Grant Thornton

Charity sector developments

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Foreword

2022 saw the end of Covid-19 restrictions in the UK and, for a short time, a return to normality. But as one crisis replaced another – the effects of rising utility bills, cost of living increases and supply chain shortages to name a few – we stumbled into another difficult reporting period, expected to reach far into 2023 and possibly beyond.

Consequently, the charity sector is facing unprecedented demand: families and individuals are increasingly likely to turn to the third sector for support during these difficult times. Whilst still recovering from some of the longer-term effects of the pandemic, charities are facing a myriad of complex challenges.

This year's publication considers sector risks, financial reporting and audit changes, as well as the broader not-for-profit (NFP) environment.

The Charities Aid Foundation report from 2022 showed that 1 in 8 donors are considering cutting back on, or reducing, donations to charities.[1] Increasing day-to-day costs means that individuals are not able to give in the same volumes as previous years and this, combined with elevated levels of inflation, means that charities have fewer financial resources in real terms. Inflation peaked at 11.1% in October 2022[2] and reduced only slightly to 10.3% by March 2023. With interest rates increasing in a bid to keep inflation at lower levels, there are implications for loan balances, leases and mortgages. Whilst there is some good news in that the Bank of England expects inflation to reduce to 5% by the end of 2023[3], the damage has already been done.

Away from charity finances, the operational environment is under threat. Cyber-attacks on not-for-profit organisations are more and more frequent and increasingly severe – charities must be able to respond reactively and proactively. As many as 1 in 8 charities are subject to cyber-attacks.[4] 2020 was a turning point for the wider NFP sector with a series of serious attacks on education institutions, resulting in data theft and significant rectification costs. Charities must ensure that insurance policies are up to date and that basic security measures such as back-ups and multi-factor authentication are robust. With estimated costs of single ransomware breaches rising into millions of pounds, this is a real threat to the function of charities.

Whilst the majority of climate reporting requirements apply to entities registered under the Companies Act 2006, charities are considered to be at the forefront of the race to net zero. Ethical and environmentally conscious investment strategies are permitted (by legal ruling and updated Charity Commission guidance) and reporting on environmental matters is considered best practice. As the UK moves closer to mandatory environmental reporting, the charity sector should be prepared to include more detail in their annual report on 'green' initiatives and understanding their emissions, as well as reviewing policies and procedures for environmental impact.

Financial reporting is undergoing a reformatory phase. The Financial Reporting Exposure Draft (FRED) 82 proposes a number of amendments, most significantly in relation to the way that leases and revenues are reported. Whilst the final, revised FRS 102 is yet to be released, we expect to see the standard in place from 1 January 2025 with an updated Charities SORP to coincide and provide practical application guidance for the sector. In addition, plans continue with International Non-Profit Accounting Guidance, which would align all reporting by NFP organisations and enhance comparability across the sector.

We hope you find this publication informative and if there are any matters that you would like to discuss further, please do not hesitate to get in touch with your Grant Thornton contacts.

Stephen Dean
Director

1 Charities Aid Foundation UK Giving Report 2022 CAF report 2022
2 The Office for National Statistics summarized key inflation figures in March 2023 Consumer price inflation, UK - Office for National Statistics
3 The Bank of England clarified their expectations on inflation decreases in May 2023 When will inflation in the UK come down?
4 The Charity Commission published their findings on cyber-attacks in October 2022 Report from the Charities Commission

Sector risks

Cost of living crisis

The UK is suffering a cost-of-living crisis which has led to strikes in many sectors including the NHS, transport and education. Insufficient pay and working conditions are the main causes of these strikes. Many people are working skilled jobs full time yet still struggling to afford heating and food, and increasing changes in the workplace, in part from digitalization, are affecting employees job satisfaction.

The difficulties across society are affecting the mental health of many including the young. In last year's 'charity sector developments' we noted a "large part of the impact of Covid-19 has been on the mental health and resilience of individuals, as many have had to endure periods of isolation and being unable to see loved ones." The pressures on mental health have only increased, even though the source of the pressure has changed. The challenges individuals and organisations are facing are equally falling on charities. Additionally, charities are a major source of support to communities and individuals who are turning to them in the current emerging crisis. This means that there is increased demand for services across certain parts of the sector because of the impact of the cost of living crisis. At the same time, there is less funding available to charities from reductions in giving and grant funding availability. These increased demands and funding pressures can increase charities' going concern risks.

How will charities respond to the cost-of-living crisis?

There are a variety of emerging pressures: the cost of services; retaining staff and volunteers; increasing regulation (particularly in the housing sector), and demand for services. In determining a strategic response, charities are assessing whether the pressures are short term, with a possible response to spend reserves which can then be replenished, or whether the challenges will remain longer term.

With higher energy costs and higher inflation driving up all areas of expense more generally, charities will feel the pressure on their budgets and reserves. With greater need for charitable services in society as a result of the cost-of-living crisis, increasing demand and decreasing donations and funding availability, the risk to charities increases. In particular, the ability to meet budgets is uncertain and the likelihood of annual financial deficits increases, which in turn affects their ability to continue as a going concern.

UK annual inflation in April 2023 was 8.7% per the Office for National Statistics (ONS) while food prices had risen 16.8% over the 12 months[5] to February 2023. These are significant price rises sorely felt by not just the poor, but many working full time. Part of the high inflation has been the soaring energy prices resulting from the Russian invasion of Ukraine, where, according to the Office for National Statistics (ONS), in the year to February 2023 electricity prices rose by 66.7% and gas prices by 129.4%[6]. The UK government has said it will halve inflation in 2023 but with inflation being the result of numerous factors including price and wage expectations and global political events, the outlook is uncertain. However, in May 2023, the International Monetary Fund (IMF) upgraded its growth forecast for the UK, projecting that the economy will grow by 0.4%.[7]

Ways in which charities may respond in the current situation could come under three headings:

Strategy

Trustees and the senior leadership of charities need to have a clear vision and strategy for the immediate future and longer term. The objectives of the organisation are essential to this, along with how they can be met with the current demands and pressures. Where trustees intend for the charity to survive, they must strategize with going concern as a key factor, assessing how long they see the cost-of-living crisis enduring and making plans accordingly. Many people are turning to charities for the first time in this economic environment, making use of foodbanks, debt support and mental health charities. Charities should therefore recognise and communicate their value and necessity at this time, to motivate staff, encourage users, and seek donations and funding.

Information and forecasting

With great pressure on funds, due to the increasing costs, increasing demand and often reducing funding, charities need to have accurate, usable, timely information and maintain regular forecasting. The board should regularly be provided with information on income, expenditure, and funds that they can trust and understand to enable them to make informed decisions. Cashflow forecasts with prudent assumptions will be a core part of this work.

