

**British Accreditation
Council for Independent
Further and Higher
Education**

**Annual Report and Financial
Statements**

31 August 2022

Company Registration Number
01828990 (England and Wales)

Charity Registration Number
326652



<http://www.the-bac.org/>

Reference and administrative details

Members of the Council	Dominic Scott OBE (Chairman – retired 30 August 2022) Prof Phil Cardew (Chairman – appointed 1 September 2022) Prof David Law (Deputy Chair) Dr Stephen Jackson (Honorary Treasurer) Marc Griffith Dr Esther Huertas Hidalgo Dr Anthony Manning Kevin Everett Prof. Mary Bishop Dr. Victoria Stec Md. Mahbubal Alam (Student member) Dr. Nicola Mellor
Company Secretary	Dr Janet Bohrer
Registered office	First Floor Wax Chandlers Hall 6 Gresham Street London EC2V 7AD
Company registration number	01828990 (England and Wales)
Charity registration number	326652
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Solicitor	Bates Wells and Braithwaite London LLP 10 Queen Street Place London EC4R 1BE
Banker	CAF Bank 25 Kings Hill Avenue West Malling Kent ME19 4JQ
Investment manager	Aberdeen Standard Capital 1 George Street Edinburgh EH2 2LL
Key Management Personnel	Dr Janet Bohrer (Chief Executive) Diana Morriss (Chief Inspector)

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Report of the Council Year to 31 August 2022

The members of the Council present their annual report together with the audited financial statements of the British Accreditation Council for Independent Further and Higher Education ('British Accreditation Council' or 'BAC') for the year ended 31 August 2022.

The financial statements have been prepared in accordance with the accounting policies set out on page 24 to 27 therein and comply with the charitable company's Memorandum and Articles of Association, applicable laws and the requirements of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102).

This report has been prepared in accordance with Part 8 of the Charities Act 2011 and constitutes a directors' report for the purposes of company legislation.

Structure, governance and management

The British Accreditation Council was incorporated on 29 June 1984 (Company No 1828990) and registered as a UK charity on 28 August 1984 (Charity No 326652). It is limited by guarantee without share capital. The liability of the members is limited to £10 each and accumulated funds are not distributable to the members.

The governing instrument under which the Company operates is its Memorandum and Articles of Association. Amended Articles of Association were approved by the charity on 19 October 2017 and 2 April 2018 by special resolution. The Articles of Association were reviewed in April 2021 and were considered fit-for-purpose.

The directors are treated as trustees for Charities Act purposes.

Members of the Council

The members of the Council are the Board of Trustees. The trustees who served during the year, and up to the date of approval of this report, are shown in the reference and administrative details at the front of this report.

The Articles of Association provide for a maximum of twelve directors. The trustees may appoint any director as a member of the Board of Trustees. The chair and deputy chair are appointed by the Board.

One member of Council resigned during this financial year.

Induction and training of Council members

At the recruitment stage potential Council members are given extensive information about the organisation and are fully informed of the purpose and charitable objectives of BAC. Potential trustees are then invited to meet with the Standing Committee to discuss the challenges facing the organisation and their potential contribution to the charity. Following appointment and ratification by Council, induction meetings are organised for new members of Council and Accreditation Committee as appropriate.

Report of the Council Year to 31 August 2022

Structure, governance and management (continued)

Statement of Council's responsibilities

The Council members (who are also trustees and directors of the British Accreditation Council for Independent Further and Higher Education for the purposes of company law) are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Council members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the income and expenditure of the charitable company for that period.

In preparing these financial statements, the Council members are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland (FRS 102);
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The Council members are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Council members confirms that:

- ◆ so far as the trustee is aware, there is no relevant audit information of which the charitable company's auditor is unaware; and
- ◆ the trustee has taken all the steps that he/she ought to have taken as a trustee in order to make himself/herself aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Report of the Council Year to 31 August 2022

Structure, governance and management (continued)

Statement of Council's responsibilities (continued)

The Council members are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Governance

The governance structure consists of the Council, which is formed of the trustees, and acts as the Board of Directors. The Council meets three times a year.

The Chair of the Council is Prof Phil Cardew, appointed 1 September 2022, who replaced Dominic Scott OBE.

The Council has three sub-committees. The Audit Committee provides financial and regulatory oversight. The Standing Committee meets between Council meetings to provide continuity and support the charity. The Standing Committee has, as members, the Chair of the Council, the Deputy Chair of the Council and the Honorary Treasurer. Duties of Nominations and Governance are discharged by the Standing Committee.

The responsibility for decisions on accreditation is overseen by the Accreditation Committee (AC). The AC is appointed by the Council and consists of members appointed by virtue of their experience and expertise with regard to educational standards. Dr Anthony Manning is the Chair of the Accreditation Committee. The Accreditation Committee receives the reports of completed inspections and takes decisions on the award or withdrawal of accreditation, making its recommendations based on BAC's accreditation policy and procedures. It also regularly reviews the quality assurance criteria used by inspectors in making judgements and recommendations. The Committee had six meetings and three sub-committees this year.

Key management personnel

In the period of review, Council members consider that they, together with the Chief Executive, and the senior management team comprise the key management personnel of the charity. None of the Council members receive any remuneration from the charity in connection with their role as Council members.

There was a pay review for the CEO and BAC staff in the year. All staff including the CEO received a 5% increase in salary which was applicable from 1 September 2022.

Other transactions with members of the Council are disclosed in note 6.

Public benefit

The Council members have taken into regard the Charity Commission's guidance on public benefit and that all the Council's activities are directed to fulfilling its charitable objects of the improvement and maintenance of standards in independent further and higher education and training and that in doing so it is working for the public benefit. Some of these benefits are given below:

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Structure, governance and management (continued)

Public benefit (continued)

- The BAC accreditation mark provides students and potential students with an indication of quality.
- BAC inspections supports the HM Government to protect the reputation of further and higher education and training in the UK by providing independent judgments, made on the basis of inspection by qualified and experienced inspectors, of the quality of provision of private institutions of further and higher education and training.
- The information, marketing and promotional work undertaken ensures that international students, agents and the education sector as a whole are aware of the range of institutions and courses available.
- Training events and seminars assist in the professional development of staff and institutions, thereby improving the quality of provision.
- The advice and support offered to institutions through informal and formal avenues provide them with guidance regarding good and best practice, thus helping to raise standards of provision.
- The complaints procedure provides students with a free and accessible means of resolving disputes with accredited institutions.

Fundraising statement

The charity does not actively undertake fundraising activities and does not employ the services of Professional Fundraisers. During 2021/22, the charity received no complaints about fundraising activities.

Objectives and activities

The British Accreditation Council for Independent Further and Higher Education is registered for charitable purposes and its objects are:

- providing a system of accreditation for educational and training institutions in order to promote public confidence in such institutions and their programmes of study; and
- assisting in the improvement and maintenance of the standards of accredited institutions through the offer of advisory and consultancy services principally in the field of further and higher education.

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Achievement and performance

Accreditation and inspection activity

The table below gives details of the applications received, inspections carried out and awards of accreditation in the period September 2021 to August 2022 and compares these with the figures from the previous year.

	September 2021 to August 2022	September 2020 to August 2021
New institutions awarded accreditation – UK	13	13
New institutions awarded accreditation – international	3	1
Total number of accredited institutions	198	213
Withdrawals	27	24
International accredited institutions	35	34
Applications received from new institutions	21	14
Inspections conducted	69	93

BAC's objectives 2021-22: Progress made

With regard to BAC's objectives for 2021/22 the following progress has been made:

A new strategic plan for the following five years was developed. This was approved by Council in February 2022 and published and shared with stakeholders in March 2022.

Objectives	Progress
BAC will invest in growth by expanding products and services to add value to current accredited providers and to attract a wider range of new providers	<ul style="list-style-type: none">• We published a new 5-year strategy in February 2022 with an accompanying internal action plan that includes detailed objectives, milestones, KPIs and timelines.• We updated the Risk Register in June 2022 and have improved the way we monitor risks through the Audit Committee. We introduced a new risk matrix that gives extra emphasis to impact when assessing risk. We have also strengthened our approach to monitoring of risks for the organisation and as such the Audit Committee has a standing agenda item for every meeting to review a dashboard of risks and a paper focusing on a specific area, as appropriate.• The Standards Review project was completed and we now have a published Common Quality Framework. This is an overarching framework used to clearly articulate what it means to be BAC accredited across all our accreditation schemes. This was launched and published in September 2022.• We are reviewing all our accreditation schemes in 2022-2023. The work for this started in the summer 2022 which allowed for a plan and timeline to be published in September 2022.

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	<ul style="list-style-type: none"> • We have embedded our governance quality cycle by completing full reviews of all Terms of Reference for Council and committees and added a standing agenda item for review at the start of each year for all. We received a Crystal Mark for clarity for these documents and published them on the website. • We drew down funds from investments to spend on growth activities and added a standing agenda item for Audit Committee to review and monitor this Development Fund separately to usual operational spending. • We developed a new accreditation scheme for providers of micro-credentials and launched a pilot in October until end of January 2023. We held an online event to give details about the scheme and answer questions. • Work has started on a pilot of a liaison initiative for accredited providers.
<p>BAC will continue to promote and be active in the quality assurance Community</p>	<ul style="list-style-type: none"> • Our Annual Stakeholder Event took place in April 2022. It was a hybrid event involving external speakers as well as updates about BAC and a Q&A with senior staff and trustees. • The BAC webinar series continued with good attendance from providers. • We organised more developmental workshops, giving participants the possibility to engage with peers, share experiences, explore options and determine priorities for the future. The workshops, facilitated by an independent quality assurance expert, were offered free of charge to BAC-accredited providers and provided an inclusive environment for ideas to be exchanged and options to be considered: <ul style="list-style-type: none"> ○ Navigating out of the pandemic: Debating Options. Sharing Directions (10 December 2021) ○ Micro-credentials: Promoting Modular, Portable, Stackable, Flexible Lifelong Learning (1 April 2022) • As part of our aim to more actively engage with ENQA activities, BAC chaired the ENQA working group on External quality assurance of micro-credentials. The dissemination event took place online on 27 September 2022. It was a great success with over 200 attendees. Professor Anca Greere chaired the group on BAC's behalf and we were very pleased to have the opportunity to present a case study for our Pilot Micro-credentials scheme. • Two members of staff attended a 2-day ENQA event, held in Cologne, for recently reviewed agencies.
<p>BAC will continue to Grow and Diversify especially Global and European activities</p>	<ul style="list-style-type: none"> • We have made contact at national and regional level, building on successful inspections. Meetings have taken place or are planned in South Africa and Nepal. • We are developing a plan for growth and working to further identify regions and countries to target. • We have decided to invest in a six-month contract with a consultancy company to actively pursue work internationally and that is planned to start in 2023.

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<p>BAC will actively engage in the development of its Ethical responsibilities</p>	<ul style="list-style-type: none"> • A review of our investments took place. • We have changed to a directly invested investment portfolio with more transparency, flexibility, and the option to choose specific ethical screens. Our Investment Manager facilitated a workshop on 8 March 2022 for Council members to review and choose the ethical screens to apply to the proposed new portfolio and they were approved by Standing Committee and Audit Committee at a 'deep dive' exercise on 17 March 2022. • We are committed to reviewing our policies and working practices and started with a review of employment documents including the Employee Handbook and all staff contracts. These were updated in line with changes in legislation (with HR support service Worknest). No changes have been made to individual staff's terms and conditions. <p>A salary review also took place in April 2022, where the Remuneration Committee benchmarked salaries according to job role. The Committee looked at Charity and Higher Education sector salaries for comparison.</p> <p>The contracts and salary changes came into effect on 1 September 2022 at the same time as the annual increase to salaries. The Health and Safety Policy and Privacy Notice have also been updated.</p> <ul style="list-style-type: none"> • Since the move to a new office in 2020, we have donated furniture that we no longer use to charitable causes. We worked with a company who collected and distributed the furniture and it had the following impact: <ul style="list-style-type: none"> ○ 26 items/932kg diverted from landfill ○ An in-kind donation of £4,130 donated to the community ○ 1,167kg of CO2e avoided
<p>BAC will continue to develop good practice in its use of integrated use of the data and information collected from BAC inspections and other work</p>	<ul style="list-style-type: none"> • We have completed the purchase of a CRM system and are in the implementation phase. <p>The CRM will help with our development of more detailed financial information to help with financial forecasting, make inspection and accreditation fees more transparent and prepare for growth.</p>

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Risk management

The Council members have a duty to identify and review the risks to which the charity is exposed and to ensure appropriate controls are in place to provide reasonable assurance against fraud and error. The Council members delegate ongoing oversight to the Audit Committee for annual review to Council or reporting by exception. The Audit committee meet regularly where risk mitigation activities and emerging risks are reviewed. The members of Audit Committee are satisfied with the measures employed to assess and address identified risks.

We updated the Risk Register in June 2022. We introduced a new risk matrix that gives extra emphasis to impact when assessing risk. We have also strengthened our approach to monitoring of risks for the organisation and as such the Audit Committee has a standing agenda item for every meeting to review a dashboard of risks and a paper focusing on a specific area, as appropriate.

