



General Osteopathic Council

Year ended 31 March 2018

Audit Findings Report

Audit / Tax / Advisory / Risk

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The Audit Committee
General Osteopathic Council
176 Tower Bridge Road
London
SE1 3LU

18 June 2018

Dear Committee Members

Audit for the year ended 31 March 2018

Following the completion of our audit fieldwork on the financial statements of the General Osteopathic Council (“GOsC”) for the year ended 31 March 2018 we have pleasure in submitting our Audit Findings Report setting out the significant matters which have come to our attention during our audit and of which we believe you need to be aware when considering the financial statements. The matters included in this report have been discussed with the GOsC’s management during our audit and at our closing meeting on 6 June 2018. Tim Walker and Matthew Redford have seen a draft of this report and we have incorporated their comments and/or proposed actions where relevant. Tim Redwood will be attending your meeting on 28 June 2018 and will be pleased to provide any further information or clarification you may require.

We would like to express our appreciation for the assistance provided to us by the finance team and the other staff at the GOsC during our audit.

Use of this report

This report has been provided to the Audit Committee to consider and ratify on behalf of the Council, in line with your governance structure. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. It should not be made available to any other parties without our prior written consent.

Yours sincerely

Crowe Clark Whitehill LLP

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1. Audit overview

Audit scope and approach

Our audit work has been undertaken for the purposes of forming our audit opinion on the financial statements of the GOsC prepared by management with the oversight of the Council and has been carried out in accordance with International Standards on Auditing (UK) ('ISAs').

Our work combined substantive procedures (involving the direct verification of transactions and balances on a test basis and including obtaining confirmations from third parties where we considered this to be necessary) with a review of certain of your financial systems and controls where we considered that these were relevant to our audit. No restrictions or limitations were placed on our work.

Communicating significant findings from our audit

We are required by ISAs to communicate with the Council as "those charged with governance" various matters from our audit including:

- our views about significant qualitative aspects of the charity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures,
- significant difficulties, if any, encountered during the audit,
- any significant matters arising during the audit and written representations we are requesting,
- circumstances that affect the form and content of our auditor's report, if any, and
- any other significant matters arising during the audit that, in our professional judgment, are relevant to the oversight of the financial reporting process.

We have included comments in relation to the above where relevant in the subsequent sections of this report.

We also report to you any significant deficiencies in internal control identified during our audit which, in our professional judgment, are of sufficient importance to merit your attention. We confirm that we have no significant

control deficiencies identified from our audit which we need to bring to your attention. We have included an update on control points we raised in the prior year in Appendix 1.

You should note that our evaluation of the systems of control at the GOsC was carried out for the purposes of our audit and accordingly it is not intended to be a comprehensive review of systems and processes. It would not necessarily reveal all weaknesses in accounting practice or internal controls which a special investigation might highlight, nor irregularities or errors not material in relation to the financial statements.

Audit completion

We have substantially completed our audit in accordance with our Audit Planning Report which was sent to you and the senior management team on 5 March 2018, subject to the matters set out below.

- Receipt Secure Trust Bank Confirmation
- Completion of the post-Balance Sheet events review.
- Review of the final financial statements.
- Receipt of the signed letter of representation.

The final three items we have identified as outstanding are work we usually carry out just prior to us signing our audit report.

We will report to you orally in respect of any modifications to the findings or opinions contained in this report that arise on completion of the outstanding matters. On satisfactory completion of the outstanding matters, we anticipate issuing an unmodified audit opinion on the truth and fairness of the financial statements.

Materiality and identified misstatements

As we explained in our Audit Planning Report, we do not seek to certify that the financial statements are 100% correct; rather we use the concept of "materiality" to plan our sample sizes and also to decide whether any errors or misstatements discovered during the audit (by you or us) require adjustment. The assessment of materiality is a matter of professional judgement but overall

a matter is material if its omission or misstatement would reasonably influence the economic decisions of a user of the financial statements.

The audit materiality for the financial statements set as part of our audit planning took account of the level of activity of by the GOsC and was set at approximately 2% of total income. We have reviewed this level of materiality based on the draft financial statements for year ended 31 March 2018 and are satisfied that it continues to be appropriate.

We also report to you any unadjusted individual errors other than where we consider the amounts to be trivial, and for this purpose we have determined trivial to be approximately 5% of our audit materiality.

We are pleased to report that there are no remaining unadjusted items identified from our audit in excess of the above trivial limit.

Ethical Standards

We are required by the Revised Ethical Standard 2016 issued by the Financial Reporting Council ('FRC') to inform you of all significant facts and matters that may bear upon the integrity, objectivity and independence of our firm.