5 https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/april2023
6 https://www.ons.gov.uk/economy/inflationandpriceindices/articles/costoflivinginsights/energy
7 https://www.bbc.co.uk/news/business-65669399

The Charity SORP, section 3.14, states that trustees must annually make an assessment of their charity's ability to continue as a going concern, and in section 3.38 provides the details on the disclosures required in the financial statements which includes "a clear disclosure of any uncertainties". The FRC thematic review also highlights the need for organisations to understand and disclose the going concern risks and uncertainties. It says of the Viability Statement which is required for listed companies, but is best practise for all organisations including charities in their trustees report, that it "is about the company's ability to manage realistic 'what if' scenarios, not whether it can avoid liquidation in a given time-frame. The viability statement should express the directors' views about the longer-term viability of the company with reference to the company's current position and the longer term risks that could threaten the business model, future performance, solvency or liquidity rather than explaining that the company is able to meets its liabilities as they fall due in the short term".

It is therefore recommended that organisations, including charities, should have a good understanding of the Going Concern uncertainties, which itself helps to mitigate the risks. When preparing and maintaining their budgets, charities should also prepare cash flow forecasts to keep in view the future cash position and liquidity. Then with the Going Concern forecasts, charities can model different 'what if' scenarios. This means using stress or reverse stress testing techniques on the forecasts. Stress tests would involve for instance taking the base assumptions on inflation or pay rises or income received then modelling with more unfavourable assumptions. Reverse stress testing identifies the worst-case scenario, that is the conditions that would need to arise for the organisation to fail.

Charities can then consider the likelihood of the different scenarios occurring. With the understanding of the risks and likelihood of their occurring, charities can plan in advance how to respond if more unfavourable 'what if' scenarios do seem more likely, such as ongoing inflation. Forecasting software could be used, making the modelling easier and outputs to review easier to understand.

Staff and volunteers

A difficulty for all organisations now is recruiting and retaining the right staff, and for charities, their volunteers. Brexit has reduced the number of EU workers in the UK, which is having a large impact in many sectors. People are also moving between jobs to get higher wages or better working conditions. Many charities are also greatly resourced by volunteers, who may now seek salaried work to meet the cost-of-living challenges. Charities therefore need to compete with other organisations for staff and volunteers. Wages may need to be increased and expenses reimbursed for volunteers. Staff working conditions should be reviewed, including consideration of hybrid working practices. Charities do hold an advantage with their ethos of support, wellbeing and community, and by clearly communicating these, may find staff and volunteers stay loyal to the organisation.

The road through the cost-of-living crisis is uncertain, but the vital role of charities is unquestioned. Prioritisation, focussed strategies and strength of leadership will help charities navigate the challenges posed by the current situation and to be the support in Society they aim to be.

Political change

The last 12 months have seen a large number of challenges and changes both in respect of the current geopolitical climate and in respect of core and secondary legislation impacting upon businesses and charities alike. The current situation with the Russia-Ukraine conflict has had a wide-reaching impact, increasing the level of demand for various outreach programmes in areas most affected by the conflict, as well as increased support needed for the refugee effort. In addition to this, with the sanctions placed on Russia and certain organisations and individuals associated with Russia, there is an increased level of scrutiny and care required by charities when sourcing and accepting funding.

More locally, the current political situation within the UK has also continued to create uncertainty and challenge. With the UK's exit from the EU and several new pieces of legislation working their way through Parliamentary review, the legal landscape is going through its own changes and transition. Here's a quick run-down of some of the key legal changes on the horizon and their potential impact upon charitable organisations.

Charities Act 2022

In February 2022, the Charities Act 2022 received Royal Assent and its various provisions will come into force in phases up until Autumn 2023. This new piece of legislation is an amendment to the Charities Act 2011 and has no real impact upon reporting requirements, financial or otherwise, but is instead designed to give trustees more flexibility in managing their charities more effectively. The first phase of implementation took effect from 31 October 2022, including introduction of the following provisions:

1. **Treatment of ex-gratia payments** – These new provisions give a statutory power to larger charities to make ex-gratia payments of up to a threshold of £20k per payment. This threshold is on a sliding scale for smaller charities, and any payments in excess of the threshold will still require the permission of the Charity Commission.

2. **Payments to be made to Trustees** – These provisions provide further structure and guidance for the remuneration of Trustees for the provision of goods or services. There must be a written agreement in place and that agreement must set out a specific amount, which must be reasonable in respect of the goods/services provided. The trustee due to receive payment cannot be involved in the decision (and this must be minuted), and the remaining trustees are responsible for satisfying themselves that the payment is in the best interest of the charity.

3. **Administration of Fundraising Appeals** – These provisions seek to reduce the administrative burden that has previously been placed on charities where appeals have either not raised enough, there are excess funds leftover, or where circumstances have changed and donations need to be reapplied. In doing this, charities will be able to reapply small (less than £1,000) donations without the Commission's involvement and obtaining authority to make use of excess funds will become much simpler without the need for the Commission to make a scheme. In addition, donors will no longer need to wait for six months in order to request a refund.

The second phase of implementation sees the following provisions expected to come into force by June 2023:

1. **Selling, leasing or otherwise disposing of land** – The current legislation sets out certain legal requirements that charities must meet prior to being able to dispose of charity land. These requirements will be simplified by the changes in the Act, which will provide charities with more flexibility over who can provide advice (ie this will no longer have to be a chartered surveyor), as well as loosening the requirements over the advice required. In addition, the Trustees will have greater flexibility over the manner in which the proposed land disposal is advertised.

2. **Increased flexibility in making use of permanent endowments** – Currently the legislation prevents a charity from spending any permanent endowments which it holds. The changes to the legislation will introduce new statutory powers, which will allow charities to spend from smaller permanent endowment funds (funds of £25,000 or lower) without Commission authority. In addition, these powers will also allow certain charities to borrow up 25% of the value of their permanent endowment fund without the need for Commission authority.

The final phase is due to be implemented in Autumn 2023 will see the introduction of the last provisions in respect of mergers and changes to a charity's constitution, which are expected to be as follows:

1. **Amendment of charitable purposes** – These changes are expected to provide a greater level of alignment between the regime for charitable companies, charitable incorporated organisations (CIOs) and charitable trusts when amending their charitable purposes. However, it is noted that these changes are still subject to the consent of the Charity Commission and that any proposed amendments must have due regard to the nature of the new purposes being in line with the original purposes.