Identified Risk	Mitigating Actions
Reputational damage arising out of inappropriate activity or behaviour	<p>BAC has embedded integrity and transparency across all activities;</p> <p>All BAC representatives are DBS checked when working with under 18s;</p> <p>BAC has produced clear inspection guidelines and conducts monitoring inspections to ensure they are adhered to;</p> <p>The Bribery and Anti-Corruption policy is strictly enforced and monitored;</p> <p>There are plans to provide workshops for trustees and staff on governance topics;</p> <p>BAC has the necessary legal insurance requirements and professional indemnity cover to provide financial support in the event BAC is accused of acting inappropriately.</p>
Financial loss arising out of financial impropriety	<p>BAC maintains a large financial reserve equivalent to 18 months of operating costs;</p> <p>BAC has extensive and transparent financial controls and by choice undergoes an external audit each year despite being below the audit threshold;</p> <p>BAC has independent auditors who have a reputation for independence and rigour;</p> <p>There is a division of responsibility between staff who deal with banking protocols and finances. BAC's external auditor makes recommendations on internal control that arise out of the external audit and with reference to sector best practice;</p> <p>Funds drawn down for the Development Fund are managed separately. The use/spending of the Development Fund will be overseen by the Audit Committee;</p> <p>The new investment portfolio has increased visibility in terms of where funds are invested as well as ethical screens and changes to investments can be made quickly through the investment manager.</p>
Change in government student visa regime	<p>BAC has developed a range of value-added products including webinars and the Marketing Pack to attract and retain providers and reducing susceptibility to withdraw in the extreme event of BAC being removed from the list of UK government approved accrediting bodies;</p>

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	<p>BAC has significantly increased due diligence in accepting new and reaccreditation applications and developed and implemented a more rigorous inspection process in order to build and maintain confidence in the inspection and accreditation process;</p> <p>We are diversifying income streams to reduce reliance on the UK market and limit the impact of an unexpected change in government policy;</p> <p>We have a direct contact at the Home Office.</p>
Competition increases in the quality assurance arena	<p>BAC conducts regular reviews of BAC processes to ensure they meet the needs of external stakeholders;</p> <p>BAC continues to develop products and processes to ensure they remain world leading in terms of quality assurance;</p> <p>We are working to improve the BAC profile in all markets in which we operate;</p> <p>We have built and continue to build and develop links with stakeholders through webinars, news updates and the Provider Journey;</p> <p>We maintain strict cost controls to allow competitive prices to be offered to existing and new providers;</p> <p>We are increasing investment in developing and promoting BAC across all markets.</p>
Loss of ENQA Membership	<p>A designated member of staff has key responsibilities relating to ENQA oversight and reports directly to the Standing Committee on ENQA compliance.</p> <p>We give relevant members of staff the necessary time and resources to attend ENQA events and to keep up to date with ENQA membership requirements.</p> <p>The whole staff team is made aware of any specific activity relating to ENQA compliance and they take collective responsibility for providing information and evidence as and when necessary.</p> <p>We review BAC procedures to make sure they are ENQA compliant on a regular basis.</p> <p>We have had a positive response to our interim progress report, no major causes for concern raised.</p>
Loss of EQAR Listing	<p>A designated member of staff has key responsibilities relating to EQAR oversight and reports directly to the Standing Committee on EQAR compliance.</p> <p>We give relevant members of staff the necessary time and resources to attend EQAR events and to keep up to date with EQAR listing requirements.</p> <p>The whole staff team is made aware of any specific activity relating to ENQA compliance and they take collective responsibility for providing information and evidence as and when necessary.</p>
Catastrophic infrastructure failure or cyber attack	<p>All data is now backed up offsite.</p> <p>Key IT infrastructure is now in the Cloud with greater security and multiple backup processes.</p>

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	<p>Financial information is now held in the Cloud via Xero and is considered to be as secure as is feasibly possible for an organisation of BAC's size. In the event of damage to or no access to premises, BAC telephone services have been rerouted to temporary accommodation.</p> <p>The policy is for staff not to leave their laptops in the office overnight so they can work remotely at short notice.</p> <p>We are investigating the addition of Multi Factor Authentication for our devices and systems with our IT support provider.</p>
Significant and prolonged downturn in stock markets negatively impacting BAC investments and reducing capital to invest	<p>We take expert advice on management of BAC investments.</p> <p>We have moved the portfolio to direct investments with more transparency and with better annual performance overall compared to the previous portfolio. We have the flexibility to make changes almost immediately.</p> <p>Investment performance is monitored by the Audit Committee.</p>
International Recession	<p>We maintain awareness of leading economic indicators.</p> <p>We maintain close links with the sector to monitor sector feedback</p> <p>We continue to provide added value activities thereby increasing the value of BAC accreditation</p> <p>We continue to communicate the value of accreditation to BAC providers, educators, students and governments</p>
Global economic crisis	<p>Robust banking arrangements and appropriate insurance are in place.</p> <p>We can adapt financial arrangements to support providers such as dormancy criteria, payment plans and postponement of inspections on a case-by-case basis.</p>
Regulatory Framework in the UK changes	<p>We maintain awareness of the political debate.</p> <p>We identify possible outcomes of different scenarios.</p> <p>We review the impact of possible scenarios on a regular basis to monitor the impact on BAC accredited institutions or on the impact on BAC's right to conduct accreditation activities.</p>
National or global pandemic	<p>We continue to develop our digitised processes to ensure remote working online can be applied to all BAC operations.</p> <p>We have introduced flexible working arrangements for staff and can implement full-time home working at short notice.</p> <p>The office arrangements and equipment are suitable for socially distanced working.</p> <p>Key staff undertake relevant Health and Safety training as necessary.</p> <p>We continue to receive Health and Safety and HR support services and advice from Worknest;</p> <p>We have communicated to staff what support there is for wellbeing, there is an updated Employee Handbook, an Employee Assistance Programme</p>

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	<p>that offers counselling and a 24hr support line and we have a trained Mental Health First Aider on the team.</p> <p>We can adapt financial arrangements to support providers such as dormancy criteria, payment plans and postponement of inspections on a case-by-case basis.</p>
War in Ukraine	<p>We do not currently work with any providers who are based in Ukraine.</p> <p>We maintain awareness of ENQA messaging and the industry impact and response to the war.</p>
Post-Brexit UK visa/border rules change	<p>We will ensure we provide invitation letters to international visitors coming to the UK for BAC activities or events.</p>

Future plans

The Strategic Plan 2021-2026 is a five-year plan and detailed objectives and activities are monitored through an internal three-year action plan.

BAC objectives for 2022-23 are as follows:

Objectives	Proposed actions
BAC will invest in growth by expanding products and services to add value to current accredited providers and to attract a wider range of new providers	<ul style="list-style-type: none"> • The review of all accreditation schemes will be completed, and the annual cycle of reviews will continue. • The pilot liaison initiative will be completed, and a service introduced based on what we have learnt. • The MC scheme pilot is due to end January 2023 and if successful will be added to our existing suite of schemes and marketed as necessary. • We will update the website and develop a plan for long term improvements • We will develop further support for providers e.g., potential training module
BAC will continue to promote and be active in the quality assurance Community	<ul style="list-style-type: none"> • We will continue our schedule of webinars • The Annual Stakeholder Event will take place on 30 March 2023. • We will look for opportunities to attend conferences and/or contribute papers.
BAC will continue to Grow and Diversify especially Global and European activities	<ul style="list-style-type: none"> • We will define our growth strategy and identify regions and countries to target. • We will hold a deep dive for trustees around international growth and organise and international event. • We will work with a consultancy company to actively pursue work internationally in 2023. • We will continue to build on successful international inspections, developing regional activities and potential working with ministries through free and paid projects.

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	<ul style="list-style-type: none"> We will continue to develop a portfolio of activities to actively promote BAC.
BAC will actively engage in the development of its Ethical responsibilities	<ul style="list-style-type: none"> We will calculate our carbon footprint and take steps towards zero carbon emissions. We will look to implement ways in which we can lead in the promotion of environmental responsibility and being open about our sustainable development goals. The review of our working practices will continue including updating our Data Protection policies and procedures and business continuity and cyber security plans. We will continue to review value for money from our suppliers whilst also recognising London Living Wage hourly rates.
BAC will continue to develop good practice in its use of integrated use of the data and information collected from BAC inspections and other work	<ul style="list-style-type: none"> The implementation of the CRM will be complete, and we will monitor its use and look for further ways it can improve our operations. We will focus on the report process for inspections and look to process them through using Sharepoint and all information uploaded to an online portal We will produce thematic reports and use them to influence the direction for development of inspection methodologies as well as themes for enhancement workshops We will conduct governance reviews as endorsed by Charities Good Practice and as preparation for increased work with a potential growth of activities

Covid-19 Impact on Financial Controls

As with the previous year there has been very little impact to the day-to-day financial controls of the charity.

The Audit committee still believe there is higher level of liquidity risk compared to pre-covid and have continued to hold the increased level of supervision on cash flow till it is deemed this risk has fallen to pre-covid levels.

Covid-19 Impact on Financial Performance

The operational financial performance of the charity has further impacted on the retention numbers of accredited providers, with the longer than expected imposed restrictions accredited providers have made the difficult decision to withdraw from the scheme and in some cases have ceased all activity.

Towards the end of the year, we have seen promising signs that performance of accreditation income will improve in the following year, with increase of new applications for accreditations schemes. Also the number of inspections have also increased, with the lifting of restrictions inspections that could not take place are now moving forward.

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Financial review

A summary of the year's results can be found on page 21 of the financial statements. The deficit for the year before gains on investments was £84,699 (2021 – £29,606).

The total income for the year is £620,447, an increase of around £10,000 over the previous year (2021 - £610,331). Given that the current year has been difficult as the organisation feels the effects of global events, this is encouraging.

During the period under review, the Bank of England reported an inflation rate of approximately 10%, which has had a adverse impact on the charity's general operating costs. However, the primary contributor to the increase in the operational deficit, which stands at over £50,000, is the escalation in office lease and premises expenses. The previous year, the charity was able to postpone its office relocation due to the lockdown restrictions and staff working from home resulting in saving in that year. However, in the current year, as operations have resumed to their pre-covid level of normalcy, the charity has occupied the new premises for the entirety of the year.

The net deficit for the year was (£118,992) after loss on investments of £34,293 the loss in value of the investment portfolio is result the markets response to a number of factors and world events (2021 – surplus for the year was £143,324 after gains on investments of £172,930).

The forecasted year-end deficit prompted the board to take proactive measures to address the situation. To that end, the board has allocated £75,000 in general unrestricted funds with the aim of investing in the organization's capabilities. This includes implementing new operational processes such as custom software, which is expected to drive cost-saving efficiencies for the charity. Additionally, the funds will be used to support growth efforts and explore new opportunities to enhance the organization's visibility and attract new providers to apply for accreditation.

Furthermore, the board has taken additional steps to mitigate the impact of inflation and increased accreditation and inspection fees for the upcoming year by implementing a 5% increase. This measure has been implemented without negative feedback and has not affected provider retention.

Income

Accreditation fees

The income generated from accreditation fees has seen a decline of approximately 17%, with a total of £330,548 in 2022, as compared to £374,157 in 2021. This trend is consistent with the previous year and is primarily attributed to the adverse impact of the COVID-19 pandemic on the income of providers, as well as the effect of inflation. As a result of these factors, many providers have had to implement cost-saving measures by withdrawing from accreditation programs, and some have been forced to discontinue operations altogether.

It is believed that most providers that have been substantially affected by global events have already withdrawn, and the number of withdrawals is expected to decrease in the future. Additionally, there are indications of renewed interest in the BAC accreditation schemes, as there has been a 33% increase in new applications from providers over the previous year. This is expected to help improve accreditation fee income and replace the withdrawn organizations moving forward.

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Financial review(continued)

Income(continued)

Inspection Fees

Inspection fee income has increased in the year by 24% to £253,231 (2021: - 5%, £203,471), even though the total number of inspections has dropped. The scope of inspections in the current year have been much larger, as inspectors have been able to carry out onsite inspections of larger organisations who had their inspections delayed in previous years and clear up the backlog.

Other Income

The performance of our fixed asset investment portfolio has been below expectations, resulting in a net loss of £34,293 during the period under review. This is attributed to the impact of global events on financial markets. The Audit Committee remains vigilant in its oversight of investment performance, given the ongoing instability in financial markets.

Expenditure

Charitable Activities

Direct expenditure includes the cost of conducting inspections of accredited organisations and offering workshops to providers on a range of issues. Expenditure is directly correlated with the inspection activity, which is influenced by the numbers and scope of inspections taken place in the year, direct expenditure has increased by circa 40% as predicted in the previous year. Organisations affected by the pandemic have been in a position to recommence operations which has meant inspections can be arranged to clear the backlog of delayed inspections 2022 – £157,458 (2021 – £112,092).

Staff Costs and Running Costs

The total costs associated with staffing have decreased in 2022 £388,832 (2021 - £390,189).

Running costs and other support costs have increased by 18% for the year, 2022 - £157,208 (2021 - £133,299). This increase in expenditure was expected as the charity has relocated to a new office and leased the office for a full year. The impact of increased expenditure has been decreased with savings related to reduced legal fees in the current year.

Investment policy

The value of BAC's investments holding is a mixture of equities, fixed income and cash held for investment purposes, the market value at the reporting date stands at £1,163,380 in 2022 (2021 - £1,276,053). BAC's investments were held in a managed investment portfolio by Aberdeen Standard Capital (Charities Aid Foundation Managed Portfolio Service – Progressive Capital Growth Account).

The investment policy aims to generate capital growth over the medium to long term, without exposing BAC to the risks and volatility associated with a wholly equity focused portfolio. The Council members are satisfied with the performance of the investment portfolio during the year.

The charity also has cash at bank and in hand of £260,068 (2021 – £184,503). The liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility of access to funds.

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Reserves policy

The trustee members consider that free reserves of the charity should represent at least six months' expenditure, equating to approximately £450,000, to ensure that the organisation can cope with all financial commitments without recourse to borrowing.

The free reserves on 31 August 2022 were £1,031,817 (2021 – £1,221,348) which exceeds the target level of reserves stated in the reserves policy. However, the Council members consider it appropriate to hold reserves in excess of the target, in consideration of the strategic objectives to be achieved and forecasted financial position over the short, medium, and long term along with the consequences of the pandemic, and the reserves policy reflects only the minimum level of free reserves required.

The Council will proactively assess the need for measures to mitigate the potential loss of funding resulting from providers unable to continue operations in the coming year. While it is possible that the effects of this may have a secondary impact on BAC, the Council will remain vigilant in monitoring the situation and have not deemed it necessary to utilise any more reserves than already approved in the current year.

Going Concern

The Trustees are required to confirm that it is appropriate for the BAC to adopt the going concern principle in preparing its accounts. Based on the viability review and taking into consideration the BAC closing reserves and strong cash position, the Trustees of the British Accreditation Council have reasonable expectation that the charity will continue to operate for the 12 months from the signature of this report.

As such the Trustees of the BAC continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Approved by the Council on 9 February 2023 and signed on its behalf by:

]
Stephen Jackson (Feb 16, 2023 09:02 GMT)

Independent auditor's report to the members of British Accreditation Council

Opinion

We have audited the financial statements of British Accreditation Council (the 'charitable company') for the year ended 31 August 2022 which comprise the statement of financial activities, the balance sheet, the statement of cash flows, the principal accounting policies and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2022 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusion relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report Year to 31 August 2022

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- ◆ the information given in the trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the trustees' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- ◆ adequate accounting records have not been kept; or
- ◆ the financial statements are not in agreement with the accounting records and returns; or
- ◆ certain disclosures of trustees' remuneration specified by law are not made; or
- ◆ we have not received all the information and explanations we require for our audit; or
- ◆ the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- ◆ the Senior Statutory Auditor ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations; and
- ◆ we obtained an understanding of the legal and regulatory frameworks that are applicable to the charitable company and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), Companies Act, and the Charities Act) as well as data protection and safeguarding regulations.

Auditor's responsibilities for the audit of the financial statements (continued)

We assessed the susceptibility of the charity's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- ◆ making enquiries of management as to their knowledge of actual, suspected and alleged fraud; and
- ◆ considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- ◆ performed analytical procedures to identify any unusual or unexpected relationships.
- ◆ carried out substantive testing of expenditure including the authorisation thereof.
- ◆ reviewed journal entries to identify unusual transactions and substantiated these where appropriate; and
- ◆ assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- ◆ review of the minutes of meetings of those charged with governance; and
- ◆ enquiring of management as to actual and potential litigation and claims.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the trustees and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report Year to 31 August 2022

Use of our report

This report is made solely to the charitable company's member, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's member those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's member, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in cursive script that reads "Buzzacott LLP".

