



# Charity webinar series

## 7 June 2023



# Our team today



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# Agenda

- In the news
- Related parties
- Serious incident reporting
- Sector risks
  - Employee benefits
  - Cyber
- Financial reporting
  - Butler-Sloss
  - Harper Trust
  - Annual reports

# Key learning outcomes

- ✓ To understand key sector and business risks facing the charity sector
- ✓ To consider employee benefits challenges for charity employer
- ✓ To review financial reporting changes and good practice

# In the news

# Effective Ventures Foundation



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Significant funder of the charity,  
FTX, is bankrupt

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Effective Ventures Foundation  
(EVF) reported this as a  
**significant** incident to the  
Charity Commission

# Captain Tom Foundation

Charity Commission inquiry launched in June 2022 regarding the use of trademarks of 'Captain Tom' by a business controlled by his daughter and her husband.

The trademark may have resulted in significant profits for the private company, and losses for the Captain Tom Foundation.

Correct reporting of related parties / conflicts of interest

# Related parties



# Related parties

- A number of charities currently being investigated by the Charity Commission for related party issues (Captain Tom, Beth Yosef, Muslim Aid, Kids Company, EVF)
- Likelihood of charities to have a high number of related parties due to the nature of trustees
- Disclosures

“

Related parties include a charity's trustees and their close family members and those entities which they control or in which they have a significant interest.

Entities related to a charity include any subsidiary, joint venture or associate of the charity...

In considering a possible related party relationship, a charity must assess the substance of the relationship and not merely its legal form.

”

# Who is a related party?

Any charity trustee and  
custodian trustee

Any person who is a donor of  
land to the charity

Immediate family

KMP/officer/agent of the charity

Spouse/partner

Business partner

A person, or close member of that  
person: who has control / joint  
control over the charity or  
significant influence

# What is a related party?

Group members

Associates / JVs

Post employment benefit plan

KMP services

Shared individuals with control

Shared individuals with interest  
or influence

Does control exist?

# Disclosures

Description of the relationship

Description of transaction(s)

Amounts

Outstanding balances at the YE and provisions for doubtful debts

Any amounts written off

Any terms and conditions applicable

Details of guarantees

Name of the party / parties

# Related parties: audit requests

- Auditors will request:
  - Register or related parties and/or declarations
  - Detailed related party transactions
  - Meeting minutes (board, finance, and audit committees)
  - Trustee expenses breakdowns
  - Intercompany transactions
  - Evidence of intercompany debtor payments



# Trustee expenses and payments

## Expenses

- May include mileage, accommodation, transport etc.
- SORP requires disclosure note to explain total amount, nature and number of trustees involved

## Payments

- For specific goods/services
- Legal requirement: not simply in meeting minutes
- Disclosure

# Senior staff payments

Charities are required to disclose how many staff are paid more than £60k, in £10k bands (SORP 9.30)

Some large charities going beyond reporting requirements:

[A third of largest 100 charities publish highest earner's exact salary \(civilsociety.co.uk\)](https://civilsociety.co.uk)

contributions. No member of the RNLI's Executive Team received a pay increase in 2021. RNLI Chief Executive Mark Dowie receives an annual salary of £160,000 (2020: £160,000). The chief executive received aggregate employee benefits of £180,862 (2020: £127,767), which included £20,861 employer's NI (2020: £14,433). During

Taken from RNLI annual report and accounts 2021



# Serious Incident Reporting

# Trustee responsibility to report

How to report a serious incident in your charity - GOV.UK ([www.gov.uk](http://www.gov.uk))

