



*Third sector update*  
Autumn 2013

---

---

# Changes to financial reporting, workplace pensions and Gift Aid declarations.

## FORTHCOMING CHANGES TO FINANCIAL REPORTING

Some major changes to the UK's financial reporting regime are coming into effect for all organisations reporting under UK GAAP, including those in the charity and not-for-profit sector.

You are most likely aware of the current consultation on the new charities Statement of Recommended Practice (SORP), which is expected to be released later this year, however, many are unaware of the significance of the change. The new SORP will take effect for accounting periods beginning on or after 1 January 2015. Larger charities will be required to apply Financial Reporting Standard 102 (FRS 102), a simplified version of the current international reporting standards, while smaller charities will be able to apply the Financial Reporting Standard for Smaller Entities (FRSSE).

FRS 102 provides a complete accounting framework with its own concepts and principles, separate from the previous suite of UK accounting standards on which SORP 2005 is based. Unfortunately, FRS 102 cannot be easily applied in conjunction with a charities SORP derived from the existing standards.

A number of the complications relate to disclosure items but, because FRS 102 is a complete accounting framework with its own concepts, there are several examples where it conflicts with the measurement, recognition bases and presentational requirements of the SORP 2005.

One significant area of change is likely to be accounting for financial instruments such as listed investments, with fair value adjustments recorded through income and expenditure rather than the Statement of Total Recognised Gains and Losses. Other examples include accounting for investment property, cash flows, government grants and commitments.

The Exposure Draft SORP was issued for comment on 8 July and closes on 4 November 2013. Charities should follow the progress of the development of the new SORP and ensure they make any comments before the closure of the consultation period.

Our UHY London office is issuing a formal response on the Exposure Draft SORP to the Commission as we are fully aware of the implications this will have for our charity clients' future accounting and reporting. If you have read and understood the Exposure Draft and have comments you would like to put forward for inclusion in our response, please contact your usual UHY adviser.

---



Employers will be required by law to make a contribution to the pension of every worker.



## GIFT AID DECLARATIONS - HAVE YOU CHECKED YOUR WORDING RECENTLY?

Further to our previous update, which touched on the changes to the Gift Aid rules and the simplification of claims under the Small Donations Scheme (GASDS), we highlight the importance for your charity to use the correct wording for Gift Aid declarations. The current wording is in place to help ensure that donors are made aware of the consequences if they have not paid enough tax to cover all the donations they make under Gift Aid in any tax year.

Declarations should now state the following:

*"I confirm I have paid or will pay an amount of Income Tax and/or Capital Gains Tax for each tax year (6 April to 5 April) that is at least equal to the amount of tax that all the charities or Community Amateur Sports Clubs (CASCs) that I donate to will reclaim on my gifts for that tax year. I understand that other taxes such as VAT and Council Tax do not qualify. I understand the charity will reclaim 25p of tax on every £1 that I give."*

If you have any questions regarding the new wording for Gift Aid declarations, speak to your usual UHY adviser.

## RECENT CHARITY COMMISSION NEWS AND GUIDANCE

### Public benefit guidance

Earlier in September the Commission published its revised public benefit guidance for all charities. The guidance is split into three short, high level guides available in both online and offline formats. Trustees must refer to this guidance when administering their charity and can find the full online guidance on the [Charity Commission's website](#).

### Annual returns and accounts

The Commission no longer supports charities which are not up to date with filing their annual returns and accounts and any charity wishing to talk to the Commission about a specific issue may find that they have to bring their records up to date first. Of course, we would recommend that your annual return is always filed on time regardless!

### Decision making guidance for Trustees

In July, the Commission released new guidance on decision making for charity trustees. The guidance, 'It's Your Decision', explains the key principles of decision making that the courts and the Commission

expect trustees to apply when making significant or strategic decisions about their charity. The principles deal with the important issues that trustees must address, such as; ensuring they have the relevant powers to carry out their plans, managing conflicts of interest and making informed decisions based only on relevant considerations. Following these principles will help to protect trustees if something goes wrong. The decision making guidance can be viewed on the [Charity Commission's website](#).