Catherine Biscoe (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date: 3 March 2023

Statement of financial activities (including income and expenditure account) Year to 31 August 2022

	Notes	Total 2022 £	Total 2021 £
Income from:			
Charitable activities			
. Accreditation and inspection fees	1	620,379	610,313
Investments	2	68	18
Total income		620,447	610,331
Expenditure on:			
Raising funds		3,380	2,007
Charitable activities			
. Accreditation and inspection		701,766	637,930
Total expenditure	3	705,146	639,937
Net expenditure before gains on investments		(84,699)	(29,606)
(Losses)/gains on investments	10	(34,293)	172,930
Net (expenditure)/income and net movement in funds		(118,992)	143,324
Reconciliation of funds			
Total funds brought forward		1,241,898	1,098,574
Total funds carried forward		1,122,906	1,241,898

All of the charity's activities derived from continuing operations during the above two financial periods.

The charity has no recognised gains or losses other than those shown above.

Balance sheet 31 August 2022

	Notes	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Intangible fixed assets	8	18,908		—	
Tangible fixed assets	9	16,410		20,550	
Debtors	11	11,942		—	
Investments	10	1,163,380		1,276,053	
			1,210,640		1,296,603
Current assets					
Debtors	12	33,973		21,490	
Cash at bank and in hand		260,068		184,503	
		294,041		205,993	
Creditors: amounts falling due within one year	13(a)	(366,223)		(251,388)	
Net current liabilities			(72,182)		(45,395)
Creditors: amounts falling due after one year	13(b)		(15,552)		(9,310)
Total net assets			1,122,906		1,241,898
The funds of the charity					
Unrestricted funds					
. General funds			1,031,817		1,221,348
. Designated funds	14		55,771		—
. Fixed asset fund	15		35,318		20,550
Total funds			1,122,906		1,241,898

The financial statements were approved by the Council and were signed on its behalf by:

Stephen Jackson


Stephen Jackson (Feb 16, 2023 09:02 GMT)

Date: [Feb 16, 2023]

Company Registration Number 01828990 (England and Wales)

Statement of cash flows Year to 31 August 2022

	Notes	2022 £	2021 £
Cash flows from operating activities:			
Net cash used in operating activities	A	20,344	(37,201)
Cash flows from investing activities:			
Purchase of intangible fixed assets		(19,228)	—
Purchase of tangible fixed assets		(3,999)	(16,208)
Investment income received		68	18
Proceeds from sale of investments		1,115,685	277,330
Purchase of investments		(1,037,305)	(277,331)
Net cash used in investing activities		55,221	(16,191)
Change in cash and cash equivalents in the year		75,565	(53,392)
Cash and cash equivalents at 1 September 2021	B	184,503	237,895
Cash and cash equivalents at 31 August 2022	B	260,068	184,503

Notes to the statement of cash flows for the year to 31 August 2022

A Reconciliation of net movement in funds to net cash used in operating activities

	2022 £	2021 £
Net movement in funds (as per the statement of financial activities)	(118,992)	143,324
Adjustments for:		
Amortisation charge	320	—
Depreciation charge	8,139	7,184
Net losses/(gains) on investments	34,293	(170,923)
(Increase)/decrease in debtors	(24,425)	60,016
Decrease/(increase) in creditors	121,077	(76,784)
Investment income receivable	(68)	(18)
Net cash used in operating activities	20,344	(37,201)

B Analysis of cash and cash equivalents

	2022 £	2021 £
Total cash and cash equivalents: Cash at bank and in hand	260,068	184,503

C Analysis of changes in net debt

	At 1 September 2021	Cash flows	At 31 August 2022
Cash at bank and in hand	184,503	75,565	260,068
Total	184,503	75,565	260,068

Principal accounting policies Year to 31 August 2022

The principal accounting policies adopted, judgements made and key sources of estimation uncertainty in the preparation of the financial statements are laid out below.

Basis of preparation

These financial statements have been prepared for the year to 31 August 2022 and are presented in sterling rounded to the nearest pound.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these financial statements.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The charity constitutes a public benefit entity as defined by FRS 102.

Critical accounting estimates and areas of judgement

Preparation of the financial statements requires the Council members and management to make significant judgements and estimates.

The items in the financial statements where these judgements and estimates have been made include:

- ◆ estimating the useful economic life of tangible fixed assets.
- ◆ estimating the useful economic life of intangible fixed assets.

Assessment of going concern

The Council members have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. The Council members have made this assessment in respect to a period of one year from the date of approval of these financial statements.

The Council members of the charity have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. In making this assessment the trustees have considered the impact of longer-term impacts of covid 19 and world events. In response, the charity has taken steps to ensure that there are sufficient levels of cash available as outlined in the trustees' report. Despite the fact that the charity has net current liabilities of £72,182 on 31 August 2022 (2021 – net current liabilities of £45,395), the Council members are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due.

The net current liabilities position is due to advanced payments received for 2022/23 annual accreditation fees and Inspections planned to take place in the next financial year.

Principal accounting policies Year to 31 August 2022

Assessment of going concern(continued)

The most significant areas of judgement that affect items in the financial statements are detailed above. With regard to the next accounting period, the year ending 31 August 2023, the most significant areas that affect the carrying value of the assets held by the charity are the level of investment return and the performance of the investment markets (see the investment policy of the Report of the Council for more information).

Income recognition

Income is recognised in the period in which the charity has entitlement to the income, the amount of income can be measured reliably, and it is probable that the income will be received.

Income comprises fees from inspections and accreditations, consultancy contracts, investment income and grants.

Accreditation and inspection fees are recognised when they have been earned. For inspection fees, entitlement is measured with reference to the date that the inspection takes place.

Income of a contractual nature is recognised to the extent that it is probable that the economic benefits will flow to the charitable company and the revenue can be reliably measured. It is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value-added tax and other sales taxes.

Dividends are recognised once the dividend has been declared and notification has been received of the dividend due. Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charitable company; this is normally upon notification of the interest paid or payable by the bank.

Donations and grants are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable, and the amount can be reliably measured.

Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

Expenditure is classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings, they have been allocated to activities on a basis consistent with the use of resources.

Governance costs, comprising the costs involved in the public accountability of the charity (including audit costs) and costs in respect to its compliance with regulation and good practice, are allocated to the cost of charitable activities.

Intangible fixed assets

Intangible assets comprise purchased computer software licences and any costs directly attributable to bringing the licences into use, such as configuration or implementation costs.

Principal accounting policies Year to 31 August 2022

The costs of bespoke systems developed by the British Accreditation Council are capitalised where all the criteria in FRS 102 are met. Intangible assets are capitalised where expenditure of £3,000 or more is incurred.

Intangible assets are included initially at cost, Intangible assets are amortised on a straight-line basis over the period of the related licence, or the period over which the British Accreditation Council anticipates using the asset over its useful life. Amortisation charges are included in expenditure on charitable activities, as either direct costs or support costs, according to the activity that the underlying asset is used to deliver.

Tangible fixed assets

Items are capitalised where the purchase price exceeds £250. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Computer equipment and office furniture	33% on cost
Fixtures and fittings	Straight line basis over the lease term (44 months).

Fixed asset investments

Fixed asset investments consist of listed investments.

Listed investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price.

The main form of financial risk faced by the charity is that of fluctuations in equity and investment markets due to wider economic conditions, the attitude of investors to investment risk, and changes in sentiment concerning equities within particular sectors or sub sectors.

Realised gains (or losses) on investment assets are calculated as the difference between disposal proceeds and their opening carrying value, or their purchase value if acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value at that date. Realised and unrealised investment gains (or losses) are combined in the statement of financial activities and are credited (or debited) in the year in which they arise.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability.

Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition. Deposits for more than three months but less than one year have been disclosed as short-term deposits.

Principal accounting policies Year to 31 August 2022

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

Taxation

The British Accreditation Council is a registered charity and therefore is not liable to income tax or corporation tax on income derived from its charitable activities, as it falls within various exemptions available to registered charities.

Fund accounting

Unrestricted funds can be used in accordance with the charitable objectives at the discretion of the Council members. Designated funds which are set aside at the discretion of the Trustees for a specific purpose, or where funds are effectively constrained by their application in operational fixed assets.

The fixed asset fund represents the net book value of the fixtures, fittings, office furniture, computer equipment of the charity and intangible assets referring to software licenses. Such assets are vital to the charity being able to carry out its work and the value invested in the assets cannot, therefore, be realised in order to meet future expenditure or liabilities. To emphasise this point, the net book value of the assets is represented by a specific fixed asset fund on the balance sheet.

The trustees have designated funds of 75,000 in the current year for the purpose and any application of designated funds are set out in note 14 to the accounts.

Pension costs and other post-retirement benefits

The charity operates a defined contribution pension scheme. Contributions payable to the charity's pension scheme are charged to the statement of financial activities in the period to which they relate.

Notes to the financial activities Year to 31 August 2022

1 Income from charitable activities – Accreditation and inspection fees

	2022 £	2021 £
Accreditation Fees UK	330,548	374,157
Inspection Fees UK	253,231	203,471
Application Fees	8,600	7,500
Other Fees	28,000	25,185
	620,379	610,313

2 Investment income

	2022 £	2021 £
Interest receivable	68	18

3 Expenditure on:

	Direct costs £	Support costs		Staff costs £	2022 Total £	2021 Total £
		Running costs £	Finance £			
Raising funds						
. Investment manager fees	3,380	—	—	—	3,380	2,007
Accreditation and inspection:						
. Accreditation and inspection delivery	152,578	140,858	968	388,832	683,236	599,907
. Bad debts	2,180	—	—	—	2,180	1,291
. Governance (note 4)	—	16,350	—	—	16,350	36,732
	158,138	157,208	968	388,832	705,146	639,937

	Direct costs £	Support costs		Staff costs £	2021 Total £	2020 Total £
		Running costs £	Finance £			
Raising funds						
. Investment manager fees	2,007	—	—	—	2,007	1,959
Accreditation and inspection:						
. Accreditation and inspection delivery	112,092	96,567	1,059	390,189	599,907	744,974
. Bad debts	1,291	—	—	—	1,291	6,009
. Governance (note 4)	—	36,732	—	—	36,732	24,321
	115,390	133,299	1,059	390,189	639,937	777,263

Notes to the financial activities Year to 31 August 2022

4 Governance costs

	2022 £	2021 £
Legal and professional fees	3,587	23,052
Accountancy fees	2,000	2,000
Auditor's remuneration	9,703	11,680
	16,350	36,732

5 Net expenditure

	2022 £	2021 £
Net expenditure is stated after charging:		
Auditor's remuneration – statutory audit		
· Current year	9,690	8,900
· Prior Year	-	1,680
Amortisation	320	-
Depreciation	8,139	7,184

6 Transactions with Council members' and key management personnel

The Council members consider that they, together with the Chief Executive and Chief Inspector, comprise the key management personnel of the charity. The total remuneration of the key management personnel for the year (including taxable benefits and employer's pension and national insurance contributions) was £112,761 (2021 - £143,752).

Council members received no remuneration or other benefits for the year ended 31 August 2022 (2021: £nil).

Expenses were reimbursed to the Council members for out-of-pocket expenses 2022 £467.03 (2021 - £nil).

Notes to the financial activities Year to 31 August 2022

7 Staff costs

	2022 £	2021 £
Wages and salaries	324,277	321,254
Social security costs	29,796	30,548
Pension costs	29,121	30,004
Agency & Freelance staff	5,638	8,832
	388,832	390,638

The average monthly number of employees during the year was as follows:

	Average headcount	
	2022 No.	2021 No.
Administration/ management	5	5
Inspection	2	2
Accreditation	2	2
	9	9

The number of employees who earned £60,000 per annum or more (including taxable benefits but excluding employer pension contributions) during the year was as follows:

	2022 No.	2021 No.
£70,001 - £80,000	-	1

The staff member in the previous year in the £70,001 to £80,000 bracket, has reduced their contracted hours in the current year and total remuneration was below £60,000.

8 Intangible fixed assets

	Software Licenses £	Total £
Cost		
At 1 September 2021	-	-
Additions	19,228	19,228
At 31 August 2022	19,228	19,228
Amortisation		
At 1 September 2021	-	-
Charge for the year	320	320
At 31 August 2022	320	320
Net book value		
At 31 August 2022	18,908	18,908
At 31 August 2021	-	-

Notes to the financial activities Year to 31 August 2022

9 Tangible fixed assets

	Computer equipment and office furniture £	Fixtures and fittings £	Total £
Cost			
At 1 September 2021	72,600	16,209	88,809
Additions	3,999	-	3,999
At 31 August 2022	<u>76,599</u>	<u>16,209</u>	<u>92,808</u>
Depreciation			
At 1 September 2021	66,097	2,161	68,258
Charge for the year	4,407	3,733	8,139
At 31 August 2022	<u>70,504</u>	<u>5,894</u>	<u>76,398</u>
Net book value			
At 31 August 2022	<u>6,095</u>	<u>10,315</u>	<u>16,410</u>
At 31 August 2021	<u>6,503</u>	<u>14,047</u>	<u>20,550</u>

10 Fixed assets investments

	2022 £	2021 £
Market value		
At 1 September 2021	1,139,498	1,105,131
Additions at cost	1,037,305	140,775
Disposal at opening market value (proceeds £1,030,610; loss £62,596)	(1,093,206)	(266,279)
Net unrealised gain	28,303	159,871
At 31 August 2022	1,111,900	1,139,498
Cash held within listed investments	51,480	136,555
	<u>1,163,380</u>	<u>1,276,053</u>
Cost		
At 31 August 2022	1,135,593	984,192
At 31 August 2021	984,192	924,968
		Total 2022 £
Unrealised gains included above on listed investments (see below)		27,787
Reconciliation of movements in unrealised gains on investments		
Unrealised gains at 1 September 2021		292,496
Net realised gains and losses in the year		(293,012)
Net unrealised gains in the year		28,303
Unrealised gains at 31 August 2022		<u>27,787</u>

Notes to the financial activities Year to 31 August 2022

10 **Fixed assets investments** (continued)

The following holdings comprised a material holding when compared to the value of the total listed investment portfolio at 31 August 2022:

	Market Value £	%
IFSL CAF Alternative Strategies Acc	203,821	17.52%
Aberdeen Standard Liquidity Fund Sterling GBP	114,987	9.88%
Aberdeen Standard Offshore Sterling Fixed Interest Fund	66,884	5.75%

Listed investments at 31 August 2022 comprised the following:

	2022 £	2021 £
Alternative Strategies	323,339	437,148
Overseas Equities	396,607	494,560
U.K Equities	147,746	207,791
U.K Fixed Interest	244,208	—
	1,111,900	1,139,499
Capital Cash Account	51,480	136,555
	1,163,380	1,276,053

11 **Debtors: amounts falling due after one year**

	2022 No.	2021 No.
Other Debtors	11,942	-
	11,942	-

Other debtors consist of a repayable deposit paid to secure the leasehold contract for the new head office premises.