Crowe Clark Whitehill LLP has procedures in place to ensure that its partners and professional staff comply with both the Revised Ethical Standard 2016 and the Code of Ethics adopted by The Institute of Chartered Accountants in England and Wales.

As explained in our audit planning report, in our professional judgement there are no relationships between Crowe Clark Whitehill LLP and the GOsC or other matters that would compromise the integrity, objectivity and independence of

our firm or of the audit partner and audit staff. We are not aware of any further developments which should be brought to your attention.

Legal and regulatory requirements

In undertaking our audit work we considered compliance with the following legal and regulatory requirements, where relevant.

- Charities Act 2011
- The Charities (Accounts and Reports) Regulations 2008 (or updated Regulations if enacted before completion of the financial statements)
- Financial Reporting Standard 102 (FRS 102)
- The Charities SORP (FRS102) (effective 1 January 2015)

Financial statements

The Council of the GOsC are responsible for the preparation of the financial statements on a going concern basis (unless this basis is inappropriate). The Council are also responsible for ensuring that the financial statements give a true and fair view, that the process your management go through to arrive at the necessary estimates or judgements is appropriate, and that any disclosure on going concern is clear, balanced and proportionate.

2. Significant matters from our audit

We reported in our Audit Planning Report management override of control as having specific audit risk which auditing standards deem to be a significant risk for all audits. We have commented below on the results of our work in this area as well as on any key additional risks, judgements or other matters in relation to the financial statements of the GOsC identified during our audit.

2.1 Recognition of registration fees

Registration fees totalled £2.8m in the 2018 financial statements (2017: £2.74m). The GOsC does not have a fixed renewal date for all registrants and instead (as required by the Osteopaths Act) a registrants' registration period commences on the date that their name was entered onto the register. As the GOsC's registration fee covers a 12 month period it is necessary to pro rate each registration fee in order to recognise the correct proportion in each financial year.

We understand that whilst a registrant's fee is calculated to cover the correct portion of each financial year, fees are deferred on a monthly basis. This means that whether a registrant joined the register on the 2nd or 28th of a month, they have the same month of renewal and the amount of fees deferred is the same for both individuals. As registrants joining dates will be evenly distributed through any month, income recognition is considered to be correct when all registrants are taken into consideration.

As part of our audit testing we:

- Documented our understanding of registration fees including how they are received and how it is ensured that all fees are recorded and appropriately recognised;
- Developed expectations over the level of fee income to be recorded in the financial statements taking into consideration the number of individuals on the register at each level and published registration fee.
- Substantively tested a sample of fee income, ensuring that it was recorded in line with the individual's registration date and at the correct level.
- Re-performed the deferred income calculation, and substantively tested a sample of deferred income, ensuring that it was correctly calculated based upon the month of the individual's registration.

We did not identify any issues with recording and recognition of registration fees.

2.2 Completeness of liabilities in respect of Professional Conduct Committees cases

The GOsC's activities include investigating and acting where concerns have been raised in respect of registration fees. Legal costs are incurred by the GOsC as solicitors provide information to support decision making in respect of PCC cases.

As part of our audit we reviewed invoices received from solicitors around the year end, to ensure that they were appropriately included within the correct period. All legal costs reviewed were recorded in the correct year.

In addition to the completeness and cut off of solicitor fees, there is a risk around a need to pay legal costs in respect of the registrant, should a case be appealed requiring judicial review. This may require the GOsC to provide for costs, in accordance with 'FRS102 Section 21: Provisions and contingencies'. Under FRS 102 a liability should be recognised if there is an obligation as a result of a past (pre year-end) event at the reporting date, it is more likely than not that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably.

We confirmed with management that there was no indication of any decisions made being appealed.

2.3 Management override of controls

Auditing standards require us to consider as a significant audit risk areas of potential or actual management override of controls. In completing our audit we have therefore considered the following matters.

Controls around journal entries and the financial reporting process

We reviewed and carried out sample testing on the charity's controls around the processing of journal adjustments (how journals are initiated, authorised

and processed) and the preparation of the annual financial statements. We also considered the risk of potential manipulation by journal entry to mask fraud.

We did not identify any instances of management override of controls or other issues from our sample testing of the GOsC journals. We noted that controls have been strengthened during the year with payroll journals now authorised monthly at the same time as the payroll is authorised.

Significant transactions outside the normal course of business

We are required to consider the impact on the financial statements if there are any significant transactions occurring outside of the normal course of the charity's business.

