



CHARITY COMMISSION  
FOR ENGLAND AND WALES

The **Charity**  
**Commission**  
for Northern Ireland

**OSCR**  
Scottish Charity Regulator

# Matters of Material Significance reportable to UK charity regulators

Guidance 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 guidance they are collectively referred to as 'the charity regulators.' Information that is relevant to a particular regulator will be shaded in accordance with the colours above.

### Our vision

Further information about our aims and activities is available on our website: <http://www.charitycommissionni.org.uk>. 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.

### Accessibility

If you have any accessibility requirements please contact us.

### Online or in print

If you are viewing this document online, you will be able to navigate your way around by clicking on links either within the contents page or text.

The glossary towards the end of this document provides definitions and descriptions of key terms, these are highlighted in **bold green type**. If you are reading the document online you can click on the word and it will link you to the definition in the glossary. To make sure you are viewing the latest version of this policy, please visit the relevant website.

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)

# Contents

<b>Section 1:</b>	<b>Overview</b>	<b>4</b>
<b>Section 2:</b>	<b>Matters at a glance</b>	<b>9</b>
<b>Section 3:</b>	<b>Matters in detail</b>	<b>12</b>
<b>Section 4:</b>	<b>Reporting Matters of material significance to the regulators</b>	<b>23</b>
<b>Appendix 1:</b>	<b>Optional checklist for auditors and independent examiners</b>	<b>29</b>
<b>Appendix 2:</b>	<b>Legal basis for reporting</b>	<b>31</b>
<b>Appendix 3:</b>	<b>References</b>	<b>34</b>
<b>Annex</b>	<b>UK charity regulators' protocol for handling matters of material significance to a UK regulator where that matter falls within the Proceeds of Crime Act 2002, Bribery Act 2010 or terrorism Act 2000</b>	<b>35</b>
<b>Glossary</b>		<b>37</b>
<b>Useful contacts</b>		<b>43</b>
<b>If you are dissatisfied with our service</b>		<b>44</b>
<b>Contact details</b>		<b>45</b>

# Section 1: Overview

## What does this guidance cover?

Any person appointed as an **independent examiner** or auditor for a charity has a duty to report matters of **material significance** to their respective charity regulator. This guidance explains what the matters of material significance are and provides some further explanation of each of the matters.

The UK charity regulators carried out a review in 2018-19 to consider how the guidance could be improved to encourage the timely reporting of matters to the regulators. This review involved seeking views from those professional bodies listed for audit or independent examination and the guidance has been updated following that feedback. The guidance also considers the application of the reporting duty in times of national emergency.

The list of reportable matters was agreed by the three UK charity regulators and was effective for all audits or independent examinations conducted and/or reported after **1 May 2017** (regardless of the accounting period being examined). The list of reportable matters is unchanged but the supporting guidance has been updated following the feedback exercise conducted in 2018-19.

Since this guidance was first published, CCEW and OSCR have updated their contact details and website references and this guidance was reissued in May 2019 with these amendments.

This second update:

- clarifies the timing of when to report
- sets out considerations where non audit work is undertaken by the external auditor
- more clearly links reporting to materiality in the context of the financial statements (accounts), and
- deals with the requirement to report when the charity trustees have already reported the matter(s).

This guidance is made up of the following sections:

- **Section 2: Matters at a Glance** gives an 'at a glance' summary of the matters of material significance that must be reported.
- **Section 3: Matters in Detail** explains in more detail each of the individual matters and gives examples, where appropriate, to support understanding.
- **Section 4: Reporting Matters of Material Significance to the Regulators** explains how to make a report and what the charity regulator might do following receipt, in terms of investigation and working with the charity.
- **Appendix 1: Optional checklist for auditors and independent examiners.**
- **Appendix 2: Legal basis for reporting** gives a summary of the charity law requirements giving rise to the duty to report to the charity regulator matters of material significance
- **Appendix 3: References**
- **Annex:** UK charity regulators' protocol for handling matters of material significance to a UK regulator where that matter falls within the Proceeds of Crime Act 2002, Bribery Act 2010 or Terrorism Act 2000.

### What does this guidance not cover?

This guidance does not remove the duty of an auditor/ independent examiner to report to other relevant bodies where appropriate, for example in filing Suspicious Activity Reports with the National Crime Agency, and does not provide guidance on responsibilities in relation to their own professional bodies. This guidance does not repeat the specific directions and guidance given to auditors in auditing standards or to independent examiners in specific guidance issued by each of the charity regulators for the conduct of an independent examination.

CCNI examiner guidance

<http://www.charitycommissionni.org.uk/manage-your-charity/annual-reporting>

OSCR: <https://www.oscr.org.uk/guidance-and-forms/accounts-and-finance-guidance/guides-to-independent-examination/>

CCEW: <https://www.gov.uk/government/publications/independent-examination-of-charity-accounts-examiners-cc32>

## Who does this guidance apply to?

This guidance applies to auditors and independent examiners of charity accounts, and is designed to highlight their legal responsibility to report significant matters in accordance with the applicable law: Section 67 of the Charities Act (Northern Ireland) 2008, Sections 156 and 159 of the Charities Act 2011, and Section 46 of the Charities and Trustee Investment (Scotland) Act 2005.

## What work is covered by the duty?

Auditors and independent examiners are only expected to report matters which they identify in the normal course of their work. There is no expectation that they should undertake additional work to identify such matters. It is for auditors and independent examiners to exercise their own judgment when considering if they have a duty to report. Even though a matter may not be listed, a report must be made if the auditor or independent examiner considers it appropriate.

Even if the charity trustees have already reported the matter(s) to the charity regulator, the auditor or independent examiner (the examiner) is not relieved of their duty to make a report. The charity regulators value the independent view brought by the auditor or examiner who may have additional information based on their knowledge of the circumstances.

Reporting to the charity regulator by the auditor or examiner is important because the reporting made by the trustees in some cases may be incomplete, selective or partial due to an oversight, an incomplete understanding, or the trustees' desire to withhold from, or be selective with the information reported to, the charity regulator. The auditor or examiner may also be able to provide helpful insight into the steps trustees are taking to rectify any issues arising and how effective these steps are.

## Link to trustees' responsibilities to report

It is anticipated that in planning their work the auditor or examiner should have asked the trustees to advise the auditor or examiner of any matters that they have reported, or are intending to report, to the charity regulator. The auditor or examiner should consider this information when planning their work and note which, if any, of the incidents reported by the trustees may give rise to a duty to report a matter of material significance to the charity regulator. If there are a large number of similar incidents that may be reportable as a matter of material significance then it is recommended that the auditor or examiner contact the charity regulator to discuss collating these into a single report rather than reporting on each one separately.

## Internal audit work

In some cases the audit firm or accounting practice may undertake **internal** audit work for the charity for which it is also carrying out the external audit or an independent examination. In these circumstances the UK charity regulators anticipate that the audit firm or accounting practice will have taken the necessary steps to ensure that the internal audit team have advised the auditor or examiner of those matters that have a bearing on the audit opinion or their independent examination. Therefore, the internal auditor should familiarise themselves with the matters required to be reported to the charity regulator.

## Effective date

The guidance is applicable to all audits and independent examinations which are conducted and/or reported after 1 May 2017. Content requirements for the auditor's and independent examiner's reports are already set out in the applicable law and regulations:

- The Charities (Accounts and Reports) Regulations (Northern Ireland) 2015
- The Charities Accounts (Scotland) Regulations 2006 (as amended)
- Charities (Accounts and Reports) Regulations 2008.

To assist practitioners sample reports are provided in:

- *CCNI: [example reports](#)*
- *OSCR: [Example reports](#)*
- *CCEW: [Example reports](#)*

Examiners should follow the format of the sample reports provided, unless the particular circumstances require an alternative approach.

Additional guidance is available to charity trustees and examiners in the documents below.

CCNI: [ARR02 Charity reporting and accounting: the essentials](#) guidance document. (This document contains links to other associated guidance).

