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# PIMBs Briefing

Summer 2021

**Off-payroll working arrangements: why you should consider this now**

The updated Charity Governance Code

**The impact of COVID-19 on trading subsidiaries**

Governance reviews: what, why, how?

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# From the editor

## Welcome to the Summer 2021 edition of our briefing for Professional Institutes and Membership Bodies (PIMBs).

As many of the restrictions are being lifted after the undoubtedly extraordinary last 18 months, it's important to continue to reflect on the challenges faced by the sector.

Many of the challenges remain the same from governance to tax matters and in this briefing we consider all these areas.

Office re-opening, and perhaps the more challenging area of space requirements, now that flexible and agile working are high up the agenda, is leaving Boards and senior leaders with big decisions to make. Our articles on Office leases and simplification of the VAT exemption for land and property are food for thought when looking at your options and opportunities. In addition, how can your own organisation's flexible working impact your future audits – key factors in the future of auditing are looked at in our article on moving away from remote auditing.

We again have a focus on good governance, following up from our Winter PIMBs Briefing where we considered some of the governance challenges resulting from the pandemic. Our focus in this briefing is on best practice with the updated Charity Governance Code and when you should consider reviewing your current governance arrangements.

Employment tax remains an area of focus and our article on off-payroll workers summarises the proposed changes and action points for you to consider. There have also been recent decisions by the Employment Tribunal System further highlighting the need for organisations to consider whether, under the Employment Rights Act of 1996, an individual is a worker. Our Employment Tax team will happily answer any questions you may have in these areas and have also been assisting many clients who, due to the pandemic, have found that they are now employing individuals that are based overseas.

Charities with trading subsidiaries will be considering the impact of an exceptional year on their financial position, and in our article on trading subsidiaries we focus on the importance of keeping both the tax and legal position of a charity in mind when reviewing financial position.

Lastly, we are aware of many membership bodies having received grants from the Cultural Recovery Fund and look at the reporting requirements.

My thanks to those who contributed articles and insights to this publication. Please do not hesitate to contact any of our authors with any queries.

We look forward to seeing you soon and hope that many of our Autumn events might move to face to face including the PARN Financial Benchmarking launch on 23 November.

If you have any questions or would like to discuss any of the topics raised in this edition, please feel free to get in touch using the contact details below.


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# Upcoming PIMBs conference and seminar programme

We have one of the largest charity and not for profit teams in the country: we act for over 800 clients, accounting for over 40% of our annual turnover. Our team of specialists host topical seminar updates and speak at other organisations' events presenting the latest developments within the not for profit sector.

**Charity Finance Week: VAT updates**
7 October 2021
11:25 - 12:05
Bishopsgate

**Charity Finance Week: Employment tax updates**
7 October 2021
14:35 - 15:15
Bishopsgate

**VAT and Tax Exchange**
14 October 2021
16:30 - 18:00
Online

**Trustee training: what every trustee should know**
October 2021
TBC
Cazenove Capital

**NGB Benchmarking Report Launch**
3 November 2021
10:00 - 18:00
haysmacintyre

**Clubs Benchmarking Seminar**
19 November 2021
10:00 - 18:00
haysmacintyre

**PARN Benchmarking Report Launch and Seminar**
23 November 2021
16:00 - 19:00
haysmacintyre

**Trustee training: charity law update**
February 2022
TBC
Farrer & Co.

**PARN Finance SIG**
24 February 2022
16:00 - 17:30
Online

**Trustee training: introduction to charity finance and reporting**
March 2022
TBC
haysmacintyre

**Trustee training: what every trustee should know**
March 2022
TBC
Cazenove Capital

To book your place at any of the events, please visit haysmacintyre.com/events

# Governance reviews: what, why, how?

Governance has been subject to particular scrutiny since the onset of the pandemic. Membership bodies have enjoyed significant trust in this area due to strong policies, but with the world of work upended, it's vital to ensure that those policies remain robust.

### What is a governance review?

A governance review can cover a number of different areas. It might look at the effectiveness of the board's work, such as: meeting structure; documentation of key decisions; approach to recruitment of trustees or trustee induction and training; the constitution or size of the board, including skill requirements, election methods, diversity, sub-committee structures and terms of reference; or a very focused review of one of these areas.

The format of a governance review may also vary. For instance, the review may be part of a board meeting or away day, but more expansive reviews should be more formal and undertaken by a relevant professional. The board will need to decide which is more appropriate at any given time, considering the time and resources available.

