haysmacintyre

The Royal Town Planning Institute

Audit findings report

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Year ended 31 December 2020

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1. Introduction and Executive Summary

This report summarises our key findings in connection with the audit of the financial statements of the Royal Town Planning Institute ("RTPI" or "the Charity") for the year ended 31 December 2020.

We would like to thank the finance team for their co-operation and support during the audit process again this year.

Our audit approach

Our work was planned and performed in order to issue an audit opinion on the financial statements in accordance with International Standards on Auditing (UK) ("ISAs") and the terms of our letter of engagement.

Limitations

Our audit procedures, which have been designed to enable us to express an opinion on the financial statements, have included an examination of the transactions and the controls thereon.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

We have included in this report only those matters that have come to our attention as a result of our normal audit procedures and, consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Overall conclusion and opinion

At the time of issuing this report we anticipate issuing an unqualified opinion, without modification on the financial statements.

2. Audit risks and key judgement areas identified during planning

We set out below the key areas of focus for our audit identified at the planning stage and the conclusions of our audit work:

Audit risk/key judgement area	How we addressed this	Commentary
Presumed risk in revenue recognition The Charity's income is primarily derived from membership subscriptions, grant income, advertising on publications via Redactive, and from CPD activity. We are required to consider and respond to the risks of improper income recognition. We specifically assessed the key risk to be in any judgements applied for the recognition and cut-off of income around the year end.	We reviewed the group's income recognition policies and confirmed they remain in line with the requirements of the FRS 102 and Charity SORP. We undertook the following procedures to verify the appropriateness of income recognition in line with these policies: • testing a sample of sales invoices, receipts, grant awards, events and other transactions around the yearend and ensured recognised in the correct period. • proof-in-totals, such as rationalisations or test-in-totals, on appropriate income streams including membership income, and rely on sample based substantive test of detail elsewhere. • further specifically assessing the appropriateness of the recognition of receivables and accrued and deferred income on a sample basis.	Planned audit work considered to be satisfactory in this area. Our audit work did not identify any material issues around income recognition.
Presumed risk of management override We are required to consider and respond to the risks arising from management override of controls.	We reviewed the key accounting estimates and judgements, in order to assess and challenge the appropriateness of the judgements and estimates made by management in line with the revised ISA 540. Particularly around recoverability of debtors and impairment assessment of fixed assets. We tested journal entries made in the year, and in particular those made as part of the year-end financial reporting process, using data analytics to ensure appropriate and valid.	Planned audit work considered to be satisfactory in this area. We did not identify any issues involving management override of controls and processes.

In addition to the two presumed significant risks, we have identified the following additional significant risk:

Audit risk/key judgement area	How we addressed this	Commentary
Covid-19 impact The impact of the ongoing Covid-19 pandemic has led to an increased risk and thus increased level of audit work in some areas.. Particularly in respect of asset recoverability and impairment, transitioning to remote working and online courses and events (priced or free), as well as post balance sheet events and financial statements disclosures. Whilst the receipt of the WSLGPS exit surplus during the year provides a relatively strong reserves position to support going concern, the risk remains heightened as a result of the pandemic.	We sought to rely on controls where efficient to test they were operating consistently and effectively, namely on approval of purchases and payroll costs. These were tested and agreed that reliance could be placed, and so we implemented our substantive sample testing accordingly. This was in the context of the change both in key management and in working practices during the year, including the adaption of control procedures systems to remote working. We reviewed Feb-21 post year end management accounts to assess 2021 the impact of Covid–19 of performance, and obtained the budget driven reserves planning through to 2030 to provide context to longer term forecasts. No detailed cash flow forecast was provided in light of the current cash and liquid asset reserves, and a high level cash flow schedule was provided covering through to December 2022 to ensure that the Institute has forecast sufficient cash in order to pay its liabilities as they fall due. Our challenge of managements assumptions used in these forecasts was sufficient to the level of risk, and ensured that these have been prepared on a reasonable basis. Our going audit work has complied with the revised ISA 570. We reviewed the disclosures within the accounts in respect of Covid-19, post balance sheet events, and any other relevant considerations and ensured they are appropriate.	Planned audit work considered to be satisfactory in this area. Our audit work did not identify any material issues.

