

SERVICE DESCRIPTION 2017 INDEPENDENT EXAMINATION OF CHARITY OR CLUB ACCOUNTS

This document should be read in conjunction with the engagement letter and the terms of business.

This document applies to the independent examination of charity accounts in accordance with the Charities Act 2011. It is used as a guide where we provide an independent examination for a member's club or other similar organisation which is not subject to the Charities Act. In such a case we consider reporting matters to the committee or the members as appropriate, instead of to the Charity Commission.

For club accounts, see annex 1 for the responsibilities of the management and annex 2 for taxation services.

1.0 INDEPENDENT EXAMINATION

1.0 Respective responsibilities of trustees and examiner

1.0.1 The charity's trustees are responsible for the preparation of the accounts and for deciding that an audit is not required for this year under section 144 of the Charities Act 2011 ("the Charities Act") and therefore that an independent examination is needed or desired.

1.0.2 It is our responsibility to:

- examine the accounts under section 145 of the Charities Act,
- to follow the procedures laid down in the general Directions given by the Charity Commission (under section 145(5)(b) of the Charities Act, and
- to state whether particular matters have come to our attention.

1.1 Your responsibility for the preparation of accounts

1.1.1 You have undertaken to make available to us, as and when required, all the accounting records and related financial information, including minutes of committee meetings, which we need to do our work. You will provide us with all information and explanations relevant to the accounts, and you will disclose to us all relevant information in full.

1.1.2 You are responsible for ensuring that, to the best of your knowledge and belief, financial information, whether used by the charity or for the accounts, is accurate and complete. You are also responsible for ensuring that the activities of the charity are conducted honestly, and for safeguarding the assets of the charity and for taking reasonable steps to prevent and detect fraud and other irregularities.

1.1.3 You have agreed that you will keep all the accounting records and extract a detailed list of ledger balances from which the accounts and supporting information can be prepared.

1.1.4 You will approve and sign the financial information and accounts to acknowledge responsibility for them, including the appropriateness of the accounting basis and for providing us with all information and explanations necessary for its compilation.

1.1.5 You are responsible for ensuring that the charity complies with the laws and regulations that apply to its activities, and for preventing non-compliance and for detecting any that occurs. In particular, you have a duty to prepare accounts that comply with the Charities Act and applicable accounting standards.

- 1.1.6 Small charities, which are not charitable companies registered with Companies House, can prepare either receipts and payments accounts or accruals accounts provided their gross income does not exceed the relevant threshold for their preparation. Receipts and payments accounts are an analysed record of the cash received and spent in the financial year reconciling cash and bank balances held at the beginning and end of the year together with a schedule of any other assets or liabilities at the year end known as a 'Statement of Assets and Liabilities'.
- 1.1.7 All charitable companies must prepare accruals accounts. Non-company charities must prepare accrual accounts if their gross income exceeds £250,000. Charities preparing accruals accounts must generally do so in accordance with the SORP. Limited exceptions are detailed in the Charity Commission guidance for charity accounts.

1.2 Our responsibilities as independent examiner

- 1.2.1 You have asked us to act as independent examiner for the charity in accordance with the requirements of the Charities Act 2011 and to provide an Independent Examiner's Report to the charity's Board of Trustees or equivalent body.
- 1.2.2 It is our responsibility to:
- examine the accounts under section 145 of the Charities Act 2011;
 - to follow the procedures laid down in the general Directions given by the Charity Commission under section 145(5)(b) of the Act; and
 - to state whether particular matters have come to our attention.
- 1.2.3 Our examination will be 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.
- 1.2.4 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 the consideration of any unusual items or disclosures identified. It is important to note that verification and vouching procedures, where an item in the accounts is checked against an original document such as an invoice or a receipt, only become necessary where significant concerns are identified from the work of the examiner, or where satisfactory explanations cannot be obtained from the trustees.
- 1.2.5 The procedures undertaken do not provide all the evidence that would be required in an audit and consequently no opinion is given as to whether the accounts present a 'true and fair view'. As we are not acting as an auditor we are not required to plan our work to identify material fraud or to test the internal financial controls operating in the charity. We will make enquiries of management and undertake any procedures that we judge appropriate but we are under no obligation to perform procedures that may be required for an audit.
- 1.2.6 Our report is limited to providing a statement on specific matters that have come to our attention as a result of the examination procedures specified in the Directions made by the Commission, or confirming that no such matter has come to our attention, as described below.
- 1.2.7 Where a significant concern relating to the accounts, which we consider important to the understanding of the accounts, remains unresolved or other matters arise that must be included in the examiner's report come to our attention, then we will

consider how this should be reported. If a matter is identified which is of material significance to the Commission's regulatory functions, where they are likely to consider using their enquiry powers, then we must make a separate report on that matter to the Commission in addition to the examiner's report attached to the accounts.

