



CHARITY COMMISSION  
FOR ENGLAND AND WALES

The **Charity**  
**Commission**  
for Northern Ireland

**OSCR**  
Scottish Charity Regulator

# Guidance for Independent Examiners during Covid-19 pandemic or in a time of national emergency

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## Executive Summary

This guidance is to assist Independent Examiners with some of the considerations that may arise due to the impact of the COVID-19 virus. It has been issued jointly by the UK Charity Regulators.

The guidance considers the following areas

- **Impact of COVID-19 restrictions on access to records**  
Examiners must consider how they will access records which will allow them to properly undertake their examination. They may need to rely on electronic means and this may take additional time. Examiners will need to consider the implications when they accept new engagements in this period and how they will access the required information.
- **Access to those in management and control of the charity**  
In the absence of physical meetings with those in management and control, examiners will need to consider how they can access both trustees and key personnel within the charity to obtain the explanations and information needed to complete the examination. Greater reliance may need to be placed on verbal or written assurances received. The examiner should ensure that these conversations or assurances are fully documented.
- **Risk factors**  
COVID-19 may have a number of implications on the operations of the charity and the accounts which are being considered. The examiner will need to pay close attention to the following areas:
  - Any change in spending to assist with operational difficulties posed by COVID-19 and how this fits with the charity's purposes
  - Restricted funds being used incorrectly
  - Difficulty in maintaining financial controls due to the circumstances
  - The risk of misstatement in the accounts if a charity has not allowed for all financial obligations
  - Correct inclusion of COVID-19 related events subsequent to the year-end
  - Going concern issues due to the impact of COVID-19 on the charity's finances.
- **Implications for the Examiner's Report**  
Examiners will need to consider the impact on the conduct of their examination and on the charity and decide whether there are any matters that require reporting in their Independent Examiner's report.
- **Sign off and filing of accounts**  
Examiners will need to consider whether they are able to complete their examination at this time.

## Status of this guidance

Due to the exceptional current circumstances, the UK charity Regulators are issuing joint guidance on the independent examination implications that may arise from the measures being put in place to contain the impact of the COVID-19 virus. The UK charity Regulators are the [Charity Commission for Northern Ireland](#), [the Charity Commission for England and Wales](#) and [the Scottish Charity Regulator](#).

This guidance does not replace the guidance to independent examiners issued by each of the Regulators, but is intended to supplement it in these unprecedented times.

In addition to this guidance, you should also refer to the specific COVID-19 advice issued by each Regulator.

Auditors should refer to the [COVID-19 Bulletin](#) issued by the Financial Reporting Council.

## Consider the impact of the control measures in preparing for the independent examination

The regulations require the independent examiner to report on specific matters in their report and so the initial step is to consider how the restrictions on travel and face-to-face meetings may affect the work done on these matters:

- Accounting records kept
- Accounts are compliant with the applicable law (and where appropriate, the SORP)
- Other matters required for a proper understanding of the accounts to be reached.

The examiner must also consider the impact on their ability to comply with any Directions or similar guidance issued by the charity Regulator which they must follow when carrying out their examination.

## Acceptance of new engagements

Where a new independent examination engagement is accepted during this period, there will be additional issues to consider, as the examiner may not have a prior knowledge of the trustees or the charity in their role as examiner. Although viewing the trustees' annual report and accounts for the preceding year may offer some context particularly if these have been examined or audited, there are greater practical difficulties if the

examiner is unable to have physical access to the records, accounts related documentation, trustee minutes and papers for trustee meetings.

Where possible the examiner should obtain clearance from a previous independent examiner or auditor (if applicable) to gain access to previous records and papers to do with the scrutiny they carried out and any concerns that they identified. Obtaining this information may require additional time.

If possible discuss with the previous auditor or examiner who all the trustees or staff involved with the charity are, the systems the charity uses and the records that the charity keeps as this will assist in planning the examination. It will also provide additional evidence against which to assess the information and explanations provided by the charity's trustees and, where appropriate, staff.

Examiners accepting new engagements will need to consider how they can do their examination work. If timescales allow they may need to undertake some of the work at an initial stage and physically verify other areas or documentation later. If timescales do not allow for this, they may need to consider implications which these limitations will have on the examiner's report.

Examiners need to ensure that they properly record their planning of a new engagement, this should highlight any potential limitations in relation to the engagement.

## **Work undertaken on existing engagements**

Where the examiner has existing knowledge of the charity, it may be that they can place more reliance on verbal assurances from the charity's trustees and staff. They will have knowledge of the accounting records maintained by the charity and will be able to judge whether these are adequate.

