



## GUIDANCE ON THE INDEPENDENT EXAMINATION OF CHARITY ACCOUNTS

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*In this document, any reference to "the Act" is to the Charities Registration and Regulation Act 2019, any reference to a "section" is to the section of the Act so numbered, any reference to "the Regulations" is to the Charities Regulations 2020 and any reference to a "Regulation" is to the regulation of those Regulations so numbered.*

*Further information and downloadable copies of relevant legislation, forms and guidance are available from the Attorney General's website: [www.gov.im/charities](http://www.gov.im/charities).*

## I GENERAL

### 1. **Introduction**

The Charities Registration and Regulation Act 2019 and the Charities Regulations 2020 make provision governing the form and content of charity accounts and annual reports, and the duties of charity auditors and independent examiners. In doing so, the legislation embodies the concept that some form of independent scrutiny is required for the accounts of all but the smallest charities, but that this will fall short of a requirement for a full audit for many charities.

This publication is intended as general guidance for charities and those who carry out the independent examination of charities' accounts and describes how they should set about their duties. It also sets out, in **Appendix 1 – Guidance on the selection of an examiner**, the points which charity trustees should consider when selecting an examiner.

Please note that this document is intended as general guidance – it does not constitute legal advice and should not be construed as setting out all relevant statutory obligations. If in any doubt, you should take your own legal advice.

### 2. **Which charities can have their accounts independently examined?**

A charity can have its accounts independently examined provided it is not required to have its accounts audited. Accordingly, a charity cannot have its accounts independently examined and must, instead, have them audited, if any of the following applies:-

- (a) Section 27(5) of the Act applies, i.e. the charity's gross income in the accounting year in question exceeds £250,000;
- (b) The charity is a corporate body and the legislation under which it is established requires its accounts to be audited and the charity has not taken advantage of any exemption provided by that legislation (e.g. the Companies (Audit Exemption) Regulations 2007 allow certain private companies incorporated under the Companies Act 1931 to 2004 to elect not to have their accounts audited);
- (c) The charity's governing instrument requires that its accounts be audited;
- (d) The charity has resolved that its accounts be audited; or
- (e) The charity is subject to a requirement that its accounts be audited, either imposed by other legislation which applies to it or as a consequence of an agreement that it has entered into (e.g. as a condition of receiving funds from a grant making body).

### **3. On what basis should a charity which is able to have its accounts examined prepare its accounts?**

If a charity is not required to have its accounts audited on any of the grounds in paragraph 2, then Regulation 11 provides that the charity may prepare its accounts on a receipts and payments basis unless any of the following applies:

- (a) the charity is a company;
- (b) the charity's governing instrument requires that accruals accounts be prepared;
- (c) the charity has resolved that accruals accounts be prepared; or
- (d) any enactment provides that the charity should prepare accruals accounts.

If a charity prepares its accounts on a receipts and payment basis, then these must be prepared using the template which has been published by the Attorney General as an approved form for that purpose.

If a charity does not prepare its accounts on a receipts and payments basis, then Regulation 12 provides that it must prepare its accounts on an accruals basis in accordance with "proper practices" i.e. using FRS 102 or a charity SORP published by the Charity Commission for England and Wales or the Office of the Scottish Charities Regulator.

For more information see the **Guidance on the Preparation of Receipts and Payments Accounts and Annual Reports** published by the Attorney General.

### **4. Does every charity have to have independent scrutiny of its accounts?**

Section 27(3) of the Act provides that a registered charity must have its accounts either audited or independently examined if its gross income for the accounting year in question exceeds £25,000 but does not exceed £250,000.

This means that, if a charity's gross income for the accounting year in question is in that range, unless it is required to have its accounts audited (as detailed in paragraph 2), it may, instead, have its accounts independently examined.

If a charity (which is not subject to any audit requirement) has a gross income of £25,000 or less for the accounting year in question, it is not necessary for it to have its accounts independently examined unless there is a requirement to do so under its governing instrument, the charity has elected that its accounts be independently examined or there is a requirement for such an examination as a consequence of an agreement that the charity has entered into.

### **5. What is an examination?**

Independent examination of charity accounts was first introduced in the Isle of Man in 2007, following an amendment to the Charities Registration Act 1989 to allow independent examinations as an alternative to audit for charities meeting certain criteria. Those provisions were re-enacted in the Act.

Independent examination is a less onerous form of scrutiny than an audit and, accordingly, provides less assurance both in terms of the depth of work which is to be carried out and the qualification necessary to undertake such work. An examination involves a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also involves a review of the accounts and consideration of any unusual items or disclosures identified. Verification and vouching procedures only become necessary where material

concerns or doubts arise from procedures, and where satisfactory explanations cannot be obtained from the charity trustees.

The examiner is not required to build up a body of evidence to support a positive opinion on the accounts as would be required with an audit. Nor is the examiner required to form an opinion as to whether the accounts show a "true and fair view".

## **6. Selection of examiners**

Guidance on the selection of an independent examiner is set out in **Appendix 1**. In brief, section 27 of the Act provides that the following persons can undertake an independent examination:

- i. An accountant<sup>1</sup>;
- ii. A person approved by the Attorney General for the purpose of examining the accounts of the charity in question; or
- iii. A person holding a qualification set out in the Schedule to the Regulations.

The trustees must appoint a person suitable for the circumstances of the charity. It is strongly recommended that trustees of charities with gross assets in excess of £1,000,000 should select a qualified accountant (or an individual with similar qualifications in charity finance at an appropriate level) to carry out the independent examination. In other cases where the accounts are prepared on an accruals basis in accordance with the Regulations, a commensurate understanding of accountancy principles and accounting standards will still be needed. Experience of charity administration and accounting is desirable. The guidance also gives consideration to the criteria of independence when selecting an examiner. The prospective examiner should consider these guidelines prior to accepting appointment.

## **7. The examiner's report**

Following the examination, the independent examiner is required to produce a report. Regulation 14 provides that the report is to be in the approved form published by the Attorney General for that purpose. A copy of the approved form is reproduced in **Appendix 2**, with some examples of Part 2 disclosures being set out in **Appendix 3**.