- 1.2.8 You have told us that the charity is exempt from an audit of the accounts. We will not check whether this is the case. However, if we find that the charity is not entitled to the exemption, we will inform you of this.
- 1.2.9 Our work will not be an audit of the financial information or accounts. Our independent examination is a simpler form of scrutiny than an audit but it still provides trustees, funders, beneficiaries, stakeholders and the public with an assurance that an independent person has reviewed the charity's accounts.
- 1.2.10 Since we will not carry out an audit, nor confirm in any way the accuracy or reasonableness of the accounting records, we cannot provide any assurance whether the financial information or financial statements that we prepare from those records will present a true and fair view.
- 1.2.11 We will advise you on any improvements that we identify that you might make to your records to help ensure that they are adequate for the preparation of the charity accounts.
- 1.2.12 We have a professional responsibility not to allow our name to be associated with financial information which we believe may be misleading. Therefore, although we are not required to search for such matters, should we become aware, for any reason, that the accounts may be misleading, we will discuss the matter with you with a view to agreeing appropriate adjustments and/or disclosures in the accounts. In circumstances where adjustments and/or disclosures that we consider appropriate are not made or where we are not provided with appropriate information, and as a result we consider that the accounts may be misleading, we will withdraw from the engagement.
- 1.2.13 As part of our normal procedures we may ask you to confirm in writing any information or explanations given to us orally during our work.

1.3 Form of the Independent Examiner's Report

- 1.3.1 We will report to the trustees in accordance with the Charities Act 2011 and with this document on the basis of the information and explanations supplied to us. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the trustees, as a body for our work or for this report.
- 1.3.2 We will confirm whether or not anything has come to our attention:
- which gives me reasonable cause to believe that in, any material respect, the requirements:
 - to keep accounting records in accordance with section 130 of the Charities Act; and
 - to prepare accounts which accord with the accounting records and comply with the accounting requirements of the Charities Acthave not been met; or
 - to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.
- 1.3.3 Matters that we must report to the trustees include:
- material expenditure or action contrary to the trusts of the charity;

- failure by trustees to provide information and explanations to which we are entitled; and
- evidence that accounts prepared on an accruals basis are materially inconsistent with the Trustees' Annual Report and in the case of a charitable company the directors' report.

1.4 Statutory duty to report to the Charity Commission

1.4.1 Section 156 of the Charities Act 2011 places a duty upon independent examiners to make a report to the Charity Commission where they identify a matter they consider is likely to be of material significance to the Commission.

1.4.2 There is neither a legal duty nor an expectation that the examiner will actively look for such matters. Matters that should always be reported include:

- Matters suggesting dishonesty or fraud involving a significant loss of, or a major risk to, charitable funds or assets
- Failure of internal controls, including in charity governance, resulting in a significant loss or misappropriation, or funds being put at major risk
- Knowledge or suspicion that the charity or its funds have been used for money laundering or criminal activity, or that trustees, employees or assets, have been involved in or used to support terrorism or proscribed organisations
- A charity's work in the care and welfare of beneficiaries putting beneficiaries at significant risk of abuse or mistreatment
- A significant or recurring breach of a legislative requirement or the charity's trusts
- A deliberate or significant breach of an Order or Direction made by a charity regulator such as suspending a charity trustee or prohibiting a particular transaction
- Any matter reported to the trustees on resigning as independent examiner.

2.0 LIMITATION OF LIABILITY

2.1 Our services as set out above are subject to the limitations on our liability set out in the engagement letter and in paragraph 19 and 20 of our terms of business.

3.0 Period of engagement

3.1.1 The period of engagement is stated in the engagement letter. We will not be responsible for earlier periods. The charity's previous advisers will deal with outstanding matters relating to earlier periods.

