

## LIMITED COMPANY: ASSURANCE REVIEW ENGAGEMENT

The purpose of this schedule and the Standard Terms of Business is to set out the basis on which we are to act in respect to the limited assurance review engagement you have requested us to carry out and to clarify our respective responsibilities in respect of that work.

Our firm will act as independent reporting accountants with the person listed in **Key Facts** acting as the principal.

### 1 Your responsibilities as directors

- 1.1 Our work will be conducted on the basis that you acknowledge and understand that you have responsibility:
- (a) to prepare financial statements which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. As directors you must not approve the financial statements unless you are satisfied that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the company;
  - (b) in preparing the financial statements, to:
    - (i) select suitable accounting policies and then apply them consistently;
    - (ii) make judgments and accounting estimates that are reasonable and prudent; and
    - (iii) prepare the financial statements on the going concern basis, considering in particular the company's ability to continue in business for at least twelve months from the date when the financial statements are expected to be approved, unless it is inappropriate to presume that the company will continue in business;
  - (c) you are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company and for ensuring that the financial statements comply with the *Companies Act 2006* (CA 2006) and applicable accounting standards as stated in **Key Facts**. You are also responsible for such internal control as you determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error; and
  - (d) you are responsible for safeguarding the assets of the company and hence for taking reasonable steps to ensure the company's activities are conducted honestly for the prevention and detection of fraud and other irregularities.
- 1.2 You are responsible for ensuring that the company complies with laws and regulations applicable to its activities, and for establishing arrangements designed to prevent any non-compliance with laws and regulations and to detect any that occur.
- 1.3 You are responsible for determining whether, in respect of the year, the company meets the conditions for exemption from an audit set out in CA 2006, s. 477, namely that it qualifies as a small company in relation to that year for the purposes of s. 381.
- 1.4 You are responsible for determining whether, in respect of the year, the exemption is not available for any of the reasons set out in CA 2006, s. 478 and 479; namely that at no time during the year was the company:
- a public company;
  - an authorised insurance company, a banking company, an e-money issuer, a MiFID investment firm or a UCITS management company;
  - carrying on an insurance market activity;
  - a special register body as defined in the *Trade Union and Labour Relations (Consolidation) Act 1992*, s. 117(1) or an employers' association as defined in s. 122 of that Act;
  - a member of a group that failed to qualify as a small group; or
  - a member of an ineligible group.

- 1.5 The audit exemption is available only if you, as directors, sign a declaration as required by CA 2006, s. 475(3) on the balance sheet stating that:
- (a) for the year in question, the company is eligible to take advantage of the audit exemptions;
  - (b) the members have not required the company to obtain an audit of its financial statements for the year in accordance with CA 2006, s. 476; and
  - (c) you acknowledge your obligations for complying with the requirements of CA 2006 with respect to accounting records and preparation of financial statements.
- 1.6 You have agreed to make available to us, as and when required, all the company's accounting records and related financial information, including minutes of management, directors' and members' meetings, necessary to carry out our work. You will make full disclosure to us of all relevant information. You recognise that a failure to do so could have an impact on the price or the speed of our work.
- 1.7 You will approve and sign the financial statements thereby acknowledging responsibility for them.
- 1.8 Our report will be made solely to the company's directors, as a body, in accordance with the terms of this engagement letter. Our work will be undertaken so that we might state to the directors those matters that we have agreed to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors as a body for our work or for the report. If you wish, or are asked, to provide a copy of the financial statements to a third party you must seek our consent before you do this. You are not entitled to disclose our work to a third party without our express permission. We may grant consent subject to certain conditions which you must comply with. In every situation where we do grant consent you agree to ensure that the report remains attached to the financial statements shown to the third party.
- 1.9 If financial information is published, which includes a report by us or is otherwise connected to us, on the company'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 financial statements if they are to be published in an inappropriate manner.
- 1.10 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 after it is first posted.

