

Directions and Guidance Notes

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Introduction

The Charities Act 1993 (“the 1993 Act”) made provisions for Regulations governing the form and content of charity accounts, trustees’ annual reports and the duties of charity auditors and independent examiners. These requirements are set out in The Charity (Accounts and Reports) Regulations (“the 2005 Regulations”). The 1993 Act embodies the concept that some form of independent scrutiny is required for the accounts of all but the smallest charities, but that this will fall short of a full requirement for an audit for many charities.

The Charities Act 2006 (“the 2006 Act”) introduces an increased income threshold for independent examination for accounting periods beginning on or after 27 February 2007. Further changes, to be implemented later in 2007, will also extend the scope of independent examination to small company charities incorporated under company law.

To which accounting periods does this guidance apply?

This guidance has been updated for changes in the scrutiny (independent examination and audit) thresholds introduced by the 2006 Act and should be applied to the examination of accounts for accounting periods beginning on or after 27 February 2007.

For accounting periods beginning before 27 February 2007 reference should be made to our guidance CC63 Independent Examination of Charity Accounts.

Who should use this guidance?

This publication is intended for those who carry out the independent examination of unincorporated charities’ accounts and describes how they should set about their duties.

This publication also sets out (Appendix 6) the points which trustees should consider when selecting an examiner.

What is an examination?

Independent examination was introduced by Part VI of the 1993 Act. It is a less onerous form of scrutiny than an audit and provides less assurance both in terms of the depth of work which is to be carried out and the qualification necessary to undertake such work. An examination involves a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also involves a review of the accounts and consideration of any unusual items or disclosures identified. Verification and vouching procedures only become necessary where material concerns or doubts arise from procedures, and where satisfactory explanations cannot be obtained from the trustee body.

The examiner is not required to build up a body of evidence to support a positive opinion on the accounts as would be required with an audit. Nor is the examiner required to form an opinion as to whether the accounts show a “true and fair view”.

What are the new thresholds for independent examination?

For accounting periods commencing on or after 27 February 2007 unincorporated charities whose gross income is £500,000 or less in the relevant financial year and whose gross assets are £2.8m or less at the end of the year may elect to have an independent examination.

Where gross assets exceed £2.8m, provided gross income is less than £100,000 then unincorporated charities may still elect to have an independent examination.

There is, however, no requirement for independent scrutiny where the gross income for the year in question is £10,000 or less. (See also Appendix 3 - Calculation of gross income).

The 2006 Act also removes the “2 year rule” requirement. This rule related to unincorporated charities and required that, even if the charity’s income (and expenditure) was below the audit threshold in the current year, it must have its accounts audited if its income or expenditure exceeded the independent examination threshold in either of the two preceding financial years. Charities affected by this rule for financial years commencing before 27 February 2007 who wish to seek a dispensation from audit should contact Charity Commission Direct on 0845 300 0218 for further advice.

The 2006 Act also introduces the requirement, where the gross income of the charity exceeds £250,000 and the charity is not subject to statutory audit (ie gross income does not exceed £500,000 and gross assets are £2.8m or less), for the independent examiner to be a member of an specified accountancy body. The bodies specified in the 2006 Act are set out in the “Selection of Examiners” section of this guidance.

Other external scrutiny requirements

The examiner must be aware that the provisions of the 1993 Act which allow for independent examination do not currently apply to a charity which is a company. **A charity which is a company must, at present, comply with the accounts scrutiny requirements of company law .**

The examiner must also be aware that an audit obligation may arise due to requirements outside of the 2006 Act, such as:

- a requirement under the charity’s governing document (although if this means a higher level of scrutiny than otherwise required by the 2006 Act, the trustees may be able to amend the governing document – see Appendix 1);
- a requirement under another statutory or regulatory regime, such as those relating to registered social landlords; or
- a requirement placed on the charity by a donor or financier (eg a loan-making institution).

Trustees may also opt for an audit if they prefer the higher level of assurance that it provides.

Changes applying to charitable companies for all accounting periods commencing on or after 27 February 2007

The audit threshold for charities incorporated under company law has also increased. The accounts of a charitable company with more than £500,000 gross income in its current financial year or with gross assets of more than £2.8m at its year end must be audited by a registered auditor. The accounts of a charitable company with income of over £90,000 (but not over £500,000) in its current financial year must be examined by a reporting accountant if an audit is not undertaken.

Changes to be introduced later in 2007

This guidance does not currently apply to charitable companies, but this will change when the provisions in the 2006 Act and Companies Act 2006 are implemented. Charitable companies which qualify as a small company under company law will become subject to the scrutiny regime of the Charities Act 2006. This will mean that, in due course, company charities will be subject to the same independent examination and audit regime, depending upon their gross income and gross assets, as all other charities. Once these changes take effect only those charitable companies that do not qualify as small companies will remain subject to the audit regime of the Companies Acts.

The 2006 Act will also introduce a new ‘whistleblowing’ duty for independent examiners coming into effect later this year. This will mean that where an independent examiner becomes aware of a matter during the course of their examination, which relates to the activities or affairs of the charity, or of any connected institution, or body, and they have reasonable cause to believe the matter is likely to be of material significance for the purposes of the Commission in the exercise of its inquiry functions then a reporting duty will arise. In such circumstances, the examiner must make a written report to the Commission. This statutory duty will replace Direction 12 which currently requires a matter to be reported where a charity trustee has been responsible for deliberate or reckless misconduct.

The 2006 Act will also require group accounts to be prepared where charities undertake activities through subsidiaries. The relevant threshold at which group accounts must be prepared and scrutinised has not been determined and will be subject to full consultation. Currently the Statement of Recommended Practice, the SORP, recommends that group accounts are prepared for groups whose aggregate income exceeds the charity statutory audit threshold (ie a gross income exceeding £500,000). Therefore independent examiners would not normally be examining group accounts. Once the Regulations introducing the thresholds and framework for the preparation and scrutiny of group accounts are in place, further guidance will be issued.

These changes that will be implemented later in 2007 may require some amendments to be made to the existing Directions. These changes will be subject consultation and the amended Directions will be issued with a further update to this guidance in due course. Until the issue of new Directions, the current Directions remain in force and applicable.

The 2006 Act also provides for a new form of charity, the Charitable Incorporated Organisation, and further guidance will be issued once the relevant provisions concerning the Charitable Incorporated Organisation are implemented. This is likely to be early in 2008.

