity.

Gift Aid Small Donations Scheme (GASDS)

In some circumstances Gift Aid "top-up" payments can be claimed in respect of individual donations of up to £20 even if the donor has made no Gift Aid declaration or if you do not know the identity of the donor. Typically this may apply to street collections or donations made at meetings (such as church services). The maximum which can be claimed under the GASDS for a year is 10 times the amount claimed under the main scheme, and there is a separate £5,000 limit for each "community building" in which collections are made and on donations collected other than in a "community building" such as street collections.

Gift Aid can be an attractive proposition for potential donors, who will like to see maximum value received for their donation. Higher rate taxpayers are entitled to offset their donation against income charged at their highest rate meaning that the net cost of their donation is even lower.

In summary, Gift Aid can provide the fundraising boost that is needed to make appeals successful. An appeal target of £100,000 for new equipment may seem unachievable but, when a £20,000 contribution from HMRC through Gift Aid is included, the target becomes much more easily attainable.

Charity Tax report produced by:
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David Whiscombe is Tax Technical Director at UK200Group firm BKL and heads the firm's Tax Consultancy business BKL Tax. A Fellow of the Chartered Institute of Taxation and a former District Inspector of Taxes, he advises on the whole range of taxes affecting owner-managed businesses and their owners as well as advising in the charity and not-for-profit sector.

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Simon offers a broad range of accountancy services to his clients, including accounting for charities – a specialism in which he qualified for a Diploma in Charity Accounting (DChA), awarded in 2008. Aside from charities, including schools, Simon's client base includes manufacturing and service organisations, farming and associated trades, retail and distribution companies, construction companies and private clients to whom he offers tax advice.

Charities and VAT

Legislation

Prior to March 2012, the definition of a charity for VAT purposes followed the Charities Act 2011 and its predecessors which set out broad tests of charity status. Schedule 6 of Finance Act 2010 which came into force on 14 March 2012 provides a definition of a charity for tax purposes and adds jurisdiction, registration and management conditions, narrowing the availability of some of the VAT exemptions and exceptions contained in the VAT Act.

VAT overview for charities

When considering their VAT position, charities have two principal factors to consider: whether their activities are by way of business or non business; and if by way of business whether those activities fall within any of the VAT exemptions or zero rates or are taxable at the standard or reduced rates. For simplicity, I shall refer to these as business/non business and taxable/non taxable.

Setting aside the special schemes available to certain Government funded bodies such as academies, museums and, from April 2015, hospices and search and rescue charities, which allow them to recover VAT paid on expenditure relating to non business supplies, most charities cannot claim this VAT and, if they make only non business supplies, cannot register for VAT.

Charities which make business supplies are subject to the same VAT registration requirements as other businesses and must register if their taxable business supplies exceed the VAT registration threshold. They can also choose to register voluntarily if they make taxable supplies under the registration threshold.

Charities making a combination of business and non business supplies are subject to the same registration requirements and must apportion their expenditure to claim only that part relating to business supplies.

Business/non Business

Probably the most difficult issue facing charities is the categorisation of their activities as business/non business, in particular in the context of grant funding. The pertinent legislation is contained in Sections 1, 4 and 5(2) of VAT Act 1994 which define 'supply', 'taxable supply' and 'consideration' but, as there is nothing beyond this in legislation, the tests of business have been drawn from historic Case Law and are as follows:

> Is the activity a serious undertaking earnestly pursued?
> Is the activity an occupation or function which is actively pursued with reasonable or recognisable continuity?
> Does the activity have a certain measure of substance in terms of the quarterly or annual value of taxable supplies made?
> Is the activity conducted in a regular manner and on sound and recognised business principles?
> Is the activity predominately concerned with the making of taxable supplies for a consideration?
> Are the taxable supplies that are being made of a kind which, subject to differences of detail, are commonly made by those who seek to profit from them?