No such transactions were notified to us by management, nor did any such transactions come to our attention during the course of our work.

2.4 Payroll

Payroll is the largest single expenditure item for the GOsC at £1.31m for the year ended 31 March 2018 (2017: £1.37m).

Our approach to this testing was based on analytical procedures, which considered gross pay, deductions and staff numbers to ensure that all trends and relationships appeared reasonable and that the totals agreed with the ledger.

As part of our detailed testing, we also selected a sample of employees and agreed their pay per the payroll reports to supporting documentation, in order to confirm that they were being paid at authorised levels. This testing was satisfactory and no issues were noted. We also recalculated the deductions-PAYE and NIC, for a sample of individuals ensuring that the amounts deducted from their pay were in line with our expectations.

We confirmed that a sample of starters / leavers had been correctly added or removed from payroll in the correct month, in line with supporting documentation.

We also agreed all monthly payroll reports to the total payroll expense recorded in the accounts with no issues noted. We agreed disclosures recorded in the financial statements to payroll records.

All our testing in this area was satisfactory.

2.5 Board and Committee allowances and expenses

Council members and individuals sitting on each of the GOsC's committees receive remuneration including honorariums and allowances as well as reimbursed expenses for travel and subsistence. Payments of this kind represent a significant expense for the GOsC.

As part of our work we selected a sample of payments made to members of the Council and Committees and traced the amount to supporting documentation, ensuring that they had been authorised appropriately. All expenses claimed by members have an authorisation sheet attached which must be authorised by a head of department prior to any payments being made. For attendance allowances paid, we ensured that the amounts paid were at the correct rate and for the appropriate number of days. These payments follow the same authorisation process as those for expenses.

We were satisfied with the results of our work in this area.

2.6 Investments

As part of our work on investments we agreed the valuation included in the financial statements to reports received from investment managers. We also agreed movements on investments and other disclosures in the financial statements through to these reports. We noted that the value of investments was overstated by £10,650. This was due to an amount held by the GOsC's previous investment managers at 31 March 2017 which was remitted to the GOsC during in April 2017 but had not been removed from investments in the nominal ledger. This has subsequently been corrected in the accounts.

2.7 Other balance sheet items

In addition to our focus on the areas detailed in the sections above, we carried out our normal audit procedures on the other material balance sheet amounts. We noted that prepayments were overstated by £10,101 as a result of one prepayment having been calculated incorrectly, this has been adjusted in the accounts. We were satisfied that there were no further errors in prepayments and we have no other matters to bring to your attention in respect of our work on the balance sheet.

3. Fraud and error

In our Audit Planning Report, we explained that the responsibility for safeguarding the assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with the Council of the GOsC.

The Council should be aware that the Charity Commission provides guidance (updated in January 2018) on how to protect your charity from fraud including information about fraud, how to spot it and what you can do to protect against it - <https://www.gov.uk/guidance/protect-your-charity-from-fraud> .

In accordance with International Auditing Standards, we planned our audit so that we have a reasonable expectation of detecting material misstatements in the financial statements or accounting records (including any material misstatements resulting from fraud, error or non-compliance with law or regulations).

However, no internal control structure, no matter how effective, can eliminate the possibility that errors or irregularities may occur and remain undetected. In addition, because we use selective testing in our audit, we cannot guarantee that errors or irregularities, if present, will be detected. Accordingly our audit should not be relied upon to disclose all such misstatements or frauds, errors or instances of non-compliance as may exist.

As part of our audit procedures we made enquiries of management to obtain their assessment of the risk that fraud may cause a significant account balance to contain a material misstatement. Usually fraud in the charity sector is not carried out by falsifying the financial statements. Falsifying statutory financial statements usually provides little financial benefit, as compared to say a plc where showing a higher profit could lead to artificial share prices or unearned bonuses. However falsifying financial statements can be used to permit a fraud or to avoid detection. As a generality charities represented by its management and its Councils do not actively try to falsify financial statements as there are not the same incentives to do so. In the charity world fraud is usually carried out through misappropriation or theft.

We have reviewed and discussed the accounting and internal controls systems management has put in place to address these risks and to prevent and detect error. However, we emphasise that the Council, Audit Committee and management should ensure that these matters are considered and reviewed on a regular basis.

We have included the following statements in the letter of representation which we require from the Council when the financial statements are approved.

