Fife Health Board Endowment Fund
Audit Planning Memorandum

To the Trustees

Audit of Accounts

Year Ended 31 March 2013

Introduction

Purpose and Scope

International Standard on Auditing 260 requires auditors to communicate by effective means, matters concerning an entity's audit to those charged with the governance of that organisation.

The purpose of this report is to provide the Trustees (as those charged with the governance of Fife Health Board Endowment Fund) with information regarding:

- the planned audit approach;
- the proposed means and modes of communication throughout the audit assignment; and
- to provide the Trustees with the opportunity to discuss the assignment and the audit approach prior to the commencement of audit field work.

Over the past year there have been a number of developments in the auditing and financial reporting framework, particularly in relation to charities. These are set out in Appendix 1. If you wish to discuss further the impact of these developments on Fife Health Board Endowment Fund we would be pleased to do so.

This report is addressed to the Trustees of Fife Health Board Endowment Fund and is intended for internal use only for the purpose of planning and discussing the audit of the financial statements for the year ended 31 March 2013. This report may not be reproduced in whole or in part without the prior, written consent of Thomson Cooper.

Background to Appointment

General

Our engagement letter was issued on 26 March 2012 and an electronic copy is attached in Appendix 2. As detailed in our engagement letter, it remains effective until it is replaced.

Independence

We can confirm that Thomson Cooper are independent within the context of relevant regulatory and professional requirements and that there are no circumstances of which the firm is aware which might lead to impairment in the objectivity of either the audit engagement partners or audit staff.

Staff Independence

All our Staff must adhere to strict regulatory, professional and internal independence requirements related to investments or business relationships with clients. All staff and partners must certify their compliance with independence rules on an annual basis.

Thomson Cooper is authorised by ICAS to carry out statutory audits. Members of ICAS and other Accounting Bodies are bound by the Ethical Code which covers, objectivity, independence, confidentiality and integrity.

Quality

Independent quality reviews of our audit work are preformed throughout the year. The reviews include testing of the effectiveness and quality of our audit work and we maintain a continuous improvement programme to ensure that our standards are maintained and improved. In addition external reviews are also carried out periodically by the Institute of Chartered Accountants of Scotland (ICAS).

All Audit Staff undertake ongoing Continuous Professional Development via attendance at internal and external training courses and seminars.

Background to Appointment (continued...)

Ethical Standards

The Auditing Practices Board has issued a number of Ethical Standards which limit the range of services auditors can provide. At present, we assist in the preparation of the Statutory Accounts as required. There is no need to disclose this in the Annual Accounts if the charity has "informed management". Based on our knowledge and experience of the Trustees we are satisfied that Fife Health Board Endowment Fund has "informed management" and therefore no disclosures will be required in the accounts.

Reliance upon the work of an expert

In accordance with International Standard on Auditing (UK and Ireland) 620, when relying upon the work performed by an expert the auditor should obtain sufficient appropriate audit evidence that the scope of such work is adequate for the purposes of the audit.

"Expert" means a person or firm possessing special skills, knowledge and experience in a particular field other than accounting and auditing.

Fife Health Board Endowment Fund maintains an investment portfolio as the asset base for the future growth of the Fund. The investments held include a portfolio of stocks and securities, which are managed by third party fund managers. This involves some reliance upon the work of experts during the audit process. The investments are stated in the financial statements at market value and our audit will include reviewing the effects of fluctuations in market values from the date of the balance sheet until the signing of the financial statements to ensure material differences in the market value of investments are appropriately disclosed in the financial statements.

Thomson Cooper Audit Approach

General

Thomson Cooper adopts a risk based approach to audit assignments.

The starting point for each assignment is to identify the key issues and risks facing the organisation including a review of internal control strengths and weaknesses. This involves close liaison with clients in order to obtain a good understanding of the client's business before detailed audit work commences.

Following this initial assessment the audit work to be undertaken can be fully planned.

Effective planning facilitates:

- concentration of audit effort in areas of high risk;
- maximisation of overall efficiencies in audit work; and
- the drawing of suitable conclusions concerning the truth and fairness of the financial statements.

Detailed Audit Procedures

The extent of testing undertaken on the detailed records depends upon the continued adequacy of key internal accounting and operational controls, the materiality of the item involved and the information and support provided by management.

Detailed audit testing will be performed to test the reliability of the accounting system in operation and to provide additional audit assurance.

Relationship with Internal Audit

Introduction

NHS Fife has an internal audit service which conducts periodic reviews of the Endowment Fund.

International Standard on Auditing 610 (ISA 610) entitled "Considering the Work of Internal Audit" establishes standards and provides guidance to external auditors in considering the work of internal audit. The standard requires external auditors to "consider the activities of internal auditing and their affect, if any, on external audit procedures".

The following sets out our audit approach for the current year and our relationship with NHS Fife internal audit function.

