

Annual accounting and reporting requirements draft guidance consultation

Consultation report

June 2016



The Charity Commission for Northern Ireland

The Charity Commission for Northern Ireland is the regulator of charities in Northern Ireland, a non-departmental public body sponsored by the Department for Communities.

Our vision

To deliver in partnership with other key stakeholders in the charitable sector “a dynamic and well governed charities sector in which the public has confidence, underpinned by the Commission’s effective delivery of its regulatory role.”

Further information about our aims and activities is available on our website www.charitycommissionni.org.uk

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If you are viewing this document online, you will be able to navigate your way around by clicking on links either within the contents page or text. The words in ***pink*** italics indicate other guidance or databases.

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Foreword

In autumn 2015 the Department for Social Development (now the Department for Communities) consulted on new regulations relating to accounting and reporting requirements for charities in Northern Ireland. These regulations became live on 1 January 2016.

The Charity Commission for Northern Ireland undertook a consultation on a suite of draft guidance on the new requirements with a view to ensuring that there is guidance in place that meets the needs of stakeholders.

The purpose of this report is to reflect on the feedback we received through the consultation, and to set out our response to that feedback, including key changes that we are making to the finalised guidance. If we cannot accommodate suggestions we try to explain why.

We were very pleased with the high quality of the feedback we received. We believe that the resulting guidance will be more useful to stakeholders. It was also clear to us throughout that those who engaged in the consultation learned a great deal from their participation.

The final versions of the suite of guidance documents will be available from the end of July 2016 and will incorporate many of the comments and suggestions made to us.

We would like to thank all of those who took the time to attend events or to provide us with written comments. We acknowledge that many of those who involved themselves in the consultation were acting on behalf of charities, in a voluntary capacity, and were using their own time to engage with us. We appreciate this and we intend this report to be a way of demonstrating that we have listened to what was said and will respond and make changes where we can.

Thank you



Frances McCandless

Chief Executive, Charity Commission for Northern Ireland

Section 1: Introduction

Background

The Charity Commission for Northern Ireland (the Commission) began compulsory registration of all charities in Northern Ireland in December 2013. As part of the Commission's ongoing regulatory and monitoring work, all registered charities must provide information on their activities, governance, and finances and submit their accounts and reports to the Commission for inspection on an annual basis. The purpose of this process is to increase transparency and accountability within the charity sector and to ensure that charities are continuing to operate in accordance with their purposes, for the public benefit.

This is known as annual reporting and consists of the following main elements being prepared and submitted to the Commission:

1. Annual monitoring return
2. Accounts
3. Trustees' annual report
4. Audit or independent examination report.

Annual reporting was introduced into Northern Ireland on a phased basis. Interim reporting arrangements, phase one, have been in place from 1 April 2014. The introduction of the full accounting and reporting regulations on 1 January 2016 marks the beginning of phase two.

The full accounting and reporting regulations, developed by the Department for Social Development (DSD) (now the Department for Communities), set out the form and content which charity accounts are required to take and the level of review or audit these charity accounts must have. They also set out the content requirements of the trustees' annual report. DSD consulted on the proposed content of these requirements in the autumn of 2015. The full regulations came into operation on 1 January 2016 and apply to registered charities for their first full financial year beginning on or after that date, or their date of registration with the Commission, if later.

The Commission developed a suite of draft guidance designed to assist charity trustees and their advisers to understand the new accounting and reporting regulations. The Commission conducted a 12 week consultation

on the draft guidance beginning on Friday 18 December 2015 and closing at 5pm on Friday 11 March 2016.

Additionally, on 1 January 2016, Part 8 of the Charities Act (Northern Ireland) 2008 came into operation and gave the Commission powers to set Directions for independent examiners. Directions set out the areas of work that must be covered in any independent examination of accounts. The Commission published draft Directions for independent examiners within the consultation document. In addition, an expert panel was held on 23 March 2016 to consider the draft Directions. The Commission would like to thank QUB Management School for hosting and contributing to this event.

This report reflects on the feedback we received across the consultation and through the expert panel and sets out our response to that feedback, including key changes we will make to the finalised guidance. Where we cannot accommodate suggestions we try to explain why.

Thank you

The Commission would like to thank everyone who took part in this consultation. While we cannot document all of the feedback that we received here, we have considered all comments and submissions and our substantive responses to them are noted within this report.

Section 2: Consultation objectives and methodology

As the accounting and reporting regulations impact on every registered charity in Northern Ireland, it is essential that the Commission's guidance is clear, comprehensive and user friendly. The consultation on draft guidance sought the views of those who will use the guidance and aimed to discover:

- what worked in the guidance
- what could be clearer
- whether there were any gaps in the guidance
- how the format and / or presentation of the guidance could be improved.

