

Charity news

*Helping you to keep
up-to-date with
developments in the
Charity sector*

March 2011



Introduction

In this edition of Charity News, we provide an explanation of the Revenue audit process and consider the possible sanctions that the Revenue can impose if an organisation fails to operate the tax system correctly. We look again at investments and emphasise the importance that the income Charities receive from their investments is sufficient to cover their future needs, which in these uncertain times can be a difficult objective to achieve.

In addition to this, we have set out some key considerations for getting the most out of your contractual agreements including forming contracts, terminating contracts and making changes to terms and conditions of employment.

Charities are feeling the effects of funding pressures and increased scrutiny to deliver more with less, which has the potential to result in increased collaboration between charities. We have included an article on the impact of the downturn on charities and the importance of good corporate governance and reporting.

If you would like to discuss any aspect of this newsletter, or any other challenges that your organisation may be facing, please contact your regular PwC contact or contact me at teresa.harrington@ie.pwc.com.

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Getting it right with Revenue

In the previous edition of this newsletter, we discussed the importance of tax compliance for charities. A charity, like any business, is legally obliged to ensure that its tax affairs and records are maintained to the highest standards. Even in situations where there has been no loss of revenue to the Exchequer, sanctions can apply for failing to operate the tax system correctly. As the Irish tax system is based on the principle of self-assessment, a prudent approach would be to expect a Revenue audit of the charity's books and records at some point. As has been reported in the media, charities have been the subject of recent audits by the Revenue Commissioners and so it is important for charities to have an understanding of the audit process. This understanding can help to minimise the damages which might arise from both financial and reputational perspectives, if tax liabilities are identified during the audit.

The potential sanctions which can result from a Revenue audit are wide ranging. Along with the recovery of the tax underpaid and the imposition of interest and penalties, the legislation also provides for the publication and prosecution of tax defaulters in certain circumstances. Table 1 outlines the types of sanctions available to the Revenue Commissioners and the situations in which they are likely to be applied.

The type of sanctions imposed by the Revenue Commissioners for non compliance will depend on the facts of each case. The sanctions imposed are linked to the category of default committed by the taxpayer. The more severe the default is, the more onerous the sanctions become. Table 2 outlines the categories of tax default and the types of behaviour which are relevant to each category. The past behaviour of the taxpayer will also be a relevant factor for the Revenue Commissioners when

<i>Table 1</i>	<i>Revenue Sanctions</i>
<i>Interest</i>	Applied on any underpaid tax from the original due date to the date of settlement with the Revenue Commissioners. The current daily rate is 0.0273% (approx 10% p.a.)
<i>Penalties</i>	Calculated as a percentage of the amount of tax underpaid, penalties apply on a sliding scale in all cases (other than an unprompted disclosure of an innocent error). The relative size of the penalty can be mitigated by making a disclosure to Revenue and / or co-operating with the investigating officer during the course of the audit. (See Table 3)
<i>Publication</i>	Where the negligence on the part of the taxpayer is particularly severe, publication of their name, address and occupation will be included on the tax defaulters list. This list is printed in Iris Oifigiuil on a quarterly basis and remains a matter of public record. Publication will not occur where: <ul style="list-style-type: none">- Revenue have accepted a qualifying disclosure from the taxpayer or- The total amount of underpaid tax, interest and penalties does not exceed €30,000 or- The tax geared penalty imposed does not exceed 15% of the tax due or- An amnesty from publication is in place for the particular default in question
<i>Prosecution</i>	Generally only occurs in the most serious instances of tax fraud or tax and is a decision for the Director of Public Prosecutions

Table 2	Categories of default
<i>Innocent error</i>	The least severe type of default. It generally occurs where the tax default in question was not deliberate, nor attributable to the failure by the taxpayer to take reasonable care to comply with his or her tax obligations. The total amount of tax underpaid must be less than €6,000.
<i>Careless behaviour</i>	A lack of due care rendering tax liabilities returned by the taxpayer or repayment claims made to be incorrect. Careless behaviour is distinguished from more serious defaults due to the absence of intent on the part of the taxpayer. This category is further distinguished into whether the consequences of the behaviour are “significant” or not, the reference point being whether the size of the shortfall exceeds 15% of the correct tax liability.
<i>Deliberate behaviour</i>	The most severe type of default. This involves a breach of a tax obligation with indicators consistent with intent on the part of a taxpayer or a breach that cannot be explained solely by carelessness.

deciding both the category of default and the extent of the sanctions to be imposed for the non-compliance.

