**Professional letter of engagement as a *non-company* charity’s independent examiner**

Dear Sirs

This letter sets out the basis of my/our engagement, including our respective responsibilities.

**1. Independent Examination**

1.1 This engagement letter sets out the terms upon which I am engaged as Independent Examiner to [your charity]. The Charities Act 2011 stipulates that an independent examiner is a personal appointment. [I am nevertheless undertaking this work as a partner in [my firm] [OR} as a director of [my company]. As such, the work to be performed will be subject to [my firm’s] terms and conditions of business, as cited in this engagement letter and [any] appendix to it.]

1.2 This engagement will start with your accounting period ending on [date].

**2. Your responsibilities as charity trustees**

2.1 Charity law requires you as trustees to:

a) ensure that proper accounting records are kept [in respect of your charity and each subordinate charity included in your statutory accounts] which are sufficient to show and explain all the charity’s transactions, and which are such as to disclose the charity’s financial position with reasonable accuracy at any time and enable you to ensure that any annual “statement of accounts” prepared by you, or in accordance with your instructions, under s.132, Charities Act 2011 (the Act), complies with regulations issued thereunder (“the regulations”);

b) [to procure for like purpose adequate returns and obtain any necessary information from the charity trustees of any other special trust of the charity or of any other subordinate charity united with your charity for accounting purposes by Direction of the Charity Commission;]

c) prepare accounts for each financial year that:

i) [if under s.132 of the Act, i.e., on the accruals basis, give a true and fair view of the charity’s state of affairs at the end of the financial year and of its incoming resources and application of resources for that year, and]

ii) [if under s.133 of the Act, i.e., on the receipts and payments basis, adequately distinguish any special trust or other restricted fund for which the charity is accountable under Part 8 of the Act; and]

iii) are in accordance with the requirements of s.132 or s.133 of the Act as applicable;

d) prepare an annual report on the activities of the charity during the year that complies with the relevant requirements of the regulations.

2.2 [In preparing accruals-based accounts (or commissioning their preparation) you should:

a) select suitable accounting policies and then apply them consistently;

b) make judgements and estimates that are reasonable and prudent;

c) prepare the accounts on the going concern basis (unless it is inappropriate to assume that the charity will continue in operation); and

d) have regard to FRS102 and the Charities SORP.] [or]

e) [In preparing accounts on the receipts and payments basis as permitted by s.133 of the Act, you may wish to follow the guidance issued by the Charity Commission.]

2.3 It is your responsibility to safeguard the assets of the charity that have been entrusted to you and to ensure their proper application, and to prevent and detect fraud, error and instances of non-compliance with law or regulations. [Include the following sentence only where the charity includes in its accounts information about other special trusts or subordinate charities per the second bullet under 1.1 above: The trustees of other special trusts and subordinate charities have the like responsibility for the assets they administer.]

2.4 Charity law also requires you to make the charity’s accounting records available to us, together with any other records relating to the charity and any related information and explanations which we consider necessary to obtain for the purposes of our examination. This includes the minutes of any meetings of trustees[,] [and] management [and members].

2.5 You should be aware that the charity’s annual accounts are for the specific purpose of reporting to the public at large [as well as to the members] at a particular point in time. They may therefore not be suitable for other purposes such as making decisions about future operational or investment activities or the provision of funding for the charity.

2.6 [You have asked us to prepare the charity’s annual accounts on your behalf. We have set out our responsibilities in respect of these in section 5 of this letter (Preparation of accounts).]

2.7 It is your responsibility as trustees to fulfil any statutory obligation you may have to file the charity's annual report and accounts with the Charity Commission and to complete and submit any online annual return required by the Commission for register maintenance purposes and for the monitoring of registered charities that exceed the “light touch regime” threshold of £10,000. (Please note that where filing is obligatory these documents must all be filed within 10 months after the end of the financial year.)

2.8 It is your responsibility to elect either for a statutory audit or a statutory independent examination of the accounts, and in the latter case to select as examiner an independent person who is reasonably believed by you to be competent. You have asked us to provide the independent examiner you have selected. We have set out our independent examiner’s responsibilities in the next section of this letter.

**3. The responsibilities of the independent examiner provided by us**

3.1 The independent examiner has a statutory responsibility to report to the trustees [and the members] of the charity whether or not any matter has come to notice in connection with the examination to which, in his or her opinion, attention should be drawn in the report to enable the reader to reach a proper understanding of the accounts. [Include the following sentence, in brackets, for accrual accounts only, whatever the size of the charity: (This would include the examiner’s professional responsibility to refer in the report to any material departure from the SORP and FRS102 regardless of whether that departure is justified in the circumstances and to any material concerns s/he may have relating to the financial effects of any non-compliance with relevant law.)]

