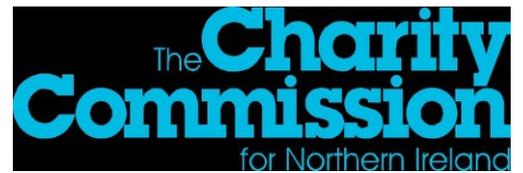




CHARITY COMMISSION  
FOR ENGLAND AND WALES



**OSCR**  
Scottish Charity Regulator

# Reporting of relevant matters of interest to UK charity regulators

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A guide for auditors and independent examiners



## The Charity Regulators

The Charity Commission for Northern Ireland (CCNI) is the regulator of charities in Northern Ireland, a non-departmental public body sponsored by the Department for Communities.

The Scottish Charity Regulator (OSCR) is the independent regulator and registrar for Scotland's charities.

The Charity Commission for England and Wales (CCEW) is the regulator of charities in England and Wales.

Throughout this document they are collectively referred to as 'the charity regulators.' The term 'respective charity regulator' refers to the regulator(s) to which their charity client has registration, reporting or filing obligations. Information that is relevant to a particular regulator will be shaded in accordance with the colours above.

### Our vision

The Charity Commission Northern Ireland's vision and objectives is available on the [CCNI](#) website. The Scottish Regulator's vision and objectives is available on the [OSCR](#) website and a mission statement and key responsibilities for The Charity Commission for England and Wales are available on the [CCEW](#) website.

### Equality

The charity regulators are committed to equality and diversity in all that we do.

### How to use this guide

This document should be read alongside the [guidance for auditors and independent examiners on reporting matters of material significance](#) which is published by the charity regulators. The glossary in that guidance will also explain some of the terms used in this document.

### Accessibility

If you have any accessibility requirements please contact us:

Northern Ireland: [www.charitycommissionni.org.uk](http://www.charitycommissionni.org.uk)

Scotland: [www.oscr.org.uk](http://www.oscr.org.uk)

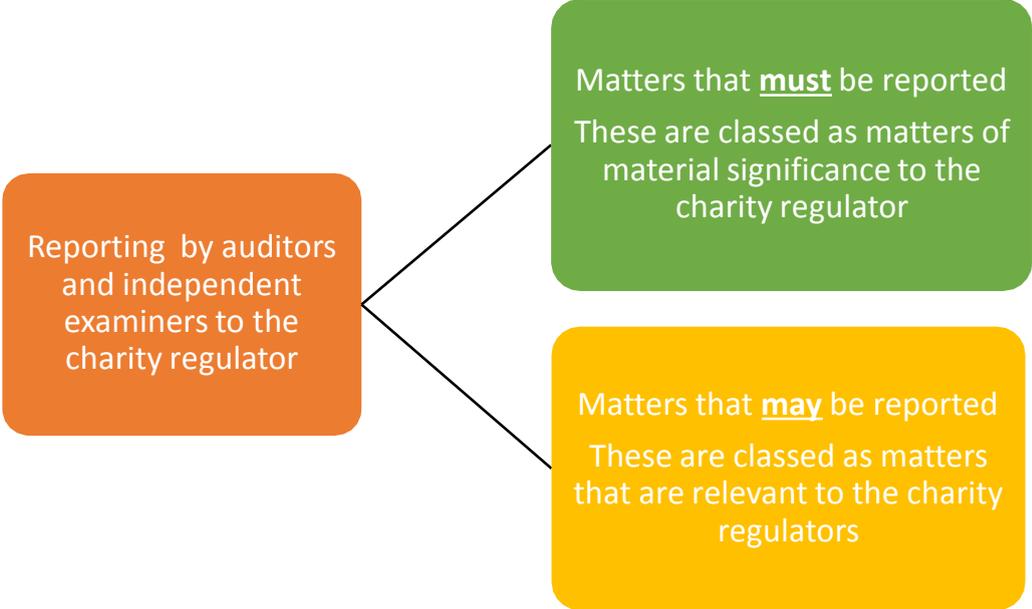
England and Wales: [www.gov.uk/government/organisations/charity-commission](http://www.gov.uk/government/organisations/charity-commission)

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# Section 1: Introduction

Any person appointed as an **independent examiner** or auditor for a charity has additional reporting responsibilities to the charity regulator in certain situations. These fall into two categories:



The reporting of both types of matter by auditors and independent examiners is legally protected; this is explained more in appendix 1.