- The Council acknowledge their responsibility for the design and implementation of internal control to prevent and detect fraud and errors.
- The Council have assessed that there is no significant risk that the financial statements are materially misstated as a result of fraud.
- The Council are not aware of any fraud or suspected fraud affecting the charity involving management, those charged with governance or employees who have a significant role in internal control or who could have a material effect on the financial statements.
- The Council are not aware of any allegations by employees, former employees, regulators or others of fraud, or suspected fraud, affecting the charity's financial statements.

We draw your attention to bullet point 2 above which presupposes that an assessment has been made. We have not been made aware of any actual or potential frauds which could affect the 2018 financial statements, or in the period since the 2018 year end.

We emphasise that this section is provided to explain our approach to fraud and error, but the responsibility to make and consider your own assessment rests with yourselves.

Considering risks of fraud

The following provides further information on the three kinds of fraud that charities such as the GOsC should consider.

a) Frauds of extraction

This is where funds or assets in possession of the charity are misappropriated. Such frauds can involve own staff, intermediaries or partner organisations since they require assets that are already in the possession of the entity being extracted fraudulently. This could be by false invoices, overcharging or making unauthorised grant payments.

Essentially such frauds are carried out due to weaknesses in physical controls over assets and system weaknesses in the purchases, creditors and payments cycle. The cycle can be evaluated by considering questions such as who authorises incurring a liability and making a payment. On what evidence? Who records liabilities and payments? Who pays them and who checks them?

The close monitoring of management accounts, ledger entries and strict budgetary controls are also generally seen as an effective way of detecting and deterring frauds in this area.

Staff should be made aware of the increasing use of mandate fraud. This is where when the fraudster gets the organisation to change a direct debit, standing order or bank transfer mandate by purporting to be a supplier or organisation to which the charity make regular payments.

Insufficient due diligence around requests to amend supplier or payroll details has led to payments to unauthorised individuals so the importance of sufficient checks in these areas is of increasing importance.

Some charities have also been victims of what is being termed CEO fraud, although it does not involve the CEO. In this case cyber criminals spoof company email accounts and impersonate executives to try and fool an employee in accounting or HR into executing unauthorised wire transfers or sending out confidential information.

This type of phishing scam is a sophisticated scam targeting businesses working with foreign suppliers and/or businesses that regularly perform wire transfer payments. The scam is carried out by compromising legitimate business e-mail accounts through social engineering or computer intrusion techniques to conduct unauthorised transfers of funds. Action Fraud, the UK's national fraud and cyber-crime reporting centre's website explains:

“CEO fraud will typically start with an email being sent from a fraudster to a member of staff in a company's finance department. The member of staff will be told by the fraudster who is purporting to be a company director or CEO that they need to quickly transfer money to a certain bank account for a specific reason. The member of staff will do as their boss has instructed, only to find that they have sent money to a fraudster's bank account.

The fraudster will normally redistribute this money into other mule accounts and then close down the bank account to make it untraceable. Out of the £32 million reported to be lost by businesses to CEO fraud only £1 million has been able to be recovered by the victims. This is due to businesses taking too long to discover that they have been the victim of fraud and the lost money already being moved by fraudsters into mule accounts. Most businesses reported initially being contacted via emails with gmail.com and yahoo.com suffixes. (Note that: in some cases the email comes from a hacked email account).

How can businesses protect themselves?

- *Ensure all staff, not just finance teams, know about this fraud.*
- *Have a system in place which allows staff to properly verify contact from their CEO or senior members of staff; for example having two points of contact so that the staff can check that the instruction which they have received from their CEO is legitimate.*
- *Always review financial transactions to check for inconsistencies/errors, such as a misspelt company name.*
- *Consider what information is publicly available about the business and whether it needs to be public.*
- *Ensure computer systems are secure and that antivirus software is up to date.”*

All employees should exercise real scepticism and not make any payments which are not properly supported and outside the normal payment mechanisms.

b) Backhanders and inducements

There is also an inherent risk that individuals who are able to authorise expenditure or influence the selection of suppliers can receive inducements to select one supplier over the other. This risk can be mitigated by robust supplier selection and tendering procedures.

c) Frauds of diversion

This is where income or other assets due to the GOsC are diverted before they are entered into the accounting records or control data. Essentially, it is easy to check what is there but very difficult to establish that it is all there. Therefore ensuring the completeness of income provided to a charity becomes difficult.

Appendix 1 - Update from last year

We have set out below the systems and control issues on which we reported after our audit last year together with an update on how the points raised have been addressed including information on the progress made at the time of the audit of the 2018 financial statements.

Recommendation fully implemented or no longer relevant	
Recommendation partially implemented	
No progress on recommendation	

Please note that these colour codings are based on the status of the actions taken rather than the severity of the observation which is shown against the observation itself.

