

# Charity News



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New fundraising regulations, updates to guidance for trustees and those scrutinising accounts and some help for smaller charities. Our charity newsletter will give you the inside track on the sector's current hot topics and the guidance and support you need.

## Reporting matters of material significance

The three UK Charity regulators, the Charity Commission for England and Wales (CCEW), the Office of the Scottish Charity Regulator (OSCR) and the Charity Commission for Northern Ireland (CCNI) have issued new enhanced joint guidance setting out what auditors and independent examiners must report to them. The duty to report matters of material significance has been part of charities legislation across the three jurisdictions for a number of years and this update makes changes to and enhances previous guidance.

There are now nine matters which must be reported, if an auditor or independent examiner becomes aware of them during the course of their work. These are:

- matters suggesting dishonesty or fraud involving a significant loss of, or a material risk to, charitable funds or assets
- failure(s) of internal controls, including failure(s) in charity governance that resulted in, or could give rise to, a material loss or misappropriation of charitable funds, or which leads to significant charitable funds being put at major risk
- knowledge or suspicion that the charity or charitable funds including the charity's bank account(s) have been used for money laundering or such funds are the proceeds of serious organised crime or that the charity is a conduit for criminal activity
- matters leading to the knowledge or suspicion that the charity, its trustees, employees or assets have been involved in or used to support terrorism or proscribed organisations within or outside of the UK
- evidence suggesting that the way the charity carries out its work relating to the care and welfare of beneficiaries, the charity's beneficiaries have been or were put at significant risk of abuse or mistreatment
- single or recurring breaches of either a legislative requirement or of the charity's trusts leading to material charitable funds being misapplied
- evidence suggesting a deliberate or significant breach of an order or direction made by a charity regulator

- on making a modified audit opinion, emphasis of matter, material uncertainty related to going concern, or issuing a qualified independent examiner's report identifying matters of concern to which attention is drawn, notification of the nature of the issue with supporting reasons including notification of any subsequent trustee action
- evidence that significant conflicts of interest have not been managed appropriately by the trustees and/or related party transactions have not been fully disclosed as required.

The guidance makes the point that charity trustees should be aware of the matters which auditors and independent examiners must report and the duties placed on these advisors.

Guidance: [goo.gl/PEUK2H](http://goo.gl/PEUK2H)

## Data protection penalties

In April 2017, the Information Commissioner's Office (ICO) issued penalties to a number of household name charities for breaches of data protection rules.



The CCEW opened compliance cases on each charity to assess whether the trustees had acted in accordance with their duties under charity law. CCEW confirmed that the charities acted properly in reporting their ICO investigations.

This serves as a timely reminder to all charities and their trustees that handling donor data comes with a number of responsibilities. With enhanced data protection rules coming into effect in 2018 under the General Data Protection Regulation (GDPR), it would be sensible to review all data handling processes.

The ICO has various charity specific resources to help.

[goo.gl/7YA2XY](http://goo.gl/7YA2XY)

# Review of charity accounts

## Double default class enquiry

During the summer, CCEW undertook their annual review of a number of sets of submitted accounts as part of the double default class inquiry. The review focuses on charities who fail to file accounts properly in two consecutive years, so-called 'double defaulters'.

The review found that most of the accounts submitted were of an acceptable quality and they particularly commented that those charities who used the CCEW templates were more likely to have good quality accounts.

They also commented that not all trustees appeared to understand the external scrutiny requirements. If you require an overview of the external scrutiny requirements or disclosure requirements of your accounts, please contact us.

Full details of this accounts monitoring report can be found on the CCEW website.

[goo.gl/cg92oE](http://goo.gl/cg92oE)

## Modified audit opinion

A separate accounts monitoring review focused on the 97 charities that filed accounts in 2016 with a modified audit opinion, meaning that their accounts could be materially misstated. It found that the majority of those charities fell into one of two categories:

- either there was a lack of evidence to support the figures in the accounts, often relating to stock balances in both the current and previous years, or
- there was non-compliance with the SORP, often relating to property, investments or pension liabilities.

The CCEW noted that if a charity's auditor issues a modified audit opinion, this could damage donor's confidence in the trustees' governance of that charity. They go on to state that:

'to minimise the risk of a modified audit opinion, trustees need to check that their charity has sound financial systems and accounting records in place, take SORP compliance seriously and work with their auditors to provide the information that they will need for their audit'.

If you are unsure on any of these items please contact us at your earliest convenience.

The trustees' annual report should explain the circumstances behind a modified audit opinion to provide assurance that the trustees are taking action.

