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Charities & Not for Profit newsletter

# Charity Governance Code

Good governance in charities is fundamental to their success. It enables and supports a charity's compliance with the law and relevant regulations. It also promotes a culture where everything works towards fulfilling the charity's vision.

This Code is a practical tool to help charities and their trustees develop high standards of governance. The Code is based on the following pillars:

- Organisational purpose
- Leadership
- Integrity
- Decision making, risk and control
- Board effectiveness
- Diversity
- Openness and accountability

We have noted from recent reviews that more charities are documenting their compliance with the Code in their Trustees' Annual Report.

The code can be accessed [here](#).

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# Revised Code of Fundraising

**The Fundraising Regulator has recently issued a revised Code of Fundraising that will come into effect from October 2019.**

The code sets out fundraising standards applicable to charitable institutions and third party fundraisers operating in the UK.

The Code of Fundraising Practice is laid out in the following sections:

## Introduction

### Part 1: Standards which apply to all fundraising.

- Behaviour when fundraising (e.g. general behaviour, how to ask for support etc.)
- Responsibilities of charitable institutions and those who govern them (e.g. general duties, risk assessment, accepting/refusing/returning donations, paying fundraisers, using raised funds and how to account/report them etc.)
- Processing personal data (e.g. storing and maintaining data, sharing and selling personal data, direct marketing etc.)
- Processing donations (e.g. cash, tills, cheques, card transactions, direct debits, gift aid etc.)

### Part 2: Standards which apply to working with others.

- Volunteers
- Fundraising involving children

- Professional fundraisers, commercial participators and partners (e.g. due diligence and conflicts of interest, fees and payment, confidentiality etc.)

### Part 3: Standards which apply to specific fundraising methods.

- Collecting money or other property (e.g. licences and permissions, exemptions, static collections etc.)
- Fundraising communications and advertisements
- Digital
- Events (e.g. Venues. Locations and equipment, risk assessment and insurance, promoting an event, cancelling, on the day, after the event etc.)
- Lotteries, prize competitions and free draws
- Grant-making bodies
- Payroll giving and post-tax salary donations
- Legacies

### Glossary (a very detailed A-Z of charity fundraising terminology).

The revised code can be found [here](#) and is clear, concise and easy to read. Charities registered with the Fundraising Regulator agree to meet the code. The guidance includes additional references (and links) relevant to charities registered in Scotland and Northern Ireland as well as references (and links) to guidance issued by other bodies, such as the Institute of Fundraising, Fundraising Regulator and the Charity Commission.



# The Revitalising Trusts Programme

The Revitalising Trusts Programme is being run in partnership with the Charity Commission, the Department for Digital, Culture, Media and Sport (DCMS) and UK Community Foundations.

You can access more information about the programme [here](#).

Charities who have either not spent any money in the last 5 years, or have spent less than 30% of income will be contacted in the first instance. The programme aims to assist those charities who might be struggling for any of the following reasons:

- Difficulty recruiting new trustees
- Difficulty spending charitable income
- Difficulty identifying suitable beneficiaries
- Difficulty finding sufficient time to run the charity effectively

Possible options open to a charity are:

- To transfer its assets to another charity (with similar objects)
- To close down the charity
- To amend/adapt its purposes to allow it to continue more effectively

# Legacy notification service

A private company, Smee & Ford has held a contract with HM Courts and Tribunals Service (HMCTS) for some time to let charities know that they have been left a legacy. This arrangement was due to end this year. This was a paid-for service, which some charities subscribed to and they have been

concerned about interim arrangements. For the next 12 months Smee and Ford will continue to notify charities when they have been left a legacy and will be provided with a copy of the Will. The service will cost more, to include the statutory fee for a copy of the Will.