12 **Debtors: amounts falling due within one year**

	2022 £	2021 £
Charitable activity debtors	19,207	7,791
Prepayments and accrued income	14,766	13,699
	33,973	21,490

Notes to the financial activities Year to 31 August 2022

13 (a) Creditors: amounts falling due within one year

	2022 £	2021 £
Charitable activity creditors	26,424	5,615
Social security and other taxes	9,031	9,430
Accruals	32,063	30,773
Deferred income	297,044	204,554
Other creditors	1,661	1,016
	366,223	251,388

Deferred income relates to inspection fees received in advance of inspections taking place and accreditation fees paid in advance for the next academic year, Movements on deferred income are shown below:

	2022 £
Deferred income at 1 September 2021	204,554
Resources released in the year	(204,554)
Resources deferred in the year	297,044
Deferred income at 31 August 2022	297,044

13 (b) Creditors: amounts falling due after one year

	2022 £	2021 £
Provisions	15,552	9,310
	15,552	9,310

The trustees have acknowledged its responsibility to uphold and enhance professional standards in the field of Higher and Further Education at an international level. To fulfil this constructive obligation to its stakeholders, it has decided to remain a member of ENQA, an organization that conducts a review of its members every five years at a cost of approximately £36,000. The cost of the review is provisioned for equally over the preceding 5 years.

14 Designated funds

	Sep-21 £	New designations £	Utilised / Released £	Sep-22 £
Internal Capabilities	-	75,000	(19,229)	55,771
	-	75,000	(19,229)	55,771

The board have set aside funds for various projects internal development and marketing activities, with the aim of improving the efficiency of operations and furthering the charity's increase the profile with a larger number of organisations.

The funds are expected to be utilised within a time frame of 2 years from the reporting date.

15 Fixed asset fund

	Total £
At 1 September 2021	20,550
Net movements in year	14,768
At 31 August 2022	<u>35,318</u>

The fixed assets fund represents the net book value of the charity's fixed assets. The fund recognises the fact that the assets are required for the day-to-day operation of the charity and are not available for other purposes or as a general reserve.

16 Related party transactions

Dr Esther Huertas is on the council of trustees for BAC and European Network for Quality Assurance in Higher Education (ENQA). The BAC are a registered member association of ENQA and makes annual payments for membership, the BAC is also required to take part in several engagement activities with ENQA and is subject to interim inspections, in the current year expenditure of £19,644 has been recognised in relation these activities. (2021: £4,041)

Separately a provision has also been recognised for the BAC's constructive obligation to its stakeholders to undergo a membership review every 5 years (note: 13 (b)), in the current year a movement of £6,242 has been recognised (2021: £6,032) and carried forward balance for the provision at year-end of £15,552 (2021: £9,310). There are no other outstanding balances at the end of the year.

Council of Validating Universities has a secretariat agreement with the BAC, as a result of this relationship Dr Janet Bohrer has been appointed as secretary of CVU, the reason for this is so she may carry out the obligations agreed between CVU and BAC, only when instructed by the council members of CVU. The total income received by the BAC is £28,000 (2021: £18,644), There are no outstanding debts due at the end of the year.

Other than as set out above and in note 6, there were no other transactions between the charity and any of its related parties.

17 Ultimate controlling party

The charity is under the ultimate control of the Council members.

18 Financial commitments

At 31 August 2022 the charity had total commitments under non-cancellable operating leases as follows:

	2022 Land and buildings £	2021 Land and buildings £
Operating lease payable		
Within one year	42,373	42,373
Between 2 to 5 years	55,840	98,213







BAC Annual Report 2021-22

Final Audit Report

2023-02-16

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**British Accreditation
Council for Independent
Further and Higher
Education**

**Annual Report and Financial
Statements**

31 August 2022

Company Registration Number
01828990 (England and Wales)

Charity Registration Number
326652



<http://www.the-bac.org/>

Reference and administrative details

Members of the Council	Dominic Scott OBE (Chairman – retired 30 August 2022) Prof Phil Cardew (Chairman – appointed 1 September 2022) Prof David Law (Deputy Chair) Dr Stephen Jackson (Honorary Treasurer) Marc Griffith Dr Esther Huertas Hidalgo Dr Anthony Manning Kevin Everett Prof. Mary Bishop Dr. Victoria Stec Md. Mahbubal Alam (Student member) Dr. Nicola Mellor
Company Secretary	Dr Janet Bohrer
Registered office	First Floor Wax Chandlers Hall 6 Gresham Street London EC2V 7AD
Company registration number	01828990 (England and Wales)
Charity registration number	326652
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Solicitor	Bates Wells and Braithwaite London LLP 10 Queen Street Place London EC4R 1BE
Banker	CAF Bank 25 Kings Hill Avenue West Malling Kent ME19 4JQ
Investment manager	Aberdeen Standard Capital 1 George Street Edinburgh EH2 2LL
Key Management Personnel	Dr Janet Bohrer (Chief Executive) Diana Morriss (Chief Inspector)

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Report of the Council Year to 31 August 2022

The members of the Council present their annual report together with the audited financial statements of the British Accreditation Council for Independent Further and Higher Education ('British Accreditation Council' or 'BAC') for the year ended 31 August 2022.

The financial statements have been prepared in accordance with the accounting policies set out on page 24 to 27 therein and comply with the charitable company's Memorandum and Articles of Association, applicable laws and the requirements of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102).

This report has been prepared in accordance with Part 8 of the Charities Act 2011 and constitutes a directors' report for the purposes of company legislation.

Structure, governance and management

The British Accreditation Council was incorporated on 29 June 1984 (Company No 1828990) and registered as a UK charity on 28 August 1984 (Charity No 326652). It is limited by guarantee without share capital. The liability of the members is limited to £10 each and accumulated funds are not distributable to the members.

The governing instrument under which the Company operates is its Memorandum and Articles of Association. Amended Articles of Association were approved by the charity on 19 October 2017 and 2 April 2018 by special resolution. The Articles of Association were reviewed in April 2021 and were considered fit-for-purpose.

The directors are treated as trustees for Charities Act purposes.

Members of the Council

The members of the Council are the Board of Trustees. The trustees who served during the year, and up to the date of approval of this report, are shown in the reference and administrative details at the front of this report.

The Articles of Association provide for a maximum of twelve directors. The trustees may appoint any director as a member of the Board of Trustees. The chair and deputy chair are appointed by the Board.

One member of Council resigned during this financial year.

Induction and training of Council members

At the recruitment stage potential Council members are given extensive information about the organisation and are fully informed of the purpose and charitable objectives of BAC. Potential trustees are then invited to meet with the Standing Committee to discuss the challenges facing the organisation and their potential contribution to the charity. Following appointment and ratification by Council, induction meetings are organised for new members of Council and Accreditation Committee as appropriate.

Report of the Council Year to 31 August 2022

Structure, governance and management (continued)

Statement of Council's responsibilities

The Council members (who are also trustees and directors of the British Accreditation Council for Independent Further and Higher Education for the purposes of company law) are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Council members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the income and expenditure of the charitable company for that period.

In preparing these financial statements, the Council members are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland (FRS 102);
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The Council members are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Council members confirms that:

- ◆ so far as the trustee is aware, there is no relevant audit information of which the charitable company's auditor is unaware; and
- ◆ the trustee has taken all the steps that he/she ought to have taken as a trustee in order to make himself/herself aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Report of the Council Year to 31 August 2022

Structure, governance and management (continued)

Statement of Council's responsibilities (continued)

The Council members are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Governance

The governance structure consists of the Council, which is formed of the trustees, and acts as the Board of Directors. The Council meets three times a year.

The Chair of the Council is Prof Phil Cardew, appointed 1 September 2022, who replaced Dominic Scott OBE.

The Council has three sub-committees. The Audit Committee provides financial and regulatory oversight. The Standing Committee meets between Council meetings to provide continuity and support the charity. The Standing Committee has, as members, the Chair of the Council, the Deputy Chair of the Council and the Honorary Treasurer. Duties of Nominations and Governance are discharged by the Standing Committee.

The responsibility for decisions on accreditation is overseen by the Accreditation Committee (AC). The AC is appointed by the Council and consists of members appointed by virtue of their experience and expertise with regard to educational standards. Dr Anthony Manning is the Chair of the Accreditation Committee. The Accreditation Committee receives the reports of completed inspections and takes decisions on the award or withdrawal of accreditation, making its recommendations based on BAC's accreditation policy and procedures. It also regularly reviews the quality assurance criteria used by inspectors in making judgements and recommendations. The Committee had six meetings and three sub-committees this year.

Key management personnel

In the period of review, Council members consider that they, together with the Chief Executive, and the senior management team comprise the key management personnel of the charity. None of the Council members receive any remuneration from the charity in connection with their role as Council members.

There was a pay review for the CEO and BAC staff in the year. All staff including the CEO received a 5% increase in salary which was applicable from 1 September 2022.

Other transactions with members of the Council are disclosed in note 6.

Public benefit

The Council members have taken into regard the Charity Commission's guidance on public benefit and that all the Council's activities are directed to fulfilling its charitable objects of the improvement and maintenance of standards in independent further and higher education and training and that in doing so it is working for the public benefit. Some of these benefits are given below:

Report of the Council Year to 31 August 2022

Structure, governance and management (continued)

Public benefit (continued)

- The BAC accreditation mark provides students and potential students with an indication of quality.
- BAC inspections supports the HM Government to protect the reputation of further and higher education and training in the UK by providing independent judgments, made on the basis of inspection by qualified and experienced inspectors, of the quality of provision of private institutions of further and higher education and training.
- The information, marketing and promotional work undertaken ensures that international students, agents and the education sector as a whole are aware of the range of institutions and courses available.
- Training events and seminars assist in the professional development of staff and institutions, thereby improving the quality of provision.
- The advice and support offered to institutions through informal and formal avenues provide them with guidance regarding good and best practice, thus helping to raise standards of provision.
- The complaints procedure provides students with a free and accessible means of resolving disputes with accredited institutions.

Fundraising statement

The charity does not actively undertake fundraising activities and does not employ the services of Professional Fundraisers. During 2021/22, the charity received no complaints about fundraising activities.

Objectives and activities

The British Accreditation Council for Independent Further and Higher Education is registered for charitable purposes and its objects are:

- providing a system of accreditation for educational and training institutions in order to promote public confidence in such institutions and their programmes of study; and
- assisting in the improvement and maintenance of the standards of accredited institutions through the offer of advisory and consultancy services principally in the field of further and higher education.

Report of the Council Year to 31 August 2022

Achievement and performance

Accreditation and inspection activity

The table below gives details of the applications received, inspections carried out and awards of accreditation in the period September 2021 to August 2022 and compares these with the figures from the previous year.

	September 2021 to August 2022	September 2020 to August 2021
New institutions awarded accreditation – UK	13	13
New institutions awarded accreditation – international	3	1
Total number of accredited institutions	198	213
Withdrawals	27	24
International accredited institutions	35	34
Applications received from new institutions	21	14
Inspections conducted	69	93

BAC's objectives 2021-22: Progress made

With regard to BAC's objectives for 2021/22 the following progress has been made:

A new strategic plan for the following five years was developed. This was approved by Council in February 2022 and published and shared with stakeholders in March 2022.

Objectives	Progress
BAC will invest in growth by expanding products and services to add value to current accredited providers and to attract a wider range of new providers	<ul style="list-style-type: none">• We published a new 5-year strategy in February 2022 with an accompanying internal action plan that includes detailed objectives, milestones, KPIs and timelines.• We updated the Risk Register in June 2022 and have improved the way we monitor risks through the Audit Committee. We introduced a new risk matrix that gives extra emphasis to impact when assessing risk. We have also strengthened our approach to monitoring of risks for the organisation and as such the Audit Committee has a standing agenda item for every meeting to review a dashboard of risks and a paper focusing on a specific area, as appropriate.• The Standards Review project was completed and we now have a published Common Quality Framework. This is an overarching framework used to clearly articulate what it means to be BAC accredited across all our accreditation schemes. This was launched and published in September 2022.• We are reviewing all our accreditation schemes in 2022-2023. The work for this started in the summer 2022 which allowed for a plan and timeline to be published in September 2022.

Report of the Council Year to 31 August 2022

	<ul style="list-style-type: none"> • We have embedded our governance quality cycle by completing full reviews of all Terms of Reference for Council and committees and added a standing agenda item for review at the start of each year for all. We received a Crystal Mark for clarity for these documents and published them on the website. • We drew down funds from investments to spend on growth activities and added a standing agenda item for Audit Committee to review and monitor this Development Fund separately to usual operational spending. • We developed a new accreditation scheme for providers of micro-credentials and launched a pilot in October until end of January 2023. We held an online event to give details about the scheme and answer questions. • Work has started on a pilot of a liaison initiative for accredited providers.
<p>BAC will continue to promote and be active in the quality assurance Community</p>	<ul style="list-style-type: none"> • Our Annual Stakeholder Event took place in April 2022. It was a hybrid event involving external speakers as well as updates about BAC and a Q&A with senior staff and trustees. • The BAC webinar series continued with good attendance from providers. • We organised more developmental workshops, giving participants the possibility to engage with peers, share experiences, explore options and determine priorities for the future. The workshops, facilitated by an independent quality assurance expert, were offered free of charge to BAC-accredited providers and provided an inclusive environment for ideas to be exchanged and options to be considered: <ul style="list-style-type: none"> ○ Navigating out of the pandemic: Debating Options. Sharing Directions (10 December 2021) ○ Micro-credentials: Promoting Modular, Portable, Stackable, Flexible Lifelong Learning (1 April 2022) • As part of our aim to more actively engage with ENQA activities, BAC chaired the ENQA working group on External quality assurance of micro-credentials. The dissemination event took place online on 27 September 2022. It was a great success with over 200 attendees. Professor Anca Greere chaired the group on BAC's behalf and we were very pleased to have the opportunity to present a case study for our Pilot Micro-credentials scheme. • Two members of staff attended a 2-day ENQA event, held in Cologne, for recently reviewed agencies.
<p>BAC will continue to Grow and Diversify especially Global and European activities</p>	<ul style="list-style-type: none"> • We have made contact at national and regional level, building on successful inspections. Meetings have taken place or are planned in South Africa and Nepal. • We are developing a plan for growth and working to further identify regions and countries to target. • We have decided to invest in a six-month contract with a consultancy company to actively pursue work internationally and that is planned to start in 2023.

