

## **WLGA EXTERNAL AUDIT PLAN AND INTERIM AUDIT REPORT**

### **Purpose**

1. The purpose of this report is to update Members on the external auditors' (Bevan and Buckland) proposed audit plan for the audit of the Welsh Local Government Association for the year ending 31 March 2020.

### **Background**

2. The objective of the audit is to obtain sufficient, reliable and relevant evidence to enable the auditors to give an opinion on the truth and fairness of the financial statements of the Welsh Local Government Association. A copy of the report "Audit Planning and Interim Report" is attached at Annex 1. The foundation of the audit is to assess the risks of material misstatement, identify and assess whether controls are in place which mitigate the risks identified.

### **Audit Planning Process**

3. The auditors have changed their approach slightly and have assessed the WLGA's risk register and incorporated into their planning any risks which they feel will have an impact on our audit approach and ability to give a true and fair opinion.
4. As part of the planning process the auditors have met with the Chief Executive and the Director of Resources to discuss a number of key issues in advance of the audit. The auditors have identified those issues which they regard to be high risk for the Association for which they will carry out additional work (see areas of risk and focus page 4 Annex 1).
5. The audit work performed can be broadly split into 3 areas of work:
  - Reviewing internal controls;
  - Analytical review, such as reasonableness testing; and
  - Detailed substantive testing of balances, such as obtaining third party confirmation of balances or agreeing transactions to supporting documentation e.g. Welsh Government grant offer letters confirming total amount of grant to be paid to the WLGA.
6. The auditors will review the overall control and IT environment and assess how the board gain comfort that the Association's risks are effectively controlled, and that the financial information reflects what is really happening.

7. The Interim Audit has already taken place and findings are also set out in Annex 1. The timing of the Final Audit will depend to some extent on the Coronavirus emergency.

## **Recommendations**

8. **It is recommended that Members discuss and agree the Auditors' Audit Planning and Interim Report**
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**AUDIT COMMITTEE FUTURE WORK PROGRAMME**

	<b>April 2020</b>	<b>October 2020</b>
<b>Appointment of External Auditors</b> (Annual)		To appoint External Auditors for 2019-20 Accounts
<b>External Audit Plan</b> (Annual)	To receive the External Audit Plan for the 2019-20 Accounts closure.	
<b>WLGA Audited Accounts and External Auditor's Findings</b> (Annual)		To receive and scrutinise the draft audited WLGA financial statements
<b>Appointment of Internal Auditors</b> (on three yearly cycle)		To appoint Internal Auditors
<b>Internal Audit Plan</b> (Annual)	To receive a proposed work programme for the new financial year	
<b>Internal Auditors Findings and Progress</b> (as required)	To receive a progress update on the WLGA's management response to the Internal Audit Healthcheck	
<b>WLGA Annual Reporting</b> (Annually)	To receive a draft Annual Report of the WLGA's activities	
<b>WLGA Risk Management</b> (six monthly)	To receive an updated Strategic Risk Register	To receive an updated Strategic Risk Register
<b>WLGA Annual Fraud Report</b> (Annually)	To receive the annual fraud report	
<b>Review of Internal Controls</b> (as required)		To receive the report of the review of internal controls

	<b>April 2020</b>	<b>October 2020</b>
<b>WLGA Treasury Management</b> (Annual)	To receive the Treasury Management Strategy for the new financial year	To receive the Treasury Management Report for the previous financial year
<b>WLGA Policy Review</b> (as required)		
<b>Data Protection</b>	To receive an update on the WLGA's data protection policy and performance	
<b>WLGA Members' Allowances Scheme</b> (Annually)	To receive the proposed WLGA Members' Allowances Scheme for 2020-21	
<b>Annual Report of the Audit Committee</b> (Annually)	To consider and agree the annual report of the Audit Committee	
<b>Work Programme of the Audit Committee</b> (six monthly)	To review and/or update work programme	To review and/or update work programme



# Welsh Local Government Association

Audit Planning &  
Interim Report  
for the year ending  
31 March 2020



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness.

However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

## Introduction

We are pleased to present our proposed audit plan for the Audit of Welsh Local Government Association for the year ending 31 March 2020. The objective of our work is to obtain sufficient reliable and relevant evidence to enable us to give an opinion on the truth and fairness of the financial statements of the company.

