

Autumn 2015

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CHARITY BRIEFING

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LETTER FROM THE EDITOR



Welcome to the Autumn edition of Charity Briefing.

In this edition we have a theme of financial vigilance given current press articles and public announcements, in particular the circumstances surrounding the closure of Kids Company. We look

at the Charity Commissions' focus on recent inquiries and the implications for finance directors and trustees, the reissue of The Essential Trustee guidance by the Charity Commission and we include two articles looking at establishing an anti-fraud policy and the use of technology in cyber crime. In the technology article we also introduce charities to a relatively new form of accreditation called 'Cyber essentials' that may be helpful to your operations and provide additional comfort to trustees, donors and beneficiaries.

We are also pleased to have a guest article by Kate Rogers at Cazenove which considers the risks within investment portfolios and asset allocations in the current fluctuating markets. We are pleased that this year Cazenove are our partner organisation, along with Farrer & Co in delivering the Trustee Training series. Details of the dates and sessions planned are included in the events section at the back of this briefing.

If you have any questions regarding any of the articles contained in this briefing, please do contact me.

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LESSONS TO LEARN FROM RECENT CHARITY COMMISSION INQUIRIES

The Charity Commission has so far issued 20 inquiry reports since 1 April this year. The vast majority of these reports, 17, were a direct result of their clamp down on investigating charities that had not filed their accounts on time for two out of the last five years.

The enquiry reports are often high level and do not give a huge amount of detailed information, but what they do show are two very clear messages:

1. Trustees need to understand their duties in complying with the legislative framework to file accounts; and
2. Trustees need to ensure that the financial information that they receive and act on is adequate, and in a form that they understand and is relevant for them to make appropriate decisions for the benefit of the charity beneficiaries.

The first of these findings is not new to the sector.

The Essential Trustee guide, CC3, has been available from the Commission website for many years, and in the light of their recent inquiries, they have updated this publication in September. There is a separate article in this briefing on the key focus areas of the updated guidance. All trustees are advised to read, if not the whole publication, at the very least the summary, in order to avail themselves of what is expected of them.

The second of these findings is of greater concern, not just to the Commission, but to the sector as a whole. The Commission set a parameter of charities with income of between £250 - £500,000 of income in setting its criteria for inquiries. Up until March 2015, this was the income range where charities, on the whole, did not require a full audit, but an independent examination, so the rigour of annual audit and the more formalised process of engaging auditors was not present.

This is a grouping that, when combined, raises and manages a significant value of charitable income and assets. The individual findings raise a point that we often see and lecture on in our Trustee Training series, what information should be prepared and reviewed by trustees on a periodic basis?

The recent press reports on the financial vigilance of Kids Company have highlighted the importance of not only the financial management of charities, but also the ability to forecast and be sustainable for the benefit of both current and future beneficiaries. More will no doubt be released once the Commission have finished their own review into the closure of the charity.

Set out is a list of information that we would expect all charity trustees to receive on a regular, and at least quarterly, basis in order to effectively manage and make decisions within the charities that they are custodians of.

INFORMATION THAT TRUSTEES SHOULD RECEIVE:

- **Income and expenditure (by entity if you are a group)**
Each entity should have a separate income and expenditure account and a consolidation page if in a group.
- **Outturn for the year**
Projecting the year to date actuals with estimated results to the year-end date helps to analyse and compare to the annual budget and ensure that you have the financial resources to meet your targets.
- **Balance sheet information**
The one piece of information which is commonly missing from the pack. Without a balance sheet you are unable to verify whether the income and expenditure is in balance. You should have sufficient sight of balance sheet numbers and in particular the breakdown and recovery of debtors, confirmation that the bank accounts have been reconciled and clarity over the completeness of all creditors and accruals at that date.
- **Funds analysis – restricted v unrestricted**
All of the above information should be available and analysed by fund. It is crucial that you have absolute clarity over the type of fund and the amount of funds available.
- **Cash flow**
A cash-flow forecast will prove that you do (or do not) have sufficient financial headroom to continue to operate in the way intended. The cash-flow should link and reconcile to the bank balances and income and outturn papers.
- **Prior year comparisons**
Useful where income streams are consistent (membership organisations for example) but more 'informative' where income streams are less predictable or the types and regularity of funding is less consistent.

