New Charity Regulations – An Opportunity To Comment

The new Audit Act 2006 was recently approved by Tynwald and has now been given an appointed day order (i.e. a coming into operation date) of 1st April 2007.

Whilst primarily a Treasury Act relating to the audit of the Public Sector, due to the recent adoption of International Standards for Auditing and the resulting additional regulatory obligations placed upon professional auditors, the opportunity was also taken to amend section 5 of the Charities Registration Act 1989 (CRA1989) which sets the statutory audit requirements for charities. Whilst currently, section 5 of the CRA1989 requires all Manx registered charities to file fully audited accounts with the General Registry, under the amended section 5 a new 'three tier' audit/examination requirement will be introduced based upon the 'gross income' of the charity.

In summary the revised audit/examination requirements are:

Charity's Gross Income in the Accounting Year	*Statutory Requirement for External Examination of Charity's Accounts*
Less than or equal to £5,000	No requirement for external examination (charities still have to file accounts with the General Registry)
Greater than £5,000 but less than or equal to £100,000	Full Audit <u>or</u> an independent examination by an accountant, other qualification holder or a person approved by the First Deemster
Greater than £100,000	Full Audit by an accountant or a person approved by the First Deemster

It should also be remembered that, in addition to these statutory requirements, the charity will also have to comply with any account requirements specified within its governing document (e.g. constitution/trust deed/memorandum and articles of association).

A system is already in place to assist His Honour the First Deemster in determining whether 'approved person' status should be granted and this system will continue in the future. However, in order to fully implement these amendments, new regulations will have to be made, in particular to:

i) Prescribe the qualifications for independent examiners (in addition to accountants); and

ii) Prescribe the form of the independent examiners reports.

Consequently their Honours The Deemsters are intending to submit new regulations for the approval of Tynwald in March 2007 (coming into operation from the 1st April).

On their behalf, and having given careful consideration to both of these key areas, attached to the end of this document are:

1. List 1: qualifications currently proposed for independent examiners;
2. Form 1: draft of proposed unqualified examiner's report;
3. Form 2 : draft example of proposed qualified examiner's report.

I would like to invite you to take this opportunity to review these proposals and to provide any views or suggestions by completing and returning the pro-forma *comments form* (also attached).

This document has also been sent as a letter to a selection of charities, approved persons and auditors to provide them with the opportunity to comment. If you are reading this on the General Registry's website and yourself wish to make any comments, as an interested party, you are of course welcome to do so, using the pro forma comments form.

In addition to the statutory regulations, the General Registry will also be developing a guidance note for independent examiners which it is intended will be available from 1st April 2007. (A copy of this will be obtainable from the General Registry or from our website in due course).

I take this opportunity to thank you in advance for considering these proposals and would request that if you wish to provide any feedback or views that you complete and return the comments form (to the above address) **not later than 5pm on Friday 19th January 2007** to enable appropriate progression of the regulations towards a March submission to Tynwald.

If you would prefer to submit your comments electronically, this can be done by emailing the comments pro forma to charities@gov.im.

S Hind
Assistant Chief Registrar

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Form 1 – draft of proposed unqualified examiner's report
Form 2 – draft of proposed qualified examiner's report
List 1 – pre-consultation list of proposed examiners qualifications
Comments Form

Form 1 of proposed new examiners forms – Draft of unqualified report

Independent Examiner's Report to the Trustees of [charity name]
I hereby report on the accounts of the [charity name] for the year ended [year end date], which are set out in the attached pages 00 to 00.

Respective responsibilities of trustees and examiner
The charity's trustees are responsible for the preparation of the accounts for the charity. The charity's trustees consider that an audit is not required for this year under section 5 of the Charity Registration Act 1989 and that an independent examination is appropriate.

It is my responsibility to:-

- examine the accounts;
- follow the procedures laid down in the general guidance given by the General Registry [relevant clause number under the new regulations]; and
- state whether particular matters have come to my attention.

Basis of independent examiner's report
My examination was carried out in accordance with the general guidance given by the General Registry. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and the seeking of explanations from you as trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently I do not express an audit opinion on the view given by the accounts.

Independent examiner's statement
In connection with my examination, no matter has come to my attention:-

(1) which gives me reasonable cause to believe that in any material respect the requirements

- to keep accounting records in accordance with the prevailing regulations;
- to prepare accounts which accord with the accounting records and comply with the accounting requirements of the prevailing regulations;
- to accurately identify assets and liabilities of the charity;
- that all charity monies expended have been in the furtherance of the charity's objects;
- for the charity to maintain a substantial and genuine connection with the Isle of Man

have not been met; or

(2) to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

Signature :

Name :

Relevant professional qualification or body :

Address :

Date :

Form 2 of proposed new examiners forms – Draft of unqualified report – example of a matter to the brought to attention in the report

Independent Examiner's Report to the Trustees of [charity name]

I hereby report on the accounts of the [charity name] for the year ended [year end date], which are set out in the attached pages 00 to 00.

