

4.05 CHARITABLE COMPANY

The purpose of this schedule and the Standard Terms of Business is to set out the basis on which we are to act as accountants and advisors with regard to the production of the charitable company's statutory financial statements and issuing an accountant's report thereon, and to clarify our respective responsibilities in respect of that work.

1 Your responsibilities as trustees/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 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 Statement of Recommended Practice *Accounting and Reporting by Charities* (the 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 the 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 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(17), 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 have agreed that your staff will maintain all accounting records, except as detailed in paragraph 2.2 below.
- 1.5 You are also responsible for determining whether, in respect of the year, the charitable company meets the conditions for exemption from an audit and an independent examination as set out in the ChA 2011 and 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 25,000; and

- (d) the charity is not ineligible for audit exemption under the CA 2006 (a Plc, bank insurance company, etc. or a member of a group containing such a company).
- 1.6 The exemption 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 accounts.
- 1.7 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 have agreed to make full disclosure to us of all relevant information.
- 1.8 You will approve and sign the accounts thereby acknowledging responsibility for them.

2 Our responsibilities as accountants

- 2.1 Where the charity requires neither an audit nor an independent examiners' report we have no statutory responsibilities to the charity at all. Our only responsibilities arise from those specifically agreed upon between us in respect of other professional services. You have asked us to assist you in the preparation of financial statements in accordance with the requirements of the CA 2006, and issue an accountant's report on those financial statements. We will compile the annual financial statements for your approval based on the accounting records maintained by you and the information and explanations that you give us.
- 2.2 As agreed with you (see [Key Facts](#)), we shall carry out the following bookkeeping services:
 - (a) write up the accounting records insofar as they are incomplete when presented to us; and
 - (b) complete the postings to the nominal ledger.
- 2.3 We will write to you on or around your year-end date to request the information and records we will need to prepare the accounts.
- 2.4 We do not have any responsibility to report whether any member of the charitable company has notified the company that he or she requires an audit. Consequently we have no responsibility to carry out any work in respect of this matter.
- 2.5 We will not check whether the charitable company is exempt from audit or independent examination. However, should our work indicate that the charitable company is not entitled to exemption then we will inform you of this. In these circumstances, if appropriate, we will discuss with you the need to appoint us as auditors or independent examiners, as the case may be.
- 2.6 We have a professional duty to prepare financial statements that conform with generally accepted accounting principles. Furthermore, as directors/trustees, you have a duty to prepare financial statements that comply primarily with the Companies Act 2006 and applicable accounting standards as stated in [Key Facts](#). In addition, as trustees of a charitable company you are also required to have regard to the SORP. Where we identify that the financial statements do not conform to accepted accounting principles or if the accounting policies adopted are not immediately apparent, this will be made clear in our report, if it is not clear in the financial statements.
- 2.7 We will not specifically check the adequacy of your records; however, where any issues arise during the course of our work, we will advise you on whether your records are adequate for preparation of the financial statements and recommend improvements.
- 2.8 We shall plan our work on the basis that no report is required by statute or regulation for the year, unless you inform us in writing to the contrary. In carrying out our engagement we will make enquiries of management and undertake any procedures that we judge appropriate but are under no obligation to perform procedures that may be required for assurance engagements, such as audits or independent examinations.

- 2.9 Our work will not be an audit of the financial statements in accordance with International Standards on Auditing (UK). Accordingly, we will not obtain any evidence relating to entries in the accounting records, or to the financial statements or to the disclosures in the financial statements. Nor will we make any assessment of the estimates and judgments made by you in the preparation of the financial statements. Consequently our work will not provide any assurance that the accounting records or the financial statements are free from material misstatement, whether caused by fraud, or other irregularities or error. In addition, we have no responsibility to determine whether you have maintained adequate accounting records in accordance with the CA 2006, and we will not address this point unless you specifically request us, in writing, to do so.
- 2.10 Since we have not carried out an audit, nor confirmed in any way the accuracy or reasonableness of the accounting records maintained by the charitable company, we are unable to provide any assurance as to whether the financial statements that we prepare from those records and on which we are reporting present a true and fair view.
- 2.11 We have a professional responsibility not to allow our name to be associated with financial statements 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 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 accounts with you and for time spent on any other work that is not completed as a result of our resignation.
- 2.12 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.
- 2.13 We will report to the trustees, as appropriate, that in accordance with this engagement schedule and to assist you to fulfil your responsibilities, we have not carried out an audit or an independent examination but have compiled the financial statements from the accounting records and from the information and explanations supplied to us.
- 2.14 To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's trustees, as a body for our work or this 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. However, in every situation where we grant consent, then the accountant's report must remain attached to the financial statements shown to the third party.