### Why complete a governance review?

A governance review is an opportunity to reflect on an organisation's governance arrangements. As we reflect on what was one of the most extraordinary years in recent history, it is important to recognise not only the tough challenges faced worldwide by individuals and organisations, but also the mass scale versatility and impressive achievement demonstrated in response.

A few key reflections for membership organisations regarding governance arrangements: have they kept pace with the versatility and rapid change within the organisation? Are your current structures still fit for purpose? Do they allow the proactive decision making that the changing environment requires?

Other reasons to consider a review might be to update the governance arrangements to account for changes in the organisation's size or as a useful means of ensuring the trustees/council keep up with latest best practice or changes in the law – if your organisation is a charity, then the latest guidance issued by the Charity Commission will be a good place to start.

Generally, it is good practice for boards/councils to carry out some form of governance review annually and in more detail with external assistance every three to five years, which ensures that all risk areas are regularly addressed.

### How are governance reviews conducted?

One of the most important things to establish is what you are trying to achieve from the review. Ensure you have an appropriate scope and that the key stakeholders understand the process.

The review, whether conducted by an internal party or third-party consultant, often begins with a survey of council/board members and is, in some circumstances, extended to the membership to understand any particular concerns.

The next step is to analyse the current governance structure and arrangements in the context of your strategic objectives and current situation. This may include benchmarking the size, composition, roles and responsibilities of the council/board, induction methods and eligibility criteria against similar organisations, or best practice. Other areas to review include codes of conduct, terms of reference, or board policies.

It is also important as a membership organisation to consider your members. Should the review include a formal consultation with members – for example, by holding interviews, focus group meetings, or through a questionnaire.

In addition, if the board is organising a large governance review, it could be sensible to establish a working group, consisting of a mix of council members and staff, and may also involve an outside advisor to provide expert input and assistance.

Another consideration is to use an existing set of good governance principles, such as the Charity Governance Code (the Code) to give the board a comparison or benchmark to work from, even if your organisation is not a charity. For example, a board discussion at an away day could be organised around the seven principles in the Code.

A good governance review should assist your organisation in achieving effective decision-making, ensuring that decisions are made and implemented appropriately, and most importantly, that you are effectively representing your members.

Following the review, the board must develop an action plan to implement any changes, and if they do not intend to action a recommendation, they must clearly document why they made that decision. A working group to plan and communicate with key stakeholders on the implementation of the recommendations may be necessary.

### Conclusion

When was your last review? Is your governance fit for purpose?

We have spoken to many membership organisations that believe their boards have stepped up, having better attendance and more engagement with meetings being held remotely. In spite of this progress, regulators are still introducing new challenges. The Charity Commission's investigation into the Royal National Institute of Blind People caused pause for thought for charities and non-charities alike. The findings clearly considered that the Code was not in fact gentle guidance, but regulation which should be followed by all large charitable organisations. Have you benchmarked yourself against the Code? With so many changes within the sector and individual strategies, perhaps 2021 is the year for a more robust governance review.

Any review is only as good as the actions taken to deal with the findings, ensuring that all stakeholders, including your membership, share the journey.


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# The updated Charity Governance Code

The Code sets out seven principles of good governance and is endorsed by the Charity Commission. A revised code was issued in December 2020, following a rigorous consultation within the sector which involved over 800 responses. The key changes previously made to the Code, issued in 2017, are in respect of:

**Principle 3 – Integrity**
There are new recommended practices for the right to be safe, emphasising trustees' needs to understand their responsibilities for safeguarding and to ensure that you have appropriate procedures for raising and dealing with issues. In particular, the Code includes new recommended practice on the right to be safe (safeguarding); the Code now asks trustees to:

- Understand their safeguarding responsibilities
- Establish appropriate procedures that are integrated with the charity's risk management approach
- Ensure that everyone in contact with the charity knows how to speak up and raise concerns about safeguarding

**Principle 6 – Diversity**
This principle is now named 'Equality, diversity, and inclusion' and was changed to reflect best practice. The Code is updated to include the following:

- Trustees should think about why equality, diversity, and inclusion are important for their charity and assess the current level of understanding of each
- Trustees should set out plans and targets for equality, diversity, and inclusion that are tailored to the charity and its starting point
- Trustees should monitor and measure how well the charity is doing in these areas.
- Trustees should be transparent and publish the charity's progress in annual reporting

The revision of the Code can be downloaded here.