- **Commentary/explanations**

Understand who is providing the commentary. Where you have budget holders, they should provide the analysis into the Finance Team. It is now also common practice for many audit committees to have department heads and/or budget holders present on a cyclical basis to the trustees. This can help with engagement, but also assists trustees in their understanding of the financial risks faced by the operations of the charity.

- **Key indicators/benchmarks**

Useful where there are key elements to your operations, such as target investment returns, success rates in tendering, turnover of staffing, level of grant applications and value. The list could be endless depending on the type of charity and what it does. But as a snap shot these KPIs are often more useful than the detailed financial information for the non-financial trustees.

The above list is not exhaustive, and there may be other key reports that are helpful to your charity, but the above should be provided as a bare minimum.

We are often invited to comment on the quality and content of board papers, and it is perhaps an interesting point to review in the light of recent reports. For now though, if you are a trustee, ensure you have a copy of The Essential Trustee and receive the information you need in order to effectively operate financial governance.

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THE ESSENTIAL TRUSTEE: SUMMARY OF THE REVISED GUIDANCE

The Charity Commission recently updated its essential guidance - *CC3 The Essential Trustee: What you need to know, What you need to do.*

The expectation is that all trustees will have read this guidance. It is clear from the consultation that trustees are now more aware of the need for them to be cognisant of their roles and responsibilities within charities. Out of 76 respondents who were asked during the consultation if they had read CC3 (the previous version issued in March 2012), 64 had read it recently, 7 read it a few years ago and 5 have never read it.

WHAT IS THIS DOCUMENT?

The Essential Trustee is a detailed document for trustees in England and Wales, which outlines the key duties that all trustees must carry out, as well as the tools and skills needed to perform effectively as a trustee.

The new guidance is more precise and easier to read and understand. It has expanded the core duties of trustees compared to the previous version and placed greater emphasis on these duties and the role the governing document has on effectively governing your charity. The message is, do not assume that you have the requisite powers to do things and always double check your governing document.

The guidance helpfully differentiates between what is good practice and what is a legal requirement, and introduces a new section on understanding and preventing personal liability for trustees. Words and phrases that were misinterpreted have also been rewritten.

'Must' is used when there is a legal or regulatory requirement and 'Should' where there is a suggestion advising trustees this is good practice, in common with other recent Charity Commission releases. The clarification in language is to help prevent charities from breaking the law or breaching their legal duties and also to help charities understand and implement best practice.

All trustees are advised to make themselves aware of this guidance to assist them in their roles as trustees, or to confirm what they already knew as a useful reminder.

The full guidance can be found at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/451020/CC3.pdf

If there are any areas of the guidance you wish to discuss, please contact Varsha Patel or your usual haysmacintyre contact.

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HEADLINE GRABBING INVESTMENTS

It is always worrying to see a story about stock markets as front page news. If good news, it usually spells over exuberance and expensive markets. Sadly, it is bad news that more frequently hits the headlines and news reports usually contain the word 'crisis' or 'crash' provoking anxiety in investors across the land.

It was, therefore, with a sense of *deja vu* that we woke up on Tuesday 25th August and saw the 'Black Monday' headlines describing the dramatic fall in Chinese shares (crash) that triggered a global sell off in equity markets (crisis).

HOW SHOULD CHARITY INVESTORS RESPOND TO THESE EVENTS?

First it is worth putting the equity market movements in context. Generally the falls in August wiped out the year to date gains. So although Chinese markets fell almost 40% from their peak in June, before that they had already gone up 60% in 2015 and ended September down just 5% for the year to date. Stock market corrections are a normal event and should be expected when investing in volatile assets such as equities. Arguably, it is the lack of these corrections in the recent past that has been unusual.

Secondly, it is worth considering what provoked the correction and whether that news significantly changes expectations for the future. So should we be concerned with what is happening in China? China is a command economy that is failing to respond to commands. The Chinese authorities know what they want to do - they want the economy to be less reliant on exports and generate more of its growth from domestic demand. Measures designed to stimulate demand have, to date, caused asset price bubbles to grow and burst; first in property and then in the equity market. Growth in China is certainly slowing, which has negative implications for commodity prices, and countries and companies that are reliant on Chinese economic health. However, for western developed economies that is likely to mean inflation is lower which, perversely, is good news for growth.

