

Examination of accounts

Getting your group's accounts independently examined: what it means, why you might want to do it, and how to go about it.

Why is an independent examination of accounts useful for our group?

It's useful for a group to have its accounts looked at by someone who is not part of the group. It gives the whole group, and external organisations (funders, donors, etc), assurance that the group's money is being well managed.

The examiner's report provides a useful summary for the treasurer to present to the group at the Annual General Meeting (AGM).

Do we have to get our accounts examined?

You should have an accounts examination if your group's constitution states that you must have one.

If you are a charity with an income over £25,000, you are required by law to have an examination of accounts. See our information on *Charity Reporting and Accounts* for more guidance on the legal obligations of charities.

Any group can choose to have an accounts examination.

What is an independent examination of accounts?

An independent examination of accounts involves looking at the accounting records of the group and writing an independent report based on them. The role of the examiner is to give what's called "negative assurance". This involves looking at the information the group has provided, and stating whether or not any problems have come to the attention of the examiner (such as lack of accounting records).

As well as scrutinising the accounts, the independent examiner may also help prepare the accounts in the format required by the group for discussion at their AGM or other meeting, and for submission to the Charity Commission if the group is a charity.

An independent examination of accounts is different from an audit. If your group's constitution calls for an audit, an independent examination of accounts might not be sufficient. For advice about the difference between an independent examination and an audit, see our information on *Charity Reporting and Accounts*.

What does an examiner do?

An independent examiner should look at all your records for the period being examined. Their job is to give an informed opinion, based on the records, about whether they have found any evidence to suggest that the accounts have not been kept properly, or that the figures being presented to the group by the treasurer do not tally with the records that have been kept. The examiner should:

- ♦ Establish the opening and closing balances. Groups may have more than one bank or building society account and one or more cash floats as well as petty cash. The examiner will check the bank reconciliation and number of the last cheque issued.
- ♦ Check paperwork supporting income (e.g. the group's invoices, letters or emails confirming grants, and copies of receipts issued by the treasurer).
- ♦ Check paperwork supporting expenditure (e.g. invoices from firms, till receipts and bus/train tickets). Check that at least 2 signatures are required to draw cheques, to make internet payments, to approve cash withdrawals from an ATM, and to authorise larger payments by cash. The signatories must be current officers (or another authorised committee member).
- ♦ Check that individual items are reasonable (e.g. if the secretary's telephone expenses are supported by their home phone bill, expenses will be only a proportion of the total bill).

Does it cost money?

The Resource Centre conducts free independent accounts examinations for volunteer run Brighton & Hove groups with income under £100,000 which are:

- ♦ run by and for people living in areas of social housing, and/or
- ♦ run by and for black and minority ethnic people, and/or
- ♦ run by and for disabled people.

If your group meets these criteria, contact us find out more about our independent examination service.

If your group is not eligible for a free examination from the Resource Centre, you could pay someone to examine your accounts. We keep a list of local people and organisations that provide independent examinations of accounts, which is available on our website¹.

If you are unable to pay, another option is to ask an independent volunteer to examine your accounts. If your income is under £250,000, they do not have to be a qualified accountant or registered with anyone. They do, however, need to have a good understanding of bookkeeping, and be able to act independently of your organisation. You may be able to find someone who would like to do some volunteering for a local community group. If you are in Brighton & Hove, Community Works can help you to promote a volunteering opportunity¹.

If your group is a registered charity, the independent examination should be done by somebody who has a good understanding of charity finance and the law relating to

¹ <http://www.bhcommunityworks.org.uk/volunteering/looking-volunteers/>

it. If you are a charity with an income over £250,000, your accounts must be examined by a member of an approved body, such as the Association of Charity Independent Examiners (ACIE)². (If you are a charity with an annual income over £1m, or over £250,000 if your assets are worth more than £3.26m, your accounts need to be audited by a qualified auditor).

Can a member of our group do the examination?

A member of your group cannot conduct an independent examination of your accounts, because they are not independent.

However, there is nothing to prevent you from arranging for different members of your group to look over your financial records and check that they are in order. This can be a good way of sharing knowledge and responsibility for the accounts among the group members.

If your group chooses not have to have an independent examination of accounts, you might still like to ask a member who is not a cheque signatory to go through the accounts before the AGM, establish the opening and closing balances and check the supporting paperwork. This can be a way of providing support to the treasurer and providing a second opinion to the group about the accounts being presented.

Useful contacts

¹The Resource Centre keeps a list of independent examiners who can examine accounts for groups in Brighton & Hove. You can find the list at:

<http://www.resourcecentre.org.uk/service/independent-examination-of-accounts/>

² <http://www.acie.org.uk/>