We have prepared a helpful factsheet about the Code in our 'questions to ask' series. You can view it here.

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# Office leases: to end or to extend?

Commercial space in one of the capital's most prestigious postcodes has historically been highly sought after. For many organisations after personnel costs, premises costs generally tend to be the largest overhead. In some cases, office costs comprise as much as 20% of overheads.

When the Government imposed stay at home restrictions as a result of the COVID-19 pandemic, after some initial disruption, many industries were not significantly impacted. It was initially anticipated that organisations would return to the 'norm' of working from the office once restrictions eased, however over the past 15 months we have witnessed numerous leases being terminated or expiring without renewal, with a view to promote virtual working environments which were surprisingly successful throughout the pandemic. Less drastically, some firms have simply downsized their office space, in order to maintain a physical office but recognising a desire to continue to work remotely to some extent. For those who are starting to think about this now, the decision is not one to be taken lightly, and the short-term financial gains should be weighed up against long-term strategy.

The financial benefits of terminating an office lease are clear, with immediate cash savings and a welcome boost to profits. Management should, however, consider why they have an office space and whether there are effective alternatives as Government restrictions ease and we return to in-person attendance at meetings. For example, taking on a virtual office arrangement to use meeting space in prime locations can cost as little as a few hundred pounds per month.

The consensus, from various surveys over the last year, appears to be that employees do not want to return to office working on a full-time basis. But is this conducive to a positive working environment and maintenance of firm culture, and are staff as effective at home as they are in the office? Does it make sense to retain your pre-pandemic office layout, or is there value in reviewing the use of that space and creating a more flexible solution in the existing office? Are there future issues which have not yet been identified from our period of home-working, such as skills gaps in the sector amongst more junior team members?

If management decide to renew or to find alternative office space, the ongoing situation should put firms in a strong position when negotiating terms with landlords, and as such, shorter lease terms, earlier break clauses or lease incentives such as rent-free periods could therefore all be possible.

Whatever the decision, it appears that there are potential savings to be made from both options.

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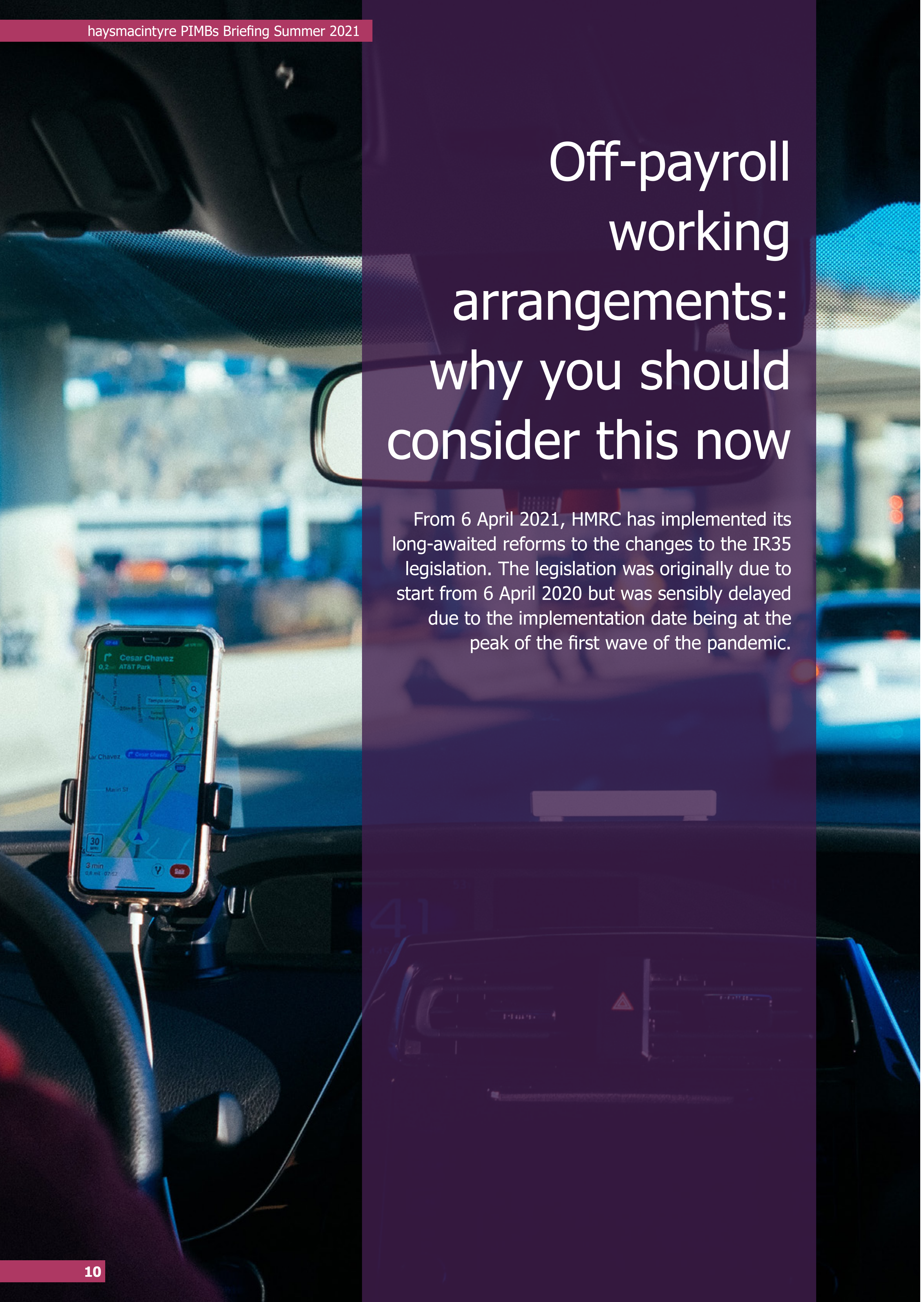