Selection of examiners

Appendix 1 sets out our guidance on the selection of an independent examiner. Whilst not all examiners have to hold a professional accountancy qualification, the trustees must always appoint a person suitable for the circumstances of the charity. Where the accounts are prepared on the accruals basis in accordance with the 2005 Regulations, a commensurate understanding of accountancy principles and accounting standards will still be needed. Experience of charity administration and accounting is desirable.

Where the gross income of the charity exceeds £250,000 and the charity is not subject to statutory audit (ie gross income does not exceed £500,000 and gross assets are £2.8m or less), the 2006 Act introduces a requirement that the independent examiner be a member of a specified accountancy body. The 2006 Act specifies the following bodies:

- Institute of Chartered Accountants in England and Wales
- Institute of Chartered Accountants of Scotland
- Institute of Chartered Accountants in Ireland
- Association of Chartered Certified Accountants
- Association of Authorised Public Accountants
- Association of Accounting Technicians
- Association of International Accountants
- Chartered Institute of Management Accountants
- Institute of Chartered Secretaries and Administrators
- Chartered Institute of Public Finance and Accountancy; or
- a Fellow of the Association of Charity Independent Examiners.

The guidance also gives consideration to the criteria of independence when selecting an examiner. The prospective examiner should consider these guidelines prior to accepting appointment. It is the responsibility of the trustees to satisfy themselves that their independent examiner is appropriately experienced or qualified to undertake the independent examination, for example, if accruals accounts are being prepared, is the independent examiner familiar with the principles of the Statement of Recommended Practice, the SORP? Where appropriate, the trustees may wish an independent examiner to provide evidence of their experience, accreditation, or qualifications and this is recommended in all cases when a qualified independent examiner is required by the 2006 Act.

The examiner's report

Following the examination, the independent examiner is required to produce a report. The specific reporting duties of the independent examiner are detailed in Regulation 8 of the 2005 Regulations, reproduced in Appendix 2 together with example formats of examiner's reports.

In the report, the examiner must state whether or not any matter has come to attention in connection with the examination which gives reasonable cause to believe that:

- proper accounting records have not been kept;
- the accounts do not accord with such records; or

- the accounts fail to comply with relevant Regulations.

A statement is also required as to whether or not any matter has been identified, in connection with the examination, to which attention should be drawn to enable a proper understanding of the accounts to be reached.

The report should also include details of the following matters where they have become apparent:

- material expenditure or action contrary to the trusts of the charity;
- failure to provide information and explanations to which the examiner is entitled; or
- evidence that accounts prepared on an accruals basis are materially inconsistent with the trustees' annual report.

The examiner's report must be signed by the examiner in his or her own name. Whilst the name of a partnership or company may be added, the appointment of an examiner relates to the individual rather than the partnership or company.

Charity Commission's Directions

The Charity Commission's Directions provide the procedural basis or framework to define how the reporting duties of the examiner must be met. There are twelve specific Directions that the examiner must address in carrying out an examination. Eight of these apply to all accounts and four apply only when accounts are prepared on an accruals basis under section 42(1) of the 1993 Act.

Direction	Applicable to receipts and payments	Applicable to accruals accounts
1. Examination and accounting thresholds	√	√
2. Understanding the charity	√	√
3. Documentation	√	√
4. Comparison with accounting records	√	√
5. Accounting records	√	√
6. Analytical procedures	√	√
7. Form and contents of accounts		√
8. Accounting policies, estimates and judgements		√
9. Events subsequent to the year end		√
10. Trustees' annual report		√
11. Examiner's report	√	√
12. Reports to the Charity Commission	√	√

Although, only independent examiners of accruals accounts are required to review the trustees' annual report, independent examiners of receipts and payments accounts may still find the trustees' annual report helpful in undertaking their examination and consequently it is recommended that the independent examiner consider reading the report, if it is available, when undertaking an independent examination of receipts and payments accounts.

Resources to assist trustees, the preparers of accounts and the independent examiner

The Commission has a number of publications, freely available on our website www.charitycommission.gov.uk designed to assist in the preparation of accounts consistent with the 2005 Regulations.

The following publications may be of particular help:

Receipts and Payments Accounts Pack (CC16)

Accruals Accounts Pack (CC17)

Charity Accounts: The framework (CC61b) (web site only)

Model Example Trustees' Annual Report and Accounts (web site only)

It is strongly recommended that independent examiners acting for charities preparing accruals accounts are familiar with the accruals pack and conversant with the SORP.

Set out below are:

- an explanation of the objective of each of the twelve Directions; and
- guidance on operational procedures and methods which will help examiners to meet the requirements of the Directions.

The Directions (which must be followed) are reproduced in bold print at the head of each page to which they refer with explanatory guidance set out in light print below. As with any guidance, the examples given and procedures suggested cannot meet all circumstances that may arise in the course of examination and judgement will need to be exercised by all examiners in the context of their work.

All references to 'sections' in the directions and guidance which follow are to sections of the 1993 Act, as amended by the 2006 Act where relevant.

Direction

Examination and accounting thresholds

1. Carry out such specific procedures as are considered necessary to provide a reasonable basis on which to conclude that an examination is required under existing section 43(3) as amended by the 2006 Act and that section 43(2) (audit) does not apply to the charity, and where accounts are prepared under section 42(3), that the charity trustees may properly elect to prepare accounts under this sub-section.

Guidance

1.1 Trustees may elect for independent examination (under section 43(3)) or for the preparation of receipts and payments accounts (under section 42(3)). For either election to be valid, the charity must be within the relevant income bands specified by legislation. Where accounts must be prepared on the accrual basis, because gross income exceeds £100,000, then the aggregate value of the charity's assets (before deduction of liabilities) must not exceed £2.8m if the examination is to be valid. The examiner should therefore ascertain:

- the charity's gross income for the financial year concerned;
- if accruals accounts are required, the aggregate value of the charity's assets (before deduction of liabilities) disclosed on the charity's balance sheet;
- whether the charity's governing document stipulates any form of professional audit; and
- whether any grant condition demands an audit.

1.2 Carrying out these procedures at an early stage should prevent the work of the examiner being duplicated by professional audit which would add to the expense for the charity.