In the report, the examiner must state that he or she has reasonable cause to believe that (other than in relation to matters disclosed at Part 2 of the report) in all material respects:

- proper accounting records have been kept, as required by section 46 of the Act and the Regulations; and
- the accounts comply with Part 6 of the Act and the Regulations.

A statement is also required that (other than in relation to matters disclosed at Part 2 of the report) there are no material matters to which, in the examiner's opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached, nor have any of the following matters become apparent to him or her:-

- (1) any material expenditure or action which appears not to be in accordance with the trusts of the charity;
- (2) any failure to be provided with information and explanation by any past or present trustee, officer or employee that is considered necessary for the examination; and
- (3) in the case of accruals accounts any material inconsistency between the accounts and the charity's annual report.

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<sup>1</sup> Defined in the Schedule to the Interpretation Act 2015

At Part 2, the examiner should set out details of any matters which provide the exception to the statements referred to above.

An examiner is required, by section 28(2) of the Act, to notify the Attorney General of, inter alia, any information that he or she has, or any opinion that he or she has formed, on a matter of which he or she has become aware in his or her capacity as examiner and which is relevant to any functions of the Attorney General under the Act, which will necessarily include the Attorney General's functions as charities regulator and de facto guardian of charitable property. More detailed guidance concerning the reporting requirement is set out in **Guideline 11**.

The examiner's report must be signed by the examiner in his or her own name. Whilst the name of a firm or company may be added, the appointment of an examiner relates to the individual rather than the firm or company.

## **8. Examination Guidelines**

The Examination Guidelines provide a procedural basis or framework to define the reporting duties of the examiner. There are eleven specific Guidelines that the examiner should address in carrying out an examination. Eight of these apply to all accounts and three apply only when accounts are prepared on an accruals basis.

Set out in **Part II – Examination Guidelines** are:-

- an explanation of the objective of each of the eleven Guidelines; and
- guidance on operational procedures and methods which will help examiners to meet the requirements of the Guidelines.

The Guidelines are reproduced in bold print with explanatory guidance set out in light print below. As with any guidance, the examples given and procedures suggested cannot meet all circumstances that may arise in the course of examination and judgement will need to be exercised by all examiners in the context of their work.

## **II EXAMINATION GUIDELINES**

### **Guideline 1: Examination and accounting thresholds**

**1. Carry out such specific procedures as are considered necessary to provide a reasonable basis on which to conclude that an examination is required, that the basis on which the charity has prepared its accounts is appropriate and that, if preparing them on a receipts and payments basis, the charity has used the template published by the Attorney General.**

#### Guidance

1.1 Regulation 11 provides that a charity (the accounts of which do not require to be audited) may prepare its accounts on a receipts and payments basis unless any of the following applies:-

1.1.1 the charity is a company;

1.1.2 the charity's governing instrument requires that accruals accounts be prepared;

1.1.3 the charity has resolved that accruals accounts be prepared;

1.1.4 any enactment provides that the charity should prepare accruals accounts.

1.2 If the charity prepares its accounts on a receipts and payment basis, then it must prepare them using the template which the Attorney General has published as an approved form for that purpose. Further, the charity must also prepare its annual report using the template which has been published by the Attorney General for that purpose, as provided by Regulation 17.

1.3 If any of the circumstances in 1.1 applies, or if the charity chooses not to prepare its accounts on a receipts and payments basis, then the charity must prepare accruals accounts, per Regulation 12.

1.4 The failure by a charity to comply with the requirements of Regulations 11, 12 and 17 is an offence, the maximum penalty for which on summary conviction is a fine of £10,000. Further, accounts and reports prepared incorrectly would be rejected if filed, meaning that the charity may not comply with its filing requirements within the statutory period. Non-compliance with those filing requirements is an offence, the maximum penalty for which on summary conviction is a fine of £10,000. The effect of section 53 of the Act and section 54 of the Interpretation Act 2015 is that the charity trustees will be individually liable for non-compliance with any statutory requirements by the charity unless they are able to rely on the defence that they took all reasonable precautions and exercised all due diligence to avoid the commission of the offence.

1.5 The examiner should ascertain at the outset that the accounts have been prepared in accordance with the Regulations. This should be done in conjunction with the matters to be considered in 1.6.

1.6 Section 27(3)(b) of the Act provides that a charity has the option of having its accounts independently examined, as an alternative to audit, if its gross income for the accounting year in question is within the specified band. However, section 27(3)(b) does not operate to override a requirement that the charity's accounts be audited. Accordingly, before proceeding with the examination, the examiner should make the necessary enquiries to confirm that the charity is able to elect to have its accounts examined, namely:-

- 1.6.1 to establish the amount of charity's gross income for the accounting year concerned so that it can be confirmed that it is within the specified band i.e. it exceeds £25,000 but does not exceed £250,000;
- 1.6.2 that, if the charity is a corporate body, either the legislation under which it is established does not require its accounts to be audited, or, if there is a legislative requirement for audit, that the charity has taken advantage of any exemption from the audit requirement provided by that legislation (e.g. the Companies (Audit Exemption) Regulations 2007 allow certain private companies incorporated under the Companies Act 1931 to 2004 to elect not to have their accounts audited);
- 1.6.3 that the charity's governing instrument does not require that its accounts be audited;
- 1.6.4 that the charity has not resolved that its accounts be audited; and
- 1.6.5 that the charity is not subject to any other requirement that its accounts be audited, either imposed by other legislation which applies to it or as a consequence of an agreement that it has entered into (e.g. as a condition of receiving funds from a grant making body).

1.7 Carrying out the enquiries in 1.5 and 1.6 at an early stage should prevent the examination being undertaken in circumstances where the accounts which have been prepared do not comply with the Regulations or where the work of the examiner would ultimately be duplicated by professional audit, both of which would result in avoidable expense for the charity.

1.8 In cases where the accounts which have been prepared do not comply with the Regulations, they should be referred back to the charity trustees for the non-compliance to be addressed.

1.9 In cases where the charity's gross income for the year of the accounts exceeds £250,000, or if any of 1.6.2 to 1.6.5 apply, the accounts should be referred back to the charity trustees for an auditor to be appointed in accordance with section 27(5) of the Act.

1.10 Where the charity's gross recorded income is £25,000 or less, there is no statutory requirement for an independent examination. In such cases, unless a requirement for examination of the accounts is imposed in circumstances which reflect those in 1.6.3 to 1.6.5, the examiner should refer the accounts back to the charity trustees for confirmation that the examination should proceed.

