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Chartered Accountants

I am delighted to present our latest Charities Newsletter.

In this edition we look at the recent changes in charity thresholds, recruitment of trustees and fraud prevention.

Williams Giles is an independent firm of accountants servicing clients across the South East, with a dedicated Not-for-Profit team we have the expertise and passion to deliver a first class service.



Alex Ffrench

Associate Director - Not-for-Profit and Corporate Services

t: 01795 478044

e: alex.ffmpeg@williamsgiles.co.uk

w: www.williamsgiles.co.uk

Charities Newsletter

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Change In Audit Threshold

In February 2015 following recommendations by Lord Hodgson, the Government responded to the consultation on charity audit limits. This has resulted in an increased threshold which provides the opportunity for charities to reduce the expenditure incurred, allowing more funds to be spent on charitable activities. The changes came into effect on 31 March 2015. The following thresholds will apply:-

- Increasing the income threshold for audited charities from £500,000 to £1,000,000
- Increase the aggregate group income threshold at which parent charities should have group accounts audited from £500,000 to £1,000,000

However, the asset test will remain unchanged, therefore for charities with income of £250,000 and assets of £3.26 million or more, will still need an audit.

Does your board measure up?

With the regularity burden and public scrutiny on charities continuing to increase, now might be the time to consider the strength of your board. A balanced, enthusiastic and engaged board can be vital to the successful running of a charity. A varied skills base covering combining the operational side and ethos of the charity, with professional experience in the legal and financial framework, ensures that the values of the charity are maintained whilst promoting good governance and compliance with regulations. Charities can also benefit from having fundraising or marketing experience on the board and are increasingly looking to modern skill sets such as experts in social media. A skills audit can be a useful exercise to establish the current strength of the board and opportunities to add new skills.

Trustee Recruitment

It is vital that a robust recruitment process for trustees is in place. Whilst trustees are volunteers, it is essential that the process is anything but amateur. The existing board should establish what skill sets are required of new trustees and draft a job description – depending on the size of your board the recruitment process may be best delegated to a sub-committee. Once this job description has been approved candidates should be assessed against this. There are a number of ways in which potential candidates may be identified, through personal contacts of trustees, staff or friends of the charity, through professional relationships such as your lawyers or accountants, through adverts in the local or national press, or through dedicated trustee recruitment forums and agents.

Resilience against fraud

With the changes in audit threshold coming into effect from April 2015, the Charities Commission made a timely response to urge charities to assess their resilience against fraud. We believe that the importance of fraud review assignments will become ever more important, particularly for those charities wishing to benefit from the revised exemption limits.

It is vitally important for charities to:-

- Understand the nature and cost of fraud
- Develop an effective strategy to address the problem
- Consider a counter-fraud structure which helps to implement the designated strategy
- Consider the extent to which fraud is addressed and managed

The Charity Commission has developed a tool, which allows charities to undertake a free test to measure their resilience. This test will provide an estimate of how much you could potentially lose to fraud each year.

Whatever your financial and audit needs in running your Charity, Williams Giles can help.

Over 80 Not-for-Profit entities are taking benefit from our specialist team, gaining insight and practical guidance in the professional running of a modern charitable business.

For more information, contact:

Alex Ffrench

alex.ffmpeg@williamsgiles.co.uk

01795 478044

Our services include:

- Audit of Financial Statements
- Independent Examinations
- Financial Reporting
- Internal Audit
- Risk Management
- Governance Advice
- Grant Audits
- Taxation Services including VAT
- Bookkeeping and Payroll Services

Fraud Prevention

As trustees, you are legally responsible for ensuring charity funds are properly used and that you have taken all reasonable steps to prevent charitable assets from being misused.

So How Can We Prevent Fraud?

Firstly, as a charity, you should introduce a culture of ethical behavior to encourage honest behavior.

You should develop an anti-fraud policy which is distributed to all employees of the charity to ensure that they are aware of; what fraud actually means, how you as a charity will respond to any such instances and how they can help to not only prevent but detect instances of fraud.

Strong financial controls should be developed and introduced into the charities day-to-day functions such as; segregation of duties to formulate as an automatic double check, checking internal financial controls on an annual basis, keeping records of all income and expenditure, ensuring financial controls are not overridden and regularly reviewing and reconciling bank statements to name a few.

As a charity you should consistently encourage the awareness of fraud throughout the charity and develop a whistleblowing policy which will encourage staff members to come forward anonymously.

Lastly, ensure that you keep records of all instances of fraud, even if only suspected. This can help to assist in future planning and to identify any potential patterns.

Do not forget to report any instances of fraud to the Charity Commission as soon as they arise.

Latest news

- The Charity Commission has released a revised 2015 Annual Return incorporating a number of new questions.

<https://www.gov.uk/government/news/annual-return-2015-released>

- The Charity Commission have produced a tool to measure your resilience to fraud.

<https://www.gov.uk/government/news/larger-charities-urged-to-test-their-resilience-against-fraud>