3.1.3 This document supersedes any previous Service Description agreed for the period covered. Once agreed, this document will remain effective from the date of signature of the engagement until it is replaced. You or we may agree to vary or terminate our authority to act on your behalf at any time without penalty. Notice of variation or termination must be given in writing.

ANNEX 1 – RESPONSIBILITY OF THE MANAGEMENT COMMITTEE FOR A CLUB

- 1.1.1 As a management committee such as of directors / committee members / trustees, you are responsible for preparing accounts which give a true and fair view and which have been prepared in accordance with applicable legislation and regulations such as the Companies Act 2006 (the Act) and taxes acts. You must not approve the accounts unless you are satisfied that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the association.
- 1.1.2 In preparing the accounts, you should:
- select suitable accounting policies and then apply them consistently;
 - make judgements and estimates that are reasonable and prudent; and
 - prepare the accounts on the going concern basis unless it is inappropriate to presume that the association will continue to operate.
- 1.1.3 You are responsible for keeping adequate accounting records that set out with reasonable accuracy at any time the association's financial position. You should ensure that the accounts comply with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and with the Companies Act 2006 if it applies. This responsibility usually includes keeping records of all receipts and payments, reconciling cash balances regularly with bank statements, and ensuring that all transactions are recorded.
- 1.1.4 You are responsible for ensuring that the association complies with laws and regulations that apply to its activities, and for preventing non-compliance and detecting any that occurs. You must inform us immediately if the association receives or pays any interest other than bank and hire purchase interest.
- 1.1.5 You must ensure that the association is registered with HMRC for Corporation Tax, VAT or PAYE as required.
- 1.1.6 HMRC requires almost all unincorporated associations¹ to register for corporation tax within three months of becoming active by filling in form CT41G (clubs), available on its website. If HMRC send a notice to file a tax return you must file a corporation tax return within 9 months of the association's year-end and pay any corporation tax due within 12 months. HMRC will generally send a notice to file a tax return unless the annual tax liability is expected to be less than £100 (i.e. taxable profit less than £500) and your association is run exclusively for the benefit of its members.
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¹ Associations must register for corporation tax if they carry on any business activity, which includes buying or selling goods with a view to making a surplus, providing services, earning interest or receiving any other income. The main exceptions from registration are associations that have not yet started trading or that have stopped trading.

- 1.1.7 You must register for VAT once your association breaches the VAT registration threshold; you may register voluntarily below this threshold. You must register for PAYE if you make payments to staff.
- 1.1.8 You are responsible for safeguarding the assets of the association and hence for taking reasonable steps to prevent and detect fraud and other irregularities.
- 1.1.5 You are also responsible for deciding whether, in each financial year, the association is required to be audited under applicable legislation and regulations, and for deciding whether any exemptions can be claimed.
- 1.1.7 You have undertaken to make available to us, as and when required, all the association's accounting records and related financial information, including minutes of management / trustees / members' meetings, that we need to do our work. You have agreed that you will extract a detailed list of ledger balances in the form of a year-end trial balance from which the accounts and supporting information can be prepared.
- 1.1.8 If financial information is published, which includes a report by us or is otherwise connected to us, on the association's website or by other electronic means, you must inform us of the electronic publication and get our consent before it occurs and ensure that it presents the financial information and chartered accountants report properly. We have the right to withhold consent to the electronic publication of our report or the accounts if they are to be published in an inappropriate manner.
- 1.1.9 You must set up controls to prevent or detect quickly any changes to electronically published information. We are not responsible for reviewing these controls nor for keeping the information under review after it is first published. You are responsible for the maintenance and integrity of electronically published information, and we accept no responsibility for changes made to any information.

Annex 2 – TAXATION SERVICES

2.1 Recurring compliance work

- 2.1.1 Where we agree to prepare the association's corporate tax self-assessment (CTSA) return we will register as the association's agent for corporation tax.
- 2.1.2 We will prepare the corporation tax computation and supporting schedules required for preparation of the association's tax return from accounts, information and explanations provided to us on your behalf. We will send details to you for your review and we will obtain your approval before we submit the return to HMRC on your behalf.
- 2.1.3 We will tell you how much tax should be paid and when. If appropriate, we will initiate repayment claims when tax has been overpaid. We will advise on the interest and penalty implications if corporation tax is paid late.
- 2.1.4 We will inform you if instalment payments of corporation tax are due for an accounting period and the dates they are payable. We will calculate any quarterly instalments which should be made on the basis of information supplied by you by the date agreed.
- 2.1.5 We will advise you as to possible tax return related claims and elections arising from information supplied by you. Where instructed by you, we will make such claims and elections in the form and manner required by HMRC.

