



williams giles
Chartered Accountants

I am delighted to present our inaugural Charities Newsletter. These newsletters will be produced quarterly covering some of the key issues in the sector.

In this edition we look at the role of the Trustee, the value of Internal Audit and Conflicts of Interest.

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.



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Charities Newsletter

Winter 2014



Fraud – a couple of examples.....

Fraud

Charities need to ensure that they take steps to protect themselves from fraud. There are a variety of different frauds that Charities are susceptible to and it is important that there are procedures in place to mitigate the Charities exposure to risk.

Trustees should maintain appropriate skepticism and not be too trusting; this applies to both people inside the Charity and outside the organisation.

All Charities should have appropriate controls in place covering the key financial areas of the Charity and particularly with regard to the high risk areas such as cash. At a minimum, Charities should be able to demonstrate that they fully comply with Charity Commission guidance 'Internal Financial Controls for Charities' - CC8.

Supplier Details

We are seeing an increasing number of incidences of supplier payment fraud.

A Charity will receive a telephone call, email or letter from an individual purporting to be from an existing supplier. This communication will request a change to the payment details of a supplier. It is vital that there are processes in place that require a member of the finance team to confirm this change with their existing contact before making any change.

Beware of contact by telephone, if you end the call and immediately call your contact, the fraudster can remain on the line and you will in fact be talking to them – take precautions – leave a significant time gap between ending the initial call and calling your contact or use a different line.

Invoice Interception

A fraudster will intercept an invoice in the post and amend the payment details on the face of the invoice.

If the finance team take the payment details from the invoice, payment will be made to the fraudster.

It is important that the systems in place ensure that payment is not made to an account that has not been verified to being that of the supplier.

Any payment instructions included on an invoice should be checked against the standing data held by the Charity. If the details are different the usual contact at the supplier should be contacted and the change should be confirmed before payment is made.

Internal Audit

Internal Audit can be a vital tool in managing the Charity's Risks. It can provide Trustees with assurance over a wide range of the Charity's activities and can be directed at areas of high risk.

When planning the Internal Audit program it is good practice to start by reviewing the Charity's Risk Register. A program of reviews can then be designed to cover off the key risks to test the systems and controls in place to mitigate these risks.

Internal Audit should be independent of management and can be a particularly useful tool for the Trustees when they are not involved in the day to day running of the Charity.

Whilst the cost of Internal Audit can be off-putting to some boards, smaller, bespoke pieces of work can add real value where it counts.

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.

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Our services include:

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

Conflicts of Interest

The Charity Commission has stated that they expect Trustees to identify and address any conflicts of interest that affect them or the Charity and that they see too many examples of unidentified and poorly handled conflicts.

The commission defines a conflict of interest as '...any situation in which a Trustee's personal interests or loyalties could, or could be seen to, prevent them from making a decision only in the best interests of the Charity.'

Trustees must:

IDENTIFY conflicts of interest

PREVENT the conflict affecting a decision

RECORD conflicts of interest

The board should ensure that Trustees not only disclose conflicts that they perceive but that a register of potential conflicts of interest is maintained.

It is good practice for the Charity's governing document to include provisions to deal with conflicts of interest and for the Charity to have a documented policy on conflicts of interest.

It should be remembered that conflicts do not only arise from potential benefits to Trustees but also from conflicts of loyalty that may exist.

A robust policy will help to mitigate the risk to the Charity.

Latest news

- The Charity Commission has launched a consultation on a new draft of their guide 'The Essential Trustee'

<https://www.gov.uk/government/news/regulator-launches-consultation-on-the-essential-trustee>

- The Charity Commission has issued a press release reminding Trustees that they are responsible for ensuring fundraising activities undertaken are legal.

<https://www.gov.uk/government/news/safeguard-charity-fundraising-charity-watchdog-reminds-charities>