



## Appointing & Working With Your Independent Examiner

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### Introduction

As a church you will need to have your accounts checked by someone competent outside the PCC to ensure that you have complied with the Charities Act. This is your independent examination.

The person who checks your accounts in this way is the Independent Examiner (IE) and is appointed by the Annual Parochial Church meeting (APCM). However the appointment is usually made on the advice of the PCC.

To give good advice the PCC needs to understand what the Independent Examiner is expected to do, what information they need to do it and what they will report on. It is important for the PCC to give enough time to finding the right person for the job.

### What to look for in an Independent Examiner

The Charities Act says that the Independent Examiner must be: ‘...an independent person with the requisite ability and practical experience to carry out a competent examination.’

At first look you may feel that you simply do not know anyone like this! But if we look more closely at what is actually needed it becomes easier:

**An independent person** – to be independent the person must not have any connection with the PCC that could influence them. They should not be:

1. A member of the PCC or any of its sub-committees
2. An employee of the PCC
3. Closely involved with the administration of the church.
4. A major donor to the church
5. A person receiving benefit or support from PCC funds such as a gift.
6. A close relative, spouse, civil or business partner or employee of anyone who is linked to the PCC or church in the ways shown above.
7. They must **not** be the church’s bookkeeper.

**Having the requisite ability** – you need to ensure that Independent Examiner has:

1. Numeracy skills
2. Financial awareness
3. A **basic** understanding of the different types of funds (unrestricted, restricted, endowment) and the nature of trusts.

To support these basic skills the person will also need to read and understand two Charity Commission's documents:

- ◆ Independent Examination of a Charity Accounts: Examiner's Guide (CC32)  
<http://www.charity-commission.gov.uk/Publications/cc32.aspx>
- ◆ The Essential Trustee: What you need to know (CC3)  
<http://www.charity-commission.gov.uk/Publications/cc3.aspx> There is also a Church of England booklet on Trusteeship, which provides a C of E perspective on this  
<http://www.parishresources.org.uk/charity/Trusteeship%20leaflet%208pp.pdf>

**Having the practical experience** – you need to be sure that the person has hands on knowledge of working with church or charity financial management and administration. That might include one or more of the following:

1. Involvement in the financial administration of a church.
2. Already having been a successful Independent Examiner for a church or charity
3. Having relevant practical experience in professional accountancy or commercial financial management.

Note:

If your gross income is over £250,000 but below £500,000, and your assets are under £3.26 million, (as shown on the balance sheet, and before deducting liabilities) you can still have your accounts independently examined, but it must be by a qualified person. The Charity Commission's Guide (CC31) (<http://www.charity-commission.gov.uk/Publications/cc31.aspx>) provides guidance on this at section D1.

The law requires the Independent Examiner to be an individual person. That individual can be an accountant or a registered auditor, but they should sign the report in their own name, although they may add the firm's name underneath.

### **How to appoint your Independent Examiner**

Take time to discuss the nature of church finances and most importantly what is involved in examining the accounts with the people you think could be Independent Examiners.

Provide them with a copy of 'Independent Examination of a Charity Accounts: Examiner's Guide' (CC32) and 'The Essential Trustee: What you need to know' (CC3) – both documents can be downloaded from the Charity Commission website or ordered free of charge from the Charity Commission.

If you cannot find an Independent Examiner who is willing to do the work without pay you are entitled to pay a reasonable fee for the work. The fee should be shown as an administration cost, being part of the PCC's "governance".

Before you appoint the Independent Examiner it is recommended that you ask them to confirm by email, letter etc:

1. that they are independent from the church,
2. that they have the ability to do the work
3. that they have practical experience of church or similar finances

**Note:**

This preparation shows that you have tried to ensure a competent examination of the accounts.

Once you have found one or more than one person who can be appointed as your Independent Examiner their names must be presented to the PCC. After discussion the PCC must decide which person will be recommended to the Annual Parochial Church Meeting. It is this meeting of the whole church which appoints the Independent Examiner.

Once the Independent Examiner has been appointed you can confirm it by letter or email. However if you are paying a fee the Independent Examiner should send a 'letter of engagement' to the trustees. This letter should set out the basis on which they have agreed to do the work **not limiting** but recognising their statutory duties as an Independent Examiner.

### **How to prepare for your Independent Examination**

As you record the church's accounts throughout the year be careful to make notes on any unusual, unexpected or large payments or receipts – it will save hours of detective work as the year-end approaches. Keep any information related to the accounts – for example PCC minutes which show decisions to make large purchases or donations, or insurance claims.

It is important to discuss with your Independent Examiner the deadlines you have, such as the end of your financial year, the ACPM, the PCC meetings. This helps the IE to plan their work on the accounts and producing the Independent Examiner's Report.

You need to have the following information ready for your Independent Examiner:

1. a copy of your Trustees Annual Report
2. your Financial Statements: Receipts and Payments account(s), Statement of Assets & Liabilities, and any Notes to the Accounts.
3. all your accounting records – bank statements, cash books, cheque/paying in books, invoices, receipts, Gift Aid records, etc..

The information you provide should be up to date. All of your accounting records must be kept for 6 years. If you receive Gift Aid these records should be kept for 4 years with details of any substantial donors kept in accordance with the HMRC guidance.

It is helpful to arrange meetings with the IE as they work on the accounts so that you can supply any extra information or answer questions as they arise. However if you are well prepared you may find these meetings are unnecessary.

Your Independent Examiner **can** help you to prepare your Receipts and Payment Accounts from the church records.

### **What you can expect your Independent Examiner to do**

The Independent Examiner will look at the trustees' annual report & the financial statements and records checking to see that they are showing the same picture of the church's work. For example if the trustees' annual report talks about a large youth project the accounts should show how the money was raised and spent on that project.

They will also need to see that the money is being spent on the aims of the church. If, for example, there are unusual payments or receipts that are not explained in the report and accounts the Independent Examiner should seek an explanation.

The trustees need to be aware that the Independent Examiner is entitled to ask both past and present trustees, officers or employees of the PCC for information to help them understand and examine the accounts.

The Charity Commission have to regulate and monitor charities so the Independent Examiner is expected to write to the Commission if they have found a matter in the accounts that appears to them to be of 'material significance' to the Commission as Regulator, and thus likely to trigger an inquiry or even supervisory action by the Commission. 'Material significance' relates to the PCC's money or other assets (including its reputation with the general public), public or to any vulnerable beneficiaries' safety and wellbeing being put at risk - this is not about simple mistakes or misunderstandings by the treasurer, for example.

Your IE will write the Independent Examiner's Report, which is the final report you need to complete your annual accounts. This needs to follow a statutory format. An example is shown in the St Emilion's Case Study (<http://www.parishresources.org.uk/acc/example.pdf>).

It is good practice for the PCC, or a subset of it, to meet with the Independent Examiner face to face. If, for example, they have questions about any of the practices adopted by the treasurer or the PCC, it can be helpful for these to be discussed face to face.

If your PCC is registered with the Charity Commission, as Trustees it is your responsibility to file your church's accounts with the Charity Commission within 10 months of the financial year-end.