1.11 The examiner should consider at an early stage of the examination the levels of income and expenditure disclosed by the accounting records and by the trial balance. The examiner does, however, need to remain alert to any additional information which may come to attention during the course of the examination which indicates that the income threshold has been crossed.

1.12 The level of income should be calculated in accordance with the methods set out in **Appendix 4 – Calculation of Gross Income**. If accounts are prepared on the accruals basis then the level of income should be considered on the accruals basis. Where accounts are prepared on the receipts and payments basis then the level of income should be considered on the basis of money actually received and expended.



## **Guideline 2: Understanding the charity**

### **2. Obtain an understanding of the charity’s constitution, organisation, accounting systems, activities and nature of its assets, liabilities, incoming resources and application of resources in order to plan the specific examination procedures appropriate to the circumstances of the charity.**

#### Guidance

2.1 For a proper examination to be carried out it is important for the examiner to have an understanding of the operations, structure and objectives of the charity. This understanding will help the examiner to plan appropriate examination procedures. The steps taken by an examiner would normally include:

- consideration of the governing document of the charity, paying particular attention to the charity’s objects, powers and obligations;
- discussions with the charity trustees and, where appropriate, the charity’s staff to ascertain the structure, methods and means by which the charity seeks to achieve its objects;
- discussions with the charity trustees and, where appropriate, the charity’s staff about the affairs, and activities of the charity in order to gain an insight into any special circumstances and problems affecting the charity;
- reviewing the minutes of charity trustees’ meetings to ascertain details of major events, plans, decisions and changes to the trustee body; and
- obtaining details of accounting records maintained and methods of recording financial transactions.

2.2 The examiner is expected to consider whether the funds received by the charity are being applied in accordance with the wishes of the donor(s). A review of published brochures, appeal materials, advertisements and the like should be considered to ensure that these are in accordance with the objects of the charity, and that funds so raised have been applied as intended.

## **Guideline 3: Documentation**

### **3. Record the examination procedures carried out and any matters which are important to support conclusions reached or statement provided in the examiner’s report.**

#### Guidance

3.1 The working papers should provide details of the work undertaken and support any conclusions reached, and record any judgmental matters (see 7.2) which may arise. Working papers should normally be retained by the examiner for six years from the end of the financial year to which they relate, and would normally include:-

- a letter of engagement from the independent examiner to the charity trustees, together with evidence that this has been accepted by the charity trustees (for example a return copy of the letter signed by a representative of the charity trustees);

- relevant information extracted or obtained from the governing document, charity trustees' meeting minutes and a record of discussions with the charity trustees and the charity's staff;
- details of procedures carried out during the examination, with conclusions reached and any areas of concern identified;
- notes as to how any areas of concern have been resolved together with details of any verification procedures used;
- schedules showing the breakdown of accounting items that have been aggregated for accounts disclosure purposes;
- copies of any trial balance, accounts and the charity's annual report; and
- copies of any written assurances obtained from the charity trustees confirming eligibility for independent examination and, where appropriate, for the charity to prepare its accounts on a receipts and payments basis.

## **Guideline 4: Comparison with accounting records**

### **4. Compare the accounts of the charity with the charity's accounting records in sufficient detail to provide a reasonable basis on which to decide whether the accounts are in accordance with such accounting records.**

#### Guidance

4.1 It is necessary to compare the accounts with the underlying accounting records. Where prepared on the accruals basis, all balances in the accounts will need to be compared with the trial balance or any nominal ledger maintained. Where accounts are prepared on the receipts and payments basis a direct comparison with the cash records of the charity should be carried out if no nominal ledger is kept.

4.2 Test checks will also be necessary of the posting of entries from books of prime entry (e.g. petty cash book, any sales or purchase ledgers or day books) to any nominal ledger and/or to the trial balance itself. Similar checks are also necessary even where accounting records are maintained by using computer accounting packages.

4.3 A review of bank reconciliations, payroll summaries and control accounts prepared will provide a useful check as to the completeness of posting from books of prime entry.

4.4 There is no requirement for accounting entries to be checked against source documents (e.g. invoices, supplier statements, purchase orders etc) unless concerns arise during the course of the examination which cannot be resolved by seeking explanations.

4.5 Whilst the charity trustees are responsible for the preparation of accounts, on occasions the examiner may also prepare accounts on behalf of the trustees. The preparation of accounts will not generally impinge on independence (**see Appendix 1 – Guidance on the selection of an examiner**) provided the examiner ensures that the requirements of the Guidelines are met and avoids involvement in the management or administration of the charity. Where reliance is placed on work undertaken in the course of preparation of the accounts (e.g. posting of accounting entries) the examiner should consider whether separate procedures as set out above are also necessary to ensure this Guideline has been met.

## **Guideline 5: Accounting records**

### **5. Review the accounting records maintained in accordance with Regulation 10 of the Charities Regulations 2020 in order to provide a reasonable basis for the identification of any material failure to maintain such records.**

#### Guidance

5.1 The charity trustees are responsible for maintaining the accounting records.

5.2 The examiner is required to review the accounting records with a view to identifying any material failure to maintain such records in accordance with Regulation 10. Failure by a charity to comply with the requirements of Regulation 10 is an offence, the maximum penalty for which on summary conviction is a fine of £10,000. The effect of section 53 of the Act and section 54 of the Interpretation Act 2015 is that the charity trustees will be individually liable for non-compliance with any statutory requirements by the charity unless they are able to rely on the defence that they took all reasonable precautions and exercised all due diligence to avoid the commission of the offence.

5.3 The review procedures are not aimed at identifying the occasional omission or insignificant error, but at any gross failure to maintain records in a manner consistent with statutory requirements.

5.4 Accounting records should be well organised and capable of ready retrieval and analysis. The records may take a number of forms, for example book form, loose-leaf binder or computer records.

5.5 The accounting records should:

- be up to date;
- be readily available; and
- provide the basic information from which the financial position can be ascertained, not only at the year end, but also on any selected date.

5.6 The accounting records should contain:

- details of all money received and expended, the date, and the nature of the receipt or expenditure; and
- details of assets and liabilities.

