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What's new for audit and accountancy?

Ahead of her session at the CFG Midlands Conference 2020, Partner at Sayer Vincent, Fleur Holden, provides an update into what's new in the world of charity audit and accounting.

Where next?

Finance teams are busy enough dealing with everyday financial challenges so it can be a difficult for them to keep on top of the latest regulatory updates affecting their audit and financial statements.

There are several recent regulatory changes impacting the statutory accounting and reporting for charities, which include:

- The Charities SORP second edition, published in October 2019, incorporating update bulletins 1 and 2
- The latest SORP information sheets dealing with new company disclosure requirements and accounting for multi-employer defined benefit pension schemes

In August 2019, the Charity Commission's published review of charity accounts highlighted some key compliance issues, with a high proportion of the accounts reviewed not meeting the external scrutiny benchmark set by the Commission. Some of the key failings included the incomplete reporting of related party transactions and not complying with the requirements around summary income and expenditure accounts.

To prepare effectively for an audit, finance teams really need to understand what level of information auditors need in order to conclude that the accounts are true and fair. In particular, this will mean focusing on the recent updates to the auditing standards on going concern and accounting estimates.

Trustees and management should expect more robust challenges from their auditors on the charity's own assessment of going concern. Trustees may find they need to do more to explain and justify their thought processes and assumptions, and to provide supporting evidence where they are predicting significant changes in terms of the future financial performance. This includes the basis on which the accounts include any areas of estimate or judgement that may have a significant impact on future accounting periods.

Serious incident reporting continues to be a key area of focus, and links closely to an auditor's requirement to report matters of material significance to the Charity Commission. Charities need to know when reporting serious incidents is required, the implications of this for your auditor, and what tools available to help you do this. Examples of finance related incidents that would need to be reported are actual or alleged instances of fraud or money laundering, theft and in particular of IT equipment holding personal data, suspicious donations or a significant financial loss of funds, including a sudden loss of a significant income stream.

There is also some new guidance for charities that are working with non-charities. As funding relationships become more complex, and collaboration with other organisations is often necessary to secure funding, relationships with other organisations can bring with them many inherent risks and challenges. Trustees must ensure they understand connections with non-charities and control the use of funds to mitigate the risk of funding non-charitable purposes.

This guidance helps trustees to comply with their legal duties and ensures that charitable funds are always applied in the charity's best interests.

A point of interest that may lead to developments in 2020 includes the future of the SORP Committee, which should have a redefined role and better represent the sector as it is currently recruiting donors, funders and representatives of smaller charities. Watch this space!

Fleur Holden will be running a session on the latest updates in the world of audit and accountancy at CFG's Midlands Conference in Birmingham this February- open to CFG members and non-members - [book your place](#)