Observations in 2017	Update 2018
<p>1. Segregation of duties</p> <p>During our audit and our IT review we discussed issues around segregation of duties in relation to online bank payments. Most online banking systems have administrator access through which an individual can make changes including authorisation levels and the number of individuals required to approve a payment. The administrator access can be used to circumvent agreed authority levels. Although we understand that an individual cannot both raise a payment for approval and approve the payment through the banking system we have recommended that the GOsC obtain an understanding of the administrator rights and any risks connected to these.</p>	<p>In the year GOsC created a new IT and Business Support role which was tasked with implementing the recommendations from the IT audit. This included reviewing the segregation of duties around administrator access across a range of our business critical systems, including banking. Proposals for strengthening the control environment were put forward to the Chief Executive and these were approved. For banking, this included the IT and Business Support position having administrator access to create users but not being able to grant those users authority to approve payments. This would need to be completed in-conjunction with the Director of Registration and Resources.</p>
<p>2. Osteopathy House</p> <p>Osteopathy House is currently being depreciated over 50 years including significant redevelopment completed in 2009. The refurbishment completed in 2009 may have included some works with a shorter useful economic life than is currently being applied. The structure of the property may also reasonably be considered to have a useful life in excess of 50 years. We recommend that the various components making up the current net book value of Osteopathy House are considered as well as whether there is a need for a change in accounting policy.</p>	<p>Management have reviewed the various components making up the property and consider that the only significant component would be the lift infrastructure. As a significant proportion of this work would have the same useful life as the remainder of the building, the impact on depreciation would not be material and so no change to the existing policy is considered necessary.</p>

Appendix 2 - Reporting audit adjustments

International Standards on Auditing (UK) require that we report to you all misstatements which we identified as a result of the audit process but which were not adjusted by management, unless those matters are clearly trivial in size or nature.

Our audit approach is based on consideration of audit materiality as explained in section 1 of this report. We determine materiality for the purposes of the charity's statutory reporting by our judgement as to what adjustments would influence the readers' perceptions of the financial statements. We do not therefore seek to review all immaterial amounts.

For the purpose of reporting non-trivial items identified as a result of our audit work which have not been adjusted in the financial statements we set out in our Audit Planning Report that we would report unadjusted misstatements greater than £3,000 unless they are qualitatively material at a lower amount.

We are pleased to report that there are no remaining unadjusted items identified from our audit in excess of the above trivial limit.

Appendix 3 - Draft representation letter

Draft Representation Letter

This letter must be typed on your official letterhead. It should be considered by the Council at the same time as the Annual Report and Financial Statements and the Minutes should record the Council's approval of the letter.

The letter should be dated at the date of the approval of the financial statements.

Crowe U.K. LLP
St. Bride's House
10 Salisbury Square
London
EC4Y 8EH

Dear Sirs

We provide this letter in connection with your audit of the financial statements of the General Osteopathic Council for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the charity as at 31 March 2018 and of the results of its operations for the year then ended in accordance with UK Generally Accepted Accounting Practice ("UK GAAP").

We confirm that the following representations are made on the basis of sufficient enquiries of management and staff with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation and that, to the best of our knowledge and belief, we can properly make each of these representations to you. If completion of the audit is delayed we authorise Matthew Redford to provide an update to all representations sought.

1. We have fulfilled our responsibility for the fair presentation of the financial statements in accordance with UK GAAP.
2. We acknowledge as Council our responsibility for making accurate representations to you.
3. We acknowledge our responsibility for the design and implementation of internal control to prevent and detect fraud and errors.
4. We have provided you with all accounting records and relevant information, and granted you unrestricted access to persons within the entity, for the purposes of your audit.
5. All the transactions undertaken by the charity have been properly reflected and recorded in the accounting records or other information provided to you.
6. In respect of accounting estimates and judgements, we confirm our belief that the significant assumptions used are reasonable.
7. We are not aware of any actual or possible litigation or claims against the company whose effects should be considered when preparing the financial statements.
8. All incoming resources, the receipt of which is subject to specific terms and conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such incoming resources.
9. We are not aware of any breaches of our charitable trusts and have advised you of the existence of all endowments and funds maintained by us.

