

# Charity update



Welcome to the Spring 2010 edition of our specialist Charities Newsletter. This issue finds us blowing our own trumpet about the experience of our Senior team - when we say specialists we really do mean it. We are also looking at the potential marketing strategy you could use in conjunction with the Gift Aid rules to maximise the donations made to your Charity in the current economic climate.

We have picked up on fraud as this is high on the Broomfield & Alexander agenda for 2010 - we have developed an in-house fraud checklist – feel free to contact us to discuss your fraud concerns. Tying in nicely to this is the proposed abolition of cheques and how this will affect the third sector and how will your systems cope.

Once again we are looking to go green - if you would like this newsletter by email please email [charities@broomfield.co.uk](mailto:charities@broomfield.co.uk) and we will add you to the electronic mailing list.

Ian Thomas  
Director, Audit/Charity Team  
Tel: 029 2054 9939  
Email: [Charities@broomfield.co.uk](mailto:Charities@broomfield.co.uk)  
[www.broomfield.co.uk/charities](http://www.broomfield.co.uk/charities)

## Cheque Abolition - Update your banking systems and procedures

The Board of the UK Payments Council has announced that cheques will be phased out by October 2018. This move will force charities to rely increasingly on electronic payment methods.

This may make your charity more susceptible to fraud. It is therefore important that you review your current bank payments systems and procedures as claiming money back if the charity is defrauded via electronic banking is more difficult than if the fraud was carried out by forged cheques.

Currently many charities have two or more signatories for the signing of cheque payments as an aid to preventing fraud. However, when it comes to online payments some charities will have just one person processing the payments - this could leave the charity more open to fraudulent activities.

Trustees are normally required to sign an indemnity saying they will cover the bank for all losses apart from those due to bank error or negligence. With forged cheques the bank will reimburse funds unless it can be shown that trustees have been negligent. With electronic banking the onus is on the trustees to show that the bank has been negligent.

If you are interested in a fraud review of your systems and processes, then please contact our specialist team at [charities@broomfield.co.uk](mailto:charities@broomfield.co.uk) for more information.

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# Charitable Incorporated Organisations - Update

The Charities Act 2006 introduced a new corporate legal structure that will be regulated by the Charity Commission alone - The Charitable Incorporated Organisation (CIO).

CIOs were due to be available in early 2008, however, the consultation process has taken longer than originally anticipated.

A spokesman for the Office of the Third Sector has been reported as saying "The aim now is to be ready to take the legislation through as soon as possible in the new parliament with the CIO becoming available either later this year or early 2011. Updated draft regulations will be published in due course".

Earlier this year, the Office of the Third Sector announced that a proposed consolidation of charity law would also have to wait until the next parliament.

If you would like more information on the consultation and how it may affect you, please contact [charities@broomfield.co.uk](mailto:charities@broomfield.co.uk).

## Gift Aid

Charities in the UK are estimated to be losing out on as much as £750 million a year due to unclaimed Gift Aid according to the Charities Aid Foundation. Without extra cost or complication you could be taking advantage of the higher rate of tax paid by many individuals who make donations to your charity.

There is the potential for Charities to seek Gift Aid donations from individuals who wish to reduce their tax liabilities and use Gift Aid as a tool for tax planning.

When an individual makes a Gift Aid donation they are deemed to have deducted tax at the standard rate of 20%. If the highest rate of tax paid is 20% then no further tax relief is available. If however they are a higher rate tax payer, 40%, in 2009-10, they can claim for the extra 20% tax relief.

Common sense would suggest that the Gift Aid payments you can claim for 2009-10 are the payments made in that year? Not so! HMRC allows you to include Gift Aid payments made up to the date you file your tax return. Accordingly if you filed your return on the last date allowed (31 January 2011) you could theoretically include any Gift Aid payments made in the period 6 April 2009 to 31 January 2011.

If this concession continues tax payers who suffer the new 50% income tax charge or that have over £100,000 of income and stand to lose all or part of their personal allowance, could consider a significant Gift Aid donation. Fundraising departments should bear this in mind when looking to raise donations.

To find out how you could be making the most of Gift Aid donations at the higher rate of tax, please contact [charities@broomfield.co.uk](mailto:charities@broomfield.co.uk)

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## The Diploma in Charity Accounting

There are only a handful of professionals in South Wales that hold the Diploma in Charity Accounting, awarded by the Institute of Chartered Accountants in England and Wales, and we have three of them in our dedicated charity team.

Sarah, Jo and Justin are all recognised as experts within the profession on a wide range of issues such as SORP, trading activities, fraud, risk and reserves.

The Diploma in Charity Accounting is widely recognised as leading the field of professional advice for the third sector. It demonstrates that holders have a specialist understanding of accounting for the charity sector, and those who have gained the qualification play a crucial role in raising and recognising standards within the regulatory environments.