## **2 Our responsibilities in conducting an assurance review**

- 2.1 You have asked us to report to you on a limited assurance basis on the unaudited financial statements of the company. Our review will be conducted with the objective of expressing our conclusion on the financial statements as detailed below. We shall plan our work on the basis that the company is not required by statute or regulation to have an audit of its financial statements unless you inform us in writing to the contrary.
- 2.2 We will conduct our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised) '*Engagements to Review Historical Financial Statements*' and ICAEW Technical Release TECH 09/13 AAF '*Assurance review engagements on historical financial statements*'. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. ISRE 2400 also requires us to comply with relevant ethical requirements.
- 2.3 A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. We will perform procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, applying analytical procedures, and evaluating the evidence obtained. We will also perform additional procedures if we become aware of matters that cause us to believe the financial statements as a whole may be materially

misstated. These procedures are performed to enable us to express our conclusion on the financial statements in accordance with ISRE 2400 (Revised). The procedures selected will depend on what we consider necessary applying our professional judgment, based on our understanding of the company and its environment, and our understanding of the applicable accounting standards as stated in **Key Facts** and its application in the context of your company.

- 2.4 Our conclusion on the unaudited financial statements cannot be regarded as providing assurance on the adequacy of the company's systems or on the incidence of fraud, non-compliance with laws and regulations or weaknesses in internal controls. Engaging us to perform this assurance engagement on the unaudited financial statements does not relieve the directors of their responsibilities in these respects.
- 2.5 You have advised us that the company is exempt from an audit of the financial statements. We will not carry out any work to determine whether or not the company is entitled to audit exemption. However, should our work indicate that the company is not entitled to the exemption we will inform you of this.
- 2.6 Our work will not be an audit of the financial statements in accordance with International Standards on Auditing (ISAs) (UK). Consequently, it does not include a comprehensive assessment of the risks of material misstatement, a consideration of fraud or of laws and regulations, or the gaining of an understanding of, or the testing of, internal control in accordance with the ISAs (UK). It also does not include the gathering of evidence in relation to all material areas of the financial statements and in respect of all relevant assertions. Consequently, there is a higher risk than there would be in an audit that any material misstatements that exist in the financial statements may not be revealed by the review, even though properly performed in accordance with ISRE 2400 (Revised).
- 2.7 Furthermore, as the Board of Directors, you have a duty to prepare financial statements that comply with CA 2006 and applicable accounting standards. Where we identify that the financial statements do not conform to applicable accounting standards as stated in **Key Facts** or if the accounting policies adopted are not immediately apparent this will need to be disclosed in the financial statements.
- 2.8 We have a professional responsibility not to be associated with financial statements which may be false or misleading. Therefore, although we are not required to search for such matters, should we become aware, for any reason, that the financial statements may be misleading, we will discuss the matter with you with a view to agreeing appropriate adjustments and/or disclosures in the financial statements. 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 financial statements are misleading, we will withdraw from the engagement. In these circumstances you agree that we have a right to invoice you for our time spent preparing and discussing the financial statements with you as well as time spent on any other work that is not completed as part of our resignation.
- 2.9 As part of our normal procedures, we may request you to provide written confirmation of any information or explanations given to us orally during the course of our work.

***Basis of the assurance review report***

- 2.10 An example of an unmodified report is attached. Our conclusion, if unmodified, will be in the form:

'Based on our review, nothing has come to our attention that causes us to believe that the financial statements have not been prepared:

- so as to give a true and fair view of the state of the company's affairs as at [date], and of its profit [loss] for the year then ended;
- in accordance with applicable accounting standards, as stated in **Key Facts**; and
- in accordance with the requirements of the Companies Act 2006.'

Our report will expressly disclaim any audit opinion on the financial statements.

## CHARITABLE COMPANY – INDEPENDENT EXAMINATION

The purpose of this schedule and the Standard Terms of Business is to set out the basis on which we are to act as accountant and advisors to the charity in respect to the independent examination you have requested us to carry out and to clarify our respective responsibilities in respect of that work.

Our firm will act as independent examiners with the person listed in **Key Facts** acting as the independent examiner.