The Commission was not consulting on the accounting and reporting regulations themselves. The Department for Social Development was responsible for developing these regulations and consulted on them in the autumn of 2015.

Consultation methodology

An *Accounting and reporting guidance consultation document*, together with the suite of guidance, was published and information disseminated to stakeholders using email, postcards, twitter and the Commission's website. We also asked network and umbrella organisations to bring the consultation to the attention of their members and to help identify groups or individuals with whom to engage. Four consultation events were arranged in Ballymena, Belfast, Cookstown, and Derry/Londonderry.

There were a number of ways to respond to the consultation:

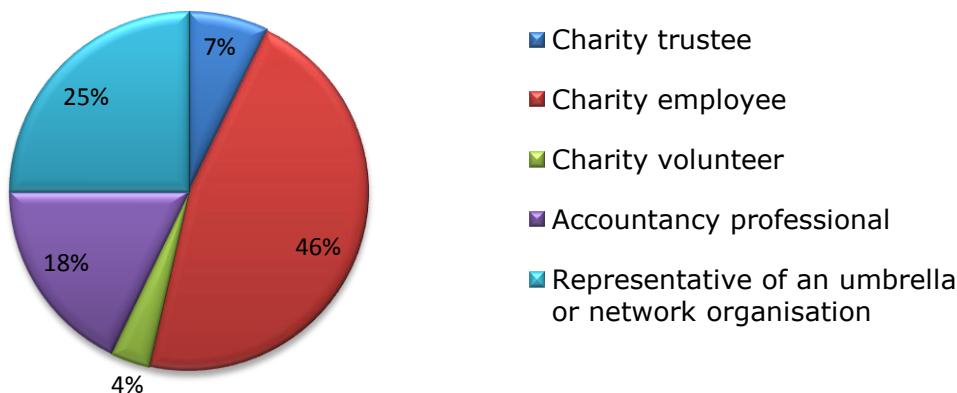
1. Completing an online questionnaire
2. Downloading, completing and returning a copy of the questionnaire either by email or by post
3. Sending comments or a written submission to the Commission
4. Attending a consultation event.

Individual and organisation responses

The Commission received 30 responses to the consultation. These came from individuals (five) as well as from organisations (25). These included seven written submissions, 22 responses via the online questionnaire, and one consultation response document submitted by email.

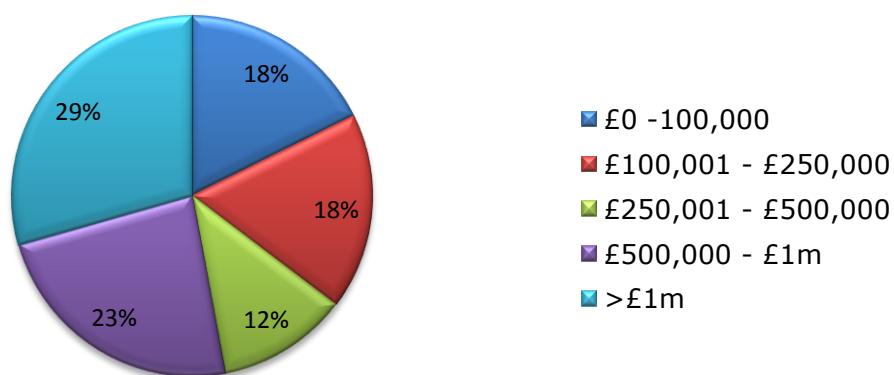
The roles held by respondents to the consultation included charity trustees, charity employees, a charity volunteer, and accountancy or legal professionals and representatives from umbrella or network organisations. The breakdown is represented in the diagram below.

Figure 1: Roles of respondents



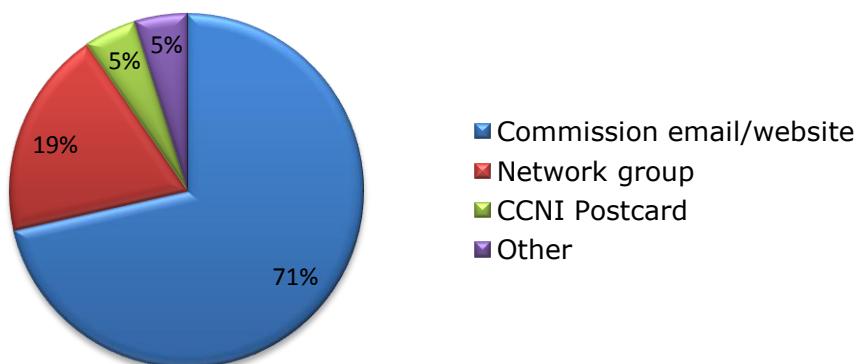
Those who responded on behalf of a charity were asked about the size and income level of the charity. As the diagram below shows, these charities represented a range of incomes with five having incomes of more than £1 million, four having an income of between £500,000 and £1 million, one with an income between £250,001 and £500,000, three with an income between £100,001 and £250,000 and two having incomes below £100,000.

