

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

In October's Focus On... Charities, we highlight the need for charities to protect themselves against fraud, while the Charity Commission has issued new guidance for trustees – an area that Nicholsons is also able to offer practical advice on. We also look at how further budget cuts could impact on the charities sector – and how charities can prepare by maximising the value of their available resources. Finally, new figures show that UK charities claimed £3 billion and donors £1.09 billion in tax relief in the last financial year.

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](mailto:emma.murray@nicholsonsca.co.uk) or phone 0845 27 66 555.

## Charities count multi-million cost of fraud

Fraud is estimated to be costing registered charities across Great Britain almost £150 million a year, according to new research.

Data from the National Fraud Authority's latest report put the figure at £147.3 million. The estimate was based on survey responses from 1,599 charities with an income of more than £100,000. Findings from the survey included:

- 9.2 per cent of the charities that responded indicated that they had identified fraud in the last financial year (2011-12)
- the most common types of fraud cited were payment/banking fraud (47 per cent), accounting fraud (14.8 per cent) and identity fraud (14.1 per cent).
- 70.7 per cent of victims experienced fraud externally, whilst 31.3 per cent suffered internal fraud, with 13.6 per cent of victims saying they had experienced cyber-enabled fraud.

In one recent case, Harris Polak was sentenced to 45 months in prison at Liverpool Crown Court on 1 July after he admitted fraud by abuse of position by keeping money he had raised on behalf of charities for himself.

The court was told he raised hundreds of thousands of pounds, passing only limited amounts on to the charities involved. His victims included the charity Cancer Relief UK.

Sam Younger, chief executive of the Charity Commission, said: "Whilst smaller charities may sometimes feel this is not an issue they need to worry about, trustees have a responsibility to ensure

proportionate anti-fraud measures are put in place.

"Trustees, staff and volunteers are the people on the ground who could help stop the opportunities for fraudsters by putting some financial risk measures in place. There should be a culture of counter fraud and risk management created by the trustees and, in larger charities, senior management, who should lead by example in adhering to the charity's internal financial controls and good practice."

At Nicholsons, we can assist charities in protecting themselves against fraud by reviewing existing financial systems and advising on steps to strengthen them or for better options or ways of working.

We can also provide practical, plain language training for trustees to help them better understand financial systems and internal financial management controls. For more information, please contact us.



# Nicholsons will be hosting a series of FREE seminars for charities next year

Full details will be announced nearer the time, but you can register your interest now by emailing [emma.murray@nicholsonsca.co.uk](mailto:emma.murray@nicholsonsca.co.uk)

## Trustees given decision-making support

Trustees have been issued with new guidance to help them make the best decisions for their charities.

The new guidance, issued by the Charity Commission, sets out the key principles that the courts and the commission expect trustees to apply when they are making significant or strategic decisions about their charity.

The principles cover issues including ensuring trustees have the relevant powers to carry out their plans and managing conflicts of interest. It also covers practical matters such as ensuring that meetings are properly conducted, decisions are recorded accurately, and what to do if trustees disagree.

The Commission said: "Following these principles will help to protect trustees if something goes wrong. Some decisions don't work out as the trustees intended, but if the trustees can show that they have applied and followed the principles in making their decision, it's unlikely that the courts or the commission will hold them personally responsible to the charity for what went wrong.

"The guidance aims to help increase trustees' confidence when making decisions, and inform their processes. It outlines a trustee's role and responsibilities and what good decision-making looks like."

The guidance can be found in the detailed guidance section of the commission website at [www.charitycommission.gov.uk](http://www.charitycommission.gov.uk).

Trustees are legally responsible for the overall management and decision-making, so the better equipped they are for that role, the more their charity will benefit.

As advisers experienced in working with charities, Nicholsons can provide advice and support to help charities and their trustees understand their responsibilities. For more information, please contact us.

## Tax relief adds up to £4bn

New figures show that UK charities claimed £3 billion and donors £1.09 billion in tax relief in the last financial year.

The new HM Revenue & Customs (HMRC) statistics for 2012-13 show total tax relief claimed had risen from the previous year, when the figures were £2.85 billion for charities and £1.03 billion for individuals.

Individuals' tax relief showed a significant increase for both inheritance tax, up to £510 million from £480 million, a rise of six per cent, and for payroll giving, up £10 million to £40 million.

Payroll giving saw increases in the number of donors (up two per cent to 750,000) and gross donations (up five per cent to £124 million). HMRC said the growth in the number of payroll giving donors from 280,000 in 1990-91 represented a 170 per cent increase.

The charities' tax relief total includes tax repayments, non-domestic rates, VAT and stamp duty land tax. HMRC said: "The long-term trend for tax repayments (to charities on donations) is one of growth – an increase of just over £600 million from 1990 to 2012 (not adjusted for inflation), or 130 per cent."

These figures underline the value of tax relief to charities and individuals and reinforce the importance of charities ensuring they maximise the efficiency of their tax affairs, so they receive all the tax relief to which they are entitled.

The long-term trend in growth for payroll giving is also interesting and charities may wish to do more to highlight this as part of their fund-raising programmes. For more information, please contact our specialist charities team.



## Charities sector braced for more cuts

The Charity Commission is preparing for a £2 million budget cut under government spending plans.

Following Chancellor George Osborne's Spending Review in June, the Commission said it would see its budget of £22.7 million in 2013-14 fall to £21.4 million the following year and then to £20.4 million in 2015-16. The figures compare with a budget of £29.3 million in 2010-11.

The commission said it would be evaluating the impact of the settlement on its strategic plans over coming weeks and a further reduction in jobs was inevitable, but it added: "We are seeking to minimise the impact of any changes on our frontline activity.

"We recognise the challenge we face to continue regulating the 163,000 charities in England and Wales on behalf of the public in an effective way. "

The budget cut followed news that public funding for charities could be almost £2 billion lower by 2017-18.

Findings released by the National Council for Voluntary Organisations (NCVO) in May suggested that public funding could be 12 per cent less in 2017-18 than in 2010-11, the latest year for which data is available.

The NCVO's Counting the Cuts report was based on forecasts of public spending from independent

fiscal watchdog the Office for Budget Responsibility and its own NCVO UK Civil Society Almanac data on charities' income.

In a climate of continuing cuts and income reductions, it is crucial for charities to operate as cost-effectively as possible in every area to maintain their viability.

At Nicholsons, our charities expertise means that we are ideally placed to provide the specialist support and guidance that charities of all sizes need to help them maximise the value of available resources. For more information, please contact our charities team.

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