



Charities

and Accounting Systems

Market Overview by Freelance Journalist, Lindsay Nicolle



The charity sector is one of the most exciting in the UK today in terms of its application of information technology. Charities are increasingly turning to technology to demonstrate their accountability. The pressure on all charities to employ streamlined and cost effective business processes, and maintain a lean and mean administrative infrastructure, is all the greater since they rely on the confidence and support of the public, and strictly controlled government funds for their existence.

In this regard, the charity sector is a good judge of accounting software products since in recent years it has been strictly scrutinised for financial rigour by the government's charity watchdog, the Charity Commission.

The publication of accounts compiled and analysed on a professional and consistent basis plays an important part in the public accountability of charities. Since 1995, the recommended code of practice on financial accounting and reporting for charities has been the Charity Commission's Statement of

Recommended Practice for Accounting by Charities (SORP). The Statement's overriding aim is to improve the quality of financial reporting by charities and reduce the diversity in accounting practice and presentation. First drafted in 1995, SORP has evolved to reflect emerging accounting standards. Its latest incarnation, SORP 2005, gives additional guidance on fund accounting. Charities' Statements of Financial Activities (SOFA) now need to provide a summary of main funds, and differentiate between unrestricted income funds, restricted income funds,

and endowment funds. SORP 2005 now also provides clarity in other areas such as the recognition and measurement of gift aid payments from trading subsidiaries. The aim is to make charities even more visibly accountable for their income and expenditure.

The requirements of SORP have caused many charities to seek more comprehensive, flexible, modular, user-friendly, and Euro-compliant accounting software.



Accounting software increasingly needs to be capable of integrating into a variety of systems so as to provide instant access to detailed financial information for Trustees and outside scrutineers, on demand. Many of the larger charities, which are extremely commercially aware, have installed fully integrated accounting systems which allow them to analyse in detail the profitability of specific projects, to evaluate how successful a campaign has been in minutiae and account for expenditure in multiple currencies.

In recent years the Internet has changed the face of charities in terms of how they interact with their funding partners, the public, and their volunteers.

The Internet enables charities' supporters to request information online, and be directed to the appropriate local branches, providing labour and timesaving procedures for skeleton-staffed

Email is also being used to enable one-to-one relationships between charities and their supporters as well as the beneficiaries of their causes, for example for marketing purposes or in the case of the Samaritans, for counselling.

eBIS-XML

One of the key technological developments within the software industry over the last few years has been the creation of the open Internet language technology, XML, which enables different applications to be integrated together. In a move to support e-commerce, an Electronic Business Interchange Standard, eBIS-XML, has been developed by the Business Application Software Developers' Association (BASDA), a UK-based international standards body and trade association which represents hundreds of the world's leading developers and suppliers of business and accounting software.

business documents between different software products and along the entire supply chain.

The standard also enables smaller organisations to implement an e-business strategy, since they can use standard email and Internet forms rather than having to invest in electronic data interchange (EDI) systems, so-called middleware software to 'glue' systems together, or value added networks. Essentially, eBIS-XML supports seamless, electronic, end-to-end e-business transactions of the kind required for e-commerce trading.

Finally, eBIS-XML also provides a 'paperless office' environment by enabling any disparate accounting system to pass data with ease into the core financial product, so that, for example, documents can be sent safely by email between any accredited products. The standard is fast becoming the de facto



operations. It also presents exciting opportunities for e-commerce and the collection of donations electronically, and makes possible the dream of the so-called 'paperless office'.

While some charities have been slower than others to harness the full potential of the Internet, the use of email has become ubiquitous among charities of all sizes. In particular, email is being used to send purchase orders to suppliers, saving on staff time, paper and postage costs as well as speeding up payments.

eBIS-XML has been slow to catch on among charities since their electronic transactions with suppliers are not as detailed as, say, those in the building industry.

Nevertheless, charities could benefit from applying this standard since it can reduce costs. It removes the need for expensive stationery and postage for invoices and ordering, and cuts the time spent on re-keying data, speeding up both the sales and purchasing cycles. eBIS-XML supports the direct exchange of purchase orders and invoices and other

standard for linking websites to back office systems and for exchanging orders and invoices.

To date, only large organisations that were able to afford to implement expensive and complex EDI systems could achieve all of these back and front office benefits. Today, every organisation, and every charity of any size, has access to eBIS-XML compliant accounting software that can enable them to join the e-business revolution.

The future of the charity sector

Just like any business, charities are fully conscious of the need to future-proof their IT systems against likely changes in their status, and in the more stringent regulations on accountability that they must abide by in the coming years. Ongoing cuts in funding by the UK and European governments are already causing merger fever and consolidation among like-minded charities.

As the charity sector evolves to sustain multi-company organisations, so the need for exceptional financial reporting will continue and increase.

Charities can be expected to increasingly seek industry standard technology which is flexible and capable of integrating with a variety of systems, both legacy and web-based. Only this way can they ensure that their accounting practices are of the highest quality, and that their IT systems will be compatible should they merge with any like-minded charity.

In the long-term we are likely to see business links with Internet companies and financial institutions, with accounting systems co-joined. Some charities are already quite advanced in their adoption of web-based technologies and have forged relationships with search engine organisations to offer Internet access, with the cost of the access being donated to the charity. Others are offering credit cards in conjunction with banks as a way to make donations.