5.7 Smaller charities may not maintain formal ledgers to record assets and liabilities, and in such instances the requirements can generally be met by maintaining files for unpaid invoices and amounts receivable. A record of fixed assets is generally necessary to meet the accounting requirements.

## **Guideline 6: Analytical procedures**

**6. Carry out analytical procedures to identify unusual items or disclosures in the accounts. Where concerns arise from these procedures, the examiner must seek explanation from the charity trustees.**

**If, after following such procedures, the examiner has reason to believe that in any respect the accounts may be materially mis-stated then additional procedures, including verification of the asset, liability, incoming resource or application, must be carried out.**

### Guidance

6.1 It is important that the examiner looks carefully at the final accounts to see if they reveal any unusual items, unexpected fluctuations, or inconsistencies with other financial information. This procedure is called analytical review. Steps taken would normally include:

- comparing the accounts with those for comparable prior periods;
- comparing the accounts with any budgets or forecasts that have been produced;
- considering whether incoming resources and the application of resources are consistent with known fund-raising sources, payroll details, activities, and the objectives of the charity - it is important to have obtained a proper understanding of the nature of the charity's activities and affairs for this aspect of the review to be successful;
- considering whether the liabilities and current assets disclosed are consistent with the scale and type of activities undertaken;
- considering whether fixed assets investments are producing income consistent with the nature of assets held; and
- considering whether the tangible fixed assets are consistent with the scale and type of activities undertaken by the charity.

6.2 Where analytical review procedures identify any unusual items, unexpected fluctuation or inconsistency then explanations should be sought from the charity trustees or, where appropriate, the charity's staff.

6.3 If the explanations provided by the charity trustees or, where appropriate, the charity's staff do not satisfy the examiner, then additional procedures will be necessary. Such procedures may include:

- physical inspection of a tangible fixed asset;
- verification of title to an asset;
- inspection of third party documentary evidence (e.g. invoice, contract or agreement) to verify an expense or liability or to confirm an amount of income received or receivable;
- third party certification of a bank balance, or other asset held including the custody of investment certificates; and
- checking of a post year end receipt or payment to confirm recoverability of a debt or the amount of a liability.

6.4 A comprehensive list of analytical procedures, and of additional procedures where concerns arise is beyond the scope of this publication, and will to an extent be an area in which the examiner will need to exercise judgement and to draw on experience.

## **Guideline 7: Accounting policies, estimates and judgements**

**7. When accounts are prepared under an accrual basis, review the accounting policies adopted and consider their conformity with fundamental accounting concepts, consistency of application and their appropriateness to the activities of the charity. The examiner must also consider and review any significant estimate or judgement that has been made in preparing the accounts.**

### Guidance

7.1 Regulation 12 requires that a charity which prepares its accounts on an accruals basis must do so in accordance with proper practices, which term is defined in Regulation 3 as meaning such of the following as are applicable –

- any Financial Reporting Standards issued or adopted from time to time by the Financial Reporting Council in the United Kingdom;
- any Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standards issued or adopted from time to time by the Charity Commission for England and Wales or the Office of the Scottish Charity Regulator.

7.2 Where accounts are prepared under an accruals basis, the accounting policies adopted, and also any estimates or judgements made in preparing the accounts, may have a material effect on both the financial activities and state of affairs disclosed by the accounts. Such matters therefore require careful consideration by the examiner.

7.3 The examiner should be satisfied that accounts are prepared on a basis consistent with the going concern assumption and accruals concept, and that the accounting policies adopted and applied are appropriate to the activities of the charity and to ensure a relevant, reliable, comparable and understandable accounts presentation.

7.4 The examiner must consider the reasonableness of any estimates or judgements where they are material to the accounts. Matters that may require consideration include:-

- transfers to or from designated fund accounts;
- valuation of gifts in kind;
- valuation of fixed asset investments where no market prices exist;
- estimates resulting from transactions not being fully recorded in the accounting records; and
- where applicable, the allocation of costs between the various expenditure categories of the Statement of Financial Activities.

7.5 If accounts are prepared on the receipts and payments basis, the only fundamental accounting concept which applies is that of consistency. Accounting policies and judgmental issues have less relevance since the receipts and payments account is simply a factual record of money actually received and expended. The statement of assets and liabilities is a straightforward schedule of information. This direction therefore does not apply to such accounts, unless other examination procedures have given rise to concerns that need to be addressed in this way.

## **Guideline 8: Events subsequent to the year end**

**8. When accounts are prepared under an accrual basis, enquire of the charity trustees as to material events subsequent to the year end of the accounts examined which may require adjustments or disclosure in the accounts.**

Guidance

8.1 Where accounts are prepared under an accruals basis, an event occurring after the balance sheet date may have a material effect on both the financial activities and state of affairs disclosed by the accounts.

8.2 The events that have occurred subsequent to the year end should therefore be discussed with the charity trustees and, where appropriate, with the charity's staff. Any effects on the accounts under review should be considered. The matters that should be discussed include:-

- whether any income anticipated and accrued into the accounts at the year end has proved irrecoverable;
- discovery of an error or fraud;
- crystallisation of a taxation liability;
- repayment of a grant or donation received;
- a valuation of a property indicating a permanent diminution in value.

8.3 Where an event occurring subsequent to the year end affects the amount or disclosure of an item in the accounts this should be brought to the attention of the charity trustees with a view to the accounts being amended.

8.4 If accounts are prepared on a receipts and payments basis, then there is no requirement to consider events subsequent to the year end, unless other examination procedures have given rise to concerns which need to be addressed in this way.

## **Guideline 9: Charity's annual report**

**9. When accounts are prepared under an accrual basis, they should be compared to any financial references in the charity's annual report; identifying any major inconsistencies and the significance such matters will have on a proper and accurate understanding of the charity's accounts should be considered.**

Guidance

9.1 The charity's annual report provides a report of the charity's activities during the financial year.

9.2 Procedures should be directed at identifying inconsistencies with the accounts which are misleading or which contradict the financial information contained in the accounts.

9.3 Where inconsistencies are identified which may have a significant effect on the proper understanding of the accounts, this should be drawn to the attention of the charity trustees. If no appropriate amendment is made to the annual report then details of the matter should be provided in the examiner's report.