We have slightly changed our approach to assessing the audit risks for this year's audit. We have assessed your risk register and incorporated into our planning any risks which we feel will have an impact on our audit approach and ability to give a true and fair opinion. The key areas of audit focus we have identified in relation to this objective and our planned audit responses are set out on pages 8 to 10. If you have any queries or feedback relating to our planned approach we would welcome the opportunity to discuss these with you.

In order to assist the board, we have focused on changes affecting you and their impact on our audit.

The terms and conditions, under which our audit will be performed, including our roles and responsibilities and auditors, are set out in our letters of engagement. These have been issued separately.

In the delivery of our audit service we build on the significant knowledge and experience we have gained through our experience in the sector and through auditing the company's financial statements in previous years. We place particular emphasis on:

- Discussing and agreeing our approach with you in advance.
- Meetings with management to discuss potential issues at an early stage.
- Regularly communicating our audit progress and discussing issues that arise.
- Attendance at the board meetings to report findings from our audit in a timely and focused manner.
- Adding value through observations and recommendations with respect to processes, systems, controls, best practice and relevant industry developments (from a financial, operational and regulatory perspective).

We would be pleased to discuss any specific requirements you have and be set additional objectives relating to those areas which are most important to you.

We would welcome any feedback from you on our performance throughout the audit process.

## Reporting and communication

### Our reporting obligations

#### Financial statements

We will report to you our opinion as to whether the company's financial statements give a true and fair view and contain the information required by the relevant legislation. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

We will also read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities will not extend to any other information in the annual report.

#### Specific communications

Our audit will be carried out in accordance with Clarity International Standards on Auditing (ISAs) (UK and Ireland). Under ISA (UK & I) 260 (revised) "Communication with those charged with governance" we are required to make a number of specific communications to those charged with governance. These matters and how they will be communicated to you are summarised in the table below.

#### Letter of representation

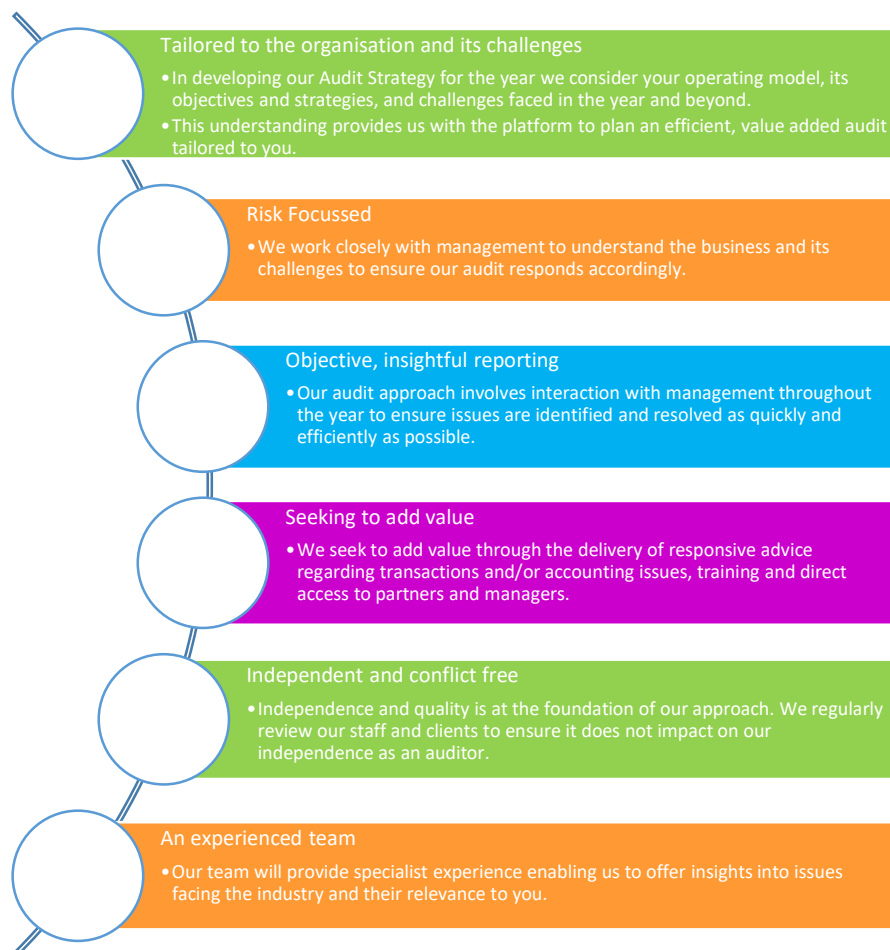
We will obtain a letter of representation from the board in respect of our audit of the financial statements at the completion of the audit. The letter of representation will need to be dated the same date as we sign our audit opinion. This will be arranged with management during the completion stage of the audit.