Unprompted disclosures

Where a charity becomes aware of a failure to meet its tax obligations, it has the option of contacting the Revenue Commissioners to make an unprompted voluntary disclosure. Such a disclosure can be made at any time before Revenue formally notifies the taxpayer of their intention to carry out an audit. By availing of this option, the range and severity of sanctions which can be imposed by the Revenue Commissioners are significantly reduced. As you will note from Table 3, the amount of the tax-geared penalty applied for each default category is least severe where an unprompted disclosure is made to Revenue. The availability of the reduced sanctions makes the unprompted disclosure option the most appealing where an error in the operation of tax has been identified.

Revenue audit notification

Once a charity receives notification from the Revenue Commissioners of its intention to carry out an audit into its tax affairs, the opportunity to make an unprompted disclosure is lost. The notification will generally give the charity 21 days notice to prepare for the audit and should clearly indicate the nature and scope of the Revenue intervention. The nature and scope may range from a single issue for a specific period to a comprehensive audit for a number of years. You should note that Revenue have the power to extend the remit of their investigation to cover additional tax heads or further time periods if during the audit they form the view that tax has not been operated correctly.

We would recommend that, if a charity receives notice of a Revenue audit, it should seek immediate assistance from its professional advisor to help it through the audit process, and to ensure that it is not unduly penalised for innocent errors. The

charity should also refer to the information contained within the Code of Conduct for Revenue Audits. The Code sets out the responsibilities of both taxpayer and the Revenue in the course of a Revenue audit and was revised on 1 October last to apply to audits commencing after that date.

Prompted disclosures

Before an audit commences, the taxpayer is given an opportunity to make a disclosure to the auditor of any taxes which have been underpaid. This is known as a prompted disclosure and allows the taxpayer avail of reduced sanction levels. The prompted disclosure must detail each irregularity for all taxes and not merely the tax head(s) which are specified in the audit notification letter. In addition, the taxpayer must calculate the amount of tax underpaid and the resulting interest in respect of each irregularity. Where a taxpayer has previously made a prompted disclosure, the penalty mitigation levels available to the taxpayer are reduced.

Table 3		Tax-gearred penalties		
	Net penalty after mitigation			
<i>Category of tax default</i>	Tax-gearred penalty	Co-operation only	Co-operation including prompted qualifying disclosure	Co-operation including unprompted qualifying disclosure
<i>Deliberate behaviour</i>	100%	75%	50%	10%
<i>Careless behaviour with significant consequences</i>	40%	30%	20%	5%
<i>Careless behaviour without significant consequences</i>	20%	15%	10%	3%

Co-operation

Co-operation with the Revenue Commissioners during their investigation can help to mitigate the sanctions to be imposed.

Other matters

In the case of a charity, it is likely that its charitable tax exemption will be considered during the course of the Revenue Audit. Where the activities carried on by the charity are not consistent with its charitable objects or where a charity no longer meets the conditions under which its tax exemption was granted, it is possible that Revenue could withdraw the charitable status and determine tax liabilities on a retrospective basis. In this respect, supplementary activities carried on by charities, which are not specifically provided for under their charitable objects, and which generate substantial levels of income, are likely to create problems. The altering of activities carried on by charities to the extent that

they bear little resemblance to the activities for which their tax exemption was originally granted may also be a significant issue for the Revenue Commissioners.

It is important that charities fully understand the conditions associated with their tax exemptions and that these are fully complied with. Where charities are expanding or diversifying their activities, they should therefore liaise with the Revenue Commissioners to ensure that their charitable tax status is not impacted.

Conclusion

Tax compliance is becoming an ever more important consideration within the charity sector. The consequences of non-compliance need to be considered, especially at a time where charities are competing with each other for funding both from the public and the Government, with reputation being a key factor in the decision-making process for both sets of



donors. It goes without saying that the best way of dealing with a Revenue Audit is to ensure that all your affairs are up to date and tax is operated correctly. This is best achieved with a robust tax compliance policy which incorporates regular “health” checks.

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A risky business - the search for secure income

In our last article on investments, we discussed the importance of determining an investment strategy and identifying both the risks involved and the controls which need to be implemented to ensure the strategy is appropriate and is being followed.