### 1 Your responsibilities as trustees/directors

- 1.1 Our independent examination will be conducted on the basis that you acknowledge and understand that you have responsibility:
- (a) to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources of the charitable company for that period. As directors/trustees, you must not approve the financial statements unless you are satisfied that they give a true and fair view of the assets, liabilities, financial position and surplus or deficit of the charitable company;
  - (b) in preparing those financial statements, to:
    - (i) select suitable accounting policies and then apply them consistently;
    - (ii) make judgments and accounting estimates that are reasonable and prudent; and
    - (iii) prepare the financial statements on the going concern basis, considering in particular the charitable company's ability to continue in operation for at least twelve months from the date when the financial statements are expected to be approved, unless it is inappropriate to presume that the charitable company will continue in operation;
  - (c) for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the relevant SORP, the *Companies Act 2006* (CA 2006) and applicable accounting standards as stated in **Key Facts**. You are also responsible for such internal control as you determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error; and
  - (d) for safeguarding the assets of the charitable company and hence for taking reasonable steps to ensure the charitable company's activities are conducted honestly and for the prevention and detection of fraud and other irregularities.
- 1.2 As trustees of the charitable company, you have a duty under CA 2006 to prepare a directors' report for each financial year and also an annual report complying in its form and content with regulations made under the *Charities Act 2011* (ChA 2011). You should also have regard to the relevant Statement of Recommended Practice *Accounting and Reporting by Charities* (SORP), published jointly by the Charity Commission for England and Wales and the Office of the Scottish Charity Regulator, and any subsequent amendments or variations to this statement.
- 1.3 In addition to the general duties of directors specified in CA 2006 s. 170-177, you are responsible for ensuring that the charitable company complies with laws and regulations applicable to its activities, and for establishing arrangements designed to prevent any non-compliance with laws and regulations and to detect any that occur.
- 1.4 You are also responsible for determining whether, in respect of the year, the charity meets the conditions for exemption from an audit set out in the ChA 2011 and the CA 2006, namely that:
- (a) no notice has been received from the Charity Commission requiring an audit;
  - (b) no notice has been received from the members requiring an audit;
  - (c) the charity's gross income in the current year is not more than £500,000 for years ending before 31 March 2015, or £1m for years ending on or after this date;

- (d) where gross income exceeds £250,000, the charity's gross assets do not exceed £3.26m; and
  - (e) the charity is not ineligible for audit exemption under the CA 2006.
- 1.5 The exemption from audit is available only if you, as director/trustees, sign a declaration on the balance sheet stating that:
- (a) for the year in question, the company is eligible to take advantage of the audit exemptions;
  - (b) the members have not required the company to obtain an audit of its financial statements for the year in accordance with CA 2006, s. 476; and
  - (c) you acknowledge your obligations for complying with the requirements of CA 2006 with respect to accounting records and preparation of financial statements.
- 1.6 The availability of the exemption from an audit of the financial statements is conditional upon your causing an independent examiners' report to be prepared in respect of the financial statements in accordance with the ChA 2011, s. 145. You are responsible for deciding whether that report shall be made and for appointing us as reporting accountants to make that report to the trustees of the charity.
- 1.7 If gross income falls to £25,000 or less for the year, then, provided the other criteria set out above are met, you will need neither an audit nor an independent examiner's report.
- 1.8 You have undertaken to make available to us, as and when required, all the charity's accounting records and related financial information, including minutes of management and members' meetings, necessary to carry out our work. You will make full disclosure to us of all relevant information.

## 2 Our responsibilities as independent examiners

- 2.1 We shall plan our work on the basis that an independent examiner's report is required for the year, unless you inform us in writing that either:
- (a) the charity requires an audit of the financial statements; or
  - (b) the charity requires neither an audit nor an independent examiner's report.
- 2.2 Should you instruct us to carry out an audit, then the terms of that assignment will be dealt with in a new engagement letter. Should you inform us that the charity requires neither an audit nor an independent examiner's report, then we shall have no responsibilities to the charity, except those specifically agreed upon between us in respect of other professional services.
- 2.3 As independent examiners, we have a statutory responsibility to report to the members of the charity whether, in our opinion, there is reasonable cause to believe that, in any material respect:
- (a) adequate accounting records have not been kept, contrary to the requirements of the CA 2006;
  - (b) the financial statements do not agree with those accounting records; or
  - (c) the financial statements do not comply with any of the accounting requirements specified in the *Charities (Accounts and Reports) Regulations 2008* (SI 2008/629), Regulation 4 (or 5 for common investment funds or common deposit funds) and applicable accounting standards as stated in **Key Facts**, except to the extent necessary to show a true and fair view.
- 2.4 Should our work indicate that the charity is not entitled to exemption from an audit of the financial statements then we will inform you. In such circumstances, we will not issue any report and will withdraw from the engagement to prepare an independent examiner's report, notifying you in writing of the reasons. In these circumstances, if appropriate, we will discuss with you the possibility of appointing us as auditors.
- 2.5 We have a professional responsibility not to allow our name to be associated with financial statements that are, or may be, misleading. Therefore, although we are not required to search for such matters, should we become aware, for any reason, that the financial statements are,

or may be, misleading, if the matter cannot be adequately dealt with by means of qualifying our opinion (or by other appropriate modifications of the report), we will not issue any report. In such circumstances, we will withdraw from the engagement, and will notify you in writing of the reasons. In these circumstances you agree that we have a right to invoice you for our time spent examining the financial statements and for time spent on any other work that is not completed as a result of our resignation.

