



SERVICE DESCRIPTION

INDEPENDENT EXAMINATION OF CHARITY OR CLUB ACCOUNTS

Last updated 13 April 2018

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.

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.