ICAEW

CHARITY & VOLUNTARY SECTOR GROUP

HELPSHEET

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COLLECTIONS IN PUBLIC PLACES – THE REPORTING ACCOUNTANT'S ROLE

1 OVERVIEW

The purpose of this helpsheet is to:

- summarise the main statutory provisions for organising charitable collections in public places (street collections);
- help accountants who are asked to report on collection proceeds plan procedures that will support the opinion expressed in the required statement; and
- reduce risks arising from the wording of the report itself.

This helpsheet is intended primarily for accountants who are asked to report on the proceeds of charitable street collections. General guidance is given in Charity Commission publication ***CC20 – Charities and fundraising.***

2 THE LEGAL REQUIREMENTS

The key legislation governing charitable street collections dates back to 1974 and usually requires a permit or licence that must be obtained from the appropriate local authority. If the collection takes place in London, the appropriate authority is the Commissioner of Police, acting through the local police station and, in the City of London, the Common Council of the City of London.

Under the Police, Factories, etc (Miscellaneous Provisions) Act 1916, the Charitable Collections (Transitional Provisions) Order 1974 and the Street Collections (Metropolitan Police District) Regulations 1979, local regulations may be made. These deal with matters such as the obstruction and hindrance caused to traffic by events (for example, flag days, carnivals and rag weeks) and the places where, and the conditions under which, persons may collect money or sell articles for charitable and other purposes.

The Charities Act 2006 (applicable in England and Wales) contains important provisions for collections in 'public places'. This is a change from the term 'street' collections used in previous legislation, so that some privately owned land, such as railway station ticket halls and supermarket forecourts, are now covered.

The provisions of the Charities Act 2006 are not yet in place but once they are, they will transfer responsibility for licensing all collections (including face-to-face fundraising, involving requests for direct debits) to the Charity Commission. The Act also introduces a new concept of 'local, short-term collections'. Collections falling within this category will be exempt from licensing and will require neither a certificate nor permit, but organisers will be required to notify the local authority that the collection is taking place.

In the meantime, the requirements for charities undertaking a street collection are set by the relevant authority. These follow a common pattern, based on the Charitable Collections (Transitional Provisions) Order 1974. The arrangements to be made by the promoter include:

- obtaining permission to conduct a street collection
- engaging accountant to report on statement of collection proceeds
- establishing procedures for collection and counting
- briefing collectors
- preparing a statement of collection proceeds and obtain accountant's report on this
- publishing results in newspaper(s) as directed by licensing authority.

When briefing the collectors, the promoter must advise the following:

- collectors must have a secure and sealed box which is sequence numbered and prominently displaying the name of charity/fund
- monies are to be immediately placed in the sealed box
- the sealed box can only be opened in the presence of the promoter and one other, or by a bank official.

3 PERMISSION TO CONDUCT A STREET COLLECTION

In order to hold a street collection, the charity must obtain a street collection permit from the relevant local or police authority (referred to as 'the licensing authority'). The licensing authority will vet the suitability of the applicant and will check that the money collected goes to the stated purpose of the collection. Before issuing the permit, the licensing authority will consider practical issues such as the number of other collections taking place on the day in question and the proposed location of the collection.

Regulations made under the Charitable Collections (Transitional Provisions) Order 1974 include important provisions for the conduct of the collection, such as:

- the use and control of numbered collecting boxes
- arrangements for opening the boxes
- counting and recording the contents.

There are different regulations for other sorts of charitable collection, for example, the House to House Collection Act 1939 and the House to House Regulations 1947.

Examples of the regulations for street collections are those issued by the **Metropolitan Police** and the **City of Newcastle upon Tyne local authority**.

The licensing authority specifies the information about the conduct and result of the collection to be given by the charity within a stated time after the date of the collection. The length of time varies between licensing authorities. However, the form and content of the statement are much the same from one licensing authority to another, and comprise of three main sections.

3.1 Name and address of society, committee or body to whom the permit for the collection was granted (chief promoter) and the name of the charity or fund to benefit and the date of the collection.