In some instances the examiner may also provide some accountancy services to the charity, this will give them a greater knowledge of the charity's records, accounting systems and activities. Examiners should use their existing knowledge to determine how far they can rely on verbal assurances alone and the degree to which verbal assurances remove the need for additional verification against documentary evidence and the reliance that can be placed upon the explanations provided by trustees and charity staff. Examiners will need to exercise judgement in these areas and document these considerations in their own record of their examination.

## **Access to those in management and control of the charity**

It may not be possible at a time of a national emergency to hold meetings in person with those in management and control of the charity (the charity trustees) and so examiners will need to consider the options for how they can hold these discussions. There are many electronic platforms which allow for online meetings or conference calls and these should be considered when meeting with the trustee body as a group or on a one to one basis.

It is important that the examiner maintains records of any conversations held with trustees of the charity. When seeking assurances or explanations for items in the accounts it may be appropriate to do this by email communication so there is evidence for the independent examination file or to confirm the examiner's understanding of the verbal assurances given by email.

In some larger charities, independent examiners may also need to contact staff for assurances over transactions and controls. They will need to give consideration as to how this can be coordinated through the charity trustees. In situations where staff are furloughed or absent due to illness it may be very difficult to obtain the necessary information, this may have an impact on the conclusions that the examiner is able to reach and implications for the examiner's report.

## **Impact of COVID-19 restrictions on access to accounting records**

The independent examiner must be able to obtain sufficient information and explanations to be able to draw conclusions regarding the accounting records maintained by the charity and whether the accounts accord with those records.

The current social distancing requirements may make it difficult for examiners to gain access to physical documents in the usual way; the examiner will therefore need to consider the impact that this may have on their work. Where the examiner has previous knowledge of the charity, it may be possible to rely on verbal or written confirmations from the trustees that the approach to maintaining records is unchanged or if improvements were required that the trustees can explain what they have done to improve record keeping.

Examiners should also need to consider whether there are other ways for them to obtain sufficient access to the charity's records. This might include employing a greater use of technology. For example, if the records are maintained electronically it may be possible for these to be shared with the examiner by electronic means. Examiners may be able to ask the charity for copies of key documentation or sample invoices to be scanned and emailed to them.

Examiners should consider this fully in their planning. It may be that more time will be required to access to systems and documentation. Examiners should ensure that they are documenting the impact of COVID-19 on their examination at each stage in their work. This should include:

- how they plan to access records and information
- arrangements for communicating with the charity trustees, members of charity staff or volunteers
- any changes in the approach to the examination including greater reliance on written or verbal assurances
- the impact on timescales.

## **Risk factors**

There are a number of risk factors which examiners must be aware of during this period, including risks that may affect the completion of an examination and those that may arise during the examination.

### **Risks to completion of an examination**

During this period, examiners may have to rely more upon verbal assurances and electronic information to allow them to complete their examination. Where the examiner is aware that records in the past have been unsatisfactory then it would not be appropriate to place reliance on assurances without a thorough checking of the records.

There may be other indicators that additional work will be required such as:

- late filing
- previous and ongoing regulatory action
- previous financial concerns.

These may prevent an examiner being able to rely so much on electronic means and assurances.

The examiner should consider what comments to make, if any, on the impact of the national emergency on how they carried out the examination in their independent examiner's report. This should include noting any matters where additional documentary assurance was desirable but could not be obtained and so instead they have relied wholly on the verbal assurance(s) given.

Please note that the UK Charity Regulators have advised that there is no need to report a [matter of material significance](#) to the charity Regulator if the matter is wholly to do with the effect of a national emergency on how the examination was carried out.

## Additional risks which may arise during the examination

There are a number of additional risks that the examiner must be aware of in the context of COVID-19 or similar national emergency that may have an impact on the accounts they are examining:

- **Spending out with purposes** – many charities may feel obliged to help with the COVID-19 effort and those affected by COVID-19. It is important to remember however that many charities will not be able to do so within their current purposes. When examining accounts which relate to the COVID-19 period examiners must pay particular attention to the charity's activities and consider how they relate to the charity's purposes. Donors may have agreed to a variation in purpose and, in some jurisdictions, the charity Regulator may have powers to assist in varying purposes and so the examiner should see if any required consent was obtained.
- **Restricted funds** – in times of financial need charities may find it difficult to meet expenditure from their unrestricted funding streams. Whilst we understand that charities are under pressure to meet their financial obligations, restricted funds should not be used to meet general expenditure. Examiners should take care to ensure that charities are not incorrectly spending restricted funding.
- **Controls** – it may be difficult during this period for charities to maintain the use of their financial controls correctly. Staff may be limited and it may be difficult for expenditure to be fully checked and approved. Whilst we would expect charities to take a pragmatic approach in these circumstances there should still be a sufficient level of control and oversight. Examiners should consider the implications for the expenditure and income reported in the accounts and the risk



of fraud or material misstatement.