# Off-payroll working arrangements: why you should consider this now

From 6 April 2021, HMRC has implemented its long-awaited reforms to the changes to the IR35 legislation. The legislation was originally due to start from 6 April 2020 but was sensibly delayed due to the implementation date being at the peak of the first wave of the pandemic.

This area has been under focus for some time by HMRC due to the so called 'gig economy' and their thoughts on an increasing tax gap because of it. Membership bodies tend to have its fair share of off-payroll working arrangements, and you will have seen high profile cases with premier league match officials and Uber, in particular; these cases have driven these reforms and the legislation is now in place. Therefore, now is the time to review whether you are affected. This could have some commercial consequences, particularly if you have arrangements with key individuals 'off-payroll' that now need to change.

A summary of the proposed changes, together with the key points you will need to think about following 6 April 2021, include:

- Medium and large sized businesses will be responsible for implementing the legislation. Consequently, smaller businesses will not be affected by the changes.
- The responsibility for operating the legislation will fall to the engager, or client, who will be required to determine the employment status of the worker. The legislation brings into scope intermediaries, such as personal services companies, and those who are engaging with an organisation through a company may be caught under the new rules. There is also a requirement to share the outcome of the determination of status with the worker and any entity within the worker supply-chain who may be responsible for paying the worker.
- HMRC have recommended that its Check Employment Status for Tax (CEST) tool is used to help determine the status of the worker. However, the CEST tool has not always been accurate and often gives 'inconclusive' as a result, meaning a more manual approach is needed.
- Where there is a lengthy supply chain between the engager and the worker, it will be the responsibility of the entity closest to the worker to apply the legislation and deduct PAYE and National Insurance. Furthermore, where the supply chain includes any off-shore entity, the obligation to apply the legislation will sit with the UK agency closest to the off-shore entity.
- Where payments to a worker fall within the scope of the proposed legislation, the PAYE and National Insurance due will be paid across to HMRC through the payroll, in accordance with 'real time' reporting. The amount upon which PAYE and National Insurance will be calculated will be based upon the net value of the invoice, being the amount before any VAT is charged. The worker will remain responsible for its VAT obligations. The engager will also be liable for Secondary Class 1 National Insurance, together with the Apprenticeship Levy on the invoice values included in the payroll if applicable. It is not proposed that any employment rights will be transferred to the engager.
- One fundamental change for the worker is that they will no longer be able to claim a 5% 'overheads' deduction as part of calculating their final tax and National Insurance liabilities.