Based on our knowledge we concluded that there were no further areas of significant risk. However, we identified a number of areas where, due to materiality, we planned to spend a significant proportion of our audit work. These areas were as follows:

Audit risk/key judgement area	How we addressed this	Commentary
Staff and related costs There is a risk that the payroll costs do not represent valid expenditure.	We reviewed a sample of employees to confirm that, for each employee, there is a contract of employment in place and that the amounts included in the financial statement are accurately stated. We tested payroll deductions on a sample basis to confirm accuracy. We reviewed the disclosures in the financial statements, including the required disclosure of key management personnel remuneration.	Planned audit work considered to be satisfactory in this area. Our audit work did not identify any material issues.
Investments There is a risk that investment assets are misstated, given the accounts will be prepared at a time of market volatility.	We corroborated to third party evidence the existence and valuation of investment assets across the three funds held with CCLA, M&G and Barclays Wealth. We agreed they were being held bid value where available, in line with Charity SORP requirements.	Planned audit work considered to be satisfactory in this area. Our audit work did not identify any material issues.
Debtors and liabilities There is a risk that receivables are materially overstated, or that liabilities are materially understated.	We have performed sample based substantive testing on receivables, including a review of aged debtor balances and challenging recoverability judgements particularly around key unpaid membership or other receivables. We have reviewed post year end activity, including payments, invoices, minutes and other matters to ensure any identified liabilities are included in the correct period.	Planned audit work considered to be satisfactory in this area. Our audit work did not identify any material issues.
Fund accounting There is a risk that fund analysis is misstated.	As part of our audit testing on income and expenditure, we have corroborated the fund accounting of those streams and transactions substantively tested to ensure within the correct fund. We have reviewed the fund movement workings to ensure consistent and compliant, and that the disclosures in the accounts are appropriate.	Planned audit work considered to be satisfactory in this area. Our audit work did not identify any material issues.

3. Accounting and Audit Matters

i. Covid-19 pandemic impact on the audit

The ongoing pandemic is continuing to have a significant impact across most sectors and this is likely to continue for the foreseeable. In addition to our response to the significant risks identified in section 3, this has further impacted the audit for 2020 as follows:

Remote auditing

Unlike the prior year, where lockdown measures were imposed mid fieldwork, this year we were able to plan in advance for our audit to be carried out fully remotely. We again used Inflo for structured and secure data-sharing between multiple individuals throughout the fieldwork process. As last year, this typically required additional time for some administrative tasks when compared to the convenience of being onsite, however this year we were additionally able to make use of the benefits of planned remote working in many instances as well. We appreciate the co-operation and efforts of the Finance team to enable our continued delivery of a robust audit, and we would like to take this opportunity to thank the Finance team.

Availability of documentation under lockdown

RTPI primarily operated remotely for three quarters of the year under audit and throughout the yearend closedown process. This, in addition to our planning adapting some requests to what was available, resulted in a significant improvement in the accessibility and provision of information for the 2020 remote audit, compared to 2019. By the time of finalising this report all required audit information has been provided to us, sufficient assurance was obtained from the work performed and we are satisfied that there is no limitation of scope in the audit opinion.

Further, we are pleased to report that this also resulted in enabling us to successfully test and rely on the detailed controls for both payroll and invoiced expenditure, having been provided with evidence of these controls operating on the full sample of items for each process.

ii. Access Financials

System reporting integrity relating to VAT codes

As part of our reconciliation of the full year 2020 transactional movements to the 2020 trial balance which forms the basis of the financial statements, we identified £4k offsetting differences within the codes the VAT control accounts and irrecoverable VAT costs.