International Standard on Auditing 610

As stated above, the standard requires the auditor to consider the activities of internal audit. Section 5 of the standard indicates that internal audit normally has specific regard to the following:-

1. Monitoring of internal control.
2. Examination of financial and operating information.
3. Review of the efficiency and effectiveness of operations including non financial controls.
4. Review of compliance with laws and regulations.

The role of internal audit is set by management and clearly its objectives will differ from the external auditor whose appointment is to report independently on the annual financial statements. The standard recognises, however, that some of the means of achieving the respective objectives are similar and therefore certain aspect of internal audit work may be useful in determining the nature, timing and extent of external audit procedures. It follows therefore that we are obliged to obtain a sufficient understanding of the work carried out by internal audit to enable us to identify and assess the risks of material misstatements of the financial statements and accordingly to design and perform further audit procedures.

Based on our review of the work carried out by NHS Internal Audit Service in previous years, the principal area upon which we can place reliance on the work of internal audit function, has been in relation to the overall control environment within which the Endowment Fund operates.

The process of communication between external and internal auditors is two way and we will ensure that any instances of non compliance with the Financial Operating Procedures detected during our external audit work are brought to the attention of internal audit. The Trustees are asked to note and confirm their approval with the way in which we intend working with internal audit.

Staffing

Partner in Charge of Assignment

The current lead partner is Andrew Croxford. Andrew is the firm's Audit Compliance Partner with extensive audit experience, particularly in the charity sector. He is the chair person of the firm's Audit Committee. The firm's Audit Committee conducts a series of independent file reviews throughout the year to ensure that the firm's objectivity and independence are not impaired.

Support Partners

David Walker will be called upon to undertake concurring reviews where required and will be available to discuss any issues which may arise throughout the audit.

Other Staff

In order to maximise efficiency and minimise disruption to the company, the firm, as far as possible will try to maintain continuity in the other staff deployed on the assignment.

All senior staff involved in the audit have previous experience of the assignment, and are suitably qualified and trained.

The senior staff member this year is Kirsty Bruce, a qualified Chartered Certified Accountant. She will be assisted by Claire Brown who is a trainee Chartered Accountant.

Audit Risks

Introduction

Audit risk comprises three elements:

- Inherent risk
- Control risk
- Detection risk

Thomson Cooper aim to plan and perform sufficient audit work so as to ensure that detection risk is minimised and that the conclusion drawn regarding the truth and fairness of Fife Health Board Endowment Fund's accounts is valid.

This involves Thomson Cooper in a wide evaluation of risk areas (per ISA 300 - Planning, ISA 250A – Consideration of Laws and Regulations and ISA 330 - Auditor's Response to Assessed Risks) and also a detailed evaluation, at the level of account class, of the risk of material misstatement.

The areas detailed below have been limited to those, based on previous audit experience, which carry the highest risk of material misstatement either because the balances are so significant in the overall context of Fife Health Board Endowment Fund's accounts or the account class is subject to a degree of estimation or relies upon the work of an expert.

The list is not exhaustive and has been prepared based upon our previous experience prior to the commencement of the detailed planning work for the audit for the year ended 31 March 2013.

The Trustees remain ultimately responsible for the integrity of the financial statements and risk management in the widest context. Thomson Cooper, as external auditor, are responsible for providing the Trustees of Fife Health Board Endowment Fund reasonable assurance that the accounts are free from material misstatement and that the accounts give a true and fair view of the state of the affairs of Fife Health Board Endowment Fund at 31 March 2013. While the audit work performed may involve consideration of such issues as the impact of failure of IT equipment for example, the work performed will be limited to considering the extent to which the breach might impact upon the financial statements. Hence risks of this nature have been excluded from those listed below.

Audit Risks (continued)

Security of Investments

The investments are by far the Fund's largest asset and by virtue of size therefore, constitute a specific audit risk. Our audit procedures will involve assessing the adequacy of the security arrangements operated by Rensburg Sheppard in relation to the Fund's investments as well as considering whether it is appropriate for us to rely upon their work as directed by International Standard on Auditing 620 (UK & Ireland) – Using the Work of an Expert.

Accounting for Restricted Funds

The Trustees must ensure that the accounts are prepared in accordance with the Charities SORP 2005 which requires that funds received with specific conditions attaching are accounted for as restricted funds and disclosed in the financial statements accordingly. We will look for evidence during our audit that all sources of income have been properly identified and recorded in the accounting records and financial statements of the Fund.

Income Recognition and Cut-off

Specific audit work will be performed to ensure that income has been recognised in the correct accounting period and the accounting policy for the recognition of income has been consistently applied, particularly with regard to income from legacies.

Audit Risks (continued)

Fraud

The auditor's responsibility to consider the audit risk of fraud is laid down in ISA 240 "The auditor's responsibility to consider fraud in an audit of financial statements".

In accordance with ISA 200, 'the auditor shall maintain professional scepticism throughout the audit, recognising the possibility that a material misstatement due to fraud could exist, notwithstanding the auditor's past experience of the honesty and integrity of the entity's management and those charged with governance'.