If you have a query our specialist team can assist with then please email [charities@broomfield.co.uk](mailto:charities@broomfield.co.uk) or visit our web site at [www.broomfield.co.uk/charities](http://www.broomfield.co.uk/charities)



# Funding for Health and Safety Training

As the economic downturn continues, the charity sector continues to face huge financial challenges. There is, however, some good news for charities in the form of funding for health and safety training courses.

Thomas, Carroll Management Services, whom we have a close affiliation with and who specialise in providing health and safety service to the charity sector have recently been successful in assisting their clients application for Welsh Assembly Government funding which can be used for the provision of health and safety training courses.

Through the Assembly Workforce Development Programme, organisations have been successful in securing up to £10,000 in funding which can be used to fund up to 70% of the cost of providing health and safety training to their employees. The funding provides up to £2,000 per individual for training, together with a wage subsidy of up to £2,000 per individual during their training.

If you would like further information, please contact Richard Pask on 02920 853733 or email [richard.pask@thomas-carroll.co.uk](mailto:richard.pask@thomas-carroll.co.uk)



## Technology to simplify Gift Aid

In keeping with the trend for online filing of PAYE and VAT the Charities Aid Foundation (CAF) has commissioned new research into how technology can be used to simplify the Gift Aid system and assist charities in getting more relief on donations. The study will examine how the Gift Aid system can be modernised and will aim to set out practical suggestions.

CAF estimates that unclaimed relief is a potential £750 million per annum – the study will therefore also consider how charities could recover more Gift Aid. This study has been welcomed by charities who need to maximise their income in the current economic climate.

The rules for Gift Aid recovery remain complex and charities should ensure they seek advice before trying to recover further money from donations.

Should you wish to discuss with our taxation advisers how you can maximise your Gift Aid claims please contact us at [charities@broomfield.co.uk](mailto:charities@broomfield.co.uk)

## Combating Fraud

It's an ugly fact, but a fact nonetheless that we are all susceptible to fraud. Many charities, and their trustees, are uncomfortable with the issue and as a result they are not inclined to open regular analysis and discussion of fraud risk. But this is critical. Charities have to understand where their susceptibilities lie if they are to properly control their fraud risk.

Here are some basic tips for combating fraud:

- Don't rely on your external auditors to detect fraud
- Make sure you have mapped out your susceptibility to fraud
- Once you've mapped out your susceptibility, put in place controls
- Review regularly
- Make discussion of fraud risk part of the ordinary business of the charity

Broomfield & Alexander have developed unique tools to help you map out your fraud risk and identify your fraud susceptibilities and then to put in place the most appropriate counter-fraud controls to manage and deter fraud.

Email [charities@broomfield.co.uk](mailto:charities@broomfield.co.uk) for a help sheet on combating fraud or for details of our combating fraud workshop.



## OUR CHARITIES TEAM



**Sarah Case DChA**  
*Charities Director*



**Ian Thomas**  
*Audit/Charity  
Director*



**Jo Bartlett DChA**  
*Charities Manager*



**Justin Crowley**  
**DChA**  
*Not for Profit Director*



**Leighton Reed**  
*Tax Director*



Pendragon House, Caxton Place  
Pentwyn, Cardiff, CF23 8XE

Tel: 029 2054 9939  
Fax: 029 2073 9430

Waters Lane Chambers  
Waters Lane, Newport, NP20 1LA

Tel: 01633 265828  
Fax: 01633 221457

Charter Court, Phoenix Way  
Enterprise Park, Swansea, SA7 9FS

Tel: 01792 790444  
Fax: 01792 791212

[www.broomfield.co.uk](http://www.broomfield.co.uk)  
**0800 052 1387**  
[charities@broomfield.co.uk](mailto:charities@broomfield.co.uk)

# Potential post election tax changes

## VAT

In the run-up to the election we have heard rumours of a possible increase in the rate of VAT. Although none of the parties have stated any intention to do so, it shouldn't be ruled out as a post-election quick win for the government – after all, every 1% increase in VAT is estimated to raise an additional £4.5 billion per annum. It may be prudent for charities to look at their own internal budgets and calculate the impact of future increases in VAT rate on their own financial position.

## Income tax

Many charities will be more concerned about the impact of changes affecting payroll and personnel. In particular, the proposed introduction of a 1% increase in NIC for both employers and employees would have the immediate effect of deleting an equivalent amount of surplus from budgets (assuming no head-count loss). The potential introduction of compulsory contributory pension schemes would be even more dramatic.

Whichever form of tax is of greatest concern to your charity, your concern is probably justified. Changes in rates for both VAT and NIC impact straight onto the bottom line. Risk registers and budgets would probably benefit with some carefully thought-out sensitivity analysis to aid financial planning.

For more information on internal planning for proposed changes to VAT and NIC contact us on [charities@broomfield.co.uk](mailto:charities@broomfield.co.uk)