OSCR: [A Guide to Charity Accounts and Independent Examination: A Guide for Independent Examiners](#)

CCEW: the CC15d Charity reporting and accounting- the essentials November 2016: <https://www.gov.uk/government/publications/charity-reporting-and-accounting-the-essentials-november-2016-cc15d>

## Material significance

In charity law the term 'material significance' is used to determine which matters should be reported to the charity regulators. Auditors and independent examiners **must** report any matters of material significance which they become aware of during their appointment. Material in this context has a slightly different meaning to that which auditors and independent examiners will be familiar with in accounting terms, as it is not only financial materiality. In this case it is matters which are of material significance to the Regulator in carrying out their functions. For example the matter may be an issue which the charity regulator will consider for investigation or which could impact on the charitable status of the organisation. **See Section 3, Matters in Detail, for more information.**

## What are legal requirements and best practice?

In this guidance, where we use the word 'must' we are referring to a specific legal or regulatory requirement. We use the word 'should' for what we regard as best practice, but where there is no specific legal requirement. Auditors and independent examiners should follow best practice guidance issued by a UK charity regulator unless there is good reason not to do so.

## Charity Trustees

Charity Trustees have a duty to appoint an independent examiner who is able to perform a competent review of their charity accounts. Charity trustees should therefore be aware of the matters of material significance and the duty placed upon an auditor or independent examiner to report matters to the regulator.

## 'When in doubt, report it.'

Auditors and independent examiners are reminded that it is an immediate legislative requirement to report matters of material significance to the regulator and **law enforcement** agencies where appropriate. The UK charity regulators' default preference for auditors and independent examiners who have read this guidance and are undecided as to whether to report a matter is **'When in doubt, report it.'**

## Section 2: Matters at a glance

The matters in the following list are always considered reportable as matters of **material significance** by UK charity regulators. The list of matters has effect from 1 May 2017, however auditors and **independent examiners** must carefully consider if a matter identified before this date may still be reportable in accordance with previous guidance or as a discretionary matter.

### When to report

Timely reporting is essential but the charity regulators accept that there are a number of factors that affect when a report should be made. The regulators have considered what these factors are and set out the expectation as to when a report is made in accordance with the following timescales:

- **as soon as possible** on becoming aware of an immediate risk to charitable funds, a material loss due to fraud, or doubts as to the integrity of trustees or key management personnel; or
- in instances where the auditor or examiner concludes that the trustees and / or key management personnel are uncooperative, deliberately unresponsive, or unreasonably slow in responding to the auditor or examiner seeking to discuss a reportable matter, then the report is made **as soon as possible** and in such cases the auditor or examiner should include reference to this behaviour in their report; or
- **on signing** or making a modified audit opinion, an audit opinion with an emphasis of matter or material uncertainty regarding going concern; or
- **on signing** or making an independent examination report where the regulator's guidance identifies there is a duty to report; or
- for those accounts that must be tabled before a Parliament or a Governmental Assembly, **once the tabling process has been completed**; or
- for other circumstances not listed above, reporting is done **as soon as possible** following on from any discussion(s) had with trustees.

### What to report

Auditors and independent examiners may decide that other matters not included in this list are in their judgment of such a nature that they consider them reportable as a matter of material significance. In this case in making their report they should identify the matter(s) reported as of material significance.

## The reportable matters of material significance:

Serial	Title	Each Matter is prefaced by the following statement - 'During the course of an audit/independent examination':
1	Dishonesty & Fraud	matters suggesting dishonesty or fraud involving a significant loss of, or a material risk to, charitable funds or assets.
2	Internal Controls & Governance	failure(s) of internal controls, including failure(s) in charity governance that resulted in, or could give rise to, a material loss or misappropriation of charitable funds, or which leads to significant charitable funds being put at major risk.
3	Money Laundering & Criminal Activity	knowledge or suspicion that the charity or charitable funds including the charity's bank account(s) have been used for money laundering or such funds are the proceeds of serious organised crime or that the charity is a conduit for criminal activity.
4	Support of Terrorism	matters leading to the knowledge or suspicion that the charity, its trustees, employees or assets, have been involved in or used to support terrorism or proscribed organisations in the UK or outside of the UK, with the exception of matters related to a qualifying offence as defined by Section 3(7) of the Northern Ireland (Sentences) Act 1998.
5	Risk to charity's beneficiaries	evidence suggesting that in the way the charity carries out its work relating to the care and welfare of beneficiaries, the charity's beneficiaries have been or were put at significant risk of abuse or mistreatment.
6	Breaches of law or the charity's trusts	single or recurring breach(es) of either a legislative requirement or of the charity's trusts leading to material charitable funds being misapplied.
7	Breach of an order or direction made by a charity regulator	evidence suggesting a deliberate or significant breach of an order or direction made by a charity regulator under statutory powers including suspending a charity trustee, prohibiting a particular transaction or activity or granting consent on particular terms involving significant charitable assets or liabilities.
8	Modified audit opinion or	on making a modified audit opinion, emphasis of matter, material uncertainty related to going concern, or issuing of a qualified independent

qualified independent examiner's report	examiner's report identifying matters of concern to which attention is drawn, notification of the nature of the modification/qualification/emphasis of matter or concern with supporting reasons including notification of the action taken, if any, by the trustees subsequent to that audit opinion, emphasis of matter or material uncertainty identified /independent examiner's report.
9 Conflicts of interest and related party transactions	evidence that significant conflicts of interest have not been managed appropriately by the trustees and/or related party transactions have not been fully disclosed in all the respects required by the applicable SORP, or applicable Regulations.

## Section 3: Matters in detail

In this section we will look at each of the matters of **material significance** in more detail and give examples to support better understanding. "During the course of an audit or independent examination" is taken to mean from the moment that their 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. Upon resignation, matters may still be reportable, refer to appendix 2.

The duty to report includes reporting any reportable matters arising in a previous year which come to the attention of the auditor or examiner when undertaking their work for which they cannot find sufficient evidence of the matter(s) having already been reported.

### 3.1 Matter 1 – Dishonesty & Fraud

**During the course of an audit/independent examination, matters suggesting dishonesty or fraud involving a significant loss of, or of material risk to, charitable funds or assets.**

The term **material** is explained in more detail in [Section one](#), but in brief, **materiality** is relative to the size, amount or importance of the item, error or **misstatement**.

The term dishonesty can be given its ordinary meaning as found in the Oxford English Dictionary and summarised as, "to act without honesty, a lack of probity, cheating, lying or being deliberately deceptive."

An auditor or **independent examiner** may have reasonable grounds to suspect dishonesty if information or documents are presented to them during the course of an audit or independent examination which they know or suspect to be inaccurate or misleading and where this was not an honest mistake on the part of the charity representative(s). Duplicate invoices which appear to have been altered in their dates or value, or signatures on documents which do not tally with others submitted, are two basic examples which might give examiners cause to suspect dishonesty or fraud.

Fraud is defined within the Fraud Act 2006 (for England, Wales and Northern Ireland) in three classes: fraud by false representation, fraud by failing to disclose information and fraud by abuse of position. The requisite elements of criminal fraud generally are the intentional deception of a victim by false representation or pretence, with the intent of persuading

them to part with property, on the basis of the representation or pretence. The perpetrator also intends to keep the property of the victim.

The Fraud Act 2006 does not apply in Scotland. In Scotland, criminal fraud is mainly dealt with under the common law and a number of statutory offences. In Scotland fraud is committed where someone achieves a practical result by the means of a false pretence.

There are two distinct aspects to this matter:

- the suggestion of dishonesty or fraud and;
- a significant loss of, or material risk to, charitable funds or **assets**

Given that this submission will relate to the audit or examination of charity accounts, it is hard to identify circumstances whereby a suspicion of dishonesty does not present as a risk to charity funds or assets.

