



CHARITY COMMISSION
FOR ENGLAND AND WALES

ICAEW Practitioner Briefing- Reporting duty to the charity regulator

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Briefing overview

- Role of auditor and independent examiner
- Reporting duty in respect of matters of material significance (MoMS) and Practice Note 11 and publication CC32
- MoMS reporting and our regulatory work
- MoMS reporting- practitioner and firm performance
- Public interest in reporting to the regulator
- Differences with trustee reporting of serious incidents
- Future joint working with ICAEW





Role of auditor and independent examiner

- Role of auditor – to give an ‘opinion as to whether the accounts are ‘true and fair’ (or limited assurance if simple receipts and payments accounts- see 2008 Regulations*)
- Auditor conducts their audit with regard to ISAs, Audit Practice Note 11, and ethical standards and applicable guidance from professional body
- Role of the independent examiner – he/she only reports on a limited number of specific matters with regard to the accounts.
- The IE conducts their examination accordance with the 2008 Regulations* and the Directions issued by the Charity Commission – publication CC32
- In regard to MoMS no duty to go looking only report if come across a matter
- (*The Charities (Accounts and Reports) Regulations 2008- SI 2008 No.629)





Matters of material significance (MoMS)- the duty:

- Duty came in following the Charities Act 2006 with first guidance issued in 2007. See Charities Act 2011 sections 156 to 161
- Audit Practice Note 11 (November 2017) references the guidance- see paragraph 232 and 240
- CC32 references the duty – see Direction 13 and section 5
- CCAB guidance in respect of Money Laundering affirms MoMS reporting will not constitute a ‘tipping off’ offence, paragraph 6.7.18: <https://www.ccab.org.uk/wp-content/uploads/2020/09/AMLGuidance2020.pdf>
- The current MoMS guidance specifies 9 areas where reporting is expected- see section 2:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/879491/20200129_-_Matters_of_Material_Significance_guidance_April_2020_FINAL.pdf





MoMS reporting and our regulatory work

- MoMS reporting has value to us in several ways:
 - Intelligence eg trends in issues such as financial difficulty (material uncertainty as to going concern/ emphasis of matter)
 - If done promptly advance notice pre filing of issues for review by the regulator
 - Notification of issues justifying regulatory intervention
 - Third party validation of matters reported by trustees as serious incidents





MoMS reporting- practitioner and firm performance (audits):

- Initial MoMS study reported February 2018- six months to 31 October 2017- found the auditors of 114 charities gave audit opinions that should trigger a MoMS but only 28 reported did (25%)
- Follow up study (shared with ICAEW and ACCA) Reviewing each audit report where MoMS report expected (Period 1 May – 31 October 2020)- found of 354 reports expected and 186 MoMS reports received (53%)
- Conclusions drawn:
 - Improving picture but worrying so many still do not report
 - Certain Firms and individuals identified as not MoMS reporting





Public interest in reporting to the regulator:

- Context (2016 PACAC report on Kids Company collapse) noted:
 - Profession failed to alert regulator to the risk (conclusions 19, 22 and 26)
 - CCEW to better identify 'high risk charities' (conclusion 31)
 - CCEW recommended to review guidance (conclusion 33)
- Review of MoMS reporting extended to modified opinion/ material uncertainty as to going concern to address conclusions 31 and 33
- See public interest in the context of the wider discussion on reforms to audit





Differences with trustee reporting

- Trustees are to report serious incidents to the Commission
- Certify that SIRs made as part of completion of the Annual Return
- A different framework as trustees are in charge of governance- a much broader remit than auditor or IE
- Inevitably some overlap though with MoMS framework eg fraud and money laundering
- Trustee guidance: <https://www.gov.uk/guidance/how-to-report-a-serious-incident-in-your-charity>





Future joint working with ICAEW:

- Joint working to include:
 - Sharing the findings of our views in a manner compliant with GDPR
 - Educational initiatives- articles and webinars
 - Continuing collaboration when updating the MoMS guidance
 - Referring Firms and individuals for consideration for sanction
 - Referrals to include applying the CCEW external scrutiny benchmark (published August 2019):
<https://www.gov.uk/government/publications/a-benchmark-for-the-external-scrutiny-of-charity-accounts>