3.2 Proceeds of collection and relevant expenses met out of the collection and details of 'disposal' of the balance e.g. banked or remitted to charity.

3.3 Statement to be signed by the persons to whom the permit was granted:

'We certify that to the best of our knowledge and belief the above is a true account of the proceeds, expenses and application of the proceeds of the collection.'

Statement to be signed by the qualified accountant:

'I certify that I have obtained all the information and explanations required by me and that the above is in my opinion a true account of the proceeds, expenses and application of the proceeds of the collection.'

A typical form for the accountant's 'certificate' may be found on the **City of Newcastle upon Tyne** website.

Licensing authorities have a standard definition of 'qualified accountant' for the purpose of their regulations as being a member of one or more of the following bodies:

- the Institute of Chartered Accountants in England and Wales (ICAEW)
- the Institute of Chartered Accountants of Scotland (ICAS)
- the Association of Chartered Certified Accountants (ACCA)
- the Institute of Chartered Accountants in Ireland (ICAI).

The legislation does not require the reporting accountant to be in public practice; nor does the accountant have to be independent of the charity or chief promoter. This could be very helpful to the charity, depending on the circumstances. However, members of the above accountancy bodies must have regard to their rules of professional conduct to ascertain whether they may report on the proceeds of a particular collection without holding a **practising certificate**.

For ICAEW members, the rule as applied to reporting on the proceeds of a street collection is that a member is not engaged in public practice if the work is carried out gratuitously or for a nominal sum (not exceeding £500) and the charity's total income is less than £250,000.

4 AGREEING THE TERMS OF ENGAGEMENT

It is strongly recommended that the accountant agrees a formal letter of engagement with the collection permit holder (promoter) setting out what work is to be done and the wording of the report to be given. Further guidance can be found in ***Engagement letters (PAS2/HS13)*** (published in May 2011) and in technical release ***Audit 1/01: Reporting to third parties.***

The engagement letter sets out the scope of the work to be performed including a list of what information and explanations will be sought from the promoter and clarification of the duty of care owed by the accountant in respect of the report.

5 THE ACCOUNTANT'S REPORT

The accountant's statement (in section 3.3) is typical of local regulation requirements and is based on the legislation; however in practice it is often possible to agree other wording. If the relevant licensing authority is not prepared to negotiate an alternative form of words, the reporting accountant needs to guard against the risk that the authority's wording might give readers a misleading impression of the work carried out and/or assurance expressed by the reporting accountant.

Technical release ***AAF 01/10 Framework document for accountants' reports on grant claims***, published by the Audit and Assurance Faculty in March 2010, points out that the expression 'we certify' implies complete accuracy. The publication also points out the risks associated with phrases that are open-ended unless the scope of the work is clear by reference to the engagement letter, relevant standards or guidance, and suggests that phrases such as 'we obtained all the explanations we considered necessary' or 'we have performed such procedures as we considered necessary' are not acceptable. Accountants do not give opinions that are not supported by the work carried out.

Reporting accountants may consider that to use the licensing authorities' standard wording presents an unacceptable risk. Members' experience shows that some licensing authorities are prepared to accept a modified statement from the reporting accountant, which will need to be agreed in advance with the authority when the permit is obtained.

The case for modifying the statement can be made by pointing out to licensing authorities that the conditions imposed by them should be proportionate to the funds raised through street collections. The charity seeking a permit to hold a street collection may be able to negotiate either a different form of report, or, where the collection is relatively small, the licensing authority may be prepared to accept a statement from a suitable person other than a qualified accountant.

Wording along the following lines has been used by members and accepted by licensing authorities, however accountants are advised always to consider the guidance contained in the abovementioned framework document and tailor their statement to the circumstances of the collection. For example:

'I/we have performed the following procedures with respect to the statement of the proceeds, expenses and application of the proceeds of the collection held on [date] at [location]. The procedures I carried out include [summarise procedures].'

Examples of procedures may include:

- reviewed the arrangements made by the promoter as set out in briefing documents for the issue, control and opening of collecting boxes and the counting of the cash;
- checked the statement of proceeds to be given to the licensing authority to the total proceeds of collecting boxes as listed;
- checked that all collecting boxes have been accounted for; and
- checked expenses and application of the proceeds of collection to supporting documentation, etc.