One of the key concerns for charity Trustees is that of ensuring that the income received from their investments is sufficient to cover their future needs. This should be fully considered as part of the investment strategy determination process, and should occupy a central position in determining the investment of funds.

Income requirements for charities can include some or all of the following:

- Funding of ongoing projects, to allow current services to continue to be provided.
- Funding for projects not yet started, but which will require financial resources in the future.
- Cost of care for an ageing population – a key concern for religious orders in particular, which may need to make investments into housing and facilities, or ensure that sufficient funds are available to pay for external care.

Once the Trustees have reviewed their current and expected income requirements, the next step is to determine how these needs are achieved.

The upheaval in the global economy over the past two years has had a dramatic impact on the search for income-producing investments. While investors with a need for income could in the past rely on the investment options of government bonds and cash deposits, this is no longer the case as the income available from such investments has reduced along with interest rates, while at the same time the credit risk of investing in such assets has increased. The uncomfortable reality is that in a world of low interest rates, the high single-digit returns which were consistently achievable in the past may prove difficult to earn in the future, and consequently investors' expectations may need to be revised downwards. The alternative is that investors take on more risk to try to earn higher returns, but the

downside of this is of course that they run the risk of finding themselves in a worse position in the event that risk is not rewarded.

Investment markets today are split between those who believe that normal economic growth will resume, and those who believe that a sovereign debt crisis is likely to usher in an era of below average growth. In recent months, this has meant that the income, or 'yield,' payable on cash deposits and bonds has remained low, reflecting the views of those who are pessimistic about the future. On the other hand, riskier assets such as equities have performed well as more optimistic investors have returned to the market, trusting in their belief of a return to improved economic growth.

The upshot of this has been that investors need to reassess both their need for income and the amount of risk which they are willing to take on to receive it.

If the Trustees wish to take a cautious approach, they may look to achieve a certain income, or yield, from their investments while risking less capital. In more normalised economic circumstances, this might be achieved through investments in cash deposits and government bonds. However, low interest rates and below-par economic growth mean that an investor purchasing a cash deposit or a Eurozone government bond perceived as being relatively risk free, such as those issued by Germany or France, would earn significantly less income for such an investment today than they would have expected for the same transaction just a few years ago.

Trustees who wish to invest in deposits should look to do so in a diversified manner, across institutions and regions, with a mixture of maturities. The shorter the maturity of the deposit, the lower the credit risk – however the interest rate paid will also be lower as a consequence.

Trustees should also bear in mind that the Irish Government's Eligible Liabilities Guarantee Scheme which guarantees deposit amounts in excess of €100,000 is currently scheduled to expire at the end of December 2011, pending continued EU approval at the end of June.

Similarly, if Trustees wish to invest in bonds, diversification will be key to ensuring a balance between risk and return. While the risks of investing in government debt are perceived to be higher now than at any other time in recent memory, the overall investment risk may be reduced by the diversification of holdings across issuers.

For the Trustee board who are willing to take a higher level of risk, there are a range of investments which could be suitable, ranging from high dividend yielding equities, to corporate and emerging market bonds. During 2010, companies with stable earnings and a track record of

both regularly paying and increasing dividends attracted interest from investors who were searching for bond-like income. A well-diversified portfolio of high-yielding investments in successful and dominant companies in sectors like utilities, health care and telecoms stocks can allow investors who are worried about low growth and deflation to position themselves in investments which are focussed on providing income rather than achieving capital growth.

As ever when designing an investment strategy, the individual risk tolerances and return objectives specific to each group of Trustees will determine which option, or combination of options, is the most attractive. An exercise to determine what the level of required income in the future, and how that might be achieved, is one well worth taking.

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Reduce costs by reviewing contracts

In these unprecedented times, all businesses are looking to protect their economic interests. Today more than ever cost control is a necessary obsession. Contractual arrangements are coming under closer scrutiny. Root and branch reviews of leases and commercial agreements may be helpful in reducing operational costs and ensuring the achievement of the best financial results for organisations. In addition, the public sector and private businesses throughout Ireland have implemented pay cuts to employees' salaries. Your organisation may be considering reducing their employees' pay to reduce the cost base if this has not already been done. We have set out below some of the key practical legal issues arising when looking to negotiate or re-negotiate commercial contracts or to make changes to employees' terms and conditions of employment.