### Determining a business' size

The definition within the Companies Act will be applied to determine who is a medium and large business for IR35 purposes, and will apply where two or more of the following conditions are met:

| Condition | Test |
|---|---|
| Annual turnover | £10.2m or more |
| Balance sheet total | £5.1m or more |
| Number of employees | 50 or more |

The government recognises that the Companies Act definition may not apply to non-corporate entities, and so the turnover and number of employees of the organisation will be set at similar levels.

### Action points

You should act and review this now. It is advised you seek professional advice before making any large-scale changes. The following questions could help review the risk and help respond if necessary:

1. Do you engage any workers who are not paid through the payroll?
2. Are you a medium or large business?
3. Are you an agency supplying workers who are medium or large businesses?
4. What processes do you have in place to be able to determine the employment status of a worker?
5. Do you know who in your business has details of the workers you engage?
6. Are you able to manage the expectations of the legislation?


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# Simplification of the VAT exemption for land and property

HMRC has published a call for evidence on options to simplify the VAT exemption for land and property. This follows a review by the Office of Tax Simplification (OTS) which included recommendations for the simplification of the VAT treatment of land and property. Any organisations interested in responding to HMRC's suggestions, or making their own, have until 3 August 2021 to respond. haysmacintyre is in the process of drafting a response and include below our initial thoughts.

**Current issues and complexities**

There is no question that the current VAT rules in respect of land and property are complex and difficult to follow for many organisations. The starting point of course is that the supply of land and property is exempt from VAT, but there are several exceptions to this which have been added to the VAT legislation over time, such as different rules for parking, storage, holiday accommodation and recreational activities. These exceptions can result in organisations spending additional time and money on determining the VAT treatment to be applied to their supplies.

In addition, there is the option to tax which can be made over land and property and the complexity around this. For example, there is no facility whereby an organisation can check to see whether a property has been opted by the seller which can lead to additional costs and unexpected delays in completing deals. Furthermore, there is the possibility of the option to tax being disapplied in certain circumstances which creates further confusion, as well as the impact that this can have on Capital Goods Scheme calculations.

It is therefore clear that some simplification to the current system would be welcome, but HMRC will need to tread carefully in the adjustments that they make.

**Previously suggested options**

The review by the OTS published in 2017 highlighted several potential options for simplifying the VAT treatment of land and property, though each of these were rejected in the same report. One of the options identified was removing the ability to opt to tax so all transactions would be exempt from VAT. Although the benefit of this approach would be to simplify the position, in practice this would lead to organisations suffering irrecoverable VAT on construction costs and other costs.

Alternatively, the OTS considered the reverse position and making all land and property taxable at either the reduced rate or at the standard rate with an option to make the supply exempt. The former option would simplify matters, but the latter is simply a mirror of the current position. In practice, this would result in potential increased costs to consumers, not to mention the difficulty in unpicking the existing system.

With each of the three options highlighted in the OTS report there would also be implications for organisations where, for instance, there are assets which are currently within the Capital Goods Scheme, as removing the ability to opt could lead to significant repayments due back to HMRC.

**New suggestions**

As part of the call for evidence, HMRC have presented some new possible simplifications and have asked organisations to comment on these.

One option they are considering is to define short term or minor interests as being subject to VAT. The reason given for this suggestion is to try and combat scenarios where essentially identical land transactions are being treated differently for VAT purpose due to taxpayers having different interpretations of the legislation. For example, when does a supply of an area in an office become more than just an exempt supply of land and becomes a taxable supply of facilities?

If all short term lets were deemed to be taxable this would ensure that there was a consistent approach being applied to all such lettings and would remove the ambiguity in this area. Of course, there would need to be a clear definition of what constitutes a short term letting so consideration will need to be given to this. This could also create issues. For example, if all short-term lets became taxable this could create a requirement for an organisation to register for VAT when previously they were not required to. The example that comes to mind here is a school which lets its grounds over the summer. If all short-term lets became taxable this would result in the school having to register for VAT which would cause a significant administrative burden. Similarly, a Church Hall used by mother and toddler groups or Pilates classes could give rise to the need for parish churches to register for VAT. Perhaps a better idea might be for HMRC to set out exactly what can be supplied alongside land, without turning a supply into a supply of taxable facilities.

As with the OTS suggestions detailed above, it would be interesting to see how this simplification would be implemented and whether it would impact the historic VAT recovery position for organisations.