These tests are not a checklist but they have been used to form a picture of the nature of a charity's activities.
Added to this, when considering grant funding, the following tests have been set out and continue to form the basis of the business/non business consideration:

> Does the donor receive anything in return for the funding?
> If the donor does not benefit, does a third party benefit instead? And if so, is there a direct link between the money paid by the funder and the supply received by the third party?
> Are any conditions attached to the funding, which go beyond the requirement to account for the funds (commonly referred to as 'good housekeeping')?

The above can usefully be summarised with the phrase 'are the services carried on for the payment or with the payment'. (TJ Tolsma v Inspecteur der Omzetbelasting Leeuwarden [1994] 2 CMLR 908). The former 'for the payment' indicates consideration for a supply and therefore business whilst 'with the payment' indicates non business.

Taxable/non Taxable

Having established that supplies are made by way of business, there are a number of VAT exemptions into which supplies commonly made by charities may fall.

VAT exemption means that VAT is not chargeable on the supply but that any VAT incurred on expenditure relating to the supply is not recoverable. The effect is the same as making non business supplies although a de minimis limit does apply to exempt input VAT which allows charities making predominantly taxable supplies to reclaim VAT on their exempt supplies.

It is worth repeating that there is no de minimis limit for non business supplies so any charity making non business supplies which doesn't fall into one of the special schemes referred to above will suffer irrecoverable VAT cost on at least part of its expenditure.

Broadly the exemptions available to charities are: education; health & welfare: subscriptions to trade unions, professional and other public interest bodies; sports, sports competition and physical education; fundraising events; and cultural events.

Each of these exemptions derives from a different Group within VAT Act 1994 Schedule 9 and there are different qualifications for eligibility, some specifically referring to charities and therefore requiring that the charity meets the definition in Finance Act 2010 Schedule 6 whilst some refer to qualifying or eligible bodies and set out different criteria. Most exemptions are restricted to the charity or qualifying body but some, such as the fundraising event exemption, extend to a trading subsidiary.

The fundraising event exemption is a good example of why it is important for charities to consider VAT as part of its planning process. This exemption is restricted to events with the predominant purpose of fundraising and is limited to 15 of the same type of event in the same location in any one financial year. A de minimis of £1000 gross income per event applies and the exemption does not cover items sold at the event such as commemorative brochures.

In addition to the VAT exemptions there is a very beneficial zero rate available to the sale by a charity of donated goods, which also applies to charity auctions if the auction items have been freely given. Zero rating is VAT utopia in that no VAT is due to HMRC on the supplies made but VAT on related expenditure can be recovered. As most VAT registered charities are partly exempt, zero rated supplies contribute to taxable turnover and raise the proportion of overhead costs which the charity can reclaim.

Purchases

The final group of concessions for charities are those items which can be purchased without VAT. These are in addition to the zero rates available to all businesses such as printed materials, food and childrens' clothing.

There are of course eligibility criteria for these VAT free purchases, some require certification and some are only available if the charity is wholly or predominantly (80% +) making non business supplies.

Broadly these are: construction work; rent; advertising; aids for the disabled; medical, veterinary, scientific and rescue equipment; drugs and medicinal products; supplies of staff between charities; goods for use when collecting donations; and talking books and newspapers.

In addition, charities benefit from the reduced 5% rate of VAT on purchases of fuel and power although the reduced rate for the installation of energy saving materials was withdrawn following EC infraction proceedings.

Finally

VAT for charities is about as complex as it gets and, added to this, changes with some frequency. The removal of the VAT zero rate for listed building work in 2012 is an example of a major financial setback for charities whilst the 2015 concessions for hospices and search and rescue charities are hard fought for and much needed boosts to the sector. Staying on top of charity VAT law, planning for transactions and events are key to avoiding costly mistakes and making the best of what is available.

Report produced by:
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Debra provides high level VAT consultancy on a full range of VAT issues, advising on transactions and structures across all business types, both in the commercial and not for profit sectors. Debra has built up an extensive technical knowledge over more than 25 years' specialising in VAT and takes a practical approach, which has successfully argued against HMRC achieving substantial VAT savings and compensation for clients.