2 **Amendment of charitable constitutions** – A new statutory power will simplify the process for charitable trusts and unincorporated associations wishing to amend their constitutions, providing greater clarity and removing uncertainties over the process. In respect of CIOs, again the process will be simplified, allowing changes to take effect after the passing of a valid resolution, rather than seeking the consent of the Charity Commission (although it is noted that, in certain circumstances, consent will still be required).

3 **Mergers and acquisitions** – It is expected that the provisions of the new Act will make the transfer of charity assets easier via a vesting declaration, which can remove the need for "shell charities" to catch any legacies received post-merger.

Full details and guidance on the changes and implementation plan can be found on the Gov.uk site[8].

Charity Annual Return

The requirement to submit an Annual Return to the Charity Commission each year is not new. However, with effect from 1 January 2023 the reporting requirements have been increased meaning that there is now a more comprehensive (and therefore extensive) list of questions in respect of the breakdown of income and spend. A full list of questions for the 2023 return and associated guidance can be obtained from the Gov.uk site[9].

Upcoming bills in parliament

There are a number of other bills and legislative pieces that have not yet been passed but are anticipated to come into law in the next 12 months. Not all of these will have a significant impact upon charities and their operations, but it is worth keeping in mind the following:

- **Worker Protection (Amendment of Equality Act 2010) Bill** – this bill will place new legal obligations on employers that make use of third parties (including service users and volunteers). Should employers fail to prevent or fail to take reasonable steps to prevent harassment of their employees, they will be liable to pay a fine. The bill is currently going through a second reading with the House of Lords.
- **Online Safety Bill** – the full impact of this bill is as yet unclear while it is currently at the Committee stage within the House of Lords. Whilst the bill is ostensibly aimed at larger tech companies and platforms such as Twitter, the impact of the revisions to areas in respect of Transparency, Accountability and Freedom of Expression Measures should be considered by charities that operate online discussion forums. The Government have issued their guidance and overview of the expected impact and changes on the Gov.uk site[10].
- **Retained EU Law (Revocation and Reform Bill)** – currently, amendments are being considered. The Bill seeks to "sunset" all EU-derived legislation that has not already been removed, revised, or otherwise adapted into UK Law. Due to some recent amendments to the Bill, there are now 600 pieces of legislation to be scrapped before the end of the year, and as many as 3,400 other pieces of legislation which will still need to be addressed[11]. Dr Joelle Grogan and Professor Catherine Barnard of "UK in a Changing Europe" recently published an article setting out the potential reach of this bill and the concerns that are raised as a result[12].

8 Charities Act 2022: implementation plan - GOV.UK (www.gov.uk)
9 Charity Annual Return 2023: question guide - GOV.UK (www.gov.uk)
10 Overview of expected impact of changes to the Online Safety Bill - GOV.UK (www.gov.uk)
11 The Retained EU Law (Revocation and Reform) Bill 2022 (hansard.parliament.uk)
12 The Retained EU Law (Revocation and Reform) Bill - UK in a changing Europe (ukandeu.ac.uk)

Charity Commission and cybersecurity

In an ever-increasingly digital world, the convenience and improved accessibility that we associate with being able to work, live and connect remotely around the globe unfortunately comes with a price. The words "cybersecurity" and "cyber risk" are all the more relevant as hackers become more sophisticated, putting electronic data increasingly at risk.

But what is meant by cybersecurity and cyber risk, and why is it relevant to charities? Cyber risk is defined as the risk that information and communication systems are exposed to dangerous actors, elements or circumstances that are capable of causing loss or damage. In other words, it is the risk of data and other sensitive information being damaged, lost or otherwise compromised because of technological interference or attack. Conversely, cybersecurity relates to the systems and controls in place that are designed to prevent data and electronic information from such attacks, as well as to detect attacks should they occur.

The current statistics on cyber risk and the volume of cyber attacks are a sobering read. In October 2022, the Charity Commission released a report[13] stating that at least one in eight charities had been subject to some form of cyber crime in the last 12 months, and that less than a quarter of charities had implemented a formal policy to address and manage the risk of cyber-attacks. The most common attacks experienced are those relating to "phishing" attacks (ie, attacks that are aimed at collecting sensitive information from the victim), but charities have also reported being victims of other types of cyber-crime such as ransomware attacks according to the Cyber Security Breaches Survey conducted by the Department of Digital, Culture, Media and Sport (DCMS) and issued in July 2022[14]. The potential cost to an organisation can be significant and will usually extend beyond data recovery, including the costs to subsequently design and implement more stringent IT systems and controls, losses due to business interruption, the impact of potential reputational damage and, in more severe cases, possible fines relating to breach of data protection legislation. The Grant Thornton UK Cyber Defence Centre calculates that the average cost of a breach is £2.7 million.

Case study: ransomware attacks

In August 2020 a number of education providers were victims of ransomware attacks. In one case, a university had data stolen by a group known as 'DoppelPaymer', who had a reputation for launching ransomware attacks on numerous organisations. The group stole data and files containing student and staff information, which were posted to the Dark Web. DoppelPaymer subsequently posted on Twitter to claim responsibility for the attack, holding the data 'to ransom' in exchange for payment in the form of a crypto currency.

The University responded by reporting the breach to local police forces, the National Crime Agency and the Information Commissioner's Office (ICO). In addition, it was also a reportable event to the Office for Students. Where possible, IT systems were taken offline to avoid further attacks but this in turn resulted in operational disruption lasting several weeks, which included cancelling classes and restricting access to systems. New students could not be registered using usual systems at the start of the term meaning that alternative processes had to be designed.

Various forensic investigations took place in order to close down the attack and normal services could not fully resume for a number of weeks, but eventually all of the systems were recovered. Microsoft, Jisc and other external experts were engaged to resolve the attack and the University did not pay the ransom. However, the cost of the using the various experts to resolve the attack is unknown.

13 Report from the Charities Commission in October 2022
14 Cyber Security Breaches Survey 2022

Cybersecurity – the "must have" basics

It can be overwhelming trying to get to grips with all of the possible risks arising from cyber and putting in procedures and systems to reduce those risks. Here are a few simple, yet important basics for enhancing the cybersecurity of your organisation:

1. **Engagement and training** – invest in regular training for your staff on the importance of cybersecurity and how to prevent and detect potential cyber-attacks. Keeping your staff aware and up to date of the risks significantly reduces the risk of a breach as a result of human error.
2. **Immutable backups** – Ensure that you perform regular backups of your data and keep these backups offline, restricting access to them as necessary.
3. **Email security** – This can be a first line of defence against many forms of cyber-attack. Making use of cybersecurity products to scan, quarantine or remove suspicious emails (and keeping these products up to date) can add an extra layer of security and protection.
4. **Anti-virus and endpoint eetection and response sensors** – It might sound complex, but investing in up to date virus scanning software is a simple way to stop malware and similar malicious products getting into your systems and causing a breach.
5. **Event logging** – Make sure that you have a means of reporting, managing and monitoring any attempted or actual attacks when they occur. This will enable you to not only respond to issues should they arise, but also identify any points of weakness within your system.