1.3 Examiners should also familiarise themselves with the various other threshold bands and their effect on the accounting procedures for charities:

- Where the charity's gross recorded income is £10,000 or less, there is no statutory requirement for an independent examination. In such cases the examiner should refer the accounts back to the charity trustees for confirmation as to whether the examination should proceed.
- Where the accounts comprise a receipts and payments account and statement of assets and liabilities, prepared under section 42(3), the examiner should begin by ascertaining that the gross income of the charity does not exceed the £100,000 threshold for that year. If it appears that the threshold has been exceeded, the accounts should be referred back to the charity trustees for preparation on the accruals accounting basis under section 42(1).
- Where the gross income of the charity exceeds £100,000 and the aggregate value of the charity's assets (before deduction of liabilities), as disclosed on the charity's balance sheet, exceeds £2.8m the examiner should refer the accounts back to the charity trustees for audit.

1.4 The examiner should consider at an early stage of the examination the levels of income disclosed by the accounting records and by the trial balance. The examiner does, however, need to remain alert to any additional information which may come to attention during the course of the examination which indicates that an income threshold has been crossed.

1.5 The level of income should be calculated in accordance with the methods set out in Appendix 3. If accounts are prepared on the accruals basis then the level of income should be considered on the accruals basis. Where accounts are prepared on the receipts and payments basis then the level of income should be considered on the basis of money actually received.

Direction

Understanding the charity

2. Obtain an understanding of the charity's constitution, organisation, accounting systems, activities and nature of its assets, liabilities, incoming resources and application of resources in order to plan the specific examination procedures appropriate to the circumstances of the charity.

Guidance

2.1 For a proper examination to be carried out it is important for the examiner to have an understanding of the operations, structure and objectives of the charity. This understanding will help the examiner to plan appropriate examination procedures. The steps taken by an examiner would normally include:

- consideration of the governing document of the charity, paying particular attention to the charity's objects, powers and obligations;
- discussions with trustees and, where appropriate, the charity's staff to ascertain the structure, methods and means by which the charity seeks to achieve its objects;
- discussions with the trustees and, where appropriate, the charity's staff about the affairs, and activities of the charity in order to gain an insight into any special circumstances and problems affecting the charity;
- reviewing the minutes of trustees' meetings to ascertain details of major events, plans, decisions and changes to the trustee body; and
- obtaining details of accounting records maintained and methods of recording financial transactions.

Direction

Documentation

3. Record the examination procedures carried out and any matters which are important to support conclusions reached or statement provided in the examiner's report.

Guidance

3.1 The working papers should provide details of the work undertaken and support any conclusions reached, and record any judgmental matters (see 8.1) which may arise. Working papers should normally be retained by the examiner for six years from the end of the financial year to which they relate, and would normally include:

- a letter of engagement from the independent examiner to the trustees, together with evidence that this has been accepted by the trustees (for example a return copy of the letter signed by a representative of the trustees);
- relevant information extracted or obtained from the governing document, trustees' meeting minutes and a record of discussions with the charity trustees and the charity's staff;
- details of procedures carried out during the examination, with conclusions reached and any areas of concern identified;
- notes as to how any areas of concern have been resolved together with details of any verification procedures used;
- schedules showing the breakdown of accounting items that have been aggregated for accounts disclosure purposes;
- copies of any trial balance, accounts and trustees' annual report; and
- copies of any written assurances obtained from the trustees confirming amounts included within the accounts.

Direction

Comparison with accounting records

4. Compare the accounts of the charity with the charity's accounting records in sufficient detail to provide a reasonable basis on which to decide whether the accounts are in accordance with such accounting records.

Guidance

4.1 It is necessary to compare the accounts with the underlying accounting records. Where prepared on the accruals basis, all balances in the accounts will need to be compared with the trial balance or any nominal ledger maintained. Where accounts are prepared on the receipts and payments basis a direct comparison with the cash records of the charity should be carried out if no nominal ledger is kept.

4.2 Test checks will also be necessary of the posting of entries from books of prime entry (eg petty cash book, any sales or purchase ledgers or day books or gift aid records) to any nominal ledger and/or to the trial balance itself. Similar checks are also necessary even where accounting records are maintained by using computer accounting packages.

4.3 A review of bank reconciliations, payroll summaries and control accounts prepared will provide a useful check as to the completeness of posting from books of prime entry.

4.4 There is no requirement for accounting entries to be checked against source documents (eg invoices, supplier statements, purchase orders, gift aid records etc) unless concerns arise during the course of the examination which cannot be resolved by seeking explanations.

4.5 Whilst the charity trustees are responsible for the preparation of accounts, on occasions the examiner may also prepare accounts on behalf of the trustees. The preparation of accounts will not generally impinge on independence (see Appendix 1) provided the examiner ensures that the requirements of the Directions are met and avoids involvement in the management or administration of the charity. Where reliance is placed on work undertaken in the course of preparation of the accounts (eg posting of accounting entries) the examiner should consider whether separate procedures as set out above are also necessary to ensure this Direction has been met.

Direction

Accounting records

5. Review the accounting records maintained in accordance with section 41 in order to provide a reasonable basis for the identification of any material failure to maintain such records.

Guidance

5.1 The charity trustees are responsible for maintaining the accounting records.

5.2 The examiner is required to review the accounting records with a view to identifying any material failure to maintain such records in accordance with section 41(1).

5.3 The review procedures are not aimed at identifying the occasional omission or insignificant error, but at any gross failure to maintain records in a manner consistent with statutory requirements.

5.4 Accounting records should be well organised and capable of ready retrieval and analysis. The records may take a number of forms, for example book form, loose-leaf binder or computer records.

5.5 The accounting records should:

- be up to date;
- be readily available; and
- provide the basic information from which the financial position can be ascertained, not only at the year end, but also on any selected date.

5.6 The accounting records should contain:

- details of all money received and expended, the date, and the nature of the receipt or expenditure; and
- details of assets and liabilities.

5.7 Smaller charities may not maintain formal ledgers to record assets and liabilities, and in such instances the requirements can generally be met by maintaining files for unpaid invoices and amounts receivable. A record of fixed assets is generally necessary to meet the accounting requirements.

Direction

Analytical procedures

6. Carry out analytical procedures to identify unusual items or disclosures in the accounts. Where concerns arise from these procedures, the examiner must seek explanation from the charity trustees. If, after following such procedures, the examiner has reason to believe that in any respect the accounts may be materially mis-stated then additional procedures, including verification of the asset, liability, incoming resource or application, must be carried out.

