



## Paying the Regulator?

Charity Commission Chair, William Shawcross and Chief Executive Paula Sussex have written to the Lords' Select Committee on Charities stating that a consultation on the Commission raising a levy on charities will be launched 'shortly'.

Not only has the Commission had its funding cut by nearly a third since 2010, the current level of funding has been frozen until 2020! Whilst a clear argument can be made for ensuring that the regulator is properly funded, we all know the financial pressures that the sector is facing and the ever increasing difficulty of maintaining balanced budgets.

If charities are asked to contribute towards the funding of the regulator it seems key that value for money is achieved and that charities receive an enhanced service for their contribution.



## Risk Management

Risk management is a key aspect in every organisation, especially charities and not for profit entities. With the ever increasing occurrence and sophistication of cyber fraud, just one example of risks that can and do develop over a period of time, it is vital that risks are managed dynamically and before it is too late.

No two charities are the same and the approach to risks can vary significantly across the sector. Board members may have different risk appetites which will depend on their own experiences and the specific sectors in which they operate. All charities, as a minimum, should have a risk register which should be a live document, which the Trustees regularly

monitor and fully engage with. By having a register in place, the charity can ensure that all Board members' views have been considered when assessing the charity's risk approach. If you would like to discuss your risk management processes our charities team would be delighted to hear from you.

## Charities and VAT

It is a common misconception that charities are not liable to VAT as a result of their charitable status. Although there are some limited exceptions, charities must generally apply the same VAT legislation as any other business or entity and failure to do so can lead to considerable tax liabilities and penalties.

Whilst some of the activities undertaken by charities are exempt by law (e.g. specific fund raising events), there are many others which should be subject to VAT (e.g. catering supplies from a café). Any charity making both taxable and exempt supplies may also need to consider the complex partial exemption legislation to reflect this split of activities.

We are able to offer a full VAT review for your charity to ensure that you are complying with the legislation correctly, and to ensure that any necessary changes or planning are put in place.

## Charity Finances: Trustee Essentials

The Charity Commission has issued a new version of CC25 Charity Finances: trustee essentials (March 2017). There are no changes to the legal responsibilities outlined in the guidance but it has been updated in other regulatory areas such as fundraising.

The Commission has stated that the updated guidance should be more readable than previous versions. It is certainly essential reading for any charity trustee or prospective trustee.

Visit our website to view the Charity Commissions guidance on Charity finances:

<https://www.williamsgiles.co.uk/news-and-events/williams-giles/newsletters>

## Changes in the Audit Threshold a year on

It has been a year since the audit threshold doubled from £500k to £1m of annual income. Yet, we have seen very few charities with income between £500k and £1m take advantage of this exemption. This appears to be due to the desire for good governance, restrictions in articles of association or grant funding requirements.

From our involvement with charities that fall in this category, we certainly appreciate the added scrutiny that an audit provides. It will be interesting to see how the sector approaches the increased threshold going forward.

*'Brexit and an uncertain road forward'...*

*Continued...*

## Brexit and an uncertain road forward

The Brexit vote last summer certainly sent shock waves through the charity sector. So many charities rely on funding that in one way or another originates from the EU. There were a lot of promises and numbers banded around on both sides of the debate and little seems to have been added by the way of clarity some 10 months on. What does this mean for the sector? Potentially a significant change in the source of some funding for a large number of charities at least.

The sector is used to living on short term funding and having to be nimble as situations and funding streams change, so in one sense we are ideally placed to react to the uncertainty created. The hope must be that a high proportion of significant projects will either carry on through partnership with remaining EU countries or that domestic funding will replace that channelled via Brussels. That said there was a noticeable absence of charity talk in the recent budget.

So, we shall wait and see, and as ever tight management of budgets and a constant effort to identify new funding streams is crucial to ensure the future financial security of so many charities. Now could be the time to review your grant application processes to ensure you have every chance of obtaining relevant funding.

## Our Specialist Charities Team

Our dedicated Not for Profit team work with charities ranging from small local operations to medium sized regional charities with turnovers of up to £30m. We provide a full suite of services including, external audit, independent examination, financial reporting, internal audit, risk management and tax and VAT advice.

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Our team is headed by senior staff who spend the vast majority of their time working with Not for Profit entities. Alex Ffrench leads the firm's provision to charities and holds the Institute of Chartered Accountants Diploma in Charity Accounting and is included on the Charity Commission's panel of approved Interim Managers for charities.

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