As part of the planning process, we are obliged to make enquiries of management and those charged with governance regarding:

a) Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments;
b) Management's process for identifying and responding to the risks of fraud in the entity, including any specific risks of fraud that management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist;
c) Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity;
d) Management's communication, if any, to employees regarding its views on business practices and ethical behaviour; and
e) Whether Management have knowledge of any actual, suspected or alleged fraud affecting the entity.

We can confirm that if we identify any fraud or obtain information that indicates that a fraud may exist, we will communicate this to the appropriate level of management as soon as practicable. If the fraud involves management, employees who have significant roles in internal control or where the fraud results in a material misstatement in the financial statements, we will communicate these matters to the Trustees as soon as practicable.

At the conclusion of our audit work, we will request written confirmation in our letter of representation that the Trustees acknowledge their responsibility for the design and implementation of internal control to prevent and detect fraud and that it has disclosed to ourselves the results of its risk assessment and disclosed any instances or allegations of fraud which have arisen.

Materiality

Concept and definition

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.

- According to International Standard on Auditing 320 Audit Materiality, 'misstatements, including omissions, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; and judgements about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both'.

  The Clarified ISA 320 on Audit Materiality establishes the concept of 'performance materiality'. Performance materiality means the amounts set by the auditor at less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

An item may also be considered material for reasons other than size, if for example, it had an impact on:

- trends (e.g. earning per share growth);
- compliance with loan covenants; or
- instances when greater precision is required.

Calculation and determination

We have determined materiality based on professional judgement in the context of our knowledge of Fife Health Board Endowment Fund, including consideration of factors such as member expectations, industry developments, financial stability and reporting requirements for the financial statements.

We determine materiality in order to:

- estimate the tolerable level of misstatement in the financial statements;
- assist in establishing the scope of our audit engagement and audit tests;
- calculate sample sizes; and
- assist in evaluating the effect of known and likely misstatements on the financial statements.

We will finalise our materiality figure prior to the commencement of our audit.

Materiality (continued)

If, in the specific circumstances of Fife Health Board Endowment Fund, we believe there are particular transactions, account balances or disclosures where misstatement of less than materiality for the financial statements as a whole could be expected to influence the decisions of the users, we shall also determine the performance materiality level to be applied to those particular transactions.

Reassessment of materiality

We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware of those facts and circumstances when we made our initial determination.

Further, when we have performed all our substantive tests and are ready to evaluate the results of those tests, including any misstatements we detected, we will reconsider whether materiality, in combination with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope. If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements, individually or in aggregate, are material.

Unadjusted errors

In accordance with auditing standards, we will communicate to the Trustees all unadjusted items identified during our audit, other than those which we believe are “clearly trivial”.

Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.

Auditing standards do not place numeric limits on the meaning of ‘clearly trivial’, however, we consider the ‘clearly trivial’ limit to be less than 1% of materiality.

We will obtain written representations from the Trustees confirming that after considering all these unadjusted items, both individually and in aggregate, no adjustments are required.

There are a number of areas where we would strongly recommend or request any misstatements identified during the audit process being adjusted. These include:

- misstatements that we believe were intentionally made to achieve targeted earnings or similar goals;
- clear cut-off errors whose correction would cause non-compliance with loan covenants, management compensation agreements, other contractual obligations or governmental regulations that we consider are significant; and
- other misstatements that we believe are material or clearly wrong.

Reporting of Audit Findings

Communication

As external auditor, we have direct access to the Trustees should the need arise. Audit findings will be communicated orally at the meeting of the Trustees at which the annual accounts are reviewed.

In addition, on completion of the audit field work an Audit Completion Memorandum will be prepared summarising the main audit findings which will be addressed to the Trustees for their responses.

Audit Adjustments

Any misstatements identified as a result of the audit work performed, which have not already been adjusted, will be reported to the Trustees. If, after discussion, there remain any material unadjusted misstatements written representation from the Trustees may be sought setting out the reasons for non-adjustment.

Misstatements which have been found, but adjusted, will only be brought to the attention of the Trustees where it is believed that an awareness is required for the Trustees to be able to fulfil their governance responsibilities or where adjustments indicate significant weaknesses in the system of internal controls.

Timetable

	Date
Issue Bank Confirmation Letter	01 March 2013
Issue Audit Planning Memorandum	04 March 2013
Audit Planning Meeting with Client	08 March 2013
Audit Staff Planning Meeting	03 May 2013
Audit Fieldwork Commences	07 May 2013
Audit Clearance Meeting	17 May 2013
Provide Completion Documents	22 May 2013
Board Papers Issued	07 June 2013
Audit Committee Meeting	21 June 2013
Board Meeting	25 June 2013

Proposed Fees

	Proposed 2013	**Actual 2012**
	£	£
On completion of audit fieldwork	5,000	5,000
On signing of accounts	1,950	1,850
	6,950	6,850

Appendix 1 - Developments in Auditing and Financial Reporting

1. Update to Audit Report

The Auditing Practices Board issued a Bulletin in March 2012 which revised the wording of the audit report. The Bulletin provides various examples of audit reports. As well as providing the wording for a standard audit report, it gives a wide range of examples of modified and qualified audit reports. Full details can be found on the APB website – www.frc.org.uk/apb

2. The Future of UK GAAP – what next?

On 2 July 2012 the Financial Reporting Council (FRC) took over from the Accounting Standards Board (ASB) as the prescribed body for issuing accounting standards.