9.4 If accounts are prepared on the receipts and payments basis there is no requirement placed on the examiner to consider the charity's annual report. The examiner may, nevertheless, find the annual report a useful guide to the activities of the charity.

## **Guideline 10: Examiner's report**

### **10. Review and assess all conclusions drawn from the evidence obtained from the examination and consider the implications on the report to be made to the charity as required by section 27(6) of the Act.**

#### Guidance

10.1 Regulation 14 provides that the examiner's report required under section 27 shall be in the approved form published by the Attorney General for that purpose. A copy of the approved form is included in **Appendix 2 – Approved form: Independent Examiner's Report**. The examiner needs to consider carefully the conclusions drawn from the procedures undertaken, and the impact of these conclusions on the examiner's report.

10.2 In the report, the examiner must state that he or she has reasonable cause to believe that (other than in relation to matters disclosed at Part 2 of the report) in all material respects:-

- proper accounting records have been kept, as required by section 46 of the Act and the Regulations;
- the accounts comply with Part 6 of the Act and the Regulations.

At Part 2, the examiner should set out details of any matters which provide the exception to the statements referred to above.

10.3 Where any matters to be disclosed at Part 2 of the report have been identified, the disclosure should be a clear explanation of the nature of the failure and of its financial effects on the accounts. If the financial effect cannot be ascertained due to uncertainty, the nature of the uncertainty should be explained. If the concern relates to non-compliance with the Regulations as to the form and content of accounts, this should be raised with the charity trustees to seek the necessary amendment to the accounts. NB In cases where the charity has prepared its accounts on a receipts and payments basis where it is not eligible to do so (see 1.1) or if the charity is able to prepare its accounts on that basis but has not used the template published by the Attorney General as an approved for that purpose, this should have been raised with the charity at the outset, per 1.5.

10.4 The examiner is also required to state that (other than in relation to matters disclosed at Part 2 of the report) there are no material matters to which, in the his or her opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached

10.5 Where any matters to be disclosed have come to the examiner's attention, then they should be brought to the attention of the charity trustees with a view to seeking an amendment or adjustment to the accounts. If concerns remain the matter in question should be disclosed at Part 2 of the examiner's report. The matter concerned should be fully explained together with the financial effects on the accounts.

10.6 The examiner must state in the report that certain matters have not become apparent to him or her during the course of the examination or, if they have, to disclose them in Part 2 of the report. These matters are:-

- any material expenditure or action which appears not to be in accordance with the trusts of the charity;

- any failure to be provided with information and explanation by any past or present trustee, officer or employee that is considered necessary for the examination; and
- in the case of accruals accounts, any material inconsistency between the accounts and the trustees' annual report.

10.7 In order to identify any material expenditure or activities undertaken outside the objects of the charity, an understanding of the stated objects of the charity, as set out in its governing document, is necessary. The guidance provided under **Guideline 2 (Understanding the charity)** will be of particular relevance in obtaining a background understanding of the charity's objectives and activities. Small or immaterial levels of expenditure on purposes outside of the objects of the charity will not generally be included in the examiner's report unless they are of a recurrent nature. Material expenditure or significant actions contrary to the trusts of the charity would be a major concern and details should be included on the examiner's report. The examiner need not carry out specific checks or procedures to identify such breaches, but such matters when identified must be included in the examiner's report.

10.8 Any failure to be provided with information and explanations may seriously hamper an examination. If information and explanations requested are not provided this matter must be included in the examiner's report.

10.9 In the case of accounts prepared on an accruals basis any major inconsistency between the accounts and the trustees' annual report may give rise to misunderstanding. This should be brought to the attention of the charity trustees with a view to the amendment of the discrepancy. Where concerns still exist this must be stated in the examiner's report.

## **Guideline 11: Reports to the Attorney General**

**11. Section 28(2)(b) provides that, where an examiner has any information or has formed an opinion on a matter of which he or she has become aware in his or her capacity as examiner and which is relevant to any functions of the Attorney General under the Act, the examiner must notify the Attorney General of such information or opinion.**

### Guidance

11.1 The Attorney General is the regulator of charities registered in the Isle of Man and is the de facto guardian of charitable property. This means that the Attorney General is able to institute inquiries into any charity and to take action to protect a charity's funds, or to ensure that they are properly applied, as provided by sections 37 and 39 respectively. Such action may include seeking the following orders from the High Court:-

- to remove or suspend a charity trustee;
- to appoint a replacement charity trustee;
- to require any bank or person holding money or securities on behalf of the charity not to part with the money or the securities without the consent of the Attorney General;
- despite anything in the governing instrument of the institution, to restrict the transactions which may be entered into, or the nature or amount of the payments which may be made, in the administration of the charity without the consent of the Attorney General.

11.2 The Attorney General would consider taking such action in circumstances, for example, where there was material expenditure or significant actions contrary to the trusts of the charity or where it could be shown that there had been misconduct or mismanagement in the administration of the charity.



11.3 Also, the Attorney General is required to remove from the register any institution which he or she no longer considers is a charity or is one which no longer has a substantial and genuine connection with the Island.

11.4 The duty to report relates to information or evidence obtained from the examiner's work undertaken whilst acting in the capacity of the examiner of a charity. It is not intended that the examiner should report on small or insignificant matters, particularly where such matters have been satisfactorily resolved internally.

11.5 The reporting duty relates primarily to the actions of the charity trustees. However, in considering individual actions, the examiner must take into account the trustees' overall responsibilities of management and control.

11.6 If the examiner believes that one or more of the charity trustees have been responsible for deliberate or reckless misconduct in the administration of a charity then a separate written report of the matter should be forwarded to the Attorney General. A reporting requirement would not arise through mere inadvertence or error of judgement on the part of a trustee whilst endeavouring honestly to carry out trustee duties. It is also unlikely that a reporting duty will arise unless a material loss or misapplication of funds has resulted or could result.

11.7 Examples of the types of such matters that will give rise to a reporting duty are set out in **Appendix 5 – Examples of deliberate or reckless misconduct.**

11.8 In the carrying out of the examination, the examiner should also be alert to any information which suggests that the institution is no longer eligible to remain on the Isle of Man register of charities, either because it cannot be said to have a substantial and genuine connection with the Island or because it no longer meets the definition of a charity given in section 4. If any such information becomes apparent to the examiner, this should be reported to the Attorney General.