2.2 Ad hoc and advisory work

- 2.2.1 Where you have instructed us to do so, we will also provide such other taxation advisory and ad hoc services as may be agreed between from time to time. These may be the subject of a separate engagement letter, at our option. Where appropriate we will discuss and agree an additional fee for such work when you commission it. Examples of such work include:
- Advising you on specific tax or reporting topics and reporting on these in a manner to be agreed;
 - Dealing with any enquiry opened into the association's tax position by HMRC; or
 - Preparing any amended returns that may be required and corresponding with HMRC as necessary.
- 2.2.2 Where specialist advice is required on occasions we may need to seek this or refer you to appropriate specialists.

2.3 Changes in the law

- 2.3.1 We will not accept responsibility if you act on advice given by us on an earlier occasion without first confirming with us that the advice is still valid in the light of any change in the law or your circumstances.
- 2.3.2 We will accept no liability for losses arising from changes in the law or the interpretation thereof that are first published after the date on which the advice is given.

2.4 Your responsibilities

- 2.4.1 The management committee is responsible for:
- (a) Ensuring that tax returns are correct and complete;
 - (b) Filing any returns by the due date; and
 - (c) Making payment of tax on time.

Failure to do this may lead to automatic penalties, surcharges and/or interest.

- 2.4.2 The signatory to any return cannot delegate this responsibility to others. The signatory agrees to check that returns we have prepared for the association are complete before he/she approves and signs them.
- 2.4.3 To enable us to carry out our work the management committee agrees:
- (a) That all returns are to be made on the basis of full disclosure of all sources of income, charges, allowances and capital transactions;
 - (b) To provide full information necessary for dealing with the association's affairs: we will rely on the information and documents being true, correct and complete and will not audit the information or those documents;
 - (c) To authorise us to approach such third parties as may be appropriate for information that we consider necessary to deal with the association's affairs;
 - (d) To provide us with information in sufficient time for the association's CTSA return to be completed and submitted by the relevant due date, usually nine months after the accounting period end. In order that we can do this we need to receive all relevant information a minimum of one month beforehand. Where feasible we may agree to complete your return within a shorter period but may charge an additional fee for so doing;
 - (e) To provide information on matters affecting the association's tax liability for the accounting period in respect of which any instalments are due at least four weeks before the due date of each instalment. This information should include details of any trading profits and other taxable activities up to the date the information is provided, together with estimates to the end of the accounting period; and
 - (f) To provide us with information on advances or loans made to the association's members including members of the management committee, or parties related to them, during an accounting period and any repayments made or write offs authorised during or since the end of the relevant accounting period.
- 2.4.4 The management committee will keep us informed of material changes in circumstances that could affect the tax liabilities of the association. If the committee is unsure whether a change is material please let us know so that we can assess the significance.
- 2.4.5 You will forward to us HMRC statements of account, copies of notices of assessment, letters and other communications in time to enable us to deal with them as may be necessary within the statutory time limits. Even when you have authorised HMRC to communicate with us it is essential that you let us have copies of any correspondence you receive because HMRC are not obliged to send us copies of all the communications they issue to you.
- 2.4.6 The work carried out within this engagement will be in respect of the association. Any work to be carried out for any member on a personal basis will be set out in a separate letter of engagement.
- 2.4.7 You are responsible for monitoring the monthly turnover to establish whether the association is liable to register for VAT, if it is not already registered. If you do not understand what you need to do, please ask us. If the VAT registration threshold is exceeded and you wish us to assist in notifying HMRC of the liability to be VAT registered we will be pleased to assist in the VAT registration process. You should notify us of your instructions to act in relation to the association's VAT registration in good time to enable a VAT registration form to be submitted within the time limit of one month following the month in which the current VAT registration turnover threshold was exceeded. We will not be responsible if we are not notified in time and a late registration penalty is incurred.
- 2.4.8 You are responsible for the association's PAYE system and compliance.