Management have investigated and identified that Access shows different results when comparing the on-screen drill down information to the exported reports provided for audit. We understand management have raised a request directly with Access for them to 'refresh' the TB codes are causing this issue in order to resolve it, and this remains ongoing. We are satisfied that this difference is below our trivial reporting threshold, and so have not separately reported this as a misstatement.

Unexpected transaction dates

The 2020 transaction report provided included 132 transactions, comprising 322 transaction lines, which had effective dates before 2020, namely throughout 2019 and one was dated March 2018.

When we aggregated these transactions, had the following net impact.

Increase admin costs (25 different codes)	£19k	
Increase temporary staff costs (code 409)	£4k	
Increase irrecoverable VAT cost (code 699)	£2k	
Decrease VAT liability	£2k	
Increase trade creditors (code 871)		£27k
Increase in cash receipts (codes 833 and 844)	£3k	
Decrease in trade debtors (code 871)		£3k

Included within the admin costs and trade creditors totals above are £5k (172 transaction lines) of credit card expenditure correctly accrued in 2019 and released in 2020, thus will not have impacted the net outturn for 2020.

The treatment of the remaining 150 transaction lines has not been confirmed, however on the basis that the amounts are immaterial overall, management have opted not to investigate further as the time costs to do so outweigh the benefits of the answer.

We agree this approach is reasonable in this instance, and recommend that management monitor the volume and aggregate impact of transactions posted with effective dates outside of the relevant reporting period, to ensure that any potential processing delays are identified on a timely basis, such as delays within the Finance team or delays in sufficient information reaching the Finance team.

Data analytics limitations

The transactional data set provided to us at the start of the audit fieldwork, and on which we applied data analytics, did not contain all requested data fields. Missing fields included transaction creation date and creation time. This hindered our ability to quantifying the volume of forward or backdating transactions by more than 30 days from their effective date, analysing the timeliness of data processing to Access, nor to include this criteria in our risk scoring analysis.

From discussions with management at the completion stage, the data set with all requested fields may now be more readily available. It has been agreed we will keep the Inflo data analytics module open and available to management so they are able to upload the complete 2020 data set when convenient, and gain these insights well in advance of the 2021 audit.

iii. Yorkshire Conference Series profit share

This above agreement has been in place for a number of years and has now come to an end in 2020. Having sampled this immaterial income stream this year, totalling £27k recognised in 2020, we have identified that the income each year has been recognised in the incorrect period. The recognised income actually relates to the profit share generated in the previous year, which was previously deferred until the profit share was calculated in the subsequent. We have discussed this with management and agreed that the timing of the calculation is not sufficient grounds for deferral of the income, and further agreed that the cut-off error has had an immaterial impact each year on reported income and reserves position. On this basis, no prior period adjustment has been deemed appropriate, and we recommend that management apply this principle to any similar future contracts to ensure income cut-off is correctly applied.

iv. West Sussex Defined Benefit Pension Scheme

In July 2020, RTPI received the full £2,616k receipt in the bank which agreed exactly to the debtor balance recognised at 31 December 2019, as reported in our previous audit findings report. Accordingly, this had no impact on the net income reported for the year to 31 December 2020, having already recognised income of £2,352k in 2018 and an additional £264k during 2019.

v. Letter of representation

International Standards on Auditing require us to obtain written representations from the Trustees when you approve the financial statements. The letter of representation contains only standard matters with no additional items specific to the Charity.

vi. Misstatements

During the course of our audit we identified the following non-trivial misstatements which remain unadjusted in the financial statements:

- Included within one bank reconciliation are reconciling items totalling £19k being membership receipts in the bank account not yet posted to the cashbook due to the finance team not yet receiving the necessary information from the membership team. Management's investigation has confirmed these have been correctly treated as deferred income, however the omission of recognising the cash receipts has offset the membership control account and thus impacted membership income. The corrective adjustment is to increase the bank balance by £19k and equally increase membership income.
- The cut-off error in relation to the profit share arrangement as set out in section 3.iii above.
- The potential cut-off error in the transaction with unexpected effective dates, as set out in section 3.ii above.

vii. The RTPI Trust – independent examination

Alongside the audit of RTPI, we had planned for the same team to also carry out the separate independent examination of The RTPI Trust. However, following some initial delays in providing the necessary information to commence the work, we have delayed carrying out this work until a later date.

