

Preparing for Independent Examination

Honorary Treasurers Forum

29 October 2020

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AGENDA

Background
and process

What does the report say?

What is the process?

What do
you have to
prepare?

CC31

What is the
Examiner
looking for?

Proper books and records

Materiality

What are the trouble spots?

How do you
choose your
examiner?

Who is eligible?

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Background and process

What does the IE report say?

I report to the trustees on my examination of the accounts of the above charity ("the Trust") for the year ended DD / MM / YYYY.

Responsibilities and basis of report

As the charity's trustees, you are responsible for the preparation of the accounts in accordance with the requirements of the Charities Act 2011 ("the Act").

I report in respect of my examination of the Trust's accounts carried out under section 145 of the 2011 Act and in carrying out my examination, I have followed all the applicable Directions given by the Charity Commission under section 145(5)(b) of the Act.

Independent examiner's statement

[The charity's gross income exceeded £250,000 and I am qualified to undertake the examination by being a qualified member of [insert name of applicable listed body]]. *Delete [] if not applicable.*

I have completed my examination. I confirm that no material matters have come to my attention in connection with the examination (other than that disclosed below *) which gives me cause to believe that in, any material respect:

- the accounting records were not kept in accordance with section 130 of the Charities Act; or
- the accounts did not accord with the accounting records; or
- the accounts did not comply with the applicable requirements concerning the form and content of accounts set out in the Charities (Accounts and Reports) Regulations 2008 other than any requirement that the accounts give a 'true and fair' view which is not a matter considered as part of an independent examination.

I have no concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.

(England and Wales non-company accruals accounts)

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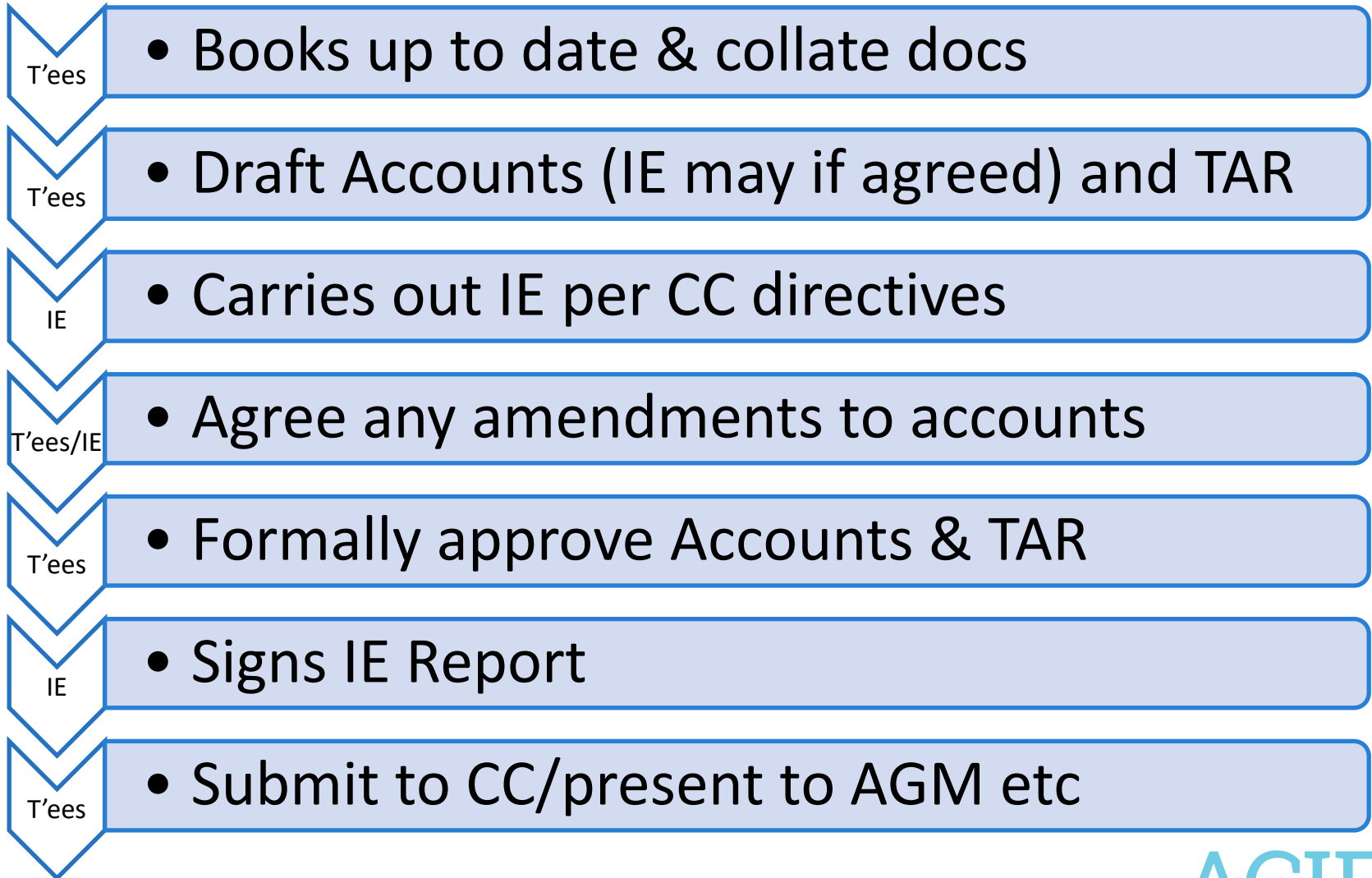
What are the “other matters”?