A very experienced VAT lecturer, Debra delivers seminars to clients, business groups and other professionals and also supports other accountancy and law firms with their high level VAT requirements.

Charitable Incorporated Organisations

A charitable incorporated organisation (CIO) is an incorporated form of legal entity which is registered and regulated by the Charity Commission and specifically applies to charities. It is an alternative to setting up a charity as an unincorporated entity, either by way of a trust or an unincorporated association, or as a company limited by guarantee under the Companies Act.

Practical Experience

Since 2 January 2013, when registration became possible, there have been around 3,000 registered.

The view from the Government seems to be that it is most applicable for micro to small charities – and it has been suggested that this means those charities with an income of up to £500,000 or even £1 million per annum.

Advantages

The main advantages of the CIO are that it affords the benefit of limited liability as well as creating a vehicle with legal personality to hold property and enter into contracts in its own name. Other advantages as against companies limited by guarantee are:

1. That registration is with the Charity Commission which regulates CIOs. So accounts and annual returns only need to be submitted to the Charity Commission and not also to the Companies Registry
2. That CIOs are not subject to company law
3. It is possible to have a constitution in which the charity trustees are the members (see below)
4. The accounts may be prepared on a receipts and payments (rather than on an accruals) basis if the gross income of the CIO is less than £250,000
5. It can be more straightforward for communications with members to be electronic
6. There are other special features which apply to CIOs only.

Set against the advantages of the CIO are some differences (when compared with companies limited by guarantee). These include those set out below.

1. The main distinction which has attracted attention is that there is no central register of charges as a result of which it is considered that lenders may be less willing to lend to CIOs than to companies
2. There is no income threshold for the registration of a CIO whereas it is £5,000 for charitable companies
3. The CIO has to have charitable status so unlike a company it will cease to exist if it loses that status. This point may be somewhat artificial as it is unlikely that a charitable company would lose its charitable status and remain operating
4. Various features of a company which automatically apply do not in the case of a CIO such as, for example, the right to appoint a proxy and to remove a director. However, these rights can be incorporated in the constitution of a CIO
5. Each member of a CIO must exercise his or her powers in the way such member decides in good faith is most likely to further the CIO's purposes
6. There are different rules in relation to conflicts of interest which apply to CIOs including an obligation to disclose any material interest in an arrangement or transaction entered into by the CIO before it is entered into.

Two constitutional forms

There are two main constitutional forms, the one where trustees are the only members and the other where there is a wider membership than just the trustees. Model documentation for both types has been produced by the Charity Commission and for the various reasons specified by the Commission it is recommended that the Commission's model documentation is used. This should also make the registration process simpler.

As already mentioned the foundation model for charities whose only voting members are the charity trustees is a particular feature of CIOs and useful for unincorporated charitable trusts which do not have members currently.

Incorporating an existing charity

If the charity is not being formed from scratch there are two routes for an existing charity depending on its current status:

1. First, transferring the assets of the liabilities of a trust or unincorporated association to the newly formed CIO - there is no automatic conversion mechanism
2. Converting an existing charitable company using the automatic conversion mechanism. However, the regulations for this have not yet been issued and it is expected that they will not be available until later this year.

Conclusion

Companies limited by guarantee are tried and tested and charitable incorporated organisations are a new vehicle which have yet to stand the test of time. Nevertheless as the registration figures demonstrate there is every indication that their popularity will increase and that they will become an increasingly prevalent vehicle for charities.

Report produced by:
Mark Lewis – Lodders Solicitors LLP

Mark is a member of the UK200Group Charities & Education Committee. He heads up the Lodders Charity Law Team and has extensive experience of a wide range of charities and not-for-profit organisations.

Mark's experience of charitable work includes advising on the formation and incorporation of charities, the restructuring and mergers of charities, as well as advice on charity law and advising on governance issues and drafting commercial agreements. He also provides trustee training.