A further suggestion within the call for evidence document is to make most supplies of land and property subject to VAT and exempting specific supplies. This would essentially remove the option to tax legislation because all supplies would be subject to the standard rate of VAT, unless specifically exempted. You would expect that the exemption would continue to apply to residential property and charitable buildings so that this simplification would not result in increased cost to residential tenants and charities and would once again provide some consistency to the position.

Although this approach looks to be quite a good option, once again, the potential issue would be forcing organisations to register for VAT who otherwise would not need to be registered. Furthermore, this could have a significant impact on existing lettings which may currently be exempt from VAT but would become taxable. Organisations impacted by COVID-19 could also suffer further financial burden by having to then pay VAT on their rents, for example. In many cases, the end user would be able to recover the additional VAT charged but if the tenant is not a fully taxable business, such as tenants involved in providing insurance or financial services, tenants may try to break their leases due to the change in VAT treatment. Such an approach also removes all flexibility for landlords.

The third option put forward is to put in place a mechanism which links the VAT liability to the Land Registry. For instance, it could be decided that any interest registered in a Land Register would be exempt from VAT, while any that are not registered in a Land Register would be taxable, or vice versa.

The benefit of this simplification is to again provide a degree of certainty of the VAT liability of a land transaction as there would be a publicly accessible record, but this would also remove the flexibility that is currently available and we come back to some of the disadvantages of the other simplifications detailed above. There could also be issues where the land that is opted is on multiple different titles, or where only part of a title is opted. A simpler solution would be for HMRC to make the details they have of who has opted, what they have opted and the date an option is made public. This could commence for all new options notified to HMRC and be gradually backfilled, and it might be possible to link to the VAT registration checker which was created as a result of Brexit.

**Summary**

Although there are clear benefits to the simplification proposals put forward by HMRC, there are also disadvantages which will need to be considered. The current system does have a degree of flexibility which can be a disadvantage but is also beneficial to many in the Property industry, so it would be concerning if this flexibility was removed completely.

It seems that one measure that could be implemented is to produce some form of accessible record of the land and properties that have been opted and by who. Although this would be a significant task, as HMRC's records may not be complete, it would be extremely useful in the Property industry in giving assurances about whether VAT is due to be charged on any purchase.

We are in the process of forming a response to send to HMRC and would encourage anyone with comments or thoughts to do the same to avoid unwelcome changes being forced upon the industry.

In the meantime, should you have any queries or wish to discuss any aspects of the above further please do not hesitate to contact Stephen Patey, Senior VAT Manager.


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# Moving away from remote auditing?

Over the past 18 months, membership bodies have faced many challenges and with most membership organisations having either December or March year ends, they will have faced at least one audit cycle, if not two, being completed remotely.

But has remote auditing eased or enhanced the burden of statutory audit?

Over the first period of remote audit, there were certainly challenges. Many entities over the past few years have been aspiring to, or perhaps even started transitioning to, fully electronic and paperless systems. Not surprisingly, how far along they were in this process has had a direct impact on the efficiency of audits. As we approached the second year of auditing clients remotely, many have been much more prepared, having themselves been working remotely for the last year and therefore having many more records available electronically.

We still find, however, that very few organisations are truly 100% digital, and while the amount of scanning that clients have had to do in year two has significantly reduced, there can still be added pressure on finance teams in preparing for a remote audit. In addition, while video calls for meetings are part of everyday life, and their use for screen sharing for completion of vital audit testing audit and progress calls has been useful, we have discussed with many clients how a face to face meeting or catch up would often resolve so many outstanding queries more efficiently. There are also audit areas such as fixed asset verification and stocktake attendance which are easier when attended in person rather than over video call.

The use of technology such as data analytics software over the past few years has also aided remote auditing and is used across all of our audits to great effect. Thanks to this technological investment, we are well-positioned to provide sophisticated data sharing functionality and valuable data analytics insights. This includes the ability to interrogate journals across the entire nominal ledger based on a multi-criteria risk-based scoring system – all of which can take place over digital platforms.

With more opportunities to visit clients promised in the near future, now is the time for organisations to consider how they wish to structure their audits going forward. While for many moving back to onsite fieldwork may seem like the best solution, before making a final decision, you should consider:

- What worked well during remote audits that you would like to feature in future audits, such as video call meetings, detailed audit planning, minutes review, certain substantive and detailed testing?
- What efficiencies did remote auditing bring (ie reduced travel time and costs)?
- How can you work with your auditors to enhance the use of audit technology in your audit?
- What space requirements do the auditors require when onsite and do your new working patterns fit in with this?