Figure 2: Income band of respondent charities



Respondents had typically heard about the consultation through an email from the Commission or via the Commission's website, through an umbrella group email, or through receiving the Commission's postcard advertising the consultation.

Figure 3: How respondents heard about the consultation

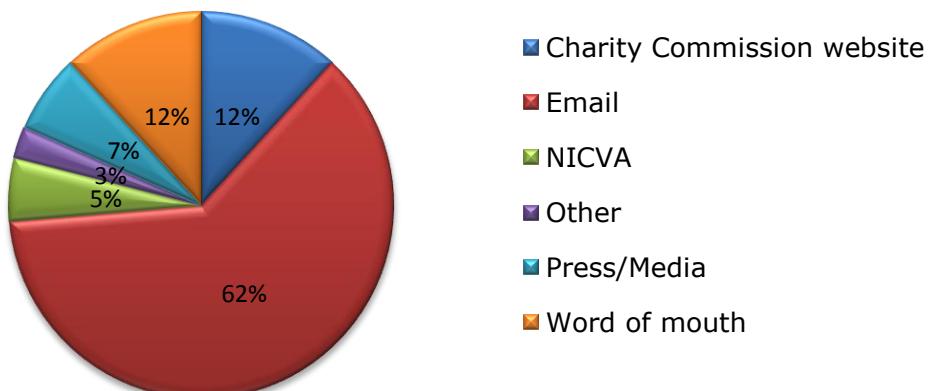


Respondents were also asked whether they had been aware of the earlier DSD consultation on the accounting and reporting regulations and whether or not they had participated in this consultation. Of those who replied to this question, two people were aware of the DSD consultation and had responded to it, six people were aware of the DSD consultation but had not responded to it, while 11 respondents had not been aware of the DSD consultation.

Event participants

111 people attended the four consultation events to provide feedback on the draft guidance. There was an even split of male and female attendees at consultation events. Attendees had heard about the consultation through a range of sources, primarily through an email sent to the Commission's consultation database but also through the Commission's website, word of mouth, from NICVA and through the wider press / media.

Figure 4: How participants heard about the consultation event which they attended



The majority of event participants (58%) indicated that they had read the guidance in advance of the event, 25% had read some or parts of the guidance, while 17% had not read the guidance in advance.

Overall feedback

The majority of respondents to the consultation agreed that, after reading the guidance, they had a very or fairly high understanding of:

- The timescale within which registered charities must submit their accounts and reports
- The income thresholds for the preparation of accounts
- The income thresholds for independent examination and audit
- The thresholds for the preparation of group accounts.

Feedback from the consultation events also reflected these views with participants commenting that the guidance was comprehensive, clear and generally well set out.

A recurring view, from consultation respondents and event participants, was that smaller charities would be more likely to struggle with the requirements and that guidance may need to be simplified further for them. While the volume of documentation was highlighted, on a number of occasions, as potentially off-putting for charities, the consensus was that the modular approach was helpful.

Participants did recommend the addition of a further document to the suite, setting out a centralised glossary of terms or 'jargon buster'. The Commission intends to implement this recommendation and will produce a 'jargon buster' alongside a set of 'frequently asked questions'.

Individual respondents, and participants at consultation events, found the use of flowcharts, tables and colour coding to be very helpful. They suggested that the documents include clear, clickable links to the other documents and guidance as appropriate. This was intended as part of the modular approach to the accounting and reporting guidance and will be implemented when the final documents are published online. While most found the examples helpful, others found the financial year rules confusing and asked for more examples to help clarify this further. The Commission recognises that the move from interim reporting to a full accounting and reporting programme can cause confusion and has used the guidance to address this.

The provision of an online tool, to indicate whether interim or full reporting is required, was affirmed as a good idea. A number of respondents, and event participants, recommended the use of various formats and media to raise awareness and spread information, for example, a YouTube video and the use of images and ‘infographics’. The Commission will use this feedback to inform the revision of the current guidance and also for future guidance development.

Several respondents asked whether the Commission would provide guidance for charities which fall under section 167 of the Charities Act. These are organisations which operate in Northern Ireland for charitable purposes but are not established under the law of Northern Ireland. This section of the Charities Act has not yet commenced. When it is, relevant guidance will be developed. At present, this is explained in the ‘about this guidance’ section of the main guidance documents.