Guidance

6.1 It is important that the examiner looks carefully at the final accounts to see if they reveal any unusual items, unexpected fluctuations, or inconsistencies with other financial information. This procedure is called analytical review. Steps taken would normally include:

- comparing the accounts with those for comparable prior periods;
- comparing the accounts with any budgets or forecasts that have been produced;
- considering whether incoming resources and the application of resources are consistent with known fund-raising sources, payroll details, activities, and the objectives of the charity - it is important to have obtained a proper understanding of the nature of the charity's activities and affairs for this aspect of the review to be successful;
- considering whether the liabilities and current assets disclosed are consistent with the scale and type of activities undertaken;
- considering whether fixed assets investments are producing income consistent with the nature of assets held; and
- considering whether the tangible fixed assets are consistent with the scale and type of activities undertaken by the charity.

6.2 Where analytical review procedures identify any unusual items, unexpected fluctuation or inconsistency then explanations should be sought from the charity trustees or, where appropriate, the charity's staff.

6.3 If the explanations provided by the charity trustees or, where appropriate, the charity's staff do not satisfy the examiner, then additional procedures will be necessary. Such procedures may include:

- physical inspection of a tangible fixed asset;
- verification of title to an asset;
- inspection of third party documentary evidence (eg invoice, contract or agreement) to verify an expense or liability or to confirm an amount of income received or receivable;

- third party certification of a bank balance, or other asset held including the custody of investment certificates; and
- checking of a post year end receipt or payment to confirm recoverability of a debt or the amount of a liability.

6.4 A comprehensive list of analytical procedures, and of additional procedures where concerns arise is beyond the scope of this publication, and will to an extent be an area in which the examiner will need to exercise judgement and to draw on experience.

Direction

Form and content of accounts

7. Carry out such detailed procedures as the examiner considers necessary to provide a reasonable basis on which to decide whether or not the accounts prepared under section 42(1) comply with the requirements of the Regulations as to the form and content of charity accounts.

Guidance

7.1 Where accounts are prepared under section 42(1) (the accruals basis), the 2005 Regulations lay down the requirements as to the form and content of such accounts.

7.2 The 2005 Regulations draw heavily on the recommendations of the Statement of Recommended Practice: Accounting and Reporting by Charities (the SORP, published in March 2005). The examiner will require access to the SORP and an understanding of its general principles to ensure compliance with the Regulations. In particular the 2005 Regulations require the accounts and certain notes to the accounts to be prepared in accordance with the methods and principles set out in the SORP.

7.3 The examiner should be conversant with the 2005 Regulations as to the form and content of charity accounts prepared on the accruals basis and should examine the accounts in sufficient detail to ensure compliance with these Regulations. Further detail is also available in our **Accruals Accounts Pack (CC17)**.

7.4 The 2005 Regulations do not specify the form and content of accounts prepared on a receipts and payments basis. Guidelines on the form and content of such accounts can be found in notes included in our **Receipts and Payments Accounts Pack (CC16)**.

Direction

Accounting policies, estimates and judgements

8. When accounts are prepared under section 42(1), review the accounting policies adopted and consider their conformity with fundamental accounting concepts, consistency of application and their appropriateness to the activities of the charity. The examiner must also consider and review any significant estimate or judgement that has been made in preparing the accounts.

Guidance

8.1 Where accounts are prepared under section 42(1) (the accruals basis), the accounting policies adopted, and also any estimates or judgements made in preparing the accounts, may have a material effect on both the financial activities and state of affairs disclosed by the accounts. Such matters therefore require careful consideration by the examiner.

8.2 The examiner should be satisfied that accounts are prepared on a basis consistent with the going concern assumption and accruals concept, and that the accounting policies adopted and applied are appropriate to the activities of the charity and to ensure a relevant, reliable, comparable and understandable accounts presentation.

8.3 The examiner should consider whether the accounting policies adopted are consistent with the methods and principles set out in SORP.

8.4 The examiner must consider the reasonableness of any estimates or judgements where they are material to the accounts. Matters that may require consideration include:

- transfers to or from designated fund accounts;
- valuation of gifts in kind;
- valuation of fixed asset investments where no market prices exist;
- estimates resulting from transactions not being fully recorded in the accounting records; and
- where applicable, the allocation of costs between the various expenditure categories of the Statement of Financial Activities.

8.5 If accounts are prepared on the receipts and payments basis under section 42(3), the only fundamental accounting concept which applies is that of consistency. Accounting policies and judgemental issues have less relevance since the receipts and payments account is simply a factual record of money actually received and expended. The statement of assets and liabilities is a straightforward schedule of information. This direction therefore does not apply to such accounts, unless other examination procedures have given rise to concerns that need to be addressed in this way.

8.6 Further guidance as to the form and content of receipts and payments accounts can be found in notes included in our **Receipts and Payments Accounts Pack (CC16)**.

Direction

Events subsequent to the year end

9. When accounts are prepared under section 42(1), enquire of the charity trustees as to material events subsequent to the year end of the accounts examined which may require adjustments or disclosure in the accounts.

Guidance

9.1 Where accounts are prepared under section 42(1) (the accruals basis) an event occurring after the balance sheet date may have a material effect on both the financial activities and state of affairs disclosed by the accounts.

9.2 The events that have occurred subsequent to the year end should therefore be discussed with the charity trustees and, where appropriate, with the charity's staff. Any effects on the accounts under review should be considered. The matters that should be discussed include:

- whether any income anticipated and accrued into the accounts at the year end has proved irrecoverable;
- discovery of an error or fraud;
- crystallisation of a taxation liability;
- repayment of a grant or donation received;
- a valuation of a property indicating a permanent diminution in value.

9.3 Where an event occurring subsequent to the year end affects the amount or disclosure of an item in the accounts this should be brought to the attention of the charity trustees with a view to the accounts being amended.

9.4 If accounts are prepared on a receipts and payments basis under section 42(3), then there is no requirement to consider events subsequent to the year end, unless other examination procedures have given rise to concerns which need to be addressed in this way.

Direction

Trustees' annual report

10. When accounts are prepared under section 42(1), compare the accounts to any financial references in the charity trustees' annual report (if any); identifying any major inconsistencies and consider the significance such matters will have on a proper and accurate understanding of the charity's accounts.

Guidance

10.1 The trustees' annual report provides a report of the charity's activities during the financial year. The 2005 Regulations specify the information that is to be contained in such reports.

10.2 Procedures should be directed at identifying inconsistencies with the accounts which are misleading or which contradict the financial information contained in the accounts.

10.3 Where inconsistencies are identified which may have a significant effect on the proper understanding of the accounts, this should be drawn to the attention of the charity trustees. If no appropriate amendment is made to the annual report then details of the matter should be provided in the examiner's report.