Full details of this accounts monitoring report can be found on the CCEW website.

[goo.gl/kaJzSv](http://goo.gl/kaJzSv)

## Public benefit

Trustees have a legal responsibility to 'have due regard to' the Commission's guidance on public benefit.

Registered charities must publish an annual report with disclosures setting out the charity's activities for the public benefit. By reporting on public benefit, trustees are able to identify that their charity is effectively doing what it was set up to do and is making a difference to its beneficiaries.

CCEW reviewed 107 accounts and found that 90% of the annual reports discussed what the charity was set up to do and its activities during the year, however many did not consider what difference they had made to their beneficiaries and include the required statement that the trustees had considered the CCEW guidance on public benefit reporting.

Full details of this accounts monitoring report can be found on the CCEW website.

[goo.gl/sfAyrk](http://goo.gl/sfAyrk)



## Charity accounts templates

The CCEW and Companies House have launched an updated accounts templates pack for small charitable companies. These templates are intended to help those charities with income of £500,000 or below to comply with their accounting and regulatory requirements and make it easier for donors and the public to review and compare information.

The templates join those previously published covering small non-company charities accounts and the trustees' annual report. There are also the example accounts for larger charities published by the charity SORP committee.

You can find the full suite of templates on the CCEW website.

[goo.gl/iVd6BQ](https://goo.gl/iVd6BQ)

You can find the example accounts for larger companies on the charity SORP website.

[goo.gl/2KP7qM](https://goo.gl/2KP7qM)

## Trustee essentials

The CCEW have updated their guidance for trustees, Charity finances: trustee essentials.

The guidance focuses on the financial responsibilities of charity trustees and the matters trustees should be considering as part of their role.

The guidance also considers how charities should be using their finances, income generation and how other resources should be used.

This is essential reading for all trustees, but particularly those with a finance remit.

[goo.gl/MUod9B](https://goo.gl/MUod9B)

The CCEW have also updated the publication, 'Charity governance, finance and resilience: 15 questions trustees should ask'.

This is promoted by the CCEW as a useful checklist for trustees to use at AGMs, trustee meetings, away day discussions or planning meetings.

The questions cover issues such as strategy, financial health, governance and making the best use of resources.

The publication acts as a useful prompt for trustees to reflect on. The questions can also be used to challenge charity executives and keep them accountable.

[goo.gl/YSfkZD](https://goo.gl/YSfkZD)

## Independent examinations

The CCEW has published revised guidance as to how the independent examination of a charity should be undertaken. This follows a consultation exercise in 2016 and feedback received from the sector and the accounting profession.

The revised guidance includes three new directions regarding conflicts of interest, related party transactions disclosures and financial circumstances, with enhanced commentary to support each direction.

The updated guidance gives a framework for situations where small group accounts are being examined and provides a range of example reports which have been updated under the new directions. In addition to the updated guidance, there is also a new checklist which is intended to help examiners to fulfill their role.

While this guidance is mainly going to be of relevance to the examiner, trustees should also be aware of what the guidance covers and how this may impact on the timing and extent of work carried out by their examiners.

Examiners must work under the new directions and guidance when signing and dating their independent examiners report on or after 1 December 2017.

[goo.gl/EaehQB](https://goo.gl/EaehQB)

## Fraud and cybercrime

Cyber security continues to be an area where regulators are keen to ensure that charities are being proactive in considering risks.

The Scottish Charity Regulator (OSCR) has published a factsheet produced alongside Police Scotland's Cybercrime unit which gives tips to help charities protect themselves. The factsheet also includes information on further advice and support which is available.

[goo.gl/DP1bKs](https://goo.gl/DP1bKs)



## Fundraising code of practice

The Fundraising Regulator (FR) has updated the code of practice to incorporate changes in six key areas. The code of fundraising practice and its associated Rulebooks for Street and Door Fundraising outline the standards expected of all charitable fundraising organisations across the UK.

The changes affect charity trustees and their understanding of:

- the applicable fundraising guidance
- the fundraising ask
- solicitation statements
- whistleblowing
- charity collection bags and
- fundraising agreements.

All the changes come into effect between July and November 2017. A list of the detailed changes and their respective timeframes can be found on the FR website.

[goo.gl/iAWPYc](http://goo.gl/iAWPYc)



## Private site fundraising rule book

The FR has published rules on fundraising on private sites such as supermarkets, shopping centres and other similar sites.

The rules are as a result of developing face to face fundraising rules and should be applied by any charity raising funds directly from the public in such locations.