When commenting on the income thresholds for the preparation of charity accounts, attendees at the consultation events found these to be clear. Again, concern was expressed about the ability of smaller charities to understand the rules and participants urged the Commission to raise awareness amongst this section of the charity sector in Northern Ireland.

More specific feedback on elements of the consultation is provided in the rest of this document under the following headings:

- Consultation analysis: overall summary guidance
- Consultation analysis: essentials guidance
- Consultation analysis: receipts and payments accounts and the trustees’ annual report guidance
- Consultation analysis: accruals accounts and the trustees’ annual report guidance
- Consultation analysis: public benefit reporting guidance
- Directions and guidance for independent examiners
- Participants’ feedback on the consultation experience
- Next steps.

Section 3: Consultation analysis – overall summary guidance

3.1 What we asked

We asked:

- Did this document explain the available guidance on accounting and reporting and how to find it?
- Did it make clear which guidance documents are most applicable to you?

3.2 What you told us

Individual and organisation respondents

Of the 12 respondents to the online survey who had read the summary document, 11 agreed that the document had explained what accounting and reporting guidance was available and how to find it. 10 respondents said that the summary document had made clear which guidance documents were most applicable to them. Commenting on the summary document, one respondent said this document was good, clear and easy to follow. Additionally, this guidance was reviewed by those organisations that provided written submissions.

One respondent felt the explanation of who can carry out an independent examination was not sufficient and highlighted the need to clarify what being capable means in line with the requirements of the Charities Act.

It was also highlighted that the language used to describe the threshold summary should read "Not over £250,000" rather than "Less than £250,000" and that the table where this information is presented should make clear that it covers the minimum requirements only.

One respondent suggested that the overall summary guidance could be merged with the essentials guidance in order to reduce the overall number of documents and because there was some repetition of charts.

Event participants

These findings were mirrored at the consultation events with attendees finding the document clear and positive, assisted by the colour coding, and a number referred specifically to Appendix C as particularly useful. Appendix C provides a table setting out the different income thresholds and the associated guidance for a charity falling within each threshold.

3.3 What we will do

On evaluating the range of feedback received, we intend to retain the overall summary guidance as it was generally found to be a useful introduction to the modular suite of guidance. We recognise that there is some repetition across documents and will be seeking to reduce this, where possible, before they are finalised.

We will amend the language used for identifying income thresholds and ensure consistency throughout all guidance documents.

We will also amend the summary table to ensure it is clear that it covers the minimum requirements of charity law and that charities must also consider other requirements. For example, a charity must meet the requirements set out in its governing document and any other relevant legislation or enactments. Additionally, a charity may have to meet requirements set by funders if they are to be eligible for funding.

We will produce separate guidance on independent examination that provides more detail on who is capable of carrying out an independent examination in accordance with the legislation.

Section 4: Consultation analysis – essentials guidance

4.1 What we asked

We asked:

- How would you rate the essentials document in terms of structure, format, ease of understanding, content, clearness and user friendliness?
- Does the document clearly set out the overall accounting and reporting framework – are there any gaps?
- Is there anything that works well?
- Are there any specific areas that you think could be improved?
- Would any additional glossary definitions be helpful?
- Will this guidance help charities to meet their legal obligations?

4.2 What you told us

Individual and organisation respondents

10 respondents to the online survey had read the guidance and, overall, the feedback was positive. Additionally, this guidance was reviewed by those organisations that provided written submissions. Of the respondents to the online survey, eight rated this document very or fairly positively in terms of the:

- Structure
- Format
- Ease of understanding
- Content
- Clearness
- User friendliness.

Six respondents did not feel there were any gaps in this guidance. Two respondents identified issues which were not to do with gaps in the guidance but, rather, relate to the accounting and reporting regulations themselves. These are discussed below.

Four respondents provided feedback on what worked well within the guidance. This included the flow charts, colour coding, clarity about the levels of accountability, and the section on independent examination and audit.

While six respondents to the online survey did not feel any additional glossary definitions were required, two respondents made suggestions relating to the clarity of the definition of the Charities SORP. One respondent felt that the footnotes to the tables within the guidance could be clearer.

The majority of respondents agreed that the essentials guidance would enable charities to meet their legal obligations.

One respondent commented that, to reduce the number of documents, the essentials guidance and overall summary guidance could be merged into one document.

