

Hackett Griffey LLP

Supplementary standard terms of business for charitable companies (revised 1 April 2010)

The following supplementary standard terms of business apply to all audit exempt charitable limited company engagements accepted by Hackett Griffey LLP (“the firm”), in addition to the extant Standard Terms of Business for Limited Companies. All work carried out is subject to these terms except where changes are expressly agreed in writing.

The following terms shall replace section 2 (statutory accounts: your responsibilities as directors) and section 3 (statutory accounts: our responsibilities as accountants) in the extant Standard Terms of Business for Limited Companies.

1 Your responsibilities as trustees

- 1.1 As directors/trustees of the charitable company, you are required to prepare financial statements for each financial year that give a true and fair view and have been prepared in accordance with applicable accounting standards and the Companies Act 2006. In preparing those financial statements, you are required to:
 - (a) select suitable accounting policies and then apply them consistently;
 - (b) make judgements and estimates that are reasonable and prudent; and
 - (c) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.
- 1.2 As trustees of the charitable company, you have a duty under the Companies Act 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 1993. You should also have regard to the Statement of Recommended Practice 'Accounting and Reporting by Charities (revised 2005)' ('SORP'), issued by the Charity Commission for England & Wales and any subsequent amendments or variations to this statement..
- 1.3 You are responsible 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 SORP and the Companies Act 2006 (the Act).
- 1.4 You are responsible 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.
- 1.5 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 Charities Act 1993 and the Companies Act 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;
 - (d) the charity's gross assets do not exceed £2.8 million; and
 - (e) the charity is not ineligible for audit exemption under the Companies Act 2006 (a PLC, bank insurance company etc or a member of a group containing such a company).

- 1.6 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 section 476 of the Companies Act 2006; and
 - (c) you acknowledge your obligations to keep proper accounting records and to prepare financial statements which give a true and fair view of the state of the company's affairs and of its profit or loss for the period.
- 1.6 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 section 45 of the Charities Act 1993. 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) accounting records have not been kept, contrary to the requirements of the Companies Act 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 regulation 4 (or 5 for common investment funds or common deposit funds)* of the Charities (Accounts and Reports) Regulations 2008, 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 of this. 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 section 44A(2) of the Charities Act 1993 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 section 8 or 18 of the Charities Act 1993. In addition under section 44A(3) if we become aware of any matter which does not require to be reported under section 44A(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 work

- 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 reporting accountants will not be an audit of the financial statements in accordance with Auditing Standards. 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 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.