Useful resources and guidance

There are a number of resources and guidance available for all organisations looking to improve their awareness and their approach to cybersecurity. The below links may prove useful:

- National Cyber Security Centre's "10 Steps to Cyber Security" - 10 Steps to Cyber Security - NCSC.GOV.UK
- Charity Commissions guidance to addressing the risk of fraud (updated for cyber risk) - Protect your charity from fraud and cyber crime - GOV.UK (www.gov.uk)
- National Cyber Security Centre's response to ransomware attacks on educational institutions - More ransomware attacks on UK education - NCSC.GOV.UK
- Shoosmiths LLP's article on managing ransomware risk in charities, including a series of videos from their Cybersecurity event - STAND OR DELIVER: Managing the risk of ransomware attacks on charities (shoosmiths.co.uk)

Financial reporting and audit

ISA 315 Revised

For all accounting periods starting on or after 15 December 2021; ISA 315 Revised will apply. This is a revision of an existing standard dealing with the identification and assessment of the risks of material misstatement. This is an audit requirement which will have noticeable impacts on Charities and other organisations for December 2022 year ends and beyond. The following key areas apply:

1. The introduction of five new inherent risk factors to aid risk assessment. These risk factors include an assessment of subjectivity, complexity and uncertainty of balances and estimates made by management as well as consideration of any changes year on year and the susceptibility of misstatement as a result of management bias or fraud
2. A more nuanced spectrum of risk beyond "Low", "Medium" and "High"
3. Increased requirements in respect of the "sufficient and appropriate" evidence obtained by auditors
4. Significant increase in focus on understanding and assessing the risks within IT environments, including specific and general IT controls in place
5. Increased requirements placed on auditors to assess design and implementation, and restrictions on the level of reliance that can be placed on these procedures.

These revisions now place a greater focus and emphasis on the need to understand the core business processes and the associated systems and controls that form part of those processes, including a more in-depth consideration of the part played by IT systems and applications. Auditors will also need to perform increased procedures at the planning stages over these systems and controls to be able to conclude on the sufficiency of the control environment. An example of the enhanced level of procedures that could be required for a typical donation income stream is included below.

This will obviously have an impact upon auditors and their approach to audit engagements going forward, but what does this mean for your organisation? Firstly, you will likely notice that there will be more questions about how you operate as an organisation and more information required from you at the initial stages of the audit in respect of how your organisation collates, records and maintains information both in respect of the financial data but also in terms of information relating to narrative disclosures in the front end of the financial statements (such as assessment of metrics and non-financial KPIs).

Secondly, it is likely that there will be an increased level of time and expertise required from non-financial staff within your organisation, such as those within the Human Resource and IT departments, as they will have more in-depth knowledge of the technology and the systems used in their day-to-day roles. Auditors will also likely bring their own IT experts into the core audit team to assist in understanding the more technical aspects and jargon that comes with the territory.

Finally, an increase in questions, work and scrutiny from auditors will inevitably result in an increase in time spent by both auditors and their clients alike. There is no hard and fast rule on how much extra time and effort will be involved as each organisation and their control environment will be different. Given the uncertainty surrounding the additional time investment from both parties that will be required as a result of the above changes, it is always recommended that discussions are opened up with your auditor sooner rather than later in order to clarify what additional information and time will be needed, and how this may impact upon the audit timetable.

Understanding your systems under ISA315 Revised – Income from Donations

Let's look at a practical example of how this might come into effect. Auditors have always been interested in revenue, particularly as a result of its assumed (albeit rebuttable) risk of fraud in ISA 240. However, even where your auditor has been able to rebut this risk, they are required under ISA 315 Revised to perform specific procedures in order to gain a full understanding of that business process, the associated systems and IT applications involved within those processes, the inherent risks present and, finally, any mitigating actions taken by the charity to reduce that inherent risk (ie controls).

Taking a stereotypical revenue stream for a charity (donation income) we can see the difference in the level of scrutiny that auditors will be required to apply. A typical process for recognising donations might include the use of a fundraising platform such as Raiser's Edge to collect donations. This platform might then feed directly into the accounting system to automatically record income received on, say, a weekly basis. Receipts expected would likely be reconciled to actual receipts within the bank accounts as part of the bank reconciliation procedures.

Previously, auditors would hold a discussion with the finance team members that are responsible for the recording of donations received in order to understand how they capture all of the information in order to recognise donation income within the accounting system. This might extend to identifying the system used to capture donations made by individuals or raised from campaigns (for example, through Raiser's Edge or from a fundraising campaign run through JustGiving.org), as well as understanding how your finance team are satisfied that all donations made are banked and reconciled through your banking system. The last step would be for your auditor would then walk through that process, evidencing that the processes are occurring as expected.

Under the Revised ISA, your auditor will still need to perform these tasks and have these discussions. However, they will need to extend their work and request further evidence from your finance and IT teams. Examples of additional procedures could include:

- understanding the wider IT environment, including understanding how data is stored, backed up and kept secure
- understanding change management in respect of IT systems, including the process for keeping IT applications up to date
- requesting and reviewing user access lists to identify who has administrative access/super user rights
- obtaining and reviewing change logs for any amendments to individual users and their access rights
- testing the provision/removal of access to various applications in an IT starters and leavers test
- testing the direct feed from the funding platform into the accounting system and gaining assurance that the automatic update process is operating effectively.

Most of these additional procedures would likely require the involvement of both your own IT team and the use of your auditor's own IT experts in order to obtain the understanding and evidence needed. These procedures would then need to be replicated across all business processes subject to scrutiny by your auditors, such as payroll, expenditure cycles and other revenue streams that you may generate as an organisation.

Preparing for the changes:

Here are some top tips for how best to prepare for the impact of these changes:

- **Review and update your business process notes.** Where your organisation maintains internal process notes, instructions and flowcharts it is recommended that these are revisited and brought up to date. Where appropriate, ensure that these have been updated to refer to the IT applications involved at each stage of the process.
- **Prepare your non-financial teams.** For example, ensuring that you have your own IT department available to support and engage with the auditors during the key planning stages will enable auditors to assess and address any IT related risks efficiently before engaging with the fieldwork.
- **Actively engage with your auditors early.** Your auditors should be having open conversations with you about the impacts of ISA 315 Revised before beginning to embark on the planning stages, but it never hurts to start asking the questions sooner rather than later. The earlier you and your auditors start to talk and plan for ISA 315 Revised, the more prepared you will be for the rest of the engagement.