Material expenditure outside trusts

Failure by trustees or their staff to provide information & explanations

Inconsistency between Accounts and the Trustees' Annual Report (TAR)

What is the process?



What do you have to prepare?

Your responsibilities – CC31

- <https://www.gov.uk/government/publications/independent-examination-of-charity-accounts-trustees-cc31>

Good to go back to the authority

Getting ready

Get your books up to date

Write your TAR

Make a file - lots of lists

- Equipment and other assets
- Year end creditors & accruals – copy invoices and calculations
- Year end debtors & prepayments – copy invoices and calculations
- Bank balances

Make sure you know where everything is

- Grant paperwork
- Trustee minutes – signed!

Ask IE for checklist (or use ACIE one)

Who prepares the accounts?

Trustees have responsibility for the accounts, they are your numbers

But – that doesn't mean you have to do the technical work yourselves.

Keep proper accounting records and you can ask someone else to turn that information into compliant format

What is the examiner looking
for?

What does an Independent Examiner do?

Obtain an understanding of the charity in order to plan specific examination

Review accounting records to ensure that they are properly kept

Make sure accounts are consistent with accounting records & not misstated

Range of compliance duties re form and content of accounts & annual report

Accounting records – required standard

Records must:

- show & explain money received & spent day by day
- record assets and liabilities
- show financial position at any time
- produce statement of account

Appropriate for the size, scale and nature of the charity's transactions

Materiality

Not as clearly defined as for audit - key test: Would error change reader's understanding?

- Size in relation to size of charity
- Nature of item/error
- Reputational damage
- Cumulative impact of small errors

Charities' materiality thresholds lower than commercial

Trustee transaction always material

Make sure Trustees Annual Report is consistent

Examiner will compare & identify inconsistencies

- Activities in TAR ↔ Activities in SOFA/R&P
- Financial Review ↔ Figures in the Accounts
- Narrative ↔ Financial Results

Point out inconsistencies - seek amendments

TAR - Public Benefit Statement requirements

What are the trouble spots?

Insufficient time

Incomplete records

Lack of communication

Lack of knowledge in small organisations

How do you choose your
examiner?

Who can be an Independent Examiner?

Independent

Requisite Ability

Practical Experience

They need to know about CC32

<https://www.gov.uk/government/publications/independent-examination-of-charity-accounts-trustees-cc31/independent-examination-of-charity-accounts-trustees>

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That being said....

Competency
- accruals
accounts

Practical experience - similar charity, or relevant commercial.

Previous IE experience

Good working knowledge - charity a/cs, FRS 102 & SORP

Qualifications

SHOULD be held for all accruals accounts IE (E&W)

And MUST be held when gross income is > £250,000 (for all in Scotland)

member of listed body

Examiner conflicts of interest

Examiner
may be: member of the charity

involved as a fund raiser, volunteer or even beneficiary.

accounting professional who formats the
accounts/makes corrections before completing the IE.

(limited circumstances where a firm of accountants
may keep the books and provide the examiner).

How to choose your IE

Contact ACIE

<http://www.acie.org.uk/>

Ask local organisations – community accountants, NAVCA members

Remember cheap \neq value for money

Useful resources

Association of Charitable Independent Examiners

<https://acie.org.uk/>

CC31 Independent examination of charity accounts: guidance for trustees

<https://www.gov.uk/government/publications/independent-examination-of-charity-accounts-trustees-cc31>

CC32 Independent examination of charity accounts: examiners

<https://www.gov.uk/government/publications/independent-examination-of-charity-accounts-examiners-cc32>

CC15d Charity Reporting and Accounting

<https://www.gov.uk/government/publications/charity-reporting-and-accounting-the-essentials-november-2016-cc15d>

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