

7. Preparation for an independent examination

In this section, the preparation involved prior to the independent examination taking place is explained.

7.1 Preparation by charity trustees **For charity trustees**

Responsibility for maintaining the accounting records and the preparation of accounts always remains with the charity trustees, even where the charity trustees actually employ someone else to carry this out.

In this section, we look at how the information that has been kept by the charity during the financial year should be prepared for presentation to the independent examiner and also how the charity trustees themselves should prepare for the process.

Part of the role of the independent examiner is to review the accounting records kept by the charity and compare them with the accounts prepared from those records. In preparation for the independent examination process, the charity trustees should make sure that:

- the accounting records provide a complete record of all transactions that the charity has entered into during the financial year and are fully up to date
- the accounting records are *sufficiently detailed* to show and explain the transactions (see Table 2 for further guidance on the phrases in italics). In particular, they must be able to:
 - show, *day to day*, the money received and spent by the charity
 - record the *assets and liabilities* of the charity
 - disclose the financial position of the charity *at any time*
 - produce a statement of account in line with the 2006 Regulations
- the annual report and accounts are prepared for the examiner, unless the independent examiner is assisting in the preparation of the accounts. For further information see section 7.2
- they are prepared to answer any questions regarding the financial transactions that have taken place during the year or to provide any other information that the examiner may require (e.g. minutes of charity trustee meetings). The examiner is entitled to seek any information or further explanation for any matter which comes to their attention in the course of their work. If any information that the examiner requests is not made available, the examiner may make a statement within the report to that effect. It is important to note that the entitlement of the independent examiner to any information that they deem necessary for the fulfilment of their duties extends to information from not only present charity trustees and employees but also to individuals who previously held the role of charity trustee or employee of the charity.

For small charities with simple financial transactions, the accounting records should be kept in a manner that allows them to be summarised on a regular basis, perhaps every quarter. More complex charities should be able to pull their results together more frequently, such as monthly or even weekly. The quality of the books and records held will either help or hinder the charity trustees in their efforts to manage the financial affairs of the charity. If the books and records have been kept in an appropriate manner, then the preparation of the year end accounts should be much easier, quicker and possibly also less costly.

Table 2: Explanation of terms used in describing the requirements for keeping accounting records

Sufficiently detailed	This will depend on the size and complexity of the charity. The larger and more complex the charity, the more complex the accounting controls and records would need to be.
Day to day	This includes assets and liabilities. Records must be written up as transactions occur.
Assets and liabilities	Registers of equipment and investments, lists of money owed to and by the charity (if appropriate).
At any time	A third party with sufficient experience could draw up a set of accounts at any time in the year, not just at the year end.

7.2 Annual report and accounts

A key part of the preparation for the independent examination process will be the production of the annual accounts document for the charity. The content of this document is set out in the 2006 Regulations and comprises the following elements:

- a Trustees' Annual Report
- financial statements, including notes
- an external scrutiny report.

The content of each of these elements will depend on the form of accounts being prepared. For further information, refer to OSCR's Accounts Guidance or the summary information at Appendix 1. The form of accounts is also discussed in section 4.1 of this guidance.

For specific information relating to receipts and payments accounts, refer to Appendix 2.

For specific information relating to fully accrued accounts, refer to Appendix 3.

In many cases, it is recognised that the independent examiner may also undertake the task of preparing the accounts. Charity trustees should bear in mind however that the ultimate responsibility for the accounts of the charity lies with them, and while another individual or organisation might be engaged to undertake this task, the content, approval and filing of accounts with OSCR remains the responsibility of the charity trustees.

Where the task of preparing the accounts is delegated to an individual who is also acting as an independent examiner, it will still be necessary for the accounting records to be complete and up to date as outlined in section 7.1. This is so that the examiner can simply extract the relevant figures from the accounting records and put them into the required statutory format of the accounts. The examiner should not have to make any significant changes to the accounting records in order to obtain the figures required to prepare the accounts. The transactions should, as far as possible, be summarised into categories of income and expenditure and also assets and liabilities, where appropriate.