

ACCOUNTING & STATUTORY COMPLIANCE FOR NPOS



Overview

Points to Cover

- NPO challenges
- Compliance
- Accounting principles & Transactions
- Management & Donor reporting
- Statutory & Fund audits
- Risk assessment for NPO's
- Q&A

About TPC



**NPO
SPECIALISTS**



**TECHNICAL
EXPERTISE**



**PROVEN TRACK
RECORD**



**TRUSTED NPO
ADVISORS**



NPO Challenges



**ACCESS TO
HR SKILLS &
CAPACITY**



**INCREASED
COMPLIANCE
OBLIGATIONS**



**INEFFECTIVE
POLICIES &
PROCESSES**



**DONOR &
REPORTING
REQUIREMENTS**



**LIMITED
BUDGET &
FUNDS**



**LACK OF
NPO
EXPERTS**

NPO Sector in Perspective



230,000
REGISTERED
NPOs



58%
NON
COMPLIANT



26,000
SECTION 18A
PBOS



2ND
LARGEST
EMPLOYER



R1.3BN
DSD
FUNDING

Monthly/Bi-Monthly Compliance

SARS - PAYROLL TAXES

- Submission of monthly EMP 201
- Submitted & paid by the 7th of the following month
- Non-compliance will result in penalties (10%) & interest

DEPARTMENT OF LABOUR

- Submission of monthly U-filing return
- Submitted monthly via the portal

SARS - VALUE ADDED TAX

- Submission of monthly/bi-monthly VAT201 return
- Submitted paid by last day of month if using e-filing (otherwise 25th)
- Delayed submission results in delayed refunds

Annual/Bi-Annual Compliance

SARS - INCOME TAX

- Income tax return within 12 months after year end
- Applicable to Tax Exempt PBOs
- PBO status at risk for non-submission

SARS - EMP501 RECON

- Bi-annual EMP501 for 1st 6 months (Mar-Aug)
- Due by 31 Oct according to SARS deadline
- Annual EMP501 & IRP5 (Mar-Feb)
- Due by 31 May according to SARS deadline

DEPARTMENT OF SOCIAL DEV.

- Annual narrative report within 9 months after financial year end
- Non submission is a criminal offence
- NPO status at risk for non-submission

OTHER

- Workman's Compensation Return of Earnings due by 31 May
- CIPC Annual Return for NPCs due on registration anniversary
- NPC de-registration for non submission

Practical Compliance Challenges



CHALLENGES

- Records not up to date
- Insufficient funds
- Unaware of/missing the deadlines
- Unaware of various portals/sites to be used
- Access to portals such as e-Filing, u-Filing, DOL, DSD
- SARS Tax Compliance Status Pin, DOL Certificate of Good Standing, DSD Narrative Report submission



RECOMMENDATIONS

- Timeous processing of accountings records
- Automative data capture/processing (e.g. XERO)
- Monitor funds - actual vs budget
- Project management tools (e.g. ASANA)
- Database of login details, ensure public officer details are current
- Capacity building & training of personnel

SARS Tax Compliance Status (TCS PIN)

