

Charities & Non-profit newsletter.

March 2026

pem.

Contents.

Update to changes to annual accounts filing requirements	4
The importance of a tax risk register for charities	5
Key findings from the Charity Fraud Report 2025	6-7
Fundraising and philanthropy	8-9
How management accounts can benefit your charity's decision-making	10
Mandatory payrolling of benefits in kind	11
Transforming Shape Arts' finance operations with cloud technology	12
Trustees Report Checklist – Charities SORP 2026	13
PEM named top four for charity finance expertise	14



Update to changes to annual accounts filing requirements.

Companies House announced in January 2026 that the significant changes to annual account filing will not take effect in April 2027 as previously planned.

Background

As part of the journey to modernise and digitise filing routes all annual accounts — including those for dormant companies — must be filed using commercial software.

This reform aims to enhance efficiency and security in filings, while improving data quality on the register. These changes were included within broader measures introduced by the Economic Crime and Corporate Transparency Act 2023 (ECCTA), which seeks to ensure greater reliability and accuracy of the companies register.

A summary of the proposed reforms was shared in our September newsletter and is available as a standalone article on our website detailing the impact on charities.

Update

According to the latest communication from Companies House:

- The reforms will not be introduced in April 2027
- The reforms are still under review
- A final decision will be announced soon
- Entities will receive a minimum of 21 months' notice prior to the introduction of any new requirements.

Next steps

Although there is currently no obligation to transition to software-only accounts filing, organisations may wish to consider adopting this approach ahead of the reform's official introduction for subsidiary accounts.

A variety of commercial software solutions are presently available, offering compliance tools for company account preparation and filing.

Get in touch with our Charities team if you're looking to learn more or have any questions.

Grace Quist-Therson
Director, Charities & Non-profit

e. gquist-therson@pem.co.uk

The importance of a tax risk register for charities.

We have seen a growing emphasis on the importance of charities maintaining a tax focused risk register as part of effective governance and financial stewardship.

Overview

All charities have a duty to ensure that the funds they receive are used effectively and that their assets are protected.

An important place to start is to prepare a risk register, identifying issues which could have a negative impact on the charity, its activities and its finances, and recommending safeguards to reduce the risks.

The Charity Commission guidance on risk management (CC26) highlights the main risk areas for charities to consider – Governance, Operational, Financial, External and Compliance with Law and Regulation. This article focuses on Compliance Risk, in particular Tax.

Virtually all charities have some tax payment and filing obligations to deal with, whether it be VAT, payroll taxes, corporation tax, Gift Aid, income tax or capital gains tax.

Failure to deal with tax correctly can result in penalties, interest, a loss of tax relief or an unexpected tax charge, if appropriate planning is not undertaken.

HM Revenue & Customs are undertaking more Risk Reviews so having your house in order is crucial. HMRC are likely to ask to see a risk register when they start their review.

HMRC reviews look at:

- What taxes are relevant to the charity?
- What internal controls are in place?
- Who is responsible for each tax?
- How is fraud prevention addressed?

There is a helpful guide, General Approach to VAT compliance controls (GfC8) – which covers VAT risks but also has pointers to general tax risk management.

This guide follows the whole VAT process, including dealing with orders, invoicing, receipts and payments, receipt of supply, dispatch of goods or deliver of service, credits notes, employee expenses, recording data to enable reporting and the actual reporting process.

A tax risk register provides trustees and management with a framework to ensure their systems are robust and they maintain a positive relationship with HM Revenue & Customs.

For example, a risk register entry for gift aid would generally consider the following:

- Potential risk e.g. inaccurate Gift Aid claims
- Potential Impact e.g. underclaim of relief or overclaim with repayment required plus interest and penalties
- Steps to mitigate risk e.g. having a clear step by step process from the receipt of the donation through to the entries on the claim, including ensuring declarations are obtained, benefit threshold are not breached, etc
- Who is responsible for managing each risk e.g. which members of the finance team
- How the risk is monitored e.g. spot checks undertaken, training provided for new team members
- When reviews should take place. e.g. on an annual basis, new finance team, new systems.