Going forward, it is unlikely that audits will ever be the same as they once were, with many clients looking to adopt a hybrid solution with part of the audit being undertaken remotely but with visits to client sites to undertake certain audit areas and to address queries with management. The key is to ensure that the working practices adopted provide a focused, robust and efficient audit while maintaining a good relationship between auditors and clients.


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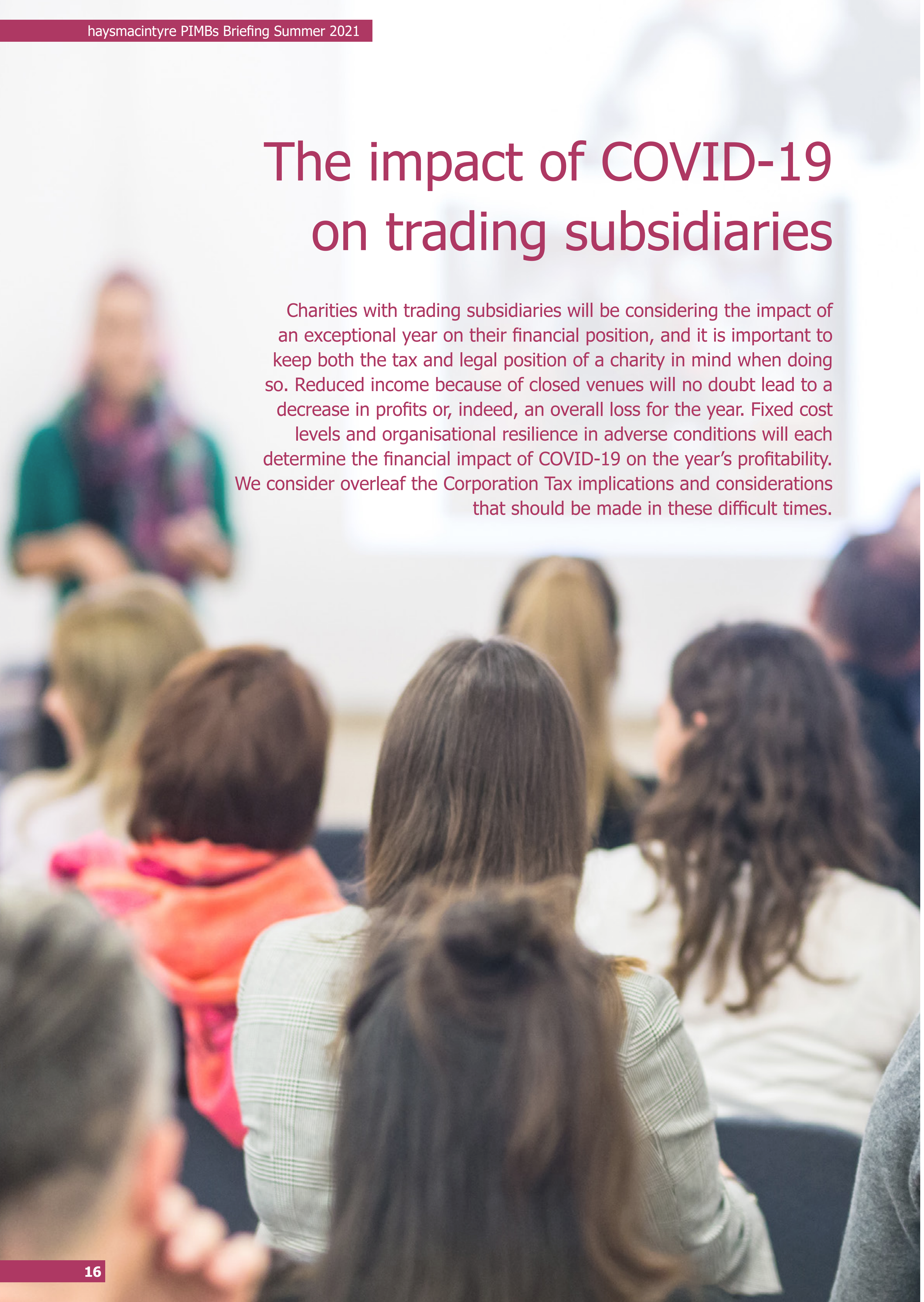

# The impact of COVID-19 on trading subsidiaries

Charities with trading subsidiaries will be considering the impact of an exceptional year on their financial position, and it is important to keep both the tax and legal position of a charity in mind when doing so. Reduced income because of closed venues will no doubt lead to a decrease in profits or, indeed, an overall loss for the year. Fixed cost levels and organisational resilience in adverse conditions will each determine the financial impact of COVID-19 on the year's profitability. We consider overleaf the Corporation Tax implications and considerations that should be made in these difficult times.