10.4 If accounts are prepared on the receipts and payments basis under section 42(3) there is no requirement placed on the examiner to consider the trustees' annual report. The examiner may, nevertheless, find the annual report a useful guide to the activities of the charity.

Direction

Examiner's report

11. Review and assess all conclusions drawn from the evidence obtained from the examination and consider the implications on the report to be made under Regulation 8 of the 2005 Regulations. If the examiner has cause to make a positive statement on any matter arising from the provisions of Regulation 8(e) or 8(f), or to make a statement on any matter arising from the provisions of Regulation 8(g), then the examiner must ensure so far as practicable that the report so made gives a clear explanation of the matter and of its financial effects on the accounts presented.

Guidance

11.1 The requirements as to the form and content of the examiner's report are set out in the 2005 Regulations. These are produced in Appendix 2, together with illustrative examples of such reports. The examiner needs to consider carefully the conclusions drawn from the procedures undertaken in accordance with the Commission's directions, and the impact of these conclusions on the examiner's report.

11.2 In providing the examination report the examiner must state whether or not any matter has come to attention, in connection with the examination, which gives reasonable cause to believe that in any material respect:

- accounting records have not been kept in accordance with section 41;
- the accounts do not accord with the accounting records; or
- whether accounts which are prepared on the accruals basis fail to comply with Regulations in respect of their form and content.

11.3 Where any of the above concerns have been identified there should be a clear explanation of the nature of the failure and of its financial effects on the accounts. If the financial effect cannot be ascertained due to uncertainty, the nature of the uncertainty should be explained. If the concern relates to non-compliance with the 2005 Regulations as to the form and content of accounts, this should be raised with the charity trustees to seek the necessary amendment to the accounts.

11.4 The examiner is also required to state whether or not any matter has come to attention in connection with the examination to which, in the examiner's opinion, attention should be drawn in the report to enable a proper understanding of the accounts to be reached.

11.5 Where such matters have come to attention, then they should be brought to the attention of the charity trustees with a view to seeking an amendment or adjustment to the accounts. If concerns remain the matter should be addressed in the examiner's report. The matter concerned should be fully explained together with the financial effects on the accounts.

11.6 There is also a requirement to provide a statement if the following matters have become apparent to the examiner during the course of the examination:

- any material expenditure or action which appears not to be in accordance with the trusts of the charity;
- any failure to be provided with information and explanation by any past or present trustee, officer or employee that is considered necessary for the examination; and
- in the case of accruals accounts any material inconsistency between the accounts and the trustees' annual report.

11.7 In order to identify any material expenditure or activities undertaken outside the objects of the charity, an understanding of the stated objects of the charity, as set out in its governing document, is necessary. The guidance provided under Direction 2 (Understanding the charity) will be of particular relevance in obtaining a background understanding of the charity's objectives and activities. Small or immaterial levels of expenditure on purposes outside of the objects of the charity will not generally be included in the examiner's report unless they are of a recurrent nature. Material expenditure or significant actions contrary to the trusts of the charity would be a major concern and details should be included on the examiner's report. The examiner need not carry out specific checks or procedures to identify such breaches, but such matters when identified must be included in the examiner's report.

11.8 Any failure to be provided with information and explanations may seriously hamper an examination. If information and explanations requested are not provided this matter must be included in the examiner's report.

11.9 In the case of accounts prepared on an accruals basis any major inconsistency between the accounts and the trustees' annual report may give rise to misunderstanding. This should be brought to the attention of the charity trustees with a view to the amendment of the discrepancy. Where concerns still exist this must be stated in the examiner's report.

Direction

Reports to the Charity Commission

12. Inform the Charity Commission in writing if, whilst acting in the capacity of the examiner of a charity, information or evidence is obtained which gives the examiner reasonable cause to believe that any one or more of the charity trustees has been responsible for deliberate or reckless misconduct in the administration of the charity.

Guidance

12.1 If the examiner believes that one or more of the charity trustees have been responsible for deliberate or reckless misconduct in the administration of a charity then a separate written report of the matter must be forwarded to the Charity Commission. A reporting requirement would not arise through mere inadvertence or error of judgement on the part of a trustee whilst endeavouring honestly to carry out trustee duties. It is also unlikely that a reporting duty will arise unless a material loss or misapplication of funds has resulted or could result.

12.2 The duty to report relates to information or evidence obtained from the examiner's work undertaken in fulfilling the Commission's Directions or whilst acting in the capacity of the examiner of a charity. It is not intended that the examiner should report on small or insignificant matters, particularly where such matters have been satisfactorily resolved internally.

12.3 The reporting duty relates primarily to the actions of the charity trustees. However, in considering individual actions, the examiner must take into account the trustees' overall responsibilities of management and control.

12.4 Where a reporting duty arises the examiner should report the matter in writing to the 'Reporting Officer' at the office of the Charity Commission that normally deals with the charity. The examiner should state:

- the charity's name and registration number;
- state that the report is made in accordance with 'Direction 12' provided in this guidance;
- describe the matter giving rise to concern and, where possible, provide an estimate of the financial implications; and
- where the trustees are attempting to redress the situation a brief description of any steps being taken.

12.5 Examples of the types of matters that will give rise to a reporting duty are set out in Appendix 4.

APPENDIX 1

Guidance on the selection of an examiner

Charity Commission guidance under section 43(7)(a) of the Charities Act 1993

Guidance from the Charity Commission to charity trustees on the selection of a person for appointment as an independent examiner. References to sections are references to the 1993 Act.

1. The requirement for an independent examination

1.1 The following criteria determine eligibility for independent examination:

- a) **Charitable companies are not currently eligible for independent examination; they must follow the provisions of the Companies Act and Regulations made under it.**
- b) Unincorporated charities with a gross income in the current year exceeding £10,000 must have their accounts independently examined, or may choose to have the accounts audited.
- c) All charities whose gross income is more than £500,000 in the current year, or whose gross income exceeds £100,000 and the aggregate value of their assets (before deduction of liabilities) exceeds £2.8m, must have a professional audit. Trustees cannot opt for an independent examination if either threshold is exceeded.
- d) All charities whose governing document requires them to have an audit must do so (although if this means a higher level of scrutiny is necessary than otherwise required by the 1993 Act we are prepared to consider an amendment to the governing document to accord with the 1993 Act independent examination provisions).

1.2 The charity trustees should take steps to ensure that a competent examination takes place and they will therefore wish to consider most carefully the suitability of a prospective independent examiner.