10. There have been no events since the balance sheet date which require disclosure or which would materially affect the amounts in the financial statements. Should any material events occur which may necessitate revision of the figures in the financial statements, or inclusion in a note thereto, we will advise you accordingly. We specifically authorise Matthew Redford, Director Registration and Resources, to provide an update for you to cover the time period between the signing of this letter and the date of your audit report.
11. We have assessed that there is no significant risk that the financial statements are materially misstated as a result of fraud.
12. We are not aware of any fraud or suspected fraud affecting the charity involving those charged with governance, management or other employees who have a significant role in internal control or who could have a material effect on the financial statements.
13. We are not aware of any allegations by employees, former employees, regulators or others of fraud, or suspected fraud, which would have an impact on the charity's financial statements.
14. We are not aware of any known or suspected instances of non-compliance with those laws and regulations which provide a legal framework within which the charity conducts its business.
15. We confirm that complete information has been provided to you regarding the identification of related parties and that we are not aware of any significant transactions with related parties.
16. We confirm we have appropriately accounted for and disclosed related party relationships and transactions in accordance with applicable accounting standards and with the recommendations of the applicable charity SORP.
17. We confirm that, having considered our expectations and intentions for the next twelve months and the availability of working capital, the charity is a going concern. We are unaware of any events, conditions, or related business risks beyond the period of assessment that may cast significant doubt on the charity's ability to continue as a going concern.

Yours faithfully

.....
Council Member
Signed on behalf of the Council

Date

Appendix 4 - External developments

We have summarised below some of the developments and changes in the charity sector over the recent period which we believe may be of interest and relevant to you. Please note that this information is provided as a summary only and that you should seek further advice if you believe that you have any specific related issues or intend to take or not take action based on any of the comments below.

We issue a regular technical briefing for charities by email. If you would like to receive this please email your details to nonprofits@crowecw.co.uk. Alternatively, these briefings are available in the resource library on [our website](#).

Charity Governance Code

The new Charity Governance Code was published on 13 July 2017. At the same time the Charity Commission withdrew its publication CC10, The Hallmarks of an Effective Charity, and are now directing charities to the new Code.

The new Code has been designed as a practical tool to help charities and their trustees develop high standards of governance. It sets the principles and recommended practice for good governance and is deliberately designed to be aspirational – the guidance recognises that some elements of the Code will be a stretch for many charities to achieve.

The Code lays out principles for seven key areas of governance together with recommended practice for each principle.

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

There are several significant changes to the previous guidance including recommendations that:

- the board will review its, the individual trustees and the chairs performance each year with, for larger charities, an external evaluation every three years;

- there are formal, rigorous and transparent procedures for appointing trustees to ensure that the board has the appropriate skills and diversity;
- there should be specific reappointment procedures and reporting for any trustee who has served for more than 9 years;
- emphasise the key roles of the chair and vice-chair in providing leadership to the board and ensuring that it has agreed priorities, structures and processes.
- there is a strategy for regular and effective communication with stakeholders with an interest in the charity's work and that the stakeholders have an opportunity to hold the board to account; and
- the board should, as well as promoting a culture of sound management of resources, understand that being over-cautious and risk averse can itself be a risk and hinder innovation.

The Code's principles, rationale and outcomes are universal and apply equally to all charities, whatever their size or activities although the recommended good practice to meet these principles will vary between charities.

The Code is available on a separate website:

<https://www.charitygovernancecode.org/en> .

GDPR

The GDPR forms part of the data protection regime in the UK, together with the new Data Protection Act 2018 (DPA 2018). The main provisions of this apply from 25 May 2018 and charities should already have completed the 12 steps set out by the Information Commissioner's Office (ICO)

<https://ico.org.uk/media/1624219/preparing-for-the-gdpr-12-steps.pdf> as part of their preparation for the new regime.

It will be important that charities continue to monitor the guidance as it develops and the ICO website has a separate page which they will update monthly to highlight and link to what's new in their Guide to the GDPR <https://ico.org.uk/for-organisations/guide-to-the-general-data-protection-regulation-gdpr/whats-new/>. We recommend that charities should monitor this to ensure they are aware of any updates to the guidance.

The Institute of Fundraising (IoF) and the Fundraising Regulator have also released some charity guidance on the GDPR which has been reviewed and co-badged by the ICO. This provides information on various areas including understanding what the GDPR means for charities and fundraising as well as giving some tools and templates to help charities put GDPR into practice <https://www.fundraisingregulator.org.uk/information-registration-for-fundraisers/guidance/data-protection-library-general-data-protection-regulation-gdpr/>.

The ICO have also launched a dedicated GDPR helpline for smaller charities to provide a GDPR advice service (0303 123 1113 (local rate) or 0162 554 5745 (national rate), or email casework@ico.org.uk).