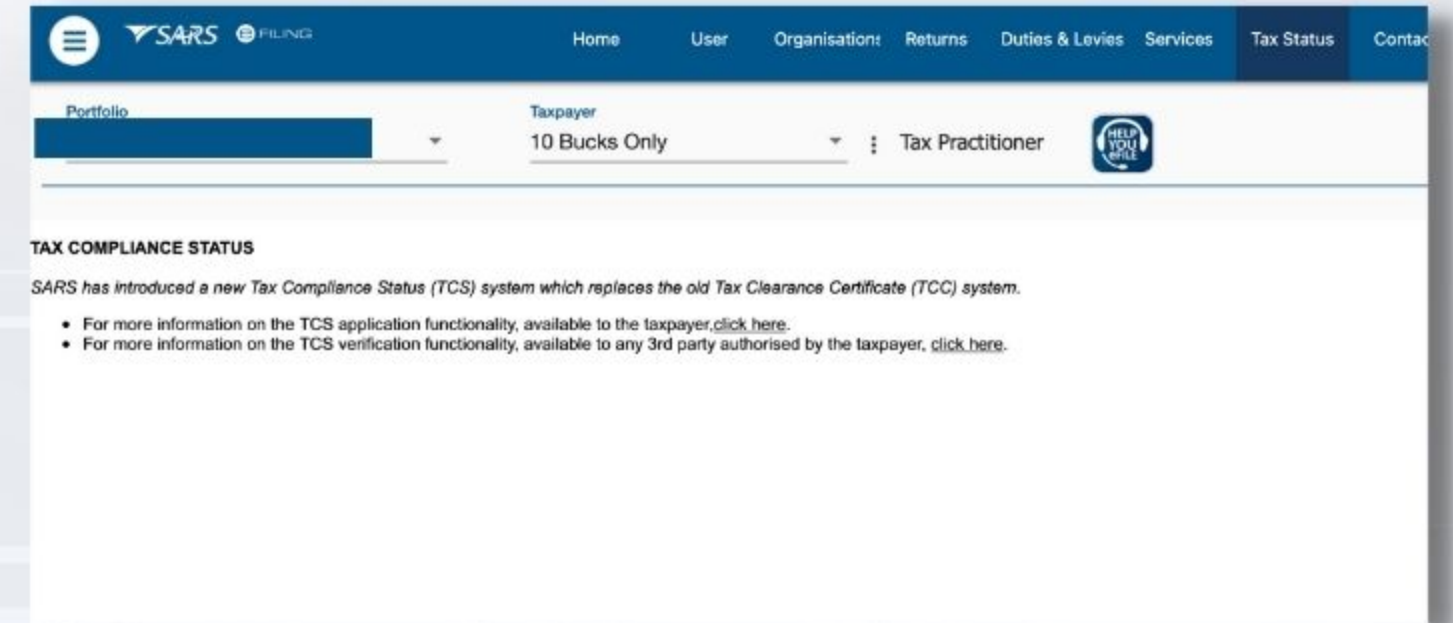
Obtain TCS Pin via SARS e-Filing (no longer TCC)

Activate Tax Compliance within Tax Status tab

Use sub menus on the left

View compliance status within My Compliance Profile tab

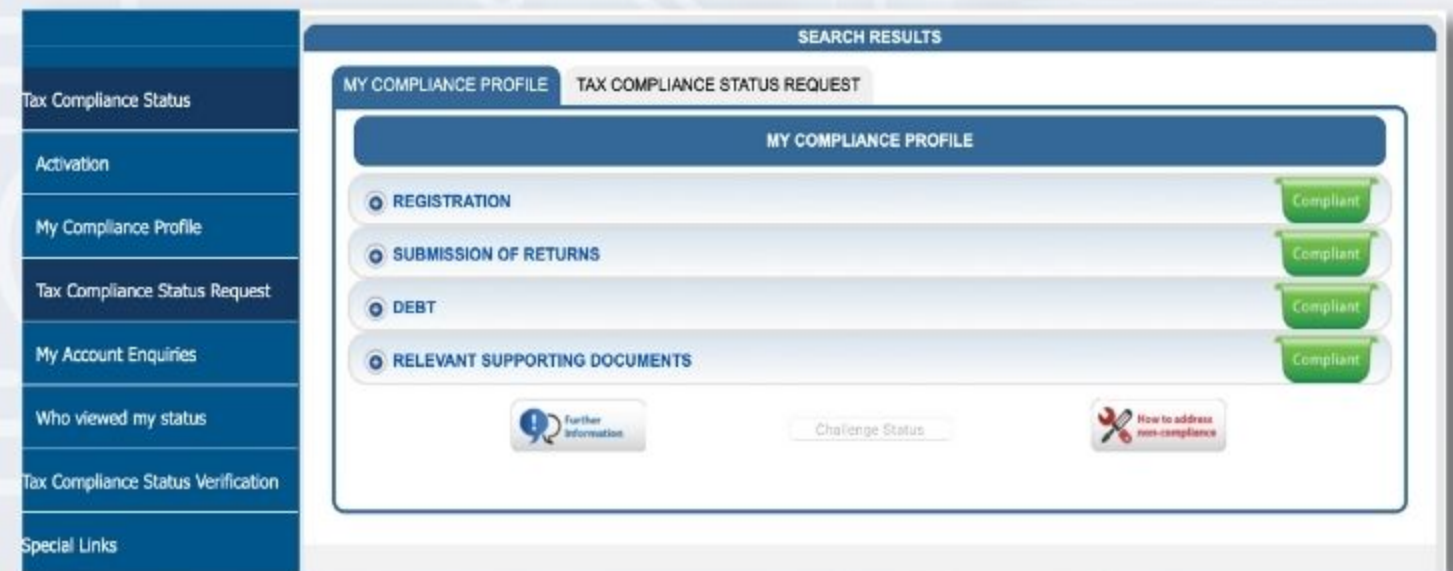
Generate request via Tax Compliance Status Request