The charity regulators have published separate guidance about the matters of material significance that **must** be reported as a legal duty. Auditors and independent examiners should ensure that they have read that guidance and understand it so that they can confidently meet their legal duty to report where required.

This document provides examples of the matters that **may** be reported to the charity regulators. These are not the same as the matters of material significance, which are serious and must always be reported. Relevant matters are those matters that auditors and independent examiners consider are significant but are not listed as matters of material significance. The charity regulators will still be interested in such significant matters and so we encourage auditors and independent examiners to report them.

### **'When in doubt, report it'**

Where an examiner or auditor is in doubt about whether they should report a matter, the preference of the UK charity regulators is that it should be reported and the regulators can then determine what action, if any, is required.

# Section 2: What are relevant matters?

## 2.1 Overview

Since this publication was first issued in November 2017, certain documents and email addresses have been changed and so these references have now been updated. To help auditors and independent examiners understand the types of issues that are relevant to the UK charity regulators it will be necessary to consider the published frameworks of each regulator which outline their respective priority areas. The frameworks are subject to review and auditors and independent examiners should check for the most recent publication. Links to each framework are provided here:

CCNI – [Strategic Plan 16-19](#)

OSCR – [Risk Framework](#)

CCEW – [Charity Commission Strategy 2018-2023](#)

In addition, auditors and independent examiners are expected to be familiar with the reporting that each charity regulator expects from charity trustees when certain events or incidents occur within their charity. The guidance issued by each charity regulator on reporting by trustees is subject to review, and auditors and independent examiners should check for the most recent publication. Links to the relevant guidance from each regulator are provided here:

CCNI – [Serious Incident Reporting: a guide for charity trustees](#)

OSCR - [Reporting Notifiable Events](#)

CCEW – [How to report a serious incident \(September 2017\)](#)

In section 2.4 we have provided some examples of situations where we would encourage an auditor or independent examiner to report a matter to us which is not a matter of material significance but is still of relevance to the charity regulator.

However these examples should not be assumed to be the only situations where reporting may take place; **it is important for the auditor or independent examiner to exercise their own judgement as to whether there is a relevant matter that they may want to report.**

It is also important not to report minor issues particularly if the trustees are already aware and have taken remedial action - see section 2.3.

Once the auditor or independent examiner decides to report a relevant matter then they are advised to:

- make their report promptly
- include as much information as possible to enable the regulator to fully understand the matter, and
- explain why they consider it significant enough to make a report.

## 2.2 What may be reported

To further assist auditors and independent examiners, we have provided examples of the types of matters that the regulators consider to be relevant in section 2.4.

It should be highlighted that there is no requirement to undertake any additional audit or examination work to identify matters for reporting. The matters that are reported will be those identified “during the course of an audit or independent examination” which is taken to mean from the moment that the appointment is agreed until such time as the auditor or examiner resigns the assignment or is no longer retained for it by the charity’s trustees.

## 2.3 What does not need to be reported?

Minor issues to do with honest mistakes in the governance of a charity do not need to be reported to a charity regulator. Minor issues include those that are immaterial to the accounts and matters that have no bearing on the use of charitable funds or assets. For example:

the Chair forgetting to sign the file copy of the minutes of trustee meetings where the accuracy of those minutes is not disputed.

a procedural error in calling or conducting a trustee meeting where the oversight was a genuine error, the meeting was quorate, other trustees were not deliberately excluded and action has been taken to mitigate the impact and avoid a future recurrence.

a genuine oversight in approving a valid invoice, expenses claim or similar item where the amount involved is small and the validity of the item is not disputed.

minor errors in the keeping of accounting records where one or more items were not fully recorded in terms of description, date and amount and the accounting records have now been corrected and the validity of the item(s) is not disputed.