It may be considered ironic that while markets are becoming more anxious about declining growth in countries such as China, they seem to be equally stressed by the implications of gradually improving growth prospects in the West. In reality, gradual - and it will be gradual - increases in interest rates in the US and the UK ought to be viewed positively as they would signify that we are emerging from the shadow of the global recession and financial crisis at last.

Finally we need to think about whether we, as long term charity investors, should react. Is this a buying opportunity or a selling signal? Market corrections always prompt fears

that there is something lurking in the shadows of the world economy that represents a significant, but to date unrecognised threat. Sometimes, fears are in line with economic reality. More often than not, fears are exaggerated. When this is the case, then the resulting movements in asset prices, and more reasonable valuations, provide charity investors with opportunities. We think that recent weakness is a potential opportunity. So bad news on the doorstep can be good news for long term investors seeking to take advantage of market falls to buy into good quality companies at knock down prices.

Charity trustees should work closely with their investment advisers to understand the level of risk appropriate for the investment of their charitable assets. This allows them to effectively set their strategic direction and seek to stay the course when times get (temporarily) tough, taking opportunities to maximise potential returns for their beneficiaries.

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WHAT ARE YOUR EMPLOYMENT TAX REPORTING REQUIREMENTS?

Following the introduction of Real Time Information reporting for PAYE purposes, attention is now turning towards the reporting requirements as they relate to benefits in kind.

While the stated aim is to reduce the administration burden for employers, additional costs are potentially in store for many charities. This article provides an introduction to a number of changes which will come into effect from 6 April 2016.

ABOLITION OF THE £8,500 BENEFITS IN KIND THRESHOLD

There have been calls for some time to provide consistency on the reporting of benefits in kind for all employees, regardless of their earnings level.

The removal of the £8,500 threshold will mean all employees will potentially be liable to tax on the benefits in kind they receive. No tax will be due where the employee's income from all sources is less than the personal allowance (£10,600 for the 2015-16 tax year).

However, the employer will be liable to Class 1A National Insurance (NI) on benefits in kind reported on form P11D. Similarly, there will potentially be an increase in the tax and NI liabilities due where employers have entered into a PAYE settlement agreement with HM Revenue & Customs (HMRC).

A new exemption will be introduced in respect of ministers of religion earning less than £8,500 to ensure that the majority of the benefits in kind they receive remain exempt from income tax and NI. A similar exemption will apply for board and lodging provided to carers in the home of the person they are looking after.

BUSINESS EXPENSE ALLOWANCE

Currently, where an employer pays any expenses or provides benefits in kind, these need to be declared on an employee's P11D each year.

Strictly speaking, employees are required to claim tax relief on any

reimbursed expenses incurred "wholly, exclusively and necessarily" in the performance of their employment.

Where an employer can demonstrate that they had adequate controls and procedures in place, HMRC will grant them a dispensation resulting in only taxable benefits in kind being declared. The business expense allowance, which is replacing dispensation agreements, will place greater emphasis on the employer to determine whether any payment fulfills the "wholly, exclusively and necessarily" test.

It is our recommendation that all employers review their current expenses policy to ensure that they are up to date and fully understood by your employees.

PAY-ROLLING ON BENEFITS IN KIND

Following representations made by a number of organisations (including a number of charities), it is intended that the tax and NI due on certain benefits in kind can, in future, be collected on a voluntary basis through the payroll, without the need to submit a form P11D for those benefits in kind.

The legislation will enable employers to account for tax and NI through the payroll on the following benefits:

- Company cars;
- Car fuel;
- Medical benefit; and
- Gym subscriptions.

At present the legislation is fairly prescriptive as to the nature of the benefits it relates to, but there is also the opportunity to payroll other benefits, for example, telephone expenses. Where any additional benefits are pay-rolled, then the employer will still be required to submit a P11D to HMRC.

For many charities the pay-rolling of benefits will help to considerably reduce their year-end reporting obligations.

However, where a charity is going to operate the pay-rolling of benefits regime, then now is the time to start thinking about how this will be managed.

RECENT CONSULTATIONS

At present we are expecting changes in the legislation with regards to:

Provision of living accommodation

The Office of Tax Simplification concluded their review regarding the tax treatment of living accommodation in the latter part of 2014. We are still awaiting further developments from the Government as to any changes in the legislation they are likely to introduce.