Term and Termination

Although not at the forefront of most people's mind when entering into an agreement, your exit rights should be considered first. The term and termination provisions of any existing contracts are also key in determining the basis for any renegotiation of the contract. Your existing agreement, be it a twenty five year commercial property lease or a contract for the supply of cleaning or security services, should be reviewed to determine when and how it can be terminated. The following should be considered:-

- Will the existing contract expire automatically on a certain date or can it only be terminated by express notice?
- Must any notice of termination be express and provided in writing to the other party or can it be implied by from the actions of the parties?

- Are there grounds under the contract to accelerate termination if there is an event of default or breach of a material term by the other party?
- If in receipt of a purported notice of termination from the counterparty, has this notice been served in strict compliance with the notice provisions of your existing agreement?

Service of a termination notice acts as a very effective negotiation tactic and if served in strict compliance with the terms of your existing agreement can put you in a strong position to force the other party to the table to engage in meaningful, constructive discussions.

In certain circumstances you may wish to terminate an agreement but to do so would be a material breach of the agreement. The commercial consequences of such a termination should be given very

serious thought as these may trigger liquidated damages or potentially even a right of the other party to claim additional damages for breach of contract.

Form of Contract

The legal form of your existing commercial arrangement will impact on the manner in which it can be renegotiated. The following questions should be considered:-

- Is your existing agreement clearly set out in a formal written legal contract, properly signed and executed by all parties?
- Is the contract a less formal oral agreement between the parties or a commercial arrangement established by a course of dealings between the parties over a period of time?

A formal, written, properly executed legal contract between the parties lends certainty to the terms and conditions of the agreement between them and makes it easier for their respective rights and obligations under the agreement to be enforced.

As with any existing agreement, it is prudent from both a legal certainty and risk management perspective that any renegotiated contract is formally, and properly documented by the parties. It is critical to ensure that any price reductions, service improvements or other concessions you secure during a renegotiation are clearly recorded and agreed in writing so you will be in a position to rely upon these changes in the future if called upon to do so.



Commercial Flexibility

In renegotiating existing commercial agreements or entering into new ones it makes good business sense to provide flexibility in the arrangement while at the same time ensuring that the agreement between the parties is clear and certain. In light of the radically changed and still changing economic environment it makes sense to provide flexibility as to the term of the agreement. Where possible prices should be linked to variable as opposed to fixed costs and benchmarking of costs should be considered. Service and service level adjustments can also be provided for to accommodate revised future expectations due to changing external factors.

Procurement Strategy

It is prudent to seriously consider your re-tendering strategy before terminating any existing commercial arrangements. Procurement strategy is of particular relevance and importance in relation to service contracts.

- Does your existing service contract provide for a smooth and seamless transition of service to a new service provider, ensuring that there will be no interruption or disruption of your core business?
- Can an alternative supplier be sourced efficiently giving rise to cost reductions and service improvements?
- Are there any employment law issues to be considered in relation to the transfer of staff of your existing service provider in the event of transition to a new service provider?

Changes to Terms and Conditions of Employment

As mentioned above, reducing employees' pay can act as an effective cost saving initiative. However, you should be aware that this can raise serious contractual issues. Reducing an employee's pay without obtaining consent from the employees will constitute a fundamental breach of the employee's contract of employment. Affected employees could potentially bring a claim for breach of contract and a claim under the Payment of Wages Act 1991, for non-payment of wages if the process is not implemented correctly. Any risk of claims from employees may be handled by obtaining the employees written consent to the changes and by producing carefully drafted and documented employee communication.

In conclusion, negotiating or renegotiating key commercial contracts is a critical part of any organisation's response to the current downturn. It should be assessed from both a commercial and legal perspective. We hope that the brief analysis above provides you with a greater appreciation of some of the legal issues to be considered and the legal parameters that will inevitably define and shape the course of any negotiation. If you are considering any of the changes discussed above it is recommended that you take legal advice in advance of implementing or negotiating changes. Failure to comply with your legal obligations under any commercial agreements or to your employees may create a legal exposure for your organisation and result in additional costs for your organisation which could counteract any savings made by embarking on any of the cost saving routes suggested above.