Conclusion

The future is never certain for charities given the ever-tightening squeeze on supporting funds. Nevertheless, accounting software such as Exchequer from IRIS Enterprise Software could be their saviour - not just because of the time and cost savings it can generate in administrative and financial procedures, but also because it can make charities more accountable for their expenditure, and improve the way the sector communicates about its activities and achievements to the wider world.

Industry standard, flexible and integrated accounting systems are essential for charities today since only they can deliver the depth of financial detail increasingly required by the industry's regulators, and expected by the supporting public. By adopting such systems, charities can spend more time, money and effort concentrating on their core expertise.



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All about IRIS Enterprise Software

IRIS Enterprise Software, formerly Exchequer Software, was established in 1984 when the PC was just starting to find its way into small and medium sized businesses (SMEs).

In March 2005, Exchequer Software was acquired by the IRIS Group - a leading provider of accountancy and business software to accountants, practices and small businesses in the UK - and thus became known as IRIS Enterprise Software. Exchequer Software's origins

were in the development of accounting and business solutions for a wide variety of different industries, culminating in a suite of financial modules launched onto the market in 1990. Exchequer Software's focus was on the SME sector of the market, and the company continued to develop industry specific solutions for this sector of the business community.

This focus, and the ensuing 20 years experience, combined with the company's continued commitment to providing

leading edge, innovative, reliable and customer-focused accounting and business solutions, has achieved positioning as one of the most reputable and successful suppliers of accounting systems in the mid-range market.

Now over 15,000 organisations utilise Exchequer to manage their accounts and run their business operations.



We have built a significant portfolio of charity customers including Action for Kids, Henshaws Society for the Blind, British Deaf Association, Butterfly Conservation, Aston Charities Trust, and Birmingham Institute for the Deaf.

Exchequer has many features that can specifically help charities in their work. Charities can benefit from the

flexibilities of the SDK (Software Developers Toolkit) to automate new approaches when reaching out for donations, for example, donations could be received from a website and automatically posted as transactions into Exchequer.

A Paperless module allows accounting documents to be sent straight from

the desktop. The software also features flexible reporting and the ability to confidently keep track of general and restricted funds. Charities using Exchequer have reduced the time it takes to generate reports by up to ten days. Last but not least, Exchequer integrates with a variety of systems to streamline operations as well as complying with industry standards such as eBIS-XML.

Focus On Charities

The British Deaf Association

In addition to the worry that increasingly inadequate financial controls might scare off potential project funders, the British Deaf Association, the UK's largest national organisation run by deaf people for deaf people, recognised the importance of adhering to the Statement of Recommended Practice for accounting by charities. While innocent inaccuracies in the BDA's accounting processes were not preventing the organisation from meeting its commitments, they were, nevertheless, too substantial to ignore.

The BDA hired Andrew Machin as Head of Finance with the brief to bring the financial systems under better control. Exchequer was chosen for its broad functionality, ease of use and its ability to present data in graphical ways that appealed to non-accounting executives. The BDA implemented the core Exchequer modules producing monthly reports in Excel via an OLE link.

After just a few months Andrew began to see an improvement in the quality of the financial reporting and also in the acceptance of the need for more financial rigour among the BDA's wider staff.

"The most dramatic business benefit we've seen from using Exchequer is that we've been able to compile all of our financial records ourselves. We have a much greater understanding of the financial dynamics of our organisation," says Andrew.

Andrew adds, "Using Exchequer it now takes us 15 days instead of 25 to produce our management reports and I'm hoping we can reduce that to 10 days by the next financial year. There's also been some reduction in our overall expenditure but chiefly we're getting better value for money."

Today, the BDA's trustees base their project funding decisions on accurate financial information instead of 'best guesstimate figurework', which has previously led to inaccuracies

when forecasting income. Andrew concludes, "We have had two very tough financial years but we've been able to regain the confidence staff have in the financial reporting of the organisation and they now trust the financial news that we give them. Exchequer has proven to be a very good vehicle for us to do this because of its flexibility and ease of operation. It has made us more accountable for our finances and we're now able to deliver a better service to our members and supporters as a result."



Apsley Paper Trail

Apsley Paper Trail, a paper-making visitor attraction and registered charity, invested in Exchequer to significantly improve the speed and quality of management reporting information within the organisation, whilst supporting its move towards commitment accounting to provide budget holders with greater visibility of all committed expenditure.

Exchequer delivers departmental reporting functionality that accounts for all of the charity's varied activities, including papermaking, training, book publishing and site-visits. Exchequer also ensures that Apsley Paper Trail is compliant with the latest SORP standards.

Exchequer was selected as the best value package ahead of other products in the market.

Peter Smith, Projects and Finance Co-ordinator at Apsley Paper Trail comments, "The level of integration between Exchequer and Microsoft Excel was important as the charity can review reports in a familiar format. In addition, the ability to import and export information to and from Exchequer gave it an edge over the other systems we evaluated."

Apsley Paper Trail will also be using Exchequer to support a commitment accounting model, which will provide

visibility of all expenditure the charity is committed to as soon as an order is raised and a cost is incurred, giving greater control to budget holders.

Julie Kennedy, Finance Manager at Apsley Paper Trail concludes, "In the long-term the implementation of Exchequer will deliver far more efficiency in the accounts department, eliminating time-consuming processes, and making it much easier for us to present high-level information to the senior management team. Exchequer is a very user-friendly, flexible accounting system that is able to grow with us as our activities increase."