- 2.6 Under the ChA 2011, s. 156(2), we have a statutory duty to make a written report to the Charity Commission on such matters (which relates to the activities or affairs of the charity or of any connected institution or body) of which we become aware during the course of our examination and which we have reasonable cause to believe is likely to be of material significance for the purposes of the exercise by the Commission of its functions under the ChA 2011, s. 156(3). In addition under s. 156(4) if we become aware of any matter which does not require to be reported under s. 156(2) but which we have reasonable cause to believe is likely to be relevant for the purposes of the exercise by the Charity Commission of any of its functions then we may make a report on the matter to the Commission. We may have to make this report without your knowledge and consent and we cannot undertake to you to fetter this discretion in any manner.

***Scope of independent examination***

- 2.7 Our work as independent examiners will be carried out in accordance with guidance for such engagements issued by the Charity Commission. It will consist of comparing the financial statements with the accounting records kept by the charity, and making such limited enquiries of the trustees and staff of the charity as we may consider necessary for the purpose of our report.
- 2.8 As part of our normal procedures, we may request you to provide written confirmation of any information or explanations provided by you orally during the course of our work.
- 2.9 Our work as independent examiners will not be an audit of the financial statements in accordance with International Standards on Auditing (UK). Accordingly, we will not obtain any independent evidence relating to entries in the accounting records, or to the amounts or disclosures in the financial statements. Consequently our work as independent examiners will not provide any assurance that the accounting records or the financial statements are free from material misstatement whether caused by fraud, other irregularity or error.
- 2.10 Because we will not carry out an audit, nor otherwise confirm the accuracy or reasonableness of the accounting records maintained by the charity, we will be unable to provide any assurance as to whether the financial statements that we prepare from those records give a true and fair view.

## UNINCORPORATED CHARITY / CHARITABLE INCORPORATED ORGANISATION (CIO) – ACCRUALS: INDEPENDENT EXAMINATION

The purpose of this schedule and the Standard Terms of Business is to set out the basis on which we are to act as accountant and advisors to the unincorporated charity/CIO (the charity) in respect to the independent examination you have requested us to carry out under the *Charities Act 2011* (ChA 2011) and to clarify our respective responsibilities in respect of that work.

Our firm will act as independent examiners with the person listed in **Key Facts** acting as the independent examiner.

### 1 Your responsibilities as trustees

- 1.1 Our independent examination will be conducted on the basis that you acknowledge and understand that you have responsibility:
- (a) to prepare financial statements that give a true and fair view of the state of affairs of the charity at the end of the financial year and of the incoming resources and application of resources of the charity in that year in accordance with the ChA 2011 and regulations thereunder;
  - (b) in preparing the account and statement, to:
    - (i) select suitable accounting policies and then apply them consistently;
    - (ii) make judgments and accounting estimates that are reasonable and prudent; and
    - (iii) prepare the financial statements on the going concern basis, considering in particular the charity's ability to continue in operation for at least twelve months from the date when the financial statements are expected to be approved, unless it is inappropriate to presume that the activities of the charity will continue;
  - (c) for ensuring that the charity maintains sufficient accounting records which disclose with reasonable accuracy at any time the financial position of the charity. You are also responsible for such internal control as you determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error; and
  - (d) for safeguarding the assets of the charity and hence for taking reasonable steps to ensure the charity's activities are conducted honestly and for the prevention and detection of fraud and other irregularities.
- 1.2 You have a duty to prepare an annual report for each financial year complying in its form and content with the ChA 2011 and regulations thereunder. You are also required to have regard to the relevant Statement of Recommended Practice *Accounting and Reporting by Charities*, published jointly by the Charity Commission for England and Wales and the Office of the Scottish Charity Regulators, and any subsequent amendments or variations to this statement.
- 1.3 You are responsible for ensuring that the charity complies with laws and regulations applicable to its activities, and for establishing arrangements designed to prevent any non-compliance with laws and regulations and to detect any that occur.
- 1.4 You are also responsible for determining whether, in respect of the year, the charity meets the conditions for exemption from an audit set out in ChA 2011, s. 144, namely that:
- (a) the charity's gross income in the current year is more than £25,000, but not more than £500,000 in the current year for years ending before 31 March 2015, or £1m for years ending on or after this date;
  - (b) the gross assets of the charity are less than £3.26m; or where they exceed £3.26m, gross income is less than £250,000; and
  - (c) no notice has been received from the Charity Commission requiring an audit.