Some specific areas of improvement were identified by the range of respondents:

- One respondent felt that the reference to changes in Northern Ireland company law requirements for charitable companies was not appropriate in this guidance and that the language used was difficult to understand.
- Expand the definition of 'connected person' and provide examples Another respondent suggested that terms used within section eight relating to the preparation of the trustees' annual report should be reviewed for consistency with terms used in the public benefit reporting documents.
- Two respondents suggested the guidance should clarify the difference between an audit required under charity law and what might be required by a funder. This is because the term 'audit' may have been used in a broad sense to cover examination.
- The glossary definition of Audit includes a reference to Part 42 of the Companies Act 2006. A link to the audit register would be helpful here as it will enable readers to verify quickly and easily if the auditor they wish to appoint is qualified to act for them. This register is updated regularly:
<http://www.auditregister.org.uk/Forms/Default.aspx>.

Finally, it was noted that, while brief information on preparing group accounts is included in the essentials guidance, the better place for this might be the accruals guidance as it is unlikely that a charity preparing receipts and payments accounts will be preparing accounts for a group.

Event participants

At events, participants provided positive feedback on this guidance whilst making constructive suggestions about how some information could be made clearer. For example, some participants suggested that, where information is included in the essentials guidance, the same information may not be needed in other guidance documents.

Participants at the consultation events found that the essentials document was useful and comprehensive, enabling the reader to skip to the sections that were most relevant to their organisation. They liked the use of flowcharts, colour coding and tables which made the information less daunting.

The guidance was referred to as 'essential' reading, setting out the key requirements for charity trustees and a useful introduction to the regulations. The key terms section was particularly welcomed by event participants. However, other attendees reported that the document was technical and not easy to digest, particularly for individuals from smaller charities.

There was a general request that the Commission provide further guidance on the appointment of, and skill set required for, independent examiners.

4.3 What we will do

- On evaluating the range of feedback received, we do not intend to merge the overall summary guidance and the essentials guidance. The majority of respondents welcomed this document as a standalone, comprehensive, overview of requirements.
- We recognise that there is some repetition across documents and will be seeking to reduce this, where possible, before they are finalised. In particular, the essentials guidance is going to retain information on external scrutiny but the same information will be removed from the receipts and payments and accruals accounts documents.

- We plan to develop a checklist to assist trustees in appointing an independent examiner and understanding 'independence'/who may be considered a 'connected person'.
- We will improve the ease with which the definition of the Charities SORP can be accessed in the glossary to this guidance. Key terms and glossary definitions will be cross checked across all documents to integrate feedback from the consultation. We will also review the footnotes in our guidance to ensure they are as clear as possible. Additionally, text within the section on the trustees' annual report will be reviewed. Generally, we will review glossary definitions throughout the documents.
- The Essentials guidance already states: "Many funding bodies require the charities they fund to have their accounts 'audited'. Charities whose gross income means they could carry out an independent examination under the accounting and reporting regulations may wish to discuss with their funding bodies what is meant by the term 'audit', and whether or not external scrutiny by an independent examiner as required under the accounting and reporting regulations would be sufficient."
- We plan to retain the section on the changes in Northern Ireland company law, which arise from the accounting and reporting regulations, as the Commission receives numerous queries regarding this specific piece of legislation. However, we will revise the language to make it easier to understand.
- On the issues which were raised that relate to the regulations themselves, rather than to the guidance, we will pass these on to the Department for Communities. The issues relate to how the regulations apply to voluntary grammar schools and a suggestion to expand the list of professional bodies of independent examiners to include Accounting Technicians Ireland.

Section 5: Consultation analysis - receipts and payments accounts and the trustees' annual report guidance

5.1 What we asked

We asked:

- Are there any gaps in the guidance?
- Is there anything that you think works well?
- Are there any specific areas that you think could be improved?
- Would any additional glossary definitions be helpful?
- Will this guidance enable charities to meet their legal obligations?

5.2 What you told us

Individual and organisation respondents

Seven respondents to the online survey indicated that they had read the receipts and payments guidance document and offered feedback on various aspects of the document. Additionally, this guidance was reviewed by those organisations that provided written submissions. Of the respondents to the online survey, six rated the document very or fairly positively in terms of the:

- Structure
- Format
- Ease of understanding
- Content
- Clearness
- User friendliness.

Five of the respondents to the online survey who had read the receipts and payments guidance did not identify any gaps.

Respondents referred particularly to the checklist and section 5 of the guidance, which sets out what must be in the receipts and payments accounts, as working well. Respondents agreed that the receipts and payments guidance would enable charities to meet their legal obligations.

Two respondents thought there were specific areas to be improved. The Commission was asked to provide a fuller definition of gross income, for exemption and accounting purposes, and to ensure that the definition

used in this document matched that in the glossary of the essentials document. It was also brought to the Commission's attention that 'cashflow statements' is listed in the glossary but not in the document itself. One respondent considered that, even with the guidance, small charities preparing receipts and payments accounts for the first time will find it difficult to meet their legal obligations, particularly in their first year of reporting.