1.3 Charity trustees are entitled to pay reasonable remuneration to an independent examiner for services rendered and if they are unable to obtain the services of a competent examiner on a voluntary basis, should be prepared to pay such remuneration and regard it as a proper charge on the assets of the charity.

2. The independent examiner

2.1 An independent examiner as described in section 43(3)(a) is “an **independent person** who is reasonable believed by the charity trustees to have the **requisite ability** and **practical experience** to carry out a **competent examination** of the accounts” (our emphasis).

3. An independent person

3.1 For an examiner to be **independent** that individual should have no connection with the charity trustees which might inhibit the impartial conduct of the examination.

3.2 Where a potential independent examiner is a member of the charity, for example a member of a church congregation, provided they have not been involved in the day to day decision making or administration of the charity, for example by serving on a committee or sub-committee convened by the charity, and are not connected with the charity trustees, then they may normally act as an examiner, subject to their having the necessary qualification or experience required.

3.3 Whether this connection exists will depend upon the circumstances of a particular charity but the following persons at least will normally be considered to have such a connection:

- a) the charity trustees or anyone else who is closely involved in the administration of the charity;
- b) a major donor to or major beneficiary of the charity; or
- c) a close relative, spouse, partner, business partner or employee of any person who falls within sub-paragraph (a) or (b) above.

4. Requisite ability

4.1 In the House of Lords' debate on the Charities Bill which led to the 1993 Act, it was stated that "an independent examiner must obviously be competent for the task that he is to do and he must be familiar with accounting methods, but he need not be a practising accountant. We have in mind ... people such as bank or building society managers, local authority treasurers or retired accountants. They would all be suitable as independent examiners".

4.2 The quality of evidence of ability which is required will depend upon the size and nature of the charity's transactions. Charity trustees should consider taking independent references on the capability of the prospective independent examiner to carry out this function.

5. Practical experience

5.1 Charity trustees should satisfy themselves that prospective examiners have **practical experience** relevant to the charity in question which might be by virtue of that person having:

- had an involvement in the financial administration of a charity of a similar nature; or
- acted successfully as an independent examiner on previous occasions for such charities; or
- relevant practical experience in accountancy or commerce.

6. Selection procedures

6.1 Charity trustees should discuss fully with the prospective examiner the work of the charity and their expectations. They should ensure that the prospective independent examiner is conversant with the Charity Commission Directions to independent examiners and the nature of the independent examiners' report prescribed by the 2005 Regulations made under section 44(1)(c). Where the accounts are prepared under section 42(1), the examiner should also be conversant with the Regulations made under section 42(1) as to the form and content of those accounts and the relevant SORP.

6.2 Charity trustees should take all necessary steps to satisfy themselves as to the matters referred to in paragraphs 3 to 5 above.

6.3 Charity trustees should ensure that any written terms of engagement recognise and do not limit the examiner's statutory duties.

6.4 Charity trustees who follow these guidelines and gain suitable assurances from prospective examiners and from any references can be satisfied that they have taken all reasonable steps to obtain a competent independent examination of their accounts for the period in question.

APPENDIX 2

Reporting duties under the 2005 Regulations and examples of examiner's reports

The 2005 Regulations (Regulation 8)

Independent examination of charity accounts

8. An independent examiner who has carried out an examination of the accounts of a charity under section 43 of the 1993 Act shall make a report to the charity trustees which:

- a) states his name and address and the name of the charity concerned;
- b) is signed by him and specifies any relevant professional qualifications or professional body of which he is a member;
- c) is dated and specifies the financial year in respect of which the accounts to which it relates have been prepared;
- d) specifies that it is a report in respect of an examination carried out under section 43 of the 1993 Act and in accordance with any directions given by the Commission under subsection (7)(b) of that section which are applicable;
- e) states whether or not any matter has come to the examiner's attention in connection with the examination which gives him reasonable cause to believe that in any material respect:
 - (i) accounting records have not been kept in respect of the charity in accordance with section 41 of the 1993 Act; or
 - (ii) the accounts do not accord with those records; or
 - (iii) in the case of an examination of accounts a statement of which has been prepared under section 42(1) of the 1993 Act, the statement of accounts does not comply with any of the requirements of Regulation 3¹ or, as the case may be, 4 or 5² above, other than any requirement to give a true and fair view;
- f) states whether or not any matter has come to the examiner's attention in connection with the examination to which, in his opinion, attention should be drawn in the report in order to enable a proper understanding of the accounts to be reached; and
- g) contains a statement as to any of the following matters has become apparent to the examiner during the course of the examination, namely, that
 - (i) there has been any material expenditure or action which appears not to be in accordance with the trusts of the charity; or

¹ The reference to Regulation 3 is to the form and content requirement of statements of accounts, other than an investment fund, or a special case charity.

² The reference to Regulation 4 relates to the form and contents of accounts of investment funds and reference to Regulation 5 form and contents of statement of accounts of a "special case charity". [amended but not tracked – original footnote 2]

- (ii) any information or explanation to which he is entitled under Regulation 9 below has not been afforded to him; or
- (iii) in the case of an examination of accounts a statement of which has been prepared under section 42(1) of the 1993 Act, any information contained in the statement of accounts is inconsistent in any material respect with any report of the charity trustees prepared under section 45 of the 1993 Act in respect of the financial year in question.

Examples of examiner's reports

Example 1: Examiner's unqualified report

Independent Examiner's Report to the Trustees of "ABC" Trust

I report on the accounts of the Trust for the year ended 30 April 2007, which are set out on pages 00 to 00.

Respective responsibilities of trustees and examiner

The charity's trustees are responsible for the preparation of the accounts. The charity's trustees consider that an audit is not required for this year (under section 43(2) of the Charities Act 1993 (the 1993 Act)) and that an independent examination is needed.

It is my responsibility to:

- examine the accounts (under section 43(3)(a) of the 1993 Act);
- to follow the procedures laid down in the General Directions given by the Charity Commission (under section 43(7)(b) of the 1993 Act); and
- to state whether particular matters have come to my attention.

Basis of independent examiner's report

My examination was carried out in accordance with the General Directions given by the Charity Commission. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and seeking explanations from you as trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently I do not express an audit opinion on the view given by the accounts.

Independent examiner's statement

In connection with my examination, no matter has come to my attention:

- (1) which gives me reasonable cause to believe that in any material respect the requirements
- to keep accounting records in accordance with section 41 of the 1993 Act; and
 - to prepare accounts which accord with the accounting records and comply with the accounting requirements of the 1993 Act;

have not been met; or

- (2) to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

Name:

Relevant professional qualification or body:

Address:

Date:

Example 2: Examiner's qualified report - failure to disclose investments at market value

Independent examiner's report to the trustees of "ABC" Trust

I report on the accounts of the Trust for the year ended 30 April 2007, which are set out on pages 00 to 00.