Report of the Council Year to 31 August 2022

<p>BAC will actively engage in the development of its Ethical responsibilities</p>	<ul style="list-style-type: none"> • A review of our investments took place. • We have changed to a directly invested investment portfolio with more transparency, flexibility, and the option to choose specific ethical screens. Our Investment Manager facilitated a workshop on 8 March 2022 for Council members to review and choose the ethical screens to apply to the proposed new portfolio and they were approved by Standing Committee and Audit Committee at a 'deep dive' exercise on 17 March 2022. • We are committed to reviewing our policies and working practices and started with a review of employment documents including the Employee Handbook and all staff contracts. These were updated in line with changes in legislation (with HR support service Worknest). No changes have been made to individual staff's terms and conditions. <p>A salary review also took place in April 2022, where the Remuneration Committee benchmarked salaries according to job role. The Committee looked at Charity and Higher Education sector salaries for comparison.</p> <p>The contracts and salary changes came into effect on 1 September 2022 at the same time as the annual increase to salaries. The Health and Safety Policy and Privacy Notice have also been updated.</p> <ul style="list-style-type: none"> • Since the move to a new office in 2020, we have donated furniture that we no longer use to charitable causes. We worked with a company who collected and distributed the furniture and it had the following impact: <ul style="list-style-type: none"> ○ 26 items/932kg diverted from landfill ○ An in-kind donation of £4,130 donated to the community ○ 1,167kg of CO2e avoided
<p>BAC will continue to develop good practice in its use of integrated use of the data and information collected from BAC inspections and other work</p>	<ul style="list-style-type: none"> • We have completed the purchase of a CRM system and are in the implementation phase. <p>The CRM will help with our development of more detailed financial information to help with financial forecasting, make inspection and accreditation fees more transparent and prepare for growth.</p>

Risk management

The Council members have a duty to identify and review the risks to which the charity is exposed and to ensure appropriate controls are in place to provide reasonable assurance against fraud and error. The Council members delegate ongoing oversight to the Audit Committee for annual review to Council or reporting by exception. The Audit committee meet regularly where risk mitigation activities and emerging risks are reviewed. The members of Audit Committee are satisfied with the measures employed to assess and address identified risks.

We updated the Risk Register in June 2022. We introduced a new risk matrix that gives extra emphasis to impact when assessing risk. We have also strengthened our approach to monitoring of risks for the organisation and as such the Audit Committee has a standing agenda item for every meeting to review a dashboard of risks and a paper focusing on a specific area, as appropriate.

Identified Risk	Mitigating Actions
Reputational damage arising out of inappropriate activity or behaviour	BAC has embedded integrity and transparency across all activities; All BAC representatives are DBS checked when working with under 18s; BAC has produced clear inspection guidelines and conducts monitoring inspections to ensure they are adhered to; The Bribery and Anti-Corruption policy is strictly enforced and monitored; There are plans to provide workshops for trustees and staff on governance topics; BAC has the necessary legal insurance requirements and professional indemnity cover to provide financial support in the event BAC is accused of acting inappropriately.
Financial loss arising out of financial impropriety	BAC maintains a large financial reserve equivalent to 18 months of operating costs; BAC has extensive and transparent financial controls and by choice undergoes an external audit each year despite being below the audit threshold; BAC has independent auditors who have a reputation for independence and rigour; There is a division of responsibility between staff who deal with banking protocols and finances. BAC's external auditor makes recommendations on internal control that arise out of the external audit and with reference to sector best practice; Funds drawn down for the Development Fund are managed separately. The use/spending of the Development Fund will be overseen by the Audit Committee; The new investment portfolio has increased visibility in terms of where funds are invested as well as ethical screens and changes to investments can be made quickly through the investment manager.
Change in government student visa regime	BAC has developed a range of value-added products including webinars and the Marketing Pack to attract and retain providers and reducing susceptibility to withdraw in the extreme event of BAC being removed from the list of UK government approved accrediting bodies;

Report of the Council Year to 31 August 2022

	<p>BAC has significantly increased due diligence in accepting new and reaccreditation applications and developed and implemented a more rigorous inspection process in order to build and maintain confidence in the inspection and accreditation process;</p> <p>We are diversifying income streams to reduce reliance on the UK market and limit the impact of an unexpected change in government policy;</p> <p>We have a direct contact at the Home Office.</p>
Competition increases in the quality assurance arena	<p>BAC conducts regular reviews of BAC processes to ensure they meet the needs of external stakeholders;</p> <p>BAC continues to develop products and processes to ensure they remain world leading in terms of quality assurance;</p> <p>We are working to improve the BAC profile in all markets in which we operate;</p> <p>We have built and continue to build and develop links with stakeholders through webinars, news updates and the Provider Journey;</p> <p>We maintain strict cost controls to allow competitive prices to be offered to existing and new providers;</p> <p>We are increasing investment in developing and promoting BAC across all markets.</p>
Loss of ENQA Membership	<p>A designated member of staff has key responsibilities relating to ENQA oversight and reports directly to the Standing Committee on ENQA compliance.</p> <p>We give relevant members of staff the necessary time and resources to attend ENQA events and to keep up to date with ENQA membership requirements.</p> <p>The whole staff team is made aware of any specific activity relating to ENQA compliance and they take collective responsibility for providing information and evidence as and when necessary.</p> <p>We review BAC procedures to make sure they are ENQA compliant on a regular basis.</p> <p>We have had a positive response to our interim progress report, no major causes for concern raised.</p>
Loss of EQAR Listing	<p>A designated member of staff has key responsibilities relating to EQAR oversight and reports directly to the Standing Committee on EQAR compliance.</p> <p>We give relevant members of staff the necessary time and resources to attend EQAR events and to keep up to date with EQAR listing requirements.</p> <p>The whole staff team is made aware of any specific activity relating to ENQA compliance and they take collective responsibility for providing information and evidence as and when necessary.</p>
Catastrophic infrastructure failure or cyber attack	<p>All data is now backed up offsite.</p> <p>Key IT infrastructure is now in the Cloud with greater security and multiple backup processes.</p>

Report of the Council Year to 31 August 2022

	<p>Financial information is now held in the Cloud via Xero and is considered to be as secure as is feasibly possible for an organisation of BAC's size. In the event of damage to or no access to premises, BAC telephone services have been rerouted to temporary accommodation.</p> <p>The policy is for staff not to leave their laptops in the office overnight so they can work remotely at short notice.</p> <p>We are investigating the addition of Multi Factor Authentication for our devices and systems with our IT support provider.</p>
Significant and prolonged downturn in stock markets negatively impacting BAC investments and reducing capital to invest	<p>We take expert advice on management of BAC investments.</p> <p>We have moved the portfolio to direct investments with more transparency and with better annual performance overall compared to the previous portfolio. We have the flexibility to make changes almost immediately.</p> <p>Investment performance is monitored by the Audit Committee.</p>
International Recession	<p>We maintain awareness of leading economic indicators.</p> <p>We maintain close links with the sector to monitor sector feedback</p> <p>We continue to provide added value activities thereby increasing the value of BAC accreditation</p> <p>We continue to communicate the value of accreditation to BAC providers, educators, students and governments</p>
Global economic crisis	<p>Robust banking arrangements and appropriate insurance are in place.</p> <p>We can adapt financial arrangements to support providers such as dormancy criteria, payment plans and postponement of inspections on a case-by-case basis.</p>
Regulatory Framework in the UK changes	<p>We maintain awareness of the political debate.</p> <p>We identify possible outcomes of different scenarios.</p> <p>We review the impact of possible scenarios on a regular basis to monitor the impact on BAC accredited institutions or on the impact on BAC's right to conduct accreditation activities.</p>
National or global pandemic	<p>We continue to develop our digitised processes to ensure remote working online can be applied to all BAC operations.</p> <p>We have introduced flexible working arrangements for staff and can implement full-time home working at short notice.</p> <p>The office arrangements and equipment are suitable for socially distanced working.</p> <p>Key staff undertake relevant Health and Safety training as necessary.</p> <p>We continue to receive Health and Safety and HR support services and advice from Worknest;</p> <p>We have communicated to staff what support there is for wellbeing, there is an updated Employee Handbook, an Employee Assistance Programme</p>

Report of the Council Year to 31 August 2022

	<p>that offers counselling and a 24hr support line and we have a trained Mental Health First Aider on the team.</p> <p>We can adapt financial arrangements to support providers such as dormancy criteria, payment plans and postponement of inspections on a case-by-case basis.</p>
War in Ukraine	<p>We do not currently work with any providers who are based in Ukraine.</p> <p>We maintain awareness of ENQA messaging and the industry impact and response to the war.</p>
Post-Brexit UK visa/border rules change	<p>We will ensure we provide invitation letters to international visitors coming to the UK for BAC activities or events.</p>

Future plans

The Strategic Plan 2021-2026 is a five-year plan and detailed objectives and activities are monitored through an internal three-year action plan.

BAC objectives for 2022-23 are as follows:

Objectives	Proposed actions
BAC will invest in growth by expanding products and services to add value to current accredited providers and to attract a wider range of new providers	<ul style="list-style-type: none"> • The review of all accreditation schemes will be completed, and the annual cycle of reviews will continue. • The pilot liaison initiative will be completed, and a service introduced based on what we have learnt. • The MC scheme pilot is due to end January 2023 and if successful will be added to our existing suite of schemes and marketed as necessary. • We will update the website and develop a plan for long term improvements • We will develop further support for providers e.g., potential training module
BAC will continue to promote and be active in the quality assurance Community	<ul style="list-style-type: none"> • We will continue our schedule of webinars • The Annual Stakeholder Event will take place on 30 March 2023. • We will look for opportunities to attend conferences and/or contribute papers.
BAC will continue to Grow and Diversify especially Global and European activities	<ul style="list-style-type: none"> • We will define our growth strategy and identify regions and countries to target. • We will hold a deep dive for trustees around international growth and organise and international event. • We will work with a consultancy company to actively pursue work internationally in 2023. • We will continue to build on successful international inspections, developing regional activities and potential working with ministries through free and paid projects.

Report of the Council Year to 31 August 2022

	<ul style="list-style-type: none"> We will continue to develop a portfolio of activities to actively promote BAC.
BAC will actively engage in the development of its Ethical responsibilities	<ul style="list-style-type: none"> We will calculate our carbon footprint and take steps towards zero carbon emissions. We will look to implement ways in which we can lead in the promotion of environmental responsibility and being open about our sustainable development goals. The review of our working practices will continue including updating our Data Protection policies and procedures and business continuity and cyber security plans. We will continue to review value for money from our suppliers whilst also recognising London Living Wage hourly rates.
BAC will continue to develop good practice in its use of integrated use of the data and information collected from BAC inspections and other work	<ul style="list-style-type: none"> The implementation of the CRM will be complete, and we will monitor its use and look for further ways it can improve our operations. We will focus on the report process for inspections and look to process them through using Sharepoint and all information uploaded to an online portal We will produce thematic reports and use them to influence the direction for development of inspection methodologies as well as themes for enhancement workshops We will conduct governance reviews as endorsed by Charities Good Practice and as preparation for increased work with a potential growth of activities

Covid-19 Impact on Financial Controls

As with the previous year there has been very little impact to the day-to-day financial controls of the charity.

The Audit committee still believe there is higher level of liquidity risk compared to pre-covid and have continued to hold the increased level of supervision on cash flow till it is deemed this risk has fallen to pre-covid levels.

Covid-19 Impact on Financial Performance

The operational financial performance of the charity has further impacted on the retention numbers of accredited providers, with the longer than expected imposed restrictions accredited providers have made the difficult decision to withdraw from the scheme and in some cases have ceased all activity.

Towards the end of the year, we have seen promising signs that performance of accreditation income will improve in the following year, with increase of new applications for accreditations schemes. Also the number of inspections have also increased, with the lifting of restrictions inspections that could not take place are now moving forward.

Report of the Council Year to 31 August 2022

Financial review

A summary of the year's results can be found on page 21 of the financial statements. The deficit for the year before gains on investments was £84,699 (2021 – £29,606).

The total income for the year is £620,447, an increase of around £10,000 over the previous year (2021 - £610,331). Given that the current year has been difficult as the organisation feels the effects of global events, this is encouraging.

During the period under review, the Bank of England reported an inflation rate of approximately 10%, which has had a adverse impact on the charity's general operating costs. However, the primary contributor to the increase in the operational deficit, which stands at over £50,000, is the escalation in office lease and premises expenses. The previous year, the charity was able to postpone its office relocation due to the lockdown restrictions and staff working from home resulting in saving in that year. However, in the current year, as operations have resumed to their pre-covid level of normalcy, the charity has occupied the new premises for the entirety of the year.

The net deficit for the year was (£118,992) after loss on investments of £34,293 the loss in value of the investment portfolio is result the markets response to a number of factors and world events (2021 – surplus for the year was £143,324 after gains on investments of £172,930).

The forecasted year-end deficit prompted the board to take proactive measures to address the situation. To that end, the board has allocated £75,000 in general unrestricted funds with the aim of investing in the organization's capabilities. This includes implementing new operational processes such as custom software, which is expected to drive cost-saving efficiencies for the charity. Additionally, the funds will be used to support growth efforts and explore new opportunities to enhance the organization's visibility and attract new providers to apply for accreditation.

Furthermore, the board has taken additional steps to mitigate the impact of inflation and increased accreditation and inspection fees for the upcoming year by implementing a 5% increase. This measure has been implemented without negative feedback and has not affected provider retention.

Income

Accreditation fees

The income generated from accreditation fees has seen a decline of approximately 17%, with a total of £330,548 in 2022, as compared to £374,157 in 2021. This trend is consistent with the previous year and is primarily attributed to the adverse impact of the COVID-19 pandemic on the income of providers, as well as the effect of inflation. As a result of these factors, many providers have had to implement cost-saving measures by withdrawing from accreditation programs, and some have been forced to discontinue operations altogether.

It is believed that most providers that have been substantially affected by global events have already withdrawn, and the number of withdrawals is expected to decrease in the future. Additionally, there are indications of renewed interest in the BAC accreditation schemes, as there has been a 33% increase in new applications from providers over the previous year. This is expected to help improve accreditation fee income and replace the withdrawn organizations moving forward.

Report of the Council Year to 31 August 2022

Financial review(continued)

Income(continued)

Inspection Fees

Inspection fee income has increased in the year by 24% to £253,231 (2021: - 5%, £203,471), even though the total number of inspections has dropped. The scope of inspections in the current year have been much larger, as inspectors have been able to carry out onsite inspections of larger organisations who had their inspections delayed in previous years and clear up the backlog.

Other Income

The performance of our fixed asset investment portfolio has been below expectations, resulting in a net loss of £34,293 during the period under review. This is attributed to the impact of global events on financial markets. The Audit Committee remains vigilant in its oversight of investment performance, given the ongoing instability in financial markets.

Expenditure

Charitable Activities

Direct expenditure includes the cost of conducting inspections of accredited organisations and offering workshops to providers on a range of issues. Expenditure is directly correlated with the inspection activity, which is influenced by the numbers and scope of inspections taken place in the year, direct expenditure has increased by circa 40% as predicted in the previous year. Organisations affected by the pandemic have been in a position to recommence operations which has meant inspections can be arranged to clear the backlog of delayed inspections 2022 – £157,458 (2021 – £112,092).

Staff Costs and Running Costs

The total costs associated with staffing have decreased in 2022 £388,832 (2021 - £390,189).