The screenshot shows the SARS e-Filing 'Tax Status' page. The top navigation bar includes 'Home', 'User', 'Organisation', 'Returns', 'Duties & Levies', 'Services', 'Tax Status', and 'Contact'. Below the navigation, there are dropdown menus for 'Portfolio' and 'Taxpayer' (set to '10 Bucks Only'), and a 'Tax Practitioner' button. The main content area is titled 'TAX COMPLIANCE STATUS' and contains the following text:

SARS has introduced a new Tax Compliance Status (TCS) system which replaces the old Tax Clearance Certificate (TCC) system.

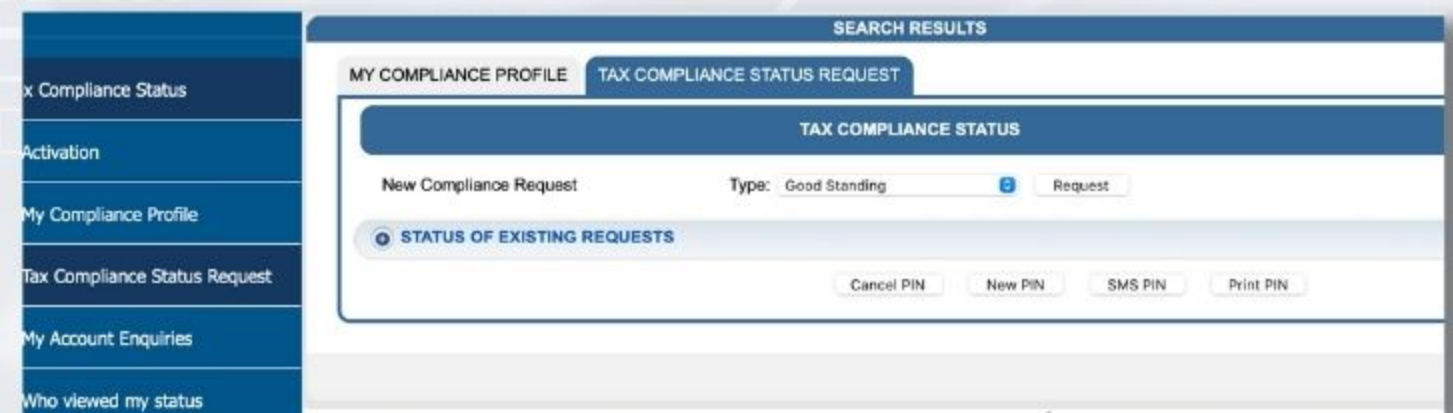
- For more information on the TCS application functionality, available to the taxpayer, [click here](#).
- For more information on the TCS verification functionality, available to any 3rd party authorised by the taxpayer, [click here](#).



The screenshot shows the 'My Compliance Profile' page. The left sidebar menu includes 'Tax Compliance Status', 'Activation', 'My Compliance Profile', 'Tax Compliance Status Request', 'My Account Enquiries', 'Who viewed my status', 'Tax Compliance Status Verification', and 'Special Links'. The main content area is titled 'SEARCH RESULTS' and has two tabs: 'MY COMPLIANCE PROFILE' (selected) and 'TAX COMPLIANCE STATUS REQUEST'. Under 'MY COMPLIANCE PROFILE', there are four categories, each with a 'Compliant' status:

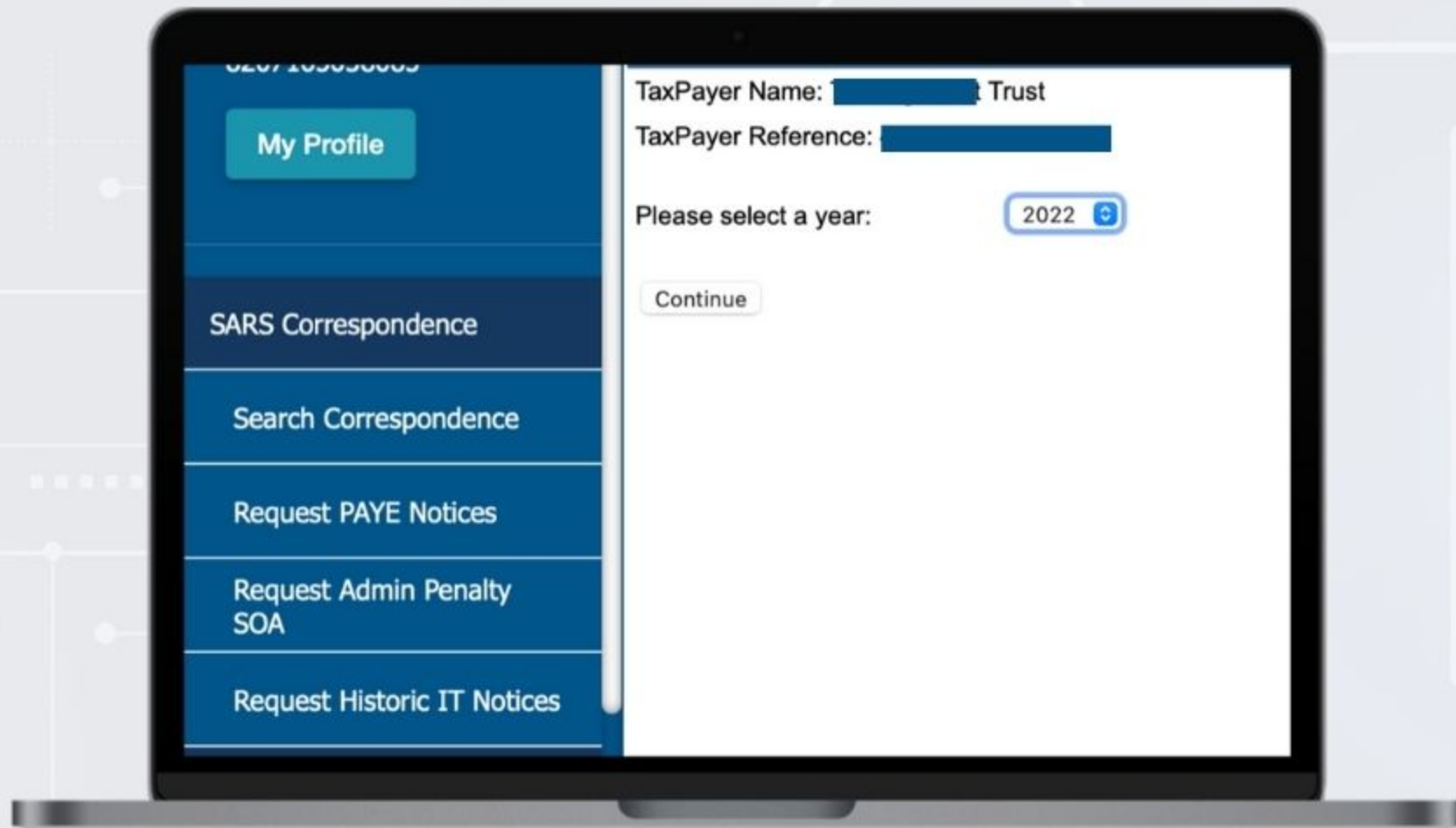
- REGISTRATION: Compliant
- SUBMISSION OF RETURNS: Compliant
- DEBT: Compliant
- RELEVANT SUPPORTING DOCUMENTS: Compliant

At the bottom of the main content area, there are buttons for 'Further Information', 'Challenge Status', and 'How to address non-compliance'.