Clarity ISA (UK&I) 260 (revised)	Audit plan	Year-end report
Independence and objectivity confirmation	✓	✓
Nature, scope and timing of work together with expected reports	✓	
Expected modifications to the auditors' report		✓
Unadjusted misstatements		✓
Material weaknesses in the accounting and internal control systems identified during the audit		✓
Our views on the qualitative aspects of your accounting practices, policies, estimates and financial reporting.		✓
Difficulties encountered during the audit		✓
Significant matters discussed with management		✓
Matters specifically required by other ISAs to be communicated to those charged with governance		✓
Final draft of representation letter		✓
Any other audit matters of governance interest		✓



## High Quality Audit

We bring together a number of key elements to ensure our audit is a high quality audit. The following diagram sets out the key components of our audit which are discussed in more detail in the subsequent pages of this document.



## Audit Approach

### Overview

The audit process is designed to obtain sufficient reliable and relevant evidence to enable us to give the relevant opinion and statement required from the audit.

The foundation of our audit approach is our assessment of the risks of material misstatement. We then identify and assess whether controls are in place which mitigate the risks we have identified.

The audit work performed can be broadly split into three types of work:

- Reviewing internal controls.
- Analytical review, such as reasonableness testing.
- Detailed substantive testing of balances, such as obtaining third party confirmations of balances or agreeing transactions to supporting documentation.

We plan to take a largely substantive approach to the audit, some substantive procedures will be carried out for each material account balance.

We will review the overall control and IT environment and assess how the board gain comfort that the company's risks are effectively controlled and that the financial information reflects what is really happening. We will seek to understand how the risk of management override of controls has been addressed, including the risk of fraud.

### Materiality

We plan and perform our audit in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement and to issue our audit opinion.

Materiality depends on the size and/or nature of omissions or misstatements, judged in the surrounding circumstances. In broad terms, omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions taken on the basis of the financial statements by the relevant users of the financial statements.

Auditing standards require us to keep a record of misstatements in order to assess their impact on the financial statements both individually and in aggregate. In order to avoid the

need to record differences which are clearly trivial to the financial statements as a whole we will set a de minimis level of 5% of the overall materiality.

If any of the recorded differences (above these limits) are not adjusted we will request the board to explain the reasons for this in the letter of representation.

For this financial year, we have initially set materiality at £100,000

### Audit planning process

As part of the planning process we have met with Chris Llewellyn and Jon Rae to discuss a number of the key issues in advance of our fieldwork.

We have identified those issues which we feel are high risk for which we will carry out additional work (see areas of audit risk and focus). For this year's audit, and ongoing, any risks within your risk register which we believe impacts our audit. This enables us to satisfy the requirements of ISA 330 'The auditor's procedures in response to assessed risks', including tests of key financial controls.

### Computer Assisted Audit Techniques (CAAT's)

We have data analytics software tool (IDEA) to support the application of large volumes of data.

The introduction of CAAT's allows our audit to check large volumes of data and hence significantly increase the audit coverage. However we would still like to stress that all auditors work on a sample basis. It is impossible to test every transaction. Therefore we cannot give absolute guarantees that we will be able to uncover all errors, omissions and suspicions of fraud

Where we feel this can add value to the audit we run analytic and data interrogation tests.

## Auditor independence and objectivity

Bevan and Buckland is required to maintain independence from the company under the APB's Ethical Standards for Auditors, including ES 1 (Revised), "Integrity, Objectivity and Independence," and the ethical pronouncements established by the auditor's relevant professional body, in our case the Institute of Chartered Accountants in England & Wales. In addition, our reputation and continued success as a firm depends on us maintaining auditor independence. We have procedures in place to ensure that any conflicts of interest of which we are aware are communicated to board and appropriate action taken. This includes all relationships between Bevan and Buckland and the company that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity of the audit engagement partner and the audit staff.