Mark was for many years an editor of Butterworths Corporate Law Service, contributing editor to the Butterworths Company Law Guide; and is the consulting Editor of the Law Society's Book on the Companies Act 2006 and a member of the Charity Law Association.

Charities and Financial Investments

Introduction

All charities can invest and do so to achieve a return so they can further their charity's aims. However, investing exposes charities to risks which, if not properly managed, can affect not just the charity itself but the public's trust and confidence in the sector more generally. Accordingly, it is paramount that charities manage their exposure to risk and operate within the law.

Trustees are required to play an active role in the management of the charity as a whole which includes the investment of charitable assets and resources. It is understood that most trustees are not expert in such matters and the Charity Commission is clear that:

"[if] trustees have considered the relevant issues, taken advice where appropriate and reached a reasonable decision, they are unlikely to be criticised for their decisions or for adopting a particular investment policy."

In this section of the report, consideration is given to:

> The legal framework and trustee responsibilities
> Setting an investment objective and an investment policy
> Investment management and selecting investment managers
> Monitoring investment and performance.

The information provided includes guidance set out in the Charity Commission publication "Charities and Investment Matters: A guide for trustees" which can be accessed on the Commission website: http://bit.ly/1cLJjTO

Legal Framework

The purpose of financial investment is to yield the best financial return within the level of risk considered to be acceptable - this return can then be spent on the charity's aims.

All charities can make financial investments.

Most unincorporated charities have a 'general power of investment' which allows trustees to invest the charity's funds in any asset that is specifically intended to maintain and increase its value and/or produce a financial return. The charity's governing document may set out additional provisions, restrictions or exclusions on the types of investments the charity can make; these may take priority over, or affect, the general power of investment.

The investment powers available to trustees of 'charitable companies' are normally set out in its articles of association and are usually similar to the general power of investment referred to above. Where a charitable company acts as a trustee of an unincorporated charity, the 'general power of investment' applies

Trustee Responsibilities

Trustees have overall responsibility for the investment of a charity's funds but, given the veritable maze of rules and regulations to take into consideration just to manage the monies, never mind organise and oversee the use of these for the charity's aims and objectives, they may choose to delegate day to day decisions about investments to an appropriately experienced/qualified third party.

In managing investments trustees must:

> Use their skills and knowledge in a way that is reasonable in the circumstances ('the duty of care')
> Consider how suitable any investment is for their charity
> Consider the need to diversify investments
> Take advice from someone experienced in investment matters where they consider they need it
> Review their investments (and their investment manager) from time to time, changing them if necessary.

Investment Objectives

Trustees must be clear about the objective of the investments they enter into. This will include consideration of what to invest in, how to invest and the timescales for investment and generating returns.

Specifically, trustees need to consider:

Availability of funds

The funds they can afford to invest, having taken into consideration matters including:

> Immediate financial needs
> Budgeted/forecast spending
> Longer term objectives
> Reserve for unexpected expenditure.

Consideration of Risk

Trustees should consider what is the appropriate level of risk that they want to, or are able to, accept. As part of their duty of care, the trustees must be satisfied that the overall level of risk they are taking is right for their charity and its beneficiaries. Trustees should consider and manage the different risks, including:

RISK TYPE	MANAGING RISK
Capital > Loss in capital value > Volatility in value	Diversified portfolio of investment assets
Liquidity > Ability of charity to meet its expenditure obligations when they fall due. Some investments are more readily convertible in to cash	Consider investment types (e.g. shares, property etc) and short term financial needs
Market > Includes: inflation, interest rate, exchange rate & regulatory	Awareness of exposure to these risks of different asset types Investment in regulated markets
Valuation > Some valuations are estimates (e.g. property) which may vary according to timescales involved	Be aware of the basis of valuation and potential timescales for realisation
Tax > Some investments may be treated as non-qualifying expenditure, with tax consequences	Check HMRC guidance
Environmental, Social and Governance > Inappropriate impact of organisations on climate, employment practices, sustainability, human rights, community impact	Consider importance and agree investment guidelines re types of organisations in which to invest