Running costs and other support costs have increased by 18% for the year, 2022 - £157,208 (2021 - £133,299). This increase in expenditure was expected as the charity has relocated to a new office and leased the office for a full year. The impact of increased expenditure has been decreased with savings related to reduced legal fees in the current year.

Investment policy

The value of BAC's investments holding is a mixture of equities, fixed income and cash held for investment purposes, the market value at the reporting date stands at £1,163,380 in 2022 (2021 - £1,276,053). BAC's investments were held in a managed investment portfolio by Aberdeen Standard Capital (Charities Aid Foundation Managed Portfolio Service – Progressive Capital Growth Account).

The investment policy aims to generate capital growth over the medium to long term, without exposing BAC to the risks and volatility associated with a wholly equity focused portfolio. The Council members are satisfied with the performance of the investment portfolio during the year.

The charity also has cash at bank and in hand of £260,068 (2021 – £184,503). The liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility of access to funds.

Report of the Council Year to 31 August 2022

Reserves policy

The trustee members consider that free reserves of the charity should represent at least six months' expenditure, equating to approximately £450,000, to ensure that the organisation can cope with all financial commitments without recourse to borrowing.

The free reserves on 31 August 2022 were £1,031,817 (2021 – £1,221,348) which exceeds the target level of reserves stated in the reserves policy. However, the Council members consider it appropriate to hold reserves in excess of the target, in consideration of the strategic objectives to be achieved and forecasted financial position over the short, medium, and long term along with the consequences of the pandemic, and the reserves policy reflects only the minimum level of free reserves required.

The Council will proactively assess the need for measures to mitigate the potential loss of funding resulting from providers unable to continue operations in the coming year. While it is possible that the effects of this may have a secondary impact on BAC, the Council will remain vigilant in monitoring the situation and have not deemed it necessary to utilise any more reserves than already approved in the current year.

Going Concern

The Trustees are required to confirm that it is appropriate for the BAC to adopt the going concern principle in preparing its accounts. Based on the viability review and taking into consideration the BAC closing reserves and strong cash position, the Trustees of the British Accreditation Council have reasonable expectation that the charity will continue to operate for the 12 months from the signature of this report.

As such the Trustees of the BAC continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Approved by the Council on 9 February 2023 and signed on its behalf by:

]
Stephen Jackson (Feb 16, 2023 09:02 GMT)

Independent auditor's report to the members of British Accreditation Council

Opinion

We have audited the financial statements of British Accreditation Council (the 'charitable company') for the year ended 31 August 2022 which comprise the statement of financial activities, the balance sheet, the statement of cash flows, the principal accounting policies and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2022 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusion relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report Year to 31 August 2022

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- ◆ the information given in the trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the trustees' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- ◆ adequate accounting records have not been kept; or
- ◆ the financial statements are not in agreement with the accounting records and returns; or
- ◆ certain disclosures of trustees' remuneration specified by law are not made; or
- ◆ we have not received all the information and explanations we require for our audit; or
- ◆ the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- ◆ the Senior Statutory Auditor ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations; and
- ◆ we obtained an understanding of the legal and regulatory frameworks that are applicable to the charitable company and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), Companies Act, and the Charities Act) as well as data protection and safeguarding regulations.

Auditor's responsibilities for the audit of the financial statements (continued)

We assessed the susceptibility of the charity's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- ◆ making enquiries of management as to their knowledge of actual, suspected and alleged fraud; and
- ◆ considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- ◆ performed analytical procedures to identify any unusual or unexpected relationships.
- ◆ carried out substantive testing of expenditure including the authorisation thereof.
- ◆ reviewed journal entries to identify unusual transactions and substantiated these where appropriate; and
- ◆ assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- ◆ review of the minutes of meetings of those charged with governance; and
- ◆ enquiring of management as to actual and potential litigation and claims.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the trustees and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report Year to 31 August 2022

Use of our report

This report is made solely to the charitable company's member, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's member those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's member, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in cursive script that reads "Buzzacott LLP".

Catherine Biscoe (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date: 3 March 2023

Statement of financial activities (including income and expenditure account) Year to 31 August 2022

	Notes	Total 2022 £	Total 2021 £
Income from:			
Charitable activities			
. Accreditation and inspection fees	1	620,379	610,313
Investments	2	68	18
Total income		620,447	610,331
Expenditure on:			
Raising funds		3,380	2,007
Charitable activities			
. Accreditation and inspection		701,766	637,930
Total expenditure	3	705,146	639,937
Net expenditure before gains on investments		(84,699)	(29,606)
(Losses)/gains on investments	10	(34,293)	172,930
Net (expenditure)/income and net movement in funds		(118,992)	143,324
Reconciliation of funds			
Total funds brought forward		1,241,898	1,098,574
Total funds carried forward		1,122,906	1,241,898

All of the charity's activities derived from continuing operations during the above two financial periods.

The charity has no recognised gains or losses other than those shown above.

Balance sheet 31 August 2022

	Notes	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Intangible fixed assets	8	18,908		—	
Tangible fixed assets	9	16,410		20,550	
Debtors	11	11,942		—	
Investments	10	1,163,380		1,276,053	
			1,210,640		1,296,603
Current assets					
Debtors	12	33,973		21,490	
Cash at bank and in hand		260,068		184,503	
		294,041		205,993	
Creditors: amounts falling due within one year	13(a)	(366,223)		(251,388)	
Net current liabilities			(72,182)		(45,395)
Creditors: amounts falling due after one year	13(b)		(15,552)		(9,310)
Total net assets			1,122,906		1,241,898
The funds of the charity					
Unrestricted funds					
. General funds			1,031,817		1,221,348
. Designated funds	14		55,771		—
. Fixed asset fund	15		35,318		20,550
Total funds			1,122,906		1,241,898

The financial statements were approved by the Council and were signed on its behalf by:

Stephen Jackson


Stephen Jackson (Feb 16, 2023 09:02 GMT)

Date: [Feb 16, 2023]

Company Registration Number 01828990 (England and Wales)

Statement of cash flows Year to 31 August 2022

	Notes	2022 £	2021 £
Cash flows from operating activities:			
Net cash used in operating activities	A	20,344	(37,201)
Cash flows from investing activities:			
Purchase of intangible fixed assets		(19,228)	—
Purchase of tangible fixed assets		(3,999)	(16,208)
Investment income received		68	18
Proceeds from sale of investments		1,115,685	277,330
Purchase of investments		(1,037,305)	(277,331)
Net cash used in investing activities		55,221	(16,191)
Change in cash and cash equivalents in the year		75,565	(53,392)
Cash and cash equivalents at 1 September 2021	B	184,503	237,895
Cash and cash equivalents at 31 August 2022	B	260,068	184,503

Notes to the statement of cash flows for the year to 31 August 2022

A Reconciliation of net movement in funds to net cash used in operating activities

	2022 £	2021 £
Net movement in funds (as per the statement of financial activities)	(118,992)	143,324
Adjustments for:		
Amortisation charge	320	—
Depreciation charge	8,139	7,184
Net losses/(gains) on investments	34,293	(170,923)
(Increase)/decrease in debtors	(24,425)	60,016
Decrease/(increase) in creditors	121,077	(76,784)
Investment income receivable	(68)	(18)
Net cash used in operating activities	20,344	(37,201)

B Analysis of cash and cash equivalents

	2022 £	2021 £
Total cash and cash equivalents: Cash at bank and in hand	260,068	184,503

C Analysis of changes in net debt

	At 1 September 2021	Cash flows	At 31 August 2022
Cash at bank and in hand	184,503	75,565	260,068
Total	184,503	75,565	260,068

Principal accounting policies Year to 31 August 2022

The principal accounting policies adopted, judgements made and key sources of estimation uncertainty in the preparation of the financial statements are laid out below.

Basis of preparation

These financial statements have been prepared for the year to 31 August 2022 and are presented in sterling rounded to the nearest pound.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these financial statements.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The charity constitutes a public benefit entity as defined by FRS 102.

Critical accounting estimates and areas of judgement

Preparation of the financial statements requires the Council members and management to make significant judgements and estimates.

The items in the financial statements where these judgements and estimates have been made include:

- ◆ estimating the useful economic life of tangible fixed assets.
- ◆ estimating the useful economic life of intangible fixed assets.

Assessment of going concern

The Council members have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. The Council members have made this assessment in respect to a period of one year from the date of approval of these financial statements.

The Council members of the charity have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. In making this assessment the trustees have considered the impact of longer-term impacts of covid 19 and world events. In response, the charity has taken steps to ensure that there are sufficient levels of cash available as outlined in the trustees' report. Despite the fact that the charity has net current liabilities of £72,182 on 31 August 2022 (2021 – net current liabilities of £45,395), the Council members are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due.

The net current liabilities position is due to advanced payments received for 2022/23 annual accreditation fees and Inspections planned to take place in the next financial year.

Principal accounting policies Year to 31 August 2022

Assessment of going concern(continued)

The most significant areas of judgement that affect items in the financial statements are detailed above. With regard to the next accounting period, the year ending 31 August 2023, the most significant areas that affect the carrying value of the assets held by the charity are the level of investment return and the performance of the investment markets (see the investment policy of the Report of the Council for more information).

Income recognition

Income is recognised in the period in which the charity has entitlement to the income, the amount of income can be measured reliably, and it is probable that the income will be received.

Income comprises fees from inspections and accreditations, consultancy contracts, investment income and grants.

Accreditation and inspection fees are recognised when they have been earned. For inspection fees, entitlement is measured with reference to the date that the inspection takes place.

Income of a contractual nature is recognised to the extent that it is probable that the economic benefits will flow to the charitable company and the revenue can be reliably measured. It is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value-added tax and other sales taxes.

Dividends are recognised once the dividend has been declared and notification has been received of the dividend due. Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charitable company; this is normally upon notification of the interest paid or payable by the bank.

Donations and grants are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable, and the amount can be reliably measured.

Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

Expenditure is classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings, they have been allocated to activities on a basis consistent with the use of resources.

Governance costs, comprising the costs involved in the public accountability of the charity (including audit costs) and costs in respect to its compliance with regulation and good practice, are allocated to the cost of charitable activities.

Intangible fixed assets

Intangible assets comprise purchased computer software licences and any costs directly attributable to bringing the licences into use, such as configuration or implementation costs.

Principal accounting policies Year to 31 August 2022

The costs of bespoke systems developed by the British Accreditation Council are capitalised where all the criteria in FRS 102 are met. Intangible assets are capitalised where expenditure of £3,000 or more is incurred.

Intangible assets are included initially at cost, Intangible assets are amortised on a straight-line basis over the period of the related licence, or the period over which the British Accreditation Council anticipates using the asset over its useful life. Amortisation charges are included in expenditure on charitable activities, as either direct costs or support costs, according to the activity that the underlying asset is used to deliver.

Tangible fixed assets

Items are capitalised where the purchase price exceeds £250. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Computer equipment and office furniture	33% on cost
Fixtures and fittings	Straight line basis over the lease term (44 months).

Fixed asset investments

Fixed asset investments consist of listed investments.

Listed investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price.

The main form of financial risk faced by the charity is that of fluctuations in equity and investment markets due to wider economic conditions, the attitude of investors to investment risk, and changes in sentiment concerning equities within particular sectors or sub sectors.

Realised gains (or losses) on investment assets are calculated as the difference between disposal proceeds and their opening carrying value, or their purchase value if acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value at that date. Realised and unrealised investment gains (or losses) are combined in the statement of financial activities and are credited (or debited) in the year in which they arise.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability.

Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition. Deposits for more than three months but less than one year have been disclosed as short-term deposits.

Principal accounting policies Year to 31 August 2022

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

Taxation

The British Accreditation Council is a registered charity and therefore is not liable to income tax or corporation tax on income derived from its charitable activities, as it falls within various exemptions available to registered charities.

Fund accounting

Unrestricted funds can be used in accordance with the charitable objectives at the discretion of the Council members. Designated funds which are set aside at the discretion of the Trustees for a specific purpose, or where funds are effectively constrained by their application in operational fixed assets.

The fixed asset fund represents the net book value of the fixtures, fittings, office furniture, computer equipment of the charity and intangible assets referring to software licenses. Such assets are vital to the charity being able to carry out its work and the value invested in the assets cannot, therefore, be realised in order to meet future expenditure or liabilities. To emphasise this point, the net book value of the assets is represented by a specific fixed asset fund on the balance sheet.

The trustees have designated funds of 75,000 in the current year for the purpose and any application of designated funds are set out in note 14 to the accounts.

Pension costs and other post-retirement benefits

The charity operates a defined contribution pension scheme. Contributions payable to the charity's pension scheme are charged to the statement of financial activities in the period to which they relate.

Notes to the financial activities Year to 31 August 2022

1 Income from charitable activities – Accreditation and inspection fees

	2022 £	2021 £
Accreditation Fees UK	330,548	374,157
Inspection Fees UK	253,231	203,471
Application Fees	8,600	7,500
Other Fees	28,000	25,185
	620,379	610,313

2 Investment income

	2022 £	2021 £
Interest receivable	68	18

3 Expenditure on:

	Direct costs £	Support costs		Staff costs £	2022 Total £	2021 Total £
		Running costs £	Finance £			
Raising funds						
. Investment manager fees	3,380	—	—	—	3,380	2,007
Accreditation and inspection:						
. Accreditation and inspection delivery	152,578	140,858	968	388,832	683,236	599,907
. Bad debts	2,180	—	—	—	2,180	1,291
. Governance (note 4)	—	16,350	—	—	16,350	36,732
	158,138	157,208	968	388,832	705,146	639,937

	Direct costs £	Support costs		Staff costs £	2021 Total £	2020 Total £
		Running costs £	Finance £			
Raising funds						
. Investment manager fees	2,007	—	—	—	2,007	1,959
Accreditation and inspection:						
. Accreditation and inspection delivery	112,092	96,567	1,059	390,189	599,907	744,974
. Bad debts	1,291	—	—	—	1,291	6,009
. Governance (note 4)	—	36,732	—	—	36,732	24,321
	115,390	133,299	1,059	390,189	639,937	777,263

Notes to the financial activities Year to 31 August 2022

4 Governance costs

	2022 £	2021 £
Legal and professional fees	3,587	23,052
Accountancy fees	2,000	2,000
Auditor's remuneration	9,703	11,680
	16,350	36,732

5 Net expenditure

	2022 £	2021 £
Net expenditure is stated after charging:		
Auditor's remuneration – statutory audit		
· Current year	9,690	8,900
· Prior Year	-	1,680
Amortisation	320	-
Depreciation	8,139	7,184

6 Transactions with Council members' and key management personnel

The Council members consider that they, together with the Chief Executive and Chief Inspector, comprise the key management personnel of the charity. The total remuneration of the key management personnel for the year (including taxable benefits and employer's pension and national insurance contributions) was £112,761 (2021 - £143,752).

Council members received no remuneration or other benefits for the year ended 31 August 2022 (2021: £nil).