As part of the transitional provisions, anything done by the ASB, in the process of being done by the ASB in relation to accounting standards is treated as being done by, or continued by the accounting council of the FRC. Documents originally published by the ASB, and decisions taken at the ASB meetings continue to be referred to as such below.

The ASB of the FRC previously published Financial Reporting Exposure Drafts (FREDs) setting out revised proposals for the future of financial reporting in the UK and Republic of Ireland. The following FREDs were issued:

- FRED 46 'Application of Financial Reporting Requirements' (draft FRS 100)
- FRED 47 'Reduced Disclosure Framework' (draft FRS 101)
- FRED 48 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (draft FRS 102)

On 22 November 2012 the FRC issued FRS 100 and FRS 101.

- FRS 100 – Application of Financial Reporting Requirements
  Sets out the overall financial reporting requirements, giving many entities a choice of detailed accounting requirements depending on factors such as size and whether or not they are part of a listed group, importantly FRS 100 does not require any entities to apply international accounting standards that are not already required to do so, responding to a key piece of feedback from smaller financial institutions and registered providers of social housing.

- FRS 101 – Reduced Disclosure Framework
  Applies to the individual financial statements of subsidiaries and ultimate parents, allowing them to apply the same accounting as in their listed group accounts but with fewer disclosures. This will reduce the reporting burden on listed group

The Future of UK GAAP – what next? (continued...)

FRS 102 – The Financial Reporting Standards applicable in the UK and Republic of Ireland – is due to complete the suite of new financial reporting standards. The FRC expects to issue FRS 102 early in 2013.

The new standards will apply for accounting periods beginning on or after 1 January 2015, with early application to be permitted. A public entity applying the new standard must also apply the relevant SORP, once these have been updated in line with the relevant new framework.

How will charities be affected?

The charities SORP will be updated following publication of the final standards and will continue to provide sector specific guidance and interpretations. In the event of any conflicts, the requirements of the single standard will take precedence over those in the SORP. Disclosure detailing the departure from the SORP would be triggered.

A charity will only be able to adopt the new standard once a revised SORP in line with the new standards has been adopted.

3. The Charities Accounts (Scotland) Amendment Regulations 2010

These new Regulations came into force for accounting periods beginning on or after 1 April 2011. This means that the changes that they make to the 2006 Regulations will be effective for accounting periods beginning on or after that date. The main changes are:

- Under the 2006 Regulation, the annual income threshold for the preparation of receipts and payments accounts for non-company charities was set at £100,000. The 2010 Regulation increases the threshold to £250,000. This does not apply to company charities which, under company law, must always prepare accruals accounts.

- The current threshold for mandatory audit of charity accounts are £500,000 gross income and £2.8m gross assets. Under the 2010 Regulations, the asset threshold will increase to £3.26m in line with the limit applicable to companies under company law. The gross income threshold remains unchanged and all charities with income over £500,000 will be required to have an audit, irrespective of their total assets.

4. Scottish Charitable Incorporated Organisations (SCIOs)

Since April 2011, existing unincorporated charities have been allowed to apply to change their legal form to a SCIO. From January 2012, charitable companies and industrial and provident societies will be able to convert to SCIOs. The SCIO is intended to help charities enjoy the benefits of incorporation, including limited liability and legal personality, without being subject to the complex apparatus of company law and dual regulation of OSCR and Companies Law currently imposed on charitable companies.

Key characteristics:

- Separate legal entity, so can contract in its own name rather than that of the trustees personally. The SCIO can also hold title to land in its own right.
- Limited liability for trustees.
- OSCR incorporates and dissolves SCIOs and is the Regulator of its legal form, not just its charitable status.
- Must have two or more members.
- SCIO members are subject to some of the same duties as charity trustees.
- Duty to keep and supply a register of members.
- There should be at least one member's meeting a year

5. The Bribery Act 2010

The Bribery Act 2010 came into force on 1 July 2011, and is a consolidation of the existing anti-bribery legislation plus some enhancements, bringing the UK's law in this area up to the required international standard. The key points of the Act are as follows:

- Your organisation may be liable for failing to prevent a person bribing on your behalf, but only if that person performs services for you in business. It is very unlikely therefore that you will be liable for the actions of someone who simply supplies goods to you
- There is a full defence if you can show you had adequate procedures in place to prevent bribery. But you do not need to put bribery prevention procedures in place if there is no risk of bribery on your behalf
- Normal or routine hospitality is not prohibited by the Act
- Facilitation payments are bribes under the Act just as they were under previous legislation

Further information on The Bribery Act 2010 and what you need to do to ensure that your organisation is complying with the new regulations can be found at:

www.legislation.gov.uk/ukpga/2010/23/data.pdf

www.justice.gov.uk/legislation/bribery

6. Online Filing Developments at Companies House

Companies House have announced that they will move to electronic filing of statutory annual returns and accounts in 2013. The perceived advantage of this move is that the digitised format will provide an opportunity for Companies House to do some validation checking before documents are available for public viewing.

