

## **The Charities Act 2011 and its impact on wording of Annual Reports and Accounts**

The Charities Act 2011 came into effect on 14 March 2012, and consolidates previous charity legislation into a single comprehensive Act. The new Act does not change pre-existing legislation under the previous Charities Acts.

Whilst none of the requirements concerning independent examination (or audit) have been changed, and whilst the essential substance of the Examiners Report therefore stays the same, inevitably the references to respective statutory provisions **have** changed. The Charity Commission is busy updating its publications, and the Auditing Practices Board has in hand the updating of their model example audit reports.

For 2011 Annual Reports and Accounts, the simplest approach is to refer to the provision of the Charities Act 2011 on documents executed following the Act's implementation (i.e. those prepared on or after 14 March 2012) and to refer to the provisions of the Charities Act 1993 (or other relevant charity legislation) in documents executed *before* 14 March 2012.

There is no requirement to go back and change the Charities Act references in a document that has already been finalised before 14 March 2012. Even if a repealed provision were to be inadvertently stated after 14 March 2012 in a document then schedule 8 of the 2011 act provides that the effect is as if the relevant section of the Charities Act 2011 had been cited.

Independent examiners should note that:

- their examination of the accounts was under section 145 of the Act; (<http://www.legislation.gov.uk/ukpga/2011/25/section/145>)
- they follow the Directions made under section 145 (5) (b) of the Act;
- the charity keeps accounting records under section 130 of the Act; and
- the accounts comply with the requirements of the 2011 Act.

For your guidance, I include below an example of a “clean” independent examiner’s report quoting the **new Charities Act references**.

### **Independent Examiner's report to the Parochial Church Council of St XXXX's, XXXX**

This report on the accounts of the PCC for the year ended 31 December 2011, which are set out on pages X to X is in respect of an examination carried out in accordance with the Church Accounting Regulations 2006 ('the Regulations') and **s.145 of the Charities Act 2011** ('the Act').

#### **Respective responsibilities of the PCC and the examiner**

As members of the PCC you are responsible for the preparation of the accounts; you consider that the audit requirement of the Regulations and **s.144(2)** of the Act does not apply. It is my responsibility to issue this report on those accounts in accordance with the terms of the Regulations.

#### **Basis of this report**

My examination was carried out in accordance with the General Directions given by the Charity Commission under **s.145(5)(b)** of the Act and to be found in the Church guidance, 2006 edition. That examination includes a review of the accounting records kept by the PCC and a comparison of the accounts with those records. It also includes considering any unusual items or disclosures in the accounts and seeking explanations from you as trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently I do not express an audit opinion on the view given by the accounts.

**Independent examiner's statement**

In connection with my examination, no matter has come to my attention:

- i. which gives me reasonable cause to believe that in any material respect the requirements
  - to keep accounting records in accordance with section **130** of the Act; and
  - to prepare accounts which accord with the accounting records and comply with the requirements of the Act and the Regulations have not been met; or
- ii. to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.