The screenshot shows the 'Tax Compliance Status Request' page. The left sidebar menu is the same as in the previous screenshot. The main content area is titled 'SEARCH RESULTS' and has two tabs: 'MY COMPLIANCE PROFILE' and 'TAX COMPLIANCE STATUS REQUEST' (selected). Under 'TAX COMPLIANCE STATUS REQUEST', there is a 'New Compliance Request' section with a 'Type' dropdown set to 'Good Standing' and a 'Request' button. Below this is a 'STATUS OF EXISTING REQUESTS' section with buttons for 'Cancel PIN', 'New PIN', 'SMS PIN', and 'Print PIN'.

SARS Statement of Accounts



Navigate to SARS correspondence

Applicable tax types reflected within Request "specific tax type" Notice

Once selected, choose relevant year from the drop down

Best practice to periodically check Statements

VAT Status & Refund Dashboard

Navigate to VAT Maintenance within left menu

Choose Refund Dashboard to monitor status of VAT refunds owed by SARS

Traffic signal dashboard with colours depicting VAT return status

Allows PBOs to monitor timeous receipt/identify delays in release of VAT refunds

SARS eFILING

USER ORGANISATIONS RETURNS CUSTOMS DUTIES & LEVIES SERVICES TAX STATUS CONTACT LOGOUT Taxpayer List

VAT REFUNDS DASHBOARD

Client Details

Client Name: [REDACTED] N
Trading As: [REDACTED] N
Registration Number: [REDACTED] D
Tax Reference: [REDACTED] S

Search Criteria

From Period: 201611
To Period: 201711
Refresh

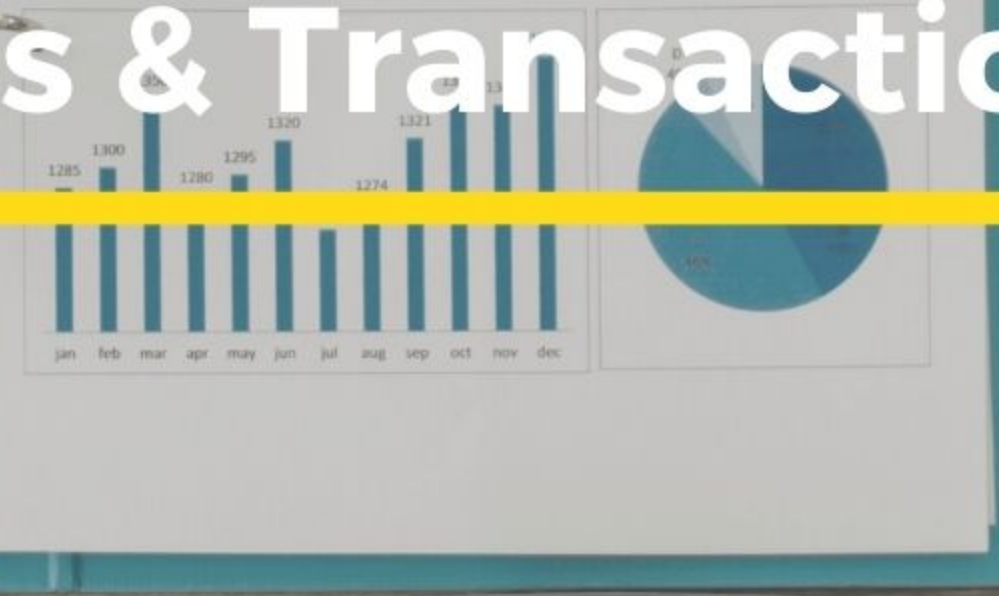
Search Results

Period	Return Amount	VAT Issue Description	Status Date	Indicator
201401	R -70,211.98	Declaration referred for Verification. Verification finalised -		Green
201501	R -120,301.68	Declaration referred for verification. Verification in-progress -		Yellow
201601	R -104,495.12	Declaration referred for verification. Verification in-progress -		Yellow
201701	R -83,673.91	Declaration referred for verification. Verification in-progress -		Yellow
201707	R -51,457.82	Declaration referred for Verification. Verification finalised -		Green

Accounting Principles & Transactions



Research	4.9	4.9	4.9	4.9
Depreciation	2.4	389.72	147.22	242.82
Interest Expense	382.07	317.55		0.4
Unusual Expenses				1.40
Other Operating Expenses	223.27		0.8	242.42
Total Operating Expense			146.42	72.72
Operating Income	0.2	0	43	278.82
Income Tax				65.4
Minority Interest				
Net Income				



ANALYSIS REPORT

SUMMARY	
Value	45,000
Change	12,000
% Change	26.67%
Up	7
Down	3
Income	137,000
Change	19,000
% Change	13.87%
Gross profit	99,000
Change	3,200
% Change	3.42%

1 year

Summary sale

Fundamental Accounting Principles

- Accounting records are used to prepare the annual financial statements which are essentially a summary of the financial results for the year
- What are Accounting Records?