Respective responsibilities of trustees and examiner

The charity's trustees are responsible for the preparation of the accounts. The charity's trustees consider that an audit is not required for this year (under section 43(2) of the Charities Act 1993 (the 1993 Act)) and that an independent examination is needed.

It is my responsibility to:

- examine the accounts (under section 43(3)(a) of the 1993 Act);
- to follow the procedures laid down in the General Directions given by the Charity Commission (under section 43(7)(b) of the 1993 Act); and
- to state whether particular matters have come to my attention.

Basis of examiner's statement

My examination was carried out in accordance with the General Directions given by the Charity Commission. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and seeking explanations from you as trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently I do not express an audit opinion on the view given by the accounts.

Independent examiner's qualified statement

The Trust held shares listed on a recognised stock exchange as a fixed asset investment with a market value at the balance sheet date of £x. These assets have been included in the accounts at their cost of £y, resulting in their value being understated by £z in the balance sheet. This matter gives me reasonable cause to believe that in this respect the accounts do not comply with the accounting requirements of the 1993 Act.

In connection with my examination, no other matter except that referred to in the above paragraph has come to my attention:

- (1) which gives me reasonable cause to believe that in any material respect the requirements
 - to keep accounting records in accordance with section 41 of the 1993 Act; and
 - to prepare accounts which accord with the accounting records and comply with the accounting requirements of the 1993 Act

have not been met; or

- (2) to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

Name:

Relevant professional qualification or body:

Address:

Date:

Example 3: Examiner's qualified report - a matter to be brought to attention in the report

Independent examiner's report to the trustees of "ABC" Trust

I report on the accounts of the Trust for the year ended 30 April 2007, which are set out on pages 00 to 00.

Respective responsibilities of trustees and examiner

The charity's trustees are responsible for the preparation of the accounts. The charity's trustees consider that an audit is not required for this year (under section 43(2) of the Charities Act 1993 (the 1993 Act)) and that an independent examination is needed.

It is my responsibility to:

- examine the accounts (under section 43(3)(a) of the 1993 Act);
- to follow the procedures laid down in the General Directions given by the Charity Commission (under section 43(7)(b) of the 1993 Act); and
- to state whether particular matters have come to my attention.

Basis of examiner's statement

My examination was carried out in accordance with the General Directions given by the Charity Commission. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and seeking explanations from you as trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently I do not express an audit opinion on the view given by the accounts.

Independent examiner's qualified statement

In connection with my examination, no matter has come to my attention which gives me reasonable cause to believe that, in any material respect, the requirements:

- to keep accounting records in accordance with section 41 of the 1993 Act; and
- to prepare accounts which accord with the accounting records and to comply with the accounting requirements of the 1993 Act

have not been met.

The accounts disclose the receipt of a restricted grant of £x, of which £y was expended in the year. A concern exists that the unexpected balance of £z, which has been carried forward as a fund balance, may need to be repaid to the donor.

No other matter has come to my attention in connection with my examination to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

Name:

Relevant professional qualification or body:

Address:

Date:

APPENDIX 3

Calculation of gross income

Neither the 1993 nor the 2006 Acts define gross income, consequently the Charity Commission, in exercising its powers to collect information through the Annual Return process and for the administration of the reporting and scrutiny requirements set by the Acts, must interpret the definition of gross income. The definition is reviewed annually in preparation for the Annual Return process, 1993 Act s48(1).

Gross income is the total recorded income of the charity in all unrestricted and restricted income funds but not resources received as capital (endowment) funds nor capital gains in an income fund.

You should calculate income before deduction of any costs or expenses.

The calculation of income should include:

- donations (including covenants, gift aid donations and related tax reclaims) grants, gifts, legacies, and subscriptions (see note 1 below);
- gross proceeds from the sale of goods or services in furtherance of the charity's objectives;
- gross proceeds from fund-raising and other activities undertaken for generating funds;
- investment income (including interest, dividends, related tax reclaims and rents); and
- other income, which will include:
 - the amount of any **unapplied total return** allocated or transferred to unrestricted or restricted income funds during the year should be included. (see note 2 below); and
 - when trustees decide to spend expendable capital they should include the amount spent as "other income". This is because capital receipts are not included as income when they first come into the charity (see note 1 below).

The calculation should exclude the following from income:

- receipt of a loan by the charity;
- loan repayments to the charity;
- proceeds of sale of investments and fixed assets which are used for the purpose of furthering the charity's objects ("functional fixed assets");
- gains or profits on disposal of investments and functional fixed assets;
- unrealised gains or profits on investments assets; and
- gains arising from the revaluation of functional fixed assets.

Note 1: Any gifts or donations (including any tax related reclaims) etc which the donor expects will be, or may be, retained for investment by the charity are **capital** (endowment), and should be excluded. Such donations may include assets for investment or functional assets, e.g. land and buildings that are to be retained and used for a particular charitable purpose.

Note 2: Any allocation of unapplied total return will only affect endowed charities that have obtained a consent order from the Charity Commission to operate a total return approach to investments.

APPENDIX 4

Examples of deliberate or reckless misconduct

Reports to the Commission

Deliberate or reckless misconduct in the administration of a charity

Matters which give rise to a reporting duty primarily concern the improper use of charity assets which has resulted, or could result, from the deliberate or reckless misconduct of one or more of the charity trustees in the administration of the charity. The following are examples of such misconduct.

1. Where a deliberate abuse of charity assets by one or more of the charity trustees has come to the examiner's attention, a reporting duty will arise. Matters that require consideration will include:

- evidence of false accounting by any charity trustee;
- evidence of theft or misappropriation by any charity trustee; and
- evidence giving rise to doubts as to the honesty or integrity of any charity trustee.

2. A breach of legislative requirement or an action contrary to the trusts of the charity may also need to be reported. However a reporting duty will only arise if information or evidence exists which indicates that such an action was taken or sanctioned deliberately or recklessly by a charity trustee. Moreover, a reporting duty would only arise if, as a result of such action, the charity suffered or was likely to suffer a material loss or misapplication of its assets. Matters that may require consideration include:

- a material application of funds clearly outside the objects of the charity;
- a breach of law or regulation that could jeopardise future activities or result in a material pecuniary loss (eg an attempt to evade any direct or indirect tax properly payable); and
- an attempt by any charity trustee to obtain an improper pecuniary benefit for himself or another and/or to the detriment of the charity.