In a bid to move towards mandatory digitised filing, Companies House implemented changes to a number of their fees from 6 April 2011. This resulted in an increase in the cost of filing paper copies of forms/returns. For example the cost of filing the company's annual return on paper increased from £30 to £40. The cost of filing the same return online however decreased from £15 to £14, which has now reduced to £13 from 1 October 2012.

A full list of the changes that are effective from 1 October 2012 can be found at http:www.companieshouse.gov.uk/toolsToHelp/proposedFeeChanges.shtml

7. Fit and Proper Persons Guidance

The Finance Act 2010 introduced a new definition for tax purposes of charities and other organisations entitled to UK charity tax reliefs. The new definition includes a requirement that to be charity an organisation must satisfy the "management condition". To do this the managers of a charity, who include the trustees and directors and any other official having control or management over the charity or its assets, must be "fit and proper persons". The term is not defined in legislation but the guidance produced by HMRC explains how HMRC applies this test.

The fit and proper person test is about ensuring that charities are not managed or controlled by people who present a risk to the charity's tax position. HMRC may decide that a person is not fit and proper if they have:

- A history of tax fraud;
- A history of other fraudulent behaviour;
- Become know to HMRC as being involved in the abuse of tax repayment systems;
- Been barred from acting as a charity trustee or company director.

In their guidance HMRC suggest a procedure for charities to follow when they appoint new managers which includes the manager reading a model guide and signing a model declaration.

8. Tax definitions of charities

The Finance Act 2010 also includes new rules on the definition of a charity, charitable company and charitable trust, for tax purposes, following the announcement at the March 2010 Budget that tax reliefs and exemptions for charities and charitable giving are being extended to certain EU organisations.

There are a number of definitions of "charity", "charitable company" and "charitable trust" throughout the tax legislation for charities.

An eligible organisation must be:

- Set up for charitable purposes only;
- Located in a member state of the EU, Iceland or Norway;
- Regulated by a body in their home country with an equivalent function to the Charity Commission.
- Supervised by "managers" who are "fit and proper" persons.

9. The Charities Restricted Funds Reorganisation (Scotland) Regulations 2012

The regulations came into force on 1 November 2012. The regulations set out how charities may apply to OSCR for approval to reorganise restricted funds and OSCR must handle such applications.

The regulations identify 3 types of funds which are detailed below. Also noted is the average time scale for applications to be processed by OSCR:

Large restricted funds – means funds which comprise property of more than £1 Million or have gross annual income of more than £100,000;	Can take on average 6 months to complete.
Small restricted funds – means funds which comprise of property of £1 million or less and have annual gross income of £1000,000 or less; and	Can take on average 6 month to complete.
Very small restricted funds – means funds which do not include any heritable property or shares in a private limited company, and with a gross annual income of less than £1,000.	Decision within 13 weeks.

The Regulations can be obtained from
http://www.legislation.gov.uk/ssi/2012/219/contents/made

OSCR guidance can be obtained from
Http://www.oscr.org.uk/media/370316/2012-1031 reorganisation of restricted funds guidance.pdf

10. Gift Aid

Donor benefit limits

The maximum value of the benefits that individuals and companies may receive as a result of making a donation to a charity of more than £10,000 under Gift Aid will increase from £500 to £2,500. The new limit will be subject to the existing rule that the benefit must not exceed five per cent of the gift.

Records for small donations

The Small Charitable Donations Bill completed its final stages in the House of Lords in December 2012, becoming the Small Charitable Donations Act 2012. The Act legislated the Gift Aid Small Donations Scheme (GASDS) announced at Budget 2011 and will be implemented from 6 April 2013.

GASDS allows eligible charities and Community Amateur Sports Clubs to claim Gift Aid style top-up payments on small cash donations without requiring the donor to provide a Gift Aid declaration.

The criteria for aggregating Gift Aid donations will also change from April 2013, allowing charities and CASCs to aggregate more small donations. The current limit of £500 will be extended and claimants will be able to aggregate individual Gift Aid donations of £20 or less up to a total of £1,000 per claim.

This will reduce the number of donations charities and CASCs have to provide details for, however it will not be mandatory to aggregate payments if their processes make it easier to list them individually.

Sponsored Events

From April 2013, all donations for someone taking part in a sponsored event will be accepted as a single entry under the name of the participant. It will no longer be necessary to list all the individual donors who sponsored the person, as is currently the case for fewer than ten donors. Only individual donations of £500 or more shown on individual sponsor sheets will need to be separated out and listed separately on the claim.