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Time to take stock

The turbulent economic climate has put an unprecedented amount of pressure on charities. Tougher economic times have resulted in significant cuts in statutory funding, reduced donations from the public and a sharp rise in the demand for services they provide. The charity sector is playing an ever increasing role in delivering public services. Charities are under intense scrutiny internally and by the public to be increasingly transparent and cost-effective. They face significant strategic and operational challenges to improve efficiencies, demonstrate value-for-money and at the same time deliver high quality services. More and more charities will find it increasingly difficult to continue to operate in this environment. The need for good governance, accountability and clear and concise reporting is critical to survival.

Charity Trustees and managers need to be alert for warning signs such as:

- Significant reliance on one source of funding: Government sponsors, either through core funding or grants, are a large part of the voluntary sector. We have seen much “belt tightening” over the past two years and more is to come. Charities will continue to suffer reduced funding from Government.
- Reliance on restricted funding: Charities are finding it difficult to operate in a quasi-commercial way with funders only interested in providing funds to cover direct costs and not to cover overheads.
- Governance and reporting: Charities are finding it difficult to recruit quality trustees with concerns of solvency and survival on many peoples’ minds. Limited management information may make the prediction of changes in income and costs difficult thus leading to weak governance. Charities may enter

into contracts or projects that are not properly costed and are drawn into attempting to deliver services for less than the cost of delivery.

Now more than ever there is a need to plan – to get your strategy right, manage risk and work smarter. Charities need to set priorities now more than ever. Charities need to explore all options to reduce costs and maintain services.

It is likely that market forces and increased public scrutiny of the number will result in increased collaboration of charities and a number of mergers in the sector. Reduced income will threaten the level of service that some charities offer and for others it will threaten their very existence. Many charities are too small to benefit from a critical mass that would enable them to function efficiently and to leverage the buying power that size could afford them. There is currently no register of charities in Ireland however, there are currently circa

7,800 organisations listed on the Revenue Commissioners website as charities that have been granted charitable tax exemption. Are there too many charities in Ireland? With so many charities, the question arises as to whether there is too much duplication and competition for funds. There are many benefits to be realised from collaboration or merger with another charity. Frequently obstacles such as the perceived loss of independence in decision making or dilution of a brand are cited as reasons not to merge and these need to be addressed. Trustees need to question and challenge why it continues to be appropriate for them to remain as a stand-alone entity over the next few years.

Governance and reporting were never more important as charities chart their ways through these difficult times. Inadequate information for decision making may lead to the demise of a charity. Trustees of charities, like all businesses, must have good quality management information on



which to base decisions and react quickly to critical funding situations. This can only be achieved with regular and reliable financial and operational information reported on frequently. Charities need to review their management information systems and ensure that there is a proper audit trail for all transactions, that income and costs are

recognised in the correct period, that assets are carried at appropriate values in the balance sheets and that all liabilities are recognised. An over reliance on spreadsheets can result in poor management information. Management accounts with appropriate details of the activities including key performance

indicators should form part of the management reporting pack. There should be a focus on cash flows and regular monitoring of the income and expenditure account and balance sheet. Trustees should query and challenge assumptions especially in cash strapped charities taking on new projects. Potential Trustees of charities are

more aware now of their duties and these are set out in the Charities Act 2009 (sections not yet commenced). Board induction days will be increasingly important. The agenda for these meetings should include topics such as: Background and introduction to the charity, Understanding the charity's governing document, Understanding the charitable purpose and the needs of beneficiaries, Understanding the risks that the charity needs to address, Understanding the annual report, financial statements and the monthly reporting pack.

The Charities Act 2009 (The Act) which was signed into law by President Mary McAleese on 28 February 2009 sets out the duties of Trustees in relation to governance, accounting and reporting. While many sections of that Act have not yet commenced Trustees of charities, their management and staff and advisors should be aware of the requirements and begin to

prepare for compliance. The Act provides for the establishment of a Charity Regulatory Authority (CRA) and for the appointment of a Regulator. Charities will be required to register with the CRA and will be required to submit annual reports and accounts to the CRA. The form and content of these annual reports and accounts will be determined by the Minister.

It is widely anticipated that the form and content of the financial statements will follow those adopted in the UK and set out in Statement of Recommended Practice – Accounting and Reporting by Charities (SORP) (revised 2005). Irish charities, in the absence of regulations governing their financial reporting requirements should consider the requirements of the SORP as representing best practice reporting and follow it in the preparation of their financial statements.