# Charity Commission - review of 2018/19

The Charity Commission (CC) has reported its busiest year to 31 March 2019 in its recent Charity Commission Annual Report for 2018/2019. The report highlighted the following:

- In October 2018 the CC launched its new purpose: "To ensure charity can thrive and inspire trust so that people can improve lives and strengthen society".
- At 31 March 2019 there were more than 168,000 charities on the register. During 2018/19 those charities generated total income of £79 billion and spent £75.6 billion. Those 168,000 charities had 943,574 trustee positions and there are around 700,000 trustees (meaning many people hold multiple positions).
- In 2018/2019 there were 8,074 new applications to register as a charity (which were not all successful) and 4,012 charities were removed from the register.
- The CC online database was viewed 38 million times.
- The CC received 109,871 letters, emails and calls to its contact centre.
- In the wake of the Oxfam safeguarding case, which became public in early 2018, there were 2,504 reports of safeguarding incidents as compared to 1,580 in 2017/18. There were a total of 3,895 incidents reported in 2018/19 as compared to 2,819 in 2017/18.
- Matters of material significance reported by auditors and independent examiners increased from 287 in 2017/18 to 662 in 2018/19.
- 103 new inquiries were opened in 2018/19 and a further 155 were concluded.
- In April 2018 the CC launched a new "welcome" pack to be issued to all new first time trustees and 71,386 had been sent out by the end of March 2019.

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# Guiding the development of the Charities SORP

**In June, the Charity Commission issued the report by the Independent Oversight Panel on the Development of the Charities SORP. The Panel was commissioned to consider whether the process for developing the SORP is fit for purpose.**

The review was in response to criticism of the way in which the SORP has been developed – that it was over influenced by the accounting profession and the view of charities in preparing their accounts and did not address the needs of smaller charities who want a simpler reporting framework. Its key aim was to ensure that the SORP continue to be fit for purpose.

The key conclusions from the review were:

- Charity financial reporting must pay more attention to the users of charity report and accounts. The key users to consider are:
  - Proxies who best represent the public and beneficiary interest whose needs should have greater prominence in the process:
  - Trustees who need to explain their charity's activities to those interested in the work of their charity and the charity sector: and
  - Those who give to, or fund, the charity sector.
- Smaller charities need to be offered greater simplification of the financial reporting requirements.

- The advisory SORP Committee should be retained but it needs to be smaller and have a redefined role. Its membership should include representation from the four jurisdictions and include smaller charities.
- The aim of the SORP should be to meet the interests of key users of charity reports and accounts and be readily usable by smaller charities as well as ensuring a high standard of technical compliance.
- Charity regulators need to identify good practice on the form and content of non-statutory financial reporting by charities to ensure greater consistency with reports and accounts and help identify misleading financial reporting. There should be an explicit statement that, where a charity provides financial information outside the statutory accounts, it should be consistent with the SORP accounts.

The Panel has made 36 recommendations which in summary are that:

- There should be greater simplification of the reporting requirements for smaller charities with more support for trustees
- The reporting needs of the proxy user for the public and beneficiary interest needs to be reflected in the development of the SORP
- The SORP Committee should be retained but its size, composition and the respective role of the SORP-making body and the SORP Committee need to be reformed
- There should be broader and ongoing engagement with a wider group of stakeholders
- The sector and charity regulators should collaborate to identify and codify best practice in non-statutory financial reporting
- The SORP-making body, supported by the Financial Reporting Council, needs to ensure that the redesigned SORP development process takes effect
- The SORP process is adequately resourced.

The full report can be found [here](#).

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# Public names on the charity register

Following a number of recent changes to the Charity Commission's online offering, it was due to disclose an individual's full legal name from 2019, instead of any preferred "public name".

The new disclosure has now been delayed until 1 April 2020 and a dispensation can be applied for. Trustees have until the end of March 2020 to do so. Any existing dispensations will remain in place. New dispensations can be granted if displaying their full name might put them in physical or mental danger.

No dispensation will be granted if an individual has not taken other steps to protect their identity (e.g. if their name is publicly available on Companies House).

If a Trustee has a dispensation it is the responsibility of the Board of trustees when preparing and submitting their Annual Report and Accounts to instead refer to such a person in the list of trustees as "XX - Trustee with dispensation".

More information is available [here](#).

## HMRC - gift aid update

HMRC have been writing to around 3,000 charities advising that they will be requesting a corporation tax return this year. These 3,000 charities are those

with the largest gift aid claims. HMRC will also be writing to a random sample of CASCs to request a tax return.



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