'I/we report that I/we have obtained all the information and explanations required by me/us and that the above is to the best of my/our knowledge and belief a true account of the recorded proceeds, expenses and application of the proceeds of the collection.'

Even where no charge is made for reporting on the proceeds of street collections, reporting accountants need to ensure that they do not expose themselves to unnecessary professional liability risks. Practitioners may have developed their own wording as part of their risk management procedures, but if not, the following additional paragraph, based on guidance in the framework document, can be used:

'My/our work has been carried out in accordance with my/our engagement letter dated [date] to enable me/us to make the statement required by the conditions for granting the permit to [the promoter] to make the collection on [date] at [location]. To the fullest extent permitted by law I/we do not and will not, by virtue of my report or otherwise, assume or accept any duty of care or liability under this engagement to [the promoter] or to any other party, whether in contract, negligence or otherwise in relation to the procedures undertaken.'

If it appears that information requested is missing or there are discrepancies between items checked and the supporting documentation, the accountant will need to take this up with the people responsible for the collection. If the queries can't be resolved, then it will not be possible for the accountant to give the agreed report, as the legislation does not allow for 'qualified' statements by the accountant. Planning and discussion with the promoter when the engagement is agreed will help to ensure that the report can be given without difficulty or delay (see section 4).

6 PROCEDURES

Explanations and information needed by the accountant for the purposes of making the agreed statement include the below.

- Copy of briefing notes/instructions issued with the collecting boxes.
- The total number of collection boxes prepared for the collection. The boxes should be numbered sequentially so that they can all be accounted for.
- Confirmation that, on issue, the boxes were securely closed and sealed in such a way as to prevent their being opened without the seal being broken.
- A list of the boxes issued giving the sequential number of the box and the name(s) of the person (people) to whom each box was issued.
- Confirmation that each and every collecting box was opened in the presence of a bank official, or by the promoter (person to whom the collection permit was issued) and another responsible person. Both individuals should be named and the relationship of the responsible person to the promoter should be stated.
- Confirmation that the contents were counted and recorded as soon as a collecting box has been opened.
- A list of the amounts contained in each collecting box when opened. This requires the person opening the collection box to count the contents and enter the amount with the number of the collecting box on a list and then sign or initial alongside the entry in the list.
- A list of any expenses met out of the proceeds of the collection.
- Receipts or other documentary proof of the description and amount of each expense listed.
- Receipt or other documentary proof of the disposition of the balance of the proceeds of the collection, such as bank paying in slip or receipt from the charity.

Where the reporting accountant requires information, explanations or confirmations, it is recommended that the accountant obtains the information in writing, for example, by means of a representation letter from the promoter or the person in charge of making the collection.

It is also recommended that the reporting accountant records the work carried out in respect of documents not copied for retention on file so as to enable the work to be re-performed if necessary.

Some other examples of procedures that might be carried out are listed below.

- Where the accountant has asked for documents such as receipts to be provided, to check that the documents requested have been provided and, where applicable, support the figures entered on the statement to be provided to the licensing authority.
- Check that the sequence of collecting box numbers is complete, that the contents of each box is listed and initialled by the promoter and responsible person, and that the total of the listed box contents agrees to the figure for proceeds entered on the statement. If the boxes are not numbered it will of course be for the accountant to decide whether this means that no statement can be made as to the proceeds of the collection.
- If the promoter states that the balance of proceeds from the collection has been banked, that the figure on the statement agrees to the bank paying in slip.

The procedures carried out will depend on the particular circumstances of the collection. The key point to bear in mind is that they need to support the statements made by the reporting accountant.

7 CONCLUSION

This guidance explains the main statutory provisions for organising and reporting on charitable collections in public places. The procedures carried out will depend on the particular circumstances of the collection. The key point to bear in mind is that the statements made by the reporting accountant need to be supported by the procedures carried out.

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The Special Interest Group is grateful to Mary-Louise Wedderburn, Consultant, Business Law department, ICAEW for the preparation of this helpsheet.

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