3. The charity trustees are responsible for the control and management of a charity's affairs. Where there has been a gross neglect of these duties which has resulted or could result in a material loss of charity assets, consideration will need to be given as to whether this has arisen from deliberate or reckless misconduct by the charity trustees in the administration of the charity. Factors that will require consideration include:

- a failure of the trustee body to meet or consider issues affecting the charity;
- a gross failure on the part of the trustee body to keep accounting records;
- evidence of indifference or recklessness on the part of a charity trustee or the trustee body - eg evidence that professional advice has been disregarded without due consideration or a failure to take action in the case of fraud within or affecting the charity.

APPENDIX 5

Glossary of terms

1993 Act

This means the Charities Act 1993.

2006 Act

This means the Charities Act 2006.

2005 Regulations

This means the Charity (Accounts and Reports) Regulations 2005 (SI No.572).

Accounting policies

Those principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the accounts through the recognition, measurement and presentation of assets, liabilities, gains, losses and changes or movements in funds. They are supplemented by estimation techniques where judgement is required in recording the value of incoming and outgoing resources and assets and liabilities. Accounting policies should be relevant and reliable and allow comparability and understandability of financial information presented in the accounts.

Accounting standards

Accounts which are intended to show a true and fair view must conform to certain standards issued by the Accounting Standards Board or its predecessor, the Accounting Standards Committee. These standards, with which professional accountants are expected to be familiar, comprise a number of “Statements of Standard Accounting Practice” (SSAP), “Financial Reporting Standards” (FRS) and “Urgent Issues Taskforce abstracts” (UITF abstracts).

Accruals basis

This concept requires the effects of transactions and other events to be reflected, as far as possible, in the accounts for the period in which they occur, and not, for example, in the period in which any cash settlement is made. This concept is central to the recognition of balance sheet assets and liabilities.

This phrase has been used to describe accounts prepared in accordance with the requirements of section 42(1) of the 1993 Act. Such accounts should be prepared by the trustees to show a “true and fair view”. The accounts comprise:

- a statement of financial activities;
- a balance sheet; and
- notes to the accounts.

Such accounts should be prepared on a basis of accounting policies that enable the accounts to give a true and fair view and are consistent with accounting standards and the accounting concepts of going concern and accruals.

Charity trustees

Charity trustees are defined by section 97 of the 1993 Act and are the people who, under the charity's governing document, are responsible for the general control and management of the administration of the charity. In the charity's governing document they may be called trustees, managing trustees, committee members, governors, or directors, or they may be referred to by some other title.

Form and content

Statutory requirements as to disclosures, analysis and information which should be contained in accounts.

Going concern

The concept requires the charity to prepare accounts on the basis that it will continue in operational existence for the foreseeable future. The going concern basis applies to accounts prepared unless the charity has ceased operational activities, is being wound-up or liquidated or the trustees have no realistic alternative but to wind-up, liquidate or cease its operational activities.

Governing document

The governing document of a charity is any document setting out the charity's purposes and, usually, how it is to be administered. It may be a trust deed, constitution, memorandum and articles of association, will, conveyance, Royal Charter, Scheme of the Commission, or other formal documents. The trusts of a charity are the provisions contained in the governing document(s) of the charity.

Letter of engagement

A letter addressed to the charity trustees from the independent examiner detailing the accounting responsibilities of the charity trustees and the statutory responsibilities of the independent examiner. It may also include matters such as fee arrangements, proposed timetables for the examination and details of any non-statutory work to be undertaken by the examiner. The purpose of the letter is to reduce misunderstanding and the content of any such letter should be agreed in writing with the charity trustees.

Material

An item is "material" if, taking all the circumstances into account, its inclusion or exclusion would be likely to influence a reader of the report and accounts as a whole or in relation to the context of which the items forms part.

Professional audit

An audit undertaken by a registered auditor who has to express his or her professional opinion on the accounts.

Receipts and payments basis

This phrase has been used to describe accounts prepared under section 42(3) of the 1993 Act. The accounts comprise:

- a receipts and payments account; and
- a statement of assets and liabilities.

Such accounts do not purport to show a “true and fair view”; instead they should provide a factual summary of money received and paid during the year and a statement providing information as to the charity’s assets and liabilities at the end of the year.

SORP

The Statement of Recommended Practice: Accounting and Reporting by Charities, issued in March 2005. It sets out the recommended practice for the purpose of preparing the Trustees’ Annual Report and for preparing the accounts on the accruals basis. The accounting recommendations of the SORP do not apply to charities preparing receipts and payments accounts.

APPENDIX 6

Sources of further information

1. Publications

Accounting and Reporting by Charities: Statement of Recommended Practice

Also known as SORP 2005, this is available free on our website. A printed version of this can be obtained (cost £15) from CCH by phone 0870 777 2906 (8.30am to 5.30pm weekdays) or order online at www.cch.co.uk or email customerservices@cch.co.uk quoting product code CCSORP.

Other relevant guidance in our CC range:

Receipts and Payments Accounts Pack (CC16)

Accruals Accounts Pack (CC17)

Charity Accounts: The framework (CC61b) (web site only)

Model Example Trustees' Annual Report and Accounts (web site only)

All of these are free.

For a complete list of all of our publications please ask for:

CC1 Charity Commission Publications

To obtain copies of any of the above publications you can either:

- view and print from our website: www.charitycommission.gov.uk
- telephone Charity Commission Direct on **0845 300 0218** (0845 300 0219 minicom) during opening hours Monday to Friday 08:00-20:00 and 09:00-13:00 on Saturdays (except national holidays); or
- write to Charity Commission Direct, PO Box 1227, Liverpool, L69 3UG.

The Regulations

The Charities (Accounts and Reports) Regulations 2005 (SI 2005/572) are available from TSO (Tel: 0870 600 5522) and are also available on-line at www.opsi.gov.uk

2. Contacts

The Association of Charity Independent Examiners brings together both professional accountants specialising in this field and others acting as independent examiners. Itself a registered charity, it may be of assistance to trustees looking to appoint an independent examiner.

The association may be contacted at:

Association of Charity Independent Examiners
Bentley Resource Centre
High Street
Bentley
Doncaster DN5 0AA

APPENDIX 7

Flowchart indicating eligibility requirements for independent examination