Respective responsibilities of trustees and examiner

The charity's trustees are responsible for the preparation of the accounts for the charity. The charity's trustees consider that an audit is not required for this year under section 5 of the Charities Registration Act 1989 and that an independent examination is appropriate.

It is my responsibility to:-

- examine the accounts;
- follow the procedures laid down in the general guidance given by the General Registry [relevant clause number under the new regulations]; and
- state whether particular matters have come to my attention.

Basis of independent examiner's report

My examination was carried out in accordance with the general guidance given by the General Registry. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and the seeking of explanations from you as trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently I do not express an audit opinion on the view given by the accounts.

Independent examiner's statement

In connection with my examination, no matter has come to my attention which gives me reasonable cause to believe that, in any material respect, the requirements:-

- to keep accounting records in accordance with the prevailing regulations;
- to prepare accounts which accord with the accounting records and comply with the accounting requirements of the prevailing regulations;
- to accurately identify assets and liabilities of the charity;
- that all charity monies expended have been in the furtherance of the charity's objects;
- for the charity to maintain a substantial and genuine connection with the Isle of Man

have not been met.

The accounts disclose the receipt of a restricted grant of £x, of which £y was expended in the year. A concern exists that the unexpected balance of £z, which has been carried forward as a fund balance, may need to be repaid to the donor. No other matter has come to my attention in connection with my examination to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

Signature :

Name :

Relevant professional qualification or body :

Address :

Date :

List 1 – Proposed examiner qualifications (in addition to an ‘accountant’ as defined by the Interpretation Act 1976)		
Category	**Governing Body**	**Qualification Considered**
Company Secretary	**ICSA** - Institute of Chartered Secretaries & Administrators	**ACIS** - Associate of the Chartered Institute of Secretaries
Company Secretary	**ICSA** - Institute of Chartered Secretaries & Administrators	**FCIS** - Fellow of the Chartered Institute of Secretaries
Banking	**CIB** - The Chartered Institute of Bankers	**CIB** - The Chartered Institute of Bankers
Banking	**CIBS** - The Chartered Institute of Bankers in Scotland	**MCIBS** - Member of the Chartered Institute of Bankers in Scotland
Accounting	**ACCA** - Association of Chartered Certified Accountants	**CAT** - Certified Accounting Technician
Accounting	**ACCA** - Association of Chartered Certified Accountants	Diploma in Financial Management
Accounting	**AAT** - Association of Accounting Technicians	**AAT** - Association of Accounting Technicians
Accounting	**ICAEW** - Institute of Chartered Accountants in England & Wales	Diploma in Charity Accounting
Accounting	**CIPFA** - Chartered Institute of Public Finance and Accountancy	Certificate in Charity Finance & Accountancy
Accounting	**CIPFA** - Chartered Institute of Public Finance and Accountancy	Diploma in Public Audit
Accounting	**AIA** - The Association of International Accountants	**AAIA** - Associate of the Association of International Accountants
Accounting	**AIA** - The Association of International Accountants	**FAIA** - Fellow of the Association of International Accountants
Accounting	**AAPA -** The Association of Authorised Public Accountants	**AAPA** - Associate of the Authorised Public Accountants
Internal Audit	**IIA** - The Institute of Internal Auditors UK & Ireland	**PIIA** - Diploma in Internal Audit Practice
Internal Audit	**IIA** - The Institute of Internal Auditors UK & Ireland	**MIIA** - Advanced Diploma in Internal Auditing and Management

COMMENTS FORM New Charity Regulations: December 2006
YOUR DETAILS (please note that your comments and details will not be published and your contact details are only requested to permit us to clarify any points if necessary. They will only be used for the purpose of improving charity regulation)
Contact Name:
Contact Telephone:
PART 1: Form of Independent Examiner's Reports
a. Suggested Amendments to Existing Wording Contained in the Form (please include & number your suggested amendments, be in the box below)
b. Reasons for Suggested Amendments (for each numbered amendment above, please indicate your reasons for suggesting it in the box below)
PART 2: Suggested Prescribed Qualifications for Independent Examiners
c. Additional qualifications that should be considered
d. Currently considered qualifications that should be removed (please give reasons)

Please feel free to copy this comments sheet to add further comments/information in the relevant sections as necessary.