Protecting  
people and  
safeguarding

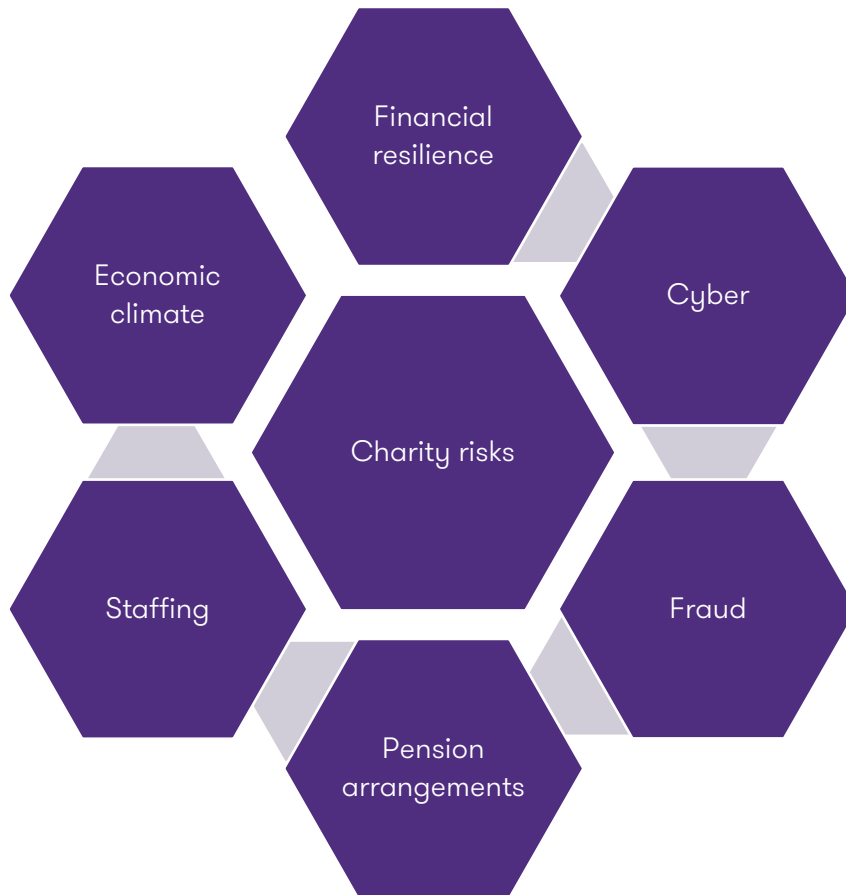
Financial  
crimes

Large donations

Links to  
terrorism or  
extremism

Other..

# Sector risks



# Employee benefits

# Recruitment and retention






## The challenge:

- Employers need to make themselves as attractive as possible to potential and current employees
- Resources may be limited: value for money is crucial
- The benefits market is evolving fast

## The solution:

- Reframe benefits around what matters to employees
- Look at the bigger picture – wellbeing, training & skills, culture, recruitment
- Technology and communications

# Benefit housekeeping

-  Is salary sacrifice in place and being utilised most effectively?
-  Have premiums (and any commissions) been benchmarked competitively?
-  Are pension schemes performing well and charged appropriately?
-  Are effective communications provided to employees on all the benefits?
-  Can existing schemes be merged to increase their buying power?

# Cost of living

**There is a huge amount employers can and should do to help their people. Much of which costs nothing or will save them money too.**

- Shopping discount schemes
- Effective use of salary sacrifice
- Payroll loan facility
- P11D benefit review
- Workplace savings
- Healthcare cash-plan
- Employee Assistance Programme – debt management support, counselling, mental health support, budgeting



# Nil premium benefits for employers



Workplace savings schemes



Electric vehicles



Cycle to Work



Payroll loans



Advance payday facility



'Opt in' flexible benefits (i.e. critical illness)



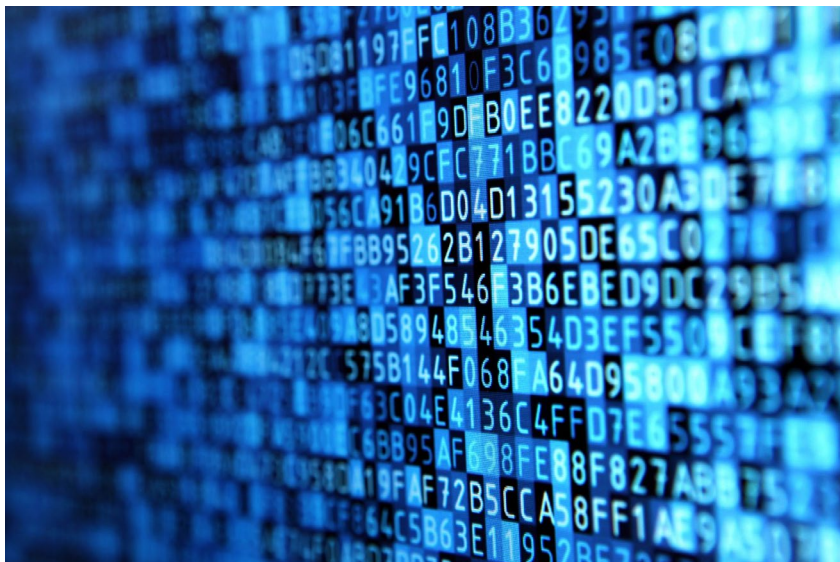
Flexible and agile working



Apprenticeships

# Cyber Security

# Cyber security



Risk

Ransomware

Attacks on NFPs

# Cyber defence

1 in 8 charities have been subject to cyber crime in the last 12 months

Good governance

Recovery timescales

Average cost of a data breach: £2.7m

# Cyber security: basics

Engagement  
and training

Immutable  
backups

Email  
security

Anti Virus

Event  
logging

# Financial Reporting developments

# FRED 82



- 1 January 2025 expected effective date (but will impact comparatives for 2024)
- Leases
- Revenues

