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Chartered Accountants

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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# Charities Newsletter

## Spring 2016

### Charity Commission Blog

On 14 March 2016, the Charity Commission launched a new blog which aims to communicate directly with members of the public interested in charities about their work.

The first blog has been released by Chairman William Shawcross which focuses on the changes at Charity Commission

One major change the Charity commission have made is the increased scrutiny of charities not meeting their regulatory responsibilities.

The Commission have opened over 100 investigations into such charities in the past year. This is TEN times the size as three years ago.

The blog can be found at: <https://charitycommission.blog.gov.uk/>

### FRS 102 Changes

With FRS 102 becoming the “norm” on Financial Reports in 2016, what are the real changes we can expect to see in our accounts?

#### - Cosmetic Changes -

You will see changes to the face of the SOFA and Balance Sheet in terms of both terminology and the substance below. Governance costs will be included within support costs and, somewhat significantly, unrealised gains will be going above the net income line.

#### - Freehold property option -

As previously the freehold property in the accounts can be under either cost or valuation, however, there is a one-of opportunity to revalue the asset and use this as the new deemed cost value on conversion to FRS102

#### - Operating leases -

Under the old UK GAAP the financial commitment for the operating lease for the next twelve months would be the disclosure. Under new FRS 102, the disclosure must show the full commitment left to pay.

### Reporting Requirements – Failing Charities Named!!

The Charity Commission appear to have increased their activity in ensuring Charities are complying with the relevant standards.

The Charity Commission search function allows members of the public to undertake specific searches to find such charities. This could result in reputation damage and discourage potential donors.

**AND** if that isn't enough, the Charity Commission also publish a list of Charities who are in default on their website which is available to the public.

**DON'T LET YOUR CHARITY FALL SHORT**

## Those who do not learn history are doomed to repeat it

The sad fallout from Kids Company continues and it would be remiss on all of our parts, if lessons were not learned.

Some of the key issues to come out of all of the reports and discussion surrounding Kids Company are:

- The importance of keeping a tight grip on reserves.
- The risk of loss of reputation
- Having trustees with experience in the sector
- Ensuring charitable expenditure is in line with the objectives of the charity
- Heeding the warnings of your qualified professionals

Each of these issues are of profound importance to ANY charity, no matter the size. The changes being brought into the Trustee report with FRS102 will help raise these matters, but as ever, any proactive action as regards systems now will be of greater use than any, retrospective insights.

Further reading is available at:

<http://www.publications.parliament.uk/pa/cm201516/cmselect/cmpubadm/433/43303.htm>

**What are reserves?** Reserves are vital to every charity! They are the unrestricted funds that a Charity is freely available to spend on any purpose of the charity. This definition of reserves excludes restricted funds, fixed assets and designated funds.

**Why is reserves policy important?** Not only is a reserves policy a statutory Charities SORP requirement in the Charities annual report, but potential donors and current stakeholders will benefit from understanding why a charity is holding a certain amount of reserves. The policy will provide an impression as to how well a charity is financial managed, which may in turn attract more investors to donate to the charity.

A detailed reserves policy will also improve the internal finance management of a charity by assisting in strategic planning, improving budget making decisions and identify and potential significant risks to the charity.

## Launch of new taxonomy

In February 2016, the Charity Commission, the independent regulator of charities, and the Financial Reporting Council launched the new taxonomy for charities reporting under FRS 102.

70% of companies file accounts online with Companies House, however until February Charities have been unable to follow in suit. Additionally charities will now also be able to tag accounts, thus anyone filing charity tax returns with HMRC will benefit from this!

## Gift Aid Small Donations Scheme (GASDS)

This scheme allows eligible charities and community amateur sports clubs to claim a top-up payment equivalent to Gift Aid on small cash donations they receive. From 6 April 2016, the annual limit has increased from £5,000 to £8,000.

## Our services include:

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