- 1.5 If, in respect of the year, the charity satisfies the above criteria, the availability of the exemption from an audit of the financial statements is conditional upon your causing an independent examiners' report to be prepared in respect of the financial statements in accordance with ChA 2011, s. 145. You are responsible for deciding whether that report shall be made and for appointing us as independent examiners to make that report to the trustees of the charity.
- 1.6 If gross income falls to £25,000 or less for the year, then, provided the other criteria set out above are met, you will need neither an audit nor an independent examiner's report. However, if the charity is a CIO it will still need to file financial statements with the Charity Commission.
- 1.7 You have undertaken to make available to us, as and when required, all of the charity's accounting records and related information, including minutes of trustees' meetings and of all appropriate management meetings, necessary to carry out our work. You will make full disclosure to us of all relevant information.

## 2 Our responsibilities as independent examiners

- 2.1 We shall plan our work on the basis that an independent examiner's report is required for the year, unless you inform us in writing that either:
- (a) the charity requires an audit of the financial statements; or
  - (b) the charity requires neither an audit nor an independent examiner's report.
- 2.2 Should you instruct us to carry out an audit, then the terms of that assignment will be dealt with in a new engagement letter. Should you inform us that the charity requires neither an audit nor an independent examiner's report, then we shall have no responsibilities to the charity, except those specifically agreed upon between us in respect of other professional services.
- 2.3 As independent examiners, we have a statutory responsibility to report to the trustees of the charity whether, in our opinion, there is reasonable cause to believe that, in any material respect:
- (a) sufficient accounting records have not been kept, contrary to the requirements of ChA 2011, s. 130;
  - (b) the financial statements do not agree with those accounting records; or
  - (c) the financial statements do not comply with any of the accounting requirements specified in the *Charities (Accounts and Reports) Regulations 2008* (SI 2008/629), Regulation 4 (or 5 for common investment funds or common deposit funds) and applicable accounting standards as stated in **Key Facts**, except to the extent necessary to show a true and fair view.
- 2.4 Should our work indicate that the charity is not entitled to exemption from an audit of the financial statements then we will inform you. In such circumstances, we will not issue any report and will withdraw from the engagement to prepare an independent examiner's report, notifying you in writing of the reasons. In these circumstances, if appropriate, we will discuss with you the possibility of appointing us as auditors.
- 2.5 We have a professional responsibility not to allow our name to be associated with financial statements that are, or may be, misleading. Therefore, although we are not required to search for such matters, should we become aware, for any reason, that the financial statements are, or may be, misleading, if the matter cannot be adequately dealt with by means of qualifying our opinion (or by other appropriate modifications of the report), we will not issue any report. In such circumstances, we will withdraw from the engagement, and will notify you in writing of the reasons.
- 2.6 Under ChA 2011, s. 156(2), we have a statutory duty to make a written report to the Charity Commission on such matters (which relates to the activities or affairs of the charity or of any connected institution or body) of which we become aware during the course of our examination and which we have reasonable cause to believe is likely to be of material significance for the purposes of the exercise by the Commission of its functions under ChA 2011, s. 156(3). In addition under s. 156(4) if we become aware of any matter which is not required to be reported under s. 156(2) but which we have reasonable cause to believe is likely to be relevant for the purposes of the exercise by the Charity Commission of any of its functions, then we may make

a report on the matter to the Commission. We may have to make this report without your knowledge and consent and we cannot undertake to you to fetter this discretion in any manner.

***Scope of independent examination***

- 2.7 Our work as independent examiners will be carried out in accordance with guidance for such engagements issued by the Charity Commission. It will consist of comparing the financial statements with the accounting records kept by the charity, and making such limited enquiries of the trustees and staff of the charity as we may consider necessary for the purpose of our report.
- 2.8 As part of our normal procedures, we may request you to provide written confirmation of any information or explanations provided by you orally during the course of our work.
- 2.9 Our work as independent examiners will not be an audit of the financial statements in accordance with International Standards on Auditing (UK). Accordingly, we will not obtain any independent evidence relating to entries in the accounting records, or to the amounts or disclosures in the financial statements. Consequently our work as independent examiners will not provide any assurance that the accounting records or the financial statements are free from material misstatement whether caused by fraud, other irregularity or error.
- 2.10 Because we will not carry out an audit, nor otherwise confirm the sufficiency of the accounting records maintained by the charity, we will be unable to provide any assurance as to whether the financial statements that we prepare from those records give a true and fair view.