Management are in the process of updating The RTPI Trust financial statements for an identified misstatement in the intercompany balance, and we are in the process of agreeing a revised timetable with management to complete this independent examination. This will now be reported on separately, and may have an impact on the quoted fees at set out in the audit planning report.

4. Detailed control points

During the course of our audit we identify detailed control points that we feel need to be brought to your attention and certain recommendations for improvements and/or corrective action. Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation. The matters and detailed control points that we have identified are graded within the following framework to assist you in assessing their impact.

Grade	Grade type	Grade characteristics
Significant	These findings are considered to be significant to the management of risk in the business, representing a serious weakness in systems and controls currently in place or a potentially fundamental control that has been omitted from the risk management systems as currently in operation.	• Key control omitted • Key control not designed or operating effectively, for example as indicated by numerous exceptions found during our review work • Evidence of override of controls in place with significant or potentially fraudulent outcomes • Non-compliance with laws and regulations
Important	Important findings that should be reviewed by management, pending corrective action and or updates to systems and controls.	• Errors and exceptions noted during our testing that had corrected retrospectively during the year by management. • Potential improvement to existing control noted • Possibility for override of controls exists • Our review noted numerous exceptions but not in key controls
Limited	Findings that identify non-compliance with established systems and controls.	• Minor control weakness, for example limited exceptions noted during our review work
Advisory	Items requiring no immediate action but which may be of interest to management or best practice advice	• Information for department management • Control operating but scope for efficiency and/or effectiveness improvements exist • Control operating but not necessarily in accordance with best practice • Recent or anticipated developments may necessitate new controls.

If we consider that the trustees' proposed response to a point that we have graded "Significant" is not adequate and/or a "Significant" point has not been resolved during the subsequent financial year, we may have a duty to report this to the Charity Commission and OSCR.

Current year

Issue:	**Missing original supporting document for staff credit card expense**	**Control point grade:**	**Advisory**
Risk	**Our comments & proposals**	**Management response**	
Of the two sampled staff credit card transactions, one related to a £24.50 charge for the Minories car park by the Botolph Lane office. The staff expense system requires a document to be provided before authorisation can be given, there in the absence of any original supporting documentation, the staff member prepared a document explaining the charge and submitted, which was authorised and expensed. This is in breach of the documented financial process that expenses must be supported by valid receipts.	We recognise that in practice, credit card receipts are not always easily obtained, particularly for things like car parking charges, and are satisfied that this expenditure item appears reasonable. We recommend that receipts are obtained for all card transactions.	We are also satisfied that the car parking was a genuine work expense. We will look to include guidance on what to do when a receipt is not available when we next update our expenses and credit card expense guidance and will reiterate the need to staff of getting receipts for expenses they incur.	

Prior years

We are pleased to note that all maters from previous audit findings reports have already been concluded as resolved, with no outstanding matters brought forward to report on.

5. Emerging issues

The following are certain key issues which affect charities, and which have recently come into effect or are currently being debated and are likely to impact the sector within the next year.

A. COVID-19

Following the Coronavirus outbreak, the Government have introduced a range of financial, tax and accounting measures to combat COVID-19.

Please visit our dedicated COVID-19 page (https://www.haysmacintyre.com/covid-19) which includes our thoughts/insights on helping businesses during this time and provides guidance on the measures available to business and advice on related accounting and financial reporting implications.