Trial Balance



RECORDS



Management Accounts



Annual Financial Statements



Supporting Documentation

Basic Accounting Terms for NPOs

INCOME

- Revenue is Income earned from Core activities - i.e. Donations, Grants, Sales & Service revenue
- Other income - non core income such as interest, dividend income

EXPENSES

- Direct or core operational expenditure
- Administrative/operating expenses are expenses that aid the organisation as a whole
- Finance costs - interest paid to bank, loans or to the SARS

SURPLUS/DEFICIT

- Amount after deducting expenses from income earned
- Flows into the balance sheet each year via equity

ASSET

- Something valuable that an entity owns, benefits from or has use of, in generating income
- Anything of value that can be converted into cash
- Can be tangible or intangible

LIABILITY

- Is a financial debt or obligation that arises during the course of operations

EQUITY

- Represents the difference between total assets & total liabilities

NPO Transactions

HOW TO ACCOUNT FOR THE FOLLOWING:

- Adhoc donations
- In kind donations
- Grants over different financial periods
- Grants with specific milestones/project deliverables



Other Accounting Considerations

- Financial record maintenance/preparation
- Accrual vs cash basis
- Frequency of financial record updates
- Efficient use of cloud technology
- Data storage/document retention

*A few of the
accounting/reporting
solutions used by TPC:*



Management & Donor Reporting



Management Reporting

ANALYSIS OF
BUDGET VS
ACTUAL
(PROJECT &
ORGANISATION)

BALANCE SHEET

BALANCE SHEET
RECONCILIATIONS

Donor Reporting



CHALLENGES

- Lack of awareness & understanding of donor reporting requirements
- Donor reporting format not consistent with available information
- Errors in reporting
- Delay in completion/submission
- Donor reporting deadlines not complied with



PREPARATION

- Internal deadlines to ensure compliance
- Processing system to be set up to enable easy extraction of data for donor report
- Reconciliations to be prepared & reviewed
- Analysis of budget vs actual with explanations
- Availability of supporting documents

Statutory & Fund Audits



Common Questions

Requirements for a compulsory statutory audit:

1. NPC holds > R 5 m assets in a Fiduciary Capacity
2. State or Foreign controlled NPC
3. NPC performing a Statutory or Regulatory function
4. Public Interest Score (PIS) of 350 or more
5. PIS between 100 and 350 & AFS internally compiled

NB. Independent Review required if:

- PIS is below 100 or
- PIS is between 100 & 349, & AFS prepared externally

Other Audit FAQs

- When is an audit required?
- Who can do an audit?
- What is the difference between an:
 - Audit
 - Independent Review
 - Compilation

How to calculate the Public Interest Score

One point for:

- Every million rand in 3rd party liability
- Every million rand of funds received
- Every member of the company
- Average number of employees during the year

Statutory Audit Preparation



COMMON CHALLENGES

- Insufficient/lack of documentation
- Lack of controls
- Lack of evidence of controls (e.g. approval of management accounts or budgets)
- Inadequate audit preparation eg. Trial Balance not finalised
- Deferred revenue adjustment not done/not done correctly
- Accruals not raised at year end
- Lack of understanding of what is expected of the finance team