One respondent commented on the need for template receipts and payments accounts and further guidance on the content and layout of the statement of assets and liabilities. A pro forma template for receipts and payments accounts and a statement of assets and liabilities is already provided on the Commission's website.

Event participants

Feedback from participants at consultation events was positive, particularly regarding the use of flowcharts and tables. However, there was some concern that parts of this guidance were repeated in the essentials guidance and that this lengthened the amount of information provided.

At each of the events held, a number of participants suggested that the information on the trustees' annual report would be more useful in a separate document, combined with guidance on public benefit reporting.

Some participants requested the inclusion of an example 'statement of assets and liabilities' within the receipts and payments guidance.

A number of participants requested that a template trustees' annual report, and further examples, be provided and suggested that this would be particularly useful for smaller charities.

5.3 What we will do

- We plan to separate out the guidance on preparing the trustees' annual report from this guidance and combine it with information on public benefit reporting. Additionally, we will remove the information on external scrutiny which is already contained within the essentials guidance. This will reduce the document size significantly.

- We will work to provide useful examples of a statement of assets and liabilities for inclusion in the guidance.
- We recognise that the definition of gross income is complex, and will look at adding some examples to assist the reader in understanding what is meant.
- It is difficult to provide a template trustees' annual report as this report will be specific to individual charities. Additionally, the requirements of the trustees' annual report are different for charities that must follow the requirements of the Charities SORP. We will, however, provide a generic set of key headings, in the form of a checklist, applicable for small, non-company charities. In the future, we will look at providing templates once we have received and assessed trustees' annual reports submitted by charities. In the meantime, resources on the website of the Charity Commission for England and Wales may be signposted to.
- We will keep the guidance documents under review and, where possible, use experience from annual reporting by charities to incorporate learning into the guidance.

Section 6: Consultation analysis - accruals accounts and the trustees' annual report guidance

6.1 What we asked

Consultation participants were asked:

- Are there any gaps in the guidance?
- Is there anything that you think works well?
- Are there any specific areas that you think could be improved?
- Will this guidance enable charities to meet their legal obligations?

6.2 What you told us

Individual and organisation respondents

Seven respondents to the online survey indicated that they had read the accruals and trustees' annual report guidance document and offered feedback on various aspects of the document. All of the respondents rated the document very or fairly positively in terms of the:

- Structure
- Format
- Ease of understanding
- Content
- Clearness
- User friendliness.

Additionally, this guidance was reviewed by those organisations that provided written submissions.

Five of the respondents to the online questionnaire did not identify any specific improvements which could be made to the accruals guidance, while the others asked for more tables and pictures to break up the text. Similarly to the feedback from participants at consultation events, one respondent also suggested that the Commission remove the trustees' annual report from this guidance and include it in a separate document with the public benefit guidance. One respondent suggested the inclusion of a detailed checklist of contents for the trustees' annual report.

None of the respondents felt that any additional glossary definitions were required. There was, however, a view expressed that the glossary should not replicate definitions from the SORP but, instead, refer trustees to the SORP definitions.

Six respondents who had read the accruals guidance thought the guidance would enable charities to meet their legal obligations. One respondent felt that they were unable to assess that at this time.

One respondent suggested that the title of the document should be amended as it does not tell the reader how accruals accounts should be prepared but, rather, is a high level guidance document aimed at those preparing accruals accounts and a trustees' annual report.

Event participants

As with the receipts and payments guidance document, feedback from participants at consultation events was broadly positive. There was a related concern that parts of this guidance were repeated in the essentials guidance and that this lengthened the amount of information provided. At each of the events held, a number of participants suggested that the information on the trustees' annual report would be more useful in a separate document, combined with guidance on public benefit reporting.

One participant commented that the use of the term 'revoking' in relation to the provisions of the Companies Act that no longer apply to charities in Northern Ireland was confusing and did not use 'plain English'.

6.3 What we will do

- We plan to separate out the guidance on preparing the trustees' annual report from this guidance and combine it with information on public benefit reporting. Additionally, we will remove the information on external scrutiny which is already contained within the essentials guidance.
- We will also look at providing further clarity for charities that may have an income which is close to the threshold for preparing accruals accounts.
- We will review the glossary definitions to identify what definitions it is appropriate to include and where we should signpost to the Charities SORP.

Section 7: Consultation analysis - public benefit reporting guidance

7.1 What we asked

Consultation participants were asked:

- Are there any gaps in the guidance?
- Is there anything that you think works well?
- Are there any specific areas that you think could be improved?
- Will this guidance enable charities to meet their legal obligations?
- Does the guidance provide enough information to help charities understand their legal requirement to report on public benefit?
- Is it clear that the public benefit guidance is being updated? Is this the right place for this guidance?