Next steps

Charities should consider these steps for all relevant taxes. Charities with operations overseas may also have tax in other jurisdictions to consider.

It is important that those involved in the day to day finances of the charity are aware of the risk register and follow the processes implemented.

If you would like to discuss your tax risks please get in touch with our team.

Judith Pederzolli
Director, Business Tax and SDLT

e. jpederzolli@pem.co.uk



Key findings from the Charity Fraud Report 2025.

In February 2026, BDO in conjunction with the Fraud Advisory Panel, published the Charity Fraud Report 2025 following the Charity Fraud Awareness Week held in December 2025. The report, titled Charity fraud report 2025 – A five year review, provides a comprehensive analysis of fraud trends affecting charities over the period 2021 to 2025.

Unlike previous editions, this year's report looks beyond a single year and instead analyses five years of data, offering valuable insight into how fraud risks are evolving and how charities are responding.

Key Insights from the report

The report highlights a number of important themes for charity trustees, management and staff, including:

- **Fraud remains a significant and ongoing risk** – while reported fraud levels in 2025 were the lowest in five years per the survey, over a third of charities still experienced fraud or attempted fraud.
- **Internal and external threats are evenly balanced** – respondents continued to report a mix of internal and external fraud indicating fraud is as likely to be perpetrated by insiders (staff, volunteers or trustees) as by external parties, reinforcing the need for strong internal controls and oversight.
- **Misappropriation of cash or assets and payment diversion fraud** remain the most common types of fraud experienced by charities.
- **Non financial impacts are increasing**, charities are reporting higher levels of reputational damage, loss of morale and supplier issues following fraud incidents.
- **Cyber enabled fraud continues to be viewed as the greatest future risk**, particularly phishing, ransomware and issues caused by AI, even where actual reported incidents remain lower than perceived risk.
- **Fraud prevention activity is improving**, most charities had risk registers that include fraud, whistleblowing policies and conflicts of interest policies in place, however fewer than half had a formal fraud or cyber response plan.
- **Awareness of the Economic Crime and Corporate Transparency Act (ECCTA)** increased, with many charities taking steps to review fraud risk assessments, policies and training in response to the new "failure to prevent fraud" offence.

PEM's view

The report reinforces an important message for the charity and not for profit sector: fraud is not a sign of failure, but failing to prepare for fraud is a governance risk. Every charity, regardless of size, structure or mission, is susceptible to fraud and cybercrime. While it is encouraging to see a reduction in reported fraud and greater awareness across the sector, the report also highlights that fraud continues to have significant financial, reputational and operational consequences when it does occur. From our perspective, charities should consider the following key takeaways:

- **Fraud risk should be embedded into governance**, not treated as a one off compliance exercise. Regular fraud risk assessments and board level oversight are key.
- **Internal controls and culture matter as much as external threats.** Over reliance on trust continues to be cited as a key barrier to fraud prevention.
- **Training and awareness are essential.** As fraud techniques become more sophisticated and harder to detect the importance of training increases. Staff, volunteers and trustees all play a role in prevention and early detection.
- **Response planning is often overlooked.** Having a clear fraud and cyber response plan can significantly reduce damage, confusion and stress if an incident occurs.
- **Cyber risk and data protection cannot be separated from fraud risk**, particularly with the increasing use of digital platforms, online fundraising and remote working.

For trustees and senior management, the report is a timely reminder that proportionate investment in fraud prevention and awareness ultimately protects charitable funds, people and public trust.

Next steps

The Fraud Advisory Panel website hosts a wide range of practical resources, including guidance notes, insight articles and on demand webinars, available at: **Resources - Prevent Charity Fraud**.

At PEM, we also provide a range of charity focused resources, articles and guidance to help organisations strengthen governance, risk management and internal controls, including fraud awareness and prevention.

If you would like to discuss how the findings of the report relate to your organisation, or would like support reviewing your fraud risk framework, please **contact us**.

Grace Quist-Therson
Director, Charities & Non-profit

e. gquist-therson@pem.co.uk



Fundraising and philanthropy.