Consequently, it is for the auditor or independent examiner to use their judgement on the question of materiality – if you are unsure whether your findings are material then you should report the matter to the charity regulator, or contact the charity regulator to discuss.

#### Example

An examiner uncovers a questionable invoice for £1,000 paid for by a charity with significant income and expenditure of over £100,000. This may not be material in amount, but if the £1,000 was related to inappropriate expenditure by a senior officer or trustee of the charity, then the matter could be material by its nature because it indicates a breakdown of internal financial controls and a culture of dishonesty.

Any matter uncovered by an auditor or independent examiner during the course of their work which is considered to be potentially fraudulent, should be reported to the relevant charity regulator.

### 3.2 Matter 2 – Internal Controls & Governance

**During the course of an audit/independent examination, matters suggesting failure(s) of internal controls, including failure(s) in charity governance, that resulted in, or could give rise to, a significant loss or misappropriation of charitable funds, or which leads to material charitable funds being put at major risk**

There are two parts to this matter:

- the suggestion of failure of internal controls/governance and;
- the outcome or potential outcome of the significant loss, misappropriation or charitable funds being placed at risk.

The auditor or independent examiner might perceive such a failure from their examination of documents and receipt of information, but this matter could also be evidenced by an absence of documents, information and indeed policies which support the governance of the charity and prevent the potential significant loss, misappropriation or material charitable funds being put at risk. In their 'annual return' submission, or equivalent, made to the charity regulator, the trustees may have been asked whether they had carried out a review of internal financial controls in the year; the absence of, or outcome of, such a review may be helpful in determining if there is any matter to report.

Audit standards require an auditor to obtain an understanding of the charity's governance arrangements and internal financial controls relevant to the audit and to seek evidence of their effectiveness. In the case of independent examination there may be no specific requirement to review internal financial controls. Reporting is required where the auditor or examiner comes across, in the course of their work, a failure of internal financial controls or a failure of charity governance affecting the operation of the charity that resulted in, or could give rise to, a significant loss or misappropriation of charitable funds, or which leads to material charitable funds being put at major risk.

#### Example

A charity that regularly pays its own charity trustees for the provision of services, but is not following its internal policies (e.g. declaring and managing conflicts of interest) and/or governing document, or does not have relevant policies to guide the charity trustees on this matter or so many charity trustees are receiving payment that the resulting conflicts of interest cannot be managed effectively.

Another example would be what is referred to as completeness of income, where a charity has no policy or does not enforce its policy to confirm completeness of income from fundraising. This includes collection tins being collected by individuals in isolation with no witness as to monies counted and submitted. Even when authorisations may be in place, the absence of procedures to guide staff or volunteers may warrant reporting.

Scale of **assets** is important to this consideration and is a judgement based upon materiality for the Auditor or independent examiner. Based on the information the auditor or examiner has available to them from their work, if the risk of misapplied charitable funds is considered low then raising the matter with the charity only may be more appropriate than raising it with the charity regulator.

It may be the case that significant concerns, of which the charity was previously unaware, are identified due to a change in personnel such as the appointment of a new member of staff. In this case the trustees should implement improved financial controls. In turn the auditor or examiner should consider when reporting to the charity regulator, how the trustees are working to improve the situation.

### **3.3 Matter 3 – Money Laundering & Criminal Activity**

**During the course of an audit/independent examination, knowledge or suspicion that the charity or charitable funds including the charity’s bank account(s) have been used for money laundering or such funds are the proceeds of serious organised crime or that the charity is a conduit for criminal activity**

This matter requires a more specific nature of suspicion arising from documents and information available to the auditor or independent examiner. It is considered likely that an absence of adequate explanation for the movement of large sums of money in and out of the charity bank account(s) would be the most obvious trigger to such a suspicion, but it may also apply to the disposal of assets without appropriate return to the charity. This could be an indication which would merit an examiner raising such a matter with the charity regulator and **law enforcement**.

Money laundering is not uniform in character but it can be identified. The purpose of money laundering is to conceal the proceeds of crime by processing the money through an intermediary or series of intermediaries to disguise its original source and to give the money or asset legitimacy to the banking system and to others so as to facilitate its eventual use or enjoyment by the criminal. In the case of money it can be in cash form, money transfer, cheque, or electronic form such as Bitcoin and similar crypto currencies or it can originate from a source country where the banking system has been compromised by criminal groups.

The purchase of assets with cash is a classic money laundering method. The reason for the purchase is to change the form of the proceeds from conspicuous bulk cash to some, equally valuable, but less conspicuous form. As charities are generally seen as honest and reliable they are particularly vulnerable to being used as intermediaries.

## Example

A charity receives a large cash donation of £10,000 and amounts are paid out again to an individual or body for a service or purchase of an asset. Where it is considered, by the examiner, that the donor of the cash is linked to the asset purchase, then there may be reason for concern that money laundering has been attempted.

It is not possible to give a definitive list of the indicators of money laundering but matters that would require further consideration include:

- refusal by trustees to explain an unusual transaction
- concerns about the honesty, integrity, or identity of trustees
- large or regular donations that require the charity to transfer those funds to a nominated party inside or outside of the UK or to buy goods or services from the donor or a named third party
- loans from an unknown or unverified source, at a zero, low or commercial rate of interest, which the charity is asked to repay by cheque or bank transfer to the donor or a third party
- request by a donor to return funds by cheque or bank transfer because they were 'paid from the wrong account'
- 'loaning' of the charity's bank account to enable deposits or transactions by other third parties or individuals
- making money transfers inside or outside of the UK on behalf of a third party in return for a fee;
- illogical transactions or routing of funds through a series of bank accounts; and
- unusual investment or property transactions without a clear investment purpose or rationale.

A charity might be asked to move money through its bank account to a named person or business. Particular care must be taken with so called conduit funding where a charity acts as an agent for others so as to ensure that the activity is within the charity's objects and is legitimate.

The charity might operate a subsidiary trading activity such as a shop or other business providing services. Those ventures could, of course, be entirely legitimate but unusual peaks and troughs in turnover might indicate money laundering or some other criminal activity such as theft or fraud.

### 3.4 Matter 4 – Support of Terrorism

**During the course of an audit/independent examination, matters leading to the knowledge or suspicion that the charity, its trustees, employees or assets, have been involved in or used to support terrorism or proscribed organisations in the UK or outside of the UK, with the exception of matters related to a qualifying offence as defined by Section 3(7) of the Northern Ireland (Sentences) Act 1998**

The emphasis here is twofold, documents and information provided to the auditor and independent examiner would generally be that which would generate the suspicion, and the suspicion must relate to the support of terrorism or proscribed organisations, with the one stated exception as stated above.

One significant difference in this matter is the omission of a direct specific actual or potential loss or misapplication of charitable funds. It could just be the case that individuals involved in the charity have expressed support for the activities of terrorist or proscribed organisations.

Where the concern relates to the support of a particular organisation (in cash or otherwise) you can check whether it is a proscribed organisation on the [Home Office](#) website. Factors that are indicative of money laundering activity identified should also be considered. Where a concern arises in England and Wales auditors and independent examiners should read CCEW's guidance *Charities and Terrorism*. Auditors and independent examiners in all regions of the UK are recommended by the charity regulators to have regard to this guidance.

Throughout the United Kingdom there are individuals involved in charity work who may have been released from jail sentences early under the auspices of the Good Friday Agreement in Northern Ireland. Their involvement in any named charity would not in itself give rise to a requirement to report under matter 4, rather, it is a matter of the behaviour or suspicion of behaviours during the period subsequent to their release and up to the present day which might give rise to such a report, just as it would for any other member of the public at any time.

#### Example

A charity established for the welfare and training of ex-prisoners may have trustees who have relevant personal experience which is being used to educate and inform the charity's beneficiaries with the purpose of preventing terrorist linked activities. This is not a matter that should be reported to a UK charity regulator.