- **Misstatement** – it may be that the current climate leads to a misstatement or omission within the accounts. Charities may not be fully aware of financial commitments due to COVID-19 and if accounts are prepared in accordance with the SORP a charity should have made adequate provisions for such obligations.
- **Subsequent events** – depending on the year end of the charity there may be subsequent events relating to COVID-19 that impact on the financial position of the charity and may need to be disclosed in the accounts to enable a reader to understand the financial position of the charity properly. This is required by the SORP for post balance sheet events with the accounts changed for 'adjusting events'. Examiners will need to carefully consider what evidence will be required in relation to disclosure of such events and any adjustments made as a result.

### Going concern (fully accrued accounts prepared under the SORP)

Going concern assessments may be significantly affected by current circumstances. It is likely that due to the current uncertainty more work may be required in this area. Under current [Charity SORP requirements](#) the charity trustees are required to make their own assessment of their charity's ability to continue operating as a going concern. They should take into account all information about the future for at least, but not limited to, 12 months from the date the accounts are approved.

In the current climate, it may be difficult for many charities to make a confident assessment of going concern. Many charities will be closed and there is no clear indication of when they may be able to resume services again. Other charities may have additional requirements for services that may affect their cash flows and for some, funding may be uncertain.

Examiners should carefully review any conclusions drawn by the trustees in relation to going concern. They should fully consider the information available to them in relation to the charity's specific circumstances and the information known regarding assistance that may be provided by the UK Government, such as contributions towards paying salaries for furloughed staff, as this may have an impact on going concern assessments.

Given the level of uncertainty, it is likely that more independent examiners will include a comment as a matter necessary for a proper



understanding of the accounts to be reached in connection with going concern in the examiner's report.

## **Implications for the Independent Examiner's report**

The examiner will need to carefully consider if there are implications for their report during this period. These are likely to be in relation to the work that it is possible to carry out and the assessment of future financial viability.

It may be that the examiner has to include a comment within their report due to limitations on the evidence available to them or some other reason.

The examiner should fully record decisions made in relation to their report. Any comment made in their report should be fully documented and discussed with the charity trustees. It may be that additional time may be required to allow for these discussions.

As in normal circumstances, examiners should clearly document any matters to be reported as a matter of material significance or as a relevant matter to the charity Regulator. Where the decision is taken not to report matters to the Regulator due to these being matters arising due to COVID-19 this should also be documented.

## **Sign off and filing of accounts**

The current position may affect the completion of an independent examination because:

- The examiner may not be able to gain all the information to complete their examination. Due to the social distancing measures, independent examiners may find that they are just not able to access the information they need to undertake their work. If a charity retains manual records, or cannot access records due to premises being closed, it might just not be possible to complete the assignment or the examiner will need to identify those matters where the required evidence could not be obtained; for example the examiner was unable to confirm that proper accounting records were kept.
- The examiner may be able to complete their examination but the trustees may not be able to hold an AGM to approve the accounts. Whilst the Regulators have issued statements saying that meetings can be held electronically, it may be that the charity does not have the means to do this and this will pose a difficulty where the trustees'

annual report and accounts have to be approved at an AGM before the examiner can sign and date their own report.

Where it is not possible to complete the examination then this might result in late filing for the charity. The Regulators have issued statements stating that there will be a proportionate approach undertaken to late filings during this period. Where the filing will be late, the charity's trustees should refer to the Regulator's website for further information.

In relation to signing the accounts and trustees' annual report, a charity's governing document may have specific requirements about using handwritten or electronic signatures. If it does not, signatures on balance sheets and trustees' annual reports do not have to be "wet ink" or handwritten. Electronic signatures can be used, for example, typed signatures or electronic versions of a handwritten signature (for example a scanned version of a handwritten signature). This also applies to the signature on the independent examiner's report.

The above position applies to both the version of the report and accounts that the trustee, other person, or independent examiner signs and keeps, and the copy that is filed with the Commission. Please note that the Commission's electronic annual return service requires that the report and accounts are uploaded in pdf format.

- [Charity Commission for England and Wales](#)
- [Scottish Charity Regulator](#)
- [Charity Commission for Northern Ireland](#)