However, there may be factors known by the board of which we are not aware. Our letter of engagement requires the board to notify us if it becomes aware that any person becomes connected with Bevan and Buckland and we will be asking the board to give us written representations that there are no such matters at the conclusion of the audit.

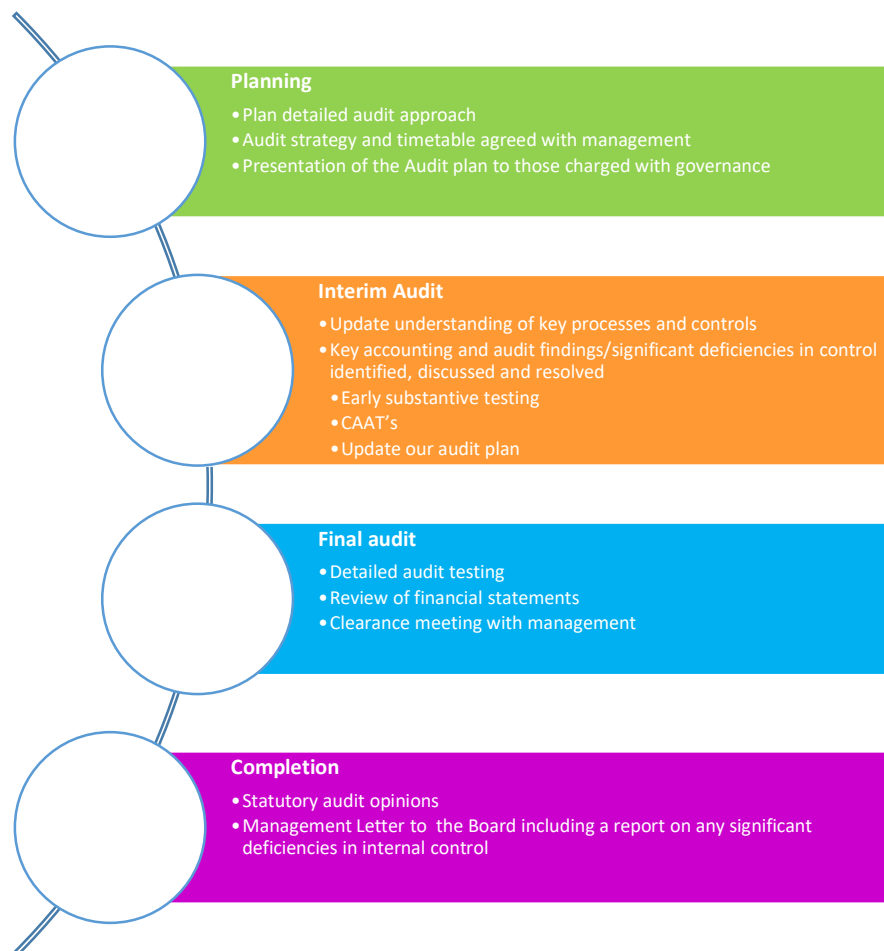
Maintaining and assessing our independence is a continual process throughout the audit cycle. However, we will formally confirm our independence and any significant matters we have considered in assessing any threats to our independence and objectivity in our Report to the board.

We will make enquires of all Bevan Buckland LLP teams providing services to you for compliance matters to ensure our independence is maintained.

We will bring to your attention any relationships that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of our engagement partner and staff.

## Audit timetable

Key timings and milestones in the delivery of the audit



## Continuous Communication

- Continuous proactive discussion of issues as and when they arise; 'no surprises'
- Continuous evaluation and improvement of the audit
- Bringing you experience of sector and best practice
- Continue to work with internal audit functions where applicable

In the formulation of our audit strategy and throughout the completion of our audit work, we aim to anticipate and respond to the concerns of the company. Our timetable and reporting cycle has been discussed with Chris Llewellyn and Jon Rae and is structured to ensure that all significant matters arising from our work are brought to the attention of the appropriate levels of management promptly. The reporting timetable is anticipated to be:

Key Dates	Event
12 <sup>th</sup> March	Interim Audit
9 <sup>th</sup> April	Planning report presented to the Board for approval
6 <sup>th</sup> July	Final audit due to commence
31 <sup>st</sup> July	Clearance audit meeting with the audit partner
November 2020	Approval and signing of financial statements

The proposed fee assumes that:

- You meet our agreed requirements on the timing of information;
- A finalised Trial Balance, is provided to the audit team on the first day of the audit, to enable us to review these at an early stage and in an efficient manner;
- If your circumstances change you will notify us as soon as possible and we will agree with you the effect on the timetable and any necessary revisions; and
- If unplanned matters arise from the audit we will agree with you the effect on the timetable and fees and any necessary revisions.