3.2 The independent examiner is also required to consider the following matters and must state in the report whether any matter has come to notice giving the examiner reasonable cause to believe that in any material respect:

a) accounting records have not been kept in respect of the charity in accordance with s.130 of the Act; or

b) the accounts are not in agreement with the accounting records; [or

c) (for accrual accounts only) the accounts prepared under s.132 of the Act do not comply with any requirement of the regulations, other than the requirement for a true and fair view].

3.3 In addition, there are certain other matters that, if they become apparent to the examiner during the course of the examination, must be disclosed in the report. These are where:

a) there has been any material expenditure or action which appears not to be in accordance with the trusts of the charity;

b) any information or explanation to which the examiner is entitled under the regulations has not been provided; [and

c) (and for accrual accounts only) the information contained in the accounts prepared under s.132 of the Act is not consistent with that in the trustees’ annual report for the year].

3.4 If, whilst acting in that capacity, any information or evidence obtained gives the independent examiner reasonable cause to believe that any of the charity trustees has been responsible for deliberate or reckless misconduct in the administration of the charity, the examiner must by law inform the Charity Commission in writing. In our view, this duty to report direct to the regulator would not normally arise unless we have reason to believe that the Commission would be likely to take action for the prevention or restitution of material loss to the charity in a case involving misapplication of funds in breach of charity law, nor would it arise from errors and omissions by a charity trustee acting with reasonable care.

3.5 The independent examiner’s professional responsibilities also include:

a) describing, in the examiner’s report, the trustees’ responsibilities for the accounts, unless this description has been given in the accounts or accompanying information; and

b) considering whether information in any fund-raising and publicity material, annual report or review, and other published documents containing the accounts or purporting to represent them or to summarise them or parts of them is consistent with the accounts themselves.

**4. Scope of the independent examination**

4.1 The independent examination will be conducted in accordance with the Charity Commission’s Directions and Guidance on the carrying out of independent examinations [and any relevant professional guidance issued by the Audit Division of the Financial Reporting Council.] Although it is not designed to provide audit evidence, it may include a detailed scrutiny of individual transactions and their circumstances and propriety, confirmation of the existence, situation, condition, book value, fund-ownership and use made of particular assets, and consideration of any amounts disclosed or not disclosed as actual or potential liabilities of any of the funds of the charity as the examiner considers necessary.

4.2 The independent examiner will obtain an understanding of the accounting system in order to assess its adequacy as a basis for the preparation of the accounts and to establish whether proper accounting records have been maintained in respect of the charity.

4.3 The nature and extent of the independent examination procedures will vary according to the examiner’s assessment of the charity’s accounting system and, where reliance is to be placed on it by the examiner, the internal control system. These procedures may cover any aspect of the operations of the charity that the examiner considers to be appropriate.

4.4 The independent examiner will endeavour to plan the examination work to provide a reasonable expectation of detecting material misstatements in the accounts or accounting records including those resulting from fraud, error or non-compliance with law or regulations. However, you should not rely on this examination to disclose all material misstatements or instances of fraud, error or non-compliance that may exist. As described above, the responsibility for these areas rests with yourselves.

4.5 The independent examination procedures are not designed to identify all significant weaknesses in the charity’s accounting and internal control systems. However, if any such weaknesses come to notice during the course of the work that the examiner considers should be brought to your attention, these will be reported to you as part of the professional service we provide.

4.6 You should not provide any such report to third parties without our prior written consent. We will only grant our consent on the basis that we do not report with the interests of anyone other than the charity in mind. Unless special arrangements have been made in writing, we accept no duty or responsibility to any other party in respect of such a report.

4.7 As part of our normal professional procedures, the examiner may request you to provide written confirmation of certain oral representations that we or the examiner receive from you during the course of the work.

4.8 The independent examiner shall not be treated as having notice, for the purposes of the carrying out of the independent examination, of information provided to members of our firm other than those engaged on the independent examination assignment (for example information provided in connection with taxation and other services).

4.9 In order to assist us with the independent examination of your accounts, we shall request sight of all documents or statements that are due to be issued with the accounts including the trustees’ annual report [insert here any other reports that are to be issued with the accounts, e.g. chairman's statement, treasurer’s report, annual review, etc. ..............].

4.10 Once the independent examiner’s report has been issued, neither we nor the independent examiner shall have any further responsibility in relation to the accounts for that financial year. [For membership associations only: However, we expect you to inform the independent examiner of any significant events occurring between the date of signature of the independent examiner’s report and the Annual General Meeting.]

4.11 We now set out [preparation of the accounts,] [taxation,] [secretarial services] and any other services that we shall provide.

(Note: Where any of sections 4 to 6 are used, the whole of the relevant section should be included. The only exceptions to this are paragraphs 4.4 and 6.2, shown in square brackets, which may be omitted if not applicable. Other words in square brackets should be tailored as normal.)