Safeguarding in charities

In April 2018 the Charity Commission sent out an email to remind all charities and trustees of the importance of trustee responsibilities in relation to safeguarding. The Commission continue to emphasise that safeguarding is a key governance priority for all charities, not just those working with groups traditionally considered at risk and have advised that trustees should:

- carry out a thorough review of your charity's safeguarding governance and management arrangements and performance if you haven't done so within the last 12 months, and
- contact us about any safeguarding issues, or serious safeguarding incidents, complaints or allegations which have not previously been disclosed to the charity regulator.

This email follows up from the Commission's regulatory alert to charities on safeguarding issued in December 2017 following a number of serious incidents reported to the Commission and recent public interest about accusations of

harassment in the work place, including media reporting about some safeguarding incidents.

The alert reminds charities of the importance of:

- providing a safe and trusted environment which safeguards anyone who comes into contact with the charity including beneficiaries, staff and volunteers
- setting an organisational culture that prioritises safeguarding, so that it is safe for those affected to come forward and report incidents and concerns with the assurance they will be handled sensitively and properly
- having adequate safeguarding policies, procedures and measures to protect people
- providing clarity as to how incidents and allegations will be handled should they arise, including reporting to the relevant authorities, such as the Commission.

The full alert can be seen on the GOV.UK website <https://www.gov.uk/government/news/regulatory-alert-to-charities-safeguarding>

Cyber security guide for charities

The Charity Commission have supported the National Cyber Security Centre in publishing in March 2018 the first cyber security guide specifically for charities. Although aimed specifically at smaller charities, the guide is likely to be relevant to all charities.

The Department for Digital, Culture, Media and Sport have also published their cyber security breaches survey for 2018 which shows that 1 in 5 charities suffered a cyber security breach or attack in the last 12 months.

The cyber security guide together with other charity fraud related publications are available from the Fraud Advisory Panel website:

<https://www.fraudadvisorypanel.org/charity-fraud/resources/>

Working with non-charitable organisations

The Charity Commission has prepared draft guidance for charities that work with other charitable and non-charitable organisations to help trustees understand the risks and challenges that such relationships can bring to set out what the Commission expect trustees to do to deal with them.

The draft guidance focusses on 8 key areas:

- Keep the charity separate – don't blur the boundaries
- Make independent decisions
- Manage the risks, review the relationship
- Use written agreements / contracts
- Be open and accountable
- Comply with your legal duties
- Avoid conflicts of interest and loyalty
- Personal benefits

The Commission is currently analysing the feedback it has received following a consultation period which closed on 15 May. The draft guidance may be updated following this consultation, but in the interim the guidance is available on the Commission website:

<https://www.gov.uk/government/consultations/charities-that-are-connected-with-non-charitable-organisations-maintaining-your-charitys-separation-and-independence> .

Charity Annual Return for 2018

Following a period of consultation in the Charity Commission made a number of amendments to the content of the annual return for 2018 (AR18).

The Commission says that the new annual return will make for an easier user experience for charities, and stresses that it will be more proportionate than in the past, with many charities required to answer fewer questions, and only those with large or complex operations being required to provide more information.

However, some of the new questions may require charities to review what information is needed and how this is collected and this may particularly affect charities receiving income from or operating overseas. AR18 includes questions on:

- Whether commercial participators and/or professional fundraisers were used.
- The amounts received from contracts and/or grants from central or local government.
- The value of different types of income received from outside the UK by country.
- If the charity operates overseas, the expenditure by country and the methods used to transfer money if outside of the regulated banking system. This will also require a statement that the trustees are satisfied that the charity's risk management policy and procedures adequately address the related risks to the charity.
- The numbers of staff with remuneration in salary bands over £60k.
- Whether any payments have been made to trustees.
- Details of any of the charity trustees who are also directors of any of the charity's subsidiaries.

The Commission has decided not to ask charities whether they are claiming rate relief for the premises they use or the amount of gift aid they have claimed but will require charities to provide information about their highest paid employee, although that information will be held for regulatory purposes rather than made public.

AR18 applies to charities with financial years ending from 1 January 2018.

Taken on Trust - The awareness and effectiveness of charity trustees in England and Wales

Taken on Trust is a report commissioned by the Office for Civil Society and the Charity Commission and delivered by a consortium led by Cass Business School and the Cranfield Trust.

The report seeks to establish greater understanding of the characteristics of contemporary trustees in England and Wales and their awareness (or

otherwise) of their responsibilities and duties. A random stratified sample of trustees (19,064) was extracted from the complete data set of the register of trustees maintained by the Charity Commission to provide more detailed analysis via a national survey of trustees carried out in January 2017. Around 3,500 trustees responded to the survey.