However, should the auditor or independent examiner uncover evidence that suggests that a trustee or any other person is using the charity's assets to support terrorist activity; this should be immediately reported to the relevant UK charity regulator (and to the police).

### 3.5 Matter 5 – risk to charity's beneficiaries

**During the course of an audit/independent examination, evidence suggesting that in the way the charity carries out its work relating to the care and welfare of beneficiaries, the charity's beneficiaries have been or were put at significant risk of abuse or mistreatment.**

If in carrying out their work, auditors or examiners identify instances where charity beneficiaries have been put at significant risk of abuse or mistreatment auditors/ independent examiners must bring this to the attention of the charity regulator. Evidence relating to this matter may be that harm has already occurred or that the charity does not have in place, or is not applying, a policy such as a safeguarding policy.

#### Example

A charity which works with young people, but does not have a safeguarding policy, or does not enforce requisite checks on staff and volunteers, might fall into this category. (The latter might become obvious to an auditor or independent examiner due to the absence of invoices for checks, despite new staff or volunteers joining the charity).

Auditors and independent examiners may, for example, identify information concerning legal action against the charity, a criminal investigation or an investigation or concern raised by another regulator or agency or that necessary eligibility checks on trustees or staff are not being carried out. Where concerns arise in England and Wales auditors and independent examiners should read the CCEW's [Strategy for dealing with safeguarding issues in charities](#). In Scotland auditors and independent examiners should read OSCR's [Safeguarding Guidance: Keeping vulnerable beneficiaries safe](#).

#### Examples

During an examination of travel expenses it becomes apparent that the requisite adult staff/volunteers were not in attendance with young people either by number or gender, on a charity organised trip.

An auditor or independent examiner may also see evidence of gaps in the charity's actions or policies from coming across entries in the accident book where, during the course of their audit or independent examination, they are examining the accident book in reference to costs incurred by the

charity. Equally they may, as part of their normal checks of material provisions, discover that there is an outstanding civil case lodged against the charity.

### 3.6 Matter 6 – breaches of law or the charity’s trusts

**During the course of an audit/independent examination, matters suggesting single or recurring breach(es) of either a legislative requirement or of the charity’s trusts leading to material charitable funds being misapplied.**

There is an expectation that an auditor or independent examiner will familiarise themselves with a charity’s purposes and governing document to inform their examination. It follows that the examination of their records and material transactions could reveal breaches of legal or trust requirements. Where this is found to have occurred, this is something that the auditor or independent examiner should raise with the charity and/or charity regulator, bearing in mind the scale, nature and frequency of the breach.

From a regulatory perspective, the preference would be that these sorts of issues are reported, provided the auditor or independent examiner is also confident that the legal requirement exists and there is a potential that it has not been fulfilled.

The most common breach of trust would be the application or disposal of property contrary to the terms of the original trust or trustees acting outside the powers given to them within their governing document.

### 3.7 Matter 7 – breach of an order or direction made by a charity regulator

**During the course of an audit/independent examination, evidence suggesting a deliberate or significant breach of an order or direction made by a charity regulator under statutory powers including suspending a charity trustee, prohibiting a particular transaction or activity or granting consent on particular terms involving significant charitable assets or liabilities.**

There is an expectation that these are matters which the charity will bring to the attention of the auditor or independent examiner. It is also fairly routine for the charity regulators to give public notice of the issue of such orders and therefore it would be reasonable to expect that an auditor or independent examiner would be aware of the actions from reviewing the minutes of trustee meetings or the Regulators website (In Scotland these can be found on the charity’s entry on the register itself).

If in doubt, the auditor or independent examiner may raise the matter directly with the regulator to confirm whether any such orders or restrictions are in place.

An obvious course would be for the auditor or independent examiner to ask for assurance in writing from the charity of the existence of any such orders or directions applied to the charity from the regulator, so that they could satisfy themselves from information and documents received from the charity as to whether non-compliance is in evidence.

An example of such an instance would be where an individual charity trustee was suspended, and travel claims continue to be submitted and honoured after the suspension, or where charity transactions are restricted and there are no authorisations sought or received from the charity regulator, to support payments made.

### **3.8 Matter 8 – a modified audit opinion, emphasis of matter, material uncertainty related to going concern, or qualified independent examiner’s report**

**On making a modified audit opinion, emphasis of matter, material uncertainty related to going concern, or issuing of a qualified independent examiner’s report identifying matters of concern to which attention is drawn, notification of the nature of the modification/qualification/emphasis of matter or concern with supporting reasons including notification of the action taken, if any, by the trustees subsequent to that audit opinion, emphasis of matter or material uncertainty identified /independent examiner’s report.**

On completion of an audit assignment, the auditor will form an opinion on the financial statements of the charity. On occasion the auditor/examiner may have to make a modified audit opinion. Generally, modified audit opinions will range from a qualification, being the least severe, to a disclaimer, being the most severe. Even where an unqualified opinion is offered the auditor may add an emphasis of matter paragraph or identify a paragraph advising a material uncertainty regarding going concern.

An independent examiner does not form an opinion on the financial statements but rather reviews the accounting records of the charity and compares the accounts presented with those records. In doing so they consider if there are any matters which require disclosure.

Auditors are required to present a report to the regulator for all modified opinions and paragraphs, and the level of detail should be proportionate to the severity of the modification or paragraph. The report should clearly

explain the nature of the matter and, where applicable, any action taken by the trustees in relation to the opinion/report.

Independent examiners must report the details of their qualified examination report to the regulator.

There may be occasions where one of the other eight matters reported could lead to a modified opinion or qualified examination report and the auditor/examiner should consider this when reporting one of the other matters.

The auditor is not asked to distinguish between technical qualifications or other matters as the charity regulator will consider the nature and impact of their report. Similarly, the examiner simply qualifies their report by setting out their concerns and the regulator will make their own assessment of that report.

### **References in an audit opinion or independent examiner's report to regulations not updated for the applicable SORP**

The Statement of Recommended Practice (SORP) is not an accounting standard but supplements FRC accounting standards and other legal and regulatory requirements in the light of special factors prevailing or transactions undertaken in the charity sector. The SORP provides application guidance and additional disclosures intended to enable charity accounts to be prepared to give a 'true and fair' view. From time to time a new SORP or an Update Bulletin amending an existing SORP is issued reflecting changes to UK-Irish Accounting Standards. When a new SORP is issued the SORP it supersedes ceases to apply from the effective date of the new SORP. In those charity law jurisdictions adopting the SORP by way of Regulations, these regulations will need to be updated to refer to the new SORP.

Should the regulations not be updated, a charity's accounts cannot adhere to the superseded SORP because the underlying accounting standards have changed and so to prepare 'true and fair' accounts the new SORP must be followed. The same situation occurs with an Update Bulletin where it amends an existing SORP to reflect a change in accounting standards.

In the event that the regulations have not been updated and an auditor or examiner decides that they need to refer in their audit opinion or independent examiner's report to the new SORP being used, such a reference is not considered to be a matter of material significance to the charity regulator. This is because remedying this situation of the regulations not being updated is not in the power of the auditor or examiner, the preparer of the charity's accounts, or the charity regulator.

### 3.9 Matter 9 – conflicts of interest and related party transactions

**During the course of an audit/independent examination, evidence suggesting that conflicts of interest have not been managed by the trustees in accordance with guidance issued by the charity regulator and/or related party transactions have not been fully disclosed in all respects required by the applicable SORP.**

Each of the UK charity regulators has published guidance on how they expect charities to manage conflicts of interest and most charity governing documents will also detail how and when related party transactions may be managed.

In Northern Ireland, Sections 88 and 89 of the Charities Act (Northern Ireland) 2008 apply. Guidance on [Making payments to charity trustees](#) is available on the regulators website.

In Scotland refer to [Guidance and good practice for Charity Trustees](#).

In England and Wales refer to [CC11 Trustee expenses and payments](#) for more information.