### Tax losses

A previously profitable subsidiary company may have moved into a loss-making position in its most recent period. In this case, consideration should be given to the use of the losses for Corporation Tax purposes. Where the losses have arisen from trading (rather than a one-off capital transaction), then they can either be carried forward to be used against future profits or be carried back against profits of the previous three years (for trading losses made by companies in accounting periods ending between 1 April 2020 and 31 March 2022), subject to an overall cap of £2m.

The carry-back option may be particularly useful where a corporate Gift Aid payment was required to reduce those profits and the necessary cash, and/or reserves, to make that payment is now gone or reduced as a result of the decline in trading. The subsidiary may need to make a provisional loss carry-back claim with HMRC before the loss period has concluded. You should speak to your tax advisor if you believe this approach would be helpful for the subsidiary, especially where the subsidiary is unable to make its prior year Gift Aid payment within nine months of the year end. There was no automatic extension of this nine-month period as a result of the difficult trading environment.

### Review of intra-group arrangements

During the review of the trading prospects, the parent charity should review existing arrangements for recharges of shared resources or other intra-group charges made by the parent charity. Do they reflect the present trading arrangements and fairly represent the level of support being provided going forward? Where subsidiary activities have reduced, it may be fair to reduce the level of costs recharged from the charitable parent, which would reduce losses.

It may be necessary to adjust the calculation used for recharges or for the arrangements themselves to be revisited where trading will fundamentally change.

### Longer-term considerations

Loss relief is useful to help smooth out the effect of ups and downs in a company's trading activities and will provide a short-term solution where profitable trading will be revived in a future period. However, what are the considerations where COVID-19 has fundamentally changed the charity's business model for good?

Trading subsidiaries and their charitable parent companies need to review and model the future trading prospects of the company to ascertain whether there is a prospect of profitability. If those projections suggest that it is no longer possible for the business to be financially viable, then decisions on whether to restructure or close need to be made as soon as possible.

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# Culture Recovery Fund reporting

Arts Council England's (ACE) Culture Recovery Fund grants contain a requirement for the statement of income and expenditure, which sets out how you have spent the grant, to be certified by an independent accountant at the end of the reporting period. The reporting deadlines are short, with most being one month after the end of the financial period they relate to, so it is important to ensure that you have organised the review to take place as soon as possible after the grant period ends.

The 'independent accountant' can be your auditor, independent examiner, or another suitably qualified accountant. You may find cost savings from using your auditor/independent examiner, as they may be able to utilise some of the work for the year end audit/examination.

The word 'certify' is problematic for accountants as it suggests 100% validity, however we have obtained assurances from ACE that a 'limited assurance' report under the terms of the International Standard on Assurance Engagements is sufficient.

For a limited assurance engagement the accountant collects less evidence than for a reasonable assurance engagement, and expresses a negative form of conclusion – for example, "Based on the procedures performed, nothing has come to our attention to indicate that the statement of income and expenditure is materially misstated." A reasonable assurance report, on the other hand, has a positive form of conclusion, eg "Based on the procedures performed, in our opinion, the statement of income and expenditure is reasonably stated." The accountant will likely use the same risk assessment procedures and levels of materiality for both reasonable and limited assurance engagements, but will have lower sample sizes and obtain lower levels of testing coverage in a limited assurance engagement and therefore cannot express their opinion with the same degree of confidence.

If you would prefer, you can always request that your accountant performs a reasonable assurance report, however this will inevitably lead to higher costs. It is important when planning the review of your Culture Recovery Fund statement that you agree and are satisfied with the terms of engagement and level of assurance being obtained from your advisor.


# PIMBs team

If you need guidance on any audit and accounting, financial reporting, statutory obligations, funding, employment tax or direct tax matter you can contact any member of our PIMBs team at the details below.

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Top adviser to the top 5,000 charities, Charity Financials' league table 2021

Top ten by audit fees in the 2020 Charity Finance Audit Survey