## UNINCORPORATED CHARITY / CHARITABLE INCORPORATED ORGANISATION (CIO) – RECEIPTS & PAYMENTS: INDEPENDENT EXAMINATION

The purpose of this schedule and the Standard Terms of Business is to set out the basis on which we are to act as accountant and advisors to the unincorporated charity/CIO (the charity) in respect to the independent examination you have requested us to carry out under the *Charities Act 2011* (ChA 2011) and to clarify our respective responsibilities in respect of that work.

Our firm will act as independent examiners with the person listed in **Key Facts** acting as the independent examiner.

### 1 Your responsibilities as trustees

- 1.1 Our independent examination will be conducted on the basis that you acknowledge and understand that you have responsibility:
- (a) to prepare an account and statement for each financial year which fairly presents the receipts & payments of the charity for the period and its assets & liabilities at the period end in accordance with the ChA 2011 and regulations thereunder;
  - (b) in preparing the account and statement, to:
    - (i) select suitable accounting policies and then apply them consistently;
    - (ii) make judgments and accounting estimates that are reasonable and prudent; and
    - (iii) prepare the account and statement on the going concern basis unless it is inappropriate to presume that the activities of the charity will continue.
  - (c) for ensuring that the charity maintains sufficient accounting records which disclose with reasonable accuracy at any time the financial position of the charity. You are also responsible for such internal control as you determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error; and
  - (d) for safeguarding the assets of the charity and hence for taking reasonable steps to ensure the charity's activities are conducted honestly and for the prevention and detection of fraud and other irregularities.
- 1.2 In accordance with ChA 2011, s. 133, the charity's trustees may elect to prepare a receipts and payments account and a statement of assets and liabilities as its annual statement of accounts. You have elected to prepare such an account and statement. For CIOs, the following additional information must be provided by way of notes to the statement of assets and liabilities:
- (a) particulars of any guarantee given by the CIO; and
  - (b) particulars of any debt outstanding at the date of the statement which is owed by the CIO and which is secured by an express charge on any of the assets of the CIO.
- 1.3 You are responsible for ensuring that the charity complies with laws and regulations applicable to its activities, and for establishing arrangements designed to prevent any non-compliance with laws and regulations and to detect any that occur.
- 1.4 You are also responsible for determining whether, in respect of the year, the charity meets the conditions for exemption from an audit set out in ChA 2011, s. 144, namely that:
- (a) the charity's gross income in the current year is more than £25,000, but not more than £500,000 in the current year for years ending before 31 March 2015, or £1m for years ending on or after this date;
  - (b) the gross assets of the charity are less than £3.26m; or where they exceed £3.26m, gross income is less than £250,000; and
  - (c) no notice has been received from the Charity Commission requiring an audit.

- 1.5 If, in respect of the year, the charity satisfies the above criteria, the availability of the exemption from an audit of the financial statements is conditional upon your causing an independent examiners' report to be prepared in respect of the financial statements in accordance with ChA 2011, s. 145. You are responsible for deciding whether that report shall be made and for appointing us as reporting accountants to make that report to the trustees of the charity.
- 1.6 If gross income falls to £25,000 or less for the year, then, provided the other criteria set out above are met, you will need neither an audit nor an independent examiner's report. However, if the charity is a CIO it will still need to file financial statements with the Charity Commission.
- 1.7 You are also responsible for determining whether, in respect of the year, the charity meets the conditions for preparing its financial statements on the receipts and payments basis, namely that the charity's gross income in the current year is no more than £250,000.
- 1.8 You have undertaken to make available to us, as and when required, all of the charity's accounting records and related information, including minutes of trustees' meetings and of all appropriate management meetings, necessary to carry out our work. You will make full disclosure to us of all relevant information.