Related party transactions do occur within charities. The most likely indication that conflicts are not being managed, will be an absence of a specific charity policy and/or an absence of related discussion and decision making within board meeting minutes. Common instances are setting the remuneration of a trustee or a person related to the trustee. If the party with the conflict of interest is present during the discussion or participates in the decision making this will be a strong indication of mismanagement of the issue.

# Section 4: Reporting Matters of material significance to the regulators

## 4.1 The Duty to Report

As detailed under [Section 1](#), the auditor or independent examiner's duty is to report matters of material significance that they identify while undertaking the audit or independent examination. The duty is on the auditor or independent examiner to report to the charity regulator(s) immediately upon becoming aware of the matter of material significance. In England and Wales and Northern Ireland there is a legal requirement to make the report in writing, in Scotland although there is no such legal requirement it is recommended that reports are made in writing.

These matters are agreed by all three of the UK charity regulators, and they are additional to other legal requirements of auditors and independent examiners to report certain issues to the authorities. In England and Wales for reportable matters to do with an exempt charity the report is addressed to that charity's 'principal regulator' and not to CCEW. In those instances where a 'principal regulator' has not been identified for an exempt charity or class of exempt charities then no reporting duty is in effect because there is no 'principal regulator' to receive the report.

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'. The 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 should make the report to all relevant regulators.

The report by the auditor or examiner should make reference to any knowledge that they have, at the point of making their report, about any steps being taken by the trustees to address the reported matter(s) and whether these steps have been put into action.

### Reporting at times of national emergency

The charity regulators recognise that at times of national emergency the normal conduct of an external audit or an independent examination may be disrupted. In times of national emergency, unless the legal duty to report is relaxed by Government, the auditor or examiner must still report matters of material significance; however where a modified opinion, an emphasis of

matter, or a matter identified by the independent examiner is solely due to the exceptional circumstances of the national emergency affecting the conduct of the audit or the independent examination then this is not considered to be reportable as a matter of material significance to the charity regulator. This is because remedying this situation is not in the power of the auditor or examiner, the preparer of the charity's accounts, or the charity regulator.

Examples of such exceptional circumstances are:

- travel restrictions prevent the auditor or examiner from verifying the existence of physical assets such as stock
- access restrictions prevent the auditor or examiner from reviewing accounting records and/ or from obtaining the assurances required
- limitations of scope are identified due to the control measures imposed to deal with a national emergency

### Internal Audit

There is no legal requirement, under charity law, for those conducting **internal** audits to report a matter of material significance to the charity regulator. There is an expectation that under the International Standards of Auditing that where the same firm undertakes both internal and external audits then the internal auditor will notify the external audit team of matters relevant to the audit. It is **best practice** to include in such a briefing any matters of material significance.

### Overseas Expenditure and Activities

The identification of a matter of material significance during the course of the audit or independent examination relating to expenditure and activities outside of the United Kingdom, must still be reported to all relevant United Kingdom regulators.

### Charities that are not registered with CCNI

It is currently not a legal requirement, under charity law, for those conducting audits or independent examinations of a charity that is not registered with the Northern Ireland regulator, to report matters of material significance, but the charity regulators consider such reporting is considered to be **best practice**.

## 4.2 The Method of Report

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

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

The email subject line should include reference to reporting matters of material significance 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 matters of material significance 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 matters of material significance 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

[AuditIEMoMS@charitycommission.gov.uk](mailto:AuditIEMoMS@charitycommission.gov.uk). The e-mail should be headed 'Matter(s) of material significance reported' 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
- under which of the nine headings of reportable matters the report is being made

- 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
- if the report concerns terrorist, money laundering or other criminal activity whether you have notified the National Crime Agency and/or Police as appropriate
- if the report concerns the abuse of vulnerable beneficiaries whether you have informed the Police and/or social services.

An optional checklist for auditors and independent examiners is included at [Appendix 1](#) for ease of reference.

## 4.2 Consequences of a Failure to Report

Auditors and independent examiners are reminded that it is an immediate legislative requirement to report matters of material significance to the regulator and **law enforcement** agencies where appropriate. The UK charity regulators' default preference for auditors and independent examiners who have read this guidance and are undecided as to whether to report a matter is **'When in doubt, report it.'**

Auditors and independent examiners should also be aware that any person who knowingly or recklessly provides a UK charity regulator with information that is false or misleading is guilty of an offence.

Across the United Kingdom any person who **wilfully** alters, suppresses, conceals or destroys any document which is required to be submitted to the charity regulator is also guilty of an offence.

The following link to the legislation may serve as a helpful reminder as to the requirements of the legislation and the potential consequences of non-compliance.

<http://www.charitycommissionni.org.uk/media/16202/20160615-charities-act-northern-ireland-2008.pdf>

The UK charity regulators will take very seriously any discovery that an auditor or independent examiner has failed in their legal obligation to report relevant matters. They reserve the right to take any necessary **further action** which may include making a complaint to that firm's or individual's professional body.

### 4.3 The charity regulator's approach

In considering reports received and determining next steps, the charity regulators adopt an evidence-based, proportionate, risk-based approach. All regulatory work is undertaken in accordance with the principles of best regulatory practice to ensure that decisions and actions are:

- Proportionate
- Accountable
- Consistent
- Transparent
- Targeted

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. The charity regulators have dedicated inquiry teams that deal with and investigate concerns raised about charities.

In the first instance, the charity regulators will usually try to work with charities and trustees to resolve issues through providing advice and guidance and setting out best practice. However, the charity regulators can, and will, take action to address matters of serious concern.

Client confidentiality is not grounds for the withholding of a report by the auditor or examiner, as the duty to report matters of material significance is a legal requirement under charity law. An assurance of confidentiality is only given by the charity regulators during the initial stages of regulator review and assessment. Refer to the Annex: UK Charity Regulators' protocol for handling matters of material significance to a UK regulator where that matter falls within the Proceeds of Crime Act 2002, Bribery Act 2010 or Terrorism Act 2000, for the specific treatment of certain reportable matters where additional safeguards are provided.

### 4.4 Initial Assessment of the Report

On receiving a report from an auditor or independent examiner about a charity, the charity regulator's first step is to undertake an initial assessment to identify:

- whether it is something the charity regulator can deal with
- what evidence is available to support the report
- what additional information or evidence may be needed
- the risk associated with the report
- the real or potential impact of the report on the charity, its assets or beneficiaries, or the sector as a whole
- the potential for co-operation and role of the charity's trustees.

The charity regulator's next course of action will depend on the outcome of this assessment. **This may include advising the auditor or independent examiner who reported matters of material significance as to the broad nature of what may happen following their report.**

#### 4.5 Possible courses of action

The charity regulator will consider each matter reported to it and decide on the next course of action. As proportionate regulators we will focus their resources on areas of greatest concern.

In some cases, further information will be required. The charity regulator may request, order or direct that information is provided.

#### 4.6 Close the report and signpost

All reports raised with a charity regulator will be considered, but not all will lead to an investigation. For example, the matter may be outside of the regulator's jurisdiction, it may be a matter that can be put right by the trustees without further intervention, or it may be that on further consideration that the concerns are found to be unsubstantiated. The basis of the regulator's intervention is related to the impact on the charity concerned and the robustness of the evidence presented.

# Appendix 1: Optional Checklist for Auditors and Independent examiners

**Matters Of Material Significance Checklist on examination of charity accounts pertaining to:** *(Insert name of Charity)*

Note: The following matters are to be considered during the course of an audit/independent examination. This checklist should not be used as a tick box only. This requires consideration and reflection by the auditor or independent examiner. For further guidance see Section 3, Matters in Detail

Matter number	Matter detail & question	Suspicion / evidence found <b>Details and nature of the matter identified.</b>	No suspicion or evidence found ( <b>√/X</b> )	Report made? To whom?
1	Is there a suggestion of dishonesty/fraud involving a significant loss of, or a material risk to, charitable funds or assets?			
2	Is there a suggestion of failure(s) of internal controls, including failure(s) in charity governance, that resulted in, or could give rise to, a significant loss or misappropriation of charitable funds, or which leads to material charitable funds being put at major risk?			
3	Do you have knowledge or suspicion that the charity or charitable funds including the charity's bank account(s) have been used for money laundering or such funds are the proceeds of serious organised crime or that the charity is a conduit for criminal activity?			
4	Do you have a belief or suspicion that the charity, its trustees, employees or assets, have been involved in or used to support terrorism or proscribed organisations in the UK or outside of the UK, with the exception of matters related to a qualifying offence as defined by Section 3(7) of the Northern Ireland (Sentences) Act 1998?			

