

CIPFA Bulletin 08 - CHARITY ACCOUNTING, AUDITING AND EXAMINING: MEMBERS AND STUDENTS RESPONSIBILITIES

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CIPFA issues Bulletins to assist practitioners with the application of the reporting requirements, and to provide advice on emerging or urgent accounting issues. Bulletins provide influential guidance that is intended to be best practice but are not prescriptive and do not have the formal status.

The Chartered Institute of Public Finance and Accountancy (CIPFA) is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, major accountancy firms and other bodies where public money needs to be effectively and efficiently managed. As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. Globally, CIPFA leads the way in public finance by standing up for sound public financial management and good governance.

Charity Accounting, Auditing and Examining: Members and Students Responsibilities

Introduction

All CIPFA members and students undertaking any professional task shall at all times work to the standards set out in all Statements of Professional Practice (SoPPs) (including the SoPP on Ethics) relevant to the task(s) being undertaken. When members or students recognise that a task is beyond their experience, technical competence or capability, they must seek appropriate help, advice and guidance from their manager and/or director of finance. The director of finance should take all reasonable steps to ensure that members are appropriately trained for the task(s) to be carried out, are aware of their limitations and of the means of seeking help in case of need.

Nevertheless, all members must take it upon themselves to recognise their individual levels of knowledge, experience and competence and to refrain from undertaking any work that would not comply with the key principles described in CIPFA's SoPPs.

Many charities are smaller entities and are administered by non-financial trustees and volunteers. Such bodies may look to finance volunteers to meet a skill gap within the charity. Charities are required to comply with a very different compliance framework to other entities. Before accepting an engagement to support a charity, members and students should ensure that they have the professional skills to enable the work to be completed to the required standard.

Charities in the UK are overseen by three Regulators; The Charity Commission for England and Wales (CCEW), the Office of the Scottish Charities Regulator (OSCR) and the Charity Commission for Northern Ireland (CCNI). The legislation and compliance environment in each jurisdiction can vary in each one, cross border charities who have activities in more than one jurisdiction must ensure they comply with the accounting requirements found each jurisdiction in which it operates. The sites of all these Regulators contain guidance on the accounting requirements for charities in [England and Wales](#), [Scotland](#) and [Northern Ireland](#) respectively.

Compilation of Financial Statements

Charities are required to report under the Statement of Recommended Practice (SORP) for Charities. The Statement was last revised in 2015 to comply with FRS102. This was updated in October 2019 to incorporate clarifications on the interpretation of FRS102 for charities since its implantation. A copy of the SORP can be downloaded from the [SORP microsite](#).

Very small charities, those with a turnover of £250,000 or less, can submit receipts and payments accounts. Although these are much simplified accounts they still require care. The websites of the three charity Regulators also contain guidance and templates on the preparation of receipts and payments accounts.

Independent Examination of Charity Financial Statements

In addition to the preparation of accounts, CIPFA members and students may also be asked to undertake the independent examination of charity accounts. There are detailed requirements that any examiner must follow when undertaking these examinations. In addition to the guidance on the Regulator's websites regarding these requirements there are also dedicated sector support groups, such as the [Association of Charity Independent Examiners](#). The group provides networking opportunities to share common issues and solutions with fellow examiners.

Charities (England and Wales)	<p>Detailed guidance is available on the Charity Commission web site. CIPFA members may act as Independent Examiners (including where the gross income exceeds £250,000) provided they have requisite ability and practical experience to carry out a competent examination of the accounts.</p> <p>For audits of charities (and company charities under the Companies Act), the auditor must be eligible for appointment as a statutory auditor under Part 42 of the Companies Act 2006.</p>
Charities (Scotland)	<p>Detailed guidance is available on the Office of the Scottish Charity Regulator web site. CIPFA members may act as Independent Examiners provided they have requisite ability and practical experience to carry out a competent examination of the accounts.</p> <p>For audits of charities (and company charities under the Companies Act), the auditor must be eligible for appointment as a statutory auditor under Part 42 of the Companies Act 2006.</p>
Charities (Northern Ireland)	<p>Detailed guidance is available on the Charity Commission for Northern Ireland (CCNI) website. For accounting the financial years of beginning on or after 1 January 2016, charities registered with CCNI are required to complete and submit their accounts, trustees' annual report and independent examiner/auditor report with the Commission.</p>

External Scrutiny Benchmark (England & Wales) for Independent examiners

A dedicated benchmark has been introduced to monitor the quality of independent examination of the financial statements of charities. All members and students who undertake the compilation, audit and independent examination of charity financial statements should be familiar with the requirements of the benchmark before accepting any engagement.

Accountant in Practice

CIPFA no longer issues practising certificates. The requirement to have a practising certificate was framed in terms of the type of work being done, and the financial volume of work being done. In cases where a sufficient volume of work is being done, accountants are considered to be 'in practice'. In these cases accountants in practice need to review whether they are appropriately covered by professional indemnity insurance. Work done gratis or for small honoraria does not mean that the accountant is 'in practice'. The parameters CIPFA is that income from a single client should not exceed £250 and that the total from all clients does not exceed £1000.

Responsibilities of a Charity Trustee

Many CIPFA members and students are invited to become charity trustees. Financial skills are very valuable for charities and they can find it hard or expensive to access the skills they require. CIPFA members can therefore be an asset on a charity board.

Before accepting an offer to become a charity trustee CIPFA members need to be confident that, in line with CIPFA professional standards, their skills are adequate to meet the demands of the role they are being asked to perform.

In addition, there are fiduciary duties that a charity trustee must observe, it is important that potential trustees are aware of these duties and that they uphold them once appointed. Charity trustees are required to:

1. Ensure the charity is carrying out its purposes for the public benefit

All charities must carry out their purposes for the public benefit this is reflected in the charity's governing document and objectives. Charity trustees are required to demonstrate each year through the annual report and accounts, how the charity meets its duties with regard to the public benefit.

2. Comply with your charity's governing document and the law

All trustees must ensure their activities comply with the requirements of the charity's governing document and the law. Acting otherwise is a serious matter so trustees must ensure they are informed of all their obligations under these requirements.

3. Act in your charity's best interests

A charity trustee must agree with their co-trustees the activities in accordance with the charity's purposes and ensure the decisions it makes are balanced and adequately informed. Charity trustees must ensure that they manage conflicts of interest appropriately and must not receive any benefits from the charity unless they are properly authorised and in the interests of the charity.

4. Manage your charity's resources responsibly

Trustees must ensure that the assets and resources of a charity are protected and applied for charitable purposes only.

5. Act with reasonable care and skill

Trustees must ensure that they apply a reasonable amount of care, time and skill to the decisions they make and that they seek professional advice when required.

6. Ensure your charity is accountable

A charity trustee must ensure that the charity complies with the statutory accounting and reporting requirements. Trustees must keep clear accounting records and meet charity financial reporting requirements which demonstrate the charity is well run and complying with its legal requirements. Trustees must ensure that they are accountable to their members (if the charity has a membership separate from its trustees) and ensure that there is accountability for decision making.

There are specific duties across the three charity jurisdictions in the UK. They are broadly similar, but you are advised to check the specific requirements within the jurisdiction(s) in which your charity operates.

Further details of these duties can be found at:

[CC3 The Essential Trustee \(England and Wales\)](#)

[Guidance and good practice for Charity Trustees \(Scotland\)](#)

[Guidance for Charity Trustees \(Northern Ireland\)](#)

Please note that the guidance offered by this Bulletin should not be taken as an authoritative interpretation of the law and should not be considered as constituting professional advice. The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity.

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