## ARE YOU PREPARED FOR AUTO ENROLMENT?

Auto enrolment refers to the law that requires every employer, including charities, to automatically enrol certain workers into a Qualifying Workplace Pension Scheme (QWPS). The employees affected are those aged between and including 22 and State Pension age, who earn more than £9,440 a year and who work in the UK.

Employers will also be required by law to make a contribution to the pension of every worker, unless an individual employee chooses to opt out. Under the automatic enrolment provisions the level of contributions paid into an employee's pension will be 8% of qualifying earnings. This must comprise a minimum employer contribution of 3%; with the balance from employee 4% contribution + 1% tax relief from the government. Both the employer and the employee can make higher levels of contributions if they wish to do so.

There is a staged implementation, determined by the number of employees on your PAYE payroll, which allows smaller employers longer to adjust to the changes. The largest employers, those with over 3,000 employees, began this process in 2012. Organisations with between 50 and 250 employees will need to comply between April 2014 and April 2015.

Many charities will have less than 50 employees and will, therefore, not have to start automatically enrolling their staff until May 2015, with the very smallest charities able to defer until 2017.

This may seem a long way into the future but trustees should be aware of the implications and set a plan in place to start making the necessary arrangements in good time.

If you need further advice about the effect auto enrolment will have on your charity, speak to your usual UHY adviser.



A number of charities have been unwittingly involved in a donation scam using fraudulently obtained credit cards.



## BE AWARE OF FRAUD

All charities and their trustees should be aware of the risk of fraud and remain sceptical at all times. In June, the Charity Commission issued an alert to warn charities about accepting suspicious donations. Seemingly, a number of charities have been unwittingly involved in a donation scam using fraudulently obtained credit cards.

The scam involves a fraudster informing a charity that they will be donating a large sum of money on the condition that the charity sends half of the donation onto another specified charity that is in fact the personal bank account of the fraudster. For example, the fraudster will offer the charity £50,000 on the condition that it sends £25,000 to another specified charity in another country. When the charity agrees, the payment to the charity of £50,000 is made using a compromised or stolen credit card. The charity keeps £25,000 of the donation and sends the remaining £25,000 to the other specified charity's bank account. However, it is in fact the fraudster's personal account. The card issuer identifies that the credit card was compromised and recalls the full amount of £50,000 from the charity.

You may consider that your financial controls are strong, and that you have adequate anti-fraud policies in place, but a determined fraudster can often find ways around even relatively strong systems.

If you answer 'yes' to one or more of the following questions, it could be an indication that there is an increased risk of fraud in your charity generally, or by an individual:

- does anyone in your organisation have any personal motives for carrying out a fraud, such as conflict of interest or an excessive lifestyle?
- is your charity under increasing financial pressure due to cuts to income or spiralling costs?
- is the organisation overly dominated by one individual?
- does your charity have unusual or complex transactions which are difficult to follow or which are subject to a high degree of management judgement?
- is there a lack of record/document maintenance and a failure to follow standard policies at all times?
- does anyone in your organisation demonstrate an eagerness to work unusual or excessive hours, or is there anyone who is reluctant to take annual leave?

If you think your charity may be at risk, speak to your usual UHY adviser for further support.

## THE NEXT STEP

If you would like to discuss how the new SORP or auto enrolment pension scheme are likely to affect your charity or you think your charity may be at risk of fraud, please contact your usual UHY adviser.

Alternatively, read more about us on our website at [www.uhy-uk.com/york](http://www.uhy-uk.com/york).

UHY Hacker Young Associates is a UK company which is the organising body of the UHY Hacker Young Group, a group of independent UK accounting and consultancy firms. Any services described herein are provided by the member firms and not by UHY Hacker Young Associates Limited. Each of the member firms is a separate and independent firm, a list of which is available on our website. Neither UHY Hacker Young Associates Limited nor any of its member firms has any liability for services provided by other members.

A member of UHY International, a network of independent accounting and consulting firms.



This publication is intended for general guidance only. No responsibility is accepted for loss occasioned to any person acting or refraining from actions as a result of any material in this publication.

© UHY Hacker Young 2014

[www.uhy-uk.com/york](http://www.uhy-uk.com/york)