Matter number	Matter detail & question	Suspicion / evidence found. <b>Details and nature of the matter identified.</b>	No suspicion or evidence found ( <b>√/X</b> )	Report made? To whom?
5	Is there evidence suggesting that in the way the charity carries out its work relating to the care and welfare of beneficiaries, the charity's beneficiaries have been or were put at significant risk of abuse or mistreatment?			
6	Are there single or recurring breach(es) of either a legislative requirement or of the charity's trusts leading to material charitable funds being misapplied?			
7	Is there evidence suggesting a deliberate or significant breach of an order or direction made by a charity regulator under statutory powers including suspending a charity trustee, prohibiting a particular transaction or activity or granting consent on particular terms involving significant charitable assets or liabilities?			
8	On making a modified audit opinion, emphasis of matter, material uncertainty related to going concern, or issuing of a qualified independent examiner's report identifying matters of concern to which attention is drawn, notification of the nature of the modification/qualification/emphasis of matter or concern with supporting reasons including notification of the action taken, if any, by the trustees subsequent to that audit opinion, emphasis of matter or material uncertainty identified /independent examiner's report.			
9	Conflicts of interest have not been managed appropriately by the trustees and/or related party transactions have not been fully disclosed in all respects required by the applicable SORP or applicable regulations.			
<b>Date:</b> _____ <b>Name of Examiner:</b> _____ <b>Signature:</b> _____				

## Appendix 2: 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 places a legal duty upon 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,

which they have reasonable cause to believe is likely to be of **material** significance to the Commission's regulatory functions under sections 22 or 33 of the Charities Act.

In addition to undertaking an independent examination of the accounts, the examiner has a separate legal responsibility to report to the Commission if a matter of material significance to the Commission's regulatory functions is identified. This duty applies to the independent examination of all registered charities.

### OSCR

Section 46 of the Charities and Trustee Investment (Scotland) Act 2005 places a legal duty upon 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

which they have reasonable cause to believe is likely to be of material significance to OSCR's regulatory functions under sections 28,30 or 31 of the Charities and Trustee Investment (Scotland) Act 2005.

The report is separate to the Auditor or independent examiner's report. 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 place a duty upon the auditor and independent examiners of both non-company and company charities to make a report 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 of material significance for the purposes of the exercise by the Commission of its functions listed in section 156(3) of 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 relates to the activities or affairs of the charity or of any connected institution or body, and (b) which P has reasonable cause to believe is likely to be of material significance for the purposes of the exercise by the Commission of its functions under the provisions mentioned in subsection (3) P must immediately make a written report on the matter to the Commission".

Section 160 of the Charities Act 2011 also places the duty in section 156 on a person appointed to audit or report on the accounts of an exempt charity that is not a company to report any concerns 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 duty to report any concerns. This duty is modified by section 160 so that the report must be made to the principal regulator rather than the Commission.

### **All UK charity regulators**

The auditor's or independent examiner's duty is to report matters of material significance that they come across in undertaking the independent examination in accordance with the guidance. The duty is on the examiner to report to the relevant UK charity regulator(s) immediately upon becoming aware of the matter of material significance and to make the report in writing.

Normally the matter will relate to the year the auditor or independent examiner is reporting upon but, where a matter comes to light relating to a previous financial year which would give rise to a duty to report, then the auditor or independent examiner must make a report.

Auditors and independent examiners may take assurance from the UK Charity Regulators' protocol for handling matters of material significance to a UK regulator where that matter falls within the Proceeds of Crime Act 2002, Bribery Act 2010 or Terrorism Act 2000 that in reporting to a UK

charity regulator such a report will not give rise to a **tipping off offence** being committed. For further information see the Annex to this guidance and the guidance issued by the [Consultative Council of Accountancy Bodies](#).

## Relevant matters

If an auditor or independent examiner believes a matter may not be of material significance, but still consider the matter relevant to the charity regulator in carrying out its functions, then they should still report the matter. For further advice on reporting relevant matters see:

CCNI: <https://www.charitycommissionni.org.uk/news/relevant-matters/>

OSCR: <https://www.oscr.org.uk/guidance-and-forms/accounts-and-finance-guidance/reporting-by-auditors-and-independent-examiners-to-oscr/>

CCEW: <https://www.gov.uk/government/publications/reporting-relevant-matters-of-interest-to-uk-charity-regulators>

## Cessation of appointment

An auditor or independent examiner is not relieved of their duty to report by resigning their appointment. They are still required to report the matters they became aware of during the appointment.

Where an appointment ends the auditor or independent examiner must report any reasons for the cessation of appointment which might be relevant to the UK charity regulators in exercising their functions which includes reporting any matter(s) of material significance.

Where there is no reportable matter but the auditor or independent examiner has resigned the engagement then there is no need to make a report unless such a report is required by regulation in which case this should simply be advised by e-mail and not flagged as a formal report.

## Appendix 3: References

References in this document to 'the Charities Act' are to the Charities Act (Northern Ireland) 2008, the *Charities and Trustee Investment (Scotland) Act 2005* and the Charities Act 2011.

References to 'the accounting and reporting regulations' in this document in Northern Ireland refer to the Charities (Accounts and Reports) Regulations (Northern Ireland) 2015; in Scotland to the Charities Accounts (Scotland) Regulations 2006 (as amended) and, in England and Wales, to the Charities (Accounts and Reports) Regulations 2008.

References in this document to the 'annual return regulations' are to [The Charities \(Annual Return\) Regulations \(Northern Ireland\) 2015](#), prescribed by the Charity Commission for Northern Ireland, and to the Charities (Annual Return) Regulations 2015, which is in operation in England and Wales. Scotland does not have an equivalent to these regulations within their legislation.

Auditors and independent examiners should note that the references cited above were current at the time of initial publication of this guidance but are subject to change. You should refer to the website of the relevant UK charity regulator(s) to confirm the latest references as they apply at the time of making your report.

## Annex:

### UK Charity Regulators' protocol for handling matters of material significance to a UK regulator where that matter falls within the Proceeds of Crime Act 2002, Bribery Act 2010 or Terrorism Act 2000

Issued by the UK charity regulators: 1 May 2017

The UK charity regulators: Charity Commission for England and Wales (CCEW), the Scottish Charity Regulator (OSCR), and the Charity Commission for Northern Ireland (CCNI) all follow a common protocol for handling matters of material significance where an auditor or independent examiner makes a report of a matter of material significance that is covered by the provision of the Proceeds of Crime Act 2002, Bribery Act 2010 or Terrorism Act 2000.

#### Receipt of the report

Each UK regulator has a dedicated e-mail address which is routed to a specific handling team who understand the sensitivity of the reports being made.

CCNI: [concernsaboutcharities@charitycommissionni.gsi.gov.uk](mailto:concernsaboutcharities@charitycommissionni.gsi.gov.uk)

OSCR: [Section46@oscr.org.uk](mailto:Section46@oscr.org.uk)

CCEW: [AuditIEMoMS@charitycommission.gov.uk](mailto:AuditIEMoMS@charitycommission.gov.uk)

Where a report is made by way of a letter, these reports are marked as 'official-sensitive' and allocated directly to the specific handling team who understand the sensitivity of the reports being made.