[goo.gl/N5rsWS](http://goo.gl/N5rsWS)

## Fundraising Preference Service

The Fundraising Preference Service (FPS) launched in July 2017.

The service, which has been launched as a response to the Olive Cooke scandal, allows donors to control the communications they receive from charities. The FPS also aims to help rebuild public trust in the sector. It should also help charities to ensure their campaigns are targeted effectively by ensuring that individuals who do not wish to receive further communications are removed from their lists.

Donors are able to stop email, telephone, addressed post or text messages from a charity or multiple charities by making a request via the FR website.

Larger charities (in terms of public fundraising spend) have been requested to enroll with the FPS and will receive information on requests to restrict communications. The information can be provided in multiple formats depending on their preference.

Smaller charities will be emailed (via the email address held by the CCEW) and informed of the request to restrict communications to a specific person.

The service received over 6,000 requests for suppression in its first month.

It should be noted that the FPS only relates to charities in England and Wales and Northern Ireland and not Scottish Charities.

[goo.gl/6QNEAf](http://goo.gl/6QNEAf)

## Converting an incorporated charity to a CIO

Following a number of delays, the Government has published draft legislation which provides a pathway for both Community Interest Companies (CICs) and charities which are currently registered as a company to convert to a Charitable Incorporated Organisation (CIO). Phased implementation of CIO conversions could begin from January 2018.

This conversion will ease the administrative burden on charities with dual registration while still providing them with the protection which comes with incorporation.

[goo.gl/jCnWqb](http://goo.gl/jCnWqb)

## Charity SORP

The SORP committee have been reviewing recent updates to Financial Reporting Standards and considering whether a new SORP is required.

There has been a consultation and feedback exercise between the SORP committee and the Financial Reporting Council and also between the SORP Committee and users.

Originally there was a suggestion of a new SORP in 2019 but following these consultations, the committee have decided that there are not enough significant changes to merit a new SORP and instead have opted for a second Update Bulletin to make amendments to the existing SORP.

One item which is likely to be included is the removal of the need to disclose support costs separately.

There should be a consultation on the update in Spring 2018.

[goo.gl/57ZemF](http://goo.gl/57ZemF)

## Community life survey

The Department of Culture, Media and Sport has published their annual survey of community life and engagement.

As always the survey includes some interesting statistics including:

- In 2016/17 22% of adults said they had taken part in formal volunteering at least once a month and when including informal volunteering, 63% at least once a year
- 75% of adults said they had given to charity in the previous four weeks and the average donation was £22.

[goo.gl/TZ4Tpx](http://goo.gl/TZ4Tpx)

## Text giving

The Phone-paid Services Authority has reported that charity giving by text message has fallen in 2016/17 compared to 2015/16.

In their annual report they found that donations amounted to £115m compared to £122m in the previous year.

This is still the biggest route for phone based donations.

[goo.gl/BcUuKA](http://goo.gl/BcUuKA)



## Free fundraising training

The Department for Digital, Culture, Media and Sport has announced a programme of free and low cost training for charities on fundraising matters.

The training will be delivered in a number of formats including face-to-face, one-to-one advice sessions, skilled volunteering mentoring programme and webinars. Topics covered include fundraising strategy development, fundraising from trusts and foundations, developing corporate relationships and crowdfunding and online funding.

The training will be available to charities with income below £1.5m.

[goo.gl/danGG2](http://goo.gl/danGG2)

## Advice hub for small charities

The Foundation for Social Improvement (FSI) has also launched an advice hub for small charities who need help and advice on any aspect of running a charity.

A lot of the services are currently restricted to charities with income below £100,000 per annum but there are plans to increase this to £1.5m in 2018. There are also monthly advice clinics for charities with income above £100,000 which give the chance to access the knowledge of experienced experts on a range of topics.

[goo.gl/chvrBg](http://goo.gl/chvrBg)

## Charity Governance Code

An updated version of the Charity Governance Code for charities registered in England and Wales has been published setting out higher standards and encouraging charities to have external reviews of their governance activities carried out every three years.

The updated code also addresses the role of the chair of trustees, trustees terms of office, diversity on boards and also how trustees should oversee subsidiaries as well as the main charity.

As a reminder it is important that trustees discuss the Code's seven principles and make well thought out decisions about how these should be applied. It is encouraged that trustees' meet the principles and outcomes of the Code by either applying the recommended practice or explaining why not. The rule is now 'comply or explain'.

It is worth noting that the CCEW encourage this as best practice and have withdrawn their Hallmarks of an Effective Charity guidance, instead directing trustees to the Code.