## Risks on your risk register likely to impact the audit

Following our review of your risk register, the risks noted below have been incorporated into our audit planning:

Risk	Mitigation against the risks	How incorporated into our audit?
<p>The WLGA is not financially viable</p> <p><b>Causes</b></p> <ul style="list-style-type: none"> <li>- Membership withdrawal</li> <li>- Grant funding reduction</li> <li>- Pension liabilities not fully funded</li> <li>- Overheads do not reduce in line with reductions in income</li> <li>- Pension liabilities crystallise as employee numbers reduce</li> </ul> <p><b>Effects</b></p> <ul style="list-style-type: none"> <li>- Significant reduction in size – not able to provide core services</li> <li>- Significantly increased pension costs in future years</li> <li>- Going concern issues</li> </ul>	<p>Effective budget planning and management</p> <ul style="list-style-type: none"> <li>- strategy for reducing the Pensions Deficit agreed with Pension Fund</li> <li>- Accommodation strategy agreed for Local Government House</li> <li>- Regular dialogue with WG, UK Government and other funders on grant funding</li> </ul>	<p>As part of our audit we will review going concern which includes critically reviewing budgets and management accounts, along with reviewing income streams post year end including membership income and grant income agreed.</p>

## Areas of audit risk and focus

Our risk assessment forms the basis for planning and guiding all subsequent audit activities. It allows us to determine where our audit effort should be focused and whether we can place reliance on the effective operation of controls implemented by management. Risks are categorised as follows:

Risk factor	Explanation
High	Risk of material misstatement due to the likelihood, nature and magnitude of the balance or transaction. These require specific focus in the year
Medium	Although not considered significant, the nature of the balance/area requires specific consideration.
Low	We perform standard audit procedures to address normal risks in all other material financial statement line items.

We are committed to providing you with the highest level of professional service and, as a minimum, are planning to meet your needs and expectations. From meetings previously undertaken with Chris Llewellyn and Jon Rae and board, together with our knowledge of the company and developments in the sector, we have identified the following areas of audit focus.

Risk	Risk category	Audit risk and response
<p>Revenue recognition</p> <p><i>There is a presumption that revenue recognition is a significant risk on every audit engagement (ISA (UK&amp;I) 240.60)</i></p>	High	<p><b>Audit risk</b></p> <p>An area of focus for all audits is revenue recognition. FRS 102 include some specific criteria that need to be assessed in determining the period in which income is recognised.</p> <p><b>Planned audit response</b></p> <p>We will examine and test the process through which management has identified and quantified any income that needs to be accrued at year-end.</p> <p>We will also perform substantive testing on a sample of transactions.</p>

Risk	Risk category	Audit risk and response
<p>Management Override of Controls</p> <p><i>Management override of controls should be considered a risk on every engagement (ISA (UK&amp;I) 240.74)</i></p>	High	<p><b>Audit risk</b> Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p><b>Planned audit response</b> Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.</p> <p>We will also review internal audit reports to discover the areas covered, any issues identified and improvements implemented</p>
Pension liability	Medium	<p><b>Audit Risk</b> That items are not disclosed correctly within the financial statements</p> <p><b>Planned audit response</b> Bevan &amp; Buckland will prepare the financial statements from the clients trial balance and agree the disclosures with the client.</p>
Grant debtors	Medium	<p><b>Audit risk</b> Grant debtors included are recoverable at the amounts they are stated.</p> <p>And to ensure that all grant debtors have been included at the year end.</p> <p><b>Planned audit response</b> We will review the grant offer letters for amounts due at the year end and agree these amounts to monies received post year end</p>