#### Escalation of the report

The handling team automatically escalate a matter of material significance that is covered by the provisions of the Proceeds of Crime Act 2002, Bribery Act 2010 or Terrorism Act 2000 as a communication classed as 'official-sensitive' to the inquiry team within the regulator.

#### Liaison with law enforcement

The inquiry team are aware that a matter of material significance that is covered by the provisions of the Proceeds of Crime Act 2002, Bribery Act 2010 or Terrorism Act 2000 is a highly sensitive referral where the risk of prejudicing a **law enforcement** investigation by alerting the trustees or

others related to the charity (equivalent to 'tipping off') must be avoided. The inquiry team will therefore directly liaise with law enforcement about these referrals and any regulatory action to be taken by the relevant charity regulator is subject to prior clearance with law enforcement.

The auditor or independent examiner can therefore be assured that the handling of their report will not prejudice any investigation by law enforcement and that the contents of the report will not cause any regulatory action to be initiated that has not already commenced independently of their report or, in the case of regulatory action which is consequential on their report, any regulatory action will have had the prior approval of law enforcement.

### Case handling is subject to the requirements of law enforcement

Matters which involve criminality and the potential to bring criminal charges are the remit of law enforcement. It follows that in the majority of cases the UK charity regulators will only progress their own regulatory action once the law enforcement agency has considered any charges and if charges are brought that the matter has also been considered by the prosecuting service and any consequential court proceedings have been fully concluded. In such cases any regulatory action would follow the outcome of law enforcement proceedings. Exceptionally, where it is agreed with the law enforcement agency, both authorities, law enforcement and the charity regulator(s), may act on a case at the same time, provided any regulatory action carried out is with the knowledge of law enforcement and within the agreed terms of reference.

# Glossary

Term	Definition
<b>Assets</b>	An asset is a resource controlled by the charity as a result of past events and from which future economic benefits are expected to enable the charity to further its charitable aims.
<b>Annual Return Regulations</b>	References in this document to the 'annual return regulations' are to The Charities (Annual Return) Regulations (Northern Ireland) 2015, prescribed by the Charity Commission for Northern Ireland. The full content of can be found at <a href="http://www.legislation.gov.uk">www.legislation.gov.uk</a>
<b>Charities Act (Northern Ireland) 2008</b>	<p>References to 'the Charities Act' are to the Charities Act (Northern Ireland) 2008 (as amended). The full content of the 2008 Charities Act can be found at <a href="http://www.legislation.gov.uk">www.legislation.gov.uk</a></p> <p>Not all of the sections of the Charities Act are in force yet. Details of those sections that are in force are available on the Commission's website <a href="http://www.charitycommissionni.org.uk">www.charitycommissionni.org.uk</a></p>
<b>Independent Examination</b>	An independent examination is a simpler form of scrutiny than an audit but it still provides trustees, funders, beneficiaries, stakeholders and the public with an assurance that the accounts of the charity have been reviewed by an independent person. Depending on the size of the charity an independent examination may be carried out by either an independent person with the requisite ability and experience or by a person who is a member of one of the professional bodies. For specific details please refer to <a href="#">CCNI</a> , <a href="#">OSCR</a> or <a href="#">CCEW</a> guidance.
<b>Independent examiner</b>	<p>An independent examiner who is a member of one of the professional bodies listed in section 65 of the Charities Act:</p> <p>Association of Charity Independent examiners</p> <ul style="list-style-type: none"> <li>• Institute of Chartered Accountants in England and Wales</li> <li>• Institute of Chartered Accountants of Scotland</li> <li>• Institute of Chartered Accountants in Ireland</li> <li>• Association of Chartered Certified Accountants</li> <li>• Association of Authorised Public Accountants</li> <li>• Association of Accounting Technicians</li> <li>• Association of International Accountants</li> <li>• Chartered Institute of Management Accountants</li> </ul>

	<ul style="list-style-type: none"> <li>• Institute of Chartered Secretaries and Administrators</li> <li>• Chartered Institute of Public Finance and Accountancy</li> <li>• Institute of Financial Accountants</li> <li>• The Certified Public Accountants Association.</li> </ul> <p>Scotland does not include the Institute of Financial Accountants but does include: Member of the Association of Charity Independent examiners</p> <p>England and Wales also includes: Fellow of the Association of Charity Independent examiners.</p>
<p><b>Law enforcement</b></p>	<p>Law enforcement in the United Kingdom is organised separately in each of the legal systems of England and Wales, Northern Ireland and Scotland. Most law enforcement is carried out by police officers serving in regional police services within one of these jurisdictions. These regional services are complemented by UK-wide agencies, such as the National Crime Agency, and specialist bodies hosted by regional police forces, such as the Specialist Operations directorate of the Metropolitan Police.</p> <p>There are three general types of law enforcement agency in the United Kingdom, the first is mostly concerned with policing the general public and their activities and the others are concerned with policing of more specific matters:</p> <ul style="list-style-type: none"> <li>• <b>Territorial police services</b>, which carry out the majority of policing. There are 45 territorial police services that cover a <a href="#">police area</a> (a particular region). Some territorial police services host <a href="#">specialist bodies</a> that operate in more than one area of the United Kingdom, such the Specialist Operations directorate of the Metropolitan Police.</li> <li>• <b>National law enforcement bodies</b>, including the <a href="#">National Crime Agency</a> and <a href="#">British Transport Police</a>. The <a href="#">Serious Organised Crime and Police Act 2005</a> refers to these as "<a href="#">special police forces</a>". The National Crime Agency operates across the United Kingdom (but in Scotland or Northern Ireland requires the agreement of the domestic prosecuting authority to do so) against organised crime and acts as the UK point of contact for foreign agencies. There are also non-</li> </ul>

police law enforcement agencies whose officers, while not police constables, enforce laws.

- **Miscellaneous police services**, mostly having their foundations in older legislation or [common law](#). These have a responsibility to police specific local areas or activities.

The following organisations would fall into the category of Law Enforcement:

**Territorial police services:**

England - Avon and Somerset Constabulary, Bedfordshire Police, Cambridgeshire Constabulary, Cheshire Constabulary, City of London Police, Cleveland Police, Cumbria Constabulary, Derbyshire Constabulary, Devon & Cornwall Police, Dorset Police, Durham Constabulary, Essex Police, Gloucestershire Constabulary, Greater Manchester Police, Hampshire Constabulary, Hertfordshire Constabulary, Humberside Police, Kent Police, Lancashire Constabulary, Leicestershire Police, Lincolnshire Police, Merseyside Police, Metropolitan Police Service, Norfolk Constabulary, North Yorkshire Police, Northamptonshire Police, Northumbria Police, Nottinghamshire Police, South Yorkshire Police, Staffordshire Police, Suffolk Constabulary, Surrey Police, Sussex Police, Thames Valley Police, Warwickshire Police, West Mercia Police, West Midlands Police, West Yorkshire Police and Wiltshire Police

Wales - Dyfed-Powys Police, Gwent Police, North Wales Police and South Wales Police.

Scotland – Police Scotland

Northern Ireland – Police Service of Northern Ireland (PSNI)

**Bodies with Police Powers:** National Crime Agency, Ministry of Defence Police, Civil Nuclear Constabulary, British Transport Police, National Wildlife Crime Unit, National Counter Terrorism Security Office, National Vehicle Crime Intelligence Service, National Domestic Extremism and Disorder Intelligence unit, Protection Command, National Fraud Intelligence Bureau, National Ballistics Intelligence Service, National Police Air Service;

**Bodies with limited executive powers:** Border Force, Immigration Enforcement, HMRC, Driver and Vehicles Standards Agency, (GB & NI), The Independent Police Complaints Commission (IPCC), the Police Investigations and Review Commissioner (PIRC), Police Ombudsman for Northern Ireland

**Bodies with solely investigatory powers:**

Office for Security and Counter Terrorism, Security Service, Serious Fraud Office

**Miscellaneous Police Forces:**

Ports Police – Belfast Harbour Police, Larne Harbour Police, Port of Bristol Police, Port of Felixstowe Police, Port of Portland Police, Falmouth Docks Police, Port of Dover Police, Port of Liverpool Police, Port of Tilbury Police, and Tees and Hartlepool Port Authority Harbour Police.