Termination payments

The tax and NI treatment of termination payments is currently the subject of an HMRC consultation. The review is considering:

- a. Aligning the tax and NI treatment of termination payments;
- b. Removing the distinction between contractual and non-contractual payments;
- c. Looking at the basis upon which any exemption will be due, for example, linking it to statutory redundancy pay, or the employee's length of service; and
- d. Removal of any exemption where salary sacrifice arrangements are in place.

Travel and subsistence payments

This is currently the subject of a discussion paper issued on 23 September 2015 and is reviewing the basis upon which tax relief is due for employees who do not have a permanent place of work.

The Chancellor of the Exchequer's Autumn Statement, which is due to be delivered on 25 November, is eagerly awaited.

For guidance on your reporting requirements, please contact Nick Bustin.

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SOCIAL INVESTMENT TAX RELIEF UPDATE

Social Investment Tax Relief (SITR), introduced for investment by individuals into qualifying social enterprises (principally charities and community interest companies) for the tax year 2014/15 onwards, gives a tax relief very similar to the Enterprise Investment Scheme (EIS) for investment by way of equity or debt.

As with EIS the individual investor can deduct 30% of the cost of the investment from their income tax liability, any capital gain will be tax free, and the investment can also be used to rollover other capital gains.

The current limit for investment by an individual is £1 million in a tax year and receipts by the social enterprise is limited to total qualifying investment of €344,827 over three years. The Government announced in the 2014 Autumn Statement that it would apply for EU state aid clearance to increase the limit for an enterprise to £5 million per year, and £15 million in total, but that clearance has not been forthcoming so far.

The last Coalition Budget in March 2015 also announced a new Social Venture Capital Trust Scheme to encourage indirect investment, to be introduced in a future Finance Act.

The use of SITR funding has been somewhat limited to date, but it has been used to set up a commercial trading activity to subsidise charitable activities (FareShare), to assist in buying community facilities (FC United in Manchester), and to fund innovative services under a government pay by results contract (Ambition East Midlands). An SITR fund has also been established in Bristol to support local social enterprises. While the limits are still quite restrictive and cheaper finance, particularly for property transactions, may be available elsewhere, charities and other not for profit entities should consider SITR as a potential source of funding to support or expand their activities.

For further information or guidance on applying for SITR, please contact Helen Berg or Katharine Arthur.

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COMPANY LAW CHANGES - KNOW THE CONSEQUENCES

Many of you will have operating trading companies, but may not be aware of the Small Business, Enterprise and Employment (SBEE) Act 2015 which is introducing a range of changes affecting the Companies Act 2006 (CA 2006). The Government's aim was primarily to increase transparency but also to simplify a company's statutory filing requirements. As you will see from the below in reality many companies will find their filing obligations becoming more onerous.

The SBEE Act is being implemented in stages and at the time of writing the following changes have been introduced:

- **Bearer shares** - from May 2015 bearer shares were abolished.
- **Directors' DOB** - many directors have complained to Companies House that their full dates of births are available for public view. Section 96 of the SBEE Act amends CA 2006 to permit the Registrar to omit the day of the date of birth for directors and this should reduce the risk of fraud and identity theft. Unfortunately, it will not be possible to remove the full DOB from documents previously submitted to Companies House.
- **Company strike offs** - the timescales for striking off companies have been reduced. If a company is no longer trading it can voluntarily apply to be struck off. The Registrar will place a notice in the Gazette to give creditors the opportunity to object. If no such objection has been received within three months then the company will be struck off. This time period is being reduced to two months and the same applies to situations where Companies House is striking companies off for non-filing of their accounts or annual returns.
- **Consent to act as director/secretary** - previously a new appointee would either need to sign a hard copy form or provide three pieces of personal information, such as colour of eyes, mother's maiden name etc, to enable electronic filing without a signature. This is no longer required and companies will instead need to provide a confirmation statement that the individual in question has consented to act. From December 2015 there will be a procedure for new directors to apply to be removed if they did not consent to act and companies should therefore retain appropriate evidence, e.g. in the form of a signed letter or an email. Companies House will write to new directors to make them aware of the appointment as well as informing them of their statutory duties.