This page is updated regularly as updates and new initiatives are announced.

B. Tax matters

Employment Tax

Off-payroll working arrangements in the private sector

HM Revenue & Customs has published its Policy paper regarding the changes to the IR35 legislation which are due to come into effect from 6 April 2021. These off-payroll working rules determine who is responsible for determining the employment status for tax and National Insurance purposes of off-payroll worker. The document indicates a clear intention as to how the Government proposes to introduce the new legislation and the purpose of the consultation is to help ensure its implementation. We provide a summary of the proposed changes together with the key points businesses will need to think about ahead of 6 April 2021.

Proposals

Under the proposals it is intended that medium and large sized businesses will be responsible for implementing the legislation. Consequently, smaller businesses will not be affected by the changes.

Operating the legislation

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. There will also be a requirement to share the outcome of the determination 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 tool (CEST) is used to help determine the status of the worker. However, the CEST has been heavily criticised about its level of accuracy, as has HMRC regarding their opinions relating to mutuality of obligation. CEST is undergoing further redevelopment and it is hoped that a more accurate and realistic tool will be available for businesses to use ahead of April 2021.

The Government is not proposing to include any 'appeals' procedure within the legislation, it is their opinion that sharing the results of the engager's determination with all relevant parties will help to address any concerns which may arise concerning the employment status of the worker.

Worker supply-chain

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 offshore entity, the obligation to apply the legislation will sit with the UK agency closest to the offshore entity. This approach is similar to that apply within the 'Agency' legislation which was revised in 2014.

Small businesses

One key point to bear in mind is that where the engager is small, the responsibility to consider the IR35 legislation will sit with the worker, not the engager.

Where an agency sources worker for small businesses, they will not receive employment status determinations from that business and will not be required to operate PAYE or Class 1 National Insurance. However, we fully expect additional anti-avoidance provisions be included within the legislation to prevent any abusive practices being operated.

Transfer of liability

Furthermore, the legislation will include provisions which will enable the PAYE and National Insurance liabilities to be transferred from one party to another where an engager fails to provide a determination. The provisions will be extended to include agencies who fail to provide this information, they will be responsible for paying the PAYE and National Insurance due. Ultimately, it is proposed that the legislation will include provisions to transfer the liabilities back to the first party within the supply-chain.

Additional costs for the engager

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 charges. 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.

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.

Other legislation

The off-payroll legislation is only part of the armory available to HMRC. Other areas which businesses may need to consider separately include:

- The agency legislation
- Umbrella companies
- Managed service company legislation
- Construction industry scheme.

Determining a Business's Size

It is proposed that the definition within the Companies Act will be applied to determine who is a medium and large business, and will apply where two or more of the following tests 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 believes this is the most appropriate test to adopt given that the majority of companies are already familiar with the definition and how it already applies to their operations. It is proposed that anti-avoidance provisions will be included within the draft legislation to ensure connected and controlling parties cannot exclude any part of their business from ensuring it is fully implemented.

The government recognises that the Companies Act definition may not apply to non-corporate entities, so two options are being proposed which will look at the turnover and the number of employees of the organisation.

The first option is to apply the legislation to unincorporated entities with 50 or more employees and to entities with turnover exceeding £10.2m.

The second option, is to apply the legislation only to unincorporated entities that have both 50 or more employees and turnover exceeding £10.2m.

Interestingly, the government is proposing that within the public sector, for whom the changes where introduced from 6 April 2017, small businesses will not be required to operate the legislation. This is a sensible proposal and will ensure the legislation is being applied uniformly in both the Public and Private sectors.

Action points

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?

Will you be ready by 6 April 2021 to manage the expectations of the proposed legislation?

Job retention scheme

The Government announced a series of COVID-19 support packages, including the Job Retention Scheme to help to protect jobs.