Investment Policy

All charities should have a documented investment policy which will vary in detail and sophistication according to the size of the charity and the availability of funds to invest. This should ideally include:

> The scope of its investment powers
> Investment objectives
> Attitude to risk
> Funds available for investment, timing of returns and liquidity needs
> The types of investment it wants to make (may include ethical considerations)
> Who can take investment decisions
> How investments will be managed and benchmarks and targets set by which performance will be judged
> Reporting requirements for investment managers.

Deciding what to invest in

Possible types of investment include:

> Cash deposits in bank or building society accounts
> Shares in a listed company
> Bonds or gilts
> Buildings or land
> Common investment funds (pooled funds)
> Non traded equity in private companies
> Hedge funds, commodities, derivatives.

Collective investment schemes are investment vehicles where the assets of individual investors are pooled together with those of other investors to achieve appropriate levels of diversification.

A collective investment scheme that many charities use is called a Common Investment Fund (CIF). CIFs are regulated charities in their own right and only charities established in the UK can invest in them. They give charities of all sizes the ability to invest in a tax efficient way in a range of investments to achieve a professionally managed, diversified and balanced portfolio. However, diversification through pooled funds does not eliminate all investment risks.

Investment Management

A charity's trustees have overall responsibility for investment decisions and must take and consider advice from someone experienced in investment matters before making investments and when reviewing them. Subject to its internal resources and expertise and the nature of its investment portfolio, the trustees of a charity may be able to manage the portfolio (making decisions as appropriate) without reference to a third party expert.

However, for many it will be necessary to take external advice from an investment manager/investment advisor. When using an investment manager, a charity may either:

- Use an investment manager or a stockbroker to **advise** them in managing their investments (advisory investment manager)
- Give the investment manager some powers to **make decisions** about their investments on their behalf (discretionary investment manager).

Responsibilities

When using an investment manager to manage the charity's investments there must be:

- A written contract with the investment manager
- An investment policy which clarifies the responsibilities and remit of the investment manager and must require the manager to follow an investment policy in line with the charity's policy.

The trustees have overall responsibility for the charity's investments. Preparation of the policy statement is the responsibility of the trustees and can't be delegated to the investment manager. However, trustees will not be liable for any act or default of the investment manager unless they have failed to comply with their duty of care in overseeing the charities investments and the management thereof.

Selecting an investment manager

It is best practice for charities selecting an investment manager to go through a formal tendering process, inviting a number of firms to tender their services. The selection decision will be based upon:

Proven experience

When choosing an external manager or managers, trustees need to be sure that the managers will manage the assets effectively to produce the returns required and at the same time make sure that the investment policy laid out by the trustees is adhered to. It is important that they can trust the chosen manager to achieve the returns that the charity needs to operate effectively in accordance with its plans and that the firms already have proven experience in managing charity monies. This is to ensure that the investment managers in question understand the investment environment for charitable operations. This will include consideration of approach to ethical investment and flexibility in adhering to the requirements of the charity.

Performance record

Furthermore, the trustees need to feel that there will be a consistent series of returns. Whilst it is reassuring therefore, to see that potential managers have had a good performance track record independently verified, it is important to remember that past performance is not a guide to future performance. As a result the trustees will want to consider the rigour and depth of the firm's investment process, to see just how past returns have been arrived at and to ensure that the process is repeatable.

Firm's robustness

In addition, as a standard part of the due diligence process it is normal for trustees to look at several years' of the potential manager's annual report and accounts in order to discover whether there might be any risks to the charity from any structural or financial problems at the potential manager. Whilst looking at the manager in depth, it is also a good idea to consider just how the firm operates, what management controls are in place and what general standards of governance exist within the prospective manager. In being truly rigorous, trustees might wish to see auditors' reports regarding management controls as well as make enquiries about the firm's regulatory record.