REGISTERED OFFICE DISPUTES

In December 2015 a process will be introduced for dealing with registered office disputes, i.e. where a company is using an address as its registered office but never had authorisation to do so. The exact procedure for doing so has not yet been made available.

PEOPLE WITH SIGNIFICANT CONTROL (PSC) REGISTER – APRIL 2016

As noted above, the Government's focus is on transparency and the desire to identify who beneficially owns companies in the UK. From April 2016 companies will therefore need to keep a new "PSC register" with details of anyone having significant control over the company. After 30 June 2015 the information in the register must also be filed with Companies House and most of the details will be made public. Going forward the information must be updated annually in connection with the "check and confirm" process which replaces the existing Annual Return. Although the Fourth Money Laundering Directive will require real-time updates to be made from June 2017.

A company which is listed on a UK regulated market and to which Chapter 5 of the Disclosure Rules and Transparency Rules apply, will be exempt from the requirement to maintain a PSC register. Section 790B of the SBEE Act also gives the Secretary of State the power to exempt other entities by regulations.

WHAT IS A PSC?

The definition of a "PSC" and the process for completing the register is not straight forward and could be an onerous task for many companies.

A PSC is an individual that directly or indirectly:

- holds more than 25% of the shares
- is entitled to exercise, or control the exercise of, more than 25% of the votes
- is entitled to appoint or remove a majority of the board (or control the exercise of rights to do so)

The following will also be classified as a PSC:

- An individual who has the right to exercise, or actually exercises, significant influence or control over the company. Statutory guidance is being produced on the meaning of this.
- The right to exercise significant influence or control over a trust or a firm which is not a legal entity and where the trust or the firm would be a PSC if it were an individual.

CONTENTS OF THE PSC REGISTER

It is worth noting that in addition to recording the details of the PSC in the register, it will also be necessary to state which one of the conditions for being a PSC they meet. The full list of information to be included in the register is as follows (s790K SBEE Act):

- Name
- DOB
- Nationality
- Service address and residential address
- Country, state or which part of the UK in which the PSC is resident

- The date on which the person became a PSC
- The nature of the control held by the PSC over the company
- Whether the individual has applied for their information to be protected from public disclosure

If a company is controlled by another company which, if it were an individual would be considered a PSC and which is also subject to its own disclosure requirements (defined as a "relevant legal entity" in 790C(6) SBEE Act), then the name of this company should be entered in the register.

WILL ALL INFORMATION BE PUBLIC?

The public will be able to see the full contents of the PSC register except the day element of the date of birth and the residential address. Although if a company chooses to maintain the PSC register at Companies House (possible after 30 June 2016) then these details will also be made public. Despite the emphasis on transparency and openness, the Government does of course recognise that there may be situations where public disclosure of PSC information could put individuals at serious risk of harm. A procedure will be put in place for such individuals to apply to prevent some or all of their details from being made public.

WHAT MUST THE COMPANY DO?

Section 790D of the SBEE Act sets out in detail the action required by the company. Reasonable steps will need to be taken to find out if there is a registrable person (RP) or a relevant legal entity (RLE) and if so identify them in the PSC register.

Failure by the company to comply with the relevant provisions means that an offence is committed by the company and every officer in default and this is punishable by fines or prison.

The company can also place restrictions on the shares if the RP / RLE fail to comply. Ultimately this can result in the shares being stripped of their rights, e.g. right to vote, receive dividends and the right to sell shares.

WHAT MUST THE PSC DO?

The SBEE Act also places duties on PSCs to notify the company in certain circumstances. An offence is also committed if they do not comply with notices issued by the company or if they try to exercise any rights once a restriction notice has been served.

The statutory guidance on the PSC register which is being produced by BIS will be available soon and there is also a working group producing non-statutory guidance.

"CHECK & CONFIRM" - THE NEW ANNUAL RETURN

Companies are currently required to file an Annual Return with Companies House each year. This requirement is being changed to a "check and confirm" process requiring companies to file a "confirmation statement" at least once every 12 months. The company must confirm that it has delivered all the information it was required to do in the period covered by the statement and the filing must be made within 14 days of the end of the period (reduced from the current 28 days to file Annual Returns). In practice, the confirmation statement will be very similar to the current Annual Return,

although companies will have some more flexibility as to when to make the filing. The new procedure will come into effect after 30 June 2016.