Climate change and Net Zero disclosures

In October 2022, the Financial Reporting Council (FRC) Lab released their findings following discussions with investors, companies and other stakeholders, whereby they sought to understand:

- how investors use disclosures on net zero or other Green House Gases (GHG) reduction commitments
- investor perspectives on current reporting, including good practice and areas for improvement
- reporting challenges and successes for companies with these types of commitments.

One of the findings noted that there was sometimes confusion between the terms such as 'net zero' and 'carbon neutral'. At a high level the differences are:

Net zero: when a company first reduces all its GHG emissions as much as possible, and only then offsets the remaining residual emissions with removals.

Carbon neutral: when a company's CO2 emissions are fully balanced by a combination of CO2 reductions and/or offset by removals without necessarily reducing any of its GHG emissions.

In summary there were three main elements that investors wanted to understand from the disclosures made in the financial statements.

1. Commitments – the level of ambition, scope, nature and timing of the commitment, and what is included and excluded.
2. Impacts – how the commitment impacts strategy and the business model, including information on transition plans, assumptions, uncertainties and risks and opportunities.
3. Performance – how performance is being measured in the short, medium and long term.

When preparing net zero disclosures in the financial statements, preparers should consider these points, to ensure that the annual report provides all the necessary information for all stakeholders.

Guidance on Investments following Butler-Sloss

In April 2022 the High Court judgment for Butler-Sloss and others concluded that the Trustees of the Ashden Trust and the Mark Leonard Trust were authorised to prioritise climate change mitigation over financial returns when investing. In this legal case, both Trusts have charitable purposes to promote environmental protection or improvement. The Trustees in this case deemed that climate change causes a serious threat to humanity and therefore in line with their charitable aims, the trustees amended their investment policy to exclude investments which did not align with the Paris agreement, thus prioritising their charitable objectives over the financial returns on the investments.

Subsequently, in November 2022, the Charity Commission confirmed that charities can continue to rely on the legal position in the published guidance 'Charities and investment matters: a guide for trustees (CC14)' when making investment decisions. The recent judgment confirms that trustees have wide discretion where appropriate, to exclude certain investments based on non-financial considerations when making financial investment decisions. These principles are described as ethical investment in CC14 guidance and have also been described as responsible investment. However, the Charity Commission has published new draft guidance in April 2023 which streamlines the existing CC14 document and reflects the outcome of the Butler-Sloss ruling. The final guidance is expected to be released in summer 2023.

ISA 240 Revised

ISA 240 (Revised) requirements are applicable for financial statements for years ended 31 December 2022 and beyond. ISA 240 (Revised) has an emphasis on fraud in the financial statements and an auditor's responsibility relating to fraud in financial statements. The standard also includes clarification regarding the auditor's obligations with respect to fraud and enhancing the quality of the audit work performed in this area.

The key changes in the revised ISA are:

1. Increased focus on applying professional scepticism:
   - The need for auditors to remain unbiased and to not bias their approach towards obtaining evidence that is collaborative in nature or excluding contradictory evidence
   - Remaining alert for indication of inauthenticity in documents and records. Auditors will need to remain alert for conditions that indicate documents provided are not authentic
   - Investigating inconsistent or implausible responses to inquiries performed
2. Requirements to perform inquiries with individuals at the entity are expanded to include those who deal with allegations of fraud. Auditors will investigate inconsistent responses to queries from management, those charged with governance or any others within the entity where responses appear inconsistent or implausible.
3. Every audit now requires a specific determination as to whether to involve specialists (including forensics) to aid in identifying and responding to risks of material misstatement due to fraud.

Charities will notice that audit engagement teams are asking additional questions and performing additional procedures this year to gain comfort with the accuracy and completeness of documentation and records provided by clients as audit evidence. Such procedures include:

- utilising OpenBanking to ensure the validity of bank statements used to support audit procedures
- liaising with key individuals outside of the core finance function who are responsible for developing the key judgements and estimates in the financial statements. The revised standard also requires that the audit team have additional discussions with management and those charged with governance to assess the risk of fraud. In the past, while we may have asked these questions on are the beginning of the audit and again before completion, we will now be considering the need for additional meetings to consider findings from all stages and what impact this has on our audit procedures going forward, if required
- liaising with individuals outside of the core finance function and performing inquiry procedures to determine whether their responses align with inquiries performed with key management personnel
- reaching out to third parties to confirm balances included in the financial statements
- considering whether increased scope is required due to the assessed risk level of significant transactions and balances and concluding whether our engagement teams should engage the use of an internal or external expert to assess management's judgements or estimates.

Management and those charged with governance will notice new requirements with how auditors are communicating matters relating to fraud. These will be communicated within audit plans issued to management and those charged with governance, audit findings reports and the final audit opinion.

The FRC announced its areas of supervisory focus for 2023, which includes an area of focus for audit quality inspections on fraud risks. The FRC's guidance is often good practice for charities, and they should consider the guidance that is released form the FRC. Charities should consider implementing this guidance, even though it has not been released from the Charity Commission, as it is often applicable to the wider organisations within the UK. Coming a month before this announcement was the FRC's publication on what makes a good environment for auditor scepticism and challenge. With the implementation of ISA 240 (revised), our charity clients should expect to face a consistent application of processional scepticism and challenge from their auditors in order to demonstrate stronger application of professional judgement. This includes:

1 **Learning environment** – Our teams will be considering the internal environment of our clients and whether their environment is one that fosters learning. Evidence of ongoing learning and development helps us understand whether our clients are committed to accurate information and ensures that they will be well-equipped to respond to us on any of our questions to management or those charged with governance as we exhibit our professional scepticism.

2 **Audit firm operating model** – Our clients can expect our engagement teams to identify inconsistent or non-corroborative evidence. Our teams will be standing back to think about the consequences of such information and how it affects our initial risk assessment. In these instances, our clients, including management and those charged with governance, should be prepared for additional challenge from a in such circumstances. Where our teams identify information that does not align, our procedures to address our professional scepticism and challenge could involve the effective use of specialists, experts and technical teams to support our engagement teams.

3 **Ecosystem** – We will be assessing our client's ecosystems to identify whether management and those charged with governance promote similar values and culture by providing our audit teams with timely information and engaging with the auditors when they are asking questions. Prompt delivery of key audit information and engagement with personal on the audit teams will be the expectation from our clients.