**5. [Preparation [and filing] of accounts]**

5.1 On the basis of your instructions, we shall prepare the charity’s statutory annual accounts from the accounting records and information supplied to us. So far as this information allows we shall, unless you have instructed us to prepare them on the receipts and payments basis, prepare the accounts in accordance with the Charities SORP and FRS102, [and] the requirements of the Charities (Accounts and Reports) Regulations 2008[ and with any other relevant legislation or constitutional requirements]. As trustees you retain the responsibility for ensuring that any such accounts are properly prepared in accordance with the Act (see paragraphs 2.1 to 2.5 above) and [give a true and fair view of the charity’s state of affairs and of its incoming resources and application of resources] [properly present the charity’s receipts and payments and assets and liabilities and that any material special trust or other restricted fund of the charity is adequately distinguished].

5.2 If the gross income of the charity [(together with its subsidiaries)] does not exceed £500,000 for the financial year, we shall prepare the annual accounts in accordance with the Charities SORP’s requirements for smaller charities, instead of the full range of requirements that would otherwise be applicable, unless you request otherwise in any particular year. For this purpose, “the charity” includes any special trusts and other subordinate charities for which it is accountable under the Act.

5.3 If the charity is a smaller charity as above, we shall, in preparing the trustees’ annual report and the annual accounts, incorporate our advice on whether to make use of any reliefs or any disclosure exemptions that are available, unless you request otherwise in any particular year.

5.4 [You have asked us to assist you with your statutory obligations as trustees in respect of the filing of the charity’s annual report and accounts for the year with the Charity Commission and the completion of the online annual return required by the Commission, as set out in paragraph 2.7 above. We shall obtain your agreement to any documents prior to filing them on your behalf.]

[Include additional paragraphs as appropriate to suit the client's needs]

**6. Other services to be provided**

6.1 [Include any additional paragraphs as appropriate to suit the client's needs]

**7. Limitation of liability**

7.1 We will perform the foregoing services with reasonable skill and care and acknowledge that we will be liable to you for losses, damages, costs or expenses ("losses") caused by our negligence, breach of contract, fraud or wilful default. However, we will not be liable if such losses are due to the provision of false, misleading or incomplete information or documentation or due to the acts or omissions of any person other than ourselves.

7.2 Where any damage or loss is suffered by you for which we would otherwise be jointly and severally liable with any third parties, the extent to which such loss shall be recoverable by you from us, as opposed to the third party, shall be limited so as to be in proportion to our contribution to the overall fault for such damage or loss, as agreed between the parties, or in the absence of agreement, as finally determined by the English court.

7.3 Nothing in this section shall exclude or restrict the liability of our firm for fraud or dishonesty or otherwise to the extent that it cannot do so by law.

7.4 In this section, our firm means ourselves and any successor or assignee.

7.5 You agree that you have fully considered the provisions of this section and all the other provisions of this letter (including the General Terms and Conditions of Business) and that they are reasonable in the light of the factors relating to the Engagement.

7.6 You agree (to the extent such agreement is enforceable under applicable laws) that you will not bring any claim in respect of or in connection with the engagement whether on the basis of contract, tort (including negligence), breach of statutory duty or otherwise against any member or employee of our firm whether or not that person is described as a “partner”.

7.7 The advice we give you is for your sole use. Our work is not to be made available to third parties without our written permission and we accept no responsibility to third parties for any aspect of our professional services or work that is made available to them.

**8. Fees**

8.1 [Unless otherwise agreed, ]Our fees are calculated on the basis of the time spent on your affairs by the partners and staff and on the levels of skill or responsibility involved.

8.2 [Unless otherwise agreed, our fees and disbursements, together with any applicable VAT, will be billed at approximately [monthly] [quarterly] [other] intervals during the course of the year, or once a particular assignment has been completed. We may from time to time render bills together with applicable VAT on account of or in advance of Services.]

OR

8.3 [Our fees will be billed in accordance with an agreed schedule [to be attached to this letter]].

8.4 If we need to do work outside the responsibilities outlined in our engagement letter, we will advise you in advance. This will involve additional fees. Accordingly it is in your interest to ensure that your records etc are completed to the agreed stage.

8.5 In respect of completely new clients where legacy commissions cannot arise:

In some circumstances commissions become payable to ourselves in respect of investment business transactions we arrange on your behalf. We shall notify you of such commissions and will offset these commissions against the fees that would otherwise be payable. We shall not notify you of any repeat commission from particular transactions where this is less than £100 in any calendar year. If cancellation of a contract results in us having to refund commission, any fees previously offset by such commissions will become payable to us.