COMPANY REGISTERS

From June 2016 private companies will be given the option of keeping some statutory registers at Companies House. The relevant registers are:

- Members (requires the agreement of all members)
- Directors and secretaries
- Directors' residential addresses
- People with Significant Control (PSC)

The downside to keeping the registers at Companies House is that information which would otherwise be confidential might be available for public view.

STATEMENT OF CAPITAL

Following numerous complaints and the inability of many companies to comply with the requirements introduced by CA 2006, the statement of capital is finally being simplified from June 2016. It will no longer be a requirement to show the exact amount paid upon each share, including any premium above the nominal value. Instead companies can now simply show the aggregate amount of unpaid capital, if any, on the total number of shares.

DIRECTORS' DISQUALIFICATION

The regime for directors' disqualification will be updated and expanded in June 2016.

BAN ON CORPORATE DIRECTORS

From October 2016 all directors must be natural persons. No new corporate directors can be appointed after this date and existing corporate directors will need to resign within 12 months. There will be some limited exceptions and the list of these is currently being developed by the Department for Business, Innovation & Skills.

ADDITIONAL INFORMATION ON PUBLIC REGISTER

From late 2016 or early 2017 companies will be given the option of delivering certain additional information to Companies House to be placed on public record.

CONCLUSION

Some of the above changes are de-regulatory and will simplify filing obligations, while others will most certainly create additional work. The introduction of the beneficial owners register establishes UK as the leader in transparency and accountability which will improve confidence in businesses. Companies should start preparing now, however, to ensure they will be able to comply with the requirements and avoid penalties.

For further information on the above matters, or if you have any questions about the new SBEE Act, please contact Linn-Marita Sen.

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CYBER ESSENTIALS - A PRACTICAL CYBER SECURITY STANDARD FOR SMALL AND MEDIUM SIZED ORGANISATIONS

The Cyber Essentials scheme was launched by the Government in 2014 following discussions with industry to provide a standard in cyber security relevant to all organisation sizes and sectors, from smaller SMEs, to larger not-for-profit and public-sector bodies. From 1 October 2014 it became mandatory for all central government contracts involving the handling of personal or sensitive data.

The scheme is an evolutionary step following the Government launching its "10 Steps to Cyber Security" in 2012 and the subsequent advice "Small Businesses: What you need to know about cyber security". It is seen as a standard which an organisation can adopt and ultimately work towards certification to demonstrate to its customers and clients that cyber security is taken seriously – no bad thing when it is becoming ever harder for organisations to differentiate themselves from others.

It was put together after the Government asked CESG (the information security arm of GCHQ) to analyse a series of successful cyber attacks on various organisations. This led to basic technical controls being identified which if implemented properly could help mitigate the risks posed by unsophisticated cyber attackers. Cyber Essentials is comprised of these security controls and certification requires the implementation of all of them:

- **Boundary firewalls and Internet gateways** – for most organisations the perimeter firewall is the first line of defence against attacks from the Internet and there are a series of best-practises which should be followed to ensure they are implemented correctly and remain effective
- **Secure configuration** – most computers and network devices are not considered secure upon installation (as an example using well-known passwords for administrator accounts) and a series of steps are usually necessary to provide a secure environment.
- **User access control** – administrator accounts usually have the greatest level of access to data, applications and computers within an IT system. To protect against the unauthorised use of them requires effective access control management, such as the use of password controls and the principle of least privilege.
- **Malware protection** – computers (and systems) exposed to the Internet should be protected against malware (a term which includes viruses, worms and spyware) which can be introduced into an IT system via web browsing, receiving emails and opening attachments from USB memory devices. Organisations should therefore ensure they have effective technical controls in place to reduce these risks.

- **Patch management** – computers and network devices/appliances typically run software which may contain vulnerabilities. These can sometimes be exploited by malicious individuals to attack an organisation's IT system. The major vendors work hard to discover these vulnerabilities and then release patches to fix them. As an example, Microsoft release security patches once a month (known as "patch Tuesday") which covers updates to their operating systems and server applications. Organisations should therefore ensure that processes are in place to manage the patching process.

It should be noted that Cyber Essentials is not intended to address the risks from advanced threats and therefore 'higher risk' organisations should view it as a foundation within their overall approach to information security.