Payment of Gift Aid

HMRC will stop making payments of Gift Aid by payable order, and will instead make them electronically via the BACS system. This decision has been taken in view of the Budget 2011 announcement that an “online filing” system for charities will be introduced in 2012-13. For charities that HMRC already hold the bank details, HMRC will now automatically make Gift Aid repayments by BACS.

11. Charitable Legacies

The government announced in the Budget 2011 plans to introduce a lower rate of Inheritance Tax (IHT) when people leave a charitable legacy of 10% or more of their estate when they die. The 10% legacy will be based on the value of the estate after deduction of IHT reliefs and exemptions. A consultation is ongoing and the change is expected to apply for deaths on or after 6 April 2012.

12. Charity Fraud

Trustees are responsible for taking reasonable steps for the prevention and detection of fraud. The guidance 'charity Fraud: a guide for the trustees and managers of charities' has been produced by 15 public, law enforcements and charity sector organisations. The guide is written to help charities prevent and detect fraud and also provide information on what to do and where to report if fraud occurred.

The guide can be downloaded from
http://www.cfg.org.uk/resources/Publications/cfg-publications.aspx

13. Real Time Information (RTI)

Under RTI, employers and pension providers will tell HMRC about tax, National Insurance Contributions and other deductions when or before the payments are actually made to an employee, instead of waiting until after the end of the tax year. This information, in the form of a "full Payment Submission" (FPS), will be sent to HMRC online and will mean that end of year returns, P35 and P14, will no longer be required.

Before you can report under RTI all PAYE schemes must undergo employer alignments. Employers will receive details from HMRC about the date they need to submit either an Employer Annual Statement (EAS) or their first FPS.

The pilot scheme was launched in April 2012, initially with ten employers, including HMRC. In May and June 2012 further employers were added bring the total to 320. There was a further intake into the pilot in September and November 2012 with 250,000 PAYE schemes expected to be reporting under RTI by March 2013.

HMRC have recently announced that it will be compulsory for all employers and pension providers to enrol in the RTI service from 6 April 2013.

14. Guidance on the Equality Act 2010 - Charity Commission for England and Wales

The Charity commission has issued guidance on the “charities exception” in the Equality Act 2010 (the “Act”). The Act came into force on 1 October 2010 and covers discrimination in connection with a number of “protected characteristics” including race, sex, disability, sexual orientation and age, in range of areas. The charities exception outlines the circumstances in which a charity may restrict its benefits to people sharing a protected characteristic, this can only be done where the charity is acting in accordance with its charitable instrument which limits its activities; and the restriction meets one of two tests:

- The charity is addressing a characteristic linked to a protected characteristic; or
- The restriction is “objectively justified”.

15. OSCR - Recent guidance issued

Scottish Charity Accounts, updated full guidance (Sept 2011)

The above has been published to assist charities to understand their accounting requirements. All OSCR guidance can be downloaded from the OSCR website at www.OSCR.gov.uk

In addition to the information available on the OSCR website; If you require further guidance or advise as to how the above financial changes could affect your charity, please do not hesitate to contact Thomson Cooper.

16. Online Filing Developments at OSCR

OSCR announced that from June 2012 all charities will be able to submit their annual returns, accounts and update their charity’s details.

There are a number of benefits to completing your information online:

- The new service is secure and more convenient for you to use.
- You can save your changes and return later to complete your submission.
- The system ensures that you can only submit correct and complete information – minimising failed forms and reducing hassle for you charity.
- OSCR Online allows you to complete Annual Returns and Supplementary Monitoring Returns electronically, giving you more flexibility and control.
- You can either attach your accounts as a .pdf or continue to send your accounts in the post in hard copy. Whichever suits.

Appendix 2 – Engagement Letter

An electronic copy of our Engagement Letter dated 26 March 2012 follows:

CF15A.92632.AWC.CB
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26 March 2012

The Trustees
Fife Health Board Endowment Fund
Evans Business Centre
Mitchelston Industrial Estate
Mitchelston Drive
Kirkcaldy
Fife
KY1 3UF

Dear Sirs,

We are pleased to accept the instruction to act as your advisers and are writing to confirm the terms of our appointment.

The purpose of this letter together with the attached terms and conditions is to set out our terms for carrying out the work and to clarify our respective responsibilities.

We are bound by the ethical guidelines of the Institute of Chartered Accountants Scotland and accept instructions to act for you on the basis that we will act in accordance with those guidelines.

1. Engagement letter

1.1 Thank you for engaging us as your advisers. Andrew Croxford will be your main point of contact and will have primary responsibility for this assignment. This letter and the attached schedule of services together with this firm's standard terms and conditions set out the basis on which we will act.

2. Who we are acting for

2.1 For the avoidance of doubt we are acting for Fife Health Board Endowment Fund. Chris Bowring is acting as nominated first point of contact. Any change to the nominated person should be notified to us in writing and will not be effective until acknowledged by us in writing.