Review of Annual Reports

The Financial Reporting Council (FRC) has issued a report which details their findings following the review of corporate reporting for 2021/22. They have also released a report 'What Makes a Good Annual Report and Accounts'. Although not directly aimed at charitable entities, the points raised in these reports can be applied to charity reporting and offer helpful tips and guidance.

The findings highlighted below are applicable for charitable entities:

1. **Cash flow statements**
   - Classification of funding from and to subsidiaries (usually included as operating cash flows, when technically this is an investing or financing cash flow)
   - Inconsistent application of accounting policies, for example interest on leases classified as financing cash flows, whereas interest on borrowings classified as operating cash flows
   - Reported cash flows are consistent with the amounts reported elsewhere in the financial statements
   - Non-cash items should be excluded from the statement and adjustments for material non-cash transactions are disclosed
2. **Financial instruments**
   - Information about the impairment assessment of financial assets, other than trade receivables, should be disclosed
   - The maturity analysis for lease liabilities must include the gross contractual cash flows
   - Information about the terms and conditions of bank loans and borrowings was either missing or inconsistent with information reported elsewhere in the annual report and accounts
   - A breach, and subsequent waiver of the breach, of certain loan covenants was disclosed but the terms of the covenants, including quantification of the thresholds, was not provided
3. **Income taxes (relevant to trading subsidiaries)**
   - Tax related disclosures should be consistent throughout the financial statements, with adequate explanation of any material reconciling items
4. **Strategic report**
   - The financial review focussed on the financial performance of the entity, with limited or no information on significant movements in the statement of financial position or cash flow statement
   - The section 172 statement was omitted from the strategic report
   - Energy and carbon reporting was either omitted or was missing disclosures in relation to energy consumption, separate emission figures and the methodology used to calculate the annual emissions
5. **Revenue**
   - Fuller explanations could be provided in relation to judgements made in identifying separate performance obligations in multi-element arrangements
   - Accounting policies did not adequately explain the nature of variable consideration – more likely to be seen in the trading subsidiaries
6. **Provisions and contingencies**
   - The accounting policy for dilapidations provision was unclear or there was an apparent inconsistency in its application across the entity's portfolio of leased properties
   - The descriptions of the nature and uncertainties are not clearly disclosed for each material exposure for which a provision is recognised or a contingent liability is disclosed, as well as the timeframe over which it is expected to crystallise and the basis for determining the best estimate of the probable or possible outflow
7. **Alternative performance measures (APMs) – more likely to be seen in trading subsidiaries (where the small company exemptions are not or cannot be taken)**
   - Reconciliations to the most directly reconcilable line item, subtotal or total presented in the financial statements were omitted for some APMs
   - Explanations or calculations for certain APMs were not provided

8 **Judgements and estimates**

- Disclosure of key assumptions used in the measurement of assets and liabilities subject to significant estimation uncertainty must always be provided
- It was unclear whether the estimation uncertainty had been disclosed because there was a significant risk of material adjustment in the following year or for another reason
- Disclosure of sensitivities or ranges of potential outcomes were missing in some cases or it was not clear whether the sensitivities performed represented reasonably possible changes within the next financial year
- Apparent inconsistencies between a significant judgement or a significant estimation uncertainty disclosure and information elsewhere in the annual accounts

9 **Impairment of assets**

- Explanations about the sensitivity of recoverable amounts to changes in assumptions, particularly where the range of reasonably possible outcomes has widened under a more uncertain outlook were missing/could be enhanced

10 **Presentation of financial statements and related disclosures**

- Challenged the netting off of items of income and expenditure
- Challenged the classification of assets and liabilities as current or non current
- Accounting policies were missing for material transactions balances
- Inconsistencies in presentation from the prior year with no explanation

A high-quality annual report and accounts should:

- comply with relevant accounting standards, laws and regulations, and codes
- be responsive to the needs of stakeholders in an accessible way
- demonstrate the corporate reporting principles and effective communication characteristics as below:

  The mnemonic '**ACCOUNT**' helps trustees to produce a good quality annual report:

  - **A**ccurate – free from material misstatement and error
  - **C**onnected and consistent – tells the story of the business which should be connected and consistent with remainder of the financial statements
  - **C**omplete – includes all the positive and negative material
  - **O**n-time – submitted to appropriate regulator in advance of deadline
  - **U**nbiased – balanced review of the entity
  - **N**avigable – accessible and easy to navigate
  - **T**ransparent – faithfully represent the economic substance of the transactions that the company has entered into

  The FRC report also highlights the '**4Cs of effective communication**':

  - **C**ompany specific – Boilerplate disclosures and generic statements are unlikely to hold the interest of users or help them understand the company's business.
  - **C**lear, concise and understandable
  - **C**lutter free and relevant – avoids duplication, using a cross reference where relevant
  - **C**omparable – present updated information on matters that are relevant to user decisions year on year

FRED 82 – Draft amendments to FRS 102

FRED 82 proposes a number of changes resulting from the second periodic review of FRS 102 and other Financial Reporting Standards. The principal revisions, currently under consultation are:

- the accounting requirements for revenue in FRS 102 propose an inclusion of the five-step model for revenue recognition from IFRS 15 Revenue from Contracts with Customers, with appropriate simplifications. The extent to which this may change an entity's revenue recognition in practice will depend on the form of its contracts with customers
- the lease accounting requirements propose an inclusion of the on-balance sheet model from IFRS 16 Leases, with appropriate simplifications. This may result in an impact on the financial statements of most entities that are lessees under one or more operating leases.

Other proposed incremental improvements and clarifications to FRS 102, although not all may apply to charities, include:

- greater clarity for small entities in the UK applying Section 1A Small Entities regarding which disclosures may be provided in order to give a true and fair view
- a revised Section 2 Concepts and Pervasive Principles, updated to reflect the IASB's Conceptual Framework for Financial Reporting, issued in 2018
- a new Section 2A Fair Value Measurement, replacing the Appendix Fair Value Measurement to Section 2 and updated to reflect the principles of IFRS 13 Fair Value Measurement
- removal of the option to newly adopt the recognition and measurement requirements of IAS 39 Financial Instruments: Recognition and Measurement under paragraphs 11.2(b) and 12.2(b), in preparation for the possible removal of this option, but permitting entities already applying the option to continue to do so in the meantime.

The proposed effective date for these amendments is accounting periods beginning on or after 1 January 2025, with early application permitted provided all amendments are applied at the same time. Transitional provisions are also proposed. However, the consultation on proposals closes at the end of April 2023 and further revisions are likely based on the feedback received.

The Financial Reporting Council received responses on FRED 82 up to 30 April 2023. Feedback will be reviewed and we expect to see the results of the consultation outcome in late 2023/early 2024.

