

CHARITIES



March 2015

Welcome to Focus On... our special quarterly bulletin looking at issues relevant to particular sectors and topics of interest.

In March's Focus On... Charities, we look at the level to which the charity audit income threshold will rise and find out about a fraud resilience tool. We learn why the Charity Commission's chief executive said that some trustees do not take enough care, and cover the issue of whether banned trustees should stay banned. After a look at why the charity sector is at risk of falling into a so-called 'transparency trap' we conclude with a profile of Becky Betts.

If you would like to discuss any aspect of our specialist charity audit and accountancy services, please contact Emma Murray, Audit and Compliance Partner at Nicholsons, at emma.murray@nicholsonsca.co.uk or phone 0845 27 66 555.

Larger charities urged to test their resilience against fraud



The Charity Commission is encouraging large charities to make use of a free tool aimed at helping them assess their fraud resilience.

The Self-Assessment Fraud Resilience (SAFR) Tool, designed by accounting firm PKF Littlejohn and based on large databases managed by it and the Centre for Counter Fraud Studies at University of Portsmouth, is based around 29 questions. The tool allows an organisation to establish how well it is protected against fraud, how well it understands the nature and cost of fraud, whether it has an effective strategy to address the problem, whether it has a counter-fraud structure which helps it implement its strategy, whether it takes a range of pre-emptive and reactive action to counter fraud and the extent to which fraud is addressed and managed like any other business issue.

The commission has circulated the SAFR tool to all registered charities with an annual income of over £1m – of which there are around 6,700 –

and encourages them to complete it before the end of March.

Charities completing the self-assessment will receive instant results, giving them a fraud resilience rating out of a maximum score of 50, and telling them how well they have scored relatively (by percentile) against the hundreds of organisations across the charity and other sectors who have already used the tool. Charities will also receive an estimate of how much they lose to fraud each year.

The regulator stresses that charities' responses will be confidential. The commission will have no access to individual responses but will see an overview of outcomes, which will allow it to identify areas of particular strength or weakness and help it to improve its guidance for charities.

If you fear that your charity could be susceptible to fraud, Nicholsons' charities team will work with you and provide expert, objective advice. To find out more, please contact us.

Charity audit threshold to rise

The government has published its response to the consultation on charity audit and independent examination. The key points are that the charity audit income threshold will rise from £500,000 to £1 million and the group accounts preparation and

audit income threshold will also rise to £1 million. Asset thresholds will remain the same.

The changes are expected to be effective for accounting periods ending on or after

31 March 2015, although this is subject to a parliamentary process. A draft Statutory Instrument setting out the changes, which will apply in England and Wales, will be drafted and laid in Parliament before dissolution on 30 March 2015.

Some trustees 'do not take enough care'

Only a small proportion of charities were involved in Charity Commission compliance action in 2013-14, new figures have revealed, but the commission's chief executive has warned that some charities are getting into trouble because trustees "do not take enough care".

In its latest Tackling Abuse and Mismanagement report, which the commission published at the end of last year, it revealed that it opened 1,865 operational compliance cases and 64 statutory inquiries in the last financial year. Together, they represent around 1% of approximately 164,000 registered charities.

Operational compliance cases are aimed at ensuring trustees address any failures and weaknesses in their charities' management and take place in cases less serious than those that require a statutory inquiry.

The report reveals that financial abuse and mismanagement continue to dominate the commission's compliance case work. Concerns about financial mismanagement or abuse featured in 476 serious incidents reported by charities.

The commission also reported that in September 2013, it launched a class inquiry into charities that had defaulted on their legal requirement to file annual documents for two or more years. By November 2014, the inquiry had ensured charity funds of over £47 million were publicly accounted for.

Paula Sussex, chief executive of the Charity Commission said: "Concerns about financial abuse and financial mismanagement featured heavily in our compliance case work last year.

"We know the public places enormous value on sound financial management and accountability in charities and it is vital that charities live up to those expectations and manage their charities in a way that inspires public trust and confidence.

"Most trustees are volunteers who do their best for their charity and we recognise when trustees make innocent mistakes.

"But some charities get into trouble because their trustees do not take enough care in their role. When we see serious abuse or mismanagement in charities, we must intervene to put a stop to the problems and protect charities against further harm."

For more information about how Nicholsons can provide expert advice to charities, please contact us.

Banned trustees should stay banned

A proposal to ban disqualified trustees from other charity positions has been backed by Rob Wilson, the Minister for Civil Society, who spoke out in Westminster to the joint committee that is scrutinising the Protection of Charities Bill.

The draft bill, published in October 2014, proposes giving new powers to the Charity Commission, including allowing it to ban people with convictions from being charity trustees or disqualify people it considers unfit from taking up trusteeship.

However, a proposal contained in the initial public consultation document stating that people disqualified from trusteeship should also be banned from taking up other key roles in charities, such as finance director, was not carried forward into the

bill. The commission has said it hoped this would be added. When asked by a committee member whether he thought that additional power would be useful, Rob Wilson said: "This is something the commission wants added into the bill to avoid people exploiting what could be considered a loophole, and we're supportive of that view."

He said the new powers were important to the commission and were part of a "multi-strand approach" to improving the regulator that also included extra funding and an internal transformation programme.

At Nicholsons, our specialist Charities Team works extensively with clients in the not-for-profit sector, providing a comprehensive range of services. For more information, please contact us.



Charity sector is at risk of falling into a 'transparency trap'

It is inappropriate for charities to declare information such as chief executive pay and political affiliations in their annual accounts, according to Sir Stephen Bubb, head of the

charity chief executives body Acevo.

Speaking at the Institute of Fundraising New Year Breakfast Debates in London at the

end of January, Stephen Bubb said the sector was at risk of getting stuck in the "transparency trap" and was becoming timid in the face of its enemy.

Employee focus – Becky Betts, Senior Accountant



Becky Betts
Senior Accountant

In April this year, Becky will be celebrating seven years at Nicholsons, having started as a junior studying for her AAT and now working towards an ACCA qualification. The role sees Becky involved in a range of accounts preparation, from

small income and expenditure to larger limited companies. She is part of the Charities team and does account work for various charities and is also responsible for conducting auditing work and seeing these through to completion.

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