3. Period of engagement

3.1 This engagement will start from the date this letter is signed. The first period for which we will be responsible in terms of this Engagement Letter is the year ended 31 March 2012.

4. Our responsibility to you

4.1 We have set out the agreed scope and objectives of your instructions within this letter of engagement. Any subsequent changes will be discussed with you and where appropriate a new letter of engagement will be agreed. We shall proceed on the basis of the instructions we have received from you and will rely on you to tell us as soon as possible if anything occurs which renders any information previously given to us as incorrect or inaccurate. We shall not be responsible for any failure to advise or comment on any matter which falls outside the specific scope of your instructions. We cannot accept any responsibility for any event, loss or situation unless it is one against which it is the expressed purpose of these instructions to provide protection.

5. Your responsibility to us

5.1 The advice that we give can only be as good as the information upon which it is based. Insofar as that information is provided by you, or by third parties with your permission, your responsibility arises as soon as possible if any circumstances or facts alter as any alteration may have a significant impact on the advice given. If the circumstances change therefore or your needs alter, advise us of the alteration as soon as possible in writing.

6. Services

6.1 Attached is the schedules of services listed below which records the work we are instructed to carry out. This also states your and our responsibilities in relation to the work to be carried out.

Schedules

Unincorporated Charity Audit – June 2010 version 1

6.2 You may request that we provide other services from time to time. We will issue a separate schedule of service or if necessary a new letter of engagement and scope of work to be performed accordingly.

6.3 Because rules and regulations frequently change you must ask us to confirm any advice already given if a transaction is delayed or a similar transaction is to be undertaken.

7. Fees

7.1 Our fees will be charged in accordance with our standard terms and conditions. Please review these to ensure you understand the basis of our charges and our payment terms.

8. Limitation of liability

8.1 We specifically draw your attention to paragraph 23 of our standard terms and conditions which sets out the basis on which we limit our liability to you and to others. You should read this in conjunction with paragraph 11 of our standard terms and conditions which excludes liability to third parties.

8.2 There are no Third Parties that we have agreed should be entitled to rely on the work done pursuant to this engagement letter.

9. Your agreement

9.1 Once it has been agreed, this letter will remain effective until it is replaced.

9.2 We shall be grateful if you could confirm your agreement to the terms of this letter, the schedule of services and the standard terms and conditions by signing the enclosed copy and returning it to us immediately.

9.3 If this letter and schedule of services is not in accordance with your understanding of the scope of our engagement or your circumstances have changed, please let us know.

Yours sincerely

Thomson Cooper

Acceptance

We confirm that we have read and understood the contents of this letter, schedules and related terms and conditions and agree that it accurately reflects our fair understanding of the services that we require you to undertake.

Signed ....Mrs C Bowring.......... Date ....

Director of Finance

Signed ....Professor J.McGoldrick.......... Date ....

Chairman

For and on behalf of
Fife Health Board Endowment Fund

SCHEDULE OF SERVICES

This schedule should be read in conjunction with the engagement letter and the standard terms and conditions.

UNINCORPORATED CHARITY AUDIT

1. Our Service to You

1.1 Our auditing procedures will be carried out in accordance with the Statements of Auditing Standards issued by the Auditing Practices Board, and will include such tests of transactions and of the existence, ownership and valuation of assets and liabilities as we consider necessary. We will ascertain the accounting systems in order to assess their adequacy as a basis for the preparation of the accounts. We will need to obtain relevant and reliable evidence sufficient to enable us to draw reasonable conclusions therefrom.

1.2 The nature and extent of our tests will vary according to our assessment of the charity's accounting and internal control systems, and may cover any aspects of the charity's operations. We shall report to the management any significant weaknesses in, or observations on, the charity's systems which come to our notice and which we think should be brought to management's attention. Any such report may not be provided to third parties without our prior written consent. Such consent would be granted only on the basis that such reports are not prepared with the interests of anyone other than the charity in mind and that we accept no duty or responsibility to any other party as concerns the report.

1.3 The responsibility for safeguarding the assets of the charity and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with the trustees. However, we will plan our audit so that we have a reasonable expectation of detecting material misstatements in the accounts resulting from irregularities, fraud or non-compliance with law or regulations. Our examination should not be relied upon to disclose all such material misstatements or frauds, errors or instances of non-compliance as may exist.

1.4 As part of our normal audit procedures, we may request you to provide formal representations concerning certain information and explanations we have received from you during the course of our audit.

1.5 In order to assist us with a review of your accounts, which constitutes part of our audit, we will request sight of any documents or statements which will be issued with the accounts. We are also entitled to attend all general meetings of the charity, and to receive notice of all such meetings.

1.6 Once we have issued our report we have no further direct responsibility in relation to the accounts for that financial year. However, we expect that you will inform us of any material event occurring between the date of our report and that of the annual general meeting that may affect the accounts.