TPC AUDIT CHECKLIST

TPC STATUTORY AUDIT DELIVERABLE CHECKLIST		
Planning information		
No.	Description	Date pro
1	Copy of founding documents (MOI, Notice of incorporation, LOA, Trust Deed, Constitution as applicable)	
2	NPO certificate if applicable	
3	PBO Certificate if applicable	
4	Organisational profile document highlighting what the organisation does	
5	Copies of any contracts/agreements	
6	Narrative highlighting each financial year and the key milestones achieved along with any significant changes since the prior year	
7	Minutes of all director meetings	
8	Minutes of all management meetings	
9	Company organogram	
10	List of service providers - name, service, terms of the service	
	Summary of systems and processes - revenue	
11	This should include a description of what staff are involved, what each person role is, what levels of review there are. The system description should cover all revenue streams.	
	Summary of systems and processes - payments	
	This should include a description of what staff are involved, what each persons role is, what levels of review there are. The system description should cover eft controls and should identify who adds beneficiares, who amends beneficiaries, who loads transactions for payment, who approves and releases. If passwords are used. The level of segregation of duties. Whether documents are reviewed prior to release of payment (if so by who, what do they review and is there any evidence)	
12		
	Summary of system processes - procurement	
	This should include a description of what staff are involved, what each person role is, what levels of review there are. The narrative should basically highlight the process from a request for a purchase all the way through to payment (ie. who approves request, is there a purchase requisition, do you use quotes - what is the quotes policy, who places orders with supplies, who receives the goods, who does the payment request (is a payment requisition used)	
13		
	Summary of systems processes - payroll	
	Who is responsible for hiring and firing staff, who approves salaries and staff increases, how often do staff get an increase, Who approves the payroll reports each month prior to payment. What control is implemented to ensure that payroll sent by the external accountant is accurate	
14		
	Narrative explaining what the process is with the external accountant- ie what documents are submitted each month to the accountant, what does the accountant send back on a monthly basis, what review is performed on the work submitted, who does this review, is there any evidence of review	
15		
	Do you have monthly management accounts	
16		
	If yes to no. 16 - please can I have the entire years management accounts	
17		
	If yes to no. 16 - who reviews the management accounts and what review is performed	
18		
	Are there any reporting requirements for donors - if so please explain what the requirements are , how often, who prepares the information for submission and who reviews the information prior to submission. We would like access to these reports	
19		
	What is the budgeting process ie : - who prepares the annual organisational budget - who reviews and approves the annual organisational budget - who prepares project budgets - who approves project budgets	
20		
	Copy of the approved budget for the year under audit and the subsequent financial year	
21		
	Copies of all donor agreements	
22		

Fund Audits



WHAT IS A FUND AUDIT?

- Fund audits – required by specific funders & relate to a program or project
- Fund audits differ from a statutory audit
- Report Type – Factual Finding (agreed upon procedure)
- Procedures differ for each fund audit depending on the funders requirement
- Audit = Opinion
- Fund Audit = No opinion