**9. Communicating with you**

9.1 We may communicate with you by email. As with other means of delivery this carries with it the risk of inadvertent misdirection or non-delivery. The recipient is responsible for carrying out a virus check on attachments.

9.2 Internet communications may be corrupted, and, we accept no responsibility for changes to such communications after their despatch. It may therefore be advisable to obtain hard copy confirmation of advice in an email. We do not accept responsibility for any errors or problems that may arise through the use of the internet and you must accept all risks connected with sending commercially sensitive information relating to you. If you do not accept this risk, you should notify us in writing that email is not acceptable to you.

**10. Improving our service**

10.1 Our aim is to provide a high standard of service, reliability and skill. If at any time you would like to discuss with us how we could improve our service to you or you are dissatisfied with the service you are receiving, please let us know.

10.2 Should our service be less than satisfactory we will take all reasonable steps to correct the situation. We undertake to investigate any complaints carefully and promptly and to report our findings to you.

10.3 If you are still dissatisfied you may take the matter up directly with the [Institute of Chartered Accountants in England and Wales at Professional Conduct Department

ICAEW, Level 1, Metropolitan House, 321 Avebury Boulevard, Milton Keynes MK9 2FZ]

**11. Professional rules and practice guidelines**

11.1 We will observe the bye-laws, regulations and ethical guidelines of the [Institute of Chartered Accountants in England and Wales] and accept instructions to act for you on the basis that we will act in accordance with them. [We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales and details about our audit registration can be viewed at www.auditregister.org.uk, under reference number [x]. The Audit Regulations and Guidance and FRC Ethical Standards that we are required to adhere to can be found at icaew.com/auditnews and http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Ethical-standards-for-auditors.aspx.]

11.2 Details of our professional indemnity insurer can be found on our internet website on the Disclosures page, in accordance with the requirements of the Provision of Services Regulations 2009.

11.3 We reserve the right during our engagement with you to act for other clients whose interests are or may be adverse to yours, subject to the further provisions with regard to confidentiality below. We confirm that we will notify you immediately should we become aware of any conflict of interest involving us and affecting yourselves.

11.4 We confirm that where you give us confidential information we shall at all times keep it confidential, except as required by law, regulatory, ethical or other professional requirements.

11.5 Our files are periodically reviewed by an independent regulator or quality controller as part of our ongoing commitment to providing a quality service. The reviewers are bound by the same rules of confidentiality as our partners and staff.

11.6 You agree that we will be complying sufficiently with our duty of confidence if we take steps that we in good faith think fit to keep appropriate information confidential during and after our engagement.

11.7 To enable us to discharge the services agreed under our engagement, and for other related purposes including updating and enhancing client records, analysis for management purposes and statutory returns, crime prevention and legal and regulatory compliance, we may obtain, use, process and disclose personal data about you or your entity, its officers and employees, as applicable. We confirm when processing data on your behalf we will comply with the relevant provisions of the Data Protection Act 1998.

11.8 The personal data we may hold about you will principally relate to your contact details, including your company’s contact information if applicable. We may also retain details of events or functions to which you have been invited, or your expressions of interest in events, functions and mailings. If you wish to change any of your preferences with regard to this information, please advise us.

11.9 Your personal data is only available within our firm, whose details can be found in the Disclosure section of our website. We will not share your personal data or make it available to any third party without your prior consent.

**12. Retention of records**

12.1 During our work we will collect information from you and others acting on your behalf and will return any original documents to you when our work is complete.

12.2 We [will not] [do not guarantee to] hold copies of those documents, so you need to keep them safely.

12.3 Unless you tell us not to, we intend to destroy correspondence and other papers that are more than six years old (from the end of the relevant period). You must tell us if you wish us to keep any particular document.

**13. Applicable law**

13.1 Only someone who is a party to this Agreement has the right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms. This clause does not affect any right or remedy that exists independently of that Act.

13.2 Our engagement with you is governed by, and interpreted in accordance with, English law. The Courts of England shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning our engagement letter and terms of business and any matter arising from them. Each party irrevocably waives any right it may have to object to any action being brought in those courts, to claim that the action has been brought in an inconvenient forum, or to claim that those courts do not have jurisdiction.

**14. Confirmation of your agreement**

14.1 This letter supersedes any previous engagement letter for these services for the period covered. Once agreed, this letter will remain effective from the date of signature until it is replaced. You or we may agree to vary or terminate our authority to act on your behalf at any time without penalty. Notice of variation or termination must be given in writing.

14.2 You have the right to cancel this contract within 14 days of the date of your signature without giving any reason.

14.3 Please confirm your agreement to the terms of this letter and our terms of business by signing and returning the enclosed copy.

14.4 If this letter and our terms of business are not in accordance with your understanding of our terms of appointment, please let us know.

Yours sincerely,

[Template as at 13 September 2016 / Greyham Dawes]