# Section 2.4 Examples of situations which may be reported

<b>Example 1</b>	
<b>Situation</b>	<p>An examiner identifies that money within a restricted fund has been spent on an activity that is not compatible with the restriction on the use of those funds. However the amount was less than £1,000 and the balance on the restricted fund at the end of the reporting period was over £100,000 so it is not considered material to the accounts.</p> <p>Consequently even though this is a breach of trust, it is not a matter of material significance to the regulator because the amount involved is not considered to be material.</p> <p>If the trustees are already aware of the breach of trust, or if made aware, plan to reinstate the restricted fund from future unrestricted income, then the matter need not be reported as a relevant matter as it would be viewed as minor. However if there are no plans to make good and the trustees are not going to inform the respective charity regulator about it, then the auditor or examiner is advised to report it as a relevant matter.</p>
<b>Additional help</b>	<p>In this example, if the expenditure from the restricted fund had been material to the accounts, this would have been considered to be a matter of material significance which the examiner is required to report as a legal duty.</p> <p>The auditor or examiner must apply their own judgment as to the seriousness of the situation. A good guideline for auditors and examiners is that where a situation or circumstance arises that would fall within the listed matters of material significance but it is not judged serious enough to require reporting as a legal duty, the issue will still remain relevant to the respective charity regulator.</p> <p>Any matter uncovered by an auditor or independent examiner during the course of their work which is considered to be potentially fraudulent, should be always reported to the relevant charity regulator as a matter of material significance.</p>

## Example 2

### Situation

A charity has received a large donation from an unknown source via an intermediary organisation. The donation is restricted to teaching the strict beliefs of a particular religion and requires educational materials to be purchased from a specified overseas source. The restriction is within the objects of the charity and the intermediary has confirmed that the source of the educational materials is not the donor or a party related to the donor.

The trustees have not filed a report with the respective regulator. In these circumstances this is a relevant matter reportable to the respective regulator.

### Additional help

As explained in section 2.1, the charity regulators each have their own guidance on what they expect trustees to report to them so the auditor or independent examiner is expected to be familiar with that guidance. Donations from an unknown source are of interest to the regulator as it may be an indication that the charity is being abused.

The charity regulators find it helpful for the auditor or independent examiner to report as a relevant matter any item that trustees are expected to report and that are not otherwise reportable as a matter of material significance. This is especially the case if trustees have not yet reported the matter, but even if the trustees have reported, the auditor or independent examiner may have some additional information or perspective that the regulator would find useful.

### Example 3

#### Situation

A charity established to care for vulnerable adults and children is reliant on a single contract for 90% of its income in the reporting period and the trustees are uncertain whether they will be able to secure future funding at the current level when the contract is renewed the following year.

In these circumstances although there is no immediate concern, it is a relevant matter to the respective regulator as they will be concerned as to whether the trustees have appropriate contingency plans in place in case the contract is not renewed or funding is significantly reduced.

#### Additional help

Whilst there may be no immediate uncertainties about going concern, continuing deficits with an excess of expenditure over income, adverse longer term trends in reserves, over-reliance on uncertain sources of income or reliance on unusual business models are matters relevant to the respective charity regulator and are usefully reported.

The charity regulators do not expect auditors or independent examiners to make a formal assessment of the charity's future financial prospects. They anticipate that auditors and independent examiners will use their knowledge and experience of other charities when considering the ability of a charity to meet its obligations and manage its resources effectively.

Those charities reporting under the SORP must either prepare their accounts on a going concern basis, in which case the trustees will have evidence to support that approach or they will be preparing their accounts on some other basis and disclosing that approach in their accounting policies.