This article explores charity leadership and donor giving from different perspectives, the Fundraising Regulator (the 'Regulator'), Casework Insights and Trends: 2024-25 and the results of the CAF UK Giving Report 2025 and Charity Insights Report 2025, it considers how compliant fundraising and good charity reporting today can protect the income of tomorrow.

Trust

From the Regulator's perspective trust is damaged by poor fundraising behaviour, including misleading information and repeated or unwanted contact. Charity leaders feel that they are trusted (93% of charity leaders felt local charities were trustworthy), and although the CAF insights report demonstrates that charity leaders overestimate the levels of trust in local organisations while underestimating trust in the international charities (compared with CAF World Giving Data), in the UK over three quarters of respondents considered charities somewhat or very trustworthy.

Economics

Increasing complaints, disengaged givers, with only 50% of respondents giving to charity and a decline to 36% in 16-24 year olds giving, means the outlook begins to look bleak; coupled with two thirds of charity leaders surveyed considering the sector unhealthy, mainly due to financial pressures and funding cuts.

44% of charity leaders cite increased costs as a challenge; and the need for unrestricted funding to support charity management conflicts with donor responses where only 25% would be happy to fund admin costs.

Although the giving report notes an increase in direct debit cancellations, direct debits and standing orders remain central to fundraising, accounting for just over 17% of the £15.4bn estimated by CAF as raised by the public. Fundraising websites, the charity's own website, buying goods, and membership and subscriptions account for on average 11% each of the income raised.

Information and impact

One of the main causes of complaint is misleading information around the use of funds. The new statement of recommended practice for charities (SORP 2026) has brought impact reporting and sustainability front and centre. In the CAF insights report 88% of charity leaders surveyed consider that their mission is fairly clear to internal stakeholders, but only 41% thought that they communicate that impact fairly clearly. The Donor Insights part of the World Giving Report rated 'knowing more about the results and impact that a charity has', as the third most effective way for people to give more in the future, so it is clear that there is a gap to be addressed.

Next steps

The challenge for charities is navigating the rather thin path between these internal and external needs and perspectives. Unrestricted funding, supporting management and direct action, enabling the charity to be judged on impact and outcomes not spend, is the goal of every charity and fundraiser and it is clear that the giving environment is becoming more demanding.

The SORP applies to periods starting on or after 1 January 2026, so the earliest annual reports it will apply to will be those for year's ending 31 December 2026. Trustees and management should take time while completing their current period reports to think about outcomes, base-lines and KPIs that fit their mission and strategy ready for their future reporting. Where impact reporting is already completed, it may be worth a thought around how that data will fit with the annual financial statements.

The CAF reports give some advice and highlights for charities, policy makers and donors, and we would recommend that trustees consider these and some of the questions below to be confident in their current compliance and reporting as well as future strategy.

Are we confident the fundraising strategy is still appropriate?

- Type of campaign
- Application of the code of fundraising – culture and conduct
- Restricted/unrestricted funding
- Donor reliance
- Donor feedback

How transparent is our reporting?

- Strategy?
- Impact?
- Costs?

Does our reporting demonstrate success and successful learning?

Nikki Loan
Partner, Charities & Non-profit

e. nloan@pem.co.uk

Key statistics

- 50% of people gave money to charity (a consistent downward trend from the 61% in 2016).
- Only 36% of 16-24 year olds donate to charity (down from 55% in 2016).
- Only 10% of those surveyed volunteered (down from 17% in 2016).
- As core costs rise only 12% would be happy to think of their donation being spent on the CEO's salary, rising to 25% when considering broader administrative functions.
- 77% of those surveyed think charities are somewhat or very trustworthy.
- 44% of charities cited increasing costs as a challenge (33% in 2024).
- 66% of charity leaders thought the sector was unhealthy with 83% ascribing that to financial pressures and funding cuts.
- 75% of charity leaders were optimistic about their own charity.
- 32% of charities say that the mix of restricted vs unrestricted funding makes it difficult to achieve their goals.
- 70% of charity leaders time is spent on solving problems as opposed to strategy.
- 9% increase in cases compared to the same period in 2024.
- Only 19 reported cases came from self-reporting (31 in 2024) of which 3 were duplicated as the charity and agency both submitted reports.
- Top causes for complaint were repeated contact and misleading information.