Under the Job Retention Scheme, all UK employers were able to access support to help pay part of the employees' salary for those employees who would otherwise be laid off. Initially the scheme related to employees who were fully furloughed. The scheme was modified, effective from 1 July 2020, where the scheme would contribute towards the cost of part-time furloughed employees. Following the changes introduced in 1 July, the level of financial support was reduced whereby the employer was required to meet the employer's National insurance liabilities and pension costs from August 2020 and a further proportion of the salary in September (10%) and October (20%).

Further to the Government's announcement on Saturday 31 October 2020 that England will be entering into a second lockdown, the Job Support Scheme did not commence on 1 November as previously planned. Instead, the Job Retention Scheme (the 'scheme') will be extended until March 2021. Subject to the publication of the updated Treasury Direction, the following details concerning how the scheme will be applied have been published by HM Revenue & Customs. These are set out below:

- The scheme has been extended to September 2021
- Government will pay up to 80% of an employee's salary
- A monthly salary cap of £2,500 will apply
- The employer will be responsible for paying National Insurance and pension contributions.

Who is eligible?

The scheme will be extended to include employers and employees who did not previously use it. The high-level details so far available provides the following guidance:

Employers

- All employers with a UK bank account and UK PAYE scheme can claim the grant
- The Government expects that publicly funded organisations will not use the scheme
- Partially public funded organisations may be eligible where their private revenues are disrupted.

- All other requirements apply to employers with no restrictions to the size of the employer as there will be once the Job Support scheme comes into effect.

Employees

- Employees must be registered on an employer's PAYE payroll by 23.59 on 30 October 2020.
- HMRC has confirmed that a Real Time Information submission notifying payment for that employee must have been made on or before 30 October 2020
- Employees can be on any type of employment contract
- Employers will be able to agree any working arrangements with their employees
- Employers can claim the grant for the hours their employees are not working (the flexi-furlough scheme).
- The claim under the flexi-furlough scheme will be calculated by reference to their usual contracted hours less the hours worked.

Enquiries into the Job retention scheme

HMRC started to take steps to recover grant payments which have either been:

- Made in error, for example, through a misunderstanding of the Coronavirus Direction, or mis-calculation as to the level of grant which could be claimed; or
- The employer was not entitled to make any claims under the terms of the scheme.

Given the complexity of the scheme it is not unsurprising that errors may have been made in calculating the level of grant due under the scheme. Furthermore, HMRC guidance was being continuously updated during the early stages of the scheme.

On 28 July, HM Revenue & Customs (HMRC) published two guidance notes: "Overclaims" guidance and "Penalties" guidance as they relate to overclaimed grants paid to employers through the Job Retention Scheme (scheme).

Overclaims guidance

Where an employer has identified an overclaim following the submission of a claim, this can be deleted online but only within 72 hours of the claim being submitted.

Where a claim has been processed by HMRC, the following options for resolving any overclaim include:

- Telling HMRC as part of the next online claim submitted, thereby reducing the amount to be reclaimed; or
- Contacting HMRC to repay the excess claim. This should only be done where a subsequent claim is not being made.

Where an employer has overclaimed grant receipts under the scheme which it has not repaid, it must notify HMRC by the latest of:

- 90 days after the date the employer received the grant to which they were not entitled; or

- 90 days after the date the employer received the grant to which they were not entitled to keep because of a change in circumstances; or
- 20 October 2020.

HMRC may seek to recover an overpaid grant by issuing a tax assessment for the amount the employer was not entitled to and has not subsequently repaid.

Late payment interest

The employer will be required to pay the amount due within 30 days of the issue of the assessment. HMRC will also be able to charge interest on the late payment of the over reclaim included in the assessment and also seek a late payment penalty where payment remains outstanding for 31 days after the due date.

Penalties

Where the employer does not notify HMRC of any overclaim, then penalties will also be due.