## **2 Our responsibilities as independent examiners**

- 2.1 We shall plan our work on the basis that an independent examiner's report is required for the year, unless you inform us in writing that either:
- (a) the charity requires an audit of the financial statements; or
  - (b) the charity requires neither an audit nor an independent examiner's report.
- 2.2 Should you instruct us to carry out an audit, then the terms of that assignment will be dealt with in a new engagement letter. Should you inform us that the charity requires neither an audit nor an independent examiner's report then we shall have no responsibilities to the charity, except those specifically agreed upon between us in respect of other professional services.
- 2.3 As independent examiners, we have a statutory responsibility to report to the trustees of the charity whether, in our opinion, there is reasonable cause to believe that, in any material respect:
- (a) sufficient accounting records have not been kept, contrary to the requirements of ChA 2011, s. 130; or
  - (b) the account and statement do not agree with those accounting records.
- 2.4 Should our work indicate that the charity is not entitled to exemption from audit then we will inform you. In such circumstances, we will not issue any report and will withdraw from the engagement to prepare an independent examiner's report, notifying you in writing of the reasons. In these circumstances, if appropriate, we will discuss with you the possibility of appointing us as auditors.
- 2.5 We have a professional responsibility not to allow our name to be associated with an account and statement that are, or may be, misleading. Therefore, although we are not required to search for such matters, should we become aware, for any reason, that the account and statement are, or may be, misleading, if the matter cannot be adequately dealt with by means of qualifying our opinion (or by other appropriate modifications of the report), we will not issue any report. In such circumstances, we will withdraw from the engagement, and will notify you in writing of the reasons.
- 2.6 Under ChA 2011, s. 156(2), we have a statutory duty to make a written report to the Charity Commission on such matters (which relates to the activities or affairs of the charity or of any connected institution or body) of which we become aware during the course of our examination and which we have reasonable cause to believe is likely to be of material significance for the purposes of the exercise by the Commission of its functions under ChA 2011, s. 156(3). In addition under s. 156(4) if we become aware of any matter which does not require to be reported under s. 156(2) but which we have reasonable cause to believe is likely to be relevant for the purposes of the exercise by the Charity Commission of any of its functions then we may make a report on the matter to the Commission. We may have to make this report without your knowledge and consent and we cannot undertake to you to fetter this discretion in any manner.

**Scope of independent examination**

- 2.7 Our work as independent examiners will be carried out in accordance with guidance for such engagements issued by the Charity Commission. It will consist of comparing the account and statement with the accounting records kept by the charity, and making such limited enquiries of the trustees and staff of the charity as we may consider necessary for the purpose of our report.
- 2.8 As part of our normal procedures, we may request you to provide written confirmation of any information or explanations provided by you orally during the course of our work.
- 2.9 Our work as independent examiners will not be an audit of financial statements in accordance with International Standards on Auditing (UK). Accordingly, we will not obtain any independent evidence relating to entries in the accounting records, or to the amounts or disclosures in the account and statement. Consequently our work as independent examiners will not provide any assurance that the accounting records or the account and statement are free from material misstatement whether caused by fraud, other irregularity or error.
- 2.10 Because we will not carry out an audit, nor otherwise confirm the sufficiency of the accounting records maintained by the charity, we will be unable to provide any assurance as to whether the account and statement that we prepare from those records present fairly the charity's receipts and payments and its assets and liabilities at the year end.

## FRIENDLY SOCIETY – REPORTING ACCOUNTANT’S REPORT

The purpose of this schedule and the Standard Terms of Business is to set out the basis on which we are to act as reporting accountants to the society and to clarify our respective responsibilities in respect of that work.

Our firm will act as reporting accountants with the person listed in **Key Facts** acting as the independent reporting accountant.

### 1 Your responsibilities as officers of the society

- 1.1 Our engagement as reporting accountants will be conducted on the basis that you acknowledge and understand that you have responsibility:
- (a) to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the society and of its surplus of income over expenditure or of its deficit for that period;
  - (b) in preparing those financial statements, to:
    - (i) select suitable accounting policies and then apply them consistently;
    - (ii) make judgments and accounting estimates that are reasonable and prudent; and
    - (iii) prepare the financial statements on the going concern basis, considering in particular the society’s ability to continue in business for at least twelve months from the date when the financial statements are expected to be approved, unless it is inappropriate to presume that the society will continue in business;
  - (c) for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the society and to enable you to ensure that the financial statements comply with the *Friendly Societies Act 1974* (FSA 1974) and applicable accounting standards as stated in **Key Facts**. You are also responsible for such internal control as you determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error; and
  - (d) you are also responsible for safeguarding the assets of the society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.
- 1.2 You are also responsible for determining whether, in respect of the year, the society is entitled to disapply the statutory audit requirement of the financial statements pursuant to FSA 1974, s. 32A, namely that:
- (a) a resolution not to have an audit has been passed at a general meeting at which:
    - (i) less than 20 per cent of the total votes cast were cast against the resolution; and
    - (ii) less than 10 per cent of the members of the society, for the time being entitled to vote under the society’s rules, cast their votes against the resolution; and
  - (b) no notice has been received from the Financial Conduct Authority (FCA) requiring an audit; and
  - (c) the society’s total turnover in the preceding year was more than £90,000, but not more than £350,000 (£250,000 in the case of a charitable society); and
  - (d) the society’s balance sheet total (gross assets) at the end of the preceding year was not more than £1.4 million.
- 1.3 You are also responsible for determining, in respect of the year, that the society is not disqualified from disapplying the audit requirement for any of the reasons set out in FSA 1974, s. 32A(3); namely that at no time during the year was the club/association/society a society or branch which holds, or has at any time since the end of the preceding year of account held, a deposit within the meaning of the *Financial Services and Markets Act 2000*.