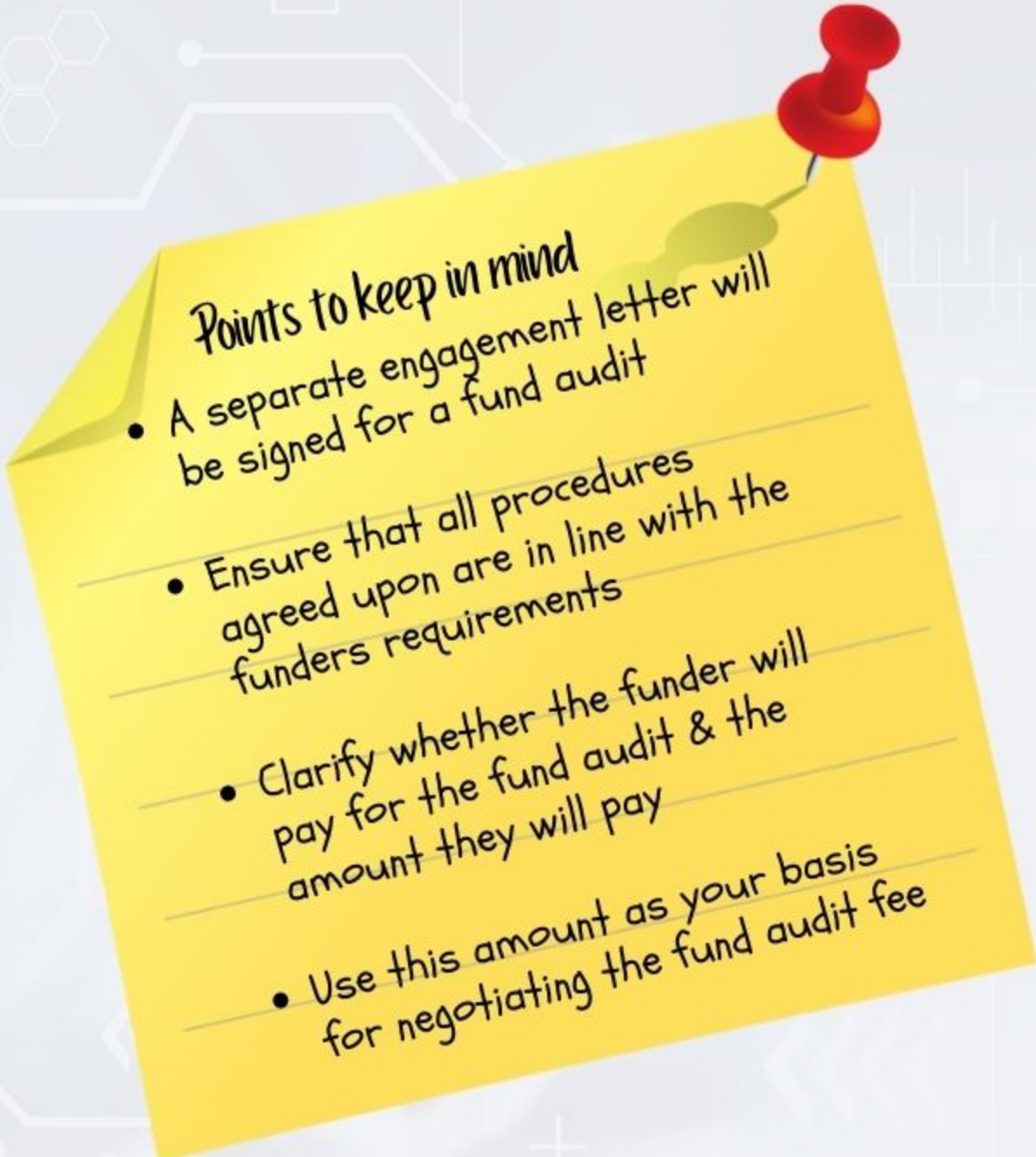


HOW TO PREPARE

- Engage with funder in advance to determine if there are any specific procedures that must be addressed
- Review the grant agreement for clauses relating to fund audits (understand these & discuss with funder in advance)
- Communicate with auditor on detailed procedures to be done
- Maintain supporting documents required for all procedures
- Ensure that the procedures agreed upon meet all the funders requirements

Fund Audit Procedures

- Inspecting the grant agreement for the approved budget
- Comparing the budget to the actual results on an overall & line by line basis
- Confirming that all overspend per line item has been approved by the funder
- Tracing amounts received to the bank statement
- Reconciling the fund statement/report to the financial records
- Selecting sample of payments from the fund statement & inspecting supporting documents. These may include:
 - Payroll costs
 - Other costs

- 
- Points to keep in mind*
- A separate engagement letter will be signed for a fund audit
 - Ensure that all procedures agreed upon are in line with the funders requirements
 - Clarify whether the funder will pay for the fund audit & the amount they will pay
 - Use this amount as your basis for negotiating the fund audit fee



SUNITHA SINGH

GM: FINANCE & ADMIN

"TPC has enhanced our ability to increase our activities through tax savings"



JUDI GIBSON

EX GM

"The League will remain eternally grateful to TPC for their interest shown and the assistance so willingly provided, to assist us in the most meaningful way"



KINGSLEY KIPURY

EX COO

"TPC came highly recommended and they did not disappoint"



SOME OF THE NPOS WE SERVE

TAILORED NPO SOLUTIONS

Specialised offerings designed for your NPO

1

NPO Risk Assessment

Risk assessment & situational analysis

2

CA Connect*

A transparent fixed fee outsourced accounting, compliance, tax & payroll solution

3

Statutory/Fund Audits

Specialised value for money audit services, including USAID Audits

4

VAT Reviews

Retrospective success based VAT & Tax Recovery Reviews



Q & A



Disclaimer: This presentations & capacity building initiatives are intended for educational purposes only & do no replace the need for professional advice. Turning Point Chartered Accountants assumes no responsibility for the use & application of the information contained herewith.

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