Risk	Risk category	Audit risk and response
Presentation of financial statements	Medium	<p><b>Audit Risk</b> That items are not disclosed correctly within the financial statements</p> <p><b>Planned audit response</b> Bevan &amp; Buckland will prepare the financial statements from the clients trial balance and agree the disclosures with the client.</p>
Risk of fraud over credit card expenditure	Medium	<p><b>Audit risk</b> That expenditure has been paid on the credit cards which does not relate to the organisations activities.</p> <p><b>Planned audit response</b> We will review credit cards statements for the year and the control over the use of the credit cards within the organisation.</p>



## Interim audit work completed

The purpose of an audit is to express an opinion on the financial statements. The matters reported here are limited to those deficiencies we have identified during the course of the audit and that we have concluded are of sufficient importance to merit being reported to you.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for **Error! Bookmark not defined..**

The following control issues were identified during the interim audit. These control issues are categorised according to the level of risk attached:

- Red Significant weaknesses – risk of material misstatement
- Amber Significant deficiency – risk of significant misstatement
- Yellow Deficiency – risk of inconsequential misstatement

Assessment	Issue and risk	Recommendations
● Deficiency – risk of inconsequential misstatement	Instances where an employee's employment file did not contain a copy of any 3 <sup>rd</sup> party identification. There was also an issue where the salary held on a personnel file for an employee, differed to that of the payroll.	Ensure 3 <sup>rd</sup> party identification is obtained from all employees and a copy is kept on their employment file. All personnel files are kept up to date for salaries of employees.
● Deficiency – risk of inconsequential misstatement	There was an occasion when there seemed to be a delay in the finance team receiving the information to raise a sales invoice for the room hire income. This would cause a delay in receiving the income.	Information should be passed to the finance team on a timely basis to raise the income.

Listed below is a general summary of the audit work performed during the interim audit and any findings of relevance:

Test area	Details of testing performed	Findings
Income	<p>We selected a sample of grant offer letters received during the year and detailed down the grant offer and period it relates to. We compared to the income spreadsheet to confirm amounts have been received correctly.</p> <p>We detailed down a sample all other income included within the Association and followed through to the financial system.</p> <p>We also reviewed subscription income in the year and reviewed a sample of authorities have been invoiced.</p>	<p>Due to the timing of the interim audit, grant income was not complete for the year. And so we will need to follow this up at the final audit.</p> <p>When reviewing other income, there did seem to be a delay in when the income should have been raised, to when the finance team were informed to raise this income.</p> <p>No other issues were highlighted from our audit work on income.</p>
Expenditure	<p>A sample of expenditure items were selected from the nominal ledger and traced through to invoices, ensuring each was correctly addressed, authorised, categorised, and valued.</p>	<p>There were no issues identified from our work on expenditure during the interim audit.</p>
Payroll	<p>Performed a reconciliation of wages per the payroll system to the wages figure within the accounts for the period up to December 2019.</p> <p>Selected a sample of employees from the payroll reports and traced through to personnel files ensuring there is a signed contract of employment and third-party identification on file for verification. Reconciled gross wages of each of the employees selected back to signed contracts.</p>	<p>At the interim date, there was no material error within total wages. We will revisit at the final audit and reconcile for the whole year.</p> <p>We selected a sample of employees and agree their information held on their personnel files to the payroll records.</p> <p>There was a couple of instances when personnel files did not hold any third party proof of identification.</p> <p>As well as one instance, an employee's salary per their personnel file, did not agree to the payroll.</p>

Test area	Details of testing performed	Findings
Systems & controls	<p>We reviewed the following systems and financial controls of the charity:</p> <ul style="list-style-type: none"> <li>- Staff expense claims to ensure follows procedures and expenditure is of a business nature</li> <li>- Payroll processes and authorisations reviewed</li> <li>- Credit card procedures and expenditure</li> <li>- Bank reconciliation procedures reviewed as well as payment authorisation levels</li> <li>- Procedures around approval for loans to third sector organisations</li> </ul>	<p>From the controls we have reviewed, apart from instances highlighted above, there were no further recommendations to make, controls within the charity are very good with good segregation of duties considering the size of the finance team, with a good level of review process.</p> <p>No issues.</p>

## Risks of fraud in the business

### Where you perceive them and how they are managed

#### Fraud responsibilities

International Standards on Auditing (UK&I) require us to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error.