In tandem with the change in charity law in Ireland, the nature of UK and Irish GAAP is changing. In August 2009 the ASB issued a consultation paper 'Policy Proposal: The Future of UK GAAP' and requested comment on the policy proposal. At the time of writing we await the publication of the FRED for Public Benefit Entities (PBE) which will be completed in 2011 (published 18 March 2011 update). The ASB is proposing that the PBE standard will be a 'differences only' standard – identifying where there are omissions from UK financial reporting standards that need to be addressed for PBEs. Charities are a component part of the PBE Sector. The ASB also recognises that there is an ongoing role for the development of guidance by the Sector in the form of SORPs.

The year ahead will be a year of challenge and change for charities. Trustees of charities need to plan now for the future. Good quality financial and operational information will be critical to enable this planning process to be effective. In view of the Government's 'Four Year Plan', charities need to review their strategy with a particular focus on the need they serve and the most cost effective way of serving the best interests of their beneficiaries. Charities should actively challenge their need to exist – consider mergers, or, at a minimum collaborate.

This article first appeared in Accountancy Ireland (February edition).

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FRED 45 - proposals for public benefit entities

ASB publishes proposals for a Public Benefit Entity Standard for Tier 2 entities

On 18 March 2011 the Accounting Standards Board (ASB) published Financial Reporting Exposure Draft (FRED) 45 setting out proposals for a Financial Reporting Standard for Public Benefit Entities (FRSPBE) to accompany the proposed Financial Reporting Standard for Medium-size Entities (FRSME).

A public benefit entity has been defined as: “An entity whose primary objective is to provide goods or services for the general public, community or social benefit and where any equity is provided with a view to supporting the entity’s primary objectives rather than with a view to providing a financial return to equity providers, shareholders or members.”

Am I affected?

The FRSPBE will be mandatory for public benefit entities that apply Tier 2 (FRSME) and best practice guidance for those that apply Tier 1 (EU IFRS) or Tier 3 (FRSSE).

	Nature of Entity	Accounting regime*	Reduced disclosures for...	Application of FRSPBE
Tier 1	Entities that have public accountability	EU-adopted IRFS	Qualifying subsidiaries	Best practice guidance
Tier 2	Entities without public accountability and small publicly accountable entities that are prudentially regulated	FRSME	Qualifying subsidiaries	Mandatory for entities meeting the scope and definition set out in Section 1 of the draft FRSPBE
Tier 3	Small entities without public accountability	Financial Reporting Standard for Smaller Entities (FRSSE)		Best Practice guidance

* Public entities will prepare financial statements under the relevant legislative framework except for those applying EU-adopted IFRS without the reduced disclosure framework, who will prepare 'IAS accounts'.

The FRSPBE addresses various issues that are commonly encountered by public benefit entities but are not adequately addressed in EU IFRS and the FRSME as these are primarily intended for use by for-profit entities. Issues that have been addressed include:

- concessionary loans;
- property held for the provision of social benefits;
- entity combinations;
- impairment of assets;
- funding commitments; and
- incoming resources from non-exchange transactions (donations etc).

FRED 45 also contains a consequential amendment that will in effect reinstate the requirements of FRS 30 'Heritage assets' into the FRSME (see the August 2010 issue of Charity News for more details.)

What do I need to do?

The consultation period for the FRSPBE ends on 31 July 2011 and for the FRSME ends on 30 April 2011. It is proposed that the new standard will be effective at the same time as the FRSME, which is currently proposed for annual reporting periods beginning on or after 1 July 2013 with early adoption permitted.

The ASB is keen to hear from affected parties and will make further changes if appropriate to the proposals based on feedback received.

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Code of Conduct for Charities

Charities have been invited to sign up to a new code of practice that will encourage increased transparency and boost confidence in the charity sector.

The Statement of Guiding Principles for Fundraising has been developed by the Irish Charities Tax Research (ICTR) in conjunction with a Working Group and Steering Committee. Following publication of these principles, an Implementation Group was established to develop a set of implementation resources and good practice factsheets which are available at www.ictr.ie.

The code is not a legally binding document but it is anticipated that most charities will proactively sign up to its principles.



The core principles (in summary) are:

Respect – The charity shall respect the rights, dignity and privacy of its supporters, clients and beneficiaries.

Honesty – The charity will always act in an honest manner and will be truthful in all its dealings.

Openness – The charity will make information about its purpose and its activities freely available

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Community Matters

ActionAid in Nepal

by Teresa Harrington, PwC Not for Profit leader



Nepal is one of the most beautiful yet poorest countries in the world. A quarter of the population live on less than a dollar a day and one in twenty children die before they reach their fifth birthday*.