11.9 Where a reporting duty arises the examiner should report the matter in writing to the Charities Administration at the address below. The examiner should:-

- state the charity's name and registration number;
- state that the report is made in accordance with *Guideline 11* provided in this guidance;
- describe the matter giving rise to concern and, where possible, provide an estimate of the financial implications; and
- where the trustees are attempting to redress the situation, give a brief description of any steps being taken.

11.10 The address of the Charities Administration is:

Charities Administration, Attorney General's Chambers  
Belgravia House, Circular Road, Douglas, Isle of Man, IM1 1AE

## Appendix 1 - Guidance on the selection of an examiner

Guidance from the Attorney General to charity trustees on the selection of a person for appointment as an independent examiner.

### 1. The requirement for an independent examination

1.1 The following criteria determine eligibility for independent examination:

- 1.1.1 The gross income of the charity is £250,000 or less (section 27(3));
- 1.1.2 The governing instrument of the charity does not include a requirement that its accounts be audited;
- 1.1.3 The charity is not subject to any legislative requirement that its accounts be audited (e.g. under Companies legislation) or, if it is subject to such a requirement, that it has taken advantage of any exemption provided by that legislation (e.g. the Companies (Audit Exemption) Regulations 2007 allow certain private companies incorporated under the Companies Act 1931 to 2004 to elect not to have their accounts audited);
- 1.1.4 The charity has not resolved that its accounts be audited; and
- 1.1.5 The charity is not subject to any other requirement that its accounts be audited (e.g. as a condition of receiving funds from a grant making body).

1.2 If the governing instrument of the charity imposes a requirement for audit where the gross income of the charity is likely to be £250,000 or less, meaning that a higher level of scrutiny is necessary than otherwise required by the Act, the charity should consider amending the governing instrument to remove the audit requirement. Otherwise, the charity risks incurring professional costs of an amount which may not be justified.

1.3 The charity trustees should take steps to ensure that a competent examination takes place and they will therefore wish to consider most carefully the suitability of a prospective independent examiner.

1.4 Charity trustees are entitled to pay reasonable remuneration to an independent examiner for services rendered and if they are unable to obtain the services of a competent examiner on a voluntary basis, should be prepared to pay such remuneration and regard it as a proper charge on the assets of the charity.

### 2. The independent examiner

2.1 An independent examiner is "an **independent person** who is reasonably believed by the charity trustees to have the  **requisite ability** and **practical experience** to carry out a **competent examination** of the accounts and who is one of the following:

- an **accountant**;
- an **approved person**; or
- a person who holds a **prescribed qualification**".

### 3. An independent person

3.1 For an examiner to be **independent** that individual should have no connection with the charity trustees which might inhibit the impartial conduct of the examination.

3.2 Whether this connection exists will depend upon the circumstances of a particular charity but the following persons at least will normally be considered to have such a connection:-

- a) the charity trustees or anyone else who is closely involved in the administration of the charity;
- b) a major donor to or major beneficiary of the charity; or
- c) a close relative, spouse, partner, business partner or employee of any person who falls within sub-paragraph (a) or (b) above.

#### **4. Requisite ability**

4.1 The quality of evidence of ability which is required will depend upon the size and nature of the charity's transactions. Charity trustees should consider taking independent references on the capability of the prospective independent examiner to carry out this function.

4.2 It is strongly recommended that the trustees of charities with gross assets in excess of £1,000,000 but below the compulsory audit threshold, should select a qualified accountant (or an individual with similar qualifications in charity finance at an appropriate level) to carry out the independent examination. In other cases where accounts are prepared on the accruals basis in accordance with regulations, a commensurate understanding of accountancy principles and accounting standards will still be needed.

#### **5. Practical experience**

5.1 Charity trustees should satisfy themselves that prospective examiners have **practical experience** relevant to the charity in question which might be by virtue of that person having:

- had an involvement in the financial administration of a charity of a similar nature; or
- acted successfully as an independent examiner on previous occasions for such charities; or
- relevant practical experience in accountancy or commerce.

#### **6. An accountant**

This has the meaning given in the Schedule to the Interpretation Act 2015, namely:

A member of one or more the –

- Institute of Chartered Accountants in England and Wales;
- Institute of Chartered Accountants of Scotland;
- Institute of Chartered Accountants in Ireland;
- Association of Chartered Certified Accountants;
- Chartered Institute of Public Finance and Accountancy; or
- Chartered Institute of Management Accountants.

#### **7. Approved person**

This means a person who has been approved by the Attorney General under for the purpose of examining the accounts of the charity in question (section 27(9));

## 8. Prescribed Qualification

This means a qualification which is listed in the Schedule to the Regulations:

<b>Governing Body</b>	<b>Qualification</b>
<b>ICSA</b> - Institute of Chartered Secretaries & Administrators	<b>ACIS</b> - Associate of the Chartered Institute of Secretaries
<b>ICSA</b> - Institute of Chartered Secretaries & Administrators	<b>FCIS</b> - Fellow of the Chartered Institute of Secretaries
<b>CIB</b> - The Chartered Institute of Bankers	<b>ACIB</b> – Associate of The Chartered Institute of Bankers
<b>CIBS</b> - The Chartered Institute of Bankers in Scotland	<b>MCIBS</b> - Member of the Chartered Institute of Bankers in Scotland
<b>ACCA</b> - Association of Chartered Certified Accountants	<b>CAT</b> - Certified Accounting Technician
<b>ACCA</b> - Association of Chartered Certified Accountants	Diploma in Financial Management
<b>AAT</b> - Association of Accounting Technicians	<b>AAT</b> - Association of Accounting Technicians
<b>ICAEW</b> - Institute of Chartered Accountants in England & Wales	Diploma in Charity Accounting
<b>CIPFA</b> - Chartered Institute of Public Finance and Accountancy	Certificate in Charity Finance & Accountancy
<b>CIPFA</b> - Chartered Institute of Public Finance and Accountancy	Diploma in Public Audit
<b>AIA</b> - The Association of International Accountants	<b>AAIA</b> - Associate of the Association of International Accountants
<b>AIA</b> - The Association of International Accountants	<b>FAIA</b> - Fellow of the Association of International Accountants
<b>AAPA</b> - The Association of Authorised Public Accountants	<b>AAPA</b> - Associate of the Authorised Public Accountants
<b>IIA</b> - The Institute of Internal Auditors UK & Ireland	<b>PIIA</b> - Diploma in Internal Audit Practice
<b>IIA</b> - The Institute of Internal Auditors UK & Ireland	<b>MIIA</b> - Advanced Diploma in Internal Auditing and Management
<b>ACT</b> – The Association of Corporate Treasurers	<b>AMCT</b> – Diploma in Corporate Treasury Management
<b>IFA</b> – The Institute of Financial Accountants	<b>FFA</b> – Fellow of the Institute of Financial Accountants