[goo.gl/W2K1kr](http://goo.gl/W2K1kr)

## Charity Digital Toolkit

The Skills Platform has launched a free digital toolkit for charities.

The toolkit has been developed to share real life case studies, inspire charities and give hints and tips on digital strategy.

[goo.gl/XmHWKQ](http://goo.gl/XmHWKQ)

## 2017 Annual return

Following the consultation exercise earlier in the year, the Charity Commission for England and Wales (CCEW) has launched a new and improved annual return service for 2017, making it easier to file charity accounts and trustee reports.

The new service paves the way for the 2018 annual return to be largely pre-populated and therefore reduce the amount of information which charities will have to enter.

### A reminder to all charities

Where a charity has income above £10,000 or is a Charitable Incorporated Organisation (CIO) they must complete an annual return. The return must be completed within 10 months of the financial reporting period end.

The CCEW have updated their guidance on the completion of the annual return. Guidance:

[goo.gl/ANEhes](http://goo.gl/ANEhes)

The CCEW is also consulting on the 2018 annual return. Closing date: 24 November 2017 Consultation:

[goo.gl/cTZnbN](http://goo.gl/cTZnbN)



# News for Scotland

## Fundraising in Scotland

The Office of the Scottish Charity Regulator (OSCR) has launched a consultation on fundraising guidance in Scotland.

The draft guidance looks at OSCR's role, the trustees' duties, using third parties for fundraising and also public collections.

[goo.gl/o6Exor](https://goo.gl/o6Exor)

## Scottish Fundraising Standards Panel

Fundraising is governed by a system of self-regulation in Scotland and that is overseen by the Scottish Fundraising Standards Panel. Fundraising regulation in England and Wales and Northern Ireland is overseen by the Fundraising Regulator.

The Scottish Fundraising Standards Panel have recently launched a new website with information on good fundraising standards, how to make complaints and how these should be managed.

[goo.gl/Pz6E5f](https://goo.gl/Pz6E5f)

The Scottish Fundraising Standards Panel and the Fundraising Regulator have signed a memorandum of understanding to collaborate on areas of mutual interest and also agree on a 'lead regulator' model.

The lead regulator model will allow charities with cross border activities to be regulated by just one regulator (the regulator where they are primarily based) rather than having two regulators.

[goo.gl/3JS14j](https://goo.gl/3JS14j)



## Guide to Incorporation

OSCR have expanded their guidance on the incorporation process in an easy-to-digest format. The guidance 'signposts' charities to factsheets containing expert information from a range of organisations covering:

- accounting requirements
- pension fund considerations
- early years charities
- transferring assets and liabilities
- bank
- investments
- insurance and licenses and
- tax matters.

Incorporation is not just about applying to OSCR; charity trustees and members need to understand the full implications of the decision, plan ahead and take into account that it will take time for the process to be completed. The new guidance can be found on OSCRs website.

[goo.gl/BNyX2T](https://goo.gl/BNyX2T)



# News for Northern Ireland

## Fundraising in Northern Ireland

It was announced in June 2017 that the Fundraising Regulator will oversee charity fundraising in Northern Ireland. This follows an extensive consultation run by the Northern Ireland Council for Voluntary Action.

[goo.gl/9pa3TL](https://goo.gl/9pa3TL)

The FR have published a list which shows the charities who have paid or committed to pay and those who have not paid the year one levy.

[goo.gl/fuXe1t](https://goo.gl/fuXe1t)

## Monitoring and compliance guidance - getting it right

The Charity Commission for Northern Ireland (CCNI) has issued new guidance calling on all charities to ensure they are 'getting it right' when it comes to ensuring they are complying with the law.

In addition to information on the range of legal and best practice requirements charity trustees face, the 'getting it right' guidance includes a checklist to support trustees in identifying potential issues. The checklist asks trustees to consider if they:

- know the rules in the charity's governing document and keep them regularly under review
- have and maintain a list of legislation that impacts on the charity

- regularly review the charity's activities and area of operation to identify legal obligations and best practice
- regularly review the charity's policies and procedures to ensure they are up to date and fit for purpose
- place legal compliance as a standing item on meetings of the charity's trustees
- ensure all new trustees receive an induction and are subject to trustee checks
- have read relevant charity guidance produced by the Commission
- seek advice from a professional or umbrella body where necessary
- have read and comply with the Code of Good Governance
- keep good records of trustee meetings to show how they have exercised governance over the charity
- keep good accounting and other records.

The new guidance can be found on CCNI's website.

[goo.gl/X4mBJn](https://goo.gl/X4mBJn)