The research finds that men outnumber women trustees on boards by two to one. The majority (92%) of trustees are white, older and above average income and education.

The research also finds that charity trustees, who are overwhelmingly volunteers, feel positively about their role and about the personal reward and satisfaction it gives them. It also highlights that trustees' contribution to charities amounts to a monetary equivalent of around £3.5 billion a year.

The full report together with its list of 28 recommendations can be seen on the GOV.UK website https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/658775/Trustee_Awareness_Report_final_print_.pdf.

Reporting serious incidents in charities

In September 2017 the Charity Commission updated its guidance on 'How to report a serious incident in your charity'.

Charities have had to report serious incidents to the Commission since 2007 with the most common types of incidents reported being fraud, theft and confirmed safeguarding issues. However, the Commission is concerned that their casework continues to find serious incidents that should have been reported but where reports were not made.

The key changes in the guidance include the following:

- The inclusion of new tools, such as examples and checklists, to make it clearer to trustees what they should, and should not, report to the regulator.
- Greater clarity on incidents resulting in "significant financial loss", making clear that losing significant funding or contracts that the charity can't replace should be reported to the regulator.
- Making it clearer what to report, how and when – encouraging reporting at the time the incident occurs or as soon as possible afterwards.

- An updated section to help with multiple reporting for charities that report incidents on a regular basis due to the risks arising from the nature of their work.
- Removing the need to report some types of incidents, where these are risks rather than serious incidents and where the relevant information about the risk is now requested in the annual return.
- Adding some new types of incidents which charities are experiencing on a regular basis and/or struggling to manage properly.

The main categories of reportable incidents are:

- Financial crimes - fraud, theft and money laundering
- Large donations from an unknown or unverifiable source, or suspicious financial activity using the charity's funds
- Other significant financial loss
- Links to terrorism or extremism, including 'proscribed' organisations, individuals subject to an asset freeze, or kidnapping of staff
- Suspicions, allegations or incidents of abuse involving beneficiaries
- Other significant incidents, such as - insolvency, forced withdrawal of banking services or actual/ suspected criminal activity

More details of the proposed updated guidance can be seen on the GOV.UK website <https://www.gov.uk/guidance/how-to-report-a-serious-incident-in-your-charity#history>

Appendix 5 - Non Profits events, courses and briefings

We believe it is important to keep our clients up to date on the issues that affect them. As a part of our ongoing communication we regularly hold seminars and courses and listed below are details of some of our events. Please visit our website or register to our mailing list to stay updated on these - nonprofits@crowecw.co.uk.

GDPR: Opt in to continue to stay informed

If you're already on our mailing list, we hope you enjoy the updates, events and alerts we send you on developments, topics and changes in legislation. We would like to continue to send you these relevant communications, however, due to the new GDPR regulations which will apply from May, you will need to confirm that you would like to continue receiving these from us.

To give your consent is easy - Please [click here](#) and confirm your details – it will only take a few moments. Your personal data will be stored and used in accordance with our [Privacy Policy](#) and you can also unsubscribe at any time by contacting us by email, telephone or in writing.

Breakfast briefings

These briefings will be run by experts from our Non Profits team on topical issues as they emerge. Registration and breakfast at these briefings is from 8:30, the sessions commence at 9:00 and aim to end at 10:15.

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| • Managing investments and reserves | 3 Oct 2018 |
| • Refreshing risk management | 7 Nov 2018 |

Trustee essentials

Our Trustee essentials seminars have been developed to consider the issues facing trustees. We will take an in-depth look at the key areas of responsibility

which will provide trustees with useful information, tools and techniques. These sessions are full day seminars and cost only £50 per delegate.

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|----------------------|-------------|
| • Trustee essentials | 12 Oct 2018 |
| • Trustee essentials | 9 Nov 2018 |

Tax training courses

These interactive training courses are run with a small number of delegates.

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|-------------------------------|-------------|
| • Introduction to charity VAT | 4 Oct 2018 |
| • Charity VAT reliefs | 14 Nov 2018 |

Further information and registration

The CFG (Charity Finance Group) events above are hosted by C and are available to our clients even if not CFG members. Registration for these events is available through the CFG website <http://cfg.org.uk/events.aspx>.

To register for any of the other above events, please visit our website <https://www.croweclarkwhitehill.co.uk/home/sectors-overview/not-for-profit/> or email nonprofits@crowecw.co.uk



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