## 8. Selection procedures

8.1 Charity trustees should discuss fully with the prospective examiner the work of the charity and their expectations. They should ensure that the prospective independent examiner is familiar with the Guidance on the Independent Examination of Charity Accounts published by the Attorney General, the Independent Examiners’ Report (an approved form), and the examiner’s duties under the Act.

8.2 Charity trustees should ensure that any written terms of engagement recognise, and do not limit, the examiner’s statutory duties.

8.3 Charity trustees who follow these guidelines and gain suitable assurances from prospective examiners, and from any references, can be satisfied that they have taken all reasonable steps to obtain a competent independent examination of their accounts for the period in question.

## **Appendix 2 – Approved form: INDEPENDENT EXAMINER’S REPORT**

### **PART 1**

#### **Independent Examiner’s Report to the Charity Trustees of [name of charity], Isle of Man Charity Number [charity number]**

I hereby report on the accounts of [charity name] (“the charity”) for the accounting year ended [date], which are set out in the attached pages 01 to [number].

#### **Respective responsibilities of charity trustees and examiner**

The charity trustees are responsible for the preparation of the accounts for the charity. The charity trustees consider that none of the circumstances in which an audit would be required of the charity’s accounts apply in relation to this accounting year and that an independent examination is appropriate.

It is my responsibility to:

- examine the accounts; and
- state whether particular matters have come to my attention.

#### **Basis of independent examiner’s report**

My examination was carried out taking into consideration general guidance given by the Attorney General and the provisions of the Charities Registration and Regulation Act 2019 (“the Act”) and the Charities Regulations 2020 (“the Regulations”).

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 accounts.

#### **Independent examiner’s statement**

1. In connection with my examination, I have reasonable cause to believe that [other than in relation to those matters disclosed in Part 2 below<sup>2</sup>]:-

(1) in all material respects the requirements:

- (a) to keep accounting records in accordance with section 46 of the Act and the Regulations;
- (b) to prepare accounts in accordance with Part 6 of the Act and the Regulations;

have been met; and

(2) there are no material matters to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached

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<sup>2</sup> Delete/omit the words in the brackets if they do not apply

2. [Other than as disclosed in Part 2 below,<sup>3</sup>] None of the following matters have become apparent to me during the course of my examination:-

- (1) any material expenditure or action which appears not to be in accordance with the trusts of the charity;
- (2) any failure to be provided with information and explanation by any past or present trustee, officer or employee that is considered necessary for the examination; and
- (3) in the case of accruals accounts any material inconsistency between the accounts and the charity's annual report.

## **PART 2**

### **DISCLOSURES**

1. The requirements to keep accounting records in accordance with section 46 of the Act and the Regulations and to prepare accounts in accordance with Part 6 of the Act and the Regulations have not been met as follows:

*Give here brief details OR indicate N/A*

2. In the course of my examination the following material matters have come to my attention to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached:

*Give here brief details of any matters OR indicate N/A*

3. The following matter(s) referred to in paragraph 2 of Part 1 have become apparent to me during the course of my examination:

*Give here brief details of any matters OR indicate N/A*

Signature	
Name <sup>4</sup>	
Basis on which qualified to carry out an examination of this charity's accounts <sup>5</sup>	
Address	
Date	

<sup>3</sup> Delete/omit the words in the brackets if they do not apply

<sup>4</sup> Forename(s) and surname

<sup>5</sup> See section 27(3) of the Act:

- If an accountant, give the body of which you are a member;
- If approved by the Attorney General, state this with date of approval; or
- If holding a qualification listed in the Schedule to the Regulations, give the qualification.

## Appendix 3 - Examples of Part 2 disclosures

*Failure to disclose investments at market value:*

**2. In the course of my examination the following material matters have come to my attention to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached:**

The Trust held shares listed on a recognised stock exchange as a fixed asset investment with a market value at the balance sheet date of £x. These assets have been included in the accounts at their cost of £y, resulting in their value being understated by £z in the balance sheet. This matter gives me reasonable cause to believe that in this respect the accounts do not comply with the accounting requirements of the 1989 Act.

*Matter to be brought to attention in the report:*

**2. In the course of my examination the following material matters have come to my attention to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached:**

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.

## Appendix 4 - Calculation of gross income

This is the total recorded income of the charity in all unrestricted and restricted income funds but not resources received as capital (endowment) funds.

Regulation 16 defines gross income as:

*the total recorded income of the charity from all sources including special trusts and funds released from endowments, but excludes:*

- (a) resources being received as endowments;*
- (b) gains from disposals of fixed assets and investments;*
- (c) asset revaluation gains.*

You should calculate income before deduction of any costs or expenses.

The calculation of income should include:-

- donations (including covenants, gift aid donations and related tax reclaims) grants, gifts, legacies, and subscriptions (see note 1 below);
- gross proceeds from the sale of goods or services in furtherance of the charity's objectives;
- gross proceeds from fund-raising and other activities undertaken for generating funds;
- investment income (including interest, dividends, related tax reclaims and rents); and
- other income, which will include when trustees decide to spend expendable capital . They should include the amount spent as "other income". This is because capital receipts are not included as income when they first come into the charity (see note 1 below).

The calculation should exclude the following from income:-

- receipt of a loan by the charity;
- loan repayments to the charity;
- proceeds of sale of investments and fixed assets which are used for the purpose of furthering the charity's objects ("functional fixed assets"); and
- gains or profits on disposal of investments and functional fixed assets.

Note 1: Any gifts or donations (including any tax related reclaims) etc which the donor expects will be, or may be, retained for investment by the charity are **capital** (endowment), and should be excluded. Such donations may include assets for investment or functional assets, e.g. land and buildings that are to be retained and used for a particular charitable purpose.