2. Responsibilities of Trustees and Auditors

2.1 As trustees of Fife Health Board Endowment Fund, you are responsible for ensuring that the charity maintains appropriate accounting records and for preparing accounts (financial statements) which give a true and fair view and have been prepared in accordance with the Charities Accounts (Scotland) Regulations 2006, Charities and Trustee Investment (Scotland) Act 2005 and regulations thereunder. You are also responsible for making available to us, as and when required, all of the charity's accounting records and all other relevant records and related information, including minutes of trustees' and meetings and of all appropriate management meetings.

2.2 As trustees of a charity, you are under a duty to prepare an annual report for each financial year complying in its form and content with regulations made under the Charities Accounts (Scotland) Regulations 2006 and Charities Trustee Investment (Scotland) Act 2005. You should also have regard to the Statement of Recommended Practice 'Accounting and Reporting by Charities' (2005) by the Charity Commissioners.

2.3 We have a statutory responsibility to report to you as trustees whether in our opinion the accounts comply with the requirements of regulations made under the Charities Accounts (Scotland) Regulations 2006 and Charities and Trustee Investment (Scotland) Act 2005 and give a true and fair view of the state of affairs of the charity at the end of the financial year and of the incoming resources and application of the resources of the charity in that year. In arriving at our opinion, we are required to consider the following matters, and report on any in respect of which we are not satisfied:

- whether accounting records have been kept by the [charity] in accordance with Section 41 of the Charities Accounts (Scotland) Regulations 2006 and Charities and Trustee Investment (Scotland) Act 2005;

- whether the accounts are in agreement with the accounting records;

- whether we have obtained all the information and explanations to which we are entitled for the purpose of our audit; and

- whether the information in the trustees' statutory annual report is consistent with that in the accounts.

2.4 The intended users of the report are the trustees/directors. The report will be addressed to the trustees.

2.5 In addition, there are certain other matters which, according to the circumstances, may need to be dealt with in our report; for example, non- compliance with a requirement of Regulations made under the Charities Accounts (Scotland) Regulations 2006 and Charities and Trustee Investment (Scotland) Act 2005.

2.6 Under the Charities Accounts (Scotland) Regulations 2006 you are required to report as to whether you have given consideration to the major risks to which the charity is exposed, and to the systems designed to mitigate those risks. Compliance with the Charities SORP requires you to confirm that those risks have been reviewed and that systems have been established to mitigate those risks. We are not required to audit this statement, or to form an opinion on the effectiveness of the risk management and control procedures.

2.7 We have a statutory duty to report to the Charity Commissioners such matters (concerning the activities or affairs of the charity or any connected institution or body corporate) of which we become aware during the course of our audit which are (or are likely to be) of material significance to the Commissioners in the exercise of their powers of inquiry into, or acting for the protection of, charities (Regulation 6(5) The Charities (Accounts and Reports) Regulations 1995).

2.8 We have a professional responsibility to report if the financial statements do not comply in any material respect with applicable accounting standards, unless in our opinion the non-compliance is justified in the circumstances. In determining whether or not the departure is justified we consider:

- whether the departure is required in order for the financial statements to give a true and fair view; and

- whether adequate disclosure has been made concerning the departure.

2.9 Our professional responsibilities also include:

- including in our report a description of the trustees' responsibilities for the financial statements where the financial statements or accompanying information do not include such a description; and

- considering whether other information in documents containing audited financial statements is consistent with those financial statements.

3. Reporting to the Council and Management

3.1 The nature and extent of our procedures will vary according to our assessment of the charity's accounting system and, where we wish to place reliance on it, the internal control system, and may cover any aspect of the charity's operations that we consider appropriate. Our audit is not designed to identify all significant weaknesses in the charity's systems but, if such weaknesses come to our notice during the course of our audit which we think should be brought to your attention, we shall report them to you. Any such report may not be provided to third parties without our prior written consent. Such consent will be granted only on the basis that such reports are not prepared with the interests of anyone other than the charity in mind and that we accept no duty or responsibility to any other party as concerns the reports.

4. Representations by management/trustees

4.1 As part of our normal audit procedures, we may request written confirmation of oral representations which we have received during the course of the audit on matters having a material effect on the financial statements.

5. Documents issued with the financial statements

5.1 In order to assist us with the examination of your financial statements, we shall request sight of all documents or statements, including the trustees' report, which are due to be issued with the financial statements. If it is proposed that any documents or statement which refer to our name, other than the audited financial statements, are to be circulated to third parties, please consult us before they are issued.

6. Irregularities, including fraud

6.1 The responsibility for the prevention and detection of fraud, error and non-compliance with law or regulations rests with yourselves. However, we shall endeavour to plan our audit so that we have a reasonable expectation of detecting material misstatements in the financial statements or accounting records (including those resulting from fraud, error or non-compliance with law or regulations), but our examination should not be relied upon to disclose all such material misstatements or frauds, errors or instances of non- compliance as may exist.

7. Provision of Service Regulations

7.1 Details of our audit registration can be viewed at www.auditregister.org.uk under reference number 0538.

26 March 2012

Thomson Cooper