How management accounts can benefit your charity's decision-making.

Management accounts play a key role in helping trustees and management understand how a charity is performing financially throughout the year and support timely, informed decision making.

What are management accounts?

Management accounts are a reporting tool that provide up to date financial information. These are often produced on a monthly or quarterly basis depending on the management/trustee needs.

Format of management accounts

Unlike annual accounts, management accounts can be structured in any format that benefits the management team and the trustees. This can be from accounting software or using tools such as excel or Power BI.

A basic set of management accounts would include:

- Balance Sheet
- Income & Expenditure account
- Cashflow statement
- Commentary to explain any significant numbers.

Additional reports can be included for the benefit for decision makers such as:

- Fund specific income & expenditure
- Budget variance analysis
- Key Performance Indicators (KPI's)
- Aged Payables/receivables.

Financial and non-financial metrics can be tracked in the management accounts to monitor what is important to the charity.

Why are management accounts important?

Preparing accurate management accounts on a regular basis provides those who make decisions an up-to-date picture of the charity's financial position.

Accounting adjustments are made during the management account process that would otherwise be left to the year-end accounts, to ensure the output shows an accurate position of the charity's finances during the year.

Income and Expenditure can be monitored at both a high level and a detailed level.

Fund budgets can be compared to actual movements during the year so any over/under spend can be investigated.

A cashflow forecast can identify any future cash surplus or deficit in advance.

All of these together aid the management/trustees in making better informed decisions, these could be around staffing decisions, purchases of fixed assets or commitments related to specific funds.

Next steps

Our VFO team provide outsourced management accounts along with our bookkeeping services to many charities. Want to know more? Then please get in touch with the VFO team today to schedule a discovery call.

Melissa Guenigault
Senior Manager, VFO

e. mguenigault@pem.co.uk



Mandatory payrolling of benefits in kind.

We continue to edge closer to an important employment tax change that will affect all organisations who provide benefits in kind.

Overview

From April 2027, most benefits in kind (BIKs) currently reported to HMRC via the annual form P11D reporting system must be payrolled in real time. This will initially be mandatory for all BIKs except for accommodation benefit and employer provided loans, although these BIKs can be voluntarily payrolled from April 2027.

HMRC hopes that this new system will ease year-end administration for employers and simplify the tax reporting process, although it will require action from employers providing BIKs each pay period and accelerate income tax receipts on BIKs.

Next steps

We have published an article summarising the mandatory changes and how employers can prepare.

As charities and non-profit organisations continue to balance tighter resources with increasing administrative demands such as this change, if we can help you with any queries about mandatory payrolling of BIKs, please contact your usual PEM contact or our Employment Tax team.

Kate Millard
Director, Employment Tax

e. cmillard@pem.co.uk

Transforming Shape Arts' finance operations with cloud technology.

Our client

Shape Arts is a disability-led arts organisation that works to improve access to culture for disabled people by providing opportunities for disabled creatives. Additionally, the organisation trains cultural institutions to be more open to disabled people through running participatory arts and development programmes. It runs various projects throughout the year, such as Shape Open, an annual exhibition from disabled and non-disabled artists.

The problem

The finance software that Shape Arts was using was clunky, difficult to use, and not fit for purpose; upgrading it would have been expensive.

The volume of transactions had fallen significantly due to the end of a large multi-year project, and Shape Arts needed to implement a more streamlined system that included the ability to store digital documents.

The solution

PEM's Virtual Finance Office (VFO) has focused on modernising and streamlining its finance operations. Although the existing processes were solid, several manual tasks were time-consuming.

By transitioning from legacy software to a cloud-based platform, we created a more efficient, user friendly environment that allowed both parties to work more effectively in real time.

To enhance automation and control, we introduced a data capture tool for invoice capture and implemented an approval workflow involving budget managers.