## **Appendix 5 - Examples of deliberate or reckless misconduct to be reported to the Attorney General**

### **Deliberate or reckless misconduct in the administration of a charity**

Matters which give rise to a reporting duty primarily concern the improper use of charity assets which has resulted, or could result from the deliberate or reckless misconduct of one or more of the charity trustees in the administration of the charity. The following are examples of such misconduct.

1. Where a deliberate abuse of charity assets by one or more of the charity trustees has come to the examiner's attention, a reporting duty will arise. Matters that require consideration will include:

- evidence of false accounting by any charity trustee;
- evidence of theft or misappropriation by any charity trustee; and
- evidence giving rise to doubts as to the honesty or integrity of any charity trustee.

2. A breach of legislative requirement or an action contrary to the trusts of the charity may also need to be reported. However a reporting duty will only arise if information or evidence exists which indicates that such an action was taken or sanctioned deliberately or recklessly by a charity trustee. Moreover, a reporting duty would only arise if, as a result of such action, the charity suffered or was likely to suffer a material loss or misapplication of its assets. Matters that may require consideration include:-

- a material application of funds clearly outside the objects of the charity;
- a breach of law or regulation that could jeopardise future activities or result in a material pecuniary loss (e.g. an attempt to evade any direct or indirect tax properly payable); and
- an attempt by any charity trustee to obtain an improper pecuniary benefit for himself or another and/or to the detriment of the charity.

3. The charity trustees are responsible for the control and management of a charity's affairs. Where there has been a gross neglect of these duties which has resulted or could result in a material loss of charity assets, consideration will need to be given as to whether this has arisen from deliberate or reckless misconduct by the charity trustees in the administration of the charity. Factors that will require consideration include:-

- a failure of the charity trustees to meet or consider issues affecting the charity;
- a gross failure on the part of the charity trustees to keep accounting records;
- evidence of indifference or recklessness on the part of a charity trustee, or the charity trustees as a body – e.g. evidence that professional advice has been disregarded without due consideration or a failure to take action in the case of fraud within or affecting the charity.

## **Appendix 6 - Glossary of terms**

### **Accounting policies**

Those principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the accounts through the recognition, measurement and presentation of assets, liabilities, gains, losses and changes or movements in funds. They are supplemented by estimation techniques where judgement is required in recording the value of incoming and outgoing resources and assets and liabilities. Accounting policies should be relevant and reliable and allow comparability and understandability of financial information presented in the accounts.

### **Accounting standards**

Regulation 12 provides that a registered charity which is required to prepare accruals accounts must do so in accordance with proper practices.

"Proper practices" is defined in Regulation 3 as meaning, in relation to any matter, practices consistent with such of the following as are applicable to that matter –

- (a) any Financial Reporting Standards issued or adopted from time to time by the Financial Reporting Council in the United Kingdom;
- (b) any Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standards issued or adopted from time to time by the Charity Commission for England and Wales or the Office of the Scottish Charity Regulator.

### **Accruals basis**

This concept requires the effects of transactions and other events to be reflected, as far as possible, in the accounts for the period in which they occur, and not, for example, in the period in which any cash settlement is made. This concept is central to the recognition of balance sheet assets and liabilities.

Such accounts should be prepared by the trustees to show a "true and fair view". The accounts comprise:

- a statement of financial activities;
- a balance sheet; and
- notes to the accounts.

Such accounts should be prepared on a basis of accounting policies that enable the accounts to give a true and fair view and are consistent with accounting standards and the accounting concepts of going concern and accruals.

### **Charity trustees**

Charity trustees are the people having the general control and management of the administration of the charity (section 24). In the charity's governing instrument, they may be called trustees, managing trustees, committee members, governors, or directors, or they may be referred to by some other title.

### **Form and content**

Statutory requirements as to disclosures, analysis and information which should be contained in accounts.

### **Going concern**

The concept requires the charity to prepare accounts on the basis that it will continue in operational existence for the foreseeable future. The going concern basis applies to accounts prepared unless the charity has ceased operational activities, is being wound-up or liquidated or the trustees have no realistic alternative but to wind-up, liquidate or cease its operational activities.

### **Governing instrument**

The governing instrument of a charity is any document setting out the charity's purposes and how it is to be administered. It may be a trust deed, constitution, memorandum and articles of association, will, conveyance, Royal Charter or other formal documents. The trusts of a charity are the provisions contained in its governing instrument.

Every registered charity must have a written governing instrument which makes provision for the matters set out in Regulation 8. In the case of a charity which was registered prior to 1 April 2020, the requirement to have a written governing instrument takes effect on 1 April 2022.

### **Letter of engagement**

A letter addressed to the charity trustees from the independent examiner detailing the accounting responsibilities of the charity trustees and the statutory responsibilities of the independent examiner. It may also include matters such as fee arrangements, proposed timetables for the examination and details of any non-statutory work to be undertaken by the examiner. The purpose of the letter is to reduce misunderstanding and the content of any such letter should be agreed in writing with the charity trustees.

### **Material**

An item is "material" if, taking all the circumstances into account, its inclusion or exclusion would be likely to influence a reader of the report and accounts as a whole or in relation to the context of which the items forms part.

### **Professional audit**

An audit undertaken by a registered auditor who has to express his or her professional opinion on the accounts.

### **Receipts and payments basis**

This phrase has been used to describe accounts, prepared on the approved form, that comprise:

- a statement of receipts and payments; and
- a statement of balances.

Such accounts do not purport to show a "true and fair view"; instead they should provide a factual summary of money received and paid during the year and a statement of balances providing information as to the charity's assets and liabilities at the end of the year.

### **Substantial and Genuine Connection**

Any charity registered in the Isle of Man is required by the Act to have a substantial and genuine connection with the Isle of Man. An institution cannot be registered as a Manx charity without such a connection and the Attorney General must remove a charity from the register if he or she considers that it no longer has the necessary connection.

As the term "substantial and genuine connection" is not defined in the legislation and the courts have not had the opportunity to interpret it, regard should be had to the information published by the Attorney General on [www.gov.im/charities](http://www.gov.im/charities) concerning the requirement, which includes details of the factors that he takes into account when considering the matter.

