

# INDEPENDENT EXAMINATION (revised 03/10)

## Main Points:

- when an independent examination is required (37)
- choosing an independent examiner (38)
- the independent examiner's task (39)

## 37 When an independent examination is required

It may be helpful at this stage to remind managing trustees that these principles apply to circuits and Districts, and any other Methodist charity, as well as to local churches.

*Churches with total income or expenditure in excess of £250,000 must prepare their accounts on an accruals basis and must appoint an examiner with appropriate qualifications.*

An independent examination is a form of scrutiny that provides assurance that nothing is amiss, while an audit is concerned with gathering evidence that a true and fair view is shown in the accounts.

## 38 Choosing an independent examiner

The Charities Act 2006 [section 43 (3) (a)] describes an independent examiner as "an **independent** person who is reasonably believed by the trustees to have the requisite **ability** and practical **experience** to carry out a competent examination of the accounts". The church council as managing trustees have the responsibility of appointing the examiner.

### Independence

To be considered independent the examiner must have no connection with the church council that might appear to prevent an impartial examination of the accounts.

For example:

#### An independent examiner must not be:

1. A member of the church council or any of its sub committees.
2. An employee or person who receives benefit or support from the church council.
3. A close relative, business partner or employee of any of the above.
4. A major donor to the church.

### Ability and experience

The church council should satisfy itself that a prospective examiner has the ability and practical experience relevant to the examination of Methodist church accounts.

Where managing trustees are unable to find a suitable person arrangements can often be made with a suitable officer from another church, circuit or denomination

### Receipts and Payments basis

The majority of churches whose gross income or expenditure does not exceed £250,000 will choose to prepare their accounts using the receipts and payments basis. Smaller churches may find it appropriate, and sufficient, to appoint as independent examiner a person with basic bookkeeping skills while for larger churches an appropriate examiner must be someone with the appropriate qualifications.

### Accruals basis

Churches with gross income or expenditure in excess of £250,000 should prepare their accounts using the Accruals basis, and some churches with income below £250,000 may elect to do the same. Where accounts are prepared using the Accruals basis the examiner will need to have an understanding of accounting principles and accounting standards and practice.

## 39 The independent examiner's task

The independent examiner needs to gain an understanding of the aims of the church, the work in which it is engaged, and the way in which the activities of the church and the associated financial transactions are recorded.

The purpose of the examination is to gain satisfaction that

- the accounting records have been properly kept
- the transactions reflect the aims of the church
- the accounts have been prepared in accordance with the accounting records.
- the accounts comply with the accounting requirements of the Charities Acts.

**The church council should expect** that in order to carry out this work **the examiner may require access to records other than those maintained by the treasurer** such as minutes of the church council meetings or offerings records (including tax-efficient giving).