Audit versus independent examination

Your charity may not be required by statute to have its accounts audited but may still do so because:

- There is a requirement in your governing document
- Certain funders require the statutory accounts to be subject to audit
- An audit provides additional assurance to your various other stakeholders
- It is good practice and governance as far as trustees are concerned as it provides greater accountability and transparency
- The reduced fee for an independent examination may not prove to be too significant

Audit

Audit work is governed by international auditing standards which require more rigour, including testing the validity of items, completeness, cut off and existence of assets and liabilities. For example, verifying bank balances to independent bank letters and property entries to land registry records/ valuation report etc.

The auditor provides a positive statement on whether the accounts show a “true and fair view” (i.e. based on whether they contain any "material" errors/omissions). The audit opinion provides more assurance – thus giving more “comfort” to trustees, staff, funders, donors, beneficiaries and other stakeholders.

There are requirements to review internal financial and other controls and systems. There are also requirements to plan work and review systems from the perspective of prevention and detection of fraud and error.

Independent Examination

This is a simpler process - it comprises a review of the accounting records kept by the charity and a comparison of the accounts to those records. It should be undertaken in accordance with the Charity Commission's specified "Directions". The examination provides trustees, funders, beneficiaries, stakeholders and the public with a form of assurance that the accounts of the charity have been reviewed by an independent person.

There is less depth to the work with less vouching of the validity of entries and items as the examiner’s work is primarily based around checking the extraction of underlying data into accounts.

The examiner's report to the trustee is only required to confirm that no evidence has been found that suggests certain things have not been done. It is a "negative assurance" therefore providing a more limited form of scrutiny. Certain matters will be reported where there are significant concerns. This option does not provide any assurance as to whether the accounts show a "true and fair” view.