Some guidelines are provided here about situations where the auditor or independent examiner is encouraged to report concerns about financial stability and/or reserves as a relevant matter:

for the current and preceding two or more years the charity has suffered a significant excess of expenditure over income;

the charity is reliant on a single source of income and the continued receipt of that income is subject to a high degree of uncertainty. This is either about its ongoing payment or because there is a significant risk that it is about to be reduced by a significant amount and the trustees do not appear to have contingency plans in place to replace this income;

the charity's reserves are significantly below target in the reporting period and there is a history of reserves being significantly below target in one or more previous reporting periods;

the charity has an unusual business model whereby it relies on a third party's goodwill to obtain funds, on a few key donors for funds, or on a key individual whether trustee or staff member to obtain funds;

the charity has significant net current liabilities and owes significant money to HMRC for more than three months on employer national insurance or similar obligations or has persistently incurred fines;

the charity is behind on meeting pension payments to a pension scheme or has a defined pension liability/ obligation, that is or should be recognised on the balance sheet of the scheme, that exceeds both its net assets, at the end of the reporting period and the equivalent of its annual income; or

the charity has been consistently late in meeting its payroll or in paying creditors and the level of relevant creditor balances is rising year on year.

#### Example 4

##### Situation

The trustees of a larger charity rely on the Chief Executive Officer (CEO) and Finance Director to manage the charity's finances. The auditor or independent examiner observes from their review of the minutes of trustee meetings that the finances are only considered annually with a presentation from the CEO. In discussion with the trustees it emerges that only the Honorary Treasurer looks into the finances when they have time and the other trustees are never involved.

In these circumstances the auditor or independent examiner is encouraged to report the lack of financial oversight by the whole trustee body because these are poor financial governance arrangements.

##### Additional help

Trustees are responsible for the putting in place and overseeing effective internal financial controls and exercising effective oversight of their charity's finances, reserves, assets and cash balances. If there is a concern that these arrangements are not adequate or not operating effectively and if the situation has not given rise to reporting the matter as one of material significance then it remains a matter relevant to the respective charity regulator.

In carrying out their audit or independent examination the auditor or independent examiner is well placed to form an impression on the robustness and coverage of financial governance arrangements of the charity and gain an appreciation of how well the trustee body oversees the finances of the charity. This perspective potentially provides a valuable insight to the respective charity regulator.

The size of the charity and the nature of its charitable activities will play a significant part in determining how extensive trustee oversight and financial governance needs to be.

## Section 3: How to make a report

### 3.1 Which regulator to report to

It will generally be obvious to an auditor or independent examiner where a charity is registered within the UK, whether with the CCEW, OSCR or CCNI.

Charities registered in Northern Ireland have the prefix 'NIC' to their registration number.

Charities registered in Scotland have the prefix 'SC' followed by a zero.

The relevant matters arising should be reported to the regulator with whom the charity is registered and with whom accounts should be filed. In the case of cross border charities if there is any doubt due to the fact that the charity is registered in more than one jurisdiction, then the auditor or independent examiner is advised to make the report to all relevant regulators.

#### Charities in Northern Ireland that are not registered with CCNI

Those conducting audits or independent examinations of a charity in Northern Ireland that is not yet registered with the Northern Ireland regulator, are encouraged to report relevant matters as such reporting is considered to be **best practice**.

### 3.2 The Method of Report

In Northern Ireland all reports of relevant matters should be sent in writing to the following email address:

[concernsaboutcharities@charitycommissionni.org.uk](mailto:concernsaboutcharities@charitycommissionni.org.uk)

The email subject line should include reference to reporting of one or more relevant matters and the body of correspondence should identify:

- the party reporting and the charity
- an explanation of the issue of concern
- identification of any supporting evidence regarding the matter under report, and
- a method of contact to follow up on the information received.