7.2 What you told us

Individual and organisation respondents

Respondents provided positive feedback on this guidance document. They referred to several things that worked well in this guidance, including clarity on what constitutes public benefit, the checklist, and examples. A number of respondents suggested that more examples should be provided by the Commission.

Most respondents who had read this guidance were clear that the public benefit guidance was being updated and felt that this was the right place to provide guidance on public benefit.

Respondents broadly agreed that this guidance would enable them to meet their legal obligations, however, they found phrases such as 'mitigating harm' and 'incidental private benefit' difficult to understand and suggested that these could be included in the glossary, along with definitions of output, outcome and impact.

It was suggested that it be made clearer, perhaps in the title of the document, that this guidance is for the trustees of all charities, regardless of their size.

Additionally, it was suggested that the examples contained within this guidance could be 'followed through' to demonstrate how a sample organisation might respond to each section in turn.

Finally, there was a suggestion that the guidance be strengthened to remind trustees that they must be able to show that they have had regard to the guidance on public benefit, rather than simply being aware of it.

Event participants

Feedback at events was similarly positive, particularly regarding the checklist and the use of examples. Several participants suggested that the Commission provide sample trustees' annual reports on the website with information on public benefit reporting.

At the consultation events, a number of participants commented that the public benefit guidance could, more helpfully, be incorporated into a separate guidance document with information on preparing the trustees' annual report.

Participants at events recommended the inclusion of additional examples to explain how charities can report on 'harm' and 'private benefit'.

7.3 What we will do

- We plan to include this guidance both within the public benefit statutory guidance and within separate guidance on preparing a trustees' annual report. The importance of the public benefit statutory guidance, as a mandatory reference document for trustees, will be emphasised.
- We will make clearer reference to existing guidance on the concepts of 'harm' and 'private benefit'.
- We will, in the future, look at producing a template or sample trustees' annual reports.

Section 8: Feedback on the suite of guidance as a whole

We also sought the views of participants on the suite of guidance as a whole.

8.1 What we asked

- What, if anything, did you find most useful in the suite of guidance?
- What, if anything, did you find least helpful in the suite of guidance?
- Is there any additional guidance needed?
- Please provide any other comments or suggestions relating to the guidance.

8.2 What you told us

Individual and organisation respondents

Respondents reported that, overall, the guidance was useful and clear. Most helpful to respondents was clarity on what to include in the accounts, the definition of public benefit, and the gross income thresholds which would require external scrutiny. Least helpful to respondents were the areas of duplication in the guidance.

One respondent suggested that the Commission should not use the term “unincorporated charity” to refer to those charities whose accounts are not subject to company law as the use of this term within the guidance may cause difficulties and confusion. This may be particularly relevant for Industrial and Provident Societies (IPSs) and charities incorporated by an Act of Parliament or Royal Charter. These organisations are incorporated but not exempt from the requirements of s64 (7) of the Charities Act which applies only to companies within the meaning of company law.

A number of respondents felt that it would be helpful to have a separate document on the trustees’ annual report, giving a step by step guide to preparing this report, and highlighting that this is a key piece of guidance for trustees who are responsible for preparing the report.

Other suggestions were that specific guidance be provided for smaller charities while others wanted additional guidance on the SORP and FRS 102. One respondent queried whether the Commission will compile and hold a list of independent examiners.

We are aware that a number of respondents referred to situations where a charity’s income may fluctuate and they may move in or out of thresholds. The Commission fed into the Department for Social Development’s working party group for the development of the

accounting and reporting regulations and explored a number of options for addressing this, however, there was no legal remedy and charities will be required to prepare accounts and meet scrutiny requirements based on their income in the relevant year.

Finally, we noted one concern that young person led organisations, and young volunteers, may have difficulty engaging with the formal structure and language of the guidance.

Event participants

At consultation events, participants were generally very positive and constructive about the suite of draft guidance. Some concerns were expressed about the potential impact on very small charities.

Participants also commented on the importance of publicising the requirements, particularly amongst smaller charities, who may not yet be aware of what they will need to do on an annual basis.

8.3 What we will do

As noted elsewhere in this report, we intend to separate out guidance on the preparation of the trustees' annual report and combine it with guidance on public benefit reporting.

The Commission will not be providing a list of independent examiners, however, we can provide links within the guidance to the websites of those professional bodies to which independent examiners may be affiliated. The guidance will be a tool to assist charity trustees in identifying an appropriate independent examiner for their charity.

We will review the use of the term "unincorporated charity" within the guidance to ensure clarity for stakeholders.

We recognise that the new regulations will result in work for charities that are required to prepare compliant accounts and reports. The guidance is intended, however, to assist charities of all sizes to meet the requirements. We will be continuing to use a range of avenues to publicise the guidance that is available and raise awareness of the requirements. This will include working with the range of helper group organisations across Northern Ireland.