This ensured a clear audit trail and improved processing accuracy. We also identified opportunities to strengthen payment processes and successfully moved Shape Arts onto a payment platform, automating payments for approval and significantly reducing internal administrative burden and the risk of human error.

As we progressed through monthly management accounts, we built a strong understanding of Shape Arts' projects, goals and financial reporting needs.

Measurable outcomes

Shape Arts has implemented smarter ways of working through a cloud-based platform, with features such as digital document scanning.

The process improvement, and greater levels of automation, have improved audit readiness, enabling Shape Arts to provide clear evidence and demonstrate robust systems. Shape Arts now has better controls, reducing senior management time spent on both processing and review tasks.

Openness and ongoing collaboration between the client's finance lead, Sally Yarwood, and PEM – through regular calls, weekly communication and detailed explanations – allowed support to be tailored and has led to optimised month end and project tracking processes.

The new systems save time, and reports are produced on time. With her senior-level expertise, Sally reviews reports, identifies issues, and handles more advanced reporting requirements.

Sally says, *"It has been a great experience...and I have learnt a lot. I'm a chartered accountant with many years of senior financial director experience, and the PEM team has contributed to Shape Arts' growth by streamlining our finance function and improving the efficiency of our processes"*.

Melissa Guenigault
Senior Manager, VFO

e. mguenigault@pem.co.uk



Trustees Report Checklist – Charities SORP 2026.

The Charities Statement of Recommended Practice (SORP 2026), released on 31 October 2025, introduced a new tiered reporting framework to ensure Trustees' Annual Reports are proportionate to a charity's size and complexity.

To support Trustees and management with these changes, we have created a practical guide and tier specific checklists setting out the required Trustees' report disclosures under SORP 2026.

These resources are designed to help charities identify which requirements apply to them and can be accessed on **our website** or through the **ICAEW website**.

Grace Quist-Therson
Director, Charities & Non-profit

e. gquist-therson@pem.co.uk



PEM named top four for charity finance expertise.

We're delighted to share that, in the latest Charity Finance Audit Survey run by Civil Society, PEM was ranked top four for charity expertise and top three for overall service.

Overall Service (10 – 30 responses)	Charity expertise (10 – 30 responses)
3 PEM	4 PEM

We would like to extend our sincere thanks to everyone who took the time to respond to the survey and share their feedback.

This acknowledgement demonstrates our ongoing dedication to assisting charities and not-for-profit organisations by offering practical insights, technical skills, and exceptional service customised to the sector's unique challenges.

If you're interested in learning more about how we help charities and non-profit organisations, or wish to talk about your audit and assurance requirements, **we welcome the opportunity to connect with you**.

Grace Quist-Therson
Director, Charities & Non-profit

e. gquist-therson@pem.co.uk

Your Charities & Non-profit team.



Kelly Bretherick
Partner, Audit

e. kbretherick@pem.co.uk



Michael Hewett
Partner, Audit

e. mhewett@pem.co.uk



Nikki Loan
Partner, Audit

e. nloan@pem.co.uk



Kate Millard
Director, Employment Tax

e. cmillard@pem.co.uk



Judith Pederzolli
Director, Business Tax

e. jpederzolli@pem.co.uk



Robert Plumbly
Director, VAT

e. rplumbly@pem.co.uk



Grace Quist-Therson
Director, Audit

e. gquist-therson@pem.co.uk



Gemma Baratte
Senior Manager, Audit

e. gbaratte@pem.co.uk



Melissa Guenigault
Senior Manager, VFO

e. mguenigault@pem.co.uk

PEM
Salisbury House
Station Road
Cambridge CB1 2LA

t. 01223 728222
e. pem@pem.co.uk

pem.co.uk

For General Information Purposes only

Please note that this newsletter is not intended to give specific technical advice and it should not be construed as doing so. It is designed merely to alert clients to some issues. It is not intended to give exhaustive coverage of the topics. Professional advice should always be sought before action is either taken or refrained from as a result of information contained herein. The firm's full name and a full list of partners is available on our website.