In Scotland all reports of relevant matters should be sent in writing to the following email address: [section46@oscr.org.uk](mailto:section46@oscr.org.uk)

The email subject line should include reference to reporting one or more relevant matters and the body of correspondence should identify:

- the party reporting and the charity
- an explanation of the issue of concern
- identification of any supporting evidence regarding the matter under report, and
- a method of contact to follow up on the information received.

In England and Wales until such time as the digital notification using an on-line form is established, a report is made by e-mail to [AuditIEothermatters@charitycommission.gov.uk](mailto:AuditIEothermatters@charitycommission.gov.uk) The e-mail should be headed 'Reporting of relevant matters of interest to the Commission' and should provide the following information:

- the examiner's name and contact address, telephone number and/or e-mail address
- the charity's name and registration number (if applicable)
- a statement that the report is made in accordance with section 156 of the 2011 Act
- describe the matter giving rise to concern and the information available on the matter reported and, where possible, provide an estimate of the financial implications
- where the trustees are attempting to deal with the situation, a brief description of any steps being taken by trustees of which the examiner has been made aware.

### **3.3 The charity regulator's approach to handling relevant matters reported**

In considering reports received and determining next steps, the charity regulators adopt an evidence-based, proportionate, risk-based approach. Within this context, every case is treated individually, with a course of action determined based on the nature of the concern and the evidence available.

If the trustees are taking effective action then in the first instance, the charity regulators, if appropriate and proportionate, will usually try to work with charity trustees to resolve issues through providing guidance and setting out best practice. However, where the identified problem gives rise to serious concern the charity regulators may decide to follow up with regulatory action.

## Appendix 1: Legal basis for reporting

The duties of auditors and [independent examiners](#) in each of these jurisdictions are best described separately as there are some differences and sometimes different language is used. Below is a short section on the legal basis of reporting in each jurisdiction.

### CCNI

Section 67 of the Charities Act provides a legal power for auditors and independent examiners to make a report to the CCNI where, in the course of their examination, they:

identify a matter which relates to the activities or affairs of the charity, or  
of any connected institution or body, and  
which does not appear to be one that is required to be reported as a matter of material significance.

which they have reasonable cause to believe is likely to be relevant for the purposes of the exercise by the Commission of any of its functions under the Charities Act.

### OSCR

Section 46 of the Charities and Trustee Investment (Scotland) Act 2005 provides a power for auditors and independent examiners to make a report to OSCR where, in acting in the appointed capacity, they:

identify a matter which relates to the activities or affairs of the charity, or  
of any institution or body corporate connected to that charity, and  
which does not appear to be one that is required to be reported as a matter of material significance.

which they have reasonable cause to believe is likely to be relevant for the purposes of the exercise by OSCR of any of its functions under the Charities and Trustee Investment (Scotland) Act 2005.

There is no legal requirement to make the report to OSCR in writing but it is recommended that a written report is made.

Sections 156 and 159 of the Charities Act 2011 provide a power for the auditor and independent examiners of both non-company and company charities to report a relevant matter to the CCEW where in the course of their examination, they identify a matter which they have reasonable cause to believe is likely to be relevant for the purposes of the exercise by the Commission of any of its functions under the Charities Act 2011.

Section 156 of the Charities Act 2011 states: "If, in the course of acting in the capacity mentioned in subsection (1), P becomes aware of a matter— (a) which does not appear to P to be one that P is required to report under subsection (2) but (b) which P has reasonable cause to believe is likely to be relevant for the purposes of the exercise by the Commission of any of its functions P may make a report on the matter to the Commission".

Section 160 of the Charities Act 2011 also provides this power to a person appointed to audit or report on the accounts of an exempt charity that is not a company to report any relevant matters to the principal regulator (rather than the Commission). Nothing in the Act disapplies section 159 from exempt charities and so the Companies Act Auditor of an exempt charitable company also has a power to report any concerns. This reporting power is modified by section 160 so that the report is made to the principal regulator rather than the Commission.



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