If these amendments are approved for FRED 82, it is anticipated that these will be reflected in the revised Charities SORP with effect from years starting on or after 1 January 2025.

Other sector developments

Legal cases

Whilst registered charities are required to follow the requirements of the Charity Commission, there are a number of different places where they can obtain guidance. Recently, there have been some hot topics which highlight key areas of for charities to consider.

Holiday pay accrual – Harpur Trust v Brazel
In July 2022, the Supreme Court issued its judgement on the issue of statutory holiday pay entitlement for employees who are employed from year to year but are contractually only required to work at certain periods in the year.

In summary, a music teacher who worked part time claimed that there had been an underpayment of her wages as her holiday had always been calculated using a percentage method (where holiday pay is worked out as 12.07% of the individuals pay pro-rated based on their working hours in the prior 12 weeks).

The Court ruled that this calculation does not comply with the Working Time Regulations 1999. All part year workers are therefore entitled to 5.6 weeks of holiday regardless of their working hours.

In short, charities should consider reviewing their existing employee arrangements, rectify any underpayments and account for any additional liabilities, where this is appropriate to do, taking legal advice as necessary.

Investments – Butler v Sloss ruling
The High Court Judgment in Spring 2022 concluded that the Trustees of the Ashden Trust and the Mark Leonard Trust were authorised to prioritise climate change mitigation over financial returns when investing. In this legal case, both Trusts have charitable purposes to promote environmental protection or improvement. The Trustees in this case deemed that climate change causes a serious threat to humanity and therefore in line with their charitable aims, the trustees amended their investment policy to exclude investments which did not align with the Paris agreement, thus prioritising their charitable objectives over the financial returns on the investments.

Subsequently, in November 2022, the Charity Commission confirmed that charities can continue to rely on the legal position in the published guidance 'Charities and investment matters: a guide for trustees (CC14)' when making investment decisions. The recent judgment confirms that trustees have wide discretion where appropriate, to exclude certain investments based on non-financial considerations when making financial investment decisions. These principles are described as ethical investment in CC14 guidance and have also been described as responsible investment.

The Charity Commission has issued a revised draft of CC14 which is currently being tested by a sample of charities with investment assets. Once this pilot has concluded, the final CC14 will be published, which is expected to be in late 2023.

Best practice developments

Remuneration
Currently, charities with income over £1 million are required to outline how many staff are paid more than £60,000, outlining the number of staff in £10,000 incremental bandings. It is also mandatory for these charities to outline the compensation of key management personnel. Both of these disclosures are required to be included in the financial statements and filed with the Charities Commission.

An analysis by Civil Society News in September 2022 found that 34 out of the 100 largest charities go beyond standard reporting requirements to publish the exact salary of their highest earner in their annual accounts and on their websites. The National Council for Voluntary Organisations (NCVO) said that charities should 'set the gold standard' by publishing this information on their websites.

Charities must ensure that they are disclosing their total employee benefits include gross pay and benefits pay (excluding employer pension costs) and have an appropriate process in place to identify their employees total gross pay and benefits to ensure that their financial statement disclosures are accurate and compliant with the Charities Commission requirements. However, as the Civil Society investigation finds, there is scope for charities to increase reporting by including additional disclosure where appropriate.

Related parties
Many of us all remember the days during COVID-19 lockdowns where we were inspired by Captain Sir Tom Moore. We were inspired by his resilience during COVID-19 and his positivity as he documented his steps from his backyard, which adorned our television screens and news headlines for months. The Captain Tom Foundation was launched to celebrate, empower and increase the opportunities for the older generations voices to be heard and their skills and knowledge to be shared. The Captain Tom Foundation was registered as a grant-making charity in 2020 with the charitable purpose to advance public health and well-being.

In March 2021, the Charity Commission opened an initial case into the Foundation and in June 2022 a full inquiry was launched after identifying concerns about the charity's management,

including independence from related parties and the businesses connected to these individuals. The inquiry focuses on whether the trustees adequately managed conflicts of interest, including with private companies, connected to the family, and whether this complied with charities law.

Trustees are responsible for adequately managing any conflicts of interest and disclosing any related party transactions or balances within the financial statements. The Charity Commission has been investigating this area throughout 2022 with a number of high-profile cases such as the Captain Tom Foundation, Muslim Aid and Beth Yusef. A charity's governing body should have procedures in place in order to manage any conflicts of interest with any trustees that arise and disclose the amount of payments made to trustees' in their annual report.

The Charity Commission has published guidance to clarify the laws and good practice where Boards intend to make payments to one or more of their trustees. Whilst trustees can be paid for the provision of goods and services, they should only receive a payment where the following criteria are in place:

- There is a written agreement between the charity and the trustee which sets out the exact amount to be paid (a board minute is not sufficient)
- The trustee cannot be part of the decision making process
- The payment must be reasonable
- Clearly in the best interests of the charity

The Charity Commission has published a new guide for trustees to raise awareness of the requirements of their role and best practice for appropriate governance for charitable organisations through their "Five Minute Guides". These guides are aimed at those charged with governance, who are responsible for overseeing their charities. The latest campaign began during Winter 2022 and serves as a reminder for all trustees over the importance of their roles.

Social media

The Charity Commission has also issued draft guidance for charities use of social media in January 2023. The consultation closed in March 2023 and is anticipated to provide some insight over how much oversight trustees have on their charities' use of social media in comparison to other aspects of their communication and engagement strategy. The guidance will ultimately aim to help trustees improve their understanding of the charity's use of social media and the risks that can align with socials. Like other software and cyber, social media poses a number of risks to charities:

- Problematic content shared by the charity on its channels
- Problematic content shared by the public or third party on the charity's social media
- Social media posted on a personal account that can be reasonably associated with the charity

As charities rely on the public's trust and overall perception, this guidance will serve as a good reminder for trustees to consider the risks around social media and ensure that there are processes in place to confirm that content being uploaded is in accordance with the charity's charitable activities and accurately reflects the views of the charity.

Social media has many benefits – including reaching large audiences with the click of a button, which is an important attribute as charities look to raise awareness for their causes and engage members, donors and other beneficiaries both current and prospective. However, instant communication is not without risks, which those charged with governance may not be used to assessing as part of their risk register.

The draft guidance includes ways in which trustees can help mitigate the risk around social media and effectively protect their organization from reckless risks. This includes:

- preparing a social media policy to ensure that processes and internal controls are in place to ensure content creators for the charity are posting appropriate messages , photos, etc on the charity's channels
- utilise social media to further charitable objectives and achieve the purpose of the charity
- ensure posts comply with relevant laws and regulations
- if posting commentary on political activity; ensure that the social media complies with the Charity Commission rules on political activity and campaigning.