Parks Police – Epping Forest Keepers, Kew Constabulary, Liverpool Parks Police, Birmingham Parks Police, the Parks Police Service (Hammersmith, Fulham, Kensington and Chelsea), Hampstead Heath Constabulary, Hillingdon Parks Patrol Service.

Other – Belfast International Airport Constabulary, Cambridge University Constabulary, Mersey Tunnels Police, Northern Ireland Security Guard Service and Cathedral constable.

Service Police – Royal Military Police, Royal Naval Police and Royal Air Force Police.

**Crown Dependencies:**

The Isle of Man Constabulary, the Isle of Man Airport Police, the States of Jersey Police, the States of Jersey Customs and Immigration Service, the States of Guernsey Police Service, Guernsey Border Agency.

**Overseas Territories:**

Bermuda Police Service, Bermuda Airport Security Police, British Indian Ocean Territory Police, Pitcairn Islands Police, Royal Cayman Islands Police Service, Royal Falklands Islands Police, Royal Montserrat Police

	<p>Force, Royal Virgin Islands Police Force, Saint Helena Police Service, Royal Gibraltar Police,</p> <p><b>Overseas MOD &amp; Service Police:</b></p> <p>Sovereign Base Areas Police (MOD in Cyprus), Gibraltar Defence Police, British Indian Ocean Territory Joint Service Police Unit, Cyprus Joint Police Unit, Falkland Islands Joint Service Police Security Unit and Gibraltar Joint Provost and Security Unit.</p>
<p><b>Material / Materiality</b></p>	<p>Materiality relates to an item that, in the judgement of the examiner, if omitted or misstated, would affect the reader's understanding of the accounts. Materiality is also linked closely to other accounting concepts and principles:</p> <p>Relevance: Material information influences the economic decisions of the users and is therefore relevant to their needs.</p> <p>Reliability: Omission or misstatement of an important piece of information impairs users' ability to make correct decisions taken on the basis of financial statements thereby affecting the reliability of information.</p> <p>Completeness: Information contained in the financial statements must be complete in all material respects in order to present a true and fair view of the affairs of the company.</p> <p>Materiality depends on the size, amount or importance of the item, error or misstatement. An accounting policy is sometimes described as material where the effect is material as to how an item or transaction is recognised, measured or disclosed in accounts. Where a policy does not conform with the Charities Statement of Recommended Practice (also known as the Charities SORP), the auditor or independent examiner has to consider whether the effect of that policy when applied to transactions or items in the accounts is so material as to affect the presentation or understanding of the accounts.</p> <p>Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements (IASB Framework).</p> <p>Materiality therefore relates to the significance of transactions, balances and errors contained in the financial statements. Materiality defines the threshold</p>

	<p>or cut off point after which financial information becomes relevant to the decision making needs of the users. Information contained in the financial statements must therefore be complete in all material respects in order for them to present a true and fair view of the affairs of the entity.</p> <p>Materiality is relative to the size and particular circumstances of individual charities</p>
<b>Material Significance</b>	<p>This is a particular term used in the Charities Act which gives rise to the duty of an independent examiner to report matters to the charity regulator. Under the applicable Charities Act, auditors and independent examiners must report to the charity regulator any matter they become aware of regarding a charity or any connected organisation, which they believe is likely to be of 'material significance' to that charity regulator in carrying out its functions. The report must be made immediately and in writing.</p>
<b>Misstatement</b>	<p>This means whether, in any respect, the accounts are materially misstated by the inclusion of an item, or an aspect of the accounts that is factually incorrect, in error, or wrong, or by the omission of an item that should properly be included in the accounts.</p>
<b>Statements of Recommended Practice (SORPs)</b>	<p>Statements of Recommended Practice (SORPs) supplement accounting standards and other legal and regulatory requirements in light of the special factors prevailing or transactions undertaken in a particular sector and their application is relevant to the 'true and fair' view required of charity accounts. For general charities preparing their reports and accounts for reporting periods beginning on or after 1 January 2016 this is the Accounting and Reporting by Charities: Statement of Recommended Practice FRS 102 (Charities SORP FRS102).</p>
<b>Tipping off offence (Derived from the Proceeds of Crime Act 2002)</b>	<p>It is an offence for a person in the regulated sector to "tip off" (i.e. inform) a person suspected of money laundering that (a) he or someone else has made a lawful disclosure or (b) there is a money laundering investigation taking place, where the tipping off is likely either to prejudice any investigation arising from the disclosure or to prejudice the investigation disclosed to the person suspected of money laundering. A similar offence applies to those who are not in the regulated sector, where a person makes an unlawful disclosure which is likely to prejudice a money laundering investigation. This offence carries a maximum penalty of five years' imprisonment and/or an unlimited fine.</p>

## Useful contacts

Anti-money laundering guidance for the accountancy sector [www.ccab.org.uk](http://www.ccab.org.uk)

Access NI	<a href="http://www.accessni">www.accessni</a>
Association of Accounting Technicians	<a href="http://www.aat.org.uk/">www.aat.org.uk/</a>
Association of Authorised Public Accountants	<a href="http://www.accaglobal.com/aapa">www.accaglobal.com/aapa</a>
Association of Chartered Certified Accountants	<a href="http://www.accaglobal.com/gb/en.html">www.accaglobal.com/gb/en.html</a>
Association of Charity Independent examiners	<a href="http://www.acie.org.uk/">www.acie.org.uk/</a>
Association of International Accountants	<a href="http://www.aiaworldwide.com">www.aiaworldwide.com</a>
Chartered Institute of Management Accountants	<a href="http://www.cimaglobal.com">www.cimaglobal.com</a>
Chartered Institute of Public Finance and Accountancy	<a href="http://www.cipfa.org">www.cipfa.org</a>
Disclosure and Barring Service	<a href="http://www.disclosureandbarringservice.gov.uk">www.disclosureandbarringservice.gov.uk</a>
Disclosure Scotland Scheme	<a href="http://www.disclosurescotland.co.uk">www.disclosurescotland.co.uk</a>
Institute of Chartered Accountants in England and Wales	<a href="http://www.icaew.com">www.icaew.com</a>
Institute of Chartered Accountants in Ireland	<a href="http://www.charteredaccountants.ie">www.charteredaccountants.ie</a>
Institute of Chartered Accountants of Scotland	<a href="http://www.icas.com">www.icas.com</a>
Institute of Chartered Secretaries and Administrators	<a href="http://www.icsa.org.uk">www.icsa.org.uk</a>
Institute of Financial Accountants	<a href="http://www.ifa.org.uk">www.ifa.org.uk</a>
The Certified Public Accountants Association	<a href="http://www.acpa.org.uk">www.acpa.org.uk</a>

# If you are dissatisfied with our service

## **CCNI**

The Commission in Northern Ireland is committed to delivering a quality service at all times. However, we know that sometimes things can go wrong. If you are dissatisfied with the service you have received, we would like to hear from you, and have a procedure that you can use.

In Northern Ireland, you will find further information on these processes in our guidance, *Making a complaint about our service* which is on our website [www.charitycommissionni.org.uk](http://www.charitycommissionni.org.uk)

## **OSCR**

If something goes wrong or you are dissatisfied with our services, please tell us. For more information see our [Complain about OSCR page](#).

## **CCEW**

We are committed to giving you the best service we can. But there may be a time you need to complain about a service we've provided. For more information follow this link to our [Complaints procedure](#)



CHARITY COMMISSION  
FOR ENGLAND AND WALES

The **Charity**  
**Commission**  
for Northern Ireland

**OSCR**  
Scottish Charity Regulator

Further information on our activities is available from:

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)