Section 9: Directions and guidance for independent examiners

The Commission published draft Directions for independent examiners within the consultation document for the accounting and reporting guidance consultation. Respondents were invited to provide comments on the draft Directions. In addition, the Directions, and draft guidance, were shared with a panel of experts to review and provide feedback at an event held in March 2016.

Individual and organisation respondents

Respondents welcomed the inclusion of the proposed Directions in the consultation document. There were few comments on the specific Directions themselves, but feedback included:

- Review the wording of some Directions where the wording is different to that used by the Charity Commission for England and Wales (CCEW)
- Address, in the guidance, the length of tenure of an independent examiner
- Make the titles of a number of the Directions clearer or more explicit regarding what the Directions requires
- With reference to Direction one: include a clause requiring the examiner to confirm that the governing document of the charity whose accounts they are examining do not require an audit or the preparation of 'true and fair' accounts
- With reference to Direction seven: include wording to ensure that the form and content also complies with the governing document
- There appears to be duplication with Direction 1(iii) and Direction 7 regarding the format of accounts
- With reference to Direction nine: apply this Direction to charities that prepare receipts and payments accounts as well as to those that prepare accruals accounts.

Expert panel

The expert panel event was very useful in giving the Commission an opportunity to hear from practitioners, independent examiners and accountancy professionals. There was broad support for the Directions and the accompanying guidance. Feedback was positive and constructive

indicating a high level of engagement with the proposed Directions and draft guidance. The panel discussed potential gaps in the suite of Directions, and identified a number of areas where existing Directions could be strengthened.

The potential gaps for discussion included consideration of whether an independent examiner should be required to:

- document their independence
- consider related party transactions/conflicts of interest and review the accounts for relevant disclosures (where applicable)
- conduct a going concern or financial sustainability assessment.

There was some concern that additional Directions could make independent examinations more onerous than they are intended to be.

There was a strong consensus that any assessment of going concern/financial sustainability was going outside the remit of independent examination given that it would require a more rigorous examination akin to an audit to be able to form this opinion.

Having considered the concerns raised by participants on the assessment of going concern/financial sustainability, we will not include this assessment in the Directions. The Commission has, however, decided to include an additional Direction to cover the consideration of the examiner's independence as part of any review. The requirement for an examiner to be independent is a legislative one, therefore, this consideration should not create an additional requirement during the examination. The Commission will also include a Direction on the disclosure and management of related parties and conflicts of interest when identified by the examiner.

Some additional guidance was sought on a number of the Directions, in particular, Direction ten. Additionally, a clearer statement was sought on what the consequences would be where an independent examiner does not follow the Directions when undertaking an examination.

The Commission will issue the Directions and guidance for independent examiners on applying the Directions in the summer of 2016. We will also include guidance for charity trustees on the appointment of an independent examiner for their accounts in new *Charity accounting and reporting: essentials guidance*. This guidance will include a template letter of appointment.

Section 10: Participants' feedback on the consultation events

Logistics such as venue and timing are key factors in a person's decision whether or not to take part in a consultation. The Commission gathers feedback on these and other features when holding events.

Participants were encouraged to assess the:

- accessibility of the event
- content and delivery of the sessions
- length and timing of events
- venue and facilities.

Feedback from attendees at consultation events was very positive as highlighted in the table below. A significant majority of participants rated each aspect of the consultation events as excellent or good.

	Rated 'excellent' or 'good' (%)
Accessibility of events	88
Content and delivery of the sessions	96
Length and timing of events	86
Venue and facilities	93

We will take any constructive feedback that we received on board when planning future consultation events.

Section 11: Next steps

Feedback received during the consultation has been reviewed by the Commission. The feedback is being used to amend and update the final version of the suite of guidance.

This finalised guidance will be published on the Commission's website in the summer of 2016. Consultees will be informed by email that the finalised version of the guidance is available.

Additionally, the Commission will be planning activities to raise awareness of the guidance, and the regulations, going forward.

Appendix 1: Consultation participants

Below is a list of participating organisations. Note that a number of respondents chose to remain anonymous therefore their details are not listed below.

Association of Charity Independent Examiners

Charity Law Association

Chartered Accountants Ireland

Diocese of Dromore

Early Years

Garryduff Primary School PTA

Institute of Chartered Accountants in England and Wales

Northern Ireland Council for Voluntary Action

TB Millar & Co

The Resource Centre, Derry

Volunteer Now

Youthnet

An expert panel, hosted by QUB Management School, was convened on 23 March 2016, to discuss draft Directions and guidance for Independent Examiners.