Fraud may arise externally, from third parties trying to defraud you, or internally; for example, manipulation of reporting of the financial position is fraudulent and management may also override controls to perpetrate other types of fraud.

The joint responsibilities of senior management and those charged with governance (board) in relation to fraud are illustrated below and we welcome the views of those charged with governance on the areas of potential risk and mitigating controls.



#### Management's responsibility

Risks of fraud in the business

Management's responsibilities in relation to fraud are to:

- Design and implement programmes and controls to prevent, deter and detect fraud;
- Ensure that your culture and environment promote ethical behaviour;
- Perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation; and
- Report significant fraud to the Board

#### Responsibility of those charged with governance

Your responsibility as part of your governance role is to:

- Evaluate management's identification of fraud risk, implementation of antifraud measures and creation of appropriate 'tone at the top';
- Investigate any alleged or suspected instances of fraud brought to your attention;
- Report significant fraud to a regulator

#### Our responses to fraud risks during the audit

The inquiries we make in relation to the fraud responsibilities are detailed below:

- Review of accounting policies;
- Results of analytical procedures;
- Whether management has knowledge of any fraud that has been perpetrated or any alleged or suspected fraud;
- Whether management is aware of allegations of fraudulent financial reporting, for example, because of communications from employees, former employees, service organisations or other stakeholders;
- Management's understanding of the risks of fraud, including any specific fraud risks identified or account balances or classes of transactions for which a risk of fraud may be more likely to exist;
- Programmes and controls that the association has established to mitigate specific fraud risks and how management monitors those programmes and controls; and
- Whether management has reported to the Board and how management believes internal control serves to prevent, detect or deter material misstatement due to fraud.

#### We are also required to discuss with those charged with governance

- The board's view about the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud affecting the organisation; and
- How they oversee management's processes for identifying and responding to the risks of fraud and the internal control framework that management has established to mitigate these risks

## Topical issues in the sector

### Changes included within FRS 102 that could impact you

#### Introduction of a description of a basic financial instrument

The introduction of a description of a basic financial instrument to support the detailed conditions for classification as basic. This should result in a relatively small number of financial instruments, which breach the detailed conditions for classification as basic, now being considered to be basic and measured at amortised cost.

Paragraph 11.9A has been inserted into FRS102 to add a principles-based description of a 'basic' financial instrument. For completeness paragraph 11.9A is shown below

*A debt instrument not meeting the conditions in paragraph 11.9 shall, nevertheless, be considered a basic financial instrument if it gives rise to cash flows on specified dates that constitute repayment of the principal advanced, together with reasonable compensation for the time value of money, credit risk and other basic lending risks and costs (eg liquidity risk, administrative costs associated with holding the instrument and lender's profit margin). Contractual terms that introduce exposure to unrelated risks or volatility (eg changes in equity prices or commodity prices) are inconsistent with this.*

#### On transition

For an entity that has debt instruments that previously would have been measured at fair value but which are now classified as basic and measured at amortised cost, this change in classification will represent a change in accounting policy as a result of a change in FRS 102. Insofar as it is practicable, comparative information needs to be presented as if the new policy has always been applied.

#### Gift aid payments

Amendments have been made to FRS 102 for gift aid payments made by an entity that is wholly owned by one or more charitable entities. The amendments clarifies that:

*The gift aid payment shall be shown as a distribution to owners, the distribution is not accrued at the reporting date unless a deed of covenant is in place.*

The tax effects of the gift aid payment is recognised in profit or loss at the reporting date, when it is probable that the payment will be made in the nine months following the reporting date.

#### Government's new streamlined energy and carbon reporting (SECR) framework

The UK government's Streamlined Energy and Carbon Reporting (SECR) policy was implemented on 1 April 2019, when the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 came into force.

Unquoted companies incorporated in the UK that meet the definition of 'large' under the Companies Act 2006 will have new reporting obligation.

A company is defined as 'large' if they meet at least two of the following criteria in a reporting year:

- A turnover of £36 million or more;
- A balance sheet (aggregate of the amounts shown as assets) of £18 million or more; or
- 250 employees or more.

Reporting requirements include as a minimum, UK energy use from electricity, gas and transport fuel – as well as the associated GHG emissions – including at least one intensity metric.