In November I was privileged to travel to Nepal with ActionAid Ireland together with the CEO of ActionAid Ireland - Olga McDonogh, Margaret Pilkington (Board Director) and Rosarii Harrington (PepsiCo). We visited a number of programmes funded by ActionAid.

*Source – the Rough Guide to Nepal

The Kamaiya Housing Project

Our first field visit was to a low cost housing project for the Kamaiya people in Dhurjanna in the Western Terai. The Kamaiya people were bonded labourers. The whole family worked for the landlord who 'owned' the family and could buy and sell the Kamaiya. This system continued to exist until 2000 when the government of

The Kamaiya Housing Project



Nepal finally declared the abolishment of bonded labour and the Kamaiya system. Once freed the Kamaiya were forced from their homes by their former landlords and compelled to stay in open areas in makeshift accommodation without basic facilities. ActionAid through its Kamaiya fund-raising campaign have provided homes for 63 out of 120 families in Dhurjanna. Each home costs the equivalent of €1,600. Work continues to raise funds to accommodate the remaining families. The village operates a cooperative scheme and those that have homes and a regular

income lend monies through the cooperative to those who are in need.

The Badi Children

Our second visit was to a hostel in Narayanpur where Badi children live. This was a very moving experience and we continue to think of these children and how we might help them. The Badi people are one of the most marginalised and disadvantaged groups in Nepalese society. Many of these children are the illegitimate children of women forced into the commercial sex trade and were denied citizenship for many years. The hostel was established by Community Support Group (established by Badi men, women and youth in 1997) and is supported by ActionAid through its child sponsorship programme. The hostel provides the young Badi boys and girls with an environment that supports their physical and intellectual development.

Badi youth - Narayanpur



Education is highly regarded in Nepal and is seen as the main way that they can regain their dignity and respect and some Badi youth have completed second level education and are attending third level. ActionAid Ireland through its Child Sponsorship Programme helps these children by providing funding to the villages in which they live to ensure continuity of the services they so badly need.



Labarabara and Ratri primary schools in Daljitpur

Labarabara and Ratri Primary Schools in Daljitpur

The final field visit was to two primary schools in Labarabara and Ratri. The primary schools are well run and teachers and pupils seemed motivated and appeared to enjoy the school experience. Many of these children travel long distances to school and some miss school during the rainy season as a result of flash floods. The school has a school lunch programme which ensures the children do not experience hunger. With the assistance of ActionAid and their local partners governance structures have been put in place to ensure that the school is appropriately run with the input of the various stakeholders (the parents, villagers, school authorities).

PwC 'People Giving Scheme'



Through the PwC 'People Giving Scheme', PwC has helped five Irish charities this year. The charities are nominated by PwC people and are ActionAid, Down Syndrome Ireland, The Irish Cancer Society, The Irish Hospice Foundation and St Vincent de Paul. The scheme, now in its fifth year, provides PwC people with an easy forum through which to make donations to charities of their choice.

Pictured above: PwC's Victoria O'Neill, Linda O'Keffee, Evelyn Kelly, Mark Rochfort, Leanne Tutty and Zara Noonan at the nomination of five Irish charities in the PwC 'People Giving Scheme.'

Of further interest

2011 Pensions Survey - Time of change

PwC's 2011 Pension Survey was carried out in January 2011 and had over 300 participants representing Ireland's top employers. The survey confirms the level of change in the pension landscape over the last few years. According to the survey, nearly half (43%) of Irish employers have made changes to their pension arrangements with a focus on limiting the amount of employer contributions to be paid.

Accounting and Reporting by Charities in the Republic of Ireland by Teresa Harrington

This new book, by PwC Partner Teresa Harrington and in association with Chartered Accountants Ireland, provides analysis and discussion of Irish GAAP as it applies to charities in the Republic of Ireland.

World Watch - Governance, Reporting and Assurance

World Watch is a regular Governance and Corporate Reporting newsletter from PwC. It contains opinion articles, case studies and worldwide news on the many initiatives to improve corporate reporting.

The View

PwC's regular HR newsletter provides our perspective on HR, workforce and people issues and keep's you up to date with HR developments that may impact your organisation. In this issue, we feature HR, reward and mobility trends plus Irish taxation and other regulatory changes.

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