HMRC may impose a penalty of up to 100% of the overclaim, in particular, where the employer fails to notify HMRC. In determining the amount of penalty due, HMRC will consider whether that failure was "deliberate and concealed" which will be the case where the employer:

- Knew it was not entitled to the grant; or
- Knew it had stopped being entitled to it; and
- Did not notify HMRC of the overclaim within the notification period.

HMRC has confirmed that it will not charge a penalty if the employer did not know it had been overpaid at the time it was received, or at the time that circumstances changed and if the employer repaid the overclaimed amount during the relevant time period being: for companies, 12 months from the end of the accounting period and for sole traders and partnerships, 31 January 2022.

Personal liabilities of the company officer

The legislation also includes provisions where company officers may also be personally liable to pay the tax charged on their company's overpaid grants under the scheme. The provisions will apply where the officer has deliberately made a claim to which the company was not entitled, or if the company is in insolvency and tax cannot be recovered from the company.

Name and shame

HMRC will publish a "name and shame" list providing details or deliberate defaulters which will have a reputational risk for the employer.

Review

Over 11,000 employers have been contacted by HMRC concerning potential irregularities with the claims made. If you have received a letter or have concerns about the claims submitted to HMRC, then a review of the claims submitted will be a sensible course of action to take.

Corporation tax

As a reminder, every charity is required to perform a self-assessment each year to determine whether it is liable to pay any corporation tax. This is regardless of whether HMRC have issued a formal notice to file a corporation tax return (usually issued periodically for charities registered with HMRC). A return should therefore be prepared and filed with HMRC if either:

- a return has been formally requested; OR
- it has been established that the charity has a corporation tax liability.

In most circumstances a charity will not be liable to pay any corporation tax, as there are a number of charitable exemptions which cover the majority of the typical income streams that charities receive. Please note that all the exemptions only apply so far as the income is applied for charitable purposes only.

Common areas where charities may incur a corporation tax liability include (but are not limited to):

- Trading which is neither in furtherance of its charitable objects nor ancillary to those objects, known as non-Primary Purpose Trading ("non-PPT"). Relief is available where the turnover from such trading is less than 25% of the charity's total gross annual income, subject to an upper limit of £80k for charities with income exceeding £320k (charities under £32k can have non-PPT trading up to £8k, regardless of whether this exceeds 25% of their total income). Please note that this is an all or nothing relief, meaning that if the charity's non-PPT turnover exceeds the relevant limit, the whole of the charity's profits from that trading will be liable to corporation tax. Examples of trading can include:
    - Recharge of expenditure (e.g. wages / salaries to a trading subsidiary) that include a mark-up / profit element;
    - Sale of merchandise;
    - Providing services above that a landlord would normally provide in connection to the rental of spare land and building space (including rooms and sports facilities); and
    - Sponsorship income where it has been agreed that the sponsor will receive publicity or advertising that goes beyond a mere acknowledgement.
- If the charity incurs costs on behalf of its trading subsidiary but does not recharge these (this would be 'non-charitable expenditure'). Apportionment of overheads etc. should be done on a 'fair and reasonable' basis.
- Income from fundraising events that do not qualify as a 'VAT-exempt' fundraising event.
- Receipt of an overage payments following the disposal of land or buildings to a developer.
- Disposal of a property which has been bought for the purpose of realising a profit on the sale.
- Disposal of a property which was previously held as an investment (or for charitable purposes) and building work is undertaken before the sale in order to achieve a better return.
- Holding an investment which is not deemed a 'qualifying charitable investment'. Most mainstream investments are qualifying, though particular care should be taken with regards to trading subsidiaries as mentioned above. As a charity is unlikely to be able to obtain normal security for its investment, HMRC may ask to see the business plans, cash-flow forecasts and other business projections which informed the charity's decision to make the investment.

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Winner: Audit Team of the Year

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Ranked top five for both 'charity expertise' and 'overall service' in the 2017 Charity Finance Audit Survey

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

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