Expenses were reimbursed to the Council members for out-of-pocket expenses 2022 £467.03 (2021 - £nil).

Notes to the financial activities Year to 31 August 2022

7 Staff costs

	2022	2021
	£	£
Wages and salaries	324,277	321,254
Social security costs	29,796	30,548
Pension costs	29,121	30,004
Agency & Freelance staff	5,638	8,832
	388,832	390,638

The average monthly number of employees during the year was as follows:

	Average headcount	
	2022	2021
	No.	No.
Administration/ management	5	5
Inspection	2	2
Accreditation	2	2
	9	9

The number of employees who earned £60,000 per annum or more (including taxable benefits but excluding employer pension contributions) during the year was as follows:

	2022	2021
	No.	No.
£70,001 - £80,000	-	1

The staff member in the previous year in the £70,001 to £80,000 bracket, has reduced their contracted hours in the current year and total remuneration was below £60,000.

8 Intangible fixed assets

	Software Licenses	Total
	£	£
Cost		
At 1 September 2021	-	-
Additions	19,228	19,228
At 31 August 2022	19,228	19,228
Amortisation		
At 1 September 2021	-	-
Charge for the year	320	320
At 31 August 2022	320	320
Net book value		
At 31 August 2022	18,908	18,908
At 31 August 2021	-	-

Notes to the financial activities Year to 31 August 2022

9 Tangible fixed assets

	Computer equipment and office furniture £	Fixtures and fittings £	Total £
Cost			
At 1 September 2021	72,600	16,209	88,809
Additions	3,999	-	3,999
At 31 August 2022	<u>76,599</u>	<u>16,209</u>	<u>92,808</u>
Depreciation			
At 1 September 2021	66,097	2,161	68,258
Charge for the year	4,407	3,733	8,139
At 31 August 2022	<u>70,504</u>	<u>5,894</u>	<u>76,398</u>
Net book value			
At 31 August 2022	<u>6,095</u>	<u>10,315</u>	<u>16,410</u>
At 31 August 2021	<u>6,503</u>	<u>14,047</u>	<u>20,550</u>

10 Fixed assets investments

	2022 £	2021 £
Market value		
At 1 September 2021	1,139,498	1,105,131
Additions at cost	1,037,305	140,775
Disposal at opening market value (proceeds £1,030,610; loss £62,596)	(1,093,206)	(266,279)
Net unrealised gain	28,303	159,871
At 31 August 2022	1,111,900	1,139,498
Cash held within listed investments	51,480	136,555
	<u>1,163,380</u>	<u>1,276,053</u>
Cost		
At 31 August 2022	1,135,593	984,192
At 31 August 2021	984,192	924,968
		Total 2022 £
Unrealised gains included above on listed investments (see below)		27,787
Reconciliation of movements in unrealised gains on investments		
Unrealised gains at 1 September 2021		292,496
Net realised gains and losses in the year		(293,012)
Net unrealised gains in the year		28,303
Unrealised gains at 31 August 2022		<u>27,787</u>

Notes to the financial activities Year to 31 August 2022

10 Fixed assets investments (continued)

The following holdings comprised a material holding when compared to the value of the total listed investment portfolio at 31 August 2022:

	Market Value £	%
IFSL CAF Alternative Strategies Acc	203,821	17.52%
Aberdeen Standard Liquidity Fund Sterling GBP	114,987	9.88%
Aberdeen Standard Offshore Sterling Fixed Interest Fund	66,884	5.75%

Listed investments at 31 August 2022 comprised the following:

	2022 £	2021 £
Alternative Strategies	323,339	437,148
Overseas Equities	396,607	494,560
U.K Equities	147,746	207,791
U.K Fixed Interest	244,208	—
	1,111,900	1,139,499
Capital Cash Account	51,480	136,555
	1,163,380	1,276,053

11 Debtors: amounts falling due after one year

	2022 No.	2021 No.
Other Debtors	11,942	-
	11,942	-

Other debtors consist of a repayable deposit paid to secure the leasehold contract for the new head office premises.

12 Debtors: amounts falling due within one year

	2022 £	2021 £
Charitable activity debtors	19,207	7,791
Prepayments and accrued income	14,766	13,699
	33,973	21,490

Notes to the financial activities Year to 31 August 2022

13 (a) Creditors: amounts falling due within one year

	2022 £	2021 £
Charitable activity creditors	26,424	5,615
Social security and other taxes	9,031	9,430
Accruals	32,063	30,773
Deferred income	297,044	204,554
Other creditors	1,661	1,016
	366,223	251,388

Deferred income relates to inspection fees received in advance of inspections taking place and accreditation fees paid in advance for the next academic year, Movements on deferred income are shown below:

	2022 £
Deferred income at 1 September 2021	204,554
Resources released in the year	(204,554)
Resources deferred in the year	297,044
Deferred income at 31 August 2022	297,044

13 (b) Creditors: amounts falling due after one year

	2022 £	2021 £
Provisions	15,552	9,310
	15,552	9,310

The trustees have acknowledged its responsibility to uphold and enhance professional standards in the field of Higher and Further Education at an international level. To fulfil this constructive obligation to its stakeholders, it has decided to remain a member of ENQA, an organization that conducts a review of its members every five years at a cost of approximately £36,000. The cost of the review is provisioned for equally over the preceding 5 years.

14 Designated funds

	Sep-21 £	New designations £	Utilised / Released £	Sep-22 £
Internal Capabilities	-	75,000	(19,229)	55,771
	-	75,000	(19,229)	55,771

The board have set aside funds for various projects internal development and marketing activities, with the aim of improving the efficiency of operations and furthering the charity's increase the profile with a larger number of organisations.

The funds are expected to be utilised within a time frame of 2 years from the reporting date.

15 Fixed asset fund

	Total £
At 1 September 2021	20,550
Net movements in year	14,768
At 31 August 2022	<u>35,318</u>

The fixed assets fund represents the net book value of the charity's fixed assets. The fund recognises the fact that the assets are required for the day-to-day operation of the charity and are not available for other purposes or as a general reserve.

16 Related party transactions

Dr Esther Huertas is on the council of trustees for BAC and European Network for Quality Assurance in Higher Education (ENQA). The BAC are a registered member association of ENQA and makes annual payments for membership, the BAC is also required to take part in several engagement activities with ENQA and is subject to interim inspections, in the current year expenditure of £19,644 has been recognised in relation these activities. (2021: £4,041)

Separately a provision has also been recognised for the BAC's constructive obligation to its stakeholders to undergo a membership review every 5 years (note: 13 (b)), in the current year a movement of £6,242 has been recognised (2021: £6,032) and carried forward balance for the provision at year-end of £15,552 (2021: £9,310). There are no other outstanding balances at the end of the year.

Council of Validating Universities has a secretariat agreement with the BAC, as a result of this relationship Dr Janet Bohrer has been appointed as secretary of CVU, the reason for this is so she may carry out the obligations agreed between CVU and BAC, only when instructed by the council members of CVU. The total income received by the BAC is £28,000 (2021: £18,644), There are no outstanding debts due at the end of the year.

Other than as set out above and in note 6, there were no other transactions between the charity and any of its related parties.

17 Ultimate controlling party

The charity is under the ultimate control of the Council members.

18 Financial commitments

At 31 August 2022 the charity had total commitments under non-cancellable operating leases as follows:

	2022 Land and buildings £	2021 Land and buildings £
Operating lease payable		
Within one year	42,373	42,373
Between 2 to 5 years	55,840	98,213







BAC Annual Report 2021-22

Final Audit Report

2023-02-16

Created:	2023-02-15
By:	Lucy Fox (lucy.fox@the-bac.org)
Status:	Signed
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2023-02-16 - 9:02:03 AM GMT

The Trustees
First Floor
Wax Chandlers Hall
6 Gresham Street
London
EC2V 7AD

19 January 2023

Our ref B0402/CHB/TBE

Dear Trustees

Post-Audit Report – Year ended 31 August 2022

The purpose of this letter is to bring to the attention of the Trustees as those charged with governance and management the findings from our recent audit of the financial statements of the British Accreditation Council, for the year ended 31 August 2022, for your consideration and to enable you to address matters arising where appropriate. Throughout this letter, “you” and “your” refer to the British Accreditation Council. “We” and “our” refer to Buzzacott LLP. We appreciate that you will already be aware of some of the matters contained in this letter. However, in accordance with International Standards on Auditing (UK) (ISAs) we are communicating them to you formally.

1. Purpose of the audit

As auditor, we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements for the year ended 31 August 2022 that have been prepared by management with the oversight of those charged with governance, and other matters required by legislation.

Our work has been carried out in accordance with our audit planning letter dated 5 October 2022.

Our audit work included consideration of the 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 your system of internal control.

The matters being reported are limited to those that were identified during the audit and that we conclude are of sufficient importance to merit being reported to those charged with governance.

2. Audit progress

We are pleased to report that the overall timetable for the audit of the financial statements has been met.

However, we wish to note that due to some personal circumstances that were out of the British Accreditation Council's control, there were some delays in receiving the initial information needed for us to conduct our audit work. Additionally, some support from ourselves was also required to help with the accounting of the Council's investment portfolio which was outside the remit of our audit work, and resulted in additional time being spent.

We would like to take this opportunity to thank all those with whom we dealt during the audit for their assistance and co-operation, in particular Dinesh Thakur, Adam Maiy, Lucy Fox and Janet Bohrer.

3. Annual report and financial statements' format

The financial statements have been prepared, as last year, in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice (Charities SORP FRS 102).

There are no significant changes to the format of the financial statements this year.

4. Auditor's report

We do not propose any modifications to our audit opinion and, therefore, we will issue an unqualified opinion in our auditor's report.

The wording of our auditor's report is unchanged from last year.

5. Adjustments made during the audit

Other than presentational amendments which have no impact on the reported results for the year, there were no adjustments made to the figures presented to us for audit.

6. Unadjusted misstatements

We are pleased to report that we found only clearly trivial misstatements during our audit for the period.

7. Accounting policies, accounting estimates and disclosures

Aside from the introduction of the intangible fixed assets policy, the accounting policies used in preparing the financial statements are unchanged from the previous year.

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the charity. We found the disclosed accounting policies, significant accounting estimates and the overall disclosure and presentation to be appropriate for the charity.

8. Letter of representation

We enclose the draft letter of representation which we will request management and the trustees to approve and sign at the same time as the financial statements. This includes acknowledgement of the trustees' responsibility for the design and implementation of internal controls to prevent and detect fraud.

As set out in our planning letter, we understand the following applied to the year ended 31 August 2022.

- Trustees of the British Accreditation Council exercised effective oversight of management's processes for identifying and responding to the risks of fraud in the charity and a system of internal controls was in place to mitigate these fraud risks.
- The key areas at most risk of fraud at the charity are through external cybersecurity attacks.
- Trustees were not aware of any instances of actual, suspected, or alleged fraud, including misconduct or unethical behaviour related to financial reporting or misappropriation of assets.
- There have not been any out of the ordinary transactions.

If the above information is no longer correct, please contact Catherine Biscoe or Tom Beswick.

9. Accounting and internal control systems

Our work during the audit included an examination of some of the charity's transactions, procedures and controls with a view to expressing an opinion on the financial statements for the year ended 31 August 2022.

This work was not directed primarily towards discovering weaknesses, other than those that would affect our audit opinion, or towards the detection of fraud. We have included in this report only matters that have come to our attention as a result of our normal audit procedures and consequently our comments should not be regarded as a comprehensive record of all weaknesses that may exist or of all improvements that might be made.

We found no significant deficiencies in the accounting and internal control systems during our audit. However, we have made some recommendations for improvements, which are detailed in the section below.

10. Observations and recommendations on the accounting system and financial reporting function

The table below provides a summary of any observations made concerning weaknesses in the company's accounting and internal control systems.

Observations included in the "A" grade (red) banding indicate that, in our opinion, there is a risk of significant financial impact on the company that must be addressed immediately.

"B" grade (orange) banding recommendations relate to those issues where there is a risk of moderate financial impact on the company, such as a control failure or the absence of a control in an area of moderate risk. These items should be addressed shortly.

Observations included in the "C" grade (yellow) banding indicates that the matter, although important, does not warrant urgent attention and should be addressed within an agreed timeframe.

Priority	No of points	Relating to
A	0	
B	1	Income records
C	1	Fixed Assets

Further details in respect of the observations and recommendations as a result of our audit work are given in Appendix A.

The matters have all been discussed with Dinesh Thakur, who has appropriate management authority and are informed management for independence purposes.

11. Prior year observation

We are pleased to report that the following observations made last year have been satisfactorily dealt with:

Priority	Relating to
B	Pay letters Related Party Disclosure

12. Materiality

Materiality threshold: £18,200

Reporting threshold: £900

Materiality refers to the relative significance of a particular matter in the context of the financial statements as a whole. An item would be considered material if its omission or its erroneous inclusion would reasonably influence the decisions of those using the financial statements.

We are required to report corrected audit misstatements, and uncorrected audit misstatements in excess of our reporting threshold which is set at 5% of overall materiality.

Our materiality threshold is based on 1.5% of fixed assets. A lower level of materiality may be selected for specific areas of the financial statements and for some disclosure items e.g. transactions and other financial arrangements with trustees and their connected persons.

When considering the impact of misstatements discovered during the course of our audit and considering the implications for our report of such misstatements, we will refer to this level amongst other things. Whether a misstatement is 'material' or not is ultimately down to the auditor's judgement.

13. Professional ethics

In accordance with our profession's ethical guidance and further to our letter to you dated 5 October 2022 confirming audit planning arrangements there are no further matters to bring to your attention in relation to Integrity, Objectivity and Independence.

14. Current developments

Revised auditing standards

The audit work we perform must comply with all relevant International Standards on Auditing (UK) ("ISAs") which are set by the UK's Financial Reporting Council ("FRC"). ISA (UK) 315 Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment, ('ISA 315') has recently been reviewed and amended by the FRC and the revised version introduces major changes in the approach auditors must follow to risk identification and assessment in all audits. This will be applicable to your audit for the year ending 31 August 2023.

To help prepare for the implementation of ISA 315, charities can refer to the Charity Commission guidance *Internal financial controls for charities (CC8)*, which includes a checklist to assist in evaluating the internal financial

controls in place. There is also information on the control environment for charities in *Practice Note 11 (Revised) The audit of charities in the United Kingdom*, particularly in paragraphs 86 to 95.

We have also attached a summary of other recent and ongoing developments as Appendix B to this report. The matters included in this appendix may not all be directly relevant to the company. However, we are aware that a lot of trustees are involved with more than one organisation, therefore we have included items for general information.

15. Updates, insights and seminars

As part of our commitment to the charity sector, during the year the Charity Team issues occasional Updates and Insights on matters of relevance to the sector and also holds a number of seminars free of charge throughout the year. We would be delighted to welcome representatives of your charity to our seminars or to add trustees and management to our email distribution lists if this would be welcome. News and Insights are also available on our website at [News and insights \(buzzacott.co.uk\)](https://www.buzzacott.co.uk/news-and-insights), where there is also an opportunity to sign up to our mailing list should you wish.