Fees and charges

When it is established that the firms meet the trustees' required standards, the final but by no means least important, point for consideration is the level of charges the prospective manager proposes. It is tempting sometimes to just go with the cheapest manager, but this may not always be the wisest course of action. The level of service given to the charity in terms of reporting, alongside adherence to the trustee's investment strategy is another key factor which may have a real bearing on costs, as will provision of additional services if required - such as custody for the charity's securities. It is in these sections of the search operation that external consultants can be very helpful in assessing what managers are offering.

At the end of the consideration process, which can take quite some time to complete, trustees need to feel a high level of confidence and trust in their chosen investment manager in order that they can be seen to be proper stewards of the funds under their charge.

Reporting arrangements

Trustees are required to monitor the performance of the investments and the investment manager on an ongoing basis. Therefore, the basis of reporting (including face to face meetings or not), the format of reporting, the regularity of reporting and benchmarks and targets used along with the flexibility of the manager to accommodate reasonable requests made by the charity must also be taken into account to ensure that these accord with the objectives of the charity and are sympathetic to the overall management of the charity's affairs. Many charities appoint more than one investment manager as a way to diversify their portfolio and managing risk.

Monitoring Investment and Performance

Trustees must regularly review their investment portfolio and subject performance to formal review periodically through the year. Reviews should consider:

- Performance of investments (against target returns set in the investment policy/benchmarks)
- Performance and service of the investment manager
- Internal arrangements for managing the investments
- Frequency of formal review (e.g. quarterly, semi-annually).

Reporting in the Trustees Annual Report

Charities which prepare a Trustee's Annual report and are subject to audit must include the following details:

- Outline of the charity's investment policy
- A statement about the performance of their investments
- Explanation if an ethical approach has been adopted.

Total Return Approach

Legislation was introduced with effect from 1 January 2014, making it easier for charities whose capital is permanently endowed to adopt a Total Return Approach. Section 4 of the Trusts (Capital and Income) Act 2013 amends the Charities Act 2011 to give permanently endowed charities the power to adopt a total return approach to investment, whilst preserving the charity's permanent endowment. This means that in addition to spending income trustees can now spend some of the capital gains, providing the initial capital rises with inflation over the long term.

Detailed guidance can be obtained on the Charity Commission website following the link http://bit.ly/1zrFr3u

Other Types of Investment

Whilst financially based investments are most familiar, many charities are increasingly investing in Programme Related Investments and Mixed Motive Investments. The requirements associated with such investments are also summarised in the Charity Commission publication "Charities and Investment Matters: A guide for trustees".

The information contained above provides a summary of the areas which charity trustees must consider when managing investments. It is not an absolute or comprehensive guide and trustees must take appropriate advice.

Report produced by:
Ros Price
Chief Investment Strategist of 7IM

Ros has over 35 years' experience of investment management with a variety of leading investment houses. Most recently, she held the position of European Equity Strategist for Citibank Private Bank, where she developed an asset allocation strategy process that was based on individual clients' risk / return profile. Prior to this, Ros took responsibility for entire institutional portfolios and pension funds, including the Civil Aviation Authority Pension Fund (CAVIAPEN), and for European portfolios at GFM International Investors Ltd (the international asset arm of the US insurance company Metropolitan Life).

Andy Malpass BA FCA, Partner with Whittingham Riddell LLP

Andy heads up the Charities and Education group at Whittingham Riddell LLP and is Chair of the UK200Group Charities and Education Committee. He works with a broad range of charities and educational organisation, including Academies and Independent Schools. Andy has extensive experience of audit and internal audit compliance and provides advice on governance and risk management, financial planning, budgeting and strategy. He is often called upon to speak at local and national charity conferences and seminars and regularly writes for the professional press.

Andy joined Whittingham Riddell LLP from Pricewaterhouse Coopers where he spent 13 years working in both the UK and Australia.

Notes

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