Organisations wishing to gain the Cyber Essentials badge work through the following stages:

- **Scope** – a decision is made regarding which parts of the IT system are to be covered, including network boundaries and locations.
- **Questionnaire** – the organisation self-assesses the systems identified within the scope and completes a questionnaire.
- **Declaration** – the Chief Executive Officer (or equivalent) endorses the accuracy of the questionnaire.
- **Verification** – an independent Certification Body assesses the questionnaire and if satisfied with the responses will award a certificate.

Cyber Essentials Plus offers a higher level of assurance as it requires an external penetration test of the organisation's technical security controls.

The IT security "gold standard" remains as ISO27001 but the complexity, timescales and cost of implementation means it is out of reach to all but the larger organisations. Therefore, Cyber Essentials is a welcome addition within the small to medium-sized organisation space.

haysmacintyre IT Consultants has been providing security consultancy services to a diverse range of clients for over 13 years. We are able to offer comprehensive and pragmatic reviews covering all aspects of IT security within an organisation and these can be used as a basis for working with clients to achieve Cyber Essentials certification.

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AN EFFECTIVE ANTI-FRAUD POLICY SHOULD BE SIMPLE, CONCISE AND EASILY UNDERSTOOD

Trustees are responsible for preventing and detecting fraud. However, very few charities have an anti-fraud policy.

WHAT IS AN ANTI-FRAUD POLICY?

An anti-fraud policy outlines a charity's attitude to fraud and sets out responsibilities for its prevention and detection.

A good anti-fraud policy should ensure:

- There are appropriate measures to prevent and deter fraud.
- There are necessary procedures to detect fraud.
- Employees are encouraged to take responsibility and report any suspicions of fraud.
- All instances of suspected fraud are investigated;
- Appropriate disciplinary, civil or criminal proceedings are undertaken.
- All suspected fraud is reported to the appropriate authorities.

WHY SHOULD YOU HAVE ONE?

The purpose of an anti-fraud policy is to:

- Encourage an anti-fraud culture by setting the tone from the top and act as a deterrent by setting out the consequences of engaging in fraudulent conduct.
- Define fraud, so that employees are aware of what actions constitute fraud.
- Establish the responsibilities within the charity.
- Ensure that all employees know the procedure to follow in the event of a fraud being discovered or suspected, including how to report fraud
- Reduce the exposure of fraud to the charity
- Make staff aware of fraud and describe what to look for.
- Encourage management to think about fraud and develop a plan to deal with it.
- Set out an organisation's whistleblowing policy and/or fraud response plan, if these are not separately documented.

WHAT SHOULD IT INCLUDE?

The policy should include:

- 1. Policy statement:** sets out the charity's commitment to prevent, detect, investigate and report fraud; the behaviour expected of staff and other third parties; and the action that will be taken against fraudsters.
- 2. Definition of fraud:** Define fraud and provide examples of what might constitute fraud and dishonesty in the specific context of the charity. This may include theft, the misuse of funds or other resources, or more complicated crimes such as bribery and corruption, false accounting and the supply of false information.
- 3. Key responsibilities:** Highlight the responsibilities of the trustees', senior management and staff in preventing, detecting and reporting fraud, and in co-operating with any investigations. Specify the individual and/or body with overall responsibility for the policy.
- 4. Reporting suspicions:** Set out whistleblowing arrangements (if appropriate) and/or specify a designated individual(s) to whom staff can report concerns on a confidential basis. If a separate whistleblowing policy exists, state where this can be found.
- 5. Fraud response plan:** Outline the process that will be followed in the event of a fraud being discovered or suspected, such as how evidence will be secured and the investigation conducted. If a separate fraud response plan exists, state where this can be found

For further information on creating an anti-fraud policy contact Sam Coutinho.

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Future events

What every trustee should know	9 November 2015 and 3 March 2016
Identifying and managing risks in a charity	2 December 2016
Charity law update	12 January 2016
What every trustee should know - Refresher	23 March 2016
Introduction to charity finance and reporting	19 April 2016
Civil Society Board Leadership	12 November and 9 December 2015
Network of Women Chairs	Multiple dates available on our website

For further information on these events please visit www.haysmacintyre.com/events or contact our Events team on 020 7969 5500, events@haysmacintyre.com

Should you wish to receive an electronic version of our briefing in the future, please email our Editorial team on marketing@haysmacintyre.com

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