- 1.4 If, in respect of the year, the society satisfies the criteria above, the availability of the exemption from an audit of the financial statements is conditional upon your causing an accountant's report to be prepared in respect of the financial statements in accordance with FSA 1974, s. 39A (3–4). You are responsible for deciding whether that report shall be made and for appointing us as reporting accountants to make that report to the members of the society.
- 1.5 If the turnover falls to £90,000 or less for the preceding year, then, provided the other exemption criteria set out above are met, the society will need neither an audit nor a reporting accountant's report.
- 1.6 You have undertaken to make available to us, as and when required, all the society's accounting records and related financial information, including minutes of management and members' meetings, necessary to carry out our work. You will make full disclosure to us of all relevant information.

## 2 Our responsibilities as reporting accountants

- 2.1 We shall plan our work on the basis that an accountant's report is required for the year, unless you inform us in writing that either:
- (a) the society requires an audit of the financial statements; or
  - (b) the society does not require an audit or an accountant's report.
- 2.2 Should you instruct us to carry out an audit, then the terms of that assignment will be dealt with in a separate engagement letter.
- 2.3 Should you inform us that the society requires neither an audit nor a reporting accountant's report then we shall have no responsibilities to the society, except those specifically agreed upon between us in respect of other professional services.
- 2.4 As reporting accountants, we have a statutory responsibility to report to the members of the society whether, in our opinion:
- (a) the financial statements are in agreement with those accounting records kept by the society under FSA 1974, s. 29;
  - (b) having regard only to, and on the basis of, the information contained in those accounting records, the financial statements have been drawn up in a manner consistent with the accounting requirements of FSA 1974 and applicable accounting standards as stated in **Key Facts**; and
  - (c) the required financial criteria enabling the society to forego an audit have been met.
- 2.5 We have a professional responsibility not to allow our name to be associated with financial statements which are or may be misleading. Therefore, although we are not required to search for such matters, should we become aware, for any reason, that the financial statements may be misleading, unless the matter can be addressed by amending the financial statements, by qualifying our opinion, or by other appropriate modifications of the report, we will not issue any report and will withdraw from the engagement and notify you in writing of the reasons. In these circumstances you agree that we have a right to invoice you for our time spent examining the financial statements and for time spent on any other work that is not completed as a result of our resignation.
- 2.6 Our work will be carried out in accordance with the professional standards for such engagements issued by the Financial Reporting Council. It will involve comparing the financial statements with the accounting records kept by the society, and making such limited enquiries of the officers and staff of the society as we may consider necessary for the purpose of our report.
- 2.7 As part of our normal procedures, we may request you to provide written confirmation of any information or explanations given by you orally during the course of our work.
- 2.8 Our work as reporting accountants will not be an audit of the financial statements in accordance with International Standards on Auditing (UK). Accordingly, we will not obtain any independent evidence relating to entries in the accounting records, or to the amounts or disclosures in the financial statements. Consequently our work as reporting accountants will not provide any assurance that the accounting records or the financial statements are free from material

misstatement, whether caused by fraud, other irregularities or error. Furthermore, we have no responsibility to determine whether you have maintained proper accounting records in accordance with FSA 1974, s. 29, and we will not address this point unless you specifically request us, in writing, to do so.

- 2.9 Because we will not carry out an audit, nor otherwise confirm the accuracy or reasonableness of the accounting records maintained by the society, we will be unable to provide any assurance as to whether the financial statements that we prepare from those records give a true and fair view.