This policy should be utilized by management, employees, trustees and volunteers. It should include considerations such as:

- how will the organization use social media
- what oversight will exist for posting to social media on a charity's behalf
- how will trustees ensure that social media interactions are appropriate for children, young people and/or vulnerable people.

It's likely that a social media policy will integrate with existing policies on safeguarding, whistleblowing and human resources, so it is important that charities consider the interactions between a newly implemented social media policy and existing resources.

The guidance remains in draft, but a publication from the Charity Commission of responses and the final guidance is expected to be issued during the summer of 2023.

Fundraising guidance

The Regulator

The last two years have been turbulent for charities' fundraising. Not for profit organisations have successfully navigated through COVID-19, only for additional worldwide and economic events to appear at once – the war in Ukraine and unrest in other nations; higher interest rates; higher energy costs; and a general increase in the cost of living. These challenges result in organisations thinking critically about how they can generate additional income, including innovative fundraising ideas. Although, fundraising is not always simple when guidance and regulations must be followed.

One component of fundraising is compliance with the Fundraising Regulator. The Fundraising Regulator works to ensure that there is public protection, accountability and excellence in fundraising to ensure public trust and confidence across the UK by fundraising sectors. The Fundraising Regulator issued its Annual Complaints Report in 2022, which presents insights from complaints reported by a sample of the UK's largest fundraising charities. The report analyses data for the period of 1 April 2021 to 31 March 2022. The themes that arose from the Regulator's report were:

1 **Presenting information in an open and honest way** – The fundraising method most commonly linked to this theme was digital fundraising, which includes fundraising tools such as emails, social media, online fundraising platforms and other digital channels.

2 **Protecting people in vulnerable circumstances** – The most common complaints under this circumstance was through mail, adverts, charity shops collections, events, face to face fundraising, lotteries and free draws and telephone fundraising. This affects individuals of all ages as charities must ensure that they are taking reasonable steps to avoid asking for donations from children and that they are considering any indicators of older individuals who exhibit any cognitive issues. Requesting donations from vulnerable individuals could result in reputational damage.

3 **Issues arising from working with third parties** – Many charities rely on their volunteers to fundraise on behalf of the charity. Charities must ensure that they have key information in writing outlining expectations to help manage any risks. Charities should also ensure they have performed safeguarding checks on its volunteers. Both of these items help reduce the risk of issues arising with their third party fundraisers.

Complaints about misleading information (relating to the theme of presenting information in an open and honest way) rose 17% in 2021/2022 since the 2020/2021 reporting period. Organisations should focus on the transparency of their fundraising.

Disclosures

Within their financial statements, charities with income of more than £1million are required to include fundraising disclosures, as per The Charities (Protection and Social Investment) Act 2016. This includes narrative which identifies:

- the approach taken to fundraising
- whether the charity is subject to any regulations, and any breaches of those standards
- monitoring of fundraisers
- the number of fundraising complaints
- actions taken to protect vulnerable people.

As identified by the Fundraising Regulator on 9 January 2023, "only 33% of levy-paying charities included a statement on all of the Act's requirements and 9% reported on none of them. Against levy-refusing charities, just 13% report on all requirements, whilst 32% reported on none of them". This serves as an important reminder for charities to comply with the fundraising reporting as omitting such statements means that the charity is failing to meet its legal duties.

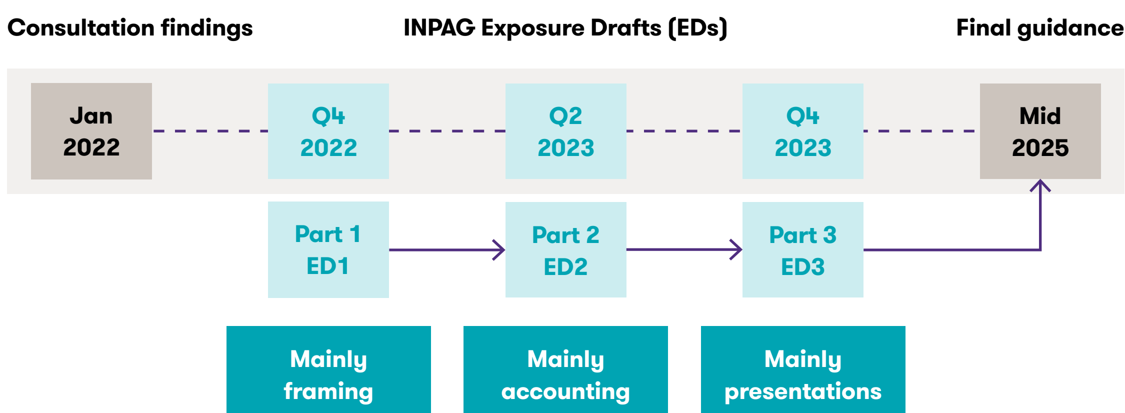
Within the financial statements expenses incurred to earn fundraising income cannot be offset again any income. Additionally, a charity must split costs between fundraising and charitable activities.

Overall, charities cannot forget the importance of complying with the Fundraising Regulator and presenting their information in a way that is easy for users to understand and does not mislead the users of the financial statements. Presenting information in an open and honest way is vital in all a charity's communication forms, which extends to the published annual reports and financial statements and the disclosures therein.

International Non-Profit Accounting Guidance (INPAG)

In many countries, Non-Profit Organisations (NPOs) have no guidance or frameworks to support the preparation of financial statements. These are crucial for transparency, accountability and decision making. Funding organisations have filled this void by developing their own reporting requirements for NPOs. While all have their merits, the variety of different requirements can create a heavy burden on the very organisations they want to support. As a result, the International Financial Reporting For Non-Profit Organisations group (IFR4NPO) has been established to develop the world's first internationally applicable financial reporting guidance for NPOs.

The timing of the exposure drafts and findings are expected to be as follows:



The first exposure draft, which is based around the IFRS accounting standards, has been released for comment to develop the first ever international financial reporting guidance for NPOs.

The first exposure draft covers:

1. Primary users and their needs of NPO general purpose financial reports
2. Which NPOs are expected to use INPAG?
3. The reporting NPO and its boundary
4. Key concepts and principals
5. Basis of information in General Purpose Financial Reports – characteristics
6. Fund accounting
7. Financial statement names and scope
8. Narrative reporting
9. Service potential
10. Additional information
11. Compliance with INPAG

There are specific matters for comment in the form of 12 main sections with sub questions. The deadline for comments on the first exposure draft was 31 March 2023 and we hope to see the results later this year. For more details please visit IFR4NPO.

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