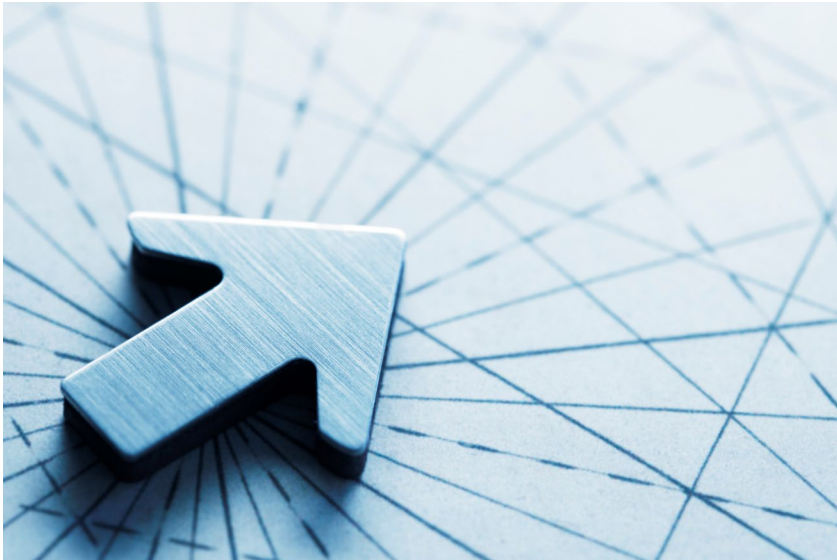
# FRED 82: Leases



- Finance / operating distinction is no longer relevant
- ROU assets with corresponding liability
- Portfolio basis



# FRED 82: Revenues



- Based on IFRS 15 customer contracts
- Likely to impact subsidiary services, royalties
- Expectation that new FRS 102 will contain sector specific guidance

# SORP development

- FRED 82 changes to be considered
- SORP development microsite not updated – but timetable will need to be in line with FRED 82



# Butler-Sloss ruling

# Charity Commission investment guidance

- CC14 to be updated, but remains applicable for now
- Possible additional disclosures
- Changes to investment policies



# Harpur Trust vs. Brazel

# Holiday pay accrual

All workers  
entitled to 5.6  
weeks of holiday

Possible  
underpayments  
to rectify

Possible  
liabilities to  
recognise

Nature of staff  
employed going  
forward

# Annual reports

# FRC: What makes a good annual report?

Compliant

Accessible

Accurate

Connected and consistent

Complete

On-time

Unbiased

Navigable

Transparent



# Attributes of good annual report and accounts



COMPANY (CHARITY)  
SPECIFIC



CLEAR, CONCISE AND  
UNDERSTANDABLE



CLUTTER FREE AND  
RELEVANT



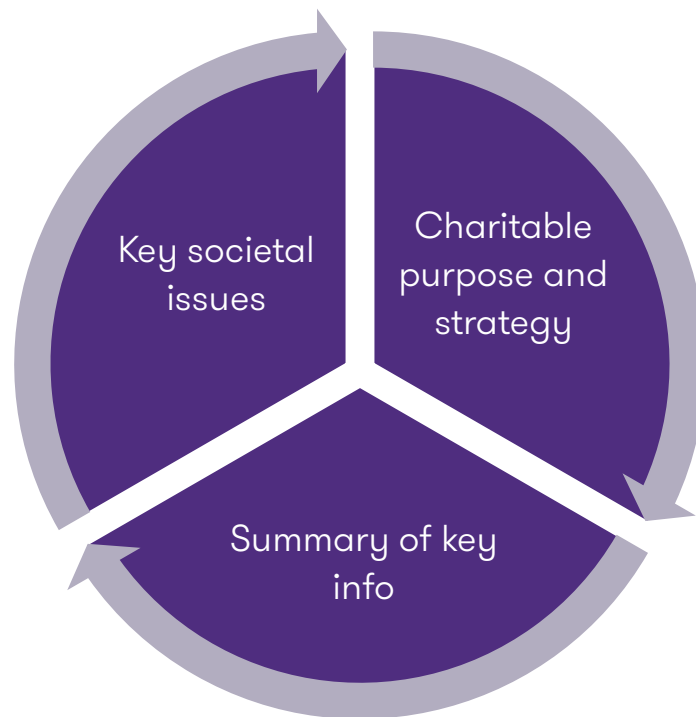
COMPARABLE

# Attributes of good annual report and accounts

## MATERIALITY



# PwC Themes



[How to improve your charity's annual report | ICAEW](#)

# Questions?



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