Conclusion

This letter has been prepared for your private use only. It has been prepared on the understanding that it will not be shared with any third party without our prior written consent and we can therefore assume no responsibility to any other party. Any recommendations contained herein are based on the information you have provided and UK law and judicial and administrative interpretation as of the date of this letter. Should the facts provided to us be incorrect or incomplete, or should they change, our recommendations may be inappropriate. Buzzacott LLP accepts no liability for losses arising from changes in UK law, interpretation or practice or in public policy that are first published after the date of this letter.

If you require any further information or assistance, we shall be very pleased to help you.

We would be pleased to receive your comments and reaction to this letter.

Yours faithfully



Appendix A: Audit observations and recommendations

Current year observations and recommendations

B	Income records		
	<p>During our audit work we noted that some of the income spreadsheets used by BAC were not always up to date with the relevant information, such as college numbers. Although this did not have any impact on the items we tested during the audit, there is a risk that some of the income may not be recorded correctly within the nominal ledger. We understand that BAC is currently implementing a new CRM system to help support this process.</p>	<p>We recommend that income records are kept up to date to reduce the risk of income being recorded incorrectly.</p>	<p>Management response: We recognise the risk related to the spreadsheet systems of recording income. We purchased new CRM software, in June 2022, to help support and improve our processes and operations. One of the main goals of the CRM system is to automate several tasks, including record keeping related to income, which will help with the timeliness of reporting and reduce the risk of income being recorded incorrectly. We have nearly completed phase 1 of the implementation of the system, which was to have all core business functions set up, and training of staff is to start by end of January 2023. Phase 2 is for information and functions used for analytics and reporting which will include an updated income reconciliation process and the aim is to complete phase 2 by end of March 2023.</p>
C	Fixed Asset Register		
	<p>During our audit work we noted that there are some fixed assets that have been fully depreciated within this financial year. Although this does not impact our audit</p>	<p>As a best practice point, we recommend that BAC reviews the fixed asset register on a timely basis to ensure that any fixed assets which are no longer in use</p>	<p>Management response: The fixed asset register is reviewed every month by the Finance Officer. Specific consideration will be made to ensure assets which are</p>

<p>work, going forward there could be a risk that future assets which are fully depreciated and no longer in use may not be eliminated from the fixed asset register.</p>	<p>are correctly removed from the fixed asset register.</p>	<p>no longer in use are eliminated promptly.</p>
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Appendix B: Sector Developments

Trustees' Annual Report and Accounts

Government response to audit and corporate governance consultation

- The government has published its results following a consultation exercise in respect of audit, corporate reporting and corporate governance. As part of the initial proposals, charities with income over £100m could have faced much stricter rules on financial reporting under their classification as a public interest entity (PIE). However, it has been agreed that these rules will only apply to entities with over £750m income and 750 employees meaning that only the largest UK charities will be required to comply. The new rules include the introduction of a Resilience Statement, an Audit and Assurance Policy and a statement on fraud measures within Annual Reports.
- The full paper can be read at:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1079594/restoring-trust-in-audit-and-corporate-governance-govt-response.pdf

Reporting Diversity Data

The Charity Commission has been asked to make reporting diversity information about charity senior leaders and trustees mandatory in annual reports. Currently, publicly available information of the diversity of charity leaders is “incomplete and out of date” so a coalition of 65 organisations have advised the change in line with new FCA rules. The FCA requires listed companies to disclose numerical data on the gender and ethnic diversity of their board and executive management. The Charity Commission has said they will consider the recommendations as part of their ongoing work on the issue. The shadow charities minister has also said “increased transparency at charities is needed” and the Charity Commission should take action on “recommendations to collect data on protected characteristics among charity trustees and executives”.

The open letter to the Charity Commission can be found at <https://www.money4you.org/operationtransparency/>

New programme to boost diversity in boardrooms

A pilot Boardroom Apprentice programme has been launched by the Government’s Levelling Up initiative to boost diversity in public boardrooms. The programme aims to more closely reflect the communities in which they serve across the UK, with candidates receiving practical boardroom experience, knowledge and skills.

For more information please visit: <https://www.gov.uk/government/news/new-programme-aimed-to-boost-diversity-in-boardrooms>

Policy and Governance

Charities Act 2022

The Charity Commission has published guidance on changes to be implemented by the Charities Act 2022, expected to come into force from Autumn 2022 and will be staggered throughout 2023. A summary of the key changes are:

- Charities will be able to pay Trustees for providing goods or services to the charity that are beyond the usual trustee duties (Autumn 2022);
- Trustees will have the power to process small amounts of ex-gratia or moral payments without applying to the regulator. For example, if a charity receives a legacy but there is evidence the donor has changed their mind since making their will (Autumn 2022);
- Reduced complexity surrounding fundraising appeals that do not reach, or exceed, the intended target. This includes charities no longer having to wait six months for donors to ask for a refund. In addition, if donations less than £1,000 can be spent on purposes other than those intended, they can act without the involvement of the Commission (Autumn 2022);
- Changes to how charities sell, lease or transfer land (Spring 2023);
- Greater flexibility will be introduced to make use of permanent endowments (Spring 2023); and
- Changes to how charities can amend their governing documents (Autumn 2023).

The guide can be found at <https://www.gov.uk/guidance/charities-act-2022-guidance-for-charities>

Recruiting young trustees

Our Bright Future, a partnership led by the Wildlife Trusts and funded by the National Lottery Community Fund, has published a guide to help charities recruit young trustees to their board. The guide includes case studies and templates for charities that would like to recruit young people, and a six-step approach for supporting young trustees in their role. The guide can be found at: https://ourbrightfuture.co.uk/wp-content/uploads/2022/05/Young_Trustees_Advice_Pack.pdf

Charities and remote meetings

From 22 April 2022, the Charity Commission has confirmed that charities will need to move back to face-to-face meetings unless their governing documents allows remote meetings to be held. The flexibility of online meetings

was introduced in April 2020 but as Covid-19 restrictions have come to an end this flexibility is being removed. The regulator has also said they will no longer give charities extensions to filing deadlines.

Information on how to amend governing documents if needed can be found at <https://www.gov.uk/guidance/coronavirus-covid-19-guidance-for-the-charity-sector>

Companies House reforms

In February 2022, the Government Department for Business, Energy and Industrial Strategy ('BEIS') published its Corporate Transparency and Register Reform White Paper. The reforms are designed to increase transparency and clamp down on abuse of UK corporate structures for money laundering.

These changes are very likely to become law, however there is currently no timetable for the introduction of the new rules.

The key changes are as follows:

- *Reduction in filing options for small companies*
The reforms will simplify the framework for smaller entities by reducing the filing options to just two categories: micro-entities and small companies. The abridged and "filleted" accounts options will be removed and therefore all small companies will be required to file a directors' report and profit and loss account (as well as a balance sheet).
- *Strengthening of Companies House powers*
The government will extend the powers of Companies House to query, seek evidence for, amend or remove information on the register, and to share it with law enforcement if certain conditions are met.
- *Identity verification for those setting up, managing and controlling companies*
The government will require identity checks on directors of companies, general partners in Limited Partnerships, designated members in LLPs and people with significant control (PSCs). Individuals who fail to verify their identity will be subject to new criminal and civil sanctions.
- *Restrictions on corporate directorships*
Corporate directorships will be restricted to entities registered in the UK, and the corporate directors will need to be associated with natural persons who will be subject to identity checks. Different rules will apply to corporate members of LLPs or corporate general partners of LPs but with a similar aim of increasing transparency over the control of these entities.
- *More information on a company's shareholders*
The reform proposes a requirement for private companies, and traded companies where shareholders

hold at least 5% of the issued shares of any class of the company, to provide a one-off full shareholder list. Any changes will be updated annually when a company files a confirmation statement.

- *“File once” approach*

The government is considering a new approach so that accounts will only need to be filed once instead of separately to Companies House, HMRC and other agencies.

Maintaining public trust

The Charity Commission has said that charities should not be complacent in their efforts to maintain public trust. Research conducted on behalf of the Charity Commission found that public trust in charities has risen slightly in 2020-21, after reaching an all-time low in 2018 following a “number of scandals” in the sector. The regulator has said trustees are key in ensuring charities public’s expectations are met through high standards of governance and compliance with duties.

Please see: <https://www.gov.uk/government/publications/research-into-public-trust-in-charities-and-trustees-experience-of-their-role>

Winter 2022 energy bills for charities

The government has published details to reduce energy bills for charities, businesses and public sector organisations from October 2022. A discount will automatically be applied to bills from 1 October to 31 March by supporting the cost of wholesale gas and electricity prices this winter.

Charities on fixed price contracts agreed on or after 1 April 2022 will see their per unit energy costs automatically reduced by the relevant p/kWh, so long as they exceed the supported wholesale prices. Those on default, deemed or variable tariffs will also receive support through a per-unit discount on energy costs, up to a maximum of around £405/MWh for electricity and £115/MWh for gas, subject to wholesale market developments.

For more information please see: <https://www.gov.uk/government/news/government-outlines-plans-to-help-cut-energy-bills-for-businesses>

Investments update

The Charity Commission has published guidance to help trustees make decisions on responsible investment. Trustees at all charities can decide whether or not to adopt a responsible investment approach that reflects the charity’s purposes and values, and not just focus on the financial return.

The guidance states “You can decide that rather than just focusing on the financial return on an investment, your approach will also take into account your charity’s purpose and values.”, i.e. health charities avoiding investments

in companies whose products harm public health/environmental charities actively seeking to invest in renewable energy.

The full published guidance can be found here: <https://www.gov.uk/government/consultations/charity-responsible-investment-guidance/responsible-investment-draft-guidance-for-consultation>

A review of investments in 2021 encompassing the outlook for 2022 can be read at: <https://www.buzzacott.co.uk/insights/investment-review-of-2021>

Charity Commission – Improving charity data

The Charity Commission is focusing on improving data collection over the coming years, with an introduction of broader classification codes on the charity register expected soon (giving more specific options of what the charity does and its objects etc). This will enable organisations to accurately represent their activities, with information becoming more relevant to the public. It is also expected the 2023 Annual Return will feature a ‘library’ of questions which charities can answer as their circumstances require, enabling a more streamlined experience.

The long-term goals include more direct communication with individual trustees to help and support them in their roles.

Further details can be found at: <https://charitycommission.blog.gov.uk/2022/03/22/your-role-in-improving-charity-data/>

Charity Commission proposes additional questions on the annual return

A 12-week consultation commenced in June for potential changes to the Charity Commission Annual Return. The proposed new changes are around financial governance, charity operations and structure, and employees and volunteers. One of the proposed new questions asks charities to confirm whether specific thresholds have been exceeded (e.g. whether 70% or more of total income is dependent on one income stream, or whether 25% of more comes from donations). The regulator hopes this will enable them to collect more targeted information to help with its longer term data-driven, long-term strategy.

Changes will apply to charities’ financial years starting on or after 1 January 2023. For more information on the consultation, please visit the Charity Commission website

<https://www.gov.uk/government/consultations/charity-commission-revisions-to-the-annual-return-2023-25>

Staff recruitment and retention

As charities seek to recover from the pandemic, one of the key issues affecting organisations is staff recruitment and retention. Employment experts believe charities are facing an “exodus” of staff due to increasing pressures

such as overwork, burnout, and low pay. The return to the office has also been a contributing factor to staff retention in the sector. All these factors combined have highlighted a staff turnover in the not-for-profit sector of 18.1%. The recruitment crisis is likely to be heightened as charities lose experienced staff, replaced by staff with little knowledge of their organisation.

Charities can implement a range of strategies to increase staff retention including offering flexible working options, clear career progressions, a strong team culture and focus on staff wellbeing.

For further analysis, please see: <https://www.stoneking.co.uk/literature/e-bulletins/how-can-charities-retain-their-best-staff>

Should Charities invest in cryptocurrency?

The use of cryptocurrency is growing in the mainstream economy as it continues to become a possible route for investing. The Treasury has said they will introduce legislation to regulate certain cryptocurrency to “make the UK a global crypto asset technology hub”. However, the Charity Commission has warned of the risks to charities who invest in crypto assets largely due to its volatile value.

Overall, very few charities are engaging with cryptocurrency, with some charities accepting donations but immediately converting them into regulated currencies. The Charity Commission has emphasised the importance of “knowing your donor”, which can be difficult as blockchain (the system that tracks the exchange of crypto assets) has been built on anonymity. They consider that trustees should be cautious about “delving into this world” given their requirement to follow the core trustee responsibilities.

The Charity Commission full article can be found at:

<https://charitycommission.blog.gov.uk/2022/07/12/cryptocurrencies-what-are-they-and-should-charities-use-them/>

Safeguarding toolkit

Aid umbrella body Bond has urged charity bosses to “step up” on protecting staff and beneficiaries from abuse, as it launches guidance for improving safeguarding culture.

The tool is designed to help assess how an organisation approaches questions of safeguarding and develop plans for preventing “all types of harm, including sexual exploitation, abuse and sexual harassment”. The toolkit aims to help bosses lead discussions, and agree potential actions for their charity, under the heading of six foundations.

The six foundations identified in order to build a stronger safeguarding culture are: accountability, policies and processes, safer programming, a survivor-centred approach, awareness-raising, and safer recruitment and HR processes.

The toolkit can be found here: <https://safeguarding-tool.bond.org.uk/>

Compliance

Safeguarding

The Charity Commission has published a guide on the responsibilities for charities and trustees to keep everyone safe including staff, volunteers, and beneficiaries. Trustees must ensure their charity identifies and manages risks, have safeguarding policies and practices in place, carry out relevant checks (e.g. DBS), protect volunteers and staff, and have procedures to handle and report incidents appropriately.

A detailed overview of safeguarding in charities, and how to implement the above action points can be found at: <https://www.gov.uk/guidance/safeguarding-for-charities-and-trustees>

Tax

Charity tax returns – why are they so important?

Whilst it is not compulsory for charities to file a tax return, HMRC is able to perform random checks on charities to ensure exemptions are being claimed correctly. There is no blanket exemption on income generated by a charity because of their charitable status. If a charity receives income that does not fall under the available exemptions, then the profit element of the income will be subject to tax. The main forms of exempt charitable income are:

- Donations and legacies;
- Trading income, where this derives from activities in furtherance of or ancillary to the charity's objectives, or activities carried out by the charity's beneficiaries; and
- Certain investment and property income.

If there is non-charitable trading income that does not fall under the above exemptions, the small-scale taxable trades exemption can be applied whereby a tax liability will not be applied if the non-charitable trading income is less than 25% of the charity's total income, subject to a cap of £80,000. If £80,000 is breached, the total non-charitable trading income will be taxable.

Further information can be found at: <https://www.buzzacott.co.uk/insights/charity-tax-returns-why-are-they-so-important>